



Quarterly Report
July - September 2010

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Board of Directors

Samad A. Habib (Chairman)
Bilal Amanullah Moti (Chief Executive)
Abdul Majid M. Siddique
Haroon Usman
Sajid Qurban Ali
Sharmin Shahid
Nida Ahsan

Audit Committee

Abdul Majid M. Siddique (Chairman)
Sajid Qurban Ali
Sharmin Shahid
Nida Ahsan

Company Secretary & CFO

Zia-ur-Rahim Khan

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors

Bawaney & Partners



Bankers

Allied Bank Ltd.
Askari Bank Ltd.
Atlas Bank Ltd.
Bank Al Falah Ltd.
Bank Al Habib Ltd.
The Bank of Khyber
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
JS Bank Ltd.
KASB Bank Ltd.
MCB Bank Ltd.
Mybank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
Summit Bank Ltd.
The Bank of Punjab
United Bank Ltd.

Registered Office and Brokerage House

Arif Habib Centre
23, M.T. Khan Road Karachi-74000
Phones: 32415213, 32460717-19
Fax No: 32416072 - 32429653
E-mail : ahl@arifhabibltd.com

Website: www.arifhabibltd.com

Registrar & Share Transfer Office

Share Registrar Department
Central Depository Co; 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

Dear Shareholders,

On behalf of the Board of Directors of Arif Habib Limited, I am delighted to present the company's performance report for the first quarter 2010-2011 as well as the un-audited financial statements for the period ended September 30, 2010.

Economy

Amid the current political and economic (energy shortage included) challenges, our beloved country suffered a massive setback of floods in July 2010, affecting thousands of human lives and economy of the country; especially the agricultural sector. I pray for our brothers and sisters, who have lost their lives in this natural disaster and who are still dislocated from their homes. The flood results have driven GDP forecasts for FY2010-11 downwards to ca 2.5% (pre-flood estimation of 4.5%).

Inflation during 1Q2010-2011 remained at an average 14% level (driven by Ramadan; and food, utilities and oil prices) rising from the average 11.7% during FY2009-10. The discount rate resultantly was increased twice (in July and September) by 50 bps each to arrive at 13.5% p.a. at present. SBP envisages an inflation rate of ca 14% p.a. during FY2011, while we anticipate it to be 16%.

We have noticed about 13.5% y.o.y. increase in the worker's remittances during 1QFY2011, which have played an essential role in narrowing down the overall current account deficit to USD 545 million. The deficit was also helped by lower oil imports (exceptionally 26% lower in September 2010) and higher exports. Going forward, sustaining such current account levels appear to be challenging given the likely increase in oil imports in the next quarter. On the fiscal front, Pakistan's lower tax base remained a major impediment. We expect the Government to broaden its tax base with the implementation of the Reformed GST under IMF conditions.

Market

During the quarter under review, KSE-100 index gained 3% to close the quarter at 10,013 level. On the other hand, average daily volumes have been recorded at 61 million shares, declined by 68% on a y.o.y. basis and 54% on a q.o.q. basis. This was mainly on accounts of uncertainty related to the capital gains tax, discount rate hike and flood stress. However, the foreign investors continued to keep their faith in the market and poured in some US\$106 million during the period as compared to US\$235 million in the same period last year.

The MTS Committee has approved draft regulations related to the margin trading/financing product, which is a major positive development. The regulations have been forwarded to SECP for further approvals. The product is expected to be re-introduced in December 2010, which will increase the liquidity and trading in the market.

In addition, looking at the stock market fundamentals i.e., PE ratios 7.4x and dividends yields 6.7%, comparing them to those of comparable regional markets, and re-introduction of the margin trading in coming months, we have a positive outlook on the stock exchanges of Pakistan. We also believe that the corporate finance activity should also correspondingly increase, reflecting better market conditions. However, the management of the political, economic and social challenges (no event in our forecast though) will dictate the investments and trading sentiments of the market.



Financial Performance

During the quarter under review, Arif Habib Ltd. posted the net profit of Rs. 22 million compared to the net profit of Rs. 122 million in the corresponding period last year. The Rs. 20 million revenues were generated largely from our core business lines i.e., brokerage (Rs. 16 million) and corporate finance business (Rs. 4 million). The lower revenues compared to the corresponding quarter were driven by the substantially lower daily shares volume and value turnover as highlighted above.

Our administrative and operating expenses of Rs. 26 million were in line with the corresponding quarter's Rs. 23 million, reflecting inflation inclusion largely. Our finance costs have been managed significantly lower, down from Rs. 42 million to Rs. 12 million, on account of limited opportunity seen during the quarter on the investment side compared to the financing costs. The profits translate to an EPS of Rs. 0.50 compared to the EPS of Rs. 2.72 in the corresponding quarter.

At the end of the quarter under review, our balance sheet has further developed its solvency strength added by the quarter's profits. Total equity of the company further increased by 4.1% to Rs. 1,275 million compared to Rs. 1,252 million at the end of June 2010. The balance sheet is consolidating on account of reducing trade and proceeds receivables at one hand and leverage on the other, which was yet another reason to enhance our capitalization (equity to assets 66%).

