HALF YEARLY

REPORT

31 December

2012

striving
to excel

ARIF HABIB
LIMITED

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Corporate Information

Board of Directors
Ms. Sharmin Shahid (Chairperson)
Mr. Muhammad Shahid Ali (Chief Executive Officer)
Mr. Amanullah Suleman
Mr. Haroon Usman
Ms. Nida Ahsan
Mr. Abdullah A. Rahman
Mr. Muhammad Rafique Bhundi

Audit Committee
Mr. Haroon Usman (Chairman)
Ms. Nida Ahsan
Mr. Abdullah A. Rahman

Human Resource & Remuneration Committee
Mr. Haroon Usman (Chairman)
Mr. Muhammad Shahid Ali
Ms. Nida Ahsan

Company Secretary & CFO
Mr. Zia-ur-Rahim Khan

Domestic Brokerage
Mr. Muhammad Imran
Phone : 32462596, Ext: 227
Email : m.imran@arifhabibltd.com

International Brokerage
Mr. Adnan Katchi
Phone : 32460743, Ext: 213
Email : adnan.katchi@arifhabibltd.com

Research
Mr. Khurram Schehzad
Phone : 32460742, Ext: 222
Email : k.shehzad@arifhabibltd.com
research@arifhabibltd.com

Corporate Finance
Mr. Muhammad Rafique Bhundi
Phone : 32460741, Ext: 232
Email : rafique.bhundi@arifhabibltd.com
cf@arifhabibltd.com

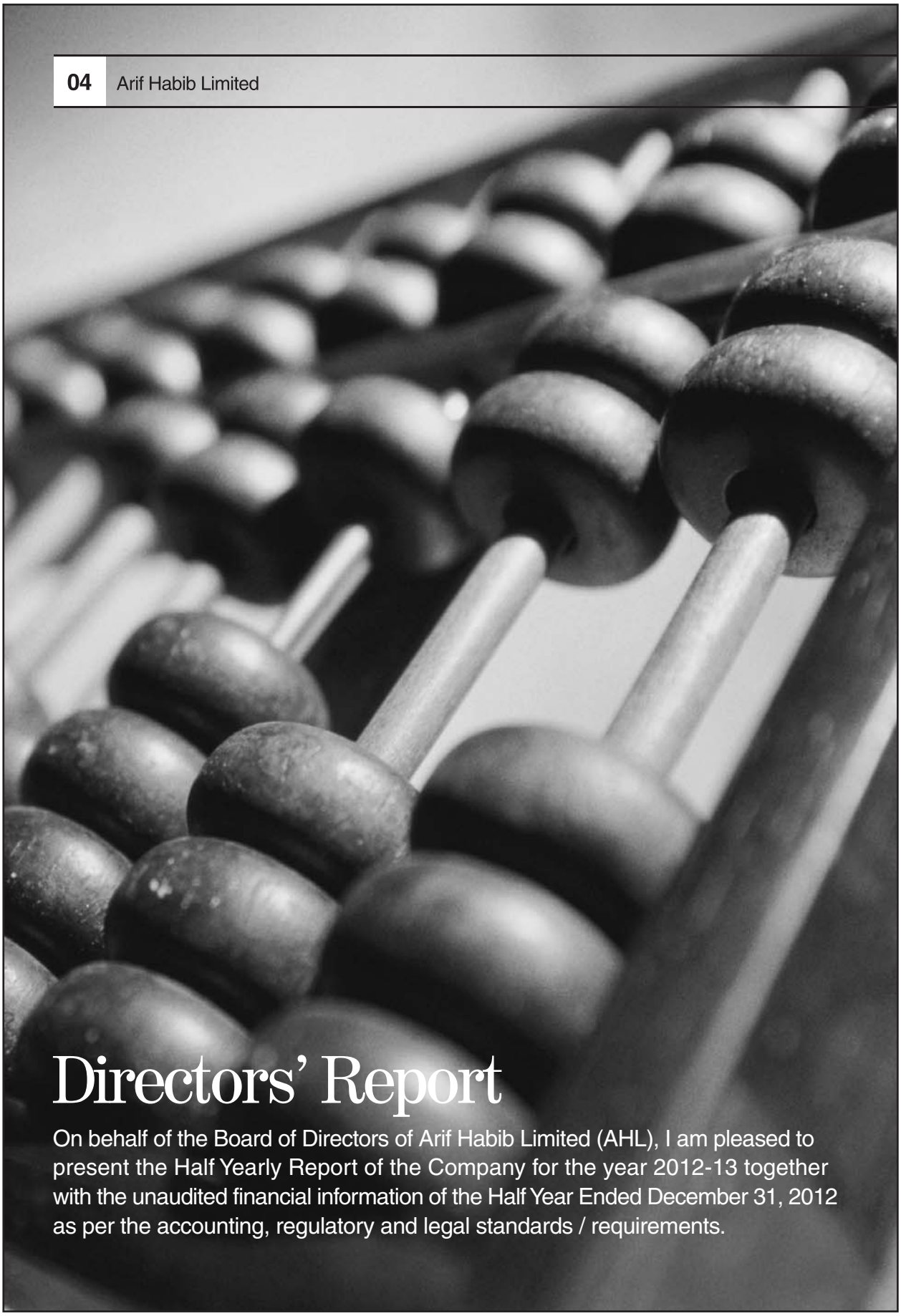
Auditors
M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors
M/s. Bawaney & Partners

