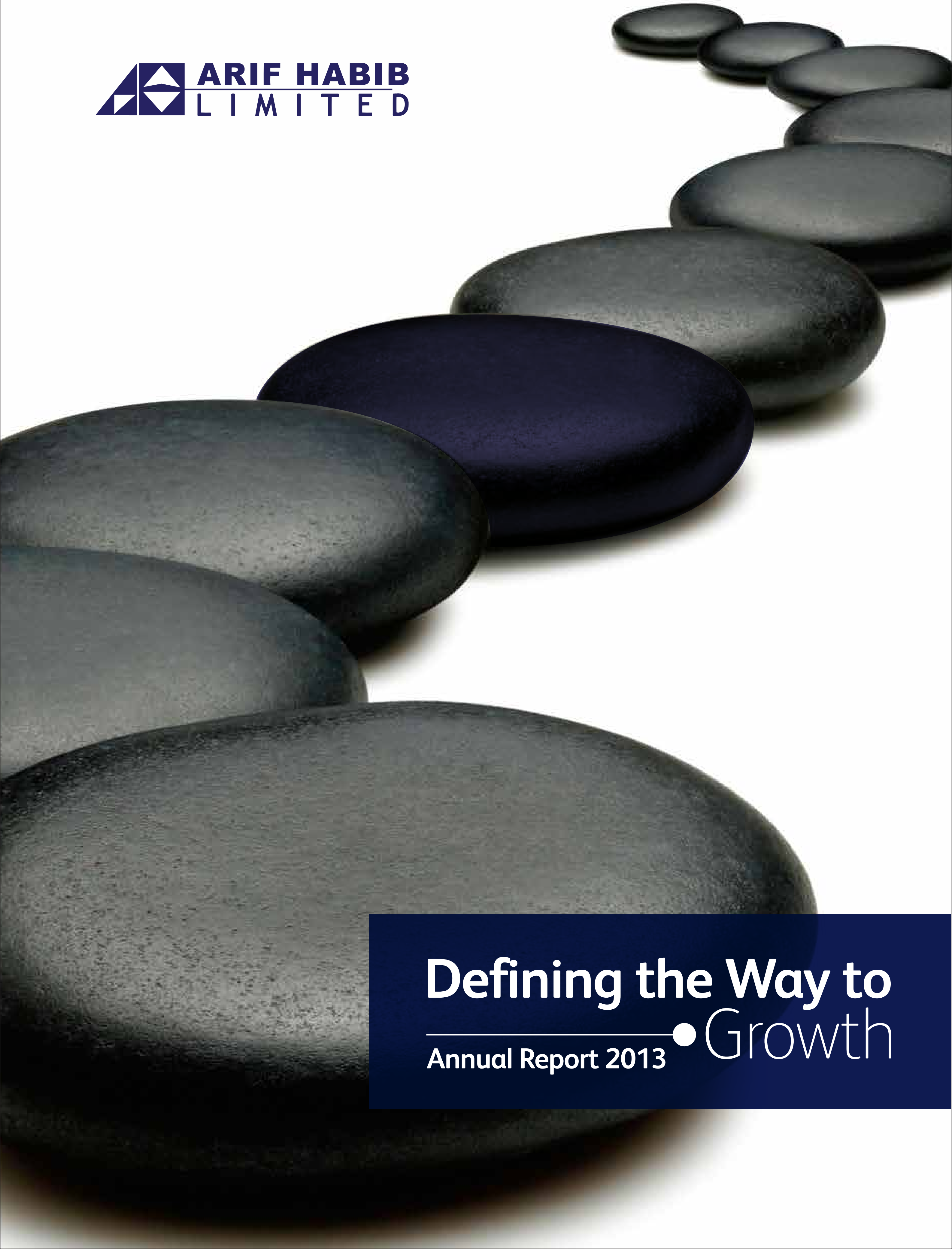
ARIF HABIB
LIMITED



Defining the Way to Growth

Annual Report 2013


Building on Strengths

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Corporate Information

Board of Directors

Ms. Sharmin Shahid
Chairperson & Non-executive Director

Mr. Muhammad Shahid Ali
Chief Executive Officer & Executive Director

Mr. Amanullah Suleman
Independent Director

Mr. Haroon Usman
Non-executive Director

Ms. Nida Ahsan
Non-executive Director

Mr. Abdullah A. Rahman
Executive Director

Mr. Muhammad Rafique Bhundi
Executive Director

Audit Committee

Mr. Haroon Usman
Chairman

Ms. Nida Ahsan
Member

Mr. Abdullah A. Rahman
Member

Human Resource & Remuneration Committee

Mr. Haroon Usman
Chairman

Mr. Muhammad Shahid Ali
Member

Ms. Nida Ahsan
Member

Company Secretary & CFO

Mr. Zia-ur-Rahim Khan

Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

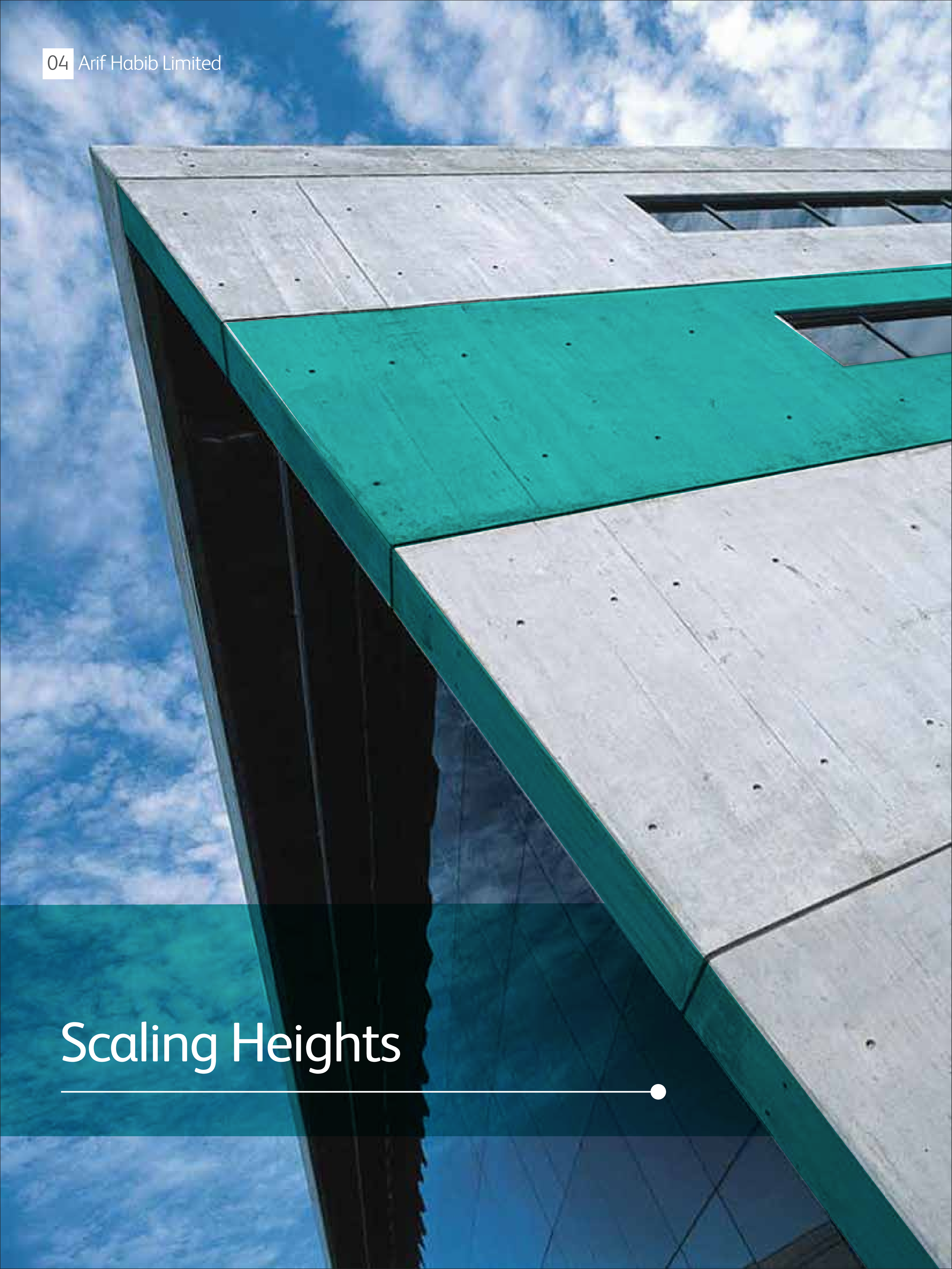
Legal Advisors

M/s. Bawaney & Partners

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

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

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



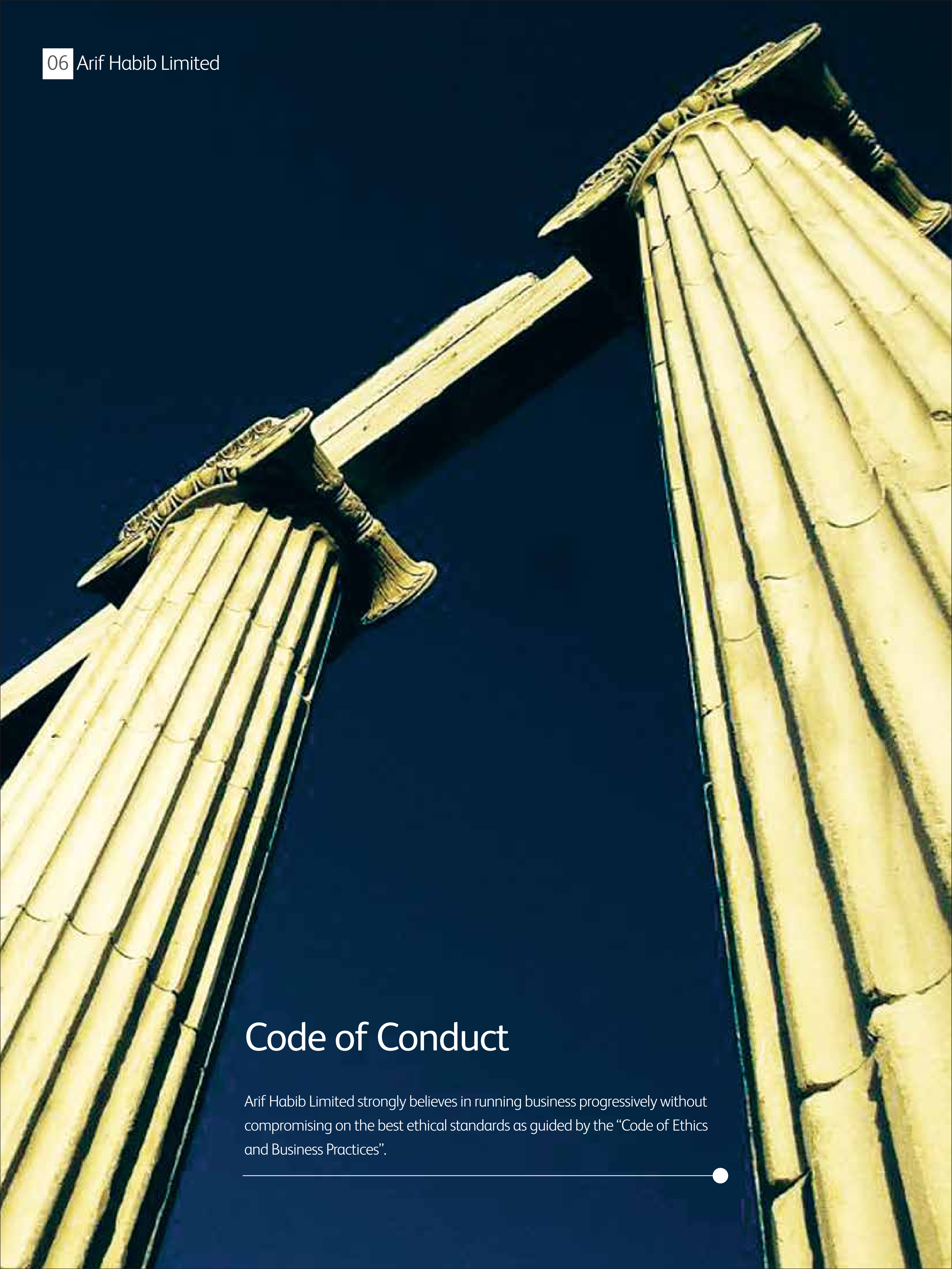
Scaling Heights

Vision

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

Mission

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



Code of Conduct

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

Our Values

Integrity

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

Credibility

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

Efficiency

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

Social Responsibility

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

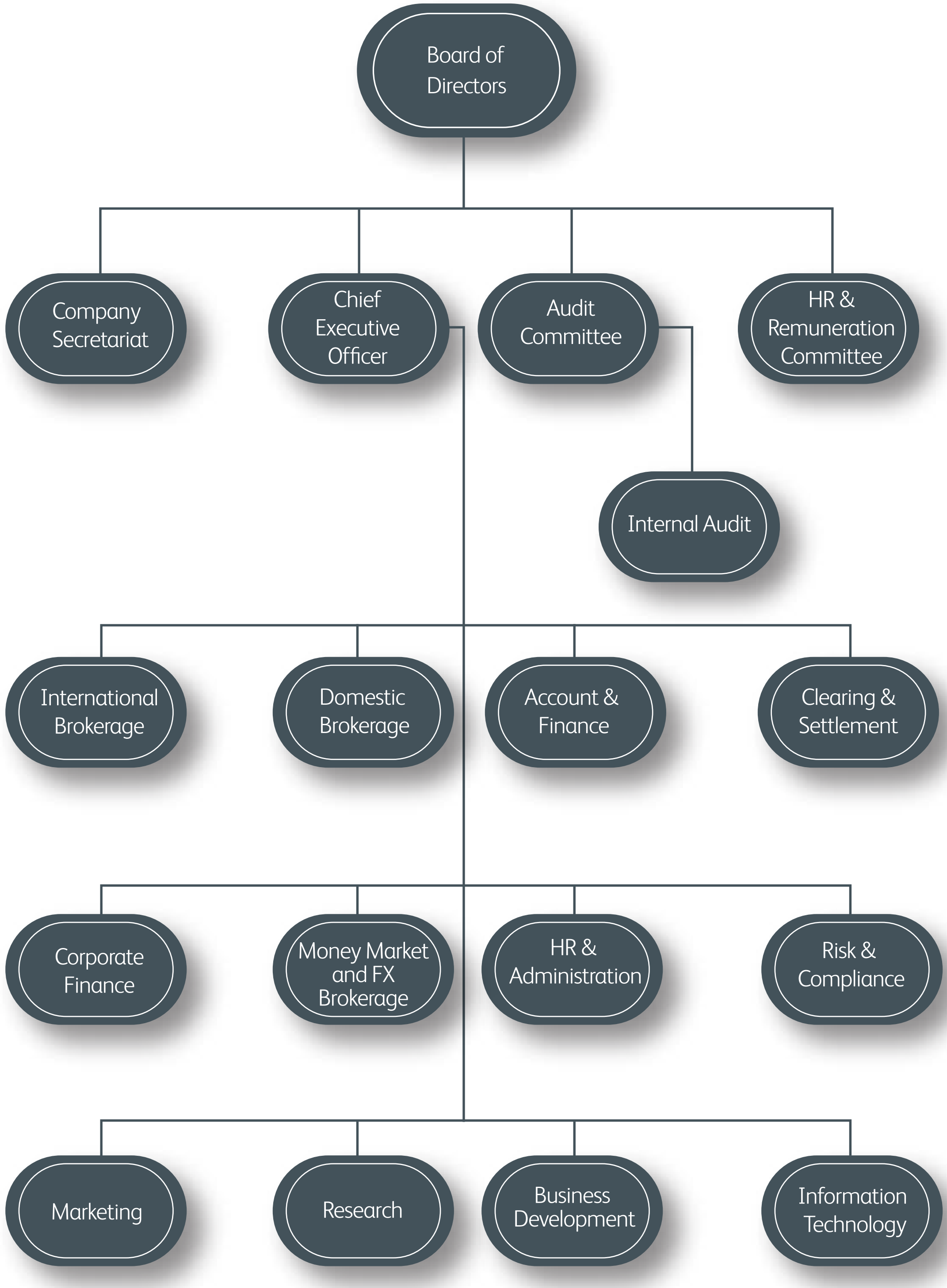
Corporate Social Responsibility (CSR)

Arif Habib Limited is actively engaged in addressing environmental, social and governance issues every day throughout its business. Sound governance and a responsible approach to social and environmental risks begins with our people. Our commitment to these values extends to the communities where we live and work. We strive to enhance our effectiveness by leveraging our core capabilities and close collaboration with our stakeholders.

