



Arif Habib Corp



PARTNERING FOR PROSPERITY

Quarterly Report
30th September 2014

Arif Habib Corporation Limited

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

Contents

03 Company Information

05 Directors' Review Report

08 Condensed Interim Unconsolidated Financial Information

09 Condensed Interim Unconsolidated Balance Sheet

11 Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

12 Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

13 Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

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

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

26 Condensed Interim Consolidated Financial Information

27 Condensed Interim Consolidated Balance Sheet

29 Condensed Interim Consolidated Profit and Loss Account (Unaudited)

30 Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

31 Condensed Interim Consolidated Cash Flow Statement (Unaudited)

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

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

Company Information

Board of Directors

Asadullah Khawaja
Chairman

Nasim Beg
Executive Director

Muhammad Ejaz
Non-Executive Director

Arif Habib
Chief Executive Officer

Samad A. Habib
Non-Executive Director

Mohsin Madni
Chief Financial Officer &
Company Secretary

Sirajuddin Cassim
Independent Director

Kashif A. Habib
Non-Executive Director

Audit Committee

Sirajuddin Cassim
Chairman

Kashif A. Habib
Member

Muhammad Ejaz
Member

Management

Arif Habib
Chief Executive Officer

Mohsin Madni
Chief Financial Officer

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
National Bank of Pakistan
NIB Bank Limited
Summit Bank Limited

Bank of Khyber
KASB Bank Limited
Faysal Bank Limited
Habib Bank Limited
United Bank Limited
Soneri Bank Limited
The Bank of Punjab

Habib Metropolitan Bank Limited
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited
Sindh Bank Limited

Auditors

KPMG Taseer Hadi &
Co., Chartered Accountants

Legal Advisors

Bawaney & Partners
Akhund Forbes

Registered & Corporate Office

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

Registrar & Share Transfer Agent

Central Depository Company of Pakistan
Limited

Share Registrar Department

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

Directors' Report

Dear Shareholders

The Directors of Arif Habib Corporation Limited (AHCL) are pleased to present the Directors' report of the Company together with interim condensed unconsolidated and consolidated financial statements for the quarter ended 30th September 2014.

Financial Results

During the quarter, AHCL recorded operating revenue of Rs.393.61 million, which includes dividend income of Rs.199.75 million and unrealized gain on re-measurement of investments amounting to Rs.136.36 million. After accounting for operating, administrative, financial and other expenses of Rs.106.64 million, the company earned a profit before tax of Rs.287.04 million. The company has reported an after-tax profit of Rs.158.16 million for the quarter under review as compared with Rs.520.76 million for the corresponding quarter ended 30th September 2013. Earnings per share during the quarter ended 30th September 2014 was Re.0.35 as compared to Rs.1.15 in the corresponding quarter during 2013-14.

Performance of Subsidiaries and Associates

The fertilizer sector is a significant constituent of your Company's portfolio. Understanding the dire state of the industry, the Government of Pakistan (GoP) has reviewed the situation and resumed gas supply to Pakarab Fertilizers on rotational basis as of the date of writing this report. The Company hopes for the GoP's constant understanding of the problem which will lead to a sustainable gas management plan. Fatima Fertilizer continued to perform well. The Asset management company, MCB-Arif Habib Savings and Securities brokerage company, Arif Habib Limited have also performed satisfactorily. Power Cement continues to face high energy cost, which diminishes its profitability. Aisha Steel's management is engaged with Metal One/Mitsubishi in seeking assistance for more efficient procurement of raw material as well as sourcing out technical support. Additionally, the company is engaged with the GoP for ensuring that the local industry is protected against spurious and misdeclared imports. Naya Nazimabad has achieved major milestones as planned and is moving ahead with development as per targets.

Economic Review

There has been a visible reduction in inflationary pressures on the economy, with an average CPI of 7.5% in 1QFY15 (8.1% in 1QFY14). A core reason for the decline has been stability in food prices post Ramadan, which grew by 6.6% - a significant reduction, given growth rate of 8.23% in 4QFY14.

The SBP, possibly in wake of the floods, decided against decreasing the discount rate from 10% to curb any price hike effects on the economy. Other factors that contributed to this decision include declining foreign reserves and PKR depreciation against USD. Specifically, Net FX reserves declined by 7% post June'14 and amounted to USD 13.2bn by end Sep'14.

The current account deficit was recorded at USD 1.4bn in 1QFY15 compared to USD 1.27bn in same period last year; a 4.7% increase on YoY basis. This increase in current account deficit is attributable to increase in trade deficit, up by 35% YoY to USD 5.8bn from USD 4.30bn. The impact of higher trade deficit was mitigated due to 50% YoY contraction in services deficit to USD 447mn and rise in worker remittances. Workers remittances exhibited an increase of 19.56% and stood at USD 4.70 billion in 1QFY15 against USD 3.93 billion exhibited in same period last year.

Future Outlook

Although there are indications of a slowdown in world economy, Pakistan is expected to remain on a growth path. The Government has determinedly followed its goals of increasing investment opportunities in the country through policy reforms pertaining to rationalization of energy prices and their ongoing policy of privatization of state owned organizations. Coupled with the upgrading of the country's credit rating by Moody's, these

factors will enhance the economy through increased investments, locally and externally. Despite the floods and political noise, industrial and agricultural growth is expected to remain positive. Dampening of sentiments internationally has brought down commodity prices, of which the drop in oil and coal prices will benefit Pakistan significantly.

Your Company's management is hopeful that through proactive portfolio management, we will continue to add to shareholder value and play its part in supporting Pakistan's economic growth. The fertilizer companies are expected to perform well. Our brokerage arm is expecting increased activity on account of new equity and debt listings and secondary public offerings of major government holding companies. Real Estate business is expected to generate revenues after reaching at positive equity from a negative equity in previous years. The cement company continues on the path of improvement and we are hopeful that the steel company's challenges will be addressed.

