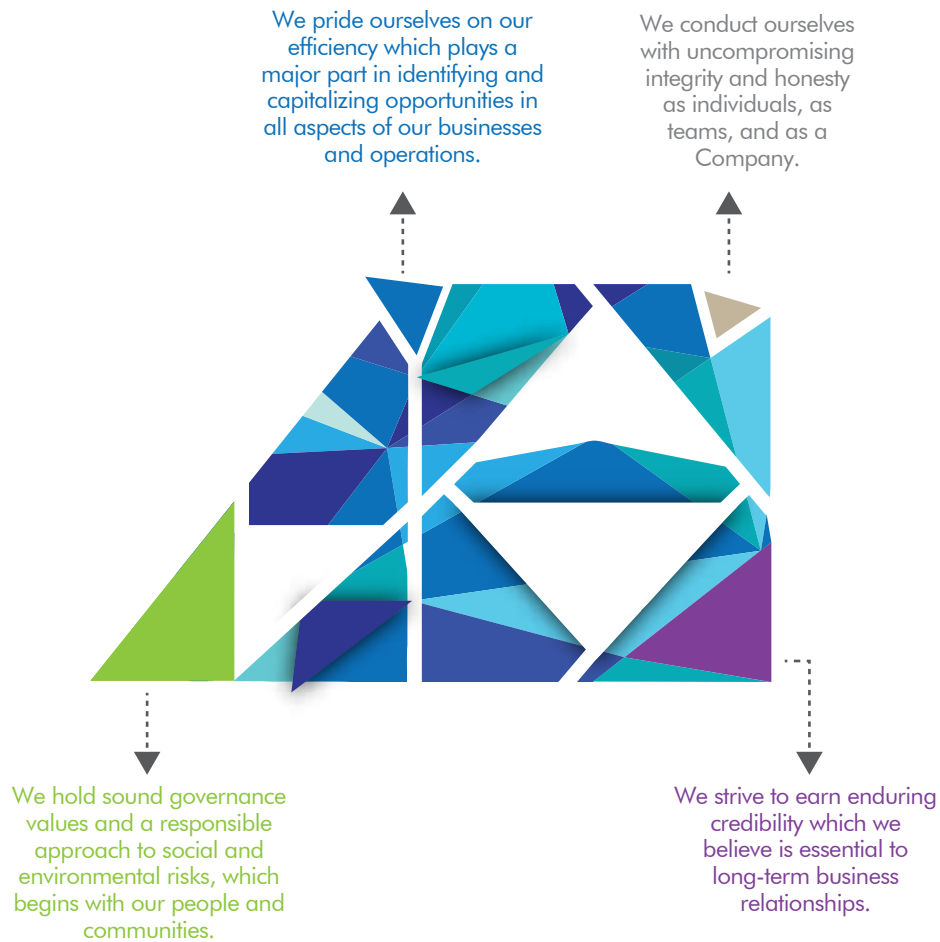


STRIVING TO REALIZE OPPORTUNITIES

ANNUAL REPORT 2016





STRIVING TO REALIZE OPPORTUNITIES

Arif Habib Limited (AHL) is constantly STRIVING TO REALIZE OPPORTUNITIES, albeit not compromising on our values.

Our theme for this year shows correlation between elements of the Company's logo and our core values; *Efficiency, Integrity, Social Responsibility and Credibility*. These values are embedded in our foundation and are the cornerstones of the Company. This has been illustrated in the image above.

We shall continue to strive and highlight these values in our daily business practices.

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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

Dr. Muhammad Sohail Salat
Independent Director

Ms. Nida Ahsan
Non-executive Director

Ms. Sharmin Shahid
Non-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. Muhammad Taha Siddiqui

Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Credit Rating

JCR-VIS Credit Rating Company Limited

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
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 Shakra-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
Company website: www.arifhabibltd.com
Online Trade: www.ahletrade.com
Branch Reg. No: BOA-050/01

DIRECTORS' PROFILES



MR. ZAFAR ALAM

Chairman of the Board of Directors and Non-executive Director

Mr. Zafar Alam is a Master's degree holder in nuclear physics and has over 31 years' experience in investment banking encompassing origination, trading, sales and asset management in various financial centers around the globe. He has been a key member of the Top Executive Group-TEG at ABN AMRO Bank and RBS Bank. Mr. Zafar had several leadership responsibilities including leading teams of over 300 people and managing revenues of several hundred million dollars. Mr. Zafar has diverse experience across geographies and various aspects of finance, having worked in London, Singapore, Hong Kong and Dubai in Equities, Fixed Income and Asset Management. The last initiative being in Dubai setting up a Shariah based fund in Mauritius.

Mr. Zafar joined ABN AMRO as Investment Manager in Dubai. In 1988 he moved to Hong Kong as Head of ABN AMRO Securities & Finance Company, focusing on fixed income trading and sales. In 1990 he started equities brokerage business and origination in Asian equities. In 1995 he moved to Singapore, as Head of Local Markets and Credit Trading and started to build the local markets business in the bank for the first time. The Bank was only active in the FX sphere but Mr. Zafar gave the direction to add Fixed Income and Derivatives as the market was set to take off in the aftermath of the Asian crisis. The activities included origination, trading and sales in thirteen Asian countries.

In 2002, he was appointed Managing Director and moved to London as Global Head of Emerging Markets responsible for origination, trading and sales in Emerging Markets, before taking on his current role in Equities Directorate.

In 2010, he was Regional Head of Equities and Structured Retail Sales for Middle East and Africa, based in Dubai to build an equities platform for the MENA region for RBS investor clients. He was also managing the Structured Equities Solution team which provided equity financing with an overlay of derivative solutions. Prior to relocating to Dubai, Mr. Zafar was based in London as Global Head of Equity Derivatives Sales in the enlarged RBS Global Banking & Markets Group. In this role Mr. Zafar was responsible for combining the successful Private Investor Products (PIP) and Institutional/Corporate business of ABN AMRO with the growing RBS Structured Investor Products business. He was responsible for developing, manufacturing and distributing structured products consisting of multi-assets.

Prior to that in his role as Global Head of Private Investor Products, Mr. Zafar was responsible for distribution of innovative structured products to private and retail clients within RBS and ABN AMRO Bank. The team distributed structured products through all major international banks.



MR. MUHAMMAD SHAHID ALI HABIB

Chief Executive Officer and Executive Director

Mr. Muhammad Shahid Ali Habib carries a proven track record of establishing successful business organisations and turning around ventures into vibrant units. He has over 19 years of experience in the fields of Securities Brokerage, Banking, Asset Management and Investment Banking. He has served in leading positions at top local and international institutions.

Mr. Shahid has also served as Executive Director and Chairman of a few local equity brokerage and financial services institutions. He has also worked at Bank Al Bilad, one of the leading Islamic banks in Saudi Arabia. Mr. Shahid also served the Karachi Stock Exchange as member of various committees including Development and Trading Affairs Committee, New Product Committee, Arbitration Committee and Companies Affairs and Corporate Governance Committee. At AHL, Mr. Shahid oversees all brokerage and investment banking activities, especially equity sales and marketing & placement of all IPOs / SPOs. He has been involved in numerous transactions in Pakistan's equity markets over the years. He was involved as Domestic Team Lead in GoP's divestment of HBL (the largest secondary market offering in Asian Frontier Markets) and UBL.

He holds an MBA (Finance) degree from the Institute of Business & Administration (IBA) and has a Certification in Finance from London School of Economics (LSE) as well as a Bachelor's degree in Computer Science from FAST ICS. He has also attended various international professional development courses in the fields of finance, technology and energy.



MR. ALI MURTAZA KAZMI

Independent Director

Mr. Ali Murtaza Kazmi is a law graduate from the University of Essex, U.K. and has since been practicing in Pakistan for over 10 years. Mr. Ali's areas of expertise range from corporate & commercial transactions which include providing legal counsel to public and private limited companies on various compliance and corporate secretarial matters, as well as mergers and acquisitions.

Mr. Ali has recently joined his family business as Director Operations and is currently working on various projects to expand the business.

MS. SHARMIN SHAHID

Non-executive Director

Ms. Sharmin Shahid has over 16 years of experience in the field of securities brokerage and portfolio management. She was awarded the top position in her Bachelor's Degree in Commerce and has also participated in the Directors' Training Program. She has been awarded the Top 25 Companies Award on behalf of AHL for several years.

Ms. Sharmin actively participates in welfare and educational activities and remains one of the trustees of Jinnah Foundation and Memon Health and Education Foundation (MHEF). Under her patronage & guidance, AHL has continued to excel and become a leading name in the industry.

MS. NIDA AHSAN

Non-executive Director

Ms. Nida Ahsan is a Commerce graduate and represents the Arif Habib family who are the majority owners of the Arif Habib Group and have made significant contributions in the development of the securities market in Pakistan.

She has over 12 years experience of investing in listed securities including a number of first and second tier stocks.



MR. HAROON USMAN

Non-executive Director

Mr. Haroon Usman is a Commerce graduate and a Fellow Member of the Institute of Cost and Management Accountants of Pakistan. He has over 45 years' experience in the fields of commerce, finance and industry. He has served a number of local and foreign organisations of repute in different executive positions related to accounts, finance, general management and consultancy, both in Pakistan and abroad.

Mr. Haroon serves as Director and Chairman of the Human Resource & Remuneration Committee of the Company.

DR. MUHAMMAD SOHAIL SALAT

Independent Director

Dr. Muhammad Sohail Salat is a qualified and highly reputed pediatrician who has a Bachelor of Medicine and Bachelor of Surgery from Dow Medical College Karachi. He has a certification in General Pediatrics from the United States of America as well as holding a Foreign Medical Graduate Examination in medicine from the US and is licensed from Pakistan Medical and Dental College. Dr. Sohail completed his residency in Pediatrics from Maimonides Medical Center and Interfaith Medical Center in New York as well as a Fellowship in Neonatal Perinatal Medicine from Westchester Medical Center, New York Medical College.

Dr. Sohail has been associated with The Aga Khan University Hospital (AKUH) Karachi since 2001 in the Department of Pediatrics and Child Health is currently working as an Associate Professor. He has held director posts in education, clinical areas and also chaired various administration committees in AKUH. He was previously associated with Ziauddin Medical University Karachi as Assistant Professor.

Dr. Sohail is regarded as an expert in the fields of Pediatrics, Child Health and Neonatal Perinatal Medicine and has had numerous publications on the subjects whilst presenting at leading local and international conferences. He is actively involved in Pakistan Pediatric Association (PPA), a non-political organisation for the better care of pediatric patients in Pakistan and holds the posts of Convener Neonatology group of PPA as well as Treasurer of both Sindh chapter and Karachi chapter of PPA. He is also working as a member of the Hospital Management Board of Memon Medical Institute Karachi.

EFFICIENT APPROACH





With the aim of becoming the most respected financial institution, we strive to deliver maximum value to our stakeholders. Our code of conduct is reflected in our four core values; *efficiency, integrity, social responsibility and credibility*. Our corporate strategy focuses on delivering high value to our clients and stakeholders, whilst remaining uncompromising in our efforts to maintain high levels of ethical standards in our practices.

VISION

"Our vision is to be the most Preferred and Respected Financial Institution, renowned for our expertise in Brokerage and Investment Banking services."

MISSION

"Our mission is to create value for our stakeholders by providing outstanding brokerage services and investment banking solutions to our customers. We strive to build an environment that encourages teamwork at the workplace to deliver superior products and services and to serve the development of our capital market."

CODE OF CONDUCT

Arif Habib Limited strongly believes in running business progressively without compromising on the best ethical standards as guided by the "Code of Ethics and Business Practices".

OUR VALUES

EFFICIENCY

We pride ourselves on our efficiency which plays a major part in identifying and capitalising opportunities in all aspects of our businesses and operations.

INTEGRITY

We conduct ourselves with uncompromising integrity and honesty as individuals, as teams, and as a Company.

SOCIAL RESPONSIBILITY

We hold sound governance values and a responsible approach to social and environmental risks, which begins with our people and communities.

CREDIBILITY

We strive to earn enduring credibility which we believe is essential to long-term business relationships.

CORPORATE STRATEGY

- Strive continuously to maximize value for our clients and stakeholders.
- Control credit, market and operational risks to mitigate overall risk.
- Provide proactive and effective services to our clients.
- Expand the range of our products and services.
- Continue exercising the highest level of ethical standards.



INTEGRITY AND COMMITMENT





Pakistan's economy has experienced progressive growth in recent years, which in turn has aided the Company to perform admirably. The stock market's success has also been commendable, and during the past year, Pakistan has achieved the momentous feat of being upgraded to the MSCI Emerging Markets (EM) Index, a testimony to strong investor confidence. The Company shall continue to strive for further growth and success, at the same time working towards enhancing our industry's outlook, and promoting economic prosperity in the Country.

DIRECTORS' REPORT

Dear Fellow Shareholders of Arif Habib Limited,

On behalf of the Board of Directors (BoD) of Arif Habib Limited (AHL), I am pleased to present the Annual Report of the Company for the financial year 2015-16 together with the audited financial statements of the year, in line with the accounting and regulatory requirements.

Business Environment

In the recent years the Pakistani economy has made noticeable improvements amid rising disposable incomes, consumer demand and urbanisation. This year was no exception; despite the reduced output, as well as low farm prices witnessed in the agriculture sector, specifically in cotton production, a GDP growth at 4.71% was achieved owing to both the industrial and services sectors showing significant improvement. Business environment remained buoyant, with the significantly improved law and order situation in the country. Some of the major industries driving the Large Scale Manufacturing (LSM) increase were *Automobiles, Fertilizers and Non-Metallic Mineral Products*.

Also favourable was the low inflation at 2.9% in contrast to 4.6% during the previous year, as a result of soft commodity prices in the global market in general and lower oil prices in particular; which created room for the State Bank's policy rate to be slashed by another 75bps to a multi-decade low of 5.75% by June 2016.

On the external front, although the import bill of USD 40.5 billion, displayed a mere 2% dip despite low oil prices, the country's exports declined to USD 22 billion, a decrease of 9%, resulting in the trade deficit increasing to USD 18.5 billion (2014-15: USD 17.2 billion). Albeit, a mild 7% year-on-year retraction in the Current Account Deficit (CAD) to USD 2.5 billion was achieved through

robust influx of workers' remittances during the year settling at USD 19.9 billion (a 6% ascend from 2014-15), coupled with an impressive 39% surge in Foreign Direct Investment (FDI) to USD 1.3 billion. Supportive provisions from the International Monetary Fund, the World Bank and the Asian Development Bank also assisted the foreign exchange reserves to reach an all-time high of USD 23 billion, providing an effective import cover of 5 months and stability to the local currency.

