



Arif Habib Corp

# Promoting Investments

Quarterly Report  
31 March 2013





# contents

<b>03</b>	<b>Company Information</b>
<b>05</b>	<b>Directors' Review Report</b>
<b>08</b>	<b>Condensed Interim Unconsolidated Financial Information</b>
<b>09</b>	Condensed Interim Unconsolidated Balance Sheet
<b>11</b>	Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)
<b>12</b>	Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)
<b>13</b>	Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)
<b>14</b>	Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)
<b>15</b>	Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)
<b>30</b>	<b>Condensed Interim Consolidated Financial Information</b>
<b>31</b>	Condensed Interim Consolidated Balance Sheet
<b>33</b>	Condensed Interim Consolidated Profit and Loss Account (Unaudited)
<b>34</b>	Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)
<b>35</b>	Condensed Interim Consolidated Cash Flow Statement (Unaudited)
<b>37</b>	Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)
<b>38</b>	Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

## company information

### Board of Directors

Arif Habib  
Chairman & Chief Executive

Asadullah Khawaja  
Non-executive Director

Nasim Beg  
Non-executive Director

Samad A. Habib  
Non-executive Director

Kashif A. Habib  
Non-executive Director

Muhammad Ejaz  
Non-executive Director

Kashif Shah  
Non-executive Director

Chief Financial Officer & Company  
Secretary  
Basit Habib

### Audit Committee

Kashif A. Habib  
Chairman

Muhammad Ejaz  
Member

Kashif Shah  
Member

### Management

Arif Habib  
Chief Executive Officer

Basit Habib  
Chief Financial Officer

Zeshan Afzal  
Group Head - Strategic Investments

#### Bankers

Allied Bank Limited  
Askari 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  
National Bank of Pakistan  
NIB Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Soneri Bank Limited  
Summit Bank Limited  
Sindh 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: 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

#### Ratings (JCR-VIS)

Long term: AA  
Short term A-1+

# directors' report

## Dear Shareholders

The Directors of Arif Habib Corporation Limited (AHCL) present herewith the Directors' report of the Company together with condensed interim unconsolidated and consolidated financial information for the nine months period ended 31st March 2013.

### Financial Results

During the nine months, AHCL recorded an operating revenue of Rs.922.85 million, which includes dividend income of Rs.1,273.63 million, gain on sale of securities amounting to Rs.238.18 million and unrealized diminution in value of investments amounting to Rs.689.18 million. After accounting for operating, administrative and financial expenses of Rs.292.05 million, the company earned a profit before tax of Rs.628.3 million. The company has reported an after-tax profit of Rs.573.78 million for the nine months under review as compared to the net profit of Rs. 4,341.70 million for the corresponding nine months ended 31st March 2012. This translates into earnings of Rs.1.26 per share as compared with Rs.9.57 per share in corresponding period last year.

During the third quarter of the current financial year, AHCL recorded a decrease in earnings of Rs.591.55 million, mainly on account of unrealized diminution in the market price of Fatima Fertilizer Company Limited (FFCL), an associate.

### Performance of Subsidiaries and Associates

During the period under review, the strategic investments of your Company continued to exhibit improved performance. The cement sector continues to be in the lime light for sustaining strong fundamentals. Your Company, cognizant of its responsibilities to add to shareholders value, has entered into an agreement to divest from its associate Thatta Cement (pending regulatory approvals). The decision stems from a desire to capitalize on the strong performance of the cement sector and the resulting positive investor sentiment. The performance of Al-Abbas Cement is satisfactory and is expected to perform better. Subsequent to the quarter end, the name of Al-Abbas Cement Industries Limited has been changed to Power Cement Limited (PCL) to reflect the acquisition of company by Arif Habib Group and to align and target the market with a more appealing name under the vision of present management.

Aisha Steel, post COD, is endeavoring to achieve its full production capacity. The fertilizer sector continues to be plagued by unfair gas distribution by SNGPL, and as a result, Pakarab Fertilizers Limited (PAFL) has suffered operationally and financially. On the other hand, Fatima Fertilizer continues to deliver robust performance showing healthy profitability during the first quarter of its financial year. AHCL has continued to make inroads in the international market with the re-branding of its brokerage business in Sri Lanka. Similarly, progress on the start ups in dairy and wind energy continue at a satisfactory pace.

Liquidity on the Karachi Stock Exchange has significantly improved as average daily volume during 9mo FY13 shot up by 59% to 170 million shares from 107 million shares last year. The benchmark KSE-100 index has also posted returns of 31% during the period under review. Both these factors have contributed to the strong performance of your Company's brokerage and asset management business.

### Economic Review

Pakistan's external front has shown remarkable improvement over the last year with the current account deficit sharply declining from USD 3.24 billion in 8mo FY12 to USD 700 million during 8mo FY13. The improvement has trickled down to the overall balance of payments with a deficit of USD 923 million during the period July – February 2013 against USD 2.63 billion in the corresponding period of last year. However, foreign reserves provide a cautionary note as gross reserves held by the SBP have declined by 31% YoY to USD 9.10 billion by the end of February 2013 mainly due to repayments to IMF.



In its monetary policy announcement during April 2013, the central bank has maintained the policy rate at 9.5%. However, the SBP has hinted that further monetary easing might be expected with inflation emerging as the primary driver. CPI inflation during 9mo FY13 has averaged at 8.00% against 10.81% in the corresponding period of last year. More importantly, the average inflation for 9mo FY13 is far below the government's target of 9.5% for FY13. Another positive development has been a slowdown in PKR devaluation which lost only 0.5% in value during 3Q FY13 against 3.4% in the preceding quarter. A recent dip in commodity prices – crude oil is down by 11% since December 2012 – also bodes well for Pakistan's import bill as the external front will be further bolstered.

#### **Future Outlook**

With the recent decision of the central bank to maintain the discount rate at current levels, leveraged businesses, including your Company's investment in cements, fertilizer and steel will continue to accrue interest savings. At the same time, valuations in the capital market are expected to be firm.

In addition to a low interest rate environment, your Company's investment in the cement sector is poised to benefit from the upcoming summer season when cement demand is expected to surge. On the fertilizer front, all stakeholders, including the Government, have shown strong resolve to implement the gas load management plan approved by the ECC of the Cabinet. The load management plan envisages sustainable, long term gas supply for the

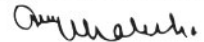
fertilizer industry ensuring the survival of this most critical industry while significantly adding to Pakistan's economic growth. Prices of steel in the international market have dipped over the last few months and the contraction in margins is expected to keep the sector's profitability under pressure.

For the first time in the history of Pakistan, a democratically elected government has completed its full tenure. We are hopeful that general elections, just around the corner, will usher in a period of prosperity for our Nation and your Company remains committed to serve its stakeholders and our Country.

#### **Acknowledgement**

We are grateful to the Company's stakeholders for their continuing confidence and patronage. We record our appreciation and thank 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



**Arif Habib**

Chairman & Chief Executive  
Karachi: 26th April 2013







condensed interim  
unconsolidated  
financial information

# Condensed Interim Unconsolidated Balance Sheet

As at 31 March 2013

		Unaudited March 2013	Audited June 2012
	Note		
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
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		4,537,500,000	4,125,000,000
Reserves		19,415,680,146	20,120,018,064
		<b>23,953,180,146</b>	<b>24,245,018,064</b>
<b>Non-current liabilities</b>			
Deferred taxation		2,903,254,536	2,832,876,106
Long term loan - secured	4	-	656,550,000
		<b>2,903,254,536</b>	<b>3,489,426,106</b>
<b>Current liabilities</b>			
Trade and other payables		93,653,843	473,424,311
Interest / mark-up accrued on borrowings		69,561,775	77,088,375
Short term borrowings	5	1,918,991,756	1,685,677,935
Current maturity of long term loan	4	656,550,000	-
Provision for taxation		82,569,600	99,826,284
		<b>2,821,326,974</b>	<b>2,336,016,905</b>
	Rupees	<u><b>29,677,761,656</b></u>	<u><b>30,070,461,075</b></u>
<b>Contingencies and commitments</b>	6		

