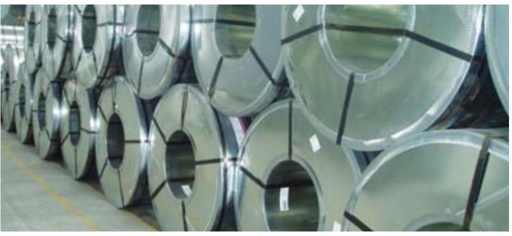
Promoting Investments

annual report 2011

Arif Habib Corp

Our market responsive corporate strategy strives towards enhancing shareholders' satisfaction through creation of value and accumulation of economic worth over the long run. We aim at creating value for all the stakeholders by creating a competitive edge over others in the market. We consider diversification of our investments as a significant factor behind our continuous growth and sustainability in the ever changing operating environment.

contents



Overall Corporate Strategy

Our corporate strategy strives towards enhancing shareholders' satisfaction by growing the economic worth of the business through remaining energetic and responsive to ever changing economic and business circumstances. Towards this end, we continually seek to maintain and improve our competitiveness, create a high performance culture and have in place the ability to recognize weak areas and the ability to respond against any threats to the business's worth. We consider diversification of our investments as a material factor behind corporate sustainability in the significantly changing investment market environment.

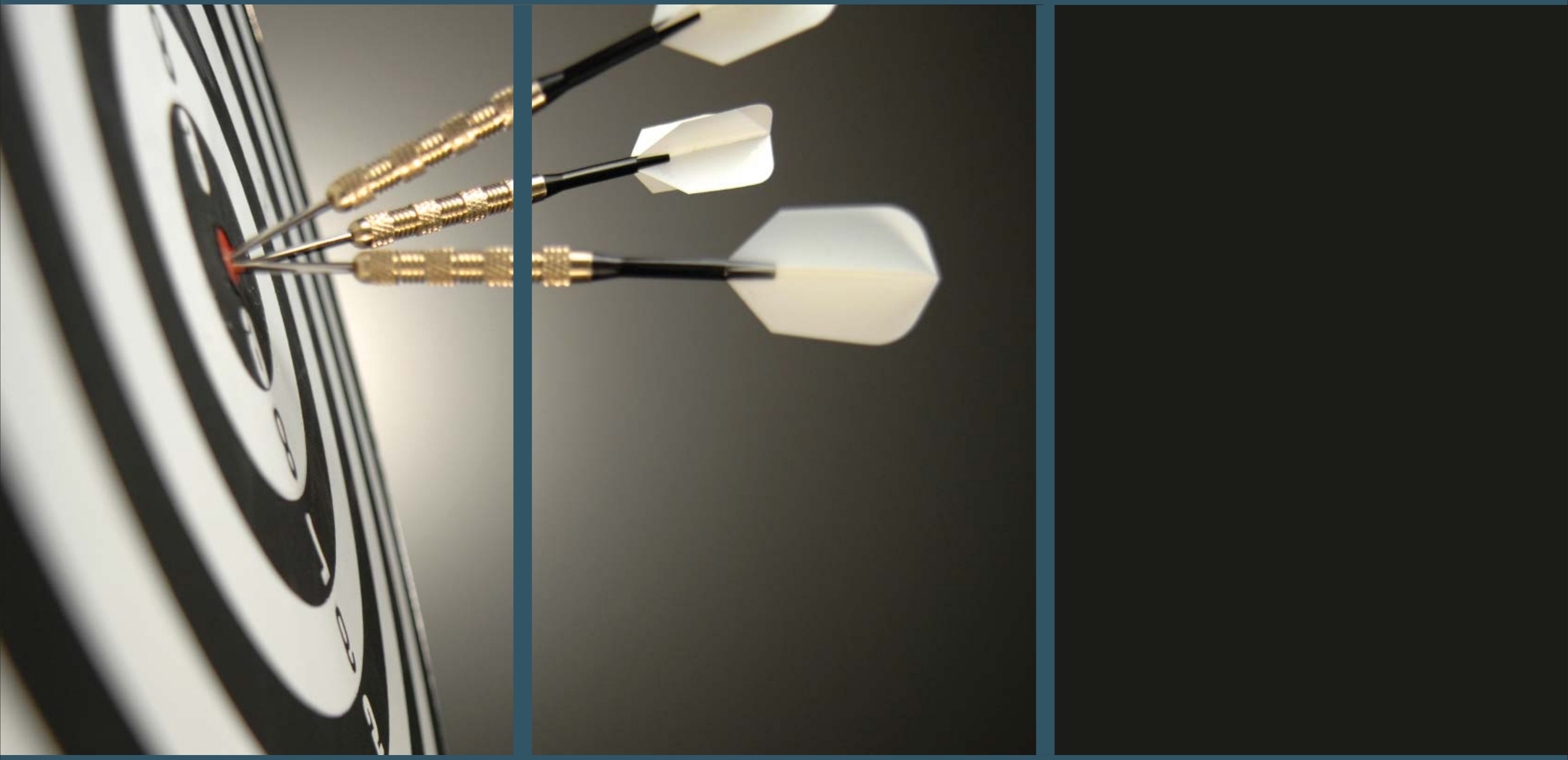
vision

To be the leading investment company and to achieve excellence in every aspect of its business while discharging its obligations as a good corporate citizen to the satisfaction of all the stakeholders.

mission

To excel in conceiving, developing and executing exclusive and exciting projects across business sectors with a focus on chemical & fertilizers, financial services, construction materials, energy, steel and other sectors, with the aim of maximizing returns for shareholders, while playing a significant role in developing Pakistan's economy and in its integration into the world markets.

Core Values and Code of Conduct & Ethics



The code of conduct provides the guidelines to the decisions, procedures and system of the Company in a way that it contributes to the welfare of all the stakeholders and fulfill their objectives.

The summary of the Code of Conduct is on the following page:

- **Respect for the Individual:**
  We are an equal opportunity employer. Discrimination on any grounds is fundamentally unacceptable.

- **Conflict of Interest:**
  The employees are required to act in the Company's best interest and the Company has developed policies in a way that the interests of all the stakeholders, including the employees, coincide with the objectives of the Company.

- **Financial and Operational Integrity:**
  Compliance with the accepted accounting principles and procedures is required at all times.

- **Regulatory Compliance and Corporate Governance:**
  The Company endeavors to comply with all the applicable requirements of Laws and Regulations. The Company is committed to high standards of corporate governance.

- **Bribery**
  All kinds of bribes or facilitation payments or receipt in cash or in kind are strictly prohibited.

- **High Standards**
  Voluntarily sets, and adhere to, the highest standards of professional conduct: this will assure peace of mind and fair treatment for all stakeholders.

- **Efficiency**
  Efficiencies, appropriate risk management measure and pricing strategies should enable profitable operations and good shareholder returns in all market scenarios.

- **Growth and Development**
  The Company's social responsibility and it's intend role in the growth and development of capital markets, must always be kept in mind in choosing the projects and business offered by the market opportunity, considered adequacy at the appropriate forums may also be taken up as a contributory tool.

Company Information

Board of Directors

Arif Habib
Chairman & Chief Executive

Nasim Beg
Director

Asadullah Khawaja
Director

Samad A. Habib
Director

Kashif A. Habib
Director

Muhammad Akmal Jameel
Director

Tahir Iqbal
Director

Chief Financial Officer & Company Secretary
Zeeshan

Audit Committee

Muhammad Akmal Jameel
Chairman

Kashif A. Habib
Member

Tahir Iqbal
Member

Management

Arif Habib
Chief Executive Officer

Zeeshan
Group Chief Financial Officer

Zeshan Afzal
Group Head - Strategic Investments

Bankers

Allied Bank Limited
Askari Bank Limited
Atlas Bank Limited
Bank Al Falah Limited
Bank Al-Habib Limited
Bank of Khyber
Barclays Bank (Pakistan) Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
My Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
Soneri Bank Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Auditors

KPMG Taseer Hadi & Co., Chartered Accountants

Legal Advisors

Bawaney & Partners

Registered & Corporate Office

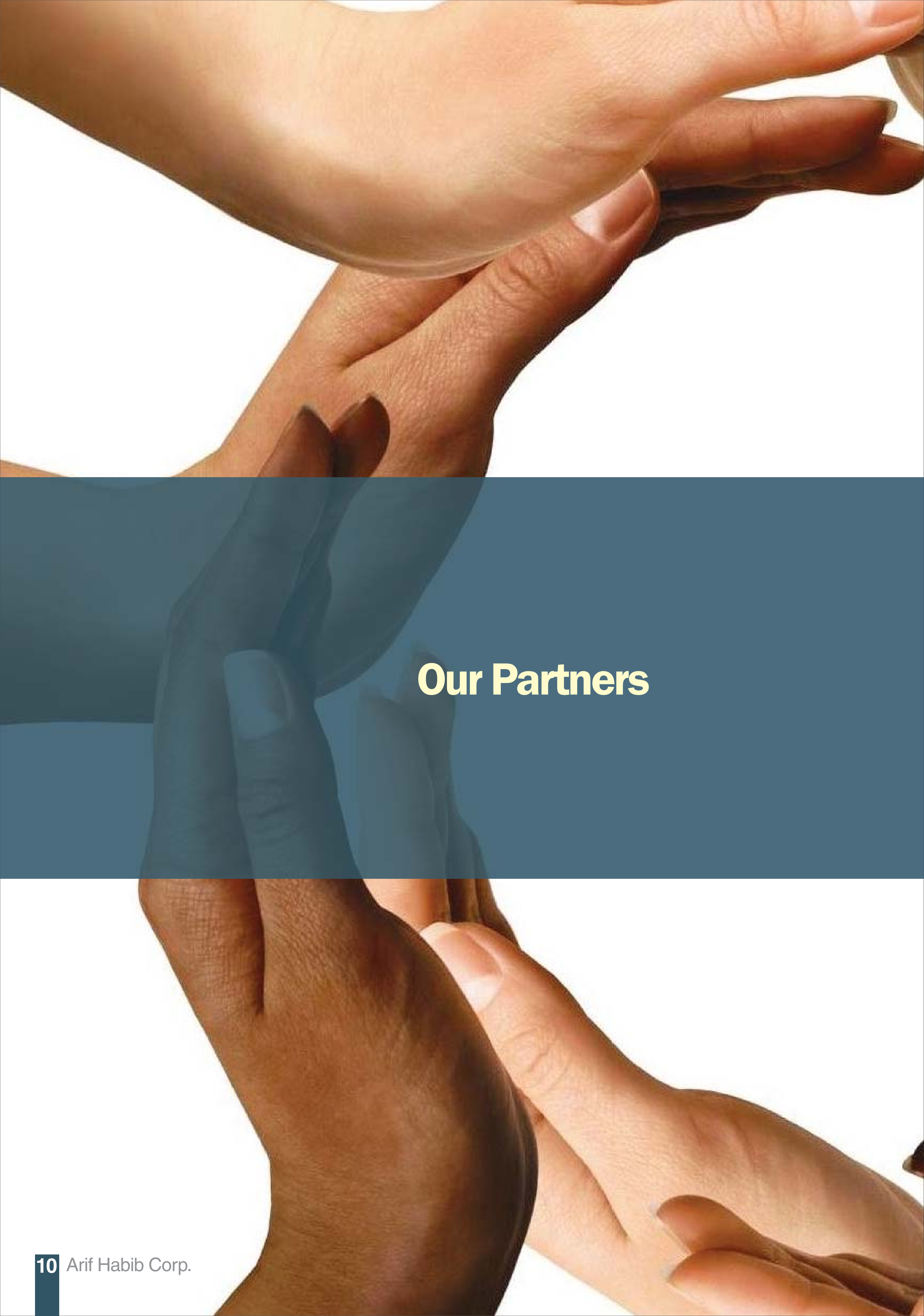
Arif Habib Centre
23, M.T. Khan Road
Karahi-74000
Phone: (021)32460717-9
Fax: (021)32429653, 32468117
Email: info@arifhabibcorp.com
Website: www.arifhabibcorp.com

Registrar & Share Transfer Agent

Central Depository Company of Pakistan Limited

Share Registrar Department

CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi
Phone: (021) 111-111-500
Toll Free:0800-23275
Fax: (021)34326053
URL: www.cdcpakistan.com
Email: info@cdcpak.com



Our Partners

Pakarab Fertilizers Limited
Fatima Fertilizer Company Limited
Arif Habib Limited
Arif Habib Investments Limited
Aisha Steel Mills Limited
Al Abbas Cement Industries Limited
Sweet Water Diaries Pakistan (Pvt.) Limited
Sachal Energy Development (Pvt.) Limited
Arif Habib REIT Management Limited
Dolmen City
Javedan Corporation Limited

104.B STACK

Pakarab Fertilizers Limited

Turnover
18,248

Profit after tax
3,232

Total Assets
50,637

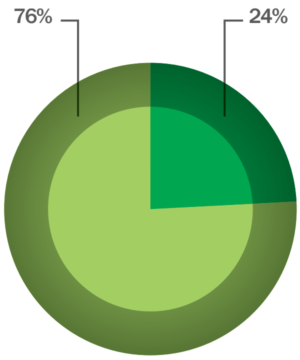
Shareholders equity
12,248

Rupees in million

Pakarab Fertilizers Limited is a joint venture between Arif Habib and Fatima Group under the privatisation programme from Government of Pakistan and Abu Dhabi National Oil Company Limited in the year 2005.

Pakarab Fertilizers Limited having rated capacity of 0.9 million tons of fertilizers, is located in, Multan. The site area comprises 302 acres, which includes area for the factory and the housing colony with all amenities including medical centre, school, management and staff clubs for recreation of employees and their families,

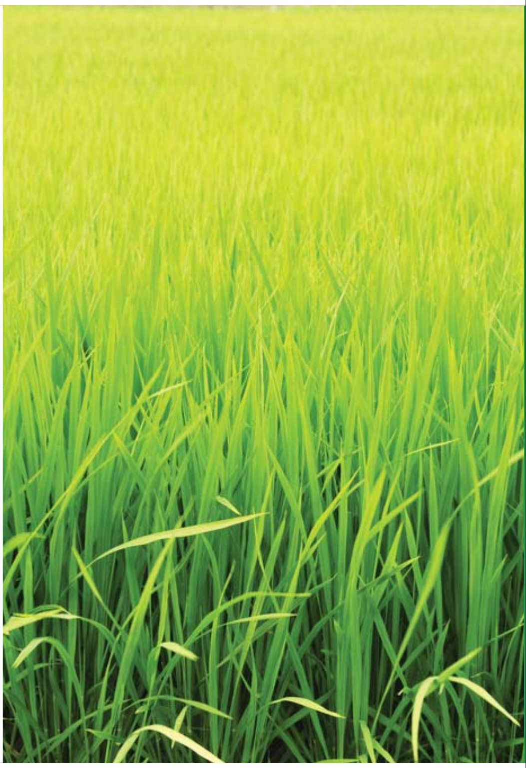
Pakarab Fertilizers Limited has undergone extensive modernization and new improved processes have been introduced to maximize the output while minimizing the negative impacts on the environment. A Clean Development Mechanism (CDM) plant has also been installed which is the first project of this kind in Pakistan, making the company the first Pakistani company to earn and sell Carbon Credits in the international market.



50,637

Total Assets
Shareholders equity
Total liabilities


PLANT SAFETY RULES



Fatima Fertilizer Company Limited

EBITDA
(93)

Loss for the year
(164)

Total Assets
69,457

Shareholders equity
24,259

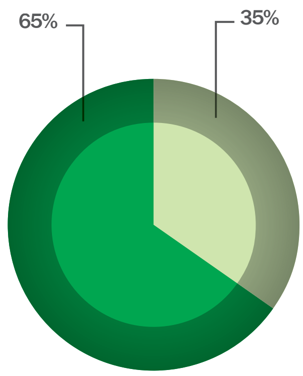
Rupees in million

Fatima Fertilizer Company Limited was incorporated on December 24, 2003, as a joint venture between Arif Habib and Fatima Group.

The fertilizer complex is a fully integrated production facility with rated capacity of 1.5 million tons, is capable of producing two intermediate products, i.e., Ammonia and Nitric Acid and four final products which are Urea, Calcium Ammonium Nitrate (CAN), Nitro Phosphate (NP) and Nitrogen Phosphorous Potassium (NPK) at Sadiqabad, Rahim Yar Khan.

The Complex has a 56MW captive power plant and has been allocated 110 MMCFD of gas from the dedicated Mari Gas fields.

The Company is listed at all stock exchanges of Pakistan, through a successful initial public offering (IPO) in February 2010. Fatima Fertilizer Company Limited holds the distinction of being the only Pakistani Company which has become eligible for Level One ADRs to be traded at the OTCQX in New York. The company has CDM plant duly approved by United Nations.



69,457

Total Assets
- Shareholders equity
- Total liabilities


8500
7500
6500

Arif Habib Limited

Operating income
107

Loss after tax
(555)

Total Assets
1,239

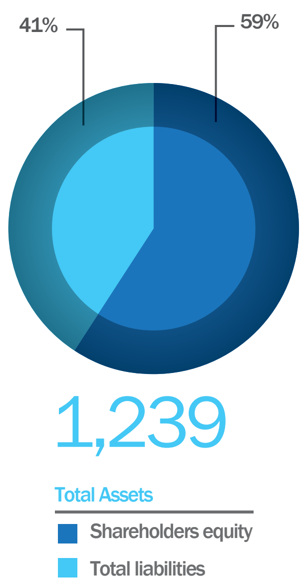
Shareholders equity
734

Rupees in million

Arif Habib Group commenced brokerage services in 1970. The brokerage services are provided by Arif Habib Limited (AHL). AHL, subsidiary of Arif Habib Corporation Limited, is engaged in providing equity brokerage and corporate finance services to a large number of institutional, corporate, high net worth individuals and retail clients. To increase its footprints in the market, company has recently started Commodity Brokerage services.

AHL is listed at the Karachi Stock exchange. It has a significant market share in the corporate finance services business. The company provides financing and investment solutions related to raising of equity and debt through the market, Mergers and Acquisitions, Financial Advisory and Structured Finance.

Additionally, AHL has won the "Top 25 companies of Pakistan award" of the Karachi Stock Exchange in 2007, 2008 and 2009.




Arif Habib
Investments

Arif Habib Investments Limited

Revenue
283

Profit after tax
69

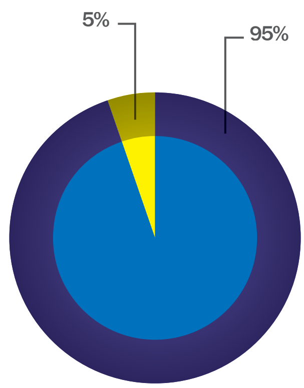
Total Assets
1,337

Shareholders equity
1,267

Rupees in million

Arif Habib Investments Limited is an Asset Management, Investment Advisory and Pension Fund Management Company, managing Open-end Mutual Funds, Pension Funds and discretionary and non-discretionary portfolios. The Company is registered with the Securities & Exchange Commission of Pakistan (SECP) and regulated under the Non-Banking Finance Companies (NBFC) Rules 2003, NBFC and Notified Entities Regulations 2008 and Voluntary Pension System Rules 2005.

Arif Habib Investments Limited manages over Rs.29.741 billion as of June 30, 2011, in 16 Mutual Funds, 2 Pension Funds and 11 Investments Plans in its product portfolio to meet the investment needs of its growing clientele. Consequent to the merger of Arif Habib Investments Limited and MCB Asset Management Company Limited, the merged entity enjoys a wide distribution network that will help to further penetrate and expand the business to retail and high net worth clients. Arif Habib Investments Limited has been an industry leader, setting international standards and bringing innovative products to market.



1,337

Total Assets

Shareholders equity

Total liabilities

Aisha Steel Mills Limited

EBITDA
(35)

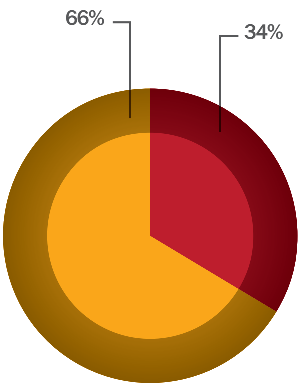
Profit after tax
139

Total Assets
8,476

Shareholders equity
2,849

Rupees in million

Aisha Steel Mills Limited is a joint venture of Metal One (subsidiary of Mitsubishi Japan), Universal Metal Corporation – Japan and Arif Habib Corporation Limited. ASML was incorporated in 2005 to set up a state of the Art High Tech cold Rolling Mills in the Down-stream Industrial state of Pakistan Steel, Bin Qasim, Karachi at a cost of US$ 105 million to manufacture high quality Cold Rolled Coils. ASML will have the annual production capacity of 350,000 MT to be completed in two phases. The company is expected to start commercial operations in early 2012.



8,476

Total Assets

- Shareholders equity
- Total liabilities

Promoting Investments

Al Abbas Cement Industries Limited

Turnover
2,220

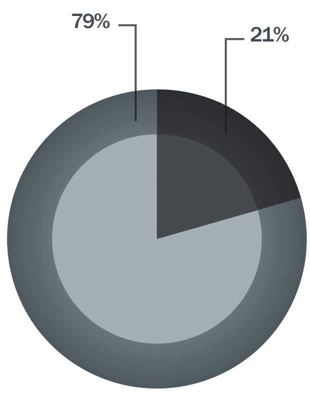
Loss after tax
(796)

Total Assets
5,318

Shareholders equity
1,102

Rupees in million

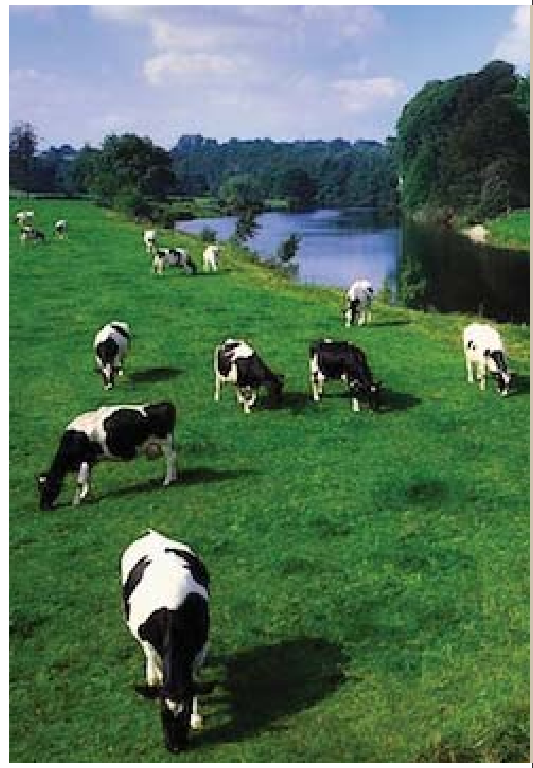
Al Abbas Cement was incorporated on December 01, 1981 and its control was acquired by a consortium of Arif Habib and Al-Abbas Group. The plant site is situated at Deh Kalo, Nooriabad Industrial Estate, District Dadu, Sindh. The annual production capacity of the company is 900,000 MT.



5,318

Total Assets
- Shareholders equity
- Total liabilities





Sweet Water Dairies Pakistan (Pvt.) Limited

Turnover
68

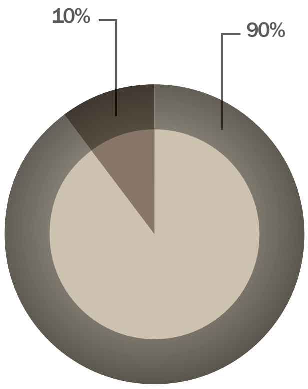
Loss after tax
(77)

Total Assets
679

Shareholders equity
611

Rupees in million

Sweetwater Dairies Pakistan (Pvt.) Limited (SDPL) has set up an exciting and a distinguished dairy project in Renala Khurd, District Okara in Punjab. The project has been set up on 28 acres of land with a dairy shed designed by 5G International, USA and is at par with the most advanced dairies in the world. Milk production has already been started. The Company is set to bring new dimensions to the dairy sector in Pakistan.



679

Total Assets

Shareholders equity

Total liabilities



Sachal Energy Development (Pvt.) Limited

Other Income
2

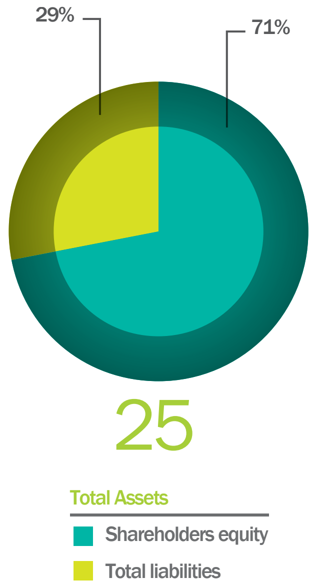
Loss after tax
(47)

Total Assets
25

Shareholders equity
18

Rupees in million

Sachal Energy Development (Pvt) Ltd. (SEDL) is a special-purpose company that has been acquired to commission and operate a 50 MW wind farm at Jhimpir, Sind on a build, own & operate basis. SEDL is the wholly owned subsidiary of AHCL. We believe that alternate sources of energy are the way forward.



Other Companies having Group's Shareholding

Arif Habib REIT Management Limited

Arif Habib Group has formally entered the Real Estate Investment business by becoming the first to incorporate a Company under the NBFC Rules to provide REIT Management Services and float REIT Schemes in Pakistan.

Dolmen City

Dolmen City project is located at the beach front at Clifton, Karachi. Currently, two office towers of 450,000 sq. ft. have been completed. Shopping mall of 935,000 sq. ft. with leasable area of over 500,000 sq. ft. is near completion.

Arif Habib REIT Management Limited has been formed with the primary objective of managing the Real Estate Investments of the Group and converting these assets into equity by launching either Rental or Developmental REIT Schemes and offering the units to the general public. The Regulations approved by the SECP require that each REIT scheme must have a minimum size of Rs. 2 billion and that the RMC must hold a minimum of 20% in each REIT Scheme. This would require the Group to make substantial investments in Real Estate for which the Group is firmly committed. In line with global practice, Arif Habib Group will further form companies to offer Property Management Services and other Real Estate services to augment its REIT Management business. A number of REIT schemes have been filed with SECP for its approval.

Two proposed 40 storey building towers are structurally build upto 8 floors which are expected to be developed after launch of the Dolmen Mall in October this year. Total covered area after completion of the project will be 3.9 million sq. ft. This is a joint venture between Dolmen and Arif Habib Groups on 80:20 basis.

Javedan Corporation Limited (formerly Javedan Cement Limited)

JCL is the owner of land measuring over 1300 acres at Manghopir, near SITE, North Nazimabad, North Karachi and New Karachi. Arif Habib Group has 38% equity in the project and intends to develop a housing scheme, Naya Nazimabad, on this land. It is joint venture with AKD and Al-Abbas Groups.

The project will accommodate the housing demand of the middle class and is an endeavour to reduce the housing problem of the country. At its completion, the project will be able to provide the amenities like road network, hospital, mosque, school, commercial area, fitness centre, park, and other utilities. The project is envisioned as the largest private sector development initiative in Karachi. Upon completion, it would have upto 30,000 units accommodating to a population of over 100,000 people. All necessary approvals are in place or at advanced stage of approvals and launch is expected very shortly. The location of the land is next to S.I.T.E., the most prestigious industrial area in Karachi. Targeting the lower and middle income class, the land is located next to North Nazimabad and New Karachi, two heavily urbanized areas in the city which is accessible from S.I.T.E. Industrial Area.

Company Profile

Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) (AHCL) is the holding company of one of the major business groups of Pakistan. The Company has a diversified portfolio across sectors including Chemical and Fertilizers, Financial Services, Construction Materials, Industrial Metals, Dairy Farming and others.

At AHCL, our aim is to seek opportunities globally as well. Towards this end, the Company has begun to leverage its core competences and currently has invested in an equity brokerage house in Srilanka and has acquired membership of a multi commodity exchange in the UAE.

