



**Nine Months Report**  
July 2009 - March 2010

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## Corporate Information

### **Board of Directors**

Samad A. Habib  
(Chairman & Chief Executive)  
Abdul Majid M. Siddique  
Haroon Usman  
Abdullah A. Rahman  
Sajid Qurban Ali  
Sharmin Shahid  
Nida Ahsan

### **Audit Committee**

Abdul Majid M. Siddique  
(Chairman)  
Abdullah A. Rahman  
Sajid Qurban Ali

### **Company Secretary & CFO**

Haroon Usman

### **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.  
BankIslami Pakistan 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 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

### Research and Corporate Finance

Arif Habib Centre  
23, M.T. Khan Road Karachi -74000  
Phones: 32460717-19 Fax No: 32470496  
E-mail: corporate\_finance@arifhabibltd.com  
E-mail: equities\_research@arifhabibltd.com

**Website:** [www.arifhabibltd.com](http://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](mailto:info@cdcpak.com)  
website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

## Directors' Report to the Members

### Dear Shareholders,

On behalf of the Board of Directors of Arif Habib Limited (AHL), I am delighted to present the Directors report for the 3rd quarter as well as nine months ended March 31, 2010.

### Financial Performance

Thanks to the overall positive economic trends and operating environment of the capital market and specifically the Karachi Stock Exchange, AHL started 2010 on an upbeat note. Compared to the previous quarter ended December 2009, the company's revenues increased threefold from PKR 32 mln to PKR 99.7 mln in the quarter under review. This was largely attributable to a significant growth in our corporate finance business. We are proud of having brought a number of companies in the capital market in the beginning of 2010. We arranged and advised the IPO offerings of Fatima Fertilizer Company Limited and Safe Mix Concrete Products Limited. We also partly underwrote the IPO listings of Fatima Fertilizers Company Limited, Silk Bank (right issue) and Agritech Limited. We sustained a visible level of gain i.e., PKR 53.9 mln on the sale of investments during the quarter under review.

Administrative and operating expenses were maintained at the same level of PKR 24 mln. In the previous quarter, an additional income was recorded for PKR 67.7 mln due to a write back of accrued financing costs payable to the sponsors. However, the quarter under review ended up 11% higher profit before tax at PKR 83.6 mln from PKR 75.9 mln in the previous quarter. Despite higher provision for taxation in the quarter under review, AHL achieved 6% higher net profits of PKR 73.3 mln and resultantly a higher EPS of 2.08.

Our healthy performance in 3Q 2010 has contributed positively to our overall 9 months performance. The 9 months net profits were PKR 273.5 mln with the EPS of 7.29, which were more or less in line with PKR 303.2 mln net profits and 8.09 EPS in the corresponding nine months in 2009.

## Directors' Report to the Members

### **Economy**

The macroeconomic variables of the country have witnessed continued improvement in 3Q-FY2010. The consumer price index based inflation was recorded at 12.91% in March-2010, down from its peak of 25% in mid-2008. The decline in oil prices and a 16% YOY improvement in the foreign workers' remittances led current account deficit narrowed by 68% YOY. As a result, the foreign exchange reserves crossed US\$ 15 billion in December 2009 from USD 11.7 billion at start of the fiscal year. However, the fiscal account is still challenged with a higher defense expenditure and abundance of subsidies. The government has started phasing out the power subsidies, which is expected to shrink fiscal imbalance going forward.

### **Market**

During the quarter under review, the benchmark KSE-100 index appreciated by 8.4% to close at 10,178 points as on 31 March, 2010. Average daily turnover of 178.58 shares has been recorded compared to 175.02 million shares in the corresponding period last year, exhibiting a 2 % year on year increase. In the quarter under review , we saw a sizeable inflow from the foreign institutions keeping the volumes in the market upbeat. Net foreign inflow of US\$ 141 million was recorded during January - March 2010 compared to the net outflow of US\$ 224 million in the same period last year.

In February 2010, the framework of Captain Gain Tax was mutually agreed between the Karachi Stock Exchange and the Government. In March 2010, Bank of New York hosted the Pakistan Day Capital Market Conference in New York. An overwhelmingly positive interest in Pakistan capital market was observed in the conference, which is evident from the healthy foreign inflows continuing.

The KSE 100 index has recorded a significant recovery and appreciation of 42% during the nine months period under review.