Acknowledgement

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

For and on behalf of the Board



Arif Habib
Chief Executive

Karachi
25th October 2014



Condensed Interim Unconsolidated Financial Information

For the Quarter ended, 30th September 2014

Condensed Interim Unconsolidated Balance Sheet

As at 30th September 2014

	Note	Unaudited September 2014	Audited June 2014
(Rupees)			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		10,000,000,000	10,000,000,000
Issued, subscribed and paid up share capital		4,537,500,000	4,537,500,000
Reserves		21,152,718,335	21,213,079,440
		25,690,218,335	25,750,579,440
Non-current liabilities			
Deferred taxation		2,874,540,527	2,747,677,107
Long term loan - secured	4	170,115,015	194,417,162
Long term payable		1,700,179,646	1,700,179,646
		4,744,835,188	4,642,273,915
Current liabilities			
Trade and other payables		1,186,204,767	1,332,920,961
Interest / mark-up accrued		49,048,747	58,312,389
Short term borrowings	5	2,194,397,242	1,394,632,677
Current maturity of long term loan	4	48,604,290	48,604,290
Provision for taxation		285,379,009	283,354,607
		3,763,634,055	3,117,824,924
		34,198,687,578	33,510,678,279

Contingencies and commitments 6



Chief Executive Officer



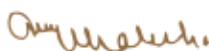
Director

Condensed Interim Unconsolidated Balance Sheet

As at 30th September 2014

	Note	Unaudited September 2014	Audited June 2014
(Rupees)			
ASSETS			
Non-current assets			
Property and equipment	7	55,167,769	57,424,607
Intangible assets		725,208	778,272
Long term investments	8	27,414,030,394	27,407,132,914
Investment properties		2,661,504,400	2,661,504,400
Long term deposits		2,551,390	2,551,390
		30,133,979,161	30,129,391,583
Current assets			
Loans and advances	9	2,028,562,760	1,682,818,863
Prepayments		5,586,285	2,063,062
Advance tax		349,704,171	347,177,583
Mark-up receivable		78,525,754	50,916,916
Other receivables		1,044,146,408	854,225,478
Short term investments		512,647,348	393,089,358
Cash and bank balances		45,535,691	23,103,533
Asset held for sale		-	27,891,903
		4,064,708,417	3,381,286,696
		34,198,687,578	33,510,678,279

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



Chief Executive Officer



Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months period ended 30th September 2014

	Note	Three months period ended	
		September 2014	September 2013
(Rupees)			
Operating revenue	10	393,612,330	628,136,822
Operating and administrative expenses	11	(41,965,538)	(22,193,693)
Finance cost		(58,821,253)	(37,253,610)
Other charges		(5,858,049)	(12,604,003)
Other income		76,917	260,621
Profit before tax		287,044,407	556,346,137
Taxation			
For the period			
- Current		(2,024,402)	(18,485,452)
- Prior		-	(18,063,206)
- Deferred		(126,863,420)	964,899
		(128,887,822)	(35,583,759)
Profit after tax		158,156,585	520,762,378
Earnings per share - basic and diluted		0.35	1.15

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



Chief Executive Officer



Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the three months period ended 30th September 2014


Three months period ended

September 2014	September 2013
-------------------	-------------------

(Rupees)

Profit for the period	158,156,585	520,762,378
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit and loss account</i>		
Unrealized (diminution) / appreciation during the year on remeasurement of investments classified as 'available for sale'	(218,517,690)	86,515,636
Reclassification adjustments relating to disposal of investments	-	17,500,536
Other comprehensive income - net of tax	(218,517,690)	104,016,172
Total comprehensive income for the period	(60,361,105)	624,778,550

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



Chief Executive Officer



Director

Condensed Interim Unconsolidated Statement of Cash Flow Statement (Unaudited)

For the three months period ended 30th September 2014

	Note	September 2014	September 2013
(Rupees)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	12	(696,179,631)	(957,595,920)
Income tax paid		(2,526,588)	(5,285,262)
Finance cost paid		(68,084,895)	(64,751,203)
Dividend received		10,000,000	-
Interest received		18,983,554	9,449,710
Net cash used in operating activities		(737,807,560)	(1,018,182,675)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(222,700)	(77,350)
Loan to subsidiary- received		-	500,000,000
Proceeds from sale of property and equipment		-	(946,292,494)
Acquisition of long term investments		(15,000,000)	715,702,330
Net cash (used in) / generated from investing activities		(15,222,700)	269,332,486
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		(24,302,147)	-
Net cash used in financing activities		(24,302,147)	-
Net decrease in cash and cash equivalents		(777,332,407)	(748,850,189)
Cash and cash equivalents at beginning of the period		(1,371,529,144)	(551,862,045)
Cash and cash equivalents at end of the period		(2,148,861,551)	(1,300,712,234)

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



Chief Executive Officer



Director

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the three months period ended 30th September 2014

	Issued, subscribed and paid up Share capital	Unrealised (diminution) / appreciation on remeasurement of investments classified as 'available for sale'	General reserve	Reserves Unappropriated profit	Sub Total	Total
	(Rupees)					
Balance as at 1 July 2013	4,537,500,000	(495,713,334)	4,000,000,000	16,642,744,949	20,147,031,615	24,684,531,615
Total comprehensive income for the three months period						
Profit for the three months period ended 30 September 2013	-	-	-	520,762,378	520,762,378	520,762,378
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	-	86,515,636	-	-	86,515,636	86,515,636
Reclassification adjustments relating to disposal of investments - net of tax	-	17,500,536	-	-	17,500,536	17,500,536
Total comprehensive income for the period	-	104,016,172	-	520,762,378	624,778,550	624,778,550
Transactions with owners recorded directly in equity - distributions						
Final cash dividend at the rate of Rs. 2.5 per share for the year ended 30 June 2013	-	-	-	(1,134,375,000)	(1,134,375,000)	(1,134,375,000)
	-	-	-	(1,134,375,000)	(1,134,375,000)	(1,134,375,000)
Balance as at 30 September 2013	4,537,500,000	(391,697,162)	4,000,000,000	16,029,132,327	19,637,435,165	24,174,935,165
Balance as at 1 July 2014	4,537,500,000	(601,609,981)	4,000,000,000	17,814,689,421	21,213,079,440	25,750,579,440
Total comprehensive income for the three months period						
Profit for the three months period ended 30 September 2014	-	-	-	158,156,585	158,156,585	158,156,585
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	-	(218,517,690)	-	-	(218,517,690)	(218,517,690)
Reclassification adjustments relating to disposal of investments - net of tax	-	-	-	-	-	-
	-	(218,517,690)	-	158,156,585	(60,361,105)	(60,361,105)
Transactions with owners recorded directly in equity - distributions	-	-	-	-	-	-
Balance as at 30 September 2014	4,537,500,000	(820,127,671)	4,000,000,000	17,972,846,006	21,152,718,335	25,690,218,335

