$\begin{array}{c} \text{FIRST QUARTERLY} \\ \text{REPORT} \\ \text{30 September} \\ \textbf{2012} \end{array}$





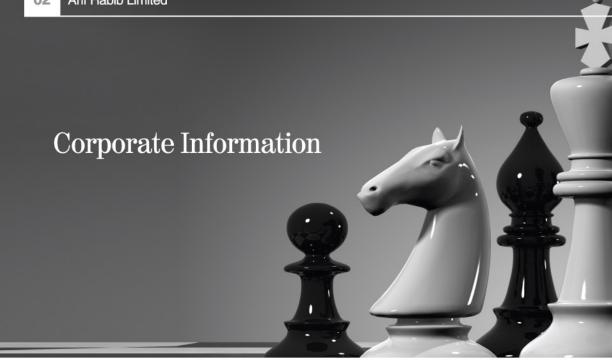


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Table of Contents

Corporate Information	02
Directors' Report	04
Balance Sheet	08
Profit & Loss Account	09
Cash Flow Statement	10
Statement of Comprehensive Income	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13



Board of Directors

Ms. Sharmin Shahid

Mr. Bilal Amanullah Moti

Mr. Amanullah Suleman

Mr. Haroon Usman Ms. Nida Ahsan

Mr. Abdullah A. Rahman

Mr. Muhammad Rafique Bhundi

Audit Committee

Mr. Haroon Usman

Ms. Nida Ahsan

Mr. Abdullah A. Rahman

(Chairman)

(Chairperson)

(Chief Executive Officer)

Human Resource & Remuneration Committee

Mr. Haroon Usman (Chairman)

Mr. Bilal Amanullah Moti

Ms. Nida Ahsan

Company Secretary & CFO

Mr. Zia-ur-Rahim Khan

Domestic Brokerage (Equity)

Mr. Muhammad Imran Phone : 32462589, Ext: 227 Email : m.imran@arifhabibltd.com

International Brokerage

Mr. Adnan Katchi

Phone: 32460743, Ext: 213

Email: adnan.katchi@arifhabibltd.com

Research

Mr. Khurram Schehzad Phone: 32462589, Ext: 211

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Corporate Finance

Mr. Muhammad Rafique Bhundi Phone: 32460741, Ext: 232

Email: rafique.bhundi@arifhabibltd.com

cf@arifhabibltd.com



Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants

Legal Advisors

M/s. 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

Arif Habib Centre

23, M.T. Khan Road, Karachi-74000.

Phones: 32460717-19

Fax No.: 32416072 – 32429653 E-mail: ahl@arifhabibltd.com Website: www.arifhabibltd.com

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 Shahra-e-Faisal

Karachi-74400.

Tel: Customer Support Services (Toll Free)

0800-CDCPL (23275) Fax: (92-21) 34326053 Email: info@cdcpak.com

Website: www.cdcpakistan.com



On behalf of the Board of Directors of Arif Habib Limited (AHL), I am pleased to present the First Quarterly Report of the Company for the year 2012-13 together with the unaudited financial information of the Quarter ended September 30, 2012 as per the accounting, regulatory and legal standards / requirements.

Economy:

Pakistan's economy improved on major macroeconomic tangents in 1QFY13. The USD 432 mln current account surplus provided a needed breather to the economy (compared to a deficit of USD 1,339 mln 1QFY12). Additionally, the receipt of much awaited USD 1.2 bln under Coalition Support Fund and USD 3.6 bln remittances fortified the overall external account. With oil prices going down, import bills shrank by 7% YoY to USD 9.6 bln (USD 10.3 bln). Exports, however, also declined by 2.41% mainly due to decline in the cotton prices internationally. The PKR/USD exchange rate averaged at 94.53 marking 9% devaluation on YoY basis.

On the fiscal front, economy remained pressurized with the government's record borrowing of PKR 238 bln. The revenue side also remained subdued with tax collection of PKR 403 bln against the quarterly target of PKR 437 bln. Owing to inflation trending down to well under single digit i.e., ca 9% in September 2012 and resultantly lowered discount rate by 150 bps to 10.5% in August 2012, the domestic debt servicing is likely to be positively impacted.

Going to the next quarter, we foresee a status quo in the economy. This would be due to upcoming USD 105 mln repayments to IMF in Oct-12, no further loans by IMF in sight, government's extensive borrowing continuing, FDI down 67% to USD 87 mln (USD 264 mln), and the deteriorating energy supply situation of the country.