## Directors' Report to the Members

### Outlook

We remain positive on the stability of KSE-100 Index in the coming quarter, as its valuations are very attractive against other exchanges in the region in terms of P/E multiples and dividend yield. As economic and law and order situation of the country is continuously improving, we are optimistic about the further local and foreign investment in the market.

Though the secondary market turnover has increased marginally in the third quarter, it still is insufficient for a full service brokerage house to be profitable. However, new listings market has improved and more and more issuers are looking towards the capital market to raise funds. Fortunately, AHL is well positioned for this and has a number of exciting mandates for advisory and arrangements. This business is expected to contribute significantly to the future profitability of the company.

### Acknowledgement

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

For and behalf of the Board



**Samad A. Habib**  
Chief Executive

Karachi: 26 April 2010



## Condensed Interim Balance Sheet as at 31 March 2010

	Un-audited 31 Mar 2010 Rupees	Audited 30 June 2009 Rupees
<b>EQUITY AND LIABILITIES</b>		
<b>Authorised capital</b>		
50,000,000 Ordinary shares of Rs. 10/- each	<u>500,000,000</u>	<u>500,000,000</u>
<b>Shareholders' equity</b>		
Issued, subscribed and paid-up capital		
37,500,000 (2008 :30,000,000) Ordinary shares of Rs. 10/- each	<u>375,000,000</u>	300,000,000
Capital reserve	<u>45,000,000</u>	120,000,000
Revenue reserve	<u>955,479,612</u>	726,941,679
	<u>1,375,479,612</u>	1,146,941,679
<b>Current liabilities</b>		
Short term borrowings	<u>874,555,444</u>	1,115,319,135
Trade and other payables	<u>1,075,383,037</u>	471,254,176
Accrued markup	<u>20,314,509</u>	94,460,442
Taxation	<u>10,808,332</u>	-
	<u>1,981,061,322</u>	1,681,033,753
<b>Total equity and liabilities</b>	<u><u>3,356,540,935</u></u>	<u><u>2,827,975,432</u></u>

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

**Condensed Interim Balance Sheet** as at 31 March 2010

	<b>Un-audited 31 March 2010 Rupees</b>	<b>Audited 30 June 2009 Rupees</b>
<b>ASSETS</b>		
<b>Non - current assets</b>		
Property & equipments	97,225,310	108,676,355
Memberships & licences	68,477,450	46,650,000
Investment property	61,895,000	60,795,000
Long term deposits	12,552,904	13,978,704
<b>Current assets</b>		
Short-term investments carried at fair value through profit or loss	771,563,629	1,019,861,510
Trade debts - considered good	1,996,767,097	1,542,238,678
Loans and advances	694,636	1,221,830
Short-term deposits and prepayments	1,100,000	1,244,644
Advance tax	21,400,809	7,230,468
Other receivables	84,413,470	9,710,438
Cash and bank balances	240,450,630	16,367,804
	<b>3,116,390,270</b>	<b>2,597,875,373</b>
<b>Total assets</b>	<b><u>3,356,540,935</u></b>	<b><u>2,827,975,432</u></b>

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**Condensed Interim Profit and Loss Account** for nine months and third quarter ended 31 March 2010

	Nine Months Ended		Third Quarter Ended	
	31 March 2010 Rupees	31 March 2009 Rupees	31 March 2010 Rupees	31 March 2009 Rupees
Operating revenues	<b>166,025,502</b>	423,141,474	<b>99,677,156</b>	140,332,966
Gain/(Loss) on sale of investments-net	<b>176,510,359</b>	(97,684,283)	<b>53,856,769</b>	3,101,009
Gain/(Loss) on remeasurement of investments carried at fair value through profit or loss - net	<b>(101,178,922)</b>	218,987,708	<b>(26,207,932)</b>	316,777,320
	<b>241,356,938</b>	544,444,899	<b>127,325,992</b>	460,211,295
Administrative and operating expenses	<b>(70,657,750)</b>	(57,640,101)	<b>(24,205,678)</b>	(11,599,313)
Bad debts	-	(22,764,622)	-	(22,764,622)
Provision for doubtful debt	-	(300,000,000)	-	-
<b>Operating profit</b>	<b>170,699,188</b>	164,040,176	<b>103,120,314</b>	425,847,360
Financial charges	<b>(77,621,199)</b>	(196,417,561)	<b>(23,028,400)</b>	(70,258,459)
Other income	<b>123,563,440</b>	344,530,183	<b>3,490,794</b>	8,202,957
Other charges	-	(3,703)	-	(3,703)
Write back of accrued finance costs	<b>67,704,837</b>	-	-	-
<b>Profit / (Loss) before taxation</b>	<b>284,346,266</b>	312,149,095	<b>83,582,708</b>	363,788,155
Provision for taxation-current	<b>(10,808,332)</b>	(8,934,744)	<b>(5,717,042)</b>	(1,514,584)
<b>Profit after taxation</b>	<b>273,537,934</b>	303,214,350	<b>77,865,667</b>	362,273,570
<b>Earning per share - basic and diluted</b>	<b>7.29</b>	8.09	<b>2.08</b>	9.66

