



02	Corporate Information
04	Vision, Mission Statements and Corporate Strategy
06	Directors' Report
12	Statement of Shares Purchase & Sale by Directors
13	Board Meetings Attendance Statement
14	Pattern of Shareholding
16	Auditors' Review Report on Corporate Governance
17	Statement of Compliance with Code of Corporate Governance
21	Auditor's Report to the Members
22	Balance Sheet
24	Profit & Loss Account
25	Statement of Comprehensive Income
26	Cash Flow Statement
27	Statement of Changes in Equity
28	Notes to the Financial Statements
57	Notice of Annual General Meeting Form of Proxy

CONTENTS



Board of Directors

Samad A. Habib
(Chairman & CEO)
Abdul Majid M. Siddique
Haroon Usman
Abdullah A. Rahman
Sajid Qurban Ali
Sharmin Shahid
Nida Ahsan

Audit Committee

Abdul Majid M. Siddique
(Chairman)
Abdullah A. Rahman
Sajid Qurban Ali
Sharmin Shahid
Nida Ahsan

Company Secretary & CFO

Haroon Usman

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors

Bawaney & Partners



Bankers

Allied Bank Ltd.
Arif Habib Bank Ltd.
Askari Bank Ltd.
Atlas Bank Ltd.
Bank Al Falah Ltd.
Bank Al Habib Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
JS Bank Ltd.
KASB Bank Ltd.
MCB Bank Ltd.
MyBank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
The Bank of Punjab
United Bank Ltd.

Registered Office and Brokerage House

Arif Habib Centre
23, M.T. Khan Road Karachi-74000
Phones: 32415213, 32460717-19
Fax No: 32416072 - 32429653
E-mail : ahl@arifhabibltd.com

Research and Corporate Finance

Arif Habib Centre
23, M.T. Khan Road Karachi -74000
Phones: 32460717-19 Fax No: 32470496
E-mail: corporate_finance@arifhabibltd.com
E-mail: equities_research@arifhabibltd.com

Website

www.arifhabibltd.com

Registrar & Share Transfer Office

Share Registrar Department
Central Depository Co; of Pakistan Ltd.
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shakra-e-Faisal
Karachi-74400
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
website: www.cdcpakistan.com



VISION

To be the leading full-service securities brokerage and corporate finance company in Pakistan known for its unmatched client service capacity, voluntary adherence to the highest ethical standards and insistence on global best practices at all times.

MISSION

To provide the fullest range of first-rate, value-additive, brokerage, investment advisory and corporate finance services to clients, fair treatment to all stakeholders, superior returns to the shareholders, and to make a meaningful contribution to the development and growth of the capital markets in particular and the country's economy in general.

Arif Habib Limited's (AHL) corporate strategy shall always be driven by the tenets recorded in its Vision and Mission Statements. Indeed, the Board of Directors, the management and the staff of AHL all agree that for a corporate business strategy to succeed in the long run-and by implication command ownership by all stakeholders-it must be consistent with the objectives of the company. Cohesion, then, must exist between the corporate goals and the business strategy at all times. With the foregoing in mind, AHL has identified the following principal cornerstones for its strategy:

- Prudent investment in service capacity, keeping in mind the ever-changing market dynamics, client needs and the opportunity-set.
- Client-first approach: all clients must get value for their money; without exception, they must receive the fastest and the best service.
- Set the standards: voluntarily set, and adhere to, the highest standards of professional conduct; this will also assure peace of mind and fair treatment for all stakeholders.
- Value-approach: efficiencies, appropriate risk management measures and pricing strategies should enable profitable operations and good shareholder returns in all market scenarios.
- The big picture: the company's social responsibility, and its intended role in the growth and development of the capital markets, must always be kept in mind in choosing the projects and businesses offered by the market opportunity-set; considered advocacy at the appropriate forums may also be taken up as a contributory tool.



Dear Shareholders,

On behalf of the Board of Directors of Arif Habib Limited (AHL), I am delighted to present the Annual Report of the company for the financial year (FY) 2009-10 ended on June 30, 2010, together with the audited financial statements for the year.

First, I would like to pray well for our brothers and sisters, who have lost their lives and for who have dislocated from their homes in the recent flood across the country.

I would also like to congratulate all our shareholders, regulators, clients, staff members and other stakeholders on the month of Ramadan.

Economy

Pakistan achieved a moderate GDP 4.1% growth in FY2009-10 compared to 1.2% in FY2008-09; largely driven by the macroeconomic stability measures taken by the Government. A strong recovery of 4.9% in the industrial sector and 4.6% in the services sector played a vital role in achieving the GDP growth. However, for a progressive growth to continue, Pakistan will have to manage the current major challenges of energy supply and law and order in the country. CPI has been at an average level of 11.7%, down from its peak of 25% in mid-2008. We expect it to remain greater than 12% in the near future.

Our current account deficit improved to USD 3.9 billion in FY2009-10 compared to USD 9.3 billion in FY2008-09, driven by a 10% YOY decline in the trade deficit (largely due to decline in oil prices) and a 14% YOY increase in the foreign remittances. The foreign exchange reserves stabilized at US\$ 16 billion as of June end 2010 compared to USD 11.7 billion at start of FY2009-10. On the fiscal side, the Government had crossed over the deficit target of 4.9% of GDP on account of lower than expected aid from the Friends of Pakistan, swelling security expenditures and increase in the commodity financing to facilitate farmers.

Unfortunately, our beloved country has been challenged with its history's worst flooding. Thousands of people have lost their precious lives. Millions have been seriously affected. Millions of acres of land have been damaged and with that huge infrastructure and significant amount of crops. We are of the view that the flood is likely to visibly affect the national output, trade/current accounts balance, fiscal position, and may further augment the inflationary pressure. On the positive note, this will increase hydel power capacity and water availability for crops, which should stimulate economic activity. We also foresee that the cement sector will be benefiting from the reconstruction of the damaged areas in the medium to long term.

Market

During FY2009-10, the benchmark KSE-100 index appreciated by 36% from 7,162 level to close at 9,722 points on 30 June, 2010. An average daily turnover of 161 million shares was recorded during FY2009-10 compared to 103 million shares in the previous year. The equity markets attracted a net foreign inflow of US\$ 556 million during FY2009-10 (which has been keeping the stock turnover afloat) compared to the net outflow of US\$ 402 million in FY2008-09. In February 2010, a framework of Captain Gain Tax was mutually agreed between the KSE and the Government, and the tax hence been applied as of July 1, 2010.

FY2010-11 begins with low volumes on account of uncertainties in modus operandi of the Capital Gains Tax and delays in much awaited leverage/margin financing product. Increase in the discount rate by 50 basis points to 13% and flood destruction are also adding negatively into the equation.

KSE Outlook

KSE will be tested in the short term by the political, economic, civil natural and investment related factors mentioned above. We are positive about the medium to long term prospects of Pakistan's stock exchanges as they are offering attractive valuations compared to the regional exchanges in terms of P/E multiples of 7.5 and dividend yield of 7.1%.

With hopeful improvements in the law and order situation, recovery in the flood situation, introduction of the margin financing product and a progressive continuity of supply of energy, we believe that there will be more local and foreign investment coming in the market.

The secondary market turnover is insufficient for a full service brokerage house to be profitable. However, new listings market has improved and more and more issuers are looking towards the capital market to raise funds. Fortunately, AHL is well positioned for this and has a number of corporate finance mandates for advisory and arrangements. This business is expected to contribute significantly to the future profitability of the company.

AHL's Financial Performance

I am delighted to share with you that AHL has made a stable level of net profits of PKR 150 mln and EPS of 4 in the FY2009-10.

The operating revenue of the company increased by 10% from PKR 202 mln to PKR 223 mln during FY2009-10 ended on June 30, 2010. The increase was largely attributable to a significant growth in our corporate finance business, generating PKR 80 mln revenues during the year. We are proud of having brought a number of companies in the capital market during the year and provide general public with new equity investment opportunities. We arranged and advised on the IPO offerings of Fatima Fertilizer Company Limited, Wateen Telecom Limited and Safe Mix Concrete Products Limited. We also partly underwrote the IPO listings of Fatima Fertilizer Company Limited, Silk Bank (right issue) and Agritech Limited.

Our brokerage income topped our revenue chart by generating PKR 130 mln revenues during FY2009-10 compared to PKR 165 mln in FY2008-09. The lower brokerage performance is driven by significantly lower average daily stock turnover seen since January 2010.

AHL's net capital gains on sale of investments over the year were PKR 64 mln. Other income of PKR 101 mln was lower compared to 189 mln previous year owing solely to higher late payment charges earned in the previous year.

The administrative and operating expenses during FY2009-10 were significantly lower at PKR 108 mln compared to PKR 369 mln last year.

The company decided to liquidate most of its short term investments, which reduced from PKR 1,019 mln to PKR 26 mln. The proceeds were used to repay almost 50% of the short term borrowings of the company, dropped from PKR 1,115 mln to PKR 583 mln. This change resulted in positively decreasing our financing costs by 53% from PKR 234 mln to PKR 110 mln. On the other hand, this also further strengthened our capitalization i.e., total equity to total assets to 61%.

Despite a rough stock market performance year, AHL elevated its pre tax profits by 1.2% from PKR 166 mln to PKR 168 mln, which after tax resulted into the stable net profits of PKR 150 mln and EPS of 4.01.



