

Defining the Way to Growth

Quarterly Report 30th September 2013



Building on Strengths

Table of contents

02	Corporate Information
04	Directors' Report
08	Condensed Interim Balance Sheet
09	Condensed Interim Profit and Loss Account (Unaudited)
10	Condensed Interim Statement of Comprehensive Income (Unaudited)
11	Condensed Interim Cash Flow Statement (Unaudited)
12	Condensed Interim Statement of Changes in Equity (Unaudited)
13	Condensed Interim Selected Notes to The Financial Statements (Unaudited)



Corporate Information

Board of Directors

- Ms. Sharmin Shahid**
Chairperson & Non-executive Director
- Mr. Muhammad Shahid Ali**
Chief Executive Officer & Executive Director
- Mr. Amanullah Suleman**
Independent Director
- Mr. Haroon Usman**
Non-executive Director
- Ms. Nida Ahsan**
Non-executive Director
- Mr. Abdullah A. Rahman**
Executive Director
- Mr. Muhammad Rafique Bhundi**
Executive Director

Audit Committee

- Mr. Haroon Usman**
Chairman
- Ms. Nida Ahsan**
Member
- Mr. Abdullah A. Rahman**
Member

Human Resource & Remuneration Committee

- Mr. Haroon Usman**
Chairman
- Mr. Muhammad Shahid Ali**
Member
- Ms. Nida Ahsan**
Member

Company Secretary & CFO

Mr. Zia-ur-Rahim Khan

Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors

M/s. Bawaney & Partners

Bankers

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

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 Shakra-e-Faisal
Karachi-74400
Tel: Customer Support Services 0800-CDCPL
(23275)
Fax : (92-21) 34326053
Email : info@cdcpak.com
Website : www.cdcpakistan.com

Registered Office

Arif Habib Centre
23, M.T. Khan Road Karachi-74000
UAN: 111-245-111
Fax No : 32416072; 32429653
E-mail : info@arifhabibltd.com
Company website : www.arifhabibltd.com
Online Trade : www.ahletrade.com



Directors' Report

The Directors of Arif Habib Limited are pleased to present the Directors' report of the Company together with interim condensed financial statements for the quarter ended 30th September, 2013.



Economic Review

During the period under review, macroeconomic environment remained challenging. On the external front, Country's current account balance showed a deficit of USD 1.2 bn compared to a surplus of USD 439 mn, mainly on account of a 22% YoY increase in trade deficit of USD 4.4 bn. The situation was further worsened by capital and financial outflow which resulted in foreign exchange reserves declining to USD 9.9 bn from USD 11 bn at the start of FY14. Given the pressure on external account, Pak Rupee depreciated by 6.3% against the USD during the quarter. The Government on account of these factors finalised a 3-year loan program of USD 6.64 bn with IMF. The disbursement of this loan will be in tranches on post fulfillment of agreed economic and fiscal measures.

The headline CPI inflation maintained its expected course; with the period average inflation accelerating to 8.1% YoY compared to 5.6% YoY in the last quarter. Food and non-food inflation rose sharply by 9.1% YoY and 7.3% YoY in the quarter under review compared to 6.6% YoY and 4.8% YoY respectively, in the 4QFY13.

As result of aforementioned factors – accelerating prices and weak external account position – the State Bank of Pakistan (SBP) raised the policy rate by 50 bps to 9.5% in September 2013, reversing its monetary easing cycle. As per the provisional figures available, country recorded a fiscal deficit of PKR 293 bn owing to lower revenue collection and higher expenditure by 1QFY14 end. As a result, public sector budgetary borrowing rose by 38% YoY which was mostly financed by scheduled banks. This resulted in broad money supply (M2) to grow by 15% YoY and led to crowding out of the private sector, which saw a meager 0.1% growth in the credit off-take.

Stock Market Review

The benchmark KSE-100 Index remained quite volatile during the 1QFY14 moving in the range of 2,770 points. During the quarter KSE-100 Index, peaked 23,776 points, which remained short lived as the market corrected to end the quarter at 21,833, posting a modest gain of 4% (827 points). Reversal of SBP's monetary easing stance on account of rising inflation was the major sentiment dampener for the market during the quarter under review.