Bankers
Allied Bank Ltd.
Askari Bank Ltd.
Bank Al Falah Ltd.
Bank Al Habib Ltd.
Bank Islami Pakistan Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
JS Bank Ltd.
KASB Bank Ltd.
MCB Bank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd.
The Bank of Khyber
The Bank of Punjab
United Bank Ltd.

Registered Office
Arif Habib Centre
23, M.T. Khan Road, Karachi-74000.
Phones: 32460717-19
Fax No. : 32416072 – 32429653
E-mail : ahl@arifhabibltd.com
Website : www.arifhabibltd.com

Registrar & Share transfer Office
Share Registrar Department
Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.
Tel: Customer Support Services (Toll Free)
0800-CDCPL (23275)
Fax : (92-21) 34326053
Email : info@cdcpak.com
Website : www.cdcpakistan.com



Directors' Report

On behalf of the Board of Directors of Arif Habib Limited (AHL), I am pleased to present the Half Yearly Report of the Company for the year 2012-13 together with the unaudited financial information of the Half Year Ended December 31, 2012 as per the accounting, regulatory and legal standards / requirements.

Economic Performance:

Pakistan's economy showed improvement with some major macroeconomic indicators turning favorable during 1HFY13. The current account surplus of USD 250mn provided a breather to the economy against a huge deficit of USD 2.5bn during the same period last year. Moreover, receipt of USD 1.8bn under the Coalition Support Fund (CSF) and remittances worth USD 7.1bn during 1HFY13 also supported the overall external account of the country. With oil prices going down at the beginning of FY13, import bills shrank by 2% YoY to USD 19.6bn as compared to USD 19.9bn in 1HFY12. However, exports remained flat, at the level of USD 12bn, due to decline in cotton prices along with persistent strikes and worsening energy issues facing the country.

On the fiscal front, economy remained under pressure with government borrowing standing at PKR 563bn during the period, as per provisional figures. The revenue side also remained constrained with the tax collection totaling PKR 942bn during 1HFY13, reflecting a shortfall of PKR 65bn against the target. However, a cushion was provided by inflation that went down to single digits, averaging 8.3% YoY in 1HFY13. This gave room to the central bank for cutting discount rate by a 250bps (Aug'12: 150bps, Oct'12: 50bps and Dec'12: 50bps), bringing down policy rate to 9.5%.

Going forward, we foresee fiscal and external accounts challenges mainly due to excessive government borrowing, debt repayments of USD 1.6 bn till Jun-13, no further loan by IMF in sight, election priorities and the deteriorating energy supply situation of the country.

Stock Market Performance:

The KSE 100 Index mapped a rising trajectory during 1HFY13, gaining by 22% (3,104 points) to end the period at 16,905. This strong performance mainly emanated from 250 basis points drop in discount rate, healthy corporate earnings, improving macroeconomic indicators like single digit inflation and external account surplus.