Corporate Strategy

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

Organizational Structure



Directors' Profile

Ms. Sharmin Shahid
Chairperson & Director

Ms. Sharmin Shahid, the Chairperson of the Board is a Commerce Graduate. She represents the Arif Habib family who are the majority owners of Arif Habib Group and have significant contribution in the development of Securities Market in Pakistan. She has over 13 years experience of investing in Capital Markets of Pakistan.

Mr. Shahid Ali Habib
Chief Executive Officer & Director

Mr. Shahid Ali carries a proven track record of establishing successful business organizations and turning around mediocre or dormant ventures into vibrant units. He has over 16 years of experience in the fields of Securities brokerage, Banking, Asset Management, Corporate Finance and Investment Banking. He has served in leading positions at top local and international institutions. Mr. Shahid has remained the Chairman of Shahid Ali Habib Securities, Chief Executive of Motiwala Securities and Executive Director of Aba Ali Habib Securities. He has also worked in Bank Al Bilad, one of the leading Islamic banks in Saudi Arabia. Initially he also had some software programming experience in an international brokerage house.

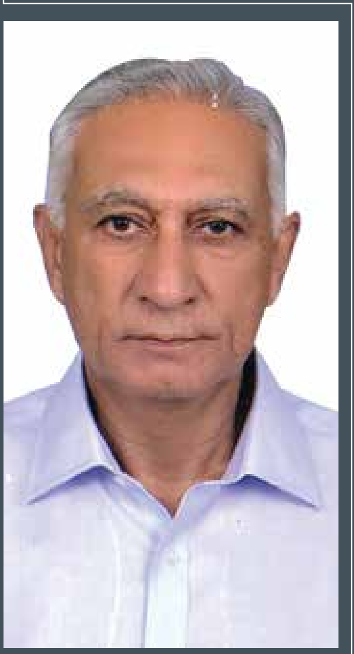
Mr. Shahid also served the Karachi Stock Exchange as member of various committees including Development and Trading Affairs Committee, New Product Committee, Arbitration Committee and Companies Affairs and Corporate Governance Committee.

Academically, he holds an MBA (finance) degree from IBA, Passed two levels of CFA, Certification in Finance from London School of Economics (LSE) and Bachelor's degree in Computer Science from FAST ICS. He has also attended myriad of professional development courses in the field of finance, technology and energy 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 Remind Member of Karachi Stock Exchange for 18 years and as Directors of KSE in 1991 and 1993. He also acted as chairmen 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 is Commerce Graduate. She represents the Arif Habib family who are the majority owners of Arif Habib Group and have significant contribution in the development of Securities Market in Pakistan. She has over 9 years experience of investing in listed securities.

Mr. Abdullah A. Rahman
Executive Director

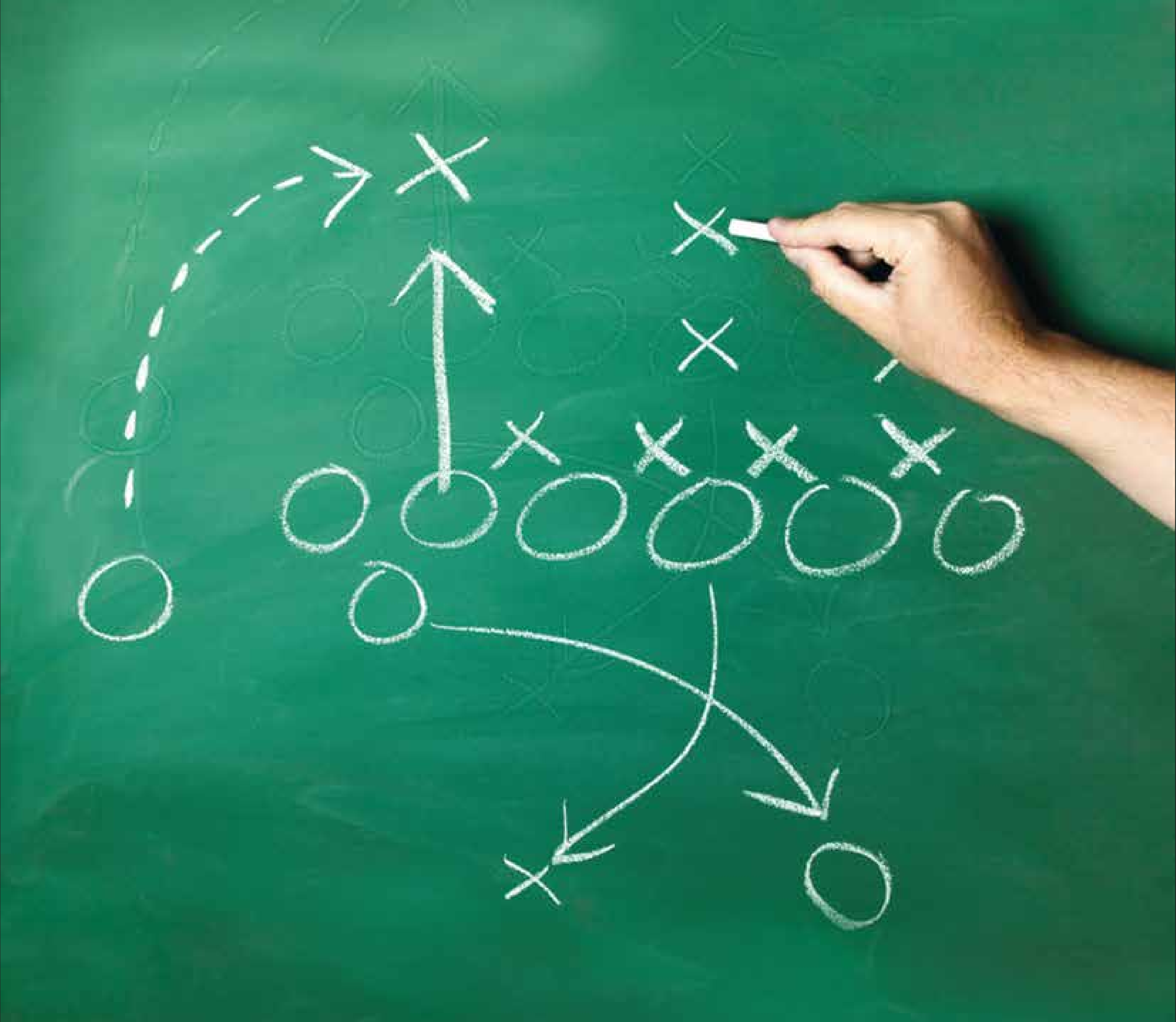
Mr. Abdullah A. Rahman has been associated with the Arif Habib Group since 1984. He has over 28 years of experience of the brokerage industry. He is currently working as the Head of Banking relationships. In addition he had headed Settlement and Operations. His long term association with the brokerage 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. M. Rafique Bhundi
Executive Director

Mr. Bhundi brings on board a diversified experience over 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 and the audited financial statements for the financial year ended on 30th June 2013 together with auditors' report thereon.

Principal Activities

Arif Habib Limited provides equity brokerage, money market and forex, commodity brokerage, corporate finance, research and consultancy services. The Company is also engaged in investments in listed equity and listed/unlisted debt securities along with reverse repurchase transactions. Equity brokerage services are provided through expert brokers, online and mobile trading platforms. To further enhance our commodity business in Pakistan and abroad, AHL last year spun off its commodity brokerage business into a wholly owned subsidiary,
Arif Habib Commodities (Pvt.) Limited.

Pakistan Economy

In FY13 Pakistan's GDP grew by 3.6% compared to 4.4% last year as the economy continued to face challenges both on the domestic and external front. On the domestic side unresolved energy shortages, deteriorating law & order situation and weak private sector investments kept overall economic activity confined. Moreover, in the last quarter of the fiscal year the country underwent the general election, which led to one party taking the majority in the parliament. On the external front, weak global economic growth in particularly that of its trading partners – US, UK, China and EU – further tested country's economic resilience. This growth was primarily driven by the service and industrial sectors, 3.7% and 3.5% respectively, followed by the agriculture sector (3.3%). On a positive note despite looming domestic crisis, the country's industrial sector, regardless of growing challenges showed signs of recovery with LSM posting a growth of 2.8% (compared to 1.2% last year).

During the year CPI inflation was tamed at 7.4% from 10.8% in FY12, on the back of food prices deceleration, administrated cut in energy prices along with high base effect. This subsequently led to SBP's decision to decrease policy rate by 300 basis points to 9%, in a bid to revive the domestic private sector investment growth. However, despite this decline, private sector credit off take remained subdued, depicting a decline of 2% YoY in FY13. This was primarily due to private sector crowding out by high government borrowing to finance its widening fiscal deficit, energy deficit, higher oil prices and law & order situation. The fiscal deficit in FY13 ballooned to Rs. 2.0 trillion (8.8% of GDP) despite 16% rise in tax collection to Rs. 2.1 trillion.

The challenges on the external front mainly stemmed from low capital and financial inflow and depleting foreign exchange reserves, following the debt repayment to IMF, and other unilateral and bilateral international agencies. The current account deficit declined by 51% to USD 2.3 billion (1.0% of the GDP) compared to USD 4.7 billion (2.0% of the GDP) in FY12, attributable to decline in higher remittances (up by 5.6%) and lower trade deficit (down by 4.5%). The external account was further supported by USD 1.9 million flows received funds under Coalition Support Fund (CSF).

Moving on, the newly elected democratic government has restored some confidence with an intention to urgently address the country's investment to GDP ratio which fell to 14.2% FY13 from 14.9% in FY12. The government has announced power sector reforms, resolution of circular debt, highest ever PSDP allocation to simulate economic activity which are expected to bear fruits going forward. Moreover, the government has acquired a fresh loan of USD 5.6 billion from IMF to address its depleting balance of payments position. Under the agreement the government has agreed to implement tax reforms, rationalize energy tariff and restructuring & privatization of state owned enterprises (SOEs).

Capital Market

In FY13 KSE 100, the benchmark index, posted a return of 52.2% (highest return in 9-years) to close at 21,005 points compared to an increase of a mere 10% last year. Pakistan's equity market, depicting a USD return of 44.5%,out performed regional markets (Asia Pacific region), which clocked in an average USD return of 18.2%.

FY13 started on a positive note with a reduction in discount rate by 300bps as inflation began a decelerating trend. By end of the fiscal year the discount rate was reduced by 9% while inflation averaged at 7.4% compared to 10.8% last year. Moreover, approval for demutualization of stock exchanges, simplified procedure for filling of CGT and 1% decline in corporate tax rate further enhanced the confidence of the investors. By end of the fiscal year smooth democratic transition, with simple majority being held by one party, elevated investor's optimism with regards to the economic turnaround.

These factors along with growth in corporate earnings placed Pakistan's equity market back on foreigners investment horizon, leading to net foreign inflows of USD 569 million in FY13 compared to an outflow of USD 189 million last year. During FY13 the market's average daily trading volume improved from just 130 million shares in FY12 to 201 million shares, a rise of 55% YoY. Moreover, average trading value rose by 37% YoY to USD 72.4 million (USD 52.7 million) in FY13

Financial Performance

During the year under review, your Company year end profit after tax of Rs. 382 million as compared to Rs. 366 million in FY12. This translates to an earning per share of Rs. 7.65 compared to Rs. 7.32 in the previous year. Our financial results reflect strong underlying performance across virtually all our businesses including Equities' brokerage and Investment banking transactions fuelled by strong growth in market volumes and values.

Based on the performance during the year under review, the Board has recommended a final Cash Dividend for the year ended 30th June, 2013 at Rs. 3.0 per share i.e. 30% and Stock Bonus of 10%. This entitlement shall be available to those shareholders whose names appear on the shareholders' register at the close of business on 12th September, 2013.

The Summary of Financial Results is as follows:-

	2013	2012
Profit after taxation	**382,469,463**	365,911,313
Profit available for appropriation	**843,415,798**	645,946,335
Appropriations:		
Final Cash dividend at Rs. 3.0 per share i.e. 30% for the year ended June 30, 2013 as approved by the board (Rs. 3.0 per share i.e. 30% per share for the year ended June 30, 2012)	**150,000,000**	135,000,000
Bonus share issue at the rate of 10% for the year ended June 30, 2013 as recommended by the board (11.11 % for the year ended June 30, 2012)	**50,000,000**	50,000,000
Un - appropriated profit carried forward	**643,415,798**	460,946,335
Earning per share - basic & diluted	**7.65**	7.32

Brokerage Revenue Performance

Our Brokerage revenues increased by 25% to Rs. 125 million for FY13. The major growth was recorded in the second half of the financial year during which brokerage revenue increased by 59% compared to the first half, while the average market volume increased by 54% YoY. The Company continues to cement its position as one of the market leaders and has achieved a deeper penetration among local and foreign institutions, corporates, high net worth individuals and retail clients. During the period under review, your Company has made significant inroads in entering international equity sales, capitalizing its strong balance sheet, building on its reputable brand name and top-notch research services.

Corporate Finance Revenue Performance

The Corporate Finance division generated Rs. 21 million of revenue which is around 60% higher than the previous year. Your Company remained the market leader in advising and executing equity and debt IPOs in FY13 including Preference shares of Javedan Corporation Limited and 5th TFC of Bank Alfalah Limited. The Company actively participated in an IPO summit during the year to attract new listings for capital market. We are engaged in a number of mandated and potential Equity Capital Market transactions for FY14, which should continue to add to our earnings and reputation in the market.

Investment Portfolio Revenue Performance

Due to prudent management of the Company's Investment Portfolio and handsome corporate results, our investments portfolio has yielded returns totalling to Rs. 348 million. The realized part of the capital is Rs. 296 million, while the unrealized portion stands at Rs. 27 million. The investment portfolio has also yielded a dividend income of Rs. 25 million.

Money market and Foreign Exchange

By the Grace of Almighty Allah, your Company has been awarded the Money Market and Foreign Exchange brokerage license by the Financial Market Association of Pakistan. This division started its operations in the last quarter of the fiscal year under review. We have positioned a team of competent and experienced dealers to build client relationships and provide excellent services to generate business.

Operational Performance

Excluding the provisions made to the tune of Rs. 68 million in 2013 against receivables established in 2008 and earlier, our operating expenses are of Rs. 130 million were 9 % higher than the previous year. Our financing costs have decreased slightly to Rs. 179 million compared to Rs. 186 million last year to fund the Company's business and opportunistic investments.

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. 2.14 million in the Provident Fund of the employees and does not have any outstanding liability at the year end as the Provident Fund is managed by separate trust.

Changes in the Board

During the year under review, Mr. Billal Amanullah Moti resigned as Chief Executive Officer and Director on 07th January 2013. Mr. Muhammad Shahid Ali has been appointed as Director on the board / Chief Executive Officer in his place. The Board expresses its appreciation for the services rendered by the outgoing director and welcomes Mr. Muhammad Shahid Ali on the Board.

Board and Audit Committee Meetings and Attendance

During the year under review, both the Board of Directors and the Audit Committee met four times each.

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

*Resignations/appointments at the Board of Directors on the dates mentioned under the heading "changes in the board". 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. Muhammad Shahid Ali Chief Executive Officer, purchased 666 shares of the Company, other than this no Director, CEO, CFO, Company Secretary or their spouses and minor children traded in the Company's shares

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 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 the Directors and employees of the Company acknowledging 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 30th June 2013, as required under the listing regulations, have been appended to the Annual Report from page no. 87-89.

Information to Stakeholders

Key operating and financial data of previous 7 years has been summarized from page no. 20-32.

Corporate Social Responsibility

In keeping with its tradition, your Company continued its contribution to society as a socially responsive organization through various initiatives. AHL is committed towards fulfilling its Corporate Social Responsibility and has been actively discharging it with special focus on healthcare, education, environment, community welfare, sports & relief work and aims to enhance its scope and contribution in the future. Your Company has contributed PKR 5.0 million in FY13 under CSR head.