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



Chief Executive Officer



Director

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited (“the Company”) was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is to make strategic investments in subsidiary companies and associates engaged in Chemical / Fertilizer, Financial services, Real estate, 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 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:

Name of Company	<i>Shareholding</i>
<i>Subsidiaries</i>	
- Arif Habib Limited, a brokerage house	<u>69.00%</u>
- Power Cement Limited, a cement manufacturing company	<u>64.34%</u>
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	<u>100.00%</u>
- Pakistan Private Equity Management Limited, a venture capital company	<u>85.00%</u>
- Sachal Energy Development (Pvt) Limited, a wind power generation company	<u>99.99%</u>
<i>Associates</i>	
- MCB-Arif Habib Savings and Investments Limited	<u>30.09%</u>
- Pakarab Fertilizers Limited	<u>30.00%</u>
- Fatima Fertilizer Company Limited	<u>16.67%</u>
- Aisha Steel Mills Limited *	<u>14.24%</u>
- Javedan Corporation Limited *	<u>22.14%</u>
<i>Others</i>	
- Takaful Pakistan Limited	<u>10.00%</u>
- Khabeer Financial Services (Private) Limited	<u>5.00%</u>
- Sunbiz (Private) Limited	<u>4.65%</u>

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

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

1.1 Change in the composition of the Group

There were no changes in composition of the Group during the three months period ended 30 September 2014 .

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 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 2014.

The comparative balance sheet presented in this condensed interim unconsolidated financial information has been extracted from the annual audited separate financial statements of the Company for the year ended 30 June 2014, whereas the comparative condensed interim unconsolidated Profit and Loss Account, condensed interim unconsolidated Statement of Comprehensive Income, condensed interim unconsolidated Cash Flow statement and condensed interim unconsolidated Statement of Changes in Equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 30 September 2013.

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

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

2.2 Basis of measurement

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

2.3 Significant accounting policies

2.3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in preparation of annual audited financial statements for the year ended 30 June 2014.

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

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

2.4 Use of estimates and judgments

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

In preparing this condensed interim unconsolidated financial information, significant judgments were made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those that were applied to the annual audited separate financial statements of the Company as at and for the year ended 30 June 2014.

3. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual audited separate financial statements of the Company as at and for the year ended 30 June 2014.

4. LONG TERM LOAN - secured

	Unaudited 30 September 2014	Audited 30 June 2014
	(Rupees)	
Term finance loan	218,719,305	243,021,452
Less: current portion of term finance loan	(48,604,290)	(48,604,290)
	<u>170,115,015</u>	<u>194,417,162</u>

The Company has obtained term finance facility of Rs. 243.021 million from a commercial bank under mark-up arrangement at the rate of 6 month KIBOR+2.50% to be charged on semi-annual basis. The effective rate of mark-up charged during the period ranged from 12.59% to 12.68%. (30 June 2014: 12.59%). The loan is repayable in ten equal semi-annual instalments ending on 19 March 2019. During the period, the Company has paid one installment of Rs. 24.302 million. The loan is secured against first pari passu charge of Rs. 333.333 million over present and future assets (excluding shares pledge against short term borrowings) of the Company inclusive of 25% margin and pledge of shares of associated undertaking with 30% margin. The market value of pledged shares as collateral amounts to Rs. 243.236 million (30 June 2014: Rs. 251.821 million) at balance sheet date.

5. SHORT TERM BORROWINGS - secured

		Unaudited 30 September 2014	Audited 30 June 2014
		(Rupees)	
Term Loan	5.1	360,000,000	-
Running Finance	5.2 & 5.3	1,834,397,242	1,394,632,677
		<u>2,194,397,242</u>	<u>1,394,632,677</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

5.1 During the period, the Company availed term loan facility of Rs. 360 million from Summit Bank Limited for a period of six months. The facility carries mark-up at the rate of 3 month KIBOR +2% and is payable on quarterly basis. The facility is secured against ranking charge over receivables of the Company with 25% margin and personal guarantee of the Chief Executive.

5.2 Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,800 million (30 June 2014: Rs. 3,550 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates upto 30 September 2015. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2014: 30% margin).

These running finance facilities carry mark-up ranging from 1 month KIBOR + 1% to 3 month KIBOR + 2.25% per annum (30 June 2014: 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. 605.603 million (30 June 2014: Rs. 2,155.289 million).

5.3 The fair value of shares of associated companies, shares held for trading and other securities pledged as collateral against short term borrowings amount to Rs. 3,181.222 million (30 June 2014: Rs. 3,150.495 million).

6. CONTINGENCIES AND COMMITMENT

There is no change in the status of contingencies as disclosed in the preceding annual financial statements of the Company as at 30 June 2014.

7. PROPERTY AND EQUIPMENT

Following is the cost of property and equipment that have been added / disposed off during the three months period ended 30 September 2014:

	Unaudited		Three months period ended	
	Three months period ended		30 September 2013	
	30 September 2014		30 September 2013	
	Additions	Disposals	Additions	Disposals
	(Rupees)			
Computer and allied equipments	222,700	-	77,350	-
	<u>222,700</u>	<u>-</u>	<u>77,350</u>	<u>-</u>

8. LONG TERM INVESTMENTS

		Unaudited	Audited
		30 September 2014	30 June 2014
		(Rupees)	
Subsidiaries- at cost	8.1	3,652,122,178	3,637,122,178
At fair value through profit or loss	8.2	21,917,247,215	21,706,832,045
Available for sale	8.3	1,844,661,001	2,063,178,691
		<u>27,414,030,394</u>	<u>27,407,132,914</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