Average daily volume traded increased by 137% YoY to 148mn shares during 1HFY13 supported by net Foreign Investors Portfolio Investments (FIPI) inflow of USD 153mn compared to an outflow of USD 139mn in 1HFY12.

During CY2012, the KSE 100 index remained one of the best performing markets in the world posting a hefty 49% return. Due to impressive earning growth, the market is still trading at attractive Price Earnings multiples and dividend yield.

Financial Performance:

During the quarter under review, AHL posted a handsome 370% increase in the net profit to PKR. 396 mn (84 mn). The net profits translate to a strong EPS of PKR. 7.92 (PKR.1.69).

Company's investment portfolio has done significantly well, yielding the combined realized and unrealized revenue of PKR. 327 mn. Our core business lines generated PKR. 61 mn during the half year.Brokerage revenue increased by 72% to PKR.49 mn (PKR. 29 mn), whereas our Corporate Finance income rose to PKR.12mn.

The core operating expenses went up by only PKR. 17 mn (net of provisions) on account of staff salary, bonus and insurance related adjustments and higher operating expenses corresponding to higher volumes. With the inclusion of PKR. 85 mn provisions against bad debts originating from the 2008 financial crisis, our administrative and operating expenses went up to PKR. 152mn, this provision has now turned the trade debts free from any doubtful debts. Our financial cost was 12.5% higher to PKR. 90 mn as higher borrowings were deployed in the opportunistic investments, which have done very well. Further, the gain on re-measurement of investment property amounting to PKR.96 mn and on initial recognition of shares amounting to PKR. 121 mn also contributed towards the strong net profit after tax.

Thanks to continually good quarterly profits, total equity of the company has further increased by 24% to PKR. 1.4bn (PKR. 1.1bn). The healthier equity level was achieved despite the release of PKR. 135 mn reserves for cash dividends approved in the AGM held on September 22, 2012. The Company has managed a significant receivables reduction to PKR.516 mn (PKR. 747 mn).Receivables against sale of securities for PKR. 530 mn were also settled in full. The cash proceeds received were deployed in the short term investments increasing to almost PKR.2.3bn (PKR. 1.5bn) and on the other hand, the reduction of short term borrowings to PKR.1.5bn (PKR. 1.7bn) were observed.

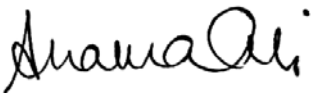
Future Prospects:

The future prospects of our Company look positive on account of growing market volumes, expected increase in our market share and attractive valuations of listed companies. We are confident to improve our market share in local and international brokerage and soon activate our money market desk. We are engaged in a number of mandated and potential capital market transactions which should continue to add to our earnings and reputation in the market.

Acknowledgement:

Our company is consistently and sustainably profitable since financial crisis, and attaining increasing scope of customers, products and customer service. The Board of Directors is thankful to company's valued customers, SECP, stock exchanges, shareholders and the business partners, without whose continued support and guidance we would not be able to pursue our strategy and good performance. The dedicated contribution put in by the company employees is also sincerely appreciated.

For and on behalf of the board



Muhammad Shahid Ali
Chief Executive Officer and Director
January 31, 2013
Karachi.

Un Audited Financial Information for the Half Year and Second Quarter Ended December 31, 2012

AUDITORS' REVIEW REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Arif Habib Limited** as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2011 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi.
Dated: January 31, 2013