Contrary to the previous year's negative cash generation, AHL generated a decent amount of cash flow from operations of PKR 651 mln. After deploying a part of the cash generated into the investing activities and financing activities, the company net cash generating position was positive at PKR 62 mln.

Corporate Governance

Arif Habib Limited is listed at the Karachi Stock Exchange. The company's board and management are committed to observe the Code of Corporate Governance prescribed for listed companies. They are cognizant of their responsibilities and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Board & the management specifically would like to state that:

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result 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. The financial statements are prepared in accordance with the International Financial Reporting Standards, as applicable in Pakistan.
- e. The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.
- 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. There has been no departure from the best practices of transfer pricing.
- i. The Company maintains retirement benefits plan for their employees. Value of investments of provident fund based on their accounts as of June 30, 2010 is Rs.3.247 million.

We further report that no material payment has remained outstanding on account of any taxes, duties, levies or charges. The company has no outstanding obligations under gratuity or pension fund except provident fund, which is maintained in a separate bank account alongwith profit.

A statement showing the company's shares bought and sold by its Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their minor family members is annexed as Annexure-I (Page 12). A statement showing attendance at Board meetings is annexed as Annexure-II (Page 13). The pattern of shareholding as required by the Companies Ordinance, 1984 is annexed as Annexure-III (Page 14).

Auditors

The retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have offered themselves for reappointment. The Board recommends their reappointment. A resolution proposing the appointment of M/s. Rehman Sarfaraz Rahim Iqbal Rafiq as auditors of the company for the financial year 2009-10 will be submitted at the forthcoming Annual General Meeting for approval.

Acknowledgement

The Board of Directors wish to extend gratitude to the company's valued customers, shareholders and the business partners and employees for their support. The hard work put in by the company employees is also appreciated and acknowledged. Last but of equally high importance, the Board is grateful to the Securities and Exchange Commission of Pakistan and the Karachi Stock Exchange (Guarantee) Limited for their continued support and guidance.

Karachi.
Date: 20 August 2010

For and behalf of the Board



Samad A. Habib
Chairman & Chief Executive

For information and disclosure to and approval from the shareholders of the Company in the forthcoming AGM, under Section 218 (2) (5) and 188 (1) (c) (i) respectively.

1. Changes approved at the meeting of Board of Directors held on 20 August 2010, to be effective from 21 August 2010.
 - a) Mr. Samad A. Habib the Chairman, Nominee Director and Chief Executive officer resigned from the position of Chief Executive Officer. He will continue to hold the office of Chairman of the Board of Directors and Nominee Director.
 - b) Mr. Abdullah A. Rahman resigned from the position of Director
 - c) Mr. Haroon Usman the Director, Company Secretary and CFO resigned form the position of Company Secretary and CFO. He will continue as an Executive Director on whole time basis.
 - d) Mr. Bilal Amanullah Moti has been co-opted as Director and appointed as Chief Executive Officer.
 - e) Mr. Zia-ur-Rahim khan has been appointed as Company Secretary and Chief Financial Officer.
 - f) Mr. Sajid Qurban Ali, a trader co-opted as a director of the Company on 22 January 2009, shall continue in the same capacity.



2. Remunerations package approved at the meeting of Board of Directors held on 20 August 2010.

Name & designation	Effective	Gross salary/ Month	Petrol allowance liters/month	Car facility	Commission
Mr. Samad A. Habib Chairman & Nominee Director	01-01-2010	Rs. 375,510/-	300	Purchase price limited to that of a New Honda Civic or equivalent	At a maximum of 50% of the total commission allocated for corporate finance and research department thereby making no adverse effect on profitability of the company
Mr. Bilal Amanullah Moti Director & Chief Executive Officer	21-08-2010	500,000/-	500	Purchase price limited to that of a 1800 CC Car to the Maximum of Rs. 2.00 million with maintenance	On brokerage at 2.5% earned by the traders and 2.5% by the company and 10% share of after tax profits related only to brokerage and corporate finance over Rs. 140 million per annum
Mr. Haroon Usman Executive Director	01-01-2010	88,350/-	250	Purchase price limited to that of a New Toyota Corolla GLI	Nil
Mr. Zia-ur-Rahim Khan CFO & Co; Secretary	21-08-2010	80,000/-	250	Purchase price limited to that of a New Toyota Corolla GLI	Nil
Mr. Sajid Qurban Ali Director & Head of Trading	Since his joining as trader	Nil	Nil	Nil	12 ½ % of the commission earned by the company on the transaction of his clients

Other benefits:

- 12 ½ % contributory provident fund on basic salary. Equal contribution by the employee and the company
- Medical covered through insurance

None of the Director/Officer has any interest in any of the above packages except his own.

Statement showing shares bought and sold by Directors, CEO, CFO
Company Secretary and the Minor Family Members
From 1 July 2009 to 30 June 2010

S. No.	Name	Designation	Shares bought	Shares Sold	Remarks
1	Mr. Samad A. Habib	Chairman & Chief Executive	-	-	Appointed Chief Executive on 01-08-2009
2	Mr. Ahmed Reza	CEO & Managing Director	-	625	Resigned on 01-08-2009
3	Mr. Abdullah A. Rahman	Director	-	-	-
4	Mr. Abdul Majid M. Siddique	Director	-	-	-
5	Mr. Sajid Qurban Ali	Director	-	-	-
6	Mrs. Sharmin Shahid	Director	-	-	-
7	Mrs. Nida Ahsan	Director	-	-	-
8	Mr. Haroon Usman	Director	887	-	Co-opted on 31-08-2009
9	Minor Family Members	-	-	-	-

Statement showing attendance at Board Meetings

from 1 July 2009 to 30 June 2010

S. No.	Name	Designation	Attended	Leaves	Remarks Granted
1	Mr. Samad A. Habib	Chairman & Chief Executive	4	-	Appointed Chief Executive on 01-08-2009
2	Mr. Ahmed Reza	CEO & Managing Director	1	-	Resigned on 01-08-2009
3	Mr. Abdullah A. Rahman	Director	4	-	-
4	Mr. Abdul Majid M. Siddique	Director	4	-	-
5	Mr. Sajid Qurban Ali	Director	4	-	-
6	Mrs. Sharmin Shahid	Director	3	1	-
7	Mrs. Nida Ahsan	Director	3	1	-
8	Mr. Haroon Usman	Director	4	-	Co-opted on 31-08-2009 3 As Director, CFO & Co; Secretary 1 As CFO & Co; Secretary

Pattern of shareholding as at 30 June 2010

No. of shareholders	Shareholding		Total shares held
	From	To	
663	1	100	33,575
995	101	500	287,138
1,007	501	1000	852,635
835	1001	5000	1,856,220
138	5001	10000	973,125
46	10001	15000	559,409
26	15001	20000	457,056
11	20001	25000	261,031
7	25001	30000	197,648
12	30001	35000	390,734
6	35001	40000	228,244
6	40001	45000	257,264
2	50001	55000	109,751
1	55001	60000	58,300
2	60001	65000	121,450
1	65001	70000	65,281
1	75001	80000	80,000
1	95001	100000	98,887
1	105001	110000	107,713
1	135001	140000	137,500
1	260001	265000	260,937
1	1920001	1925000	1,923,131
1	9430001	9435000	9,432,971
1	18745001	18750000	18,750,000
3,766			37,500,000

Categories of shareholders	No.	Shares held	Percentage (%)
Directors, Chief Executive & their Spouse and Minor Children	7	37,448	0.10
Mr. Samad A. Habib Chairman	1	32,812	0.09
Mr. Haroon Usman Director	1	887	0.00
Mr. Abdullah A. Rahman Director	1	937	0.00
Mr. Abdul Majid M. Siddique Director	1	937	0.00
Mr. Sajid Qurban Ali Director	1	625	0.00
Mrs. Sharmin Shahid Director	1	625	0.00
Mrs. Nida Ahsan Director	1	625	0.00
Associated Companies, undertakings and related parties	1	28	0.00
Thatta Cement Company Limited	1	28	0.00
NIT & ICP	1	44,085	0.12
National Bank of Pakistan Trustee Department	1	44,085	0.12
Public Sector Corporations	2	139,203	0.37
Executives	1	937	0.00
Bank, Development Financial Institutions & Non Banking Financial Institutions	7	254,686	0.68
Modarabas and Mutual Funds	2	55,000	0.15
Shareholders holding 10% or more	1	28,182,971	75.15
Arif Habib Securities Limited	2	28,182,971	75.15
General Public	4,124	8,073,516	21.53
a. Local	3,644	8,069,016	21.52
b. Foreign	1	4,500	0.01
Joint Stock Companies	94	695,910	1.86
Others	3	16,216	0.05
TOTAL	3,766	37,500,000	100.00

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of **Arif Habib Limited** ("the Company") to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by thy Company to comply with the Code.

As part of the audit of 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 whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company corporate governance procedures and risks and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before 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 of Corporate Governance.

Karachi.
Date: 20 August 2010



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Mr. Muhammad Rafiq

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange for the purpose of establishing 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 Code in the following manner:

1. The Company elects its directors every three years. Seven directors stood elected by the shareholders of the Company as on 31-10-2008.
2. The company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the Board includes three independent and non-executive directors and no directors representing minority shareholders.
3. Casual vacancies of directors occurred during the year were fulfilled in accordance with the provisions of Companies Ordinance 1984.
4. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
5. All the directors have given declaration that they were aware of their duties and powers under the relevant laws and the Company' Memorandum and Articles of Association and the listing regulations of the stock exchange of Pakistan.
6. 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.
7. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by the directors and employees of the Company.
8. The Board has developed a vision/mission statement, and overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
9. 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 Chairman & CEO and other executive directors, have been taken/ratified by the Board.
10. 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, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
11. The Company conducted in-house orientation courses for its directors during the year to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.
12. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.
13. All quarterly and annual financial statements presented to the Board for approval within one month whereas half yearly within two months of the closing, duly signed by the CEO and the CFO.



14. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.
15. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
16. 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.
17. The Company has complied with all the corporate and financial reporting requirements the Code and other material principles contained.
18. The Board has formed an audit committee. It comprises five members including two independent and non executive directors as members and an independent and non executive director as Chairman.
19. 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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
20. The Board has designed internal control system and has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on an ongoing basis.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan 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 Institute of Chartered Accountants of Pakistan.
22. 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.
23. The Related party transactions have been placed before the Audit Committee and approved by the Board of Directors along-with pricing methods for such transactions.
24. We confirm that all other material principles contained in the Code have been complied with.

Karachi
20 August 2010



Samad A. Habib
Chairman & Chief Executive



FINANCIAL STATEMENTS

We have audited the annexed balance sheet of **Arif Habib Limited** as at June 30, 2010, and the related profit & loss account, statement of comprehensive income, cash flow statement, statement of changes in equity together with the notes forming part thereof, for the year then 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 except for the changes stated in note 2.5 (a) to the financial statements with which we concur;
 - (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, cash flow statement and statement of changes in equity 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, 2010, and of the profit, total comprehensive income, its cash flows and changes in equity for the year then 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.

Karachi
Date: 20 August 2010


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

EQUITY AND LIABILITIES**Capital and reserves****Authorized capital**

50,000,000 (2009: 50,000,000) ordinary shares
of Rs.10/- each

Note
June 2010
Rupees

June 2009
Rupees

500,000,000

500,000,000

Issued, subscribed & paid-up capital

14

375,000,000

300,000,000

Share premium

45,000,000

120,000,000

Unappropriated profits

832,224,303

726,941,678

1,252,224,303

1,146,941,678

Liabilities**Non-current liability**

Liabilities against assets subject to finance lease

15

4,385,569

-

Current liabilities

Short term borrowings

16

583,157,891

1,115,319,134

Current portion of lease liabilities

15

774,210

-

Trade and other payables

17

200,901,902

471,254,175

Markup accrued

28,397,119

94,460,445

813,231,122

1,681,033,754

Total equity and liabilities

2,069,840,994

2,827,975,432

Contingencies and Commitments

18

The annexed notes 1 to 34 form an integral part of these financial statements.



ASSETS

Non- current assets

	Note	June 2010 Rupees	June 2009 Rupees
Property, plant and equipment	4	98,648,454	108,676,356
Intangible assets	5	69,065,391	46,650,000
Investment property	6	61,895,000	60,795,000
Long-term deposits	7	14,126,904	13,978,704
		243,735,749	230,100,060

Current assets

Short term investments	8	26,134,090	1,019,861,510
Trade debts	9	1,435,861,883	1,542,238,678
Proceed receivable		257,143,854	-
Short term loans	10	705,793	1,221,830
Trade deposits and prepayments	11	6,085,539	1,244,644
Other receivables	12	18,028,707	9,710,438
Taxes recoverable		4,191,157	7,230,468
Cash & bank balances	13	77,954,222	16,367,804
		1,826,105,245	2,597,875,372

Total assets

		2,069,840,994	2,827,975,432
--	--	----------------------	----------------------


CHIEF EXECUTIVE


DIRECTOR

	Note	June 2010 Rupees	June 2009 Rupees
Operating revenue	19	222,658,771	201,530,369
Reversal of gain on remeasurement recognised in last year		(132,681,459)	-
Capital gain on sale of investments - net	20	196,548,611	246,369,241
Gain/(Loss) on re-measurement of investments carried at fair value through profit or loss - net		(1,784,870)	132,681,459
		284,741,053	580,581,069
Administrative and operating expenses	21	(107,954,338)	(369,338,247)
Finance costs	22	(110,107,758)	(233,736,940)
Other operating income	23	101,478,125	188,573,478
Other charges	24	-	(24,932)
Profit before taxation		168,157,082	166,054,428
Taxation		(17,874,457)	(13,013,757)
Profit after taxation		150,282,625	153,040,671
Earnings per share - basic & diluted (2009: Restated)	26	4.01	4.08

The annexed notes 1 to 34 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Note	June 2010 Rupees	June 2009 Rupees
Profit after taxation	150,282,625	153,040,671
Other comprehensive income	-	-
Total comprehensive income for the year transferred to equity	150,282,625	153,040,671

The annexed notes 1 to 34 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Cash flows from operating activities

Profit before taxation

Adjustments for:

Depreciation

Amortisation of intangible asset

Dividend income

Loss on disposal of property, plant and equipment

Finance costs

Cash generated from operating activities before working capital changes

Effect on cash flow due to working capital changes

(Increase)/decrease in current assets

Short-term investments

Receivables under continuous funding system transactions

Trade debts

Proceed receivable

Short term loans

Deposits and short-term prepayments

Other receivables

Increase/(decrease) in current liabilities

Trade and other payables

Cash (used in) / generated from operations

Taxes paid

Finance costs paid

Net cash generated from/(used in) operating activities

Cash flows from investing activities

Acquisition of property, plant and equipment and investment property

Proceeds from disposal of property, plant and equipment

Acquisition of Intangible asset

Memberships & licences acquired

Expenditure incurred on investment property

Dividends received

Long term deposits

Net cash used in investing activities

Cash flows from financing activities

Repayment of finance lease liability

Dividends paid

Net cash used in financing activities

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

Note

June 2010
Rupees

June 2009
Rupees

	168,157,082	166,054,428
	16,678,028	7,055,734
	27,359	-
	(12,245,984)	(28,725,788)
	-	24,932
	110,107,758	233,736,941
	114,567,161	212,091,819
	282,724,243	378,146,247
	993,727,420	(850,733,859)
	-	11,873,267
	106,376,795	(1,156,867,878)
	(257,143,854)	-
	516,037	3,888,082
	(4,840,895)	132,079,976
	(8,318,269)	8,773,391
	(270,778,167)	143,380,381
	559,539,067	(1,707,606,640)
	842,263,310	(1,329,460,393)
	(14,835,145)	(12,912,884)
	(176,171,085)	(160,995,167)
	651,257,080	(1,503,368,444)
	(2,941,571)	(68,460,900)
4.3	437,445	2,565,404
	(437,750)	-
	(22,005,000)	-
	-	(395,000)
	12,245,984	28,725,788
	(148,200)	(3,317)
	(12,849,092)	(37,568,025)
	(86,221)	-
	(44,574,106)	(60,000,000)
	(44,660,327)	(60,000,000)
	593,747,661	(1,600,936,469)
	(1,098,951,330)	501,985,139
27	(505,203,669)	(1,098,951,330)

The annexed notes 1 to 34 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

	Issued, Subscribed & Paid up Capital	Share Premium	Unappropriated profit	Total
	-----RUPEES-----			
Balance as at July 1, 2008	240,000,000	180,000,000	633,901,008	1,053,901,008
Issue of bonus shares	60,000,000	(60,000,000)	-	-
Issuance of dividend @Rs. 2.5 per share	-	-	(60,000,000)	(60,000,000)
Comprehensive income for the year	-	-	153,040,670	153,040,670
Balance as at June 30, 2009	<u>300,000,000</u>	<u>120,000,000</u>	<u>726,941,678</u>	<u>1,146,941,678</u>
Balance as at July 1, 2009	300,000,000	120,000,000	726,941,678	1,146,941,678
Issue of bonus shares	75,000,000	(75,000,000)	-	-
Issuance of dividend @Rs. 1.5 per share	-	-	(45,000,000)	(45,000,000)
Comprehensive income for the year	-	-	150,282,625	150,282,625
Balance as at June 30, 2010	<u>375,000,000</u>	<u>45,000,000</u>	<u>832,224,303</u>	<u>1,252,224,303</u>

The annexed notes 1 to 34 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

1 Status and Nature of Business

- 1.1 Arif Habib Limited (the Company) is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984. The shares of the Company are quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company was initially incorporated as an unquoted public limited company wholly owned by Arif Habib Securities Limited (the Parent Company). Subsequently, the Parent Company offered its 25% share holding in the Company to general public and the Company obtained listing on Karachi Stock Exchange (Guarantee) Limited on January 31, 2007.

The Company is a corporate member of Karachi, Lahore and Islamabad Stock Exchanges and National Commodity Exchange Limited. The principal activities of the Company are share brokerage, commodity brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. Other activities include investment in listed equity securities.

The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.

- 1.2 Arif Habib Securities (AHSL) holds 75% shares of the Company.

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 certain short term investments which are stated at fair value.

2.3 Functional and Presentation Currency

These financial statements are presented in Pak 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 recognised 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 significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts disclosed in the financial statements are described in note 31.

2.5 Initial Application of Standards, Amendments or an Interpretation to Existing Standards

a) Standards, Amendments to Published Standards and Interpretations that are Effective in 2009 and are Relevant to the Company.

