

synergy

Quarterly Report
September 30, 2015

synergy

Table of Contents

<u>02</u>	<u>Corporate Information</u>
<u>04</u>	<u>Directors' Report</u>
<u>07</u>	<u>Condensed Interim Balance Sheet</u>
<u>08</u>	<u>Condensed Interim Profit and Loss Account (Unaudited)</u>
<u>09</u>	<u>Condensed Interim Statement of Comprehensive Income (Unaudited)</u>
<u>10</u>	<u>Condensed Interim Statement of Changes in Equity (Unaudited)</u>
<u>11</u>	<u>Condensed Interim Cash Flow Statement (Unaudited)</u>
<u>12</u>	<u>Condensed Interim Selected Notes to the Financial Statements (Unaudited)</u>



Corporate Information

Board of Directors

Mr. Zafar Alam
Mr. Muhammad Shahid Ali Habib
Ms. Sharmin Shahid
Mr. Ali Murtaza Kazmi
Mr. Haroon Usman
Ms. Nida Ahsan
Mr. Zeshan Afzal

Chairman & Non-executive Director
Chief Executive Officer & Executive Director
Non-executive Director
Independent Director
Non-executive Director
Non-executive Director
Executive Director

Audit Committee

Mr. Ali Murtaza Kazmi
Mr. Haroon Usman
Ms. Nida Ahsan

Chairman
Member
Member

Human Resource & Remuneration Committee

Mr. Haroon Usman
Mr. Muhammad Shahid Ali Habib
Ms. Nida Ahsan

Chairman
Member
Member

Company Secretary & CFO

Mr. Faisal Mehmood Shaikh, ACA

**Bankers**

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB 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

Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Credit Rating

JCR-VIS Credit Rating Company

Legal Advisors

M/s. Bawaney & Partners

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 : (92-21) 111-245-111
Fax No : (92-21) 32416072; 32429653
E-mail : info@arifhabibltd.com
website : www.arifhabibltd.com
www.ahletrade.com



Directors' Report

Dear Fellow Members of Arif Habib Limited,

On behalf of the Board of Directors of Arif Habib Limited (AHL), I am pleased to present the First Quarter Report of the Company for the year 2015-16 together with the financial statements of the quarter as per the accounting, regulatory and legal standards/requirements.

Business Environment

The new fiscal year started on a high note, with CPI inflation averaging at a historic low of 1.6% during 1QFY16. The low inflationary reading was primarily a consequence of declining global oil and commodity prices. The State Bank of Pakistan (SBP) took the opportunity to slash the Policy Rate by yet another 50bps, bringing it down to a multi-decade low of 6.0%. Falling oil prices also allowed the country to improve on the external front, taking the current account deficit to 0.1% of GDP in 1QFY16 compared to 2.4% in the same period last year. Although exports continued to remain lackluster as the Textile sector sustained losses due to low cotton prices in the international market, declining imports from falling oil prices helped decrease the trade deficit to 6.1% of GDP in 1QFY16, compared to 8.9% in 1QFY15. A higher inflow of remittances, upto USD 5.0bn in 1QFY16 (1QFY15: USD 4.8bn), issuance of another Euro bond, coalition Support Fund inflows continued support from IMF along with above mentioned factors, allowed buildup of FX reserves, up to USD 20.1bn towards the close of 1QFY16, compared to USD 13.5bn by end of 1QFY15. However, the PKR lost 1% of its value against the USD following the depreciation of the Yuan in the same quarter.

Stock Market

Pressure on global markets due to weakening Chinese economy and rumors of potential major foreign selling kept a check on the local bourse, with the KSE-100 Index shedding 6.1% of its value to close at 32,287 points by the end of 1QFY16, down 10.9% from a record high of 36,229 points. Volumes were up 135% YoY, however, were in declining mode towards the latter half of the quarter due to weakening sentiments. Average daily traded value clocked in at USD 121mn, up by 40% YoY. On the foreign flows front, net selling of USD 103mn was witnessed compared to net buying of USD 154mn during the same period last year. As a direct consequence of falling oil prices, Oil Exploration & Production (E&Ps) and Oil Marketing (OMCs) sectors remained the major underperformers during the quarter, while Cements, Fertilizer, Insurance and Pharmaceuticals outperformed the KSE-100 Index.

Your Company's Performance

By the grace of Almighty Allah, your Company has posted Profit after tax of PKR 132.22mn (PKR 113.92mn) which translate in an EPS of PKR 2.40 (PKR 2.07).