8.1 Subsidiaries - at cost

	Cost	Provision for Impairment	Carrying amount	
			Unaudited 30 September 2014	Audited 30 June 2014
(Rupees)				
Arif Habib Limited (AHL)	2,375,720,796	-	2,375,720,796	2,375,720,796
Power Cement Limited (PCL)	921,455,424	-	921,455,424	921,455,424
Arif Habib DMCC (AHD)	29,945,898	-	29,945,898	29,945,898
Pakistan Private Equity Management Limited (PPEML)	42,500,000	(42,500,000)	-	-
Sachal Energy Development (Private) Limited (SEDPL)	325,000,060	-	325,000,060	310,000,060
	<u>3,694,622,178</u>	<u>(42,500,000)</u>	<u>3,652,122,178</u>	<u>3,637,122,178</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 1,307.65 million. (30 June 2014: Rs. 1,307.65 million)

8.2 At fair value through profit or loss

	Cost	Unrealized appreciation / (diminution) on remeasurement of investments	Carrying amount	
			Unaudited 30 September 2014	Audited 30 June 2013
(Rupees)				
Associates:				
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	81,947,527	281,793,837	363,741,364	351,826,072
Pakrab Fertilizers Limited (PFL)	1,324,332,073	10,285,667,927	11,610,000,000	11,205,000,000
Fatima Fertilizer Company Limited (FFCL)	3,854,149,559	6,089,356,292	9,943,505,851	10,150,005,973
	<u>5,260,429,159</u>	<u>16,656,818,056</u>	<u>21,917,247,215</u>	<u>21,706,832,045</u>

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

8.3 Available for sale

	Cost	Unrealised appreciation on remeasurement of investments	Provision for Impairment	Carrying amount	
				Unaudited 30 September 2014	Audited 30 June 2014
(Rupees)					
Associates:					
Aisha Steel Mills Limited (ASML)	142,213,500	(24,602,935)	-	117,610,565	122,303,610
Aisha Steel Mills Limited - convertible preference shares (ASML-PS)	340,408,966	(104,103,920)	-	236,305,046	244,645,224
Javedan Corporation Limited (JCL)	1,703,247,312	(398,308,047)	-	1,304,939,265	1,523,929,632
Javedan Corporation Limited- convertible preference shares (JCL-PS)	92,620,761	93,085,364	-	185,706,125	172,200,225
	<u>2,278,490,539</u>	<u>(433,929,538)</u>	-	<u>1,844,561,001</u>	<u>2,063,078,691</u>
Other investments:					
Takaful Pakistan Limited (TPL)	30,000,000	-	(30,000,000)	-	-
Khabeer Financial Services (Pvt) Limited	1,000,000	-	(900,000)	100,000	100,000
Sun Biz (Private) Limited (SBL)	1,000,000	-	(1,000,000)	-	-
	<u>32,000,000</u>	-	<u>(31,900,000)</u>	<u>100,000</u>	<u>100,000</u>
	<u>2,310,490,539</u>	<u>(433,929,538)</u>	<u>(31,900,000)</u>	<u>1,844,661,001</u>	<u>2,063,178,691</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

- 8.4** Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs. 2,550.156 million (30 June 2014: Rs.2,586.35 million).

Unaudited 30 September 2014	Audited 30 June 2014
(Rupees)	

8.5 Movement in provision for impairment

Opening balance	(74,400,000)	(883,949,153)
Reversal during the year	-	716,627,289
Reversal on sale of investment	-	104,223,256
Provision made during the year	-	(83,807,982)
Transferred to asset classified as held for sale	-	72,506,590
Closing balance	(74,400,000)	(74,400,000)

9. LOANS AND ADVANCES

Unsecured

Considered good		
Advances		
- for new investment	9.1	425,494,937
- against salaries		1,010,822
- bid price for secondary public offer		-
- to Aisha Steel Mills Limited against equity	9.2	236,924,414
Power Cement Limited	9.3	110,000,000
Aisha Steel Mills Limited	9.4	886,521,452
		1,659,951,625
		1,317,682,201

Secured

Considered good		
Receivable against reverse repurchase agreements (Reverse repo)		
	9.5	216,626,135
To related parties:		
Aisha Steel Mills Limited	9.6	14,985,000
Javedan Corporation Limited	9.7	137,000,000
		151,985,000
		14,985,000
		2,028,562,760
		1,682,818,863

- 9.1** This represents amount paid as deposit money for acquisition of shares of a company in dairy farming industry.

- 9.2** This represents advance given to Aisha Steel Mills Limited against prospective right issue. Following the requirement of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 markup at the effective rate of 13.16% has been charged from the date of transfer of funds.

- 9.3** The Company has entered into a loan agreement with the said subsidiary on 24 November 2011. The loan is repayable within 30 business days of notice of demand. The mark-up rate on the said loan is 3 month KIBOR prevailing on the base rate setting date plus 2.5% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 12.66% (30 June 2014: 11.53% to 12.69%) per annum.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

- 9.4** The Company has entered into a loan agreement with the said associated concern on 1 July 2013. The loan is repayable within 30 business days notice of demand. The mark-up rate on the said loan is 3 month KIBOR prevailing on the base rate setting date plus 3% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 13.16% to 13.43% (30 June 2014: 12.02% to 13.17%) per annum.
- 9.5** The Company has entered into an agreement for Purchase and Sale of Securities (Reverse repo) with financees. During the period, tranche of the agreement was partly settled. The effective rate between purchase and resale price is 3 months KIBOR + 5% respectively (30 June 2014: 3 months KIBOR + 5% and 15.01% per annum). The fair value of the unsettled agreement as at the balance sheet date is Rs. 425.847 million (30 June 2014: Rs. 595.925 million). The Company has pledged underlying shares with financial institutions as security against its borrowing. The fair value of underlying shares pledged at balance sheet date is Rs. 425.847 million (30 June 2014: Rs. 595.925 million).
- 9.6** The Company has entered into an agreement with the said associated concern 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 in the said loan is 6 month KIBOR + 3.25% per annum (30 June 2014: 6 months KIBOR + 3.25% per annum). The effective rate of mark-up on the loan charged during the period was 13.42% (30 June 2014: 12.37% to 13.42%) per annum. Mark-up is payable on semi-annually basis.
- 9.7** The Company had entered into an arrangement with the said associated concern on 20 November 2010. Under the arrangement, the Company shall disburse loan to JCL 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, totalling 166 acres. The loan is repayable on demand.

