



31 December 2010

HALF YEARLY REPORT



PROMOTING INVESTMENT



Arif Habib Corp



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Company Information

Board of Directors

Arif Habib

Chairman & Chief Executive

Kashif A. Habib

Director

Asadullah Khawaja

Director

Nasim Beg

Director

Samad A. Habib

Director

Tahir Iqbal

Director

Muhammad Akmal Jameel

Director

Company Secretary

Zeeshan

Audit Committee

Muhammad Akmal Jameel

Chairman

Kashif A. Habib

Member

Tahir Iqbal

Member

Management

Arif Habib

Chief Executive

Zeeshan

Chief Financial Officer

Zeshan Afzal

Group Head Strategic Investments



Bankers

Allied Bank Limited
Askari Bank Limited
Atlas Bank Limited
Bank Al Falah Limited
Bank Al-Habib Limited
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
My Bank Limited
National Bank of Pakistan
NIB 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

Registered & Corporate Office

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

Registrar & Share Transfer Agent

Central Depository Company of
Pakistan

Share Registrar Department

CDC House, 99-B, Block-B, S.M.C.H.S,
Main Shahra-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 Board of Directors of Arif Habib Corporation Limited (Formerly Arif Habib Securities Limited) is pleased to present the Directors' report of the Company together with interim condensed unconsolidated and consolidated financial statements for the half year ended 31 December 2010.

Economy and Market Review

The half year continued to bring some key challenges for the restoration of a stable economy; continued rising government fiscal deficit and high inflation in a soaring interest rate scenario. SBP has responded by using a tight monetary policy, thus raising the discount rate by 150 bps to 14% in the last three consecutive Monetary Policy Statements (MPS) during the period under review. Additionally, continuing energy shortage is impacting growth of the economy.

The equity market continued to rally on stock specific triggers—good corporate earnings, improved demand-supply outlook, continued foreign portfolio inflows—despite persistent fiscal issues and political noise at the macro level. The KSE-100 index gained 20% in the second quarter of this fiscal year, with overall 23% gain in the first half ended December 2010. From its August 2010 lows of 9500, when it fell by 10% amid devastating monsoon floods in the country, the market has shown consistent rising trend with gains of 26% by December end. The rally in domestic equity market has coincided with strong gains in global equities and most importantly emerging market equities. The equities have defied the negative developments on the macroeconomic front with focus turning towards relatively attractive domestic equity valuations.

Financial Results

By the grace of Allah our company has been able to maintain a reasonable profitability during the half year period under review. It has earned an after tax profit of Rs. 959.30 million as compared to Rs.2,628.44 million in corresponding period last year (including remeasurement gain of Rs. 2,052.58 million on short term investments). This translates to an earning of Rs. 2.56 per share as compared to Rs. 7.01 per share in corresponding period last year.



This performance was mainly contributed by good dividends including 50 percent specie dividend distributed by Pakarab Fertilizers in shape of shares of Fatima Fertilizer which constitute 79 percent of the operating revenue, compensating diminution in value of investment.

Performance of Subsidiaries and Associates

Subsidiaries and associates having large stakes of your Company have recorded good performance during the period under review namely fertilizers, asset management and brokerage whereas investments in cement has suffered losses. Investment in steel, dairies and wind power are at developing stage.

Subsequent to the balance sheet date, the Company and MCB Bank have signed the Shareholders' agreement for the proposed merger between Arif Habib Investments Limited and MCB Asset Management Company Limited. We believe that the combined force of MCB and Arif Habib Group will strengthen the asset management business considerably and will be in the greater interest of the investing public.

Future Outlook

The fundamentals of major investee companies are stable continuing to contribute to the profitability of the Company. Pace of work on developing investee companies for their completion has picked up. Efforts are being made to reorganize loss making investee companies. Secondary market portfolio investment is performing satisfactorily. In view of this the Company is expected to perform better in the balance period of current financial year.

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.

Karachi
25 February 2011

For and on behalf of the Board

Arif Habib
Chairman & Chief Executive



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

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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** (Formerly Arif Habib Securities Limited) ("the Company") as at 31 December 2010 and 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-month period then ended (here-in-after referred 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 interim 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.

The figures for the quarters ended 31 December 2010 and 31 December 2009 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion thereon.

Date: 25 FEB 2011

Place: Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain



Unconsolidated Financial Statements



Condensed Interim Unconsolidated Balance Sheet

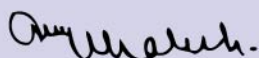
As at 31 December 2010

	Note	Unaudited December 2010	Audited June 2010
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs 10 each		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid up share capital		3,750,000,000	3,750,000,000
Reserves		15,657,366,621 19,407,366,621	16,034,145,375 19,784,145,375
Non-current liabilities			
Deferred taxation		2,944,962,384	2,883,395,813
Current liabilities			
Trade and other payable		122,874,146	78,574,509
Interest/mark-up accrued on short term borrowings		44,925,604	21,011,622
Short term borrowings	4	1,066,359,390	620,235,048
Provision for taxation		2,779,399	867,047
		1,236,938,539	720,688,226
	Rupees	<u>23,589,267,544</u>	<u>23,388,229,414</u>
Contingencies and commitments	5		

Condensed Interim Unconsolidated Balance Sheet**As at 31 December 2010**

	Note	Unaudited December 2010	Audited June 2010
ASSETS			
Non-current assets			
Property and equipment	6	57,706,557	61,151,042
Long term investments	7	19,674,940,933	19,535,274,470
Long term deposits		1,471,990	790,190
		19,734,119,480	19,597,215,702
Current assets			
Loans and advances	8	1,363,134,940	268,635,000
Prepayments		37,800	75,600
Advance tax		82,273,471	62,778,527
Other receivables		122,511,694	114,054,059
Short term investments		2,271,734,530	3,338,040,948
Cash and bank balances		15,455,629	7,429,578
		3,855,148,064	3,791,013,712
	Rupees	23,589,267,544	23,388,229,414

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE


DIRECTOR



Condensed Interim Unconsolidated Profit and Loss

Account (Unaudited)