During the period, foreign investment kept at bay with a capital outflow of USD 94 mn in 1QFY14 compared to an inflow of USD 341 mn a quarter back and USD 92 mn in the corresponding quarter last year. Average daily volume dropped by 22% on QoQ basis to 225 mn shares in 1QFY14, however on YoY basis, liquidity improved by 75% from 129 mn shares during 1QFY13.

Financial Performance

By the grace of Almighty Allah, your Company has continued to perform well and achieved healthy profitability during the first quarter under review. The Company has made profit after tax of PKR. 117.26 mn (PKR. 135.39 mn) which translates into an Earning per Share – basic of PKR. 2.35 (PKR. 2.71) and an Earning per Share – diluted of PKR. 2.13 (PKR.2.46).

During this period the brokerage and corporate finance businesses witnessed outstanding growth. The brokerage revenue increased to PKR. 49.41 mn (PKR. 19.57mn) registering a growth of 154% compared to corresponding period last year. The Corporate Finance revenue also increased to PKR. 8.06 mn (PKR.4.74 mn), a growth of 70% compared to corresponding period last year. The Company's investment portfolio has also performed significantly well, yielding the realized and unrealized revenue of PKR. 116.88 mn (PKR. 141 mn).

The administrative expenses for the period is reduced by 71.79% to PKR. 37.95 mn compared to PKR. 134.52 mn on account of controlling provisions. Our financial cost for the quarter increased to PKR.51.35 mn (PKR.41.73 mn) as higher borrowings were deployed in the opportunistic investments' which has performed significantly well.

The Equity of the Company has increased to PKR.1.46 bn (June2013: PKR.1.34 bn) which translates in book value per share of PKR. 29.21 (June 2013: PKR.26.87) as at September 30, 2013.

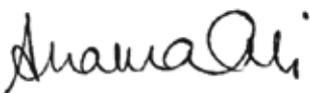
Future Prospects

The future prospects of our Company look positive on account of growing market volumes and expected increase in our market share. We are targeting to generate higher brokerage from foreign clients going forward on account of our increasing relationship with foreign fund managers and broker dealers. We are confident to improve our market share in local and international brokerage and from money market desk. We are engaged in mandated and potential equity and debt transactions which will likely add to our earnings going forward.

Acknowledgement

We are grateful to the Company's stakeholders for their continuing confidence and patronage. We record our appreciation and thanks to our customers, shareholders, the parent Company, the Securities & Exchange Commission 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;



Muhammad Shahid Ali
Director & Chief Executive Officer
Saturday, October 26, 2013
Karachi.

Un-Audited Financial Statements
For the First Quarter
Ended September 30, 2013

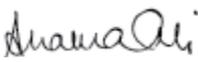


CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2013

	Note	Un audited September 2013	Audited June 2013
Rupees			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	59,848,469	62,828,262
Intangible assets		59,690,968	72,234,800
Long term Investment		159,342,551	159,342,551
Investment property		315,336,600	315,336,600
Advance against Investments		975,000	975,000
Long-term deposits		4,816,771	2,536,500
Deferred tax asset		6,542,854	6,542,854
		606,553,213	619,796,567
CURRENT ASSETS			
Short term investments		1,703,832,743	1,915,897,747
Trade debts		1,413,934,074	556,484,443
Short term loans - secured		1,863,478	2,317,327
Trade deposits and prepayments		102,104,804	49,810,461
Other receivables		231,104,615	65,832,199
Taxes recoverable		1,388,791	-
Cash & bank balances		35,212,521	406,760,742
		3,489,441,025	2,997,102,919
TOTAL ASSETS		4,095,994,239	3,616,899,486
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
75,000,000 (June 2013: 75,000,000) ordinary shares of Rs.10/- each		750,000,000	750,000,000
Issued, subscribed & paid-up capital		500,000,000	500,000,000
Unappropriated profit		960,679,135	843,415,798
		1,460,679,135	1,343,415,798
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		-	-
Loan from associate		311,012,093	300,168,506
CURRENT LIABILITIES			
Short term borrowings- secured		1,467,953,089	1,125,124,331
Current portion of liability subject to finance lease		1,696,257	2,494,974
Trade and other payables		819,065,488	814,591,695
Markup accrued		35,588,176	28,395,905
Taxes payable		-	2,708,278
		2,324,303,011	1,973,315,183
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		4,095,994,239	3,616,899,486

The annexed notes form an integral part of this condensed interim financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