Chartered Accountants
Engagement Partner: **Muhammad Rafiq Dosani**

CONDENSED INTERIM BALANCE SHEET

As at December 31, 2012

	Notes	Un audited December 31, 2012	Audited June 30, 2012
		Rupees	
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	5	**67,927,534**	73,277,343
Intangible assets	6	**69,458,630**	69,716,293
Long term Investments	7	**154,342,551**	33,000,000
Investment property	8	**311,253,600**	53,000,000
Advance against Investments		**-**	154,428,115
Long-term deposits		**4,596,700**	4,664,700
		607,579,015	388,086,451
CURRENT ASSETS			
Short term investments		**2,281,407,946**	1,519,733,697
Trade debts		**515,804,784**	746,748,191
Receivable against sale of securities- Net		**-**	529,534,120
Short term loans - secured		**718,574**	1,586,536
Trade deposits and prepayments		**76,389,529**	15,499,960
Other receivables		**939,348**	8,798,436
Taxes recoverable		**3,153,803**	-
Cash & bank balances		**69,659,441**	47,956,149
		2,948,073,425	2,869,857,089
TOTAL ASSETS		**3,555,652,440**	3,257,943,540
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
75,000,000 (June 2012: 50,000,000) ordinary shares of Rs.10/- each		**750,000,000**	500,000,000
Issued, subscribed & paid-up capital		**500,000,000**	450,000,000
Unappropriated profits		**856,699,821**	645,946,335
		1,356,699,821	1,095,946,335
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		**2,216,036**	2,497,747
Loan from associate		**281,219,467**	262,270,429
		283,435,503	264,768,176
CURRENT LIABILITIES			
Short term borrowings- secured		**1,539,136,051**	1,653,936,052
Current portion of liability subject to finance lease		**1,005,975**	964,541
Trade and other payables		**346,577,723**	198,202,436
Markup accrued		**28,797,367**	41,951,956
Taxes payable		**-**	2,174,044
		1,915,517,116	1,897,229,029
CONTINGENCIES AND COMMITMENTS	9	**-**	-
TOTAL EQUITY AND LIABILITIES		**3,555,652,440**	3,257,943,540

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

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN AUDITED)

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Note	Half Year ended		Second Quarter ended	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
		Rupees			
Operating revenue		**76,797,475**	43,690,981	**49,106,409**	22,890,669
Capital gain on sale of short term investments		**113,526,441**	176,332,318	**63,750,932**	127,843,292
Unrealized gain on remeasurement of investment property		**96,253,788**	-	**96,253,788**	-
Unrealized gain/(loss) on re-measurement of short term investments		**198,070,625**	(34,613,548)	**108,529,853**	(98,588,733)
		484,648,329	185,409,751	**317,640,982**	52,145,228
Administrative and operating expenses		**(152,966,925)**	(50,913,861)	**(18,451,803)**	(26,589,723)
Finance costs		**(90,157,749)**	(80,702,143)	**(48,432,858)**	(50,161,010)
Other operating income	10	**159,798,026**	49,526,057	**12,373,352**	30,444,023
Other charges		**-**	(400,000)	**-**	-
Profit before taxation		**401,321,681**	102,919,804	**263,129,673**	5,838,518
Taxation		**(5,568,195)**	(18,369,328)	**(2,764,150)**	(14,224,376)
Profit / (loss) after taxation		**395,753,486**	84,550,476	**260,365,523**	(8,385,858)
Earning per share - basic and diluted		**7.92**	1.69	**5.21**	(0.17)

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

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half Year ended		Second Quarter ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	Rupees			
Profit / (loss) for the period	**395,753,486**	84,550,476	**260,365,523**	(8,385,858)
Other comprehensive income for the period	**-**	-	-	-
Total comprehensive income / (loss) for the period	**395,753,486**	84,550,476	260,365,523	(8,385,858)

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

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2012

	Issued, subscribed & paid up capital	Unappropriated profits	Total
	Rupees		
Balance as at July 1, 2011	**450,000,000**	**280,035,022**	**730,035,022**
Comprehensive income for the half year ended on December 31,2011	-	**84,550,476**	**84,550,476**
Balance as at December 31,2011	**450,000,000**	**364,585,498**	**814,585,498**
Balance as at January 01, 2012	**450,000,000**	**364,585,498**	**814,585,498**
Comprehensive income for the half year ended on June 30,2012	-	**281,360,837**	**281,360,837**
Balance as at June 30, 2012	**450,000,000**	**645,946,335**	**1,095,946,335**
Balance as at July 1, 2012	**450,000,000**	**645,946,335**	**1,095,946,335**
Bonus shares allocated @ 11.11% for the year ended June 30, 2012 (2011: Nil)	**50,000,000**	**(50,000,000)**	-
Cash dividend paid @ 30% for the year ended June 30, 2012 (2012: Nil)	-	**(135,000,000)**	**(135,000,000)**
Comprehensive income for the half year ended on December 31,2012	-	**395,753,486**	**395,753,486**
Balance as at December 31, 2012	**500,000,000**	**856,699,821**	**1,356,699,821**