For the six months period ended 31 December 2010

	Six months period ended		Quarter ended	
	December	December	December	December
	2010	2009	2010	2009
Operating revenue	1,012,084,281	907,012,435	186,295,363	98,482,439
(Loss) gain on sale of securities-net	(32,462,247)	(332,602,086)	79,740,799	10,008,120
Gain on remeasurement of investments - net	200,108,925	2,052,581,406	326,206,354	177,726,097
	1,179,730,959	2,626,991,755	592,242,516	286,216,656
Operating and administrative expenses	(77,336,506)	(106,505,660)	(41,156,993)	(55,403,891)
Operating profit	1,102,394,453	2,520,486,095	551,085,523	230,812,765
Other income	617,343	12,322,644	5,376	402,173
	1,103,011,796	2,532,808,739	551,090,899	231,214,938
Finance cost	(79,429,662)	(182,789,908)	(44,814,354)	(75,088,028)
Profit before tax	1,023,582,134	2,350,018,831	506,276,545	156,126,910
Taxation				
For the period				
- Current	(2,712,352)	(49,372,632)	5,284,577	18,127,368
- Deferred	(61,566,569)	327,796,875	(61,566,569)	441,787,500
Prior year	-	-	-	-
	(64,278,921)	278,424,243	(56,281,992)	459,914,868
Profit after tax	959,303,213	2,628,443,074	449,994,553	616,041,778
Earnings per share - basic and diluted	Rupees 2.56	7.01	1.20	1.64

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

CHAIRMAN & CHIEF EXECUTIVE

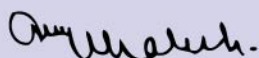
DIRECTOR

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2010

	Six months period ended		Quarter ended	
	December	December	December	December
	2010	2009	2010	2009
Profit for the period	959,303,213	2,628,443,074	449,994,553	616,041,778
Other comprehensive (loss) / income				
Unrealized diminution during the period on remeasurement of investments classified as 'available for sale'	(23,819,872)	5,293,157	10,401,769	(8,262,456)
Reclassification adjustments relating to loss realized on disposal of investments classified as 'available for sale'	1,737,905	-	-	-
Impairment loss on investments classified as 'available for sale' transferred to profit and loss account	-	71,091,000	-	37,834,331
Other comprehensive (loss) / income for the year	(22,081,967)	76,384,157	10,401,769	29,571,875
Total comprehensive income for the period Rupees	<u>937,221,246</u>	<u>2,704,827,231</u>	<u>460,396,322</u>	<u>645,613,653</u>

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



Condensed Interim Unconsolidated Cash Flow

Statement (Unaudited)

For the six months period ended 31 December 2010

	Note	December 2010	December 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	471,526,930	2,848,117,588
Income tax paid		(20,294,942)	(8,227,891)
Finance cost paid		(55,010,857)	(206,197,077)
Net cash generated from operating activities		396,221,131	2,633,692,620
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(1,321,379)	(178,959)
Proceeds from sale of property and equipment		790,000	546,340
Dividend received		185,994,568	78,708,295
Interest received		3,252,454	44,704,891
Acquisition of long term investments		(1,032,152,108)	(229,671,074)
Proceeds from sale of long term investments		9,798,843	2,499,950
Long term deposits		(681,800)	-
Net cash used in investing activities		(834,319,422)	(103,390,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net (decrease) / increase in cash and cash equivalents		(438,098,291)	2,530,302,063
Cash and cash equivalents at beginning of the period		(612,805,470)	(2,613,856,135)
Cash and cash equivalents at end of the period	10 Rupees	(1,050,903,761)	(83,554,072)

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2010

	Share capital Issued, subscribed and paid up	Reserves			Sub total	Total
		Unrealized appreciation/ (diminution) on remeasurement of investments classified as 'available for sale'	General reserve	Unappropriated profit		
Balance as at 1 July 2009	3,750,000,000	(87,425,952)	4,000,000,000	8,472,748,885	12,385,322,933	16,135,322,933
Total comprehensive income for the six months period						
Profit for the period ended 31 December 2009	-	-	-	2,628,443,074	2,628,443,074	2,628,443,074
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	5,293,157	-	-	5,293,157	5,293,157
Impairment loss on investments classified as 'available for sale' transferred to profit and loss account	-	71,091,000	-	-	71,091,000	71,091,000
	-	76,384,157	-	2,628,443,074	2,704,827,231	2,704,827,231
Transactions with owners	-	-	-	-	-	-
Balance as at 31 December 2009 Rupees	3,750,000,000	(11,041,795)	4,000,000,000	11,101,191,959	15,090,150,164	18,840,150,164
Balance as at 1 July 2010	3,750,000,000	(237,069,004)	4,000,000,000	12,271,214,379	16,034,145,375	19,784,145,375
Total comprehensive income for the six months period						
Profit for the six months period ended 31 December 2010	-	-	-	959,303,213	959,303,213	959,303,213
Unrealized diminution during the period on remeasurement of investments classified as 'available for sale'	-	(23,819,872)	-	-	(23,819,872)	(23,819,872)
Reclassification adjustments relating to loss realized on disposal of investments classified as 'available for sale'	-	1,737,905	-	-	1,737,905	1,737,905
	-	(22,081,967)	-	959,303,213	937,221,246	937,221,246
Transaction with owners Distribution of 112.5 million Shares of Fatima Fertilizer Limited for the year ended 30 June 2010	-	-	-	(1,314,000,000)	(1,314,000,000)	(1,314,000,000)
Balance as at 31 December 2010 Rupees	3,750,000,000	(259,150,971)	4,000,000,000	11,916,517,592	15,657,366,621	19,407,366,621

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) 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 investments in subsidiary companies and associates engaged in Chemical, Fertilizer, Financial Services, Construction & Materials, Industrial Metal, Steel and Other Sectors including short term 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.