During the period under review, the brokerage division revenue increased by 50% from the same period last year and posted a total brokerage revenue of PKR 72.03mn (PKR 48.07mn). The Investment Banking division continues to perform well with revenues standing at PKR 57.52mn (PKR 45.24mn) from the same period last year, a solid increase of 27% YoY. The Company's investment portfolio has yielded healthy realized and unrealized revenue of PKR 85.47mn (PKR 145.48mn).

Your Company has done well in expense management with administrative and operating expenses increasing by a mere 8% as compared to the same period last year. Our finance cost for the period has decreased significantly to PKR 29.68mn (PKR 66.88mn). The decrease is due to the rate cut on borrowing and effective management of funds by the Company.

The equity of the Company, as at the balance sheet date, is PKR 2.41bn (June 2015: PKR2.68bn) which translates into book value per share of PKR 43.90 (June 30, 2015: PKR 48.75). The equity level decreased due to the release of PKR 385mn reserves for cash dividends approved in the AGM held on September 19, 2015.

Future Prospects

The future prospects of your Company look outstanding on account of our rising market share in various business segments. We are targeting to generate better volumes from our existing as well as potential foreign and domestic clients on account of improving relationship with foreign and domestic institutional investors as well as key broker dealers through value-added services. We are also eyeing increased activity on account of new equity and debt listings M&A Advisory and Private Equity Business for which our Investment Banking division is well poised. We are confident that the Company's investment portfolio will InshAllah keep delivering better results going forward, as the market still offering good investment opportunities. We are also taking steps to provide excellent research services to both our local and foreign clients to improve our business and strengthen our relationships.

Acknowledgement

We are grateful to the Company's shareholders for their increased confidence and patronage. We record our appreciation and thanks to all Stakeholders and the Parent Company, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan and the Managements of Karachi, Lahore and Islamabad Stock Exchanges for their continuing support and guidance without which we would not have been able to pursue our strategy and such business performance.

We acknowledge and appreciate the hard work put in by the employees of the Company during the period. We also appreciate the valuable contribution and active role of the Members of the Board Committees in supporting and guiding the Management on matters of great importance.

For and on behalf of the board



Muhammad Shahid Ali Habib
Chief Executive Officer and
Executive Director

October 21, 2015
Karachi.

CONDENSED INTERIM FINANCIAL INFORMATION

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2015

	Unaudited September 30, 2015	Audited June 30, 2015
Note		
Rupees		
ASSETS		
NON- CURRENT ASSETS		
Property, plant and equipment	5 47,786,791	48,446,729
Intangible assets	17,630,968	17,861,178
Long term investments	209,342,551	209,342,551
Investment property	511,639,974	511,639,974
Long-term deposits	15,395,346	14,886,171
Deferred tax asset	18,986,835	20,258,431
	820,782,465	822,435,034
CURRENT ASSETS		
Short term investments	2,370,054,045	1,500,910,603
Trade debts - considered good	1,628,761,389	537,407,441
Short term loans - secured	3,516,796	3,732,139
Trade deposits and prepayments	186,038,000	407,051,166
Other receivables	298,376,980	267,522,705
Cash & bank balances	340,912,026	495,624,281
	4,827,659,236	3,212,248,335
TOTAL ASSETS	5,648,441,702	4,034,683,369
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorized Capital		
75,000,000 (June 2015: 75,000,000) ordinary of Rs.10/- each	750,000,000	750,000,000
Issued, subscribed & paid-up capital	550,000,000	550,000,000
Unappropriated profits	1,862,817,690	2,115,595,052
	2,412,817,690	2,665,595,052
Surplus on revaluation of assets	15,432,500	15,432,500
LIABILITIES		
NON-CURRENT LIABILITIES		
Liabilities against assets subject to finance lease	2,535,847	1,660,874
CURRENT LIABILITIES		
Short term borrowings- secured	1,646,370,244	573,669,027
Current portion of liability subject to finance lease	511,926	500,013
Trade and other payables	890,068,087	524,978,669
Payable against purchase of securities- net	111,326,165	44,558,395
Dividend payable	385,000,000	-
Markup accrued	9,864,672	43,753,713
Taxes payable	174,514,571	164,535,126
	3,217,655,665	1,351,994,943
CONTINGENCIES AND COMMITMENTS	6 -	-
TOTAL EQUITY AND LIABILITIES	5,648,441,702	4,034,683,369

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.