Post Balance Sheet Date Event / Dividend

The Board of Directors in its meeting held on 29th July 2013 has proposed a final cash dividend of Rs. 3 per share i.e., 30% and stock dividend of Rs. 1 share for every 10 share held i.e. 10% for the year ended 30th June 2013. 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 the Board for their review and approval. These transactions have been approved by the Audit Committee and the Board in their respective meetings. The details of all related party transactions have been provided in note 30 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. Rehman Sarfaraz Rahim Iqbal Rafiq as auditors of the Company for the FY14 will be submitted at the forthcoming Annual General Meeting for approval.

Acknowledgement

Despite the market related challenges over the last two years, our Company remains consistent and profitable. We are focusing on widening our client base, introducing new products and services and enhancing client relationship. The Board of Directors are thankful to the Company's valued customers, SECP, KSE, shareholders and 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

Muhammad Shahid Ali
Chief Executive Officer and Director
Date: October 03, 2013
Karachi.

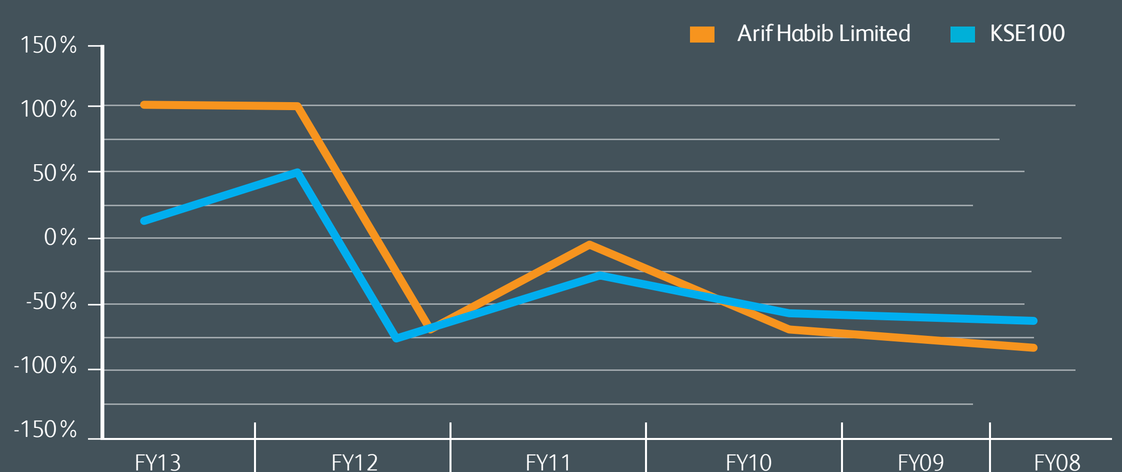
Information to Stakeholders

Financial Highlights

	2013	2012	2011	2010	2009	2008	2007
PROFIT AND LOSS (Rs. in million)							
Total revenue	597	690	136	280	622	764	560
Operating & administrative expenses	(199)	(210)	(930)	(105)	(366)	(154)	(127)
Finance cost	(180)	(186)	(68)	(110)	(234)	(137)	(71)
Operating profit	219	294	(863)	66	23	474	362
Profit before tax	401	395	(550)	164	208	503	363
Profit after tax	382	366	(559)	146	195	456	322
EBITDA	593	595	(467)	291	448	643	437
BALANCE SHEET (Rs. in million)							
Share capital	500	450	450	375	300	240	200
Reserves	843	646	280	914	889	814	397
Property and equipment	63	73	86	99	109	12	10
Long term deposits	3	5	14	14	14	14	14
Intangible assets	72	70	69	69	47	57	42
Investment property	315	53	126	99	61	-	-
Long term investments	159	33		-	-	-	-
Net current assets	2,997	2,870	941	1,826	2,598	1,490	1,021
Net current liabilities	1,973	1,897	273	813	1,681	518	489
Total assets	3,617	3,258	1,236	2,107	2,870	1,572	1,086
Total liabilities	2,273	2,162	506	818	1,681	518	489
Ratios							
Profitability ratio							
Profit before tax ratio	50%	50%	-123%	43%	26%	63%	65%
Gross yield on earning assets	6	3.9	2.2	1	3.7	10.8	7.9
Cost / income ratio	115	120	868	46	181.6	21	22.8
Return on equity	28%	33%	-77%	11%	16%	43%	54%
Return on capital employed	24%	21%	-58%	15%	19%	52%	73%
Liquidity							
Advance to deposit ratio	0.05	0.10	0.28	0.12	0.98	0.31	0.27
Current ratio	1.52	1.51	3.44	2.25	1.15	2.87	2.09
Quick / acid test ratio	1.46	1.22	4.17	1.89	1.53	2.46	1.30
Cash to current liabilities	0.21	0.03	0.87	0.10	0.01	1	1

	2013	2012	2011	2010	2009	2008	2007
Investment / Market Ratios							
EPS	7.65	8.13	(12.43)	3.24	4.33	10.14	7.15
Price earning ratio	5.09	4.21	(1.58)	13.57	15.46	24.35	28.53
Price to book ratio	0.55	0.54	0.84	1.08	1.18	8.15	9.76
Dividend yield ratio	8%	9%	0%	0%	2%	1%	5%
Dividend payout ratio	39%	37%	0%	0%	35%	25%	140%
Cash dividend per share	3.00	3.00	-	-	1.50	2.50	10.00
Stock dividend per share	10%	11.11%	0.00%	20.00%	25.00%	25.00%	10.00%
Market value at the end of each year (Rs.)	38.93	34.26	19.67	44	66.89	246.99	203.90
High (during the year) (Rs.)	41.02	43.89	40.57	67.89	130.42	201.89	-
Low (during the year) (Rs.)	27.27	12.39	12.74	35.02	21	91.73	-
Investment / Market Ratios							
Net assets per share	20.48	19.45	13.35	20.26	18.34	19.42	10.64
Arif Habib Limited	26.26%	113.82%	-51.87%	-35.35%	-54.38%	-11.15%	N/A
KSE100	52.20%	22.54%	28.27%	39.27%	-28.81%	-6.76%	N/A
Differential	27.06%	80.83%	-74.55%	-68.52%	-24.55%	-4.07%	N/A

Shareholder's Return v/s KSE



Horizontal Analysis of Financial Statements

	2013	2012	2011	2010	2009	2008	2007
	Rupees in million						
BALANCE SHEET							
Total equity	1,343	1,096	730	1,289	1,189	1,054	597
Total non-current liabilities	300	265	233	4	-	-	-
Total current liabilities	1,973	1,897	273	813	1,681	518	489
Total equity and liabilities	3,617	3,258	1,236	2,107	2,870	1,572	1,086
Total non-current assets	620	388	295	281	272	83	66
Total current assets	2,997	2,870	941	1,826	2,598	1,490	1,021
Total assets	**3,617**	**3,258**	**1,236**	**2,107**	**2,870**	**1,572**	**1,086**
PROFIT AND LOSS							
Net operating revenue	597	690	136	280	622	764	560
Operating and administrative expenses	(199)	(210)	(930)	(105)	(366)	(154)	(127)
Operating (loss) / profit	398	480	(794)	176	256	610	433
Other income / (charges) - net	183	101	313	98	185	29	1
	581	581	(482)	274	441	640	434
Finance cost	(180)	(186)	(68)	(110)	(234)	(137)	(71)
Profit / (loss) before tax	401	395	(550)	164	208	503	363
Taxation	(19)	(29)	(9)	(18)	(13)	(47)	(42)
Profit / (loss) after tax	**382**	**366**	**(559)**	**146**	**195**	**456**	**322**

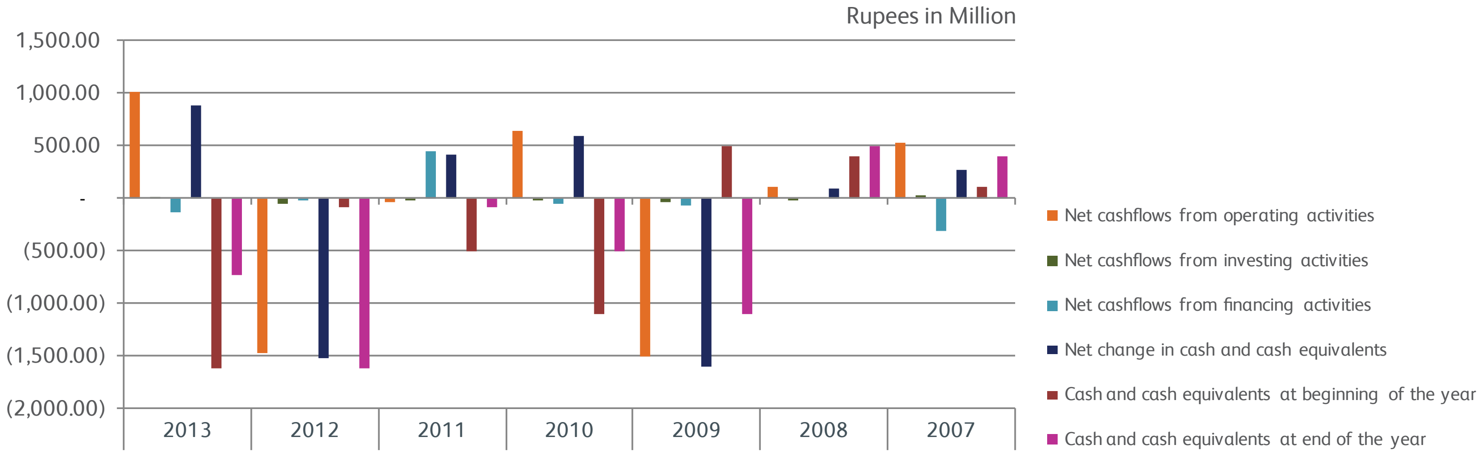
	2012	2011	2010	2009	2008	2007
	Percentage Change					
Balance Sheet						
Total equity	22.6	84.0	4.2	13.0	27.5	124.9
Total non-current liabilities	13.4	29.0	6,744.4	-	-	-
Total current liabilities	4.0	621.6	142.7	17.4	280.6	303.6
Total equity and liabilities	11.0	192.6	71.7	26.0	130.0	232.9
Total non-current assets	59.7	110.1	120.6	128.1	647.8	843.8
Total current assets	4.4	218.5	64.1	15.4	101.2	193.6
Total assets	**11.0**	**192.6**	**71.7**	**26.0**	**130.0**	**232.9**
Profit and Loss						
Net operating revenue	(13.4)	339.7	113.0	(4.0)	(21.9)	6.6
Operating and administrative expenses	(5.1)	(78.6)	90.3	(45.7)	29.1	56.8
Operating (loss) / profit	(17.0)	(150.2)	126.6	55.5	(34.7)	(8.1)
Other income / (charges) - net	80.9	(41.6)	86.3	(1.4)	522.4	18,674.6
	(0.0)	(220.6)	112.2	31.6	(9.2)	33.8
Finance cost	(3.3)	162.9	63.1	(23.2)	31.5	152.2
Profit / (loss) before tax	1.5	(173.0)	145.1	93.3	(20.2)	10.5
Taxation	(35.7)	101.1	5.9	45.5	(59.5)	(54.4)
Profit / (loss) after tax	**4.5**	**(168.4)**	**162.2**	**96.5**	**(16.2)**	**18.9**

Vertical Analysis of Financial Statements

	2013		2012		2011		2010	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
BALANCE SHEET								
Total equity	1,343	37.1	1,096	33.6	730	59.1	1,289	61.2
Total non-current liabilities	300	8.3	265	8.1	233	18.8	4	0.2
Total current liabilities	1,973	54.6	1,897	58.2	273	22.1	813	38.6
Total equity and liabilities	3,617	100.0	3,258	100.0	1,236	100.0	2,107	100.0
Total non-current assets	620	17.1	388	11.9	295	23.9	281	13.3
Total current assets	2,997	82.9	2,870	88.1	941	76.1	1,826	86.7
Total assets	**3,617**	**100.0**	**3,258**	**100.0**	**1,236**	**100.0**	**2,107**	**100.0**
PROFIT AND LOSS								
Net operating revenue	597	100.0	690	100.0	136	(100)	280	(100)
Operating and administrative expenses	(199)	(33.3)	(210)	(30.4)	(930)	(684.8)	(105)	(37.3)
Operating (loss) / profit	398	66.7	480	69.6	(794)	(584.8)	176	62.7
Other income / (charges) - net	183	30.6	101	14.6	313	-	98	-
	581	97.3	581	84.3	(482)	(354.6)	274	97.7
Finance cost	(180)	(30.1)	(186)	(26.9)	(68)	-	(110)	-
Profit / (loss) before tax	401	67.2	395	57.3	(550)	(404.9)	164	58.4
Taxation	(19)	(3.2)	(30)	(4.3)	(9)	-	(18)	-
Profit / (loss) after tax	**382**	**64.0**	**366**	**53.0**	**(559)**	**(411.9)**	**146**	**52.0**

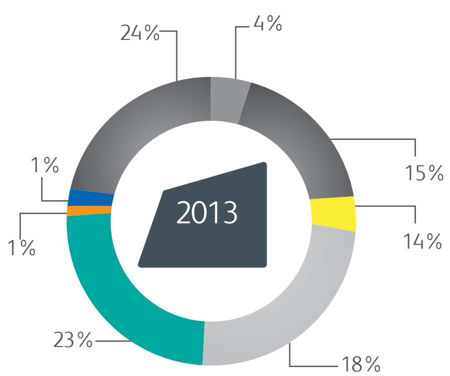
	2009		2008		2007	
	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance Sheet						
Total equity and minority interest	1,189	41.4	1,054	67.0	598	55.0
Total non-current liabilities	-	-	-	-	-	-
Total current liabilities	1,681	58.6	519	33.0	489	45.0
Total equity and liabilities	2,870	100.0	1,572	100.0	1,086	100.0
Total non-current assets	272	9.5	83	5.3	66	6.0
Total current assets	2,598	90.5	1,490	94.7	1,021	94.0
Total assets	**2,870**	**100.0**	**1,572**	**100.0**	**1,086**	**100.0**
					-	
Profit and Loss						
Net operating revenue	622	(100)	764	(100)	560	(100)
Operating and administrative expenses	(366)	(58.8)	(154)	(20.1)	(127)	(22.6)
Operating (loss) / profit	256	41.2	610	79.9	433	77.4
Other income / (charges) - net	185	-	29	-	1	-
	441	70.9	640	83.7	434	77.5
Finance cost	(234)	-	(137)	-	(71)	-
Profit / (loss) before tax	208	33.4	503	65.8	363	64.8
Taxation	(13)	-	(47)	-	(42)	-
Profit / (loss) after tax	**195**	**31.3**	**456**	**59.7**	**322**	**57.4**

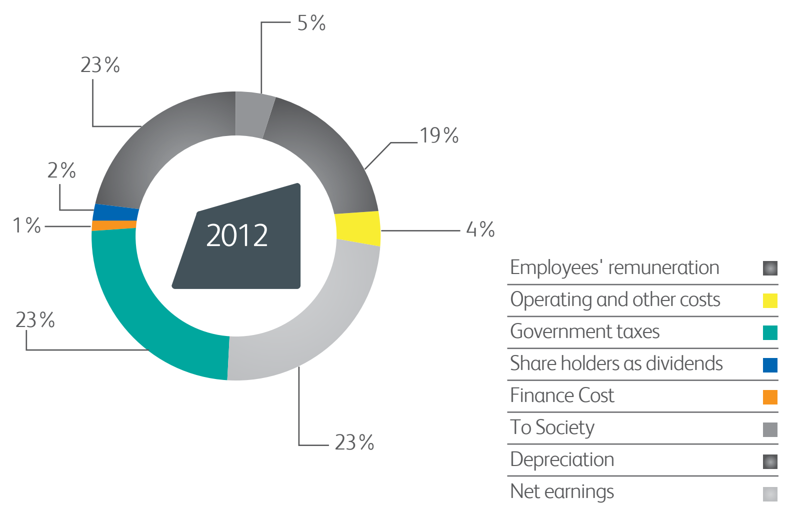
Summary of Cashflow Statement



	2013	2012	2011	2010	2009	2008	2007
Net cash flows from operating activities	1,012	(1,473)	(30)	651	(1,503)	120	539
Net cash flows from investing activities	12	(51)	4	(13)	(38)	(16)	38
Net cash flows from financing activities	(136)	(0.89)	449	(46)	(60)	-	(300)
Net change in cash and cash equivalents	888	(1,524)	423	593	(1,601)	105	277
Cash and cash equivalents at beginning of the year	(1,606)	(82)	(506)	(1,099)	502	397	120
Cash and cash equivalents at end of the year	(718)	(1,606)	(82)	(506)	(1,099)	502	397

