

**Quarterly Report**  
**July - September 2011**



## Contents

▣	Corporate Information	2
▣	Directors' Report	4
▣	Balance Sheet	6
▣	Profit & Loss Account	7
▣	Cash Flow Statement	8
▣	Statement of Comprehensive Income	9
▣	Statement of Changes in Equity	10
▣	Notes to the Financial Statements	11

## CORPORATE INFORMATION

### Board of Directors

Sharmin Shahid (Chairperson)  
Bilal Amanullah Moti (Chief Executive)  
Nida Ahsan  
Abdul Majid M. Siddique  
Haroon Usman  
Abdullah A. Rahman  
Sajid Qurban Ali

### Audit Committee

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

### Company Secretary & CFO

Zia-ur-Rahim Khan

### Brokerage (Equity, Commodities, Money Market & FX)

Muhammad Imran  
Phone (Direct) : 32462589, PABX No.: 32460717-9 Ext: 227  
Email : m.imran@arifhabibltd.com

### Corporate Finance

M. Rafique Bhundi  
Phone (Direct) : 32460741, PABX No.: 32460717-9  
Email : rafique.bhundi@arifhabibltd.com  
cf@arifhabibltd.com

### Research

Faisal Khan  
Phone (Direct) : 32462589, PABX No.: 32460717-9 Ext: 211  
Email : faisal.khan@arifhabibltd.com  
research@arifhabibltd.com

### Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

### Legal Advisors

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.  
Summit Bank Ltd.  
The Bank of Khyber  
The Bank of Punjab  
United Bank Ltd.

**Registered Office and Brokerage House**

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 Co; of Pakistan Ltd.  
CDC House, 99-B, Block-B  
S.M.C.H.S., Main Shakra-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 TO THE MEMBERS

### Dear Shareholders,

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

### Economy

Starting FY2012, we saw that the State Bank of Pakistan cut the discount rate by 50 bps to 13.5% in concert with the headline inflation easing. SBP once again slashed the discount rate by another 150 bps to 12% on October 8, 2011. These consecutive and aggressive decisions were aimed at aligning with the retarding inflation level of 10.5% YoY in September 2011 and spurring economic growth.

Pakistan's current account performance has not been as satisfactory as expected. Current account deficit for the period under review stood USD 1.2 bln compared to USD 597 mln in the corresponding period last year. Exports and remittances posted 17% and 25% YoY growth respectively. On the other hand, higher domestic demand continued to stretch country's import bill, which registered a 24% YoY growth. The foreign exchange reserves resultantly reduced to USD 17.1 bln, from the June-end 2011 level of USD 18 bln, causing the PKR / USD depreciation by 1.7% to 86.74 QoQ.

Fiscal deficit for 1QFY12 stood at Rs. 230 bln, (1.1% of the GDP approx.), which is 17% YoY lower than Rs. 276 bln deficit of last years 1Q. Net government budgetary borrowing stock for the 1QFY12 increased by approximately 23% YoY. This was mainly financed through scheduled banks, contributing almost 60%. The government has now revised its fiscal deficit target for FY12 from 4% of the GDP from 4.4%. We believe that financing this deficit would largely be met through mobilising domestic sources as external funding remains uncertain. The government has also ended its stand-by arrangement program of IMF for the remaining last two tranches worth USD 3.6 bln.

Going forward, we expect inflation to further ease, and so a further rate cut cannot be ruled out. We remain concerned about the ongoing energy sector crisis, which has been plaguing the overall industrial performance. Although the Government of Pakistan seems taking measures to resolve the circular debt, we think that the resolution of energy shortfall may take medium to long term.

Despite the aforementioned factors, we expect GDP growth to recover to 4.2% for FY2012 compared to the 2.4% reported in FY11.

### Markets

During 1QFY2012, the benchmark KSE-100 Index shed 6% (734 points) to close at 11,761 level despite healthy corporate results (ROE 28%). The index remained highly volatile during the period oscillated between 12,576 and 10,842 levels, reflecting poor law and order in the metropolis, emerging Euro sovereign debt crisis and depressed US growth outlook. We also believe that the still high interest rate in the period under review and energy shortfalls/pricing have been keeping the market trading activity and index low.

In 1QFY12, due to above mentioned reasons, the average daily shares volume traded in the market shrunk to 59 mln shares compared to 74 mln shares in the previous quarter, with a decline of 20% QoQ. During the period, Foreign Investors Portfolio Investment (FIPI) witnessed a net outflow of USD 46 mln compared to the outflow of USD 22 mln in the last quarter. The market trading during the period was dominated by individual investors bring in an incremental net inflow of USD 50 mln.