Stock Market:

The Benchmark KSE 100 Index gained by 12% or 1,643 points to end the 1QFY13 at 15,445. This strong performance mainly emanated from improving macroeconomic indicators, corporate earnings and the US and Pakistan relations. Average daily volume of trades increased by 117% YoY to PKR 130 mln shares (PKR 60mln) for above mentioned reasons and supported by net Foreign Investor Portfolio Investments of USD 92 mln. Average daily value trades were 4 bln (2.8). Local investors, on the other hand, remained net seller with Individuals net sales of USD 34 mln, banks USD 27 mln and companies USD 16 mln.

Despite our political, economic and social challenges, market is trading at still attractive multiples i.e., P.E. of 6.6x and dividend yield of 7.6%, compared to the average regional P.E. multiple and dividend yield of 14.4x and 2.7% respectively.

We expect Karachi Stock market to continue upward trend in the next quarter.

Financial Performance:

During the quarter under review, AHL posted a handsome 45% increase in the net profit to PKR 135 mln (PKR 93 mln). The net profits translate to a healthy (diluted after the proposed bonus issue) EPS of PKR 2.71 (PKR 1.87). Company's investment portfolio has done significantly well, yielding the combined realized and unrealized revenue of PKR 139 mln. Our core business lines generated PKR 28 mln during the quarter. Brokerage revenue increased by 18% to PKR 20 mln (PKR 17 mln), whereas our Corporate Finance income rose manifold to PKR 5 mln.

With the inclusion of PKR 100 mln provisions against bad debts originating from the 2008 financial crisis, our administrative and operating expenses went up by PKR 110 mln to PKR 135 mln (PKR 24 mln). The core operating expenses went up by only PKR 11 mln (net of provisions) on account of staff salary, bonus and insurance related adjustments and higher operating expenses corresponding to higher business. Our financial cost was 37% higher to PKR 42 mln as higher borrowings were deployed in the opportunistic investments, which have done very well.

Thanks to continually good quarterly profits, total equity of the company has further increased to PKR 1096 mln (June 2012: PKR 1,095 mln). The healthier equity level was achieved despite the release of PKR 135 mln reserves for cash dividends approved in the AGM held on September 22, 2012. The company has managed a significant receivables reduction, by more than half, to PKR. 230 mln only (June 2012: PKR 747 mln). Receivables against sale of securities for PKR 530 mln were also settled in full. The cash proceeds received were deployed in the short term investments increasing to almost PKR 2 bln (June 2012: PKR 1,519 mln) and on the other hand, in the significant reduction of short term borrowings to PKR 811 mln (June 2012: PKR 1,654 mln).

Acknowledgement:

Our company is consistently and sustainably profitable since financial crisis, and attaining increasing scope of customers, products and customer service. The Board of Directors is thankful to company's valued customers, SECP, KSE, shareholders and the business partners without whose continued support and guidance we would not be able to pursue our strategy and good performance. The dedicated contribution put in by the company employees is also sincerely appreciated.

For and on behalf of the board

Bilal Amanuliah Moti Chief Executive Officer and Director

Date: October 24, 2012

Karachi.



CONDENSED INTERIM BALANCE SHEET

As at 30 September 2012

	Neter	Un audited September	Audited June
	Notes	2012	2012
		Rupe	es
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	5	70,500,451	73,277,34
Intangible assets		69,540,111	69,716,29
Long term investments	6	154,342,551	33,000,00
Investment property		57,200,000	53,000,00
Advance against investments	7	154,428,115	154,428,11
Long-term deposits		4,616,700	4,664,70
		510,627,928	388,086,45
CURRENT ASSETS			
Short term investments		1,961,741,558	1,519,733,69
Trade debts		230,044,098	746,748,19
Receivable against sale of securities- Net			529,534,12
Short term loans - secured		568,725	1,586,53
Trade deposits and prepayments		34,720,967	15,499,96
Other receivables		9,371,094	8,798,43
Cash & bank balances		81,023,478	47,956,14
		2,317,469,920	2,869,857,089
TOTAL ASSETS		2,828,097,849	3,257,943,540
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
75,000,000 (June 2012: 50,000,000) ordinary shares			
of Rs.10/- each		750,000,000	500,000,00
Issued, subscribed & paid-up capital		450,000,000	450,000,00
Appropriation for bonus share issue		50,000,000	400,000,000
Unappropriated profits		596,334,299	645,946,335
опарргорнатеч ргонть		1,096,334,299	1,095,946,33
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		2,319,945	2,497,747
Loan from associate		271,744,948	262,270,42
CURRENT LIABILITIES			
Short term borrowings- secured		811,233,534	1,653,936,052
Current portion of liability subject to finance lease		984,406	964,54
Trade and other payables		613,680,101	198,202,43
Markup accrued		30,110,234	41,951,950
Taxes payable		1,690,381	2,174,04
- pay save		1,457,698,657	1.897.229.02
CONTINGENCIES AND COMMITMENTS	8	-,, , , , , , , , , , , , , , , , ,	.,007,000
		2,828,097,849	

The annexed notes form an intergral part of these financial information.

