Corporate Information

Board of Directors

Ms. Sharmin Shahid
Chairperson & Non-executive Director

Mr. Muhammad Shahid Ali
Chief Executive Officer & Executive Director

Mr. Amanullah Suleman
Independent Director

Mr. Haroon Usman
Non-executive Director

Ms. Nida Ahsan
Non-executive Director

Mr. Abdullah A. Rahman
Executive Director

Mr. Muhammad Rafique Bhundi
Executive Director

Audit Committee

Mr. Haroon Usman
Chairman

Ms. Nida Ahsan
Member

Mr. Abdullah A. Rahman
Member

Human Resource & Remuneration Committee

Mr. Haroon Usman
Chairman

Mr. Muhammad Shahid Ali
Member

Ms. Nida Ahsan
Member

Company Secretary & CFO

Mr. Zia-ur-Rahim Khan

Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors

M/s. Bawaney & Partners

Bankers
Allied Bank Limited.
Askari Bank Limited.
Bank Al Falah Limited.
Bank Al Habib Limited.
Bank Islami Pakistan Limited.
Habib Bank Limited.
Habib Metropolitan Bank Limited.
JS Bank Limited.
KASB Bank Limited.
MCB Bank Limited.
National Bank of Pakistan Limited.
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
Website : www.cdcpakistan.com

Registered Office
Arif Habib Centre
23, M.T. Khan Road Karachi-74000
UAN: 111-245-111
Fax No : 32416072; 32429653
E-mail : info@arifhabibltd.com
Company website : www.arifhabibltd.com
Online Trade : www.ahletrade.com

Directors' Report

The Directors of Arif Habib Limited (AHL),are pleased to present the Directors' report of the Company together with condensed interim financial statements for the half year ended December 31, 2013.

Economic Review:

During 1HFY14 period, the state of Pakistan economy changed considerably in comparison to last year. With the new simple-majority parliament in place, relative improvement in law & order situation, reforms pertaining to energy crises and some austerity on the fiscal side took up priority. As a result, business activity picked up pace and this was reflected in an improved economic activity. Although economic reforms have still a long way to go, we expect a better and stable outlook, going forward.

During the period under review, headline inflation as measured by CPI picked up to register 8.9% YoY growth compared to 8.3% YoY in 1HFY13. Primarily, this was led by food prices, which increased by 9.9% YoY during the period compared to 7.3% in 1HFY13. Moreover, electricity tariff rationalization during the period pushed the CPI index higher. As a result, the State Bank of Pakistan raised the policy rate by 50bps on two occasions to 10%, from 9% earlier. Nevertheless, with PKR stabilizing, oil prices remaining range-bound, the only upside risk on inflation emanates from volatile food prices.

As per the latest data available, during the 1HFY14 Pakistan current account deficit deteriorated further reaching USD 1.6bn compared to USD 0.8bn. With expected materialization of funds – Coalition Support Fund (CSF) of around USD ~880mn in 2HFY14, inflows under IMF's new loan facility, Eurobond issuance and grant of GSP+ Status to Pakistan alongside other multi-lateral loans. However, the risk of IMF debt repayments is expected to keep PKR under pressure.

On fiscal side, the government budget deficit for 1QFY14 stood within the prescribed target at 1.1% of the GDP. This was possible through subsidy reduction, higher non-tax revenue collection, 1% increase in GST and increased incentives for non-tax payers to register. Going forward, increasing the tax revenue collection will be the foremost priority of the government to keep fiscal deficit within targets.

Stock Market Review:
The Benchmark KSE-100 Index traced a rising trajectory during 1HFY14, posting a healthy 20% return (4,255 points) to close the period at a record high of 25,261 points. KSE's total market capitalization rose by USD 5.8bn, to stand at USD 57.5bn by end 1HFY14. Healthy corporate earnings, country's successful inclusion in another IMF program, grant of the GSP+ Status by EU and economic reforms particularly with respect to the energy issues were the major contributors towards this healthy growth reflecting in equities.

Though Foreign Investors Portfolio Investment (FIPI) witnessed an outflow of USD 13mn in 1HFY14 compared to a net inflow of USD 157mn in 1HFY13, improved market sentiment led to a hefty 30% YoY improvement in the market liquidity during the period under review. In this regard, average daily traded volumes clocked in at 193mn shares, compared to 149mn shares exchanging hands in the same period last year. In addition, average traded value took a leap of 81% in 1HFY14 to USD 96mn from USD 53mn in 1HFY13.

Financial Performance:
By the grace of Almighty Allah, your Company has continued to perform well and achieved healthy profitability during the first half of the fiscal year 2014. The Company has posted after tax profit of PKR 309.15 mn (PKR 395.753 mn) which translate in an EPS of PKR 5.62 (PKR 7.20).

