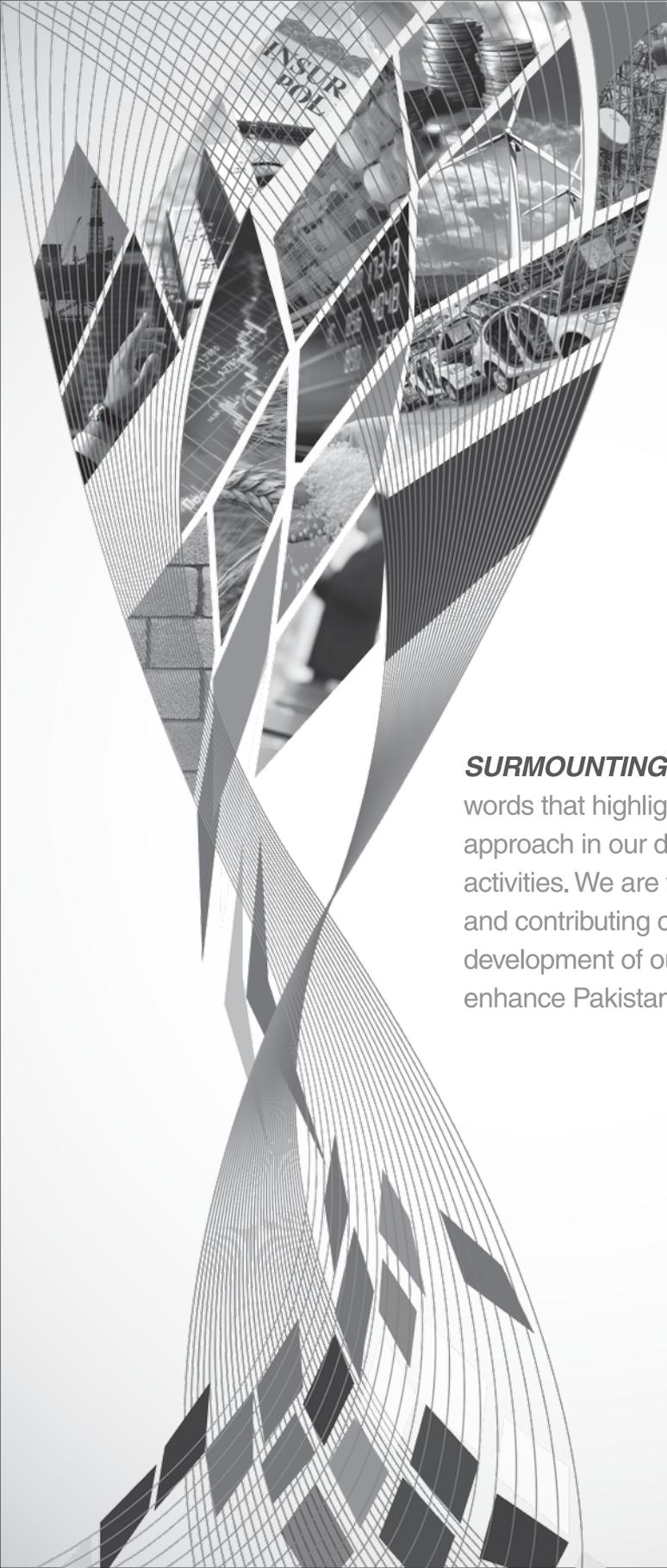


# **SURMOUNTING CHALLENGES**

Quarterly Report  
30<sup>th</sup> September 2014



***SURMOUNTING CHALLENGES*** are two words that highlight our Company's constant approach in our day-to-day business activities. We are focused on moving forward and contributing constantly to the development of our industry and help enhance Pakistan's economic prosperity.