These condensed interim financial statements are separate financial statements 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

	Shareholding
Subsidiaries	
- Arif Habib Limited, a brokerage house	75.15%
- Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited), an asset management company	60.18%
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	100.00%
- SKM Lanka Holdings (Private) Limited, a Srilankan incorporated brokerage house at Colombo Stock Exchange	75.00%
- Pakistan Private Equity Management Limited, a venture capital company	85.00%
- Sachal Energy Development (Pvt) Limited, a wind power generation company	99.99%
Associates	
- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	32.71%
- Al-Abbas Cement Industries Limited	37.86%
- Thatta Cement Company Limited	9.06%
- Rozgar Microfinance Bank Limited	19.01%
- Sweetwater Dairies Pakistan (Private) Limited	28.82%
- Fatima Fertilizer Company Limited	12.94%
Others	
- Takaful Pakistan Limited	10.00%
- Sunbiz (Private) Limited	4.65%

Notes to the Condensed Interim Unconsolidated**Financial Information (Unaudited)****For the six months period ended 31 December 2010****1.1 Change in the composition of the Group**

During the six months period ended 31 December 2010, the Company obtained control of Sachal Energy Development (Pvt) Limited, a power generation company, by acquiring 4,000,006 ordinary shares of Rs. 10 each from Mr. Arif Habib. As a result, the Company now has 99.99% equity interest in Sachal Energy Development (Pvt) Limited.

Further, the Company subscribed for 30,283,250 right shares of Aisha Steel Mills Limited (an associate). This resulted in increase in Company's holding in this associate from 25% to 32.71%.

The Company also purchased 717,407 shares of Al-Abbas Cement Industries Limited (an associate) during the period, which resulted in increase in Company's holding in this associate from 37.47% to 37.86%.

Furthermore, the Company sold 517,000 shares of Thatta Cement Company Limited (an associate) during the period, which resulted in decrease in Company's holding in this associate from 9.71% to 9.06%.

In addition, the Company also subscribed for 1,333,333 shares of Sweet Water Dairies Pakistan (Private) Limited (an associate). This resulted in increase in the Company's holding in the associate from 27.83% to 28.82%.

During this period, the Company has distributed 112.50 million shares of Fatima Fertilizers Company Limited (an associate) to its shareholders as specie dividend and purchased 56.13 million shares of the same company. Further, the Company has also received 67.50 million shares of this associate as specie dividend from Pakarab Fertilizers Limited and 0.145 million shares from Reliance Weaving Mills Limited. This resulted in an overall increase in Company's holding in the associate from 12.38% to 12.94%.

2. BASIS OF PREPARATION**2.1 Statement of compliance**

This condensed interim unconsolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

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 published financial statements as at and for the year ended 30 June 2010.

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 financial information has been prepared on the basis of a single reportable segment.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

2.2 Significant accounting policies

The accounting policies adopted by the Company in the preparation of this condensed interim unconsolidated financial information are the same as those applied in preparation of the preceding annual financial statements of the Company as at and for the year ended 30 June 2010.

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.

2.3 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 estimation 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 2010.

3. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company as at and for the year ended 30 June 2010.

4. SHORT TERM BORROWINGS - secured

	Note	Unaudited 31 December 2010	Audited 30 June 2010
From various banking companies - Short term running finance	Rupees	<u>1,066,359,390</u>	<u>620,235,048</u>

- 4.1** Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,980 million (30 June 2010: Rs. 2,980 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 December 2011. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2010: 30% margin). These running finance facilities carry mark-up ranging from 3 month KIBOR+1% to 3 month KIBOR+2.5% per annum (30 June 2010: 3 month KIBOR+1% to 3 month KIBOR+2.5% per annum) calculated on a daily product basis that is payable quarterly. The carrying amount of securities pledged as collateral against outstanding liability amounts to Rs. 2,458.04 million (30 June 2010: Rs. 1,433.646 million). The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 1,913.64 million (30 June 2010: Rs. 2,359.763 million).

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

5. CONTINGENCIES AND COMMITMENT

There is no change in the status of a contingency as disclosed in the preceding annual financial statements of the Company as at 30 June 2010.

6. PROPERTY AND EQUIPMENT

Following is the cost of property and equipment that have been added / disposed off during the six months period ended 31 December 2010:

	Six months period ended 31 December 2010		Six months period ended 31 December 2009	
	Additions	Disposals	Additions	Disposals
Vehicles	1,070,000	1,169,000	35,000	1,237,000
Office equipment	101,370	-	-	-
Computer and allied equipments	150,009	-	143,959	-
Rupees	<u>1,321,379</u>	<u>1,169,000</u>	<u>178,959</u>	<u>1,237,000</u>

7. LONG TERM INVESTMENTS

	Note	Unaudited 31 December 2010	Audited 30 June 2010
		At cost	7.1
At fair value through profit or loss	7.2	15,559,041,004	15,731,225,855
Available for sale	7.3	376,678,978	407,660,224
Rupees		<u>19,674,940,933</u>	<u>19,535,274,470</u>

7.1 At cost

Subsidiaries:

Arif Habib Limited (AHL)	2,675,247,180	2,675,247,180
Arif Habib Investments Limited	81,947,527	81,947,527
Arif Habib DMCC (AHD)	29,945,898	29,945,898
Pakistan Private Equity Management Limited (PPEML)	42,500,000	42,500,000
SKM Lanka Holdings (Private) Limited (SKML)	43,197,216	43,197,216
Sachal Energy Development (Pvt) Limited	40,000,060	-
	<u>2,912,837,881</u>	<u>2,872,837,821</u>

Provision for impairment in PPEML	(17,000,000)	(17,000,000)
	<u>2,895,837,881</u>	<u>2,855,837,821</u>

Associates:

Aisha Steel Mills Limited (ASML)	800,083,070	497,250,570
Rozgar Microfinance Bank Limited (RMFBL)	32,310,000	32,310,000
	<u>832,393,070</u>	<u>529,560,570</u>
Provision for impairment in RMFBL	(19,010,000)	(19,010,000)
	<u>813,383,070</u>	<u>510,550,570</u>



Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

	Note	Unaudited 31 December 2010	Audited 30 June 2010
Other investments:			
Takaful Pakistan Limited (TPL)		30,000,000	30,000,000
Sun Biz (Private) Limited (SBL)		1,000,000	1,000,000
		31,000,000	31,000,000
Provision for impairment in SBL		(1,000,000)	(1,000,000)
		30,000,000	30,000,000
	Rupees	3,739,220,951	3,396,388,391
7.2 At fair value through profit or loss			
Associates:			
Pakarab Fertilizers Limited (PFL)		12,360,600,000	12,360,600,000
Fatima Fertilizer Company Limited (FFCL)		2,918,990,149	3,101,175,000
Sweetwater Dairies Pakistan (Private) Limited (SDPL)		279,450,855	269,450,855
	Rupees	15,559,041,004	15,731,225,855
7.3 Available for sale			
Associate:			
Al-Abbas Cement Industries Limited (AACIL)		379,817,218	385,549,504
Thatta Cement Company Limited (THCCL)		136,445,760	161,694,720
		516,262,978	547,244,224
Provision for impairment in AACIL		(139,584,000)	(139,584,000)
	Rupees	376,678,978	407,660,224
7.4 Investments having an aggregate market value of Rs. 2,254.85 million (30 June 2010: Rs. 1,690.151 million) have been pledged with financial institutions as security against financing facilities (see note 4.1) out of which Rs. 879.16 million (30 June 2010: Rs. 486.22 million) relates to long term investments.			

8. LOANS AND ADVANCES - unsecured

	Note	Unaudited 31 December 2010	Audited 30 June 2010
Considered good			
Advance for new investment		70,000,000	70,000,000
Advance against expenses		635,000	635,000
To related parties:			
Aisha Steel Mills Limited	8.1	60,000,000	10,000,000
Arif Habib Investments Limited		-	15,000,000
Javedan Cement Limited	8.1	460,000,000	-
Al-Abbas Cement Industries Limited - Advance against equity	8.2	697,500,000	173,000,000
Sachal Energy Development (Private) Limited -			

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

	Note	Unaudited 31 December 2010	Audited 30 June 2010
Advance against equity	8.2	74,999,940	-
		1,363,134,940	268,635,000
Provision for doubtful debts		-	(12,188,785)
- Opening balance		-	12,188,785
- Reversal / (provision) during the period / year		-	-
- Closing balance		-	-
	Rupees	1,363,134,940	268,635,000
8.1	This represents amount paid as loan carrying markup upto 3 months KIBOR plus 3%, repayable within 12 months. Being group companies, no collateral was obtained.		
8.2	The Company has given advances to subscribe for prospective right issue of shares of the said companies.		
9.	CASH GENERATED FROM OPERATIONS		
Profit before tax		1,023,582,134	2,350,018,831
Adjustments for:			
Depreciation		4,580,898	5,385,258
Dividend income		(989,524,866)	(753,708,295)
Mark-up on bank balances, loans and advances		(14,507,046)	(153,304,140)
Exchange gain on foreign currency bank balances		(12,306)	(133,859)
Impairment loss on investments		-	71,091,000
Gain on sale of property and equipment		(605,037)	-
Gain on remeasurement of short term investments		(548,518,462)	-
Loss / (gain) on remeasurement of investment in associates		348,409,537	(434,250,000)
Loss on disposal of long term investment		1,737,905	-
Finance cost		78,924,839	182,789,908
		(1,119,514,538)	(1,082,130,128)
Operating (loss) / profit before working capital changes		(95,932,404)	1,267,888,703
Changes in working capital			
(Increase) / decrease in current assets			
Trade debts		-	(27,237,815)
Loans and advances		(1,094,499,940)	-
Prepayments		37,800	79,547
Other receivables		2,796,957	244,374
Short term investments		1,614,824,880	(1,645,681,359)
Increase / (decrease) in current liabilities			
Trade and other payables		44,299,637	3,252,824,138
		567,459,334	1,580,228,885
Cash generated from operations	Rupees	471,526,930	2,848,117,588



Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

10. CASH AND CASH EQUIVALENTS

	Unaudited 31 December	Audited 30 June
	2010	2010
Cash and bank balances	15,455,629	7,429,578
Short term borrowings	(1,066,359,390)	(620,235,048)
Rupees	<u>(1,050,903,761)</u>	<u>(612,805,470)</u>

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. 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:

		Six months period ended	
		December	December
		2010	2009
Name of the related party and relationship with the Company	Nature of transaction		
Arif Habib Limitd	- Services availed	Rupees 1,230,854	11,679,260
	- Cash dividend	Rupees -	33,750,000
	- Loan / advance	Rupees 235,000,000	-
	- Loan / advance repayment	Rupees 235,000,000	-
	- Mark-up on loan and advance	Rupees 3,344,418	-
	- Number of bonus shares received	5,636,595	-
Arif Habib Investment Limited	- Loan / advance	Rupees 20,000,000	-
	- Loan / advance repayment	Rupees 35,000,000	-
	- Mark-up on loan and advance	Rupees 1,088,806	-
	- Number of bonus shares received	3,610,694	-
Arif Habib Bank Limited	- Mark-up on short term running finance	Rupees -	2,581,330
	- Mark-up on bank deposit	Rupees -	448,205

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

		Six months period ended	
		December	December
		2010	2009
Pakistan Private Equity Management Limited	- Initial / fresh equity investments	Rupees -	25,500,000
	- Loan / advance repayment	Rupees -	12,188,784
	- Mark-up on loan and advance	Rupees -	332,268
Sachal Energy Development (Pvt) Limited	- Advance against shares	Rupees 74,999,940	-
Associates			
Al-Abbas Cement Industries Limited	- Initial / fresh equity investment	Rupees -	146,930,094
	- Advance against shares	Rupees 697,500,000	-
	- Loan / advance	Rupees 25,000,000	-
	- Loan / advance repayment	Rupees 25,000,000	-
	- Mark-up on loan and advance	Rupees 196,377	-
Sweetwater Dairies Pakistan	- Subscription of right shares	Rupees 10,000,000	57,240,980
Aisha Steel Mills Limited	- Subscription of right shares	Rupees 302,832,500	-
	- Loan / advance	Rupees 180,444,931	-
	- Loan / advance repayment	Rupees 130,444,931	-
	- Mark-up on loan and advance	Rupees 1,880,833	-
Pakarab Fertilizers Limited	- Specie dividend	Rupees 801,900,000	675,000,000
Other related party			
Memon Health and Education Foundation	- Mark-up on loan and advance	Rupees -	4,650,356
Javedan Cement Limited	- Loan / advance	Rupees 460,000,000	-
	- Mark-up on loan and advance	Rupees 7,877,235	379,553



Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

			Six months period ended	
			December	December
			2010	2009
AHSL Provident Fund	- Provident fund contribution	Rupees	573,757	252,993
Arif Habib Real Estate Services (Pvt) Limited	- amount received for shared expenses	Rupees	2,903,071	-
Rotocast Engineering (Pvt) Limited	- Payment of rent and maintenance charges	Rupees	4,456,954	-
Key management personnel	- Remuneration	Rupees	6,289,062	5,950,000
Mr. Arif Habib (CEO)	- Mark-up on loan from CEO	Rupees	-	50,179,173
	- Proceeds from sale of vehicle	Rupees	790,000	-
Mr. Akmal Jameel	- Proceeds from sale of vehicle	Rupees	-	546,340
			Unaudited 31 December	Audited 30 June
			2010	2010
Balances as at				
	- Receivable from Sweetwater Dairies Pakistan (Private) Limited- unsecured	Rupees	537,978	476,348
	- Receivable from CEO	Rupees	114,484	-
	- Payable to Arif Habib Limited	Rupees	24,249,234	4,646

12. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged, where ever necessary, for better presentation.

Profit and loss account	From	To	Rupees
Mark-up income	Other income	Operating revenue	153,304,140

Notes to the Condensed Interim Unconsolidated**Financial Information (Unaudited)****For the six months period ended 31 December 2010****13. EVENTS AFTER THE BALANCE SHEET DATE**

On January 19, 2011, the Company being sponsors of Arif Habib Investments Limited (AHI-AMC) and MCB Bank Limited, sponsors of MCB Asset Management Company (MCB-AMC) have signed the Shareholders' agreement for the proposed merger between the two entities. Based on the agreed swap ratio, the shareholders of MCB-AMC shall be issued 1.2 shares in the merged entity in lieu of each share of MCB-AMC held by them. Thus, the paid up capital of the merged entity shall be doubled to 72 million shares of Rs. 10 each. Of these shares, 36 million shares will be held by MCB Bank Limited and a similar number by the current shareholders of AHI-AMC. This will reduce the Company's holding in subsidiary to 30.09%.

14. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorized for issue on 25 February 2011 by the Board of Directors of the Company.



CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR



Consolidated Financial Statements

Condensed Interim Consolidated Balance Sheet**As at 31 December 2010**

	Note	Unaudited December 2010	Audited June 2010 (Restated)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid up share capital		3,750,000,000	3,750,000,000
Reserves		<u>11,073,228,515</u>	<u>11,188,706,835</u>
		14,823,228,515	14,938,706,835
Minority interest		<u>564,530,311</u>	<u>524,655,044</u>
		15,387,758,826	15,463,361,878
Non-current liabilities			
Long term loans		97,877,500	183,939,269
Liabilities against assets subject to finance lease		3,910,137	4,385,569
Deferred taxation		252,494,104	263,791,923
Current liabilities			
Trade and other payables		432,237,012	416,895,696
Interest/Mark-up accrued		64,063,067	55,280,439
Short term borrowings		1,871,598,661	1,217,727,694
Current portion of lease liability		850,115	-
Provision for taxation		4,124,505	2,354,617
Current portion of long term loans		-	153,250,000
		<u>2,372,873,360</u>	<u>1,845,508,446</u>
		18,114,913,927	17,760,987,085
Rupees		<u>18,114,913,927</u>	<u>17,760,987,085</u>
Contingencies and commitments			

Condensed Interim Consolidated Balance Sheet**As at 31 December 2010**

	Note	Unaudited December 2010	Audited June 2010 (Restated)
ASSETS			
Non-current assets			
Property and equipment	6	337,242,761	345,924,089
Intangible assets		38,799,336	34,681,348
Goodwill		2,160,310,718	2,160,310,718
Membership cards and licenses		69,328,035	68,655,000
Long term investments		9,100,541,341	8,818,153,833
Investment property		126,000,000	100,700,000
Long term loans and advances - considered good		10,280,812	18,307,708
Long term deposits and prepayments		33,081,338	36,120,043
Deferred cost		65,211,548	-
Current assets			
Trade debts		1,691,043,667	1,760,651,188
Loans and advances - considered good		1,365,687,610	263,270,015
Deposits and prepayments		60,427,943	71,015,733
Advance tax		88,922,432	68,632,877
Other receivables - considered good		145,939,128	207,196,507
Short term investments		2,621,709,533	3,680,869,407
Cash and bank balances		200,387,725	126,498,619
		6,174,118,038	6,178,134,346
	Rupees	18,114,913,927	17,760,987,085

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Consolidated Profit and Loss

Account (Unaudited)