During the period under review, the brokerage division witnessed an outstanding growth as its revenue increased by 101% from last year to PKR 100.31 mn (PKR. 49.99 mn). The Corporate Finance income stood at PKR 11.40 mn (PKR 11.72 mn), a slight decline of 3% from last year. The Company's investment portfolio has yielded healthy realized and unrealized revenue of PKR 329 mn (PKR 327 mn).

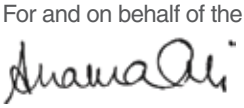
The administrative expenses for the period were reduced by 53% to PKR 75.12 mn compared to PKR 152.97 mn in the corresponding period last year on account of controlling provision. Our finance cost for the period increased to PKR 116.83 mn (PKR 90.16 mn) as higher borrowings were deployed in the opportunistic investments' which have performed significantly well.

The equity of the Company has increased by 12% to PKR 1.51 bn (June 2013: PKR 1.34 bn) which translates into book value per share of PKR 27.40 (June 2013: PKR 24.42). The healthier equity level was achieved despite the release of PKR 150 mn reserves for cash dividends approved in the AGM held on October 25, 2013.

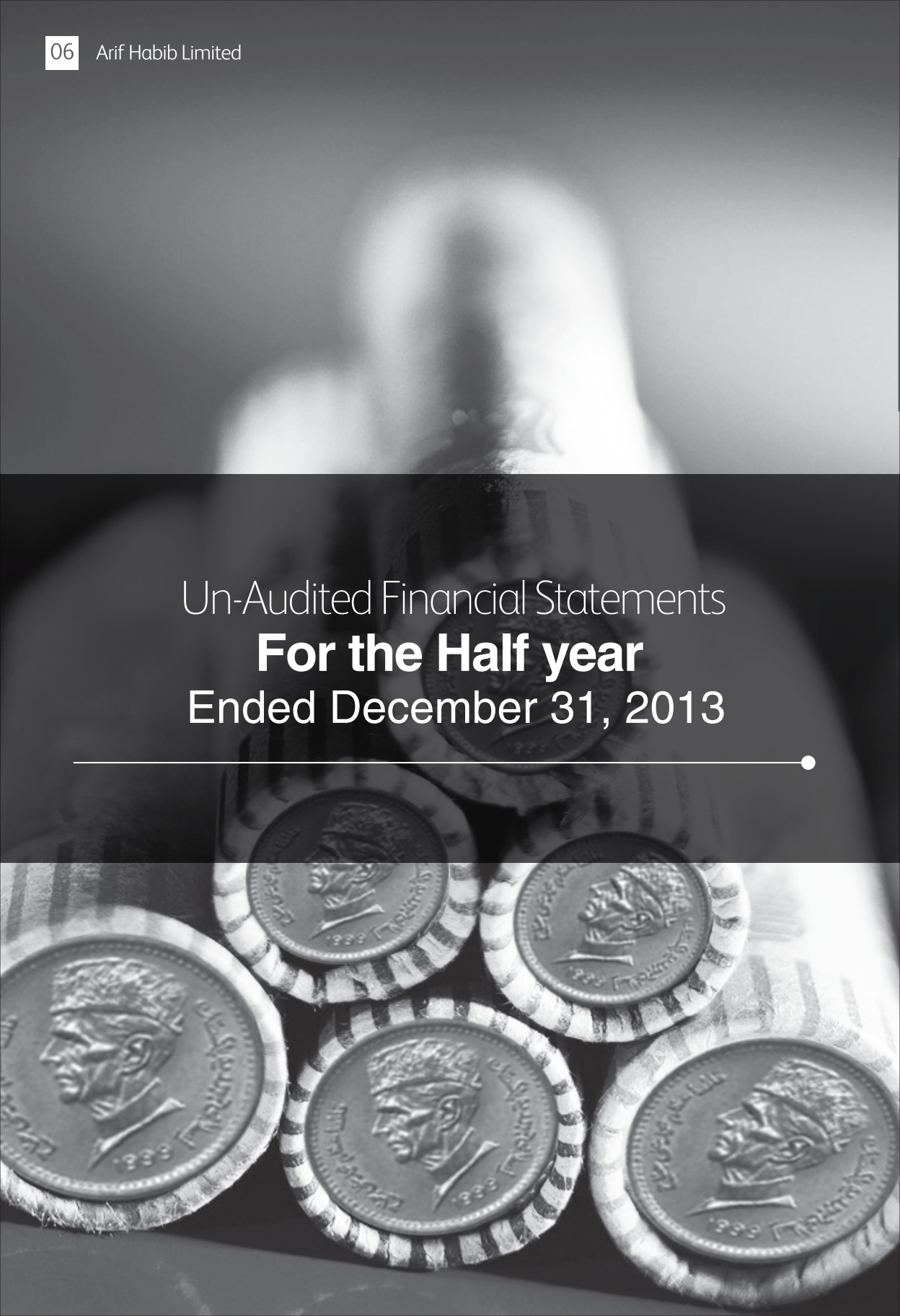
Future Prospects:
The future prospects of our company look positive on account of growing volumes and expected increase in our market share. We are targeting to generate higher brokerage revenue from foreign clients going forward as we strengthen our relationship with foreign fund managers and broker dealers. We are confident to improve our market share in local and international brokerage and from money market desk. We are engaged in mandatory and potential equity and debt transactions which will likely to add our earnings going forward.

