

*Nine Months Report*  
*July 2011 - March*  
*2012*



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## CORPORATE INFORMATION

### Board of Directors

Sharmin Shahid (Chairperson)  
Bilal Amanullah Moti (Chief Executive)  
Nida Ahsan  
Haroon Usman  
Muhammad Rafique Bhundi  
Abdullah A. Rahman  
Amanullah Suleman

### Audit Committee

Haroon Usman (Chairman)  
Nida Ahsan  
Abdullah A. Rahman

### Company Secretary & CFO

Zia-ur-Rahim Khan

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

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

### International Brokerage

Adnan Katchi  
Phone (Direct) : 32460743, PABX No.: 32460717-9 Ext: 213  
Email : adnan.katchi@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.  
Standard Chartered Bank (Pakistan) 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 : [ahf@arifhabibltd.com](mailto:ahf@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

On behalf of the Board of Directors of Arif Habib Limited, I am pleased to present the company's performance report for the last nine months and that of last quarter ended March 31, 2012 as well as the reviewed financial statements for the same period.

### **Economy**

During last 9MFY12, our economy remained a mixed bag of developments and few challenges. Overall current account deficit reached USD 3 bln or 1.7% of the GDP. This was mainly on account of the import bill rising by 15% to USD 30 bln, which in turn was primarily due to rise in oil prices averaging at USD 112/bbl (USD 87/bbl during 9MFY11). The country's exports and remittances showed healthy improvement with 2% growth to USD 18.3bln and 21% growth to USD 9.7bln respectively. The government was able to restrict the fiscal deficit to 2.5% of the GDP in 1HFY12 (2.9%). While the provisional tax collection figures for 9MFY12 grew by 26% to Rs. 1.3 tln, the target of Rs.1.95 tln for FY12 is still far off.

PKR/USD regained stability during 3QFY12, depreciating by only 0.6% to PKR 90.65/USD. CPI improved significantly, averaging at around 11% (14%). SBP kept the policy rate unchanged at 12% in the last two terms. Additionally, the energy shortage and testing law and order situation continued to overshadow the overall growth outlook. In light of the aforementioned developments, we expect GDP growth for FY12 to be around at 3.8-4.2%.

### **Markets**

During 9MFY12, KSE-100 Index gained 10% or 1,245 points to close at 13,762 levels. The index improvement was especially prominent in 3QFY12 with 22% increase. Potential developments regarding amendments to the Capital Gains Tax regime augmented traders/investor confidence. The average daily volume traded in the market stood at 107 mln during 9MFY12, exhibiting 5% rise. In 3QFY12, average daily shares turnover improved significantly to 199 mln shares. The value turnover during 9MFY12 averaged at PKR 3.4 bln; down by 17% while that of 3QFY12 stood at PKR 4.7 bln; down by 13%. The Foreign Investors Portfolio Investment witnessed a net outflow of USD 136 mln during 9MFY12, whereas during 3QFY12, a net inflow of USD 16mln was observed.

It is apparent that the market is buoyant due to still attractive price levels (dividend yield 7%, PE of 6.3x and P/B of 1.7x) compared to the regional markets, stubbornly good corporate results, hopes related to the issuance of the Presidential Ordinance on CGT related relaxation and upcoming demutualization. Additionally, we do not forecast any hike in interest rates for the remainder of the fiscal year. In general, we are optimistic about the trading and investment opportunities offered by the stock exchanges. We believe that the market should make further highs in index and turnovers when the Ordinance is issued (decision expected late April 2012). However, the barriers of the current law and order situation, political uncertainties (both domestic and external), chronic energy shortages, high interest rate and high levels of government borrowing may persist variably.

With regard to commodity trading, in 3QFY12, the number and value of contracts traded through PMEX stood at 822,000 and PKR 186bln respectively. These figures depict consistent growth. Currently, AHL's commodity business witnessed a 65% growth in terms of new clients in 3QFY12.

### **Financial Performance**

During the nine months under review, AHL posted commendable level of net profits i.e., Rs. 388 million (Rs. 32 mln). The net profits translate to a significantly increased level of EPS of Rs. 8.62 (0.71). We are proud of our earnings performance, keeping in view the fact that the stock market trading turnover has been very low in the first two quarters of the year.