While certain political, economic and social challenges that the country has been facing, we believe that the KSE market is currently trading at very attractive multiples i.e., PE level of 6.4x and dividend yield of 7.4%. It makes a serious investment case for a medium to long term portfolio.

SBP's decision to slash discount rate aggressively in the recent past (total by 2%) and further potential reduction are visible good news for the capital market elevation in the future. Moreover, GoP's ongoing measures to resolve circular debt and energy shortage issues should add to improving market sentiments.

## DIRECTORS' REPORT TO THE MEMBERS

AHL is a corporate member of the Pakistan Mercantile Exchange Limited (PMEX). PMEX is the 2nd largest exchange in the country in terms of value traded. AHL launched commodities brokerage service late last year, which is demonstrating high growth as investors have the opportunity to invest in Gold, Silver, Crude Oil, IRRI-6 Rice, Palm Oil, KIBOR, and Sugar. In Q1FY12, the number and amount of contracts traded through PMEX stood at 383,287 and Rs. 97,263,267,955 respectively. These figures are remarkable and have been growing consistently. Currently, AHL enjoys around 3% of the market share already and is committed to further enhance its business and provide premium service to its current and prospective clients.

Gold price in 1QFY12 increased by 39% YoY, oscillated between the prices of USD1,478-1,927/oz. The high volatility and its new record were marked by the financial crisis in the EU and concerns over the slowing US growth, along with fears of global inflation. Arabian crude oil decline by 4%QoQ averaging USD 108/bbl during the quarter compared to 4QFY11. Major reasons for descending prices were sluggish global demand and supply resumption, which were earlier seen as the fallout of Arab spring.

### Financial Performance

During the quarter under review, Arif Habib Ltd. posted net profits of Rs. 93 million compared to the net profit of Rs. 22 million in the corresponding period last year. The profits translate to a healthy EPS of Rs. 2.07 compared to the EPS of Rs. 0.49 in the corresponding quarter.

AHL's investment portfolio has done significantly well during the quarter yielding the realized and unrealized revenues of Rs. 116 mln. Around Rs. 20 million revenues were generated from our core business lines. Though last quarter has been continuously challenging on account of substantially lower daily shares volume and value turnover compared to the corresponding quarter, we have managed to sustain our core revenues.

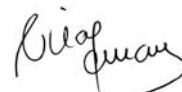
Our administrative and operating expenses of Rs. 24 million were controlled 8% lower than the corresponding quarter's Rs. 26 million, despite around 14% of average inflation. Our financing costs have been significantly higher, up from Rs. 12 million to Rs. 31 million, which were deployed in the opportunistic investments and have done very well so far, and receivables management.

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 has resultantly increased by 12% to Rs. 823 million compared to Rs. 730 million at the end of June 2011.

Despite current market related challenges and professional provisions arising from 2008 financial crisis made last year, our company has been consistently profitable. AHL 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. is continuously working on and enhancing its average trading and corporate finance related market shares, which should have a positive impact on the profitability of the company in the future.

For and on behalf of the Board



Bilal Amanullah Moti  
Chief Executive & Director

Karachi: October 20, 2011

Quarterly Report 2011



04

**CONDENSED INTERIM BALANCE SHEET**  
AS AT SEPTEMBER 30, 2011 (UN-AUDITED)

	Un-audited September 2011 Rupees	Audited June 2011 Rupees
<b>Assets</b>		
<b>Non- current assets</b>		
Property, plant and equipment	82,477,604	85,922,882
Intangible assets	70,905,451	68,972,017
Investment property	126,000,000	126,000,000
Long-term deposits	14,129,904	14,129,904
	<b>293,512,959</b>	<b>295,024,803</b>
<b>Current assets</b>		
Short term investments	1,121,322,572	543,010,549
Trade debts	723,761,740	358,285,089
Short term loans	689,609	701,792
Trade deposits and prepayments	1,305,738	2,547,106
Other receivables	11,025,442	6,913,961
Taxes recoverable	4,228,264	5,756,148
Cash & bank balances	22,616,855	23,883,623
	<b>1,884,950,221</b>	<b>941,098,268</b>
<b>Total assets</b>	<b>2,178,463,180</b>	<b>1,236,123,071</b>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
<b>Authorized capital</b>		
	<b>500,000,000</b>	<b>500,000,000</b>
Issued, subscribed & paid-up capital		
	<b>450,000,000</b>	<b>450,000,000</b>
Unappropriated profit		
	<b>373,371,357</b>	<b>280,185,022</b>
	<b>823,371,357</b>	<b>730,185,022</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Liabilities against assets subject to finance lease	3,234,095	3,467,065
Loan from associate	237,435,515	229,157,211
<b>Current liabilities</b>		
Short term borrowings	458,136,836	106,181,629
Current portion of liability subject to finance lease	900,472	880,428
Trade and other payables	633,224,111	147,207,284
Markup accrued	22,160,793	19,044,432
	<b>1,114,422,213</b>	<b>273,313,773</b>
<b>Total equity and liabilities</b>	<b>2,178,463,180</b>	<b>1,236,123,071</b>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Quarterly Report 2011