- **IAS 1 (revised), 'Presentation of financial statements' (effective from January 1, 2009).** The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Company has preferred to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- **IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009).** In accordance with new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have any effect on the Company's financial statements.
- **IAS 23 (amendment), 'Borrowing costs' (effective from January 1, 2009).** The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Company's current accounting policy is in compliance with this amendment, and therefore there is no effect on the Company's financial statements.
- **IFRS 7 'Financial instruments – Disclosures' (amendment) – effective from January 1 2009.** The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of the fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on profit for the year.
- **IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).** The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Company's financial statements.
- Number of other amendments in other IFRS and IAS which were part of the International Accounting Standards Board's (IASB's) annual improvements project, published in April 2009.

b) Standards, Amendments to Published Standards and Interpretations that are Effective in 2009 but not Relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

c) Standards, Amendments to Published Standards and Interpretations to Existing Standards that are not yet Effective and have not been Early Adopted by the Company.

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning July 1, 2009 and have not been early adopted by the Company:

- **IAS 1 (amendment), 'Presentation of financial statements'**. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company's financial statements.
- **Prepayments of a minimum funding requirement (amendments to IFRIC 14)**, effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.
- **IAS 24 (revised), 'Related Party Disclosures'**, effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.
- **IAS 38 (amendment), 'Intangible assets'**. The amendment is part of the IASB's annual improvements project published in April 2009 and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any impact on the Company's financial statements.
- **IAS 39 (amendment); 'Cash flow hedge accounting'**. This amendment provides clarification when to recognise gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The Company will apply IAS 39 (Amendment) from July 1, 2010. It is not expected to have any affect on the Company's financial statements.
- **IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'** In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of the Company's arrangements that were not covered by that interpretation. The new guidance is not expected to have any material impact on the Company's financial statements.

- **IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'**. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company's financial statements.
- **IFRS 9, 'Financial Instruments'**, effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to assess the full impact of IFRS 9.
- **IFRIC 18, 'Transfers of assets from customers' (effective for periods beginning on or after July 1, 2009)**. The interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. This interpretation is not expected to have any impact on the Company's financial statements.
- **IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010**. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation will have no impact on the Company's financial statements.
- There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 and May 2010(not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analysed in detail.

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 (note 3.20).

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 or recognised as separate asset, 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 derecognised. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

Addition made upto Rs.10,000 is not recognised as property, plant and equipment, and charged to profit and loss account.

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

Depreciation is charged to profit and loss account using reducing balance method whereby the cost of the asset less its estimated residual value is written off over the estimated useful life at rates given in note 4. Depreciation on additions is charged from the quarter in which asset is available for use and on disposals upto the quarter preceding the quarter of disposal.

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.

3.2 Intangible Assets

An intangible asset is recognised as an asset if it is probable that the economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

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.

Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognised 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 over a period of four years using the straight line method .

Amortization is charged from the quarter in which the related asset is available for use while no amortization is charged for the quarter in which such asset is disposed off.

3.3 Investment Property

Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both. The Company follows cost model as per applicable Accounting Standard for the purpose of recognition and subsequent measurement of the items of investment property. Rental income from investment property is recognized through profit and loss account.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to rent out or hold for capital appreciation purposes. Transfer are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

3.4 Impairment of Non-Financial Assets

Assets that are subject to depreciation/amortisation are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.5 Financial Assets

3.5.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) 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 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'proceed receivable', 'short term loans', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the reporting date.

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 the investment matures or management intends to dispose off it within 12 months of the end of the reporting date. There were no available for sale financial asset at the reporting date.

3.5.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all 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 are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the profit and loss account within income / expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of operating income when the Company’s right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as ‘gains and losses from investment securities’.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company’s right to receive payments is established.

3.5.3 Impairment of Financial Assets

The Company assesses at the end of each reporting period 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 is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 3.7.

3.6 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 recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

3.7 Trade Debts and other Receivables

Trade debts and other receivables are recognised 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.

3.8 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.

3.9 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.

Uptill last year, the Company included equity securities (short term investments) under cash and cash equivalents considering them to be highly liquid. During the year, due to the nature of such investments, equity securities have been excluded from cash and cash equivalents and accordingly, cash and cash equivalents and figures reported in comparatives for prior year's cash flow statement have been restated. Financial impacts of the restatements have been disclosed in note 27 to the financial statements.

3.10 Share Capital

Ordinary shares are classified as equity and recognised 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.

3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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.

3.12 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.

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.

3.13 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.

3.14 Employee Compensated Absences

The Company accounts for compensated absences for all eligible employees on the basis of unavailed leave balance at the end of each year, in accordance with the rules of the Company.

3.15 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised 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 recognised 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 recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. 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.

3.16 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.

3.17 Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on the recognition and derecognizing of the financial assets and liabilities is taken to profit and loss account currently.

3.18 Foreign Currency Transactions and Translation

Monetary assets and liabilities in foreign currencies are translated into Pak 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 recognised in the profit and loss account.

3.19 Revenue Recognition

Revenue is recognised 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 recognised on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.
- Income from bank deposits is recognised at effective yield on time proportion basis.
- 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 recognised on accrual basis.

3.20 Borrowing Costs

Borrowing costs are recognised as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

4 Property, Plant and Equipment

Assets owned by the company
Assets subject to finance lease

Note

June 2010
Rupees

June 2009
Rupees

4.1 **93,664,754**
4.2 **4,983,700**
98,648,454

108,676,356
-
108,676,356

4.1 Assets Owned by the Company

	Leasehold office	Leasehold improvements	Office equipments	Furniture & fixture	Compter & allied	Vehicles	Total
----- Rupees -----							
As at July 01, 2008							
Cost	-	-	1,496,269	195,162	4,656,826	10,243,798	16,592,055
Accumulated depreciation	-	-	(330,772)	(60,687)	(1,947,195)	(2,491,875)	(4,830,529)
Net book value	-	-	1,165,497	134,475	2,709,631	7,751,923	11,761,526
Year ended June 30, 2009							
Opening net book value	-	-	1,165,497	134,475	2,709,631	7,751,923	11,761,526
Additions during the year	2,115,000	101,622,500	-	17,000	3,132,259	384,165	107,270,924
Disposals / transfers							
Cost	-	-	(710,024)	(16,000)	(772,136)	(3,060,869)	(4,559,029)
Accumulated depreciation	-	-	105,136	16,000	420,771	716,762	1,258,669
Net book value	-	-	(604,888)	-	(351,365)	(2,344,107)	(3,300,360)
Depreciation for the year	-	(3,810,844)	(79,479)	(31,210)	(1,883,956)	(1,250,245)	(7,055,734)
Closing net book value	2,115,000	97,811,656	481,130	120,265	3,606,569	4,541,736	108,676,356
As at July 01, 2009							
Cost	2,115,000	101,622,500	786,245	196,162	7,016,949	7,567,094	119,303,950
Accumulated depreciation	-	(3,810,844)	(305,115)	(75,897)	(3,410,380)	(3,025,358)	(10,627,594)
Net book value	2,115,000	97,811,656	481,130	120,265	3,606,569	4,541,736	108,676,356
Year ended June 30, 2010							
Opening net book value	2,115,000	97,811,656	481,130	120,265	3,606,569	4,541,736	108,676,356
Additions during the year	-	-	15,000	-	1,244,671	581,900	1,841,571
Disposals / transfers							
Cost	-	-	-	(16,250)	(1,528,140)	(205,351)	(1,749,741)
Accumulated depreciation	-	-	-	16,250	1,197,019	99,027	1,312,296
Net book value (note 4.3)	-	-	-	-	(331,121)	(106,324)	(437,445)
Depreciation for the year	-	(13,866,901)	(69,314)	(25,866)	(1,513,181)	(940,466)	(16,415,728)
Closing net book value	2,115,000	83,944,755	426,816	94,399	3,006,938	4,076,846	93,664,754
As at June 30, 2010							
Cost	2,115,000	101,622,500	801,245	179,912	6,733,480	7,943,643	119,395,780
Accumulated depreciation	-	(17,677,745)	(374,429)	(85,513)	(3,726,542)	(3,866,797)	(25,731,026)
Net book value	2,115,000	83,944,755	426,816	94,399	3,006,938	4,076,846	93,664,754
Annual rates of depreciation	0%	15%	15%	15%	33%	20%	

4.2 Assets Subject to Finance Lease

	Rupees
As at July 01, 2008	
Cost	-
Accumulated depreciation	-
Balance as at June 30, 2008	-
Year ended June 30, 2009	
Opening net book value	-
Additions during the year	-
Disposals / transfers	-
Depreciation	-
Closing net book value	-
As at July 1, 2009	
Cost	-
Accumulated depreciation	-
Net book value	-
Year ended June 30, 2010	
Opening net book value	-
Additions during the year	5,246,000
Disposals / transfers	-
Depreciation	(262,300)
Closing net book value	4,983,700
As at July 1, 2010	
Cost	5,246,000
Accumulated depreciation	(262,300)
Net book value	4,983,700
Annual Rate of Depreciation	20%

4.3 Particulars of Disposal of Property, Plant and Equipment are as Follows:

Particulars	Acquisition cost	Accumulated depreciation	Written down value	Sale proceed	Gain/ (loss)	Mode of disposal	Particulars of buyer
Compter & Allied							
Notebook Computer	118,000	63,633	54,367	54,367	-	As per Company policy	Thatta Cement Ltd.
LCD 42"	88,600	35,747	52,853	52,853	-		Arif Habib Securities Ltd.
	206,600	99,380	107,220	107,220	-		
Items having net book value not exceeding Rs.50,000 each	1,543,141	1,212,916	330,225	330,225	-		
June 30, 2010	1,749,741	1,312,296	437,445	437,445	-		
June 30, 2009	3,353,369	763,033	2,590,336	2,565,404	(24,932)		

