



Arif Habib Corp



**CONTRIBUTING
TO PAKISTAN'S
GROWTH**
half yearly report
31 December 2013

Arif Habib Corporation Limited

Arif Habib Group is structured around Arif Habib Corporation Limited (AHCL), a holding company that primarily manages strategic investments of the Company. Whatever we do, we do it with a clear intention to ensure that nature and environment is being taken care of; wherever we manoeuvre, we strive to help society achieve sustainable growth. Our definition of sustainability management is the integrated expansion and escalation of our economic, environmental, and social performance in a style that signifies value for all our stakeholders.

Contents

- 03 Company Information
- 05 Directors' Review Report
- 07 Auditor's Report to the Members on Review of Condensed Interim Unconsolidated Financial Information
- 08 Condensed Interim Unconsolidated Financial Information
 - 09 Condensed Interim Unconsolidated Balance Sheet
 - 11 Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)
 - 12 Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)
 - 13 Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)
 - 14 Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)
 - 15 Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)
- 26 Condensed Interim Consolidated Financial Information
 - 27 Condensed Interim Consolidated Balance Sheet
 - 29 Condensed Interim Consolidated Profit and Loss Account (Unaudited)
 - 30 Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)
 - 31 Condensed Interim Consolidated Cash Flow Statement (Unaudited)
 - 32 Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)
 - 33 Notes to the Condensed Interim Consolidated Financial Information (Unaudited)



Company Information

Board of Directors

Asadullah Khawaja
Chairman

Arif Habib
Chief Executive Officer

Sirajuddin Cassim
Independent Director

Nasim Beg
Non-Executive Director

Samad A. Habib
Non-Executive Director

Kashif A. Habib
Non-Executive Director

Muhammad Ejaz
Non-Executive Director

Chief Financial Officer & Company Secretary

Basit Habib

Audit Committee

Sirajuddin Cassim
Chairman

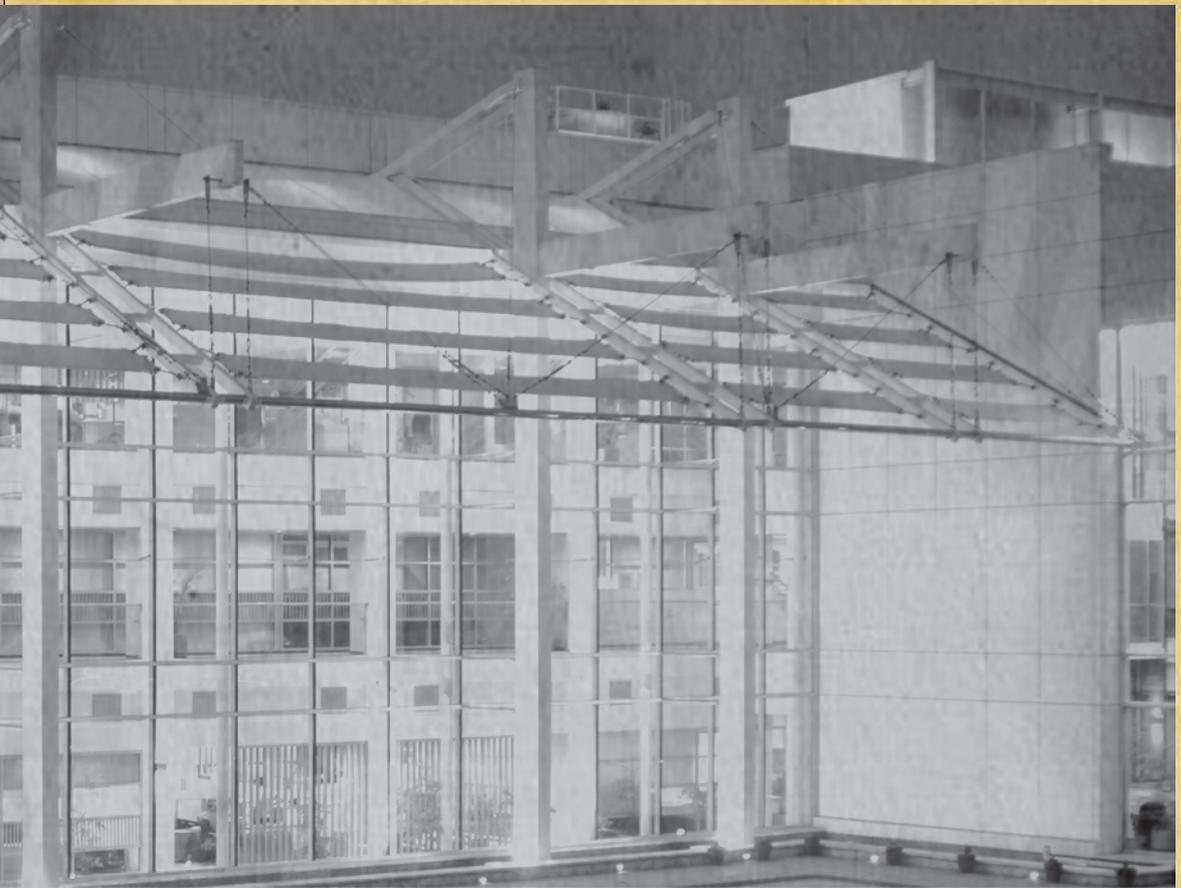
Kashif A. Habib
Member

Muhammad Ejaz
Member

Management

Arif Habib
Chief Executive Officer

Basit Habib
Chief Financial Officer



Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank AL Habib Limited
The Bank of Khyber
Barclays Bank (Pakistan) Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Sindh Bank Limited
Standard Chartered Bank (Pakistan) Limited
Soneri Bank Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Auditors

KPMG Taseer Hadi & Co., Chartered Accountants

Legal Advisors

Bawaney & Partners
Akhund Forbes

Registered & Corporate Office

Arif Habib Centre
23, M.T. Khan Road
Karachi-74000
Phone: (021)32460717-9
Fax: (021)32429653, 32468117
Email: info@arifhabibcorp.com
Company website: www.arifhabibcorp.com
Group website: www.arifhabib.com.pk

Registrar & Share Transfer Agent

Central Depository Company of Pakistan Limited

Share Registrar Department

CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi
Phone: (021) 111-111-500
Toll Free: 0800-23275
Fax: (021)-34326053
URL: www.cdcpakistan.com
Email: info@cdcpak.com

Directors' Report

Dear Shareholders

The Directors of Arif Habib Corporation Limited (AHCL) are pleased to present the Directors' report of the Company together with interim condensed unconsolidated and consolidated financial statements for the Half Year ended 31st December 2013.

Financial Results

During the half year, AHCL recorded an operating revenue of Rs.1,643.97 million, which includes dividend income of Rs.125.18 million and gain on remeasurement of investments amounting to Rs.1,231.71 million. After accounting for operating, administrative and financial expenses of Rs.139.70 million, the Company earned a profit before tax of Rs.1,453.32 million. The Company has reported an after-tax profit of Rs.1,425.27 million for the half year under review as compared to the net profit of Rs. 1,364.61 million for the corresponding half year ended 31st December 2012. This translates into earnings of Rs.3.14 per share as compared with Rs.3.01 per share in corresponding period last year.

Performance of Subsidiaries and Associates

The first half of the financial year continued to witness gas supply curtailment to the fertilizer sector, particularly on SNGPL's network, adversely affecting your Company's investment in Pakarab Fertilizers which received gas supply for just 41 days in the last 14 months leading up to the writing of this report. While winter gas load management was expected, the severity of the situation warrants serious attention of all stakeholders. On the other hand, performance of Fatima Fertilizer continues to meet management expectations.

The first half of the year also witnessed an increase in the policy rate, while coal prices also maintained an upward trend. Both of these factors had an unfavorable impact on the profitability of the cement sector. Moreover, lackluster demand meant that producers had to partially absorb incremental costs. Investment in the steel sector is still under pressure due to teething issues and contracting international margins which have prevented your Company's investment from capitalizing on improved capacity utilization.

On the financial services front, sustained resilience shown by capital markets has been instrumental in restoring investor confidence. As a result, the profitability of your Company's investments in the sector has generally improved. Progress on your Company's wind energy project has picked up pace while expansion in the dairy segment is moving ahead as planned.