Statement of Value Added and its Distribution

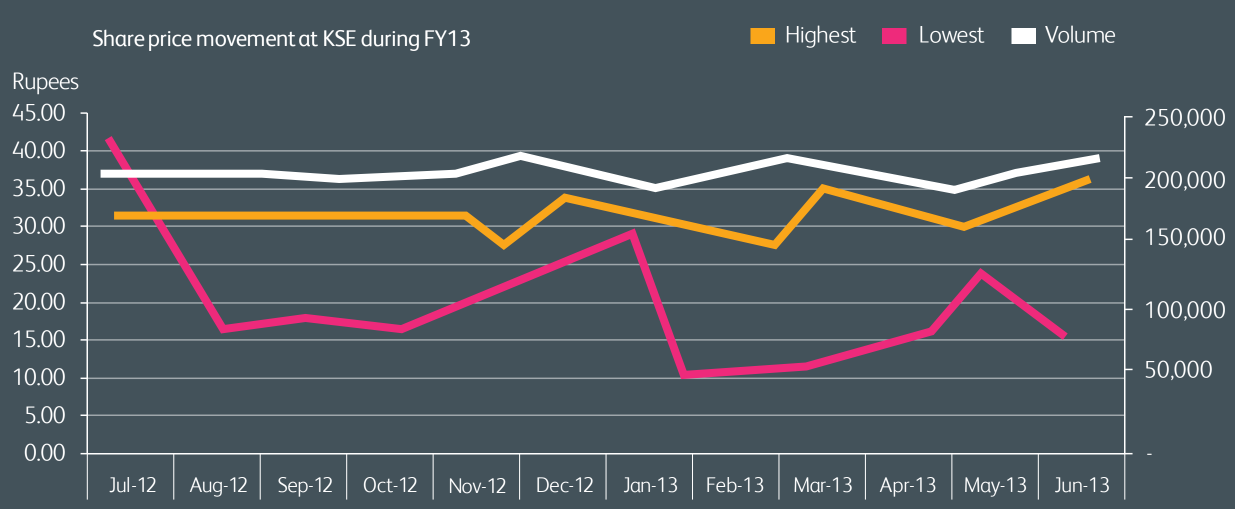




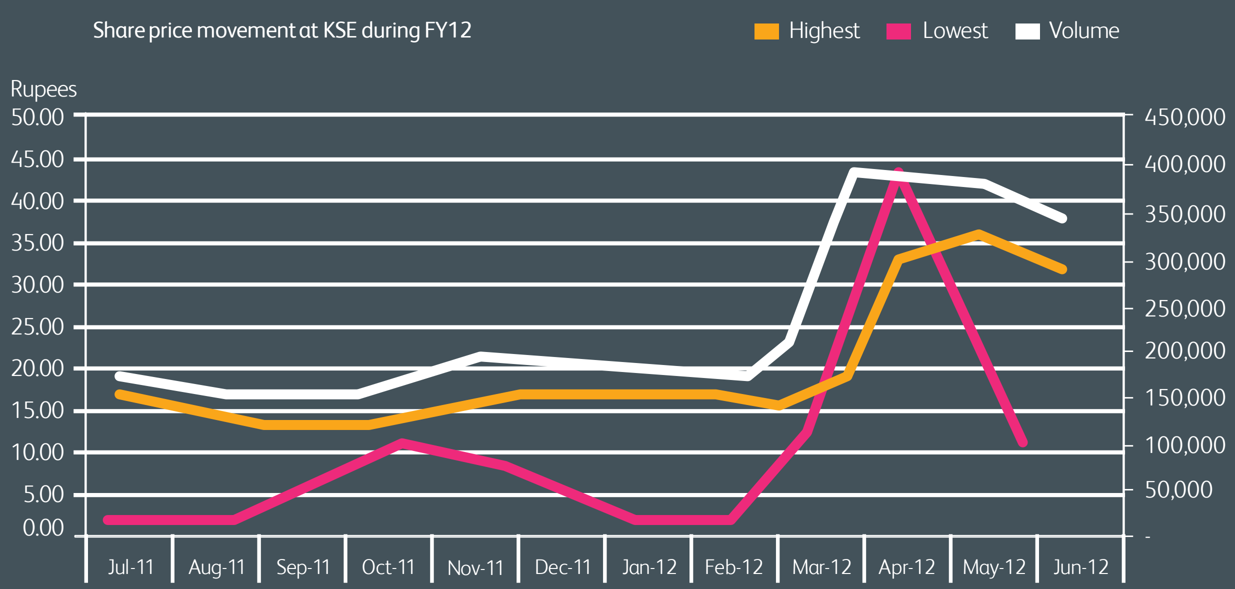
	2013		2012	
	Rupees in million	%	Rupees in million	%
Value Added				
Operating revenue	172	21.47	174	21.84
Capital gain on sale of investment - net	296	37.03	256	32.10
Gain on remeasurement of investment - net	27	3.33	260	32.68
Unrealised gain on re-measurement of investment	103	12.91	-	-
Other income	202	25.26	107	13.38
Unrealised gain on future contract	0.04	0.01		
	799	100.00	796	100.00
Distribution As Follows				
Employees remuneration	45	5.63	40	4.97
Operation & other cost	137	17.19	156	19.59
Government taxes (includes income tax & WWF)	38	4.78	29	3.70
Shareholders as dividends	150	18.77	180	22.60
Finance cost	180	22.47	186	23.33
To society	5	0.63	7	0.82
Retained within the business				
Depreciation	12	1.44	14	1.70
Net Earning	232	29.09	185	23.29
	244	30.53	199	24.99
	799	100.00	796	100.00

Share Price / Volume Analysis

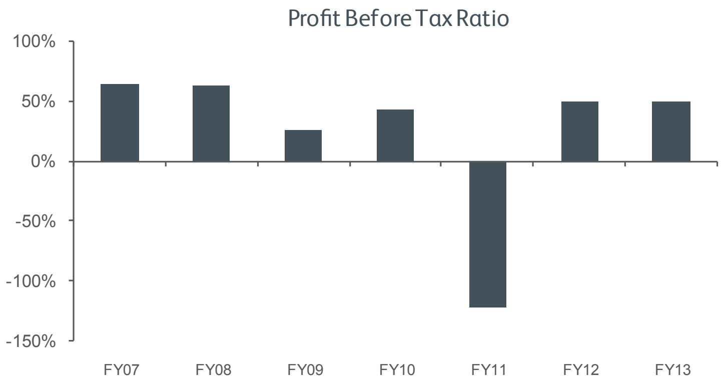
Month	Highest	Lowest	Volume
Jul-12	33.87	29.79	233,651
Aug-12	32.50	30.08	92,315
Sep-12	37.35	29.60	100,047
Oct-12	31.22	27.27	80,524
Nov-12	29.96	28.39	111,238
Dec-12	31.83	29.70	122,525
Jan-13	35.15	27.41	92,727
Feb-13	39.25	36.13	164,737
Mar-13	37.13	32.27	58,357
Apr-13	36.85	33.43	65,591
May-13	40.28	35.58	134,864
Jun-13	41.02	37.70	85,775

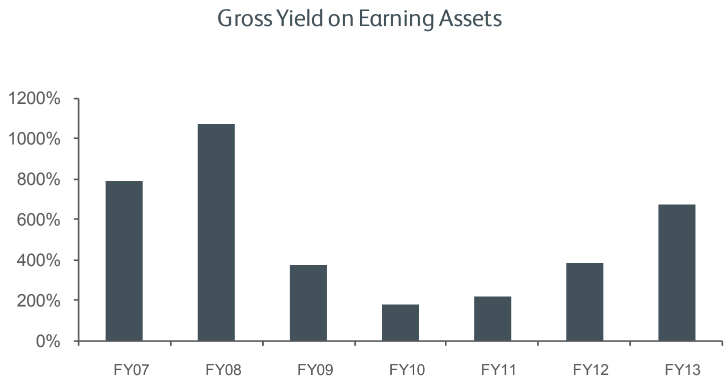


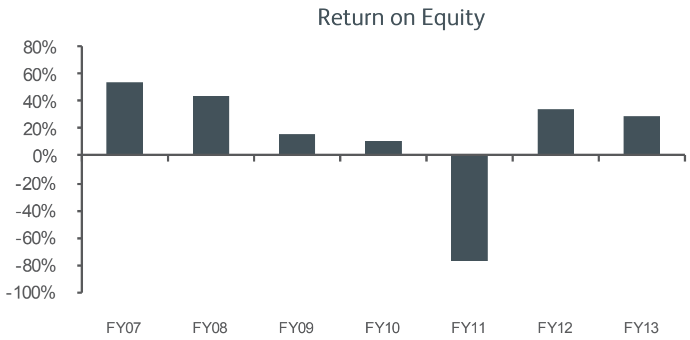
Month	Highest	Lowest	Volume
Jul-11	19.18	17.02	24,580
Aug-11	17.3	13.36	21,843
Sep-11	16.69	12.39	91,203
Oct-11	20.69	15.81	65,618
Nov-11	17.89	15.17	17,263
Dec-11	15.36	13.42	19,545
Jan-12	20.01	14.2	26,197
Feb-12	22.6	18.65	86,026
Mar-12	35.03	19.94	180,793
Apr-12	43.89	36.78	400,920
May-12	43.35	36.89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

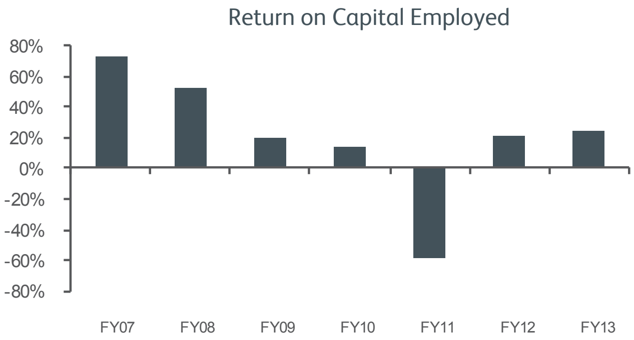


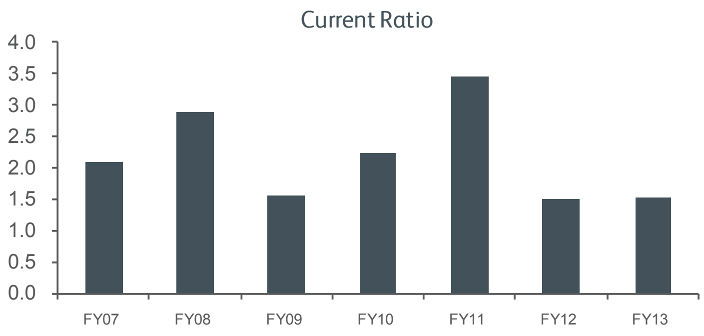
Graphical Representation

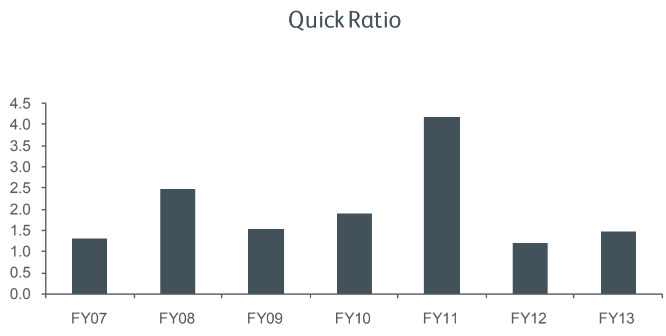


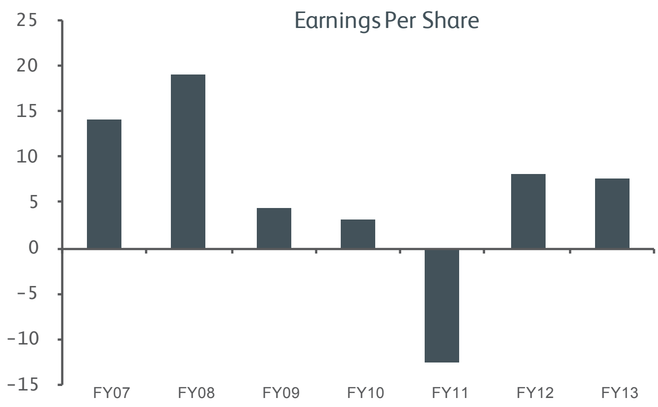


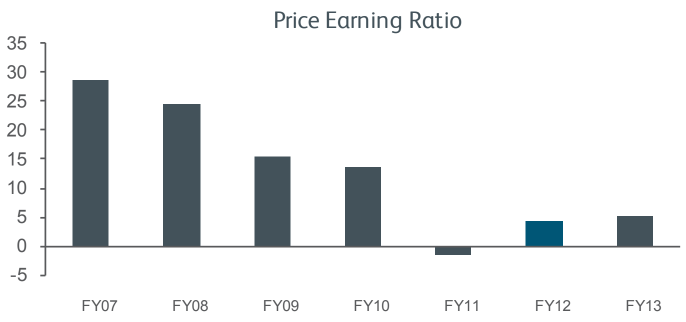


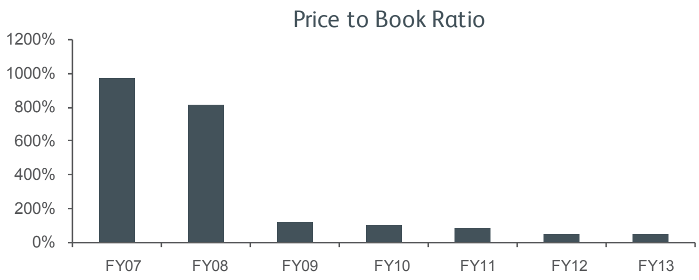


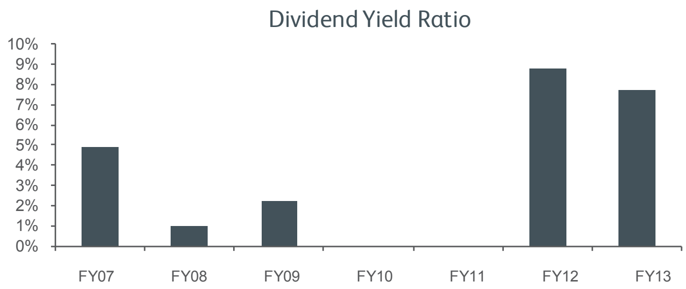


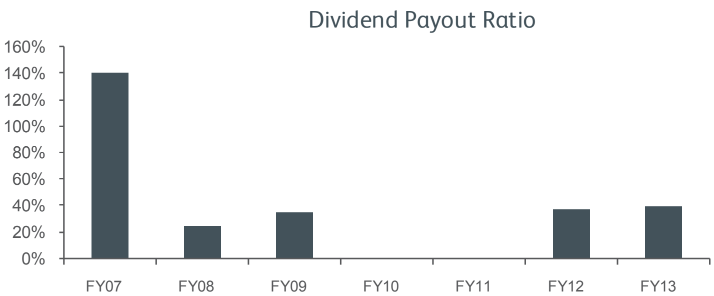


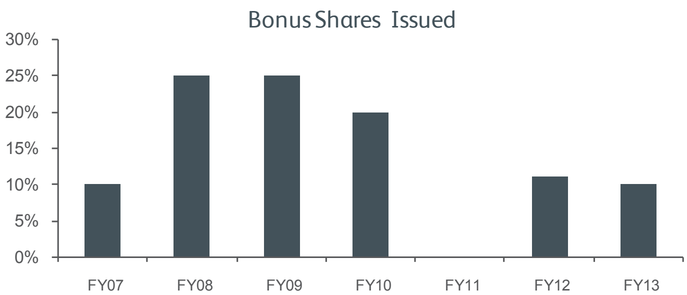

Earnings Per Share
25
20
15
10
5
0
-5
-10
-15
FY07
FY08
FY09
FY10
FY11
FY12
FY13

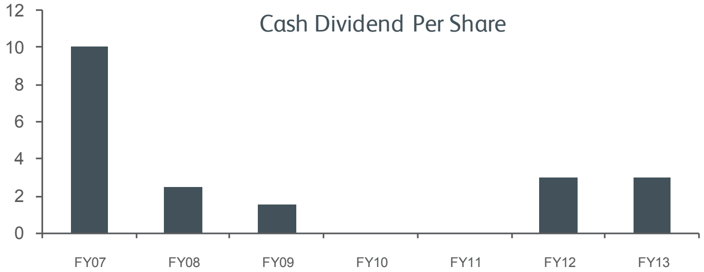

Price Earning Ratio
35
30
25
20
15
10
5
0
-5
FY07
FY08
FY09
FY10
FY11
FY12
FY13


Price to Book Ratio
1200%
1000%
800%
600%
400%
200%
0%
FY07
FY08
FY09
FY10
FY11
FY12
FY13


