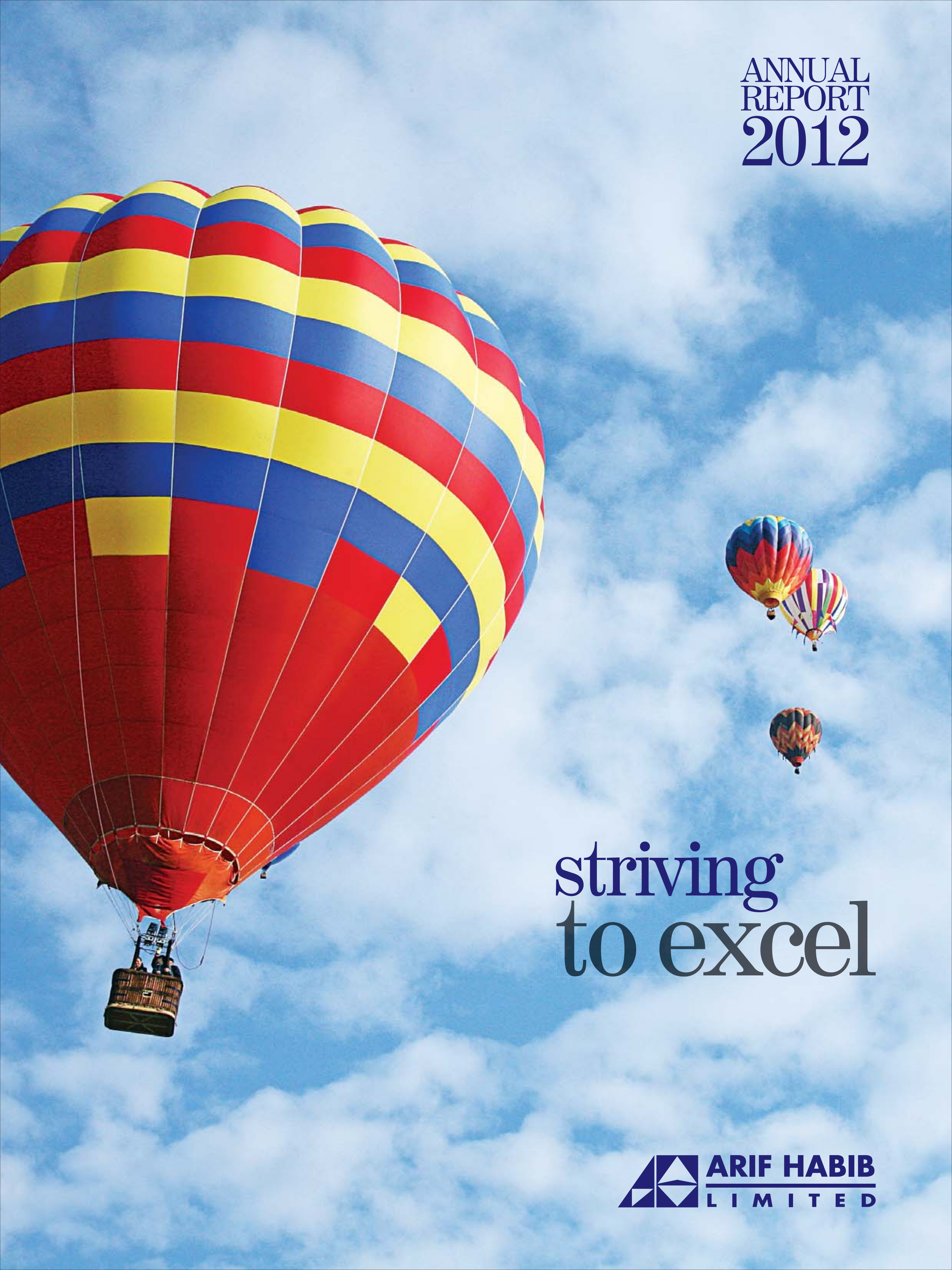
ANNUAL
REPORT
2012
striving
to excel
ARIF HABIB
LIMITED

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Corporate Information

Board of Directors
Ms. Sharmin Shahid (Chairperson)
Mr. Bilal Amanullah Moti (Chief Executive Officer)
Mr. Amanullah Suleman
Mr. Haroon Usman
Ms. Nida Ahsan
Mr. Abdullah A. Rahman
Mr. Muhammad Rafique Bhundi

Audit Committee
Mr. Haroon Usman (Chairman)
Ms. Nida Ahsan
Mr. Abdullah A. Rahman

Human Resource & Remuneration Committee
Mr. Haroon Usman (Chairman)
Mr. Bilal Amanullah Moti
Ms. Nida Ahsan

Company Secretary & CFO
Mr. Zia-ur-Rahim Khan

Domestic Brokerage (Equity)
Mr. Muhammad Imran
Phone : 32462589, Ext: 227
Email : m.imran@arifhabibltd.com

International Brokerage
Mr. Adnan Katchi
Phone : 32460743, Ext: 213
Email : adnan.katchi@arifhabibltd.com

Corporate Finance
Mr. Muhammad Rafique Bhundi
Phone : 32460741, Ext: 232
Email : rafique.bhundi@arifhabibltd.com
cf@arifhabibltd.com

Research
Mr. Faisal Khan
Phone : 32462589, Ext: 211
Email : faisal.khan@arifhabibltd.com
research@arifhabibltd.com

Auditors
M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors
M/s. Bawaney & Partners

Bankers
Allied Bank Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Bank Islami Pakistan Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
JS Bank Ltd.
KASB Bank Ltd.
MCB Bank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd.
The Bank of Khyber
The Bank of Punjab
United Bank Ltd.

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

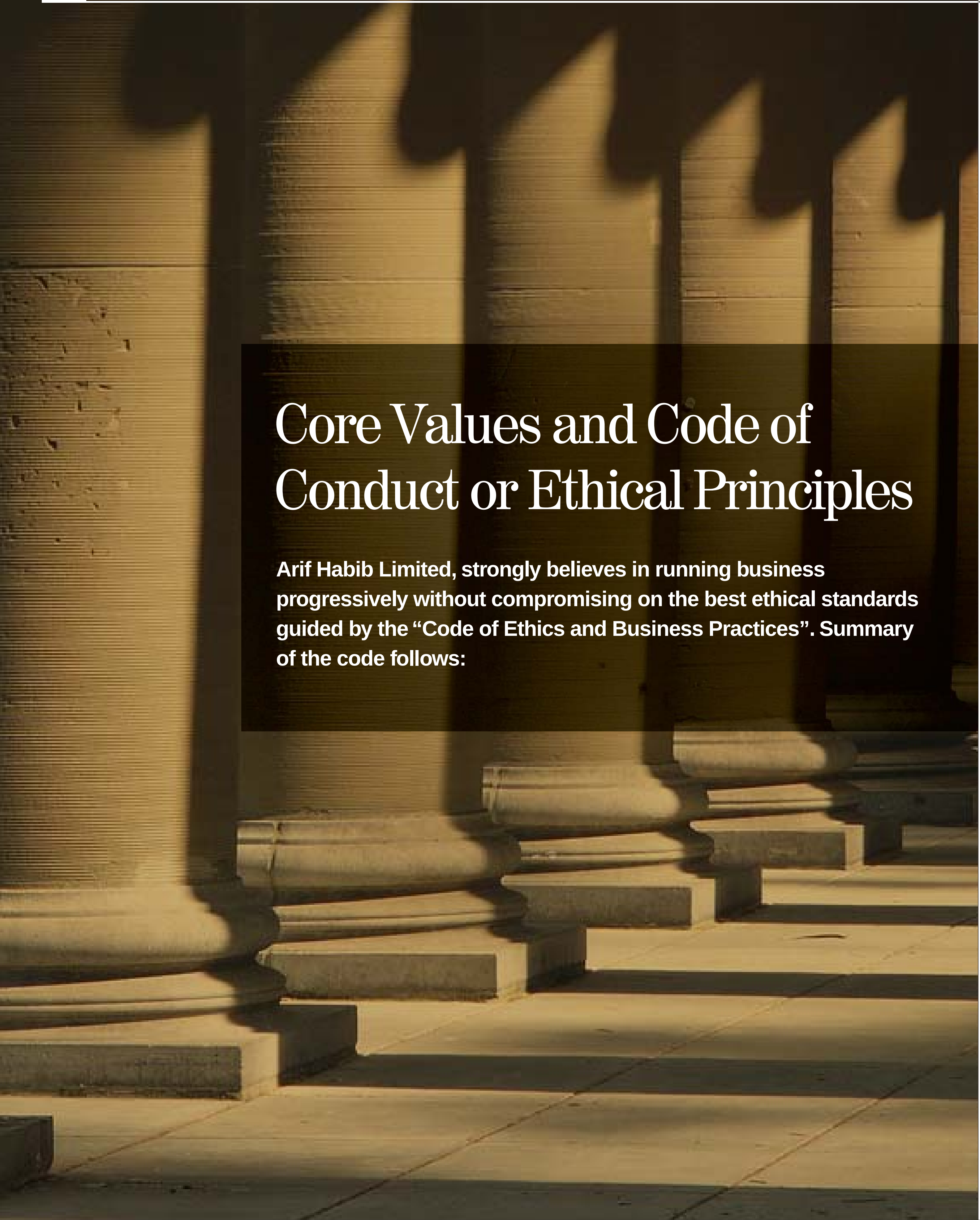
Registrar & Share transfer Office
Share Registrar Department
Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400
Tel: Customer Support Services (Toll Free)
0800-CDCPL (23275)
Fax : (92-21) 34326053
Email : info@cdcpak.com
Website : www.cdcpakistan.com

Vision

To be the most effective choice of our clients, partners, regulators, bankers, employees and other stake holders in provision of all brokerage and investment banking services on account of value addition, ethical standards and reputation.

Mission

To provide trusted and effective brokerage and investment banking services to our clients across the country and help develop capital markets of Pakistan.



Core Values and Code of Conduct or Ethical Principles

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

Integrity:

AHL practices highest standards of integrity, promptitude and fairness in the conduct of its business with due skill, care and diligence.

Bribery:

Any sort of bribes or facilitation payments or receipt in cash or in kind is prohibited at AHL.

Conflict of Interest:

AHL employees are required to adhere to the best interest of the Company and are expected to avoid situations in which their financial or other personal interests or dealings are in conflict with the interests of the Company.

Accounting Standards:

Compliance with the accepted accounting standards as applicable in Pakistan are ensured at all times at AHL.

Compliance with Statutory Requirements:

AHL abides by all the provisions of the Act and the rules, regulations established by the Government and Regulators from time to time.

Confidentiality:

Employees are disciplined and directed to sustain delicate information confidentiality and any misuse of information for personal gains is strictly prohibited and take care off in the Company.

Human Resources:

AHL is an equal opportunity employer and discrimination on any ground is unacceptable.

Efficiency:

Efficiencies and appropriate taking of opportunities along with prudent risk management make profits and good shareholder returns in all market conditions.

Social Responsibility:

AHL's social responsibility is aimed at caring about environment. The Comany is awared of its responsibilities towards them.

Awards

Chief Executive Officer, receiving “Best Corporate Finance House Award 2011- Runner Up” from the Governor of State Bank of Pakistan.
(from left to right: Mr. Javed Iqbal, Mr. Yaseen Anwar and Mr. Bilal Amanullah Moti).

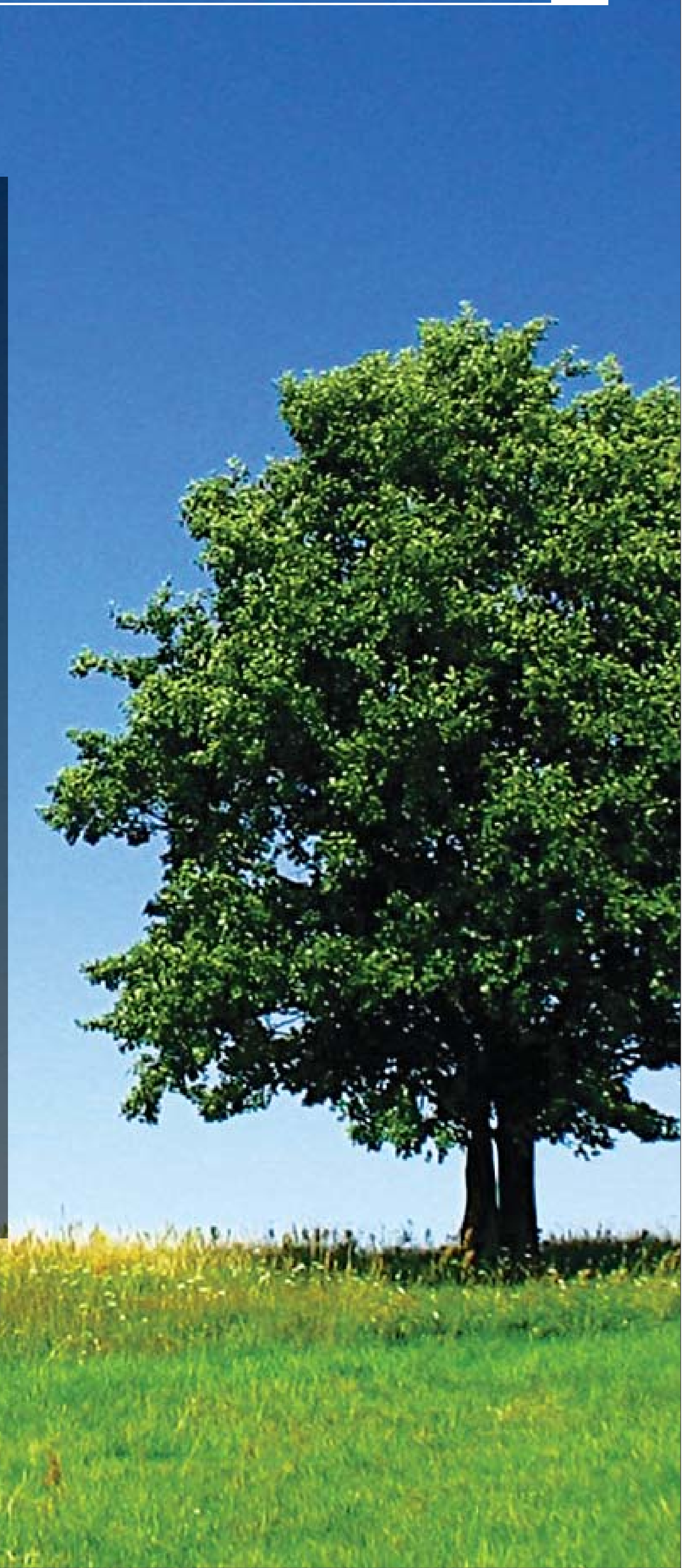
Head of Brokerage, recieving Award for the “Best Trader of the year 2011 - Runner up” from the Governor of State Bank of Pakistan.
(from left to right: Mr. Javed Iqbal, Mr. Yaseen Anwar and Mr. Muhammad Imran).

Corporate Social Responsibility (CSR)

Your Company is a socially responsible corporate entity and working diligently for the welfare of the communities and development of the financial sectors where we contributing the society in general. The Company recognizes that we have a unique and impeccable role to play in promoting sustainable growth for the economy and making a positive impact on the society and develop the financial sector of the country. We are working in collaboration with different reputable organizations and institutions, to make substantial contributions in important sectors such as health and education.

The Company's aim is the effective internalization of CSR practices in a manner that it fulfills its mission and expectations of the society.

A brief about the contribution towards the society are as under.



Social Sector Development

- **Memon Medical Institute (MMI) Hospital:**

During the year, your company contributed vie donation to MMI amounting to Rs. 5.5 million.

MMI is completely donor funded project of the Memon Health and Education Foundation (MHEF). MMI is a public welfare project of selfless and compassionate individuals/bodies who have contributed generously towards its creation both in terms of money and time. The Hospital is a 332 bed tertiary care hospital project with state – of – the –Art Infrastructure. The Hospital is a Non-Profit Organization and Patients' welfare Program to support all irrespective of caste, creed and religion. During the year the hospital has gave hospital services to 59,919 patients' from welfare.

- **Friends of Children Hospital (FCH):**

During the year your Company contributed Rs. 1 million as donation to FCH.

FCH is a non-profit organization which provides medical care services and education to the poor children of the country without discrimination.

Corporate Sector Development

Your company operates in the service sector and to encourage the development of the sector the company continues to organize / sponsor those events related to the development of the services sector of the country. The major events sponsored by the company during the year are mentioned below:

- CFO Conference, organized by the Institute of Chartered Accountants of Pakistan.
- IPO Summit, organized by the South Asian Federation of Exchange.