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

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM CASHFLOW STATEMENT (UN AUDITED)

FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2012

	Note	Half year ended December 31, 2012	December 31, 2011
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**401,321,681**	102,919,804
Adjustments for:			
Depreciation		**5,759,190**	6,690,022
Amortization of intangible asset		**257,661**	240,853
Loss on disposal of investment property		**-**	400,000
Gain on disposal of property, plant and equipment		**(336,386)**	9,030
Gain on re-measurement of short term investments		**(198,070,625)**	34,613,548
Loss / (gain) on short term investment		**(113,526,441)**	(176,332,318)
Unrealized gain on re-measurement of investment property		**(96,253,788)**	-
Dividend income		**(15,092,813)**	(9,094,451)
Gain on initial recognition		**(121,342,551)**	-
Provision against doubtful debts		**84,808,299**	-
Finance costs		**90,157,749**	80,702,143
		(363,639,705)	(62,771,173)
Cash generated from operating activities before working capital changes		**37,681,976**	40,148,630
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets			
Short-term investments		**(450,077,181)**	(511,442,961)
Trade debts		**146,135,108**	(1,113,197,937)
Receivable against sale of securities- Net		**529,534,120**	-
Short term loans		**867,962**	205,149
Deposits and short-term prepayments		**(60,889,569)**	389,793
Other receivables		**7,177,836**	(14,636,986)
Increase/(decrease) in current liabilities			
Trade and other payables		**148,375,287**	431,125,497
		321,123,563	(1,207,557,445)
Cash generated from / (used in) operations		**358,805,539**	(1,167,408,814)
Taxes paid		**(10,896,042)**	(4,038,777)
Finance costs paid		**(84,363,300)**	(47,542,327)
Net cash generated from / (used in) operating activities		**263,546,197**	(1,218,989,919)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and investment property	**5**	**(603,114)**	(388,847)
Proceeds from disposal of property, plant and equipment	**5**	**530,120**	328,934
Acquisition of intangible assets		**-**	(2,091,513)
Expenditure on investment property	**8**	**(7,571,697)**	-
Sale proceeds on disposal of Investment property		**-**	6,842,000
Dividends received		**15,774,065**	7,880,870
Long term deposits		**68,000**	-
Net cash generated from investing activities		**8,197,374**	12,571,444
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		**(240,277)**	(472,239)
Dividend paid		**(135,000,000)**	-
Net cash used in financing activities		**(135,240,277)**	(472,239)
Net increase/(decrease) in cash and cash equivalents		**136,503,294**	(1,206,890,714)
Cash and cash equivalents at the beginning of the period		**(1,605,979,903)**	(82,298,006)
Cash and cash equivalents at the end of the period	**13**	**(1,469,476,609)**	(1,289,188,720)

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

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION (UN AUDITED)

FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2012

1 STATUS AND NATURE OF BUSINESS

1.1 Arif Habib Limited (the Company) is a public listed Company incorporated in Pakistan under the Companies Ordinance, 1984. The shares of the Company are quoted on Karachi and Lahore stock exchanges of Pakistan. The Company was initially incorporated as an unquoted public limited company wholly owned by Arif Habib Corporation Limited (the parent company). Subsequently, the Parent Company offered its 25% share holding in the Company to general public and the Company obtained listing on the Karachi Stock Exchange Limited on January 31, 2007.

The Company is a Trading Right Entitlement Certificate (TREC) holder of Karachi, Lahore and Islamabad Stock Exchanges. The principal activities of the Company are share brokerage, commodity brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. Other activities include investment in listed equity securities.

The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.

1.2 The Parent Company holds 77.25% shares of the Company.

1.3 Arif Habib Limited subscribed 100% ownership of Arif Habib Commodities (Pvt) Limited, as detailed in note 6 of the financial statements for the year ended June 30, 2012.The business of subsidiary comprises of commodity brokerage and commodity investments in Commodity exchange i.e. Pakistan Mercantile Exchange Limited.