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## CORPORATE INFORMATION

### Board of Directors

Mr. Zafar Alam

Chairman & Non – Executive Director

Mr. Muhammad Shahid Ali Habib

Chief Executive Officer & Executive Director

Mr. Ali Murtaza Kazmi

Independent Director

Mr. Muhammad Haroon

Non – Executive Director

Ms. Sharmin Shahi

Non – Executive Director

Ms. Nida Ahsan

Non – Executive Director

Mr. Zeshan Afzal

Executive Director

### Audit Committee

Mr. Ali Murtaza Kazmi

Chairman

Mr. Haroon Usman

Member

Ms. Nida Ahsan

Member

### Human Resource & Remuneration Committee

Mr. Haroon Usman

Chairman

Mr. Muhammad Shahid Ali Habib

Member

Ms. Nida Ahsan

Member

### Company Secretary & CFO

Mr. Faisal Mehmood Shaikh

### Auditors

Rehman Sarfaraz and Rahim Iqbal Rafiq  
Chartered Accountants

### Legal Advisors

M/s. Bawaney & Partners

**Bankers**

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
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](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

**Registered Office**

Arif Habib Centre  
23, M.T. Khan Road Karachi-74000  
UAN: (92-21) 111-245-111  
Fax No: (92-21) 32416072; 32429653  
E-mail: [info@arifhabibltd.com](mailto:info@arifhabibltd.com)  
Company website: [www.arifhabibltd.com](http://www.arifhabibltd.com)  
Online Trade: [www.ahletrade.com](http://www.ahletrade.com)

## Directors' Report

On behalf of the Board of Directors of Arif Habib Limited (AHL), I am pleased to present the Company's unaudited financial statements for the period ended September 30, 2014.

### Economic Review

During the 1QFY15, inflationary pressures on the economy weakened with CPI averaged 7.5% as compared to 8.1% in 1QFY14.

On external account weaker exports during the period led to widening of trade deficit, up by 34% to reach USD 5.8 billion. As a result current account deficit increased to USD 1.33 billion compared to USD 1.27 billion in same period last year.

Moreover, foreign exchange reserves held with SBP depicted a nominal decline of 1.7% QoQ, closing at USD 8.94 billion towards culmination of 1QFY15. This was mainly due to external debt servicing of over USD 295 million, including a debt repayment of USD 147 million to IMF as per agreement and non-disbursement of USD 550 million tranche under IMF Extended Fund Facility (EFF) due to ongoing political noise.

Primarily, as a result of weaker external account position during the 1QFY15, the State Bank of Pakistan (SBP) in its monetary policy statement decided to keep the policy rate unchanged at 10%.

## Stock Market Review

In 1QFY15, KSE 100 posted a return of 0.17% to close at 29,996, making new a peak of 30,414 for the first time. July started on a positive note with the index rising by 2.23% on the back of strong buying by foreigners and outlook upgrade by Moody's on Pakistan sovereign bonds from negative to stable. The market retreated sharply in August and lost 5.76% due to rising political uncertainty. In September, the market rebounded once again recovering 4.06% despite continuing agitation in the country, on expectations of strong quarterly results. Net inflows in the quarter were USD 158.245 million compared to USD 233.39 million in the last quarter of FY14. Average traded shares in the period were 132 million. The key sectors that outperformed in the market during 1QFY15 were Auto, Pharma and Banks, while Oil and Gas and Cement underperformed.

## Financial Performance

By the grace of Almighty Allah, your Company has continued to perform well and achieved healthy profitability during the first quarter of the fiscal year 2015. The Company has posted after tax profit of PKR 113.93 million (PKR 117.26 million) which translate in an EPS of PKR 2.07 (PKR 2.13).

During the period under review, the brokerage division revenue stood at PKR 48.07 million (PKR 49.41 million) a nominal decline of 2.6% against a decline in market volume of 41%. The Corporate Finance income massively increased by 461% to PKR 45.24 million (PKR 8.06 million) from last year. The Company's investment portfolio has yielded healthy realized and unrealized revenue of PKR 145.48 million (PKR. 116.88 million).

Our finance cost for the period increased to PKR 66.89 million (PKR 51.35 million) as higher borrowings were deployed in the opportunistic investments' which have performed significantly well.

The equity of the Company as at the balance sheet date is PKR 1.85 billion (June 2014: PKR 2.01 billion) which translates into book value per share of PKR 33.66 (June 30, 2014: PKR 36.6). The equity level was decreased due to the release of PKR 275 million reserves for cash dividends approved in the AGM held on September 27, 2014.