## DIRECTORS' REPORT

Our core operating revenues were higher at Rs. 112 mln (Rs. 78 mln). Towards the brokerage, we earned Rs. 66 mln (Rs. 46 mln) revenues from equity and commodity trading business, which contributed 61% to our core operating revenues. The credit goes largely to the improved market conditions in terms of index rise, share volume and value turnovers. Our dividend income also took a giant leap toward, generating Rs. 41 mln (Rs. 6 mln), which comes out to be 37% as contribution to the core operating revenues. Our corporate finance income was rather limited to Rs. 3 mln (Rs. 11 mln) on account of negligible equity and debt business seen in the market.

AHL's investment portfolio has done remarkably well during the last nine months, yielding the net realized and unrealized revenues of Rs 521 mln (Rs. 2 mln).

We have controlled our administrative and operating expenses effectively to Rs. 80 mln (78 mln). This level of cost is managed despite significant increase in the business/revenues, 11% inflation, 25% increase in fuel costs and higher investment/fixed assets rated expenses. Our financing expenses though increased to Rs. 125 mln (Rs. 48 mln), they are taken opportunistically and have yielded manifold capital gains.

On the balance sheet side, the increase in short term investments and receivables depict our positive view taken on the KSE index during last nine months, which proved out to be correct as explained above under the investment gains and income. Our investment portfolio is well diversified across sectors (largely financial services, oil and gas, chemicals, telecom, construction and materials etc) and companies. Thanks to the higher net profits generated and resultant retained earnings during the period under review, total equity of the company has sizeably increased to Rs. 1,118 million (Rs. 730 million).

Comparing last quarter's P/L performance with that of previous (December end) quarter, our net profits increased to Rs. 303 mln from almost a break-even level a quarter ago. These results led to an EPS of 6.74. Our core operating (brokerage, corporate finance and dividends) revenues went 3 times from Rs. 22 mln to Rs. 68 mln. Again the investment gains multiplied several times to conclude at Rs. 378 mln (Rs. 29 mln). Administrative and operating expenses were kept at similar levels i.e., Rs. 29 mln (26 mln), where this minor increase reflected variable costs rise in line with higher brokerage business. Financing costs were managed lower at Rs. 44 mln (Rs. 50 mln) as a number of investments were realised with gains and the banks were repaid.

We are grateful to our clients, SECP, KSE, Board of Directors and other stake holders for guiding and supporting us all along the period, without which we would not have achieved such a performance. We equally appreciate our employees dedicated efforts, which drive our company to continuous widening its client base and enhancing its service and efficiency levels.

For and on behalf of the Board



**Bilal Amanullah Moti**  
Chief Executive & Director

Karachi: April 13, 2012

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## CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2012 (UN-AUDITED)

	Un-audited March 31, 2012 Rupees	Audited June 30, 2011 Rupees
<b>Assets</b>		
<b>Non- current assets</b>		
Property, plant and equipment	76,269,189	85,922,882
Intangible assets	70,589,293	68,972,017
Investment property	89,500,000	126,000,000
Long-term deposits	15,187,904	14,129,904
	<b>251,546,386</b>	<b>295,024,803</b>
<b>Current assets</b>		
Short term investments	1,406,058,562	543,010,549
Trade debts	801,781,473	358,285,089
Short term loans	507,443	701,792
Trade deposits and prepayments	7,391,363	2,547,106
Receivable gain on investments	4,632,727	-
Other receivables	33,519,028	6,913,961
Taxes recoverable	-	5,756,148
Cash & bank balances	1,089,756,636	23,883,623
	<b>3,343,647,232</b>	<b>941,098,268</b>
<b>Total assets</b>	<b>3,595,193,618</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	450,000,000	450,000,000
Unappropriated profit	667,896,011	280,185,022
	<b>1,117,896,011</b>	<b>730,185,022</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Liabilities against assets subject to finance lease	2,751,607	3,467,065
Loan from associate	253,992,124	229,157,211
<b>Current liabilities</b>		
Short term borrowings	1,008,265,772	106,181,629
Current portion of liability subject to finance lease	939,589	880,428
Trade and other payables	1,167,295,863	147,207,284
Taxes payable	13,219,323	-
Markup accrued	30,833,329	19,044,432
	<b>2,220,553,876</b>	<b>273,313,773</b>
<b>Total equity and liabilities</b>	<b>3,595,193,618</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