For the six months period ended 31 December 2010

	Six months period ended		Quarter ended	
	December	December	December	December
	2010	2009	2010	2009
		Restated		Restated
Operating revenue	457,622,047	960,382,897	169,572,413	820,704,628
Gain / (loss) on sale of securities-net	47,246,175	(132,365,518)	159,782,731	117,457,761
Gain on remeasurement of investments - net	302,379,381	1,543,360,416	197,057,486	29,308,224
	807,247,603	2,371,377,795	526,412,630	967,470,613
Operating, administrative and other expenses	(303,800,313)	(288,632,509)	(170,668,384)	(179,319,004)
Provision against receivables from proposed funds	(6,930,844)	-	(6,930,844)	-
Unrealised gain on investment property	10,316,000	(400,000)	10,316,000	-
Impairment loss on property and equipment	(1,377,225)	-	(1,377,225)	-
Impairment loss on available for sale investments	(2,407,000)	-	(2,407,000)	-
Operating profit	503,048,221	2,082,345,286	355,342,177	788,151,609
Other income	64,618,947	361,064,177	19,811,715	183,919,170
	567,667,168	2,443,409,463	375,153,892	972,070,779
Finance cost	(123,139,277)	(258,813,879)	(68,345,019)	(97,920,671)
	444,527,891	2,184,595,584	306,808,873	874,150,108
Share of profit from associates - net of tax	291,820,906	412,835,881	157,384,018	283,883,640
Profit before tax	736,348,797	2,597,431,465	464,192,891	1,158,033,748
Taxation				
For the period				
- Current	(13,873,033)	(55,151,221)	1,034,257	16,490,087
- Deferred	11,297,821	-	8,203,479	-
Prior year	(19,719)	4,338,592	(19,719)	3,885,965
	(2,594,931)	(50,812,629)	9,218,017	20,376,052
Profit after tax from continuing operations	733,753,866	2,546,618,836	473,410,908	1,178,409,800
	Rupees			
Discontinued operations				
Loss for the period from discontinued operations	-	(1,498,603,000)	-	(1,201,269,000)
Profit for the period	733,753,866	1,048,015,836	473,410,908	(22,859,200)
	Rupees			
Profit / (loss) attributable to:				
Equity holders of Arif Habib Corporation Limited				
From continuing operations	684,339,776	2,467,613,958	444,296,702	1,280,313,975
From discontinued operations	-	(890,170,182)	-	(713,553,786)
	684,339,776	1,577,443,776	444,296,702	566,760,189
Minority interest				
From continuing operations	49,414,100	78,803,679	29,114,206	21,412,682
From discontinued operations	-	(608,432,818)	-	(487,715,214)
	49,414,100	(529,629,139)	29,114,206	(466,302,532)
	Rupees			
Earnings / (loss) per share - basic and diluted				
From continuing operations	1.82	6.58	1.18	3.41
From discontinued operations	0.00	(2.37)	0.00	(1.90)
Total	1.82	4.21	1.18	1.51
	Rupees			

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2010

	Six months period ended		Quarter ended	
	December	December	December	December
	2010	2009	2010	2009
		Restated		Restated
Profit for the period	684,339,766	1,577,443,776	444,296,702	566,760,189
Other comprehensive income / (loss)				
Surplus / (deficit) on remeasurement of investments classified as 'available for sale'	14,430,764	666,471,222	(51,988,266)	369,863,228
Net effect of translation of net assets of foreign subsidiary to presentation currency	3,626,133	543,878	3,186,912	99,000
Other comprehensive income / (loss) for the period	18,056,897	667,015,100	(48,801,354)	369,962,228
Total comprehensive income for the period	Rupees 702,396,663	2,244,458,876	395,495,348	936,722,417

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2010

Note	December 2010	December 2009 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	736,348,979	2,184,995,584
Adjustments for:		
Depreciation	20,898,322	18,557,330
Provision against receivables from proposed funds	6,930,844	-
Impairment loss on property and equipment	1,377,225	-
Impairment on investments	2,407,000	71,272,050
Share of profit from associate - net	(291,820,906)	-
(Loss) / gain on sale of property and equipment	(595,353)	315,355
Reversal for doubtful debts	-	(76,937,739)
Unrealised gain on investment property	(10,316,000)	400,000
Amortization charges	-	686,859
Gain on sale of shares	47,246,175	(199,591,329)
Mark-up on bank balances, loans and advances	(18,289,241)	(221,506,857)
Dividend Income	(862,445,011)	(765,954,279)
Intangible asset	(4,117,988)	-
Finance cost	123,139,277	257,788,403
	(985,585,656)	(914,970,207)
Operating (loss) / profit before working capital changes	(249,236,859)	1,270,025,377
Changes in working capital:		
(Increase) / decrease in current assets		
Trade debts	69,607,521	(67,947,992)
Loans and advances	(1,102,417,595)	97,011,868
Prepayments	10,587,790	(124,290)
Other receivables	78,058,362	(355,331)
Short term investments	1,011,913,699	(1,105,640,901)
Other assets	-	357,082,445
Increase / (decrease) in current liabilities	7,033,246	3,438,007,564
Trade and other payables	74,783,023	2,718,033,363
Cash (used in) / generated from operations	(174,453,836)	3,988,058,740
Income tax paid	(30,250,247)	(19,068,059)
Finance cost paid	(114,356,649)	(316,675,400)
Net cash (used in) / generated from operating activities	(319,060,732)	3,652,315,281
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(13,443,551)	(3,816,856)
Proceeds from sale of assets	1,821,910	1,697,006
Membership cards and licenses	(673,035)	(21,710,000)
Investment property	(25,300,000)	(1,500,000)
Dividend received	185,994,568	90,954,279
Deferred cost	(65,211,548)	-
Interest received	1,488,258	165,534,711
Long term investments	(117,726,247)	127,267,268
Long term loans and advances	8,026,896	(57,670,491)
Long term deposits	3,038,705	1,606,825
Net cash (used in) / generated from investing activities	(21,984,044)	302,362,742
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	(239,311,769)	(466,625,000)
Dividend paid	-	(45,000,000)
Lease liability	374,683	-
Net cash used in financing activities	(238,937,086)	(511,625,000)
Net (decrease) / increase in cash and cash equivalents	(579,981,861)	3,443,053,023
Cash and cash equivalents at beginning of the period	(1,091,229,075)	(3,841,913,205)
Cash and cash equivalents at end of the period	(1,671,210,936)	(398,860,182)