# Condensed Interim Unconsolidated Balance Sheet

As at 31 March 2013

	Note	Unaudited March 2013	Audited June 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	41,390,632	46,214,078
Long term investments	8	25,786,801,875	26,596,464,379
Loan to subsidiary	9	500,000,000	-
Long term deposits		3,262,290	2,958,090
		<b>26,331,454,797</b>	<b>26,645,636,547</b>
<b>Current assets</b>			
Loans and advances	10	898,301,602	1,052,207,362
Prepayments		606,911	1,141,292
Advance tax		166,969,169	92,581,087
Markup receivable		280,886,734	189,857,883
Trade and other receivables		834,900,740	565,771,308
Short term investments		1,153,417,106	1,512,085,623
Cash and bank balances		11,224,597	11,179,973
		<b>3,346,306,859</b>	<b>3,424,824,528</b>
		<b>29,677,761,656</b>	<b>30,070,461,075</b>
	Rupees		

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

  
CHAIRMAN & CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the nine months period ended 31 March 2013

	Note	Nine months period ended		Quarter ended	
		March 2013	March 2012	March 2013	March 2012
<b>Operating revenue</b>	11	<b>922,848,547</b>	4,660,467,402	<b>(591,546,645)</b>	1,388,299,670
Operating and administrative expenses		<b>(66,352,734)</b>	(81,397,803)	<b>(20,952,956)</b>	(44,265,082)
Other income		<b>96,690</b>	182,480	<b>54,590</b>	2,050
Finance cost		<b>(225,694,438)</b>	(224,055,062)	<b>(75,683,748)</b>	(85,098,734)
Other charges		<b>(2,596,000)</b>	(4,650,000)	<b>(1,996,000)</b>	(350,000)
<b>Profit / (loss) before tax</b>		<b>628,302,065</b>	4,350,547,017	<b>(690,124,759)</b>	1,258,587,904
<b>Taxation</b>					
For the period					
- Current		<b>(82,569,600)</b>	(6,711,949)	<b>(21,487,971)</b>	(5,072,429)
- Prior		<b>99,826,284</b>	-	<b>-</b>	-
- Deferred		<b>(71,774,904)</b>	(2,137,062)	<b>(79,209,105)</b>	(2,578,064)
		<b>(54,518,220)</b>	(8,849,011)	<b>(100,697,076)</b>	(7,650,493)
<b>Profit / (loss) after tax</b>	Rupees	<b>573,783,845</b>	4,341,698,006	<b>(790,821,835)</b>	1,250,937,411
<b>Earnings / (loss) per share - basic and diluted</b>	Rupees	<b>1.26</b>	9.57	<b>(1.74)</b>	2.76

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the nine months period ended 31 March 2013

	Nine months period ended		Quarter ended	
	March 2013	March 2012	March 2013	March 2012
<b>Profit / (loss) for the period</b>	<b>573,783,845</b>	4,341,698,006	<b>(790,821,835)</b>	1,250,937,411
<b>Other comprehensive income / (loss)</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Unrealized (diminution) / appreciation during the period on re-measurement of investments classified as 'available for sale'	(17,688,337)	24,138,180	(203,267,269)	38,303,100
Reclassification adjustments relating to gain realized on disposal of investments classified as 'available for sale' - net of tax	(22,933,426)	-	-	-
Other comprehensive (loss) / income for the period	(40,621,763)	24,138,180	(203,267,269)	38,303,100
<b>Total comprehensive income / (loss) for the period</b>	<b>533,162,082</b>	<u>4,365,836,186</u>	<b>(994,089,104)</b>	<u>1,289,240,511</u>

Rupees

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

  
CHAIRMAN & CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the nine months period ended 31 March 2013

	Note	March 2013	March 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from / (used in) operations</b>	12	<b>497,891,400</b>	(992,156,651)
Income tax paid		(74,213,242)	(8,407,999)
Finance cost paid		(233,221,038)	(190,690,747)
Dividend received		732,576,664	87,790,188
Interest received		6,138,854	74,455,395
<b>Net cash generated from / (used in) operating activities</b>		<b>929,172,638</b>	(1,029,009,814)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(472,590)	(506,719)
Proceeds from sale of property and equipment		90,212	218,573
Acquisition of long term investments		(190,375,074)	(182,054,379)
Proceeds from sale of long term investments		353,619,817	470,247,868
Long term loan to subsidiary		(500,000,000)	-
Long term deposits		(304,200)	(143,500)
<b>Net cash (used in) / generated from investing activities</b>		<b>(337,441,835)</b>	287,761,843
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term loan obtained		-	656,550,000
Dividend paid		(825,000,000)	(750,000,000)
<b>Net cash used in financing activities</b>		<b>(825,000,000)</b>	(93,450,000)
<b>Net decrease in cash and cash equivalents</b>		<b>(233,269,197)</b>	(834,697,971)
<b>Cash and cash equivalents at beginning of the period</b>		<b>(1,674,497,962)</b>	(1,318,887,033)
<b>Cash and cash equivalents at end of the period</b>	13 Rupees	<b>(1,907,767,159)</b>	(2,153,585,004)

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the nine months period ended 31 March 2013

	Share capital issued, subscribed and paid up	Capital reserve Unrealized appreciation/ (diminution) on re-measurement of investments classified as 'available for sale'	Revenue reserves General reserve	Unappropriated profit	Total reserves	Total
<b>Balance as at 1 July 2011</b>	3,750,000,000	(436,042,975)	4,000,000,000	13,797,693,943	17,361,650,968	21,111,650,968
<b>Total comprehensive income for the nine months period</b>						
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Profit for the nine months period ended 31 March 2012	-	-	-	4,341,698,006	4,341,698,006	4,341,698,006
Unrealized appreciation during the period on re-measurement of investments classified as 'available for sale'	-	24,138,180	-	-	24,138,180	24,138,180
	-	24,138,180	-	4,341,698,006	4,365,836,186	4,365,836,186
<b>Transactions with owners</b>						
Issue of 37.5 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2011	375,000,000	-	-	(375,000,000)	(375,000,000)	-
Cash dividend for the year ended 30 June 2011 (Rs. 2 per share)	-	-	-	(750,000,000)	(750,000,000)	(750,000,000)
	375,000,000	-	-	(1,125,000,000)	(1,125,000,000)	(750,000,000)
<b>Balance as at 31 March 2012</b>	<b>Rupees 4,125,000,000</b>	<b>(411,904,795)</b>	<b>4,000,000,000</b>	<b>17,014,391,949</b>	<b>20,602,487,154</b>	<b>24,727,487,154</b>
<b>Balance as at 1 July 2012</b>	<b>4,125,000,000</b>	<b>(394,481,956)</b>	<b>4,000,000,000</b>	<b>16,514,500,020</b>	<b>20,120,018,064</b>	<b>24,245,018,064</b>
<b>Total comprehensive income for the nine months period</b>						
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Profit for the nine months period ended 31 March 2013	-	-	-	573,783,845	573,783,845	573,783,845
Unrealized diminution during the period on re-measurement of investments classified as 'available for sale'	-	(17,688,337)	-	-	(17,688,337)	(17,688,337)
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)
	-	(40,621,763)	-	573,783,845	533,162,082	533,162,082
<b>Transactions with owners</b>						
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)	-
Cash dividend for the year ended 30 June 2012 (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)
<b>Balance as at 31 March 2013</b>	<b>Rupees 4,537,500,000</b>	<b>(435,103,719)</b>	<b>4,000,000,000</b>	<b>15,850,783,865</b>	<b>19,415,680,146</b>	<b>23,953,180,146</b>

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

  
CHAIRMAN & CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 1. 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 make 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 is 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:

<i>Name of Company Subsidiaries</i>	<i>Shareholding</i>
- Arif Habib Limited, a brokerage house	79.38%
- Power Cement Limited (Formerly Al-Abbas Cement Industries Limited), a cement manufacturing company	65.83%
- 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 Srilankan incorporated brokerage house at Colombo Stock Exchange	52.97%
- Pakistan Private Equity Management Limited, a venture capital company	85.00%
- Sachal Energy Development (Pvt) Limited, a wind power generation company	99.99%
- Sweetwater Dairies Pakistan (Private) Limited, a dairy farming company	85.20%
<i>Associates</i>	
- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	35.91%
- Fatima Fertilizer Company Limited	18.58%
- Arif Habib Investments Limited	30.09%
- Crescent Textile Mills Limited	24.82%