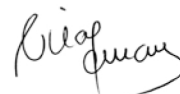
Despite current market related challenges, our company is profitable and is progressively working on widening its client base, developing new products and enhancing the customer service and efficiency levels.

Thanks to the great support by our clients, Arif Habib Ltd. has succeeded in enhancing its average trading and corporate finance related market shares, which is likely to have a positive impact on the profitability of the company in the future.

Acknowledgement

The Board of Directors wishes to appreciate company's valued shareholders, customers and the business partners for their support. The dedicated contribution put in by the company employees is also appreciated and acknowledged. Last but of equally high importance, the Board is grateful to SECP and the Karachi Stock Exchange (Guarantee) Limited for their continued support and guidance.

For and behalf of the Board



Bilal Amanullah Moti
Chief Executive

Karachi: October 25, 2010

	Un-audited September 2010 Rupees	Audited June 2010 Rupees
ASSETS		
NON- CURRENT ASSETS		
Property, plant and equipment	94,697,676	98,648,454
Intangible assets	69,378,063	69,065,391
Investment property	76,879,000	61,895,000
Long-term deposits	14,126,904	14,126,904
	255,081,643	243,735,749
CURRENT ASSETS		
Short term investments	288,990,898	26,134,090
Trade debts	1,339,467,940	1,435,861,883
Proceed receivable	-	257,143,854
Short term loans	748,738	705,793
Trade deposits and prepayments	1,485,169	6,085,539
Other receivables	18,136,530	18,028,707
Taxes recoverable	4,300,312	4,191,157
Cash & bank balances	35,388,899	77,954,222
	1,688,518,486	1,826,105,245
TOTAL ASSETS	1,943,600,129	2,069,840,994
CAPITAL AND RESERVES		
AUTHORIZED CAPITAL		
50,000,000 (2010: 50,000,000) ordinary shares of Rs.10/- each	500,000,000	500,000,000
Issued, subscribed & paid-up capital	450,000,000	375,000,000
Share premium	-	45,000,000
Unappropriated profits	824,364,874	832,224,303
	1,274,364,874	1,252,224,303
LIABILITIES		
NON-CURRENT LIABILITY		
Liabilities against assets subject to finance lease	4,217,761	4,385,569
CURRENT LIABILITIES		
Short term borrowings	393,331,056	583,157,891
Current portion of lease liability	744,311	774,210
Trade and other payables	258,869,811	200,901,902
Markup accrued	12,072,316	28,397,119
	665,017,494	813,231,122
	1,943,600,129	2,069,840,994

The annexed notes form an integral part of these financial statements.



Chairman



Chief Executive

	Quarter Ended	
	September 2010 Rupees	September 2009 Rupees
Operating revenue	19,725,809	34,340,182
Capital (loss)/gain on sale of investments - net	(1,258,291)	25,517,267
(Loss)/gain on re-measurement of investments carried at fair value through profit or loss - net	(441,276)	73,446,883
	18,026,243	133,304,332
Administrative and operating expenses	(25,688,861)	(22,566,948)
Finance costs	(12,187,880)	(42,381,704)
Other operating income	43,181,021	56,499,993
Profit before taxation	23,330,523	124,855,673
Taxation	(1,189,952)	(2,512,277)
Profit after taxation	22,140,571	122,343,395
Earnings per share - basic & diluted	0.49	2.72

The annexed notes form an integral part of these financial statements.


Chairman


Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2010

Profit after taxation

Other comprehensive income

Total comprehensive (Loss)/Income
for the period transferred to equity

	Quarter Ended	
	September 2010 Rupees	September 2009 Rupees
Profit after taxation	22,140,571	122,343,395
Other comprehensive income	-	-
Total comprehensive (Loss)/Income for the period transferred to equity	<u>22,140,571</u>	<u>122,343,395</u>

The annexed notes form an integral part of these financial statements.