## Future Outlook

The future outlook of your Company look outstanding on account of growing market share in our core business i.e. brokerage and corporate finance with our increasing market share. We are targeting to generate better volumes from our existing and potential foreign and local clients on account of our increasing relationship with foreign and local fund managers and broker dealers which includes, but is not limited to, providing new products and enhancing our research coverage over the market. We are also eyeing increased activity on account of new equity and debt listings and secondary public offerings of major government holding companies for which our corporate finance department is well poised. We are confident that the investment portfolio will keep delivering better results going forward as the market is still offering opportunities.

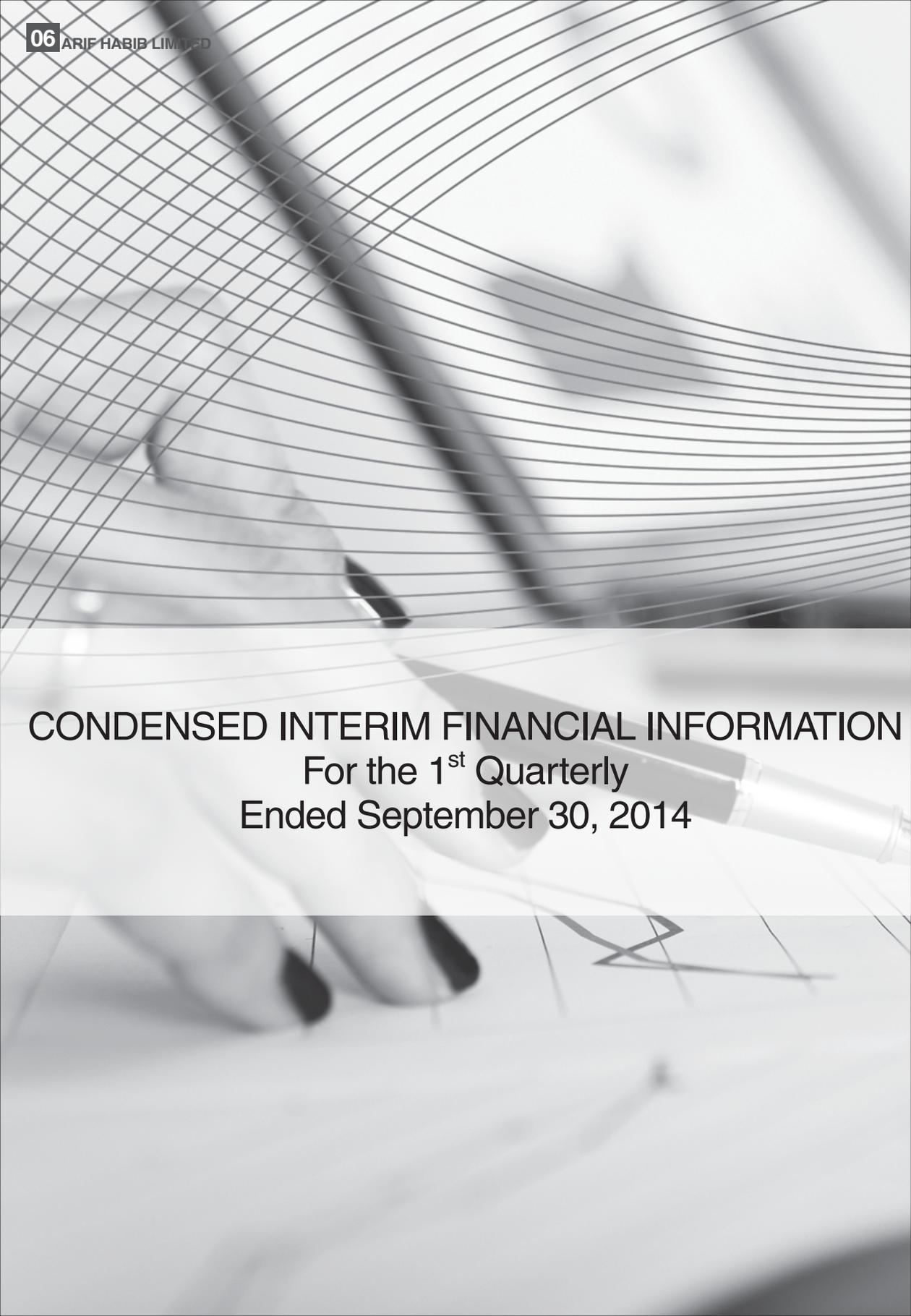
## Acknowledgement

We are grateful to the Company's stockholders for their continuing confidence and patronage. We record our appreciation to our customers, stakeholders, parent company, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan, the Central Depository Company of Pakistan and the managements of Karachi, Lahore and Islamabad Stock Exchanges for their continuing support and guidance, without which we would not be able to pursue our strategy and goals. 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 Habib**  
**Director & Chief Executive Officer**  
**October 24, 2014**  
**Karachi.**

