

# CONTENTS

Corporate Information	02
Directors' Report	04
Balance Sheet	06
Profit & Loss Account	08
Cash Flow Statement	09
Statement of Changes in Equity	10
Notes to the Financial Statements	11

# CORPORATE INFORMATION

## **Board of Directors**

Samad A. Habib  
(Chairman)  
Ahmed Reza  
(CEO & Managing Director)  
Muhammad Rafiq Jangda  
Abdullah A. Rahman  
Abdul Majid M. Siddique  
Syed Hasan Jafri  
Sharmin Shahid

## **Audit Committee**

Abdul Majid M. Siddique  
(Chairman)  
Syed Hasan Jafri  
Abdullah A. Rahman

## **Company Secretary**

Haroon Usman

## **Chief Financial Officer**

Muhammad Rafiq Jangda

## **Auditors**

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

## **Legal Advisors**

Bawaney & Partners

# CORPORATE INFORMATION

## **Bankers**

Allied Bank Ltd.  
Arif Habib Bank Ltd.  
Askari Bank Ltd.  
Atlas Bank Ltd.  
Bank Al Falah Ltd.  
Bank Al Habib Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
JS Bank Ltd.  
KASB Bank Ltd.  
MCB Bank Ltd.  
MyBank Ltd.  
NIB Bank Ltd.  
Soneri Bank Ltd.  
The Bank of Punjab  
United Bank Ltd.

## **Registered Office**

60-63, Karachi Stock Exchange Building  
Stock Exchange Road, Karachi - 74000  
Phones: 2415213-15  
Fax No: 2416072 - 2429653  
E-mail : ahl@arifhabibltd.com

## **Research and Corporate Finance**

Pardesi House, 2/1, R.Y. 16, Old Queens Road Karachi-74000  
Phones: 2460717-19 Fax No: 2470496  
E-mail: corporate\_finance@arifhabib.com.pk  
E-mail: equities\_research@arifhabib.com.pk

**Website:** www.arifhabibltd.com

## **Registrar & Share Transfer Office**

Technology Trade (Pvt.) Ltd.  
Dagia House, 241-C,  
Block-2, P.E.C.H.S.  
Off: Shahr-e-Quaideen, Karachi.  
Phones: 4391316-7, 4387960-1  
Fax: 4391318

## DIRECTORS' REPORT TO THE MEMBERS

I am pleased to present the Company's Quarterly Report and its un-audited financial statements for the period ended 31 March 2008. By the Grace of the Almighty, our Company did very well during the third quarter of the financial year ending 30 June 2008 (FY 2008). The key performance measures of Arif Habib Limited (AHL) during the quarter are elaborated in the sections below.

### **Financial results**

During the quarter under review, AHL earned operating revenues of PKR 186.4 million and posted net profit after tax of PKR 131.1 million. This represents quarterly earnings per share of PKR 5.46 on a fully diluted basis. Healthy quarter-on-quarter (QOQ) respective increases of 63.3 percent and 62.6 percent were recorded in operating revenues and net earnings compared to the third quarter of FY 2007.

At the end of the quarter under review, i.e. on 31 March 2008, the paid-in capital of your Company stood at PKR 240.0 million and its total equity at PKR 979.8 million. The latter represents a QOQ increase of 98.9 percent. The good equity build-up on the back of profitable operations is considered very satisfactory.

Cumulative performance during the first three quarters of the current FY, too, has been satisfactory: in the first nine months of FY 2008, AHL has surpassed the net profit posted for the full FY 2007 by 18.9 percent. The cumulative period-on-period increases in operating revenues and net profit for the first nine months work to 70.1 percent and 76.4 percent respectively.

### **The market**

The benchmark Karachi Stock Exchange (KSE)-100 Index posted an appreciation of 7.5 percent during the quarter under review to close on 15,125.29 points on 31 March 2008. The market opportunity represented by the average daily volumes-the average number of shares traded per day-was up 19.7 percent, QOQ. The volumes at the KSE during the quarter under review averaged 253.9 million shares per day. The average volumes during the comparative quarter ended 31 March 2007 were 212.1 million shares per day.