Economic Review

The cracks on the external front have begun to deepen with the current account deficit clocking in at US\$ 1.59 billion during 1H FY14 against US\$ 83 million in the corresponding period of last year. Foreign exchange reserves have reduced drastically from US\$ 10.09 billion in December 2012 to US\$ 4.86 billion by December 2013. The deteriorating external front is reflected in the exchange rate as the PKR lost 5.8% of its value against the USD during the six months period under review, as against the reduction in value of 5.3% in twelve months period of FY13. Inflationary pressures have also started to build up and

CPI averaged at 8.89% during 1H FY14 against 6.47% in the preceding half.

Future Outlook

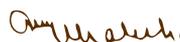
The government has shown great commitment towards implementation of key reforms necessary to stimulate Pakistan's economy and bring it back to sustainable growth. Optimal utilization of our natural resources is required to foster industrial growth – the long term gas supply plan envisaged and approved by the government is a step in the right direction. Your Company's management, with all stakeholders, remains committed to help the government in its endeavor to ensure timely implementation of an equitable and flawless long term gas supply plan. Of equal importance is to reduce the fiscal burden of public sector enterprises; the government's privatization plan will be instrumental in arresting the hemorrhage and maximizing the benefit that Pakistan's economy can generate from these assets.

Cement demand is expected to pick up post winter and, despite cost pressures, the management believes that fundamentals of the sector remain strong. Your Company's continuing strategy has been to ensure paramount positioning in key sectors and we are hopeful we can continue to meet our targets and your expectations.

Acknowledgement

We are grateful to the Company's stakeholders for their continuing confidence and patronage. We record our appreciation and thanks to our Bankers, Business Partners, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan and the managements of Karachi, Lahore, and Islamabad Stock Exchanges for their support and guidance. We acknowledge and appreciate the hard work put in by the employees of the Company during the period.

For and on behalf of the Board



Karachi
18th February 2014

Arif Habib
Chief Executive



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Independent Auditors' Report to the Members on Review of Condensed Interim Unconsolidated Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of **Arif Habib Corporation Limited** ("the Company") as at 31 December 2013, the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the six months period then ended (here-in-after referred to as the "condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim unconsolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

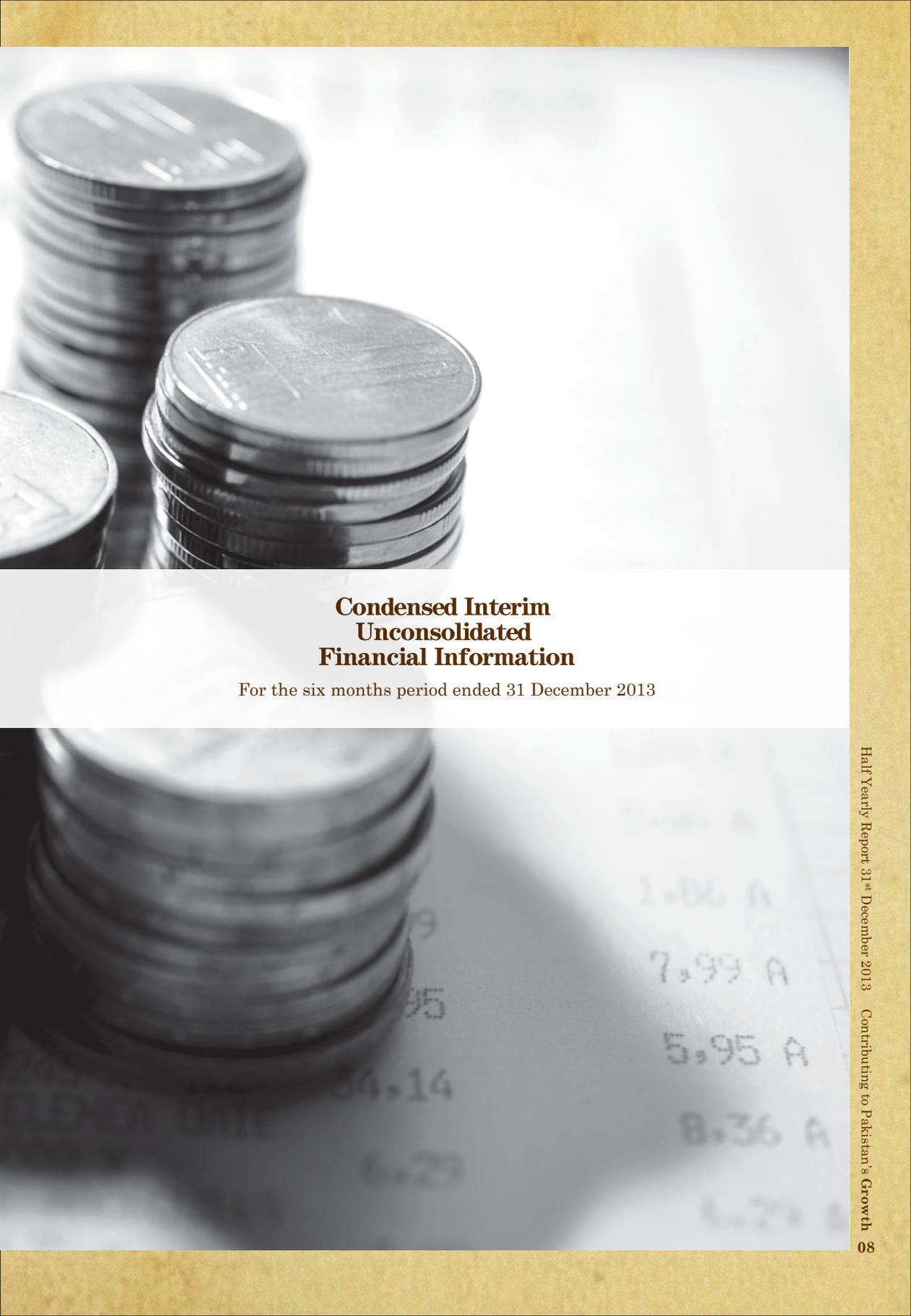
The figures for the quarter ended 31 December 2013 and 31 December 2012 in the condensed interim unconsolidated financial information have not been reviewed by us and we do not express a conclusion on them.

Date: 18th February 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



**Condensed Interim
Unconsolidated
Financial Information**

For the six months period ended 31 December 2013

Condensed Interim Unconsolidated Balance Sheet

As at 31 december 2013

Note	Unaudited December 2013	Audited June 2013
	—————(Rupees)—————	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000
Issued, subscribed and paid up share capital	4,537,500,000	4,537,500,000
Reserves	20,336,247,044	20,147,031,615
	24,873,747,044	24,684,531,615
Non-current liabilities		
Deferred taxation	2,888,172,689	2,910,445,107
Current liabilities		
Trade and other payables	1,787,665,651	835,484,461
Dividend payable	887,962,190	-
Interest / mark-up accrued on borrowings	52,227,236	64,734,006
Short term borrowings	2,088,750,117	649,062,344
Current maturity of long term loan	-	656,550,000
Provision for taxation	201,574,985	169,316,957
	5,018,180,179	2,375,147,768
Rupees	32,780,099,912	29,970,124,490
Contingencies and commitments	5	



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Balance Sheet

As at 31 december 2013

	Note	Unaudited December 2013	Audited June 2013
—————(Rupees)—————			
ASSETS			
Non-current assets			
Property and equipment	6	36,666,213	39,593,712
Long term investments	7	28,154,855,760	26,649,847,252
Investment property	8	1,044,048,000	-
Loan to subsidiary		-	500,000,000
Long term deposits		2,998,790	3,280,290
		29,238,568,763	27,192,721,254
Current assets			
Loans and advances	9	2,150,368,018	1,357,838,113
Prepayments		7,946,329	14,308,813
Advance tax		249,828,845	247,474,296
Markup receivable		212,631,724	130,497,326
Trade and other receivables		703,470,957	579,492,974
Short term investments		194,748,161	238,778,546
Cash and bank balances		22,537,115	97,200,299
Asset held for sale		-	111,812,869
		3,541,531,149	2,777,403,236
	Rupees	32,780,099,912	29,970,124,490

The annexed notes 1 to 15 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31 december 2013