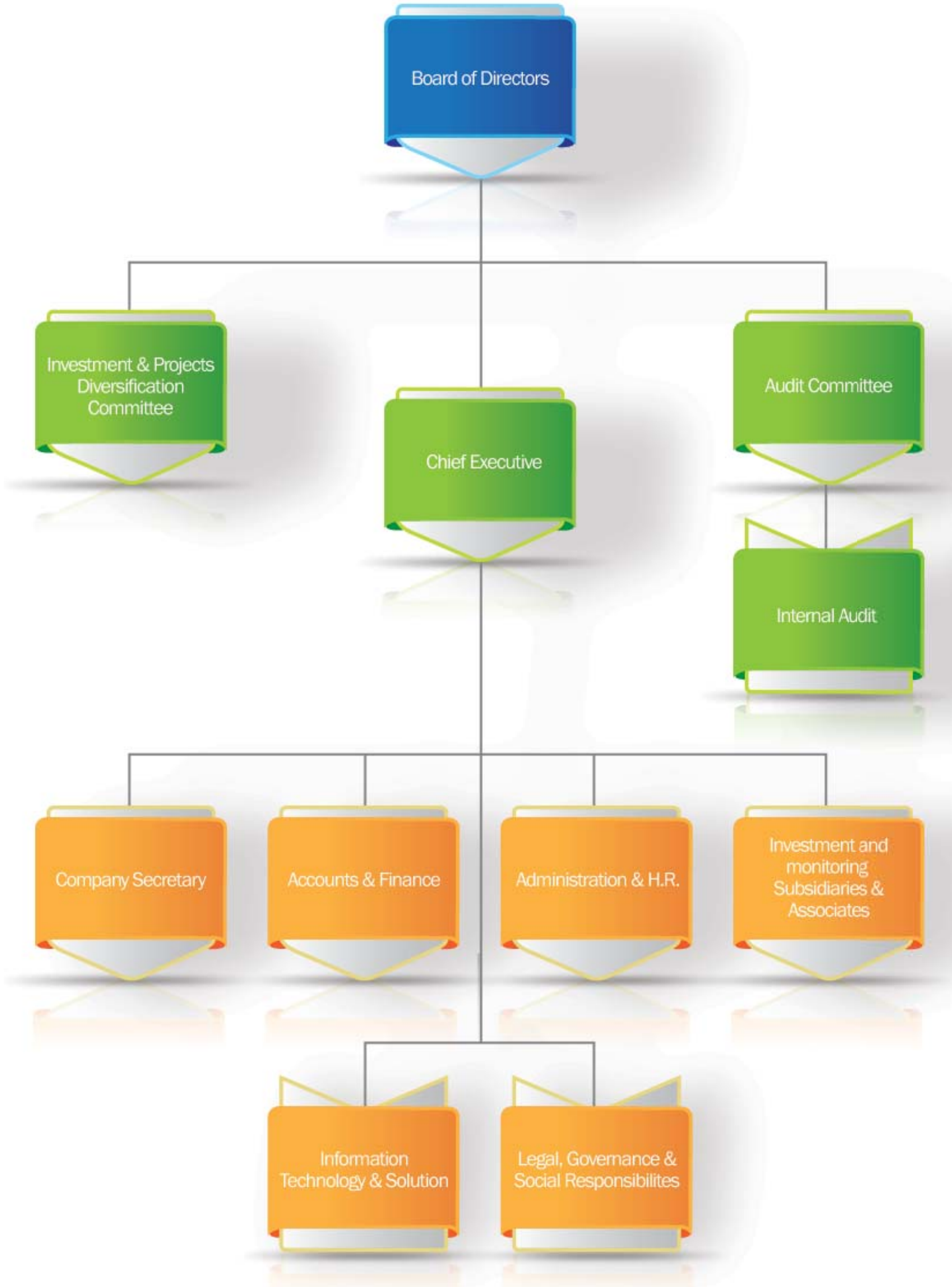
AHCL has, over time, won several prestigious national and regional awards in recognition of its consistently strong financial performance, sound corporate governance practices and transparent comprehensive financial reporting through its reliable and experienced management team. AHCL's brand name is built on years of commitment to the best interest of all stakeholders. The Company has a strong record of quality asset selection and decisive market timing but above all, adherence to high standards of best practices. Group companies own and manage assets of several hundred millions of US dollars.

AHCL and its group companies are managed by its most important resource i.e. qualified and experienced professional employees. In order to further capitalise on this strength, the Company is constantly improving the work area environment and with emphasis on strong commitment to a dynamic and energetic culture that encourages innovation. The management team is responsible to protect the stakeholders' interest in a manner that their interests are aligned with the Company's objectives.

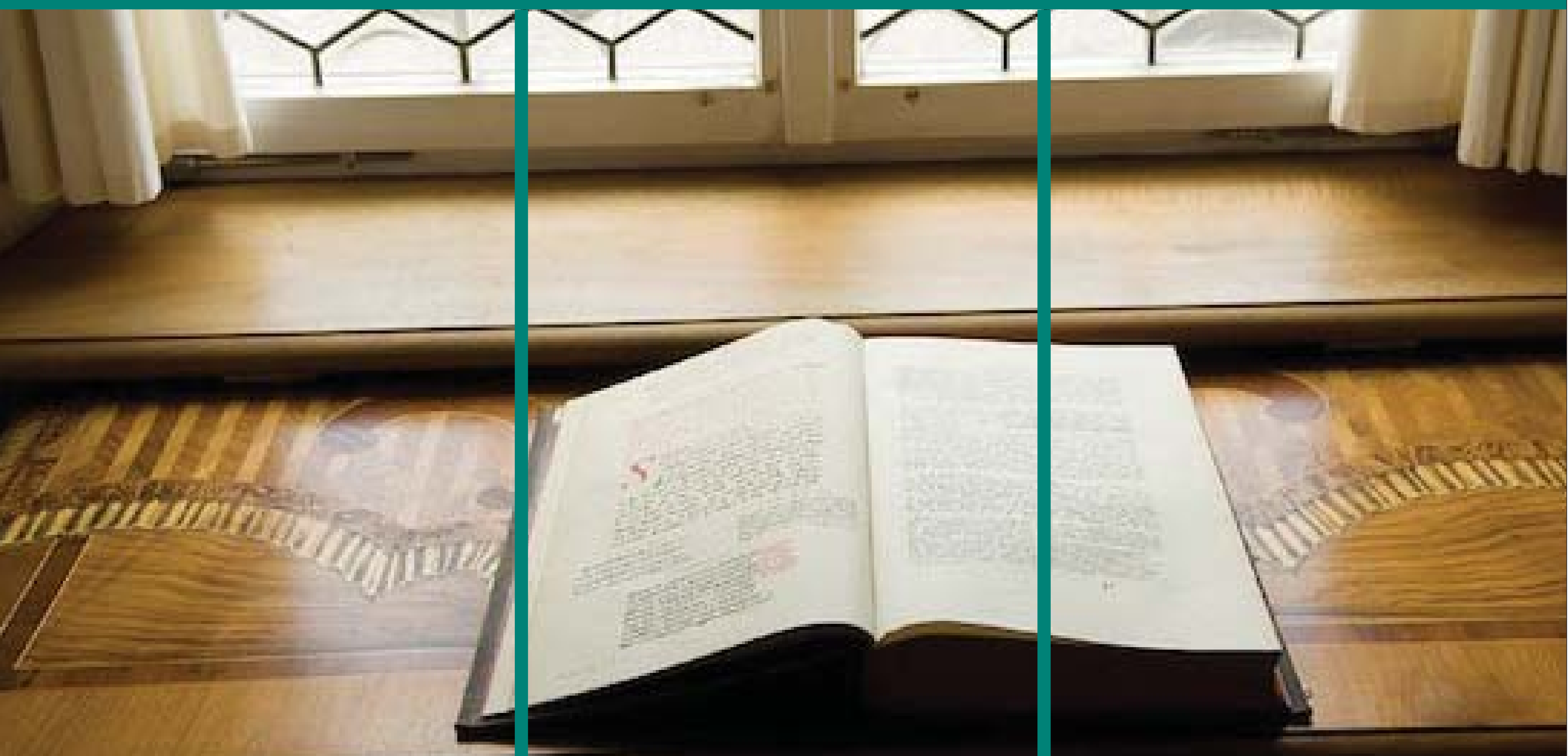
AHCL is the flagship company of the Arif Habib Group. The company was incorporated on 14 November 1994 as a public limited company under the Companies Ordinance, 1984 with a paid up capital of Rs. 40 million. The Company was listed in 2001 on all three bourses of the Country by offering one million shares to the general public at a price of Rs. 80 per share (being the Book Value at that time) raising Rs. 80 million. Since its listing in 2001, the Company has distributed Rs. 3.15 billion as dividend (including specie dividend) and Rs. 720 million by buying back 2 million shares of Rs.10 each at a price of Rs. 360 per share from its shareholders. Currently the Company has equity of Rs. 21 billion built through retained earnings.

The Company has had a distinction of being the winner of the prestigious "KSE Top 25 Companies Award" for many years since its listing. AHCL, over the years, has distinguished itself as a superior asset manager while keeping the risk at an acceptable level.

Organization Chart



Profiles of Directors and Key Executives



Mr. Arif Habib
Chairman & Chief Executive
Date of Appointment: September 25, 2010

Mr. Arif Habib has remained the elected President/Chairman of Karachi Stock Exchange six times in the past. He is the Founding Member and Former Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years he has been nominated on the Board of Directors of a number of companies by the Government of Pakistan. Presently he is a director of Sui Northern Gas Pipelines Company Limited (SNGPL).

Mr. Arif Habib is the Chairman & Chief Executive of Arif Habib Corporation Limited. He is also the Chairman of Pakarab Fertilizers Limited, Fatima Fertilizer Company Limited, Thatta Cement Company Limited and Arif Habib DMCC Dubai.

He has participated in number of professional advancement courses including a course on Development of Securities Market organized by the SEC, USA at Washington, D.C. in 1992. He has visited over a dozen of stock exchanges in different countries for exchange of views.

On the social services front, Mr. Arif Habib is a significant participant in welfare activities of different organizations. To quote a few he is one of the trustees of Fatimid Foundation and Memon Health & Education Foundation and a director of Pakistan Centre for Philanthropy and Karachi Education Initiative.

Other engagements
As Chairman
Arif Habib Foundation
Pakistan Private Equity Management Limited
Memon Health and Education Foundation
Safemix Concrete Product Limited
Real Estate Modaraba Management Company Limited
Sachal Energy Development (Pvt.) Limited

As Director
Pakistan Engineering Company Limited
Aisha Steel Mills Limited
Pakistan Centre for Philanthropy
International Complex Projects Limited

As Honorary Trustee / Director
Fatimid Foundation
Karachi Education Initiative
Pakistan Veterans Cricket Association

Board of Directors

Mr. Nasim Beg

Non–Executive Director
Date of Appointment:
September 25, 2010

Mr. Nasim Beg, a Fellow Member of the Institute of Chartered Accountants of Pakistan, is the Executive Vice Chairman of Arif Habib Investments Limited, an Asset Management Company that was conceived and set up by him and which he headed as Chief Executive till June 2011.

With over forty years of experience in the business world including industry and the financial services (in and outside the country), Mr. Nasim Beg is one of the highly respected professionals of the country.

Before joining the Arif Habib Group, Mr. Beg served as the Deputy Chief Executive of NIT, which he joined during its troubled period and played an instrumental role in its modernization and turn around. He also served as the acting Chief Executive of NIT for a few months. He has also been associated at top-level positions with other asset management and investment advisory companies.

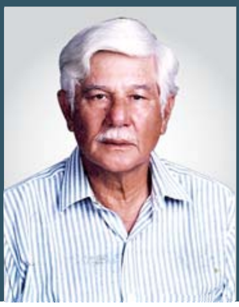
Mr. Beg has also held senior level responsibilities in the automobile industry. During his tenure as the Chief Executive of Allied Precision (a subsidiary of the Allied Engineering Group), he set up a green field project for the manufacture of sophisticated indigenous components for the automotive industry under transfer of technology licenses with Japanese and European manufacturers. His initiation to the financial services business was with the Abu Dubai Investment Company, UAE, where he was a part of the team that set up the company in 1977.

Other Engagements

Arif Habib Investments Limited (Executive Vice Chairman)
Member, the Prime Minister's Economic Advisory Council (EAC)

As Director

- Summit Bank Limited
- Pakarab Fertilizers Limited
- Arif Habib REIT Management Limited (non-executive Chairman)
- Pakistan Private Equity Management Limited
- Safemix Concrete Products Limited
- Thatta Cement Company Limited
- Al-Abbas Cement Industries Limited
- Thatta Power (Pvt.) Limited
- Arif Habib Consultancy (Pvt.) Limited
- Mutual Fund Association of Pakistan (till June 2011)
- Institute of Capital Markets (non-executive Chairman appointed by the SECP)



Mr. AsadullahKhawaja

Non-Executive Director
Date of Appointment:
September 25,2010

Mr. Khawaja has served on the board of director of prestigious institution of domestic and international nature and list of companies can be termed impressive.

Mr. Khawaja completed his Bachelor of Arts in 1964 from Forman Christian College, Lahore. Subsequently, he completed several local and foreign courses on banking, securities, industries management, investment analysis and portfolio management. Moreover, he has participated in various international seminars and workshops on investment oriented issues.

He started his professional career with United Bank Limited in 1965 and only after a year switched to Investment Corporation of Pakistan. From 1966 till 1995 he rose through the ranks from OG-III to the post of Managing Director. During this long career he rendered his services in different capacities and in different departments.

Mr. Khawaja also held the additional charge as Chief Executive of Bankers Equity Limited (BEL) and (NITL). His foreign assignments include five years at Pakistan Embassy in London as Investment Counselor. During his professional career he has served as Chairman Packages Ltd., Chairman Pakistan Industrial Credit and Investment Corporation (PICIC) and also the Executive Director of Pakistan Credit Rating Agency .Mr. Khawaja has also served on the board of directors of prestigious institutions of domestic and international standings and the list of companies can be termed impressive.

Other Engagements

As Chairman

PICIC Asset Management Company Limited

As Director

- Summit Bank Limited
- Pakistan Private Equity Management Limited
- Arif Habib REIT Management Limited
- WorldCall Telecom Ltd.

Mr. Samad A. Habib
Non –Executive Director
Date of Appointment:
February 25, 2011

Mr.Kashif A.Habib
Non- Executive Director
Date of Appointment:
September 25, 2010

Mr. Samad A. Habib is leading Javedan Corporation Limited (formerly: Javedan Cement Limited) as Chief Executive of the company.

Mr. Samad A. Habib has earned his Master's degree in Business Administration in 2001. Mr. Samad A. Habib has more than 14 years of experience, including 9 years working in the financial services industry at various senior level positions. He began his career with Arif Habib Corporation Limited (the holding company of Arif Habib group; formerly Arif Habib Securities Limited) as an Investment Analyst, then served the company at various executive positions including Executive Sales and Business Promotions, Company Secretary, Head of Marketing, etc. Subsequently he was appointed as a Director of Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited). On September 2004, he was appointed as the Chairman and Chief Executive of Arif Habib Limited, as a Chairman he was responsible for the strategic direction of the company and was actively involved in capital market operations and corporate finance activities such as serving corporate clients, institutional clients, high net worth individuals, and raising funds for clients through IPO's, private placements etc. He resigned from this position in January 2011. Presently, he is leading Javedan Corporation Limited (formerly: Javedan Cement Limited) as Chief Executive of the company.

Other Engagements

As Chief Executive
Javedan Corporation Limited (formerly: Javedan Cement Limited)

As Director
- Pakistan Private Equity Management Ltd.
- Pakarab Fertilizers Ltd.
- International Complex Projects Ltd.
- Real Estate Modaraba Management Company Ltd.
- Arif Habib Equity (Pvt.) Ltd.
- Rotocast Engineering (Pvt.) Ltd.
- Nooriabad Spinning Mills (Pvt.) Ltd.

Presently Mr. Kashif A. Habib is the Chief Executive of Al-Abbas Cement Industries Limited.

Mr. Kashif A. Habib has completed his mandatory Articleship with A.F. Ferguson & Co., Chartered Accountants. He is a C.A Finalist from the Institute of Chartered Accountants of Pakistan (ICAP). He has at his credit experience of three years Internship in Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited) and two years experience of Executive Director in cement and fertilizer companies of the group.

Presently Mr. Kashif A. Habib is Executive Director at Pakarab Fertilizers Limited and Chief Executive of Al-Abbas Cement Industries Limited.

Other Engagements

As Chief Executive
Al-Abbas Cement Industries Limited

As Director
- Arif Habib Investments Limited
- Pakarab Fertilizers Limited
- Fatima Fertilizers Company Limited
- Thatta Cement Company Limited
- Javedan Corporation Limited (formerly: Javedan Cement Limited)
- Arif Habib REIT Management Limited
- Rotocast Engineering Company (Pvt.) Limited
- Nooriabad Spinning Mills (Pvt.) Limited
- Arif Habib Foundation
- Arif Habib Real State Services (Pvt.) Limited
- Real Estate Modaraba Management Co. Limited

Mr.Muhammad Jameel

Non-Executive Director

Date of Appointment:

September 25, 2010

Mr.Tahir Iqbal

Non –Executive Director

Date of Appointment:

February 25, 2011

He has over Eighteen years of experience in financial market and financial consulting in Pakistan and the Gulf.

Mr. Akmal Jameel, a Chartered Financial Analyst (CFA), has extensive experience of corporate finance and private equity transactions. He has over eighteen years of experience in financial markets and financial consulting in Pakistan and the Gulf. He has previously worked at Ernst & Young in Saudi Arabia, and with Anjum Asim Shahid & Company (Grant Thornton Associates) and Hagler Bailly Pakistan. He has Extensive experience in structuring projects, evaluating private equity proposals and conducting feasibility studies and was previously responsible for corporate finance and business development at Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited). Currently, he runs a boutique financial firm by the name of Lime Tree Financial.

Other Engagements

As Director

Pakistan Private Equity Management Limited

As CEO

Lime Tree Financial

Mr. Iqbal's forte is system developments, financial analysis, Compliance & reporting, project evaluations & feasibility studies.

Mr. Tahir Iqbal, a Non-Executive Director, before his deputation to the project of Aisha Steel Mills Limited on January 1, 2011, was serving at Arif Habib Corporation Limited as Chief Financial Officer & Company Secretary for six years. In addition to these responsibilities he is on the Board of Directors of Real Estate Modaraba Management Company Limited and S.K.M Lanka Holdings (Pvt.) Limited (a company incorporated in Srilanka).

He is an Associate Member of ICMAP, having nine years of increasingly responsible experience in finance, accounting, financial and management reporting, taxation, corporate affairs, risk management, audit/assurance coupled with general management experience and therefore his area of expertise lies in leadership, managing and motivating multi-faceted teams, business development, developing viable long term strategies for growth, assist in providing vision and corporate structuring etc. with an outstanding track record in taking the business improvement to next levels.

During his professional career he has achieved a lot; apart from normal routine functions including computerized software designing and its implementation, preparing and implementing standard operating procedures (SOP) and internal controls, short term loans planning for working capital needs, implementation of Code of Corporate Governance (in line with SECP and other statutory requirements), translating mission statements into strategic and operational plans, preparing feasibilities and project evaluations, entering into joint ventures etc. and to discharge such professional duties he has travelled to abroad and all major business hubs in Pakistan.

He has participated in a number of professional advancements courses including on Certified Directorship from Pakistan Institute of Corporate Governance, Lean Management, and an international course with Mr. Jeremy Hope, Director-Beyond Budgeting Round Table.

Other Engagements

As Director

SKM Lanka Holdings (Pvt.) Limited

Real Estate Modaraba Management Co. Limited

Other Management Heads

Zeeshan
CFO and Company Secretary

He is responsible for of the Finance/ Accounting and Secretarial functions of the Company . He has also worked as CFO and Company Secretary at Arif Habib Investments Limited

Zeeshan is a chartered accountant, having qualified in Feb 2003. He completed his Articleship from Ford Rhodes Robson Morrow (a member firm of Ernst & Young International). During his Articleship, he was seconded to Ernst & Young Doha where he was involved in the system based audits and consultancy assignments. His experience at Ford Rhodes includes Financial, Manufacturing and Service sectors. Zeeshan has a diversified experience including Internal Audit, Product Development and Fund Accounting and has also officiated as Head of Marketing.

In addition he has the distinction of holding the following positions:

- Member Financial Sector Committee constituted by ICAP
- Secretary Capital Markets Reforms Committee.
- Member Economic Advisory Committee constituted by ICAP
- Member Rules and regulations Committee of Mutual Funds Association of Pakistan
- Member Taxation Committee of Mutual Funds Association of Pakistan

Zeshan Afzal
Group Head - Strategic Investments

Zeshan is working as a Group Head of Strategic Investments and is responsible for overall planning, monitoring and evaluation of the Strategic Investments of the Group . He has also worked as Senior Manager at KPMG International.

Zeshan Afzal is a Fellow member of the Association of Chartered Certified Accountant, a member of the Institute of Financial Consultants and the Institute of Internal Controls. He completed his Articleship in 2006 from KPMG Taseer Hadi & Co. (a member firm of KPMG International). He has also worked with KPMG New York for a period of 3 years at a senior management position where he was involved in various financial and risk advisory roles, financial audits and consultancy assignments. In addition to working in New York, he has also worked for KPMG Saudi Arabia for 1 year where he worked on various Islamic financial institutions internal controls and process re-engineering. Zeshan was also heading the Internal Controls over Financial Reporting (ICFR) within KPMG Audit and successfully implemented the State Bank of Pakistan and ICAP's ICFR guidelines on various multi-national and large local banks in Pakistan. Zeshan has also worked for 3 years in the field of Marketing working on various business solutions for multi-national and local companies. Zeshan has a diversified experience in the field of Finance and Marketing including Business evaluations, Internal Controls over Financial Reporting, Internal Audit and Process re-engineering.

In addition, he has the distinction of currently holding the following positions:

- Member Integrated Reporting Committee constituted by ACCA
- Member Financial Advisory Committee of Arif Habib Limited

Board and Management Committees

Keeping in view the reporting requirements of a listed entity, the Board of Directors of the Company have constituted committees both at the Board and Management levels. Majority members of Board Committees are non-executive directors.

Board Committees
The Board Committees assist the Board of Directors in performing their duties including the appropriate level of oversight .These Committees provide valuable input and suggestions to the Directors, enabling the Board to take accurate, informed and timely business decisions based on identified Business Risks. Following are the Board Committees:

Board Audit Committee (AC)
The committee is responsible for assisting the Board of Directors in discharging its responsibilities primarily in:

- evaluating and reporting financial and non-financial information to shareholders;
- reviewing the system of internal controls and risk management;
- reviewing the business plan and to ensure that it reconciles with the Company's mission, vision, corporate strategy & objectives and standard of conduct;

Additionally, the committee has the authority to require any information from the management and to meet directly with external auditors.

In order to meet the day to day operational challenges, the committee has developed an Internal Audit Function (IAF) that acts within the framework of Internal Audit Charter (IAC). IAC has been developed keeping in view the legislative requirements and other standards of conduct. IAF's role is to review and report on various aspects including the following:

- Internal controls over the Company's key business processes;
- Financial accounting and reporting processes;
- Management of Business Risks; and
- Compliance with laws and regulations.

The Chief Financial Officer of the Company regularly attends the Audit Committee meetings to present the financial information and other information specifically addressed by the IAD. After each meeting, the Chairman of the Committee reports to the Board. During the financial year 2011, the Committee met 4 times. Currently, the committee comprises of the following non-executive directors:

S. No.	Name	Designation
1.	Mr. Muhammad Akmal Jameel	Chairman
2.	Mr. Kashif A. B	Member
3.	Mr. Tahir Iqbal	Member

The Internal Audit Department is currently headed by Mr. Navid Farooq, who has the requisite qualification and the relevant experience to perform the duties of the department in line with the Internal Audit Charter.

Investments & Projects Diversification Committee (IPDC)

The committee is responsible for assisting the Board of Directors in discharging its responsibilities primarily with regard to:

- Reviewing new investment opportunities keeping in view various factors including risk, return, diversification and growth;
- Continuous monitoring of the investments already made and recommending corrective strategies, if required; and
- Reviewing the Key assumptions used by the management to determine Fair values of strategic investments.

The Committee meets on a required / directed basis to discharge its responsibilities and regularly reports to the Board. During the financial year 2011, 3 meetings were held. Currently, the committee comprise of the following members:

S. No.	Name	Designation
1.	Mr. Arif Habib	Chairman
2.	Mr. Nasim Beg	Member
3.	Mr. Tahir Iqbal	Member
4.	Mr. Zeeshan	Member

Management Committees

Management committees are constituted to provide an advisory input to the Chief Executive Officer and to perform a SWOT analysis on businesses and employment related issues that require collective wisdom for timely decision making. The purpose of these committees is to improve performance and efficiency of the Company.

Executive Committee on Risk Management (ECRM)

ECRM is head by the Chairman and Chief Executive of the Company and includes Group executives. The purpose of the committee is to assist the Board of Directors in developing and continuous monitoring of risk management policies and other business related matters. The members of the committees include:

S. No.	Name	Designation
1.	Mr. Arif Habib	Chairman
2.	Mr. Zeeshan	Member
3.	Mr. Tahir Iqbal	Member

The terms of reference of ECRM is to assist Board of Directors in developing, reviewing and approving risk management policies, instituting special projects and reviewing the adequacy of operational, administration and financial controls. ECRM meets on required/directed basis.

Executive Committee on Human Resource (ECHR)

The objective of ECHR is to review, monitor and make recommendations to the Board for overseeing the Company's compensation and benefits policies generally, evaluate executive officer performance and review the Company's management succession plan and set compensation for the Company's executive officers. ECHR meets at least once every quarter. The ECHR is committed to develop and make decisions on Human Resource strategy and policy. ECHR comprises of the following members:

S. No.	Name	Designation
1.	Mr. Arif Habib	Chairman
2.	Mr. Zeeshan	Member
3.	Mr. Tahir Iqbal	Member

The terms of reference of ECHR provides an overview of the Committee and outlines the Committees' composition, responsibilities. The document also includes recommendation on human resource management, organizational development, training and development matters, management succession, and continuous review of compensation and benefit policies and assessment of corporate culture.

Criteria to Evaluate Board's Performance

Performance evaluation continues to gain profile and momentum within boardrooms. Regulators and institutional investors increasingly endorse performance evaluation as a prerequisite for good corporate governance.

The Board of Directors acts as a guardian of the shareholders money and translates the same into the Company's mission and goals. In order to uphold the trust of stakeholders, the Board of Directors' performance warrants assessment.

The evaluation of the performance will examine those key areas where the Board requires clarity in order to provide high level oversight, including: the strategic process; key business drivers and performance milestones; the global economic environment and competitive context in which the Company operates; the risks faced by the business; board dynamics; capability and alignment; reputation; and information flows.

The Board of Directors have set the following evaluation criteria to judge its performance.

- Compliance with the legislative system in which Company operates, including Companies Ordinance, 1984, Listing Regulations of Stock Exchanges, the Memorandum and Articles of Association of the Company.
- Active participation in strategic planning process, enterprise risk management system, policy development, financial structure, monitoring and approval.
- Hiring, evaluating, compensating and supporting the Executive Directors and other key positions including Chief Executive.
- Appropriate constitution of Board Committees with members possessing adequate technical knowhow and experience.
- Establishing adequate system of internal controls in the Company and its regular assessment through self assessment mechanism or/and internal audit activities.
- Ensuring required quorum of Board meeting is present.
- Ensuring training of Board of Directors to be able to perform their duties in an effective manner.

Chief Executive's Performance Review

Mr. Arif Habib, the Chief Executive is also the Chairman of the Board and the primary shareholder of the Company. Mr. Arif Habib has, given his position as primary shareholder, sought out and requested professionals of high standing to join the Board. These include business acquaintances and some executives working for group companies none of whom have any conflicts of interest with the company.

The Board Members, despite their relationship with Mr. Arif Habib are committed to carrying out an objective assessment of his performance as the Chief Executive.

The Board wishes to report that Mr. Arif Habib is committed to following best practices and the Code of Corporate Governance in true spirit. Most Board meetings are attended by Mr. Arif Habib, where he provides details and explanations for each agenda item. The Board meetings have free and open discussion and Mr. Arif Habib acts on consensus and despite his tremendous convincing ability, he abides by the consensus even where the decision goes against his original proposal. Based on the Board's recommendations, Mr. Arif Habib has embarked on a programme of further strengthening the professional team at the Company and the Group. The board believes that this will further strengthen the Company. Mr Arif Habib continues to play the leadership role at the Company and the Group level to the entire satisfaction of the Board.

Notice of Seventeenth Annual General Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of the Shareholders of Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited) ("the Company") will be held on Saturday, 22nd October 2011 at 2:00 P.M at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

Ordinary Business

1) To confirm minutes of the Annual General Meeting held on 25th September 2010.

2) To receive, consider and adopt annual audited financial statements of the Company together with the Directors' and the Auditors' Reports thereon for the year ended 30th June 2011 together with the Audited Consolidated Financial Statements of the Company and the Auditors' Reports thereon for the year ended 30th June 2011.

3) To appoint the Auditors for the year ending 30th June 2012 and fix their remuneration. The Board of Directors have recommended for reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as external auditors.

4) To consider and approve final Cash Dividend for the year ended 30th June, 2011 at Rs. 2 per share i.e. 20% as recommended by the Board of Directors.

5) To consider and approve bonus issue for the year ended 30th June 2011 at the rate of 10%, i.e. one share for every ten shares held, as recommended by the Board of Directors.

Special Business

6) To pass the following resolutions as ordinary resolutions to give effect to the bonus issue:

"RESOLVED THAT a sum of Rs. 375,000,000/- out of company's free reserves and unappropriated profits be capitalized for issuing 37,500,000 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names will appear on the members' register and the entitlement list to be provided by CDC at the close of business on Thursday, 13th October 2011 in the proportion of one share for every ten shares held i.e. 10%. These shares shall be treated for all purposes as an increase in paid-up capital of the company and shall rank pari passu in future with existing shares in all respects except that they shall not qualify for the entitlement of the final dividend declared & being paid simultaneously."

"FURTHER RESOLVED THAT the fractional entitlements of less than one share be consolidated and disposed off through a member of stock exchange. The proceeds shall be distributed amongst the shareholders according to their entitlements."

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

Investment in Associated Company & Associated Undertaking

"RESOLVED THAT the consent and approval be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for the following limit of investment/additional investment in associated company and associated undertaking subject to the terms and conditions mentioned in the annexed statement under Section 160(1)(b) ".