Acknowledgement:
We are grateful to the Company's stakeholders for their continuing confidence and patronage. We record our appreciation and thanks to our customers, shareholders, parent company, the Securities & Exchange Commission of Pakistan and the managements of Karachi, Lahore and Islamabad stock exchanges for their support and guidance. 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
Director & Chief Executive Officer
January 23, 2014
Karachi.



Un-Audited Financial Statements
For the Half year
Ended December 31, 2013

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

	Note	Half year ended December 31, 2013	December 31, 2012
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		317,457,818	401,321,681
Adjustments for:			
Depreciation		4,771,905	5,759,190
Amortization of intangible asset		273,151	257,661
Loss on disposal of investment property		(1,647,500)	-
Gain on disposal of property, plant and equipment		42,669	(336,386)
Gain/(loss) on re-measurement of short term investments		(46,094,628)	(198,070,625)
Loss / (gain) on short term investment		(274,223,891)	(113,526,441)
Unrealized gain on re-measurement of investment property		-	(96,253,788)
Dividend income		(9,452,357)	(15,092,813)
Shares recivied from stock exchanges		-	(121,342,551)
Provision against doubtful debts		-	84,808,299
Finance costs		116,825,628	90,157,749
		(209,505,023)	(363,639,705)
Cash generated from operating activities before working capital changes		107,952,795	37,681,976
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
Short-term investments		(292,472,815)	(450,077,181)
Trade debts		240,379,377	146,135,108
Receivable against sale of securities- Net		(682,567,945)	529,534,120
Short term loans		553,321	867,962
Deposits and short-term prepayments		(2,113,924)	(60,889,569)
Other receivables		(193,057,854)	7,177,836
Increase / (decrease) in current liabilities			
Trade and other payables		(330,038,087)	148,375,287
		(1,259,317,927)	321,123,563
Cash (used in) / generated from operations		(1,151,365,132)	358,805,539
Taxes paid		(10,533,725)	(10,896,042)
Finance costs paid		(73,718,390)	(84,363,300)
Net cash (used in) / generated from operating activities		(1,235,617,247)	263,546,197
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and investment property		(405,773)	(603,114)
Proceeds from disposal of property, plant and equipment		18,478	530,120
Acquisition of intangible assets		(100,000)	-
Proceed from disposal of intangible assets		14,050,000	-
Expenditure on investment property		(4,270,000)	(7,571,697)
Dividends received		9,452,357	15,774,065
Long term deposits		(3,936,370)	68,000
Net cash generated from investing activities		14,808,692	8,197,374
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(279,490)	(240,277)
Dividend paid		(150,000,000)	(135,000,000)
Net cash used in financing activities		(150,279,490)	(135,240,277)
Net (decrease) / increase in cash and cash equivalents		(1,371,088,045)	136,503,293
Cash and cash equivalents at the beginning of the year		(718,363,590)	(1,605,979,903)
Cash and cash equivalents at the end of the year	12	(2,089,451,635)	(1,469,476,610)

The annexed notes 1 to 14 form an integral part of the condensed interim financial information.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CONDENSED INTERIM
SELECTED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2013 (UN AUDITED)

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 Entitlment Certificate (TRE) 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 brokrage, 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 Comission of Pakistan vide its letter No. EMD/233/683/2002-474 dated October 30, 2013 has granted exemption to the Company from preparation of the Consolidated Financial Statements.

2 BASIS OF PREPARATION

Statement of compliance

These condensed interim financial statement of the Company for the half year ended December 31, 2013 have been prepared in accorance with the requirements of the international Accounting Standard 34 " Interim Financial Reporting" and provision and directives issued unde the Companies Ordinance, 1984 have been followed.

These condensed interim financial statement 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, 2013 and profit and loss account, statement of comprehensive income, statement of changes in equity and the cashflow statement for the period ended December 31, 2013 which have been subjected to review but not audit.

The comparitive balance sheet presented in these condensed interim financial statements as at June 30, 2013 has been extracted from the audited financial statements of the comapany for the year ended June 30, 2013, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cashflow statement for the period ended December 31, 2012 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, 2013.