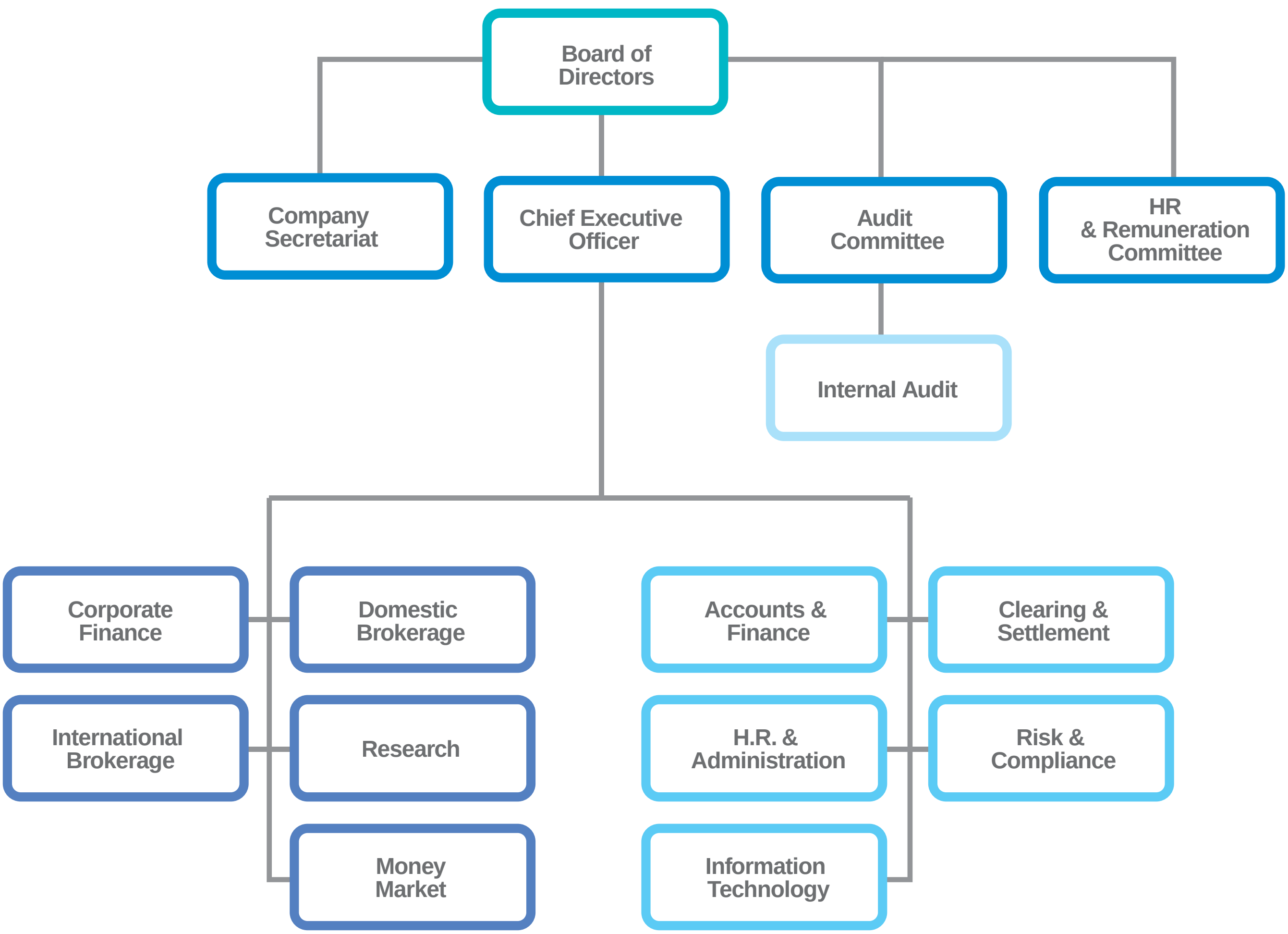
Your organization has also sponsored gold medals for the bright young talent of Pakistan from ZABIST institute in their convocation ceremony.

The company has also contributed towards the nation by paying an amount of Rs. 35.79 million in direct and indirect taxes to the Government.

Corporate Strategy

- Strive continuously for maximizing value to our client’s business.
- Control our operations against credit, market and operational risks to maintain trust of our valued shareholders.
- Provide proactive and effective services to clients in order to meet their needs.
- Expand suite of our products and services to our clients.
- Continue exercising optimal level of ethical standards as per regulatory guidelines.

Organizational Structure



Directors' Profile

Ms. Sharmin Shahid
Chairperson

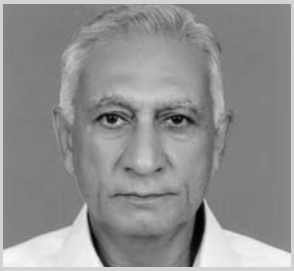
Ms. Sharmin Shahid, the Chairperson of the Board of the company is a Commerce Graduate. She represents the Arif Habib Family who are majority owner of Arif Habib Group and have significant contribution in the development of Securities Market in Pakistan. She has over 12 years experience of investing in Capital Markets of Pakistan.

Mr. Bilal Amanullah Moti
Chief Executive Officer

Bilal Amanullah Moti possesses over 25 years of banking, asset management and brokerage experience internationally, with leading organizations ABN AMRO Bank in the Netherlands, Bahrain, UAE, Lebanon and Pakistan; Bank Muscat in Oman; and Bank Albilad in Saudi Arabia.

He has been the Chairman of Banks Strategy Group of ABN AMRO Bank, Vice Chairman of the Executive Committee of Bank Muscat Saudi Arabia, Member (Director) of the Board of Silk Bank Pakistan, Member (Director) of the Board of Arif Habib Ltd Pakistan and SKM Lanka Sri Lanka, and Management Committee Member of ABN AMRO Bank, Bank Muscat and Bank Albilad.

Academically, he holds degrees of MBA (Finance), Banking Diploma (with 1st position in Pakistan and National awards in Economics and Foreign Exchange), Qualified Investment Banking Professional from the Capital Market Authority Saudi Arabia, Qualified Director - Corporate Governance Leadership from IFC and Institute of Corporate Governance. He has also attended myriad of professional development courses internationally.



Mr. Amanullah Suleman
Non - Executive Director

Mr. Amanullah Suleman has over 30 years of extensive experience across world markets such as Hong Kong, Tokyo. London, New York and Karachi. Mr. Amanullah's areas of experience ranges from financial products, securities such as Options, Bonds, FX, Real Estate to Gold and World Commodities. Mr. Amanullah remained member of Karachi Stock Exchange for 18 years and as Director of KSE in 1991 and 1993. He also acted as Chairman of New Products/Administration and Director to various other committees of KSE. Mr. Amanullah Suleman is a member of Pakistan Mercantile Exchange Limited since 2005.

Mr. Amanullah is a law graduate from Sind Muslim Law College, Karachi and is a Diplomaed Associate of Institute of the Bankers of Pakistan. Mr. Amanullah is also acting as director of SKM Lanka Holdings (Pvt.) Limited. He also acted as the Chairman of Pakistan Premier Fund Ltd a mutual fund of the Arif Habib Investments Limited.

Mr. Haroon Usman
Non - Executive Director

Mr. Haroon Usman, Director and Chairman of Audit Committee of the Company, is a Commerce Graduate and Fellow Member of the Institute of Cost and Management Accountants of Pakistan. He has over 40 years experience in the field of commerce, finance and industry. He has served a number of local and foreign organizations of repute in different executive positions related to accounts, finance, general management and consultancy, both in Pakistan and abroad. He is also a Director on the Board of Arif Habib DMCC, Dubai.

Ms. Nida Ahsan
Non - Executive Director

Ms. Nida Ahsan, the Director of the Board of the Company is Commerce Graduate. She represents the Arif Habib Family who are majority owner of Arif Habib Group and have significant contribution in the development of Securities Market in Pakistan. She has over 8 years experience of investing in listed securities.

Mr. Abdullah A. Rahman
Executive Director

Mr. Abdullah A. Rahman has been associated with the Arif Habib Group since 1984. He has over 27 years of experience of the brokerage industry. He is currently working as the Head of Banking relationships. In addition he had headed Settlement and Operations. His long term association with the brokerage industry has enabled him to successfully set up strategic working capital requirements.

He holds a bachelors degree in Commerce from the University of Karachi.

Mr. Muhammad Rafique Bhundi
Executive Director

Mr. Bhundi brings on board a diversified experience of 35 years in the fields of project finance, investment banking, risk management, accountancy and internal audit. Prior to joining Arif Habib Limited, Mr. Bhundi was affiliated with ATCO Laboratories as General Manager Business Appraisal. Mr. Bhundi has also worked at HBL for 22 years in various capacities including Senior Vice President – Assets Remedial Management. He gained rich experience of Project Financing & Rehabilitation/Restructuring of Industrial Projects during his tenure at HBL. He has also been associated with Dewan Group for 8 years working in the finance and import/export divisions.

At Arif Habib Limited, Mr. Bhundi is responsible for the planning, guiding and supervision of the corporate finance. Mr. Bhundi holds an MBA Finance from IBA.

Directors' Report

On behalf of the Board of Directors of Arif Habib Limited (AHL), I am pleased to present the Annual Report of the company for the year 2011-12 together with the audited financial statements of the year as per the accounting, regulatory and legal standards requirements.

Nature of Business

Arif Habib Ltd. is a public limited company listed at Karachi, Lahore and Islamabad Stock Exchanges. It is owned 76.7% by Arif Habib Corporation and 23.3% by general public. The company is engaged in providing equity and commodity brokerage services (including research) and investment banking services. Equity brokerage services are provided through expert brokers, online trading and mobile trading. Last year, with the objective of enhancing our commodity business in Pakistan and abroad, we spun off our commodity brokerage business into a new wholly owned company called Arif Habib Commodities (Pvt.) Limited.

Management Objectives and Strategy

Our objective and strategy going forward are to remain focussed on continuously achieving better performance related to clients returns and service, attracting more international trading / investments, controlling risks, optimising and expanding products and services and staying firm on the ethical and regulatory standards.

Overall Economy

Pakistan's economy achieved 3.7% growth (2.4% last year); led by services sector (4.1%), industrial sector (3.4%) and agricultural sector (3.1%) respectively. The overall economy was negatively affected by 19% higher oil price to USD 111/barrel (USD 93), energy shortfall (5K MW), Rs. 400 bln circular debt (Rs. 360 bln), high interest rate and testing law and order situation. On the positive side, inflation declined to 11% (13.7%).

Against around USD 200 mln surplus previous year for the first time in the last 6 years, the current account balance turned back into USD 3.8 bln deficit in 2012, largely owing to almost 50% decline in the FDI inflows to USD 812 mln. Furthermore, the USD 2.53 bln IMF repayments in FY12 resulted in 17% depletion of forex reserves to USD 15 bln (USD 18 bln), leading to 4% PKR depreciation to 89.4 (85.5). However, about 18% higher remittances to USD 13.2 bln (12.1 bln) and declining oil prices in 4Q supported, country's current account.

Despite 18% greater tax collection to Rs. 1.92 trl (Rs. 1.6 trl), our fiscal deficit gap swelled to 6% of GDP in FY12. To finance this deficit, government borrowed heavily totalling to Rs. 1.2 trl in 2012 (Rs. 580 bln) from banks standing around 6 % of GDP.

Trade deficit increased to USD 21 bln; forming 9% of GDP. Exports decreased by 18% to USD 24 bln (USD 25 bln), whereas imports augmented by 13% to USD 45 bln (USD 40 bln) primarily due to the increase of petroleum prices in 1HFY12.

On July 13, 2012, Moody's cut Pakistan's government bond rating from B3 to Caa1 and its outlook to negative, on account of deterioration in the balance of payment last year, looming large repayments to IMF, dwindling level of official forex reserves, institutional weakness stemming from the political instability and constrained government finances.

Stock Market

During FY12, KSE-100 Index gained 10.4% or 1,300 points to close at 13,800. The year showed a volatility of 3,700 index points.

First half of the year was quite depressing in terms of shares volume and value traded in the market due to strained Pak US relationship, local political and law and order issues, economic challenges and liquidity constraints. In 2H2011-12, the index, volume and value turnovers registered substantial gains thanks to the regulators announcement of relaxation in a number of initiatives including Capital Gains Tax (CGT) and MTS regulations to further promote equity investment, and good corporate earnings in Cements, Fertilizers, Banks and E&P sectors.

KSE recorded 33% higher shares volume traded at 129 mln/day (96 mln/day) and 3.5% higher value traded at Rs. 4 bln/day (Rs. 3.83 bln/day) in 2012. Individuals traded in the market to the tune of 50% (44%), companies 28% (32%) and banks 9% (9%). Foreign Investors traded only 5% (7%) during FY12, and remained a net seller for USD 189 mln. The Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 was also promulgated and is expected to come into effect in September 2012.

Commodity Trading Market

Pakistan Mercantile Exchange Limited (PMEX) currently governs trading in Gold, Silver, Crude Oil, Rice, Palm Oil, Kibor, Wheat (new) and Sugar (new) products. The exchange has plans to launch more Agri futures products in 2012-2013.

PMEX posted a spectacular 85% increase in trades value i.e., Rs. 906 bln in 2011-12 compared to Rs. 491 bln in 2010, and around 147% increase in number of contracts traded to 3.7 mln. On per day basis, the value turnover traded was approximately Rs. 3.6 bln. Gold contracts value trades comprise 78% of total trading in PMEX, and actually went more than double to total 705 bln in 2011-12. The second highest value trading is in oil contracts, which increased 70% to Rs. 129 bln. Silver remained at number 3, whose value trading has actually gone 29% down last year to Rs. 72 bln.

Investment Banking Market

The investment banking industry remained low performer during the year, mirroring low appetite of the capital market investors. On Equity Capital Market front, only 3 new companies for the total amount of Rs. 500 mln offered their shares to public in 1H2012 i.e., (4, Rs. 3 bln in 2011), Amount subscribed was Rs. 734 mln. The primary debt capital market remained limited as well with only 1 (6) issue introduced in the market in 1H2012.

Financial Performance

Arif Habib Ltd. posted a profit after tax of Rs. 366 mln (Rs. 559 mln loss), resulting in a handsome EPS of 8.13 (12.43 negative). We are proud of such profitability and performance across all strategic, business and financial counts i.e., higher core brokerage and corporate finance income, investment income, dividend income and well managed operating and financing costs. Operating revenues achieved were Rs. 174 mln, around 63% higher than a year before. Brokerage revenues contributed 57% to our operating revenues, dividend income 35% and Corporate Finance 8%.

Brokerage Revenue Performance

Our brokerage revenues increased by 25% to Rs. 100 mln, while the daily market value traded turnover under KSE 100 Index increased by 4% only in the year. AHL remained a top player in terms of its equity brokerage market share, achieving a deeper penetration among all existing institutional, corporate, high net worth individuals and retail clients as well as opening considerable number of new accounts across all client segments. In addition to the on-line trading service that was introduced in the year 2011, which is now generating revenues increasingly, the company launched mobile phone based trading service in 2012.

Corporate Finance Revenue Performance

Our corporate finance division generated Rs. 13 mln, around 40% lower than the previous year on account of weak capital market conditions for new capital offers specially in the 1H2011-12 (as explained above). Our company however remained a prominent market leader by lead managing all three IPO transactions concluded in Pakistan in 2012 either independently or on joint basis i.e., Next Capital, TPL Trakker and Aisha Steel Mills Ltd. We sponsored the legendary CFO conference and IPO summit during the year. We are engaged in a number of mandated and potential Equity Capital Market transactions for 2013-14, which should continue to add to our earnings and reputation in the market.

Investment Portfolio Revenue Performance

Thanks to the prudent investment strategy/management of the company and handsome corporate results, our investments portfolio yielded very lucrative returns totalling to Rs. 516 mln (Rs. 17 mln). The realized part of the capital gain was Rs 256 mln, while the unrealized portion was Rs. 260 mln. Incorporated in our operating revenues also is dividend income, which increased ten times to Rs. 61 mln (6 mln).

Expenses Management Performance

We present well controlled expense management in 2012 also. Excluding the provisions made to the tune of Rs. 90 mln in 2012 and Rs. 832 mln in 2011 against receivables established in 2008 and earlier, our operating expenses of Rs. 119.551 mln were only 14% higher than Rs. 104 mln in previous year. We believe that they are very well controlled amid 13% inflation, serious hike in petrol prices, upgrade of professional capabilities, compensation increments and higher expenses related to investment in online and mobile trading technology. Our financing expenses have increased substantially to Rs. 186 mln, to fund company's business and opportunitistic investments.

Balance Sheet Developments

Total assets of the company almost doubled last year to Rs. 3,357 mln on account of opportunistic positions taken on short term investments largely in the equities totalling Rs. 1,519 mln (Rs. 543 mln), increase in the short term trade debts to Rs. 747 mln and receivables against sale of securities to Rs. 530 mln (zero) in parallel with increase in the brokerage business. The increase in short term investments and receivables depict our positive view taken on the KSE index last year, which proved out to be correct by substantial investment gains and income. Our investment portfolio is well diversified across sectors and companies. Thanks to the higher net profits generated and resultant retained earnings during the period, total equity of the company has sizeably increased to Rs. 1,096 million (Rs. 730 mln). In addition to the equity funding investment and receivables, short term borrowing was taken to the tune of Rs. 1,653 mln (Rs. 106 mln).

Code of Corporate Governance

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

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
b) Proper books of account of the Company have been maintained.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
e) The system of internal control is sound in design and has been effectively implemented and monitored.
f) There are no significant doubts upon the Company's ability to continue as a going concern.
g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
h) The company has on account of statutory payment of taxes, duties, levies and charges has no outstanding liability as at the balance sheet date.
i) The company has paid amount of Rs. 3.17 million in the Provident Fund of the employees of the company and company has not any outstanding liability as at the year end as the Provident Fund is managed by separate trust.

Changes in the Board

During the year under review, the director Mr. Abdul Majid M. Siddique and Mr. Sajid Qurban Ali have tendered their resignations from the Board on December 09, 2011 and December 13, 2011 respectively. Mr. Muhammad Rafique Bhundi in place of Mr Abdul Majid M. Siddique and Mr. Amanullah Suleman in place of Mr. Sajid Qurban Ali have been appointed as director on the Board on December 10, 2011 and December 30, 2011 respectively . The Board expresses its appreciation for the services rendered by the outgoing directors and welcomes Mr. Amanullah Suleman and Mr. Muhammad Rafique Bhundi on the Board.

Changes in the Audit Committee

Mr. Abdullah A. Rahman was appointed as member of the Audit Committee on December 09, 2011 in place of Mr. Abdul Majid M. Siddique. The statutory composition of the Committee remained intact with this change.

Board and Audit Committee Meetings and Attendance

During the year under review, four meetings of the Board of Directors and four meetings of the Audit Committee were held from July 01, 2011 to June 30, 2012. The attendance of the Board and Audit Committee members was as follows:

Name of Directors	Board Meeting	Audit Committee Meeting
Ms. Sharmin Shahid	2	N/A
Mr. Bilal Amanullah Moti	4	N/A
Mr. Amanullah Suleman*	2	N/A
Mr. Haroon Usman	4	3
Ms. Nida Ahsan	3	3
Mr. Abdullah A. Rahman	4	3
Mr. Muhammad Rafique Bhundi*	3	N/A
Mr. Abdul Majeed*	1	1
Mr. Sajid Qurban Ali*	1	N/A

- Resignations/appointments at the Board of Directors on the dates mention under the heading "changes in the board".