Name of Company& Undertaking	Proposed amount for Equity	Proposed amount for Loan / Advance
	Rupees in million	
Javedan Corporation Ltd. (formerly Javedan Cement Ltd.)	600	-

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

Any Other Business

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

A Statement under Section 160(1)(b) of the Companies Ordinance 1984 pertaining to the special business is given on page 185 to 193.

By order of the Board

Karachi; October 01, 2011

Zeeshan
Company Secretary

Notes:

1. Share transfer books of the company will remain closed from 14th October 2011 to 22nd October 2011 (both days inclusive). Transfers received in order at the office of our registrar: M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on Thursday, 13th October 2011 will be treated in time for the determination of entitlement of shareholders to cash dividend, bonus and to attend and vote at the meeting.

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

3. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan:

(i) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.

(ii) In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.

(iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC numbers and signatures.

(iv) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(v) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy form.

4. Members are requested to promptly notify any change in address by writing to the office of the registrar.

Financial & Business Highlights
Year ended June 30

Rupees in million

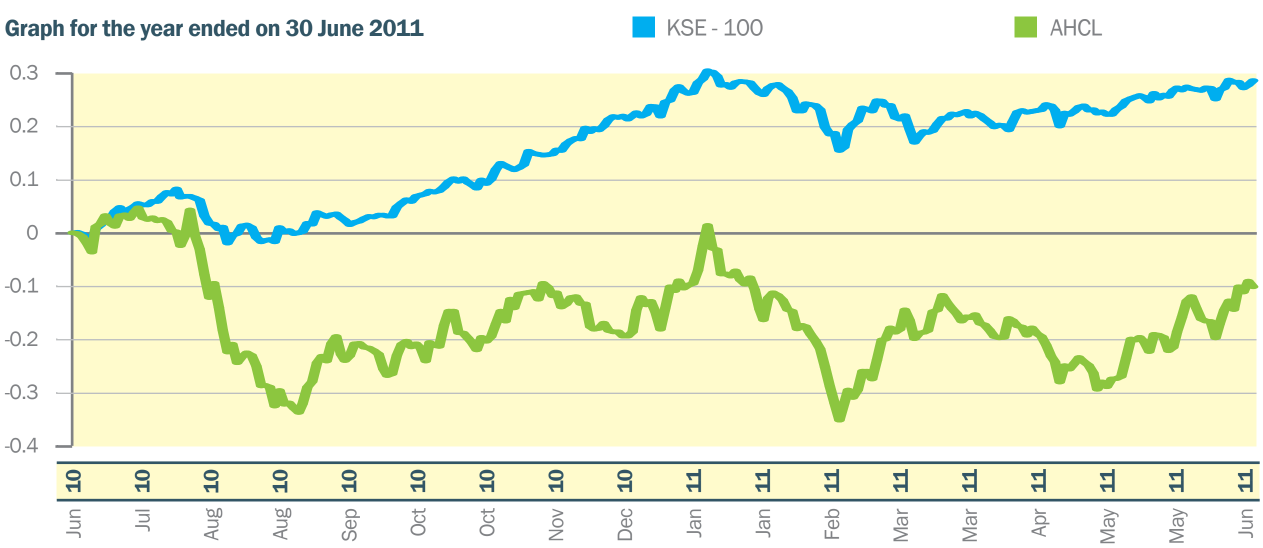
	2011	2010	2009	2008	2007	2006
Profit and Loss Account						
Total revenue	**4,318.49**	4,189.37	(498.42)	9,678.94	4,062.85	5,051.65
Operating & administrative expenses*	**(993.30)**	(129.99)	(1,180.05)	(93.31)	(73.57)	(87.25)
Finance cost	**(177.12)**	(229.46)	(456.11)	(71.41)	(54.39)	(195.97)
Operating profit	**3,303.12**	3,961.96	(1,678.47)	9,585.64	3,989.27	4,964.40
Profit before tax	**3,148.07**	3,732.50	(2,134.59)	9,514.23	3,934.88	4,768.42
Profit after tax	**2,840.48**	3,798.47	(2,768.93)	7,970.82	3,682.33	4,157.36
EBITDA	**3,334.17**	3,972.39	(1,676.73)	9,586.85	3,990.72	4,966.64
Balance Sheet						
Share capital	**3,750.00**	3,750.00	3,750.00	3,000.00	3,000.00	270.00
Reserves	**17,361.65**	16,034.15	12,385.32	16,049.92	15,074.59	10,420.64
Property and equipment	**53.33**	61.15	72.16	28.30	5.40	9.02
Long term investments	**23,840.73**	19,535.27	16,544.54	17,343.81	14,508.84	6,540.33
Net current assets	**1,787.87**	3,791.01	5,302.27	5,905.42	5,534.93	5,259.84
Net current liabilities	**1,480.77**	720.69	2,833.46	1,917.48	140.84	117.51
Deferred liabilities	**3,092.02**	2,883.40	2,950.23	2,310.18	1,833.79	1,251.30
Total assets	**25,684.45**	23,388.23	21,919.00	23,277.58	20,049.22	12,059.44
Total liabilities	**4,572.80**	3,604.08	5,783.69	4,227.65	1,974.64	1,368.80

*includes impairment on investments and other charges (net off gain on distribution of shares)

	2011	2010	2009	2008	2007	2006
Ratios						
Performance						
Return on equity (%)	**13.89%**	21.15%	(15.74%)	42.94%	25.60%	51.36%
Return on Assets (%)	**11.58%**	16.77%	(12.25%)	36.79%	22.94%	41.79%
Return on capital employed (%)	**12.27%**	15.45%	(8.79%)	44.21%	19.49%	38.29%
Income/ expense ratio (PKR)	**(1.922)**	(12.593)	(1.877)	(5.607)	(4.901)	(6.809)
Earning Asset/Total Asset Ratio (PKR)	**0.97**	0.98	0.88	1.23	0.99	0.87
Net assets per share (PKR)	**56.30**	52.76	43.03	63.50	60.25	395.95
Leverage						
Debt:Equity ratio (PKR)	**0.22**	0.18	0.36	0.22	0.11	0.13
Interest cover ratio (PKR)	**18.77**	17.27	(3.68)	134.23	73.34	25.33
Dividend cover ratio (PKR)	**2.52**	3.38	-	11.06	1.64	15.40

	2011	2010	2009	2008	2007	2006
Liquidity						
Current ratio (PKR)	**1.207**	5.260	1.871	3.080	39.299	44.763
Cash to current liabilities (PKR)	**0.64**	4.64	0.90	3.02	38.51	33.67
Valuation						
Price earning ratio (PKR)	**3.47**	3.28	(3.64)	5.84	9.50	0.29
Break-up value per share (PKR)	**56.30**	52.76	43.03	63.50	60.25	395.95
Cash dividend per share (PKR)*	**2.0**	-	-	1.50	7.50	10.00
Specie dividend per share (PKR)	**-**	3.00	-	1.00	-	-
Dividend Declared (%)	**30%**	30%	-	25%	75%	100%
Dividend yield (%)	**11.41%**	9.02%	0.00%	1.55%	6.43%	22.31%
Dividend payout ratio (%)	**39.61%**	29.62%	0.00%	9.04%	61.12%	6.49%
Bonus shares issued (%)*	**10.00%**	0.00%	0.00%	25.00%	322.22%	66.66%
Market value per share (end of year) (PKR)	**26.30**	33.27	26.88	161.48	116.60	498.00
High (during the year) (PKR)	**35.65**	54.80	160.40	201.40	605.00	644.00
Low (during the year) (PKR)	**18.84**	26.01	17.64	112.70	107.90	259.00
Earnings Per Share (PKR)	**7.57**	10.13	(7.38)	27.66	12.27	153.98
* Proposed Dividend						
Shareholders' Return						
Arif Habib Corporation Limited - annual total return (%)	**(10.15%)**	20.15%	(78.27%)	39.00%	65.00%	82.00%
Karachi Stock Exchange 100 Index - annual return (%)	**28.53%**	35.74%	(37.97%)	(10.00%)	39.00%	42.00%
Shareholders' return differential: AHCL-KSE-100 Index (%)	**(38.68%)**	(15.59%)	(40.30%)	49.00%	26.00%	40.00%

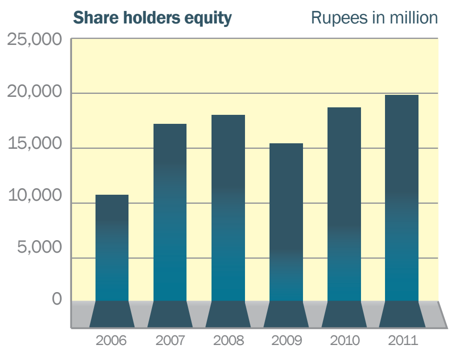
Graph for the year ended on 30 June 2011

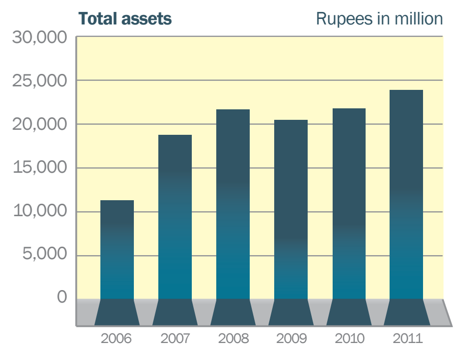


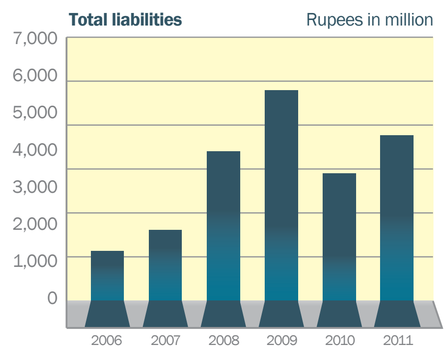
Source: Bloomberg, Arif Habib Limited, Equity Research Division

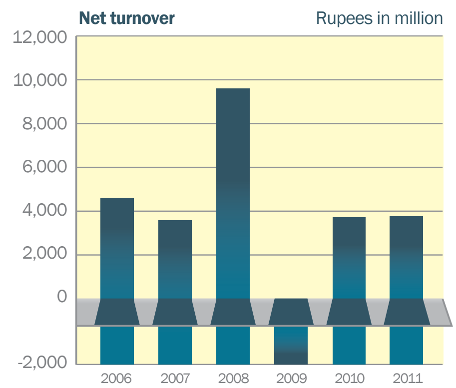
Promoting Investments

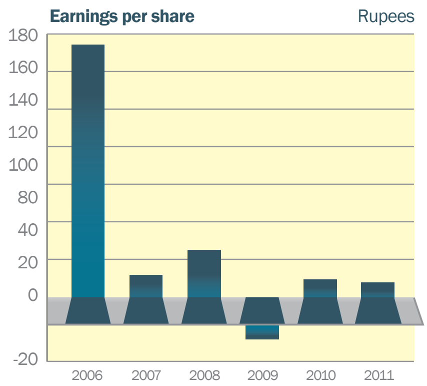
Graphs

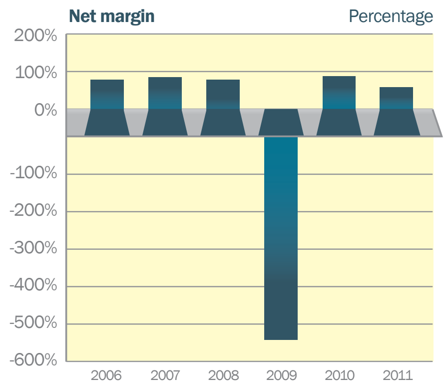

Share holders equity
Rupees in million
25,000
20,000
15,000
10,000
5,000
0
2006
2007
2008
2009
2010
2011

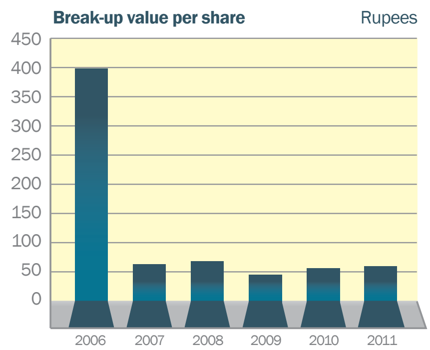

Total assets
Rupees in million
30,000
25,000
20,000
15,000
10,000
5,000
0
2006
2007
2008
2009
2010
2011

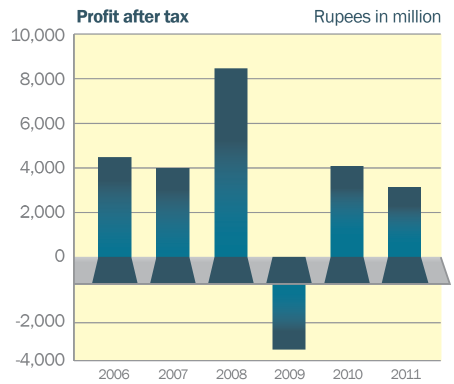

Total liabilities
Rupees in million
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2006
2007
2008
2009
2010
2011

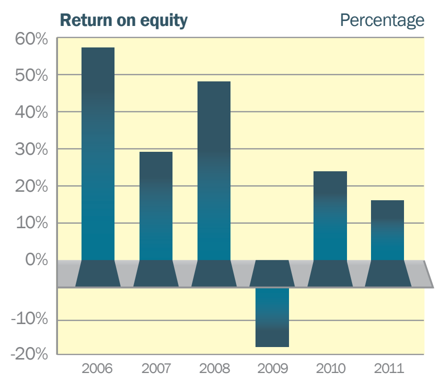

Net turnover
Rupees in million
12,000
10,000
8,000
6,000
4,000
2,000
0
-2,000
2006
2007
2008
2009
2010
2011

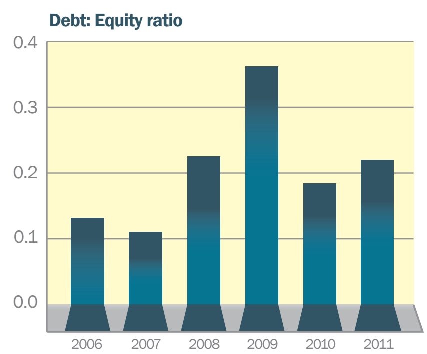

Earnings per share
Rupees
180
160
140
120
100
80
40
20
0
-20
2006
2007
2008
2009
2010
2011

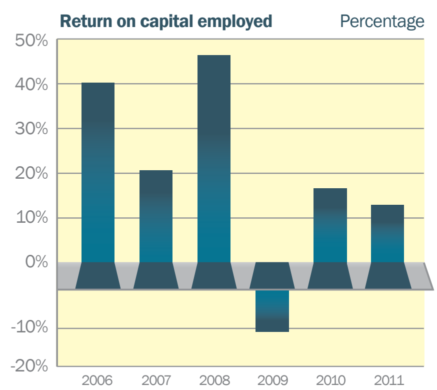

Net margin
Percentage
200%
100%
0%
-100%
-200%
-300%
-400%
-500%
-600%
2006
2007
2008
2009
2010
2011

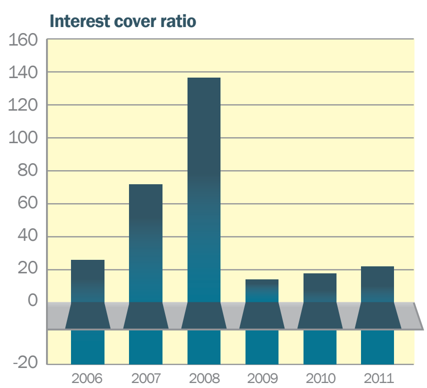

Break-up value per share
Rupees
450
400
350
300
250
200
150
100
50
0
2006
2007
2008
2009
2010
2011


Profit after tax
Rupees in million
10,000
8,000
6,000
4,000
2,000
0
-2,000
-4,000
2006
2007
2008
2009
2010
2011


Return on equity
Percentage
60%
50%
40%
30%
20%
10%
0%
-10%
-20%
2006
2007
2008
2009
2010
2011


Debt: Equity ratio
0.4
0.3
0.2
0.1
0.0
2006
2007
2008
2009
2010
2011


Return on capital employed
Percentage
50%
40%
30%
20%
10%
0%
-10%
-20%
2006
2007
2008
2009
2010
2011


Interest cover ratio
160
140
120
100
80
60
40
20
0
-20
2006
2007
2008
2009
2010
2011

Horizontal Analysis of Financial Statements

	2011	2010	2009	2008	2007	2006
	Rupees in million					
Balance Sheet						
Total equity and minority interest	**21,112**	19,784	16,135	19,050	18,075	10,691
Total non-current liabilities	**3,092**	2,883	2,950	2,310	1,834	1,251
Total current liabilities	**1,481**	721	2,833	1,917	141	118
Total equity and liabilities	**25,685**	23,388	21,919	23,278	20,049	12,059
Total non-current assets	**23,897**	19,597	16,617	17,372	14,514	6,800
Total current assets	**1,788**	3,791	5,302	5,905	5,535	5,260
Total assets	**25,685**	23,388	21,919	23,278	20,049	12,059
Profit and Loss Account						
Total revenue	**4,241**	4,189	(498)	9,679	4,063	5,052
Operating and administrative expenses	**(69)**	(130)	(169)	(93)	(74)	(87)
Impairment loss on investments	**(996)**	-	(1,011)	-	-	-
Operating (loss) / profit	**3,176**	4,059	(1,678)	9,586	3,989	4,964
Other incomes / (charges) - net	**149**					
Finance cost	**(177)**	(229)	(456)	(71)	(54)	(196)
(Loss) / profit before tax	**3,148**	3,830	(2,135)	9,514	3,935	4,768
Taxation	**(308)**	66	(634)	(1,543)	(253)	(611)
(Loss) / profit after tax	**2,840**	3,896	(2,769)	7,971	3,682	4,157

	w.r.t. 2010	w.r.t. 2009	w.r.t. 2008	w.r.t. 2007	w.r.t. 2006	w.r.t. 2005
	Percentage change					
Balance Sheet						
Total equity and minority interest	**6.7**	22.6	3.9	9.5	85.1	259.9
Total non-current liabilities	**7.2**	(2.3)	24.8	57.2	130.4	
Total current liabilities	**105.5**	(74.6)	(62.4)	411.7	513.3	(69.2)
Total equity and liabilities	**9.8**	6.7	0.5	16.7	93.9	198.4
Total non-current assets	**21.9**	17.9	12.8	35.0	188.2	1,367.5
Total current assets	**(52.8)**	(28.5)	(35.8)	(31.5)	(27.9)	(41.7)
Total assets	**9.8**	6.7	0.5	16.7	93.9	198.4
Profit and Loss Account						
Total revenue	**1.2**	(940.5)	(105.1)	138.2	(19.6)	75.4
Operating and administrative expenses	**(46.6)**	(23.0)	81.0	26.8	(15.7)	(32.9)
Impairment loss on investments	**100**	(100.0)	100.0	-	-	-
Operating (loss) / profit	**(21.8)**	(341.8)	(117.5)	140.3	(19.6)	80.5
Other incomes / (charges) - net	**100**	-	-	-	-	
Finance cost	**(22.8)**	(49.7)	538.7	31.3	(72.2)	78.7
(Loss) / profit before tax	**(17.8)**	(279.4)	(122.4)	141.8	(17.5)	80.6
Taxation	**(566.3)**	(110.4)	(58.9)	511.1	(58.7)	979.7
(Loss) / profit after tax	**(27.1)**	(240.7)	(134.7)	116.5	(11.4)	60.9

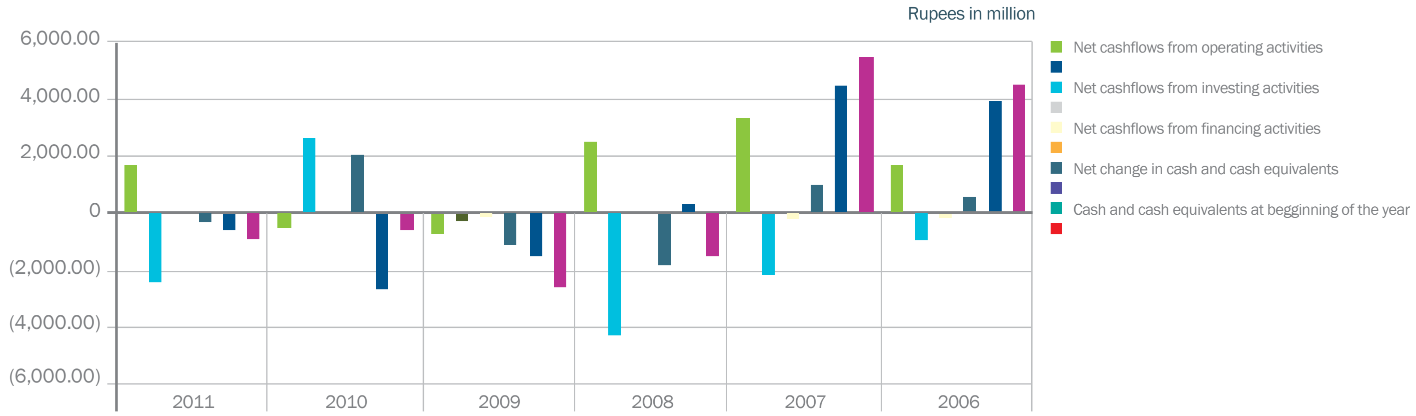
Vertical Analysis of Financial Statements

	2011	%	2010	%	2009	%
	Rupees in million		Rupees in million		Rupees in million	
Balance Sheet						
Total equity and minority interest	**21,112.0**	82.2	19,784.2	84.6	16,135.3	73.6
Total non-current liabilities	**3,092.0**	12.0	2,883.4	12.3	2,950.2	13.5
Total current liabilities	**1,481.0**	5.8	720.7	3.1	2,833.5	12.9
Total equity and liabilities	**25,685.0**	100.0	23,388.2	100.0	21,919.0	100.0
Total non-current assets	**23,897.0**	93.0	19,597.2	83.8	16,616.7	75.8
Total current assets	**1,788.0**	7.0	3,791.0	16.2	5,302.3	24.2
Total assets	**25,685.0**	100.0	23,388.2	100.0	21,919.0	100.0
Profit and Loss Accounts						
Total revenue	**4,241.0**	100.0	4,189.4	100.0	(498.4)	(100)
Operating and administrative expenses	**(69.4)**	(1.6)	(130.0)	(3.1)	(168.9)	
Impairment loss on asset classified as held for sale	**(995.5)**	100	-		(1,011.2)	-
Operating (loss) / profit	**3,176.0**	74.9	4,059.4	96.9	(1,678.5)	-
Other incomes / (charges) - net	**149.0**	100				
Finance cost	**(177.1)**	(4.2)	(229.5)	(5.5)	(456.1)	-
(Loss) / profit before tax	**3,147.9**	74.2	3,829.9	91.4	(2,134.6)	-
Taxation	**(307.6)**	(7.2)	66.0	1.6	(634.3)	-
(Loss) / profit after tax	**2,840.3**	67.0	3,895.9	93.0	(2,768.9)	-

	2008	%	2007	%	2006	%
	Rupees in million		Rupees in million		Rupees in million	
Balance Sheet						
Total equity and minority interest	**19,049.9**	81.8	18,074.6	90.2	10,690.6	88.6
Total non-current liabilities	**2,310.2**	9.9	1,833.8	9.1	1,251.3	10.4
Total current liabilities	**1,917.5**	8.2	140.8	0.7	117.5	1.0
Total equity and liabilities	**23,277.6**	100.0	20,049.2	100.0	12,059.4	100.0
Total non-current assets	**17,372.2**	74.6	14,514.3	72.4	6,799.6	56.4
Total current assets	**5,905.4**	25.4	5,534.9	27.6	5,259.8	43.6
Total assets	**23,277.6**	100.0	20,049.2	100.0	12,059.4	100.0
Profit and Loss Accounts						
Total revenue	**9,678.9**	100.0	4,062.8	100.0	5,051.7	100.0
Operating and administrative expenses	**(93.3)**	(1.0)	(73.6)	(1.8)	(87.3)	(1.7)
Impairment loss on asset classified as held for sale						
Operating (loss) / profit	**9,585.6**	99.0	3,989.3	98.2	4,964.4	98.3
Other incomes / (charges) - net						
Finance cost	**(71.4)**	(0.7)	(54.4)	(1.3)	(196.0)	(3.9)
(Loss) / profit before tax	**9,514.2**	98.3	3,934.9	96.9	4,768.4	94.4
Taxation	**(1,543.4)**	(15.9)	(252.5)	(6.2)	(611.1)	(12.1)
(Loss) / profit after tax	**7,970.8**	82.4	3,682.3	90.6	4,157.4	82.3

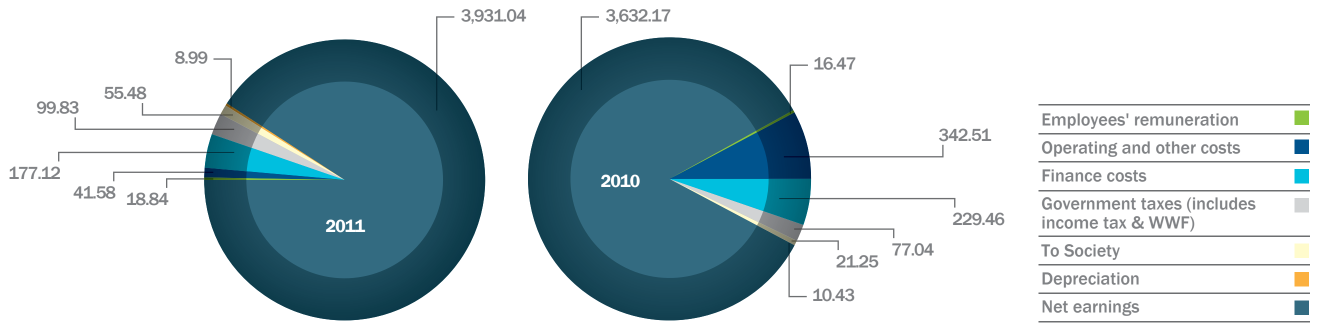
Summary of Cashflow Statement

Year ended June 30



	2011	2010	2009	2008	2007	2006
	Rupees in million					
Net cashflows from operating activities	**1,747.87**	(588.84)	(763.37)	2,482.02	3,318.20	1,673.10
Net cashflows from investing activities	**(2,453.96)**	2,589.89	(223.84)	(4,287.02)	(2,146.00)	(972.40)
Net cashflows from financing activities	**-**	-	(110.21)	-	(202.50)	(180.00)
Net change in cash and cash equivalents	**(706.08)**	2,001.05	(1,097.43)	(1,805.00)	969.70	520.80
Cash and cash equivalents at beginning of the year	**(612.81)**	(2,613.86)	(1,516.43)	288.57	4,453.70	3,932.90
Cash and cash equivalents at end of the year	**(1,318.89)**	(612.81)	(2,613.86)	(1,516.43)	5,423.40	4,453.70

Statement of Value Added and its Distribution

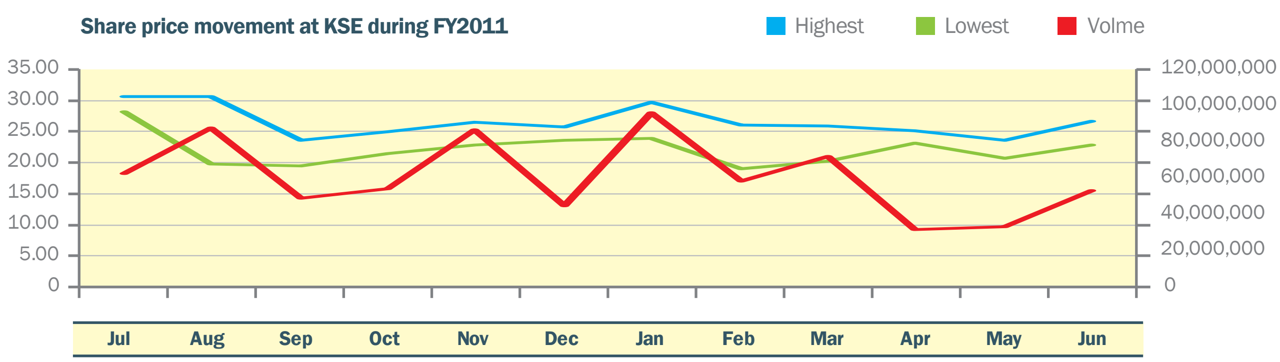


	2011	%	2010	%
	Rupees in million		Rupees in million	
Value Added				
Operating revenue	**1,908.86**	44.06	1,636.92	37.81
Gain on remeasurement of investments - net	**2,346.46**	54.15	2,680.03	61.90
Other income	**77.55**	1.79	12.38	0.29
	4,332.87	100.00	4,329.33	100.00
Distributed As Follows				
Employees' remuneration	**18.84**	0.43	16.47	0.38
Operating and other costs	**41.58**	0.96	342.51	7.91
Finance costs	**177.12**	4.09	229.46	5.30
Government taxes (includes income tax & WWF)	**99.83**	2.30	77.04	1.78
To Society	**55.48**	1.28	21.25	0.49
Retained within the business:				
Depreciation	**8.99**	0.21	10.43	0.24
Net earnings	**3,931.04**	90.73	3,632.17	83.90
	3,940.03	90.93	3,642.60	84.14
	4,332.87	100.00	4,329.33	100.00

Share Price / Volume Analysis

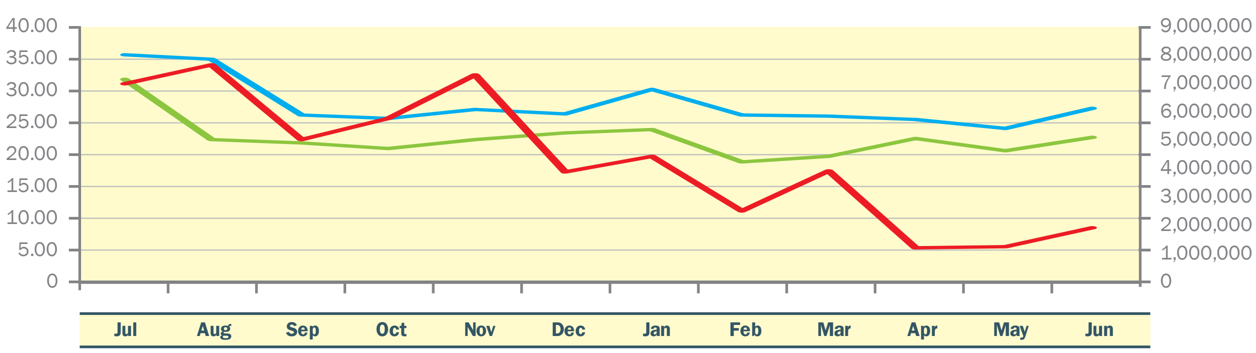
Month	Highest	Lowest	Volume
AHCL Share Price on the KSE			
July-10	**30.63**	28.22	62,699,509
August-10	**30.63**	19.75	87,976,815
September-10	**23.57**	19.40	48,753,807
October-10	**24.97**	21.43	54,167,059
November-10	**26.49**	22.83	86,620,834
December-10	**25.76**	23.59	44,467,648
January-11	**29.66**	23.98	96,186,837
February-11	**25.97**	18.97	58,063,226
March-11	**25.82**	20.23	71,841,681
April-11	**25.11**	23.10	31,415,670
May-11	**23.53**	20.67	32,931,593
June-11	**26.62**	22.80	52,990,757

Share price movement at KSE during FY2011



Month	Highest	Lowest	Volume
AHCL Share Price on the LSE			
July-10	**35.65**	31.76	6,987,207
August-10	**34.95**	22.40	7,650,618
September-10	**26.15**	21.80	5,014,528
October-10	**25.69**	21.00	5,750,329
November-10	**27.00**	22.30	7,280,008
December-10	**26.40**	23.40	3,896,676
January-11	**30.15**	23.84	4,438,368
February-11	**26.25**	18.84	2,505,616
March-11	**26.10**	19.80	3,935,707
April-11	**25.45**	22.45	1,212,018
May-11	**24.10**	20.55	1,258,591
June-11	**27.24**	22.75	1,924,436 A

Share price movement at LSE during FY2011



Promoting Investments

Shareholders' Information

Registered & Corporate Office

Arif Habib Centre
23, M.T. Khan Road
Karahi-74000
Tel: (021)32415213-15 Fax No: (021)32429653, 32470496
Email: info@arifhabibcorp.com
Website: www.arifhabibcorp.com

Share Registrar Office

Central Depository Company of Pakistan
Share Registrar Department
CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi
Tel: (021) 111-111-500
Toll Free:0800-23275
Fax: (021)34326053
URL: www.cdcpakistan.com
Email: info@cdcpak.com

Listing on Stock Exchanges

AHCL equity shares are listed on all stock exchanges of Pakistan i.e. Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE).