The mark-up rate on the said loan is three months KIBOR + 3% per annum (30 June 2014: 3 months KIBOR + 3% per annum) Mark-up is payable on a quarterly basis. The effective mark-up charged during the period was 13.16% per annum (30 June 2014: Rs. 595.925 million): 12.92% to 13.17% per annum).

10. OPERATING REVENUE

	Unaudited	
	Three months period ended	
	September	September
	2014	2013
	(Rupees)	
Dividend income	199,748,685	103,505,283
Mark-up on loans and advances	46,592,392	60,431,133
Put option fee	20,350,000	20,571,195
(Loss) / Gain on sale of securities-net	(9,496,744)	131,244,732
Gain on remeasurement of investments-net	136,360,121	312,310,451
Profit on bank accounts	57,876	74,028
	393,612,330	628,136,822

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

11. OPERATING AND ADMINISTRATIVE EXPENSES

	Three months period ended September 2014	September 2013
	(Rupees)	
Salaries and benefits	8,761,183	7,527,341
Printing and stationery	82,489	2,160,390
Communication	187,054	243,471
Rent, Rates & taxes	4,062,143	3,717,920
Electricity	654,140	577,664
Legal and professional charges	1,561,439	497,232
Custody & settlement charges	365,080	462,377
Entertainment	97,407	192,470
Travelling & conveyance	837,267	1,664,453
Audit fees	218,773	500,000
Advertisement & business promotion	18,414,840	50,000
Depreciation and amortization	2,532,602	1,523,754
Repair and maintenance	1,692,603	757,110
Insurance	343,844	478,810
Fees & subscription	1,108,923	916,446
Directors' Meeting fees	110,000	25,000
Ujrah payments	203,401	373,041
Others	732,350	526,214
	41,965,538	22,193,693

12. CASH USED IN OPERATIONS

	30 September 2014	30 September 2013
	(Rupees)	
(Loss) / Profit before tax	287,044,407	556,346,137
Adjustments for:		
Depreciation and amortization	2,532,602	1,523,754
Dividend income	(199,748,685)	(103,505,283)
Mark-up on loans and advances	(46,592,392)	(60,431,133)
Gain on remeasurement of investments-net	(136,360,121)	(312,310,451)
Gain on disposal of long term investment	-	(149,725,147)
Finance cost	58,821,253	37,253,610
Workers' Welfare fund	5,858,049	11,373,431
	(315,489,294)	(575,821,219)
	(28,444,887)	(19,475,082)
Changes in working capital		
(Increase) / decrease in current assets		
Loans and advances	(345,743,897)	(1,087,016,943)
Prepayments	(3,523,223)	2,422,932
Trade and other receivables	(172,245)	(5,915,895)
Short term investments	(193,613,039)	11,138,364
Asset held for sale	27,891,903	111,812,869
Increase / (decrease) in current liabilities	(152,574,243)	29,437,835
Trade and other payables	(667,734,744)	(938,120,838)
Cash used in operations	(696,179,631)	(957,595,920)

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

	Unaudited	
	Three months period ended 30 September 2014	30 September 2013
	(Rupees)	
13. CASH AND CASH EQUIVALENTS		
Cash and bank balances	45,535,691	11,495,650
Short term running finance	<u>(2,194,397,242)</u>	<u>(1,312,207,884)</u>
	<u>(2,148,861,551)</u>	<u>(1,300,712,234)</u>

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

	Unaudited	
	Three months period ended September 2014	September 2013
	(Rupees)	
Transaction with Subsidiaries		
Services availed	2,901,209	2,587,615
Mark-up income on loan and advance	1,494,921	16,227,089
Dividend income	189,748,685	103,499,283
Loan extended	230,000,000	213,000,000
Loan repayment	130,000,000	550,000,000
Number of bonus shares entitled	-	3,449,976
Transaction with Associates		
Loan extended	897,000,000	589,000,000
Loan repayment	300,000,000	100,000,000
Mark-up on loan and advance	37,871,209	33,081,559
Mark-up income received	-	1,949,710
Transaction with Other related party		
Provident fund contribution	494,200	439,878
Payment of rent and maintenance charges	6,966,300	1,380,053

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

	Unaudited 30 September 2014	Audited 30 June 2014
	(Rupees)	
Balances as at		
Mark-up receivable from Javedan Corporation Limited	3,211,401	-
Mark-up receivable from Aisha Steel Mills Limited	45,405,782	10,745,974
Mark-up receivable from Power Cement Limited	1,745,245	250,324
Payable to Arif Habib Limited against sale of listed securities from stock exchange under T+2 settlement method	15,516,826	169,893,267
Dividend receivable from Arif Habib Limited	189,748,685	-

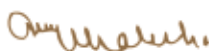
15. GENERAL

15.1 Appropriation for dividend

For the year ended June 30, 2014, the Board of Directors has proposed a cash dividend of Rs. 2.50 per share amounting Rs. 1,134,375,000 at its Meeting held on August 28, 2014 for the approval of the members at the Annual General Meeting to be held on October 25, 2014. These financial statements do not reflect this appropriation.

15.2 Date of Authorization for issue

This condensed interim unconsolidated financial information has been authorized for issue on October 25, 2014 by the Board of Directors of the Company.