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

<i>Name of Company</i>	<i>Shareholding</i>
<i>Others</i>	
- Takaful Pakistan Limited	10.00%
- Sunbiz (Private) Limited	4.65%
- Javedan Corporation Limited	7.90%

## **1.1 Change in the composition of the Group**

Changes in composition of the Group during the nine months period ended 31 March 2013 are summarized as under:

- The Company purchased 1,347,000 shares of Arif Habib Limited, a subsidiary of the Company, resulting in an increase in Company's holding from 76.69% to 79.38%.
- The Company purchased 2,949,850 shares of Power Cement Limited (Formerly Al-Abbas Cement Industries Limited), a subsidiary of the Company, resulting in an increase in the Company's holding from 65.03% to 65.83%.
- The Company subscribed for 3,762,401 ordinary shares of Serendib Stock Brokers (Private) Limited (SBPL) (Formerly SKM Lanka Holdings (Private) Limited). Further, Arif Habib DMCC, a subsidiary of the Company, converted 7,500 preference shares into 7,500,000 ordinary shares of SBPL, resulting in decrease in the Company's direct holding from 75.00% to 52.97%. Whereas, the Company's indirect holding increased to 88.24%.
- The Company received 13,500,000 shares of Fatima Fertilizer Company Limited (FFCL) as specie dividend from Pakarab Fertilizers Limited and sold 12,500,000 shares of the said company. This resulted in an overall increase in Company's holding in FFCL from 18.53% to 18.58%.
- The Company purchased 8,903,022 convertible preference shares of Aisha Steel Mills Limited, resulting in an increase in Company's holding from 33.33% to 35.91%.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

This condensed interim unconsolidated financial information of the Company for the nine months period ended 31 March 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.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

This condensed interim unconsolidated financial information is unaudited 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 financial statements as at and for the year ended 30 June 2012.

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 Significant accounting policies

### Purchase under resale agreement

Transactions of purchase under resale (Reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resale at a specified future date (Reverse-repo) are not recognized in the balance sheet. Amount paid under these agreements in respect of reverse repurchase transactions are included in assets. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable securities and accrued over the life of the reverse repo agreement.

All other 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 the preparation of the financial statements for the year ended 30 June 2012.

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 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 2012.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

### 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 2012.

### 4. LONG TERM LOAN - secured

		<b>Unaudited 31 March 2013</b>	Audited 30 June 2012
Term finance loan	4.1	<b>656,550,000</b>	656,550,000
Less: Current portion of term finance loan		<b>(656,550,000)</b>	-
	Rupees	<u>-</u>	<u>656,550,000</u>

**4.1** This represents term finance facility obtained by the Company from a commercial bank under mark-up arrangement at the rate of 3 months KIBOR +1% to be charged quarterly having maturity upto 31 December 2013. The fair value of shares of associated company pledged as collateral against long term loan amount to Rs. 1,164.096 million (30 June 2012: Rs. 1,272.972 million)

### 5. SHORT TERM BORROWINGS - secured

From various banking companies			
- short term running finance	5.1 & 5.2	Rupees	
		<b><u>1,918,991,756</u></b>	<u>1,685,677,935</u>

**5.1** Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 4,030 million (30 June 2012: Rs. 3,130 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 2013. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2012: 30% margin). These running finance facilities carry mark-up ranging from 1 month KIBOR+1% to 3 month KIBOR+2.5% per annum (30 June 2012: 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. 2,111.010 million (30 June 2012: Rs. 1,444.322 million).

**5.2** The fair value of shares of associated companies and shares held for trading pledged as collateral against short term borrowings amount to Rs. 2,996.147 million (30 June 2012: Rs. 3,176.757 million).

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 6. CONTINGENCIES AND COMMITMENT

**6.1** During the year ended 30 June 2011, the Honourable High Court of Lahore vide their order in respect of writ petition No. 8763/2011, has declared amendments introduced through Finance Acts 2006 and 2008 in Workers' Welfare Ordinance, 1971 as unconstitutional. Further, the Company has also filed a writ petition in the High Court of Sindh at Karachi to impugn the amendments made to the Workers' Welfare Ordinance 1971, vide Finance Act 2008. Moreover, the Appellate Tribunal Inland Revenue, Islamabad has also settled issue of WWF in the favour of taxpayers and against the Inland Revenue Service Department in ITA No. 38/1B/2012 (Tax year 2009), ITA No. 136/IB/2012 (Tax year 2009) and ITA No. 137/IB/2012 (Tax year 2010) dated 21 May 2012. During the third quarter ended March 31, 2013, the Honourable High Court of Sindh (SHC) vide their order in respect of Constitutional Petition bearing No. D-2753/2009 has declared that amendments to the Workers Welfare Fund through Finance Act 2006 and 2008 do not suffer from any constitutional or legal infirmity. On the basis of the aforementioned order of SHC, the Company writ petition was disposed off on the same grounds. The management is in the process of filing a constitutional petition challenging the order of SHC before the Supreme Court of Pakistan. As per the legal council, the Company has a reasonable case and the management is confident for a favourable outcome.

**6.2** During the year ended 30 June 2012, the Securities and Exchange Commission of Pakistan ("SECP") issued an order u/s 22 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") regarding non-compliance of orders passed by SECP u/s 18A of the Ordinance for depositing confiscated subscription money amounting to Rs. 3.14 million relating to fictitious applications received by the Company for subscription of shares of Summit Bank Limited that were offered to the general public by the Company in 2007. On 02 November 2012, Appellate bench of SECP dismissed the appeal filed by the Company against the order. The Company has filed a constitutional petition challenging the orders passed by SECP before Honourable High Court of Sindh. The petition is being contested vigorously and the management is confident that the petition will be decided in the Company's favour.

**6.3** During the period, Income tax assessment for the Tax Year 2011, taken as deemed assessment u/s 120 of the Income Tax Ordinance, 2001 was subsequently amended twice u/s 122 (5A) of the Income Tax Ordinance, 2001. The appeals filed by the Company with Commissioner Inland Revenue (Appeals) against these amendments were decided in favor of the Company.

Income tax assessment for Tax Year 2012 is deemed to have been finalised u/s 120 of the Income Tax Ordinance, 2001.

**6.4** There are no other changes in the status of contingencies as disclosed in the preceding annual financial statements of the Company as at 30 June 2012.

## 7. PROPERTY AND EQUIPMENT

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

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

	Nine months period ended 31 March 2013		Nine months period ended 31 March 2012	
	Additions	Disposals	Additions	Disposals
Vehicles	120,000	61,025	-	700,000
Office equipment	53,640	-	-	-
Computer and allied equipments	298,950	22,712	269,500	-
Rupees	<u>472,590</u>	<u>83,737</u>	<u>269,500</u>	<u>700,000</u>

## 8. LONG TERM INVESTMENTS

		Unaudited 31 March 2013	Audited 30 June 2012
Subsidiaries at cost	8.1	3,066,640,918	2,943,048,831
At fair value through profit or loss	8.2	21,432,352,876	22,202,652,951
Available for sale	8.3	1,287,808,081	1,450,762,597
Rupees		<u>25,786,801,875</u>	<u>26,596,464,379</u>

### 8.1 Subsidiaries at cost

	Cost	Provision for Impairment	Carrying amount	
			Unaudited 31 March 2013	Audited 30 June 2012
Arif Habib Limited (AHL)	2,733,252,037	(950,449,366)	1,782,802,671	1,735,367,496
Arif Habib DMCC (AHD)	29,945,898	-	29,945,898	29,945,898
Pakistan Private Equity Management Limited (PPEML)	42,500,000	(25,500,000)	17,000,000	17,000,000
Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited) (SBPL)	71,159,078	(21,598,608)	49,560,470	21,598,608
Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) (PCL)	8.1.1 887,858,151	-	887,858,151	869,663,101
Sachal Energy Development (Private) Limited (SEDPL)	215,000,060	-	215,000,060	185,000,060
Sweetwater Dairies Pakistan (Private) Limited (SDPL)	84,473,668	-	84,473,668	84,473,668
Rupees	<u>4,064,188,892</u>	<u>(997,547,974)</u>	<u>3,066,640,918</u>	<u>2,943,048,831</u>