Stock Code

The stock code for dealing in equity shares of the Company at the stock exchanges is AHCL.

Investor Service Centre

AHCL share department is operated by Central Depository Company of Pakistan (CDC) Registrar Services. It also functions as an Investor Service Centre and has been servicing nearly 8,000 shareholders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. Team is headed by Mr. Abdus Samad at Registrar Office and Company Secretary at AHCL Registered Office.

For assistance, shareholders may contact either the Registered Office or the Share Registrar Office.

Contact Persons:

Mr. Manzoor Raza
Tel: (021)32415213-15
Email: manzoor.raza@arifhabibcorp.com

Mr. Hasnain Ather
Tel: (021) 111-111-500
Email: hasnain_athar@cdcpak.com

Statutory Compliance

During the year the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant information as required under the Companies Ordinance, 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations.

Cash Dividend Announcement

A final Cash Dividend for the year ended 30th June 2011 at Rs. 2 per share i.e. 20% has been recommended by the Board of Directors.

Bonus Shares Announcement

The Board of Directors have recommended a bonus issue for the year ended 30th June 2011 at the rate of 10%, i.e. one share for every ten shares held. Bonus shares will not be entitled for the final cash dividend for the year ended 30th June 2011.

Book Closure Dates

The Share Transfer Books of the Company will be closed from 14th October, 2011 to 22nd October, 2011 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi at the close of the business on Thursday, 13th October, 2011, will be considered in time for the determination of entitlement of shareholders to cash dividend, bonus and to attend and vote at the meeting

Dispatch of dividend warrants / Allotment of bonus shares

Subject to the approval by members in the AGM, the company expects to dispatch the final dividend warrants on or before 21st November 2011, being the statutory limit of 30 days from the date of General Meeting in which the dividend is approved.

Subject to the approval by members in the AGM, the company expects the bonus shares to be issued on or before 21st November 2011, being the statutory limit of 30 days from the date of re-opening of the share transfer register closed for the purpose of determining the entitlement.

Legal Proceedings

No case has ever been filed by shareholders against the Company for non-receipt of share / dividend.

General Meetings & Voting Rights

Pursuant to Section 158 of the Companies Ordinance, 1984, AHCL holds a General Meeting of Shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also published in at least one English and one Urdu newspaper having circulation in all provinces.

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote a General Meeting of the Company can appoint another member as his / her proxy to attend and vote at the meeting. Every notice calling a General Meeting of the Company contains a statement that shareholder entitled to attend and vote is entitled to appoint a proxy.

The instrument appointing proxy, duly signed by the shareholder should be deposited at the office of the Share Registrar of the Company not less than 48 hours before the meeting.

Web Presence

Updated information about the Company can be accessed at AHCL web site, www.arifhabibcorp.com

Shareholding Pattern

The shareholding pattern of the equity share capital of the Company as on 30th June 2011 alongwith categories of shareholders are given on page 180 to 183 of this report.

Corporate Social Responsibility

AHCL has been active for discharging its Corporate Social Responsibilities in the areas of education, healthcare and community welfare. Apart from the Group's own charitable foundation i.e. Arif Habib Foundation, AHCL also contributes for the welfare of the people and society at large. AHCL has supported several noble causes and some of them are mentioned here below.

Karachi School for Business and Leadership (KSBL) Project

The Karachi School for Business and Leadership (KSBL) was established when a group of Pakistani business and corporate leaders recognized that Karachi, the business and commercial hub of Pakistan, needed a world-class business school. Together, these business leaders formed Karachi Education Initiative (KEI), a non-profit organization with the goal of establishing a world-class, international graduate level business institution namely Karachi School of Business and Leadership (KSBL). They envisioned KSBL as a graduate management school that would offer high quality leading edge programmes to the many talented young men and women in the country as well as those accepted from abroad. KSBL is a school with a social conscience and will promote economic and social change by developing leaders who will impact organizations through their knowledge, skills and expertise, as well as contribute to business excellence by ensuring the application of highly professional and ethical practices in the national and international marketplace.

As a new institution, KSBL gained immediate credibility when it entered into a Strategic Collaboration Agreement with the University of Cambridge Judge Business School in the spring of 2009. Under the agreement, Cambridge is providing faculty to teach Executive Education programmes for KSBL in Karachi. A University of Cambridge certificate will be awarded to those participants who successfully complete the programmes. Cambridge is also working with KSBL in formulating the curriculum for its graduate and executive education programmes.

For this cause, AHCL's Board of Directors has approved during the year a generous budgetary allocation of Rs.100 million from and on behalf of the Arif Habib Group Companies towards the construction of this world class institution. Mr. Arif Habib, the Chairman of AHCL is a director on the Board of KEI.

Memon Medical Institute (MMI) Hospital

MMI is completely donor funded project of the Memon Health and Education Committee (MHEF). MMI is a public welfare project of selfless and compassionate individuals/bodies who have contributed generously towards its creation both in terms of money and time. It is the vision of a community for the betterment of the nation. It is one of the largest projects undertaken by the Memon Community to provide accessible and affordable quality healthcare and education to all with dignity, respect and empathy. The project also includes a 332 bed state of the art medical facility.

For this cause, AHCL's Board of Directors has approved a generous allocation of Rs.33 million on behalf of the Group towards the construction and completion of this institution. AHCL is also the corporate member of MMI and Mr. Kashif A. Habib, Director, has been designated as one of its trustees. Furthermore, Mr. Arif Habib is Honorary Chairman of Board of Trustees of Memon Health & Education Foundation a persent body of Memon Medical Institute.

Contribution of Group Companies in Health Sector

Fatima Fertilizer, a group company has established a Trust to construct and run a Welfare Hospital at Sadiqabad that will be worth Rs.300 million. This hospital will serve as centre of quality treatment and health facilities with specialized units for Hepatitis treatment, Trauma and emergencies.

Pakarab Fertilizers Limited, a group company has signed an agreement with Governing Body of Worker Welfare Fund, Ministry of Labor and Manpower for the construction of Mukhtar A. Sheikh Memorial Welfare Hospital, a Kidney and Psychiatric treatment facility and other allied services at Multan. Under the agreement, Pakarab Workers Welfare Board is being established as a Public-Private partnership between Worker Welfare Fund (WWF) and Pakarab Fertilizers Limited for the efficient management and administration of the money to be allocated for the Project. For the establishment of the hospital 50% will be contributed by the WWF and the remaining 50% will be contributed by Pakarab Fertilizers Limited. The total project cost of Rs. 2 billion does not include the cost of land. The land for the project is being provided by Pakarab Fertilizers Limited. So far, Rs. 98 Million has been contributed by Pakarab Fertilizers Limited towards this project. Once completed, it will be a self sustaining hospital. Mukhtar A. Sheikh Memorial Welfare Hospital once completed will provide free Kidney and Psychiatric treatment to all workers registered with EOBI or ESSI. This is the first Worker Welfare Board of its kind and only the fifth after the four Provincial Worker Welfare Funds.

Contribution of Group Companies in Flood Relief Activities

Fatima Fertilizer launched an effective rescue and rehabilitation program for the flood affected people in close liaison and coordination with District Government and Military officials (51 Brigade). Dry rations were dropped through Army aviation sorties as an emergency response to the helpless affectees surrounded by flood waters in District Rahim Yar Khan. Two dozen boats were hired and handed over to Military officials for timely rescue efforts. Cooked food, mineral water and milk packs were provided for 2000 persons daily at flood relief camps established by Dist Govt., consecutively for two months. Army and Civil Medical camps were assisted by our Medical Officer and supply of medicines was ensured as donation.

Pakarab Fertilizers actively participated in flood relief efforts towards mitigating the sufferings of our affected people by dispatching rations, tents and medicines on behalf of Fatima Group to Sanawan area of Kot Addu District. The employees of Pakarab Fertilizers Limited have also donated separately in this activity. Further, a rehabilitation process is chalked out for assessment of damage in the affected areas, and a plan to bring about massive infrastructure uplift will be initiated simultaneously. For the rehabilitation of flood victims, it is planned to set up a Fatima Model Village at Mehmood Kot District, Muzaffargarh. A donation of Rs.3.7 million has been made to build houses for flood victims. 50 houses are being built. The total worth of this project is Rs. 22 Million.

Sukhchayn Gardens (Pvt.) Ltd., a group company has undertaken the construction of a model village for flood affectees at Basti Miani Mallah (Kot Mithan), Rajanpur. The cost of the project is around Rs.113 million which covers construction of 237 houses, purchase of land, construction and furniture for school and vocational centre buildings, water filter plant, computers, overhead tank, tube well, dispensary equipments, landscaping, renovation of old mosque and construction of new mosque and madarsah.

Javedan Corporation Limited (JCL), a group company has made a contribution of Rs.2.5 million through CPLC in connection with flood relief activities.

Thatta Cement Company Limited (TCCL), a group company, being a responsible corporate citizen, positively played its role in relief and rescue activities. TCCL opened up its premises to shelter flood affectees of local towns of Thatta district. TCCL contributed to relief work by providing these Internally Displaced People food and safe drinking water and medical care as well. Beside this, TCCL has fully cooperated and facilitated the District Government and National Armed Forces and coordinated with them for support of flood affectees.

Besides, AHCL has also contributed an amount of Rs. 2 million for support of flood affectees.

Contribution of Group Companies towards Education

Fatima Fertilizer Education society is a registered organization and effectively running an English medium school to meet the educational needs of employees' children. Fatima Fertilizer School being run by top professional faculty of educationists has given outstanding results during last three years. Fatima Fertilizer Education Society has further started a comprehensive program of adopting the neglected Govt. Schools of the area. Through this program, Fatima Fertilizer will not only meet the deficiencies of the school building, staff and syllabus but will also give specific attention to teachers training, talent scholarships and student nutrition.

Keeping in view the services and role of Fatima Fertilizer towards corporate social responsibility, Resident Manager Fatima Fertilizer has been appointed as member Board of Governors Danish Schools by the Government of Punjab for future sustainability and management of Danish School. Danish School Rahim Yar Khan is a noble cause which is aimed at providing high standard education to orphans and the deprived children of Rahim Yar Khan and surrounding areas. Fatima Fertilizer has also made its contribution towards this philanthropic cause.

Given the unwavering commitment of the Group towards the educational sector, Pakarab Fertilizer Limited has donated Rs.7 million for the construction of an auditorium at LUMS. Further, Pakarab Fertilizer Limited participates in LUMS National Outreach program against which deserving students from Southern Punjab are being sponsored by Pakarab Fertilizer Limited through the four year degree program.
Javedan Corporation Limited (JCL), a group company has allocated a plot measuring 1 Acre at Naya Nazimabad Housing project scheme to The Citizen Foundation (TCF) for establishment of a school. The total establishment cost has been committed by JCL. Operational Cost per year from April 2012 would be Rs. 1.5 million. TCF will charge nominal tuition fee to its students. The actual Cost incurred to run the school will be far greater, the balance of which will be funded by JCL on a continuous basis.

Corporate Memberships

Enjoying the status of being one of the most diversified Corporate entities, AHCL has associated itself with some of the well-reputed professional bodies to further strengthen its management practices. These institutions include:

- Pakistan Institute of Corporate Governance
- Management Association of Pakistan
- Pakistan Centre for Philanthropy

Directors' Report

Dear Fellow Shareholders

It is a great privilege for the Directors to present the Annual Report of your Company and the audited financial statements for the financial year ended on 30th June 2011 together with auditors' report thereon.

The year under review was focused primarily on the consolidation of the business with the objective of safeguarding the interests of the shareholders and promoting market confidence.

Principal activities

Arif Habib Corporation Limited (AHCL) (formerly: Arif Habib Securities Limited) is the flagship company of Arif Habib Group. AHCL is a holding company which owns investments across a broad spectrum of industries constituting the Arif Habib Group of companies. Additionally, it continues to manage securities market portfolio earning impressive returns.

Economy and Market

Over the last couple of years, Pakistan's economy has been undergoing a stabilization phase. The year under review saw some positives like current account surplus on back of record exports and remittances, the witnessing of record corporate profitability of the listed companies across various sectors and a stable value of the Rupee versus the US Dollar. However, at the same time, Pakistan continued to suffer from inflation, high interest rates and security and law & order issues leading to a significant decline in FDI and this coupled with energy shortages has stunted the GDP growth. The government has still not been able to resolve the issue of the energy related circular debt. The year under review also experienced the reverberations of abnormally widespread and catastrophic floods. We believe the reinstatement of macroeconomic strength is vital and indispensable for providing the platform for economic growth, job creation, and for improving the quality of life of the people.

Top Companies Award

Every year, Karachi Stock Exchange honor excellent performance of the top 25 companies on the basis of comprehensive criteria, which includes dividend payout, return on equity, minimum free float, corporate social contributions, timely financial reporting, compliance with Listing Regulations and good corporate governance. The companies that qualify on the prerequisites are selected for the awards. During the year, your company has received the KSE Top Companies Award for 2008 presented by the president of Pakistan.

Financial Results

Despite the challenging circumstances, your company has witnessed healthy profitability during the year under review. It has earned an after-tax profit of Rs. 2.8 billion as compared to Rs. 3.8 billion in 2009-10. This translates to an earning of Rs. 7.57 per share as compared to Rs. 10.13 per share in corresponding year. A notable contribution towards this performance came from good dividends and growth delivered by our strategic investee companies as well as unrealized gains on investments both on trading and strategic portfolios.

Based on the profit during the year under review, the Board has recommended declaration of a final Cash Dividend for the year ended 30th June 2011 at Rs. 2 per share i.e. 20% and issue Bonus shares in the proportion of one share for every ten shares held i.e. 10 %. Bonus shares will not be entitled for the final cash dividend for the year ended 30th June 2011. This entitlement shall be available to those shareholders whose name(s) appear on the shareholders' register at the close of business on Thursday, 13th October 2011.

The Summary of Financial Results is as follows:-

	2011 Rupees	2010 Rupees
Profit before tax	**3,148,066,896**	3,732,496,388
Taxation (including deferred tax asset)	**(307,587,332)**	65,969,106
Profit after tax	**2,840,479,564**	3,798,465,494
Un-appropriated profit brought forward	**10,957,214,379**	8,472,748,885
Profit available for appropriation	**13,797,693,943**	12,271,214,379
Appropriations:		
Distribution of 112.5 million shares of Fatima Fertilizer Limited for the year ended 30th June 2010	**-**	1,314,000,000
* Final Cash Dividend at Rs. 2 per share i.e. 20% for the year ended 30th June 2011 as recommended by the Board of Directors	**750,000,000**	-
* Bonus issue at the rate of 10% for the year ended 30th June 2011, i.e. one share for every ten shares held, as recommended by the Board of Directors	**375,000,000**	-
* Un-appropriated profit carried forward	**12,672,693,943**	10,957,214,379
Earnings per share – basic & diluted	**7.57**	10.13

*** Subject to the approval by members in the AGM to be held on Saturday, 22nd October 2011**

Emphasis of matter paragraphs included in the Auditors' Report

"We draw attention to note 7.1 to the financial statements which describes the basis on which the Company has not recognized provision for Workers' Welfare Fund.

We also draw attention to note 11.2.1 to the financial statements which describes the uncertainty related to the outcome of the constitutional petition filed by the Company against Securities and Exchange Commission of Pakistan in the case of merger of Arif Habib Investments Limited with MCB Asset Management Company Limited.

Our opinion is not qualified in respect of above-mentioned matters."

Note 7.1 to the financial statements is reproduced as under:

During the year, the Honourable High Court of Lahore vide their order in respect of writ petition No. 8763/2011, has declared amendments introduced through Finance Acts 2006 and 2008 in Workers' Welfare Ordinance, 1971 as unconstitutional. Further, the Company has also filed a writ petition in the High Court of Sindh at Karachi to impugn the amendments made to the Workers' Welfare Ordinance 1971, vide Finance Act 2008. The management of the Company is contesting the case vigorously and has obtained an interim stay on the petition. As per the legal council, the Company has a reasonable case and expects that the constitution petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in the favour of the Company.

Accordingly, the management has reversed the provision recognized as at 30 June 2010 amounting to Rs. 76.17 million during the current period. The aggregate unrecognized amount of WWF as at 30 June 2011 amounted to Rs. 139.135 million.

Note 11.2.1 to the financial statements is reproduced as under:

Investment in AHIL (quoted) represents 21.664 million (2010: 18.053 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2010: 60.18%) of AHIL's paid up share capital as at 30 June 2011, having cost of Rs. 81.95 million (2010: Rs. 81.95 million). Fair value per share as at 30 June 2011 was Rs. 21.59 (2010: Rs. 19.36), whereas book value based on net assets, as per draft financial statements, as at 30 June 2011 is Rs. 16.22 per share (2010: Rs. 16.27 per share). As per the scheme of amalgamation of MCB Asset Management Company Limited (MCB-AMC) with and into Arif Habib Investments Limited (AHIL) the shareholders of MCB-AMC have been issued 1.2 shares in the merged entity in lieu of each share of MCB-AMC held by them. Thus, the paid up capital of the merged entity is now doubled to 72 million shares of Rs. 10 each. Of these shares, 36 million shares has been held by MCB Bank Limited and a similar number by the current shareholders of AHIL. This reduced the Company's holding in subsidiary to 30.09%.

This scheme of amalgamation was sanctioned by Securities and Exchange Commission of Pakistan (SECP) through its order dated June 10, 2011 with effect from June 27, 2011. Subsequently SECP through its order dated June 27, 2011 extended the effective date of merger from June 27, 2011 to July 30, 2011. The Company in reply to the SECP order filed the petition in the Honorable Sindh High Court claiming that the same is a past and close end transaction. In view of this, the Honorable Sind High Court through its order dated July 02, 2011 suspended the SECP order for extension of the effective date of merger. The hearing of this case is in progress.

Investments

The Company's core business is to derive returns from long and short term investments. Our investment philosophy is to invest on research based fundamental analysis, while maintaining a balance between the risk and reward. The investment book consists of medium to long term strategic investments and of portfolio secondary market securities. Our approach is what may be described as opportunistic investing, i.e., identifying, analyzing and if we assess the opportunity as a value proposition, taking a measured exposure after considering our existing investments and the expected future cash flows. The Company also, from time to time, identifies other business groups with which it can co-invest.

Performance of Subsidiaries and Associates

Your company has a diversified revenue stream, with major proportion of income coming from the investment in the fertilizer business. Thus despite weak economic conditions during the year, your company has done reasonably well at the back of the Fertilizer investments. However, the Cement and Dairy businesses faced challenges during the year under review. Greenfield projects in, Steel and Energy are progressing well and should be able to contribute to the Company's revenues in due course of time.

Segments at a Glance

Brokerage

Arif Habib Limited (AHL) is the brokerage arm of the group. AHL's principal strengths include the capacity for efficient execution of securities transactions, evaluating companies and listed securities, and the public as well as private placement expertise. During the current year AHL made aggressive provisions against doubtful debts, which has resulted in a Loss after tax of Rs. 559 million. Steps are being taken to streamline the financial position of AHL and to increase the revenues from sources such as securities brokerage, commodities brokerage and corporate finance services. With the gradual stabilization of the economy, we should see return of reasonable activity in the market and AHL has the track record, knowledge and an experienced team, which should allow it to do well in the current financial year.

SKM Lanka Holdings (Pvt.) Limited, a subsidiary operating in Colombo has attained breakeven.

Arif Habib DMCC, a member of Dubai Gold and Commodities Exchange (DGCX); the company has yet to start its operations.

Asset Management

The most significant activity during the year has been the implementation of a scheme of amalgamation to merge (please refer to Note 11.1.2 to the financial statements) Arif Habib Investments Limited (AHIL) with MCB Asset Management Company Limited (MCB-AMC). The group feels that the merged entity will be in a stronger position to contribute towards the development of the market and the growth of investments for its shareholders. It will also bring together the wide range of products offered by AHI and MCB-AMC's wider distribution network enabling the merged entity to offer a comprehensive range of products which will cater to the different savings and investment needs of both large and small investors.

The merged entity was managing over Rs. 29.741 billion as of 30th June 2011, in 16 Mutual Funds, 2 Pension Funds and 11 Investments Plans in its product portfolio.

Fertilizers

The Fertilizer industry in Punjab suffered from severe gas curtailment during the year under review. Pakarab Fertilizer (PAFL) is supplied gas by the Sui Network and faced a high curtailment totaling 22% as compared to lower gas cuts on other networks. This limitation, coupled with a hike in the price of the feedstock gas has forced the industry players to increase fertilizer prices.

Pakarab Fertilizers Limited earned a net profit after tax of Rs.3.2 billion for the year ended 31st December 2010 and has distributed shares of Fatima Fertilizer Company Limited as Specie Dividend for an amount of Rs.2.9 billion. During the half year period from January 2011 to June 2011 of PAFL, the company has earned an after tax profit of Rs. 1.6 billion. With the beginning of new financial year of Government of Pakistan on 1st July 2011 the Ministry of Petroleum has taken measures to improve supply of gas to the Industry, particularly the Fertilizer sector. The Ministry has assured uninterrupted supply in future as well.

Fatima Fertilizer Company Limited (FFCL) after a successful trial run has started "Commercial Operations" from 1st July 2011 and is capable of producing 500,000 tons per annum of Urea, 420,000 tons per annum of CAN and 360,000 tons per annum of NP. During the first half of the calendar year 2011 Fatima has earned trial run surplus of Rs. 4.1 billion, which has been recorded in its accounts in the capital - work in progress account. With the successful and profitable commencement of commercial operations it should start enhancing the quality revenues of AHCL. It is also pertinent that FFCL is supplied gas by the Mari gas field and is not dependent on the Sui gas network.

Steel

Aisha Steel Mills Limited is a joint venture of Metal One (subsidiary of Mitsubishi Japan), Universal Metal Corporation-Japan and AHCL. The Civil Work has been completed and Mechanical erection activity is in full swing. During the year under review, ordinary share capital of Rs. 303 million was injected and preference share capital of Rs. 755 million was subscribed by AHCL. It is expected that the project will be commissioned by early calendar year 2012

Cement

The cement demand as well as the prices are gradually picking up in local market. The prices in regional markets are also showing some signs of improvement.

Thatta Cement Company Limited (TCCL) is making constant efforts in improving plant efficiencies and adopting cost cutting measures. In this connection TCCL has started using alternative fuels and indigenous coal to substitute costly imported coal along with energy conservation measures. To ensure uninterrupted power supply to the cement plant, work on setting up of a captive power plant has been started which is expected to come online early next year. These measures shall enable the Company to meet the future challenges and move forward smoothly. The Company has recorded a loss of Rs. 72.8 million as per the management accounts for the financial year ended 30th June 2011.

During the current financial year AHCL has increased its shareholding in Al Abbas Cement Industries Limited (AACIL) to 61 percent as of 30th June 2011 through taking up rights shares. The management is in process of implementing a plan to turn around the Company. The Company has recorded a loss of Rs. 796.6 million as per the management accounts for the financial year ended 30th June2011. The provision for impairment in the value of investment in Al-Abbas Cement has been recorded in AHCL's accounts.

Dairy

Sweetwater Dairies Pakistan (Pvt.) Limited (SDPL) - a joint venture of Sweetwater U.S.A, Habib Bank Limited, Unicorn Investment Bank, Gatron group and AHCL. Based on a successful proof of concept at its pilot dairy situated 25 kilometers away from Lahore, SDPL has developed one large dairy in Renala, Punjab with a planned capacity of 1,000 cows. It has started full scale commercial production from this dairy. During the year, SDPL has suffered a loss after tax of Rs. 77 million as compared to loss after tax of Rs. 159 million suffered in the previous year. The Management is in the process of devising a strategy to convert SDPL into a profitable company. AHCL has recorded an impairment of Rs.200 million in the financial statements under review.

Future Outlook

Pakistan is passing through a challenging phase. Terrorism and law and order incidents have not subsided. Energy shortages still persist. The impact of recent rains and floods is being assessed. The business sentiment is still weak. Under the present environment and Company's strategy of investing across various sectors and the Company's Policy of consolidation is working well. Efforts are continuing to strengthen the investee companies. During the current financial year, the Fertilizer investments are expected to do even better, the Steel business is expected to come into operations, while efforts to turn around the operations of Cement and Dairy companies will continue. Brokerage and Asset management businesses are expected to give improved results. Over all, the Company is expected to have an improved performance during the current year.

Risk Management

With the Company's key business being that of investing, it has evolved its risk management system as its investment strategy has evolved. Starting with secondary market investments, the Company has always followed a policy of diversification between sectors and companies and at the same time basing individual investment decisions on fundamental analysis and following the golden rule of value investing. The Company also reaped good rewards from equity financing activities, here again risk was managed by applying caution with respect to the price levels at which a particular stock being financed; avoiding concentration risk, ensuring adequate underlying collateral and assessing the capacity of the counterparty. In addition, the Company has played a continuing role through its representatives in the development of basic capital market infrastructure.

Once the Company started making strategic investments, it developed risk management systems suited to such investing. The starting point has always been carrying out an in depth analysis before making the investment, and supplementing that with hiring of qualified and experienced professionals to represent it on the Boards of investee companies, applying budgetary and other internal controls on such companies through the Board members, continuing review of performance of the investee companies and taking corrective measures as and when needed, including the dis-investment from businesses if that became the right option. In addition to oversight of internal operations The Company, through its representatives, has also dealing with extraneous matters when needed by lobbying at various levels for protection and advancement of the industry.

The Board has set up an Investment Committee and this Committee has the responsibility of vetting and continuous monitoring of all strategic investments. In turn the Company's management staff responsible for the strategic investments provides the Committee with timely reposts.

Capital Management and Liquidity

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

Human Resource

Your company takes great pride in the commitment, competence and vigor shown by its workforce in all realms of business. The Company continues to take new initiatives to further align its HR policies to meet the growing needs of its business. People development continues to be a key focus area in your company.

At AHCL Human Resources, in its business partner role, enacts strategies to raise the performance of each team member to its maximum potential. The primary reason for our success is that our organization is built around people.