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

CHAIRMAN & CHIEF EXECUTIVE

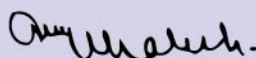
DIRECTOR

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2010

		Share capital		Reserves			Sub total	Total
		Issued, subscribed and paid up	Surplus/ (deficit) on remeasurement of investments/ fixed assets	Exchange difference on translation to presentation currency	General reserve	Unappropriated profit		
Balance as at 30 June 2009 as previously reported	Rupees	3,750,000,000	(539,888,801)	27,047,930	4,019,567,665	5,973,707,384	9,480,434,178	13,230,434,178
Effect for change in accounting policy of prior years	Rupees	-	-	-	-	31,266,158	31,266,158	31,266,158
Total comprehensive income/(loss) for the period								
Profit for the period ended 31 December 2009 - Restated		-	-	-	-	1,577,443,776	1,577,443,776	1,577,443,776
Other comprehensive income								
Surplus on remeasurement of investments classified as available for sale		-	666,471,222	-	-	-	666,471,222	666,471,222
Net effect of translation of net assets of foreign subsidiary to presentation currency		-	-	543,878	-	-	543,878	543,878
Balance as at 31 December 2009 as restated	Rupees	<u>3,750,000,000</u>	<u>126,582,421</u>	<u>27,591,808</u>	<u>4,019,567,665</u>	<u>7,582,417,318</u>	<u>11,756,159,212</u>	<u>15,506,159,212</u>
Balance as at 30 June 2010 as previously reported	Rupees	3,750,000,000	(424,820,983)	29,325,287	4,019,567,665	7,535,472,908	11,159,544,877	14,909,544,877
Effect for change in accounting policy of prior years	Rupees	-	-	-	-	29,161,958	29,161,958	29,161,958
Total comprehensive income/(loss) for period								
Profit for the period ended 31 December 2010		-	-	-	-	684,339,766	684,339,766	684,339,766
Other comprehensive income								
Surplus on remeasurement of investments classified as available for sale		-	14,430,764	-	-	-	14,430,764	14,430,764
Appropriation of retained earnings for specie		-	-	-	-	(817,874,982)	(817,874,982)	(817,874,982)
Net effect of translation of net assets of foreign subsidiary to presentation currency		-	-	3,626,133	-	-	3,626,133	3,626,133
Balance as at 31 December 2010	Rupees	<u>3,750,000,000</u>	<u>(410,390,219)</u>	<u>32,951,420</u>	<u>4,019,567,665</u>	<u>7,431,099,649</u>	<u>11,073,228,515</u>	<u>14,823,228,515</u>

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR

Notes to the Condensed Interim Consolidated

Financial Information (Unaudited)

For the six months period ended 31 December 2010

1. STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited (Formerly Arif Habib Securities Limited) (AHCL), the Parent 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 investments in subsidiary companies and associates engaged in Chemicals/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.

The Group comprises of the Parent Company and following subsidiary companies that have been consolidated in these financial statements on line by line basis. All material inter company balances, and transactions have been eliminated.

Subsidiaries		Shareholding (including indirect holding)
Name of Company	Note	
- Arif Habib Limited (AHL)	1.1	75.15%
- Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited) (AHIL)	1.2	60.18%
- Arif Habib DMCC (AHD)	1.3	100.00%
- SKM Lanka Holdings (Private) Limited (SKML)	1.4	75.00%
- Pakistan Private Equity Management Limited (PPEML)	1.5	85.00%
- Sachal Energy Development (Pvt) Limited, a wind power generation company (SEDL)	1.6	99.99%

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

Associates	Shareholding (including indirect holding)
Name of Company	
- Pakarab Fertilizers Limited (PFL)	30.00%
- Aisha Steel Mills Limited (ASML)	32.71%
- Al-Abbas Cement Industries Limited (AACIL)	37.86%
- Thatta Cement Company Limited (THCCL)	9.06%
- Rozgar Microfinance Bank Limited (RMFBL)	19.01%
- Sweetwater Dairies Pakistan (Private) Limited (SDPL)	28.82%
- Fatima Fertilizer Company Limited (FFCL)	19.69%

- 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 64, KSE Building, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodities Exchange. It is registered with SECP as securities brokerage house. AHL is a subsidiary of AHCL with shareholding of 75.15% (June 2010: 75.15%) and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, corporate finance advisory and securities research. The shares of AHL are listed at the Karachi stock Exchange since 31 January 2007.

Notes to the Condensed Interim Consolidated**Financial Information (Unaudited)****For the six months period ended 31 December 2010**

- 1.2** Arif Habib Investments Limited (AHIL) (formerly Arif Habib Investment Management Limited) was incorporated in Pakistan on 30 August 2000 as a public limited company under the Companies Ordinance, 1984. The registered office of AHIL is situated at Arif Habib Centre, 23 M. T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHIL is a subsidiary of AHCL with shareholding of 60.18% (June 2010: 60.18%). AHIL is registered as an Asset Management Company, Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC) and Pension Scheme Manager under Voluntary Pension System Rules 2005. AHIL is currently acting as Asset Management Company / Investment Advisor / Pension Scheme Manager for the various funds / schemes.
- 1.3** Arif Habib DMCC (AHD) was incorporated in Dubai, UAE on 24 October 2005 as a limited liability company. Its registered office situated at Dubai Metals and Commodities Center, Dubai, UAE. 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 which has already been started.
- 1.4** S.K.M Lanka Holdings (Pvt.) Limited (SKML) was incorporated in Colombo, Sri Lanka on 15 February 2007 as a limited liability company. Its registered office situated at 86/1, Dawson Street, Colombo 02, Sri Lanka. It is domiciled in the province of Colombo. It is registered with Securities and Exchange Commission of Sri Lanka as securities brokerage house. SKML is a subsidiary of AHCL with 75% (June 2010: 75%) shareholding.
- 1.5** Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 6 September 2006 as a public limited company under the Companies Ordinance, 1984. The registered office of PPEML is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. It is domiciled in the province of Sindh. PPEML is a subsidiary of AHCL with shareholding of 85% (June 2010:85%). PPEML is a venture capital company registered, under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through SRO 113(1)2007, with the Securities and Exchange Commission of Pakistan.
- 1.6** Sachal Energy Development (Private) Limited (SEDL) was incorporated in Pakistan on 20 November 2006 as a private limited company under the Companies Ordinance, 1984. The registered office of SEDL is situated in Islamabad, Pakistan. During the period, AHCL obtained control of SEDL by acquiring 4,000,006 shares of Rs 10 each resulting into a shareholding of 99.99% (June 2010:Nil). SEDL 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.

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 does not include all the information required for full financial statements and should be read in conjunction with the published financial statements as at and for the year ended 30 June 2010.



Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

2.2 Significant accounting policies

The accounting policies adopted by the Company in the preparation of these condensed interim consolidated financial statements are the same as those applied in preparation of the preceding published financial statements of the Company for the year ended 30 June 2010, except for change in accounting policy as disclosed in note no. 2.3 below.