The leave of absence was granted to the members not attending the Board and Committee meetings.

Trading in Shares of the Company by Directors and Executives

Mr. Rafique Bhundi director has purchased 500 shares of the company except that no trades in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Audit Committee

The Audit Committee of the Board continued to perform its duties and responsibilities effectively as per its terms of reference duly approved by the Board. The committee composition has also been attached with this report.

Corporate and Secretarial Compliance

The Company Secretary has furnished a Secretarial Compliance Certificate as part of the annual return filed with the registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance, 1984, Memorandum and Articles of Association of the Company and the listing regulations have been duly complied with.

Ethics and Business Practices

As per the Corporate Governance guidelines, the Company has circulated a “Code of Ethics” for compliance. It has been signed by all directors and employees of the Company acknowleding of their understanding and acceptance of the Code.

Pattern of Shareholding

The detailed pattern of the shareholding and categories of shareholders of the Company as at June 30, 2012, as required under the listing regulations, have been appended to the Annual Report from page no. 89-91.

Information to Stakeholders

Key operating and financial data of previous years has been summarized from page no. 24-36.

Corporate Social Responsibility

In keeping with the glorious tradition, your company continued its contribution to the society as a socially responsive organization through various initiatives. AHL is committed towards fulfilling its Corporate Social Responsibility and has been actively discharging its Corporate Social Responsibility with special focus on healthcare, education, environment, community welfare, sports & relief work and aims to enhance its scope and contribution in the future.

We at AHL are conscious of the well being of our employees as well as community at large.

The Company focuses on energy conservation and all departments and employees adhere to the power conservation measures.

Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent, accurate and timely manner. Details of the contributions are presented from page no. 09 to 11.

Awards and Achievements

AHL secured the “Best Corporate Finance House of the Year 2011 – Runner-up” award by CFA society Pakistan for the second consecutive year. Additionally, we also won the “Best Trader of the year – 2011 – Runner Up” award by CFA Society Pakistan. We are humbly thankful to our clients, Board members and employees for their great commitment and support without which our efforts will not be recognized.

Future Prospects

While political, economic and social challenges are likely to persist in 2012-13, especially the year being Election year, the future prospects of our business is foreseen to be “stable to positive”. Our stable to positive view is based on the facts that US relationship with Pakistan is improving, CGT amnesty is applicable from May 1, 2012 to June 2014, demutualization is upcoming in September quarter, valuations are still so attractive at P/E 6.8 and P/BV 1.6 (50% lower than the regional peers), and corporate sectors (especially cement, E&Ps, banks and retail) performing very well. We believe that the KSE 100 Index will hover around the average level of 14,500 in 2012-2013. The expected total market return (capital gain 14% and dividend 6%) on investment in KSE 100 index is expected to be minimum 20%.

Post Balance Sheet Date Event / Dividend

The Board of Directors in its meeting held on July 23, 2012 has proposed a final cash dividend @ Rs. 3 per share i.e., 30% and stock dividend @ 1 share for each 9 share held i.e. 11.11% for the year ended June 30, 2012 for approval of the members at the Annual General Meeting to be held on September 22, 2012. The financial statements do not reflect this proposed dividend.

Related party transaction

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

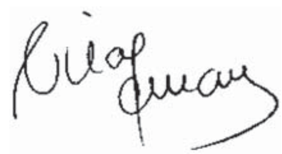
Auditors

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. Rahman Sarfaraz Rahim Iqbal Rafiq as auditors of the company for the financial year 2012-13 will be submitted at the forthcoming Annual General Meeting for approval.

Acknowledgement

Despite current market related challenges, our company is consistently and sustainably profitable even during these testing market conditions over the last three years. We are progressively working on widening our client base, providing new products and services and enhancing the customer service levels. The Board of Directors are thankful to company's valued customers, Banks, SECP, all stock exchanges, shareholders and the business partners, without whose continued support and guidance we would not be able to pursue our strategy and good performance. The dedicated contribution put in by the company employees is also sincerely appreciated.

For and on behalf of the Board of Directors



Bilal Amanullah Moti
Chief Executive Officer and Director

Date: July 23, 2012
Karachi.

Remuneration package approved at the meeting of Board of Directors

held on February 2, 2012

Name& designation	Effective	Gross salary/ Month	Petrol allowance litres/month	Car facility	Commission
Mr. Bilal Amanullah Moti Director & Chief Executive Officer	01-01-2012	537,511/-	500	Purchase price limited to that of 1800 CC Car and driver 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. Abdullah A. Rehman Executive Director	01-01-2012	66,516/-	200	Purchase price limited to that of 1300 CC Car	Nil
Mr. Rafique Bhundi Executive Director	01-01-2012	134,536/-	200	Purchase price limited to that of 1300 CC Car	Nil
Mr. Zia-ur-Rahim Khan CFO & Co. Secretary	01-01-2012	92,012/-	200	Purchase price limited to that of 1300 CC Car	Nil
Mr. Sarwar Khan Internal Auditor	01-01-2012	51,750/-	150	Purchase price limited to that of 1000 CC Car	Nil

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.

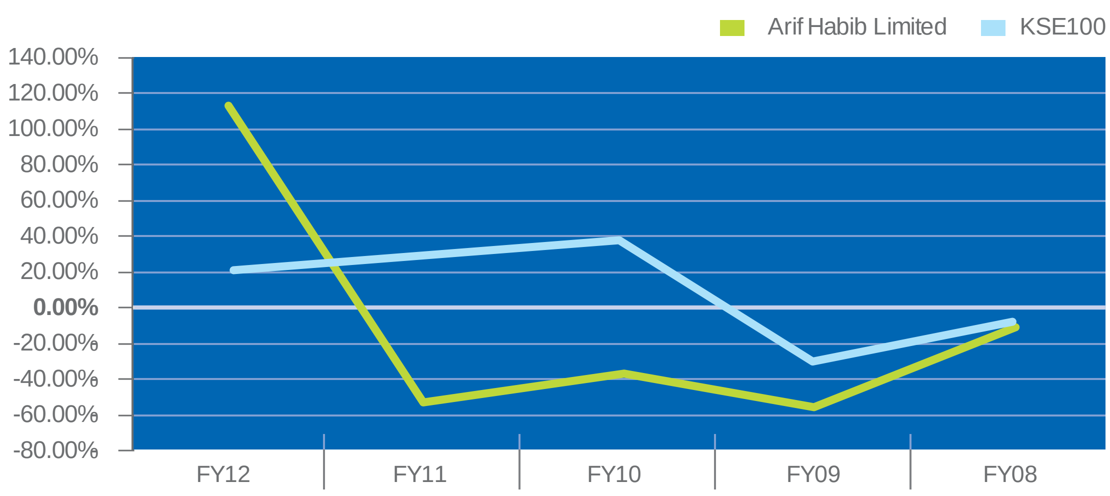
Information of Stakeholders

Financial Highlights

	2012	2011	2010	2009	2008	2007	2006
Profit and Loss Account							
Total revenue	**690**	136	280	622	764	560	336
Operating & administrative expenses	**(210)**	(930)	(105)	(366)	(154)	(127)	(61)
Finance cost	**(186)**	(68)	(110)	(234)	(137)	(71)	(29)
Operating profit	**294**	(863)	66	23	474	362	245
Profit before tax	**395**	(550)	164	208	503	363	245
Profit after tax	**366**	(559)	146	195	456	322	227
EBITDA	**595**	(467)	291	448	643	437	275
Balance Sheet							
Share capital	**450**	450	375	300	240	200	200
Reserves	**646**	280	914	889	814	397	126
Property and equipment	**73**	86	99	109	12	10	8
Long term deposits	**5**	14	14	14	14	14	13
Intangilbe assets	**70**	69	69	47	57	42	42
Investment property	**53**	126	99	102	-	-	-
Long term investments	**33**		-	-	-	-	-
Net current assets	**2,870**	941	1,826	2,598	1,490	1,021	788
Net current liabilities	**1,897**	273	813	1,681	518	489	275
Total assets	**3,258**	1,236	2,107	2,828	1,572	1,086	850
Total liabilities	**2,162**	506	818	1,681	518	489	525
Ratios							
Profitability Ratio							
Profit Before Tax Ratio	**50%**	(123%)	43%	26%	63%	65%	73%
Gross Yield on Earning Assets	**3.9**	2.2	1.8	3.7	10.8	7.9	4.4
Cost / Income Ratio	**(120.5)**	(868.1)	(46.9)	(181.6)	(21.1)	(22.8)	(0.2)
Return on Equity	**33%**	(77%)	11%	16%	43%	54%	70%
Return on capital employed	**15%**	(64%)	4%	(2%)	35%	49%	38%
Liquidity							
Current Ratio	**1.51**	3.44	2.25	1.55	2.87	2.09	2.87
Quick / Acid Test Ratio	**1.03**	4.17	1.89	1.53	2.46	1.30	2.66
Cash to Current Liabilities	**0.03**	0.87	0.10	0.01	1.29	0.67	0.75

	2012	2011	2010	2009	2008	2007	2006
Investment / Market Ratios							
EPS	**8.13**	(12.43)	3.24	4.33	10.14	7.15	5.05
Price earning ratio	**4.21**	(1.58)	13.57	15.46	24.35	28.53	-
Price to book ratio	**0.01**	0.02	0.02	0.02	0.16	0.20	-
Dividend Yield Ratio	**19%**	0%	0%	121%	2%	11%	0%
Dividend Payout Ratio	**37%**	0%	0%	35%	25%	140%	49%
Cash dividend per share	**3.00**	-	-	1.50	2.50	10.00	2.50
Stock Dividend Per Share	**11.11%**	0.00%	0.00%	25.00%	25.00%	10.00%	0.00%
Market Value at the end of Each Year (PKR)	**34.26**	19.67	44	66.89	246.99	203.90	-
High (during the year) (PKR)	**43.89**	40.57	67.89	130.42	201.89	-	-
Low (during the year) (PKR)	**12.39**	12.74	35.02	21	91.73	-	-
Investment / Market Ratios							
Earning Assets to Total Assets	**1.38%**	3.90%	5.94%	1.90%	4.32%	6.45%	7.46%
Net Assets Per Share	**21.61**	17.80	33.76	30.56	40.46	26.59	25.66
Arif Habib Limited	**113.82%**	(51.87%)	(35.35%)	(54.38%)	(11.15%)	N/A	N/A
KSE100	**22.54%**	28.27%	39.27%	(28.81%)	(6.76%)	N/A	N/A
Differential	**80.83%**	(74.55%)	(68.52%)	(24.55%)	(4.07%)	N/A	N/A

Shareholder’s Return v/s KSE



Horizontal Analysis of Financial Statements

	2012	2011	2010	2009	2008	2007	2006
	Rupees in million						
Balance Sheet							
Total equity	**1,096**	730	1,289	1,189	1,054	597	326
Total non-current liabilities	**265**	233	4	-	-	-	250
Total current liabilities	**1,897**	273	813	1,681	518	489	275
Total equity and liabilities	**3,258**	1,236	2,107	2,870	1,572	1,086	850
Total non-current assets	**388**	295	281	272	83	66	63
Total current assets	**2,870**	941	1,826	2,598	1,490	1,021	788
Total assets	**3,258**	1,236	2,107	2,870	1,572	1,086	850
Profit and Loss Account							
Net operating revenue	**690**	136	280	622	764	560	336
Operating and administrative expenses	**(210)**	(930)	(105)	(366)	(154)	(127)	(61)
Operating (loss) / profit	**480**	(794)	176	256	610	433	274
Other income / (charges) - net	**101**	313	98	185	29	1	-
	581	(482)	274	441	640	434	274
Finance cost	**(186)**	(68)	(110)	(234)	(137)	(71)	(29)
Profit / (loss) before tax	**395**	(550)	164	208	503	363	245
Taxation	**(29)**	(9)	(18)	(13)	(47)	(42)	(18)
Profit / (loss) after tax	**366**	(559)	146	195	456	322	227

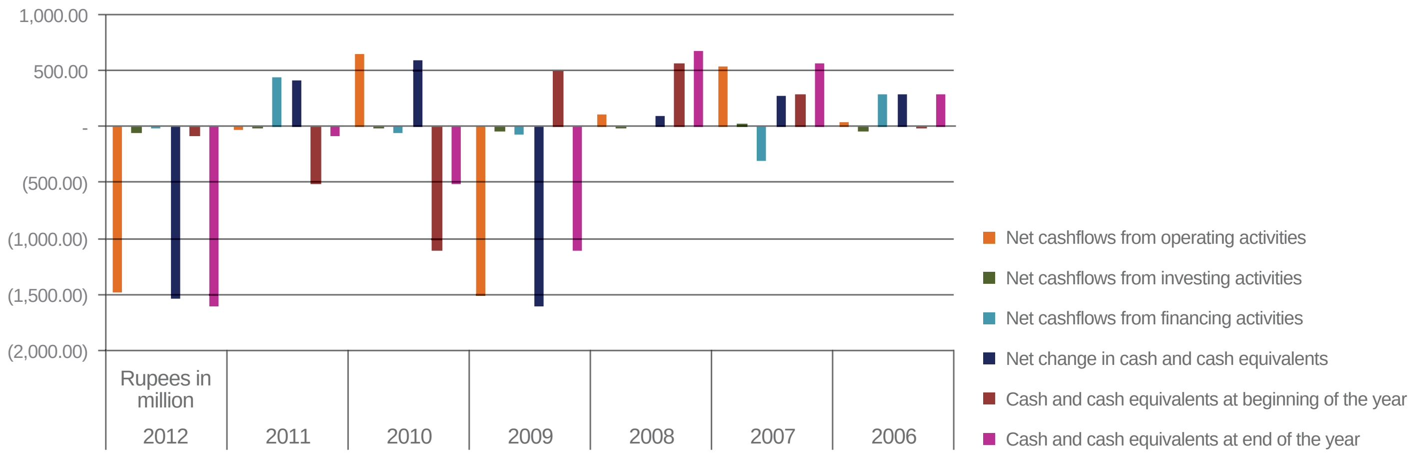
	w.r.t. 2011	w.r.t. 2010	w.r.t. 2009	w.r.t. 2008	w.r.t. 2007	w.r.t. 2006
	Percentage Change					
Balance Sheet						
Total equity and minority interest	**50**	(15)	(8)	4	83	236
Total non-current liabilities	**14**	5,937	-	-	-	(98)
Total current liabilities	**594**	133	13	266	288	591
Total equity and liabilities	**164**	55	14	107	200	283
Total non-current assets	**32**	38	43	368	491	520
Total current assets	**205**	57	11	93	181	264
Total assets	**164**	55	14	107	200	283
Profit and Loss Account						
Net operating revenue	**408**	146	11	(10)	23	106
Operating and administrative expenses	**(78)**	101	(42)	36	65	241
Impairment loss on asset classified as held for sale		-	-	-	-	
Operating (loss) / profit	**(161)**	173	87	(21)	11	75
Other income / (charges) - net	**(68)**	3	(46)	244	10,278	-
	(221)	112	32	(9)	33	112
Finance cost	**172**	69	(21)	36	161	545
Profit / (Loss) before tax	**(172)**	141	90	(21)	9	61
Taxation	**213**	65	126	(37)	(29)	63
Profit / (Loss) after tax	**(165)**	151	88	(20)	14	61

Vertical Analysis of Financial Statements

	2012	%	2011	%	2010	%	2009	%
	Rupees in million		Rupees in million		Rupees in million		Rupees in million	
Balance Sheet								
Total equity and minority interest	**1,096**	**34**	730	59	1,289	61	1,189	41
Total non-current liabilities	**265**	**8**	233	19	4	0	-	-
Total current liabilits	**1,897**	**58**	273	22	813	39	1,681	59
Total equity and liabilities	**3,258**	**100**	1,236	100	2,107	100	2,870	100
Total non-current assets	**388**	**12**	295	24	281	13	272	9
Total current assets	**2,870**	**88**	941	76	1,826	87	2,598	91
Total assets	**3,258**	**100**	1,236	100	2,107	100	2,870	100
Profit and Loss Account								
Net operating revenue	**690**	**100**	136	(100)	280	(100)	622	(100)
Operating and administrative expenses	**(210)**	**(30)**	(930)	(685)	(105)	(37)	(366)	(59)
Impairment loss on asset classified as held for sale	**-**	**-**	-	-	-	-	-	-
Operating (loss) / profit	**480**	**70**	(794)	(585)	176	63	256	41
Other income / (charges) - net	**101**	**15**	313	-	98	-	185	-
	581	**84**	(482)	(355)	274	98	441	71
Finance cost	**(186)**	**(27)**	(68)	-	(110)	-	(234)	-
Profit / (Loss) before tax	**395**	**57**	(550)	(405)	164	58	208	33
Taxation	**(29)**	**(4)**	(9)	-	(18)	-	(13)	-
Profit / (Loss) after tax	**366**	**53**	(559)	(412)	146	52	195	31