Dividend Yield Ratio
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
FY07
FY08
FY09
FY10
FY11
FY12
FY13

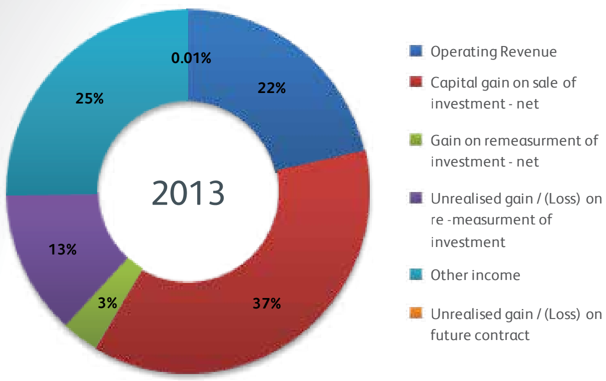

Dividend Payout Ratio
160%
140%
120%
100%
80%
60%
40%
20%
0%
FY07
FY08
FY09
FY10
FY11
FY12
FY13


Bonus Shares Issued
30%
25%
20%
15%
10%
5%
0%
FY07
FY08
FY09
FY10
FY11
FY12
FY13

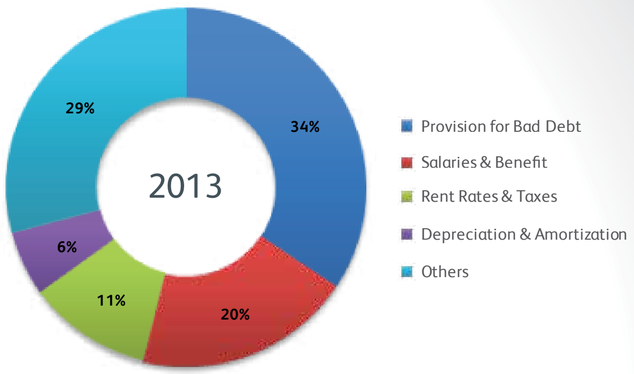

Cash Dividend Per Share
12
10
8
6
4
2
0
FY07
FY08
FY09
FY10
FY11
FY12
FY13

Arif Habib Limited at a Glance

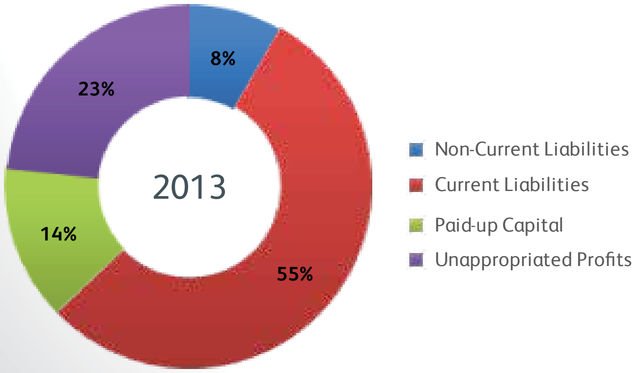
Revenues



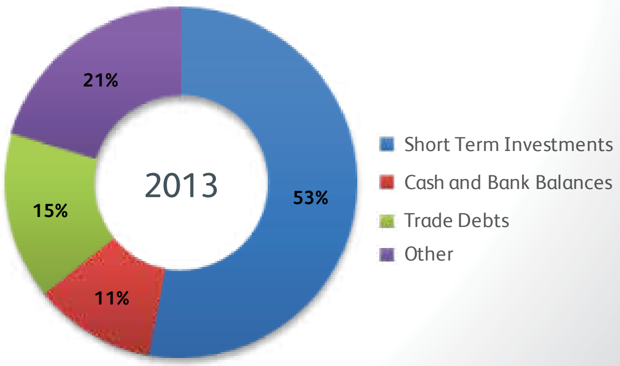
Administrative Expenses

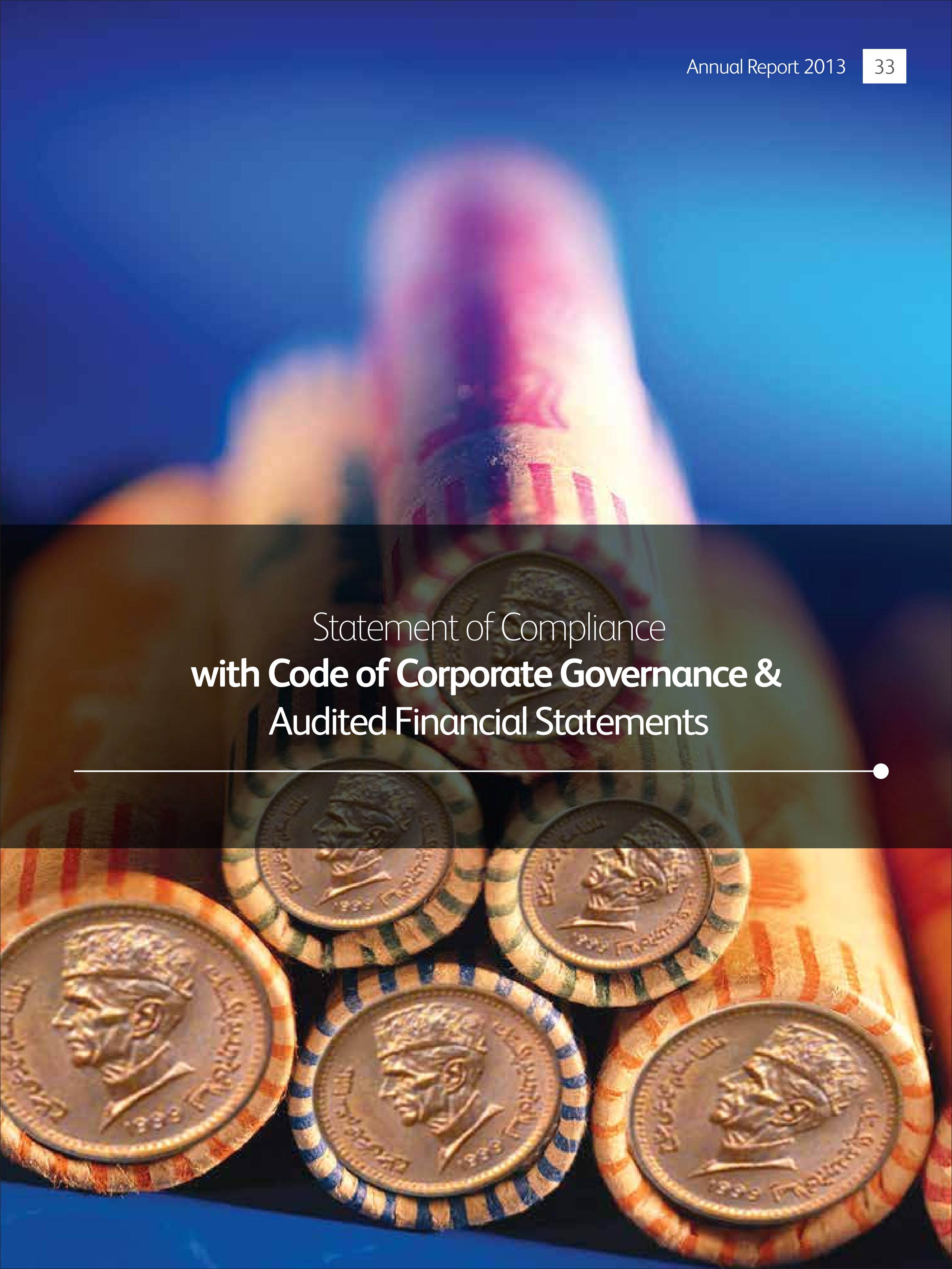


Equity and Liability



Total Assets





Statement of Compliance **with Code of Corporate Governance &** Audited Financial Statements

Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35(xl) of listing regulations of Karachi and Lahore 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. At present the Board includes:

Category	Names
Independent Director:	Mr. Amanullah Suleman
Executive Directors:	Mr. Muhammad Shahid Ali
	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 07th January 2013 was filled up by the directors on 07th January 2013.

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) in-house training session for its directors during the year. The Company is committed to get all those directors of its Board acquire the certification in accordance with the subject Regulation. Further, the Board has approved the participation of two directors to have certification under the upcoming directors' training program in the upcoming session of an approved institution.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made after the revised CCG has taken effect. However, the 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

Muhammad Shahid Ali
Chief Executive Officer

October 03, 2013
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 and Lahore 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 and Lahore 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 30th June 2013.

Chartered Accountants
Engagement Partner: Muhammad Rafiq Dossani

Date: October 03, 2013
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, 2013, and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

We report that:

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

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

(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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance,1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013, and of the profit, total comprehensive profit, changes in equity and its cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants
Engagement Partner: Muhammad Rafiq Dossani
Date: October 03, 2013
Karachi

Balance Sheet
As at June 30, 2013

	Note	2013	2012
		Rupees	
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	4	62,828,262	73,277,343
Intangible assets	5	72,234,800	69,716,293
Long term investment	6	159,342,551	33,000,000
Investment property	7	315,336,600	53,000,000
Advance against investment property		975,000	154,428,115
Long-term deposits	8	2,536,500	4,664,700
Deffered tax asset		6,542,854	-
		619,796,567	388,086,451
CURRENT ASSETS			
Short term investments	9	1,915,897,747	1,519,733,697
Trade debts - considered good	10	556,484,443	746,748,191
Receivable against sale of securities - net		-	529,534,120
Short term loans - secured	11	2,317,328	1,586,536
Trade deposits and prepayments	12	49,810,461	15,499,960
Other receivables	13	65,832,199	8,798,436
Cash & bank balances	15	406,760,741	47,956,149
		2,997,102,919	2,869,857,089
TOTAL ASSETS		3,616,899,486	3,257,943,540
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
75,000,000 (2012: 50,000,000) ordinary shares of Rs.10/- each		750,000,000	500,000,000
Issued, subscribed & paid-up capital	16	500,000,000	450,000,000
Unappropriated profits		843,415,798	645,946,335
		1,343,415,798	1,095,946,335
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	17	-	2,497,747
Loan from associate	18	300,168,506	262,270,429
		300,168,506	264,768,176
CURRENT LIABILITIES			
Short term borrowings - secured	19	1,125,124,331	1,653,936,052
Current portion of liability subject to finance lease	17	2,494,974	964,541
Trade and other payables	20	814,591,695	198,202,436
Markup accrued		28,395,905	41,951,956
Taxes payable	14	2,708,277	2,174,044
		1,973,315,182	1,897,229,029
CONTINGENCIES AND COMMITMENTS	21	-	-
TOTAL EQUITY AND LIABILITIES		3,616,899,486	3,257,943,540

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

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

Profit & Loss Account

For The Year Ended June 30, 2013

	Note	2013	2012
		Rupees	
Operating revenue	22	**171,568,247**	173,941,695
Capital gain on sale of investments - net		**295,905,475**	255,595,595
Gain on re-measurement of investments carried at fair value through profit or loss - net	9.1	**26,617,736**	260,224,123
Unrealised gain on re-measurement of investment property		**103,136,788**	-
		597,228,246	689,761,413
Administrative and operating expenses	23	**(198,861,537)**	(209,551,023)
Finance cost	24	**(179,600,987)**	(185,803,119)
Other charges	25	**(19,243,688)**	(5,622,000)
Other income	26	**201,885,032**	106,580,272
Profit before taxation		**401,407,066**	395,365,543
Taxation	27	**(18,937,603)**	(29,454,230)
Profit after taxation		**382,469,463**	365,911,313
Earnings per share - basic & diluted	28	**7.65**	7.32

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

CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Statement of Comprehensive Income

For the year Ended June 30, 2013

	Note	2013	2012
		Rupees	
Profit after taxation		**382,469,463**	365,911,313
Other comprehensive income		**-**	-
Total comprehensive profit for the year transferred to equity		**382,469,463**	365,911,313

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

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

Cash Flow Statement

For The Year Ended June 30, 2013

	Note	2013	2012
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation		401,407,066	395,365,543
Adjustments for:			
Depreciation	4	11,016,700	12,717,494
Amortization of intangible asset	5.1	481,493	535,206
Gain on disposal of property, plant and equipment		(268,036)	(9,030)
Gain on re-measurement of investments carried at fair value through -held for trading		(26,617,736)	(260,224,123)
Gain on short term investment		(295,905,475)	255,595,595
Loss on disposal of investment Property		-	5,622,000
Unrealized gain on re-measurement of investment property	7	(103,136,788)	-
Dividend income		(25,442,435)	(60,821,317)
Gain on initial recignition	6.2	(121,342,551)	-
Provision against doubtful debts	23	68,331,663	90,000,000
Finance costs		179,600,987	185,803,119
		(313,282,178)	229,218,944
Cash generated from operating activities before working capital changes		88,124,888	624,584,487
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets			
Short-term investments		(73,640,839)	(972,094,620)
Trade debts		121,932,085	(478,463,102)
Receivable against sale of securities - net		529,534,120	(529,534,120)
Short term loans		(730,792)	(884,744)
Deposits and short-term prepayments		(32,736,701)	(12,952,854)
Other receivables		(57,033,763)	(2,894,691)
Increase/(decrease) in current liabilities			
Trade and other payables		616,389,259	50,845,152
		1,103,713,369	(1,945,978,979)
Cash generated from / (used in) operations		1,191,838,257	(1,321,394,492)
Taxes paid		(24,946,223)	(21,523,938)
Finance costs paid		(155,258,962)	(129,782,377)
Net cash generated from / (used in) operating activities		1,011,633,072	(1,472,700,807)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and investment property		(1,087,816)	(391,859)
Proceeds from disposal of property, plant and equipment	4.1	788,233	328,934
Acquisition of intangible asset		(3,000,000)	(2,279,482)
Advance against investment property		(975,000)	(154,428,115)
Investment / sale proceeds on disposal of Investment property		(4,771,697)	67,378,000
Dividends received		25,442,435	60,821,317
Investment in subsidiary		(5,000,000)	(21,476,680)
Long term deposits		554,400	(48,000)
Net cash generated from / (used in) investing activities		11,950,555	(50,095,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(967,314)	(885,205)
Dividend paid		(135,000,000)	
Net cash used in financing activities		(135,967,314)	(885,205)
Net increase/(decrease) in cash and cash equivalents		887,616,313	(1,523,681,897)
Cash and cash equivalents at the beginning of the year		(1,605,979,903)	(82,298,006)
Cash and cash equivalents at the end of the year	29	(718,363,590)	(1,605,979,903)

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

CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Statement of Changes in Equity

As at June 30, 2013

	Issued Subscribed & Paid up Capital	Unappropriated profits	Total
		Rupees	
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
Balance as at July 1, 2012	**450,000,000**	**645,946,335**	**1,095,946,335**
Bonus shares allocated @ 11.11% for the year ended June 30, 2012 (2011: Nil)	**50,000,000**	**(50,000,000)**	**-**
Cash dividend paid @ 30% for the year ended June 30, 2012 (2011: Nil)	**-**	**(135,000,000)**	**(135,000,000)**
Comprehensive income for the year ended June 30, 2013	**-**	**382,469,463**	**382,469,463**
Balance as at June 30, 2013	**500,000,000**	**843,415,798**	**1,343,415,798**

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

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

Notes to the Financial Statements

For the year Ended June 30, 2013

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 the Karachi and Lahore Stock Exchanges of Pakistan. The Company was initially incorporated as an unquoted public limited Company wholly owned by Arif Habib Corporation Limited (the Parent Company). Subsequently, the Parent Company offered 25% of its shareholding in the Company to the general public and the Company was listed on the Karachi Stock Exchange Limited on January 31, 2007.