	Note	Six months period ended		Quarter ended	
		December 2013	December 2012	December 2013	December 2012
Operating revenue	10	1,643,966,122	1,514,395,192	1,015,829,300	953,751,176
Operating and administrative expenses		(45,652,787)	(45,399,778)	(23,459,094)	(20,069,058)
Operating profit		1,598,313,335	1,468,995,414	992,370,206	933,682,118
Impairment loss on investment	7.5	(17,000,000)	-	(17,000,000)	-
Finance cost		(94,042,892)	(150,010,690)	(56,789,282)	(69,847,711)
Other charges		(34,159,539)	(600,000)	(21,555,536)	48,115
Other income - net		206,492	42,100	(54,129)	42,100
Profit before tax		1,453,317,396	1,318,426,824	896,971,259	863,924,622
Taxation	11	(28,046,969)	46,178,856	7,536,790	105,504,935
Profit after tax	Rupees	1,425,270,427	1,364,605,680	904,508,049	969,429,557
Earnings per share - basic and diluted	Rupees	3.14	3.01	1.99	2.14

The annexed notes 1 to 15 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31 december 2013

	Six months period ended		Quarter ended	
	December 2013	December 2012	December 2013	December 2012
Profit for the period	1,425,270,427	1,364,605,680	904,508,049	969,429,557
Other comprehensive income				
<i>Items that are to be reclassified subsequently to profit and loss account</i>				
Unrealised (diminution) / appreciation during the period on remeasurement of investments classified as 'available for sale'	(119,180,534)	185,578,932	(205,696,170)	87,937,258
Reclassification adjustments relating to loss / (gain) realised on disposal of investment classified as 'available for sale' - net	17,500,536	(22,933,426)	-	-
Other comprehensive income for the period	(101,679,998)	162,645,506	(205,696,170)	87,937,258
Total comprehensive income for the period Rupees	1,323,590,429	1,527,251,186	698,811,879	1,057,366,815

The annexed notes 1 to 15 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months period ended 31 december 2013

	Note	December 2013	December 2012
————— (Rupees) —————			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	111,281,332	462,237,479
Income tax paid		(20,415,908)	(70,954,012)
Finance cost paid		(106,549,662)	(158,979,879)
Dividend received		125,177,450	700,080,414
Interest received		42,701,097	4,862,476
Net cash generated from operating activities		152,194,309	937,246,477
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(91,850)	(265,090)
Proceeds from sale of property and equipment		24,001	-
Long term loan to subsidiary		500,000,000	(500,000,000)
Acquisition of long term investments		(989,797,627)	(60,007,621)
Proceeds from sale of long term investments		770,049,520	353,619,817
Acquisition of investment property		(1,044,048,000)	-
Long term deposits		281,500	(304,200)
Net cash used in from investing activities		(763,582,456)	(206,957,094)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		(656,550,000)	-
Dividend paid		(246,412,810)	(825,000,000)
Net cash out flow from financing activities		(902,962,810)	(825,000,000)
Net decrease in cash and cash equivalents		(1,514,350,957)	(94,710,617)
Cash and cash equivalents at beginning of the period		(551,862,045)	(1,674,497,962)
Cash and cash equivalents at end of the period	13 Rupees	(2,066,213,002)	(1,769,208,579)

The annexed notes 1 to 15 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31 december 2013

	Share capital Issued, subscribed and paid up	Capital reserves Unrealised (diminution) / appreciation on remeasurement of investments classified as 'available for sale'	Revenue reserves		Total reserves	Total
			General reserve	Unappropriated profit		
Balance as at 1 July 2012	4,125,000,000	(394,481,956)	4,000,000,000	16,514,500,020	20,120,018,064	24,245,018,064
Total comprehensive income for the six months period ended 31 December 2012						
Profit for the period	-	-	-	1,364,605,680	1,364,605,680	1,364,605,680
Other Comprehensive Income						
Unrealised appreciation during the period on remeasurement of investments classified as 'available for sale'	-	185,578,932	-	-	185,578,932	185,578,932
Reclassification adjustments relating to gain realised on disposal of investments classified as 'available for sale' -net	-	(22,933,426)	-	-	(22,933,426)	(22,933,426)
Other comprehensive income for the period	-	162,645,506	-	-	162,645,506	162,645,506
Transactions with owners						
Distribution: Issue of 41.25 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2012	412,500,000	-	-	(412,500,000)	(412,500,000)	-
Distribution: Final cash dividend for the year ended 30 June 2012 at the rate of Rs. 2 per share	-	-	-	(825,000,000)	(825,000,000)	(825,000,000)
	412,500,000	-	-	(1,237,500,000)	(1,237,500,000)	(825,000,000)
Balance as at 31 December 2012 Rupees	4,537,500,000	(231,836,450)	4,000,000,000	16,641,605,700	20,409,769,250	24,947,269,250
Balance as at 1 July 2013	4,537,500,000	(495,713,334)	4,000,000,000	16,642,744,949	20,147,031,615	24,684,531,615
Total comprehensive income for the six months period ended 31 December 2013						
Profit for the period	-	-	-	1,425,270,427	1,425,270,427	1,425,270,427
Other Comprehensive Income						
Unrealised diminution during the period on remeasurement of investments classified as 'available for sale'	-	(119,180,534)	-	-	(119,180,534)	(119,180,534)
Reclassification adjustments relating to loss realised on disposal of investments classified as 'available for sale' -net	-	17,500,536	-	-	17,500,536	17,500,536
Other comprehensive income for the period	-	(101,679,998)	-	-	(101,679,998)	(101,679,998)
Transactions with owners						
Distribution: Final cash dividend for the year ended 30 June 2013 at the rate of Rs. 2.5 per share	-	-	-	(1,134,375,000)	(1,134,375,000)	(1,134,375,000)
Balance as at 31 December 2013 Rupees	4,537,500,000	(597,393,332)	4,000,000,000	16,933,640,376	20,336,247,044	24,873,747,044

The annexed notes 1 to 15 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited (“the Company”) was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The principal activity of the Company is to manage strategic investments in subsidiary companies and associates engaged in Chemical, Fertilizer, Financial Services, Construction Materials, Industrial Metal, Steel and Other Sectors including investments in securities. The registered office of the Company is situated at Arif Habib Centre, 2nd Floor, 23 M. T. Khan Road, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

This condensed interim unconsolidated financial information are separate financial information of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated condensed interim financial information is prepared separately.

The Company has following long term investments:

Name of Company Subsidiaries	Shareholding
- Arif Habib Limited, a brokerage house	69.00%
- Power Cement Limited (Formerly Al-Abbas Cement Industries Limited), a cement manufacturing company	64.34%
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	100.00%
- Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited), a Sri Lankan incorporated brokerage house at Colombo Stock Exchange	59.89%
- Pakistan Private Equity Management Limited, a venture capital company	85.00%
- Sachal Energy Development (Private) Limited, a wind power generation company	99.99%
- Sweetwater Dairies Pakistan (Private) Limited, a dairy farming company	85.20%

Associates

- MCB-Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited)	30.09%
- Pakarab Fertilizers Limited	30.00%
- Fatima Fertilizer Company Limited	17.43%
- Crescent Textile Mills Limited	9.16%
- Aisha Steel Mills Limited*	35.96%
- Javedan Corporation Limited*	15.10%

Others

- Takaful Pakistan Limited	10.00%
- Khabeer Financial Services (Private) Limited	5.00%
- Sunbiz (Private) Limited	4.65%

* This represents investment in preference and ordinary shares of respective investees.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 December 2013

1.1 Change in the composition of the Group

Changes in composition of the Group during the six months period ended 31 December 2013 are summarised as under:

- the Company has sold 5,017,500 shares of Arif Habib Limited, a subsidiary of the Company, resulting in a decrease in the Company's holding from 79.03% to 69.00%.
- the Company has sold 20,000,000 shares of Power Cement Limited (Formerly Al-Abbas Cement Industries Limited), a subsidiary of the Company, resulting in a decrease in the Company's holding from 69.81% to 64.34%.
- the Company has sold 10,000,000 shares of Fatima Fertilizer Company Limited, an associate of the Company, resulting in a decrease in the Company's holding from 17.91% to 17.43%.
- the Company has sold 7,658,500 shares of Crescent Textile Mills Limited, an associate of the Company, resulting in a decrease in the Company's holding from 24.72% to 9.16%.
- the Company has purchased 12,292,280 ordinary shares of Javedan Corporation Limited (JCL), an associate of the Company, resulting in an increase in the Company's holding from 7.90% to 15.10%.
- the Company has subscribed for 1,055,862 ordinary shares of Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited) (SBPL), a Subsidiary of the Company, resulting in an increase in the Company's holding from 58.12% to 59.89%.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim unconsolidated financial information of the Company for six months period ended 31 December 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial reporting" and provisions of and directives issued under the Companies Ordinance 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim unconsolidated financial information is unaudited and subject to limited scope review by the auditors and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

This condensed interim unconsolidated financial information does not include all the information required for full financial statements and should be read in conjunction with the annual audited separate financial statements as at and for the year ended 30 June 2013.