## DIRECTORS' REPORT TO THE MEMBERS

Improved market volumes and average asset values-as represented by the index level-helped AHL's performance. A comparison of the QOQ expansion in the market volumes and asset values, with the expansions in AHL's revenues and profits, however, reveals that the improvement in our company's performance went way beyond that implied by the better opportunity set. In addition to its sound core business, our company has emerged as a leading advisor and arranger for security offerings at the KSE. This is a logical progress towards the diversification strategy discussed in recent reports to the members-one tenet of which is to offer the entire range of value-added corporate finance services to institutional clients. The Board is pleased to report that the revenues posted by the Corporate Finance Division during the first three quarters of FY 2008 were 220.0 percent of the Division's revenues during the whole of FY 2007.

### **Shareholder returns**

AHL posted total return of 21.02 percent during the quarter under review (1 January-31 March 2008). This is almost exactly twice as much as the total return of 11.66 percent posted by the benchmark KSE-100 during the period.

### **Outlook**

The Board is pleased to note the strong resilience shown by the Pakistani equity markets in the face of difficult conditions on the political and law-and-order fronts in recent months. The economic challenges to the country on account of high international commodity and energy prices are considered manageable. Apposite settling of the political situation in the post-election period is another positive factor for the market. Going forward, the business outlook appears sound.

### **Acknowledgements**

The Board wishes to place on record its appreciation to the Company's stakeholders-its clients, investors, employees and partners in business-for their support and faith. The significant contribution of the company's employees towards achievement of targets is gratefully acknowledged. The Board thanks the Securities & Exchange Commission of Pakistan and the Karachi Stock Exchange (Guarantee) Limited for their invaluable support and guidance.

For and on behalf of the Board

Karachi  
Dated: 14 April 2008

**Ahmed Reza, CFA**  
CEO & Managing Director

## Balance Sheet

As At 31 March 2008

# BALANCE

	<b>Un-audited March 2008 Rupees</b>	<b>Audited June 2007 Rupees</b>
<b><u>EQUITY &amp; LIABILITIES</u></b>		
<b>Shares Capital and Reserves</b>		
<b>Authorised capital:</b>		
50,000,000 Ordinary shares of Rs. 10/- each	<b>500,000,000</b>	500,000,000
<b>Issued, subscribed and paid-up capital</b>		
24,000,000 (2007 :20,000,000) Ordinary shares of Rs. 10/- each	<b>240,000,000</b>	200,000,000
<b>Shares premium reserve</b>	<b>180,000,000</b>	-
<b>Unappropriated profit</b>	<b>559,818,867</b>	397,459,366
	<b>979,818,867</b>	597,459,366
<b>Current liabilities</b>		
Short term running finance	<b>1,446,630,605</b>	-
Trade & other payables	<b>1,733,628,517</b>	443,509,955
Accrued markup	<b>9,816,212</b>	4,102,412
Taxation	<b>36,484,285</b>	41,357,424
	<b>3,226,559,619</b>	488,969,791
	<b>4,206,378,486</b>	1,086,429,157

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

# SHEET

## Balance Sheet

As At 31 March 2008

	<b>Un-audited March 2008 Rupees</b>	Audited June 2007 Rupees
<b>ASSETS</b>		
<b>Property &amp; equipments</b>	<b>11,672,322</b>	10,098,090
<b>Memberships &amp; licences</b>	<b>57,150,000</b>	41,600,000
<b>Long term deposits</b>	<b>13,971,500</b>	13,971,500
<b>Current assets</b>		
Investments - held for trading	<b>109,390,944</b>	31,204,000
Proceed receivable	<b>1,765,531,329</b>	-
Investment in CFS	-	220,544,999
Trade debts	<b>1,240,201,854</b>	278,093,975
Loans & advances	<b>30,177,666</b>	24,041,405
Deposits, prepayments	<b>278,692,260</b>	88,270,642
Advance tax	<b>41,520,043</b>	43,719,964
Other receivables	<b>6,175,979</b>	8,367,311
Cash & bank balances	<b>651,894,589</b>	326,517,271
	<b>4,123,584,664</b>	1,020,759,567
	<b>4,206,378,486</b>	1,086,429,157