The Company is holder of Trading Right Entitlment Certificate (TRE) Holder of Karachi, Lahore and Islamabad Stock Exchanges. The principal activities of the Company are Investments, share brokerage, inter bank brokerage, initial Public Offer (IPO) underwriting, advisory and consultancy services.

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

1.2 The Parent Company holds 79.03% shares of the Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain short term investments and investment property which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various 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.

- Provision for Taxation (note 3.17)
- Useful lives and residual values of property and equipment (note 3.1)
- Impairment of Investments (note 3.5)
- Classification of Investments (note 3.5)

2.5 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation were either not relevant to the Company's operations or were not expected to have any significant impact on the Company's financial statements.

b) New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19, 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013. IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. These changes will not have any impact on the Company's financial statements.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments are not expected to have a significant impact on financial statements of the Company.

- IAS 28, 'Investments in Associates and Joint Ventures (2011) effective for annual periods beginning on or after 1 January 2013. IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

Notes to the Financial Statements

For the year Ended June 30, 2013

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. These changes will not have any impact on the Company's financial statements.

- IAS 32 Financial Instruments: Presentation - 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. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- The amendments in IAS 16 would result in reclassification of property, plant and equipment when the amended standard becomes applicable. The other amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These are not expected to have any impact other than increased disclosures.

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 the 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 the 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 than of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

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

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

3.2 Intangible assets

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

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 an independent valuer on June 30, 2013 .

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

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

Changes in fair values are recognized in the profit and loss account. An item of Investment property is derecognized either when disposed off 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.

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 off the investments within twelve months from the balance sheet date.

e) Held to maturity

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

3.5.2 All financial assets are 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 account 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 3.9.

3.6 Derivatives

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

3.7 Securities purchased / sold under resale / repurchase agreements

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

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

3.8 Financial Liabilities

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

3.9 Offsetting financial instruments

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

3.10 Trade debts and other receivables

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

3.11 Fiduciary assets

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

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Borrowings

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

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

3.15 Trade and other payables

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

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

3.16 Staff retirement benefits

Defined contribution plan

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

3.17 Taxation

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

Current

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

Deferred

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

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

3.18 Provisions

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

3.19 Financial instruments

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.

3.20 Foreign currency transactions and translation

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

3.21 Revenue recognition

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

- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.
- Income from bank deposits is recognized at effective yield on time proportion basis.
- 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 on outstanding debtor balances of more than 14 days after settlement.

Notes to the Financial Statements

For the year Ended June 30, 2013

3.22 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.

3.23 Related Party Transactions

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

4. PROSPERITY PLANT AND EQUIPMENT

	Owned Assets							
	Leasehold Office	Leasehold Improvement	Office Equipments	Furniture & Fixture	Computer & Allied	Vehicles	Lease assets vehicles	Total
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**
Year ended June 30, 2013								
Opening 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**
Additions during the year	**-**	**-**	**75,000**	**52,900**	**889,416**	**70,500**	**-**	**1,087,816**
Disposals / transfers/writeoff								
Cost	**-**	**-**	**100,000**	**-**	**47,000**	**1,332,491**	**-**	**1,479,491**
Accumulated depreciation	**-**	**-**	**(58,824)**	**-**	**-**	**(900,470)**	**-**	**(959,294)**
Net book value (note 4.1)	**-**	**-**	**41,176**	**-**	**47,000**	**432,021**		**520,197**
Depreciation for the year	**-**	**(8,696,385)**	**(72,982)**	**(10,376)**	**(1,302,452)**	**(326,391)**	**(608,114)**	**(11,016,700)**
Closing net book value	**2,115,000**	**53,373,947**	**261,300**	**93,343**	**2,988,584**	**1,274,770**	**2,721,318**	**62,828,262**
Annual rates of depreciation	**0%**	**15%**	**15%**	**15%**	**33%**	**20%**	**20%**	

Notes to the Financial Statements

For the year Ended June 30, 2013

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

Particulars	Cost	WDV at Disposal	Accumulated Depreciation	Sale proceed	Gain/ (Loss)	Mode of Disposal	Particular of Buyer
Vehciles:							
Honda City Vario (AKE 976)	700,000	192,608	507,392	206,000	13,392	Negotiation	Rafiq Jangda (Ex-employee)
Dahitsu Core (ALX 631)	400,000	117,613	282,387	499,980	382,367	Negotiation	Nouman Islam (Employee)
Honda Motorcycle	70,500	58,600	11,900	52,113	(6,487)	Insurance Claim	EFU Insurance Company
	1,170,500	**368,821**	**801,679**	**758,093**	**389,272**		
Office Equipments							
Photocopier	100,000	41,176	58,824	10,000	(31,176)	Negotiation	
Assets having carrying value below Rs. 50,000:	208,991	110,200	98,791	20,140	(90,060)		
Total	**1,479,491**	**520,197**	**959,294**	**788,233**	**268,036**		

	Note	2013	2012
		Rupees	
5 INTANGIBLES ASSETS			
Computer software	5.1	1,779,800	2,061,293
Trading right entitlement certificates and offices	5.2	70,455,000	67,655,000
		72,234,800	69,716,293

5.1 Computer software

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 July 1, 2012	
Cost	2,717,231
Accumulated amortization	(655,938)
Net book value	2,061,293
Year ended June 30, 2013	
Opening net book value	2,061,293
Additions during the year	200,000
Disposals / transfers	-
Amortization	(481,493)
Closing net book value	1,779,800
Annual rate of depreciation	25%

Notes to the Financial Statements

For the year Ended June 30, 2013

5.2 TRADING RIGHT ENTITLEMENT CERTIFICATES AND OFFICES	Note	2013	2012
		Rupees	
Trading right entitlement certificates			
Karachi Stock Exchange Limited	5.2.1	15,000,000	15,000,000
Lahore Stock Exchange Limited	5.2.1	7,000,000	7,000,000
Islamabad Stock Exchange Limited	5.2.1	4,000,000	4,000,000
		26,000,000	26,000,000
Offices			
Islamabad Stock Exchange Limited		24,805,000	22,005,000
Lahore Stock Exchange Limited		17,550,000	17,550,000
		42,355,000	39,555,000
Booths			
Karachi Stock Exchange Limited		2,100,000	2,100,000
		70,455,000	67,655,000

5.2.1 This represents cost of membership card of Stock Exchanges of Pakistan with indefinite useful life and represents the cost of membership cards of stock exchanges which are surrendered to the stock exchanges under Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 and trading right certificate are issued to the members carrying the similar rights.

6 LONG TERM INVESTMENTS

	Note	2013	2012
Investments in:			
Arif Habib Commodities (Private) Limited - at cost	6.1	38,000,000	33,000,000
Stock Exchanges -through proft and loss			
Karachi Stock Exchanges Limited	6.2	62,755,618	-
Islamabad Stock Exchange Limited	6.2	33,380,639	-
Lahore Stock Exchange Limited	6.2	25,206,294	-
		121,342,551	-
		159,342,551	33,000,000

6.1 At Cost

	Note	2013	2012
Paid up Share Capital (3,300,000 shares of Rs 10/- each) (2012: 2,000,000)	6.1.1	33,000,000	20,000,000
Advance against Share capital	6.1.1	5,000,000	13,000,000
		38,000,000	33,000,000

6.1.1 This represents paid up share capital constituting 100% ownership in Arif Habib Commodities (Pvt) Limited (AHCPL) which was incorporated as a wholly owned subsidiary for the purpose of expanding non-core revenue stream of the commodity brokerage. The total amount of investment approved by the shareholders of the Company in the extra - ordinary general meeting held on June 16, 2012 is Rs. 100 million. As of the balance sheet date, the Company has invested a total sum of Rs.38 million.

6.1.2 The Securities and Exchange Comission of Pakistan (SECP) vide its letter No. EMD/233/683/2002-43 dated July 11, 2013 has granted exemption to the Company from preparation of the Consolidated Financial Statements. The extracts of balance sheet as at June 30, 2013 and profit & loss account for the year ended June 30, 2013 are as follows:

Notes to the Financial Statements

For the year Ended June 30, 2013

	2013	2012
	Rupees	
BALANCE SHEET		
ASSETS		
NON- CURRENT ASSETS		
Property & equipment	442,474	352,846
Intangible assets	1,000,000	1,000,000
Long term deposits	11,754,380	10,523,205
	13,196,854	11,876,051
CURRENT ASSETS		
Short term investments	406,541	-
Other receivable	801,566	-
Taxation - net	90,902	-
Cash & bank balances	21,410,609	22,056,735
	22,709,618	22,056,735
TOTAL ASSETS	35,906,472	33,932,786
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorized Capital		
10,000,000 (2012: 10,000,000) ordinary shares	100,000,000	100,000,000
Issued, Subscribed & Paid-up Capital:	33,000,000	20,000,000
Accumulated loss	(3,737,698)	(610,847)
	29,262,302	19,389,153
Advance against Share capital	5,000,000	13,000,000
CURRENT LIABILITIES		
Trade and other payables	1,644,170	1,543,633
Contingencies and commitments	-	-
TOTAL EQUITY AND LIABILITIES	35,906,472	33,932,786
PROFIT & LOSS		
Operating revenue	7,346,340	-
Administrative and operating expenses	(13,344,604)	(610,847)
Other income	2,944,876	-
Loss before taxation	(3,050,323)	(610,847)
Provision for taxation	(73,463)	-
Loss after taxation	(3,126,851)	(610,847)

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

6.2 This represents unqouted shares of Stock Exchanges received by the Company in pursuance of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.The total number of shares received by the Company are 4,007,383 of Karachi Stock Exchange Limited (KSEL), 3,034,604 shares of Lahore Stock Exchange Limited (LSEL) and 843,975 shares of Islamabad Stock exchange Limited (ISEL), with a face value of Rs. 10 each.These includes 60% shares of KSEL, LSEL and ISEL respectively are held in separate CDC blocked account to restrict the sale of these shares by the members whereas stock exchanges will dispose off these shares under the Demutualization Act, however the proceeds of these shares and right to dividend / bonus is vested with the Company whereas voting rights attached to these shares are suspended.

The Company has designated these shares at fair value through profit and loss at intial recognition.Any subsequent changes in fair value will be recognized in the profit and loss accounts.

Notes to the Financial Statements

For the year Ended June 30, 2013

The fair value of shares of KSEL is determined the Company and the same has been vet / checked and authorized by independent valuer "Delloite M.Yousuf Adil Saleem & Co,Chartered Accountants" in their Project Index Valuation Report dated September 30,2013 using valuation techniques under the guidelines of IAS 39 - "Financial Instruments: Recognition and Measurement". Where as the fair value of shares of Lahore and Islamabad Stock exchanges is determined by "Al - Mu'izz Finance" in their report dated September 30, 2013 based on the discounted cash flow technique on the assumptions given as under:

Valuation techniques and key assumptions used for the remeasurement of following unquoted investments at fair value are as under. Management estimates that changing any such assumptions to a reasonably possible alternative, would not result in significantly different fair values.

	Key Assumptions				
Valuation Method	**Long term growth rate**	**Cost of equity**	**Value of exchange (in Bln Rs.)**	**Value per Share**	**Valuation Techniques**
Karachi Stock Exchanges Limited					
Inflation Differential Method	10.00%	17.37%	9.72	12.13	Discounted cash flows (DCF)
CAPM-Country Risk Premium Method	10.00%	21.20%	15.38	19.19	Discounted cash flows (DCF)
Lahore Stock Exchanges Limited					
Inflation Differential Method	10.00%	17.37%	4.65	36.23	Discounted cash flows (DCF)
CAPM-Country Risk Premium Method	10.00%	21.20%	3.02	23.51	Discounted cash flows (DCF)
Islamabad Stock Exchanges Limited					
Inflation Differential Method	10.00%	17.37%	5.02	13.68	Discounted cash flows (DCF)
CAPM-Country Risk Premium Method	10.00%	21.20%	3.06	8.33	Discounted cash flows (DCF)

On the basis of the independent valuations, an objective value per share has been worked out based on an average of the resultsfor KSEL under the two methods at Rs. 15.66 per share. Likewise objective value for LSEL and ISEL has been worked out based on an average results at Rs. 29.33 and Rs. 11 per share respectively.

	2013	2012
	Rupees	
7 INVESTMENT PROPERTY		
Acquisition cost - opening balance	53,000,000	126,000,000
Acquisition during the year	4,771,697	-
Disposal during the year	-	(73,000,000)
Acquisition and transferred of investment property	154,428,115	-
	154,428,115	(73,000,000)
Acquisition cost - closing balance	212,199,812	53,000,000
Carrying value	212,199,812	53,000,000
Increase / (decrease) in fair value	103,136,788	-
	315,336,600	53,000,000

Notes to the Financial Statements

For the year Ended June 30, 2013

		Note	2013	2012
			Rupees	
8	**LONG TERM DEPOSITS**			
	Karachi Stock Exchange Limited		**110,000**	610,000
	Lahore Stock Exchange Limited		**1,480,000**	1,480,000
	National Clearing Company of Pakistan Limited		**750,000**	750,000
	Security deposits of lease assets	8.1	**-**	1,573,800
	Others		**196,500**	250,900
			2,536,500	4,664,700

8.1 The leases are going to mature in financial year 2014 and hence been transferred to the current assets accordingly.

		2013	2012
9	**SHORT TERM INVESTMENTS**		
	Financial assets at fair value through profit or loss- Held for trading:		
	Investment in quoted equity securities	**1,756,907,475**	1,509,533,855
	Investment in privately placed preference share	**103,873,973**	10,199,842
	Investment in future contracts	**43,331**	-
	Investment in mutual funds	**54,809,143**	-
	Term Finance Certificates [TFCs]	**263,825**	-
		1,915,897,747	1,519,733,697
9.1	**Gain / (loss) on remeasurement of investment at fair value through profit or loss - held for trading**		
	Market value	**1,915,897,747**	1,519,733,697
	Cost of the investment	**(1,645,164,456)**	(1,250,917,809)
		270,733,291	268,815,888
	Unrealized (loss) / gain on the re - measurement of investment carried at fair value through profit or loss at the beginning of the year	**(268,815,888)**	(10,569,018)
	On future contract	**43,331**	-
	Realized on disposal of investment	**24,657,002**	1,977,253
		(244,115,555)	(8,591,765)
	Net unrealized gain in the value of investment for the year	**26,617,736**	260,224,123

9.2 Fair value of shares pledge with banking companies against various short term running finance facility amounting to Rs. 496. 97 million as at 30 June 2013 (2012: Rs. 1.14 billion).

		Note	2013	2012
10	**TRADE DEBTS - CONSIDERED GOOD**			
	Considered good	10.1	**556,484,443**	746,748,191
	Considered doubtful		**981,695,967**	913,869,020
			1,538,180,410	1,660,617,211
	Less: provision for the doubtful debts		**(981,695,967)**	(913,869,020)
			556,484,443	746,748,191

10.1 This includes Rs. 28.010 million (2012:Rs 10.823 million) due from related parties.

10.2 The Company holds capital securities having fair value of Rs. 4,324.78 million (2012: Rs 1,126.33 million) owned by its clients, as collaterals against trade debts.

Notes to the Financial Statements

For the year Ended June 30, 2013

		Note	2013	2012
			Rupees	
11	**SHORT TERM LOANS , considered good**			
	Loans to:			
	Executives		**790,899**	758,803
	Staff		**1,526,429**	827,733
		11.1	**2,317,328**	1,586,536

11.1 Loan to staff and executive are interest free. These loans are given for vehicles 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.

