



# SURMOUNTING CHALLENGES

Half Yearly Report  
31<sup>st</sup> December 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. Haroon Usman  
Non – Executive Director

Ms. Sharmin Shahid  
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 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  
Meezan 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 Shahra-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

The Directors of Arif Habib Limited (AHL) are pleased to present the Directors' Report of the Company together with interim financial statements for the Half Year period ended 31<sup>st</sup> December 2014.

### Economic Review

The economy has shown visible signs of improvement with falling crude oil and commodity prices leading to CPI clocking in at 6.1% during First Half of Financial Year 2015 (1HFY15). Foreign exchange reserves have similarly received a boost from Eurobond and Sukuk issuance, unilateral/bilateral funding and dwindling oil prices enabling Forex reserves to accumulate to USD 15.2 billion by 1HFY15. The PKR also gained 5% against the USD during 1HFY15 period due to aforementioned factors. With decreasing inflation and improving economic situation, the State Bank of Pakistan slashed the discount rate by 50bps to 9.5% during the period, with further cuts highly expected during subsequent periods, which bodes well for increasing investment in the economy.

### Capital Markets Review

#### Equities

During 1HFY15, the Karachi Stock Exchange – 100 Index (KSE-100 Index) recorded a return of 8.4% to close at 32,131 reaching historic highs during the period on 5<sup>th</sup> December 2014 at 32,149 points. Total market capitalization increased to USD 72.4 billion as compared to USD 56.6 billion last year. Declining fuel prices, lower inflation readings, higher corporate earnings, greater foreign inflow, planned energy reforms and declining policy rate by the central bank were some of the major contributors to the bullish trend witnessed in the KSE-100 Index. Foreign Investors Portfolio Investment (FIPI) recorded a net inflow of USD 113 million in 1HFY15 (Net outflow of USD 13 million during 1HFY14), reflecting the positive expectations of international investors about Pakistan's Capital Markets. Moreover, liquidity improved during the period, with greater investment coming in alongside privatization efforts by the government, attracting investors into the lucrative investment landscape. Though average daily traded volumes dropped by 7.3% YoY to 179 million shares during 1HFY15, average traded value rose by 16.4% YoY to USD 112 million.

### **Debt and Money Market**

As far as monetary sector goes, government borrowing increased by 4.7% during 1HFY15, however at a slower pace than in the same period last year (10.3% during 1HFY14). The declining borrowing requirement from the government in the wake of increased foreign inflows, coupled with marked decline in CPI readings, led to visible decline in the yield of Treasury Bills and Pakistan Investment Bonds (PIBs), which were down by 54bps and 260bps, respectively during 1HFY15.

### **Financial Performance**

By the Grace of Almighty Allah, your Company has continued to perform well and achieved healthy profitability during the 1HFY15. The Company has posted after tax profit of PKR 479 million (PKR 309 million) which translates into an EPS of PKR 8.70 (PKR 5.62).

During the period under review, the brokerage division revenue witnessed a sizeable increase of 40% clocking in at PKR 140 million (as compared to PKR 100 million from the same period last year). This was inspite of over all market volumes showing decreasing trends of 7.3% YoY. The Corporate Finance income massively increased by 500% to PKR 68 million from last year PKR 11 million with the help of successful completion of equity & debt market IPO's/secondary offerings and other corporate finance transactions. The Company's investment portfolio has yielded healthy realized and unrealized revenue of PKR 529 million (PKR 329 million).

The equity of the Company as at the balance sheet date is PKR 2.2 billion (June 2014: PKR 2 billion) which translates into book value per share of PKR 40.30 (June 30, 2014: PKR 36.60). The equity level raised is spite of the release of PKR 275 million reserves for cash dividends approved in the AGM held on September 27, 2014.