The Company has applied revised IAS 1 'Presentation of Financial Statements' (2007), which became effective as of 1 January 2009. The application of this standard has impacted the presentation aspect only (Condensed Interim Consolidated Statement of Comprehensive Income). Comparative information has also been re-presented so that it conforms with the revised standard.

Beside this, IFRS 8 'Operating segments' also became effective from January 1, 2009 which requires an entity to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker (CODM). Adoption of the said IFRS had no impact on the Company's profit / loss for the period or prior periods.

2.3 Change in Accounting policy

One of the subsidiary Company has changed its accounting policy with effect from September 1, 2010 relating to recognition and subsequent measurement of investment property from cost model to fair value model for the reason of more appropriate presentation as permitted by the International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors' and IAS 40 'Investment Property'.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional 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. All financial information has been rounded to the nearest rupee.

2.5 Use of estimates and judgments

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

In preparing this condensed interim consolidated financial information, significant judgments made by management were the same as applied to the annual consolidated financial statements of the Company for the year ended 30 June 2010.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company as at and for the year ended 30 June 2010.

4 SHORT TERM BORROWINGS - secured

	Unaudited 31 December	Audited 30 June
	2010	2010
From various banking companies		
- Short term running finance	Rupees <u>1,871,598,661</u>	<u>1,217,727,694</u>

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 5,030 million (30 June 2010: Rs. 5,030 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 31 December 2011. These arrangements are secured against pledge of marketable securities with 30% margin (30 June 2010: 30% margin). These running finance facilities carry mark-up ranging from 3 month KIBOR+1% to 3 month KIBOR+3.5% per annum (30 June 2010: 1 month KIBOR+1% to 6 month KIBOR+2% per annum) calculated on a daily product basis that is payable quarterly.

5 CONTINGENCIES AND COMMITMENTS

5.1 There is no significant change in contingencies/commitments as disclosed in the preceding published financial statements of the Company as at 30 June 2010.

6 PROPERTY AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs. 13.4 million. Disposal of fixed assets during the period amounted to Rs. 1.8 million.

7 CASH AND CASH EQUIVALENTS

	31 December	31 December
	2010	2009
Cash and bank balances	200,387,725	55,190,735
Receivable against securities - considered good	-	132,014,672
Short term borrowings	<u>(1,871,598,661)</u>	<u>(586,065,589)</u>
	<u>(1,671,210,936)</u>	<u>(398,860,182)</u>

Notes to the Condensed Interim Consolidated

Financial Information (Unaudited)

For the six months period ended 31 December 2010

8 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. 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 with related parties during the period other than those disclosed elsewhere in the financial statements are given below:

		31 December	31 December
		2010	2009
Transactions with subsidiaries			
- Services availed	Rupees	1,230,854	11,679,260
- Cash dividend	Rupees	-	33,750,000
- Loan / advance	Rupees	255,000,000	-
- Loan / advance repayment	Rupees	270,000,000	-
- Mark-up on loan and advance	Rupees	4,433,224	-
- Number of bonus shares received		9,247,289	-
- Mark-up on short term running finance	Rupees	-	2,581,330
- Mark-up on bank deposit	Rupees	-	448,205
- Initial / fresh equity investments	Rupees	-	25,500,000
- Loan / advance repayment	Rupees	-	12,188,784
- Mark-up on loan and advance	Rupees	-	332,268
- Advance against shares	Rupees	74,999,940	-
Transactions with associates			
- Initial / fresh equity investment	Rupees	-	146,930,094
- Advance against shares	Rupees	697,500,000	-
- Loan / advance	Rupees	205,444,931	-
- Loan / advance repayment	Rupees	155,444,931	-
- Mark-up on loan and advance	Rupees	2,077,210	5,029,909
- Subscription of right shares	Rupees	312,832,500	57,240,980
- Specie dividend	Rupees	801,900,000	675,000,000
- Legal advisor fee paid to director of CIS under management (Pakistan Premier Fund Ltd.)		95,784	96,275
- Director's meeting fee / travelling expenses		1,242,746	948,655
Other related party			
- Mark-up on loan and advance	Rupees	-	4,650,356
- Loan / advance	Rupees	460,000,000	-
- Mark-up on loan and advance	Rupees	7,877,235	379,553
- Provident fund contribution	Rupees	573,757	252,993

Notes to the Condensed Interim Consolidated**Financial Information (Unaudited)****For the six months period ended 31 December 2010**

		31 December	31 December
		2010	2009
- Amount received for shared expenses	Rupees	<u>2,903,071</u>	<u>-</u>
- Payment of rent and maintenance charges	Rupees	<u>4,456,954</u>	<u>-</u>
- Key management personnel Mark-up on loan from CEO		<u>6,289,062</u>	<u>-</u>
- Proceed from sale of vehicle (CEO)		<u>-</u>	<u>50,179,173</u>
- Proceed from sale of vehicle (Mr. Akmal Jameel)		<u>790,000</u>	<u>-</u>
- Management fee / investment advisory fee		<u>-</u>	<u>546,340</u>
- Brokerage expenses		<u>127,090,282</u>	<u>129,020,471</u>
		<u>5,935,592</u>	<u>4,652,697</u>
		Unaudited	Audited
		31 December	30 June
		2010	2010
Balances as at			
- Receivable from Sweetwater Dairies Pakistan (Private) Limited- unsecured	Rupees	<u>537,978</u>	<u>476,348</u>
- (Receivable) / Payable from / to CEO	Rupees	<u>(114,484)</u>	<u>689,000,000</u>
- Payable / (receivable) to / from Arif Habib Limited	Rupees	<u>24,249,234</u>	<u>(27,237,815)</u>
- Loans and advances		<u>-</u>	<u>15,000,000</u>

9 REPORTABLE SEGMENTS

9.1 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 asset 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.

9.2 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 2010 except as disclosed in note no. 2.3. 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.



Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2010

- 9.3** 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.
- 9.4** 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.

10 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim consolidated financial statements have been authorized for issue on 25 February 2011 by the Board of Directors of the Company.

11 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR



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Arif Habib Corporation Limited

Formerly Arif Habib Securities Limited

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