Amendments to certain existing standards and new interpretation on approved accounting standards that become effective during the period either were not relevent to the Company's operations or did not have any significant impact on the accounting policies of the Company.

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, 2013.

5 PROPERTY, PLANT & EQUIPMENT

During the period ended December 31, 2013, addition made amounting to Rs. 2.829 milllion (June 2013: 1.09 million) which comprised of leasehold improvement, computer and allied and vehicles. Further, assets having WDV of Rs. 1.743 million were sold for Rs. 29,000 (June 2013: WDV OF Rs. 0.521million were sold of Rs. 0.788 million).

		December 31, 2013	June 30, 2013
		Rupees	
6 INTANGIBLE ASSETS			
Computer software		1,658,027	1,779,800
Trading right entitlement certificate and offices	6.1	58,052,500	70,455,000
		59,710,527	72,234,800
6.1 TRADING RIGHT ENTITLEMENT CERTIFICATE AND OFFICES			
Trading right entitlement certificates		26,000,000	26,000,000
Offices			
Islamabad Stock Exchange Limited		12,402,500	24,805,000
Lahore Stock Exchange Limited		17,550,000	17,550,000
		29,952,500	42,355,000
Booths			
Karachi Stock Exchange Limited		2,100,000	2,100,000
		58,052,500	70,455,000

CONDENSED INTERIM
SELECTED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2013 (UN AUDITED)

	December 31, 2013	December 31, 2012
	Rupees	
7 INVESTMENT PROPERTY		
Acquisition cost - opening balance	212,199,812	53,000,000
Acquisition during the year	-	4,771,697
Disposal during the year	-	-
Expenditure incurred on acquisition and transfer of investment property	-	154,428,115
Acquisition cost - closing balance	212,199,812	212,199,812
Carrying value	212,199,812	212,199,812
Development charges	4,270,000	-
	216,469,812	212,199,812
Increase in fair value	103,136,788	103,136,788
	319,606,600	315,336,600

8 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

There were no changes in contingencies at the period end as disclosed in the annual audited financial statements for the year June 30, 2013.

COMMITMENTS

Following commitments are outstanding as at the year end.

- Outstanding settlement against sale/purchases of securities in future market.	-	22,746,380
- Outstanding Settlements against Marginal Trading contracts	429,963,124	354,849,362
- Outstanding Settlements against (purchase)/sale of securities in regular market.	7,630,302	115,552,990
-Guarantee given by a commercial bank on behalf of the company	100,000,000	100,000,000

	December 31, 2013	December 31, 2012
	Rupees	
9 OTHER OPERATING INCOME		
On financial assets		
Late payment charges on clients' balances	49,943,655	33,258,766
Profit on saving accounts	1,100,531	1,829,008
Profit on exposure deposit	1,119,193	587,306
Repo / reverse repo	13,104,008	-
Income from tenderable gain	4,400,765	-
Gain on initial recognition	-	121,342,551
Other income	612,752	-
On non-financial assets		
Rental income from investment property	2,517,690	2,397,900
Gain on disposal of asset	1,604,831	382,495
	74,403,425	159,798,026

CONDENSED INTERIM
SELECTED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2013 (UN AUDITED)

	December 31, 2013	December 31, 2012
	Rupees	
10 RELATED PARTY DISCLOSURE		
Brokerage commission and other services to:		
Parent	2,722,715	5,075,739
Group companies	2,076,483	3,868,889
Key management personnel	2,729,680	2,689,386
Other related parties	771,466	-
Rent paid to associated company	10,449,120	11,494,034
Tenderable gain from parent company	4,400,765	-
Rent income from Subsidiary	1,200,000	1,200,000
Remuneration to Chief Executive Officer	4,998,751	4,940,663
Remuneration to other directors	1,750,080	1,522,358
Contribution to staff provident fund	1,110,570	956,065

	December 31, 2013	June 30, 2013
	Rupees	
Balances with related parties at the end of the period are as follows:		
(Advances to) / receivable from related parties Parent	4,832,027	-
Group Companies	10,515,920	-
Subsidiary	1,200,000	6,412,826
Key management personnel	7,701	4,359,494
Other related parties	18,352,094	-
Investment in related parties	1,076,383,000	268,054,120
Subsidiary	38,000,000	13,000,000
Payable to related parties:		
Group Companies	117,507,058	-
Other related parties	391,085,050	300,168,505
Key Management personnel	173,473	1,638,725

11 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, 2013.

12 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:

	December 31, 2013	December 31, 2012
	Rupees	
Cash and bank balances	127,909,761	69,659,441
Short term borrowings	(2,217,361,396)	(1,539,136,051)
	(2,089,451,635)	(1,469,476,610)

13 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors in meeting held on January 23, 2014.

14 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**