05

 ARIF HABIB  
LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
AS AT SEPTEMBER 30, 2011 (UN-AUDITED)

	Quarter Ended	
	September 2011 Rupees	September 2010 Rupees
Operating revenue	20,800,312	19,725,809
Capital gain/(loss) on sale of investments - net	48,489,026	(1,258,291)
Gain/(loss) on re-measurement of investments carried at fair value through profit or loss - net	63,975,185	(441,276)
	133,264,524	18,026,243
Administrative and operating expenses	(24,324,138)	(25,688,861)
Finance costs	(30,541,133)	(12,187,880)
Other operating incomes	19,082,034	43,181,021
Profit before taxation	97,481,287	23,330,523
Taxation	(4,144,952)	(1,189,952)
<b>Profit after taxation</b>	<b>93,336,335</b>	<b>22,140,571</b>
<b>Earnings per share - basic &amp; diluted- restated</b>	<b>2.07</b>	<b>0.49</b>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Quarterly Report 2011

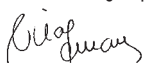




**CONDENSED INTERIM CASH FLOW STATEMENT**  
AS AT SEPTEMBER 30, 2011 (UN-AUDITED)

	Note	Quarter Ended	
		September 2011 Rupees	September 2010 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		97,481,287	23,330,523
<b>Adjustments for:</b>			
Depreciation		3,373,681	3,807,560
Amortization of intangible asset		158,079	50,028
Dividend income		(2,625,776)	-
Gain on disposal of property, plant and equipment		(9,030)	-
Finance costs		30,541,133	12,187,880
		<b>31,438,086</b>	<b>16,045,468</b>
<b>Cash generated from operating activities before working capital changes</b>		<b>128,919,374</b>	<b>39,375,991</b>
<b>Effect on cash flow due to working capital changes (Increase)/decrease in current assets</b>			
Short-term investments		(578,312,023)	(262,856,808)
Trade debts		(365,476,651)	81,893,944
Proceed receivable		-	257,143,854
Short term loans		12,183	(42,945)
Trade deposits and prepayments		1,241,368	4,600,370
Other receivables		(4,111,481)	(107,823)
<b>Increase/(decrease) in current liabilities</b>		<b>486,016,827</b>	<b>57,967,909</b>
Trade and other payables		(460,629,777)	138,598,501
<b>Cash generated from / (used in) operations</b>		<b>(331,710,403)</b>	<b>177,974,492</b>
Taxes paid		(2,617,068)	(1,299,107)
Finance costs paid		(19,287,439)	(28,512,683)
<b>Net cash generated from / (used in) operating activities</b>		<b>(353,614,910)</b>	<b>148,162,702</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and investment property		(58,267)	(57,850)
Proceeds from disposal of property, plant and equipment		129,865	201,068
Acquisition of Intangible asset		(2,091,513)	(362,700)
Expenditure incurred on investment property		-	(484,000)
Dividends received		2,625,776	-
<b>Net cash used in investing activities</b>		<b>605,861</b>	<b>(703,482)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease liability		(212,926)	(197,707)
<b>Net cash used in financing activities</b>		<b>(212,926)</b>	<b>(197,707)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(353,221,975)</b>	<b>147,261,513</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(82,298,006)</b>	<b>(505,203,669)</b>
<b>Cash and cash equivalents at the end of the year</b>	6	<b>(435,519,981)</b>	<b>(357,942,156)</b>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Quarterly Report 2011

07

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
AS AT SEPTEMBER 30, 2011 (UN-AUDITED)

	Quarter Ended	
	September 2011 Rupees	September 2010 Rupees
Profit after taxation	93,336,335	22,140,571
Other comprehensive income	-	-
Total comprehensive profit for the period transferred to equity	<u>93,336,335</u>	<u>22,140,571</u>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

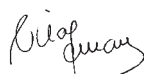
Quarterly Report 2011



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
AS AT SEPTEMBER 30, 2011 (UN-AUDITED)