The comparative balance sheet presented in this condensed interim unconsolidated financial information has been extracted from the annual audited separate financial statements of the Company for the year ended 30 June 2013, whereas the comparative condensed interim unconsolidated Profit and Loss Account, condensed interim unconsolidated Statement of Comprehensive Income, condensed interim unconsolidated Cash Flow statement and condensed interim unconsolidated Statement of Changes in Equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 31 December 2012.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

This condensed interim unconsolidated financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest rupee.

This condensed interim unconsolidated financial information has been prepared on the basis of a single reportable segment.

2.2 Basis of measurement

This condensed interim unconsolidated financial information has been prepared under the historical cost convention, except for investment property and certain investment classified as at fair value through profit or loss and available for sale which are measured at fair value.

2.3 Significant accounting policies

- 2.3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in preparation of annual audited financial statements for the year ended 30 June 2013 except for below accounting policy adopted during the period:

Investment Property

Investment property comprises land and building, held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the profit and loss account in the period in which they arise.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss account.

- 2.3.2 Amendments to certain existing standards and new interpretations on approved accounting standards that became effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company.

2.4 Use of estimates and judgments

The preparation of this condensed interim unconsolidated financial information in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

In preparing this condensed interim unconsolidated financial information, significant judgments were made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the annual audited separate financial statements of the Company as at and for the year ended 30 June 2013.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

3. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual audited separate financial statements of the Company as at and for the year ended 30 June 2013.

4. SHORT TERM BORROWINGS - secured

	Note		Unaudited December 2013	Audited June 2013
From banking companies				
- Short term running finance	4.1 & 4.2	Rupees	<u>2,088,750,117</u>	<u>649,062,344</u>

4.1 Short term running finance facilities are available from various commercial banks, under mark-up arrangements amounting to Rs. 3,550 million (30 June 2013: Rs. 3,830 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates upto 30 September 2014. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2013: 30% margin). These running finance facilities carry mark-up ranging from 1 month KIBOR+ 1% to 3 month KIBOR+ 2.25% per annum (30 June 2013: 1 month KIBOR+ 1% to 3 month KIBOR+ 2.5% per annum) calculated on a daily product basis, that is payable quarterly. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 1,461.250 million (30 June 2013: Rs. 3,180.938 million).

4.2 The fair value of shares of associated companies and shares held for trading pledged as collateral against short term borrowings amounts to Rs. 3,836.972 million (30 June 2013: Rs. 2,223.875 million).

5. CONTINGENCIES AND COMMITMENTS

5.1 There is no change in the status of contingencies as disclosed in the preceding annual audited separate financial statements of the Company as at 30 June 2013.

6. PROPERTY AND EQUIPMENT

Following is the cost / written down value of property and equipment that have been added / disposed off during the period:

	Six months period ended December 2013		Six months period ended December 2012	
	Additions	Disposals	Additions	Disposals
Vehicles	-	-	67,500	-
Office equipment	-	-	53,640	-
Computer and allied equipments	91,850	24,001	143,950	-
Rupees	<u>91,850</u>	<u>24,001</u>	<u>265,090</u>	<u>-</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

7. LONG TERM INVESTMENTS

	Note	Unaudited December 2013	Audited June 2013
Subsidiaries - at cost	7.1	3,058,768,442	3,351,878,288
At fair value through profit or loss	7.2	23,024,941,019	22,053,934,621
Available for sale	7.3	2,071,146,299	1,244,034,343
	Rupees	<u>28,154,855,760</u>	<u>26,649,847,252</u>

7.1	Subsidiaries - at cost	Note	Cost	Provision for Impairment	Carrying amount Unaudited December 2013	Audited June 2013
	Arif Habib Limited (AHL)		2,375,720,796	(716,627,289)	1,659,093,507	1,900,385,082
	Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) (PCL)	7.1.1	921,455,424	-	921,455,424	999,778,831
	Arif Habib DMCC (AHD) Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited) (SBPL)		29,945,898	-	29,945,898	29,945,898
	Pakistan Private Equity Management Limited (PPEML)		100,398,493	(21,598,608)	78,799,885	70,294,749
	Sachal Energy Development (Private) Limited (SEDPL)		42,500,000	(42,500,000)	-	17,000,000
	Sweetwater Dairies Pakistan (Private) Limited (SDPL)		285,000,060	-	285,000,060	250,000,060
			84,473,668	-	84,473,668	84,473,668
	Rupees		<u>3,839,494,339</u>	<u>(780,725,897)</u>	<u>3,058,768,442</u>	<u>3,351,878,288</u>

7.1.1 Before acquisition of control, PCL was classified as 'Available for sale' category in accordance with IAS 39. On control acquisition date, previously held equity interest was remeasured and the resulting fair value was made the deemed cost. Historical cost of investment is Rs. 1,436.302 million. (30 June 2013: Rs. 1,558.39 million)

7.2	At fair value through profit or loss	Cost	Unrealised appreciation / (diminution) on remeasurement of investments	Carrying amount Unaudited December 2013	Audited June 2013	
Associates:						
	MCB - Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Ltd) (MCB-AH)	7.2.1	477,694,882	(156,631,927)	321,062,955	349,226,372
	Pakarab Fertilizers Limited (PFL)		1,324,332,073	10,825,667,927	12,150,000,000	12,150,000,000
	Fatima Fertilizer Company Limited (FFCL)		4,031,814,735	6,424,978,187	10,456,792,922	9,339,412,334
	Crescent Textile Mills Limited (CTML)		107,929,218	(10,844,076)	97,085,142	215,295,915
	Rupees		<u>5,941,770,908</u>	<u>17,083,170,111</u>	<u>23,024,941,019</u>	<u>22,053,934,621</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

7.2.1 Before loss of control, MCB-AH was stated at Rs. 81.948 million which is historical cost of investment as per IAS 27. However, due to loss of control the Company has designated remaining equity interest 'at fair value through profit or loss' and accordingly fair value on the date of loss of control is considered as deemed cost.

7.3 Available for sale	Cost	Unrealised appreciation / (diminution) on remeasurement of investments	Provision for Impairment	Carrying amount	
				Unaudited December 2013	Audited June 2013
Associates:					
Aisha Steel Mills Limited (ASML)	800,082,500	(48,805,032)	-	751,277,468	723,274,580
Aisha Steel Mills Limited - convertible preference shares (ASML-PS)	427,345,747	(78,776,348)	-	348,569,399	349,441,913
Javedan Corporation Limited (JCL)	946,292,490	(146,310,908)	-	799,981,582	-
Javedan Corporation Limited- convertible preference shares (JCL-PS)	92,620,761	62,697,089	-	155,317,850	155,317,850
	<u>2,266,341,498</u>	<u>(211,195,199)</u>	<u>-</u>	<u>2,055,146,299</u>	<u>1,228,034,343</u>
Other investments:					
Takaful Pakistan Limited	30,000,000	-	(15,000,000)	15,000,000	15,000,000
Khabeer Financial Services (Private) Limited	1,000,000	-	-	1,000,000	1,000,000
Sun Biz (Private) Limited	1,000,000	-	(1,000,000)	-	-
	<u>32,000,000</u>	<u>-</u>	<u>(16,000,000)</u>	<u>16,000,000</u>	<u>16,000,000</u>
Rupees	<u>2,298,341,498</u>	<u>(211,195,199)</u>	<u>(16,000,000)</u>	<u>2,071,146,299</u>	<u>1,244,034,343</u>

7.4 Fair value of long term investments pledged with banking companies against various finance facilities amounts to Rs. 2,656.25 million (30 June 2013: Rs. 2,861.91 million).