	Note	June 2010 Rupees	June 2009 Rupees
5 Intangibles Assets			
Computer software	5.1	410,391	-
Membership cards and offices	5.2	68,655,000	46,650,000
		<u>69,065,391</u>	<u>46,650,000</u>

5.1 Computer Software

As at July 01, 2008

	Rupees
Cost	-
Accumulated amortization	-
Balance as at June 30, 2008	<u>-</u>

Year ended June 30, 2009

Opening net book value	-
Additions during the year	-
Disposals / transfers	-
Amortization	-
Closing net book value	<u>-</u>

As at July 1, 2009

Cost	-
Accumulated amortization	-
Net book value	<u>-</u>

Year ended June 30, 2010

Opening net book value	-
Additions during the year	437,750
Disposals / transfers	-
Amortization	(27,359)
Closing net book value	<u>410,391</u>

As at July 1, 2010

Cost	437,750
Accumulated amortization	(27,359)
Net book value	<u>410,391</u>

Annual rate of amortization

25%

	Note	June 2010 Rupees	June 2009 Rupees
5.2 Membership Cards and Offices			
Membership Licenses			
-- Karachi Stock Exchange (Guarantee) Limited	5.2.1	15,000,000	15,000,000
-- Lahore Stock Exchange (Guarantee) Limited	5.2.1	7,000,000	7,000,000
-- Islamabad Stock Exchange (Guarantee) Limited	5.2.1	4,000,000	4,000,000
-- National Commodities Exchange of Pakistan Limited	5.2.1	1,000,000	1,000,000
		27,000,000	27,000,000
Offices			
-- at Islamabad Stock Exchange		22,005,000	-
-- at Lahore Stock Exchange		17,550,000	17,550,000
		39,555,000	17,550,000
Booths			
-- at Karachi		2,100,000	2,100,000
		68,655,000	46,650,000

5.2.1 This represents cost of membership card of Stock Exchanges of Pakistan with indefinite useful life.

6 Investment Property

Opening balance		60,795,000	-
Acquisition during the year		-	52,000,000
Transferred during the year	6.1	1,000,000	8,400,000
Expenditure incurred on acquisition and transferred of investment property		100,000	395,000
		61,895,000	60,795,000

6.1 This represents deposit of one office at Islamabad Stock Exchange amounting to Rs. 1.0 million which has been transferred to investment property, on transfer of ownership to the Company.

7 Long Term Deposits

Karachi Stock Exchange (Guarantee) Limited		610,000	1,110,000
Lahore Stock Exchange (Guarantee) Limited		1,480,000	1,480,000
Islamabad Stock Exchange (Guarantee) Limited	6.1	-	1,000,000
National Commodity Exchange Limited		9,513,204	9,513,204
Security Deposits of Lease Assets		1,573,800	-
National Clearing Company of Pakistan Limited		750,000	700,000
Others		199,900	175,500
		14,126,904	13,978,704

8 Short Term Investments

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

Listed Equity Securities:

Related parties	8.1	-	423,858,347
Others	8.2	26,134,090	596,003,163
		26,134,090	1,019,861,510

8.1 Related Parties:

2010 (Number of shares)	2009	Name of Company	Note	2010 Rupees	2009 Rupees
-	118,500	Javedan Cement Limited		-	12,442,500
-	10,802,825	Pakistan Premier Fund		-	44,291,583
-	10,236,000	Pakistan Strategic Allocation Fund		-	35,109,480
-	16,709,350	Thatta Cement Company Limited		-	332,014,785
				-	423,858,348

8.2 Investment in other Quoted Equity Securities:

2010 (Number of shares)	2009	Name of Company		2010 Rupees	2009 Rupees
-	13,691,500	Al Abbas Cement Limited		-	95,840,500
-	1,288,010	Allied Bank Limited		-	48,429,176
-	23,834,609	Arif Habib Bank Limited		-	166,603,917
-	33	Bank Alfalah Limited		-	348
-	2,217,000	Crescent Textile Limited		-	54,316,500
-	98	D.S. Industries Limited		-	303
-	42,777	Dewan Textile Limited		-	355,477
-	4,800	Din Textile Limited		-	61,968
-	2,067,000	Engro Polymer Limited		-	39,603,720
-	342,650	First Capital Securities Limited		-	3,566,987
-	455,000	Gandhara Nissan Limited		-	2,434,250
-	253,998	Gul Ahmed Textile Mills Limited.		-	9,865,282
-	178,354	Gulistan Spinning Mills Limited		-	758,005
-	2,070,500	Hira Textile Mills Limited		-	6,480,665
-	250,000	Ibrahim Fibre limited		-	7,452,500
-	953,000	Ideal Spinning Mills Limited		-	1,810,700
-	802,500	Ishaq Textile Limited		-	2,993,325
3,811,500	-	Javed Omer Vora & Co. Ltd		20,353,410	-
-	1,000,000	Lucky Cement Limited		-	58,530,000
-	489,000	Mehar Dastagir Textile Limited		-	220,050
-	3,734,000	Pak Synthetic Limited		-	22,702,720
-	41,184	Security Paper Limited		-	2,059,200
-	5,657,894	Shakargunj Sugar Mills Limited		-	57,710,519
927,878	-	Watenn Telecom Limited		5,780,680	-
-	5,682,821	Worldcall Telecom Limited		-	14,207,053
				26,134,090	596,003,165

9 Trade Debts

Due from customers, considered good (note 9.1)

1,435,861,883 1,542,238,678

9.1 This includes Rs.40.391 million (2009: Rs. 0.334 million) due from related parties.

10 Short Term Loans , Considered Good

Loans to:

- executives
- staff

10.1

329,110

707,111

10.1

376,683

514,719

705,793

1,221,830

10.1 These represent interest free loans to employees as well as executives for motor vehicles given in accordance with the terms of employment.

	Note	June 2010 Rupees	June 2009 Rupees
11 Trade Deposits and Short Term Prepayments			
Deposits to Karachi Stock Exchange(Guarantee) Limited (KSE) against future clearing		5,675,699	750,000
Prepayments		409,840	494,644
		6,085,539	1,244,644
12 Other Receivables			
Pakistan Private Equity Management Limited		-	6,450,060
Pak Power Resources Limited		2,326,500	2,326,500
Fatima Fertilizer Company Limited		4,539,361	-
Al-Abbas Cement Limited		10,251,381	-
Others		911,465	933,878
		18,028,707	9,710,438

12.1 This includes Rs. 15.364 million (2009: Rs. 6.99 million) receivable from related parties.

13 Cash and Bank Balances

	Note	June 2010 Rupees	June 2009 Rupees
Cash in hand		54,806	18,698
Cash at bank			
- in current accounts		9,942,005	4,788,753
- in savings accounts	13.1	67,957,411	11,560,353
		77,899,416	16,349,106
		77,954,222	16,367,804

13.1 The return on these balances is 5% to 11.5% (2009: 5% to 12%) per annum on daily product basis.

14 Issued, Subscribed and Paid-up Capital

2010 (Number of shares)	2009	Name of Company	2010 Rupees	2009 Rupees
12,000,000	12,000,000	Ordinary shares of Rs.10/- each fully paid in cash	120,000,000	120,000,000
25,500,000	18,000,000	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	255,000,000	180,000,000
37,500,000	30,000,000		375,000,000	300,000,000

14.1 The reconciliation of ordinary shares is as follows:

	June 2010 Rupees	June 2009 Rupees
Opening Balance	30,000,000	24,000,000
Add: shares issued during the the year	7,500,000	6,000,000
	37,500,000	30,000,000

15	Liabilities Against Asset Subject to Finance Lease	Note	June 2010 Rupees	June 2009 Rupees
	Present value of minimum lease payments		4,385,569	-
	Less : Current portion shown under current liabilities		774,210	-
			5,159,779	-

The minimum lease payments have been discounted at an implicit interest rate 16% reset at the beginning of every six months. The implicit interest rate used during the year to arrive at the present value of minimum lease payment is 16% since the implicit interest rate is linked with KIBOR so the amount of minimum lease payments and finance charge may vary from period to period. The lease has the option to purchase the assets after expiry of the lease term.

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 Payments	Future finance cost	Present Value of lease liability	
			2010	2009
Not later than one year	1,340,964	566,754	774,210	-
Later than one year and not later than five year	5,437,272	1,051,703	4,385,569	-
	6,778,236	1,618,457	5,159,779	-

16	Short Term Borrowings, Secured	Note	June 2010 Rupees	June 2009 Rupees
	From banking companies	16.1	583,157,891	1,115,319,134

16.1 Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs.2,050 million (2009: Rs. 3,750 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 upto march 2011. These arrangements are secured against pledge of marketable securities with 30% margin (2009: 30% margin). These running finance facilities carry mark-up ranging from 13.34% to 16.26% (2009: from 11.14% to 14.64%) calculated on a daily product basis that is payable quarterly. The mark-up rates are dependent on the quarterly Karachi inter-bank offer rate (KIBOR).