The Securities and Exchange Commission of Pakistan vide its letter bearing No. EMD/233/683/2002-48 dated July 18, 2012 have exempt the Company from the applicability of the provisions of the Section 237 "Consolidated financial statements". Hence, the Consolidated Financial statements of the Company has not been presented.

2 BASIS OF PREPARATION

Statement of compliance

These condensed interim financial statements of the Company for the half year ended December 31, 2012 have been prepared in accordance with the requirements of the International Accounting Standard 34 " Interim Financial Reporting " and provision and directives issued under the Companies Ordinance, 1984 have been followed.

These condensed interim financial statements are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of the Stock Exchanges of Pakistan where the company is listed.

These condensed interim financial statements comprise of the balance sheet as at December 31, 2012 and profit and loss account, statement of comprehensive income, statement of changes in equity and the statement of cashflows for the half year ended December 31, 2012 which have been subjected to review but not audit.

The comparative balance sheet presented in these condensed interim financial statements as at June 30, 2012 has been extracted from the audited financial statements of the company for the year ended June 30, 2012, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the statement of cashflows for the half year ended December 31, 2012 which have been subjected to review but not audit.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2012.

Amendments to certain existing standards and new interpretation on approved accounting standards that become 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.

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION (UN AUDITED)

FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2012

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Company as at and for the year ended June 30, 2012.

5 PROPERTY, PLANT & EQUIPMENT

During the Half year ended December 31, 2012, addition made amounting to Rs. 0.603 milllion (June 2012: Rs. 0.578 million) which comprised of computer and allied and vehicles. Further, assets having WDV of Rs. 0.348 million where sold for Rs. 0.530 million (June 2012: WDV of Rs. 0.320 million were sold of Rs. 0.329 million).

6 INTANGIBLE ASSETS	Note	December 31, 2012 Rupees	June 30, 2012 Rupees
Computer software		**1,803,630**	2,061,293
Trading right entitlement certificate and offices	6.1	**67,655,000**	67,655,000
		69,458,630	69,716,293

6.1 TRADING RIGHT ENTITLEMENT CERTIFICATE AND OFFICES

Trading right entitlement certificates	6.1.1	**26,000,000**	26,000,000
Offices			
Islamabad Stock Exchange Limited		**22,005,000**	22,005,000
Lahore Stock Exchange Limited		**17,550,000**	17,550,000
		39,555,000	39,555,000
Booths			
Karachi Stock Exchange Limited		**2,100,000**	2,100,000
		67,655,000	67,655,000

6.1.1 This represents the cost of membership cards of stock exchanges which are surrendered to the stock exchanges under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 and trading right certificate are issued to the members carrying the similar rights.

7 LONG TERM INVESTMENTS	Note	December 31, 2012 Rupees	June 30, 2012 Rupees
At cost	7.1	**33,000,000**	33,000,000
Through profit and loss	7.2	**121,342,551**	-
		154,342,551	33,000,000

7.1 At cost

This represent paid up share capital constituting 100% ownership in Arif Habib Commodities (Pvt) Limited (AHCPL) which was incorporated as a wholly owned subsidiary for the purpose of expanding non-core revenue stream of the commodity brokerage.

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION (UN AUDITED)

FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2012

7.2 Through profit and loss Investment

This includes the shares of Stock Exchanges received by the Company in pursuance of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.The total number of shares received by the company are 7,885,962 with a face value of Rs. 10 each. These includes 4,731,577 (60% shares) which are held in separate CDC blocked account to restrict the sale of these shares by the members whereas stock exchanges will dispose off these shares under the Demutualization Act, 2012 however the proceeds of these shares and right to dividend / bonus is vested with member whereas voting rights attached to these shares are suspended.

The fair value of these shares is determined by the company on the basis of discounted cash flows of the stock exchanges incorporating the observable market input and represents the lowest possible value to be materialized by the Company.

These shares are initially recognized at fair value of Rs. 121.342 million and subsequently classified as through profit and loss investment.