Stock Market

The benchmark equity index KSE-100 recorded a return of 9.8% during the financial year 2015-16 to close at a level of 37,783. Volumes during the year averaged at 209 million shares (decrease of 5% year-on-year) and Valued Traded averaged to USD 106 million (decrease of 20% year-on-year). The most important development of this year was Pakistan's re-classification from MSCI Frontier Markets to Emerging Markets. The other factors resulting in the market exhibiting decent performance were improving macros, better law and order situation and increased investments on account of China Pakistan Economic Corridor (CPEC).

Furthermore, the Pakistan Stock

Exchange (PSX) has recently commenced roadshows for the demutualisation of the exchange and we foresee strategic investments from international exchanges, as well as domestic institutions. This should result in an improved governance of the exchange and consequently further support Pakistani capital market to attract flows from international investors.

Overseas investors remained on the edge with portfolios worth USD 281.63 million off-loaded in 2015-16, as compared to net buying of USD 38.54 million witnessed in 2014-15. However, a reversal in this trend has already commenced since the announcement of Pakistan's re-classification with net buying of USD 59.65 million.

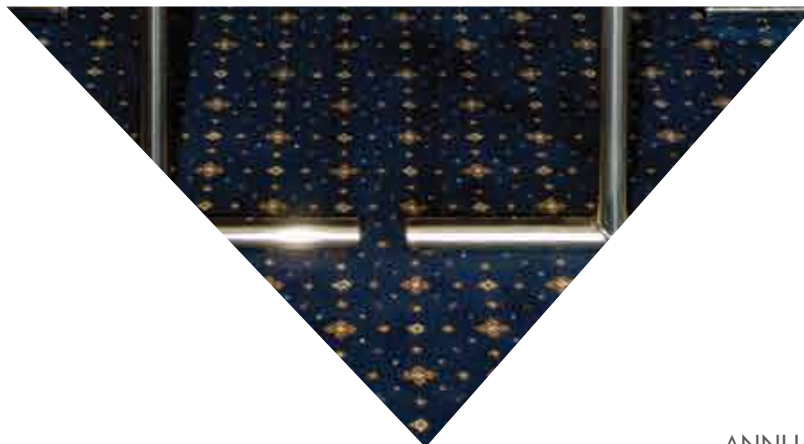
Financial Performance

During the year under review, the Company's profit stands at PKR 409 million (2015 : 929 million), this translates to an earnings per share (EPS) of PKR 7.45. The equity of the Company has increased by 1% to PKR 2.70 billion which translates into book value per share of PKR 49.19.

A Summary of Financial Results is as follows:-

	2016	2015
Profit after tax	409,417,975	928,535,002
Un – appropriated profit brought forward	1,730,595,102	1,187,060,100
Profit available for appropriation	2,140,013,027	2,115,595,102
Appropriations:		
*Final Cash Dividend at PKR 7 per share i.e. 70% for the year ended June 30, 2016 as recommended by the BoD. (PK 7 per share i.e. 70% for the year ended June 30, 2015)	385,000,000	385,000,000
Unappropriated Profit carried forward	1,755,013,027	1,730,595,102
Earnings per share – basic & diluted	7.45	16.88

*subject to the approval by members in the AGM to be held on September 24th, 2016.



Brokerage Revenue Performance

The brokerage revenues posted at PKR 277 million, a decrease of 14 % year-on-year for 2015-16, a while the market average traded value decreased by 20%. The Company remained one of the top players in equity brokerage with one of the highest market shares, and has achieved a deeper penetration among all existing local and foreign institutional, corporate, high net worth and retail clients, as well as opening a considerable number of new accounts across all client segments. During the period under review, the Company has made significant inroads in entering international equity sales, capitalising its strong balance sheet, building on its reputable brand name and reliable research services.

Investment Banking Revenue Performance

The Investment Banking division generated revenues of PKR 252 million, primarily on account of some landmark transactions during the year. The Company remained a market leader by managing Initial Public Offering (IPO) and debt transactions in 2015-16 which included Secondary Public Offering of Engro Fertilizers Limited, the largest private sector equity capital market (ECM) transaction in Pakistan, Habib Bank Limited's Term Finance Certificate (TFC), which was the largest Tier-2 TFC/Bond in Pakistan as well as the IPOs of TPL Properties, the first ever private IPO conducted entirely through the book building process and Hi-Tech Lubricants which was the first IPO on the Pakistan Stock Exchange. We are

engaged in a number of mandated and potential equity & debt capital market transactions for 2016-17, which will continue to add to our earnings and maintain our market leadership.

Based on the performance during the year under review, the Board has recommended a final cash dividend for the year ended June 30, 2016 at PKR 7 per share i.e.70%. This entitlement shall be available to those shareholders whose names appear on the shareholders' register at the close of business on September 17th, 2016.

Awards and Recognition

This past year, our efforts and performance have led to a series of domestic and international awards being presented to the Company. This includes the awards for Best Domestic Equities House (Asiamoney), Best Brokerage House (The Asset) and Top 25 Companies for the Year (PSX) for 2014 and 2015. Our Investment Banking credentials have been accredited with a series of awards, including Best Country Deal (Asiamoney), Deal of the Year (The Asset), Equity Deal of the Year (The Asset) and Corporate Finance House of the Year (CFA Society Pakistan).

Expenses Management Performance

The Management was able to decrease the operating expenses by 11% as compared to last year. The decrease is due to the fact that the Company has managed to cut down unnecessary costs and has exercised a strict cost control policy. Our financing

costs have decreased by 29% owing to the lower borrowing rates and better management of funds. These funds have been utilised towards the Company's business and opportunistic investments.

Credit Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned entity ratings to the Company of 'AA-/A-1' (Double A Minus/A Minus One). The outlook on the assigned ratings is 'Stable'. This endorsement has further strengthened our resolve for continuous growth in brokerage and related services and has given confidence to all our clients regarding the stability and continuity of the Company in years to come.

Human Resource

The Company firmly believes in nurturing and investing in its employees with the ultimate objective of ensuring high employee morale and productivity, which in turn ensures a high level of customer service. We work towards understanding and assimilating employee objectives with corporate goals.

Risk Management

Risks are inherent in our business and include liquidity, market, credit, operational, legal, regulatory and reputational risks. The Company's risk management governance starts with our Board, which plays an important role in reviewing and approving risk management policies and practices. The risk management framework and

systems are longstanding, standardised and robust. The Company believes that effective risk management is of primary importance to its success. Accordingly, the Company has adopted comprehensive risk management processes through which it monitors, evaluates and manages the risks assumed in conducting its activities. It applies a rigorous framework of limits to control risk across multiple transactions, products, businesses and markets. This includes setting credit and market risk limits at a variety of levels and monitoring these limits on a daily basis.

The Company also focuses on the rigor and effectiveness of the risk systems and devotes significant time and resources to its risk management technology, so as to ensure that it consistently provides the Management with complete, accurate and timely information.

Corporate Social Responsibility

In keeping with the tradition, the Company continued its contribution to the society as a socially responsible organisation through a series of initiatives. Arif Habib Limited is committed towards fulfilling its Corporate Social Responsibility and has been actively involved with special focus on healthcare, education, environment as well as the development of our industry, and aims to enhance its scope and contribution in the future.

At Arif Habib Limited, we prioritise contribution towards the enrichment of the lives of our communities and the

people of Pakistan. Corporate philanthropy and contribution towards noble social causes is a means to this which allows us to give back to the people around us. The details of the contribution made by the Company is presented on Page No. 20.

Code of Corporate Governance

The Board and management of the Company are committed to ensure that requirements of the Code of Corporate Governance are fully met. The Company has adopted good corporate governance practices with an aim to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Directors are pleased to report that:

- a. The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- b. Proper books of account of the Company have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements;
- e. The system of internal control is sound in design and has been

effectively implemented and monitored;

- f. There are no significant doubts upon the Company's ability to continue as a going concern;
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- h. The Company has on account of statutory payment of taxes, duties, levies and charges, no outstanding liability as at the balance sheet date;
- i. The Company has paid an amount of PKR 3,794,367 in the Provident Fund of the employees of the Company and the Company has no outstanding liability as at the year-end due to the Provident Fund being managed by a separate trust.

Changes in the Board

During the year under review, one of our executive directors' resigned from the Board and the vacancy was filled up by an independent non-executive director.

Board and Audit Committee Meetings and Attendance

During the year under review, five meetings of the Board and four meetings of the Audit Committee were held from July 01, 2015 to June 30, 2016. The attendance of the Board and Audit Committee members was as follows:

Name of Director	Board Meeting	Audit Committee Meeting
Mr. Zafar Alam	4	N/A
Mr. Muhammad Shahid Ali Habib	4	N/A
Mr. Ali Murtaza Kazmi	3	3
Mr. Haroon Usman	4	4
Dr. Muhammad Sohail Salat *1	2	N/A
Ms. Nida Ahsan	3	3
Ms. Sharmin Shahid	4	N/A
Mr. Zeshan Afzal *2	1	N/A
<p>*1 represents the incoming directors *2 represents the outgoing directors</p> <p>The leave of absence was granted to the members not attending the Board and Committee meetings.</p> <p>Trading in Shares of the Company by Directors and Executives</p> <p>500 shares each were bought by newly elected directors during the year except those no trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.</p> <p>Future Prospects</p> <p>The future prospects of the Company look promising on account of our efforts in increasing the market share in various business segments. We are endeavouring to generate better volumes from our existing as well as potential foreign and domestic clients by enhancing our relationships with them through value-added services. This includes, but is not limited to,</p>	<p>offering new products and services through augmenting our Research. We are also eyeing increased activity on account of new equity and debt listings for which our Investment Banking Division is well placed. We are confident that the Company's investment portfolio will continue to deliver better results, as the market is still offering lucrative investment opportunities.</p> <p>Audit Committee</p> <p>The Audit Committee of the Board continued to perform its duties and responsibilities effectively as per its terms of reference duly approved by the Board. The committee composition has also been attached with this report.</p> <p>Corporate and Secretarial Compliance</p> <p>The Company Secretary has furnished a Secretarial Compliance Certificate as part of the annual return filed with the Registrar of Companies to certify that the secretarial and corporate requirements of the Companies</p>	<p>Ordinance, 1984, Memorandum and Articles of Association of the Company and the listing regulations have been duly complied with.</p> <p>Ethics and Business Practices</p> <p>As per the Corporate Governance guidelines, the Company has circulated a "Code of Ethics" for compliance. It has been signed by all directors and employees of the Company acknowledging their understanding and acceptance of the Code.</p> <p>Pattern of Shareholding</p> <p>The detailed pattern of the shareholding and categories of shareholders of the Company as at June 30, 2016, as required under the listing regulations, have been appended to the Annual Report.</p> <p>Information to Stakeholders</p> <p>Key operating and financial data of previous years has been summarised and presented on page No. 28.</p>

Post Balance Sheet Date Event / Dividend

The Board of Directors', in its meeting held on July 29, 2016 have proposed a final cash dividend of PKR 7 per share i.e., 70% for the year ended June 30, 2016 for approval of the members at the Annual General Meeting to be held on September 24, 2016. The financial statements do not reflect this proposed dividend

Related Party Transaction

In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board in their respective meetings. The details of all related party transactions have been provided in note 30 & 31 of the annexed audited financial statements.

Auditors

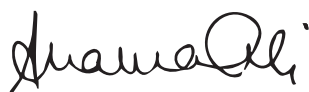
The retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have offered themselves for re-appointment for the financial year 2016-17. The Board recommends their re-appointment. A resolution proposing this will be submitted at the forthcoming Annual General Meeting for approval.

Acknowledgement

We are grateful to the Company's shareholders for their continuing confidence. We record our appreciation and thank all Stakeholders, the Parent Company, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan and the Management of Pakistan Stock Exchange for their continuing support and guidance.

Last but not the least, 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 of Directors,



Muhammad Shahid Ali Habib
Chief Executive Officer and Executive Director

Karachi.

Dated: July 29, 2016

SOCIALLY RESPONSIBLE





We believe in sustainable success, which is achieved by keeping both stakeholders' and environmental concerns in mind. Our social and corporate development efforts are a way of delivering on this promise. Our involvement ranges from working with public welfare projects in health, education and environmental sectors, and also contributing towards the expansion and growth of the industry we operate in.

CORPORATE SOCIAL RESPONSIBILITY

Arif Habib Limited (AHL) is a firm believer in sustainable development. We try and achieve this by maximising profits through building strong relationships with partners, employees and shareholders, but at the same time giving back to the community as a whole. At AHL, we prioritise contribution towards the enrichment of the lives of our communities and the people of Pakistan. Corporate philanthropy and contribution towards noble social causes is a means to this, which allows us to give back to the people around us. As a responsible citizen of the business community, We are actively working with local bodies and authorities to find ways in which we can assist with various social programs and development projects.

AHL is in constant collaboration with various social welfare projects. This includes our continued cooperation with the Memon Medical Institute Hospital (MMIH), a donor funded project of the Memon Health and Education Foundation (MHEF). MMIH is a public welfare project which *“serves people regardless of their caste, creed, color, religion or ability to pay”*. In addition to this, we are also involved with the Jinnah Foundation Memorial Trust. This is a Non-Governmental Organisation (NGO) established in 1989 in the memory of Quaid-e-Azam Muhammad Ali Jinnah, which focuses on *“human development in the field of primary education and health”*. Our association with these charitable entities re-emphasizes our commitment towards social development.

In addition to this, we are focused on working towards the progression of our industry and are constantly involved in corporate development initiatives. We believe the cornerstone to success is constant development, and are committed to working tirelessly on enhancing the development and advancement of events and projects that directly result in the progress of the sector.

This year, AHL’s contribution held the key objective of promoting investment in Pakistan and gearing towards the development of our capital markets. Some of the initiatives either taken by us or having our involvement were:

- Shaping the Capital Market of Pakistan – PSX event in Peshawar
- The All About Family Investments – Dawn Lifestyles 2016
- A series of road shows promoting investments in Pakistan stock market
- The promotion of Pakistan’s case for re-classification into MSCI Emerging Markets

The Company has also contributed to the exchequer by paying an amount of PKR 150,422,041 in direct and indirect taxes during the year.



BUILDING CREDIBILITY





AHL has been recognised on numerous occasions in the recent past, at both domestic and international forums. We have been fortunate to have received recognition from two leading international publications, whilst also receiving accolades from prestigious domestic institutions. We shall continue to strive towards surpassing the expectations and work towards further enhancing our standing in the industry.