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 ARIF HABIB  
LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
FOR THE NINE MONTHS AND THIRD QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Nine months ended		Third quarter ended	
	March 31, 2012 Rupees	March 31, 2011 Rupees	March 31, 2012 Rupees	March 31, 2011 Rupees
Operating revenue	111,711,433	77,850,203	68,029,910	35,230,892
Capital gain/(loss) on sale of investments - net	257,538,951	(4,595,470)	81,580,035	(1,585,680)
Gain/(loss) on re-measurement of investments carried at fair value through profit or loss - net	263,188,514	6,245,818	297,895,697	(1,774,811)
Unrealized gain/(loss) on re-measurement of investment property	-	10,316,000	-	-
	<b>632,438,899</b>	89,816,552	<b>447,505,642</b>	31,870,401
Administrative and operating expenses	(169,817,763)	(77,506,873)	(119,561,157)	(23,402,048)
Finance costs	(124,934,353)	(48,214,440)	(44,232,210)	(17,638,056)
Other operating incomes	79,070,393	73,857,582	29,544,337	15,612,475
Other charges	(2,800,000)	-	(2,400,000)	-
<b>Profit before taxation</b>	<b>413,957,175</b>	37,952,821	<b>310,856,613</b>	6,442,772
Taxation	(26,096,186)	(5,960,812)	(7,726,858)	(1,679,038)
<b>Profit after taxation</b>	<b>387,860,989</b>	31,992,010	<b>303,129,755</b>	4,763,735
<b>Earnings per share - basic &amp; diluted- restated</b>	<b>8.62</b>	0.71	<b>6.74</b>	0.11

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

  
**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE NINE MONTHS AND THIRD QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Nine months ended		Third quarter ended	
	March 31, 2012 Rupees	March 31, 2011 Rupees	March 31, 2012 Rupees	March 31, 2011 Rupees
Profit after taxation	<b>387,860,989</b>	31,992,010	<b>303,129,755</b>	4,763,735
Other comprehensive income	-	-		
Total comprehensive profit for the period transferred to equity	<u><b>387,860,989</b></u>	<u>31,992,010</u>	<u><b>303,129,755</b></u>	<u>4,763,735</u>

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

  
**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

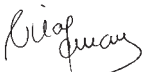
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**CONDENSED INTERIM CASH FLOW STATEMENT**  
FOR THE NINE MONTHS AND THIRD QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Note	Nine months ended	
		March 31, 2012 Rupees	March 31, 2011 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		413,957,175	37,952,822
<b>Adjustments for:</b>			
Depreciation		9,722,637	10,970,029
Amortization of intangible asset		474,237	217,287
Dividend income		(40,904,478)	(6,438,980)
Unrealized loss on re-measurement of short term investments		(263,188,514)	(6,245,818)
(Gain)/loss on sale of short term investments		-	4,595,470
Gain on disposal of property, plant and equipment		(9,030)	-
Re-measurement of investment properties		-	(25,300,000)
Loss on disposal on investments		(2,800,000)	-
Finance costs		124,934,353	48,214,440
		<u>(171,770,795)</u>	<u>26,012,428</u>
<b>Cash generated from operating activities before working capital changes</b>		<b>242,186,380</b>	<b>63,965,250</b>
<b>Effect on cash flow due to working capital changes (Increase)/decrease in current assets</b>			
Short-term investments		(600,091,197)	(86,561,165)
Trade debts		(443,496,384)	(211,777,027)
Proceed receivable		-	224,833,454
Short term loans		194,349	370,004
Trade deposits and prepayments		(4,844,257)	2,745,840
Receivable gain on investments		-	-
Other receivables		(26,605,067)	7,681,239
<b>Increase/(decrease) in current liabilities</b>			
Trade and other payables		1,020,088,579	(36,476,760)
		<u>(54,753,977)</u>	<u>(99,184,415)</u>
<b>Cash generated from / (used in) operations</b>		<b>187,432,403</b>	<b>(35,219,165)</b>
Taxes paid		(7,120,715)	(8,666,509)
Finance costs paid		(88,310,544)	(56,297,009)
<b>Net cash generated from / (used in) operating activities</b>		<b>92,001,145</b>	<b>(100,182,684)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(388,847)	(2,001,355)
Proceeds from disposal of property, plant and equipment		319,904	841,565
Long-term deposits		-	-
Acquisition of Intangible asset		(2,091,513)	(1,000,200)
Proceeds from disposal of investment property		33,700,000	-
Dividends received		40,904,478	3,713,980
<b>Net cash used in investing activities</b>		<b>72,444,022</b>	<b>1,553,990</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease liability		(656,297)	(604,455)
<b>Net cash used in financing activities</b>		<b>(656,297)</b>	<b>(604,455)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>163,788,870</b>	<b>(99,233,149)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(82,298,006)</b>	<b>(505,203,669)</b>
Cash and cash equivalents at the end of the year	6	<u>81,490,864</u>	<u>(604,436,819)</u>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer  
Nine Months Report March 2012