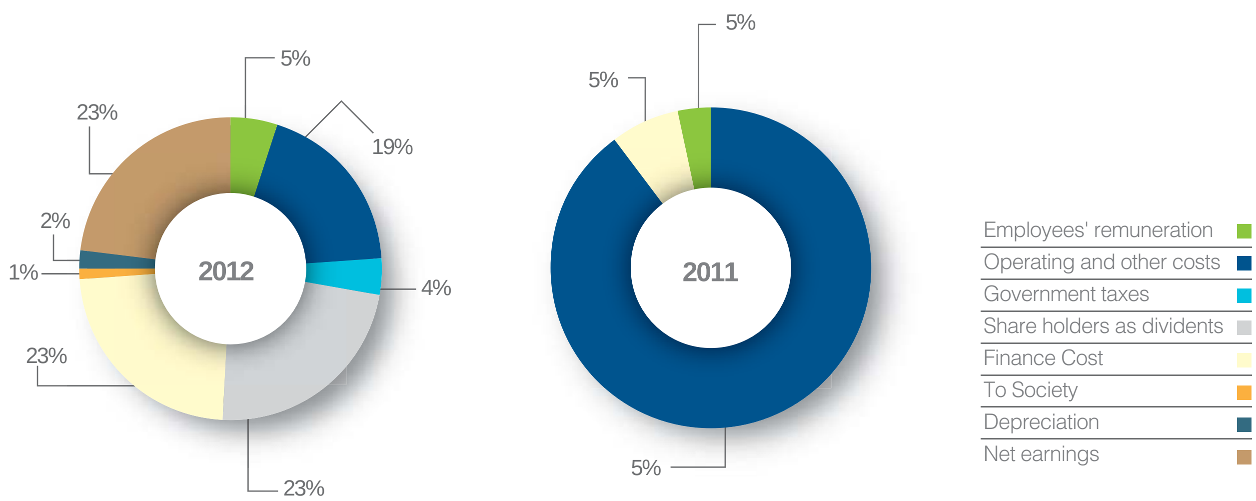
	2008	%	2007	%	2006	%
	Rupees in million		Rupees in million		Rupees in million	
Balance Sheet						
Total equity and minority interest	1,054	67	597	55	326	38
Total non-current liabilities	-	-	-	-	250	29
Total current liabilits	518	33	489	45	275	32
Total equity and liabilities	1,572	100	1,086	100	850	100
Total non-current assets	83	5	66	6	63	7
Total current assets	1,490	95	1,021	94	788	93
Total assets	1,572	100	1,086	100	850	100
Profit and Loss Account						
Net operating revenue	764	(100)	560	(100)	336	(100)
Operating and administrative expenses	(154)	(20)	(127)	(23)	(61)	(18)
Impairment loss on asset classified as held for sale	-	-	-	-	-	-
Operating (loss) / profit	610	80	433	77	274	82
Other income / (charges) - net	29	-	1	-	-	-
	640	84	434	78	274	82
Finance cost	(137)	-	(71)	-	(29)	-
Profit / (Loss) before tax	503	66	363	65	245	73
Taxation	(47)	-	(42)	-	(18)	-
Profit / (Loss) after tax	456	60	322	57	227	68

Summary of Cashflow Statement



	2012	2011	2010	2009	2008	2007	2006
	Rupees in million						
Net cashflows from operating activities	(1,473)	(30)	651	(1,503)	120	539	42
Net cashflows from investing activities	(50)	4	(13)	(38)	(16)	38	(41)
Net cashflows from financing activities	(0.89)	449	(46)	(60)	-	(300)	300
Net change in cash and cash equivalents	(1,524)	423	593	(1,601)	105	277	301
Cash and cash equivalents at beginning of the year	(82)	(505)	(1,099)	502	578	301	0.51
Cash and cash equivalents at end of the year	**(1,606)**	**(82)**	**(505)**	**(1,099)**	**683**	**578**	**301**

Statement of Value Added and its Distribution



	2012	%	2011	%
	Rupees in million		Rupees in million	
Value Added				
Operating Revenue	174	21.84	107	23.89
Capital gain on sale of investment - net	256	32.10	4	0.98
Gain on remeasurment of investment - net	260	32.68	12	2.75
Unrealised gain / (Loss) on re-measurment of investment	-	-	12	2.66
Other income	107	13.38	313	69.71
	796	100.00	448	100.00
Distribution As Follows				
Employees remuneration	40	5	34	3.36
Operating and other costs *	156	20	882	87.47
Government taxes	29	4	9	0.93
Shareholders as dividends	180	23	-	-
Finance Cost	186	23	68	6.78
To society	7	1	-	-
Reinvested in the business				
Depreciation	14	2	15	1.46
Net Earning **	186	23	(559)	0.00
	199	25	15	1.46
	796	100	448	100.00

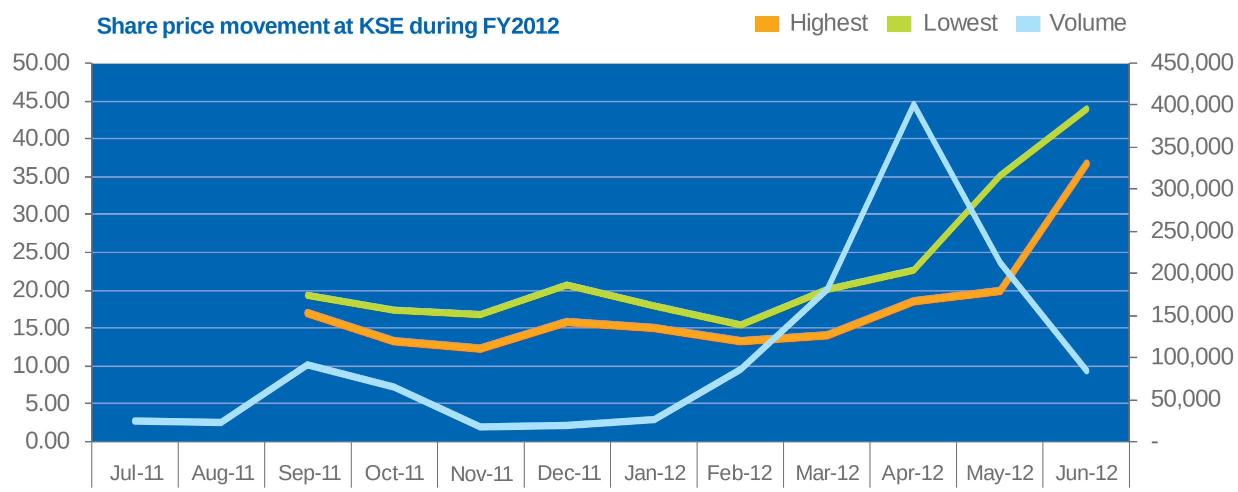
* This includes provisions made against doubtful debts

** The loss incurred in the year 2011 is financed vie retained profits in the company.

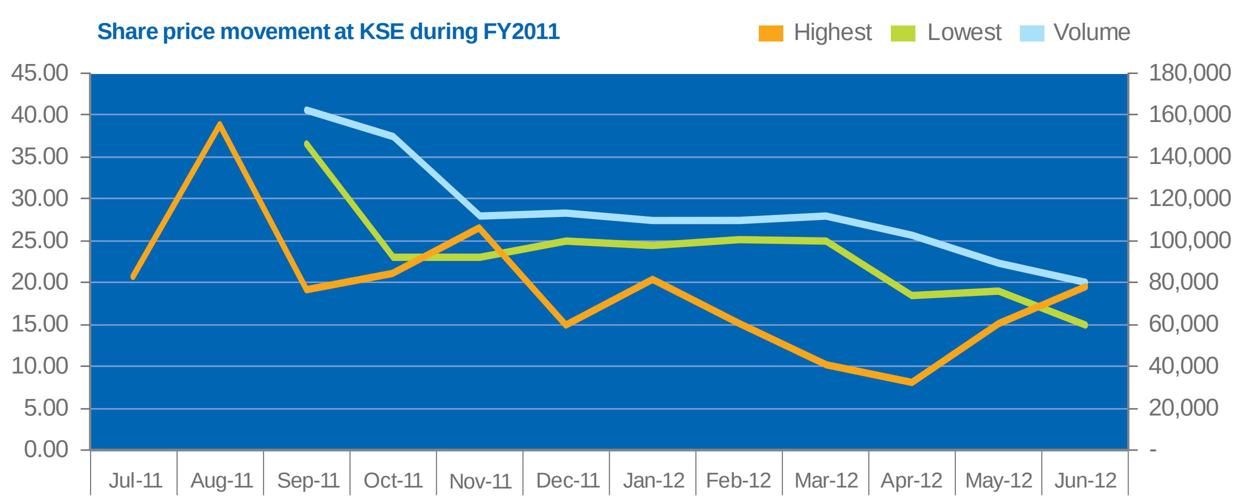
Share Price / Volume Analysis

Month	Highest	Lowest	Volume
Jul-11	19.18	17.02	24,580
Aug-11	17.3	13.36	21,843
Sep-11	16.69	12.39	91,203
Oct-11	20.69	15.81	65,618
Nov-11	17.89	15.17	17,263
Dec-11	15.36	13.42	19,545
Jan-12	20.01	14.2	26,197
Feb-12	22.6	18.65	86,026
Mar-12	35.03	19.94	180,793
Apr-12	43.89	36.78	400,920
May-12	43.35	36.89	211,820
Jun-12	37.45	31.8	83,741

Share price movement at KSE during FY2012

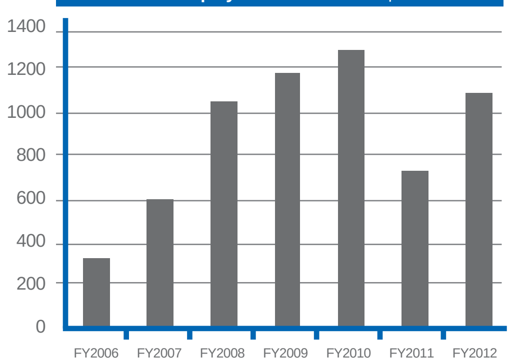


Month	Highest	Lowest	Volume
Jul-10	40.57	36.53	83,148
Aug-10	37.35	23.08	155,245
Sep-10	27.97	23.10	76,355
Oct-10	28.36	24.94	84,185
Nov-10	27.39	24.53	106,070
Dec-10	27.43	25.08	59,921
Jan-11	27.91	25.00	81,599
Feb-11	25.63	18.53	60,198
Mar-11	22.31	18.95	41,148
Apr-11	20.09	14.99	32,416
May-11	17.55	12.74	60,174
Jun-11	19.67	15.41	77,745

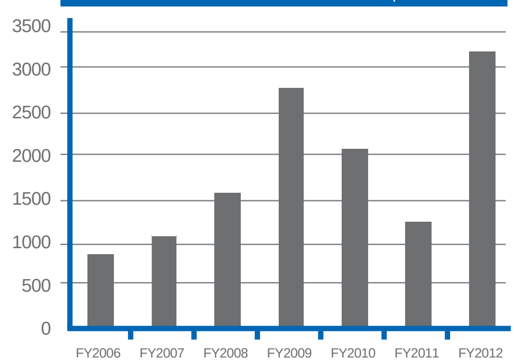


Graphical Representation

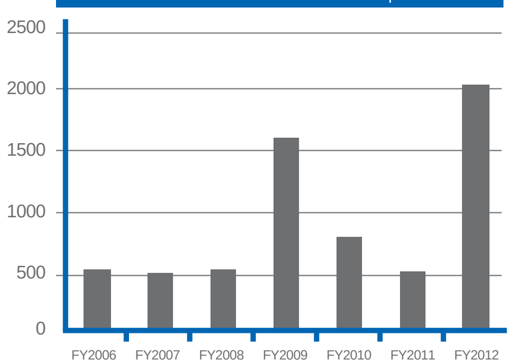
Share holders equity Rupees in million



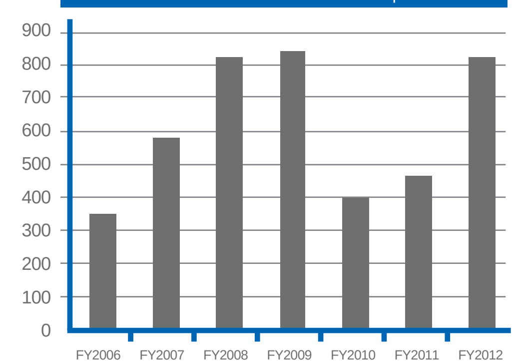
Total Assets Rupees in million



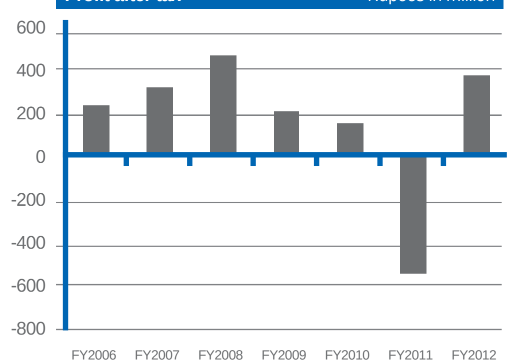
Total liabilities Rupees in million



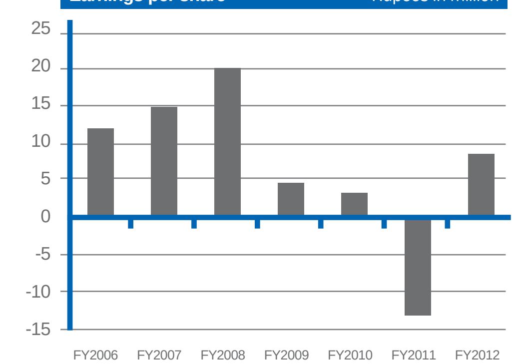
Net turnover Rupees in million

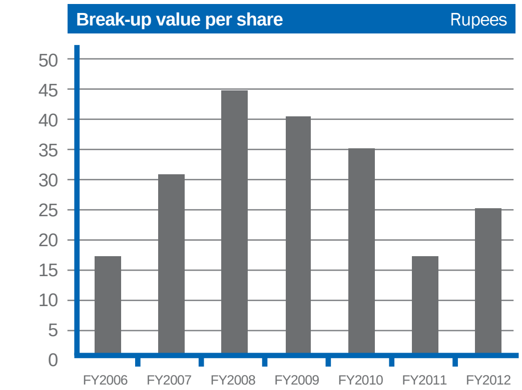


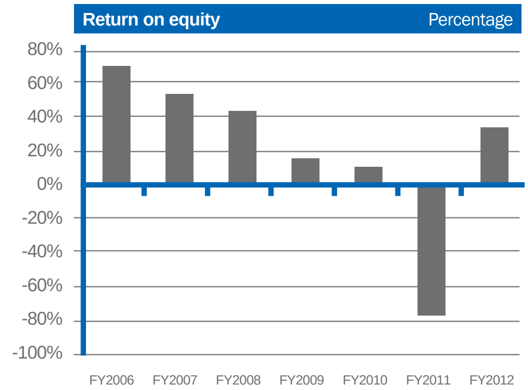
Profit after tax Rupees in million

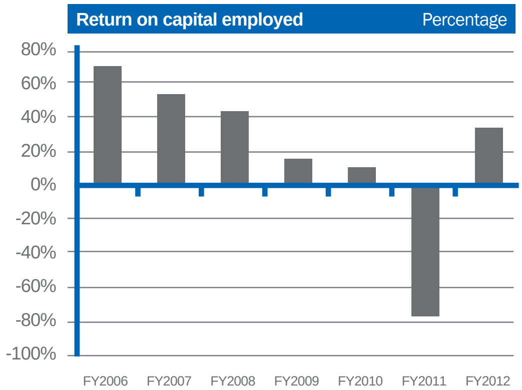


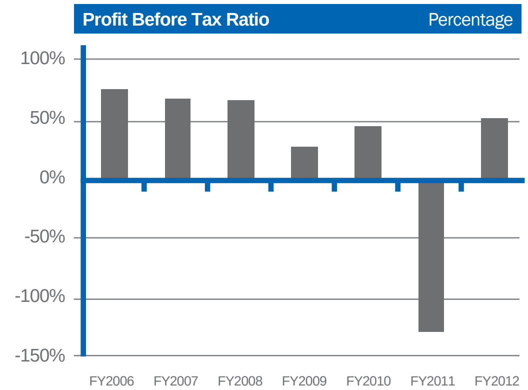
Earnings per share Rupees in million

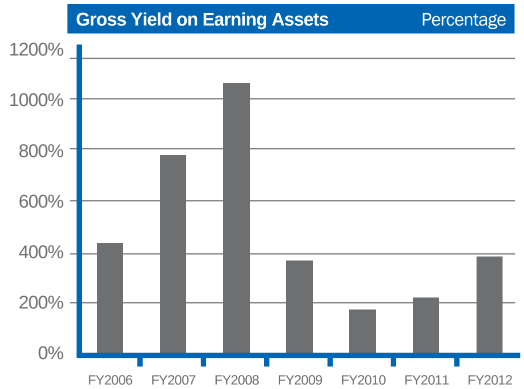


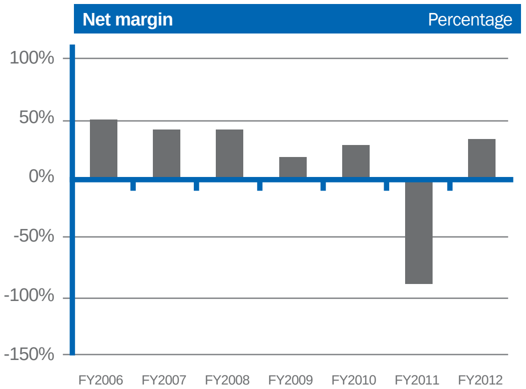

Break-up value per share
Rupees
50
45
40
35
30
25
20
15
10
5
0
FY2006 FY2007 FY2008 FY2009 FY2010 FY2011 FY2012

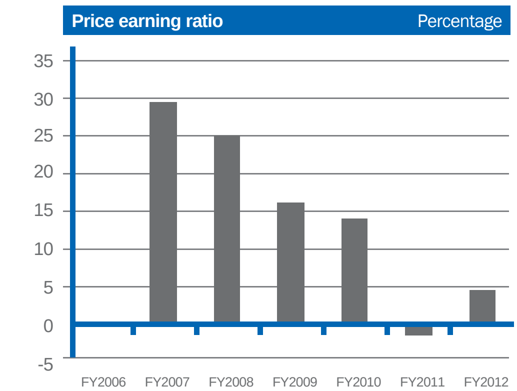

Return on equity
Percentage
80%
60%
40%
20%
0%
-20%
-40%
-60%
-80%
-100%
FY2006 FY2007 FY2008 FY2009 FY2010 FY2011 FY2012

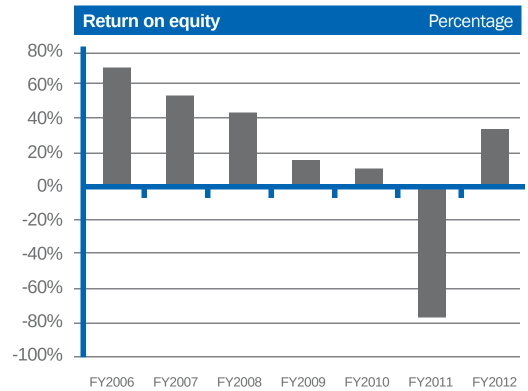

Return on capital employed
Percentage
80%
60%
40%
20%
0%
-20%
-40%
-60%
-80%
-100%
FY2006 FY2007 FY2008 FY2009 FY2010 FY2011 FY2012