17	Trade and Other Payables	Note	June 2010 Rupees	June 2009 Rupees
	Creditors	17.1	183,204,439	451,026,456
	Commission payable	17.2	4,830,095	6,725,000
	Payable against purchase of securities		-	6,674,434
	Workers' welfare Fund		3,499,555	3,388,866
	Accrued expenses		2,438,712	1,972,445
	Dividend payable		1,469,396	1,043,502
	Advance rent		2,178,001	-
	Federal excise duty payable		1,898,709	366,414
	Other liabilities		1,382,995	57,058
			200,901,902	471,254,175

- 17.1 This includes amount of Rs. 406,000 (2009: Rs.421,121) payable to related parties of the Company.
- 17.2 This includes an amount of Rs.2.510 million (2009: Rs.3.527 million) payable to related parties of the company on account of commission.

	Note	June 2010 Rupees	June 2009 Rupees
18 Contingencies and Commitments			
Commitment to KSE Clearing House in respect of trading of securities		388,174,070	317,703,186
18.1 No contingencies exist as at the reporting date (June 30, 2009: Nil).			
19 Operating Revenue			
Brokerage income		129,916,859	164,752,461
Underwriting, consultancy and placements income		80,495,928	4,080,858
Dividend income		12,245,984	28,725,788
Income from continuous funding system transactions		-	1,784,827
Return on term finance certificates		-	2,186,435
		222,658,771	201,530,369
20 Capital Gain on Sale of Investments-Net	20.1	196,548,611	246,369,241

- 20.1 This includes capital gain of Rs. Nil (June 30, 2009 : Rs. 318 million) tendered by the Parent Company under section 224 of the Companies Ordinance 1984.

21 Administrative and Operating Expenses

Salaries and benefits	21.1 & 28	23,656,604	18,074,862
Rent, rates and taxes		21,626,755	3,885,288
Depreciation and amortisation	4 & 5.1	16,705,387	7,055,734
Commission	28	14,110,865	13,183,217
C.D.C & clearing house charges		7,605,790	18,756,169
Electricity		5,733,718	2,275,221
Communication		2,781,819	1,982,664
Motor vehicle expense		2,567,534	1,977,630
Membership and other subscription		2,006,713	2,430,738
Printing and stationery		1,317,913	1,476,193
Conveyance and meals		935,775	589,368
Insurance		913,380	1,517,949
Legal and professional charges		826,449	628,999
Repairs and maintenance		483,450	833,841
Advertisement & business promotion		462,758	544,894
Auditors' remuneration	21.2	590,500	502,000
Entertainment		337,117	136,000
Meeting expenses		215,000	113,424
Donation		-	7,000
Bad debts written off		-	288,974,535
Workers' welfare Fund		3,431,777	3,388,866
Others		1,645,034	1,003,655
		107,954,338	369,338,247

- 21.1 This includes Company's contribution to provident fund amounting to Rs.2,831,942 (June 30,2009: 886,089/-).

	Note	June 2010 Rupees	June 2009 Rupees
21.2 Auditors' remuneration			
Annual audit fee		275,000	210,000
Half year review		132,000	100,000
Certification of code of corporate governance		94,500	72,000
Other certifications		89,000	120,000
		<u>590,500</u>	<u>502,000</u>
22 Finance Costs			
Interest and mark-up on :			
Non-current liabilities			
-Liabilities against assets subject to finance lease		57,843	-
Current Liabilities			
-short term borrowing from banking companies		100,190,928	161,778,880
-client balances		7,475,717	67,882,070
Bank charges and others		2,383,270	4,075,990
		<u>110,107,758</u>	<u>233,736,940</u>
23 Other Operating Income			
On financial assets			
Write back of accrued finance costs	23.1	67,704,837	-
Late payment charges on clients' balances		20,727,767	157,366,331
Profit on savings accounts		3,131,699	18,055,447
Profit on exposure deposit with Karachi Stock Exchange (guarantee) Limited		51,459	4,571,700
Recovery of bad debts		424,363	-
On non-financial assets			
Rental income from investment property		9,438,000	8,580,000
		<u>101,478,125</u>	<u>188,573,478</u>
23.1 This represents write back of payable to sponsors for mark-up accrued on their balances during last year, on waiver thereof by the sponsors.			
24 Other Charges			
During the year, loss on disposal of property, plant and equipment amount to Rs. Nil (June 30, 2009 : 24,932).			
25 Taxation			
Current			
- for the year		(20,706,500)	(10,101,352)
- prior year reversal/(charge)		2,832,043	(2,912,405)
		<u>(17,874,457)</u>	<u>(13,013,757)</u>

25.1 Reconciliation of Tax Charge for the Year

Average effective rate of tax for the year is calculated as follows:

	June 2010 Rupees	June 2009 Rupees
Profit before tax	168,157,082	166,054,428
Tax charge for the year	17,874,457	13,013,757
Average effective rate of tax for the year	10.6%	7.84%

The reconciliation of the effective tax rate with the applicable tax rate is as follows:

	June 2010 %	June 2009 %
Applicable income tax rate	35	35
Add/(less):		
-Tax effect of income taxable under final tax regime	(14.69)	(15.35)
- Prior year tax (reversal) / charge	(1.65)	1.75
-Tax effect of income taxed at lower rate	(8.06)	(13.57)
	10.6	7.83

Assessment upto Tax Year 2008 have been finalized U/S 120 of the Income Tax Ordinance, 2001.

Assessment for the Tax Year 2009 was finalized U/S 120 of the Income Tax Ordinance 2001, subsequently amended U/S 122(1)/(5) read with section 177 of the Income Tax Ordinance, 2001, which has resulted in prior year reversal recognised in these financial statements.

26 Earnings Per Share - Basic and Diluted

26.1 Basic Earnings Per Share

	June 2010	June 2009
Profit for the year - Rupees	150,282,625	153,040,671
	(Number)	
Weighted average number of ordinary shares (2009: Restated)	37,500,000	37,500,000
	(Rupees)	
Earnings per share (2009: Restated)	4.01	4.08

26.2 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, 2009 and June 30, 2010 which would have any effect on the earnings per share if the option to convert is exercised.

27 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:

	June 2010 Rupees	June 2009 Rupees
Cash and bank balances - note 13	77,954,222	16,367,804
Short term borrowing - note 16	<u>(583,157,891)</u>	<u>(1,115,319,134)</u>
	<u>(505,203,669)</u>	<u>(1,098,951,330)</u>

Previously, the short term investments (including investment in continuous funding system and proceeds receivable) were considered by management as cash equivalents in the financial statements for the year ended June 30, 2009. The management has now excluded the balance of short term investments, receivables under continuous funding system from cash and cash equivalents and as such appropriate restatement has been made in the comparatives reported for the year ended June 30, 2009 in the cash flow statement in these financial statements.

As a result, cash flows from operating activities for the year ended June 30, 2009 have been reduced by Rs. 838,860,592. Furthermore, cash and cash equivalents as at June 30, 2008 and 2009 have been reduced by Rs.181,000,918 and Rs.1,019,861,510 respectively.

28 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the company and key management personnel, staff provident fund, and financial institution having nominee on the Board of Directors. 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. Transactions with other related parties are entered into at rates negotiated with them. The remuneration of Chief Executive, Directors and Executives is disclosed in note 28 to the financial statements.

Details of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Brokerage Commission and other services to:		
-Parent (AHSL)	21,051,377	7,905,585
-Group companies - Fatima Fertilizer Limited	66,756,268	5,472,302
-Key management personnel	5,267	7,796,897
-Other related parties	11,269,399	13,554,877
Capital Gain Tendered by Parent Company (AHSL)	-	318,290,000
Capital Gain earned on related parties securities	126,162,143	-
Capital loss incurred on related parties securities	(17,685,487)	-
Sale of securities to related party on off-market counter	142,101,108	-
Dividend paid to related parties	33,754,108	-
Paid to Rotocast (Pvt) Ltd against lease improvements	-	65,622,500
Rent paid to Rotocast (Pvt) Ltd	20,898,240	1,741,520
Interest income earned on advance to related party	344,141	-
Interest expenses on related parties balances	-	67,304,768
Contribution to staff provident fund	2,831,942	886,089

	Note	June 2010 Rupees	June 2009 Rupees
Balances with related parties at the end of the year are as follows:			
Advances to / Receivable from related parties:			
-Group companies		15,045,852	6,592,740
-Key management personnel		1,224,354	899,626
-Other related parties		-	46,002
Investment in related parties		-	423,858,347
Payable to related parties:			
-Key management personnel		-	(11,160,176)
-Other related parties		11,581,266	(413,440,699)

29 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	
	2010	2009	2010	2009	2010	2009
Managerial remuneration	4,570,812	-	312,426	1,702,118	803,727	595,212
House rent allowance	228,691	-	93,728	334,021	241,118	267,845
Conveyance	381,151	-	156,214	219,226	401,864	169,084
Utilities	76,230	-	31,243	74,227	80,372	59,521
Contribution to provident fund	-	-	139,644	92,784	8,976	74,402
Medical allowance	76,230	-	31,243	37,113	80,372	29,761
Commission & performance bonus (note 28.1)	-	5,897,237	1,199,162	2,927,990	181,230	145,256
	5,333,114	5,897,237	1,963,660	5,387,479	1,797,659	1,341,081
Number of persons	1	1	3	2	3	7

29.1 This includes entitlement of commission @ 12.5% on account of sale and purchase transaction and 7.5% on CFS transactions on behalf of clients.