A black and white photograph of a hand holding a pen, writing on a grid background. The grid lines are curved and create a sense of depth and movement. The hand is positioned in the lower left, and the pen is angled towards the right. The overall image has a professional and technical feel.

**CONDENSED INTERIM FINANCIAL INFORMATION**  
For the 1<sup>st</sup> Quarterly  
Ended September 30, 2014



# Condensed Interim Balance Sheet

As at September 30, 2014

	Note	Unaudited September 30, 2014	Audited June 30, 2014
————— Rupees —————			
<b>ASSETS</b>			
<b>NON- CURRENT ASSETS</b>			
Property, plant and equipment	5	54,344,057	56,143,981
Intangible assets		60,540,089	60,702,274
Long term investments		209,342,551	159,342,551
Investment property		332,416,600	328,146,600
Advance against investments		975,000	975,000
Long-term deposits		6,795,517	6,845,217
Deferred tax asset		13,257,177	12,080,129
		<b>677,670,991</b>	<b>624,235,752</b>
<b>CURRENT ASSETS</b>			
Short term investments		2,384,677,764	2,328,085,305
Trade debts - considered good		960,468,732	309,075,533
Receivable against sale of securities- net		81,154,219	967,275,773
Short term loans - secured		1,156,277	1,157,480
Trade deposits and prepayments		54,220,716	44,114,685
Other receivables		224,940,158	328,003,022
Cash & bank balances		52,061,534	168,992,512
		<b>3,758,679,400</b>	<b>4,146,704,310</b>
<b>TOTAL ASSETS</b>		<b>4,436,350,391</b>	<b>4,770,940,062</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
<b>Authorized Capital</b>			
75,000,000 ( June 2014: 75,000,000) ordinary shares of Rs.10/- each		<b>750,000,000</b>	<b>750,000,000</b>
Issued, subscribed & paid-up capital		<b>550,000,000</b>	<b>550,000,000</b>
Unappropriated profits		<b>1,300,987,607</b>	<b>1,462,060,100</b>
		<b>1,850,987,607</b>	<b>2,012,060,100</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		<b>2,046,550</b>	<b>2,235,913</b>
<b>CURRENT LIABILITIES</b>			
Short term borrowings- secured		<b>2,020,995,199</b>	<b>2,381,091,230</b>
Current portion of liability subject to finance lease		<b>470,280</b>	<b>468,892</b>
Trade and other payables		<b>450,890,660</b>	<b>312,982,271</b>
Markup accrued		<b>62,086,617</b>	<b>51,932,846</b>
Taxes payable - net		<b>48,873,478</b>	<b>10,168,810</b>
		<b>2,583,316,234</b>	<b>2,756,644,049</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,436,350,391</b>	<b>4,770,940,062</b>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Condensed Interim Profit and Loss Account (Unaudited)

For the Quarter Ended September 30, 2014

	2014	2013
	————— Rupees —————	
Operating revenue	125,386,631	58,450,747
Capital gain on sale of investments - net	358,760,227	180,577,208
Loss on re-measurement of investments carried at fair value through profit or loss - net	(245,341,030)	(64,683,249)
	<u>238,805,828</u>	<u>174,344,706</u>
Administrative expenses	(61,032,007)	(37,946,994)
Finance costs	(66,887,535)	(51,351,342)
Other operating incomes	56,932,853	34,141,448
Other charge	(3,362,993)	-
Profit before taxation	<u>164,456,146</u>	<u>119,187,818</u>
Taxation - net	(50,528,639)	(1,924,481)
Profit after taxation	<u>113,927,507</u>	<u>117,263,337</u>
<b>Earnings per share - basic &amp; diluted</b>	<u>2.07</u>	<u>2.13</u>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Statement of Comprehensive Income (Unaudited)