7.5 Movement in provision for impairment	Unaudited December 2013	Audited June 2013
Opening balance	(883,949,153)	(1,013,547,974)
Provision during the period	(17,000,000)	-
Reversal during the period	104,223,256	129,598,821
Closing balance	<u>(796,725,897)</u>	<u>(883,949,153)</u>
Rupees		

8. INVESTMENT PROPERTY

During the period, management purchased certain plots from its associated concern and classified it as investment property. Management considers that the consideration paid for the purchase of underlying plots approximates its current fair value as of the balance sheet date.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

9. LOANS AND ADVANCES

	Note	Unaudited December 2013	Audited June 2013
Unsecured			
<i>Considered good</i>			
Advance for new investment	9.1	373,344,937	295,324,937
Advance for motor vehicle		7,059,930	-
Advance against salaries		1,234,325	932,581
To related parties:			
Power Cement Limited (formerly: Al-Abbas Cement Industries Limited)	9.2	325,500,000	87,500,000
Aisha Steel Mills Limited	9.3	300,000,000	-
		<u>1,007,139,192</u>	<u>383,757,518</u>
Secured			
<i>Considered good</i>			
Receivable against reverse repurchase agreement (Reverse repo)	9.4	550,155,262	200,007,031
To related Party:			
Aisha Steel Mills Limited	9.5	16,650,000	16,650,000
Javedan Corporation Limited	9.6	576,423,564	757,423,564
	Rupees	<u>2,150,368,018</u>	<u>1,357,838,113</u>

- 9.1** This represents amount paid as deposit money for acquisition of shares of a company in dairy farming industry.
- 9.2** The Company has entered into a loan agreement with said subsidiary on 24 November 2011. The loan is repayable within 30 business days of notice of demand. The mark-up rate on the said loan is 3 month KIBOR prevailing on the base rate setting date plus 2.5% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 11.53% to 11.94% (30 June 2013: 11.58% to 14.49%) per annum.
- 9.3** The Company has entered into a loan agreement with said associate on 1 July 2013. The loan is repayable within 30 business days of notice of demand. The mark-up rate on the said loan is 3 month KIBOR prevailing on the base rate setting date plus 3% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 12.02% to 12.44% (30 June 2013: 12.28% to 14.95%) per annum.
- 9.4** The Company entered into two Agreements for Purchase and Sale of Securities (Reverse repo) with financees. The effective rate between purchase and resale price is 15% per annum and 3 months KIBOR +5% respectively. The fair value of the securities as at the balance sheet date is Rs. 409.829 million and Rs. 583.100 million respectively. As per the agreements, all transaction costs relating to purchase and sale of securities shall be borne by the financees.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

9.5 The Company has entered into an agreement with said associate on 19 January 2011. Under the arrangement, the Company shall disburse loan to the associated company in one or more tranches. The loan is secured against first charge on all present and future fixed assets, accounts receivables and interest in any insurance claim and equitable mortgage of land and building. The mark-up rate on the said loan is 6 month KIBOR prevailing on the base rate setting date plus 3.25% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 12.37% (30 June 2013: 12.37% to 15.29%) per annum.

9.6 The Company has entered into an arrangement with said associate on 20 November 2010. Under the arrangement, the Company shall disburse loan to the associate company in one or more tranches on a short term basis and is secured against REIT units to be issued by the borrower to the Company in the proposed REIT scheme of the borrower which is in the process of getting permissions from Securities and Exchange Commission of Pakistan (SECP). In case where REIT Scheme is not approved by the SECP, the borrower, as an alternate shall provide a registered mortgage deed in favour of the Company over its immovable property located in Deh Manghopir and Gadap Town, Karachi, totaling 166 acres. The loan is repayable along with markup within six months of final draw down by the borrower under the arrangement.

The mark-up rate on the said loan is three months KIBOR prevailing on the base rate setting date plus 3% per annum. Mark-up is payable on a quarterly basis. The effective mark-up charged during the period was 12.03% to 12.44% (30 June 2013: 12.28% to 14.95%) per annum.

9.7 Maximum balance due from related parties is Rs. 1,579.478 million (30 June 2013: 878.223 million).

10. OPERATING REVENUE

	Six months period ended		Quarter ended	
	December 2013	December 2012	December 2013	December 2012
Dividend income	125,177,450	448,419,106	21,672,167	2,001
Markup on loans and advances	92,142,431	67,948,782	42,833,783	31,858,928
Profit on bank accounts	264,439	100,551	190,411	85,481
Income from reverse repurchase transactions	32,693,064	-	21,570,579	-
Put option fee	41,142,391	-	20,571,196	-
Gain / (loss) on sale of securities - net	120,838,328	177,046,059	(10,406,404)	(3,448,605)
Unrealised gain on remeasurement of investments - net	1,231,708,019	820,880,694	919,397,568	925,253,371
	Rupees 1,643,966,122	1,514,395,192	1,015,829,300	953,751,176

11. TAXATION

For the period				
- Current	(32,258,028)	(61,081,629)	(13,772,576)	4,032,245
- Prior year	(18,061,359)	99,826,284	1,847	99,826,284
- Deferred	22,272,418	7,434,201	21,307,519	1,646,406
	Rupees (28,046,969)	46,178,856	7,536,790	105,504,935

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

12. CASH GENERATED FROM OPERATIONS

	December 2013	December 2012
Profit before tax	1,453,317,396	1,318,426,824
Adjustments for non cash and other items		
Depreciation	2,995,348	3,528,239
Dividend income	(125,177,450)	(448,419,106)
Mark-up on loans and advances	(92,142,431)	(67,948,782)
Gain on disposal of Long term investment	(139,340,359)	(195,292,707)
Unrealised gain on remeasurement of investment	(1,231,708,019)	(820,880,694)
Income from reverse repurchase transactions	(32,693,064)	-
Workers' Welfare fund	29,659,539	-
Finance cost	94,042,892	150,010,690
Impairment loss on investment	17,000,000	-
	<u>(1,477,363,544)</u>	<u>(1,379,002,360)</u>
	(24,046,148)	(60,575,536)
Changes in working capital		
<i>(Increase) / decrease in current assets</i>		
Loans and advances	(792,529,905)	365,078,837
Prepayments	6,362,484	365,507
Trade and other receivables	(123,977,983)	-
Short term investments	11,138,364	340,916,028
Asset held for sale	111,812,869	-
<i>Increase / (decrease) in current Liabilities</i>		
Trade and other payables	922,521,651	(183,547,357)
	<u>135,327,480</u>	<u>522,813,015</u>
Cash generated from operations	Rupees <u>111,281,332</u>	<u>462,237,479</u>

13. CASH AND CASH EQUIVALENTS

Cash and bank balances	22,537,115	109,356,600
Short term borrowings	(2,088,750,117)	(1,878,565,179)
	Rupees <u>(2,066,213,002)</u>	<u>(1,769,208,579)</u>

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of group companies (including subsidiaries and associates), directors and their close family members, major shareholders of the Company, companies where directors also hold directorship, key management personnel and staff provident fund. Transactions with related parties are entered into at commercial terms and conditions. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules.

Transactions and balances with related parties during the period other than those disclosed elsewhere in the condensed interim unconsolidated financial information are given below:

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 december 2013

		Unaudited	
		Six months period ended	
		December	December
		2013	2012
Transactions with Subsidiaries			
- Services availed	Rupees	<u>2,722,715</u>	<u>5,075,739</u>
- Loan extended	Rupees	<u>288,000,000</u>	<u>500,000,000</u>
- Loan repayment	Rupees	<u>550,000,000</u>	<u>500,000,000</u>
- Mark-up income accrued on loan and advance	Rupees	<u>23,888,643</u>	<u>33,716,440</u>
- Dividend income / received	Rupees	<u>103,499,283</u>	<u>103,530,855</u>
- Number of bonus shares received		<u>3,449,976</u>	<u>3,834,226</u>
- Subscription of right shares/ fresh equity investment	Rupees	<u>43,505,136</u>	<u>53,089,362</u>
Transactions with Associates			
- Dividend income	Rupees	<u>21,664,167</u>	<u>344,886,251</u>
- Dividend received	Rupees	<u>21,664,167</u>	<u>563,451,308</u>
- Markup on loan and advance	Rupees	<u>68,253,786</u>	<u>1,279,997</u>
- Markup income received	Rupees	<u>8,035,452</u>	<u>4,862,475</u>
- Loan extended	Rupees	<u>669,000,000</u>	<u>-</u>
- Loan repayment	Rupees	<u>300,000,000</u>	<u>-</u>
- Purchase of investment property	Rupees	<u>1,044,048,000</u>	<u>-</u>
Transactions with Other related parties			
- Provident fund contribution	Rupees	<u>1,752,418</u>	<u>1,495,258</u>
- Payment of rent and maintenance charges	Rupees	<u>2,829,354</u>	<u>9,187,446</u>
- Loan extended	Rupees	<u>-</u>	<u>13,000,000</u>
- Markup on loan and advance	Rupees	<u>-</u>	<u>33,244,269</u>
Remuneration to Key management personnel			
- Remuneration	Rupees	<u>12,602,496</u>	<u>10,163,426</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31 December 2013