**8.1.1** 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. 1,446.467 million (30 June 2012: 1,428.272 million).

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 8.2 At fair value through profit or loss

	Cost	Unrealized appreciation / (diminution) on re-measurement of investments	Carrying amount		
			Unaudited 31 March 2013	Audited 30 June 2012	
<b>Associates :</b>					
Arif Habib Investments Limited (AHIL)	8.2.1 & 8.2.2	477,694,882	(172,013,486)	305,681,396	344,026,972
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)		4,296,099,121	4,505,328,566	8,801,427,687	9,599,940,861
Crescent Textile Mills Limited (CTML)		292,566,283	(117,322,490)	175,243,793	108,685,118
	Rupees	<u>6,390,692,359</u>	<u>15,041,660,517</u>	<u>21,432,352,876</u>	<u>22,202,652,951</u>

**8.2.1** During the year ended 30 June 2011, the shareholders of Arif Habib Investments Limited (AHIL) and MCB Asset Management Company Limited (MCB-AMC) approved merger of these two entities under the scheme of amalgamation ("the scheme"). The scheme was sanctioned by Securities and Exchange Commission of Pakistan (SECP) through its order dated 10 June 2011 with effect from 27 June 2011. Subsequently SECP through its order dated 27 June 2011 extended the effective date of merger from 27 June 2011 to 30 July 2011. The company in reply to the SECP order filed the petition in the Honourable Sindh High Court claiming that the same is a past and closed transaction. In view of this, the Honourable Sindh High Court (SHC) through its interim order dated 28 September 2011 suspended the SECP order for extension of the effective date of merger. The matter is pending with the SHC.

**8.2.2** Before loss of control, AHIL 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.



# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 8.3 Available for sale

	Cost	Unrealized (diminution) / appreciation on re-measurement of investments	Provision for Impairment	Carrying amount	
				Unaudited 31 March 2013	Audited 30 June 2012
<b>Associates:</b>					
Thatta Cement Company Limited (THCCL) 8.3.1	-	-	-	-	189,979,763
Aisha Steel Mills Limited (ASML)	800,082,500	(64,006,600)	-	736,075,900	800,082,500
Aisha Steel Mills Limited- Convertible Preference shares (ASML-PS)	426,104,929	(78,320,289)	-	347,784,640	345,700,580
	<u>1,226,187,429</u>	<u>(142,326,889)</u>	-	<u>1,083,860,540</u>	<u>1,335,762,843</u>
<b>Other investments:</b>					
Takaful Pakistan Limited (TPL)	30,000,000	-	(15,000,000)	15,000,000	15,000,000
Javedan Corporation Limited (JCL)	92,620,761	96,326,780	-	188,947,541	99,999,754
Sun Biz (Private) Limited (SBL)	1,000,000	-	(1,000,000)	-	-
	<u>123,620,761</u>	<u>96,326,780</u>	<u>(16,000,000)</u>	<u>203,947,541</u>	<u>114,999,754</u>
Rupees	<u>1,349,808,190</u>	<u>(46,000,109)</u>	<u>(16,000,000)</u>	<u>1,287,808,081</u>	<u>1,450,762,597</u>

**8.3.1** On 07 March 2013, the Company entered into four separate Share Purchase Agreements (SPAs) for the sale of its entire shareholding in THCCL, an associate, for a consideration of Rs. 24.164 per share. Accordingly, the said investment has been classified as 'short term'. The transaction is subject to all necessary regulatory approvals.

**8.4** Fair value of long term investments pledged with banking companies against various finance facilities amounts to Rs. 3,134.729 million (30 June 2012: Rs. 3,228.024 million).

**8.5** There is no movement in provision for impairment during the period.

**9.** The Company has entered into a long term financing agreement with PCL on 1 October 2012. The loan is repayable at the end of fifth year from the date of first draw down with the option to repay early to the PCL. The markup rate on said loan is 3 month KIBOR plus 2.5%, payable on semi annual basis.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 10. LOANS AND ADVANCES

		<b>Unaudited 31 March 2013</b>	Audited 30 June 2012
<b>Unsecured</b>			
<i>Considered good</i>			
Advance for new investment	10.1	<b>217,324,937</b>	60,000,000
Advance against expenses		<b>635,000</b>	635,000
Advance against salaries		<b>1,184,170</b>	1,301,000
Other advances		<b>1,000,000</b>	-
<i>To related parties:</i>			
Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited) - Advance against equity		<b>4,907,500</b>	13,621,362
Sachal Energy Development (Private) Limited - Advance against equity		<b>15,000,000</b>	-
Power Cement Limited (Formerly Al-Abbas Cement Industries Limited)		-	500,000,000
		<b>240,051,607</b>	575,557,362
<b>Secured</b>			
<i>Considered good</i>			
Receivable against reverse repurchase agreement (Reverse repo)	10.2	<b>168,599,995</b>	-
<i>To related parties:</i>			
Aisha Steel Mills Limited	10.3	<b>16,650,000</b>	16,650,000
Javedan Corporation Limited	10.4	<b>473,000,000</b>	460,000,000
		<b>489,650,000</b>	476,650,000
	Rupees	<b>898,301,602</b>	1,052,207,362

**10.1** This represents amount paid as deposit money for acquisition of shares of companies in dairy farming industry.

**10.2** On 20 March 2013, the Company entered into an Agreement for Purchase and Sale of Securities (reverse repo) with a financee. The effective rate between purchase and resale price is 15% per annum. The fair value of the securities as at the balance sheet date is Rs 298.680 million. As per the agreement, all transaction costs relating to purchase and sale of securities shall be borne by the financee.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

**10.3** 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 12.58% to 15.29% (30 June 2012: 15.20% to 16.45%) per annum.

**10.4** 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 on demand.

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 ranged between 12.28% to 14.95% (30 June 2012: 14.91% to 16.54%) per annum.

## 11. OPERATING REVENUE

	Nine months period ended		Quarter ended	
	March 2013	March 2012	March 2013	March 2012
Dividend income	1,273,629,768	1,563,743,009	825,210,662	330,936,125
Markup on loans	97,342,545	83,330,990	29,393,763	32,112,122
Markup on bank deposits	140,951	147,641	40,400	73,728
Income from reverse repurchase transaction	1,410,315	-	1,410,315	-
Put option fee 11.1	1,327,174	-	1,327,174	-
Underwriting commission	-	4,112,014	-	-
Gain on sale of securities - net	238,176,662	154,679,350	61,130,603	229,943,440
(Loss) / Gain on remeasurement of investments - net	(689,178,868)	2,854,454,398	(1,510,059,562)	795,234,255
Rupees	<u>922,848,547</u>	<u>4,660,467,402</u>	<u>(591,546,645)</u>	<u>1,388,299,670</u>

**11.1** During the period, the Company has entered into a put option agreement with Silk Bank Limited (SBL) and subscribers of the 880 million preference shares of SBL. Under the agreement, the Subscribers have the option to sell their respective preference shares at a strike price of Rs 3.70 to the Company, at the end of a tenor of 3 years from the date of issue of preference shares provided SBL has not exercised its call option to redeem the preference shares. Silk Bank Limited will pay the Company a put option fee calculated quarterly at the rate of 2.5 % per annum on the outstanding preference shares, based on the price at which the Put option will be exercised. The said fees is guaranteed by United Bank Limited.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 12. CASH GENERATED FROM OPERATIONS