		Note	2013	2012
12	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Current maturity - security deposits of lease assets	8.1	**1,573,800**	-
	Deposits against future clearing		**9,518,549**	1,592,594
	Advance rent		**20,898,240**	-
	Deposits against debt market trading		**150,000**	150,000
	Advance for traveling		**-**	242,371
	Advance to related parties		**1,764,580**	1,489,632
	MTS exposure deposit		**15,427,792**	12,025,363
	Prepayments		**477,500**	-
			49,810,461	15,499,960
13	**OTHER RECEIVABLES**			
	Related parties		**2,641,275**	4,579,793
	Receivable in respect of reverse repo transaction		**53,909,497**	-
	Dividend receivable		**8,393,250**	900,002
	Receivable against sale of investment property		**-**	3,200,000
	Other parties		**3,719,393**	2,445,141
	Less: provision for doubtful debts		**(2,831,216)**	(2,326,500)
			65,832,199	8,798,436
14	**TAXES PAYABLE**			
	Advance income tax		**22,772,180**	26,280,186
	Less: provision for taxation - current		**(25,480,457)**	(28,454,280)
	Taxation - net		**(2,708,277)**	(2,174,094)
15	**CASH AND BANK BALANCES**			
	Cash in hand		**39,681**	1,501
	Cash at bank			
	Current accounts		**379,105,348**	6,082,647
	Savings accounts	15.1	**27,615,712**	41,872,001
			406,721,060	47,954,648
			406,760,741	47,956,149

15.1 The return on these balances is 6.5% to 10.5% (2012: 10.5% to 11%) per annum on daily product basis.

16 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013	2012		2013	2012
(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
38,000,000	33,000,000	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	**380,000,000**	330,000,000
50,000,000	45,000,000		**500,000,000**	450,000,000

16.1 The reconciliation of ordinary shares is as follows:

	2013	2012
Opening Balance	**45,000,000**	45,000,000
Add: Bonus shares issued during the year	**5,000,000**	-
	50,000,000	45,000,000

17 LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE

	2013	2012
Present value of minimum lease payments	**2,494,974**	3,462,288
Less : Current portion shown under current liabilities	**(2,494,974)**	(964,541)
	-	2,497,747

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 liability 2013	Present Value of lease liability 2012
	Rupees			
Not later than one year	2,621,770	126,796	2,494,974	964,541
Later than one year and not later than five years	-	-	-	2,497,747
	2,621,770	126,796	2,494,974	3,462,288

Notes to the Financial Statements

For the year Ended June 30, 2013

		Note	2013	2012
			Rupees	
18	**LOAN FROM ASSOCIATE**			
	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		**71,011,295**	33,113,218
			300,168,506	262,270,429

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 i.e. 12.61% for financial instruments carrying same terms of repayment.

19 SHORT TERM BORROWINGS - secured

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,485 million (2012: Rs. 1,850 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 July 2014. These arrangements are secured against pledge of marketable securities. These running finance facilities carry mark-up ranging from 3 month KIBOR +1% to 2% (2012: 3 month KIBOR +1 % to 2%) calculated on a daily product basis that is payable quarterly.

20 TRADE AND OTHER PAYABLES

	Note	2013	2012
Creditors	20.1	**679,857,077**	155,222,932
Commission payable	20.2	**2,227,725**	3,297,989
Accrued expenses		**4,394,298**	3,971,526
Dividend payable		**2,564,863**	1,428,057
Worker welfare fund payable		**19,243,688**	
Payable against MTS / repurchase agreement		**99,998,800**	31,246,000
Advance rent	20.3	**2,635,380**	-
Sindh sales tax payable		**2,629,421**	1,138,211
Other liabilities		**1,040,443**	1,897,721
		814,591,695	198,202,436

20.1 This includes amount of Rs. 485.115 million (2012: Rs. 10.43 million) payable to related parties of the Company.

20.2 This includes an amount of Rs. 1.638 million (2012: Rs. 2.709 million) payable to employees of the Company on account of commission.

20.3 This represents the advance rent received for the financial year 2013 - 14 in respect of investment property.

21 CONTINGENCIES AND COMMITMENTS

22.1 COMMITMENTS

	2013	2012
Following commitments are outstanding as at the year end		
- Outstanding settlement against sale/purchases of securities in future market	**22,746,380**	164,721,490
- Outstanding Settlements against Marginal Trading contracts	**354,849,362**	262,917,405
- Outstanding Settlements against sale/purchase of securities in regular market	**115,552,990**	12,055,180
- Guarantee given by a commercial bank on behalf of the Company	**100,000,000**	100,000,000

Notes to the Financial Statements

For the year Ended June 30, 2013

22.2 CONTINGENCIES

The commissioner income tax has raised demands on account of Worker Walfare Fund for the tax year 2010 & 2012 amounting to Rs. 3.499 million and Rs. 7.4 million respectively. The Company has been granted stay against those demands from the respective authorities. The Company legal council is confident that the Company has a fair case.

		Note	2013	2012
22	**OPERATING REVENUE**		Rupees	
	Brokerage and operating revenue		**124,739,082**	99,643,096
	Advisory and consultancy fee		**21,386,730**	13,477,282
	Dividend income		**25,442,435**	60,821,317
			171,568,247	173,941,695
23	**ADMINISTRATIVE AND OPERATING EXPENSES**			
	Salaries and benefits	23.1	**38,836,341**	33,620,776
	Rent, rates and taxes		**22,293,680**	23,679,312
	Depreciation and amortization	4 & 5.1	**11,498,194**	13,541,177
	Commission		**13,937,868**	6,614,475
	C.D.C & clearing house charges		**8,909,228**	7,660,304
	Building Maintainance		**7,803,677**	7,842,437
	Communication		**2,833,966**	1,921,588
	Motor vehicle expense		**6,132,045**	5,978,898
	Membership and other subscription		**509,018**	682,351
	Printing and stationery		**2,014,254**	1,664,836
	Conveyance and meals		**940,819**	1,198,168
	Insurance		**1,256,163**	1,079,586
	Legal and professional charges		**2,055,060**	780,150
	Repairs and maintenance		**1,224,519**	2,382,736
	Advertisement & business promotion		**862,418**	855,879
	Auditors' remuneration	23.2	**1,266,912**	1,055,760
	Entertainment		**56,126**	127,505
	Meeting expenses		**393,105**	499,700
	Donation	23.3	**5,005,001**	6,500,000
	Provision for bad debts	10	**68,331,663**	90,000,000
	Others		**2,701,480**	1,865,385
			198,861,537	209,551,023

23.1 The Company has set up provident fund for its employees and the contributions were made by the Company to the Trust in accordance with the requirement of Section 227 of the Companies Ordinance, 1984. The audit of the provident fund for the years ended 2010 to 2012 is in progress. The entire fund balance amounting to Rs. 10.22 million as of 30 June 2013 is placed with bank under deposit account in accordance with the requirement of Section 227 of the Companies Ordinance, 1984.

		2013	2012
23.2	**Auditors' remuneration**		
	Annual audit fee	**720,000**	600,000
	Half yearly review	**228,096**	190,080
	Certification on compliance with code of corporate governance	**163,296**	136,080
	Other certifications	**155,520**	129,600
		1,266,912	1,055,760

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

Notes to the Financial Statements

For the year Ended June 30, 2013

24	FINANCE COSTS	Note	2013	2012
			Rupees	
	Interest and mark-up on :			
	Loan from related parties			
	Unwinding of loan from associate		37,898,077	33,113,218
	Markup to associate		-	9,095,090
			37,898,077	42,208,308
	Others:			
	Liabilities against assets subject to finance lease		127,025	225,159
	Short term borrowing from banking companies		118,614,111	130,781,039
	Markup on MTS Securities		19,584,186	10,830,976
	Bank charges and others		3,377,588	1,757,637
			141,702,910	143,594,811
			179,600,987	185,803,119

25	OTHER CHARGES	Note	2013	2012
	Worker welfare fund (WWF)	25.1	19,243,688	-
	Loss on disposal of investment property		-	5,622,000
			19,243,688	5,622,000

25.1 This represents WWF expense for the year 2010, 2012 and 2013 also refer note 22.2.

26	OTHER INCOME	Note	2013	2012
			Rupees	
	On financial assets			
	Late payment charges on clients' balances		61,497,888	96,593,189
	Markup income		5,299,507	-
	Profit on savings accounts		3,024,784	3,339,352
	Profit on exposure deposit		2,709,137	743,346
	Gain on disposal of asset	4.1	268,036	9,030
	Reversal of provision of WWF		-	3,499,555
	Gain on initial recignition	6.2	121,342,551	-
	Tenderable gain	26.1	2,432,530	-
	Other		514,799	-
	On non-financial assets			
	Rental income from investment property		4,795,800	2,395,800
			201,885,032	106,580,272

26.1 This represent the gain on sale of company securities by the holding company made during the year on trading of less than six months holding period and accordingly under section 222 the holding company has tendered the same to the Subsidary.

Notes to the Financial Statements

For the year Ended June 30, 2013

		Note	2013	2012
			Rupees	
27	**TAXATION**			
	Current for the year		**25,480,457**	28,454,230
	Prior year charge		**-**	1,000,000
	Deffered	27.4	**(6,542,854)**	-
			18,937,603	29,454,230
27.1	**Reconciliation of tax charge for the year**			
	Average effective rate of tax for the year is calculated as follows:			
	Profit / (loss) before tax		**401,407,066**	395,365,543
	Tax charge for the year		**(25,480,457)**	28,454,230
	Average effective rate of tax for the year		**6.34%**	7.20%
27.2	**The reconciliation of the effective tax rate with the applicable tax rate is as follows:**			
	Applicable income tax rate		**35**	35
	Add/(less):			
	-Tax effect of income taxed at final tax regime		**(2.86)**	(4.08)
	-Tax effect of income taxed at lower rate		**(25.80)**	(23.72)
			6.34	7.20

27.3 Assessment up to tax year 2012 deemed to be finalised U/S 120 of the Income tax Ordinance 2001.

27.4 The Company based on the current year results and future years projections,estimates that future taxable profits would be available against which deffered tax asset amounting to Rs. 6.542 million could be realized. Accordingly the deffered tax asset has been recognised to same extent in these financial statements.

		Note	2013	2012
28	**EARNINGS PER SHARE - BASIC AND DILUTED**			
			Rupees	
28.1	**Basic earnings per share**			
	Profit for the year - Rupees		**382,469,463**	365,911,313
	Weighted average number of ordinary shares		**50,000,000**	50,000,000
	Earnings per share		**7.65**	7.32

28.2 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, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.

29 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:

	Note	2013	2012
		Rupees	
Cash and bank balances		**406,760,741**	47,956,149
Short term borrowings		**(1,125,124,331)**	(1,653,936,052)
		(718,363,590)	(1,605,979,903)

30 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 30 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statement are as follows.

Name of the related party and relationship with Company	Nature of Transaction	Year ended 2013	2012
		Rupees	
Parent Company	Brokerage Commission earned during the year on sale and purchase of Securities	**11,666,846**	8,387,280
Subsidiaries	Purchase of Shares	**13,000,000**	20,000,000
	Advance against equity	**5,000,000**	13,000,000
	Other receivables	**1,412,826**	1,489,632
Associates	Purchase of shares	**16,353,500**	193,768,352
	Sale of Shares	**16,353,500**	4,981,464
	Advance against investment property	-	154,428,115
	Balance investment at year end	**268,054,120**	967,480,395
Key Management Personnel	Brokerage Commission earned during the year on sale and purchase of Securities	**6,385,950**	8,647,455
	Balance Receivable at year end	**4,359,494**	10,823,571
	Commission payable at year end	**1,638,725**	2,709,000
	Balance payable at year end	**187,530**	10,430,000
Group Companies	Brokerage Commission earned during the year on sale and purchase of Securities	**3,960,209**	6,817,000
	Dividend income	-	14,104,839
	Rent paid on property	**22,117,304**	22,988,064
	Interest paid	-	9,368,717
Other Related Parties	Brokerage commission earned during the year on sale and purchase of Securities	**1,551,055**	844,717
	Loan Outstanding from Associate	**450,000,000**	450,000,000
	Loan repayment	**149,831,495**	33,113,218
	Purchase of investment Property	-	-
	Interest Income earned on advance	-	-
	Rent received on property	**2,635,380**	2,395,800
AHL Provident fund	Contribution paid during the year	**2,143,001**	3,717,725

Notes to the Financial Statements

For the year Ended June 30, 2013

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Other Executive	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	Rupees					
Managerial remuneration	**4,118,792**	4,980,101	**2,292,736**	1,527,032	**7,614,313**	5,134,682
House rent allowance	**1,237,543**	1,245,025	**460,411**	384,258	**1,968,826**	1,224,262
Conveyance	**775,274**	549,700	**748,840**	770,636	**3,086,193**	1,858,815
Utilities	**448,514**	256,314	**162,470**	6,485	**705,413**	33,000
Contribution to provident fund	**431,482**	518,761	**191,837**	160,108	**776,729**	510,110
Medical allowance	**412,514**	41,191	**153,470**	38,755	**656,275**	87,281
Commission & performance bonus(note 31.1)	**1,366,511**	794,938	**256,242**	667,515	**662,130**	842,676
	8,790,631	8,386,030	**4,266,006**	3,554,789	**15,469,879**	9,690,826
Number of persons	**1**	**1**	**5**	**3**	**10**	**6**

31.1 This includes entitlement of commission on account of sale and purchase transactions as per the agreemnts.

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

32 FINANCIAL RISK MANAGEMENT

32.1 Financial Risk Factors

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

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

a) Market Risk

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

i) Foreign Currency risk

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

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the company to incur significant mark to market and credit losses. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs.1,915 million (2012: 1,519 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.

	30 June 2013		30 June 2012	
	(Rupees)	**%**	(Rupees)	%
Contruction and materials	**1,165,776,922**	**60.85**	951,160,614	62.59
Financial Services & Commercial banking	**373,621,013**	**19.50**	276,255,674	18.18
Chemicals	**80,374,310**	**4.20**	151,499,682	9.97
Media	**4,371,430**	**0.23**	102,900,000	6.77
Oil & gas	**76,609,280**	**4.00**	19,060,178	1.25
Food Producers	**70,385**	**0.00**	-	-
Personal Goods	**138,233,728**	**7.22**	17,271,850	1.14
Paper & Board	**20,760,875,00**	**1.08**	-	-
Financial Services	**56,036,473**	**2.92**	-	-
Industrial Metals and Mining		**-**	1,585,701	0.10
	1,915,854,416	**100**	**1,519,733,697**	**100**

Notes to the Financial Statements

For the year Ended June 30, 2013

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 55.20 % (2012: 10.5%) during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2013 and 2012 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

	Fair Value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholder's equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2013 Rupees	**1,915,897,747**	**10% increase**	**2,107,487,522**	**191,589,775**	**191,589,775**
		10% decrease	**1,724,307,972**	**(191,589,775)**	**(191,589,775)**
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)

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. 27.616 million (2012: Rs.41.847 million) and Rs. 1,527.79 million (2012: Rs. 1,950.92 million) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

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

	2013	2012	**2013**	2012
	Effective interset rate (%)		**Carrying amount**	
Financial assets				
Bank deposits - PLS account	**6% to 10.5%**	5% to 11.5%	**27,615,712**	41,872,001
Financial liabilities				
Short term borrowings	**10.53% to 13.99%**	13.3% to 15.5%	**1,125,124,331**	1,653,936,052

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest / mark-up rate in terms of KIBOR has decrease by 275 bps during the year.

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

	Profit and loss 100bp	
	increase	decrease
	Rupees	
As at June 30, 2013		
Cash flow sensitivity-Variable rate financial liabilities	11,251,243	(11,251,243)
As at June 30, 2012		
Cash flow sensitivity-Variable rate financial liabilities	16,539,361	(16,539,361)

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 32.1(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.

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 32.1(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. 981.696 million, 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 2013	2012
Long term Investment		**159,342,551**	33,000,000
Long term deposits		**2,536,500**	4,664,700
Trade debts	**33.1.1**	**556,484,443**	746,748,191
Short term loans	**33.1.2**	**2,317,328**	1,586,536
Receivable against sale of securities- net		-	529,534,120
Short term deposits		**49,810,461**	15,499,960
Other receivables		**65,832,199**	8,798,436
Cash and bank balances		**406,760,741**	47,956,149
		1,243,084,223	1,387,788,092

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. 4,324.78 million (2012: Rs 1,126.33 million) owned by its clients, as collaterals against trade debts.