		Note	December 31, 2012 Rupees	June 30, 2012 Rupees
8	**INVESTMENT PROPERTY**			
	Acquisition cost - opening balance		**53,000,000**	126,000,000
	Acquisition during the year		**7,571,697**	-
	Disposal during the year		**-**	(73,000,000)
	Expenditure incurred on acquisition and transfer of investment property	8.1	**154,428,115**	-
	Acquisition cost - closing balance		**214,999,812**	53,000,000
	Carrying value		**214,999,812**	53,000,000
	Increase / (decrease) in fair value		**96,253,788**	-
			311,253,600	53,000,000

8.1 This represents advance against investment made during the last year in real estate of associate concern. During the period the documentation have been completed therefore the same is transferred to investment property.

		December 31, 2012 Rupees	June 30, 2012 Rupees
9	**CONTINGENCIES AND COMMITMENTS**		
	CONTINGENCIES		
	There were no contingencies at the period end.	**-**	-
	COMMITMENTS		
	Following commitments are outstanding as at the period end.		
	- Outstanding settlement against sale/purchases of securities in future market.	**61,625,070**	164,721,490
	- Outstanding Settlements against MarginTrading contracts	**1,003,164,063**	262,917,405
	- Outstanding Settlements against (purchase)/sale of securities in regular market.	**369,925**	12,055,180
	- Guarantee given by a commercial bank on behalf of the company	**100,000,000**	100,000,000

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION (UN AUDITED)

FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2012

10 OTHER OPERATING INCOME	Note	December 2012 Rupees	December 2011 Rupees
On financial assets			
Late payment charges on clients' balances		**33,258,766**	42,561,640
Profit on saving accounts		**1,829,008**	1,513,498
Profit on exposure deposit		**587,306**	76,874
Markup charged to associate - related party		**-**	667,551
Reversal of provision of WWF		**-**	3,499,555
Gain on initial recognition	**7.2**	**121,342,551**	-
Gain on disposal of asset		**382,495**	9,038
On non-financial assets			
Rental income from investment property		**2,397,900**	1,197,900
		159,798,026	49,526,056

11 RELATED PARTY DISCLOSURE	December 2012 Rupees	December 2011 Rupees
Brokerage commission and other services to:		
Parent	**5,075,739**	3,859,661
Group companies	**3,868,889**	2,163,041
Key management personnel	**2,689,386**	3,438,624
Other related parties	**-**	30,359
Rent paid associated company	**11,494,034**	11,865,723
Rent income from Subsidiary	**1,200,000**	-
Remuneration to Chief Executive Officer	**4,940,663**	3,264,570
Remuneration to other directors	**1,522,358**	4,596,382
Contribution to staff provident fund	**956,065**	859,009
Capital gain earned on related party shares trading	**40,373,583**	104,261,479
Advance given to associate companies	**-**	65,880,206
Advance recovered from associate companies	**-**	48,968,046
Finance income on advances made to associated companies	**-**	667,551

	December 2012 Rupees	June 2012 Rupees
Balances with related parties at the end of the period are as follows:		
(Advances to) / receivable from related parties		
Group Companies	**2,500,806**	-
Subsidiary	**2,738,252**	-
Key management personnel	**6,066,906**	10,823,571
Other related parties	**33,513,507**	-
Investment in related parties	**1,108,774,204**	1,096,360,077
Subsidiary	**33,000,000**	-
Dividend paid to related parties	**103,543,227**	-
Payable to related parties:		
Key management personnel	**31,922,314**	10,430,000
Other related parties	**310,112,624**	483,113,218

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION (UN AUDITED)

FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2012

12 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 June 30, 2012.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

	December 31, 2012	December 31, 2011
	Rupees	
Cash and bank balances	**69,659,441**	50,357,986
Short term borrowings	**(1,539,136,051)**	(1,339,546,707)
	(1,469,476,609)	(1,289,188,720)

14 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors in meeting held on 31st January 2013.

15 General

Figures have been rounded off to the nearest rupee.

Chief Executive Officer | Director | Chief Financial Officer

ARIF HABIB
LIMITED

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