### **Future Outlook**

With a more focused approach, your Company has managed to increase its market share in both brokerage and corporate finance. With our increased emphasis on attracting foreign clients, which has provided highly encouraging results so far, the future outlook of your Company looks extremely promising in every aspect of the business. Moreover, better relationship management with institutional clients locally through efficient needs servicing coupled with a superior brand image has enabled your Company to be in the perfect position to

capitalize on additional market share availability. Through greater investment in research services a larger number of companies are in coverage, which should allow for increased traded volumes in the future. Furthermore, there are increased cases of public offerings expected in the future, including government and semi-government companies, with your Company in prime position to gain a sizeable chunk of this business. We are bullish on the possibilities of further improving our investment portfolio as the market still has a lot to offer. Your Company was successful in completion of noteworthy transactions during 1HFY15, including Pakistan Petroleum Limited, Saif Power Limited and Synthetic Products Enterprises Limited while a number of advisory transactions are in the pipeline to further boost the profitability as well as company's image in the quarters to come.

### **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  
January 23, 2015  
Karachi.

CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS PERIOD ENDED  
DECEMBER 31, 2014



## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Arif Habib Limited** as at December 31, 2014 and the related 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 together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014.

### Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of interim financial information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi.

Dated: **January 23, 2015**



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
**Chartered Accountants**

Engagement Partner: **Muhammad Waseem**

## CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2014

|  | Notes | Un audited<br>December 31,<br>2014 | Audited<br>June 30,<br>2014 |
|--|-------|------------------------------------|-----------------------------|
| Rupees   |       |                                    |                             |
| <b>ASSETS</b>  |       |                                    |                             |
| <b>NON- CURRENT ASSETS</b>   |       |                                    |                             |
| Property, plant and equipment                                      | 5     | 52,556,465                         | 56,143,981                  |
| Intangible assets  |       | 60,520,078                         | 60,702,274                  |
| Long term investments  | 6     | 209,342,551                        | 159,342,551                 |
| Investment property  | 7     | 336,686,600                        | 328,146,600                 |
| Advance against investments  |       | 975,000                            | 975,000                     |
| Long term deposits   |       | 12,119,601                         | 6,845,217                   |
| Deferred tax asset   |       | 16,121,964                         | 12,080,129                  |
|  |       | <b>688,322,259</b>                 | <b>624,235,752</b>          |
| <b>CURRENT ASSETS</b>  |       |                                    |                             |
| Short term investments   |       | 2,700,232,348                      | 2,328,085,305               |
| Trade debts - considered good                                      |       | 901,719,821                        | 309,075,533                 |
| Receivable against sale of securities- net                         |       | 409,018,998                        | 967,275,773                 |
| Short term loans - secured   |       | 2,035,673                          | 1,157,480                   |
| Trade deposits and prepayments                                     |       | 94,293,355                         | 44,114,685                  |
| Other receivables  |       | 404,300,535                        | 328,003,022                 |
| Cash & bank balances   |       | 210,195,456                        | 168,992,512                 |
|  |       | <b>4,721,796,186</b>               | <b>4,146,704,310</b>        |
| <b>TOTAL ASSETS</b>  |       | <b><u>5,410,118,445</u></b>        | <b><u>4,770,940,062</u></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 |       | 750,000,000                        | 750,000,000                 |
| Issued, subscribed & paid-up capital                               |       | 550,000,000                        | 550,000,000                 |
| Unappropriated profits   |       | 1,665,576,616                      | 1,462,060,100               |
|  |       | <b>2,215,576,616</b>               | <b>2,012,060,100</b>        |
| <b>LIABILITIES</b>   |       |                                    |                             |
| <b>NON-CURRENT LIABILITIES</b>                                     |       |                                    |                             |
| Liabilities against assets subject to finance lease                |       | 1,923,653                          | 2,235,913                   |
| <b>CURRENT LIABILITIES</b>   |       |                                    |                             |
| Short term borrowings- secured                                     |       | 2,823,486,970                      | 2,381,091,230               |
| Current portion of liability subject to finance lease              |       | 478,370                            | 468,892                     |
| Trade and other payables   |       | 242,896,409                        | 312,982,271                 |
| Markup accrued   |       | 56,441,870                         | 51,932,846                  |
| Taxes payable -net   |       | 69,314,557                         | 10,168,810                  |
|  |       | <b>3,192,618,176</b>               | <b>2,756,644,049</b>        |
| <b>CONTINGENCIES AND COMMITMENTS</b>                               | 8     | -                                  | -                           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                |       | <b><u>5,410,118,445</u></b>        | <b><u>4,770,940,062</u></b> |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.