Chief Executive Officer



Director



Condensed Interim Consolidated Financial Information

For the Quarter ended, 30th September 2014

Condensed Interim Consolidated Balance Sheet

As at 30th September 2014

Note	Unaudited September 2014	Audited June 2014
(Rupees)		
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000
Issued, subscribed and paid-up share capital	4,537,500,000	4,537,500,000
Reserves	11,753,479,186	11,352,656,202
Equity attributable to owners of the Parent	16,290,979,186	15,890,156,202
Non-Controlling interest	1,129,284,578	1,055,597,355
	17,420,263,764	16,945,753,557
Non-current liabilities		
Long term loans	2,364,847,052	2,343,193,668
Long term payable	1,700,179,646	1,700,179,646
Liabilities against assets subject to finance lease	2,046,550	2,235,913
Deferred liability - Staff gratuity	43,881,935	41,748,723
Deferred taxation - net	420,343,086	328,165,511
	4,531,298,269	4,415,523,461
Current liabilities		
Trade and other payables	2,664,647,194	2,596,403,973
Interest / mark-up accrued on borrowings	123,160,119	123,013,911
Short term borrowings - secured	4,789,239,189	4,309,905,907
Current portion of long term loans	519,942,290	755,291,290
Current portion of liabilities against assets subject to finance lease	470,280	468,892
Provision for taxation	383,203,755	320,793,666
Liabilities held for sale	-	23,815,692
	8,480,662,827	8,129,693,331
	30,432,224,860	29,490,970,349

Contingencies and commitments

4



Chief Executive Officer




Director

Condensed Interim Consolidated Balance Sheet

As at 30th September 2014

	Note	Unaudited September 2014	Audited June 2014
(Rupees)			
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,739,314,623	4,732,957,516
Intangible assets - others		14,203,445	14,226,625
Goodwill		1,163,961,863	1,163,961,863
Trading right entitlement certificate, membership cards and licenses		68,552,500	59,052,500
Equity accounted investees		12,836,390,856	12,374,772,753
Other long term investments		121,442,551	121,442,551
Investment property		2,993,921,000	2,989,651,000
Long term loans and advances - considered good		975,000	975,000
Long term deposits and prepayments		43,645,371	40,530,986
		21,982,407,209	21,497,570,794
Current assets			
Stock-in-trade		166,771,000	177,302,000
Stores, spares and loose tools		768,892,000	642,543,000
Trade debts		1,153,677,732	452,594,045
Loans and advances - considered good		2,229,461,072	2,038,064,020
Deposits and prepayments		78,486,173	56,800,357
Advance tax		449,632,367	421,611,367
Tax refund due from government		245,730,000	245,730,000
Markup receivable		98,879,854	50,667,183
Other receivables - considered good		910,194,097	919,152,977
Short term investments		2,162,583,405	1,898,848,996
Receivable against sale of investment		65,637,393	797,382,506
Cash and bank balances		119,872,558	226,986,603
Assets held for sale		-	65,716,501
		8,449,817,651	7,993,399,555
		30,432,224,860	29,490,970,349

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



Chief Executive Officer



Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months period ended 30th September 2014

	<u>Three months period ended</u>	
	September 2014	September 2013
	(Rupees)	
Operating revenue	376,464,208	264,454,589
Operating, administrative and other expenses	(178,215,890)	(214,097,955)
Operating profit	198,248,318	50,356,634
Other income	213,409,789	36,828,931
Finance cost	(223,286,007)	(163,308,303)
Other charges	(22,368,042)	(12,617,368)
	166,004,058	(88,740,106)
Share of profit of equity-accounted associates - net of tax	461,618,102	99,894,421
Profit before tax	627,622,160	11,154,315
Taxation		
For the period		
- Current	(62,410,089)	(28,694,933)
- Prior	-	(18,063,206)
- Deferred	(92,177,575)	49,776,088
	(154,587,664)	3,017,949
Profit after tax	473,034,496	14,172,264
Profit / (loss) attributable to		
Equity holders of the Parent Company	399,347,273	32,758,751
Non-controlling interests	73,687,223	(18,586,487)
	473,034,496	14,172,264
Earnings per share - Basic & Diluted	0.88	0.07

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



Chief Executive Officer




Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three months period ended 30th September 2014

	<u>Three months period ended</u>	
	<u>September 2014</u>	<u>September 2013</u>
	(Rupees)	
Profit after tax	473,034,496	14,172,264
Other comprehensive income		
Items that are to be reclassified subsequently to profit and loss account		
Effect of translation of net assets of foreign subsidiary to presentation currency - net	1,475,711	4,186,477
Share of other comprehensive income of equity-accounted associates -net of tax	-	55,408,244
Reclassification adjustments relating to loss/(gain) realised on disposal of investments classified as available for sale' - net	-	(62,697,089)
Other comprehensive income for the period	1,475,711	(3,102,368)
Total comprehensive income for the period	474,510,207	11,069,896
Total comprehensive income attributable to:		
Equity holders of Arif Habib Corporation Limited	400,822,984	29,275,639
Non-controlling interests	73,687,223	(18,205,743)
	474,510,207	11,069,896

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



Chief Executive Officer



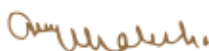
Director

Condensed Interim Consolidated Statement of Cash Flow Statement (Unaudited)

For the three months period ended 30th September 2014

Note	September 2014	September 2013
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	627,622,160	11,154,315
Adjustments for:		
Depreciation	13,951,935	18,551,457
Loss on sale of property and equipment	-	56,034
Gain on disposal of stock exchange room	-	(1,797,499)
Unrealised loss / (gain) on short term investments	312,250,118	(156,944,395)
Share of profit of equity-accounted associates - net of tax	(461,618,103)	(99,894,421)
Amortization	327,249	169,945
Mark-up on loans and advances	(45,097,471)	(33,081,559)
Finance cost	223,286,007	163,308,303
	43,099,735	(109,632,135)
Operating profit before working capital changes	670,721,895	(98,477,820)
Changes in working capital:		
<i>Decrease / (increase) in current assets</i>		
Stock in trade	10,531,000	(132,404,000)
Store and spares	(126,349,000)	275,002,000
Trade debts	(701,083,687)	(675,434,821)
Loans and advances	(191,397,052)	(971,793,754)
Deposits and prepayments	(21,685,816)	(49,071,934)
Tax refund due from government	-	(9,736,000)
Receivable against sale of securities - net	731,745,113	-
Other receivables	(8,958,880)	(226,610,049)
Short term investments	(575,984,527)	309,825,606
Assets held for sale	41,900,809	129,554,839
<i>(Decrease) / Increase in current liabilities</i>		
Trade and other payables	68,243,221	(148,301,753)
	(755,121,059)	(1,498,969,866)
Cash used in operations	(84,399,164)	(1,597,447,686)
Taxes paid	(28,021,000)	(12,940,295)
Finance cost paid	(223,139,799)	(166,467,714)
Interest received	(3,115,200)	52,513,730
Net cash used in operating activities	(338,675,163)	(1,724,341,965)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(18,833,331)	(33,840,212)
Proceeds from sale of assets	-	665,982
Acquisition of intangible assets	(304,069)	(1,758,350)
Acquisition of Trading right entitlement certificate	(9,500,000)	-
Proceeds from sale of stock exchange room	-	14,200,000
Investment property	(4,270,000)	-
Long term investments	-	(329,456,101)
Long term deposits	(3,114,385)	(4,987,110)
Net cash used in investing activities	(36,021,785)	(355,175,791)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	(213,695,616)	521,432,254
Deferred liability	2,133,212	1,411,439
Lease liability	(187,975)	(806,834)
Net cash (used in) / generated from financing activities	(211,750,379)	522,036,859
Net decrease in cash and cash equivalents	(586,447,327)	(1,557,480,897)
Cash and cash equivalents at beginning of the period	(4,082,919,304)	(2,081,385,901)
Cash and cash equivalents at end of the period	(4,669,366,631)	(3,638,866,798)