Balances as at :		Unaudited 31 December 2013	Audited 30 June 2013
- Markup receivable from Javedan Corporation Limited	Rupees	53,995,311	1,340,677
- Markup receivable from Aisha Steel Mills Limited	Rupees	9,539,539	1,975,838
- Markup receivable from Power Cement Limited (formerly Al-Abbas Cement Industries Limited)	Rupees	24,466,308	577,665
- Receivable from Arif Habib Limited against sale of listed securities from stock exchange under T+2 settlement method	Rupees	22,902,869	1,227,495
- Payable to Arif Habib Limited	Rupees	4,400,765	2,432,530
- Payable to Power Cement Limited	Rupees	6,059,668	-
- Payable to Javedan Corporation Limited	Rupees	794,048,000	-

15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorized for issue on 18th February, 2014 by the Board of Directors of the Company.



Chief Executive Officer



Director



Chief Financial Officer



**Condensed Interim
Consolidated
Financial Information**

For the six months period ended 31 December 2013



Condensed Interim Consolidated Balance Sheet

As at 31 december 2013

Note	Unaudited December 2013	Audited June 2013
	—————(Rupees)—————	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000
Issued, subscribed and paid up share capital	4,537,500,000	4,537,500,000
Reserves	9,572,927,219	10,142,336,656
Equity attributable to owners of the Parent	14,110,427,219	14,679,836,656
Non-Controlling interest	695,857,683	534,798,525
	14,806,284,902	15,214,635,181
Non-current liabilities		
Long term loans	2,608,224,059	1,722,582,190
Liabilities against assets subject to finance lease	1,492,372	-
Deferred liability	9,199,880	6,224,708
Deferred taxation - net	268,485,998	278,712,581
	2,887,402,309	2,007,519,479
Current liabilities		
Trade and other payables	3,243,208,970	2,728,273,287
Dividend Payable	887,962,190	-
Interest / mark-up accrued	117,200,896	148,513,246
Short term borrowings - secured	4,894,638,081	2,645,744,666
Current maturity of long term loans	315,123,921	954,438,000
Current portion of liabilities against assets subject to finance lease	1,464,854	4,984,549
Provision for taxation	204,264,875	215,067,877
	9,663,863,787	6,697,021,625
Rupees	27,357,550,998	23,919,176,285

Contingencies and commitments

4



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Balance Sheet

As at 31 december 2013

	Note	Unaudited December 2013	Audited June 2013
—————(Rupees)—————			
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,706,893,933	4,616,141,791
Intangible assets - others		34,422,936	34,399,641
Biological assets		4,654,000	4,654,000
Goodwill		1,163,961,863	1,163,961,863
Trading right entitlement certificate, membership cards and licenses		60,710,525	71,455,000
Long term investments		11,996,350,327	10,812,777,385
Investment property		1,363,654,600	315,336,600
Long term loans and advances - considered good		975,000	975,000
Long term deposits and prepayments		46,839,731	40,657,233
		19,378,462,915	17,060,358,513
Current assets			
Stock-in-trade		208,466,000	301,385,000
Stores, spares and loose tools		426,019,832	510,513,832
Receivable against sale of investment		682,567,945	-
Trade debts		492,243,432	731,286,802
Loans and advances - considered good		2,180,760,147	1,385,422,469
Deposits and prepayments		86,765,715	76,331,112
Advance tax		254,932,357	302,247,804
Tax refund due from government		245,730,000	213,749,000
Markup receivable		188,166,473	184,109,656
Other receivables - considered good		778,141,795	651,238,589
Short term investments		2,242,059,691	1,808,619,904
Cash and bank balances		193,234,696	564,358,765
Assets held for sale		-	129,554,839
		7,979,088,083	6,858,817,772
	Rupees	27,357,550,998	23,919,176,285

The annexed notes 1 to 9 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31 december 2013

	Six months period ended		Quarter ended	
	December 2013	December 2012	December 2013	December 2012
Operating revenue	614,023,945	1,040,665,019	349,569,356	452,694,633
Unrealised gain on remeasurement of investment property	-	96,253,788	-	96,253,788
Operating, administrative and other expenses	(378,154,250)	(309,190,619)	(164,056,295)	(102,073,400)
Operating profit	235,869,695	827,728,188	185,513,061	446,875,021
Other income	86,844,849	463,365,521	50,015,918	129,871,970
Finance cost	(382,584,842)	(397,691,438)	(219,276,539)	(175,344,329)
Other charges	(40,638,270)	(600,000)	(28,020,902)	22,364,115
	<u>(100,508,568)</u>	<u>892,802,271</u>	<u>(11,768,462)</u>	<u>423,766,777</u>
Share of profit/(loss) of equity-accounted associates - net of tax	603,613,460	156,800,168	503,719,039	268,996,503
Profit before tax	503,104,892	1,049,602,439	491,950,577	692,763,280
Taxation				
For the period				
- Current	(59,633,365)	(75,164,824)	(30,938,432)	(3,779,905)
- Prior	(23,914,359)	99,826,284	(5,851,153)	99,826,284
- Deferred	10,226,583	132,533,747	(39,549,505)	104,362,416
	<u>(73,321,141)</u>	<u>157,195,207</u>	<u>(76,339,090)</u>	<u>200,408,795</u>
Profit after tax	Rupees 429,783,751	1,206,797,646	415,611,487	893,172,075
Profit / (loss) attributable to:				
Equity holders of				
Arif Habib Corporation Limited	446,178,561	1,006,745,101	413,419,810	755,629,579
Non-controlling interests	(16,394,810)	200,052,545	2,191,677	137,542,496
	Rupees 429,783,751	1,206,797,646	415,611,487	893,172,075
Earnings per share - basic & diluted	Rupees 0.98	2.22	0.91	1.67

The annexed notes 1 to 9 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31 december 2013

	Six months period ended		Quarter ended	
	December 2013	December 2012	December 2013	December 2012
Profit for the period	429,783,751	1,206,797,646	415,611,487	893,172,075
Other comprehensive income				
<i>Items that are to be reclassified subsequently to profit and loss account</i>				
Effect of translation of net assets of foreign subsidiary to presentation currency - net	4,500,824	7,538,026	314,347	11,903,967
Share of other comprehensive income of equity-accounted associates -net of tax	48,496,215	82,409,247	(6,912,029)	3,556,594
Unrealised appreciation during the period on re-measurement of investments classified as 'available for sale'	-	96,326,780	-	96,326,780
Reclassification adjustments	(62,697,089)	(22,933,426)	-	-
Other comprehensive income for the period	(9,700,050)	163,340,627	(6,597,682)	111,787,341
Total comprehensive income for the period	420,083,701	1,370,138,273	409,013,805	1,004,959,416
	Rupees			
Total comprehensive income attributable to:				
Equity holders of				
Arif Habib Corporation Limited	436,072,221	1,170,145,080	406,796,582	867,549,333
Non-controlling interests	(15,988,520)	199,993,193	2,217,223	137,410,083
	Rupees			
	420,083,701	1,370,138,273	409,013,805	1,004,959,416

The annexed notes 1 to 9 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months period ended 31 december 2013