29.2 The Company also provides the Chief Executive, certain Executives, and Directors with Company maintained Car.

30 FINANCIAL RISK MANAGEMENT

30.1 Financial Risk Factors

The Company is exposed to a variety of financial risks (including interest rate risk and other price risk), credit rate risk and liquidity risk. The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

a) Market Risk

i) 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 transaction and balances at the reporting date.

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. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 26 million (2009: Rs. 1,019 million) at the reporting date. 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.

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.

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 37.9% during the financial year. Subsequent to the balance sheet date and till the date of authorization of these financial statements a further increase of 1.42% in the KSE 100 Index has been observed.

The table below summarizes Company's equity price risk as of 30 June 2010 and 2009 and shows the effects of a hypothetical 30% increase and a 30% 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.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2010 Rupees	26,134,090	30% increase	33,974,317	7,840,227	7,840,227
		30% decrease	18,293,863	(7,840,227)	(7,840,227)
June 30, 2009 Rupees	1,019,861,510	30% increase	1,325,819,963	305,958,453	305,958,453
		30% decrease	713,903,057	(305,958,453)	(305,958,453)

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. 187,084,896/- (2009: Rs. 897,328,138/-) and Rs. 583,157,891 (2009: Rs. 1,586,573,310) 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:

	2010	2009		2010	2009
	Effective interest rate (%)			Carrying amounts	
Financial assets					
Deposits to KSE against future clearing	7% to 8.5%	7% to 8.5%	Rupees	5,675,699	750,000
Trade debts	8%	9%		113,451,786	885,017,785
Bank deposits - pls account	5% to 11.5%	5% to 12%	Rupees	67,957,411	11,560,353
Financial liabilities					
Trade and other payables	Nil	14.43%	Rupees	183,204,439	451,026,456
Short term borrowings	13.3% to 16.3%	12.77% to 18.52%	Rupees	583,157,891	1,115,319,135

The Company does not account for any fixed rate financial asset 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 substantially been decrease during the year by approximately 4%. Subsequent to the balance sheet date and till the date of authorization of these financial statements a further increase of 3.8% has been observed.

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, 2010				
Cash flow sensitivity-Variable rate financial liabilities	Rupees		(3,960,730)	3,960,730
As at June 30, 2009				
Cash flow sensitivity-Variable rate financial liabilities	Rupees		(6,690,175)	6,690,175

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, possibility of default by investors, and or failure of the financial markets, depositors, settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, proceed receivable 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 and other factors, and obtains necessary collaterals to reduce credit risks. 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. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

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

	Note	Carrying amount	
		June 2010 Rupees	June 2009 Rupees
Long term deposits	7	14,126,904	13,978,704
Short term investments carried as at fair value through profit or loss	8	26,134,090	1,019,861,510
Trade debts	9	1,435,861,883	1,542,238,678
Short term loans	10	705,793	1,221,830
Proceed receivable		257,143,854	-
Short term deposits	11	5,675,699	750,000
Other receivables	12	18,028,707	9,710,438
Cash and bank balances	13	77,954,222	16,367,804
		1,835,631,152	2,604,128,964

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

Local clients	1,435,861,883	1,542,238,678
Foreign clients	-	-
	1,435,861,883	1,542,238,678

The Company holds capital securities having fair value of Rs. 974,085,653 owned by its clients, as collaterals against trade debts.

	2010		2009	
	Gross	Impairment	Gross	Impairment
Past due 1 day - 30 days	7,067,353	-	510,742,474	-
Past due 31 days - 180 days	10,760,976	-	383,652,042	-
Past due 181 days - 1 year	129,151,404	-	897,682,049	261,684,358
More than one year	1,288,882,150	-	39,136,648	27,290,176
Rupees	1,435,861,883	-	1,831,213,213	288,974,535

Except for the impairment disclosed above, no impairment has been recognized 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:

	June 2010 Rupees	June 2009 Rupees
Trade debts - equity transactions	-	288,974,535

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, other than disclosed above.

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

	Rating		Rating Agency	2010	2009
	Short term	Long term		Rupees	Rupees
MCB Bank Limited	A1+	AA+	PACRA	360,967	948,862
Habib Bank Limited	A1+	AA+	JCR - VIS	428,487	965,288
United Bank Limited	A1+	AA+	JCR - VIS	74,482	74,782
Bank Islami Pakistan Limited	A1	A	PACRA	5,119,299	-
KASB Bank Limited	A2	A-	PACRA	324,122	60,955
NIB Bank Limited	A1+	AA	PACRA	396,985	64,640
JS Bank Limited	A1	A	PACRA	303,562	346,969
Arif Habib Bank Limited	A2	A	JCR - VIS	69,531,103	11,653,383
Bank Al-Habib Limited	A1+	AA+	PACRA	991,269	1,298,059
Allied Bank Limited	A1+	AA	PACRA	138,797	661,065
Soneri Bank Limited	A1+	AA	PACRA	64,675	64,675
Mybank Limited	A2	A-	PACRA	80,470	86,948
Atlas Bank Limited	A2	A-	PACRA	85,198	42,960
The Bank of Punjab	A1+	AA-	PACRA	-	80,520
				77,899,416	16,349,106

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 and unutilized credit lines of Rs.77.954 million (2009:Rs. 16.367 million) and Rs. 1,467 million (Rs. 2,635. million) as mentioned in note 13 and 16.

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

	Carrying amount	2010		<i>Amounts in Rupees</i>	
		Contractual cash flows	Up to one year	More than one year	
Financial liabilities					
Liabilities against assets subject to finance lease	5,159,779	6,778,236	774,210	4,385,569	
Trade and other payables	198,723,901	198,723,901	198,723,901	-	
Short term borrowings	583,157,891	583,157,891	583,157,891	-	
Accrued markup on short term borrowings	28,397,119	28,397,119	28,397,119	-	
	815,438,690	817,057,147	811,053,121	4,385,569	

	<i>Amounts in Rupees</i>			
	2009			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
Financial liabilities				
Trade and other payables	471,254,175	471,254,175	471,254,175	-
Short term borrowings	1,115,319,134	1,115,319,134	1,115,319,134	-
Accrued markup on short term borrowings	94,460,445	94,460,445	94,460,445	-
	<u>1,681,033,754</u>	<u>1,681,033,754</u>	<u>1,681,033,754</u>	<u>-</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.

30.2 Fair value estimate

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company are the current bid prices.

The carrying value less impairment provision of trade receivables and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

The classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2010	<i>Amounts in Rupees</i>			
	Level 1	Level 2	Level 3	Total
Financial assets				
- derivative financial instruments	-	-	-	-
- other financial asset held for trading				
Quoted equities	26,134,090	-	-	26,134,090
	<u>26,134,090</u>	<u>-</u>	<u>-</u>	<u>26,134,090</u>
Financial liabilities				
- derivative financial instruments	-	-	-	-
- other financial liabilities held for trading	-	-	-	-

Amounts in Rupees

June 30, 2009	Level 1	Level 2	Level 3	Total
Financial assets				
- derivative financial instruments	-	-	-	-
- other financial asset held for trading Quoted equities	1,019,861,510	-	-	1,019,861,510
	<u>1,019,861,510</u>	<u>-</u>	<u>-</u>	<u>1,019,861,510</u>
Financial liabilities				
- derivative financial instruments	-	-	-	-
- other financial liabilities held for trading	-	-	-	-

30.3 Financial instruments by categories

Amounts in Rupees

	Asset at fair value through profit and loss	Loans and receivables	Total
As at June 30, 2010			
Financial assets as per balance sheet			
Long term deposits	-	14,126,904	14,126,904
Short term investments	26,134,090	-	26,134,090
Trade debts	-	1,435,861,883	1,435,861,883
Short term loans	-	705,793	705,793
Short term deposits	-	5,675,699	5,675,699
Proceed receivable	-	257,143,854	257,143,854
Other receivables	-	18,028,707	18,028,707
Cash and bank balances	-	77,954,222	77,954,222
	<u>26,134,090</u>	<u>1,809,497,062</u>	<u>1,835,631,152</u>
			Financial liabilities at amortized cost
As at June 30, 2010			
Financial liabilities as per balance sheet			
Liabilities against assets subject to finance lease			4,385,569
Short term borrowings			583,157,891
Current portion of lease liabilities			774,210
Trade and other payables			198,723,901
Accrued markup			28,397,119
			<u>811,053,121</u>

	<i>Amounts in Rupees</i>		
	Asset at fair value through profit and loss	Loans and receivables	Total
As at June 30, 2009			
Assets as per balance sheet			
Long term deposits	-	13,978,704	13,978,704
Short term investments	1,019,861,510	-	1,019,861,510
Trade debts	-	1,542,238,678	1,542,238,678
Loans and advances	-	1,221,830	1,221,830
Short term deposits	-	750,000	750,000
Other receivables	-	7,230,468	7,230,468
Cash and bank balances	-	16,367,804	16,367,804
	<u>1,019,861,510</u>	<u>1,581,787,484</u>	<u>2,601,648,994</u>
			Financial liabilities at amortized cost
As at June 30, 2009			
Financial liabilities as per balance sheet			
Short term running finance			1,115,319,134
Trade and other payables			471,254,175
Accrued markup			94,460,445
			<u>1,681,033,754</u>

30.4 CAPITAL RISK MANAGEMENT

The Board's policy of capital risk management is to maintain a strong capital base, ratios and credit rating so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

31 Accounting Estimates and Judgments

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Property and equipment

The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Membership cards and offices

The Company reviews carrying value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the impairment.

Investments stated at fair value

The Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Trade and other receivables

The Company reviews its trade and other receivables regularly to assess amount of any provision required against such balances.