Chairman


Chief Executive Officer

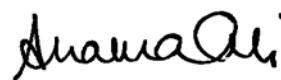
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Unaudited)

	2015	2014
	<u> Rupees </u>	
Operating revenue	153,208,212	125,386,631
Capital gain on sale of investments - net	39,649,001	358,760,227
Profit / (loss) on re-measurement of investments carried at fair value through profit or loss - net	22,203,750	(245,341,030)
	<u>215,060,963</u>	<u>238,805,828</u>
Administrative expenses	(63,364,206)	(61,032,007)
Finance costs	(29,677,800)	(66,887,535)
Other operating incomes	43,802,238	56,932,853
Other charge	(3,316,424)	(3,362,993)
Profit before taxation	<u>162,504,771</u>	<u>164,456,146</u>
Taxation - net	(30,282,133)	(50,528,639)
Profit after taxation	<u>132,222,638</u>	<u>113,927,507</u>
Earnings per share - basic & diluted	<u>2.40</u>	<u>2.07</u>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.



Chairman



Chief Executive Officer

**CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Unaudited)**

	2015	2014
	Rupees	
Profit after taxation	132,222,638	113,927,507
Other comprehensive income	-	-
Total comprehensive profit for the period transferred to equity	<u>132,222,638</u>	<u>113,927,507</u>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.



Chairman



Chief Executive Officer

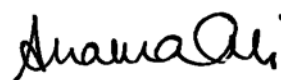
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Unaudited)

	Issued, subscribed & paid up capital	Unappropriated profits	Total
	Rupees		
Balance as at July 1, 2014	550,000,000	1,462,060,100	1,343,415,798
Comprehensive income for the period July - September 2014	-	113,927,507	113,927,507
Issue of cash dividend @ 50%	-	(275,000,000)	(275,000,000)
Balance as at September 30, 2014	<u>550,000,000</u>	<u>1,300,987,607</u>	<u>1,182,343,305</u>
Balance as at October 1, 2014	550,000,000	1,300,987,607	1,182,343,305
Comprehensive income for the period October 2014 - June 2015	-	814,607,445	814,607,445
Balance as at June 30, 2015	<u>550,000,000</u>	<u>2,115,595,052</u>	<u>2,665,595,052</u>
Balance as at July 1, 2015	550,000,000	2,115,595,052	2,665,595,052
Comprehensive income for the period July - September 2015	-	132,222,638	132,222,638
Issue of cash dividend @ 70%	-	(385,000,000)	(385,000,000)
Balance as at September 30, 2015	<u>550,000,000</u>	<u>1,862,817,690</u>	<u>2,412,817,690</u>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.



Chairman



Chief Executive Officer

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Unaudited)

	Note	2015	2014
Rupees			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		162,504,771	164,456,146
Adjustments for:			
Depreciation on property, plant and equipment		2,264,347	2,242,222
Amortization on intangible assets		230,210	162,185
Loss on disposal of property, plant and equipment		(3,737)	-
Gain / (loss) on re-measurement of investments carried at fair value through -held for		(22,203,750)	245,341,030
Realized gain on short term investments		(39,649,001)	(358,760,227)
Dividend income		(23,659,241)	(32,064,953)
Recovery against doubtful debts		(427,600)	(116,800)
Finance costs		29,677,800	66,887,535
		<u>(53,770,972)</u>	<u>(76,309,008)</u>
Cash generated from operating activities before working capital changes		108,733,799	88,147,138
Effect on cash flow due to working capital changes			
Increase / (decrease) in current assets			
Short-term investments		(807,290,691)	56,826,738
Trade debts - considered good		(1,090,926,348)	(651,276,399)
Receivable against sale of securities- net		-	886,121,554
Short term loans		215,343	1,203
Deposits and short-term prepayments		221,013,166	(10,106,030)
Other receivables		(30,854,275)	103,062,865
Increase / (decrease) in current liabilities			
Payable against purchase of securities- net		66,767,770	-
Trade and other payables		365,089,418	137,908,389
		<u>(1,275,985,617)</u>	<u>522,538,320</u>
Cash (used in) / generated from operations		(1,167,251,818)	610,685,458
Taxes paid		(19,031,091)	(13,001,019)
Finance costs paid		(63,566,841)	(56,733,764)
Net cash (used in) / generated from operating activities		(1,249,849,750)	540,950,675
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(589,114)	(442,300)
Proceeds from disposal of property, plant and equipment		27,442	-
Dividends received		23,659,241	32,064,953
Shares subscription of subsidiary		-	(50,000,000)
Proceeds from disposal of intangible asset		-	(4,270,000)
Long term deposits		(509,175)	49,700
Net cash generated from / (used in) investing activities		22,588,394	(22,597,647)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(152,116)	(187,975)
Payment of dividend		-	(275,000,000)
Net cash used in financing activities		(152,116)	(275,187,975)
Net (decrease) / increase in cash and cash equivalents		(1,227,413,472)	243,165,053
Cash and cash equivalents - at the beginning of the period		(78,044,746)	(2,212,098,718)
Cash and cash equivalents - at the end of the period	9	(1,305,458,218)	(1,968,933,665)

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.