Note	December 2013	December 2012
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	503,104,892	1,049,602,439
Adjustments for:		
Depreciation	43,789,621	61,658,699
Loss / (gain) on sale of property and equipment	56,034	(336,486)
Gain on disposal of stock exchange room	(3,455,525)	-
Unrealised gain on re-measurement of investment property	-	(96,253,788)
Unrealised gain on short term investments	(13,202,607)	(347,669,943)
Unrealised gain on long term investments	-	(144,275,977)
Share of (profit) / loss of equity-accounted associates - net of tax	(603,613,460)	(156,800,168)
Amortization	169,945	269,920
Mark-up on loans and advances	(124,835,495)	(34,232,342)
Dividend income	(112,965,640)	(15,094,813)
Deferred liabilities written off	-	(115,192,000)
Refund of central excise duty	-	(182,604,000)
Finance cost	382,584,842	397,691,438
	(431,472,285)	(632,839,460)
Operating profit before working capital changes	71,632,607	416,762,979
Changes in working capital:		
<i>Decrease / (increase) in current assets</i>		
Stock in trade	92,919,000	(172,070,000)
Store and spares	84,494,000	146,715,000
Trade debts	239,043,370	(258,829,556)
Loans and advances	(795,337,678)	(90,769,996)
Deposits and prepayments	(10,434,603)	(53,334,675)
Tax refund due from government	(31,981,000)	-
Receivable against sale of securities - net	(682,567,945)	529,534,120
Other receivables	(126,903,206)	21,643,018
Short term investments	(420,237,180)	(295,851,258)
Assets held for sale	129,554,839	-
<i>(Decrease) / Increase in current liabilities</i>		
Trade and other payables	514,935,683	183,671,915
	(1,006,514,720)	10,708,568
Cash (used in) / generated from operations	(934,882,113)	427,471,547
Taxes paid	(47,035,279)	(82,616,527)
Finance cost paid	(413,897,192)	(427,704,655)
Gratuity - net	-	29,287,313
Interest received	120,778,678	4,862,476
Net cash used in operating activities	(1,275,035,906)	(48,699,846)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(130,762,955)	(59,661,608)
Proceeds from sale of assets	665,982	530,120
Acquisition of intangible assets	(193,240)	(1,614,906)
Proceeds from sale of stock exchange room	14,200,000	-
Acquisition of investment property	(1,048,318,000)	(7,571,697)
Dividend received	134,629,807	612,323,624
Long term investments	(263,382,786)	177,996,109
Long term deposits	(6,182,498)	(15,784,876)
Net cash (used in) / generated from investing activities	(1,299,343,690)	706,216,766
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	246,327,790	(96,013,875)
Dividend paid	(292,913,527)	(825,000,000)
Deferred liability	2,975,172	(31,469,145)
Lease liability	(2,027,323)	(270,155)
Net cash flows used in financing activities	(45,637,888)	(952,753,175)
Net decrease in cash and cash equivalents	(2,620,017,484)	(295,236,255)
Cash and cash equivalents at beginning of the period	(2,081,385,901)	(3,838,456,002)
Cash and cash equivalents at end of the period	(4,701,403,385)	(4,133,692,257)

6 Rupees

The annexed notes 1 to 9 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31 december 2013

	Equity attributable to owners of the Parent					Total	Non-controlling interests	Total equity
	Issued, subscribed and paid up share capital	Unrealized (diminution) / appreciation on remeasurement of available-for-sale investments	Exchange difference on translation to presentation currency	General reserve	Unappropriated profit			
Balance as at 1 July 2012	4,125,000,000	9,175,367	41,096,126	4,019,567,665	6,337,398,099	14,532,237,257	551,489,629	15,083,726,886
Total comprehensive income for the six months period								
Profit for the six months period ended 31 December 2012	-	-	-	-	1,006,745,101	1,006,745,101	200,052,545	1,206,797,646
Other Comprehensive income								
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	7,597,378	-	-	7,597,378	(59,352)	7,538,026
Share of other comprehensive income / (loss) of equity-accounted associates -net of tax	-	82,409,247	-	-	-	82,409,247	-	82,409,247
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	96,326,780	-	-	-	96,326,780	-	96,326,780
Reclassification adjustments relating to gain realized on disposal of investments classified as 'available for sale' -net of tax	-	(22,933,426)	-	-	-	(22,933,426)	-	(22,933,426)
	-	155,802,601	7,597,378	-	1,006,745,101	1,170,145,080	199,993,193	1,370,138,273
Transactions with owners								
Distribution: Issue of 41.25 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2012	412,500,000	-	-	-	(412,500,000)	-	-	-
Distribution: Final cash dividend for the year ended 30 June 2012 (Rs. 2 per share)	-	-	-	-	(825,000,000)	(825,000,000)	(31,469,145)	(856,469,145)
Decrease in non-controlling interest on further acquisition	-	-	-	-	(6,193,738)	(6,193,738)	(14,345,882)	(20,539,620)
	412,500,000	-	-	-	(1,243,693,738)	(831,193,738)	(45,815,027)	(877,008,765)
Balance as at 31 December 2012	Rupees 4,537,500,000	164,977,968	48,693,504	4,019,567,665	6,100,449,462	14,871,188,599	705,667,795	15,576,856,394
Balance as at 1 July 2013	4,537,500,000	130,701,387	46,564,052	4,019,567,665	5,945,503,552	14,679,836,656	534,798,525	15,214,635,181
Total comprehensive income for the six months period								
Profit for the six months period ended 31 December 2013	-	-	-	-	446,178,561	446,178,561	(16,394,810)	429,783,751
Other comprehensive income								
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	4,094,534	-	-	4,094,534	406,290	4,500,824
Share of other comprehensive income of equity-accounted associates -net of tax	-	48,496,215	-	-	-	48,496,215	-	48,496,215
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	-	-	-	-	-	-	-
Reclassification adjustments	-	(62,697,089)	-	-	-	(62,697,089)	-	(62,697,089)
	-	(14,200,874)	4,094,534	-	446,178,561	436,072,221	(15,988,520)	420,083,701
Transactions with owners								
Distribution: Final cash dividend for the year ended 30 June 2013 (Rs. 2.5 per share)	-	-	-	-	(1,134,375,000)	(1,134,375,000)	(46,500,717)	(1,180,875,717)
Increase in non-controlling interest on further disposal	-	-	-	-	128,893,342	128,893,342	223,548,395	352,441,737
	-	-	-	-	(1,005,481,658)	(1,005,481,658)	177,047,678	(828,433,980)
Balance as at 31 December 2013	Rupees 4,537,500,000	116,500,513	50,658,586	4,019,567,665	5,386,200,455	14,110,427,219	695,857,683	14,806,284,902

The annexed notes 1 to 9 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 december 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited, the Parent was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Parent is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The principal activity of the Parent is to manage strategic investments in subsidiary companies and associates engaged in Chemical, Fertilizer, Financial Services, Construction Materials, Industrial Metal, Steel and Other Sectors including investments in securities. The registered office of the Parent is situated at Arif Habib Centre, 2nd Floor, 23 M. T. Khan Road, Karachi, Pakistan. The Parent is domiciled in the province of Sindh.

This condensed interim consolidated financial information of Arif Habib Corporation Limited for the six months period ended 31 December 2013 comprise of the Parent and following subsidiary companies (here-in-after referred to as "the Group").

Name of Company	Note	Shareholding (including indirect holding)
- Arif Habib Limited (AHL)	1.1	69.00%
- Arif Habib Commodities (Private) Limited, investment management of commodities, wholly owned subsidiary of Arif Habib Limited	1.1	69.00%
- Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) (PCL)	1.2	74.36%
- Arif Habib DMCC (AHD)	1.3	100.00%
- Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited) (SBPL)	1.4	89.97%
- Pakistan Private Equity Management Limited (PPEML)	1.5	85.00%
- Sachal Energy Development (Pvt) Limited (SEDL)	1.6	99.99%
- Sweetwater Dairies Pakistan (Private) Limited (SDPL)	1.7	85.20%

Additionally, the Group has long term investments in following associates and these are being carried under equity accounting

Associates

- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	35.96%
- MCB-Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited)	33.32%
- Fatima Fertilizer Company Limited	17.95%
- Crescent Textile Mills Limited	9.16%
- Javedan Corporation Limited	15.10%

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 december 2013

- 1.1** Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the Companies Ordinance, 1984, as a public limited company. The registered office of AHL is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL holds Trading Right Entitlement Certificates of Karachi, Lahore and Islamabad Stock Exchanges. The principal activities of the Company are investments, share brokerage, interbank brokerage, initial public offering (IPO) underwriting, advisory and consultancy services.