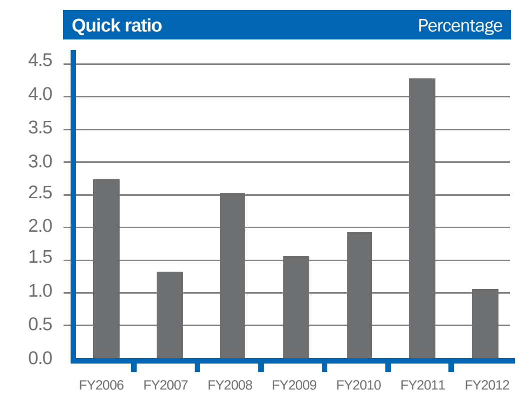

Profit Before Tax Ratio
Percentage
100%
50%
0%
-50%
-100%
-150%
FY2006 FY2007 FY2008 FY2009 FY2010 FY2011 FY2012

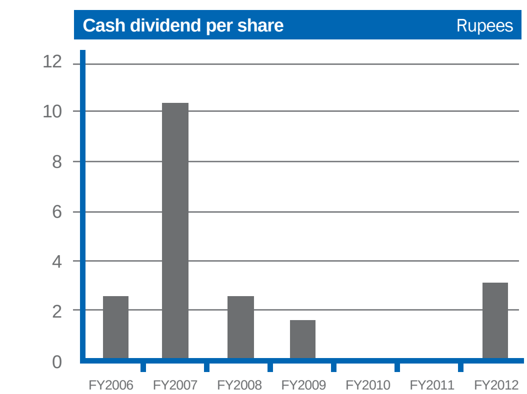

Gross Yield on Earning Assets
Percentage
1200%
1000%
800%
600%
400%
200%
0%
FY2006 FY2007 FY2008 FY2009 FY2010 FY2011 FY2012

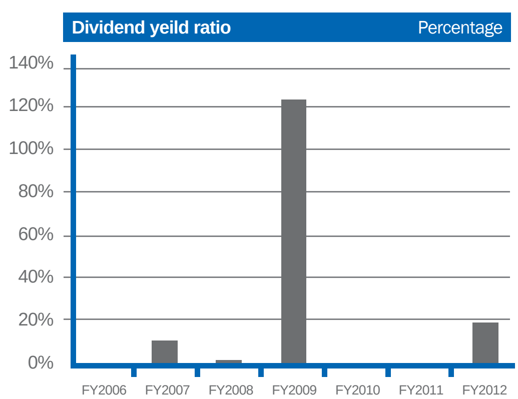

Net margin
Percentage
100%
50%
0%
-50%
-100%
-150%
FY2006 FY2007 FY2008 FY2009 FY2010 FY2011 FY2012

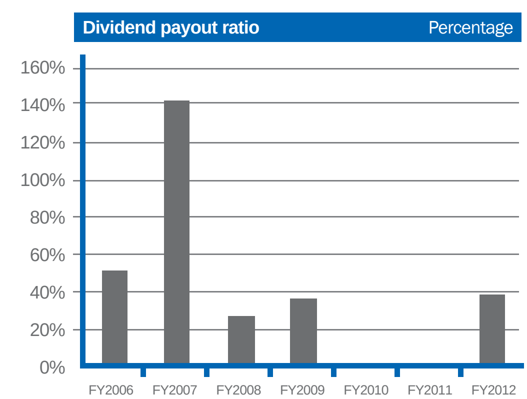

Price earning ratio
Percentage
35
30
25
20
15
10
5
0
-5
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012

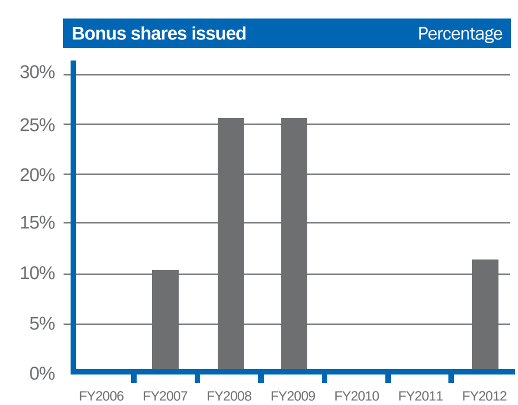

Return on equity
Percentage
80%
60%
40%
20%
0%
-20%
-40%
-60%
-80%
-100%
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012

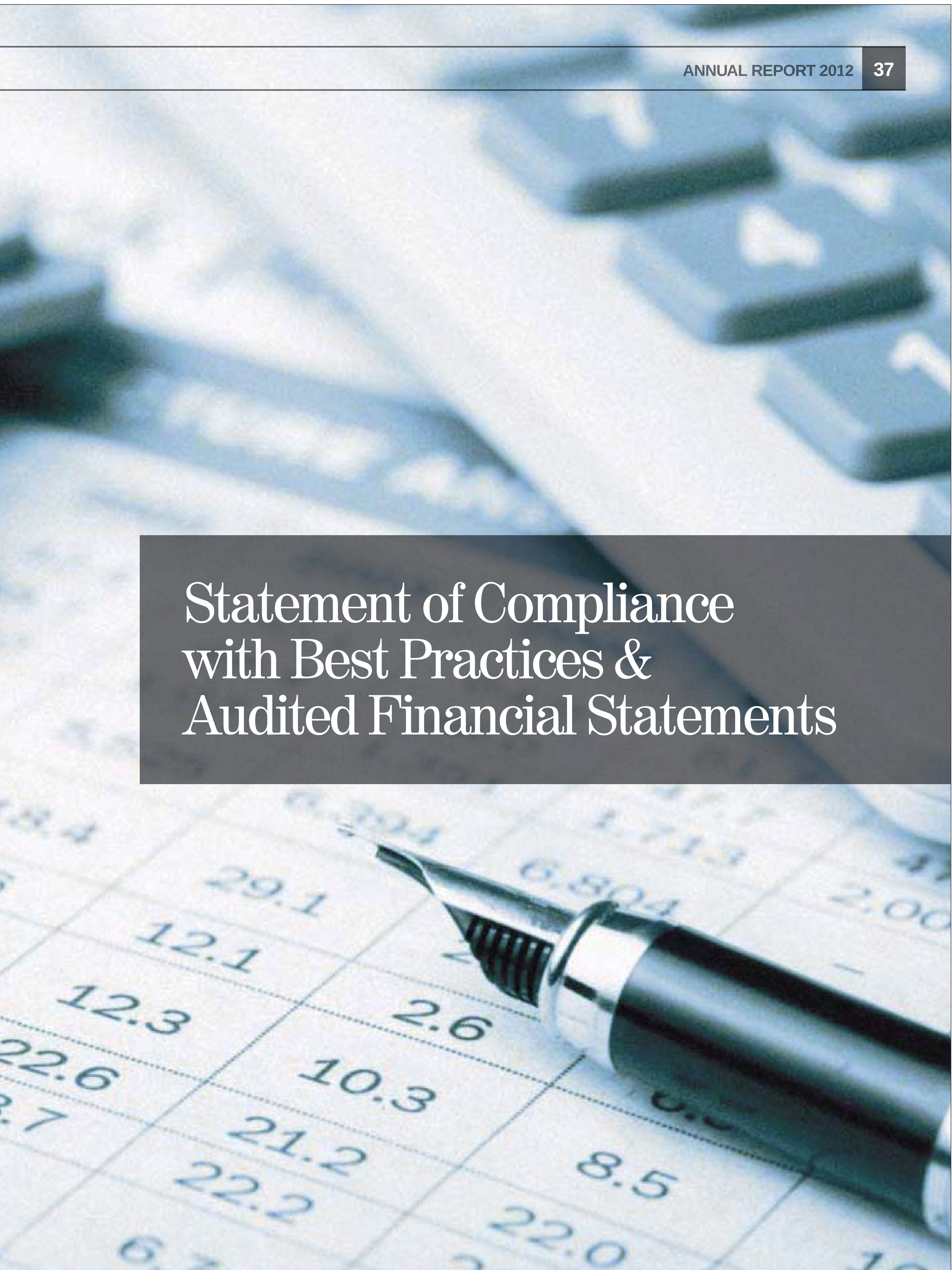

Quick ratio
Percentage
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012


Cash dividend per share
Rupees
12
10
8
6
4
2
0
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012


Dividend yeild ratio
Percentage
140%
120%
100%
80%
60%
40%
20%
0%
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012


Dividend payout ratio
Percentage
160%
140%
120%
100%
80%
60%
40%
20%
0%
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012


Bonus shares issued
Percentage
30%
25%
20%
15%
10%
5%
0%
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012



Statement of Compliance with Best Practices & Audited Financial Statements

Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No 35(xl) of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director:	Mr. Amanullah Suleman
Executive Directors:	Mr. Bilal Amanullah Moti
	Mr. Muhammad Rafique Bhundi
	Mr. Abdullah A. Rahman
Non-Executive Directors:	Ms. Sharmin Shahid
	Ms. Nida Ahsan
	Mr. Haroon Usman

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A Casual vacancy occurring on the board on December 9, 2011 & December 13, 2011 was filled up by the directors on December 10, 2011 & December 30, 2011.

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged 1 (One) training program for its directors during the year.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made after the revised CCG has taken effect. However, he board has approved their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed a Human Resource and Remuneration Committee. It comprises of three (3) members, of whom two (2) are non-executive directors and the Chairman of the committee is Non-Executive director.

16. The board has formed an Audit Committee. It comprises of three (3) members, of whom two (2) are non-executive directors and One (1) Executive director. Composition of the Audit Committee will be made in line with requirements of CCG at the time of next election of directors in accordance with the 'Implementation deadlines of Code of Corporate Governance 2012'.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

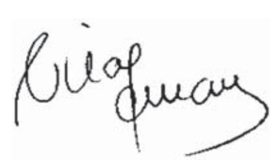
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the requirements pertaining to change in composition of Board of Directors or some of its committees which will be made in line with requirements of CCG at the time of next election of directors in accordance with the 'Implementation deadlines of Code of Corporate Governance 2012'.

On behalf of the Board of Directors



Bilal Amanullah Moti
Chief Executive Officer & Director

July 23, 2012
Karachi

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Arif Habib Limited ("the Company"), to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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 the 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 consider whether the Boards statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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 as applicable to the Company for the year ended June 30, 2012.

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

Date: July 23, 2012
Karachi.

Auditors Report to the Members

We have audited the annexed balance sheet of Arif Habib Limited (herein after referred as 'the Company') as at June 30, 2012, and the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year 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:

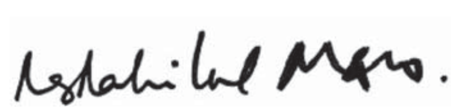
(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts andare further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business;

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, statement of changes in equityand cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance,1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012, and of the profit, total comprehensive profit, changes in equity and its cash flows for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



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

Date: July 23, 2012
Karachi.

Balance Sheet

As at 30 June 2012

	Notes	2012	2011
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	4	**73,277,343**	85,922,882
Intangible assets	5	**69,716,293**	68,972,017
Long term investment	6	**33,000,000**	-
Investment property	7	**53,000,000**	126,000,000
Advance against investments	8	**154,428,115**	
Long-term deposits	9	**4,664,700**	14,129,904
		388,086,451	295,024,803
CURRENT ASSETS			
Short term investments	10	**1,519,733,697**	543,010,549
Trade debts	11	**746,748,191**	358,285,089
Receivable against sale of securities- net		**529,534,120**	-
Short term loans - secured	12	**1,586,536**	701,792
Trade deposits and prepayments	13	**15,499,960**	2,547,106
Other receivables	14	**8,798,436**	6,913,961
Taxes recoverable	15	**-**	5,756,148
Cash & bank balances	16	**47,956,149**	23,883,623
		2,869,857,089	941,098,268
TOTAL ASSETS		**3,257,943,540**	1,236,123,071
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
50,000,000 (2011: 50,000,000) ordinary shares of Rs.10/- each		**500,000,000**	500,000,000
Issued, subscribed & paid-up capital	17	**450,000,000**	450,000,000
Unappropriated profit		**645,946,335**	280,035,022
		1,095,946,335	730,035,022
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	18	**2,497,747**	3,467,065
Loan from associate	19	**262,270,429**	229,157,211
CURRENT LIABILITIES			
Short term borrowings- secured	20	**1,653,936,052**	106,181,629
Current portion of liability subject to finance lease	18	**964,541**	880,428
Trade and other payables	21	**198,202,436**	147,357,284
Markup accrued		**41,951,956**	19,044,432
Taxes payable	15	**2,174,044**	-
		1,897,229,029	273,463,773
CONTINGENCIES AND COMMITMENTS	**22**	-	-
TOTAL EQUITY AND LIABILITIES		**3,257,943,540**	1,236,123,071

The annexed notes form an intergral part of these financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

Profit & Loss Account

For the year ended 30 June 2012

	Notes	2012	2011
Operating revenue	23	**173,941,695**	107,139,419
Capital gain on sale of investments - net		**255,595,595**	4,410,422
Gain/(loss) on re-measurement of investments carried at fair value through profit or loss - net	10.1	**260,224,123**	12,353,890
Unrealised gain / (loss) on re-measurement of investment property		-	11,916,000
		689,761,413	135,819,731
Administrative expenses	24	**(209,551,023)**	(930,117,522)
Finance cost	25	**(185,803,119)**	(68,317,670)
Other charges	26	**(5,622,000)**	-
Other operating income	27	**106,580,272**	312,638,408
Profit / (loss) before taxation		**395,365,543**	(549,977,053)
Taxation	28	**(29,454,230)**	(9,417,228)
Profit / (loss) after taxation		**365,911,313**	(559,394,281)
Earnings / (loss) per share - basic & diluted	29	**8.13**	(12.43)

Chief Executive Officer **Director** **Chief Financial Officer**

STATEMENT OF COMPREHENSIVE INCOME

For the year ednded 30 June 2012

	Notes	2012	2011
Profit / (loss) after taxation		**365,911,313**	(559,394,281)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year transferred to equity		**365,911,313**	(559,394,281)

Chief Executive Officer **Director** **Chief Financial Officer**

STATEMENT OF CHANGES IN EQUITY

As at 30 June 2012

	Issued, subscribed & paid up capital	Share premium	Unappropriated profits	Total
	Rupees			
Balance as at July 1, 2010	**375,000,000**	**45,000,000**	**869,429,303**	**1,289,429,303**
Issue of bonus shares @ Rs.2 per share (20% Bonus share)	75,000,000	(45,000,000)	(30,000,000)	-
Comprehensive loss for the year ended June 30, 2011	-	-	(559,394,281)	(559,394,281)
Balance as at June 30, 2011	**450,000,000**	**-**	**280,035,022**	**730,035,022**
Balance as at July 1, 2011	450,000,000	-	280,035,022	730,035,022
Comprehensive income for the year ended June 30, 2012	**-**	**-**	**365,911,313**	**365,911,313**
Balance as at June 30, 2012	**450,000,000**	**-**	**645,946,335**	**1,095,946,335**

Chief Executive Officer   Director   Chief Financial Officer

CASH FLOW STATEMENT

For the year ended 30 June 2012

	Notes	**2012**	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit /(loss) after taxation		**395,365,543**	(549,977,053)
Adjustments for:			
Depreciation		**12,717,494**	14,647,702
Amortization of intangible asset		**535,206**	93,374
Loss on disposal of property, plant and equipment		**(9,030)**	
Gain/(loss) on re-measurement of investments carried at fair value through -held for trading		**(260,224,123)**	(10,569,020)
Loss on disposal of Investment Property		**5,622,000**	
Unrealized gain /(loss) on re-measurement of investment property		**-**	(11,916,000)
Dividend income		**(60,821,317)**	(6,438,980)
Imputed interest income on loan from associate		**-**	(220,842,789)
Provision against doubtful debts		**90,000,000**	826,195,520
Finance costs		**185,803,119**	68,317,670
		(26,376,651)	659,487,477
Cash generated from operating activities before working capital changes		**368,988,892**	109,510,424
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets			
Short-term investments		**(716,499,025)**	(506,307,439)
Trade debts		**(478,463,102)**	236,881,274
Receivable against sale of securities- Net		**(529,534,120)**	257,143,854
Short term loans		**(884,744)**	4,001
Deposits and short-term prepayments		**(12,952,854)**	3,538,433
Other receivables		**(2,894,691)**	11,114,746
Increase/(decrease) in current liabilities			
Trade and other payables		**50,845,152**	(53,544,618)
		(1,690,383,384)	(51,169,749)
Cash (used in) / generated from operations		**(1,321,394,492)**	58,340,675
Taxes paid		**(21,524,038)**	(10,982,219)
Finance costs paid		**(129,782,377)**	(77,262,066)
Net cash used in operating activities		**(1,472,700,907)**	(29,903,610)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and investment property		**(391,859)**	(2,601,835)
Proceeds from disposal of property, plant and equipment	4.1	**328,934**	679,705
Acquisition of Intangible asset		**(2,279,482)**	-
Advance against investment property		**(154,428,115)**	-
Sale proceeds on disposal of Investment property		**67,378,000**	(484,000)
Dividends received		**60,821,317**	6,438,980
Investment In subsidiary		**(21,476,680)**	-
Long term deposits		**(48,000)**	(3,000)
Net cash (used in) / generated from investing activities		**(50,095,885)**	4,029,850
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		**(885,205)**	(1,220,577)
Loan from associate		**-**	450,000,000
Net cash (used in) / generated from financing activities		**(885,205)**	448,779,423
Net increase/(decrease) in cash and cash equivalents		**(1,523,681,997)**	422,905,663
Cash and cash equivalents at the beginning of the year		**(82,298,006)**	(505,203,669)
Cash and cash equivalents at the end of the year	30	**(1,605,979,903)**	(82,298,006)

Chief Executive Officer **Director** **Chief Financial Officer**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

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 Corporation Limited. (the parent company). Subsequently, the Parent Company offered its 25% share holding in the Company to general public and the Company obtained listing on Karachi Stock Exchange (Guarantee) Limited on January 31, 2007.