AWARDS & RECOGNITION



Mr. Shahid Ali Habib, being presented with The Asset Awards for **Best Brokerage House**, **Best Deal** and **Best Equity Deal** at the Annual Triple A Country Awards 2015 hosted by The Asset Magazine in Hong Kong



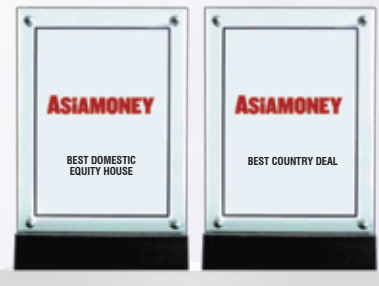
Mr. Shahid Ali Habib receiving the **Leadership Award – Financial Services** from Dr. Ishrat Ul Ebad, Governor Sindh, at the 11th CEO Summit Asia 2015 in Karachi organised by CEO Club Pakistan.



Mr. Shahid Ali Habib is presented with the award for **Best Corporate Finance House – Equity & Advisory** by Mr. Muhammad Zubair, Minister of State for Privatisation, at the 12th Annual Excellence Awards Ceremony in Karachi, hosted by CFA Society of Pakistan



AHL was also credited with the accolades of **Best Secondary Share Placement** and **Best Privatisation for the Asia Pacific region** by The Asset Magazine



AHL was recognised by Asiamoney with the awards for **Best Domestic Equity House** and **Best Country Deal**



KEY MILESTONES



- **Best Domestic Equity House**
(2016)
- **Best Country Deal**
(2015)



- **Best Brokerage House**
- **Best Deal – HBL Secondary Share Placement**
- **Best Equity Deal – Dolmen City REIT IPO**
(2015)



- **Top 25 Companies for the Year**
(2015, 2014)



- **Best Corporate Finance House – Equity & Advisory**
(2014)



- **Best Secondary Placement**
- **Best Privatisation**
(2015)(Asia Pacific)



- **Largest Private Sector ECM transaction in Pakistan**
PKR 19.2 billion



- **Largest Tier-2 TFC / Bond in Pakistan**
PKR 10.4 billion



- **Leadership Award – Financial Services**
(2015)

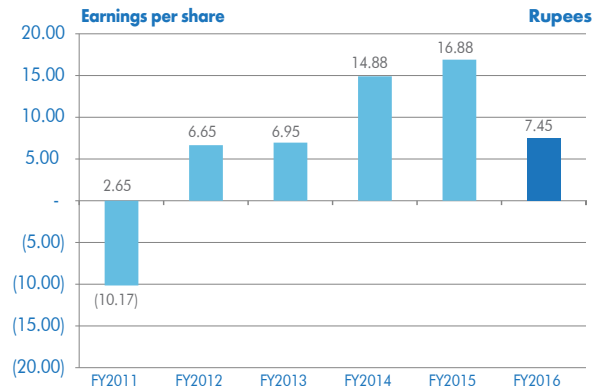
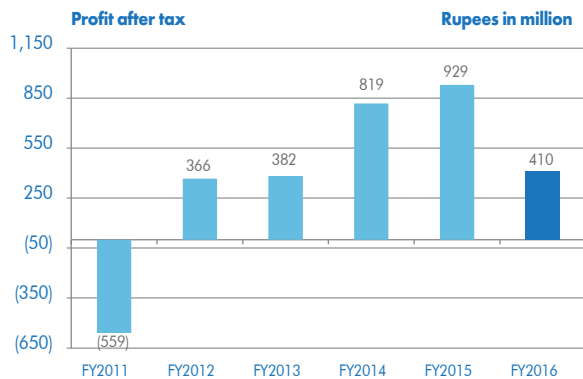
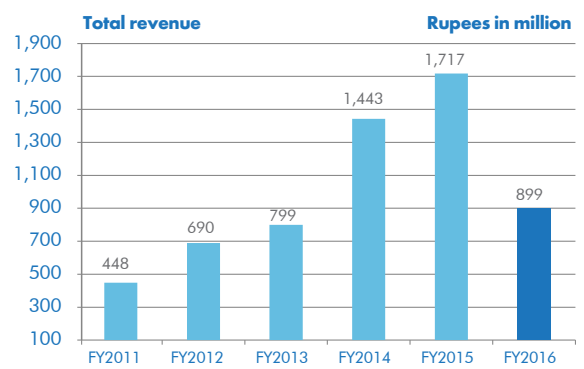
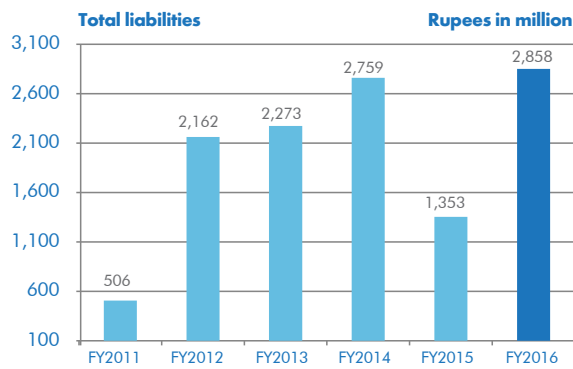
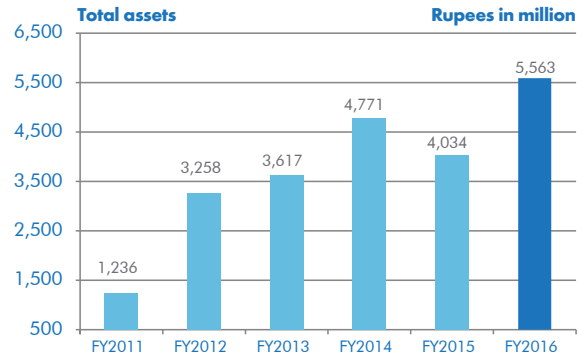
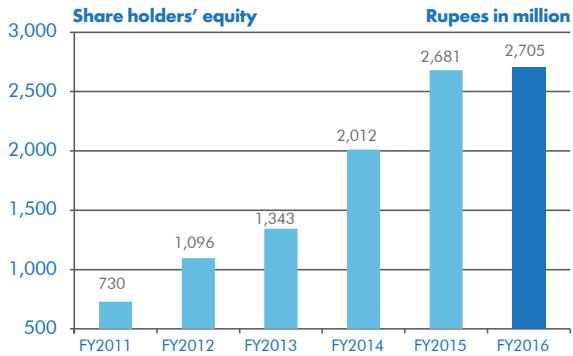
FINANCIAL & BUSINESS HIGHLIGHTS

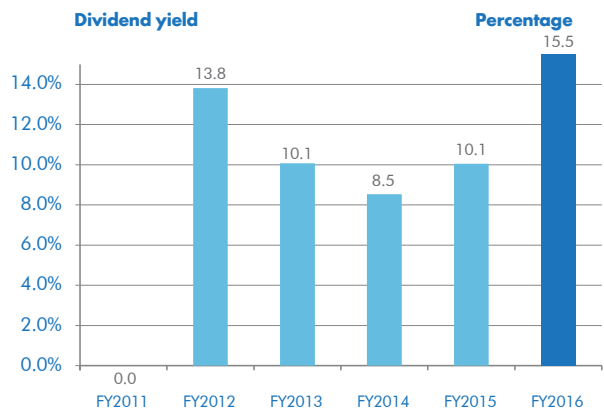
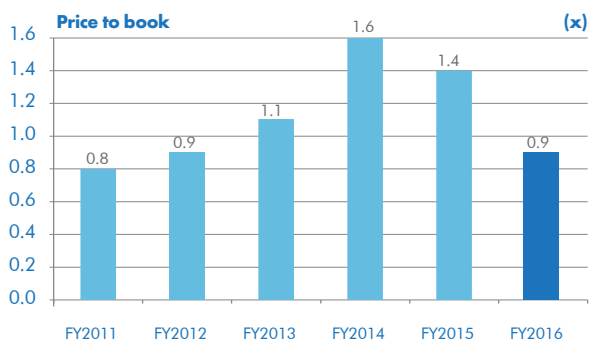
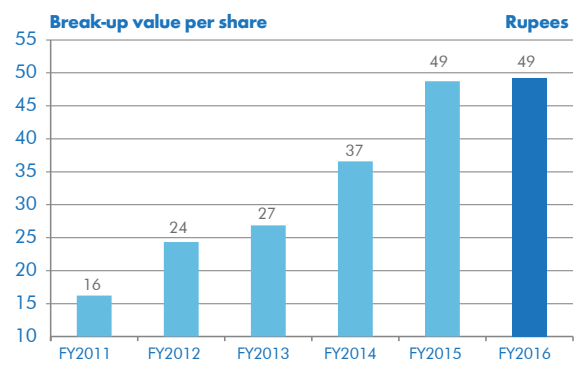
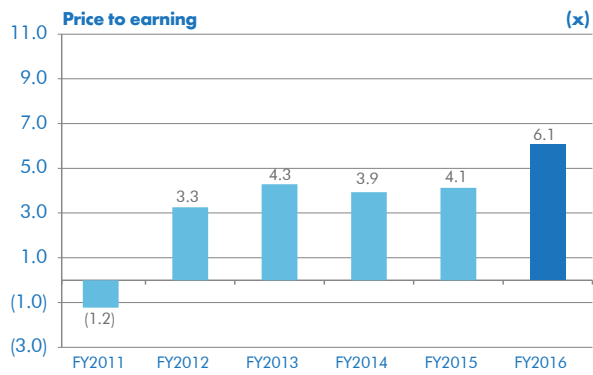
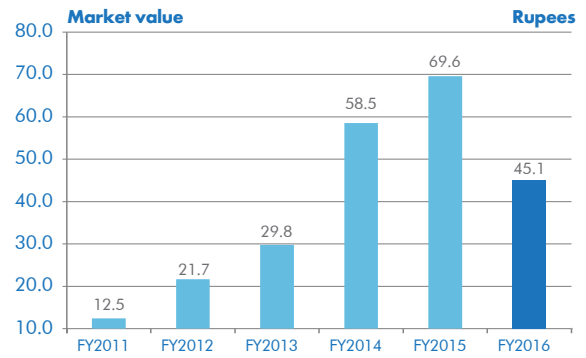
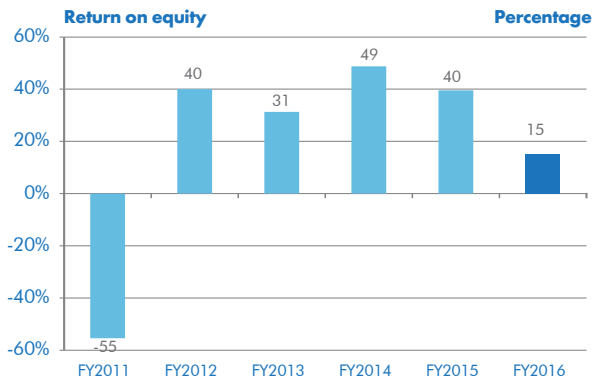
Year ended 30th, June 2016

	2016	2015	2014	2013	2012	2011
Profit and Loss Account						
Operating Revenue	590	648	415	172	174	107
Investment gains - net	162	909	825	322	516	17
Other	146	58	203	202	107	313
Total turnover	899	1,717	1,443	799	690	448
Operating & administrative expenses	(268)	(300)	(217)	(199)	(210)	(930)
Finance Cost	(166)	(234)	(358)	(180)	(186)	(68)
Profit / (loss) before taxation	456	1,145	851	401	395	(550)
Profit / (loss) after taxation	410	929	819	382	366	(559)
EBITDA	631	1,388	1,219	593	595	(467)
Balance Sheet						
Share Capital	550	550	550	500	450	450
Reserves	2,140	2,116	1,462	843	646	280
Share holders equity	2,705	2,681	2,012	1,343	1,096	730
Long term investment	209	209	159	159	33	-
Investment property	531	512	328	315	53	126
Current assets	4,723	3,212	4,147	2,997	2,870	941
Current liabilities	2,856	1,351	2,757	1,973	1,897	273
Total assets	5,563	4,034	4,771	3,617	3,258	1,236
Total liability	2,858	1,353	2,759	2,273	2,162	506

	2016	2015	2014	2013	2012	2011
Ratios						
Performance						
Profit before tax (%)	51%	67%	59%	50%	57%	-123%
Expense / income (%)	30%	17%	15%	25%	30%	207%
Return on Equity	15%	40%	49%	31%	40%	-55%
Return on capital Employed	11%	34%	24%	13%	15%	-64%
Leverage						
Financial Leverage Ratio (x)	2.55	1.72	2.84	2.97	3.57	1.22
Debt to Equity (%)	70%	21%	118%	84%	151%	15%
Interest cover ratio (x)	3.75	5.89	3.37	3.24	3.13	(7.05)
Liquidity						
Current ratio (x)	1.65	2.38	1.50	1.52	1.51	3.44
Quick / acid test (x)	1.48	1.87	1.02	1.46	1.22	3.38
Valuation						
EPS(PKR)	7.45	16.88	14.88	6.95	6.65	(10.17)
Price earning ratio (%)	6.06	4.12	3.93	4.28	3.26	(1.23)
Price to book ration(%)	0.92	1.43	1.60	1.11	0.89	0.77
Dividend Yield Ratio	16%	10%	9%	10%	14%	0%
Dividend Payout Ratio	94%	41%	34%	43%	45%	0%
Cash dividend per share (PKR)	7.00	7.00	5.00	3.00	3.00	-
Stock Dividend Per Share	-	-	-	10.00%	11.11%	-
Market Value at the end of						
Each Year (PKR)	45.12	69.61	58.54	29.78	21.70	12.46
High (during the year) (PKR)	71.88	69.76	59.71	31.38	27.80	25.70
Low (during the year) (PKR)	43.01	47.17	25.26	20.86	7.85	8.07

GRAPHICAL REPRESENTATION





VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

	2016		2015		2014	
	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance Sheet						
Total equity and minority interest	2,705	49	2,681	66	2,012	42
Total non-current liabilities	2	0	2	0	3	0
Total current liabilities	2,856	51	1,351	33	2,757	58
Total equity and liabilities	5,563	100	4,034	100	4,771	100
Total non-current assets	840	15	822	20	625	13
Total current assets	4,723	85	3,212	80	4,147	87
Total assets	5,563	100	4,034	100	4,771	100
Profit and Loss Accounts						
Net operating revenue	899	100	1,717	100	1,240	100
Operating and administrative expenses	(268)	(30)	(300)	(17)	(217)	(18)
Operating profit / (loss)	631	70	1,417	83	1,023	82
Other income / (charges) - net	(9)	(1)	(38)	(2)	186	15
	622	69	1,379	80	1,209	97
Finance cost	(166)	(18)	(234)	(14)	(358)	(29)
Profit / (loss) before tax	456	51	1,145	67	851	69
Taxation	(47)	(5)	(216)	(13)	(32)	(3)
Profit / (loss) after tax	410	46	929	54	819	66