Chief Executive Officer

Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN AUDITED)

For the Quarter ended 30 September 2012

	September 2012	September 2011
	Rupe	es
Operating revenue	27,691,066	20,800,312
Capital gain on sale of investments - net	49,775,509	48,489,026
Gain on re-measurement of investments carried at fair value through		
profit or loss - net	89,540,772	63,975,185
	167,007,348	133,264,524
Administrative expenses	(134,515,122)	(24,324,138
Finance costs	(41,724,891)	(30,541,133
Other operating incomes	147,424,674	19,082,034
Profit before taxation	138,192,009	97,481,287
Taxation	(2,804,045)	(4,144,952
Profit after taxation	135,387,964	93,336,335
Earnings per share - basic	3.01	2.07
- diluted	2.71	1.87

The annexed notes form an intergral part of these financial information.

Chief Executive Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

For the Quarter ended 30 September 2012

	September 2012	September 2011	
	Rupees		
Profit after taxation	135,387,964	93,336,335	
Other comprehensive income	-		
Total comprehensive profit for the year transferred to equity	135,387,964	93,336,335	

The annexed notes form an intergral part of these financial information.

Chief Executive Officer

U ≰ Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

For the Quarter ended 30 September 2012

	Issued, subscribed & paid up capital	Reserve for Bonus dividend	Unappropriated profits	Total
	-	Rupe	es	
Balance as at July 1,2011	450,000,000		280,035,022	730,035,022
Comprehensive income for the period July - September 2011			93,336,335	93,336,335
Balance as at September 30, 2011	450,000,000	-	373,371,357	823,371,357
Balance as at October 1, 2011	450,000,000	-	373,371,357	823,371,357
Comprehensive income for the period October - June 2012		-	272,574,978	272,574,978
Balance as at June 30, 2012	450,000,000	-	645,946,335	1,095,946,335
Balance as at July 1, 2012	450,000,000	-	645,946,335	1,095,946,335
Proposed issue of final bonus shares @ 11.11% (2011 : Nil)	-	50,000,000	(50,000,000)	
Proposed issue of final cash dividend @ 30% (2011 : Nil)			(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

The annexed notes form an intergral part of these financial information.

Chief Executive Officer

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

For the Quarter ended 30 September 2012

	Notes	2012	2011
		Rupees-	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation		138,192,009	97,481,287
Adjustments for:			
Depreciation & amortization		3,032,686	3,531,760
Gain on disposal of property, plant and equipment		(382,367)	(9,030
Dividend income		(3,385,308)	(2,625,776
Provision against doubtful debts		(100,000,000)	-
Finance costs		39,584,753	30,541,133
		(61,150,236)	31,438,087
Cash generated from operating activities before			
working capital changes		77,041,773	128,919,374
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets			
Short-term investments		(563,350,412)	(578,312,023
Trade debts		616,704,093	(365,476,651
Receivable against sale of securities- Net		529,534,120	-
Short term loans		1,017,811	12,183
Deposits and short-term prepayments		(19,221,007)	1,241,368
Other receivables		(572,658)	(4,111,481
Increase/(decrease) in current liabilities			
Trade and other payables		280,477,665	486,016,827
20.00		844,589,612	(460,629,777)
Cash generated from / (used in) operations		921,631,385	(331,710,403)
Taxes paid		(2,320,382)	(2,617,068
Finance costs paid		(42,874,938)	(19,287,439
Net cash generated from / (used in) operating activities		876,436,065	(353,614,910
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(197,225)	(58,267)
Proceeds from disposal of property, plant and equipment	5	499,980	129,865
Advance against investment property		(4,200,000)	-
Sale proceeds on disposal of Investment property			(2,091,513)
Dividends received		3,385,308	2,625,776
Long term deposits		48,000	
Net cash (used in) / generated from investing activities		(463,937)	605,861
CASH FLOWS FROM FINANCING ACTIVITIES		(,,	
December of France Leave Heli'lly		(000,000)	(010.000
Repayment of finance lease liability		(202,282)	(212,926
Net cash used in financing activities Net increase/(decrease) in cash and cash equivalents		(202,282) 875,769,846	(212,926
Cash and cash equivalents at the beginning of the year		(1,605,979,903)	(82,298,006)
Cash and cash equivalents at the end of the year	11	(730,210,057)	(435,519,981

The annexed notes form an intergral part of these financial information.

Chief Executive Officer

Director

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION

For the Quarter ended 30 September 2012

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, 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 (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 Limited on January 31, 2007.

The Company is a corporate member of Karachi, Lahore and Islamabad Stock Exchanges. The principal activities of the Company are share brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy 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.