The Company is a corporate member of Karachi, Lahore and Islamabad Stock Exchanges. The principal activities of the Company are share 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 The Parent Company holds 76.69% shares of the Company.

1.3 During the year Arif Habib Limited incorporated an 100% wholly owned subsidiary named Arif Habib Commodities (Pvt) Limited, as detailed in note 6.The business of subsidiary comprises of commodity brokerage and commodity investments in Commodity exchange i.e. Pakistan Mercantile Exchange Limited.

The Securities and Exchange Commission of Pakistan vide its letter bearing No. EMD/233/683/2002-48 dated July 18, 2012 have exempt the Company from the applicability of the provisions of the Section 237 “Consolidated financial statements” for the year ended June 30, 2012. Hence, the Consolidated Financial statements of the Company has not been presented.

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 and investment property which are stated at fair value.

2.3 Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

2.4 Use of estimates and judgments

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

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

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

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

- Useful lives and residual values of property and equipment (note 3.1)
- Impairment of Investments (note 3.5)
- Classification of Investments (note 3.5)
- Provision for Taxation (note 3.15)

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 year beginning from July 01, 2011 and are relevant to the Company:

- **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.

- **Amendments to "IFRS 7 Financial Instruments"** , Applies to annual periods beginning on or after 1 July 2011 The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

  There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

b) Standards, amendments to published standards and interpretations that are effective in 2011 but not relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2011 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

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, 2011 and have not been early adopted by the Company:

- IAS 1 'Presentation of financial statements' (Amendment) effective for annual periods beginning on or after July 1, 2012.

- IAS 19 Employee benefits (Amendment) effective for periods beginning on or after January 1, 2013.

- IFRS 10, 'Consolidation financial statements', effective for periods beginning on or after January 1, 2013.

- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.

- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.

- IAS 27 "Separate Financial Statements" , applicable to annual reporting periods beginning on or after 1 January 2013

- IAS 28 "Investments in Associates and Joint Ventures", applicable to annual reporting periods beginning on or after 1 January 2013,

- IFRS 9 "Financial Instruments", Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2015.

- Amendments in IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities, Applicable to annual periods beginning on or after 1 January 2013 and interim periods within those periods.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), Applicable to annual periods beginning on or after 1 January 2014.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after 1 January 2013

- IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013, is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

- IAS 34 Interim Financial Reporting is amended, Applicable to annual periods beginning on or after 1 January 2013, to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), Applicable to annual periods beginning on or after 1 January 2012 Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Owned

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

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

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

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

Item of property, plant and equipment having carrying value becomes equal or below Rs.10,000 is charged to profit and loss account.

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

Depreciation is charged to profit and loss account 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 month in which asset is available for use and on disposals up to the month preceding the month 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

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

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

3.2 Intangible assets

3.2.1 Membership cards and offices

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

3.2.2 Computer software

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

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

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

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

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

3.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property. Investment property is initially measured at its cost, including related transaction costs and borrowing costs, if any.

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

Latest valuation was carried out by the independent valuer on June 30, 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

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

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

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

3.4 Impairment of non-financial assets

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

a) Investment in Subsidiary

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

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

b) Financial assets at fair value through profit or loss

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

c) Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. There were no financial assets available for sale at the balance sheet date.

e) Held to maturity

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

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

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

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

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

3.5.3 The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account. Impairment testing of trade and other receivables is described in note 3.8.

3.6 Financial Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

3.7 Offsetting financial instruments

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

3.8 Trade debts and other receivables

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

3.9 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.

3.10 Cash and cash equivalents

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

3.11 Share capital

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

3.12 Borrowings

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

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

3.13 Trade and other payables

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

3.14 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.

3.15 Taxation

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

Current

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

Deferred

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

3.19 Revenue recognition

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

- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.

- Income from bank deposits is recognized at effective yield on time proportion basis.

- Dividend income is recorded when the right to receive the dividend is established.

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Unrealized capital gains / (losses) arising from mark to market of investments classified as ‘financial assets at fair value through profit or loss - held for trading’ are included in profit and loss account for the period in which they arise.

- Rental income from investment properties is recognized on accrual basis.

- Late payment charges are accrued at the rate of 18% on outstanding debtor balances of more than 14 days after settlement.

3.20 Borrowing costs

Borrowing costs are recognized 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.

3.21 Related party transactions

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

4 PROPERTY, PLANT AND EQUIPMENT

	Owned Assets							
	Leasehold office	Leasehold improvements	Office equipments	Furniture & Fixture	Compter & Allied	Vehicles	Lease assets Vehicles	Total
	Rupees							
As at July 01, 2010								
Cost	2,115,000	101,622,500	801,245	179,912	6,733,480	7,943,643	5,246,000	24,641,780
Accumulated depreciation	-	(17,677,745)	(374,429)	(85,513)	(3,726,542)	(3,866,797)	(262,300)	(25,993,326)
Net book value	2,115,000	83,944,755	426,816	94,399	3,006,938	4,076,846	4,983,700	98,648,454
Year ended June 30, 2011								
Opening net book value	2,115,000	83,944,755	426,816	94,399	3,006,938	4,076,846	4,983,700	98,648,454
Additions during the year	-	-	-	-	2,601,835	-	-	2,601,835
Disposals / transfers/writeoff								
Cost	-	-	-	-	-	1,272,101	-	1,272,101
Accumulated depreciation	-	-	-	-	-	(592,396)	-	(592,396)
Net book value	-	-	-	-	-	679,705	-	679,705
Depreciation for the year	-	(11,761,109)	(77,403)	(13,226)	(1,238,015)	(647,686)	(910,263)	(14,647,702)
Closing net book value	2,115,000	72,183,646	349,413	81,173	4,370,758	2,749,455	4,073,437	85,922,882
As at June 30, 2011								
Cost	2,115,000	101,622,500	801,245	179,912	9,335,315	6,671,542	5,246,000	125,971,514
Accumulated depreciation	-	(29,438,854)	(451,832)	(98,739)	(4,964,557)	(3,922,087)	(1,172,563)	(40,048,632)
Net book value	2,115,000	72,183,646	349,413	81,173	4,370,758	2,749,455	4,073,437	85,922,882
Year ended June 30, 2012								
Opening net book value	**2,115,000**	**72,183,646**	**349,413**	**81,173**	**4,370,758**	**2,749,455**	**4,073,437**	**85,922,882**
Additions during the year	**-**	**-**	**-**	**-**	**578,490**	**-**	**-**	**578,490**
Disposals / transfers/writeoff								
Cost	**-**	**-**	**-**	**43,161**	**558,725**	**868,000**	**-**	**1,469,886**
Accumulated depreciation	**-**	**-**	**-**	**(24,180)**	**(391,075)**	**(548,096)**	**-**	**(963,351)**
Net book value (note 4.1)	**-**	**-**	**-**	**18,981**	**167,650**	**319,904**		**506,535**
Depreciation for the year	**-**	**(10,113,314)**	**(48,955)**	**(11,373)**	**(1,332,978)**	**(466,869)**	**(744,005)**	**(12,717,494)**
Closing net book value	**2,115,000**	**62,070,332**	**300,458**	**50,819**	**3,448,620**	**1,962,682**	**3,329,432**	**73,277,343**
As at June 30, 2012								
Cost	**2,115,000**	**101,622,500**	**801,245**	**136,751**	**9,355,080**	**5,803,542**	**5,246,000**	**125,080,118**
Accumulated depreciation	**-**	**(39,552,168)**	**(500,787)**	**(85,932)**	**(5,906,460)**	**(3,840,860)**	**(1,916,568)**	**(51,802,775)**
Net book value	**2,115,000**	**62,070,332**	**300,458**	**50,819**	**3,448,620**	**1,962,682**	**3,329,432**	**73,277,343**
Annual rates of depreciation	**0%**	**15%**	**15%**	**15%**	**33%**	**20%**	**20%**	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

4.1 Particulars of disposal of property, plant and equipment are as follows:

Particulars	Acquisition Cost	Accumulated depreciation	Written down	Sale proceed	Gain (loss)	Mode of disposal	Particulars of buyer
Vehicles							
ADJ-184	468,000	(277,961)	190,039	190,039	-	Negotiation	Salman Haider (Employee)
ADM-471	400,000	(270,135)	129,865	138,895	9,030	Negotiation (Employee)	Kashif Sohail
June 30, 2012	868,000	(548,096)	319,904	328,934	9,030		

4.2 The other disposals represent those assets whose carrying value as of the balance sheet date reduced below Rs. 10,000/-.

5 INTANGIBLES ASSETS

	Note	2012	2011
		Rupees	
Computer software	5.1	**2,061,293**	317,017
Membership cards and offices	5.2	**67,655,000**	68,655,000
		69,716,293	68,972,017

5.1 Computer software

	Rupees
As at July 1, 2010	
Cost	437750
Accumulated amortization	(27,359)
Net book value	410,391
Year ended June 30, 2011	
Opening net book value	410,391
Additions during the year	-
Disposals / transfers	-
Amortization	(93,374)
Closing net book value	317,017
As at July 1, 2011	
Cost	**437,750**
Accumulated amortization	**(120,733)**
Net book value	**317,017**
Year ended June 30, 2012	
Opening net book value	**317,017**
Additions during the year	**2,279,481**
Disposals / transfers	**-**
Amortization	**(535,206)**
Closing net book value	**2,061,293**
As at June 30, 2012	
Cost	**2,717,231**
Accumulated amortization	**(655,938)**
Net book value	**2,061,293**
Annual rate of depreciation	**25%**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	Note	2012	2011
		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
Pakistan Mercantile Exchange Limited	5.2.2	**-**	1,000,000
		26,000,000	27,000,000
Offices			
Islamabad Stock Exchange (Guarantee) Limited		**22,005,000**	22,005,000
Lahore Stock Exchange (Guarantee) Limited		**17,550,000**	17,550,000
		39,555,000	39,555,000
Booths			
Karachi Stock Exchange (Guarantee) Limited		**2,100,000**	2,100,000
		67,655,000	68,655,000

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

5.2.2 The membership license of Pakistan Mercantile Exchange Limited has been transferred to newly incorporated subsidiary "Arif Habib Commodities (Pvt) Limited". (note 6)

	Note	2012	2011
6 LONG TERM INVESTMENTS		Rupees	
Investment in AHCPL- at cost			
"Paid up Share Capital (2,000,000 shares of Rs 10/- each) (2011: Nil)"	**6.1**	**20,000,000**	-
Advance against Share capital	**6.2**	**13,000,000**	-
		33,000,000	-

6.1 This represent paid up share capital constituting 100% ownership in Arif Habib Commodities (Pvt) Limited (AHCPL) which was incorporated as a wholly owned subsidiary for the purpose of expanding non-core revenue stream of the commodity brokerage. The total amount of Investment approved by the shareholders of the company in the extra-ordinary general meeting held on June 16, 2012 is Rs 100 million. As of the balance sheet date, the company has invested a total sum of Rs.33 million.

6.2 This represents advance in respect of further right issue offered for subscription, which are subsequently exercised and thereafter shares in respect there of are allotted to Arif Habib Limited. The advance given to the subsidiary comprised of cash Rs 1.476 million and transfer of Assets from the company amounting to Rs11.523 million as disclosed in note (5.2 & 8.1)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

		2012	2011
		Rupees	
7	**INVESTMENT PROPERTY**		
	Acquisition cost - opening balance	**126,000,000**	99,100,000
	Acquisition during the year	**-**	14,500,000
	Disposal during the year	**(73,000,000)**	
	Expenditure incurred on acquisition and transferred of investment property	**-**	484,000
		(73,000,000)	484,000
	Acquisition cost - closing balance	**53,000,000**	114,084,000
	Carrying value	**53,000,000**	114,084,000
	Increase / (decrease) in fair value	**-**	11,916,000
		53,000,000	126,000,000

8 ADVANCE AGAINST INVESTMENTS

This represent the company's' investment made during the year in real estate of associate concern, as the documentation are under process and expected to be completed in near future. As soon, the documentation is completed the same will be accordingly transferred to investment property.

		Note	2012	2011
			Rupees	
9	**LONG TERM DEPOSITS**			
	Karachi Stock Exchange (Guarantee) Limited		**610,000**	610,000
	Lahore Stock Exchange (Guarantee) Limited		**1,480,000**	1,480,000
	Pakistan Mercantile Exchange Limited	9.1	**-**	9,513,204
	National Clearing Company of Pakistan Limited		**750,000**	750,000
	Security deposits of lease assets		**1,573,800**	1,573,800
	Others		**250,900**	202,900
			4,664,700	14,129,904

9.1 The long term deposit of Pakistan Mercantile Exchange Limited has been transferred to newly incorporated subsidiary "Arif Habib Commodities (Pvt) Limited". (note 6)

		Note	2012	2011
			Rupees	
10	**SHORT TERM INVESTMENTS**			
	Financial assets at fair value through profit or loss- Held for trading:			
	Investment in quoted equity securities			
	Related parties		**1,096,360,077**	527,973,080
	Others		**413,173,778**	26,134,090
	Investment in mutual funds		**10,199,842**	-
			1,519,733,697	554,107,170

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

			2012	2011
			Rupees	
10.1	**Gain / (loss) on remeasurement of investmen at fair value through profit or loss - held for trading**			
	Market value		**1,519,733,697**	543,010,549
	Cost of the investment		**1,250,917,809**	532,441,529
			268,815,888	10,569,020
	Unrealized (loss) / gain on the re measurement of investment carried at fair value through profit or loss-held for trading			
	At the beginning of the year		**(10,569,018)**	(1,784,870)
	Realized on disposal of investment		**1,977,253**	1,784,870
			(8,591,765)	-
	Net unrealized gain /(profit) in the value of investment for the year		**260,224,123**	10,569,020

10.2 Fair value of shares pledge with banking companies against various short term running finance facility amounting to Rs 1.14 billion as at 30 June 2012.

			2012	2011
			Rupees	
11	**TRADE DEBTS**			
	Considered good	11.1	**746,748,191**	358,285,089
	Considered doubtfu		**913,869,020**	823,869,020
			1,660,617,211	182,154,109
	Less: Provision for the doubtful debts		**(913,869,020)**	(823,869,020)
			746,748,191	358,285,089

11.1 This includes Rs 10.823 million (2011:Rs 37.087 million) due from related parties.

11.2 The Company holds capital securities having fair value of Rs. 1,126.33 million (2011: Rs 110.098 million) owned by its clients, as collaterals against trade debts.

			2012	2011
			Rupees	
12	**SHORT TERM LOANS , considered good**			
	Loans to:			
	executives		**758,803**	329,110
	staff		**827,733**	376,683
		12.1	**1,586,536**	705,793

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

			2012	2011
			Rupees	
13	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits against future clearing		**1,592,594**	900,000
	Advance for software		**-**	1,626,513
	Deposits against debt market trading		**150,000**	-
	Advance for traveling		**42,371**	-
	Advance to related parties		**1,489,632**	-
	MTS exposure deposit		**12,025,363**	-
	Prepayments		**-**	20,593
			15,499,960	2,547,106
14	**OTHER RECEIVABLES**			
	Related parties		**4,579,793**	599,161
	Dividend receivable		**900,002**	-
	Receivable against sale of Investment Property		**3,200,000**	-
	Other parties		**2,445,141**	8,641,300
	Less: provision for doubtful debts		**(2,326,500)**	(2,326,500)
			8,798,436	6,913,961
15	**TAXES (PAYABLE) / RECOVERABLE**			
	Advance income tax		**26,280,186**	15,173,376
	Less: provision for taxation-current		**(28,454,230)**	(9,417,228)
	Taxation-Net		**(2,174,044)**	5,756,148
16	**CASH AND BANK BALANCES**			
	Cash in hand		**1,501**	51,933
	Cash at bank			
	in current accounts		**6,082,647**	5,897,817
	in savings accounts	16.1	**41,872,001**	17,933,873
			47,954,648	23,831,690
			47,956,149	23,883,623

16.1 The return on these balances is 10.5% to 11% (2011: 11%) per annum on daily product basis.

17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		2012	2011
(Number of shares)			Rupees	
12,000,000	12,000,000	Ordinary shares of Rs.10/- each fully paid in cash	120,000,000	120,000,000
33,000,000	25,500,000	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	330,000,000	330,000,000
45,000,000	37,500,000		**450,000,000**	450,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

		2012	2011
		(Number of shares)	
17.1	The reconciliation of ordinary shares is as follows:		
	Opening balance	**45,000,000**	37,500,000
	Add: Bonus shares issued during the year	**-**	7,500,000
		45,000,000	45,000,000

		2012	2011
		Rupees	
18	**LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE**		
	Present value of minimum lease payments	**3,462,288**	4,347,493
	Less : Current portion shown under current liabilities	**(964,541)**	(880,428)
		2,497,747	3,467,065

The minimum lease payments have been discounted at an implicit interest rate 14.02% 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 term of lease has given option to lessee 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 libility	
			2012	**2011**
	Rupees			
Not later than one year	1,211,688	247,147	964,541	880,428
Later than one year and not later than five year	2,647,819	150,072	2,497,747	3,467,035
	3,859,507	397,219	3,462,288	4,347,463

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

19 LOAN FROM ASSOCIATE

	2012	2011
	Rupees	
Loan received	**450,000,000**	450,000,000
Imputed income on remeasurement of loan liability at fair value	**(220,842,789)**	(220,842,789)
Unwinding of imputed income	**33,113,218**	
	262,270,429	229,157,211

This represents an unsecured non interest bearing loan received on June 27, 2011 from an associated person of the Company. The loan is repayable at the end of five years from date of receipt and therefore has been re-measured using current market interest rate of 3 year KIBOR for financial instruments carrying same terms of repayment.

20 SHORT TERM BORROWINGS - secured

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs.1,850 million (2011: Rs. 1,650 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates up to March 2013. These arrangements are secured against pledge of marketable securities. These running finance facilities carry mark-up ranging from 3 month KIBOR +1 % to 2% (2010: 3 month KIBOR +1.25 % to 2%) calculated on a daily product basis that is payable quarterly.