	2013		2012		2011	
	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance Sheet						
Total equity and minority interest	1,343	37	1,096	34	730	59
Total non-current liabilities	300	8	265	8	233	19
Total current liabilities	1,973	55	1,897	58	273	22
Total equity and liabilities	3,617	100	3,258	100	1,236	100
Total non-current assets	620	17	388	12	295	24
Total current assets	2,997	83	2,870	88	941	76
Total assets	3,617	100	3,258	100	1,236	100

Profit and Loss Account

Net operating revenue	597	100	690	100	136	(100)
Operating and administrative expenses	(199)	(33)	(210)	(30)	(930)	(685)
Operating profit / (loss)	398	67	480	70	(794)	(585)
Other income / (charges) - net	183	31	101	15	313	-
	581	97	581	84	(482)	(355)
Finance cost	(180)	(30)	(186)	(27)	(68)	-
Profit / (loss) before tax	401	67	395	57	(550)	(405)
Taxation	(19)	(3)	(29)	(4)	(9)	-
Profit / (loss) after tax	382	64	366	53	(559)	(412)

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No 5.19.1. of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors:	Mr. Ali Murtaza Kazmi Dr. Muhammad Sohail Salat
Executive Director:	Mr. Muhammad Shahid Ali Habib
Non-executive Directors:	Mr. Haroon Usman Ms. Nida Ahsan Ms. Sharmin Shahid Mr. Zafar Alam

The independent directors meet the criteria of independence under clause 5.19.1. (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on January 7, 2016, was filled up by the directors on January 29, 2016.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board had arranged an approved directorship training program for one of its directors during the year which brings the total number of certified directors of the Company to four out of total seven directors. Thus, the Company stands complied with the requirement of having at least half of the board DTP certified at all times as prescribed under the clause 5.19.7. of the CCG.
10. The Board has approved the appointment of CFO, Company Secretary & Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the committee is also a non-executive director.
18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors



Muhammad Shahid Ali Habib
Chief Executive Officer & Executive Director
July 29, 2016
Karachi

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Arif Habib Limited ("the Company") for the year ended June 30, 2016 to comply with the Listing Regulations of the Pakistan Stock Exchange (formerly Karachi Stock Exchange), where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the

Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Muhammad Rafiq Dosani

Karachi.
Date: 29 July, 2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Arif Habib Limited ("the Company") as at June 30, 2016, and the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year that has ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984,

and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied:

- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016, and of the profit, total comprehensive profit, changes in equity and its cash flows for the year ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the central Zakat Fund established under section 7 of that ordinance.



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Rafiq Dosani

Karachi.
Date: 29 July, 2016

Balance Sheet

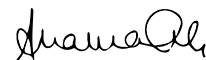
AS AT JUNE 30, 2016

	Note	2016	2015
		Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	43,709,729	48,446,729
Intangible assets	5	17,797,902	17,861,178
Long term investment	6	209,342,551	209,342,551
Investment property	7	531,966,414	511,639,974
Long-term deposits	8	15,730,022	14,886,171
Deferred tax asset		21,476,825	20,258,431
		840,023,443	822,435,034
CURRENT ASSETS			
Short term investments	9	3,294,296,278	1,500,910,603
Trade debts	10	618,645,963	537,407,441
Short term loans - secured	11	945,649	3,732,139
Trade deposits and prepayments	12	155,369,117	407,051,166
Other receivables	13	347,821,352	267,522,705
Cash & bank balances	14	306,240,100	495,624,281
		4,723,318,459	3,212,248,335
TOTAL ASSETS		5,563,341,902	4,034,683,369
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised Capital			
75,000,000 (2015: 75,000,000) ordinary shares of Rs.10/- each		750,000,000	750,000,000
Issued, subscribed & paid-up capital	15	550,000,000	550,000,000
Unappropriated profits		2,140,091,803	2,115,595,052
		2,690,091,803	2,665,595,052
Surplus on revaluation	16	15,432,500	15,432,500
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	17	1,878,241	1,660,874
CURRENT LIABILITIES			
Short term borrowings- secured	18	1,880,668,813	573,669,027
Current portion of liability subject to finance lease	17	687,187	500,013
Trade and other payables	19	406,969,260	524,978,669
Payable against purchase of securities- net		465,407,950	44,558,395
Markup accrued		41,758,563	43,753,713
Taxation-net		60,447,585	164,535,126
		2,855,939,358	1,351,994,943
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		5,563,341,902	4,034,683,369

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Chief Executive Officer

Profit and Loss Account

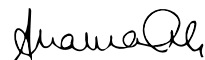
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	
Operating revenue	21	590,033,652	647,828,356
Capital gain / (loss) on sale of investments - net		(484,317)	1,148,039,676
Gain / (loss) on re-measurement of investments carried at fair value through profit or loss - net	9.2	162,331,170	(239,603,335)
Unrealised gain on re-measurement of investment property	7	1,036,440	101,983,374
		<u>752,916,945</u>	<u>1,658,248,071</u>
Administrative and operating expenses	22	(267,868,170)	(300,230,112)
Finance cost	23	(165,947,720)	(233,741,105)
Other charges	24	(9,364,679)	(37,368,332)
Other income	25	146,309,223	58,053,803
Profit before taxation		<u>456,045,599</u>	<u>1,144,962,325</u>
Provision for taxation	26	(46,548,848)	(216,427,373)
Profit after taxation		<u>409,496,751</u>	<u>928,534,952</u>
Earnings per share - basic and diluted	27	<u>7.45</u>	<u>16.88</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Chief Executive Officer

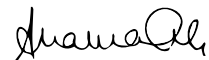
Statement Of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	
Profit after taxation	409,496,751	928,534,952
Other comprehensive income	-	-
Total comprehensive profit for the year transferred to equity	<u>409,496,751</u>	<u>928,534,952</u>



Chairman



Chief Executive Officer

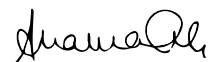
Statement Of Changes In Equity

FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed & paid up capital	Unappropriated profits Rupees	Total
Balance as at July 1, 2014	550,000,000	1,462,060,100	2,012,060,100
Cash dividend paid @ 50% for the year ended June 30, 2014 (2013: 30%)	-	(275,000,000)	(275,000,000)
Comprehensive income for the year ended June 30, 2015	-	928,534,952	928,534,952
Balance as at June 30, 2015	550,000,000	2,115,595,052	2,665,595,052
Balance as at July 1, 2015	550,000,000	2,115,595,052	2,665,595,052
Cash dividend paid @ 70% for the year ended June 30, 2015 (2014: 50%)	-	(385,000,000)	(385,000,000)
Comprehensive income for the year ended June 30, 2016	-	409,496,751	409,496,751
Balance as at June 30, 2016	550,000,000	2,140,091,803	2,690,091,803



Chairman



Chief Executive Officer

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2016

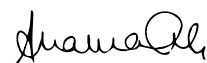
Note	2016	2015
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	456,045,599	1,144,962,325
Adjustments for:		
Depreciation	8,534,630	8,642,059
Amortisation of intangible asset	865,882	666,096
Impairment loss on intangible assets	-	14,000,000
Loss on disposal of property, plant and equipment	57,626	1,754
Gain / (loss) on re-measurement of investments carried at fair value through-held for trading	(162,331,170)	239,603,335
Unrealized gain on re-measurement of investment property	(1,036,440)	(101,983,374)
Dividend income	(60,710,962)	(68,512,270)
Reversal of provision against doubtful debts	(670,868)	(1,171,715)
Provision for Worker Welfare Fund	9,307,053	23,366,578
Finance costs	165,947,720	233,741,105
	(40,036,529)	348,353,568
Cash (used in) / generated from operating activities before working capital changes	416,009,070	1,493,315,893
Effect on cash flow due to working capital changes		
Increase(decrease) in current assets		
Short-term investments	(1,631,054,505)	587,571,367
Trade debts	(80,567,654)	(227,160,193)
Receivable against sale of securities-net	-	967,275,773
Short term loans	2,786,490	(2,574,659)
Deposits and short-term prepayments	251,682,049	(362,936,481)
Other receivables	(79,860,397)	60,405,206
Increase / (decrease) in current liabilities		
Trade and other payables	(132,201,027)	187,449,677
Payable against sale of securities- net	420,849,555	44,558,395
	(1,248,365,489)	1,254,589,085
Cash (used in) / generated from operations	(832,356,419)	2,747,904,978
Taxes paid	(151,854,783)	(70,239,359)
Finance costs paid	(167,942,870)	(241,920,238)
Net cash (used in) / generated from operating activities	(1,152,154,072)	2,435,745,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,580,245)	(17,119,451)
Proceeds from disposal of property, plant and equipment	724,989	1,057,890
Acquisition of intangible asset	(802,606)	(1,777,500)
Investment in property	(19,290,000)	(20,035,000)
Dividends received	60,272,712	68,587,381
Investment in subsidiary	-	(50,000,000)
Long term deposits	(843,851)	(8,040,954)
Net cash (used in) / generated from investing activities	35,480,999	(27,327,634)
CASH FLOWS FROM FINANCING ACTIVITIES		
Rental paid against finance lease liability	404,541	(543,918)
Dividend paid	(380,115,435)	(273,819,857)
Net cash (used in) financing activities	(379,710,894)	(274,363,775)
Net increase / (decrease) in cash and cash equivalents	(1,496,383,967)	2,134,053,972
Cash and cash equivalents at the beginning of the year	(78,044,746)	(2,212,098,718)
Cash and cash equivalents at the end of the year	(1,574,428,713)	(78,044,746)

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The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Chief Executive Officer

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

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 Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). 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 Parent Company holds 73.29% shares of the Company.

The Company is holder of Trading Right Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited. The principal activities of the Company are investments, 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance, or the directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or of the said directives have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investment property, derivatives, investment classified as 'held for trading' and 'available for sale' which are stated at fair value and asset classified as 'held for sale' which are measured at lower of fair value less cost to sell and carrying amount.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

- Useful lives and residual values of property, plant and equipment (note 3.1)
- Useful lives and residual values of intangible assets (note 3.2)
- Investment property (note 3.3)
- Impairment of Investments (note 3.4)
- Classification of Investments (note 3.5 - 3.5.4)
- Fair value of Investments (note 3.5 - 3.5.4)
- Derivative financial instruments (note 3.6)
- Provision for Taxation (note 3.17)
- Provisions (note 3.18)

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

2.5 Amendments / interpretation to existing standard and forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Owned

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

When the written down value of the item of property, plant and equipment falls below Rs.10,000, the same is charged directly to the profit and loss account.

Disposal of an item of property, plant and equipment is recognized when significant risks and rewards incidental to ownership have been transferred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses/income' in the profit and loss account.

Depreciation is charged to profit and loss account applying the reducing balance method at the rates specified in note 4 to the financial statements.

Depreciation is charged when asset is available for use until asset is disposed off.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the period shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation is charged to profit and loss account using reducing balance method at the rates specified in note 4.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

3.2 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using reducing balance method over assets estimated useful life at the rates stated in note 5, after taking into accounts residual value, if any. The residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

3.2.1 Membership cards and offices

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.2.2 Computer software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognized as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through reducing balance method using the rate specified in note 5.1 to the account.

Amortization is charged when asset is available for use until asset is disposed off.

3.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes, is classified as investment property. Investment property is initially measured at its cost, including related transaction costs and borrowing costs, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Latest valuation was carried out by the independent valuer on June 30, 2016

For the purpose of subsequent measurement, the Company determines with sufficient regularity the fair value of the items of investment property based on available active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Valuations wherever needed are performed as of the reporting date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognized in the profit and loss account. An item of investment property is derecognized either when disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

3.4 Impairment

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred and that the loss event has a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized, is transferred from other comprehensive income to the profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

The carrying amount of the Company's non financial assets and investments carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognized in the profit and loss account.

3.5 Financial assets

3.5.1 The Company classifies its financial assets in the following categories: at cost, at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Long Term Investment

Investment in subsidiary

- (i) The company considers its subsidiary companies to be such enterprise in which the company has control and/ ownership of more than half or fifty percent, of the voting power.

Investment in subsidiaries are carried at cost in accordance with IAS-27- 'Consolidated and Separate Financial Statements.

(ii) Investments in stock exchange

The Company has designated Investments in Stock Exchange at fair value through profit or loss.

The Company has established the fair value of shares in Stock Exchanges' using a valuation technique which incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing Financial Instruments.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivable and cash and bank balances in the balance sheet.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

e) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity. There were no financial assets held to maturity at the balance sheet date.

3.5.2 All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognized on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. Investments in associates are accounted for using the equity method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as a reclassification adjustment. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

The fair value of quoted equity instruments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

3.5.3 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for financial instrument is not active, the Company establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

3.5.4 The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognized in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account. Impairment testing of trade and other receivables is described in note 3.10.

3.6 Derivatives

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently re-measured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the balance sheet. The resultant gains and losses are included in the profit and loss account. Derivative financial instrument contracts entered into by the Company do not meet the hedging criteria as defined by International Accounting Standard (IAS) '39: 'Financial Instruments: Recognition and Measurement'. Consequently, hedge accounting is not being applied by the Company.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

3.7 Securities purchased / sold under resale / repurchase agreements

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under margin trading system are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resale at a specified future date (reverse-repo) are not recognized in the balance sheet. Amounts paid under these agreements in respect of reverse repurchase transactions are included in assets. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / margin trading system and accrued over the life of the reverse repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as finance cost and accrued over the life of the repo agreement.

3.8 Financial liabilities

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously.

3.10 Trade debts and other receivables

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off. Trade Receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction.

3.11 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

3.12 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Borrowings

Borrowings that are acquired for long term financing are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

3.15 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. Trade payables in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.16 Staff retirement benefits

Defined contribution plan

The Company operates a defined contribution plan i.e. recognized provident fund (the Fund) for all of its eligible employees in accordance with trust deed and rules made there under. Monthly contributions at the rate of 12.50% of basic salary are made to the Fund by the Company and the employees.

3.17 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognized using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.18 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.19 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired. Financial instruments carried on the balance sheet include investments, trade debts and other receivables, loans and advances, cash and bank balances, deposits, borrowings, trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when the company has legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an investment using quoted price in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transaction on an arm's length basis.

If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and test them for validity using price from observables current market transactions in the same instrument or based on other available observable market data.

3.20 Foreign currency transactions and translation

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.21 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.
- Income from bank deposits is recognized at effective yield on time proportion basis.
- Income from marginal finance is recognized as and when such services are provided.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account for the period in which they arise.
- Rental income from investment properties is recognized on accrual basis.
- Other/miscellaneous income is recognized on receipt basis.