**Chairman**



**Chief Executive Officer**



**Chief Financial Officer**

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

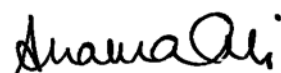
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014 (Unaudited)

| Note   | Half year ended      |                      | Second Quarter ended |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
| <b>Rupees</b>  |                      |                      |                      |                      |
| Operating revenue  | <b>248,894,609</b>   | 121,162,861          | <b>123,507,978</b>   | 62,712,114           |
| Capital gain on sale of short term investments                     | <b>632,917,073</b>   | 274,223,891          | <b>274,156,846</b>   | 93,646,683           |
| Unrealized gain/(loss) on re-measurement of short term investments | <b>(145,028,391)</b> | 46,094,628           | <b>100,312,639</b>   | 110,777,877          |
|  | <b>736,783,291</b>   | 441,481,380          | <b>497,977,463</b>   | 267,136,674          |
| Administrative and operating expenses                              | <b>(129,973,837)</b> | (75,122,628)         | <b>(68,941,830)</b>  | (37,175,634)         |
| Finance costs  | <b>(125,104,446)</b> | (116,825,628)        | <b>(58,216,911)</b>  | (65,474,286)         |
| Other operating income   | <b>95,831,851</b>    | 74,403,425           | <b>38,898,998</b>    | 40,261,977           |
| Other charges  | <b>(11,548,095)</b>  | (6,478,731)          | <b>(8,185,102)</b>   | (6,478,731)          |
| <b>Profit before taxation</b>                                      | <b>565,988,764</b>   | 317,457,818          | <b>401,532,618</b>   | 198,270,000          |
| Taxation   | <b>(87,472,248)</b>  | (8,312,568)          | <b>(36,943,609)</b>  | (6,388,087)          |
| <b>Profit after taxation</b>                                       | <b>478,516,516</b>   | 309,145,250          | <b>364,589,009</b>   | 191,881,913          |
| <b>Earning per share - basic and diluted</b>                       | <b>8.70</b>          | 5.62                 | <b>6.63</b>          | 3.49                 |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.



**Chairman**



**Chief Executive Officer**



**Chief Financial Officer**

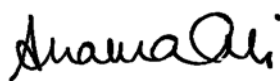
**CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014 (Unaudited)**

|   | Half year ended      |                      | Second Quarter ended |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
|   | ————— Rupees —————   |                      |                      |                      |
| Profit for the period                     | 478,516,516          | 309,145,250          | 364,589,009          | 191,881,913          |
| Other comprehensive income for the period | -                    | -                    | -                    | -                    |
| Total comprehensive income for the period | <u>478,516,516</u>   | <u>309,145,250</u>   | <u>364,589,009</u>   | <u>191,881,913</u>   |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.



Chairman



Chief Executive Officer



Chief Financial Officer

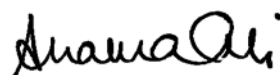
**CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014 (Unaudited)**

|  | Issued,<br>subscribed &<br>paid up capital | Unappropriated<br>profits | Total                |
|--|--|---------------------------|----------------------|
|  | Rupees                                     |                           |                      |
| Balance as at July 1, 2013                                     | 500,000,000                                | 843,415,798               | 1,343,415,798        |
| Bonus shares allocated @ 10% for the year ended June 30, 2013  | 50,000,000                                 | (50,000,000)              | -                    |
| Cash dividend paid @ 30% for the year ended June 30, 2013      | -  | (150,000,000)             | (150,000,000)        |
| Comprehensive income for the half year ended December 31, 2013 | -  | 309,145,250               | 309,145,250          |
| <b>Balance as at December 31, 2013</b>                         | <u>550,000,000</u>                         | <u>952,561,048</u>        | <u>1,502,561,047</u> |
| <b>Balance as at January 01, 2014</b>                          | 550,000,000                                | 952,561,048               | 1,502,561,047        |
| Comprehensive income for the half year ended June 30, 2014     | -  | 509,499,052               | 509,499,052          |
| <b>Balance as at June 30, 2014</b>                             | <u>550,000,000</u>                         | <u>1,462,060,100</u>      | <u>2,012,060,100</u> |
| <b>Balance as at July 1, 2014</b>                              | 550,000,000                                | 1,462,060,100             | 2,012,060,100        |
| Cash dividend paid @ 50% for the year ended June 30, 2014      | -  | (275,000,000)             | (275,000,000)        |
| Comprehensive income for the half year ended December 31, 2014 | -  | 478,516,516               | 478,516,516          |
| <b>Balance as at December 31, 2014</b>                         | <u>550,000,000</u>                         | <u>1,665,576,616</u>      | <u>2,215,576,616</u> |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.