Employees are rewarded based on performance, resulting enhanced retention and motivation at all levels. All our operational activities are carried out in a transparent manner following our code of ethics, on which there can be no compromise.

Our continuous improvement philosophy and benchmarking with the best in class will help in making AHCL a high performance organization.

Corporate Social Responsibility

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

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

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

Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent, accurate and timely manner. Details of the contributions are presented from page no. 60 to 62. Furthermore, Arif Habib Corporation Limited has contributed an amount of Rs.21.6 million towards tax.

Corporate Governance

AHCL is listed at the Karachi, Lahore and Islamabad Stock Exchanges. The Company's Board and management are committed to observe the Code of Corporate Governance prescribed for listed companies and are familiar with their responsibilities and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Board would like to state that proper books of accounts of the Company have been maintained and appropriate accounting policies have been adopted and consistently applied. Preparation of accounts and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards, as applicable in Pakistan, are followed. The system of internal controls is sound in design and has been effectively implemented. The financial statements of the Company present fairly its state of affairs, the result of its operations, cash flows and change in equity. No material payment has remained outstanding on account of any taxes, duties, levies or charges. The company has no outstanding obligations under gratuity, pension or provident fund.

In compliance with the Code, the Board hereby reaffirm that there is no doubt whatsoever about the Company's ability to continue as a going concern and that there has been no material departure from the best practices of corporate governance as detailed in the listing regulations and transfer pricing. It has always been the Company's endeavor to excel through better Corporate Governance and fair and transparent practices, many of which have already been in place even before they were mandated by law.

Trading in Company's Share by Directors and Executives

All Directors including the Chief Executive, Chief Financial Officer, and Executives of the Company were delivered written notices by the Company Secretary to immediately inform in writing any trading in the Company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and CDC statement within 4 days of such transaction to the Company Secretary. A statement showing the Company's shares bought and sold by its Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their minor family members is annexed as Annexure-I (page no. 72).

Attendance at Board Meetings

A statement showing attendance at Board meetings is annexed as Annexure-II (page no. 73).

Pattern of Shareholding

Shares of the Company are listed on Karachi, Lahore and Islamabad Stock Exchanges. There were 7,769 shareholders of the Company as of 30th June 2011. The detailed pattern of shareholding and categories of shareholding of the Company including shares held by directors and executives, if any, are annexed as Annexure-III (from page no. 180 to 183).

Financial & Business Highlights

The key operating and financial data has been given in summarized form under the caption "Financial & Business Highlights – Six years at a glance" (Page-46) and graphic representation of the important statistics is presented on (Page-48).

Investment in Retirement Benefits

The value of investment, made by the staff Provident Fund operated by the Company as per their respective audited financial statements as of 30th June 2010 is amounting to Rs.1.04 million.

Audit Committee

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duly approved by the Board. The Committee composition and its terms of reference are also attached with this report.

Auditors

The present external auditors M/s.KPMG Taseer Hadi & Co., shall retire at the conclusion of annual general meeting on 22nd October 2011 and being eligible, have offered themselves for reappointment for the year ending on 30th June 2012. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee, the Board recommends reappointment of M/s.KPMG Taseer Hadi & Co., as auditors of the Company for the financial year ending on 30th June 2012 at a fee to be mutually agreed. Approval to this effect will be sought from the shareholders at the forthcoming annual general meeting scheduled on 22nd October 2011.

Compliance with Secretarial Practices

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under listing regulation 37(XXV) of Karachi Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify the secretarial and corporate requirements of the Companies Ordinance, 1984 and listing regulations have been duly complied with.

Election of Directors

In accordance with the provisions of Section 180 of the Companies Ordinance, 1984 the three years term of directors elected in the annual general meeting of 2007 was completed during the year. Accordingly, the election of Directors were held in accordance with the provisions of the Companies Ordinance, 1984 in the last annual general meeting of the Company and seven directors were elected as fixed by the Board.

Post Balance Sheet Events

There have been no material changes since 30th June 2011 to the date of this report except the declaration of a final Cash Dividend @ 20% and issue of Bonus shares @ 10 % which is subject to the approval of the Members at the 17th Annual General Meeting to be held on 22nd October 2011. The effect of such declaration shall be reflected in the next year's financial statements.

Related Party Transactions

In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The details of all related party transactions have been provided in note 32 of the annexed audited separate financial statements.

Acknowledgement

The Directors are grateful to the Company's stakeholders for their continuing confidence and patronage. We wish to place on record our appreciation and thanks for the faith and trust reposed by our Business Partners, Bankers & Financial Institutions. We thank the Ministry of Finance, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Competition Commission of Pakistan, Central Depository Company of Pakistan and the Managements of Karachi, Lahore, and Islamabad Stock Exchanges for their continued support and guidance which has gone a long way in giving present shape to the company.

The results of an organization are greatly reflective of the efforts put in by the people who work for and with the company. The Directors fully recognize the collective contribution made by the employees of the company for successful operations of the company. We also appreciate the valuable contribution and active role of the members of the audit and other committees in supporting and guiding the management on matters of great importance.

For and on behalf of the Board

Arif Habib
Chairman & Chief Executive

Karachi: 14th September 2011

Statement showing shares bought and sold by Directors, CEO, CFO, Company Secretary and their Spouses and Minor Children From 1st July 2010 to 30th June 2011

Name	Designation	Shares Bought	Shares Sold	Remarks
Mr. Arif Habib	Chairman & Chief Executive	4,000,000	-	-
Mr. Nasim Beg	Director	-	400,000	-
Mr. Asadullah Khawaja	Director	-	-	-
Mr. Samad A. Habib	Director	832	-	-
Mr. Kashif A. Habib	Director	-	-	-
Mr. Muhammad Akmal Jameel	Director	-	-	-
Mr. Tahir Iqbal	Director	125	-	-
Mr. Sirajuddin Cassim	Director	-	-	-
Mr. Syed Ajaz Ahmed Zaidi	Director	-	832	-
Mr. Muhammad Kuhbaib	Director	-	125	-
Mr. Zeeshan	CFO & Company Secretary	7,500	-	-
Mrs. Zetun Arif	Spouse of Mr. Arif Habib	2,000,000	-	-
Minor children	-	-	-	-

Statement showing attendance at Board Meetings From 1st July 2010 to 30th June 2011

Name	Designation	Attended	Leave Granted	Remarks
Mr. Arif Habib	Chairman & Chief Executive	5	-	-
Mr. Nasim Beg	Director	5	-	-
Mr. Asadullah Khawaja	Director	5	-	-
Mr. Samad A. Habib	Director	2	-	-
Mr. Kashif A. Habib	Director	4	1	-
Mr. Muhammad Akmal Jameel	Director	5	-	-
Mr. Tahir Iqbal	Director	2	-	-
Mr. Sirajuddin Cassim	Director	-	1	-
Mr. Syed Ajaz Ahmed Zaidi	Director	4	-	-
Mr. Muhammad Khubaib	Director	3	1	-

Report of the Audit Committee on Adherence to the Best Practices of Code of Corporate Governance

The audit committee has concluded its annual review of the conduct and operations of the Company during financial year ended on 30th June 2011, and reports that:

- The Company has adhered in full, without any material departure, with both mandatory and voluntary provisions of the listing regulation of Karachi, Lahore and Islamabad Stock Exchanges of Pakistan, Company's statement of ethics and values and the international best practices of Governance throughout the year.
- Compliance has been confirmed from the members of the Board, the Management and employees of the Company individually. Equitable treatment of shareholders has also been endured.
- The Company has issued a "Statement of Compliance with the Best Practices of Code of Corporate Governance" which has also been reviewed and certified by the auditors of the Company.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern assumption basis, for the financial year ended 30th June 2011, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and it's subsidiaries for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company, consolidated financial statements and the Directors' Report. They acknowledge their responsibility for true and fair presentation of the financial statements, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and system of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with Companies Ordinance, 1984.
- The financial statements comply with the requirements of the Fourth Scheduled to the Companies Ordinance, 1984 and applicable "International Accounting Standards / International Financial Reporting Standards (IFRS)" notified by SECP.
- All direct and indirect trading and holdings of the Company's shares by Directors & Executives or their spouse were notified in writing to the Company Secretary along with the price, number of shares, form of share certificate and nature of transaction which were notified by the Company Secretary to the Board with in the stipulated time. All such holdings have been disclosed in the pattern of Shareholdings.

- **Internal Audit**

- The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board.

- The Company's system of internal control is sound in design and has been continually evaluated or effectiveness and adequacy.

- The Audit Committee has ensured the achievements of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through effective financial operational and compliance controls and risk management at all levels with in the Company.

- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

- **External Auditors**

- The statutory Auditors of the Company, M/s. KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignments of the "Company's Separate Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Best Practices of Code of Corporate Governance" for the financial year ended 30th June 2011 and shall retire on the conclusion of the 17th Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observation and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 30 days of the date of Auditors' Report on financial statements under the listing regulations and shall thereof accordingly be discussed in the next Audit Committee Meeting.

- The Audit Firm has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully complaint with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Auditors attended the general meetings of the Company during the year and have confirmed attendance of the Annual General Meeting scheduled on 22nd October 2011.

- Being eligible for re-appointment as Auditors of the Company, the Audit Committee recommends reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the financial year ending on 30th June 2012.

Afzal Hameed

Karachi: 14th September 2011

Chairman - Audit Committee

Statement of Compliance With the Best Practices of Code of Corporate Governance

This statement is being presented to comply with the requirements of the Code of Corporate Governance ("the Code") as incorporated in the Listing Regulations of the Stock Exchanges of Pakistan. The Code provides a framework of best practices of Corporate Governance. Good Governance is considered indispensable by the Board to enhance and achieve highest performance. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the Board includes two independent non-executive and five non-executive directors. Presently, there is no director representing minority shareholders.

2. All the directors have given declaration that they were aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of the Stock Exchanges of Pakistan.

3. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to any banking company, a DFI or an NBFI.

5. None of the directors or their spouses is engaged in the business of stock brokerage or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

6. The Company elects its directors every three years. Seven directors were elected by the shareholders in the Annual General Meeting held on 25 September 2010.

7. During the year, a total of two casual vacancies arose. Mr. Muhammad Khubaib and Syed Ajaz Ahmed Zaidi had resigned and were replaced by Mr. Samad A. Habib and Mr. Tahir Iqbal.

8. During the year, Mr. Tahir Iqbal had resigned as Chief Financial Officer and Company Secretary of the company and was replaced by Mr. Zeeshan. Further, Mr. Navid Farooq replaced Mr. Zia ur Rahim as an Internal Auditor.

9. The Board has approved appointment, remuneration and terms and conditions of the employment of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by the Chief Executive. During the year Chief Financial Officer and Company Secretary was replaced by the Board.

10. The Company has prepared and adopted a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.

11. The Board of Directors has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies together with the dates on which they were approved or amended has been maintained.

12. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and the Chief Financial Officer have been determined and approved by the Board of Directors. Further, the appointment, remuneration and terms and conditions of employment of the Company Secretary and the Head of Internal Audit have been determined by the Chief Executive Officer with the approval of the Board of Directors.

13. The roles and responsibilities of the Chairman and the Chief Executive Officer were clearly defined.

14. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose.

15. The Board meets at least once in every quarter.

16. Written notices of the Board meetings, along with agenda and working papers, were circulated not less than seven days before the meeting.

17. The minutes of the meetings were appropriately recorded, signed by the Chairman and circulated within 14 days from the date of meeting.

18. All the directors of the Company, being professionals and directors of other local and foreign companies have adequate exposure of corporate matters and are aware of their duties and responsibilities.

19. The Company also conducted in-house orientation course for its directors during the year to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.

20. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.

21. All quarterly and annual financial statements were presented to the Board for approval within one month and half yearly within two months of the closing and were duly endorsed by the CEO and the CFO.

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

23. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

24. The Company has complied with all material principles and the corporate and financial reporting requirements of the Code.

25. The Board has formed an audit committee. It comprises of three members including the Chairman of Committee, all of whom are non-executive directors.

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

27. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

28. The Board has set-up an effective internal audit function with employees who are considered experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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

30. 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.

Karachi, September 14, 2011

Arif Habib
Chairman & Chief Executive Officer

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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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 Corporation Limited (formerly Arif Habib Securities Limited)** ("the Company") to comply with the Listing Regulations of Karachi, Lahore and Islamabad exchanges where the Company is listed.

The responsibility for compliance with the above 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 our 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 Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further the Listing Regulations of Karachi, Lahore and Islamabad stock exchanges require 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 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 the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2011.

Date: 14 SEP 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Audited Financial Statements

Arif Habib Corporation Limited
(formerly Arif Habib Securities Ltd.)
For the year ended June 30, 2011

KPMG

KPMG Taseer Hadi & Co.
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)** ("the Company") as at 30 June 2011 and the related profit and 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 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 account 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 account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and 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 30 June 2011 and of the profits, other comprehensive income, its cash flows and changes in equity for the year then ended; and

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

We draw attention to note 7.1 to the financial statements which describes the basis on which the Company has not recognized provision for Workers' Welfare Fund.

We also draw attention to note 11.2.1 to the financial statements which describes the uncertainty related to the outcome of the constitutional petition filed by Arif Habib Investments Limited against Securities and Exchange Commission of Pakistan in the case of merger of Arif Habib Investments Limited with MCB Asset Management Company Limited.

Our opinion is not qualified in respect of above-mentioned matters.

Date: 14 SEP 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Balance Sheet
As at 30 June 2011

	Note	2011	2010
		Rupees	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	4	**10,000,000,000**	10,000,000,000
Issued, subscribed and paid up share capital		**3,750,000,000**	3,750,000,000
Reserves	5	**17,361,650,968**	16,034,145,375
		21,111,650,968	19,784,145,375
Non-current liabilities			
Deferred taxation	6	**3,092,023,908**	2,883,395,813
Current liabilities			
Trade and other payables	7	**1,918,640**	78,574,509
Interest / mark-up accrued on short term borrowings		**51,570,250**	21,011,622
Short term borrowings	8	**1,327,457,775**	620,235,048
Provision for taxation		**99,826,284**	867,047
		1,480,772,949	720,688,226
		25,684,447,825	23,388,229,414
Contingencies and commitments	9		

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Balance Sheet
As at 30 June 2011

	Note	2011	2010
		Rupees	
ASSETS			
Non-current assets			
Property and equipment	10	**53,333,298**	61,151,042
Long term investments	11	**23,840,733,981**	19,535,274,470
Long term deposits	12	**2,514,590**	790,190
		23,896,581,869	19,597,215,702
Current assets			
Loans and advances	13	**550,808,592**	268,752,500
Prepayments		**579,749**	75,600
Advance tax		**84,390,105**	62,778,527
Other receivables	14	**205,301,187**	113,936,559
Short term investments	15	**938,215,581**	3,338,040,948
Cash and bank balances	16	**8,570,742**	7,429,578
		1,787,865,956	3,791,013,712
		25,684,447,825	23,388,229,414

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

CHAIRMAN & CHIEF EXECUTIVE **DIRECTOR**

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Profit and Loss Account
For the year ended 30 June 2011

	Note	2011	2010
		Rupees	
Operating revenue	17	**1,908,861,867**	1,636,918,105
Loss on sale of securities - net	18	**(14,377,233)**	(139,966,515)
Gain on remeasurement of investments - net	19	**2,346,458,738**	2,680,034,051
		4,240,943,372	4,176,985,641
Gain on distribution of shares	3.15	**127,125,000**	-
Operating and administrative expenses	20	**(69,403,580)**	(58,894,216)
Impairment loss on investments	11.4	**(995,547,974)**	(71,091,000)
Operating profit		**3,303,116,818**	4,047,000,425
Other income	21	**77,546,387**	12,382,120
		3,380,663,205	4,059,382,545
Finance cost	22	**(177,120,309)**	(229,462,405)
Other charges	23	**(55,476,000)**	(97,423,752)
Profit before tax		**3,148,066,896**	3,732,496,388
Taxation	24	**(307,587,332)**	65,969,106
Profit after tax		**2,840,479,564**	3,798,465,494
Earnings per share - basic and diluted	25	**7.57**	10.13

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

CHAIRMAN & CHIEF EXECUTIVE **DIRECTOR**

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Statement of Comprehensive Income
For the year ended 30 June 2011

	Note	2011	2010
		Rupees	
Profit for the year		**2,840,479,564**	3,798,465,494
Other comprehensive loss			
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	11.3	**(200,711,876)**	(220,734,052)
Reclassification adjustments relating to loss realized on disposal of investments classified as 'available for sale'		**1,737,905**	-
Impairment loss on investments classified as 'available for sale' transferred to profit and loss account	11.3	**-**	71,091,000
Other comprehensive loss for the year		**(198,973,971)**	(149,643,052)
Total comprehensive income for the year		**2,641,505,593**	3,648,822,442

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

CHAIRMAN & CHIEF EXECUTIVE | **DIRECTOR**

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)

Cash Flow Statement
For the year ended 30 June 2011

	Note	2011	2010
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	27	**1,916,048,091**	(275,993,561)
Income tax paid		**(21,611,578)**	(13,912,583)
Finance cost paid		**(146,561,681)**	(298,938,019)
Net cash generated from / (used in) operating activities		**1,747,874,832**	(588,844,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		**(1,792,925)**	(794,020)
Proceeds from sale of property and equipment		**1,229,000**	1,367,777
Dividend received		**187,375,426**	131,422,729
Interest received		**28,018,626**	46,705,636
Acquisition of long term investments		**(2,676,860,965)**	(263,875,330)
Proceeds from sale of long term investments		**9,798,843**	2,675,813,636
Long term deposits		**(1,724,400)**	(745,600)
Net cash (used in) / generated from investing activities		**(2,453,956,395)**	2,589,894,828
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	-
Net decrease in cash and cash equivalents		**(706,081,563)**	2,001,050,665
Cash and cash equivalents at beginning of the year		**(612,805,470)**	(2,613,856,135)
Cash and cash equivalents at end of the year	28	**(1,318,887,033)**	(612,805,470)

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)

Statement of Changes in Equity
For the year ended 30 June 2011

		Share capital	Reserves				Total
		issued, subscribed and paid up share capital	Unrealized diminution on remeasurement of investment classified as 'available for sale	General reserve	Unappropriated profit	Sub total	
Balance as at 1 July 2009		**3,750,000,000**	**(87,425,952)**	**4,000,000,000**	**8,472,748,885**	**12,385,322,933**	**16,135,322,933**
Total comprehensive income / (loss) for the year							
Profit for the year		-	-	-	3,798,465,494	3,798,465,494	3,798,465,494
Unrealized diminution during the period on remeasurement of investments classified as 'available for sale'		-	(220,734,052)	-	-	(220,734,052)	(220,734,052)
Impairment loss on investments classified as 'available for sale' transferred to profit and loss account		-	71,091,000	-	-	71,091,000	71,091,000
		-	**(149,643,052)**	**-**	**3,798,465,494**	**3,648,822,442**	**3,648,822,442**
Transactions with owners		-	-	-	-	-	-
Balance as at 30 June 2010	Rupees	**3,750,000,000**	**(237,069,004)**	**4,000,000,000**	**12,271,214,379**	**16,034,145,375**	**19,784,145,375**
Balance as at 1 July 2010		**3,750,000,000**	**(237,069,004)**	**4,000,000,000**	**12,271,214,379**	**16,034,145,375**	**19,784,145,375**
Total comprehensive income / (loss) for the year							
Profit for the year		-	-	-	2,840,479,564	2,840,479,564	2,840,479,564
Unrealized diminution during the period on remeasurement of investments classified as 'available for sale'		-	(200,711,876)	-	-	(200,711,876)	(200,711,876)
Reclassification adjustments relating to loss realized on disposal of investments classified as 'available for sale'		-	1,737,905	-	-	1,737,905	1,737,905
		-	(198,973,971)	-	2,840,479,564	2,641,505,593	2,641,505,593
Transactions with owners							
Distribution of 112.5 million (3 shares for every 10 shares held) shares of Fatima Fertilizer Company Limited for the year ended 30 June 2010		-	-	-	(1,314,000,000)	(1,314,000,000)	(1,314,000,000)
						-	-
Balance as at 30 June 2011	Rupees	**3,750,000,000**	**(436,042,975)**	**4,000,000,000**	**13,797,693,943**	**17,361,650,968**	**21,111,650,968**

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

CHAIRMAN & CHIEF EXECUTIVE **DIRECTOR**

1. STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984.The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is to make strategic investments in subsidiary companies and associates engaged in chemical, fertilizer, financial services, construction materials, industrial metal, steel and other sectors. The Company also invests in listed securities. The registered office of the Company is situated at Arif Habib Centre, 2nd Floor, 23 M. T. Khan Road, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

These financial statements are separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

The Company has following long term investments:

Name of Company	Shareholding
Subsidiaries	
- Arif Habib Limited, a brokerage house	75.15%
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	100.00%
- SKM Lanka Holdings (Private) Limited, a Srilankan incorporated brokerage house at Colombo Stock Exchange	75.00%
- Pakistan Private Equity Management Limited, a venture capital company	85.00%
- Al-Abbas Cement Industries Limited, a cement manufacturing company	61.13%
- Sachal Energy Development (Pvt) Limited, a wind power generation company	99.99%
Associates	
- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	48.57%
- Fatima Fertilizer Company Limited	16.40%
- Arif Habib Investments Limited	30.09%
- Thatta Cement Company Limited	9.06%
- Sweetwater Dairies Pakistan (Private) Limited	29.69%
- Crescent Textile Mills Limited, a textile manufacturing company	24.81%
- Rozgar Microfinance Bank Limited	19.01%
Others	
- Takaful Pakistan Limited	10.00%
- Sunbiz (Private) Limited	4.65%

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except fo certain investments, which are measured at their fair values (as disclosed in note 11 and 15).

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest rupee.

2.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about 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 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 3.2)
- Useful lives and residual values of property and equipment (note 3.3)
- Impairment of investments (note 3.4)
- Classification of investments (note 3.5 - 3.5.3)
- Fair value of investments (note 3.5 - 3.5.3)

2.5 Amendments / interpretation to existing standard and forthcoming requirements

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.

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 are only effective for annual periods beginning from the dates specified below:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 July 2012.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.

- IAS 19, 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013.

- Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting Interpretations Committee (IFRIC) Interpretation 14) effective for annual periods beginning on or after 1 January 2011.

- IAS 24, 'Related Party Disclosures' (Revised 2009) effective for annual periods beginning on or after 1 January 2011.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

- IAS 27, 'Separate Financial Statements' (Revised 2011) effective for annual periods beginning on or after 1 January 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

3.1 Staff retirement benefits

Defined contribution plan

The Company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 12.50% of basic salary.

3.2 Taxation

Income tax expense comprises of current, prior year and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

3.3 Property and equipment

Owned

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation on all property and equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 10.

The depreciation on property and equipment is charged full in the month of acquisition and no depreciation is charged in the month of disposal.

Further, when the written down value of the asset falls below Rs.10,000 or any addition is made upto Rs.10,000, the same is charged directly to profit and loss account.

Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account currently.

The assets' residual value and useful life are reviewed at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of residual value of property and equipment as at 30 June 2011 did not require any adjustment.

Leased

Leased assets which are obtained under Ijarah agreement are not recognized in the Company's balance sheet and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountants of Pakistan and notified by Securities and Exchange Commission of Pakistan vide S.R.O. 43(1) / 2007 dated 22 May 2007. Payments made under operating lease are charged to profit and loss account on a straight line basis over the lease term.

3.4 Impairment

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

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

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

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

3.5 Investments

All investments are initially recognized at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

All "regular way" purchases and sales of financial assets are recognized on the trade date, that is the date on which the Company commits to purchase / sell an asset. Regular way purchases or sales of financial assets are the contracts which require delivery of assets within the time frame generally established by regulations or market convention.

The management determines appropriate classification of investment in accordance with the requirements of International Financial Reporting Standards (IFRS).

The Company classifies its investments in the following categories:

3.5.1 Subsidiaries and associates

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

The Company considers its associates to be such entities in which the Company has ownership, of not less than twenty percent but not more than fifty percent, of the voting power and / or has significant influence through common directorship, but not control.

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

Investments in associates are accounted for under 'IAS 39 - Financial instruments Recognition and Measurement' considering each investment individually.

Company manages its investment in associates classified at fair value through profit or loss upon initial recognition, with an intention to sell them in future upon receiving its fair value in accordance with the Company's documented investment strategy.

Associates classified at fair value through profit or loss are measured at fair value, and changes there in are recognized in profit and loss account. Whereas, in the case of available for sale, such gain or loss is recognized directly in equity. Where active market of the quoted investment exists, fair value is determined through Karachi Stock Exchange daily quotation. In case of unquoted investment, where active market does not exists, fair value is determined using valuation techniques. The investments in equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be reliably measured are carried at cost.

3.5.2 At fair value through profit or loss - held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified at fair value through profit or loss - held for trading. These are stated at fair values with any resulting gains or losses recognized in the profit and loss account. The fair value of such investments, representing listed equity securities are determined on the basis of prevailing market prices at the Karachi Stock Exchange and on market based redemption / repurchase prices, whichever is applicable, in case of other securities.

3.5.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity.

At each balance sheet dates, these investments are remeasured at fair values and the resulting gains or losses are recognized directly in equity until the investment is disposed off or impaired at which time these are transferred to profit and loss account.

Where active market of the quoted investment exists, fair value of quoted investments is determined using quotations of Karachi Stock Exchange. The investments for which a quoted market price is not available, are measured at cost, unless fair value can be reliably measured. Such fair value estimates are subjective in nature, and therefore, cannot be determined with precision.

3.6 Trade and other receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts, if any.

3.7 Trade and other payables

Trade and other payables Trade and other payables are carried at cost, which is the fair value of the consideration to be paid, in the future for goods and services received.

3.8 Short term borrowings

Mark-up bearing borrowings are recognized initially at fair value, less any directly attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognized in profit and loss account over the period of the borrowings on an effective interest basis.

3.9 Revenue recognition

- Gain / loss on sale of investments are recognized on the date of transaction and charged to profit and loss account in the period in which they arise.

- Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend or bonu is established.

- Underwriting commission is recognized when the agreement is executed.

- Interest income on bank deposits and loans are recognized on time proportion basis that takes into account the effective yield.

3.10 Provisions

Provision is recognized when, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.11 Financial instruments

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

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

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

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

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

3.12 Foreign currency

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the date of the transactions. All the monetary assets and liabilities in foreign currencies, at the balance sheet date, are translated into Pak Rupees at the exchange rates prevailing on that date.

Foreign exchange gains and losses on translation are recognized in the profit and loss account. Non-monetary assets and liabilities, denominated in foreign currency that are measured at fair value are translated using exchange rate prevailing at the date the fair values are determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.13 Borrowing costs

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

3.14 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand, share transfer stamps, cash at bank and short term running finance.

3.15 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

The Company has applied IFRIC 17 - Distributions of Non-cash Assets to Owners in accounting for distributions of non-cash assets to shareholders of the Company, approved in the Annual General Meeting held on 25 September 2010. The Company measures the liability to distribute investment in associate, Fatima Fertilizer Company Limited, as a dividend at the fair value of the assets distributed. On settlement of the transaction, the Company recognised the difference between the carrying amount of the assets distributed and the carrying amount of the liability in profit and loss account.

3.16 Expenses

All expenses are recognized in the profit and loss account on an accrual basis.

4. SHARE CAPITAL

4.1 Authorized share capital

2011	2010			2011	2010
(Number of shares)					
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	Rupees	**10,000,000,000**	10,000,000,000

4.2 Issued, subscribed and paid up share capital

2011	2010			2011	2010
(Number of share)					
5,000,000	5,000,000	Ordinary shares of Rs. 10 each fully paid in cash		**50,000,000**	50,000,000
372,000,000	372,000,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**3,720,000,000**	3,720,000,000
377,000,000	377,000,000			**3,770,000,000**	3,770,000,000
(2,000,000)	(2,000,000)	Ordinary shares of Rs. 10 each buy back at Rs. 360 per share	4.2.1	**(20,000,000)**	(20,000,000)
375,000,000	375,000,000		Rupees	**3,750,000,000**	3,750,000,000

4.2.1 During financial year 2005-2006, Company bought back two million shares of Rs. 10 each from its shareholders through tender notice at a price of Rs. 360 per share in accordance with section 95-A of the Companies Ordinance, 1984 and Companies (Buy-back of shares) Rules, 1999. The acquisition resulted in reduction of capital and unappropriated profit by Rs. 20 million and Rs. 700 million respectively, in the relevant year.