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
FOR THE NINE MONTHS AND THIRD QUARTER ENDED MARCH 31, 2012 (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-March 31, 2011	-	-	31,992,010	31,992,010
<b>Balance as at March 31, 2011</b>	<b>450,000,000</b>	<b>-</b>	<b>871,421,313</b>	<b>1,321,421,313</b>
<b>Balance as at April 1, 2011</b>	<b>450,000,000</b>	<b>-</b>	<b>871,421,313</b>	<b>1,321,421,313</b>
Comprehensive income for the period ended April-June 30, 2011	-	-	(591,386,291)	(591,386,291)
<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-March 31, 2012	-	-	387,860,989	387,860,989
<b>Balance as at March 31, 2012</b>	<b>450,000,000</b>	<b>-</b>	<b>667,896,011</b>	<b>1,117,896,011</b>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### FOR THE NINE MONTHS AND THIRD QUARTER ENDED MARCH 31, 2012 (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 shares brokerage, commodity brokerage and corporate finance 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 nine months ended March 31, 2012, additions to property, plant and equipment amounted to Rs. 0.338 million (June 30, 2011: Rs. 2.601million) which mainly comprised computers and allied accessories. Further, assets costing Rs. 0.868 million (June 30, 2011: Rs. 1.272 million) having book value of Rs. 0.319 (June 30 2011: Rs. 0.679 million) were sold for Rs. 0.329 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:

	Nine months ended	
	March 31, 2012 Rupees	March 31, 2011 Rupees
Parent	6,778,513	4,164,518
Group companies	3,622,978	566,708
Key management personnel	473,113	20,621
Other related parties	6,800,025	3,562,239
Rent paid to associated company	17,241,048	15,673,680
Remuneration to Chief Executive Officer	5,954,062	5,695,656
Remuneration to other directors	2,505,423	10,196,894
Contribution to staff provident fund	1,323,788	1,463,310

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

	Nine months ended	
	March 31, 2012 Rupees	June 30, 2011 Rupees
<b>Balances with related parties at the end of the period are as follows:</b>		
Advances to / receivable from related parties		
Parent	-	-
Group companies	852,429	76,131
Key management personnel	15,098,654	18,024,889
Other related parties	207,745,658	18,986,432
Investment in related parties	882,713,129	527,973,080
Payable to related parties:		
Parent	384,861,293	-
Group companies	421,680,219	751
Key management personnel	743,455	2,137,319
Other related parties	83,223,529	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:

	Nine months ended	
	March 31, 2012 Rupees	March 31, 2011 Rupees
Cash & bank balances	1,089,756,636	54,877,876
Short term borrowings	(1,008,265,772)	(659,314,695)
	<u>81,490,864</u>	<u>(604,436,819)</u>

**7 Date of authorization for issue**

The condensed interim financial information have been authorized for issue on April 13, 2012 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 : 32460717-19  
Fax : 32429653, 32416072  
[www.arifhabibltd.com](http://www.arifhabibltd.com)

CORPORATE