21 TRADE AND OTHER PAYABLES

		2012	2011
		Rupees	
Creditors	21.1	**155,222,932**	131,239,631
Commission payable	21.2	**3,297,989**	3,483,460
Workers' welfare fund		**-**	3,499,555
Accrued expenses		**3,971,526**	3,871,235
Dividend payable		**1,428,057**	1,444,344
Payable to NCCPL for MTS		**31,246,000**	-
Federal excise duty payable		**1,138,211**	2,649,654
Other liabilities		**1,897,721**	1,169,405
		198,202,436	147,357,284

21.1 This includes amount of Rs.10.43 million (2011: Rs.3.663 million) payable to related parties of the Company.

21.2 This includes an amount of Rs. 2.709 million (2011: Rs.2.510 million) payable to related parties of the company on account of commission.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

			2012	2011
			Rupees	
22	**CONTINGENCIES AND COMMITMENTS**			
	CONTINGENCIES			
	There were no contingencies at the year end.		**-**	-
	COMMITMENTS			
	Following commitments are outstanding as at the year end.			
	- Outstanding settlement against sale/purchases of securities in future market.		**164,721,490**	-
	- Outstanding Settlements against Marginal Trading contracts		**262,917,405**	-
	- Outstanding Settlements against sale/purchase of securities in regular market.		**12,055,180**	28,320,464
	-Guarantee given by a commercial bank on behalf of the company		**100,000,000**	100,000,000
23	**OPERATING REVENUE**			
	Brokerage income		**99,643,096**	79,117,193
	Underwriting, consultancy and placements income		**13,477,282**	21,583,246
	Dividend income		**60,821,317**	6,438,980
			173,941,695	107,139,419
24	**ADMINISTRATIVE AND OPERATING EXPENSES**			
	Salaries and benefits	24.1	**33,620,776**	29,158,286
	Rent, rates and taxes		**23,679,312**	21,644,419
	Depreciation and amortization	4 & 5.1	**13,541,177**	14,741,076
	Commission		**6,614,475**	7,473,690
	C.D.C & clearing house charges		**7,660,304**	5,682,965
	Electricity		**7,842,437**	6,899,857
	Communication		**1,921,588**	1,578,371
	Motor vehicle expense		**5,978,898**	4,677,563
	Membership and other subscription		**682,351**	731,173
	Printing and stationery		**1,664,836**	1,515,425
	Conveyance and meals		**1,198,168**	1,751,420
	Insurance		**1,079,586**	1,759,475
	Legal and professional charges		**780,150**	721,595
	Repairs and maintenance		**2,382,736**	708,326
	Advertisement & business promotion		**855,879**	1,038,559
	Auditors' remuneration	24.2	**1,055,760**	879,800
	Entertainment		**127,505**	23,376
	Meeting expenses		**499,700**	449,320
	Donation		**6,500,000**	-
	Provision for bad debts	11	**90,000,000**	826,195,520
	Others		**1,865,385**	2,487,306
			209,551,023	930,117,522

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

24.1 This includes Company's contribution to provident fund amounting to Rs.3,717,725 (June 30,2011: 1,871,114).

24.2 Auditors' remuneration

	2012 (Rupees)	2011 (Rupees)
Annual audit fee	**600,000**	500,000
Half yearly review	**190,080**	158,400
Certification on compliance with code of corporate governance	**136,080**	113,400
Other certifications	**129,600**	108,000
	1,055,760	879,800

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

25 FINANCE COSTS

	2012	2011
Interest and mark-up on :		
Loan form related parties		
Unwinding of loan from associate	**33,113,218**	-
Markup paid to parent	**-**	3,219,674
Markup to associate	**9,095,090**	-
	42,208,308	3,219,674
Others:		
Liabilities against assets subject to finance lease	**225,159**	408,291
Short term borrowing from banking companies	**130,781,039**	62,395,025
Markup on MTS Securities	**10,830,976**	-
Bank charges and others	**1,757,637**	2,294,680
	143,594,811	65,097,996
	185,803,119	68,317,670

26 OTHER CHARGES

This represent loss on disposal made during the year on investment property.

27 OTHER OPERATING INCOME

	2012	2011
	Rupees	Rupees
On financial assets		
Late payment charges on clients' balances	**96,593,189**	78,173,553
Profit on savings accounts	**3,339,352**	3,332,451
Profit on exposure deposit	**743,346**	3,318
Mark up charged to associate -related party	**-**	1,483,811
Gain on disposal of asset	**9,030**	-
Reversal of provision of WWF	**3,499,555**	-
Imputed interest income on loan from associate	**-**	220,842,789
On non-financial assets		
Rental income from investment property	**2,395,800**	8,802,486
	106,580,272	312,638,408

28 TAXATION

	2012	2011
Current for the year	**28,454,230**	9,417,228
Prior year charge	**1,000,000**	-
	29,454,230	9,417,228

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

28.1 Reconciliation of tax charge for the year

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

Profit / (loss) before tax	**395,365,543**	(549,977,053)
Tax charge for the year	**28,454,230**	(9,417,228)
Average effective rate of tax for the year	**7.20%**	1.71%

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

	2012	2011
	(%)	
Applicable income tax rate	**35**	35
Add/(less):		
-Tax effect of income taxed at final tax regime	**(4.08)**	(23.16)
-Tax effect of income taxed at lower rate	**(23.72)**	(13.55)
	7.20	(1.71)

28.3 Assessment for the tax year 2009 was finalised 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. Further, Assessment up to tax year 2011 deemed to be finalised U/S 120 of the Income tax Ordinance 2011.

29 EARNINGS PER SHARE - BASIC AND DILUTED	**2012**	2011
	Rupees	
29.1 Basic earnings per share		
Profit / (loss) for the year - Rupees	**365,911,313**	(559,394,281)
	Numbers	
Weighted average number of ordinary shares	**45,000,000**	45,000,000
	Rupees	
Earning / (loss) per share	**8.13**	(12.43)

29.2 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, 2012 and June 30, 2011 which would have any effect on the earnings per share if the option to convert is exercised.

30 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:

	2012	2011
	Rupees	
Cash and bank balances	**47,956,149**	23,883,623
Short term borrowings	**(1,653,936,052)**	(106,181,629)
	(1,605,979,903)	(82,298,006)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

31 RELATED PARTY

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the company, key management personnel and staff provident fund. Transaction with related parties are on arm's length. remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. remuneration of chief executive, directors and executives is disclosed in note 32 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statement are given below.

Name of the related party and relationship with company	Nature of Transaction	Year ended 30 June 2012	Year ended 30 June 2011
		Rupees	
Parent Company	Brokerage Commission earned during the year on sale and purchase of Securities	**8,387,280**	15,182,665
	Loan received & paid during the year	**-**	235,000,000
Subsidiaries	Purchase of Shares	**20,000,000**	-
	Advance against equity	**13,000,000**	-
	Other receivables	**1,489,632**	-
Associates			
	Purchase of shares	**193,768,352**	507,234,862
	Capital gain earned	**2,680,817**	-
	Sale of shares	**4,981,464**	-
	Advance against investment property	**154,428,115**	
	Balance Investment at year end	**967,480,395**	502,546,961
Key Management Personnel	Brokerage Commission earned during the year on sale and purchase of Securities	**8,647,455**	10,404,236
	Balance Receivable at year end	**10,823,571**	-
	Commission payable at year end	**2,709,000**	-
	Balance payable at year end	**10,430,000**	-
Group Companies	Brokerage Commission earned during the year on sale and purchase of Securities	**6,817,383**	8,187,045
	Capital gain earned	**131,678,641**	738,305
	Dividend income	**14,104,839**	-
	Rent paid on property	**22,988,064**	20,898,240
	Interest paid	**9,368,717**	3,219,674
Other Related Parties	Brokerage commission earned during the year on sale and purchase of Securities	**844,717**	1,782,873
	Loan Outstanding from Associate	**450,000,000**	450,000,000
	Loan repayment	**33,113,218**	-
	Purchase of investment Property	**-**	14,500,000
	Interest Income earned on advance	**-**	1,483,811
	Rent received on property	**2,395,800**	2,178,000
AHL Provident fund	Contribution paid during the year	**3,717,725**	2,831,942

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

32 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	
	2012	2011	2012	2011	2012	2011
	Rupees					
Managerial remuneration	**4,980,101**	4,000,080	**1,527,032**	2,502,620	**5,134,682**	6,096,435
House rent allowance	**1,245,025**	1,200,024	**384,258**	750,756	**1,224,262**	1,828,930
Conveyance	**549,700**	449,805	**770,636**	394,655	**1,858,815**	1,764,609
Utilities	**256,314**	400,008	**6,485**	250,262	**33,000**	609,643
Contribution to provident fund	**518,761**	500,016	**160,108**	280,916	**510,110**	700,832
Medical allowance	**41,191**	400,008	**38,755**	250,262	**87,281**	609,643
Commission & performance bonus(note 32.1)	**794,938**	913,229	**667,515**	27,475	**842,676**	951,733
	8,386,030	7,863,170	**3,554,789**	4,456,946	**9,690,826**	12,561,825
Number of persons	**1**	1	**3**	3	**6**	14

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

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

33 FINANCIAL RISK MANAGEMENT

33.1 Financial Risk Factors

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

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

a) Market Risk

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

i) Foreign Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crush at any moment. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the company to incur significant mark to market and credit losses. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs.1,519 million (2011: 543.01 million) and also the company holds collaterals in the form of equity securities against their debtor balances at the reporting date.

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

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

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

	2012		2011	
	(Rupees)	%	(Rupees)	%
Contruction and Materials	**951,160,614**	**62.59**	527,973,060	97.23
Commercial banking	**234,130,819**	**15.41**	-	-
Chemicals	**151,499,682**	**9.97**	15,037,469	2.77
Media	**102,900,000**	**6.77**	-	-
Financial services	**42,124,853**	**2.77**	-	-
Individuals	**34,425,850**	**2.27**	-	-
Multiultilities	**1,906,178**	**0.13**	-	-
Industrial Metals and Mining	**1,585,701**	**0.10**	-	-
	1,519,733,697	**100**	543,010,529	100

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 10.5% during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2012 and 2011 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

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 equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2012 Rupees	**1,519,733,697**	**10% increase**	**1,671,707,067**	**151,973,370**	**151,973,370**
		10% decrease	**1,367,760,327**	**(151,973,370)**	**(151,973,370)**
June 30, 2011 Rupees	543,010,549	10% increase	597,311,604	54,301,055	54,301,055
		10% decrease	488,709,494	(54,301,055)	(54,301,055)

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. 41,872,001 (2011: Rs. 17,933,873) and Rs. 1,653,936,052 (2011: Rs. 106,181,629) 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:

	2012	2011	2012	2011
	Effective interest rate (%)		Carrying amounts	
Financial assets				
Bank deposits - pls account	**5% to 11.5%**	5% to 11.5%	**41,872,001**	17,933,873
Financial liabilities				
Short term borrowings	**13.3% to 15.5%**	13.3% to 16.3%	**1,653,936,052**	106,181,629

Sensitivity analysis

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	Profit and loss 100 bp increase	Profit and loss 100 bp decrease
As at June 30, 2012		
Cash flow sensitivity-Variable rate financial liabilities	**16,539,361**	**(16,539,361)**
As at June 30, 2011		
Cash flow sensitivity-Variable rate financial liabilities	**(4,205,142)**	**4,205,142**

b) Credit risk

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

Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, receivable against sale of securities and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorised approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. These collaterals are subject to market risk as disclosed in note 33.1(a) which ultimately affect the recoverability of trade debts. Moreover any trade debts exceeding credit days followed by late payment surcharge to ensure early recovery of such debts. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors. Except for the provision made against trade debts amounting Rs 913,869,020 (refer note 10 of the financial statements), 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 2012	Carrying amount 2011
		Rupees	Rupees
Long term investment		**33,000,000**	-
Long term deposits		**4,664,700**	14,129,904
Trade debts	33.1.1	**746,748,191**	358,285,089
Short term loans	33.1.2	**1,586,536**	701,792
Receivable against sale of securities- net		**529,534,120**	-
Short term deposits		**15,499,960**	2,547,106
Other receivables		**8,798,436**	6,913,961
Cash and bank balances		**47,956,149**	23,883,623
		1,387,788,092	406,461,475

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

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

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

The Company holds capital securities having fair value of Rs. 1,126.33 million (2011: Rs 110.098 million) owned by its clients, as collaterals against trade debts.

	2012		2011	
	Gross	Impairment	Gross	Impairment
Not past due	**55,212,463**	-	50,844,303	-
Past due 1 day - 30 days	**172,943,775**	-	63,807,654	-
Past due 31 days - 180 days	**463,721,324**	-	5,009,522	-
Past due 181 days - 1 year	**14,863,821**	-	7,761,108	-
More than one year	**953,875,828**	913,869,020	1,054,731,522	823,869,020
Rupees	**1,660,617,211**	**913,869,020**	**1,182,154,109**	**823,869,020**

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 :

	2012	2011
	Rupees	
Trade debts - equity transactions	**90,000,000**	826,195,520

Recording of significant impairment losses in current and previous corresponding years, despite of strict credit control policies adopted by the company's is due to unusual stock market meltdown in the year 2008 which effected the entire financial market and forced them to record these impairments against their respective financial assets.

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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

Short term rating	2012	2011
	Rupees	
A1+	**5,346,654**	1,811,060
A2	**1,304,551**	401,727
A-1+	**201,780**	1,355,727
A1	**41,077,738**	730,931
A - 2	**23,922**	19,532,243
	47,954,645	23,831,688

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

c) Liquidity risk

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

On the reporting date, the Company has cash and bank balance Rs. 47.956 million (2011:Rs. 23.832 million), unutilized credit lines Rs.197 million (Rs. 1,294 million) and liquid assets in the form of short term securities Rs.1,519,733,697 and receivable against sale of securities Rs. 529,534,120.

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

Amounts in Rupees

	2012			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
Financial liabilities				
Loan from associate	**262,270,429**	**450,000,000**	**-**	**450,000,000**
Liabilities against assets subject to finance lease	**3,462,288**	**3,462,288**	**1,211,688**	**2,250,600**
Trade and other payables	**198,202,436**	**198,202,436**	**198,202,436**	**-**
Short term borrowings	**1,653,936,052**	**1,653,936,052**	**1,653,936,052**	**-**
Accrued markup on short term borrowings	**41,951,956**	**41,951,956**	**41,951,956**	**-**
	2,159,823,161	**2,347,552,732**	**1,895,302,132**	**452,250,600**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	Carrying amount	2011 Contractual cash flows	Up to one year	More than one year
Financial liabilities				
Loan from associate	229,157,211	450,000,000	-	450,000,000
Liabilities against assets subject to finance lease	4,347,493	5,116,180	1,236,318	3,111,175
Trade and other payables	147,357,284	147,357,284	147,357,284	-
Short term borrowings	106,181,629	106,181,629	106,181,629	-
Accrued markup on short term borrowings	19,044,432	19,044,432	19,044,432	-
	506,088,049	277,699,525	273,819,663	453,111,175

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.

33.2 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).

The company held the following financial instrument measurement at fair value :

2012	Level 1	Level 2	Level 3	Total
		Amount in Rupees		
Financial assets				
- financial assets held for trading				
Quoted equities	1,519,733,697	-	-	1,519,733,697

2011	Level 1	Level 2	Level 3	Total
		Amount in Rupees		
Financial assets				
- financial assets held for trading				
Quoted equities	543,010,549	-	-	543,010,549

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

33.3 Financial instruments by categories

As at June 30, 2012 Financial assets as per balance sheet	Asset at cost	Asset at fair value through profit and loss	Loans and receivables	Other financial Asset Asset	Total
	Rupees				
Long Term Investment	33,000,000				
Long term deposits	-	-	4,664,700	-	4,664,700
Short term investments	-	1,519,733,697	-	-	1,519,733,697
Trade debts	-	-	746,748,191	-	746,748,191
Short term loans	-	-	1,586,536	-	1,586,536
Short term deposits	-	-	15,499,960	-	15,499,960
Other receivables	-	-	8,798,436	-	8,798,436
Cash and bank balances	-	-	-	47,956,149	47,956,149
	33,000,000	1,519,733,697	777,297,823	47,956,149	2,344,987,669

As at June 30, 2012 Financial liabilities as per balance sheet	Financial liabilities at amortized cost
Liabilities against assets subject to finance lease	2,497,747
Loan from associate	262,270,429
Short term borrowings	1,653,936,052
Current portion of lease liabilities	964,541
Trade and other payables	198,202,436
Accrued markup	41,951,956
	1,895,054,985

As at June 30, 2011 Asset as per balance sheet	Asset at fair value through profit and loss	Loans and receivables	Other fainancial Assets	Total
Long term deposits	-	14,129,904	-	14,129,904
Short term investments	543,010,549	-	-	543,010,549
Trade debts	-	358,285,089	-	358,285,089
Short term loans	-	701,792	-	701,792
Short term deposits	-	2,547,106	-	2,547,106
Other receivables	-	6,913,961	-	6,913,961
Cash and bank balances	-	-	23,883,623	23,883,623
	543,010,549	382,577,852	23,883,623	949,472,024

As at June 30, 2011 Financial liabilities as per balance sheet	Financial liabilities at amortized cost
Liabilities against assets subject to finance lease	3,467,065
Loan from Associates	229,157,211
Short term borrowings	106,181,629
Current portion of lease labilities	880,428
Trade and other payables	147,357,284
Accrued markup	19,044,432
	273,463,773

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

33.4 CAPITAL RISK MANAGEMENT

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

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

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

	2012	2011
	Rupees	
Total borrowings	**1,919,668,769**	339,686,333
Cash and bank balances	**47,956,149**	23,883,623
	1,871,712,620	315,802,710
Total equity	**1,095,946,335**	730,035,022
Total capital	**2,967,658,955**	1,045,837,732
Gearing ratio	**63.07%**	30.20%

34 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has proposed a final cash dividend of Rs. 3 per share amounting to Rs. 135 million and bonus shares in the proportion of 1 ordinary share per 9 ordinary shares held amounting to Rs 50 million at its meeting held on July 23, 2012 for the approval of the members at the annual general meeting to be held on September 22, 2012. The financial statements do not reflect this appropriation in the current financial statements.