For the First Quarter Ended September 30, 2014

	2014	2013
	Rupees	
Profit after taxation	113,927,507	117,263,337
Other comprehensive income	-	-
Total comprehensive profit for the period transferred to equity	<u>113,927,507</u>	<u>117,263,337</u>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Statement of Changes in Equity (Unaudited)

For the First Quarter Ended September 30, 2014

	Issued, subscribed & paid up capital	Unappropriated profits	Total
	Rupees		
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
Balance as at October 1, 2013	500,000,000	960,679,135	1,460,679,135
Comprehensive income for the period October 2013 - June 2014	-	701,380,965	701,380,965
Issue of bonous shares @ 10%	50,000,000	(50,000,000)	-
Issue of cash dividend @ 30%	-	(150,000,000)	(150,000,000)
Balance as at June 30, 2014	550,000,000	1,462,060,100	2,012,060,100
<b>Balance as at July 1, 2014</b>	<b>550,000,000</b>	<b>1,462,060,100</b>	<b>2,012,060,100</b>
<b>Comprehensive income for the period July - September 2014</b>	<b>-</b>	<b>113,927,507</b>	<b>113,927,507</b>
Issue of cash dividend @ 50%	-	(275,000,000)	(275,000,000)
<b>Balance as at September 30, 2014</b>	<b>550,000,000</b>	<b>1,300,987,607</b>	<b>1,850,987,607</b>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Cash Flow Statement (Unaudited)

For the First Quarter Ended September 30, 2014

	2014	2013
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	164,456,146	119,187,818
Adjustments for:		
Depreciation on property, plant and equipment	2,242,222	2,500,442
Amortization on intangible assets	162,185	141,331
Loss on disposal of property, plant and equipment	-	42,669
Gain on disposal of intangible assets	-	(1,647,500)
Loss on re-measurement of investments carried at fair value through -held for trading	245,341,030	64,683,249
Realized gain on short term investments	(358,760,227)	(180,577,208)
Dividend income	(32,064,953)	(982,875)
Recovery against doubtful debts	(116,800)	-
Finance costs	66,887,535	51,351,342
	<b>(76,309,008)</b>	<b>(64,488,551)</b>
<b>Cash generated from operating activities before working capital changes</b>	<b>88,147,138</b>	<b>54,699,268</b>
<b>Effect on cash flow due to working capital changes (Increase)/decrease in current assets</b>		
Short-term investments	56,826,738	327,958,964
Trade debts - considered good	(651,276,399)	(857,449,631)
Receivable against sale of securities- net	886,121,554	-
Short term loans	1,203	453,850
Deposits and short-term prepayments	(10,106,030)	(52,294,343)
Other receivables	103,062,865	(165,272,416)
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	137,908,389	4,323,794
	<b>522,538,320</b>	<b>(742,279,782)</b>
<b>Cash generated from / (used in) operations</b>	<b>610,685,458</b>	<b>(687,580,514)</b>
Taxes paid - net	(13,001,019)	(6,021,550)
Finance costs paid	(56,733,764)	(33,315,483)
<b>Net cash generated from / (used in) operating activities</b>	<b>540,950,675</b>	<b>(726,917,547)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	5 (442,300)	(213,300)
Proceeds from disposal of property, plant and equipment	-	649,982
Dividends received	32,064,953	982,875
Shares subscription of subsidiary	(50,000,000)	-
Proceeds from disposal of intangible asset	(4,270,000)	14,200,000
Long term deposits	49,700	(2,280,271)
<b>Net cash (used in) / generated from investing activities</b>	<b>(22,597,647)</b>	<b>13,339,286</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease liability	(187,975)	(798,717)
Payment of dividend	(275,000,000)	-
<b>Net cash used in financing activities</b>	<b>(275,187,975)</b>	<b>(798,717)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>243,165,053</b>	<b>(714,376,978)</b>
<b>Cash and cash equivalents - at the beginning of the year</b>	<b>(2,212,098,718)</b>	<b>(718,363,590)</b>
<b>Cash and cash equivalents - at the end of the period</b>	<b>9 (1,968,933,665)</b>	<b>(1,432,740,568)</b>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Selected Notes to the Financial Statements (Unaudited)