- 1.2 The Parent Company holds 76.69% shares of the Company.
- 1.3 During the year Arif Habib Limited acquired 100% ownership of Arif Habib Commodities (Pvt) Limited, as detailed in note 6 of the financial statements for the year ended June 30, 2012. The business of subsidiary comprises of commodity brokerage and commodity investments in Commodity exchanges i.e. Pakistan Mercantile Exchange Limited.

The Securities and Exchange Commission of Pakistan vide its letter bearing No. EMD/233/683/2002-48 dated July 18, 2012 have exempt the Company from the applicability of the provisions of the Section 237 "Consolidated financial statements". Hence, the Consolidated Financial statements of the Company has not been presented.

2 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, 2012.

The comparative condensed balance sheet, presented in this condensed interim financial information, as at June 30, 2012 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2012 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, 2012 have been extracted from the condensed interim financial information for the first quarter ended September 30, 2011.

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, 2012.

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.

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION

For the Quarter ended 30 September 2012

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, 2012.

5 PROPERTY, PLANT & EQUIPMENT

During the quarter ended September 30, 2012, addition made amounting to Rs. 0.197 million (June 2012: 0.578 million) which comprised of computer and allied and vehicles. Further, assets having WDV of Rs. 0.118 million where sold for Rs. 0.475 million (June 2012: WDV of Rs. 0.506 million where sold of Rs. 0.329 million

6	LONG TERM INVESTMENTS		Un audited September 2012	Audited June 2012
	At cost	6.1	33,000,000	33,000,000
	At fair value through profit and loss	6.2	121,342,551	-
	·		154,342,551	33,000,000

6.1 At cost

This represent paid up share capital constituting 100% ownership in Arif Habib Commodities (Pvt) Limited (AHCPL) which was incorporated as a wholly owned subsidiary for the purpose of expanding non-core revenue stream of the commodity brokerage.

6.2 At fair value through profit and loss

This represent the shares of all the stock exchanges in Pakistan received by the existing members of the stock exchanges due to implementation of 'the Stock Exchanges (Corporatization, Demutualization and Integration) Act,2012' "the Act, 2012".

The company has only received 40% out of total shares as proviso in the Act, 2012 and the remains 60% shares as hold in block account maintained with CDC which will be disposed off in proportion of 40% to strategic investor and 20% to general public through IPO, and proceeds will be given to the Company.

Accordingly, these are recorded at fair value at initial recognition with subsequent changes to be routed though Profit & Loss. However the treatment may change subject to the opinion of ICAP.

7 ADVANCE AGAINST INVESTMENTS

This represent advance given for investments in real estate of an associated concern, recorded at cost.

8 CONTINGENCIES AND COMMITMENTS

There is no change in the contingencies and commitments from the annual year ended June 30, 2012.

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION

For the Quarter ended 30 September 2012

9 RELATED PARTY DISCLOSURE

	Quarter Ended Un audited	
	September 2012	September 2011
		pees —
Related Party Transactions Significant transactions with the related parties during the quarter ended are as follows: Brokerage commission and other services to:		
Parent	2,851,151	2,844,897
Group companies	1,519,376	1,663,400
Key management personnel	937,959	1,676,261
Other related parties	407,147	25,273
Rent paid to associated company	5,747,016	5,747,016
Remuneration to Chief Executive Officer	1,386,276	1,892,011
Remuneration to other directors	851,916	475,594
Contribution to staff provident fund	492,273	433,512
Capital gain earned on related party	6,342,296	
Capital loss earned on related party	65,879	
	Un audited	Audited
Balances with related parties at the end of the	September	June
period are as follows:	2012	2012
		pees ———
(Advances to) / receivable from related parties		
Group Companies	32,206,782	-
Key management personnel	17,398,272	10,823,571
Other related parties	16,273,589	
Investment in related parties	1,212,941,245	1,096,360,077
Payable to related parties:	04 700 040	
Parent Company	81,762,349	40 400 000
Key management personnel	10,129,460	10,430,000
Other related parties	271,744,948	483,113,218

10 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, 2012.

		730,210,057	1,605,979,903
	Short term borrowings- secured	811,233,534	1,653,936,052
	Cash & bank balances	81,023,478	47,956,149
11	CASH AND CASH EQUIVALENT		
			pees ———
		2012	2011
		September	September
		Quarter Ended Un audited	
	statements of the company as at and for the year ended durie 50, 2012.	Quarto	r Endod

12 DATE OF AUTHORIZATION FOR ISSUE

These financial informations were authorized for issue by the Board of Directors in meeting held on October 24, 2012.

13 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director



Arif Habib Centre, 23, M.T. Khan Road, Karachi-74000 Phone: 32460717-19 Fax: 32429653, 32416072