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors in meeting held on July 23,2012

36 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer **Director** **Chief Financial Officer**

Notice of Eighth Annual General Meeting

Notice is hereby given that the Eight Annual General Meeting of Arif Habib Limited will be held on Saturday, September 22, 2012 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 Extra Ordinary General Meeting held on June 16, 2012.

2) To review, consider and adopt audited accounts of the company together with the auditors' and directors' report thereon including approval of the annexures there to, for the year ended June 30, 2012.

3) To declare final dividend in cash @ 30% i.e. Rs.3 per share of Rs.10 each and by way of issue of fully paid bonus shares @ 11.11% i.e. in the proportion of one shares for every nine shares held by the members as recommended by the Board of Directors.

4) To appoint auditors of the company and fix their remuneration for the financial year 2012-13. The audit committee and the Board has recommended to appoint M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants who being eligible offer themselves for re-appointment.

Special Business

5) To increase the Authorised Share Capital of the Company from Rupees Five hundred million to Rupees Seven Hundred and fifty million as recommended by the Board of Directors in their meeting held on July 23, 2012; and if thought fit, pass the following special Resolution with or without modification as required under Article 8 of the Articles of Association.

6) To consider, subject to declaration of the final dividend as above, capitalization of a sum of Rs.50,000,000 (fifty million) by way of issue of 5,000,000 fully paid bonus shares of Rs.10 each and if thought fit to pass an ordinary resolution in the matter.

7) To approve the resolution as a special resolution for investment in associated companies & associated undertakings.

Resolved that:

Resolution in respect of agenda item number 5.

"RESOLVED THAT the Authorised Share Capital of the Company be and is hereby increased from Rs. 500,000,000 (Rupees five hundred million) to Rs. 750,000,000/- (Rupees Seven Hundred Fifty million) divided into 750,000,000/- ordinary shares of Rs 10/- each.

AND RESOLVED THAT the figures and words Rs. 500,000,000 (Rupees Five hundred million) divided into 50,000,000 (Fifty million) ordinary shares of Rs. 10/- each appearing in clause V of the Memorandum of Association and Article 8 of the Articles of Association of the Company be and are hereby substituted by the figures and words Rs. 750,000,000/- (Rupees Seven Hundred Fifty million) divided into 75,000,000/- (Seventy five million) ordinary shares of Rs. 10/- each.

FURTHER RESOLVED THAT the Chief Executive Officer and / or Company Secretary be and is hereby authorised to do all acts to effect the Special Resolution and to comply with all the necessary requirements of the law in this regard"

Resolution in respect of agenda item number 6.

"RESOLVED THAT a sum of Rs. 50,000,000 (Rupees Fifty million) out of Reserves of the Company available for appropriation as at June 30, 2012, be capitalised and applied for issue of 5,000,000 (five million) ordinary shares of Rs. 10/- each allotted as fully paid bonus shares to the members of the Company whose names appear on the register of members as at close of business on September 14, 2012 in the proportion of one shares for every nine shares held (i.e. 11.11%) and that such shares shall rank pari passu in every respect with the existing ordinary shares of the Company.

AND RESOLVED THAT the bonus shares so allotted shall not be entitled for final cash dividend for the year 2012.

FURTHER RESOLVED THAT fractional entitlement of the members shall be consolidated into whole shares and sold on the Karachi Stock Exchange and the sale proceeds thereof will be donated as deemed appropriate by the Board.

AND FURTHER RESOLVED THAT the Company Secretary be and is hereby authorised and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for issue, allotment and distribution of bonus shares."

Resolution in respect of agenda item number 7.

"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 addition to early approved 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".

	Name of Companies & Undertakings	Amount in Million	
		Proposed Amount of Equity	Proposed Amount of Loan / Advance
1	Aisha Steel Mills Limited	200	100
2	Safemix Concrete Products Limited	50	-
3	Fatima Fertilizer Company Limited	500	-
4	Al-Abbas Cement Industries Limited	250	250
5	Javedan Corporation Limited	1,000	250
6	International Complex Projects Limited	200	-
7	Arif Habib Investments Limited	250	-
8	Thatta Cement Company Limited	250	-

"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

Zia-ur-Rahim Khan
Company Secretary
Thursday, August 30, 2012
Karachi.

Notes:

1. The individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company are once again Requested to send the same at the earliest directly to Company Share Registrar. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities & Exchange Commission of Pakistan (SECP) Notification dated August 18, 2011, SRO 779 (I)2011, which mandates that the dividend warrants should bear CNIC number of the registration member or the authorized person, except in case of minor(s) and corporate members.

2. Share transfer books of the company will remain closed from September 15, 2012 to September 22, 2012 (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 September 14, 2012 will be treated in time.

3. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a person / representative as proxy to attend and vote in place of the member at the Meeting. Proxies in order to be effective must be received 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, not later than 48 hours before the time of holding the Meeting.

4. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original NIC to prove identity, and in case of proxy, a copy of shareholder's attested computerised national identity card (CNIC) must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

   CDC Account Holders will also have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting:

i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original CNIC or original passport at the time of attending the Meeting.

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of Meeting.

B. For appointing proxies:

i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original CNIC or original passport at the time of Meeting.

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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

This statement sets out the material facts concerning the Special Business, given in agenda items No. 5, 6 and 7 of the Notice, to be transacted at the Annual General Meeting of the Company.

Increase in Authorised Share Capital

Keeping in view the expected future growth and to pay stocks dividents, the Company may require additional capital to finance the upcoming projects and issuance of bonus dividend in the years to come. Therefore, it is proposed to increase the Authorised Capital in accordance with Article 8 of the Articles of Association of the Company and Section 92 of the Companies Ordinance 1984 from Rs. 500 million to Rs. 750 million divided into 75 million ordinary shares of Rs 10/- each.

Issue of Bonus Shares

The Directors are of the view that Company's financial position and its reserves justify the capitalisation of free reserves amounting to Rs. 50,000,000 (fifty million) for the issue of bonus shares in the ratio of 1 bonus shares for every 9 ordinary shares held. The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules 1996, the Auditors have certified that the reserves and surplus retained after the issue of the bonus shares will not be less than 25% of the increased Capital.

Investment under section 208

The Board of Directors of Arif Habib Limited (AHL) in their meeting held on July 23, 2012 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.asic 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. directors of the company have no additional interest in any of the above business.

S.no	Description	Information Requried
(i)	Name of investee company	Aisha Steel Mills Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR RS. 200 million Loan / advance upto PKR RS. 100 million
(iii)	Average market price of the shares intended to be purchased during proceeding 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.8.72 per share
(v)	Earning per share of investee company in last three years: June 30, 2012 June 30, 2011 June 30, 2010	 Rs. (0.82) per share Rs. 0.39 per share Rs. (1.08) per share
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit line
(viii)	Period for which investment will be made	Long Term / Short Term depending on the available information
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run / short 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 earned and capital appreciation since it is expected that investment company will generate reasonable profit in future
(xi)	Interest of directors and there relatives in the investee company	None
(xii)	Any loan had already been provided or loan has been written off of the said company	No earlier advance / investment
(xiii)	Rate of Interest on loan / advance	6 month KIBOR +1.5% or company's borrowing cost whichever higher
(xiv)	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years from the date of sanction
(xv)	Security on loan / advance	Management considers that being group company there is no need of collateral security.

S.no	Description	Information Requried
(i)	Name of investee company	Fatima Fertilizer Company Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR RS. 500 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 23.69
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.12.11 per share
(v)	Earning per share of investee company in last three years: June 30, 2012 December 31, 2011 December 31, 2010	 Rs. 1.05 per share Rs. 2.06 per share Rs. (0.08) per share
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit line
(viii)	Period for which investment will be made	Long Term / Short Term depending on the available information
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run / short 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 earned and capital appreciation since it is expected that investment company will generate reasonable profit in future
(xi)	Interest of directors and there relatives in the investee company	None
(xii)	Any loan had already been provided or loan has been written off of the said company	No earlier advance / investment
(xiii)	Rate of Interest on loan / advance	6 month KIBOR +1.5% or company's borrowing cost whichever higher
(xiv)	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years from the date of sanction
(xv)	Security on loan / advance	Management considers that being group company there is no need of collateral security.

S.no	Description	Information Requried
(i)	Name of investee company	Saifmix Concrete Products Ltd
(ii)	Nature, amount and extent of investment	Equity investment PKR RS. 50 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 6.05
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.12.11 per share
(v)	Earning per share of investee company in last three years: March 31, 2012 June 30, 2011 June 30, 2010	 Rs. 1.05 per share Rs. (0.25) per share Rs. (0.96) per share
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit line
(viii)	Period for which investment will be made	Long Term / Short Term depending on the available information
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run / short 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 earned and capital appreciation since it is expected that investment company will generate reasonable profit in future
(xi)	Interest of directors and there relatives in the investee company	None
(xii)	Any loan had already been provided or loan has been written off of the said company	No earlier advance / investment
(xiii)	Rate of Interest on loan / advance	6 month KIBOR +1.5% or company's borrowing cost whichever higher
(xiv)	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years from the date of sanction
(xv)	Security on loan / advance	Management considers that being group company there is no need of collateral security.

S.no	Description	Information Requried
(i)	Name of investee company	Al-Abbas Cement Industries Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR RS. 250 million Loan / advance upto PKR RS. 250 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 3.75
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.1.87 per share
(v)	Earning per share of investee company in last three years: March 31, 2012 June 30, 2011 June 30, 2010	 Rs. (0.79) per share Rs. (4.27) per share Rs. (3.94) per share
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit line
(viii)	Period for which investment will be made	Long Term / Short Term depending on the available information
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run / short 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 earned and capital appreciation since it is expected that investment company will generate reasonable profit in future
(xi)	Interest of directors and there relatives in the investee company	None
(xii)	Any loan had already been provided or loan has been written off of the said company	No earlier advance / investment
(xiii)	Rate of Interest on loan / advance	6 month KIBOR +1.5% or company's borrowing cost whichever higher
(xiv)	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years from the date of sanction
(xv)	Security on loan / advance	Management considers that being group company there is no need of collateral security.

S.no	Description	Information Requried
(i)	Name of investee company	Javedan Corporation Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR RS. 1000 million Loan / advance upto PKR RS. 250 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 76.08
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.(0.17) per share
(v)	Earning per share of investee company in last three years: March 31, 2012 June 30, 2011 June 30, 2010	 Rs. (5.85) per share Rs. (2.25) per share Rs. (2.36) per share
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit line
(viii)	Period for which investment will be made	Long Term / Short Term depending on the available information
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run / short 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 earned and capital appreciation since it is expected that investment company will generate reasonable profit in future
(xi)	Interest of directors and there relatives in the investee company	None
(xii)	Any loan had already been provided or loan has been written off of the said company	No earlier advance / investment
(xiii)	Rate of Interest on loan / advance	6 month KIBOR +1.5% or company's borrowing cost whichever higher
(xiv)	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years from the date of sanction
(xv)	Security on loan / advance	Management considers that being group company there is no need of collateral security.

S.no	Description	Information Requried
(i)	Name of investee company	International Complex Projects Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR RS. 200 million
(iii)	Average market price of the shares intended to be purchased during proceeding 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.75.2 per share
(v)	Earning per share of investee company in last three years: June 30, 2011 June 30, 2010 June 30, 2009	 Rs. 8.10 per share Rs. 9.72 per share Rs. 1.95 per share
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit line
(viii)	Period for which investment will be made	Long Term / Short Term depending on the available information
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run / short 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 earned and capital appreciation since it is expected that investment company will generate reasonable profit in future
(xi)	Interest of directors and there relatives in the investee company	None
(xii)	Any loan had already been provided or loan has been written off of the said company	No earlier advance / investment
(xiii)	Rate of Interest on loan / advance	6 month KIBOR +1.5% or company's borrowing cost whichever higher
(xiv)	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years from the date of sanction
(xv)	Security on loan / advance	Management considers that being group company there is no need of collateral security.

S.no	Description	Information Requried
(i)	Name of investee company	Arif Habib Investments Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR RS. 250 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 16.20
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 17.66 per share
(v)	Earning per share of investee company in last three years: June 30, 2012 June 30, 2011 June 30, 2010	 Rs. 2.01 per share Rs. 1.97 per share Rs. 2.14 per share
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit line
(viii)	Period for which investment will be made	Long Term / Short Term depending on the available information
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run / short 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 earned and capital appreciation since it is expected that investment company will generate reasonable profit in future
(xi)	Interest of directors and there relatives in the investee company	None
(xii)	Any loan had already been provided or loan has been written off of the said company	No earlier advance / investment
(xiii)	Rate of Interest on loan / advance	6 month KIBOR +1.5% or company's borrowing cost whichever higher
(xiv)	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years from the date of sanction
(xv)	Security on loan / advance	Management considers that being group company there is no need of collateral security.

S.no	Description	Information Requried
(i)	Name of investee company	Thatta Cement Company Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR RS. 250 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 19.94
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 9.06 per share
(v)	Earning per share of investee company in last three years: June 30, 2012 June 30, 2011 June 30, 2010	 Rs. (0.44) per share Rs. (0.93) per share Rs. 0.01 per share
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit line
(viii)	Period for which investment will be made	Long Term / Short Term depending on the available information
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run / short 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 earned and capital appreciation since it is expected that investment company will generate reasonable profit in future
(xi)	Interest of directors and there relatives in the investee company	None
(xii)	Any loan had already been provided or loan has been written off of the said company	No earlier advance / investment
(xiii)	Rate of Interest on loan / advance	6 month KIBOR +1.5% or company's borrowing cost whichever higher
(xiv)	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years from the date of sanction
(xv)	Security on loan / advance	Management considers that being group company there is no need of collateral security.

Categories of Shareholders

As at 30 June 2012

Category	"Number of shareholders"	Number of shares held	Holding %
Directors, Chief Executive, and their Spouses and minor children	8	4,624	0.01
Executives	-	-	-
NIT and ICP	1	52,902	0.12
Associated Companies, Undertakings and Related Parties	2	34,510,285	76.69
Public Sector Companies and Corporatons	2	167,043	0.37
Bank, Development Finance Institutions, Non-Banking Finance Institutions	3	125,248	0.28
Joint Stock Companies	69	1,274,737	2.83
Others	2	17,771	0.04
General Public - Local	3539	8,842,924	19.65
General Public - Foreign	3	4,466	0.01
	3629	**45,000,000**	**100.00**

Categories of Shareholders

As at 30 June 2012

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
606	1	100	26,141
799	101	500	233,186
540	501	1000	446,961
1317	1001	5000	2,633,651
179	5001	10000	1,325,480
57	10001	15000	719,388
40	15001	20000	729,247
27	20001	25000	618,791
15	25001	30000	423,892
11	30001	35000	361,785
4	35001	40000	153,400
7	40001	45000	302,631
5	45001	50000	235,986
3	50001	55000	159,896
1	55001	60000	58,000
2	60001	65000	127,438
2	65001	70000	135,360
1	70001	75000	72,000
1	75001	80000	78,337
1	85001	90000	90,000
1	90001	95000	95,000
2	100001	105000	203,550
1	110001	115000	111,664
1	115001	120000	120,000
1	125001	130000	129,255
1	185001	190000	190,000
1	320001	325000	324,344
1	380001	385000	384,332
1	12010001	12015000	12,010,285
1	22495001	22500000	22,500,000
3,629			**45,000,000**

Categories of Shareholders

As at 30 June 2012

Categories of Shareholders	No.	Shares held	Percentage (%)
Directors, Chief Executive Officers and their Spouses and minor children		4,624	0.10
ABDULLAH	2	524	0.00
AMANULLAH SULEMAN	1	1,000	0.00
NIDA AHSAN	1	750	0.00
HAROON USMAN	1	500	0.00
SHARMIN SHAHID	1	750	0.00
BILAL AMANULLAH MOTI	1	600	0.00
MUHAMMAD RAFIQUE BHUNDI	1	500	0.00
Associated Companies, Undertakings and Related Parties			
ARIF HABIB CORPORATION LIMITED	2	34,510,285	76.69
NIT and ICP			
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	52,902	0.12
Public Sector Companies and Corporations	2	167,043	0.37
Executives		-	-
Banks, Development Financial Institutions, Non Banking Financial Institutions	3	125,248	0.28
General Public			
a.Local	3,539	8,842,924	19.65
b.Foreign	3	4,466	0.01
Joint Stock Companies	69	1,274,737	2.83
Others	2	17,771	0.04
TOTAL	**3,629**	**45,000,000**	**100.00**

Shareholders holding 5% or more			
ARIF HABIB CORPORATION LIMITED	2	34,510,285	76.69

Form of Proxy

8th Annual General Meeting

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 CDC A/c. No.__________ hereby appoint Mr./Mrs../Miss ____________________ ___________________ of (full address)_______________________ ____ or failing him/her Mr./Mrs./Miss ____________________________________ of (full address) ____

(being member of the company) as my/our Proxy to attend, act vote for me/us and on my/our behalf at the Eighth Annual General Meeting of the Company to be held on September 22, 2012 and/or any adjournment thereof.

Signed this__________ day of __________ 2012.

Witnesses:

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

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

Signature on
Rs. 5/-
Revenue Stamp

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

2. Proxy shall authenticate his/her identity by showing his/her identity by showing his/her original passport and bring folio number at the time of attending the meeting

3. In order to be effective, the proxy Form must be received at the office of our Registrar M/s. Central Depository Company of Pakistan, Share Registrar Department, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signature, name, address and CNIC number given on the form.

4. In the case of individuals attested copies of CNIC or passport of the 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 and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy Form.

AFFIX
CORRECT
POSTAGE

ARIF HABIB LIMITED

Registrar:
Central Depository Company of Pakistan,
Share Registrar Department, CDC
House, 99-B, Block-B, S.M.C.H.S,
Main Shahra-e-Faisal, Karachi.

Fold : Here

Fold : Here

ARIF HABIB LIMITED

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