5. RESERVES

		2011	2010
General reserve		**4,000,000,000**	4,000,000,000
Unappropriated profit		**13,797,693,943**	12,271,214,379
Deficit on remeasurement of available for sale investments		**(436,042,975)**	(237,069,004)
	Rupees	**17,361,650,968**	16,034,145,375

6. DEFERRED TAXATION

	Note	2011	2010
The liability for deferred taxation comprises of temporary differences relating to:			
- Accelerated tax depreciation		**9,957,212**	11,069,946
- Investment in associates classified as at fair value through profit or loss		**3,161,548,090**	2,924,020,333
Deferred tax asset comprises of temporary differences relating to:			
- Unrealized capital loss on short term investments		**(15,143,009)**	(51,694,466)
- Investment in associates classified as at fair value through profit or loss		**(52,500,000)**	-
- Impairment loss on long term investment - unquoted		**(11,838,385)**	-
	Rupees	**3,092,023,908**	2,883,395,813

7. TRADE AND OTHER PAYABLES

	Note	2011	2010
Creditors		**-**	4,646
Provision for Workers' Welfare Fund (WWF)	7.1	**-**	76,173,396
Accrued liabilities	7.2	**1,441,076**	1,918,903
Other liabilities		**477,564**	477,564
	Rupees	**1,918,640**	78,574,509

7.1 During the year, the Honourable High Court of Lahore vide their order in respect of writ petition No. 8763/2011, has declared amendments introduced through Finance Acts 2006 and 2008 in Workers' Welfare Ordinance, 1971 as unconstitutional. Further, the Company has also filed a writ petition in the High Court of Sindh at Karachi to impugn the amendments made to the Workers' Welfare Ordinance 1971, vide Finance Act 2008. The management of the Company is contesting the case vigorously and has obtained an interim stay on the petition. As per the legal council, the Company has a reasonable case and expects that the constitution petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in the favour of the Company.

Accordingly, the management has reversed the provision recognized as at 30 June 2010 amounting to Rs. 76.17 million during the current period. The aggregate unrecognized amount of WWF as at 30 June 2011 amounted to Rs.139.135 million.

7.2 This includes sum of Rs. 205,675 payable to Rotocast Engineering (Pvt) Limited, an associate company, on account of rent and maintenance.

8. SHORT TERM BORROWINGS - secured

		2011	2010
From banking companies other than related parties			
- Short term running finance	Rupees	**1,327,457,775**	620,235,048

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,980 million (2010: Rs. 2,980 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates upto 31 May 2012. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2010: 30% margin). These running finance facilities carry mark-up ranging from 3 month KIBOR+ 1% to 3 month KIBOR+ 2.5% per annum (2010: 3 month KIBOR+ 1% to 3 month KIBOR+ 2.5% per annum) calculated on a daily product basis, that is payable quarterly. The carrying amount of securities pledged as collateral against outstanding liability amounts to Rs.2,292.471 million (2010: Rs. 1,433.646 million). The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 1,652.542 million (2010: Rs. 2,359.763 million).

9. CONTINGENCIES AND COMMITMENTS

9.1 The Company is contesting along with other defendants four suits filed by Diamond Industries Limited, Mr. Iftikhar Shafi, Shafi Chemicals Industries Limited and Mr. Nisar Elahi (The Plaintiffs) in the year 2002-2003, for damages jointly against Mr. Saleem Chamdia, Mr. Arif Habib, Mr. Aqeel Karim Dedhi, Mr. A. Ghaffar Usman Moosani, Mr. Shahid Ghaffar, the Karachi Stock Exchange (Guarantee) Limited (KSE), the Securities and Exchange Commission of Pakistan (SECP), the Central Depository Company of Pakistan Limited (CDC), Saleem Chamdia Securities (Private) Limited, Arif Habib Corporation Limited, Moosani Securities Limited and Aqeel Karim Dedhi Securities Limited.

The suits are for recovery of damages amounting to Rs. 10,989,948,199, Rs. 5,606,611,760, Rs.1,701,035,843 and Rs. 428,440,971 respectively against the decision of the Karachi Stock Exchange in respect of Risk Management System of its Clearing House during the year 2000. The Chairman and Chief Executive of the Company was the Chairman of the Board of Directors of KSE during 2000. The Company has been made party to the suits by the plaintiffs. All the suits at present are pending before the honorable Sindh High Court, Karachi. Individual liability of respective individuals and undertakings is not quantifiable.

The legal advisor of the Company is of the opinion that there are reasonable grounds for a favorable decision and that the suits are likely to be dismissed as these are not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the said suits against the Company. Therefore, Company has not made any provision in this respect in the financial statements.

9.2 Income tax assessments of the Company have been finalised upto Tax Year 2005 (Accounting year 2005). However, deemed assessments made u/s 120 of the Income Tax Ordinance, 2001 relating to Tax Years 2006 to 2009 have been subsequently amended u/s 122 (5A) of the Income Tax Ordinance, 2001. The Company has filed appeals before the Appellate Tribunal Pakistan (Karachi), in respect of each of the said amendments. All such appeals are still pending and management forsees that no matter involves potential financial exposure that could result unfavourable to the Company.

Income tax assessment for the Tax Year 2010 has been deemed to be finalised u/s 120 of the Income Tax Ordinance, 2001.

9.3 There were no significant commitments at the balance sheet date.

10. PROPERTY AND EQUIPMENT

		Vehicles	office equipment	computer and allied equipment	Leasehold improvements	Total
Cost						
Balance as at 01 July 2009		8,114,019	316,375	2,422,220	67,750,472	78,603,086
Additions during the year		152,000	279,240	362,780	-	794,020
Disposals / transfers		(3,160,840)	-	(180,275)	-	(3,341,115)
Balance as at 30 June 2010	*Rupees*	5,105,179	595,615	2,604,725	67,750,472	76,055,991
Balance as at 01 July 2010		5,105,179	595,615	2,604,725	67,750,472	76,055,991
Additions during the year		1,070,000	149,170	573,755	-	1,792,925
Disposals / transfers		(2,407,000)	-	(260,818)	-	(2,667,818)
Balance as at 30 June 2011	*Rupees*	3,768,179	744,785	2,917,662	67,750,472	75,181,098
Depreciation						
Balance as at 01 July 2009		3,639,803	169,275	1,790,845	846,881	6,446,804
Charge for the year		730,440	36,751	290,742	9,373,550	10,431,483
Disposals / transfers		(1,793,063)	-	(180,275)	-	(1,973,338)
Balance as at 30 June 2010	*Rupees*	2,577,180	206,026	1,901,312	10,220,431	14,904,949
Balance as at 01 July 2010		2,577,180	206,026	1,901,312	10,220,431	14,904,949
Charge for the year		560,784	66,985	298,298	8,060,266	8,986,333
Disposals / transfers		(1,782,664)	-	(260,818)	-	(2,043,482)
Balance as at 30 June 2011	*Rupees*	1,355,300	273,011	1,938,792	18,280,697	21,847,800
Written down value as at 30 June 2010	*Rupees*	2,527,999	389,589	703,413	57,530,041	61,151,042
Written down value as at 30 June 2011	*Rupees*	**2,412,879**	**471,774**	**978,870**	**49,469,775**	**53,333,298**
Annual rates of depreciation		**20%**	**15%**	**33%**	**15%**	**-**

10.1. Computer and allied equipments having an aggregate cost of Rs. 0.26 million (2010: 0.18 million) and accumulated depreciation of Rs. 0.26 million (2010: 0.18 million) have been fully charged to profit and loss account as their written down value falls below Rs.10,000 as per Company's accounting policy (refer note 3.3).

10.2. Disposal of vehicles

Particulars of the assets	Sold to		Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
	CEO						
Toyota Corolla	Mr. Arif Habib		1,169,000	984,037	184,963	790,000	Market value
	Group Employee						
Honda Civic	Mr. Tahir Iqbal		1,238,000	798,627	439,000	439,000	Company policy
		Rupees	2,407,000	1,782,664	623,963	1,229,000	

11. LONG TERM INVESTMENTS

		2011	2010
Subsidiaries -at Cost	11.1	**2,747,513,215**	2,855,837,821
At fair value through profit or loss	11.2	**19,365,957,346**	15,731,225,855
Available for sale	11.3	**1,727,263,420**	948,210,794
	Rupees	**23,840,733,981**	19,535,274,470

11.1 Subsidiaries -at Cost

		Cost	Provision for Impariment	Carying amount	
Arif Habib Limited (AHL)	11.1.2	**2,675,247,180**	**(950,449,366)**	**1,724,797,814**	2,675,247,180
Arif Habib DMCC (AHD)	11.1.3	**29,945,898**	**-**	**29,945,898**	29,945,898
Pakistan Private Equity Management Limited (PPEML)	11.1.4	**42,500,000**	**(25,500,000)**	**17,000,000**	25,500,000
SKM Lanka Holdings (Private) Limited (SKML)	11.1.5	**43,197,216**	**(21,598,608)**	**21,598,608**	43,197,216
Al-Abbas Cement Industries Limited (AACIL)	11.1.6	**824,170,835**	**-**	**824,170,835**	-
Sachal Energy Development (Private) Limited (SEDPL)	11.1.7	**130,000,060**	**-**	**130,000,060**	-
Arif Habib Investments Limited (AHIL)	11.2.1	**-**	**-**	**-**	**81,947,527**
	Rupees	**3,745,061,189**	**(997,547,974)**	**2,747,513,215**	2,855,837,821

11.2 At fair value through profit or loss

		Cost	Unrealized appreciation / (adminution) on remeasurement of investment	Carrying amount	
Associates:					
Arif Habib Investments Limited (AHIL)	11.2.1	**477,694,882**	**(9,965,516)**	**467,729,366**	-
Pakarab Fertilizers Limited (PFL)	11.2.2	**1,324,332,073**	**11,838,167,927**	**13,162,500,000**	12,360,600,000
Fatima Fertilizer Company Limited (FFCL)	11.2.3	**2,848,084,130**	**2,610,039,227**	**5,458,123,357**	3,101,175,000
Sweetwater Dairies Pakistan (Private) Limited (SDPL)	11.2.4	**287,539,905**	**(200,000,000)**	**87,539,905**	269,450,855
Crescent Textile Mills Limited (CTML)	11.2.5	**292,509,746**	**(102,445,028)**	**190,064,718**	-
	Rupees	**5,230,160,736**	**14,135,796,610**	**19,365,957,346**	15,731,225,855

11.3 Available for sale

		Cost	Unrealized appreciation / (adminution) on remeasurement of investment	Provision for Impairment	Carrying amount	
Associate:						
Al-Abbas Cement Industries Limited (AACIL)	11.1.6	**-**	**-**	**-**	**-**	245,965,504
Thatta Cement Company Limited (THCCL)	11.3.1	**161,269,007**	**(17,018,087)**	**-**	**144,250,920**	161,694,720
Aisha Steel Mills Limited (ASML)	11.3.2	**1,554,712,500**	**-**	**-**	**1,554,712,500**	497,250,570
Rozgar Microfinance Bank Limited (RMFBL)	11.3.3	**32,310,000**	**-**	**(19,010,000)**	**13,300,000**	13,300,000
		1,748,291,507	**(17,018,087)**	**(19,010,000)**	**1,712,263,420**	918,210,794
Other investments:						
Takaful Pakistan Limited (TPL)	11.3.4	**30,000,000**	**-**	**(15,000,000)**	**15,000,000**	30,000,000
Sun Biz (Private) Limited (SBL)	11.3.5	**1,000,000**	**-**	**(1,000,000)**	**-**	-
		31,000,000	**-**	**(16,000,000)**	**15,000,000**	30,000,000
	Rupees	**1,779,291,507**	**(17,018,087)**	**(35,010,000)**	**1,727,263,420**	948,210,794

11.1.1 Fair value of long term investments pledged with banking companies against various short term running finance facilities amounts to Rs. 1,462.29 million (2010: Rs. 486.22 million).

11.1.2 Investment in AHL (quoted) represents 33.82 million (2010: 28.18 million) fully paid ordinary shares of Rs. 10 each, representing 75.15% (2010: 75.15%) of AHL's paid up share capital as at 30 June 2011. Market value per share as at 30 June 2011 is Rs. 19.67 (2010: Rs. 44.00), whereas book value based on net assets, as per audited financial statements, as at 30 June 2011 is Rs. 16.22 per share (2010: Rs. 33.92 per share). During the year, Company subscribed Nil (2010: 57,971) right shares at Rs. Nil (2010: Rs. 61.59) per share and received 5.636 million (2010: 5.625 million) fully paid bonus shares.

11.1.3 Investment in AHD (unquoted) represents 1,300 (2010: 1,300) fully paid ordinary shares of Rs. 23,035 (2010: Rs. 23,035) each (equivalent UAE Dirham 1,000 each), representing 100% (2010: 100%) of AHD's paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 28,718 per share (2010: Rs. 27,200.16 per share). The subsidiary is expected to start its commercial operations at the Dubai Gold and Commodities Exchange within next twelve months besides consultancy business which has already been started.

11.1.4 Investment in PPEML (unquoted) represents 4.25 million (2010: 4.25 million) fully paid ordinary shares of Rs. 10 each, representing 85% (2010: 85%) of PPEML's paid up share capital as at 30 June 2011. Book value based on net assets, as per audited financial statements, as at 30 June 2011 is Rs. 1.75 per share (2010: Rs. 2.19 per share). During the year Company subscribed Nil (2010: 2.55 million) right shares of Rs. Nil (2010: Rs. 10).

11.1.5 Investment in SKML (unquoted) represents 7.50 million (2010: 7.50 million) fully paid ordinary shares of Rs. 5.76 (2010: Rs. 5.76) each (equivalent US$ 0.067 each), representing 75% (2010: 75%) of SKML's paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 12.821 per share (2010: Rs. 11.33 per share). The subsidiary has started its commercial operations at the Colombo Stock Exchange.

11.1.6 Investment in AACIL (quoted) represents 223.552 million (2010: 68.514 million) fully paid ordinary shares of Rs. 10 each, representing 61.13% (2010: 37.47%) of AACIL share capital as at 30 June 2011, having cost of Rs. 1,382.78 million (2010: Rs. 611.508 million). During the year, Company purchased 2.227 million (2010: 22.210 million) ordinary shares from market at an average cost of Rs. 3.24 (2010: Rs. 6.77) per share and subscribed 152.810 million (2010: Nil) right shares and as a result Company has obtained control of AACIL. Market value per share as at 30 June 2011 is Rs. 2.64 (2010: Rs.3.59), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 3.02 per share (2010: Rs. 5.83 per share).

11.1.7 Investment in SEDPL (unquoted) represents 13.00 million (2010: Nil) fully paid ordinary shares of Rs. 10 each, representing 99.99% (2010: Nil%) of SEDPL's paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 10.12 per share (2010: Rs.10 per share). During the year Company subscribed 5 million (2010: Nil) right shares of Rs. 10 (2010: Nil).

11.2.1 Investment in AHIL (quoted) represents 21.664 million (2010: 18.053 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2010: 60.18%) of AHIL's paid up share capital as at 30 June 2011, having cost of Rs. 81.95 million (2010: Rs. 81.95 million). Fair value per share as at 30 June 2011 was Rs. 21.59 (2010: Rs. 19.36), whereas book value based on net assets, as per draft financial statements, as at 30 June 2011 is Rs. 16.22 per share (2010: Rs. 16.27 per share). As per the scheme of amalgamation of MCB Asset Management Company Limited (MCB-AMC) with and into Arif Habib Investments Limited (AHIL) the shareholders of MCB-AMC have been issued 1.2 shares in the merged entity in lieu of each share of MCB-AMC held by them. Thus, the paid up capital of the merged entity is now doubled to 72 million shares of Rs. 10 each. Of these shares, 36 million shares has been held by MCB Bank Limited and a similar number by the current shareholders of AHIL. This reduced the Company's holding in subsidiary to 30.09%.

This scheme of amalgamation was sanctioned by Securities and Exchange Commission of Pakistan (SECP) through its order dated June 10, 2011 with effect from June 27, 2011. Subsequently SECP through its order dated June 27, 2011 extended the effective date of merger from June 27, 2011 to July 30, 2011. The Company in reply to the SECP order filed the petition in the Honorable Sindh High Court claiming that the same is a past and closed transaction. In view of this, the Honorable Sindh High Court through its order dated July 02, 2011 suspended the SECP order for extension of the effective date of merger. The hearing of this case is in progress.

11.2.2 Investment in PFL (unquoted) represents 135 million (2010: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2010: 30%) of PFL's paid up share capital as at 30 June 2011, having cost of Rs 1,324.332 million (2010: Rs. 1,324.332 million). Fair value per share as at 30 June 2011 is Rs. 97.50 (2010: Rs. 91.56). Book value based on net assets, as per reviewed financial statements, as at 30 June 2011 is Rs. 30.07 per share (2010: Rs. 33.06 per share).

11.2.3 Investment in FFCL (quoted) represents 328.012 million (2010: 247.5 million) fully paid ordinary shares of Rs. 10 each, representing 16.40% (2010: 12.375%) of FFCL's paid up share capital as at 30 June 2011. During the year, the Company has distributed 112.50 million (2010:Nil) shares of Fatima Fertilizers Company Limited (an associate) to its shareholders as specie dividend and purchased 57.584 million (2010:Nil) shares from market at an average cost of Rs. 12.10 (2010:Nil). Further, the Company has also received 135 million (2010: 135 million) shares as specie dividend from Pakarab Fertilizers Limited and 0.145 million (2010:Nil) shares from Reliance Weaving Mills Limited. Fair value per share as at 30 June 2011 is Rs. 16.64 (2010: Rs. 12.53). Book value based on net assets as per reviewed financial statements as at 30 June 2011 is Rs. 10.04 per share (2010: Rs. 10.18 per share).

11.2.4 Investment in SDPL (unquoted) represents 18.299 million (2010: 15.867 million) fully paid ordinary shares of Rs. 10 each, representing 29.69%(2010: 27.83%) of SDPL's paid up share capital as at 30 June 2011, having an aggregate cost of Rs. 287.540 million (2010: Rs. 269.451 million). During the year, the Company subscribed 2.412 million (2010: 4.713 million) right shares. Fair value per share as at 30 June 2011 is Rs. 4.78 (2010: Rs. 16.96). Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 9.92 per share (2010: Rs. 11.49 per share).

11.2.5 Investment in CTML (quoted) represents 12.207 million (2010: 12.207 million) fully paid ordinary shares of Rs.10 each, representing 24.81% (2010: 24.81%) of CTML's paid up share capital as at 30 June 2011, having an aggregate cost of Rs. 292.510 million (2010: Rs. 292.510 million). During the year, the Company reassessed its investment in CTML and decided to exercise influence based on voting power and accordingly investment in CTML has been classified from short term protfolio to investment in associate. Fair value per share as at 30 June 2011 is Rs. 15.57 (2010: Rs. 21.57). Book value based on net assets, as per unaudited financial statements, as at 31 March 2011 is Rs. 56.31 per share (Audited 30 June 2010: Rs. 56.30 per share).

11.3.1 Investment in THCCL (quoted) represents 7.227 million (2010: 7.744 million) fully paid ordinary shares of Rs. 10 each, representing 9.06% (2010: 9.71%) of THCCL share capital as at 30 June 2011, having cost of Rs. 161.269 million (2010: Rs. 172.805 million). During the year, the Company disposed 0.517 million (2010: Nil) Fair value per share as at 30 June 2011 is Rs. 19.96 (2010: Rs.20.88), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 8.81 per share (2010: Rs. 9.73 per share).

11.3.2 Investment in ASML (unquoted) represents 80.008 million (2010: 49.725 million) fully paid ordinary shares of Rs. 10 each and 75.463 million (2010: Nil) irredeemable convertible preference shares carrying prefential dividend at 6 months KIBOR + 3%, representing 48.6% (2010: 25%) of ASML's total paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 8.33 per share (2010: Rs. 8.12 per share). During the year, the Company subscribed 105.746 million (2010: Nil) right shares of Rs.10 (2010: Nil). The plant errection is expected to complete by the end of year 2011.

11.3.3 Investment in RMFBL (unquoted) represents 3.801 million (2010: 3.801 million) fully paid ordinary shares of Rs.10 each, representing 19.01% (2010: 19.01%) of RMFBL's paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 6.07 per share (2010: Rs. 2.99 per share).

11.3.4 Investment in TPL (unquoted) represents 3 million (2010: 3 million) fully paid ordinary shares of Rs.10 each, representing 10% (2010: 10%) of TPL's paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 4.48 per share (2010: Rs. 5.53 per share).

11.3.5 Investment in SBL (unquoted) represents 0.010 million (2010: 0.010 million) fully paid ordinary shares of Rs. 100 each, representing 4.65% (2010: 4.65%) of SBL's paid up share capital as at 30 June 2011.

			2011	2010
11.4	**Movement in provision for impairment**			
	- Balance as at 1 July		**(176,594,000)**	(173,996,954)
	- Reversal / (provision) during the year		**(995,547,974)**	(2,597,046)
	- Provision reclassified during the year		**139,584,000**	-
	- Balance as at 30 June	Rupees	**(1,032,557,974)**	(176,594,000)
11.4.1	**Subsidiaries -at Cost**			
	- Balance as at 1 July		**(17,000,000)**	(17,000,000)
	- Reversal / (provision) during the year			
	Arif Habib Limited (AHL)		**(950,449,366)**	
	- Pakistan Private Equity Management Limited (PPEML)		**(8,500,000)**	-
	SKM Lanka Holdings (Private) Limited (SKML)		**(21,598,608)**	-
	- Balance as at 30 June	Rupees	**(997,547,974)**	17,000,000)
11.4.2	**Available for sale**			
	Associate:			
	- Balance as at 1 July		**(158,594,000)**	(155,996,954)
	- Reversal / (provision) during the year			
	Al-Abbas Cement Industries Limited (AACIL)		**-**	(2,597,046)
	- Provision reclassified during the year			
	Al-Abbas Cement Industries Limited (AACIL)		**139,584,000**	-
	- Balance as at 30 June		**(19,010,000)**	(158,594,000)
	Other investments:			
	- Balance as at 1 July - SBL		**(1,000,000)**	(1,000,000)
	- Provision during the year - TPL		**(15,000,000)**	-
	- Balance as at 30 June		**(16,000,000)**	(1,000,000)
	Total Balance as at 30 June	Rupees	**(35,010,000)**	(159,594,000)

11.5 The Company also measures unquoted equity instruments at fair value using valuation techniques under the guidelines of IAS 39 - "Financial Instruments: Recognition and Measurement". The investments in other unquoted equity instruments that do not have a market/quoted price in an active market and whose fair value cannot be measured reliably, due to non availability of market specific inputs and other related factors are measured at cost. These are Company's strategic investments and Company does not intend to dispose them off in near future.

11.5.1 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:

Name of investee Company	year	Key assumptions				Valuation techniques	Other assumptions used
		Long term growth rate	Long term return on equity	weighted average cost of capital	Projection period (years)		
Pakarab Fertilizers Limited	**2011**	**5.00%**	**21.20%**	**16.00%**	**7**	**Discounted cash flows (DCF)**	**Market based operational assumptions**
	2010	5.00%	18.77%	16.75%	8	Discounted cash flows (DCF)	Market based operational assumptions
Sweetwater Dairies Pakistan (Private) Limited	**2011**	**5.00%**	**20.00%**	**18.32%**	**6**	**Discounted cash flows (DCF)**	**Market based operational assumptions**
	2010	5.25%	25.00%	25.00%	10	Discounted cash flows (DCF)	Market based operational assumptions

12. LONG TERM DEPOSITS

	Note	2011	2010
Security deposit with Central Depository Company of Pakistan Limited		**4,090**	4,090
Security deposits with cellular phone companies		**40,500**	40,500
Security deposits with Pakistan State Oil - for fuel card		**45,000**	-
Security deposit with First Habib Modaraba	12.1	**2,425,000**	745,600
	Rupees	**2,514,590**	790,190

12.1 This represents deposit with First Habib Modaraba for six cars obtained under Ijarah lease arrangements.

13. LOANS AND ADVANCES

	Note	2011	2010
Unsecured			
Considered good			
Advance for new investment	13.1	-	70,000,000
Advance against expenses		**635,000**	635,000
Advance against salaries		**1,052,011**	117,500
To related parties:			
Aisha Steel Mills Limited		-	10,000,000
Aisha Steel Mills Limited -Advance against equity	13.2	**3,570,577**	
Thatta Cement Industries Limited -Advance against equity	13.3	**27,101,250**	
Arif Habib Investments Limited		-	15,000,000
Al-Abbas Cement Industries Limited -Advance against equity		-	173,000,000
		32,358,838	268,752,500
Provision for doubtful debts			
- Balance as at 1 July		-	(12,188,785)
- Reversal / (provision) during the year		-	12,188,785
- Balance as at 30 June		-	-
Secured			
To related parties:			
Javedan Corporation Limited (Formerly Javedan Cement Limited)	13.4	**518,449,754**	-
	Rupees	**550,808,592**	268,752,500

13.1 This represents amount paid as deposit money against due diligence process regarding acquisition of a company in aviation industry. Due diligence process has been completed and amount is due for refund (refer note 14).

13.2 The Company has given advance to subscribe for prospective right issue of preference shares of the company.

13.3 The Company has given advance to subscribe for prospective right issue of ordinary shares of the company. Subsequent to year end, shares have been allotted by the investee company on 23 July 2011.

13.4 The Company has entered into an arrangement with said associate on 20 November, 2010. Under the arrangement, the Company shall disburse loan to the associate company in one or more tranches on a short term basis and is secured against REIT units to be issued by the borrower to the Company in the proposed REIT scheme of the borrower which is in the process of getting permissions from Securities and Exchange Commission of Pakistan (SECP). In case where REIT Scheme is not approved by theSECP, the borrower, as an alternate shall provide a registered mortgage deed in favour of the Company over its immovable property located in Deh Manghopir and Gadap Town, Karachi, totaling 166 acres. The loan is repayable on demand.

The mark-up rate on the said loan is three months KIBOR prevailing on the base rate setting date plus 3% per annum. Mark-up is payable on a quarterly basis. The effective mark-up charged during the year ranged between 16.02% to 16.52% (2010: Nil) per annum.

13.5 Maximum balance due from related parties is Rs.549.121 million (2010: Rs. 25 million).

			2011	2010
14	**OTHER RECEIVABLES**			
	Considered good:			
	Accrued markup on receivables from Suroor Investments Limited	14.1	**108,244,291**	108,244,291
	Due from related parties	14.2	**25,335,426**	3,993,268
	Receivable from Princely Jets (Private) Limited	13.1	**70,000,000**	-
	Others		**1,721,470**	1,699,000
		Rupees	**205,301,187**	113,936,559

14.1 The markup pertains to the amount that was due on disposal of the Company's former subsidiary, Summit Bank Limited (formerly Arif Habib Bank Limited). The bank was sold to Suroor Investment Limited at Rs. 9 per share. The Company has received sales proceeds in full.

14.2 Due from related parties

		2011	2010
Accrued markup on loan to JCL	13.4	**24,394,584**	-
Accrued markup on loan to ASML		**-**	12,329
Accrued markup on loan to AHIL		**-**	601,520
Receivable from SWDL	14.3	**698,264**	476,348
Receivable from AHL	14.3	**77,078**	-
Receivable from SKML	14.3	**158,500**	-
Receivable from FFCL	14.3	**7,000**	-
Receivable from Arif Habib Real Estate Services (Private) Limited		**-**	2,903,071
	Rupees	**25,335,426**	3,993,268

14.3 This represents payment made on behalf of associated companies and shall be reimbursed from the associated companies.

15. SHORT TERM INVESTMENTS

		2011	2010
At fair value through profit or loss - held for trading	15.1		
Investment in quoted equity securities		**938,215,581**	2,671,030,564
Investment in closed-end mutual funds		**-**	667,010,384
	Rupees	**938,215,581**	3,338,040,948

15.1 Fair value of these investments is determined using quoted market prices and repurchase prices prevailing at the balance sheet date. Short term investments include equity securities pledged with various banking companies against short term running finance facilities having a market value of Rs. 640.121 million (2010: Rs. 1,203.931 million).

15.2	Reconciliation of gain / (loss) on remeasurement of investments at fair value through profit or loss - held or trading		2011	2010
	Cost of investment		**2,142,480,048**	4,814,446,429
	Unrealised (loss) / gain:			
	Balance as at 1 July		**(1,476,405,481)**	(2,556,345,716)
	Reclassification adjustment of unrealized loss relating to investment in associate	11.2.5	**29,202,362**	-
	Unrealised gain for the year		**242,938,652**	1,079,940,235
	Balance as at 30 June		**(1,204,264,467)**	(1,476,405,481)
		Rupees	**938,215,581**	3,338,040,948

16. CASH AND BANK BALANCES

With banks in:			
Current accounts			
- In local currency		**3,071,832**	3,422,723
- In foreign currency		**3,446,216**	3,122,565
		6,518,048	6,545,288
Deposit accounts		**2,019,349**	30,195
	16.1	**8,537,397**	6,575,483
Cash in hand		**16,345**	30,365
Share transfer stamps		**17,000**	-
Banking instrument in hand		**-**	823,730
	Rupees	**8,570,742**	7,429,578

16.1 The balance in deposit accounts carry markup ranging from 5% to 8% per annum (2010: 5% to 8% per annum).

17. OPERATING REVENUE

Dividend income	17.1 & 17.2	**1,842,080,725**	1,481,422,729
Mark-up on loans and advances		**51,523,155**	153,913,683
Mark-up on bank deposits		**276,206**	1,581,693
Underwriting commission	17.3	**14,981,781**	-
	Rupees	**1,908,861,867**	1,636,918,105

17.1 This includes cash dividend received from subsidiary companies amounting to Rs. Nil (2010: Rs.33.750 million).

17.2 The Company received dividends from Pakarab Fertilizers Limited and Reliance Weaving Mills Limited, in the form of shares of Fatima Fertilizers Company Limited, the face value of which is Rs. 1,350 million (2010: Rs 1,350 million) and Rs. 1.45 million (2010: Nil) respectively.

17.3 The Company has underwritten various securities amounting to Rs. 2.465 billion earning underwriting commission ranging 0.4% to 1% of the amount underwritten.