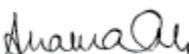
CHIEF FINANCIAL OFFICER

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Note	2013	2012
		————— Rupees —————	
Operating revenue		58,450,747	27,691,066
Capital gain on sale of investments - net		180,577,208	49,775,509
(Loss) / gain on re-measurement of investments carried at fair value through profit or loss - net		(64,683,249)	89,540,772
		174,344,706	167,007,348
Administrative expenses		(37,946,994)	(134,515,122)
Finance cost		(51,351,342)	(41,724,891)
Other operating Income		34,141,448	147,424,674
Profit before taxation		119,187,818	138,192,009
Taxation		(1,924,481)	(2,804,045)
Profit after taxation		117,263,337	135,387,964
Earnings per share - basic	11	2.35	2.71
- diluted		2.13	2.46

The annexed notes form an integral part of this condensed interim financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

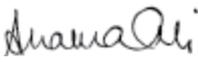

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	2013	2012
	————— Rupees —————	
Profit after taxation	117,263,337	135,387,964
Other comprehensive income	-	-
Total comprehensive profit for the quarter transferred to equity	<u>117,263,337</u>	<u>135,387,964</u>

The annexed notes form an integral part of this condensed interim financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

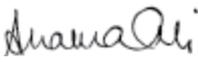

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Note	2013	2012
Rupees		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	119,187,818	138,192,009
Adjustments for:		
Depreciation on property, plant and equipment	2,500,442	2,856,505
Amortization on intangible assets	141,331	176,181
Loss / (gain) on disposal of property, plant and equipment	42,669	(382,367)
Gain on disposal of intangible	(1,647,500)	-
Gain/(loss) on re-measurement of investments carried at fair value through -held for trading	64,683,249	(89,540,772)
Gain on short term investments	(180,577,208)	(49,775,509)
Dividend income	(982,875)	(3,385,308)
Provision against doubtful debts	-	(100,000,000)
Finance costs	51,351,342	39,584,753
	(64,488,551)	(200,466,517)
Cash generated from / (used in) operating activities before working capital changes	54,699,268	(62,274,508)
Effect on cash flow due to working capital changes		
(Increase)/decrease in current assets		
Short-term investments	327,958,964	(424,034,131)
Trade debts - considered good	(857,449,631)	616,704,093
Receivable against sale of securities- Net	-	529,534,120
Short term loans	453,850	1,017,811
Deposits and short-term prepayments	(52,294,343)	(19,221,007)
Other receivables	(165,272,416)	(572,658)
Increase/(decrease) in current liabilities		
Trade and other payables	4,323,794	280,477,665
	(742,279,782)	983,905,893
Cash (used in) / generated from operations	(687,580,514)	921,631,385
Taxes paid	(6,021,550)	(2,320,382)
Finance costs paid	(33,315,483)	(42,874,938)
Net cash (used in) / generated from operating activities	(726,917,547)	876,436,065
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(213,300)	(197,225)
Proceeds from disposal of property, plant and equipment	649,982	499,980
Advance against investment property	-	(4,200,000)
Dividends received	982,875	3,385,308
Proceeds from disposal of intangible asset	14,200,000	-
Long term deposits	(2,280,271)	48,000
Net cash generated from / (used in) investing activities	13,339,286	(463,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease liability	(798,717)	(202,282)
Net cash used in financing activities	(798,717)	(202,282)
Net (decrease) / increase in cash and cash equivalents	(714,376,978)	875,769,846
Cash and cash equivalents at the beginning of the period	(718,363,590)	(1,605,979,903)
Cash and cash equivalents at the end of the period	(1,432,740,568)	(730,210,057)

The annexed notes form an integral part of this condensed interim financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

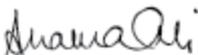

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Issued, subscribed & paid up capital	Reserve for Bonus and cash dividend	Unappropriated profits	Total
	Rupees			
Balance as at July 1, 2012	450,000,000	-	645,946,335	1,095,946,335
Proposed issue of bonus shares @ 11.11%		50,000,000	(50,000,000)	-
Proposed issue of cash dividend @ 30%		-	(135,000,000)	(135,000,000)
Comprehensive income for the period July - September 2012	-	-	135,387,964	135,387,964
Balance as at September 30, 2012	450,000,000	50,000,000	596,334,299	1,096,334,299
Balance as at October 1, 2012	450,000,000	50,000,000	596,334,299	1,096,334,299
Comprehensive income for the period October 2012 - June 2013	50,000,000	(50,000,000)	247,081,499	247,081,499
Balance as at June 30, 2013	500,000,000	-	843,415,798	1,343,415,798
Balance as at July 1, 2013	500,000,000	-	843,415,798	1,343,415,798
Comprehensive income for the period July - September 2013	-	-	117,263,337	117,263,337
Balance as at September 30, 2013	500,000,000	-	960,679,135	1,460,679,135