Chairman


Chief Executive Officer

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (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, act as book runner, 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/233/683/2007-146 dated September 09, 2015 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. These subsidiaries have been consolidated by the ultimate holding Company i.e. Arif Habib Corporation Limited. The financial statements of the subsidiary company are available for inspection at the Company's registered office and would be available to the members on request without any cost.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Company for three months period ended 30 September 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial reporting" and provisions of and directives issued under the Companies Ordinance 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 will be prevailed.

This condensed interim financial information is unaudited and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual audited separate financial statements as at and for the year ended 30 June 2015.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited separate financial statements of the Company for the year ended 30 June 2015, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim financial information for the period ended 30 September 2015. This condensed interim financial information has been prepared on the basis of a single reportable segment.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for certain investments classified as at fair value through profit or loss which are measured at fair value.

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, 2015.

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 STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Unaudited)

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, 2015.

5 PROPERTY, PLANT & EQUIPMENT

During the quarter ended September 30, 2015, addition made amounting to Rs. 589 thousands (June 2015: 17,120 thousands) which comprised of computer and allied. Disposal was made during the quarter under review having WDV of Rs. 31 thousand and where settled against insurance claims of Rs. 27 thousand (June 2014: WDV of Rs. 1,875 thousands where sold of Rs. 2,272 thousands).

6 CONTINGENCIES AND COMMITMENTS

COMMITMENTS

Following commitments are outstanding as at the year end.

	September 2015	June 2015
- Outstanding settlements against marginal trading contracts	<u>1,467,562,102</u>	<u>1,286,119,630</u>
- Outstanding settlements against sale/purchase of securities in regular market.	<u>24,764,822</u>	<u>87,182,861</u>
-Guarantee given by a commercial bank on behalf of the Company	<u>100,000,000</u>	<u>100,000,000</u>

CONTINGENCIES

There is no change in the status of the contingencies as at the period end as disclosed in the annual financial statements for the year ended June 30, 2015.

7 RELATED PARTY DISCLOSURE

Related Party Transactions

Significant transactions with the related parties during the quarter ended are as follows:

Brokerage commission and other services to:

	September 2015	September 2014
<u> Rupees </u>		
Parent	2,034,098	2,901,210
Group companies	48,591	971,665
Key management personnel	341,356	92,384
Other related parties	1,991,698	182,882
Rent paid to associated concern	-	5,224,560
Remuneration to Chief Executive Officer	1,503,669	1,682,988
Remuneration to other directors	1,792,565	2,637,832
Contribution to staff provident fund	1,855,724	564,575
Investments made in subsidiary company	-	50,000,000

CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Unaudited)

Balances with related parties at the end of the period are as follows:	September 30, 2015	June 30, 2015
	Rupees	
Receivable from related parties		
Parent	113,433	96,525
Group companies	75,121,633	77,619,052
Key management personnel	19,010,866	5,152,736
Other related parties	36,993	5,906,484
Investment in group companies	614,448,766	611,038,911
Payable to related parties:		
Group companies	9,221,009	3,124,400
Key management personnel	49,859,090	60,746,281
Other related parties	2,509,885	154,879

8 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, 2015.

9 CASH AND CASH EQUIVALENT

	September 30, 2015	September 30, 2014
Cash & bank balances	340,912,026	52,061,534
Short term borrowings- secured	(1,646,370,244)	(2,020,995,199)
	(1,305,458,218)	(1,968,933,665)

10 DATE OF AUTHORIZATION FOR ISSUE

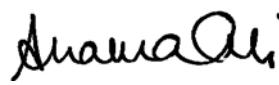
These financial statements were authorized for issue by the Board of Directors in meeting held on **October 21, 2015**.

11 GENERAL

This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest rupee.



Chairman



Chief Executive Officer

www.jamapunji.pk








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Punji**
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







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-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



Arif Habib Centre,
23, M.T. Khan Road, Karachi-74000
UAN: (92-21) 111-245-111
Fax No: (92-21) 32416072; 32429653
Company Website: www.arifhabibltd.com
Group Website: www.arifhabib.com.pk