17.4 Operating revenue is not subject to trade or any other type of discount.

18. LOSS ON SALE OF SECURITIES - net

		2011	2010
Gain on sale of securities		**365,693,411**	338,986,361
Loss on sale of securities		**(380,070,644)**	(478,952,876)
	Rupees	**(14,377,233)**	(139,966,515)

19. GAIN ON REMEASUREMENT OF INVESTMENTS - net

		2011	2010
Gain on remeasurement of investment in associates - at fair value through profit or loss		**2,103,520,086**	1,600,093,816
Gain on remeasurement of investments - at fair value through profit or loss (held for trading)	15.2	**242,938,652**	1,079,940,235
	Rupees	**2,346,458,738**	2,680,034,051

20. OPERATING AND ADMINISTRATIVE EXPENSES

		2011	2010
Salaries and benefits	20.1	**18,842,837**	16,499,437
Custody and settlement charges		**3,364,427**	1,395,036
Advertisement and business promotion		**1,985,719**	2,397,250
Legal and professional charges		**11,596,190**	4,009,893
Rent, rates and taxes		**7,495,518**	11,867,284
Fees and subscription		**1,595,277**	612,970
Travel and conveyance		**3,581,383**	2,242,626
Depreciation	10	**8,986,333**	10,431,483
Printing and stationery		**3,331,189**	2,646,866
Auditors' remuneration	20.2	**1,065,050**	867,500
Communication		**450,647**	940,147
Directors' meeting fees		**240,000**	296,313
Insurance		**708,883**	543,999
Electricity		**1,050,489**	1,963,641
Entertainment		**639,362**	605,378
Repairs and maintenance		**489,368**	1,171,675
Ujrah payments	20.3	**1,501,376**	162,740
Others		**2,479,532**	239,978
	Rupees	**69,403,580**	58,894,216

20.1 This includes Company's contribution to defined contribution plan amounting to Rs. 1.079 million (2010: Rs. 1.112 million).

20.2 Auditors' remuneration

		2011	2010
Audit fee		**750,000**	625,000
Certification including interim review		**272,500**	237,500
Out of pocket		**42,550**	5,000
	Rupees	**1,065,050**	867,500

20.3 Ujrah payments

The Company has entered into various Ijarah arrangements with First Habib Modaraba for lease of 6 vehicles having various monthly rentals for total period of 4 years. Following are the future ujrah payments under the agreement:

		Not later than one year	Later than one year but not later than five year	Later than five year
Total of future ujrah payments under the agreement	Rupees	**2,329,548**	**5,049,143**	-

21. OTHER INCOME

		2011	2010
Reversal of provision for doubtful debts		**-**	12,188,785
Gain on sale of fixed assets		**605,037**	-
Exchange gain on foreign currency bank balances		**14,499**	193,335
Reversal of provision for Workers' welfare fund	7.1	**76,173,396**	
Others		**753,455**	-
	Rupees	**77,546,387**	12,382,120

22. FINANCE COST

		2011	2010
Mark-up on short term borrowings		**176,824,807**	229,159,443
Bank charges		**295,502**	302,962
	Rupees	**177,120,309**	229,462,405

23. OTHER CHARGES

		2011	2010
Donations	23.1	**55,476,000**	21,250,356
Workers' Welfare Fund		**-**	76,173,396
	Rupees	**55,476,000**	97,423,752

23.1 Directors or their spouses had no interest in donees' fund, except Mr. Arif Habib (CEO and Director of the Company). He is trustee in one of the donee institutions, Fatimid Foundation and director in two of the donee institutions, Karachi Education Initiative and Pakistan Center of Philanthrophy.

24. TAXATION

		2011	2010
For the year			
- Current		**99,826,284**	867,047
- Deferred		**208,628,095**	(66,836,153)
Prior year		**(867,047)**	-
	Rupees	**307,587,332**	(65,969,106)

24.1 Relationship between accounting profit / (loss) and tax expense

For the year ended 30 June 2011

Profit before taxation	Rupees	**3,148,066,896**
Tax at the applicable rate of 35%		**1,101,823,414**
Tax effect of inadmissible expenses		**27,541,740**
Flood relief surcharge		**4,184,335**
Tax effect of income under final tax regime		**(3,745,445)**
Tax effect of income taxed at a lower rate		**(278,305,855)**
Prior year tax effect		**(867,047)**
Tax effect of income not allowed for determining taxable income		**(959,961,520)**
Others		**(198,256,954)**
Tax charge for the period	Rupees	**(307,587,332)**

25. EARNINGS PER SHARE - BASIC AND DILUTED

25.1 Basic earnings per share

		2011	2010
Profit after tax	Rupees	**2,840,479,564**	3,798,465,494
Weighted average number of ordinary shares	Number	**375,000,000**	375,000,000
Earning per share - Basic and Diluted	Rupees	**7.57**	10.13

25.2 Diluted earnings per share

Dluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2011 and 30 June 2010 which would have any effect on the earnings per share if the option to convert was exercised.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

26.1 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds five hundred thousand rupees in a financial year.

26.2 The aggregate amounts charged in these financial statements in respect of remuneration including benefits to the Chief Executive, Directors and Executives of the Company are given below:

		Chief Executive		Other Executives	
		2011	2010	2011	2010
Managerial remuneration		**8,400,000**	8,400,000	**5,506,742**	3,260,000
Contribution to provident fund		**754,548**	754,548	**188,556**	262,209
Bonus		**700,000**	700,000	**1,070,000**	210,000
Other perquisites and benefits		**960,000**	960,000	**552,585**	488,750
Total	Rupees	**10,814,548**	10,814,548	**7,317,883**	4,220,959
Number of person(s)		**1**	1	**6**	3

26.3 Besides the above, group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel.

26.4 The aggregate amount charged to these financial statements in respect of directors' fee paid to two directors (2010: three) was Rs. 0.240 million (2010: Rs. 0.296 million). During the year, none of the directors except CEO was drawing any salary on account of managerial remuneration.

26.5 The Chief Executive and certain Executives have been provided with free use of Company maintained vehicles in accordance with the Company's policy.

27. CASH GENERATED FROM OPERATIONS

		2011	2010
Profit before tax		**3,148,066,896**	3,732,496,388
Adjustments for:			
Depreciation		**8,986,333**	10,431,483
Provision for leave encashment		**-**	669,346
Dividend income		**(1,842,080,725)**	(1,481,422,729)
Mark-up on bank balances and loans and advances		**(51,799,361)**	(155,495,376)
Exchange gain on foreign currency bank balances		**(14,499)**	-
Impairment loss on investments		**995,547,974**	71,091,000
Provision for Workers' Welfare Fund		**-**	76,173,396
Gain on remeasurement of investment in associates		**(2,103,520,086)**	(1,600,093,816)
Gain on distribution of shares		**(127,125,000)**	-
Gain on sale of property and equipment		**(605,037)**	-
Gain on remeasurement of short term investments		**(242,938,652)**	(1,079,940,235)
Loss on disposal of short term investments		**12,639,328**	139,966,515
Loss on disposal of long term investments		**1,737,905**	-
Finance cost		**177,120,309**	229,159,443
		(3,172,051,511)	(3,789,460,973)
Operating loss before working capital changes		**(23,984,615)**	(56,964,585)
Changes in working capital			
(Increase) / decrease in current assets			
Trade debts		**-**	-
Loans and advances		**(282,056,092)**	(253,635,000)
Prepayments		**(504,149)**	37,306
Other receivables		**(67,583,893)**	(3,318,307)
Short term investments		**2,366,832,709**	146,309,547
Decrease in current liabilities			
Trade and other payables		**(76,655,869)**	(108,422,522)
		1,940,032,706	(219,028,976)
Cash generated from / (used in) operations	Rupees	**1,916,048,091**	(275,993,561)

28. CASH AND CASH EQUIVALENTS

		2011	2010
Cash and bank balances	16	**8,570,742**	7,429,578
Short term borrowings	8	**(1,327,457,775)**	(620,235,048)
	Rupees	**(1,318,887,033)**	(612,805,470)

29. OPERATING SEGMENTS

The financial statements have been prepared on the basis of a single reporting segment, segment information has been presented in the consolidated financial statements.

30. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's isk management policies.

30.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the balance sheet date if counterparties fail completely to perform as contracted and arises principally from loans and advances and Other receivables. Out of the total financial assets of Rs. 25,315.285 million (2010: Rs. 23,261.027 million), the financial assets which are subject to credit risk amounted to Rs. 734.25 million (2010: Rs. 387.712 million).

To manage exposure to credit risk in respect of loans and advances, management performs credit reviews taking into account the borrower's financial position, past experience and other factors. Loans terms and conditions are approved by the competent authority.

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 abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is:

		2011	2010
Long term deposits		**89,590**	44,590
Loans and advances		**549,121,581**	268,000,000
Other receivables		**203,579,717**	112,237,559
Cash and Bank balances		**8,537,397**	7,399,213
	Rupees	**761,328,285**	387,681,362

The Company did not hold any collateral against the above during the year.

All the loans, advances and other receivables at the balance sheet date represent domestic parties except a receivable of Rs. 108.403 million.

The aging analysis of loans, advances and other receivables is as follows:

Not past due		**574,457,007**	380,237,559
Past due 1-30 days		**-**	-
Past due 30-180 days		**-**	-
Past due more than 180 days		**178,244,291**	-
	Rupees	**752,701,298**	380,237,559

The credit quality of loans, advance and other receivable can be assessed with reference to external credit ratings as follows:

	Rating Short term	Rating Long term	Rating Agency	2011	2010
Al-Abbas Cement Industries Limited	-	-	-	**-**	173,000,000
Suroor Investment Limited	-	-	-	**108,244,291**	108,244,291
Princely Jets (Private) Limited	-	-	-	**70,000,000**	70,000,000
Thatta Cement Industries Limited	-	-	-	**27,101,250**	-
Arif Habib Investments Limited	A-1	A	PACRA	**-**	15,601,520
Arif Habib Limited	-	-	-	**77,078**	-
Aisha Steel Mills Limited	-	-	-	**3,570,577**	10,012,329
Sweetwater Dairies Pakistan (Private) Limited	-	-	-	**698,264**	476,348
Arif Habib Real Estate Services (Private) Limited	-	-	-	**-**	2,903,071
Javedan Corporation Limited	-	-	-	**542,844,338**	-
SKM Lanka Holdings (Private) Limited	-	-	-	**158,500**	-
Fatima Fertilizer Company Limited	A-1	A	PACRA	**7,000**	-

Recievable from Princely Jets (Private) Limited is secured by demand promissory note and is refundable as per Memorandum ofUnderstanding signed on 24 May 2010. Loan to Javedan Corporation limited is secured as disclosed in note 13.3 of these financial statements. Further, Rs. 547.358 million (2010: 186.39 million) is due from group companies and management believes that the sum will be recovered in full as companies are under common management.

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

	Rating Short term	Rating Long term	Rating Agency	2011	2010
Allied Bank Limited	A+	AA	PACRA	**295,605**	294,936
Summit Bank Limited (formerly Arif Habib Bank Limited)	A2	A-	PACRA	**83,250**	41,016
Askari Commercial Bank	A1+	AA	PACRA	**1,055,805**	8,760
Atlas Bank Limited	A2	A-	PACRA	**100,000**	100,000
Bank Alfalah Limited	A1+	AA	PACRA	**29,769**	5,258
Bank Al-Habib Limited	A1+	AA+	PACRA	**376,642**	397,459
Bank of Khyber	A2	A-	PACRA & JCR-VIS	**572,490**	-
Barclays Bank Ltd.	A1+	AA-	Standard & Poor's	**486,040**	500,000
Faysal Bank Limited	A1+	AA	PACRA & JCR-VIS	**23,475**	23,475
First Women Bank	A2	BBB+	PACRA	**50,000**	50,000
Habib Bank Limited	A1+	AA+	JCR-VIS	**175,248**	185,329
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**2,585**	1,768
KASB Bank Limited	A2	A-	PACRA	**63,870**	63,877
MCB Bank Limited	A1+	AA+	PACRA	**4,149,801**	3,826,150
National Bank of Pakistan	A1+	AAA	JCR-VIS	**235,756**	252,172
NIB Bank Limited	A1+	AA-	PACRA	**40,984**	40,951
Soneri Bank Limited	A1+	AA-	PACRA	**99,800**	99,800
Standard Chartered Bank Limited	A1+	AAA	PACRA	**229,414**	216,001
The Bank of Punjab	A1+	AA-	PACRA	**-**	1,495
United Bank Limited	A1+	AA+	JCR-VIS	**466,863**	467,037

The movement in the allowance for impairment is as follows:

		2011	2010
Opening balance		-	12,188,785
(Reversal) / provision during the year		-	(12,188,785)
Written off		-	-
Closing balance	Rupees	-	-

Based on past experience, the management believes that no impairment allowance is necessary in respect of loans advances and other receivables past due as some receivables have been recovered subsequent to the year end and for other balances, there are reasonable grounds to believe that the amounts will be recovered in due course.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view of 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 balance sheet date, Company has cash and bank balance and unutilized credit lines of Rs. 8.571 million (2010: Rs. 7.429 million) and Rs. 1,652.542 million (2010: Rs. 2,359.763 million) as mentioned in note 16 & 8.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

		2011			
		Carrying amount	Contractual Cash flows	Upto one year	Morethan one year
Financial liabilities					
Trade and other payables		**1,918,640**	**9,297,331**	**4,248,188**	**5,049,143**
Short term borrowings		**1,327,457,775**	**1,379,028,025**	**1,379,028,025**	**-**
	Rupees	**1,329,376,415**	**1,388,325,356**	**1,383,276,213**	**5,049,143**

		2010			
		Carrying amount	Contractual Cash flows	Upto one year	Morethan one year
Financial liabilities					
Trade and other payables		1,731,767	5,451,849	2,702,207	2,749,642
Short term borrowings		620,235,048	664,688,462	664,688,462	-
	Rupees	621,966,815	670,140,311	667,390,669	2,749,642

The future interest related cash flows depends on the extent of utilisation of running finance facilities and the interest rates applicable at that time.

30.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market-prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. The market risks associated with the Company's business activities are interest / Mark-up rate risk and price risk. The Company is not exposed to material currency risk.

a) Foreign exchange risk managemen

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Company's foreign exchange risk exposure is restricted to long term equity investments and bank balances in foreign currency. As such the Company does not regularly deal in foreign currency transactions except for utilizing equity investment opportunities as and when it arises and maintenance of foreign currency bank accounts which currently are denominated in US Dollars and UAE Dirhams. The management believes that the Company's exposure emanating from any fluctuations in the foreign currencies is not required to be hedged.

Financial assets and liabilities exposed to foreign exchange rate risk amounts to Rs. 76.589 million (2010: Rs. 77.089 million) and Rs. Nil (2010: Rs. Nil) respectively, at the year end.

Sensitivity analysis

For the purpose of foreign exchange risk sensitivity analysis, it is observed that in the financial year the local currency has weakened against US Dollars and UAE Dirham by approximately 0.7% and 0.86% respectively. Subsequent to the balance sheet date and till the authorization of these financial statements a further decline of 1.28% and 1.06% respectively, have been observed. During the year, the above decline has resulted in a gain on foreign currency translation of 0.015 million that is recognized in profit and loss account, therefore the Company is not significantly exposed to foreign currency risk. Further, there are no commitments or outstanding derivative contracts in foreign currency at the balance sheet date.

The following table summarizes the financial assets as of 30 June 2011 and 30 June 2010 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets (and the resulting change in profit and loss account) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant. Rupees are in millions.

	Fair value of net assets	Estimated fair value assuming a hypothetical percentage increase / (decrease) in the value of foreign currencies versus Pak rupe					
		-20%	-10%	-1%	1%	10%	20%
30 June 2011	**76.59**	**61.27**	**68.93**	**75.82**	**77.36**	**84.25**	**91.91**
30 June 2010	77.09	61.67	69.38	76.32	77.86	84.80	92.51

b) Interest / mark-up 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 and loans and advances by the Company have variable rate pricing that is mostly dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

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

	2011	2010	2011	2010
	Effective Interest rate (in %)		Carrying amounts (in Rupees)	
Financial assets				
Loans and advances	**16.52%**	14.35% to 15%	**518,449,754**	25,000,000
Cash and bank balances	**5% to 8%**	5% to 8%	**2,019,349**	30,195
Financial liabilities				
Short term finance	**14.52%to** 16.02%	13.34%to 15.27%	**1,327,457,775**	620,235,048

Sensitivity analysis

The Company does not have 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 a hypothetical change of 100 basis points in interest rates at the balance sheet date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk.

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	
		Increase 100 bps	Decrease 100 bps
As at 30 June 2011			
Cash flow sensitivity-Variable rate financial liabilities	Rupees	**3,874,396**	(3,874,396)
Cash flow sensitivity-Variable rate financial assets	Rupees	**1,478,177**	(1,478,177)
As at 30 June 2010			
Cash flow sensitivity-Variable rate financial liabilities	Rupees	**(1,497,625)**	1,497,625
Cash flow sensitivity-Variable rate financial assets	Rupees	**23,014**	(23,014)

c) **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. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 7,234.447 million (2010: Rs 6,846.876 million) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for a longer period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee company remain viable. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date except for, unquoted associates which are carried at fair value determined through valuation techniques. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 28.54% during the financial year. Subsequent to the balance sheet date and till the date of authorization of these financial statements a further decline of 6.48% in the KSE 100 Index has been observed.

The table below summarizes Company's equity price risk as of 30 June 2011 and 2010 and shows the effects of a hypothetical 30%increase and a 30% decrease in market prices as at the year end. 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. Rupees are in million.

	Fair value	Hypothetical Price change	Estimated fair value after Hypothetical change in prices	Hypothetical Increase / (decrease) in Shareholders' equity	Hypothetical Increase (decrease) in profit / (loss) before tax
30 June 2011	**7,198.38**	**30% increase**	**9,357.90**	**43.28**	**2,116.24**
		30% decrease	**5,038.87**	**(43.28)**	**(2,116.24)**
30 June 2010	6,846.88	30% increase	8,900.94	122.30	1,931.76
		30% decrease	4,792.82	(122.30)	(1,931.76)

d) Other market risk

Management believes that unless more sophisticated and comprehensive disclosure of sensitivity analysis is given for each type ofmarket risk to which the Company is exposed at the balance sheet date, the above mentioned sensitivity analysis in absence ofavailability of a large economic data with high accuracy and the present effects of unprecedented country's political situation oneconomics, might remain unrepresentative to the financial statements readers for the risk inherent in the financial instruments.

30.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		30 June 2011		30 june 2010	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Long term investments		**23,840,733,981**	**23,840,733,981**	19,535,274,470	19,535,274,470
Short term investments		**938,215,581**	**938,215,581**	3,338,040,948	3,338,040,948
Long term deposits		**89,590**	**89,590**	44,590	44,590
Loans and advances		**549,121,581**	**549,121,581**	268,000,000	268,000,000
Other receivables		**203,579,717**	**203,579,717**	112,237,559	112,237,559
Cash and bank balances		**8,553,742**	**8,553,742**	7,429,578	7,429,578
	Rupees	**25,540,294,192**	**25,540,294,192**	23,261,027,145	23,261,027,145

		30 June 2011		30 june 2010	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities					
Interest/mark-up accrued on short term borrowings		**51,570,250**	**51,570,250**	21,011,622	21,011,622
Trade and other payables		**1,918,640**	**1,918,640**	1,731,767	1,731,767
Short term borrowings		**1,327,457,775**	**1,327,457,775**	620,235,048	620,235,048
	Rupees	**1,380,946,665**	**1,380,946,665**	642,978,437	642,978,437

b) Valuation of financial instruments

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:

Level 1: Quoted market price (unadjusted) in an active market.
Level 2: Valuation techniques based on observable inputs.
Level 3: 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.

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 management judgement and estimation in the determination of fair value. Management judgement 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 categorised:

30 june 2011		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Equity securities	*Rupees*	**7,054,133,022**	**-**	**13,250,039,905**	**20,304,172,927**
Available-for-sale financial assets					
Equity securities	*Rupees*	**144,250,920**	-	-	144,250,920
30 June 2010					
Financial assets at fair value through profit or loss					
Equity securities	*Rupees*	6,439,215,948	-	12,630,050,855	19,069,266,803
Available-for-sale financial assets					
Equity securities	*Rupees*	407,660,224	-	-	407,660,224

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		2011	2010
Balance at 1 July		**12,630,050,855**	12,710,020,469
Total gains and losses recognized in profit or loss:			
- included within gain on remeasurement of investment		**601,900,000**	1,600,093,816
Purchases / shares received as specie		**18,089,050**	1,421,111,570
Sale		**-**	-
Transfer out of level 3		**-**	(3,101,175,000)
Balance at 30 June	*Rupees*	**13,250,039,905**	12,630,050,855

30 june 2011		Unlisted equity Investment
Total gains or losses recognized in profit or loss for assets and liabilities held at the end of the reporting period:		
- included within gain on remeasurement of financial instruments at fair value through profit or loss	Rupees	601,900,000

During the year ended 30 June 2011, the Company did not acquire shares of any new entity in level 3.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. 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:

		Effect on profit or loss	
30 June 2011		**favourable**	**(unfavorable)**
Equity securities	Rupees	**380,339,085**	(380,339,085)

c) **Accounting classifications and fair values**

The table below provides reconciliation of the line items in the Company's statement of financial position to the categories of financial instruments.

	Trading	Designated at fair value through profit or loss	Loans and reciveables	Available for sale	Cost / amortized cost	Total carrying amount
30 June 2011						
Financial Assets						
Cash and bank balances	-	-	-	-	8,553,742	8,553,742
Pledged investments	640,121,104	1,178,645,390	-	473,705,460	-	2,292,471,954
Non-pledged investments	298,094,477	18,187,311,956	-	1,253,557,960	2,747,513,215	22,486,477,608
Long term deposits	-	-	89,590	-	-	89,590
Loans and advances	-	-	549,121,581	-	-	549,121,581
Other receivables	-	-	203,579,717	-	-	203,579,717
Rupees	**938,215,581**	**19,365,957,346**	**752,790,888**	**1,727,263,420**	**2,756,066,957**	**25,540,294,192**

	Trading	Designated at fair value through profit or loss	Loans and reciveables	Available for sale	Cost / amortized cost	Total carrying amount
Financial Liabilities						
Trade and other payables	-	-	-	-	1,918,640	1,918,640
Interest/mark-up accrued on short term borrowings	-	-	-	-	51,570,250	51,570,250
Short term borrowings	-	-	-	-	1,327,457,775	1,327,457,775
Rupees	-	-	-	-	1,380,946,665	1,380,946,665
30 June 2010						
Financial Assets						
Cash and cash equivalents	-	-	-	-	7,429,578	7,429,578
Pledged investments			1,203,930,679	305,294,720	180,925,360	1,690,150,759
Non-pledged investments	2,134,110,269	15,731,225,855	-	642,916,074	2,674,912,461	21,183,164,659
Long term deposits	-	-	44,590	-	-	44,590
Loans and advances	-	-	268,000,000	-	-	268,000,000
Other receivables	-	-	112,237,559		-	112,237,559
Rupees	3,338,040,948	15,731,225,855	380,282,149	948,210,794	2,863,267,399	23,261,027,145
Financial Liabilities						
Trade and other payables	-	-	-	-	1,731,767	1,731,767
Interest/mark-up accrued on short term borrowings	-	-	-	-	21,011,622	21,011,622
Short term borrowings	-	-	-	-	620,235,048	620,235,048
Rupees					642,978,437	642,978,437

The financial instruments not accounted for at fair value are those financial assets and liabilities whose carrying amounts approximate at fair value.

31. CAPITAL MANAGEMENT

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

32. TRANSACTIONS WITH RELATED PARTIES

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. Transactions 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 26 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

Name of the realated party and relationship with the company	Nature of transaction		Year ended 30 june 2011	30 june 2010
Subsidiaries				
Arif Habib Limited	- Services availed	Rupees	**15,182,665**	21,051,377
	- Number of bonus shares received	Rupees	**5,636,595**	-
	- Loan / advance given	Rupees	**235,000,000**	130,000,000
	- Loan / advance recovered	Rupees	**235,000,000**	130,000,000
	- Mark-up income	Rupees	**3,219,674**	483,247
	- Mark up received	Rupees	**3,219,674**	483,247
	- Lease Rental	Rupees	**276,944**	-
	- Postage	Rupees	**785**	-
	- Dividend Income	Rupees	**-**	33,750,000
	- Purchase of computer and allied items	Rupees	**-**	79,671
Arif Habib Investment Limited	- Loan / advance given	Rupees	**20,000,000**	45,000,000
	- Loan / advance recovered	Rupees	**35,000,000**	30,000,000
	- Mark-up income	Rupees	**2,326,986**	601,520
	- Mark up received	Rupees	**2,928,506**	-
	- Number of bonus shares received		**3,610,694**	-
Summit Bank Limited (Formerly Arif Habib Bank Limited)	- Mark-up on short term running finance	Rupees	**-**	3,467,846
	- Mark-up on bank deposit	Rupees	**-**	1,521,397
Al-Abbas Cement Industries Limited	- Purchase of Shares	Rupees	**7,220,668**	150,392,822
	- Advance against equity	Rupees	**591,051,585**	173,000,000
	- Advance adjusted against shares issued	Rupees	**764,051,585**	-
	- Loan given	Rupees	**25,000,000**	-
	- Loan recovered	Rupees	**25,000,000**	-
	- Mark-up income	Rupees	**1,087,449**	-
	- Mark up received	Rupees	**1,087,449**	-
Associates				
Sweetwater Dairies Pakistan (Private) Limited	- Expenses paid on behalf of SWDL	Rupees	**221,916**	-
	- Dividend Income	Rupees	**-**	393,120
Aisha Steel Mills Limited	- Loan / advance given	Rupees	**180,444,931**	10,000,000
	- Loan / advance recovered	Rupees	**190,444,931**	-
	- Mark-up income	Rupees	**2,044,658**	12,329
	- Mark up received	Rupees	**2,056,987**	-
	- Advance against equity	Rupees	**3,570,577**	-
Pakarab Fertilizers Limited	- Specie dividend received	Rupees	**1,653,075,000**	1,350,000,000
Rozgar Microfinance Bank Limited	- Subscription of Right Shares	Rupees	**-**	13,300,000
Other related parties				
Javedan Corporation Limited (Formerly Javedan Cement Limited)	- Loan recovered	Rupees	**97,550,244**	150,000,000
	- Loan given	Rupees	**616,000,000**	150,000,000
	- Mark-up income	Rupees	**42,844,340**	-
	- Mark up received	Rupees	**18,449,756**	-

Name of the realated party and relationship with the company	Nature of transaction		Year ended 30 june 2011	Year ended 30 june 2010
AHSL Provident Fund	- Contribution paid during the year	Rupees	**1,078,968**	1,101,709
Arif Habib Real Estate Services (Pvt) Limited	- Sharing of expenses	Rupees	**-**	2,903,071
	- Amount recovered against expenses expenses	Rupees	**2,903,070**	-
Rotocast Engineering (Pvt) Limited	-Payment on account of rent and maintenance	Rupees	**9,199,940**	18,164,483
Mr. Arif Habib (CEO)	- Expenses incurred	Rupees	**548,084**	-
	- Amount recovered against expenses	Rupees	**548,084**	-
	- Purchase of shares	Rupees	**80,000,060**	-
	- Sale of shares	Rupees	**-**	*2,499,590*
Mr. Akmal Jameel	- Proceeds from sale of vehicle	Rupees	**-**	546,340
	- Advisory fee paid	Rupees	**-**	150,000

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 14 September 2011 by the Board of Directors of the Company.

33.1 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors has proposed a cash dividend of Rs.2 per share amounting to Rs. 750 million and bonus shares in the proportion of 1 ordinary shares per 10 ordinary shares held amounting to Rs. 375 million at its meeting held on 14 September 2011 for the approval of the members at the annual general meeting to be held on 22 October 2011. These financial statements do not reflect this appropriation as explained in note 3.15.