**CHIEF EXECUTIVE**

**DIRECTOR**

## Profit and Loss Account

For nine months and third quarter ended 31 March 2008

# PROFIT AND LOSS ACCOUNT

	Nine Months Ended		Third Quarter Ended	
	March 2008 Rupees	March 2007 Rupees	March 2008 Rupees	March 2007 Rupees
Operating revenues	<b>526,380,164</b>	309,396,287	<b>186,443,921</b>	114,173,060
Capital gain on investment	<b>32,327,596</b>	87,033,090	<b>2,932,583</b>	48,662,300
	<b>558,707,760</b>	396,429,377	<b>189,376,504</b>	162,835,360
Operating expenses	<b>(109,819,548)</b>	(89,899,044)	<b>(37,318,708)</b>	(38,320,925)
<b>Operating profit</b>	<b>448,888,212</b>	306,530,333	<b>152,057,796</b>	124,514,435
Financial charges	<b>(41,833,175)</b>	(64,448,718)	<b>(17,432,105)</b>	(31,901,697)
Other income	<b>10,223,282</b>	54,658	<b>4,051,932</b>	-
Other charges	<b>(96,755)</b>	(132,104)	<b>(48,160)</b>	-
Net gain / (loss) due to change in market value of investment	<b>(142,008)</b>	3,452,509	<b>5,251,303</b>	(149,869)
	<b>(31,848,655)</b>	(61,073,655)	<b>(8,177,030)</b>	(32,051,566)
<b>Profit before taxation</b>	<b>417,039,557</b>	245,456,678	<b>143,880,766</b>	92,462,869
Provision for taxation-Prior	<b>1,804,229</b>	(204,200)	<b>1,804,229</b>	(204,200)
Provision for taxation-Current	<b>(36,484,285)</b>	(28,506,699)	<b>(14,587,329)</b>	(11,653,578)
	<b>(34,680,056)</b>	(28,710,899)	<b>(12,783,100)</b>	(11,857,778)
<b>Profit after taxation</b>	<b>382,359,501</b>	216,745,779	<b>131,097,666</b>	80,605,091
<b>Earning per share - fully diluted</b>	<b>15.93</b>	9.03	<b>5.46</b>	3.36

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

**CHIEF EXECUTIVE**

**DIRECTOR**



## Cash Flow Statement

For nine months ended 31 March 2008

# CASH FLOW STATEMENT

	March 2008 Rupees	March 2007 Rupees
<b>Cash flow from operating activities</b>		
Profit before taxation	417,039,557	245,456,678
Adjustment for:		
Depreciation	2,157,256	1,984,986
Dividend income	(5,071,000)	(43,392,973)
Loss on sale of asset	96,755	-
Financial charges	41,833,175	64,448,718
	39,016,186	23,040,731
Operating profit before working capital changes	456,055,742	268,497,409
Changes in working capital		
( Increase)/Decrease in current assets		
Trade debts	(962,107,879)	(1,812,387,171)
Loans & advances	(6,136,261)	(1,353,633)
Deposits, prepayments	(190,421,619)	(34,150,928)
Other receivable	2,191,332	(11,462,129)
Increase/(Decrease) in current liabilities		
Trade & other payables	1,290,118,563	191,079,255
	133,644,136	(1,668,274,606)
Cash generated / (used) in operating activities	589,699,879	(1,399,777,197)
Income tax paid	(37,353,275)	(28,701,201)
Financial charges paid	(36,119,375)	(45,519,087)
Net cash generated from operating activities	516,227,229	(1,473,997,485)
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(5,261,612)	(8,008,408)
Proceed from sale of assets	1,433,369	3,284,467
Memberships & licences	(15,550,000)	-
Dividend received	5,071,000	43,492,973
issur of right shares	200,000,000	-
Long tem deposit	-	(595,500)
Net cash used in investing activities	185,692,757	38,173,532
<b>Cash flow from financing activities</b>		
Long term loan	-	350,000,000
Dividend paid	(200,000,000)	(50,000,000)
Net cash used in financing activities	(200,000,000)	300,000,000
<b>Increase in cash and cash equivalents</b>	501,919,987	(1,135,823,953)
<b>Cash and bank balance at beginning of the period</b>	578,266,270	301,266,163
<b>Cash and cash equivalent at end of the period</b>	1,080,186,257	(834,557,790)
<b>Cash and cash equivalents</b>		
Investment in marketable securities	109,390,944	40,933,675
Proceed receivable	1,765,531,329	-
Cash and bank balance	651,894,589	14,732,615
Less : Running finance	(1,446,630,605)	(890,224,080)
	1,080,186,257	(834,557,790)