	<b>Unaudited 31 March 2013</b>	Unaudited 31 March 2012
Profit before tax	<b>628,302,065</b>	4,350,547,017
<b>Adjustments for:</b>		
Depreciation	<b>5,212,299</b>	5,938,521
Dividend income	<b>(1,273,629,768)</b>	(1,563,743,009)
Mark-up on loans and advances	<b>(97,342,545)</b>	(83,478,631)
Income from reverse repurchase transaction	<b>(1,410,315)</b>	-
Put option fee	<b>(1,327,174)</b>	-
Gain on disposal of Long term investment	<b>(195,292,707)</b>	(267,568,155)
Loss / (Gain) on re-measurement of investments	<b>689,178,868</b>	(2,854,454,398)
Finance cost	<b>225,694,438</b>	224,055,062
Gain on insurance claim	<b>(6,475)</b>	-
	<b>(648,923,379)</b>	(4,539,250,610)
	<b>(20,621,314)</b>	(188,703,593)
<b>Changes in working capital</b>		
<i>(Increase) / decrease in current assets</i>		
Loans and advances	<b>141,694,713</b>	(538,190,899)
Prepayments	<b>534,381</b>	426,373
Other receivables	<b>(39,139,154)</b>	(464,232,309)
Short term investments	<b>795,193,242</b>	196,959,896
<i>(Decrease) / increase in current liabilities</i>		
Trade and other payables	<b>(379,770,468)</b>	1,583,881
	<b>518,512,714</b>	(803,453,058)
<b>Cash generated from / (used in) operations</b>	<b>497,891,400</b>	(992,156,651)
	Rupees	

## 13. CASH AND CASH EQUIVALENTS

Cash and bank balances	<b>11,224,597</b>	7,149,855
Short term running finance	<b>(1,918,991,756)</b>	(2,160,734,859)
	<b>(1,907,767,159)</b>	(2,153,585,004)
	Rupees	

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 14. 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:

### Transactions with Subsidiaries

		<b>Nine months period ended</b>	
		<b>March 2013</b>	March 2012
- Services availed	Rupees	<b>8,953,349</b>	6,778,513
- Mark-up income on loan and advance	Rupees	<b>48,276,712</b>	7,458,926
- Dividend income	Rupees	<b>103,530,855</b>	-
- Subscription of right shares /fresh equity investment	Rupees	<b>57,961,862</b>	35,000,000
- Number of bonus shares received		<b>3,834,226</b>	-
- Loan extended	Rupees	<b>500,000,000</b>	520,000,000
- Loan repayment	Rupees	<b>500,000,000</b>	-
- Receivable against expense	Rupees	-	2,622,982
- Payment received against expenses	Rupees	-	324,605

### Transactions with Associates

- Dividend income	Rupees	<b>1,157,650,913</b>	1,532,611,128
- Dividend received	Rupees	<b>628,443,810</b>	48,744,376
- Mark-up on loan and advance	Rupees	<b>1,499,382</b>	8,708,441
- Mark-up income received	Rupees	<b>6,138,855</b>	1,740,393
- Subscription of right shares	Rupees	-	27,101,250
- Loan / advance extended	Rupees	-	439,938,467
- Loan / advance repayment	Rupees	-	363,288,467

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

		<b>Nine months period ended</b>	
		<b>March 2013</b>	March 2012
<b>Transactions with Other related party</b>			
- Provident fund contribution	Rupees	<b>2,370,578</b>	1,553,922
- Payment of rent and maintenance charges	Rupees	<b>14,442,626</b>	10,753,344
- Loan / advance extended	Rupees	<b>13,000,000</b>	81,550,246
- Loan / advance repayment	Rupees	-	140,000,000
- Mark-up on loan	Rupees	<b>47,566,450</b>	67,295,302
- Mark-up received	Rupees	-	72,567,361
<b>Key management personnel:</b>			
- Remuneration	Rupees	<b>16,440,895</b>	13,820,175
		<b>Unaudited 31 March 2013</b>	Audited 30 June 2012
<b>Balances with Subsidiaries as at</b>			
- Markup receivable from Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) (PCL)	Rupees	<b>48,276,713</b>	25,266,849
- Receivable / (Payable) to Arif Habib Limited against purchase of listed securities from stock exchange under T+2 settlement method	Rupees	<b>39,139,154</b>	(471,345,862)
<b>Balances with associates as at</b>			
- Dividend receivable from Fatima Fertilizer Company Limited	Rupees	<b>780,268,412</b>	563,451,308
- Markup receivable from Aisha Steel Mills Limited	Rupees	<b>1,141,417</b>	5,955,730
<b>Balances with Other related party as at</b>			
- Markup receivable from Javedan Corporation Limited	Rupees	<b>83,668,288</b>	36,101,837

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorized for issue on 26 April 2013 by the Board of Directors of the Company.

## 16. GENERAL

For the purposes of better presentation markup receivable amounting to Rs. 189.8 million has been presented separately on the balance sheet.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER







condensed interim  
consolidated  
financial information

# Condensed Interim Consolidated Balance Sheet

As at 31 March 2013

	Unaudited March 2013	Audited June 2012
Note		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Authorised share capital	<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid up share capital	4,537,500,000	4,125,000,000
Reserves	<u>10,565,299,007</u>	<u>10,407,237,257</u>
Equity attributable to owners of the Parent	<u>15,102,799,007</u>	<u>14,532,237,257</u>
Non-Controlling interest	676,533,919	551,489,629
	<u>15,779,332,926</u>	<u>15,083,726,886</u>
<b>Non-current liabilities</b>		
Long term loans	<u>1,877,072,104</u>	2,645,978,686
Liabilities against assets subject to finance lease	1,713,671	2,497,747
Deferred liability	<u>36,295,313</u>	121,470,185
Deferred taxation - net	<u>348,840,480</u>	400,164,556
	<u>2,263,921,568</u>	<u>3,170,111,174</u>
<b>Current liabilities</b>		
Trade and other payables	<u>1,029,668,772</u>	1,284,566,638
Interest / mark-up accrued	<u>219,366,017</u>	139,775,482
Short term borrowings - secured	<u>3,934,361,748</u>	3,943,892,456
Current portion of long term loans	<u>934,417,000</u>	251,838,000
Current portion of liabilities against assets subject to finance lease	<u>3,550,213</u>	3,544,570
Provision for taxation	<u>83,298,440</u>	102,000,328
	<u>6,204,662,190</u>	<u>5,725,617,474</u>
	<u>24,247,916,684</u>	<u>23,979,455,534</u>
Rupees		

## Contingencies and commitments

4

# Condensed Interim Consolidated Balance Sheet

As at 31 March 2013

	Note	Unaudited March 2013	Audited June 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	4,620,508,176	4,584,688,321
Intangible assets - others		34,153,537	32,827,376
Biological assets		4,654,000	4,654,000
Goodwill		1,244,928,814	1,244,928,814
Trading right entitlement certificate and offices		68,655,000	68,655,000
Long term investments		10,995,963,196	11,524,620,559
Investment property		311,253,600	53,000,000
Long term loans and advances - considered good		-	154,428,115
Long term deposits and prepayments		47,992,363	32,895,771
		<b>17,328,108,686</b>	<b>17,700,697,956</b>
<b>Current assets</b>			
Stock-in-trade		315,718,000	219,062,000
Stores, spares and loose tools		365,857,832	517,179,832
Trade debts		739,129,635	329,173,031
Loans and advances - considered good		944,763,614	654,583,733
Deposits and prepayments		57,630,447	36,866,882
Receivable against sale of investment		-	529,534,120
Advance tax		171,963,052	138,489,636
Tax refund due from government		213,749,000	-
Other receivables - considered good		1,131,535,671	814,044,612
Short term investments		2,686,272,930	2,934,387,278
Held for sale investment	6	218,291,535	-
Cash and bank balances		74,896,282	105,436,454
		<b>6,919,807,998</b>	<b>6,278,757,578</b>
		<b>24,247,916,684</b>	<b>23,979,455,534</b>
	Rupees		

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

  
CHAIRMAN & CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the nine months period ended 31 March 2013