Al-Sameed
Chairman

Riaz Hussain
Chief Executive

	Quarter Ended	
	September 2010 Rupees	September 2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	23,330,523	124,855,672
Adjustments for:		
Depreciation	3,807,560	4,244,360
Amortisation of intangible asset	50,028	-
Dividend income	-	(3,561,610)
Finance costs	12,187,880	42,381,704
	16,045,468	43,064,454
Cash generated from operating activities before working capital changes	39,375,991	167,920,126
Effect on cash flow due to working capital changes (Increase)/decrease in current assets		
Short-term investments	(262,856,808)	-
Trade debts	81,893,944	(583,984,504)
Proceed receivable	257,143,854	-
Short term loans	(42,945)	225,093
Deposits and short-term prepayments	4,600,370	(1,606,570)
Other receivables	(107,823)	(41,810)
Increase/(decrease) in current liabilities		
Trade and other payables	57,967,909	660,481,173
	138,598,501	75,073,382
Cash / generated from operations	177,974,492	242,993,508
Taxes paid	(1,299,107)	(2,727,764)
Finance costs paid	(28,512,683)	(32,809,366)
Net cash generated from operating activities	148,162,702	207,456,378
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and investment property	(57,850)	(597,505)
Proceeds from disposal of property, plant and equipment	201,068	-
Acquisition of Intangible asset	(362,700)	-
Expenditure incurred on investment property	(484,000)	-
Dividends received	-	3,561,610
Long term deposits	-	(5,700,000)
Net cash used in investing activities	(703,482)	(2,735,895)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease liability	(197,707)	-
Dividends paid	-	(45,000,000)
Net cash used in financing activities	(197,707)	(45,000,000)
Net increase in cash and cash equivalents	147,261,513	159,720,483
Cash and cash equivalents at the beginning of the period	(505,203,669)	(79,089,820)
Cash and cash equivalents at the end of the period	(357,942,156)	80,630,663

The annexed notes form an integral part of these financial statements.


Chairman


Chief Executive

STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2010

	Share capital (Rupees)	Premium Reserve (Rupees)	Accumulated profit/ loss (Rupees)	Total (Rupees)
Balance as at June 30, 2009	300,000,000	120,000,000	726,941,678	1,146,941,678
Issue of bonus shares	75,000,000	(75,000,000)	-	-
Issuance of dividend @Rs. 1.5 per share	-	-	(45,000,000)	(45,000,000)
Profit for the period July-September 2009	-	-	122,343,395	122,343,395
Balance as at September 30, 2009	<u>375,000,000</u>	<u>45,000,000</u>	<u>804,285,073</u>	<u>1,224,285,073</u>
Balance as at September 30, 2009	375,000,000	45,000,000	804,285,073	1,224,285,073
Profit for the period October 2009 - June 2010	-	-	27,939,230	27,939,230
Balance as at June 30, 2010	<u>375,000,000</u>	<u>45,000,000</u>	<u>832,224,303</u>	<u>1,252,224,303</u>
Balance as at June 30, 2010	375,000,000	45,000,000	832,224,303	1,252,224,303
Issue of bonus shares	75,000,000	(45,000,000)	(30,000,000)	-
Profit for the period July-September 2010	-	-	22,140,571	22,140,571
Balance as at September 30, 2010	<u>450,000,000</u>	<u>-</u>	<u>824,364,874</u>	<u>1,274,364,874</u>

The annexed notes form an integral part of these financial statements.


Chairman


Chief Executive

1 STATUS AND NATURE OF BUSINESS

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, Lahore and Islamabad stock exchanges of Pakistan. The Company was initially incorporated as an unquoted public limited company wholly owned by Arif Habib Securities 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 (Guarantee) Limited on January 31, 2007.

The Company is a corporate member of Karachi, Lahore and Islamabad Stock Exchanges and National Commodity Exchange Limited. The principal activities of the Company are shares and brokerage; and corporate finance advisory and arrangement 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim financial statements are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited. These interim financial statements have been prepared in accordance with requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as published in Pakistan. These interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in connection with the Company's annual financial statements for the year ended Jun 30, 2010.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended 30 June 2010. Changes are made by the management in the policy of depreciation of property, plant and equipment and leased assets where depreciation is charged on monthly basis instead of quarterly basis.

4 COMMITMENTS

Commitment to National Clearing House in respect of trading securities- (payable)/receivable

Un-audited September 2010 Rupees	Audited June 2010 Rupees
<u>(14,968,057)</u>	<u>388,174,070</u>

5 PROPERTY, PLANT AND EQUIPMENT

Fixed capital expenditure during the period amounting to Rs. 0.420 million (30 June 2010: Rs. 7.089 million). Deletion of fixed assets made during the period was Rs. 0.201 million (30 June 2010: Rs. 0.437 million).

6 RELATED PARTY TRANSACTION

Brokerage income

Parent	4,443,114	7,942,262
Key management personal	316,707	570,373
Other related party	3,741,981	5,802,318

Remunerations to key management personnel

Chief Executive	1,788,839	1,066,500
Other full time Directors	661,779	1,031,678

Amount received from / paid to related parties

Interest paid	-	16,685,783
Rent paid	5,224,560	5,224,560
Interest received	-	573,955
Rent received	-	2,359,500
Payment to employee P.F.	528,738	195,758
Investment in marketable securities	-	529,000,337

Amount receivable from / (payable) to related parties at the end of quarter

Receivable from parent	27,188	348,896,272
Receivable from key management personnels on trading accounts	372,597	7,405,504
Payable to key management personnels on trading accounts	-	(4,058,069)
Receivable from other related parties	47,792,182	678,643
Payable to other related parties	(121,548,685)	(1,024,521,350)

7 DATE OF AUTHORIZATION OF ISSUE

These financial statements have been authorized for issue on October 25, 2010 by the Board of Directors of the company.

8 GENERAL

Figures have been rounded off to the nearest rupee.


Chairman


Chief Executive



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