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

Condensed Interim Statement of Comprehensive Income for nine months and third quarter ended 31 March 2010

	Nine Months Ended		Third Quarter Ended	
	31 March 2010 Rupees	31 March 2009 Rupees	31 March 2010 Rupees	31 March 2009 Rupees
Profit/(loss) for the period	<b>273,537,934</b>	303,214,350	<b>77,865,667</b>	362,273,570
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/(loss) for the period	<b>273,537,934</b>	303,214,350	<b>77,865,667</b>	362,273,570

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



**CHIEF EXECUTIVE**



**DIRECTOR**

**Condensed Interim Cash Flow Statement** for nine months ended 31 March 2010

	31 March 2010 Rupees	31 March 2009 Rupees
<b>Cash flow from operating activities</b>		
Profit / (Loss) before taxation	284,346,266	312,149,094
<b>Adjustment for:</b>		
Depreciation	12,415,321	2,123,283
Dividend income	(12,245,984)	(28,725,788)
Loss on sale of asset	-	3,703
Financial charges	77,621,199	196,417,561
	<u>77,790,536</u>	<u>169,818,759</u>
Operating profit before working capital changes	362,136,802	481,967,853
Changes in working capital ( Increase)/Decrease in current assets		
Trade debts	(454,528,419)	(1,496,772,086)
Loans & advances	527,194	36,862,459
Deposits, prepayments	144,644	104,815,986
Other receivable	(74,703,032)	8,490,148
Increase/(Decrease) in current liabilities Trade & other payables	604,128,861	771,578,475
	<u>75,569,248</u>	<u>(575,025,018)</u>
Cash generated / (used) in operating activities	437,706,050	(93,057,165)
Income tax paid	(14,170,341)	(10,662,348)
Financial charges paid	(151,767,132)	(117,801,033)
<b>Net cash generated from operating activities</b>	<u>271,768,578</u>	<u>(221,520,546)</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(1,376,773)	(38,536,506)
Proceed from sale of assets	412,496	2,426,601
(Acquisition)/disposal of short term investments	(771,563,629)	(1,125,542,068)
Memberships & licences	(21,827,450)	-
Investment assets	(1,100,000)	(52,000,000)
Dividend received	12,245,984	27,527,798
Long term deposit	1,425,800	-
<b>Net cash used in Investing activities</b>	<u>(781,783,572)</u>	<u>(1,186,124,175)</u>
<b>Cash flow from financing activities</b>		
Dividend paid	(45,000,000)	(60,000,000)
<b>Net cash used in financing activities</b>	<u>(45,000,000)</u>	<u>(60,000,000)</u>
<b>Increase in cash and cash equivalents</b>	<u>(555,014,994)</u>	<u>(1,467,644,721)</u>
<b>Cash and bank balance at beginning of the period</b>	<u>(79,089,820)</u>	<u>682,986,058</u>
<b>Cash and cash equivalent at end of the period</b>	<u>(634,104,814)</u>	<u>(784,658,663)</u>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

**Condensed Interim Statement of Changes in Equity** for nine months ended 31 March 2010

	Share capital (Rupees)	Premium Reserve (Rupees)	Accumulated profit/ loss (Rupees)	Total (Rupees)
<b>Balance as at 30 June 2008</b>	<b>240,000,000</b>	<b>180,000,000</b>	<b>633,901,009</b>	<b>1,053,901,009</b>
Pofit for nine months	-	-	303,214,350	303,214,350
Dividend 2008	-	-	(60,000,000)	(60,000,000)
Issuance of bonus	60,000,000	(60,000,000)	-	-
<b>Balance as at 31 March 2009</b>	<b>300,000,000</b>	<b>120,000,000</b>	<b>877,115,359</b>	<b>1,297,115,359</b>
Pofit/(Loss) for April - June 2009	-	-	(150,173,680)	(150,173,680)
<b>Balance as at 30 June 2009</b>	<b>300,000,000</b>	<b>120,000,000</b>	<b>726,941,679</b>	<b>1,146,941,679</b>
Pofit for nine months	-	-	273,537,934	273,537,934
Dividend 2009	-	-	(45,000,000)	(45,000,000)
Issuance of bonus	75,000,000	(75,000,000)	-	-
<b>Balance as at 31 March 2010</b>	<b>375,000,000</b>	<b>45,000,000</b>	<b>955,479,613</b>	<b>1,375,479,613</b>