Chairman



Chief Executive Officer



Chief Financial Officer

## CONDENSED INTERIM CASH FLOW STATEMENT

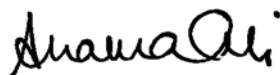
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014 (Unaudited)

| Note   | Half year ended        |                        |
|--|------------------------|------------------------|
|  | December 31,<br>2014   | December 31,<br>2013   |
| Rupees   |                        |                        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                        |                        |
| Profit before taxation   | 565,988,764            | 317,457,818            |
| Adjustments for:   |                        |                        |
| Depreciation   | 4,313,271              | 4,771,905              |
| Amortization   | 449,442                | 273,151                |
| Gain on disposal of investment property  | -                      | (1,647,500)            |
| Loss on disposal of property, plant and equipment                              | 12,814                 | 42,669                 |
| Loss / (gain) on re-measurement of short term investments                      | 145,028,391            | (46,094,628)           |
| Gain on short term investment  | (632,917,073)          | (274,223,891)          |
| Dividend income  | (41,004,051)           | (9,452,357)            |
| Recovery against doubtful debts  | (398,880)              | -                      |
| Finance costs  | 125,104,446            | 116,825,628            |
|  | <b>(399,411,640)</b>   | <b>(209,505,023)</b>   |
| <b>Cash generated from operating activities before working capital changes</b> | <b>166,577,124</b>     | <b>107,952,795</b>     |
| <b>Effect on cash flow due to working capital changes</b>                      |                        |                        |
| <b>(Increase)/decrease in current assets</b>                                   |                        |                        |
| Short-term investments - net   | 115,741,639            | (292,472,815)          |
| Trade debts - considered goods   | (592,245,408)          | 240,379,377            |
| Receivable against sale of securities- net                                     | 558,256,775            | (682,567,945)          |
| Short term loans   | (878,193)              | 553,321                |
| Deposits and short-term prepayments  | (50,178,670)           | (2,113,924)            |
| Other receivables  | (76,297,513)           | (193,057,854)          |
| <b>Increase/(decrease) in current liabilities</b>                              |                        |                        |
| Trade and other payables   | (70,085,862)           | (330,038,087)          |
|  | <b>(115,687,232)</b>   | <b>(1,259,317,927)</b> |
| <b>Cash generated from / (used in) operations</b>                              | <b>50,889,892</b>      | <b>(1,151,365,132)</b> |
| Taxes paid   | (32,368,336)           | (10,533,725)           |
| Finance costs paid   | (120,595,422)          | (73,718,390)           |
| <b>Net cash used in operating activities</b>                                   | <b>(102,073,866)</b>   | <b>(1,235,617,247)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                        |                        |
| Acquisition of property, plant and equipment                                   | (1,142,869)            | (405,773)              |
| Proceeds from disposal of property, plant and equipment                        | 272,054                | 18,478                 |
| Acquisition of intangible assets   | (135,000)              | (100,000)              |
| Proceed from disposal of intangible assets                                     | -                      | 14,050,000             |
| Expenditure on investment property   | (8,540,000)            | (4,270,000)            |
| Share subscription of subsidiary   | (50,000,000)           | -                      |
| Dividends received   | 41,004,051             | 9,452,357              |
| Long term deposits   | (5,274,384)            | (3,936,370)            |
| <b>Net cash (used in) / generated from investing activities</b>                | <b>(23,816,148)</b>    | <b>14,808,692</b>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                        |                        |
| Repayment of finance lease liability   | (302,782)              | (279,490)              |
| Dividend paid  | (275,000,000)          | (150,000,000)          |
| <b>Net cash used in financing activities</b>                                   | <b>(275,302,782)</b>   | <b>(150,279,490)</b>   |
| <b>Net decrease in cash and cash equivalents</b>                               | <b>(401,192,796)</b>   | <b>(1,371,088,045)</b> |
| <b>Cash and cash equivalents at the beginning of the period</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>(2,613,291,514)</b> | <b>(2,089,451,635)</b> |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.