	Nine months period ended		Quarter ended	
	March 2013	March 2012	March 2013	March 2012
Operating revenue	1,576,264,689	1,657,040,467	535,599,670	1,469,534,106
Unrealised gain on re-measurement of investment property	96,253,788	-	-	-
Operating, administrative and other expenses	(431,955,053)	(405,202,500)	(122,764,434)	(209,533,416)
Operating profit	1,240,563,424	1,251,837,967	412,835,236	1,260,000,690
Other income	487,252,269	104,969,921	23,886,748	33,188,033
Finance cost	(614,255,009)	(656,394,460)	(216,563,571)	(218,883,497)
Other charges	(2,596,000)	(49,367,430)	(1,996,000)	(17,919,974)
	<u>1,110,964,684</u>	<u>651,045,998</u>	<u>218,162,413</u>	<u>1,056,385,252</u>
Share of profit of equity-accounted associates - net of tax	257,362,518	1,568,121,235	100,562,350	76,576,513
<b>Profit before tax</b>	<b>1,368,327,202</b>	<b>2,219,167,233</b>	<b>318,724,763</b>	<b>1,132,961,765</b>
<b>Taxation</b>				
For the period				
- Current	(111,024,053)	(53,212,435)	(35,859,229)	(20,175,587)
- Deferred	49,456,464	(96,610,291)	(83,077,283)	(140,564)
Prior year	99,826,284	(353,000)	-	3,000,000
	<u>38,258,695</u>	<u>(150,175,726)</u>	<u>(118,936,512)</u>	<u>(17,316,151)</u>
<b>Profit after tax</b>	<b>1,406,585,897</b>	<b>2,068,991,507</b>	<b>199,788,251</b>	<b>1,115,645,614</b>
<b>Profit / (loss) attributable to:</b>				
Equity holders of Arif Habib Corporation Limited	1,192,576,511	2,109,957,442	185,831,410	1,049,235,323
Non-controlling interests	214,009,386	(40,965,935)	13,956,841	66,410,291
	<u>1,406,585,897</u>	<u>2,068,991,507</u>	<u>199,788,251</u>	<u>1,115,645,614</u>
<b>Earnings per share - basic and diluted</b>	<b>2.63</b>	<b>4.65</b>	<b>0.41</b>	<b>2.31</b>

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the nine months period ended 31 March 2013

	Nine months period ended		Quarter ended	
	March 2013	March 2012	March 2013	March 2012
<b>Profit for the period</b>	<b>1,406,585,897</b>	2,068,991,507	<b>199,788,251</b>	1,115,645,614
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Effect of translation of net assets of foreign subsidiary to presentation currency - net	7,305,908	5,988,773	(232,118)	2,850,225
Share of other comprehensive income of equity-accounted associates	132,920,807	127,299,944	50,511,560	76,959,192
Unrealized appreciation during the period on re-measurement of investments classified as 'available for sale'	96,326,780	-	-	-
Reclassification adjustments relating to gain realized on disposal of investments classified as 'available for sale' -net of tax	(22,933,426)	-	-	-
Other comprehensive income for the period	213,620,069	133,288,717	50,279,442	79,809,417
<b>Total comprehensive income for the period</b>	<b>1,620,205,966</b>	2,202,280,224	<b>250,067,693</b>	1,195,455,031
<b>Total comprehensive income attributable to:</b>				
Equity holders of Arif Habib Corporation Limited	1,407,217,152	2,243,246,159	237,072,072	1,129,286,001
Non-controlling interests	212,988,814	(40,965,935)	12,995,621	66,169,030
	Rupees <b>1,620,205,966</b>	2,202,280,224	<b>250,067,693</b>	1,195,455,031

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the nine months period ended 31 March 2013

Note	March 2013	March 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,368,327,202	2,219,167,233
<b>Adjustments for:</b>		
Depreciation	104,334,748	89,984,425
Gain on sale of property, plant and equipment	(449,328)	(25,305,133)
Loss on sale of investment property	-	2,800,000
Unrealised gain on re-measurement of investment property	(96,253,788)	-
Unrealised gain on short term investments	(82,751,906)	(790,414,961)
Unrealised gain on long term investments	(144,275,977)	-
Share of profit from associate - net of tax	(257,362,518)	(1,568,121,235)
Amortization	841,765	2,526,257
Mark-up on loans and advances	(49,065,833)	(92,405,101)
Dividend Income	(38,003,441)	(48,208,326)
Deferred liabilities written off	(115,192,000)	-
Refund of central excise duty	(182,604,000)	-
Finance cost	614,255,009	656,394,460
	<u>(246,527,269)</u>	<u>(1,772,749,614)</u>
Operating profit before working capital changes	1,121,799,933	446,417,619
<b>Changes in working capital:</b>		
<i>(Increase) / decrease in current assets</i>		
Stock in trade	(96,656,000)	(141,601,000)
Store and spares	151,322,000	16,806,000
Trade debts	(409,956,604)	(687,838,286)
Loans and advances	(290,179,881)	8,894,411
Deposits and prepayments	(20,763,565)	4,457,672
Receivable against sale of securities- Net	529,534,120	-
Tax refund due from government	(31,145,000)	-
Advance tax	-	34,733,976
Other receivables	(43,859,273)	170,236,632
Short term investments	285,792,443	(486,003,745)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	(254,897,866)	709,956,055
	<u>(180,809,626)</u>	<u>(370,358,285)</u>
<b>Cash generated from operations</b>	<b>940,990,307</b>	<b>76,059,334</b>
Taxes paid	(65,240,685)	(33,634,163)
Finance cost paid	(534,664,474)	(407,900,248)
Gratuity - net	30,017,128	-
Markup received	6,138,854	75,012,798
<b>Net cash generated from / (used in) operating activities</b>	<b>377,241,130</b>	<b>(290,462,279)</b>

# Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the nine months period ended 31 March 2013

Note	March 2013	March 2012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant & equipment	(133,308,984)	(89,815,434)
Proceeds from disposal of property, plant & equipment	1,141,735	-
Investment property	(7,571,697)	33,700,000
Dividend received	652,559,547	120,780,735
Acquisition of intangible assets	(2,167,926)	(6,123,353)
Long term loan and advances	-	470,247,868
Long term investments	49,768,483	(127,157,541)
Long term deposits	(15,096,592)	12,170,263
<b>Net cash generated from investing activities</b>	<b>545,324,566</b>	<b>413,802,538</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing	(86,327,582)	58,875,338
Dividend paid	(825,000,000)	(750,000,000)
Dividend paid to Non-controlling interest	(31,469,145)	-
Repayment of lease liability	(778,433)	(715,458)
<b>Net cash flows used in financing activities</b>	<b>(943,575,160)</b>	<b>(691,840,120)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(21,009,464)</b>	<b>(568,499,861)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(3,838,456,002)</b>	<b>(1,930,855,154)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(3,859,465,466)</b>	<b>(2,499,355,015)</b>

7 Rupees

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

  
CHAIRMAN & CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the nine months period ended 31 March 2013

	Equity attributable to owners of the Parent						Non-controlling interests	Total equity
	Issued, subscribed and paid up share capital	Unrealized (diminution)/ appreciation on re-measurement of available-for-sale investments	Exchange difference on translation to presentation currency	General reserve	Unappropriated profit	Total		
<b>Balance as at 1 July 2011</b>	<b>3,750,000,000</b>	<b>(1,948,642)</b>	<b>30,029,222</b>	<b>4,019,567,665</b>	<b>5,376,504,223</b>	<b>13,174,152,468</b>	<b>549,198,456</b>	<b>13,723,350,924</b>
<b>Total comprehensive income for the nine months period</b>								
<b>Items that are or may be reclassified subsequently to profit or loss</b>								
Profit for the nine months period ended 31 March 2012	-	-	-	-	2,109,957,442	2,109,957,442	(40,965,935)	2,068,991,507
Share of other comprehensive income of equity -accounted associates	-	127,299,944	-	-	-	127,299,944	-	127,299,944
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	5,988,773	-	-	5,988,773	-	5,988,773
	-	127,299,944	5,988,773	-	2,109,957,442	2,243,246,159	(40,965,935)	2,202,280,224
<b>Transactions with owners</b>								
Appropriation for 37.5 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2011	375,000,000	-	-	-	(375,000,000)	-	-	-
Cash dividend for the year ended 30 June 2011 (Rs. 2 per share)	-	-	-	-	(750,000,000)	(750,000,000)	-	(750,000,000)
Decrease in non-controlling interest on further acquisition	-	-	-	-	-	-	-	-
	375,000,000	-	-	-	(1,125,000,000)	(750,000,000)	-	(750,000,000)
<b>Balance as at 31 March 2012</b>	<b>Rupees 4,125,000,000</b>	<b>125,351,302</b>	<b>36,017,995</b>	<b>4,019,567,665</b>	<b>6,361,461,665</b>	<b>14,667,398,627</b>	<b>508,232,521</b>	<b>15,175,631,148</b>
<b>Balance as at 1 July 2012</b>	<b>4,125,000,000</b>	<b>9,175,367</b>	<b>41,096,126</b>	<b>4,019,567,665</b>	<b>6,337,398,099</b>	<b>14,532,237,257</b>	<b>551,489,629</b>	<b>15,083,726,886</b>
<b>Total comprehensive income for the nine months period</b>								
<b>Items that are or may be reclassified subsequently to profit or loss</b>								
Profit for the nine months period ended 31 March 2013	-	-	-	-	1,192,576,511	1,192,576,511	214,009,386	1,406,585,897
Share of other comprehensive income of equity -accounted associates	-	132,920,807	-	-	-	132,920,807	-	132,920,807
Unrealized appreciation during the period on re-measurement of investments classified as 'available for sale'	-	96,326,780	-	-	-	96,326,780	-	96,326,780
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	8,326,480	-	-	8,326,480	(1,020,572)	7,305,908
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)
	-	206,314,161	8,326,480	-	1,192,576,511	1,407,217,152	212,988,814	1,620,205,966
<b>Transactions with owners</b>								
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)	-	-	-
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	-	-	-	-	(11,655,402)	(11,655,402)	(56,475,379)	(68,130,781)
	412,500,000	-	-	-	(1,249,155,402)	(836,655,402)	(87,944,524)	(924,599,926)
<b>Balance as at 31 March 2013</b>	<b>Rupees 4,537,500,000</b>	<b>215,489,528</b>	<b>49,422,606</b>	<b>4,019,567,665</b>	<b>6,280,819,208</b>	<b>15,102,799,007</b>	<b>676,533,919</b>	<b>15,779,332,926</b>