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



Chief Executive Officer



Director

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the three months period ended 30th September 2014

	Issued, subscribed and paid up Share capital	Unrealised (diminution) / appreciation on remeasurement of investments classified as 'available for sale'	Equity attributable to owners of the Parent			Total	Non-controlling interests	Total equity
			Exchange difference on translation to presentation currency	General reserve	Unappropriated profit			
(Rupees)								
Balance as at 1 July 2013 (restated)	4,537,500,000	130,701,387	46,564,052	4,019,567,665	5,945,567,603	14,679,900,707	534,734,474	15,214,635,181
Total comprehensive income for the three months period								
Profit for the three months period ended 30 September 2013	-	-	-	-	32,758,751	32,758,751	(18,586,487)	14,172,264
<i>Other Comprehensive income</i>								
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	3,805,733	-	-	3,805,733	380,744	4,186,477
Share of other comprehensive income / (loss) of equity accounted associates - net of tax	-	55,408,244	-	-	-	55,408,244	-	55,408,244
Reclassification adjustments relating to gain realized on disposal of investments classified as 'available for sale' - net of tax	-	(62,697,089)	-	-	-	(62,697,089)	-	(62,697,089)
	-	(7,288,845)	3,805,733	-	32,758,751	29,275,639	(18,205,743)	11,069,896
Transactions with owners								
Cash dividend for the year ended 30 June 2013 (Rs. 2.5 per share)	-	-	-	-	(1,134,375,000)	(1,134,375,000)	-	(1,134,375,000)
Increase in non-controlling interest on further disposal	-	-	-	-	128,739,840	128,739,840	223,701,897	352,441,737
	-	-	-	-	(1,005,635,160)	(1,005,635,160)	223,701,897	(781,933,263)
Balance as at 30 September 2013	4,537,500,000	123,412,542	50,369,785	4,019,567,665	4,972,691,194	13,703,541,186	740,230,628	14,443,771,814
Balance as at 1 July 2014	4,537,500,000	68,004,298	48,111,521	4,019,567,665	7,216,972,718	15,890,156,202	1,055,597,355	16,945,753,557
Total comprehensive income for the three months period								
Profit for the three months period ended 30 September 2014	-	-	-	-	399,347,273	399,347,273	73,687,223	473,034,496
<i>Other comprehensive income</i>								
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	1,475,711	-	-	1,475,711	-	1,475,711
Reclassification adjustments relating to gain realized on disposal of investments classified as 'available for sale' - net of tax	-	-	-	-	-	-	-	-
	-	-	1,475,711	-	399,347,273	400,822,984	73,687,223	474,510,207
Balance as at 30 September 2014	4,537,500,000	68,004,298	49,587,232	4,019,567,665	7,616,319,991	16,290,979,186	1,129,284,578	17,420,263,764

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



Chief Executive Officer



Director

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

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

This condensed interim consolidated financial information of Arif Habib Corporation Limited for the three months period ended 30 September 2014 comprise of the Parent and following subsidiary companies (here-in-after referred to as “the Group”).

Name of Company <i>subsidiaries</i>	Note	Shareholding (including indirect holding)
- Arif Habib Limited (AHL)	1.1	<u>69.00%</u>
- Arif Habib Commodities (Private) Limited, investment management of commodities, wholly owned subsidiary of Arif Habib Limited	1.1	<u>69.00%</u>
- Arif Habib 1857 (Pvt.) Ltd, wholly owned subsidiary of Arif Habib Limited	1.1	<u>69.00%</u>
- Power Cement Limited (PCL)	1.2	<u>64.82%</u>
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	1.3	<u>100.00%</u>
- Pakistan Private Equity Management Limited (PPEML)	1.4	<u>85.00%</u>
- Sachal Energy Development (Pvt) Limited (SEDL)	1.5	<u>99.99%</u>

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

Associates

- Pakarab Fertilizers Limited	<u>30.00%</u>
- Aisha Steel Mills Limited *	<u>14.24%</u>
- MCB-Arif Habib Savings and Investments Limited	<u>33.43%</u>
- Fatima Fertilizer Company Limited	<u>16.70%</u>
- Javedan Corporation Limited *	<u>40.85%</u>

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

- 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.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

It is domiciled in the province of Sindh. AHL holds Trading Right Entitlement Certificates of Karachi, Lahore and Islamabad Stock Exchanges. The principal activities of the Company are investments, share brokerage, interbank brokerage, initial public offering (IPO) underwriting, advisory and consultancy services.

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

Arif Habib 1857 (Private) Limited (AH 1857) was incorporated in Pakistan on 18 July 2014 under the Companies Ordinance, 1984, as a Private Limited Company. The registered office of AH 1857 is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AH 1857 has been admitted as a Trading Right Entitlement Certificate holder of Karachi Stock Exchange, however, the approval of SECP is pending for brokerage registration. The principal activities of the Company are investments, share brokerage, interbank brokerage, initial public offering (IPO) underwriting, advisory and consultancy services.