3.22 Borrowing costs

Borrowing costs incurred on short term and long term borrowing are recognized as an expense in the period in which these are incurred.

3.23 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation models, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

4 PROPERTY AND EQUIPMENT

	Owned Assets							Total
	Leasehold office	Leasehold improvements	Office equipments	Furniture & Fixture	Compter & Allied	Vehicles	Lease assets Vehicles	
	Rupees							
As at June 30, 2014								
Cost	2,115,000	102,485,179	879,345	189,651	10,990,160	1,295,129	4,590,500	122,544,964
Accumulated depreciation	-	(55,772,131)	(575,250)	(119,269)	(8,339,174)	(347,575)	(1,247,584)	(66,400,983)
Net book value	<u>2,115,000</u>	<u>46,713,048</u>	<u>304,095</u>	<u>70,382</u>	<u>2,650,986</u>	<u>947,554</u>	<u>3,342,916</u>	<u>56,143,981</u>
Year ended June 30, 2015								
Opening net book value	2,115,000	46,713,048	304,095	70,382	2,650,986	947,554	3,342,916	56,143,981
Additions during the year	13,000,000	-	40,000	64,131	4,015,320	-	-	17,119,451
Disposals / transfers / writeoff								
Cost	15,115,000	-	75,897	-	429,987	1,295,129	-	16,916,013
Accumulated depreciation	-	-	(56,073)	-	(245,294)	(440,002)	-	(741,369)
Net book value (note 4.1)	15,115,000	-	19,824	-	184,693	855,127	-	16,174,644
Depreciation for the year	-	(6,513,766)	(43,153)	(14,278)	(1,367,856)	(92,427)	(610,579)	(8,642,059)
Closing net book value	<u>-</u>	<u>40,199,282</u>	<u>281,118</u>	<u>120,235</u>	<u>5,113,757</u>	<u>-</u>	<u>2,732,337</u>	<u>48,446,729</u>
As at June 30, 2015								
Cost	-	102,485,179	843,448	253,782	14,575,493	-	4,590,500	122,748,402
Accumulated depreciation	-	(62,285,897)	(562,330)	(133,547)	(9,461,736)	-	(1,858,163)	(74,301,673)
Net book value	<u>-</u>	<u>40,199,282</u>	<u>281,118</u>	<u>120,235</u>	<u>5,113,757</u>	<u>-</u>	<u>2,732,337</u>	<u>48,446,729</u>
Year ended June 30, 2016								
Opening net book value	-	40,199,282	281,118	120,235	5,113,757	-	2,732,337	48,446,729
Additions during the year	-	-	305,343	-	3,235,902	-	1,039,000	4,580,245
Disposals / transfers / writeoff								
Cost	-	-	(180,516)	(15,800)	(217,800)	-	(1,749,000)	(2,163,116)
Accumulated depreciation	-	-	180,516	15,800	41,834	-	1,142,351	1,380,501
Net book value (note 4.1)	-	-	-	-	(175,966)	-	(606,649)	(782,615)
Depreciation for the year	-	(5,588,103)	(84,376)	(26,279)	(2,257,850)	-	(578,022)	(8,534,630)
Closing net book value	<u>-</u>	<u>34,611,179</u>	<u>502,085</u>	<u>93,956</u>	<u>5,915,843</u>	<u>-</u>	<u>2,586,666</u>	<u>43,709,729</u>
As at June 30, 2016								
Cost	-	102,485,179	968,275	237,982	17,593,595	-	3,880,500	125,165,531
Accumulated depreciation	-	(67,874,000)	(466,190)	(144,026)	(11,677,752)	-	(1,293,834)	(81,455,802)
Net book value	<u>-</u>	<u>34,611,179</u>	<u>502,085</u>	<u>93,956</u>	<u>5,915,843</u>	<u>-</u>	<u>2,586,666</u>	<u>43,709,729</u>
Annual rates of depreciation	<u>0%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>33%</u>	<u>20%</u>	<u>20%</u>	

4.1 Particulars of Disposal of Property and Equipment are as follows:

Particulars	Cost	WDV at Disposal	Accumulated Depreciation	Sale Proceed	(Loss)	Mode of Disposal	Particulars of Buyer
Vehicles:							
Honda Civic (ATT-274)	1,749,000	606,649	1,142,351	606,649	-	Negotiation	Individual
Computer & Allied	217,800	175,966	41,834	118,340	(57,626)	Negotiation	Insurance claim / Employee
Office Equipment	180,516	-	180,516	-	-	Written Off	-
Furniture & Fixture	15,800	-	15,800	-	-	Written Off	-
	<u>2,163,116</u>	<u>782,615</u>	<u>1,380,501</u>	<u>724,989</u>	<u>(57,626)</u>		

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	
5 INTANGIBLE ASSETS			
Computer software	5.1	3,697,902	3,761,178
Trading right entitlement certificates and offices	5.2	14,100,000	14,100,000
		<u>17,797,902</u>	<u>17,861,178</u>
5.1 Computer software			
Net carrying amount			
Opening net book value		3,761,178	2,649,774
Additions during the year		802,606	1,777,500
Amortisation charge		(865,882)	(666,096)
Closing net book value		<u>3,697,902</u>	<u>3,761,178</u>
Gross carrying amount			
Cost		6,820,612	6,018,006
Accumulated amortisation		(3,122,710)	(2,256,828)
Net book value		<u>3,697,902</u>	<u>3,761,178</u>
Amortisation rate		<u>25%</u>	<u>25%</u>
5.2 TRADING RIGHT ENTITLEMENT CERTIFICATES AND OFFICES			
Trading Right Entitlement Certificates			
Cost		26,000,000	26,000,000
Impairment		(14,000,000)	(14,000,000)
	5.2.1	<u>12,000,000</u>	<u>12,000,000</u>
Offices-booths			
Pakistan Stock Exchange Limited		2,100,000	2,100,000
		<u>14,100,000</u>	<u>14,100,000</u>
5.2.1			
Pursuant to Memorandum of Understanding was signed between Karachi Stock Exchange Limited (KSE), Lahore Stock Exchange Limited (LSE) & Islamabad Stock Exchange Limited (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (XV of 2012) [the Act], the Company has been issued three TREC's of Pakistan Stock Exchange, in lieu of TREC of KSE, LSE & ISE previously issued. These have been carried at Cost less impairment.			
	Note	2016	2015
		Rupees	
6 LONG TERM INVESTMENTS			
Investments in ;			
Arif Habib Commodities (Private) Limited - at cost	6.1	38,000,000	38,000,000
Arif Habib 1857 (Private) Limited - at cost	6.2	50,000,000	50,000,000
		<u>88,000,000</u>	<u>88,000,000</u>
At fair value through profit or loss -designated on initial recognition			
Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited - KSEL)		62,755,618	62,755,618
ISE Towers REIT Management Company Limited (formerly Islamabad Stock Exchange Limited - ISEL)		33,380,639	33,380,639
LSE Financial Services Limited (formerly Lahore Stock Exchange Limited - LSEL)		25,206,294	25,206,294
	6.5	<u>121,342,551</u>	<u>121,342,551</u>
		<u>209,342,551</u>	<u>209,342,551</u>

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

- 6.1** 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. 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 represent paid up share capital consisting 100% ownership in Arif Habib 1857 (Pvt) Limited which was incorporated on 7th July 2014 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.
- 6.3** 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. The extracts of audited balance sheet as at June 30, 2016 and profit & loss account for the year ended June 30, 2016 of its subsidiaries are as follows:

6.3.1 Arif Habib Commodities (Private) Limited (Un-audited)

BALANCE SHEET

ASSETS

NON-CURRENT ASSETS

Property & equipment
Intangible assets
Long term deposits

CURRENT ASSETS

Deposits and prepayments
Short term Investments
Advances and other receivable
Taxation-net
Cash & bank balances

TOTAL ASSETS

EQUITY AND LIABILITIES

CAPITAL AND RESERVES

Authorized Capital

10,000,000 (2015: 10,000,000) ordinary shares

Issued, Subscribed & Paid-up Capital:

Accumulated loss

CURRENT LIABILITIES

Trade and other payables

TOTAL EQUITY AND LIABILITIES

PROFIT & LOSS ACCOUNT

Operating revenue
Administrative and operating expenses
Finance cost
Other income

Loss before taxation

Provision for taxation

Loss after taxation

Loss per share

	2016	2015
	Rupees	
	688,327	737,984
	1,000,000	1,000,000
	9,007,205	9,007,205
	10,695,532	10,745,189
	4,439,654	2,957,438
	5,353,230	9,479,169
	4,912,553	4,852,284
	101,730	121,598
	49,610	36,171
	14,856,777	17,446,660
	25,552,309	28,191,849
	100,000,000	100,000,000
	38,000,000	38,000,000
	(13,100,637)	(10,315,856)
	24,899,363	27,684,144
	652,946	507,705
	25,552,309	28,191,849
	17,023,740	13,084,028
	(18,686,216)	(16,352,790)
	(66,005)	(48,277)
	783,779	1,797,566
	(944,702)	(1,519,473)
	(170,237)	(150,369)
	(1,114,939)	(1,669,842)
	(0.03)	(0.04)

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

6.3.2 Arif Habib 1857 (Private) Limited (Un-audited)

BALANCE SHEET

ASSETS

NON-CURRENT ASSETS

Intangible assets
Long term deposits

CURRENT ASSETS

Advance Tax
Receivable from AHL
Cash & bank balances

TOTAL ASSETS

EQUITY AND LIABILITIES

CAPITAL AND RESERVES

Authorized Capital
10,000,000 (2015: 10,000,000) ordinary shares

Issued, Subscribed & Paid-up Capital:
Accumulated loss

CURRENT LIABILITIES

Trade and other payables

TOTAL EQUITY AND LIABILITIES

PROFIT & LOSS ACCOUNT

Operating revenue
Pre-operating expenses

Loss before taxation

Provision for taxation

Loss after taxation

Loss per share

	2016	2015
	Rupees	
	9,500,000	9,500,000
	16,507,500	307,500
	26,007,500	9,807,500
	2,871	-
	7,865,750	-
	15,343,387	39,513,900
	49,219,508	49,321,400
	100,000,000	100,000,000
	50,000,000	50,000,000
	(875,556)	(708,600)
	49,124,444	49,291,400
	95,064	30,000
	49,219,508	49,321,400
	5,383	-
	(169,822)	(708,600)
	(164,439)	(708,600)
	(2,517)	-
	(166,956)	(708,600)
	(0.003)	(0.01)

6.4 The financial statements of the subsidiary company are available for inspection at the Subsidiary Company's registered office and would be available to the members on request without any cost.

6.5 This represents unquoted shares of Stock Exchanges received by the Company in pursuance of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the Company were 4,007,383 of Pakistan Stock Exchange Limited (formerly KSEL), 3,034,604 shares of LSE Financial Services Limited (formerly LSEL) and 843,975 shares of ISE Towers REIT Management Company Limited (formerly ISEL), with a face value of Rs 10 each. Out of total number of shares owned, 60% shares of the said entities are held in separate CDC blocked Account, to restrict the sale of these shares by the members. Whereas stock exchanges will dispose of these shares under the Demutualization Act, however the proceeds of these shares and right to dividend/bonus is vested with the Company whereas the voting rights attached to these shares are suspended.

During the period, a memorandum of understanding was signed between Karachi Stock Exchange (KSE), the Lahore stock exchange (LSE) and the Islamabad stock exchange (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the stock exchanges (Corporatization, Demutualization) Act 2012 (XV of 2012) vide SECP's order 01/2016 dated January 11, 2016. As a consequence of the integration scheme, the business model of ISE and LSE have been changed and they have obtained the license to operate as NBFC as per NBFC rules and KSE would carry the same business as Stock Exchange under the name of Pakistan Stock Exchange Limited.

The Company as per policy, carried out the valuation of the aforementioned entities after considering the latest available financial information, recent market development, effect of integration and new scope of business to be carried by ISE Towers REIT Management Company Limited & LSE Financial Services Limited. The management estimates that current fair value of shares of aforementioned entities is approximate to that of June 30, 2015 as the reason of improved volume and performance of PSX offsets the effect of 2.29% decrease in discount factor.

Valuation techniques and key assumptions used for the remeasurement of above unquoted investments at fair value are as under:

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

Name of investee company	2016 Key Assumptions				Valuation Techniques
	Long Term Growth Rate	Long Term return of equity	Projection Period	Value per Share	
Pakistan Stock Exchange Limited	10%	12.70%	5	15.66	Discounted Cash Flows
LSE Financial services Limited	10%	12.70%	5	29.88	Discounted Cash Flows
ISE Towers REIT Management Company Limited	10%	12.70%	5	11.01	Discounted Cash Flows

Name of investee company	2015 Key Assumptions				Valuation Techniques
	Long Term Growth Rate	Long Term return of equity	Projection Period	Value per Share	
Pakistan Stock Exchange Limited	10%	14.99%	5	15.66	Discounted Cash Flows
LSE Financial services Limited	10%	14.99%	5	29.88	Discounted Cash Flows
ISE Towers REIT Management Company Limited	10%	14.99%	5	11.01	Discounted Cash Flows

	Note	2016		2015	
		Rupees			
7 INVESTMENT PROPERTY					
Opening balance		511,639,974		328,146,600	
Transfers during the year		-		60,500,000	
Acquisition during the year		19,290,000		21,010,000	
Carrying value		530,929,974		409,656,600	
Increase in fair value	7.1	1,036,440		115,983,374	
Decrease in fair value		-		(14,000,000)	
		1,036,440		101,983,374	
Fair value - closing balance		531,966,414		511,639,974	

7.1 Investment property were revalued by an independent valuer as at balance sheet date resulting in an increase of Rs 1.036 million which is recognized accordingly.

8 LONG TERM DEPOSITS

	2016	2015
	Rupees	
Karachi Stock Exchange Limited	541,985	114,809
Lahore Stock Exchange Limited	12,761,941	12,352,766
National Clearing Company of Pakistan Limited	901,000	901,000
Security deposits of lease assets	1,164,150	1,164,150
Islamabad Stock Exchange Limited	150,000	150,000
Others	210,946	203,446
	15,730,022	14,886,171

9 SHORT TERM INVESTMENTS

Financial assets at fair value through profit or loss- held for trading:

Investment in quoted equity securities		
Related parties	1,093,026,818	803,274,307
Other listed companies	2,200,885,643	662,865,575
Investment in privately placed preference share	-	34,386,904
Term Finance Certificates [TFCs]	383,817	383,817
	3,294,296,278	1,500,910,603

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	
9.1 Gain on re-measurement of investment at fair value through profit or loss - held for trading		
Market value	3,294,296,278	1,500,910,603
Cost of the investment	<u>(2,834,026,938)</u>	<u>(1,202,972,433)</u>
	<u>460,269,340</u>	<u>297,938,170</u>

9.2 Unrealized (loss) / gain on the re-measurement of investment carried at fair value through profit or loss-held for trading		
At the beginning of the year	297,938,170	537,541,505
Net unrealized gain / (loss) in the value of investment for the year	<u>162,331,170</u>	<u>(239,603,335)</u>
Closing fair value	<u>460,269,340</u>	<u>297,938,170</u>

9.3 Fair value of shares pledged with banking companies against various short term running finance facilities as at 30 June 2016 amounted to Rs. 929.85 million (2015: Rs. 369.73 million).