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

Notes to the Condensed Interim Financial Statements for nine months ended 31 March 2010

**1 Status and Nature of Business**

Arif Habib Limited (the Company) was incorporated under the Companies Ordinance, 1984 as an unquoted Public Limited Company. Subsequently Arif Habib Securities Limited (the holding company) offered its 25% share holding in the Company to general public and the Company was listed on Karachi Stock Exchange (Guarantee) Limited (KSE) on 31 January 2007. The registered office of the Company is situated at Arif Habib Centre, 23, M.T. Khan Road, Karachi.

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 share brokerage, commodity brokerage, IPO underwriting, advisory and consultancy services and investment in listed equity securities.

Arif Habib Securities Limited (AHSL) currently holds 75% shareholding of the Company.

**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 2009.

**3 Taxation**

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

**4 Commitments**

- Payable to KSE against purchase on behalf of clients

31 March 2010 Rupees	30 June 2009 Rupees
247,782,427	317,703,185

**5 Property & Equipment**

Fixed capital expenditure during the period amounting to Rs.1,376 thousand (30 June 2009: Rs.104,445 thousand). Deletion of fixed assets made during the period was amounting to Rs.1,173 thousand (30 June 2009: Rs. 3,849 thousand).

Notes to the Condensed Interim Financial Statements for nine months ended 31 March 2010

**6 Related Parties Transactions**

Significant transaction with related parties during the nine month period are as follows:

	Nine Months Ended		Third Quarter Ended	
	31 March 2010 Rupees	31 March 2009 Rupees	31 March 2010 Rupees	31 March 2009 Rupees
Brokerage commission				
Parent	<b>16,993,633</b>	5,303,168	<b>5,314,373</b>	1,445,795
Key management personnel	<b>1,750,156</b>	5,274,221	<b>506,222</b>	1,112,444
Other related parties	<b>11,671,041</b>	12,626,680	<b>11,671,041</b>	3,347,660
Rent income	<b>7,078,500</b>	7,920,000	<b>2,359,500</b>	2,640,000
Rent paid	<b>15,673,680</b>	-	<b>5,224,560</b>	-
Interest earned on deposits	<b>2,693,759</b>	5,499,911	<b>936,822</b>	1,937,193
Interest on running finance facilities	<b>6,240,176</b>	4,066,990	<b>814,754</b>	-
Remuneration to key management personnel				
Remuneration to Chief Executive Officer	<b>2,583,000</b>	4,713,742	<b>1,516,500</b>	1,373,334
Remuneration to Key management personnel	<b>3,051,734</b>	7,049,349	<b>1,104,877</b>	1,706,439
Contribution to Staff Provident Fund				
Other Staff	<b>498,431</b>	685,671	<b>174,598</b>	210,403
Key Management Personnel	<b>97,227</b>	97,227	<b>32,409</b>	32,409

Amounts Receivable from / (payable to) related parties at the end of nine months period:

	31 March 2010 Rupees	30 June 2009 Rupees
Balances in accounts maintained with Bank	-	11,653,383
Bank over draft	-	(414,354,572)
Parent	<b>(129,969,744)</b>	-
Key management personnel	<b>8,861,752</b>	899,626
Key management personnel	<b>(1,140,835)</b>	(11,160,176)
Other related parties	<b>6,723,758</b>	13,231,482
Other related parties	<b>(305,049,534)</b>	(413,440,699)
Investments in marketable securities	<b>313,888,886</b>	423,658,740



**Notes to the Condensed Interim Financial Statements** for nine months ended 31 March 2010

**7 Date of Authorization for Issue**

These financial statements have been authorized for issue on 26 April 2010 by the Board of Directors of the company.

**8 General**

- Figures have been rounded off to the nearest rupee

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



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Fax : 32429653, 32416072