32 Non - Adjusting Event after Balance Sheet Date

The Board of Directors in its meeting held on August 20, 2010 has proposed a 20% bonus shares amounting to Rs. 75 million (2009: 75 million) for approval of the members at the Annual General Meeting to be held on October 02, 2010. The financial statements for the year ended June 30, 2010 do not include the effect of the proposed bonus shares which, will be accounted for in the financial statements for the year ending 30 June 2011.

33 Date of Authorization for Issue

These financial statements were authorized for issue by the Board of Directors in meeting held on August 20, 2010.

34 Corre Sponding Figures

For better presentation, the following major reclassifications in the corresponding figures have been made:

Description	Head of account of the financial statements for the year ended June 30, 2009	Head of account of the financial statements for the year ended June 30, 2010	Rupees
a) Loss on disposal of property, plant & equipment	Other income	Other charges	24,932
b) Membership cards and offices	Membership cards and offices	Intangible assets	46,650,000

The effect of other reclassifications is not material.

35 General

Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE


DIRECTOR

Notice is hereby given that the Sixth Annual General Meeting of Arif Habib Limited will be held on Saturday 2 October 2010 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 5 September 2009.
- 2) To receive, 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 30 June 2010.
- 3) To consider and approve bonus issue at the rate of 20% i.e. one share for every five shares held, as recommended by the directors.
- 4) To appoint auditors of the company and fix their remuneration for the financial year 2010-11. The audit committee and the Board of directors have recommended to appoint M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants who being eligible offer themselves for re-appointment.

Special Business

- 5) To pass the following resolution as an ordinary resolution to give effect to the bonus issue:

Resolved that:

"A sum of Rs. 75,000,000/- out of company's share premium reserve and unappropriated profit be capitalized for issuing 7,500,000 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names will appear on the members' register and the entitlement list to be provided by CDC at the close of business on 24 September 2010, in the proportion of one share for every five shares held i.e. 20%. These shares shall be treated for all purposes as an increase in paid-up capital of the company and shall rank pari passu in future with existing shares in all respects."

Further resolved that:

"Fractional shares to be allocated as a result of distribution of bonus shares be consolidated with the company secretary for sale in the open market in due course and the proceed be donated to any recognized charitable trust/foundation".

- 6) To approve the following resolution as a special resolution for 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 for the following limits of investments in associated companies and associated undertakings subject to the terms and conditions mentioned in the annexed statement under Section 160(1)(b) of the Companies Ordinance, 1984".

Rupees in millions

Name of Companies & Undertakings	Proposed amount for Equity	Proposed amount for Loan/Advance
1. Aisha Steel Mills Limited	100	100
2. Safemix Concrete Products Limited	50	50
3. Pakarab Fertilizers Limited	100	100
4. Fatima Fertilizer Company Limited	500	100
5. Al-Abbas Cement Limited	250	100
6. Javedan Cement Limited	250	250
7. International Complex Project Limited	100	200
8. Alhamra Hills (Pvt.) Limited	100	100

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 resolution 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.

By order of the Board



Haroon Usman
Company Secretary

Karachi
Dated: 20 August 2010

Notes:

1. Share transfer books of the company will remain closed from 25 September 2010 to 2 October 2010 (both days inclusive). Transfers received in order at the office of our registrar: The Shares Registrar Department, Central Depository Company of Pakistan Limited CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal Karachi-74400; by the close of business on 24 September 2010 will be treated in time.
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 26 January 2000 issued by Securities & Exchange Commission of Pakistan:
 - (i) 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.
 - (ii) 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.
 - (iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
 - (iv) 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.
 - (v) 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 alongwith proxy form.
4. Members are requested to promptly notify any change in address by writing to the office of the registrar.

Statement under Section 160(1)(b) of the Companies Ordinance 1984

Material facts concerning special business to be transacted at the Annual General Meeting are being given below:

Issue of Bonus Shares

While recommending stock dividend the directors have taken cognizance of the financial strength of the company. They are of the view that the company's financial position and its reserves justify the capitalization of free reserves.

Pursuant to rule 6 (iii) of the Companies (issue of capital) Rules 1996, the auditors have certified that the free reserves and surpluses including the share premium reserve retained after the issue of bonus shares will not be less than twenty five percent of the increased capital.

Investment Under Section 208

The Board of Directors of Arif Habib Limited (AHL) in their meeting held on 20 August 2010 approved the limits for investments in its following existing and planned associated companies and undertakings under Section 208 of the Companies Ordinance, 1984. The management considers that good investments opportunities might be available in near future which should be materialized.

The basic purpose of this special resolution is to make the Company in a ready position to materialize the investment opportunities as and when arise. It is prudent that the Company should be able to make the investment at the right time when the opportunity is available.

The directors of the company have no additional interest in any of the above business.

1 Aisha Steel Mills Limited

S.No.	Description	Information Required
(i)	Name of investee company	Aisha Steel Mills Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 100 million Loan/advance upto Rs. 100 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.8.12 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years on fully diluted basis: June 30, 2010 June 30, 2009 June 30, 2008	Rs.(0.72) per share Rs.(0.65) per share Rs.(0.23) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	No
(xiii)	Rate of interest on loan/advance	6 Months KIBOR+1 or Company's borrowing rate whichever higher
(xiv)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xv)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

2 Safe Mix Concrete Products Limited

S.No.	Description	Information Required
(i)	Name of investee company	Safe Mix Concrete Products Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 50 million Loan/advance upto Rs. 50 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.9.65 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.17.05 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.2.52 per share Rs.0.25 per share Rs.(0.54) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	No
(xiii)	Rate of interest on loan/advance	6 Months KIBOR+1 or Company's borrowing rate whichever higher
(xiv)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xv)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

3 Pakarab Fertilizers Limited:

S.No.	Description	Information Required
(i)	Name of investee company	Pakarab Fertilizers Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 100 million Loan/advance upto Rs. 100 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.37.37 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: Dec 31, 2009 Dec 31, 2008 Dec 31, 2007	 Rs.10.32 per share Rs.23.63 per share Rs.18.29 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	No
(xiii)	Rate of interest on loan/advance	6 Months KIBOR+1 or Company's borrowing rate whichever higher
(xiv)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xv)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

4 Fatima Fertilizer Company Limited:

S.No.	Description	Information Required
(i)	Name of investee company	Fatima Fertilizer Company Limited:
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 500 million Loan/advance upto Rs. 100 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.12.00 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.86 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: Dec. 31, 2009 Dec. 31, 2008 Dec. 31, 2007	Rs.(0.08) per share Rs.(0.17) per share Rs.0.07 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	No
(xiii)	Rate of interest on loan/advance	6 Months KIBOR+1 or Company's borrowing rate whichever higher
(xiv)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xv)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

5 Al-Abbas Cement Industries Limited

S.No.	Description	Information Required
(i)	Name of investee company	Al-Abbas Cement Industries Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 250 million Loan/advance upto Rs. 100 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.6.00 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.39 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.0.67 per share Rs.(0.59) per share Rs.(1.24) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(xiii)	Rate of interest on loan/advance	6 Months KIBOR+1 or Company's borrowing rate whichever higher
(xiv)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xv)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

6 Javedan Cement Limited:

S.No.	Description	Information Required
(i)	Name of investee company	Javedan Cement Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 250 million Loan/advance upto Rs. 250 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.66.00 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.25.16 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.(14.73) per share Rs.(116.76) per share Rs.(1.61) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	No
(xiii)	Rate of interest on loan/advance	6 Months KIBOR+1 or Company's borrowing rate whichever higher
(xiv)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xv)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

7 International Complex Projects Limited:

S.No.	Description	Information Required
(i)	Name of investee company	International Complex Projects Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 100 million Loan/advance upto Rs. 200 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.6.42 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: March 31, 2009 June 30, 2008 June 30, 2007	Rs.(3.78) per share Rs.7.36 per share Rs.(1.35) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	No
(xiii)	Rate of interest on loan/advance	6 Months KIBOR+1 or Company's borrowing rate whichever higher
(xiv)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xv)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

8 Alhamra Hills (Pvt.) Limited

S.No.	Description	Information Required
(i)	Name of investee company	Alhamra Hills (Pvt.) Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 100 million Loan/advance upto Rs. 100 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A.
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.56 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.(0.13) per share Rs.(0.06) per share Rs.(0.19) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	No
(xiii)	Rate of interest on loan/advance	6 Months KIBOR+1 or Company's borrowing rate whichever higher
(xiv)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xv)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

The Company Secretary

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

I/we _____ of _____ being a member(s)
 of Arif Habib Limited holding _____ ordinary shares as per
 Registered Folio/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 and vote for me/us and on my/our behalf
 at the Sixth Annual General Meeting of the Company to be held on 2nd October 2010 and /or any adjournment
 thereof.

Signed this _____ day of _____ 2010.

Witnesses:

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

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

Signature on
 Rs. 5/-
 Revenue Stamp

NOTICE:

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 original national identity card or original passport and bring folio number at the time of attending the meeting.
3. In order to be effective, the proxy forms must be received at the registered office of the company not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons duly signed by them with their names, addresses and NIC numbers mentioned on the form.
4. In the case of individuals attested copies of NIC or passport of the beneficial 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 with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted alongwith proxy form.





Arif Habib Centre,
23, M.T. Khan Road, Karachi-74000
Phone : 32415213, 32460717-19
Fax : 32429653, 32416072