	Note	2016	2015
		Rupees	
10 TRADE DEBTS			
Considered good	10.1&10.2	618,645,963	537,407,441
Considered doubtful		<u>874,618,000</u>	<u>875,288,868</u>
		1,493,263,963	1,412,696,309
Less: provision for the doubtful debts		<u>(874,618,000)</u>	<u>(875,288,868)</u>
		<u>618,645,963</u>	<u>537,407,441</u>

10.1 This includes Rs. 8.14 million (2015: Rs 10.21 million) due from related parties. The Company holds capital securities having fair value of PKR 49,933 million (2015: PKR 51,863 million) owned by its clients, as collaterals against trade debts.

10.2 This include receivable against marginal financing amounting to Rs. 30.65 million (2015: PKR 45.13 million). The same is provided to clients on markup basis ranging from 12% to 14% per annum.

	Note	2016	2015
		Rupees	
11 SHORT TERM LOANS - secured			
Loans to:			
Executives		476,384	3,053,820
Staff		<u>469,265</u>	<u>678,319</u>
	11.1	<u>945,649</u>	<u>3,732,139</u>

11.1 Loan to staff and executive are interest free. These loans are given for motor car and for general purpose in accordance with the terms of employment. These loan are repayable within one year and are recovered through deduction from salaries. The loans and advances are secured against staff provident fund balances.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	
12 TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits			
Exposure deposit with Pakistan Stock Exchange Limited	12.1	27,734,579	282,646,455
Exposure deposit with National Clearing Company Pakistan Limited	12.2	126,126,460	102,431,823
Prepayments			
Rent		110,000	21,108,240
Related Party		120,360	64,623
Others		1,277,718	800,025
		155,369,117	407,051,166

12.1 These represent amounts of deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of Pakistan Stock Exchange.

12.2 These represent amounts of deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of National Clearing Company Pakistan Limited.

	Note	2016	2015
		Rupees	
13 OTHER RECEIVABLES			
Reverse repo transaction		186,459,040	168,899,934
Dividend receivable		8,828,999	8,390,749
Related parties		25,109,833	77,545,332
Other parties		130,254,696	15,517,906
Less: provision for doubtful debts		(2,831,216)	(2,831,216)
		347,821,352	267,522,705

	Note	2016	2015
		Rupees	
14 CASH AND BANK BALANCES			
Cash in hand		23,585	40,885
Cash at bank			
in current accounts		12,916,147	78,997,854
in savings accounts	14.1	293,300,368	416,585,542
		306,216,515	495,583,396
		306,240,100	495,624,281

14.1 The return on these balances is 4% to 5% (2015: 6% to 7%) per annum on daily product basis.

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016	2015		2016	2015
(Number of shares)			Rupees	
12,000,000	12,000,000	Ordinary shares of Rs.10/- each fully paid in cash	120,000,000	120,000,000
43,000,000	43,000,000	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	430,000,000	430,000,000
55,000,000	55,000,000		550,000,000	550,000,000

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

		2016	2015
		(Number of shares)	
15.1	The reconciliation of ordinary shares is as follows:		
	Opening Balance	55,000,000	50,000,000
	Add: Bonus shares issued during the year	-	5,000,000
		<u>55,000,000</u>	<u>55,000,000</u>

16 SURPLUS ON REVALUATION

In the year 2015, the Company reclassified Leasehold Land and Offices to Investment Property. Immediately before transfer, the Company re-measured the said assets on respective fair values and recognised surplus in revaluation reserve.

		2016	2015
		(Number of shares)	
17	LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE		
	Present value of minimum lease payments	2,565,428	2,160,887
	Less : current portion shown under current liabilities	(687,187)	(500,013)
		<u>1,878,241</u>	<u>1,660,874</u>

The above represents finance leases entered into with a financial institution for vehicles having a term of 4 years. Monthly payments of leases bearing pre-determined mark-up rates include finance charge ranging from 8% to 9% per annum (2015: 10% to 12%) which are used as discounting factor.

Taxes, repairs and insurance costs are to be borne by the Company. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum lease Future finance Payments cost		Present Value of lease liability	
			2016	2015
Rupees				
Not later than one year	798,407	111,220	687,187	500,013
Later than one year and not later than five years	1,954,435	76,194	1,878,241	1,660,874
	<u>2,752,842</u>	<u>187,414</u>	<u>2,565,428</u>	<u>2,160,887</u>

18 SHORT TERM BORROWINGS - secured

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 1,880 million (2015: Rs. 573 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates up to May 2017. These arrangements are secured against pledge of marketable securities. These running finance facilities carry mark-up ranging from 1 month Kibor + 0.5%, 3 month Kibor +1.5% to 2% and 6 month Kibor + 1.25% (2015: 3 month Kibor +1.25 % to 2% and 6 month Kibor + 1.25%) calculated on a daily product basis that is payable quarterly.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	
19	TRADE AND OTHER PAYABLES		
Creditors	19.1	260,628,858	363,132,315
Commission payable	19.2	38,303,233	47,117,193
Accrued expenses		7,225,316	9,227,173
Dividend payable		9,622,088	4,737,523
Worker Welfare Fund payable	19.3	69,280,080	59,973,027
Payable against MTS / repurchase agreement		-	22,119,707
Sindh sales tax payable		20,755,496	17,626,227
Other liabilities		1,154,189	1,045,504
		<u>406,969,260</u>	<u>524,978,669</u>

19.1 This includes amount of Rs. 3.38 million (2015: Rs. 20.79 million) payable to related parties of the Company.

19.2 This includes an amount of Rs. 32.3 million (2015: Rs. 42.18 million) payable to related parties of the Company on account of commission.

19.3 During the year ended 30 June 2011, the Honorable High Court of Lahore vide their order in respect of writ petition No.8763/2011, has declared amendments introduced through Finance Acts 2006 and 2008 in Workers' Welfare Ordinance, 1971 as unconstitutional. Further, the Company has also filed a writ petition in the High Court of Sindh at Karachi to impugn the amendments made to the Workers' Welfare Ordinance 1971, vide Finance Act, 2008. The management of the Company is contesting the case vigorously and as per the legal counsel, the Company has a reasonable case and the management is confident that the petition will be decided in favor of the Company. However, based on prudence the Company has provided for Workers' Welfare Fund in these financial statements.

20 CONTINGENCIES AND COMMITMENTS

20.1 CONTINGENCIES

The Company is contesting a demand of PKR 45.42 million raised against its non taxable services vide order issued on September 12, 2014 by AC-SRB. The Company filed appeal against the impugned order in the appropriate forum and stay was granted against the impugned demand. During the year, Appellate Tribunal Sindh Revenue Board has remanded the case to the learned Commissioner (Appeals) for decision denovo on merits in terms of note / opinion recorded by the Member Technical. 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.

	Note	2016	2015
		Rupees	
20.2	COMMITMENTS		
Following commitments are outstanding as at the year end.			
- Outstanding Settlements against Marginal Trading contracts		1,806,919,064	1,286,119,630
- Outstanding Settlements against sale/purchase of securities in regular market.		471,058,025	87,182,861
- Guarantee given by a commercial bank on behalf of the Company		100,000,000	100,000,000

21 OPERATING REVENUE

Brokerage and operating revenue	277,218,965	323,103,493
Advisory and consultancy fee	252,103,725	256,212,593
Dividend income	60,710,962	68,512,270
	<u>590,033,652</u>	<u>647,828,356</u>

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	
22 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and other benefits	22.1 & 30	158,708,389	185,116,568
C.D.C & clearing house charges		14,739,237	12,953,167
Research cost		3,820,715	2,984,568
Legal and professional charges		7,387,703	5,512,376
Membership and other subscription		-	354,900
Communication		6,156,443	3,958,166
Rent, rates and taxes		21,193,687	21,137,785
Depreciation and amortization	4 & 5.1	9,400,512	9,308,155
Building maintenance		10,932,205	9,217,994
Repairs and maintenance		3,866,529	3,795,139
Insurance		2,684,320	2,675,948
Advertisement & business promotion		4,205,795	1,728,354
Business representation		2,706,604	1,183,295
Motor vehicle and travelling expense		10,440,208	9,221,252
Printing and stationery		4,460,776	2,481,724
Conveyance and meals		246,153	190,139
Entertainment		-	88,390
Meeting expenses		815,522	654,900
Auditors' remuneration	22.2	1,650,000	1,650,000
Donation	22.3	-	23,670,000
Others		4,453,372	2,347,292
		267,868,170	300,230,112

22.1 Salaries and other benefits

Salaries and other benefits	22.1.1	74,960,461	61,761,672
Commission		83,747,928	123,354,896
		158,708,389	185,116,568

22.1.1 Salaries and benefits include Rs. 3.79 million (2015: Rs. 3.04 million) in respect of provident fund contribution

	Note	2016	2015
		Rupees	
Annual audit fee		1,000,000	1,000,000
Half yearly review		310,000	310,000
Certification on compliance with code of corporate governance		200,000	200,000
Other certifications		140,000	140,000
		1,650,000	1,650,000

22.3 Donation were not made to any donee in which any director of the Company or his spouse had any interest.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	
23 FINANCE COSTS			
Interest and mark-up on :			
<i>Loan from related parties</i>			
Markup on loan from associate		42,384,385	-
		<u>42,384,385</u>	<u>-</u>
Others:			
Liabilities against assets subject to finance lease		136,179	164,733
Short term borrowing from banking companies		109,817,096	219,712,590
Markup on MTS securities		10,669,691	10,934,802
Bank charges and others		2,940,369	2,928,980
		<u>123,563,335</u>	<u>233,741,105</u>
		<u>165,947,720</u>	<u>233,741,105</u>
24 OTHER CHARGES			
Worker Welfare Fund		9,307,053	23,366,578
Impairment loss on Trading Right Entitlement Certificate		-	14,000,000
Loss on disposal	4.1	57,626	1,754
		<u>9,364,679</u>	<u>37,368,332</u>
25 OTHER INCOME			
On financial assets			
REPO income		94,127,051	37,669,653
Profit on savings accounts		16,762,645	4,975,348
Profit on exposure deposit		8,342,347	5,322,685
Markup from group companies		811,999	6,015,478
Other		22,405,493	-
Reversal of provision of bad debts		670,868	1,171,715
On non-financial assets			
Rental income from investment property		3,188,820	2,898,924
		<u>146,309,223</u>	<u>58,053,803</u>
26 TAXATION			
Current tax		67,055,393	224,605,675
Prior		(19,288,151)	-
		<u>47,767,242</u>	<u>224,605,675</u>
Deferred	26.3	(1,218,394)	(8,178,302)
		<u>46,548,848</u>	<u>216,427,373</u>
26.1 Relationship between tax (income)/expense and accounting profit			
Profit before taxation		456,045,599	1,144,962,325
Tax at the applicable tax rate		145,934,592	377,837,567
Tax effect of income under Final Tax Regime		(18,143,787)	(19,081,331)
Tax effect of income taxed at lower rate		(11,756,304)	(252,178,317)
Tax effect of prior year		(19,288,151)	-
Tax effect of non deductible expenses		534,948	7,674,133
Tax effect of exempt income/permanent differences		(52,277,635)	50,034,587
Tax effect/adjustment of change in tax rate		1,759,863	(467,331)
Others		(214,678)	(2,578,530)
Tax effect of super tax		-	55,186,595
		<u>46,548,848</u>	<u>216,427,373</u>

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

- 26.2** Assessment up to tax year 2015 deemed to be finalized U/S 120 of the Income tax Ordinance 2001.
- 26.3** The Company based on current years results and future years projections estimates that only 21.47 million of Deferred Tax Asset will be utilized, arising because of deductible temporary difference on Provisioning of WWF amounting to Rs 69.28 million. Consequently, no Deferred Tax Asset is recognized on remainder of Deductible temporary difference of Rs 38.53 million.
- 26.4** The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.
- 26.5** The Board of Directors in their meeting held on 29 July 2016 has distributed sufficient cash dividend for the year ended 30 June 2016 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 30 June 2016.
- 26.6** The Company is contesting Civil Suit No. 284/2016 against levy of "Super Tax" u/s 4B of the Income Tax Ordinance, 2001 through Finance Act, 2015 in the High Court of Sindh and has not paid the Super Tax accordingly. The Company is of the view that the same is imposed against the merit of law and the Company's legal council is of the view that the Company has a favorable case on merit. However, provision made on prudent in financial statements for the year ended June 30, 2015 has not been reversed.

	2016	2015
	Rupees	
27 EARNINGS PER SHARE - BASIC AND DILUTED		
27.1 Basic earnings per share		
Profit for the year - Rupees	<u>409,496,751</u>	<u>928,534,952</u>
	Numbers	
Weighted average number of ordinary shares	<u>55,000,000</u>	<u>55,000,000</u>
	Rupees	
Earnings per share	<u>7.45</u>	<u>16.88</u>

27.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the Company, since there are no convertible instruments in issue as at June 30, 2016 and June 30, 2015 which would have any effect on the earnings per share if the option to convert is exercised.

28 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:

	2016	2015
	Rupees	
Cash and bank balances	<u>306,240,100</u>	495,624,281
Short term borrowings	<u>(1,880,668,813)</u>	(573,669,027)
	<u>(1,574,428,713)</u>	<u>(78,044,746)</u>

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	
29	STAFF RETIREMENT BENEFITS		
	Defined contribution plan - staff provident fund		
Size of the Fund		11,058,507	8,426,361
Cost of investments made		2,918,064	2,500,000
Percentage of investments made		26%	30%
Fair value of investments		3,355,774	3,046,555

The contributions and investments made by the Company for the Trust were in accordance with the requirement of Section 227 of the Companies Ordinance, 1984. Audit of fund for year ended 2016 is in progress.