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

**CHIEF EXECUTIVE**

**DIRECTOR**

## Statement of Changes in Equity

For the period ended 31 March 2008

# STATEMENT OF CHANGES IN EQUITY

	Share capital (Rupees)	Premium Reserve (Rupees)	Accumulated profit/ loss (Rupees)	Total (Rupees)
<b>Balance as at 1 July 2006</b>	<b>200,000,000</b>	-	<b>125,868,733</b>	<b>325,868,733</b>
Profit for the nine month ended March 2007	-	-	216,745,779	216,745,779
Interim Dividend	-	-	(50,000,000)	(50,000,000)
<b>Balance as at 31 March 2007</b>	<b>200,000,000</b>	-	<b>292,614,512</b>	<b>492,614,512</b>
Profit for the period April - June 2007	-	-	104,844,854	104,844,854
<b>Balance as at 30 June 2007</b>	<b>200,000,000</b>	-	<b>397,459,366</b>	<b>597,459,366</b>
Profit for the nine month ended March 2008	-	-	382,359,501	382,359,501
Dividend 2007	-	-	(200,000,000)	(200,000,000)
Issuance of bonus	20,000,000	-	(20,000,000)	-
Issue of right shares	20,000,000	180,000,000	-	200,000,000
<b>Balance as at 31 March 2008</b>	<b>240,000,000</b>	<b>180,000,000</b>	<b>559,818,867</b>	<b>979,818,867</b>

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

**CHIEF EXECUTIVE**

**DIRECTOR**

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Status and Nature of Business

The Company was incorporated on 7 September 2004 under the Companies Ordinance, 1984, as an unquoted Public Limited Company. The Company is listed at the Karachi Stock Exchange (Guarantee) Limited with effect from 31 January 2007. The Company is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodity Exchange. It is registered with SECP as securities brokerage house. The Company is majority owned subsidiary of Arif Habib Securities Limited (AHSL) and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, corporate finance advisory and securities research.

## 2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

These financial statements are unaudited and are submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard - 34 (Interim Financial Reporting) as applicable in Pakistan.

These 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 2007.

## 3 Taxation

Provision for taxation has been estimated at the current rate of taxation.

## 4 Commitments

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

**Rupees**

(872,513,331)

## 5 Property & Equipment

Fixed capital expenditure during the period amounting to Rs. 5.262 million (30 June 2007: Rs.9.219 million). Deletion of fixed assets made during the period was amounting to Rs.2.043 million (30 June 2007: Rs. 5.404 million).

## Notes to the Financial Statements

For nine months ended 31 March 2008

# NOTES TO FINANCIAL STATEMENTS

### 6 Related Party Transactions

	<u>Rupees</u>
Maximum balance due from/(to) at the end of any month	
-- Mutual funds - managed by Arif Habib Investment Management Ltd.	226,527,822
-- Arif Habib Securities Limited	(854,566,096)
-- Arif Habib Bank Limited	1,252,683,576
-- Mr. Samad A. Habib (Chairman AHL)	(972,503,658)
-- Mr. Ahmed Reza (CEO AHL)	(4,212,703)
-- Mr. Muhammad Arif Habib (Chairman AHSL)	(2,495,401,428)

### 7 Date of Authorization for Issue

These financial statements have been authorized for issue on 14 April 2008 by the Board of Directors of the company.

### 8 General

- Figures have been rounded off to the nearest rupee.

**CHIEF EXECUTIVE**

**DIRECTOR**