	2013		2012	
	Gross	Impairment	Gross	Impairment
Not past due	**396,241,190**	-	55,212,463	-
Past due 1 day - 30 days	**51,430,548**	-	172,943,775	-
Past due 31 days - 180 days	**66,346,921**	-	463,721,324	-
Past due 181 days - 1 year	**16,196,554**	-	14,863,821	-
More than one year	**1,007,965,197**	**981,695,967**	953,875,828	913,869,020
Rupees	**1,538,180,410**	**981,695,967**	1,660,617,211	913,869,020

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 :

	2013	2012
Trade debts - equity transactions	**68,331,663**	90,000,000

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:

Short term rating	**2013**	2012
	Rupees	
A1+	7,885,151	5,346,654
A-1+	1,279,695	201,780
A1	5,169,008	41,077,738
A-1	363,438,700	-
A-2	28,964,370	23,922
A2	-	1,304,551
A3	23,817	-
	406,760,741	47,954,645

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.

Notes to the Financial Statements

For the year Ended June 30, 2013

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. 406.761 million (2012:Rs. 47.956 million), unutilized credit lines Rs.1,360 million (2012: Rs. 197 million) and liquid assets in the form of short term securities Rs.1,916 million (2012: 1,519 million).

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

	2013			
	Carrying amount	Contractual Casf flows	**Upto one Year**	More than one Year
	Rupees			
Financial liabilities				
Loan from associate	**300,168,506**	**450,000,000**	**-**	**450,000,000**
Liabilities against assets subject to finance lease	**2,494,974**	**2,621,770**	**2,621,770**	**-**
Trade and other payables	**783,140,783**	**783,140,783**	**783,140,783**	**-**
Short term borrowings	**1,125,124,331**	**1,125,124,331**	**1,125,124,331**	**-**
Accrued markup on short term borrowings	**28,395,905**	**28,395,905**	**28,395,905**	**-**
	2,239,324,499	**2,389,282,789**	**1,939,282,789**	**450,000,000**

	Rupees			
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

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

32.2 Fair value estimate

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

Level1 : Quoted market price (unadjusted) in an active market.
Level2 :Valuation techniques based on observable inputs.
Level3:Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

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

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

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

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

June 30, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	Amount in Rupees			
Financial assets at fair value through profit or loss				
Equity securtties	1,915,854,416	-	121,342,551	2,037,196,967

June 30, 2012	Level 1	Level 2	Level 3	Total
	Amount in Rupees			
Financial assets at fair value through profit or loss				
Equity securtties	1,519,733,697	-	-	1,519,733,697

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

Unlisted equity Instruments		**2013**	2012
		Rupees	
Balance at 1 July		-	-
Total gains and losses recognized in profit or loss:		121,342,551	-
Balance at 30 June	Rupees	121,342,551	-

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

Notes to the Financial Statements

For the year Ended June 30, 2013

	KSEL Effect on proft & loss		LSEL Effect on proft & loss		ISEL Effect on proft & loss		Total Effect on proft & loss	
	Favourable	Un Favourable	Favourable	Un Favourable	Favourable	Un Favourable	Favourable	Un Favourable
	Amount in thousand Rupees							
Inflation Differntial Method								
Entity Specific Risk								
1.2		(1,668,174)		(1,683,101)		(834,179)	-	(4,185,453)
1.5		(3,999,713)		(4,007,383)		(2,003,424)	-	(10,010,520)
Terminal Growth								
Increase by 10%		(8,017,090)		(5,249,672)		(2,582,564)	-	(15,849,326)
Decrease by 10%	10,514,879		6,892,699		3,384,340		20,791,918	-
Present value of Future Cash Flows								
Increase by 10%	1,398,584		1,362,510		1033219		3,794,313	-
Decrease by 10%		(1,415,309)		(1,081,993)		(1,035,830)	-	(3,533,133)
CAPM-Country Risk Premium Method								
Entity Specific Risk								
1.2	-	(8,080,039)	-	(9,016,612)		(4,615,325)	-	(21,711,976)
1.5	-	(15,083,247)	-	(16,630,639)		(8,571,713)	-	(40,285,600)
Terminal Growth								
Increase by 10%	-	(3,245,086)	-	(1,923,544)		(964,206)	-	(6,132,835)
Decrease by 10%	3,850,976	-	2,324,282	-	1,144,612		7,319,871	-
Present value of Future Cash Flows								
Increase by 10%	-	(1,295,586)	-	(1,162,141)		(928,373)	-	(3,386,100)
Decrease by 10%	1,267,900	-	1,202,215	-	919,930		3,390,045	-

32.3 Financial instruments by categories

As at June 30, 2013	Asset at cost	Asset at fair value through profit and loss	Loans and recievables	Other financial Assets	Total
	Amount in Rupees				
Financial assets as per balance sheet					
Long term investment	38,000,000	121,342,551	-	-	159,342,551
Long term deposits	-	-	2,536,500	-	2,536,500
Short term investments	-	1,915,897,747	-	-	1,915,897,747
Trade debts	-	-	556,484,443	-	556,484,443
Short term loans	-	-	2,317,328	-	2,317,328
Short term deposits	-	-	49,810,461	-	49,810,461
Other receivables	-	-	65,832,199	-	65,832,199
Cash and bank balances	-	-	-	47,956,149	47,956,149
	38,000,000	1,915,897,747	676,980,931	47,956,149	2,640,834,827

As at June 30, 2013 Financial liabilities as per balance sheet	Financial liabilities at amortized cost
Liabilities against assets subject to finance lease	-
Loan from associate	300,168,506
Short term borrowings	1,125,124,331
Current portion of lease liabilities	2,494,974
Trade and other payables	814,386,783
Accrued markup	28,395,905
	1,970,401,993

Notes to the Financial Statements

For the year Ended June 30, 2013

	Asset at cost	Asset at fair value through profit and loss	Loans and recievables	Other financial Assets	Total
As at June 30, 2012	Amount in Rupees				
Assets as per Balance Sheet					
Long term investment	33,000,000	-	-	-	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	2,377,987,669

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 Associates	262,270,429
Short term borrowings	1,653,936,052
Current portion of lease labilities	964,541
Trade and other payables	198,202,436
Accrued markup	41,951,956
	1,895,054,985

32.4 CAPITAL RISK MANAGEMENT

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

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

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

Notes to the Financial Statements

For the year Ended June 30, 2013

	2013	2012
	Rupees	
Total borrowings	**1,427,787,811**	1,919,668,769
Cash and bank balances	**406,760,741**	47,956,149
	1,021,027,070	1,871,712,620
Total equity	**1,343,415,798**	1,095,946,335
Total capital	**2,364,442,868**	2,967,658,955
Gearing ratio	**43.18%**	63.07%

33 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has recommended a final cash dividend of Rs. 3.0 (2012 : Rs. 3.0) per share amounting to Rs. 150 million (2012: 135 million) and bonus shares in the proportion of 1 ordinary share per 10 ordinary shares held amounting to Rs. 50 million(2012: 50 million) at its meeting held on July 29, 2013 for the approval of the members at the annual general meeting to be held on October 25, 2013. The financial statements do not reflect this appropriation in the current financial statements.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors in meeting held on July 29, 2013.

35 GENERAL

35.1 Figures have been rounded off to the nearest rupee.

35.2 Total number of employees as at the balance sheet date is 63 (2012: 56).

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

Notice of Ninth Annual General Meeting

Notice is hereby given that the Ninth Annual General Meeting of Arif Habib Limited will be held on Friday, October 25, 2013 at 05:30 p.m. at Beach Luxury Hotel, M.T. Khan Road Karachi to transact the following business:

Ordinary Business

1) To confirm minutes of the Annual General Meeting held on September 22, 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, 2013.

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 @ 10% i.e. in the proportion of 1 share for every ten 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 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.

6) 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 a sum of Rs. 50,000,000 (Rupees Fifty million) out of Reserves of the Company available for appropriation as at June 30, 2013, 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 12, 2013 in the proporation of one shares of every ten shares held (i.e. 10%) 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 2013.

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 appopriate 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 of allotment and distribution of bonus shares."

Resolution in respect of agenda item number 6.

"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".

		Amount in million	
	Name of Companies & Undertakings	Proposed Amount of Equity	Proposed Amount of Loan / Advance
1	Aisha Steel Mills Limited	200	100
2	Safemix Concrete Products Limited	50	50
3	Fatima Fertilizer Company Limited	750	-
4	Power Cement Limited (formerly Al-Abbas Cement Industries Limited)	250	-
5	Javedan Corporation Limited	1,000	250
6	MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited)	250	-
7	Arif Habib Commodities (Pvt.) Limited	100	100
8	Arif Habib 1857 (Pvt.) Limited	60	60

"FURTHER RESOLVE 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".

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

By order of the Board

Zia-ur-Rahim Khan
Company Secretary
Friday, October 4, 2013
Karachi

Notes:

1. Share transfer books of the company will remain closed from October 19, 2013 to October 25, 2013 (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 October 18, 2013 will be treated in time.

2. 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 at the Company's Registered Office, Arif Habib Center, 23, M.T. Khan Road, Karachi. not later than 48 hours before the time of holding the Meeting.

3. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original CNIC to prove identity, and in case of proxy, a copy of shareholder's attested 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 and 6 of the Notice, to be transacted at the Annual General Meeting of the Company.

Issue of Bonus Shares

The Directors are of the view that Company's financial position an its reserves amounting to Rs. 50,000,000 (fifty million for the issue of bonus shares in the ratio of 1 bonus share for every 10 ordinary shares held the Directors directly or indirectly, are not personaly 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 29, 2013 approved the limits for investments in its following existing and planned associated companies and undertakings under Section 208 of the Companies Ordinance, 1984. The management considers that good investments opportunities might be available in near future which should be materialized.

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

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

S.no	Description	Information Required
(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	Rs.9.44 (Ordinary); Rs. 8.51 (Preference)
(iv)	Breakup value of shares intended to be purchased on the basis of last audited financial statements	Rs.8.72 per share
(v)	Earning per share of investee company in last three years: 2012 2011 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 lines.
(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 Required
(i)	Name of investee company	Safemix Concrete Products Ltd
(ii)	Nature, amount and extent of investment	Equity investment PKR 50 million Loan / advance upto PKR 50 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 8.57
(iv)	Breakup value of shares intended to be purchased on the basis of last audited financial statements	Rs.9.85 per share
(v)	Earning per share of investee company in last three years: 2012 2011 2010	 Rs. (0.34) 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 Required
(i)	Name of investee company	Fatima Fertilizer Company Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR 500 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 23.33
(iv)	Breakup value of shares intended to be purchased on the basis of last audited financial statements	Rs.13.79 per share
(v)	Earning per share of investee company in last three years: 2012 2011 2010	 Rs. 2.86 per share Rs. 1.85 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 propose 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 Required
(i)	Name of investee company	Power Cement Limited (formerly Al Abbas Cement Industries Limited)
(ii)	Nature, amount and extent of investment	Equity investment PKR 250 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 6.75
(iv)	Breakup value of shares intended to be purchased on the basis of last audited financial statements	Rs. 3.08 per share
(v)	Earning per share of investee company in las three years:	
	2012	Rs. 0.42 per share
	2011	Rs. (4.27) per share
	2010	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) B	Security on loan / advance	Management considers that being group company there is no need of collateral security.

S.no	Description	Information Required
(i)	Name of investee company	Javedan Corporation Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR 1000 million Loan / advance upto PKR 250 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 90.29 (Ordinary); Rs. 12.87 (Preference)
(iv)	Breakup value of shares intended to be purchased on the basis of last audited financial statements	Rs. 7.27 per share
(v)	Earning per share of investee company in last three years: 2012 2011 2010	 Rs. (5.78) 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 Required
(i)	Name of investee company	MCB-Arif Habib Savings and Investments Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR 250 million
(iii)	Average market price of the shares intended to be purchased during proceeding six months in case of listed companies	Rs. 15.05
(iv)	Breakup value of shares intended to be purchased on the basis of last audited financial statements	Rs. 17.65 per share
(v)	Earning per share of investee company in last three years: 2013 2012 2011	 Rs. 2.19 per share Rs. 2.01 per share Rs. 1.97 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 Required
(i)	Name of investee company	Arif Habib Commodities (Pvt.) Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR 100 million Loan / advance upto PKR 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 audited financial statements	Rs. 8.86 per share
(v)	Earning per share of investee company in last three years: 2013 2012 2011	 Rs. (0.09) per share Rs. (0.31) per share N/A
(vii) made	Source of funds from where shares will be	From company's own available liquidity and credit line
(vi)	Price at which shares will be purchased	At par / premium / market / offered / negotiated price prevailing on the date of transaction /investment.
(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 Required
(i)	Name of investee company	Arif Habib 1857 (Pvt.) Limited
(ii)	Nature, amount and extent of investment	Equity investment PKR 60 million Loan / advance upto PKR 60 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 audited financial statements	N/A
(v)	Earning per share of investee company in last three years: 2013 2012 2011	N/A
(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 2013

Category	"Number of shareholders"	Number of shares held	Holding %
Directors and their spouse(s) and minor children	9	5,760	0.01
Executives	-	-	-
Associated Companies, undertakings and related parties	2	39,517,261	79.03
Public Sector Companies and Corporations	2	185,602	0.37
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	4	141,414	0.28
Mutual Funds	-	-	-
Others	50	557,727	1.12
General Public - Local	3279	9,587,514	19.18
General Public - Foreign	2	4,722	0.01
Total	**3348**	**50,000,000**	**100.00**

Categories of Shareholders

As at 30 June 2013

No. of Shareholders	Shareholdings' Slab			Total Shares Held
509	1	to	100	15,328
815	101	to	500	218,276
390	501	to	1000	303,426
1277	1001	to	5000	2,514,692
170	5001	to	10000	1,220,280
65	10001	to	15000	811,443
30	15001	to	20000	524,767
24	20001	to	25000	545,414
15	25001	to	30000	410,629
13	30001	to	35000	423,997
5	35001	to	40000	192,723
5	40001	to	45000	213,263
3	45001	to	50000	149,444
4	50001	to	55000	207,360
3	55001	to	60000	180,000
5	65001	to	70000	340,029
2	75001	to	80000	153,022
1	85001	to	90000	87,041
1	90001	to	95000	92,000
1	105001	to	110000	109,000
1	130001	to	135000	133,300
1	140001	to	145000	143,616
2	145001	to	150000	295,390
1	170001	to	175000	171,500
1	210001	to	215000	210,111
1	360001	to	365000	360,382
1	455001	to	460000	456,306
1	14515001	to	14520000	14,517,261
1	24995001	to	25000000	25,000,000
3,348				50,000,000

Categories of Shareholders

As at 30 June 2013

Categories of Shareholders		Shareholders	Shares held	%
Directors and their spouse(s) and minor children				
Sharmin Shahid		1	833	0.001
Muhammad Shahid Ali		1	666	0.001
Amanullah Suleman		1	1,111	0.001
Haroon Usman		2	1,181	0.001
Nida Ahsan		1	833	0.001
Abdullah A. Rahman		2	581	0.001
Muhammad Rafique Bhundi		1	555	0.001
Associated Companies, undertakings and related parties				
Arif Habib Corporation Limited		2	39,517,261	79.03
Executives		-	-	-
Public Sector Companies and Corporations		2	185,602	0.37
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds		**4**	**141,414**	**0.28**
Mutual Funds		-	-	-
General Public				
	a. Local	3279	9,587,514	19.18
	b. Foreign	2	4,722	0.01
	Others	50	557,727	1.12
	Total	3348	50,000,000	100.00

Shareholders holding 5 % or more	Shares Held	Percentage
Arif Habib Corporation Limited	39,517,261	79.03

Form of Proxy

9th 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 Ninth Annual General Meeting of the Company to be held on October 25, 2013 and/or any adjournment thereof.

Signed this __________ day of __________ 2013.

Witnesses:

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

Signature on
Rs. 5/-
Revenue Stamp

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

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 along with 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,
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www.arifhabibltd.com

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