30 RELATED PARTY TRANSACTIONS

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transaction with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. remuneration of chief executive, directors and executives is disclosed in note 30 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statement are as follows:

Name of the related party and relationship with Company	Nature of Transaction	Year ended	
		30 June 2016	30 June 2015
		Rupees	
Parent Company	Brokerage commission earned during the year on sale and purchase of securities	7,083,514	7,518,121
Subsidiaries	Purchase of shares	-	50,000,000
	Other receivables	120,360	64,623
Associates	Purchase of shares	-	34,760,370
	Balance investment at year end	-	457,614,974

Name of the related party and relationship with Company	Nature of Transaction	Year ended	
		30 June 2016	30 June 2015
		Rupees	
Key Management Personnel	Brokerage commission earned during the year on sale and purchase of securities	841,916	865,645
	Balance receivable at year end	61,685	9,812,005
	Commission payable at year end	-	4,942,436
	Balance payable at year end	2,217,301	20,786,841
Group Companies	Brokerage commission earned during the year on sale and purchase of securities	3,589,164	1,500,463
	Capital gain earned	6,823,760	70,824,962
	Rent paid on property	20,898,480	21,137,785
Other Related Parties	Brokerage commission earned during the year on sale and purchase of securities	5,440,368	4,284,080
	Loan repayment	1,500,000,000	-
	Purchase of investment property	12,800,000	20,035,000
	Balance receivable		
	Balance payable		
AHL provident fund	Contribution paid during the year	3,794,367	3,042,230

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including certain benefits to Directors, Chief Executive and Executives of the Company, are as follows:

	Chief Executive		Directors		Other Executives	
	2016	2015	2016	2015	2016	2015
	Rupees					
Managerial remuneration	4,704,037	4,704,037	4,150,202	6,405,636	39,413,410	27,968,572
Contribution to provident fund	330,453	330,453	223,960	392,630	1,901,367	1,199,429
Medical allowance	264,362	264,362	209,029	362,605	1,740,727	1,721,858
Commission	22,565,094	27,491,127	2,714,424	380,000	2,620,017	1,372,244
	27,863,946	32,789,979	7,297,615	7,540,871	45,675,521	32,262,103
Number of persons	1	1	7	6	20	15

31.1 This includes entitlement of commission as per Company policy.

31.2 The Company also provides to the Chief Executive, Directors and certain Executives with Company maintained car.

32 FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

a) Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest/markup rate risk. The market risks associated with the Company's business activities are discussed as under:

i) Foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk since there are no foreign currency transactions and balances at the reporting date.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the company to incur significant mark to market and credit losses. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs.2,896 million (2015: 1,466 million) and also the company holds collaterals in the form of equity securities against their debtor balances at the reporting date.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sector of the market.

Details of the industrial sector analysis of the short term investments are as follows:

	30 June 2016		30 June 2015	
	(Rupees)	%	(Rupees)	%
Engineering	736,000	0.02	2,908,410	0.19
Chemical	1,072,295,232	32.55	4,335,100	0.29
Household Goods	33,243,600	1.01	-	-
Inv. Banks / Inv. Cos. / Securities Cos.	-	-	9,597,528	0.64
Sugar & Allied Industries	-	-	26,509,500	1.77
Real Estate Investment Trust	-	-	48,163,245	3.21
Transport & Technology	89,971,332	2.73	207,757,644	13.84
Textile Composite	-	-	98,700,000	6.58
Commercial Banks	870,443,422	26.42	259,173,979	17.27
Equity Investment Instruments	383,800	0.01	383,800	0.03
Construction & Material (Cement)	1,211,847,068	36.79	843,381,397	56.19
Financial Services	15,375,824	0.47	-	-
	3,294,296,278	100	1,500,910,603	100

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 10% (2015: 41.16%) during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2016 and 2015 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	Fair value	Hypothetical price	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2016	3,294,296,278	10% increase 10% decrease	3,623,725,906 2,964,866,650	329,429,628 (329,429,628)	329,429,628 (329,429,628)
June 30, 2015	1,500,910,603	10% increase 10% decrease	1,651,001,663 1,350,819,543	150,091,060 (150,091,060)	150,091,060 (150,091,060)

iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

Financial assets and liabilities include balances of Rs. 293.31 million (2015: Rs.416.58 million) and Rs. 1,880.67 million (2015: Rs. 573.67 million) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2016	2015	2016	2015
	Effective interest rate (%)		Carrying amounts (Rs.)	
Financial assets				
Bank deposits - pls account	4% to 5%	6.5% to 7.5%	293,300,368	416,585,542
Financial liabilities				
Short term borrowings	7.60% to 12.18%	9.25% to 12.18%	1,880,668,813	573,669,027

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest / mark-up rate in terms of KIBOR has decrease by 96 bps during the year.

The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Profit and loss 100 bp	
	increase	decrease
As at June 30, 2016		
Cash flow sensitivity-variable rate financial liabilities	12,788,548	(12,788,548)
As at June 30, 2015		
Cash flow sensitivity-variable rate financial liabilities	3,843,582	(3,843,582)

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, receivable / payable against sale of securities and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. These collaterals are subject to market risk as disclosed in note 32.1.2 which ultimately affect the recoverability of trade debts. Moreover any trade debts exceeding credit days followed by late payment surcharge to ensure early recovery of such debts. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed as follows:

	Note	Carrying amount	
		2016	2015
		Rupees	
Long term investment		209,342,551	209,342,551
Long term deposits		15,730,022	14,886,171
Trade debts	32.1.1	618,645,963	537,407,441
Short term loans	32.1.2	945,649	3,732,139
Short term deposits		155,369,117	407,051,166
Other receivables		347,821,352	267,522,705
Cash and bank balances		306,240,100	495,624,281
		1,654,094,754	1,935,566,454

32.1.1 The maximum exposure to credit risk for trade debts is due from local clients.

32.1.2 Loan to executives and employees are secured against provident fund balance of these executives and employees.

The Company holds equity securities having fair value of Rs 49,933 million (2015: Rs 51,863 million) owned by its clients, as collaterals against trade debts.

	2016		2015	
	Gross	Impairment	Gross	Impairment
Not past due	549,819,729	-	200,514,362	-
Past due 1 day - 30 days	16,248,472	-	229,013,528	-
Past due 31 days - 180 days	26,775,913	-	86,743,268	-
Past due 181 days - 1 year	475,614	-	12,460,957	-
More than one year	899,944,235	874,618,000	883,964,194	875,288,868
	1,493,263,963	874,618,000	1,412,696,309	875,288,868

Notes To The Financial Statements

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No impairment has been recognized except as disclosed in respect of these debts as the security against the same is adequate or counter parties have sound financial standing.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to the Company's total exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Impairment losses

The amount of impairment losses recognized against trade debts and other receivables is as follows :

	2016	2015
Trade debts - equity transactions	<u>(670,868)</u>	<u>(1,171,715)</u>

The Company is doing its utmost to recover the amount from the clients and is confident that majority of the amount would be recovered based on the past experience and the recovery efforts being carried out by the Company. None of the financial assets were considered to be impaired.

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

Note rating	2016	2015
	Rupees	
A-1+	34,224,394	419,082,805
A1+	-	76,500,591
A-1	271,942,182	-
	<u>306,166,576</u>	<u>495,583,396</u>

Due to the company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

On the reporting date, the Company has cash and bank balance Rs. 306.19 million (2015:Rs. 495.62 million) unutilized credit lines Rs. 1,364 million (2015: Rs. 2,536 million) and liquid assets in the form of short term securities Rs .2,897 million (2015: 1,500 million).

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	2016			
	Carrying amount	Contractual cash flows	Up to one year	
Financial liabilities				
Liabilities against assets subject to finance lease	2,565,428	2,752,842	687,187	1,878,241
Trade and other payables	316,933,684	316,933,684	316,933,684	-
Short term borrowings	1,880,668,813	1,880,668,813	1,880,668,813	-
Accrued markup on short term borrowings	41,758,563	41,758,563	41,758,563	-
	<u>2,241,926,488</u>	<u>2,242,113,902</u>	<u>2,240,048,247</u>	<u>1,878,241</u>

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	Carrying amount	2015		More than one year
		Contractual cash flows	Up to one year	
Financial liabilities				
Liabilities against assets subject to finance lease	2,160,887	2,420,020	500,013	2,068,901
Trade and other payables	447,379,415	447,379,415	447,379,415	-
Short term borrowings	573,669,027	573,669,027	573,669,027	-
Accrued markup on short term borrowings	43,753,713	43,753,713	43,753,713	-
	<u>1,066,963,042</u>	<u>1,067,222,175</u>	<u>1,065,302,168</u>	<u>2,068,901</u>

Contractual cash flows include interest related cash flows up to the year end. The future interest related cash flows depends on the extent of utilization of short term borrowings facilities and the interest rates applicable at that time.

32.2 Fair value estimate

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level1: Quoted market price (unadjusted) in an active market.

Level2: Valuation techniques based on observable inputs.

Level3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques unless the instruments do not have a market \ quoted price in an active market and whose fair value cannot be reliably measured.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of judgment and estimation in the determination of fair value. Judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

June 30, 2016

	Level 1	Level 2	Level 3	Total
	Amount in Rupees			
Financial assets				
<i>Financial assets held for trading</i>				
Equity securities	3,293,912,461	383,817	121,342,551	3,415,638,829

June 30, 2015

	Level 1	Level 2	Level 3	Total
	Amount in Rupees			
Financial assets				
<i>Financial assets held for trading</i>				
Equity securities	1,466,139,882	34,770,721	121,342,551	1,622,253,154

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Note	2016 Rupees	2015
Unlisted equity instruments			
Balance as at July 01, 2015		121,342,551	121,342,551
Total gain/(losses) recognised in profit and loss account on remeasurement of investment		-	-
Balance as at June 30, 2016		121,342,551	121,342,551

During the year ended 30 June 2016, the Company did not acquire shares of any new entity in level 3.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. A change of 1% in value arrived at reporting date would have the following effect:

	Effect on profit and loss account	
	Favourable	(Unfavourable)
	Rupees	
June 30, 2016		
Equity securities	1,213,426	(1,213,426)
June 30, 2015		
Equity securities	1,213,426	(1,213,426)

32.3 Financial instruments by categories

	2016				
	Asset at cost	Asset at fair value through profit and loss	Loans and receivables Rupees	Other financial Asset	Total
As at June 30, 2016					
Financial assets as per balance sheet					
Long term investment	88,000,000	121,342,551	-	-	209,342,551
Long term deposits	-	-	15,730,022	-	15,730,022
Short term investments	-	3,294,296,278	-	-	3,294,296,278
Trade debts	-	-	618,645,963	-	618,645,963
Short term loans	-	-	945,649	-	945,649
Short term deposits	-	-	155,369,117	-	155,369,117
Other receivables	-	-	347,821,352	-	347,821,352
Cash and bank balances	-	-	-	306,240,100	306,240,100
	88,000,000	3,415,638,829	1,138,512,103	306,240,100	4,948,391,032

As at June 30, 2016 Financial liabilities as per balance sheet

Liabilities against assets subject to finance lease
Short term borrowings
Current portion of lease liabilities
Trade and other payables
Payable against purchase of securities - net
Accrued markup

Financial liabilities at amortized cost Rupees

1,878,241
1,880,668,813
687,187
316,933,684
465,407,950
41,758,563
2,707,334,438

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

	2015				Total
	Asset at cost	Asset at fair value through profit and loss	Loans and receivables Rupees	Other financial Asset	
As at June 30, 2015					
Financial assets as per balance sheet					
Long term investment	88,000,000	121,342,551	-	-	209,342,551
Long term deposits	-	-	14,886,171	-	14,886,171
Short term investments	-	1,500,910,603	-	-	1,500,910,603
Trade debts	-	-	537,407,441	-	537,407,441
Short term loans	-	-	3,732,139	-	3,732,139
Short term deposits	-	-	407,051,166	-	407,051,166
Other receivables	-	-	267,522,705	-	267,522,705
Cash and bank balances	-	-	-	495,624,281	495,624,281
	88,000,000	1,622,253,154	1,230,599,622	495,624,281	3,436,477,057

As at June 30, 2015

Financial liabilities as per balance sheet

	Financial liabilities at amortized cost Rupees
Liabilities against assets subject to finance lease	1,660,874
Short term borrowings	573,669,027
Current portion of lease liabilities	500,013
Trade and other payables	447,379,415
Payable against purchase of securities - net	44,558,395
Accrued markup	43,753,713
	<u>1,111,521,437</u>

32.4 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('loan from associate', 'lease liability' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity:

	2016 Rupees	2015
Total borrowings	1,883,234,241	575,829,914
Total equity	2,690,091,803	2,665,595,052
Total capital	<u>4,573,326,044</u>	<u>3,241,424,966</u>
Gearing ratio	41.18%	17.76%

33 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has purposed a final cash dividend of Rs. 7/- (2015: Rs. 7/-) per share amounting to Rs. 385 million (2015: 385 million) at its meeting held on July 29, 2016 for the approval of the members at the annual general meeting to be held on September 24, 2016. The financial statements do not reflect this appropriation in the current financial statements.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors in meeting held on 29 July, 2016.

35 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

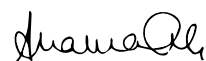
36 GENERAL

36.1 Figures have been rounded off to the nearest rupee.

36.2 Number of persons employed by the Company as on the year end are 78 (2015: 74) and average number of employees during the year are 76 (2015: 72)



Chairman



Chief Executive Officer

NOTICE OF TWELFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of Arif Habib Limited will be held on September 24, 2016 at 10:30 A.M. at Beach Luxury Hotel, M.T. Khan Road, Karachi to transact the following business:

Ordinary Business

- 1) To confirm minutes of the Annual General Meeting held on September 19, 2015.
- 2) To review, consider and adopt audited accounts of the company together with the auditors' and directors' report thereon including approval of the annexures there to, for the year ended June 30, 2016.
- 3) To consider and approve final cash dividend for the year ended June 30, 2016 at Rs. 7.00 per share i.e. 70% as recommended by the Board of Directors.
- 4) To appoint auditors of the company and fix their remuneration for the financial year 2016-17.

Special Business

- 5) To get approval/Consent from shareholders, as per SRO No. 470 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan (SECP), for the transmission of the annual audited accounts either through CD/DVD/USB or in hard copy (book form).
- 6) To consider and if deemed fit, approve the additions in certain clauses of Articles of Association of the Company as mentioned in the Annexure-A of Statement under Section 160(1)(b); which are to be laid before the members for passing the following resolutions, with or without modifications, as special resolutions:

"RESOLVED THAT subject to the necessary approvals to be obtained from regulators / creditors and any consequent modification thereon, the amendments / additions / deletions in certain Clauses of Articles of Association of the Company which are laid before the members as Annexure-A of Statement under Section 160(1)(b) and forms an integral part of this resolution, be and are hereby approved."

"FURTHER RESOLVED THAT the Chief Executive or / and Company Secretary be and are hereby authorized to complete necessary formalities in connection with amendments in Articles of Association, as modified in the Annual General Meeting or in accordance with the advice of any regulator / creditor."