Arif Habib Commodities (Private) Limited (AHCPL) was incorporated on 2 April 2012 as a private limited company under the Companies Ordinance, 1984. The registered office of the Company is located at Arif Habib Centre Karachi. The principal activity of this company is to effectively manage investment portfolios in commodities. The Company is a wholly owned Company of Arif Habib Limited. AHCPL holds license of PMEX.

- 1.2** Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) (PCL) was established as private limited company on 01 December 1981 and was converted into public limited company on 09 July 1987 and is listed on Karachi and Lahore Stock Exchanges. The company's principal activity is manufacturing, selling and marketing of cement. Registered office of the company is situated at the Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Dadu (Sindh).
- 1.3** Arif Habib DMCC (AHD) was incorporated in Dubai, U.A.E. on 24 October 2005 as a limited liability company. Its registered office is situated at Dubai Metals and Commodities Center, Dubai, U.A.E. AHD is a wholly owned subsidiary of AHCL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on 26 October 2005. AHD is expected to start its commercial operations at the Dubai Gold and Commodities Exchange within next twelve months besides consultancy business which has already been started.
- 1.4** Serendib Stock Brokers (Private) Limited (SBPL) (Formerly SKM Lanka Holdings (Private) Limited) was incorporated in Colombo, Sri Lanka on 15 February 2007 as a limited liability company. Its registered office is situated at 86/1, Dawson Street, Colombo 02, Sri Lanka. It is domiciled in the province of Colombo and is registered with Securities and Exchange Commission of Sri Lanka as securities brokerage house.
- 1.5** Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 6 September 2006 under the Companies Ordinance, 1984 as a public limited company (Un-Quoted). The registered office of the Company is situated at 23 M.T. Khan Road, Karachi, Pakistan. The Company is a Fund Management Company (FMC) registered, under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131(1) 2007 and SRO 271(l)/2010, with the Securities and Exchange Commission of Pakistan and licensed to carry out Private Equity and Venture Capital Fund Management Services.
- 1.6** Sachal Energy Development (Private) Limited (SEDPL) is a company incorporated in Pakistan under the Companies Ordinance, 1984 on 20 November 2006. The Company's registered office is located in Islamabad, Pakistan. The Company plans to carry out the business of purchasing, importing, transforming, converting, distributing, supplying and dealing in electricity and all other form of energy and the related services.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 december 2013

- 1.7** Sweetwater Dairies Pakistan (Private) Limited (SDPL) was incorporated in Pakistan on 29 March 2007 as a private limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 24 - Q, Shibley Road, Gulberg II, Lahore. The Principal activity of the Company is to setup cattle rearing / raising facilities and to buy, sell, pasteurize, prepare, bottle or otherwise pack milk in its natural form or otherwise and to develop farmlands and to cultivate, grow and produce fodder with heavy nutritional contents required for better generation of milk.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim consolidated financial information is unaudited and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. This condensed interim consolidated financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2013.

This condensed interim consolidated financial information is presented in Pakistan Rupees which is the Group's functional currency and presentation currency. The financial statements of two foreign incorporated subsidiaries have been translated into Pakistan Rupees for the purpose of these consolidated financial statements.

2.2 Significant accounting policies

The accounting policies adopted by the Group in the preparation of this condensed interim consolidated financial information are the same as those applied in preparation of the preceding annual financial statements of the Group as at and for the year ended 30 June 2013.

Amendments to certain existing standards and new interpretations on approved accounting standards that became effective during the period either were not relevant to the Group's operations or did not have any significant impact on the accounting policies of the Group.

2.3 Use of estimates and judgments

The preparation of this condensed interim consolidated financial information in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

In preparing this condensed interim consolidated financial information, significant judgments made by management and the key sources of estimating uncertainty were the same as those that applied to the annual financial statements of the Company as at and for the year ended 30 June 2013.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 december 2013

3. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 30 June 2013.

4. CONTINGENCIES AND COMMITMENT

There is no change in the status of contingencies as disclosed in the preceding annual financial statements of the Company as at 30 June 2013.

5. PROPERTY AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 130.763 million. Further, assets having WDV of Rs. 0.722 million were sold for Rs.0.666 million.

6. CASH AND CASH EQUIVALENTS

	For the six months period ended	
	December 2013	December 2012
Cash and bank balances	193,234,696	232,055,963
Short term borrowings	(4,894,638,081)	(4,365,748,220)
	<u>(4,701,403,385)</u>	<u>(4,133,692,257)</u>

7. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Group companies, directors and their close family members, major shareholders of the Group, key management personnel and staff provident fund. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Group are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules.

Transactions with related parties during the year other than those disclosed elsewhere in these consolidated financial statements are given below:

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 december 2013

		For the six months period ended	
		December 2013	December 2012
Transaction with associates			
- Dividend income	Rupees	21,664,167	344,886,251
- Dividend received	Rupees	21,664,167	563,451,308
- Mark-up on loan and advance	Rupees	68,253,786	1,279,997
- Mark-up income received	Rupees	8,035,452	4,862,475
- Loan extended	Rupees	669,000,000	-
- Loan repayment	Rupees	550,000,000	-
- Sale of goods	Rupees	5,925,000	1,146,000
- Purchase of stores and spares	Rupees	675,938	-
- Purchase of investment property	Rupees	1,044,048,000	-
Transaction with Other related party			
- Provident fund contribution	Rupees	2,862,988	2,451,323
- Payment of rent and maintenance charges	Rupees	13,278,474	20,681,480
- Payment to key management personnel	Rupees	19,351,327	19,315,833
- Loan / advance extended	Rupees	-	13,000,000
- Brokerage expenses	Rupees	-	3,868,889
- Mark-up on loan and advance	Rupees	-	33,244,269
- Purchase of goods	Rupees	-	676,000
- Sale of goods & services	Rupees	23,368,000	601,000
- Loan received-net	Rupees	696,000,000	447,000,000
		Unaudited 31 December 2013	Audited 30 June 2013
Balances as at			
- Markup receivable from Javedan Corporation Limited	Rupees	53,995,311	1,340,677
- Markup receivable from Aisha Steel Mills Limited	Rupees	9,539,539	1,975,838
- Trade receivable from Safe Mix Concrete Products Limited	Rupees	4,780,000	851,000
- Trade Receivable from Javedan Corporation Limited	Rupees	3,536,000	663,000
- Receivable from Thatta Cement Company Limited	Rupees	870,000	870,000
- Loan to Aisha Steel Mills Limited	Rupees	316,650,000	16,650,000
- Loan to Javedan Corporation Limited	Rupees	826,423,564	757,423,564
- Loan payable to Mr. Arif Habib	Rupees	1,008,000,000	312,000,000
- Advance from Aisha Steel Mills Limited	Rupees	166,000	458,000
- Payable to Javedan Corporation Limited	Rupees	794,048,000	-

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 december 2013

8 REPORTABLE SEGMENTS

8.1 The Group has six reportable segments: Fertilizer, Capital Market Operations, Financial Services, Cement, Steel and Dairies. The fertilizer segment is principally engaged in manufacturing & sale of fertilizer. The capital market operations' segment is principally engaged in trading of equity securities and maintaining strategic and trading portfolios. The financial services' segment is principally engaged in providing investment advisory and assets management services to different mutual funds and unit trusts and brokerage, underwriting, corporate consultancy, research and corporate finance services. The cement segment is principally engaged in manufacturing & sale of cement. The steel and dairy segments are presently under the developing stage.

8.2 The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the last published annual audited consolidated financial statements for the year ended 30 June 2013. The Group evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses. The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market price unless disclosed otherwise.

8.3 The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology, professional skills and marketing strategies. Most of the businesses were acquired as individual units, and the management at the time of the acquisition was retained.

8.4 The Group does not allocate tax expense / tax income or non-recurring gains and losses to reportable segments. In addition, not all reportable segments have material non-cash items other than depreciation, amortization and remeasurement of equity and debt instruments in profit or loss.

9. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information has been authorized for issue on 18 February, 2014 by the Board of Directors of the Company.



Chief Executive Officer



Director



Chief Financial Officer



Arif Habib Corp

Arif Habib Centre
23, M.T. Khan Road
Karachi-74000
Tel: (021) 32460717-19
Fax: (021) 32429653, 32468117
Company website: www.arifhabibcorp.com
Group website: www.arifhabib.com.pk