For the First Quarter Ended September 30, 2014

## 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 in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions, share brokerage, Inter bank brokerage, 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/233/683/2007-228 dated October 23, 2014 has granted exemption to the Company from preparation of the Consolidated Financial Statements for its subsidiaries namely M/s. Arif Habib Commodities (Pvt.) Limited and M/s. Arif Habib 1857 (Pvt.) Limited.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim financial information of the Company for three months period ended September 30, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial reporting" and provisions of and directives issued under the Companies Ordinance 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 will be prevailed.

This condensed interim financial information is unaudited and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual audited separate financial statements as at and for the year ended June 30, 2014.

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

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

# Condensed Interim Selected Notes to the Financial Statements (Unaudited)

For the First Quarter Ended September 30, 2014

## 2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for certain investments classified as at fair value through profit or loss which are measured at fair value.

## 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, 2014.

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 JUDGEMENTS

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgements 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 judgements 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, 2014.

## 5 PROPERTY, PLANT & EQUIPMENT

During the quarter ended September 30, 2014, addition made amounting to PKR. 442 thousands (June 2014: PKR 4,692 thousands) which comprised of computer and allied. No disposal was made during the quarter under review (June 2014: WDV of PKR. 1,875 thousands where sold of PKR. 2,272 thousands).

## 6 CONTINGENCIES AND COMMITMENTS

### COMMITMENTS

Following commitments are outstanding as at the year end.

- Outstanding settlement against sale/purchases of securities in future market.
- Outstanding settlements against marginal trading contracts
- Outstanding settlements against sale/purchase of securities in regular market.
- Guarantee given by a commercial bank on behalf of the Company

September 30, 2014	June 30, 2014
Rupees	

680,130	22,746,380
365,273,889	354,849,362
92,301,932	115,552,990
100,000,000	100,000,000

### CONTINGENCIES

There is no change in the status of the contingencies as at the period end as disclosed in the annual financial statements for the year June 30, 2014.

# Condensed Interim Selected Notes to the Financial Statements (Unaudited)

For the First Quarter Ended September 30, 2014

## 7 RELATED PARTY DISCLOSURE

	Quarter Ended	
	September 30, 2014	September 30, 2013
	Rupees	
Related party transactions		
Significant transactions with the related parties during the quarter ended are as follows:		
Brokerage commission and other services to:		
Parent	2,901,210	2,587,615
Group companies	971,665	1,965,088
Key management personnel	92,384	1,622,363
Other related parties	182,882	193,244
Rent paid to associated concern	5,224,560	5,224,560
Remuneration to Chief Executive Officer	1,682,988	3,933,227
Remuneration to other Directors	2,637,832	633,696
Contribution to staff provident fund	564,575	559,614
Investments made in subsidiary company	50,000,000	-

**Balances with related parties at the end of the period are as follows:**

	September 30, 2014	June 30, 2014
	Rupees	
<b>Receivable from related parties</b>		
Parent	731,621	-
Group Companies	783,589	1,695,957
Key management personnel	1,951,418	5,979,386
Other related parties	1,611,875	-
Investment in related parties	1,154,161,601	715,976,112
Payable to related parties:		
Key management personnel	14,389,784	826,255
Other related parties	58,006,776	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, 2014.

## 9 CASH AND CASH EQUIVALENT

	September 30, 2014	September 30, 2013
	Rupees	
Cash & bank balances	52,061,534	35,212,521
Short term borrowings- secured	(2,020,995,199)	(1,467,953,089)
	<u>(1,968,933,665)</u>	<u>(1,432,740,568)</u>

# Condensed Interim Selected Notes to the Financial Statements (Unaudited)

For the First Quarter Ended September 30, 2014

**10 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors in the meeting held on October 24, 2014.

**11 GENERAL**

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER



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Fax No: (92-21) 32416072; 32429653  
Company Website: [www.arifhabibltd.com](http://www.arifhabibltd.com)  
Group Website: [www.arifhabib.com.pk](http://www.arifhabib.com.pk)