- 7) To consider and if deemed fit, to pass the following Special Resolutions with or without modification(s):

Investment in Associated Companies & Associated Undertakings

"RESOLVED THAT the consent and approval be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 and "the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012" for renewal of following equity investments limit up to unutilized portion for which approval had been sought in previous general meeting(s), in associated companies and associated undertakings as mentioned in the Annexure-B of statement under Section 160(1)(b)."

"FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 and "Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012" for renewal of following sanctioned limits of loans and advances for which approval has been sought in previous general meeting, in associated companies and associated undertakings as mentioned in the Annexure-B of statement under Section 160(1)(b) whereas the renewal of limits will be in the nature of running finance for a period of one year and shall be renewable in next general meeting(s) for further period(s) of one year."

Rupees in Million

	Name of Companies & Undertakings	Renewal Requested	
		Unutilized Equity Portion	Sanctioned Loan/ Advance/Guarantee
1	Safemix Concrete Products Limited	250	250
2	Javedan Corporation Limited	1,532	500
3	MCB-Arif Habib Savings and Investments Limited	500	-

“FURTHER RESOLVED THAT the Chief Executive and/or the Company Secretary be and are hereby authorized to take and do and/or cause to be taken or done any/all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolutions and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the investment of the Company’s funds as above as and when required at the time of investment.”

8) To consider any other business with the permission of the Chair.

A Statement under Section 160(1)(b) of the Companies Ordinance, 1984 comprising of Annexure-A and Annexure-B pertaining to the special business is given on page No. 78 to 81.

Karachi
Friday, September 2, 2016



By order of the Board
Muhammad Taha Siddiqui
Company Secretary

Notes:

1. Share transfer books of the company will remain closed from September 17, 2016 to September 24, 2016 (both days inclusive). Transfers received in order at the office of our registrar: M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on Friday, September 16, 2016 will be treated in time for the determination of entitlement of shareholders to cash dividend and to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
3. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan:
 - a. Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.
 - b. In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.
 - c. In order to be effective, the proxy forms must be received at the office of our registrar no later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
 - d. In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - e. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy form.
4. Members are requested to submit copies of their CNICs and promptly notify any change in address by writing to the office of the registrar.

Availability of audited financial statements

The audited financial statements of the Company for the year ended June 30, 2016 have been made available on the Company's website (<http://www.arifhabibltd.com>) in addition to annual and quarterly financial statements for the prior years.

Important: Please note that pursuant to the provisions of Finance Act 2016 effective from July 1, 2016, new criteria for withholding of tax on dividend income has been introduced by Federal Board of Revenue (FBR). As per this criteria, 'Filer' and 'Non-Filer' shareholders will pay tax @ 12.5% and 20% respectively. The 'Filer' shareholders will be determined by matching their CNIC/Passport number available in Active Tax Payers list (ATL) at FBR website (<http://www.fbr.gov.pk>) from the CNIC/Passport number maintained by their respective Participant/CDC Investor Account Services or by the Company's Share Registrar (in case of physical shareholding). In the same manner, the 'Filer' status of Non-Individual shareholders will be determined by matching their National Tax Numbers (NTN).

Shareholders are therefore advised to ensure that they have provided their CNIC/Passport/NTN to their respective Participant/CDC Investor Account Services/Company's Share Registrar and their names are appearing in ATL available at FBR website.

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE 1984

This statement sets out the material facts concerning the Special Business given in Agenda items No. 6 & 7 of the Notice and comprise of Annexure-A and Annexure-B, to be transacted at the Annual General Meeting of the Company

"STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE 1984 ARIF HABIB LIMITED PROPOSED AMENDMENTS IN ARTICLES OF ASSOCIATION

The Boards of Directors has recommended to update the Articles of Association of the Company in order to incorporate provisions pertaining to e-voting, video conferencing and circulation of audited accounts to the members through CD/DVD/USB/email in light of various regulations, circulars and notifications of the Securities and Exchange Commission of Pakistan.

Clause	Existing Provision	Proposed Provision	Remarks
60A	-	The Company may provide video conference facility to its members at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members, subject to the condition that members collectively holding ten percent (10%) or more shareholding residing at a geographical location provide their consent to participate in the general meeting through video conference at least ten (10) days prior to the date of the general meeting. The Company shall arrange video conference facility in that city subject to availability of such facility in that city. The Company shall intimate to members regarding venue of video conference facility at least five (5) days before the date of the general meeting along with complete information necessary to enable them to access such facility. The quorum as required under the Ordinance as well as Chairman of the general meeting shall be present at the place of the general meeting.	New Clause
75A	-	A member may opt for e-voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016 (including any statutory modification thereof), as amended from time to time. In the case of e-voting, both members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the Company, at least ten (10) days before holding of the general meeting, at the Company's registered office address or through email. The Company will arrange for e-voting if the Company receives demand for poll from at least five (5) members or by any member having not less than one tenth of the voting power.	New Clause as per the Companies (E-Voting) Regulations, 2016
79A	-	<p>An instrument of proxy in relation to e-voting shall be in the following form:</p> <p>I/We, _____ of _____, being a member of _____, holder of _____ Shares(s) as per Register Folio No. _____ hereby opt for e-voting through Intermediary and hereby consent to the appointment of Execution Officer _____ as proxy and will exercise e-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.</p> <p>My secured email address is _____, please send login details, password and electronic signature through email.</p> <p style="text-align: right;">----- Signature of member</p> <p style="text-align: center;">(Signature should agree with the specimen signature registered with the Company)</p> <p>Signed in the presence of:</p> <p>_____ Signature of Witness</p> <p style="text-align: right;">_____ Signature of Witness</p> <p>The proxy e-voting form shall be required to be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.</p>	New Clause as per the Companies (E-Voting) Regulations, 2016

Clause	Existing Provision	Proposed Provision	Remarks
100A	-	The Directors of the Company may participate in the Board of Directors' meetings, whether in Pakistan or abroad, through tele/video conferencing. The draft minutes of the meeting shall be sent to those Director(s) who had participated in the proceedings of the meeting through tele/video conference, for his/their confirmation. Thereafter, the minutes shall be signed by the Chairman of the meeting.	New Clause
134A	-	The Company may, after obtaining prior written consent from members, circulate notices of the general meeting and the annual balance sheet and profit and loss account, auditors' report and directors' report (annual audited accounts) to its members through email. Further, subject to the consent of the members obtained in the general meeting, circulate the annual balance sheet and profit and loss account, auditors' report and directors' report (annual audited accounts) to its members through CD/DVD/USB at their registered addresses. However, if a member prefers to receive hard copies for all the future annual audited accounts then such preference of the member shall be given to the Company in writing and thereafter the Company shall provide hard copies of all the future annual audited accounts to such member.	New Clause as per S.R.O 470 (I)/2016 dated May 31, 2016 issued by SECP.

Statement under Section 160(1)(b) of the Companies Ordinance, 1984, in compliance with Regulation 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012, for decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially:

1 Name of associated company / undertaking : Javedan Corporation Limited

S. No.	Description	Investment in Securities		Loans and Advances	
a)	total investment approved;	2,000,000,000		500,000,000	
b)	amount of investment made to date;	467,741,145		-	
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation		Facility is in the nature of running finance and availed as and when needed in the interest of the shareholders	
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :	2015	2014	2013	2012
i	Earnings / (Loss) per share	7.10	14.48	7.10	14.48
ii	Net Profit / (Loss)	800,521,000	842,277,000	800,521,000	842,277,000
iii	Shareholders Equity	8,745,100,000	6,903,235,000	8,745,100,000	6,903,235,000
iv	Total Assets	14,124,202,000	12,890,840,000	14,124,202,000	12,890,840,000
v	Break-up value	38.24	61.30	38.24	61.30
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Un-utilised	1,532,258,855	Sanctioned	250,000,000

2 Name of associated company / undertaking : MCB - Arif Habib Savings and Investments Limited

S. No.	Description	Investment in Securities		Loans and Advances	
a)	total investment approved;	500,000,000		-	
b)	amount of investment made to date;	-		-	
c)	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders		N/A	
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :	2015	2014	2013	2012
i	Earnings / (Loss) per share	3.87	2.19	3.87	2.19
ii	Net Profit / (Loss)	278,836,350	157,649,698	278,836,350.00	157,649,698
iii	Shareholders Equity	1,505,038,859	1,273,028,929	1,505,038,859.00	1,273,028,929
iv	Total Assets	2,019,331,578	1,411,536,548	2,019,331,578.00	1,411,536,548
v	Break-up value	20.90	18.80	20.90	17.68
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Un-utilised	500,000,000	Sanctioned	N/A

3 Name of associated company / undertaking : Power Cement Limited

S. No.	Description	Investment in Securities		Loans and Advances	
a)	total investment approved;	500,000,000		500,000,000	
b)	amount of investment made to date;	8,368,000		-	
c)	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation		Facility is in the nature of running finance and availed as and when needed in the interest of the shareholders	
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :	2014	2013	2014	2013
i	Earnings / (Loss) per share	1.19	(0.20)	1.19	(0.20)
ii	Net Profit / (Loss)	433,833,000	(73,909,000)	433,833,000.00	(73,909,000.00)
iii	Shareholders Equity	1,862,170,000	1,428,542,000	1,862,170,000.00	1,428,542,000.00
iv	Total Assets	5,988,209,000	5,785,815,000	5,988,209,000.00	5,785,815,000.00
v	Break-up value	5.09	3.91	5.09	3.91
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Un-utilised	To be lapsed	Sanctioned	To be lapsed

4 Name of associated company / undertaking : Safe Mix Concrete Products Limited

S. No.	Description	Investment in Securities		Loans and Advances	
a)	total investment approved;	250,000,000		250,000,000	
b)	amount of investment made to date;	8,368,000		-	
c)	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation		Facility is in the nature of running finance and availed as and when needed in the interest of the shareholders	
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :	2014	2013	2014	2013
i	Earnings / (Loss) per share	1.04	0.68	1.04	0.68
ii	Net Profit / (Loss)	22,262,785	13,546,182	22,262,785	13,546,182
iii	Shareholders Equity	298,127,012	225,864,227	298,127,012	225,864,227
iv	Total Assets	458,307,524	387,934,327	458,307,524	387,934,327
v	Break-up value	11.93	11.29	11.93	11.29
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Un-utilised	250,000,000	Sanctioned	250,000,000

CATEGORIES OF SHAREHOLDERS

As of June 30, 2016

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children	7	5,362	0.01
Associated companies, undertakings and related parties	2	40,307,737	73.29
Executives	-	-	-
Public sector companies and corporations	1	46,184	0.08
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	45	0.00
Mutual funds	-	-	-
General public - local	3152	11,077,898	20.14
General public - foreign	1	800,000	1.45
Foreign companies	2	1,876,000	3.41
Others	39	886,774	1.62
Total	3205	55,000,000	100.00

CATEGORIES OF SHAREHOLDERS

As of June 30, 2016

Number of Shareholders	Shareholdings' Slab	Total Shares Held
781	1 to 100	16,192
671	101 to 500	199,596
351	501 to 1000	293,401
1074	1001 to 5000	2,261,918
147	5001 to 10000	1,088,267
67	10001 to 15000	847,731
32	15001 to 20000	574,313
15	20001 to 25000	347,715
11	25001 to 30000	309,307
6	30001 to 35000	200,244
9	35001 to 40000	339,598
5	40001 to 45000	207,950
3	45001 to 50000	141,784
1	50001 to 55000	51,500
3	55001 to 60000	178,666
5	65001 to 70000	336,959
1	70001 to 75000	71,000
1	75001 to 80000	76,000
1	85001 to 90000	87,000
2	90001 to 95000	188,000
2	95001 to 100000	198,524
1	110001 to 115000	114,000
1	135001 to 140000	137,500
1	145001 to 150000	148,500
1	160001 to 165000	160,678
2	195001 to 200000	400,000
1	215001 to 220000	220,000
1	345001 to 350000	346,420
1	400001 to 405000	403,000
1	465001 to 470000	470,000
1	525001 to 530000	525,500
1	585001 to 590000	589,500
1	795001 to 800000	800,000
1	1010001 to 1015000	1,011,000
1	1350001 to 1355000	1,350,500
1	12805001 to 12810000	12,807,737
1	27495001 to 27500000	27,500,000
3205		55,000,000

CATEGORIES OF SHAREHOLDERS

As of June 30, 2016

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
Zafar Alam	1	500	0.00
Muhammad Shahid Ali Habib	1	732	0.00
Ali Murtaza Kazmi	1	500	0.00
Haroon Usman	1	1,298	0.00
Muhammad Sohail Salat	1	500	0.00
Nida Ahsan	1	916	0.00
Sharmin Shahid	1	916	0.00
Associated companies, undertakings and related parties			
Arif Habib Corporation Limited	2	40,307,737	73.29
Executives	-	-	-
Public sector companies and corporations	1	46,184	0.08
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	45	0.00
Mutual funds	-	-	-
General public - local	3152	11,077,898	20.14
General public - foreign	1	800,000	1.45
Foreign companies	2	1,876,000	3.41
Others	39	886,774	1.62
Total	3205	55,000,000	100.00

Shareholders holding 5% or more	Shares Held	Percentage
Arif Habib Corporation Limited	40,307,737	73.29

Form of Proxy

12th Annual General Meeting

The Company Secretary
Arif Habib Limited
Arif Habib Centre
23, M.T. Khan Road
Karachi.

I/ we _____ of _____ being a members(s)
of Arif Habib Limited holding _____ ordinary shares as per
CDC A/c. No. _____ hereby appoint Mr./Mrs./Miss _____
_____ of (full address) _____
_____ or failing him/her
Mr./Mrs./Miss _____ of (full address)

(being member of the company) as my/our proxy to attend, act vote for me/us and on my/our behalf at the Twelfth Annual General Meeting of the Company to be held on September 24, 2016 and/or any adjournment thereof.

Signed this _____ day of _____ 2016.

Witnesses:

1. Name : _____
Address : _____
CNIC No. : _____
Signature : _____
2. Name : _____
Address : _____
CNIC No. : _____
Signature : _____

Signature on
Rs. 5/-
Revenue Stamp

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
2. Proxy shall authenticate his/her identity by showing his/ her CNIC or original passport and bring folio number at the time of attending the meeting.
3. In order to be effective, the proxy Form must be received at the office of our Registrar M/s. Central Depositroy Company of Pakistan, Share Registrar Department, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi. not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signature, name, address and CNIC number given on the form.
4. In the case of individuals attested copies of CNIC or passport of the benefical owners and the proxy shall be furnished with the proxy Form.
5. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy Form.



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