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

  
CHAIRMAN & CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

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

<i>Name of Company</i>	<i>Note</i>	<i>Shareholding (including indirect holding)</i>
- Arif Habib Limited (AHL)	1.1	79.38%
- Arif Habib Commodities (Private) Limited, investment management of commodities, wholly owned subsidiary of Arif Habib Limited	1.1	79.38%
- Power Cement Limited (PCL) (Formerly Al-Abbas Cement Industries Limited)	1.2	70.03%
- Arif Habib DMCC (AHD)	1.3	100.00%
- Serendib Stock Brokers (Private) Limited (SBPL) (Formerly SKM Lanka Holdings (Private) Limited)	1.4	88.24%
- Pakistan Private Equity Management Limited (PPEML)	1.5	85.00%
- Sachal Energy Development (Private) Limited (SEDL)	1.6	99.99%
- Sweetwater Dairies Pakistan (Private) Limited (SDPL)	1.7	85.20%

Additionally, the Parent has long term investments in the following associates which are being carried under equity accounting

### *Associates*

- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	35.91%
- Arif Habib Investments Limited	30.09%
- Fatima Fertilizer Company Limited	18.58%
- Crescent Textile Mills Limited	24.82%

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 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. It is registered with the SECP as a securities brokerage house and is principally engaged in the business of securities brokerage, IPO underwriting, advisory and consultancy services. The shares of AHL are listed at the Karachi Stock Exchange since 31 January 2007. During the period, the Parent purchased 1,347,000 shares of AHL resulting in an increase in Parent's holding from 76.69% to 79.38%.

During the year ended 30 June 2012, AHL incorporated a wholly owned subsidiary namely, Arif Habib Commodities (Private) Limited (AHCPL). The business of the subsidiary comprises of commodity brokerage and commodity investments in commodity exchanges.

- 1.2** Power Cement Limited (PCL) (Formerly Al-Abbas Cement Industries Limited) was established as a 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). PCL has obtained the 'Certificate of incorporation on change of name' from the registrar with effect from April 02, 2013. During the period, the Parent purchased 2,949,850 shares of PCL.

- 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 a 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. During the period, the Parent subscribed for 3,762,401 ordinary shares of SBPL. Further, Arif Habib DMCC, a subsidiary of the Parent converted 7,500 preference shares into 7,500,000 ordinary shares of SBPL, resulting in an increase in effective holding from 75% to 88.24%.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

- 1.5** Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 06 September 2006 as a public limited company under the Companies Ordinance, 1984. The registered office of PPEML is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. PPEML is a fund management company (FMC) registered, under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through SRO 113(I)/2007 and SRO 271(I)/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) was 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. During the period, the Parent subscribed for 3,000,000 ordinary shares of Sachal Energy Development (Private) Limited.
- 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 2012.

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 2012.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 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 2012.

## 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 2012.

## 4. CONTINGENCIES AND COMMITMENT

### 4.1 Contingencies

#### Arif Habib Corporation Limited

- 4.1.1** During the year ended 30 June 2011, the Honourable High Court of Lahore vide their order in respect of writ petition No. 8763/2011, has declared amendments introduced through Finance Acts 2006 and 2008 in Workers' Welfare Ordinance, 1971 as unconstitutional. Further, the Company has also filed a writ petition in the High Court of Sindh at Karachi to impugn the amendments made to the Workers' Welfare Ordinance 1971, vide Finance Act 2008. Moreover, the Appellate Tribunal Inland Revenue, Islamabad has also settled issue of WWF in the favour of taxpayers and against the Inland Revenue Service Department in ITA No. 38/1B/2012 (Tax year 2009), ITA No. 136/IB/2012 (Tax year 2009) and ITA No. 137/IB/2012 (Tax year 2010) dated 21 May 2012. During the third quarter ended March 31, 2013, the Honourable High Court of Sindh (SHC) vide their order in respect of Constitutional Petition bearing No. D-2753/2009 has declared that amendments to the Workers Welfare Fund through Finance Act 2006 and 2008 do not suffer from any constitutional or legal infirmity. On the basis of the aforementioned order of SHC, the Company writ petition was disposed off on the same grounds. The management is in the process of filing a constitutional petition challenging the order of SHC before the Supreme Court of Pakistan. As per the legal council, the Company has a reasonable case and the management is confident for a favourable outcome.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

**4.1.2** During the year ended 30 June 2012, the Securities and Exchange Commission of Pakistan (“SECP”) issued an order u/s 22 of the Securities and Exchange Ordinance, 1969 (“the Ordinance”) regarding non compliance of orders passed by SECP u/s 18A of the Ordinance for depositing confiscated subscription money amounting to Rs. 3.14 million relating to fictitious applications received by the Company for subscription of shares of Summit Bank Limited that were offered to the general public by the Company in 2007. On 02 November 2012, Appellate bench of SECP dismissed the appeal filed by the Company against the order. The Company has filed a constitutional petition challenging the orders passed by SECP before Honourable High Court of Sindh. The petition is being contested vigorously and the management is confident that the petition will be decided in the Company’s favour.

**4.1.3** During the period, Income tax assessment for the Tax Year 2011, taken as deemed assessment u/s 120 of the Income Tax Ordinance, 2001 was subsequently amended twice u/s 122 (5A) of the Income Tax Ordinance, 2001. The appeals filed by the Company with Commissioner Inland Revenue (Appeals) against these amendments were decided in favor of the Company.

Income tax assessment for Tax Year 2012 is deemed to have been finalised u/s 120 of the Income Tax Ordinance, 2001.

## **Power Cement Limited (Formerly Al-Abbas Cement Industries Limited)**

**4.1.4** From 1993-94 to 1998-99, excise duty was levied and recovered from the Company being wrongly worked out on retail price based on misinterpretation of sub section 2 of section 4 of the Central Excise Act, 1944 by Central Board of Revenue. Such erroneous basis of working of excise duty has been held, being without lawful authority, by the Honourable Supreme Court of Pakistan as per its judgment dated February 15, 2007. Accordingly, the Company filed an application to the Collector of Federal Excise and Sales Tax to refund the excess excise duty amounting to Rs. 182.604 million

The refund was however, rejected by Collector of Appeals vide his order in appeal number 01 of 2009 dated 19 March 2009 and Additional Collector, Customs, Sales tax and Federal excise vide its order in original number 02 of 2009 dated 24 January 2009 primarily based on the fact that the Company has failed to discharge the burden of proof to the effect that incidence of duty had not been passed on to the customers of the Company. Accordingly, the Company filed an appeal before the Learned Appellate Tribunal Inland Revenue (ATIR) regarding CED which, vide its order dated 23 May 2012 held that the requisite documents proving the fact that the incidence of duty had not been passed to the customers of the Company has been submitted by the Company and therefore the Company has discharged its onus. Based on the foregoing, the original order number 01 of 2009 dated 19 March 2009 and order number 02 of 2009 dated 24 January 2009 were set aside by ATIR and appeal was allowed. Accordingly, the Company has filed a refund claim with the department. During the period ended, the notice was received by the Company notifying that the department has challenged the decision of ATIR.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

Based on the decision by ATIR and the tax adviser's opinion that the refund claim is allowed to the company, the company has recorded the refund claim receivable with a corresponding credit to the profit & loss account. The Company is actively pursuing the matter for the settlement of the said refund claim.