The annexed notes form an integral part of this condensed interim financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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 holder of Trading Right Entitlement Certificate (TRE) Holder of Karachi, Lahore and Islamabad Stock Exchanges. The principal activities of the Company are Investments, share brokerage, Inter bank brokrage, Initial Public Offer (IPO) underwriting, advisory and consultancy services.

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

- 1.2** The Parent Company holds 69% shares of the Company.
- 1.3** The Securities and Exchange Commission of Pakistan vide its letter No. EMD/233/683/2002-474 dated October 30, 2013 has granted exemption to the Company from preparation of the Consolidated Financial Statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan and the requirements of Section 245 of the Companies Ordinance 1984. The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Companies annual Financial Statements for the year ended June 30, 2013.

The comparative condensed balance sheet, presented in this condensed interim financial information, as at June 30, 2013 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2013 whereas the comparative 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 for the quarter ended September 30, 2013 have been extracted from the condensed interim financial information for the first quarter ended September 30, 2012.

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, 2013.

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.

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, 2013.

5 PROPERTY, PLANT & EQUIPMENT

During the quarter ended September 30, 2013, addition made amounting to Rs. 213 thousands (June 2013: 1,087 thousands) which comprised of computer and allied. Further, assets having WDV of Rs. 650 thousands where sold for Rs. 608 thousands (June 2013: WDV of Rs. 520 thousands where sold of Rs.788 thousands).

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

6 CONTINGENCIES AND COMMITMENTS

There is no change in the contingencies and commitments from the annual year ended June 30, 2013.

7 RELATED PARTY DISCLOSURE

	Quarter Ended	
	September 2013	September 2012
Related Party Transactions		Rupees
Significant transactions with the related parties during the quarter ended are as follows:		
Brokerage commission and other services to:		
Parent	2,587,615	2,851,151
Group companies	1,965,088	1,519,376
Key management personnel	1,622,363	937,959
Other related parties	193,244	407,147
Rent paid to associated concern	5,224,560	5,747,016
Remuneration to Chief Executive Officer	3,933,227	1,386,276
Remuneration to other directors	633,696	851,916
Contribution to staff provident fund	559,614	492,273

	September 2013	June 2013
Balances with related parties at the end of the period are as follows:	Rupees	

(Advances to) / receivable from related parties

Parent	8,098,870	-
Group Companies	483,356,011	-
Key management personnel	654,359	4,359,494
Other related parties	3,152,256	6,412,826
Investment in related parties	1,033,307,387	1,099,000,832
Payable to related parties:		
Key management personnel	981,892	826,255
Other related parties	315,932,843	300,168,505

8 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, 2013.

	September 2013	September 2012
	Rupees	
9 CASH AND CASH EQUIVALENT		
Cash & bank balances	35,212,521	81,023,478
Short term borrowings- secured	(1,467,953,089)	(811,233,534)
	<u>(1,432,740,568)</u>	<u>(730,210,057)</u>

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

10 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors in meeting held on October 26, 2013.

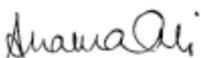
11 EVENTS AFTER THE BALANCE SHEET DATE

Shareholders in their annual general meeting held on October 25, 2013 have approved cash dividend of Rs. 3 per share amounting to Rs. 150 million and bonus shares in the proportion of 1 ordinary share per 10 ordinary share held amounting to Rs. 50 million. This condensed interim financial information does not include the effect of the aforementioned appropriation. For fair presentation, diluted earning per share has been calculated taking in to account the effect of bonus shares.

Subsequent to the balance sheet date, cash dividend is to be distributed and bonus shares are to be allotted / issued to those shareholders whose name were appearing in the Members' Register as on the close of business on September 12, 2013.

12 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
UAN: +92 (0) 21 111 245 111
Fax: +92 (0) 21 32429653, 32416072
www.arifhabibltd.com