Chairman



Chief Executive Officer



Chief Financial Officer

## CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014 (Unaudited)

### 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

These condensed interim financial statement of the Company for the half year ended December 31, 2014 have been prepared in accordance with the requirements of the international Accounting Standard 34 " Interim Financial Reporting" and provision and directives issued under the Companies Ordinance, 1984 have been followed.

These condensed interim financial statements are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of the Stock Exchanges of Pakistan where the Company is listed.

These condensed interim financial statements comprise of the balance sheet as at December 31, 2014 and profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement for the half year ended December 31,2014 which have been subjected to review but not audit.

The comparative balance sheet presented in these condensed interim financial statements as at June 30, 2014 has been extracted from the audited financial statements of the Company for the year ended June 30, 2014, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement for the half year ended December 31, 2013 which have been subjected to review but not audit.

### 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.

## CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014 (Unaudited)

### 5 PROPERTY, PLANT & EQUIPMENT

During the Half year ended December 31, 2014, addition made amounting to Rs. 1.143 million (June 2014: 6.351 million) which comprised of computer and allied. Further, assets having WDV of Rs. 0.272 million where sold for Rs. 0.272 million (June 2014: WDV OF Rs. 1.875 million where sold of Rs. 2.272 million).

|          |  | December 31,<br>2014      | June 30,<br>2014          |
|----------|--|---------------------------|---------------------------|
|          |  | Rupees                    |                           |
| <b>6</b> | <b>LONG TERM INVESTMENT</b>                        |                           |                           |
|          | <b>Investments in subsidiaries - at cost</b>       |                           |                           |
|          | Arif Habib Commodities (Private) Limited - at cost | <b>6.1</b> 38,000,000     | 38,000,000                |
|          | Arif Habib 1857 (Private) Limited                  | <b>6.2</b> 50,000,000     | -                         |
|          | <b>Stock Exchanges -through profit and loss</b>    |                           |                           |
|          | Karachi Stock Exchange Limited                     | <b>62,755,618</b>         | 62,755,618                |
|          | Islamabad Stock Exchange Limited                   | <b>33,380,639</b>         | 33,380,639                |
|          | Lahore Stock Exchange Limited                      | <b>25,206,294</b>         | 25,206,294                |
|          |  | <b><u>209,342,551</u></b> | <b><u>159,342,551</u></b> |

**6.1** This represents 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. The total amount of Investment approved by the shareholders of the Company in the extra-ordinary general meeting held on June 16, 2012 is Rs. 100 million. As of the balance sheet date, the Company has invested a total sum of Rs.38 million.

**6.2** This represents paid up share capital constituting 100% ownership in Arif Habib 1857 (Pvt) Limited which was incorporated as a wholly owned subsidiary for the purpose of share brokerage. The total amount of Investment approved by the shareholders of the Company in the extra-ordinary general meeting held on September 27, 2014 is Rs. 60 million. As of the balance sheet date, the Company has invested a total sum of Rs.50 million.

|          |                            | December 31,<br>2014      | June 30,<br>2014          |
|----------|----------------------------|---------------------------|---------------------------|
|          |                            | Rupees                    |                           |
| <b>7</b> | <b>INVESTMENT PROPERTY</b> |                           |                           |
|          | Carrying Value             | <b>225,009,812</b>        | 212,199,812               |
|          | Development charges        | <b>8,540,000</b>          | 12,810,000                |
|          |                            | <b>233,549,812</b>        | 225,009,812               |
|          | Increase in fair value     | <b>103,136,788</b>        | 103,136,788               |
|          |                            | <b><u>336,686,600</u></b> | <b><u>328,146,600</u></b> |

### 8 CONTINGENCIES AND COMMITMENTS

#### CONTINGENCIES

There were no change in contingencies at the period end as disclosed in the financial statements for the year ended June 30, 2014 except as disclosed below:

The Company is contesting a demand of PKR 45.42 million raised against its non taxable services vide order issued on 12 September 2014 by AC-SRB. The Company has filed appeal against the impugned order in the appropriate forum and stay has been granted against the impugned demand. The Company's legal counsel is of the view that the Company has a favorable case based on merit. The Company has accordingly not made any provision of the said amount in these financial statements.



## CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014 (Unaudited)

| <b>COMMITMENTS</b>   | <b>December 31,<br/>2014</b> | June 30,<br>2014 |
|--|------------------------------|------------------|
|  | <b>Rupees</b>                |                  |
| Following commitments are outstanding as at the year end.                          |                              |                  |
| - Outstanding settlement against sale/purchases of securities in future market.    | -                            | 40,609,905       |
| - Outstanding Settlements against Marginal Trading contracts                       | <b>881,746,493</b>           | 563,200,039      |
| - Outstanding Settlements against (purchase)/sale of securities in regular market. | <b>(96,784,764)</b>          | 181,065,922      |
| - Guarantee given by a commercial bank on behalf of the Company                    | <b>100,000,000</b>           | 100,000,000      |
| <b>9 RELATED PARTY DISCLOSURE</b>  | <b>December 31,<br/>2014</b> | June 30,<br>2013 |
|  | <b>Rupees</b>                |                  |
| Brokerage commission and other services to:  |                              |                  |
| Parent   | <b>4,661,910</b>             | 2,722,715        |
| Group companies  | <b>360,443</b>               | 2,076,483        |
| Key management personnel   | <b>197,130</b>               | 2,729,680        |
| Other Related Party  | <b>1,084,993</b>             | 771,466          |
| Rent paid to associated company  | <b>10,467,120</b>            | 10,449,120       |
| Tenderable gain from Parent Company  | -                            | 4,400,765        |
| Markup income on advance to related parties  | <b>1,271,151</b>             | -                |
| Rent income from subsidiary  | -                            | 1,200,000        |
| Remuneration to Chief Executive Officer  | <b>8,984,802</b>             | 4,998,751        |
| Remuneration to other directors  | <b>3,484,155</b>             | 1,750,080        |
| Contribution to staff provident fund   | <b>1,257,548</b>             | 1,110,570        |
| Balances with related parties at the end of the period are as follows:             | <b>December 31,<br/>2014</b> | June 30,<br>2014 |
|  | <b>Rupees</b>                |                  |
| Receivable from related parties  |                              |                  |
| Parent   | <b>34,005</b>                | -                |
| Group Companies  | <b>627,677</b>               | 1,695,957        |
| Key management personnel   | <b>5,223,290</b>             | 1,951,418        |
| Other related parties  | <b>62,065</b>                | -                |
| Advance to Group Companies   | <b>205,000,000</b>           | -                |
| Investments in related parties   | <b>1,237,048,613</b>         | 715,976,112      |
| Investments in subsidiaries  | <b>88,000,000</b>            | 38,000,000       |
| Payable to related parties:  |                              |                  |
| Group Companies  | <b>100,298</b>               | -                |
| Key management personnel   | <b>543,981</b>               | 826,255          |
| Other related parties  | <b>2,169,911</b>             | 300,168,505      |

### 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, 2014.

## CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014 (Unaudited)

### 11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

|                        | <b>December 31,<br/>2014</b>  | <b>December 31,<br/>2013</b>  |
|------------------------|-------------------------------|-------------------------------|
|                        | <b>Rupees</b>                 |                               |
| Cash and bank balances | 210,195,456                   | 127,909,761                   |
| Short term borrowings  | <u>(2,823,486,970)</u>        | <u>(2,217,361,396)</u>        |
|                        | <u><b>(2,613,291,514)</b></u> | <u><b>(2,089,451,635)</b></u> |

### 12 DATE OF AUTHORIZATION FOR ISSUE

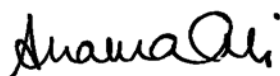
These financial statements were authorized for issue by the Board of Directors in their meeting held on January 23, 2015.

### 13 GENERAL

Figures have been rounded off to the nearest rupee.



**Chairman**



**Chief Executive Officer**



**Chief Financial Officer**



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