- 4.1.5** The management of the Company was taken over by purchasing controlling shareholding during the year 2005. One of the condition of takeover of the management from the previous sponsors was that the amount payable in respect of this loan was required to be adjusted in respect of any differences in the value of assets and/or unrecorded liabilities. However, due to dispute between the previous sponsors and the management, the final amount of the sponsor's loan remained undetermined and unsettled.

Pending the outcome of the decision, the amount standing to the credit of the previous sponsors was kept intact under the head 'Deferred Liabilities'. The matter was under arbitration as per the Share Purchase Agreement between the management and the old sponsors.

During the period, the arbitrator decided in favour of the Company and determined an amount of Rs. 0.735 million to be paid by the company to the previous sponsors. The award has been sent to the Registrar High Court of Sindh Karachi for making the award a rule of court. The management, based on its lawyers' advice is of the opinion that the award has attained finality and accordingly, has reversed the liability with a corresponding credit in the profit & loss account. However, as previous sponsors have filed objections to the award, the matter has been disclosed as a contingent liability in this condensed interim financial information. Further, the amount of Rs. 0.735 million has been shown as a current liability.

- 4.1.6** The Hyderabad Electric Supply Corporation (HESCO) has charged an amount of Rs 30.776 million as arrears on account of fuel price adjustment (FPA) in the electricity bills for the months of November and December 2012 pertaining to the months of April and May 2012. The Company has challenged this claim in the Honorable High Court of Sindh, Hyderabad, whereby a stay order has been granted in its favour. The management is actively pursuing the matter and is hopeful for its condensed interim financial information and no payment in respect of FPA has been made by the Company.

## **Sachal Energy Development (Private) Limited**

- 4.1.7** National Bank Of Pakistan has issued guarantee amounting USD \$125,000 equivalent to Pak Rs.12,262,500 on behalf of the company for issuance of LOS as per AEDB's policy.
- 4.1.8** There are no other changes in the status of contingencies as disclosed in the preceding annual consolidated financial statements of the Company as at 30 June 2012.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

	<b>Unaudited 31 March 2013</b>	Audited 30 June 2012
<b>4.2 Commitments</b>		
<b>Arif Habib Limited</b>		
<b>4.2.1</b> Following commitments are outstanding as at the period end.		
- Outstanding settlement against sale /purchases of securities in future market.	<b>6,232,615</b>	164,721,490
- Outstanding Settlements against Marginal Trading contracts	<b>718,837,754</b>	262,917,405
- Outstanding Settlements against sale of securities in regular market.	<b>6,232,615</b>	12,055,180
- Guarantee given by a commercial bank on behalf of the company	<b>100,000,000</b>	100,000,000
<b>Power Cement Limited (Formerly Al-Abbas Cement Industries Limited)</b>		
<b>4.2.2</b> Commitment against open letter of credit for:		
- Coal	<b>226,108,000</b>	-
- Stores and spares	<b>32,678,000</b>	25,923,000
Other commitments:		
- Ijarah rentals	<b>804,000</b>	5,201,000
<b>4.2.3</b> There are no other change in the status of commitments as disclosed in the preceding annual consolidated financial statements as at 30 June 2012.		

## 5. PROPERTY AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 133.309 million. Further, assets having WDV of Rs. 0.692 million were sold for Rs. 1.141 million.

6. On 07 March 2013, the Parent entered into four separate Share Purchase Agreements (SPAs) for the sale of its entire shareholding in Thatta Cement Company Limited, an associate, for a consideration of Rs. 24.164 per share. The carrying value of the said equity accounted associate was 173.217 million at the time of signing of SPAs. Accordingly, the said investment has been classified as 'Held for sale investment'. The transaction is subject to all necessary regulatory approvals and expected to complete within a year.



# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 7. CASH AND CASH EQUIVALENTS

	Nine months period ended	
	Unaudited	
	31 March 2013	31 March 2012
Cash and bank balances	74,896,282	1,153,358,321
Short term borrowings	<b>(3,934,361,748)</b>	(3,652,713,336)
Rupees	<b><u>(3,859,465,466)</u></b>	<u>(2,499,355,015)</u>

## 8. 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:

		Nine months period ended	
		31 March 2013	31 March 2012
<b>Transactions with Associates</b>			
- Dividend income	Rupees	<b>1,157,650,913</b>	1,190,796,251
- Dividend received	Rupees	<b>628,443,810</b>	32,496,251
- Dividend income - Specie	Rupees	<b>312,390,000</b>	1,158,300,000
- Mark-up income received	Rupees	<b>6,138,855</b>	-
- Brokerage commission from group companies	Rupees	<b>5,138,894</b>	3,622,978
- Mark-up on loan and advance	Rupees	<b>1,499,382</b>	3,007,549
- Subscription of right shares	Rupees	-	27,101,250
- Advance against shares	Rupees	-	125,596
- Loan / advance	Rupees	-	376,938,467
- Loan / advance repayment	Rupees	-	62,028,860
- Sale of goods	Rupees	-	13,438,000

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

		<b>Nine months period ended</b>	
		<b>31 March 2013</b>	31 March 2012
<b>Transactions with Other related party</b>			
- Mark-up on loan and advances	Rupees	<b>72,353,450</b>	48,172,777
- Payment to key management personnel	Rupees	<b>38,452,426</b>	33,573,166
- Payment of rent and maintenance charges	Rupees	<b>30,116,306</b>	23,613,992
- Loan extended	Rupees	<b>13,000,000</b>	81,550,246
- Brokerage expenses	Rupees	<b>10,099,675</b>	10,896,116
- Provident fund contribution	Rupees	<b>3,860,284</b>	2,324,494
- Sale of goods	Rupees	<b>3,153,000</b>	143,637,500
- Purchase of goods	Rupees	<b>676,000</b>	757,000
- Mark-up received	Rupees	-	60,000,000
- Repayment of loan and advance	Rupees	-	48,968,046
		<b>Unaudited 31 March 2013</b>	Audited 30 June 2012
<b>Balances as at</b>			
- Dividend receivable from Fatima Fertilizer Company Limited	Rupees	<b>780,268,412</b>	563,451,308
- Markup receivable from Aisha Steel Mills Limited	Rupees	<b>1,141,417</b>	5,955,730
- Markup receivable from Javedan Corporation Limited	Rupees	<b>83,668,288</b>	36,101,837
- Loan receivable from Aisha Steel Mills Limited	Rupees	<b>16,650,000</b>	16,650,000
- Loan receivable from Javedan Corporation Limited	Rupees	<b>473,000,000</b>	460,000,000
- Trade receivable from related parties	Rupees	<b>19,498,454</b>	6,186,000
- Trade payable to related parties	Rupees	<b>10,433,984</b>	483,113,218

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 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 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.

**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 2012. 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.

**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 re-measurement of equity and debt instruments in profit or loss.

## 10. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information has been authorized for issue on 26 April 2013 by the Board of Directors of the Company.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months period ended 31 March 2013

## 11. GENERAL

The following corresponding figures have been re-classified for the purposes of comparison and better presentation:

<b>Re-classified from</b>	<b>Re-classified to</b>		
Distribution cost	Operating and administrative expenses	Rupees	<u>99,485,808</u>
Other charges	Operating and administrative expenses	Rupees	<u>116,931,000</u>
Cost of goods sold - Operating and	Operating revenue	Rupees	<u>1,828,375,000</u>



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER







## Arif Habib Corp

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