	Issued, subscribed & paid up capital	Share premium	Unappropriated profits	Total (Rupees)
<b>Balance as at July 1, 2010,</b>	<b>375,000,000</b>	<b>45,000,000</b>	<b>869,429,303</b>	<b>1,289,429,303</b>
Issue of bonus shares @ Rs.2 per share	75,000,000	(45,000,000)	(30,000,000)	-
Comprehensive income for the period ended July-September 30, 2010	-	-	22,140,571	22,140,571
<b>Balance as at September 30, 2010</b>	<b>450,000,000</b>	<b>-</b>	<b>861,569,874</b>	<b>1,311,569,874</b>
<b>Balance as at October 1, 2010</b>	<b>450,000,000</b>	<b>-</b>	<b>861,569,874</b>	<b>1,311,569,874</b>
Comprehensive income for the period ended October-June 30, 2011	-	-	(581,534,852)	(581,534,852)
<b>Balance as at June 30, 2011</b>	<b>450,000,000</b>	<b>-</b>	<b>280,035,022</b>	<b>730,035,022</b>
<b>Balance as at July 1, 2011</b>	<b>450,000,000</b>	<b>-</b>	<b>280,035,022</b>	<b>730,035,022</b>
Comprehensive income for the period ended July-September 30, 2011	-	-	93,336,335	93,336,335
<b>Balance as at September 30, 2011</b>	<b>450,000,000</b>	<b>-</b>	<b>373,371,357</b>	<b>823,371,357</b>

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



Chief Executive Officer



Director



Chief Financial Officer

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2011 (UN-AUDITED)

### 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 Corporation Limited formerly known as 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 Karachi Stock Exchange (Guarantee) Limited on January 31, 2007.

The Company is a corporate member of Karachi, Lahore and Islamabad Stock Exchanges and Pakistan Mercantile Exchange Limited. 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.

The Parent Company holds 75% shares of the Company.

### 2 Basis of preparation

This condensed interim financial information is un-audited and is 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. The interim financial information have been prepared in accordance with requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan. The interim financial information do not include all the information and disclosures required in the annual financial information, and should be read in connection with the Company's annual financial statements for the year ended Jun 30, 2011.

The comparative balance sheets, presented in this condense interim financial report, as at June 30, 2011 have been extracted from the annual audited financial statements of the Company for the years ended June 30, 2011.

### 3 Significant accounting policies

These interim financial information 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 June 30, 2011.

### 4 Additions to and deletions from property, plant and equipment

During the quarter ended September 30, 2011, additions to property, plant and equipment amounted to Rs. 0.058 million (June 30, 2011: Rs. 2.601 million) which mainly comprised computers and allied accessories. Further, assets costing Rs. 0.400 million (June 30, 2011: Rs. 1.272 million) having book value of Rs. 0.270 million (June 30, 2011: Rs. 0.679 million) were sold for Rs. 0.270 million (June 30, 2011: Rs. 0.679 million).

### 5 Related party transactions

Significant transactions with the related parties during the quarter ended are as follows:

Brokerage commission and other services to:

	Quarter Ended September 2011 Rupees	September 2010 Rupees
Parent	2,844,897	4,443,114
Group companies	1,663,400	-
Key management personnel	1,676,261	316,707
Other related parties	25,273	3,741,981
Rent paid to associated company	5,747,016	5,224,560
Rent income from related party	-	-
Remuneration to Chief Executive Officer	1,892,011	1,788,839
Remuneration to other directors	475,594	661,779
Contribution to staff provident fund	433,512	528,738

Quarterly Report 2011

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
AS AT SEPTEMBER 30, 2011 (UN-AUDITED)

	September 2011 Rupees	June 2011 Rupees
<b>Balances with related parties at the end of the period are as follows:</b>		
Advances to / receivable from related parties		
Parent	3,498,662	-
Group companies	3,653	76,131
Key management personnel	32,427,610	18,024,889
Other related parties	5,646,263	18,986,432
Investment in related parties	699,784,248	527,973,080
Payable to related parties:		
Parent	-	-
Group companies	-	751
Key management personnel	1,211,046	2,137,319
Other related parties	564,612,843	451,525,397

**6 Cash and cash equivalents**

For the purposes of cash flow statement, cash and cash equivalents include cash on hand and in banks and investments having maturity of less than 3 months and insignificant risk of changes in value till maturity, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the condensed interim cash flow statement are reconciled to the related items as follows:

	Quarter Ended	
	September 2011 Rupees	September 2010 Rupees
Cash & bank balances	22,616,855	35,388,899
Short term borrowings	<u>(458,136,836)</u>	<u>(393,331,055)</u>
	<u>(435,519,981)</u>	<u>(357,942,156)</u>

**7 Date of authorization for issue**

The condensed interim financial information have been authorized for issue on October 20, 2011 by the Board of Directors of the company.

**8 General**

Figures have been rounded off to the nearest rupee.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



Arif Habib Centre,  
23, M.T. Khan Road, Karachi-74000  
Phone : 32415213, 32460717-19  
Fax : 32429653, 32416072  
[www.arifhabibltd.com](http://www.arifhabibltd.com)

CORPORATE