- 1.2** Power Cement Limited (PCL) was established as private limited company on 01 December 1981 and was converted into public limited company on 09 July 1987 and is listed on Karachi and Lahore Stock Exchanges. The company's principal activity is manufacturing, selling and marketing of cement. Registered office of the company is situated at the Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Dadu (Sindh).
- 1.3** Arif Habib DMCC (AHD) was incorporated in Dubai, U.A.E. on 24 October 2005 as a limited liability company. Its registered office is situated at Dubai Metals and Commodities Center, Dubai, U.A.E. AHD is a wholly owned subsidiary of AHCL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on 26 October 2005. AHD is expected to start its commercial operations at the Dubai Gold and Commodities Exchange within next twelve months besides consultancy business which has already been started.
- 1.4** Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 6 September 2006 under the Companies Ordinance, 1984 as a public limited company (Un-Quoted). The registered office of the PPEML is situated at 23 M.T. Khan Road, Karachi, Pakistan. PPEML was a Venture Capital Company (VCC) registered, under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131(1) 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. PPEML's license to carry out Private Equity and Venture Capital Fund Management Services expired on 03 June 2013. On 7 November 2013, PPEML decided to exit from the business and not to apply for renewal of license. PPEML has amended its Memorandum of Association and applied to SECP for registration. However, the approval of amendment in MOA is yet to be received from SECP. Its financial statements have been prepared on a going concern basis as the management intends to start its operations in accordance with the object mentioned in amended memorandum when the approval of SECP will be received.
- 1.5** Sachal Energy Development (Private) Limited (SEDPL) is a company incorporated in Pakistan under the Companies Ordinance, 1984 on 20 November 2006. The Company's registered office is located in Islamabad, Pakistan. The Company plans to carry out the business of purchasing, importing, transforming, converting, distributing, supplying and dealing in electricity and all other form of energy and the related services.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

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 2014.

The comparative balance sheet presented in this condensed interim consolidated financial information has been extracted from the annual audited consolidated financial statements of the Group for the year ended 30 June 2014, whereas the comparative condensed interim consolidated Profit and Loss Account, condensed interim consolidated Statement of Comprehensive Income, condensed interim consolidated Cash Flow statement and condensed interim consolidated Statement of Changes in Equity are extracted from the unaudited condensed interim consolidated financial information for the period ended 30 September 2013.

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

2.2 Significant accounting policies

The accounting policies and methods of computation 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 2014.

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 were applied to the annual financial statements of the Company as at and for the year ended 30 June 2014.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

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 2014.

4. CONTINGENCIES AND COMMITMENT

There is no change in the status of contingencies as disclosed in the preceding annual financial statements of the Group as at 30 June 2014.

5. PROPERTY AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 18.83 million. Further, there was no disposal of assets during the period.

6. CASH AND CASH EQUIVALENTS

Unaudited
Three months period ended
30 September 2014 30 September
2013
(Rupees)

Cash and bank balances	119,872,558	99,417,894
Short term borrowings	(4,789,239,189)	(3,738,284,692)
	(4,669,366,631)	(3,638,866,798)

7. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Group companies, directors and their close family members, major shareholders of the Group, key management personnel and staff provident fund. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Group are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Transactions with related parties during the year other than those disclosed elsewhere in these consolidated financial statements are given below:

Unaudited
Three months period ended
September 2014 September
2013
(Rupees)

Transaction with associates		
- Mark-up on loan and advance	37,871,209	33,081,559
- Mark-up income received	-	1,949,710
- Loan extended	897,000,000	589,000,000
- Loan repayment	300,000,000	100,000,000
- Sale of goods	2,151,400	616,500
- Purchase of goods	-	675,938
Transaction with Other related party		
- Provident fund contribution	1,058,775	879,756
- Payment of rent and maintenance charges	6,966,300	7,657,202
- Sale of goods & services	2,551,096	18,199,563
- Loan received-net	130,000,000	491,000,000

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2014

	Unaudited 30 September 2014	Audited 30 June 2014
	(Rupees)	
Balances as at		
- Markup receivable from Javedan Corporation Limited	3,211,401	-
- Markup receivable from Aisha Steel Mills Limited	45,405,782	10,745,974
- Payable to Javedan Corporation Limited	1,700,179,646	1,700,179,646
- Trade receivable from Safe Mix Concrete Products Limited	6,563,561	8,036,000
- Trade Receivable from Javedan Corporation Limited	3,671,257	6,523,000
- Trade Receivable from Aisha Steel Mills Limited	165,000	165,000
- Loan to Aisha Steel Mills Limited	901,506,452	441,506,452
- Loan to Javedan Corporation Limited	137,000,000	-
- Loan payable to Mr. Arif Habib	1,455,500,000	1,325,500,000
- Advance to Aisha Steel Mills Limited	236,924,414	236,924,414

8 REPORTABLE SEGMENTS

- 8.1** The group has four reportable segments: Capital Market Operations, Brokerage, Material & Construction and others. The capital market operations' segment is principally engaged in trading of equity securities and maintaining strategic and trading portfolios. The brokerage segment is principally engaged in brokerage, underwriting, corporate consultancy, research and corporate finance services. The material & construction segment is principally engaged in manufacturing and sale of construction related materials. Others includes assets of dairy farming and energy development entities
- 8.2** The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the last published annual audited consolidated financial statements for the year ended 30 June 2014. The group evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses. The group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market price unless disclosed otherwise.
- 8.3** The group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology, professional skills and marketing strategies. Most of the businesses were acquired as individual units, and the management at the time of the acquisition was retained.
- 8.4** The group does not allocate tax expense (tax income) or non-recurring gains and losses to reportable segments. In addition, not all reportable segments have material non-cash items other than depreciation, amortization and remeasurement of equity and debt instruments in profit or loss.

9. GENERAL

9.1 Appropriation for dividend

For the year ended June 30, 2014, the Board of Directors has proposed a cash dividend of Rs. 2.50 per share amounting Rs. 1,134,375,000 at its Meeting held on August 28, 2014 for the approval of the members at the Annual General Meeting to be held on October 25, 2014. These financial statements do not reflect this appropriation.

9.2 Date of Authorization for issue

This condensed interim consolidated financial information has been authorized for issue on 25 October 2014 by the Board of Directors of the Company.



Chief Executive Officer



Director



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