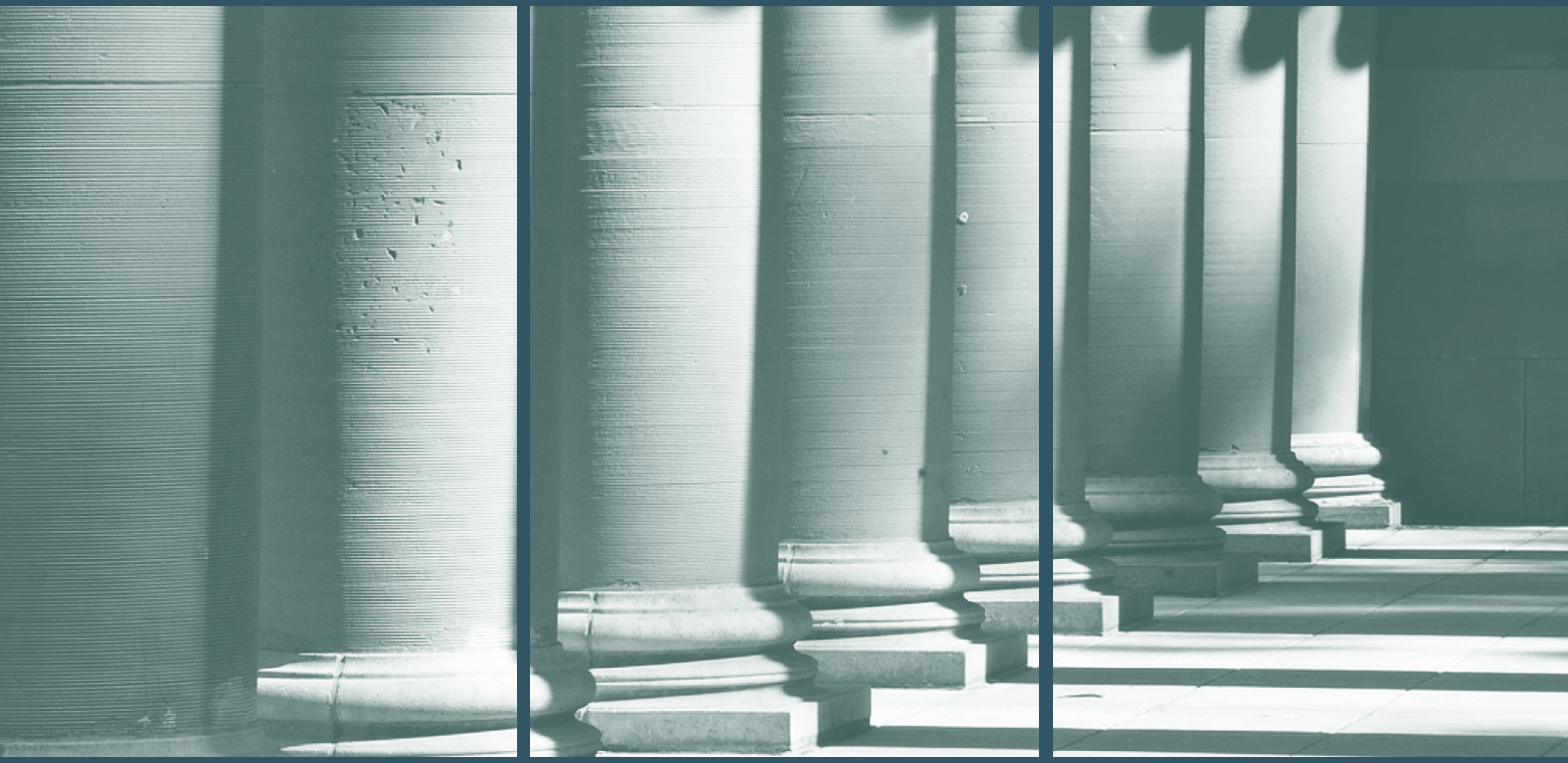
34. GENERAL

Corresponding figures have been re-arranged and/or re-classified, wherever necessary, for the purposes of comparison andbetter presentation. Major changes made during the year are as follows:

Re-classified from	Re-classified to	Note	Rupees	Reason
Other receivable	Loans and advances	14	117,500	Better Presentation
Operating and administrative expenses	Other charges	20	97,423,752	Better Presentation
Operating and administrative expenses	Impairment loss on investments	20	71,091,000	Better Presentation

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR



Audited Consolidated Financial Statements

Arif Habib Corporation Limited
(formerly Arif Habib Securities Ltd.)
For the year ended June 30, 2011

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Arif Habib Corporation Limited** (Formerly Arif Habib Securities Limited) ("the Parent Company") and its subsidiary companies, Arif Habib Limited (AHL), Al-Abbas Cement Industries Limited (AACIL), Arif Habib DMCC (AHD), SKM Lanka Holdings (Private) Limited (SKML), Pakistan Private Equity Management Limited (PPEML) and Sachal Energy Development (Private) Limited (SEDPL) ("the Group") as at 30 June 2011 and the related consolidated profit and loss account, consolidated statements of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have expressed separate opinion on the financial statements of Arif Habib Corporation Limited (Formerly Arif Habib Securities Limited) and Pakistan Private Equity Management Limited. The subsidiaries, Arif Habib Limited and SKM Lanka Holdings (Private) Limited were audited by other firms of chartered accountants, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. These consolidated financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these consolidated financial 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 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.

In our opinion, the consolidated financial statements present fairly the financial position of the Group as at 30 June 2011 and the results of its operations, its cash flows, comprehensive income and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

We draw attention to note 3.2 to the consolidated financial statements which describes that the financial information of certain subsidiaries and associates were unaudited.

We also draw attention to note 9.1 to the consolidated financial statements which describes the basis on which the Parent Company has not recognized provision for Workers' Welfare Fund.

We also draw attention to note 17.1.7 to the consolidated financial statements which describes the uncertainty related to the outcome of the constitutional petition filed by Arif Habib Investments Limited against Securities and Exchange Commission of Pakistan in the case of merger of Arif Habib Investments Limited with MCB Asset Management Company Limited.

Our opinion is not qualified in respect of above mentioned matters.

Date: 14 SEP 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Consolidated Balance Sheet
As at 30 June 2011

	Note	2011	2010 Restated	2009 Restated
		Rupees		
EQUITY AND LIABILITIES				
Equity				
Authorised share capital	4.1	**10,000,000,000**	10,000,000,000	10,000,000,000
Issued, subscribed and paid-up share capital	4.2	**3,750,000,000**	3,750,000,000	3,750,000,000
Reserves	5	**9,424,152,468**	11,187,506,142	9,511,637,928
Equity attributable to owners of the Parent		**13,174,152,468**	14,937,506,142	13,261,637,928
Non-controlling interests		**549,198,456**	524,255,736	2,559,348,479
		13,723,350,924	15,461,761,878	15,820,986,407
Non-current liabilities				
Long term loans	6	**2,836,644,192**	183,939,269	682,607,990
Liabilities against assets subject to finance lease	7	**3,467,065**	4,385,569	-
Deferred liability		**234,076,000**	-	-
Deferred taxation -net	8	**130,273,212**	263,791,923	5,091,888
Current liabilities				
Trade and other payables	9	**952,115,114**	416,895,696	696,680,952
Interest / Mark-up accrued	10	**436,599,682**	55,280,439	194,568,479
Short term borrowings	11	**2,020,683,059**	1,217,727,694	3,908,551,248
Current portion of long term loans	6	**-**	153,250,000	53,250,000
Provision for taxation		**99,826,284**	2,354,617	1,987,139
Liabilities classified as held for sale		**-**	-	26,956,786,000
		3,509,224,139	1,845,508,446	31,811,823,818
		20,437,035,532	17,759,387,085	48,320,510,103
Contingencies and commitments	12			

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Consolidated Balance Sheet
As at 30 June 2011

	Note	2011	2010 Restated	2009 Restated
			Rupees	
ASSETS				
Non-current assets				
Property, plant and equipment	13	**4,475,330,502**	345,924,089	348,830,502
Intangible assets - others	14	**28,186,194**	34,681,348	35,754,591
Goodwill	15	**1,515,042,410**	2,160,310,718	2,160,310,718
Membership cards and licenses	16	**68,655,000**	68,655,000	46,650,000
Long term investments	17	**10,505,544,974**	8,818,153,833	7,658,758,006
Investment property	18	**126,000,000**	99,100,000	102,400,000
Long term loans and advances - considered good	19	**-**	18,307,708	41,706,714
Long term deposits and prepayments	20	**38,613,563**	36,120,043	30,233,372
Current assets				
Stock in trade	21	**120,422,000**	-	-
Stores and Spares	22	**444,791,000**	-	-
Trade debts	23	**481,606,595**	1,760,651,188	1,546,203,584
Loans and advances - considered good	24	**647,202,095**	263,270,015	127,251,572
Deposits and prepayments	25	**42,174,165**	71,015,733	60,316,245
Advance tax		**157,124,792**	68,632,877	56,954,336
Other receivables - considered good	26	**226,229,603**	207,196,507	176,862,091
Short term investments	27	**1,470,284,734**	3,680,869,407	3,697,465,086
Other assets		**-**	-	357,082,445
Cash and bank balances	28	**89,827,905**	126,498,619	66,638,043
Assets classified as held for sale		**-**	-	31,807,092,798
		3,679,662,889	6,178,134,346	37,895,866,200
		20,437,035,532	17,759,387,085	48,320,510,103

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Promoting Investments

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Consolidated Profit and Loss Account
For the year ended 30 June 2011

	Note	2011	2010 Restated
		Rupees	
Operating revenue	29	**682,522,787**	776,506,724
Gain / (loss) on sale of securities - net		**89,781,979**	161,657,289
Gain / (loss) on remeasurement of investments - net		**508,370,102**	945,893,915
Unrealised gain /(loss) on re-measurement of investment property		**11,916,000**	(4,400,000)
		1,292,590,868	1,879,657,928
Gain on distribution of shares	3.22	**127,125,000**	-
Loss on loss of control of subsidiary		**(293,142,614)**	-
Operating, administrative and other expenses	30	**(1,356,776,764)**	(479,047,367)
Impairment of goodwill		**(984,280,458)**	-
Impairment loss on investment		**(190,632,555)**	(7,128,358)
Operating loss		**(1,405,116,523)**	1,393,482,203
Other income	31	**388,613,491**	109,754,014
		(1,016,503,032)	1,503,236,217
Finance cost	32	**(272,823,709)**	(392,517,026)
Other charges	33	**(58,700,853)**	(102,653,264)
		(1,348,027,594)	1,008,065,927
Share of profit of equity - accounted investees (net of tax)		**558,973,994**	1,059,412,228
(Loss) / profit before tax		**(789,053,600)**	2,067,478,155
Taxation	34	**(192,785,444)**	(278,929,108)
(Loss) / profit after tax from continuing operations		**(981,839,044)**	1,788,549,047
Discontinued operations			
Loss for the year from discontinued operations		**-**	(773,157,701)
(Loss) / profit for the year		**(981,839,044)**	1,015,391,346
Profit / (loss) attributable to:			
Equity holders of Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)			
From continuing operations		**(872,915,569)**	1,635,625,526
From discontinued operations		**-**	(75,638,943)
		(872,915,569)	1,559,986,583
Non-controlling interests			
From continuing operations		**(108,923,475)**	152,923,521
From discontinued operations		**-**	(697,518,758)
		(108,923,475)	(544,595,237)
(Loss) / earning per share - basic and diluted	35		
From continuing operations		**(2.33)**	4.36
From discontinued operations		**0.00**	(0.20)
Total		**(2.33)**	4.16

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE **DIRECTOR**

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

	Note	2011	2010 Restated
		Rupees	
(Loss) / profit for the year		**(981,839,044)**	1,015,391,346
Other comprehensive income			
Net change in fair value of investments classified as 'available-for-sale'		**(14,432,074)**	192,794,629
Net change in fair value of investments classified as 'available-for-sale' reclassified to profit and loss account		**433,506,172**	-
Net effect of translation of net assets of foreign subsidiary to presentation currency		**855,855**	2,646,251
Share of other comprhensive income of equity-accounted investees		**(2,165,158)**	-
Deferred tax effect on equity accounted investee		**216,516**	-
Other comprehensive income for the year		**417,981,311**	195,440,880
Total comprehensive (loss) / income for the year		**(563,857,733)**	1,210,832,226
Total comprehensive loss attributable to:			
Equity holders of Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)		**(449,339,293)**	1,677,331,758
Non-controlling interests		**(114,518,440)**	(466,499,532)
		(563,857,733)	1,210,832,226

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Consolidated Cash Flow Statement
For the year ended 30 June 2011

	Note	2011	2010 Restated
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	**3,318,546,758**	1,849,460,447
Income tax paid		**(55,931,072)**	(31,257,348)
Finance cost paid		**(257,489,466)**	(531,805,066)
Net cash generated from operating activities		**3,005,126,220**	1,286,398,033
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		**(405,526,923)**	(522,987,514)
Acquisition of intangible assets		**(20,903,107)**	(941,340)
Membership cards and licenses		**-**	(22,005,000)
Investment property		**(14,984,000)**	(100,000)
Dividend and interest received		**305,081,852**	169,158,364
Long term investments		**(2,224,051,178)**	(1,096,468,494)
Proceeds from sale of property and equipment & intangibles		**403,430,218**	475,224,945
Long term loans and advances		**(306,706,896)**	(113,686,749)
Long term deposits		**27,804,812**	(6,886,671)
Proceeds from sale of AHBL and REMMCO		**-**	2,662,529,453
Net cash (used in) / generated from investing activities		**(2,235,855,222)**	1,543,836,994
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term and short term financing		(294,897,077)	(68,300,897)
Liability against assets subject to finance lease		-	-
Dividend paid		(1,314,000,000)	(11,250,000)
Net cash used in financing activities		(1,608,897,077)	(79,550,897)
Net (decrease) / increase in cash and cash equivalents		**(839,626,079)**	2,750,684,130
Cash and cash equivalents at beginning of the year		**(1,091,229,075)**	(3,841,913,205)
Cash and cash equivalents at end of the year	37.1	**(1,930,855,154)**	(1,091,229,075)

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Arif Habib Corporation Limited
(formerly Arif Habib Securities Limited)
Consolidated Statement of Changes in Equity
For the year ended 30 June 2011

		Equity attributable to owners of the Company							
		issued, subscribed and paid up share capital	Unrealized (diminution) / appreciation on remeasurement of investment	Exchange difference on translation to presentation currency	General reserve	Unappropriated profit	Total	Non - Controlling Interests	Total equity
Balance as at 1 July 2009		3,750,000,000	(539,888,801)	27,047,930	4,019,567,665	5,973,707,384	13,230,434,178	2,548,947,229	15,779,381,407
Impact of change in accounting policy (note 3.1.1)		-	-	-	–	31,203,750	31,203,750	10,401,250	41,605,000
Balance as at 1 July 2009 - Restated		**3,750,000,000**	**(539,888,801)**	**27,047,930**	**4,019,567,665**	**6,004,911,134**	**13,261,637,928**	**2,559,348,479**	**15,820,986,407**
Total comprehensive income / (loss) for the year									
Profit / (loss) for the year		-	-	-	-	1,559,986,583	1,559,986,583	(544,595,237)	1,015,391,346
Other comprehensive income									
Net change in fair value of investments classified as 'available-for-sale'		-	115,067,818	-	-	-	115,067,818	77,726,811	192,794,629
Net effect of translation of net assets of foreign subsidiary to presentation currency		-	-	2,277,357	-	-	2,277,357	368,894	2,646,251
		-	115,067,818	2,277,357	-	1,559,986,583	1,677,331,758	(466,499,532)	1,210,832,226
Transactions with owners recorded directly in equity									
Acquisition of non-controlling interests with change in control		-	-	-	-	(1,463,544)	(1,463,544)	2,392,606	929,062
Cash dividend by AHL for the year ended 30 June 2009 - Rs. 1.5 per share		-	-	-	-	-	-	(11,250,000)	(11,250,000)
Disposal of non-controlling interests with a change in control		-	-	-	-	-	-	(1,559,735,817)	(1,559,735,817)
Balance as at 30 June 2010	Rupees	3,750,000,000	(424,820,983)	29,325,287	4,019,567,665	7,563,434,173	14,937,506,142	524,255,736	15,461,761,878
Balance as at 30 June 2010		**3,750,000,000**	**(424,820,983)**	**29,325,287**	**4,019,567,665**	**7,563,434,173**	**14,937,506,142**	**524,255,736**	**15,461,761,878**
Total comprehensive (loss) / income for the year									
Profit / (loss) for the year		-	-	-	-	(872,915,569)	(872,915,569)	(108,923,475)	(981,839,044)
Other comprehensive income									
Net change in fair value of investments classified as 'available-for-sale'		-	(8,685,189)	-	-	-	(8,685,189)	(5,746,885)	(14,432,074)
Net change in fair value of investments classified as 'available-for-sale' reclassified to profit and loss account		-	433,506,172	-	-	-	433,506,172	-	433,506,172
Share of other comprhensive income of equity-accounted investees		-	(1,948,642)	-	-	-	(1,948,642)	-	(1,948,642)
Net effect of translation of net assets of foreign subsidiary to presentation currency		-	-	703,935	-	-	- 703,935	151,920	855,855
		-	**422,872,341**	**703,935**	-	**(872,915,569)**	**(449,339,293)**	**(114,518,440)**	**(563,857,733)**
Transactions with owners recorded directly in equity									
Distribution of 112.5 million (3 shares for every 10 shares held) shares of Fatima Fertilizer Company Limited for the year ended 30 June 2010		-	-	-	-	(1,314,000,000)	(1,314,000,000)	-	(1,314,000,000)
Acquisition of non-controlling interests with change in control of AACIL and SEDPL		-	-	-	-	(14,381)	(14,381)	362,669,447	362,655,066
Disposal of non-controlling interests with a change in control of AHIL		-	-	-	-	-	-	(223,208,287)	(223,208,287)
Balance as at 30 June 2011	**Rupees**	**3,750,000,000**	**(1,948,642)**	**30,029,222**	**4,019,567,665**	**5,376,504,223**	**13,174,152,468**	**549,198,456**	**13,723,350,924**

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE **DIRECTOR**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

1. STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited [formerly Arif Habib Securities Limited] (AHCL), the Parent, was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The principal activity of AHCL is to manage investments in subsidiary companies and associates engaged in chemical/fertilizer, financial services, construction materials, industrial metal/steel and other sectors. AHCL also invests in listed securities. The registered office of the Parent Company is situated at Arif Habib Centre, 2nd Floor, 23 M. T. Khan Road, Karachi, Pakistan. The Parent Company is domiciled in the province of Sindh.

The consolidated financial statements of AHCL for the year ended 30 June 2011 comprise of the Parent Company and following subsidiary companies (here-in-after referred to as the Group).

Name of Company	**Shareholding (including indirect holding)**
- Arif Habib Limited, a brokerage house	75.15%
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	100.00%
- SKM Lanka Holdings (Private) Limited, a Srilankan incorporated brokerage house at Colombo Stock Exchange	75.00%
- Pakistan Private Equity Management Limited, a venture capital company	85.00%
- Al-Abbas Cement Industries Limited, a cement manufacturing company	61.13%
- Sachal Energy Development (Pvt) Limited, a wind power generation company	99.99%

Additionally, the Parent has long term investments in following associates:

Name of Company	
- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	48.57%
- Fatima Fertilizer Company Limited	16.40%
- Arif Habib Investments Limited	30.09%
- Thatta Cement Company Limited	9.06%
- Sweetwater Dairies Pakistan (Private) Limited	29.69%
- Crescent Textile Mills Limited, a textile manufacturing company	24.81%
- Rozgar Microfinance Bank Limited	19.01%

1.1 Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the Companies Ordinance, 1984, as a public limited company. The registered office of AHL is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodities Exchange. It is registered with SECP as securities brokerage house and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, advisory and consultancy services. The shares of AHL are listed at the Karachi Stock Exchange since 31 January 2007.

1.2 Arif Habib DMCC (AHD) was incorporated in Dubai, U.A.E. on 24 October 2005 as a limited liability company. Its registered office is situated at Dubai Metals and Commodities Center, Dubai, U.A.E. AHD is a wholly owned subsidiary of AHCL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on 26 October 2005. AHD is expected to start its commercial operations at the Dubai Gold and Commodities Exchange within next twelve months besides consultancy which have already been started.

1.3 SKM Lanka Holdings (Private) Limited (SKML) was incorporated in Colombo, Sri Lanka on 15 February 2007 as a limited liability company. Its registered office is situated at 86/1, Dawson Street, Colombo 02, Sri Lanka. It is domiciled in the province of Colombo and is registered with Securities and Exchange Commission of Sri Lanka as securities brokerage house.

1.4 Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 6 September 2006 as a public limited company under the Companies Ordinance, 1984. The registered office of PPEML is situated at Arif Habib Centre 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. PPEML is a fund management company (FMC) registered, under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through SRO 113(1)2007, with the Securities and Exchange Commission of Pakistan and licensed to carry out private equity and venture capital fund management services.

1.5 Al-Abbas Cement Industries Limited (AACIL) was established as private limited company on 1st December, 1981 and was converted into public limited company on 9th July 1987 and is listed on Karachi and Lahore Stock Exchanges. The Company's principal activity is manufacturing, selling and marketing of cement. The registered office of the Company is situated at Arif Habib Center, 23, M.T Khan Road, Karachi and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Dadu (Sindh).

On 27 June 2011, the Parent subscribed 152.810 million right shares at Rs. 5 per share resulting in acquisition of control of AACIL. The recognised amounts of net assets acquired and liabilities assumed amounted to Rs. 570.310 million resulting in recognition of goodwill amounting to Rs. 253.756 million and non-controlling interest amounting to Rs. 362.760 million. The Group management believes that this investee company has great potential with high plant capacity and its financial performance and position will therefore increase with adequate capital structure and management.

Upto the date of acquisition of control, AACIL was accounted for under equity method. The fair value of existing investment on the date of acquisition was Rs. 933.070 million. The consolidated profit and loss account includes Rs. 325.140 million representing share of loss from AACIL.

1.6 Sachal Energy Development (Pvt.) Limited (SEDPL) is a company incorporated in Pakistan under the Companies Ordinance 1984 on November 20, 2006.The company's registered office is located in Islamabad, Pakistan. The company plans to carry out the business of purchasing, importing, transforming, converting, distributing, supplying and dealing in electricity and all other form of energy and the related services.

On 16 November 2011, the Parent obtained control of Sachal Energy Development (Pvt) Limited by acquiring 4 million ordinary shares of Rs. 10 each from Mr. Arif Habib. As a result, the Company now has 99.99% equity interest in Sachal Energy Development (Pvt) Limited.

At the date of acquisition, the recognised amounts of net liabilities assumed and assets acquired were Rs. 45.256 million, resulting in recognition of goodwill amounting to Rs. 85.256 million.

Further, the Parent also acquired additional 9 million shares in the subsidiary for Rs. 10 each. The following summarizes the effect of changes in the Parent's ownership interest in SEDPL:

Parent's ownership interest at the date of acquisition of control		**40,000,060**
Effect of increase in Parent's ownership interest		**90,000,000**
Share of loss		**(29,136,974)**
Parent's ownership interest at end of the year	Rupees	**100,863,086**

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain investments which are measured at their fair values (as disclosed in note 18 and 27).

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The financial statements of two foreign incorporated subsidiaries have been translated into Pak Rupees for the purpose of these consolidated financial statements. All financial information has been rounded to the nearest rupee.

2.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about 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 anaccounting estimate 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 management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

- Useful lives and residual values of property and equipment (note 3.5)
- Provision for taxation (note 3.4)
- Classification of investments (note 3.9 - 3.9.3)
- Fair value of investments (note 3.9 - 3.9.3)
- Impairment (note 3.8)
- Fair value of investment property (note 3.6)
- Staff retirement benefits (note 3.3.3)

2.5 Amendments / interpretation to existing standard and forthcoming requirements 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 Group's operations or were not expected to have any significant impact on the Company's financial statements.

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 are only effective for annual periods beginning from the dates specified below:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, 'Presentation of Financial Statements') ef fective for annual periods beginning on or after 1 July 2012.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.

- IAS 19, 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013.

- Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting Interpretations Com mittee (IFRIC) Interpretation 14) effective for annual periods beginning on or after 1 January 2011.

- IAS 24, 'Related Party Disclosures' (Revised 2009) effective for annual periods beginning on or after 1 January 2011.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

- IAS 27, 'Separate Financial Statements' (Revised 2011) effective for annual periods beginning on or after 1 January 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, except as explained in note 3.1, which addresses changes in accounting policy.

3.1 Change in accounting policy

3.1.1 Accounting for investment property

During the year the Group changed its accounting policy for subsequent measurement of investment property from cost model to fair value model for more appropriate presentation as permitted by the International Accounting Standard (IAS) 8 'Accounting policies, change in accounting estimate and error' and IAS 40 'Investment Property'. The change in accounting policy has been accounted for in accordance with the requirements of IAS 8 'Accounting policies, change in accounting estimate and error'.

This change in accounting policy was applied retrospectively and had an insignificant impact on earnings. The following table summarises the adjustments made to the balance sheet upon implementation of the new accounting policy:

		2011	2010	2009
Effect on investment propertyRupees		**49,121,000**	37,205,000	41,605,000
Effect on unappropriated profits	Rupees	**49,121,000**	37,205,000	41,605,000

The effect on profit and loss was as follows:

		2010	2009
(Decrease) / increase in profit after tax	Rupees	(4,400,000)	41,605,000
(Decrease) / increase in basic earnings per share	Rupees	(0.01)	0.08

3.2 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities in which the Parent has control and / or ownership of more than half or fifty percent, of the vot ing power. Control exists when the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Parent.

The assets and liabilities of subsidiary companies have been consolidated on a line-by-line basis.The carrying value of investments held by the Parent is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent. Non-controlling interests are presented as a separate item in the consolidated financial statements.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

The financial year of the Parent and its subsidiaries are the same except for SKML and AHD. Financial years of the said subsidiaries are 31 March and 31 December, respectively. AHD has however prepared, for consolidation purposes, interim financial statements as of the same date as the financial statements of the Parent. These consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The financial statements of Arif Habib Limited and Pakistan Private Equity Management Limited as of 30 June 2011 and financial statements of SKM Lanka Holdings (Private) Limited as of 31 March 2010 are audited. However, the financial results of Al-Abbas Cement Industries Limited, Arif Habib DMCC and Sachal Energy Development (Pvt.) Limited consolidated in these financial statements are unaudited. The results of Arif Habib Investment Limited have been consolidated upto 27 June 2011 which is the date on which the control was transferred to the new owners of AHIL.

(ii) Associates

The Parent considers its associates to be such entities in which the Group has ownership, of not less than twenty percent but not more than fifty percent, of the voting power and / or has significant influence through common directorship, but not control.

Investment in associates are accounted for under the equity method, less impairment losses, if any. Such investments are carried in the balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The profit and loss account reflects the Group's share of the results of its associates. The equity method for investments in associates is applied from the date when significant influence commence until the date when that significant influence ceases. Group's share of results of associates in these consolidated financial statements are based on un-audited figures as of 30 June 2011. However, financial statements of two associates namely, Pakarab Fertilizers Limited and Fatima Fertilizer Company Limited, for the period ended 30 June 2011 have been reviewed by inde pendent auditors

3.3 Staff retirement benefits

The Group companies operate the following retirement and other benefit schemes:

3.3.1 Defined contribution plan

AHCL and AHL operate recognized provident fund schemes for all eligible permanent employees for which their contributions are charged to profit and loss account.

3.3.2 Voluntary pension scheme

PPEML operates a voluntary pension scheme for all its permanent employees. Equal monthly contributions are made both by the company and the employees.

3.3.3 Other benefit schemes

Defined benefit plan

AACIL operates an approved funded gratuity plan for all its employees who have completed the qualifying period under the scheme. Contributions are made to the fund in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at 30 June 2011 by using Projected Credit Unit Method for valuation of the scheme. The actuarial gains/losses are recognized as income or expense in the year in which they arise.

Certain actuarial assumptions have been adopted as disclosed in these consolidated financial statements for actuarial valuations of present value of defined benefit obligations. Change in these assumption in future years may affect the liability under the scheme for those years.

3.4 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. However, in case of PPEML (a fund management company) no tax is payable in accordance with clause 101 of part I of second schedule to the Income Tax Ordinance, 2001.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

3.5 Property, plant and equipment

Owned

Property, plant and equipment, except capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation on plant and machinery is charged using units of production method. The unit of production method resulted in depreciation charge based in the actual use or output.

Depreciation on assets other than plant and machinery is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 13.

The depreciation on property and equipment is charged full in the month of acquisition and no depreciation is charged in the month of disposal.

Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account currently.

The assets' residual value and useful life are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of property and equipment in the course of their construction and installation. Transfers are made to relevant asset's category as and when assets are available for intended use.

Leased

Leases in terms of which the Group companies assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease.

Leased assets which are obtained under Ijarah agreement are not recognized in the balance sheet and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountants of Pakistan and notified by Securities and Exchange Commission of Pakistan vide S.R.O. 43(1) / 2007 dated 22 May 2007. Payments made under operating lease are charged to profit and loss account on a straight line basis over the lease term.

3.6 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 tha 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 whe incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

The Group, with effect from July 1, 2010, changed its accounting policy for subsequent measurement of items of investment property by following fair value model as permitted by applicable accounting standard. Previously, the cost model was followed as per applicable accounting standard for the purpose of subsequent measurement of items of investment property and accordingly all items of investment property were carried at their historical costs plus cost of any subsequent improvements thereon. The effect of the change in accounting policy have been summarized in note 3.1 to the financial statements.

For the purpose of subsequent measurement, the fair value of the investment property is determined with sufficient regularity 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.

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

3.7 Intangible assets

3.7.1 Goodwill

Goodwill is measured as the excess of the purchase consideration, including the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree incase of step acquisition, over the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities less impairment losses, if any.

3.7.2 Membership cards and offices

These are held by AHL and are stated at cost less impairment losses, 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.

3.7.3 Others

Intangible assets, other than goodwill, are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangibles are amortised over their estimated useful lives.

3.8 Impairment

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

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

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

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

3.9 Investments

The management of the Group determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies / reclassifies its investment as subsidiaries, associates and joint ventures, at fair value through profit or loss, available for sale and held-to-maturity.

All investments are initially recognized at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as at fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

All "regular way" purchases and sales of financial assets are recognized on the trade date, that is the date on which the Group commits to purchase / sell an asset. Regular way purchases or sales of financial assets are the contracts which require delivery of assets within the time frame generally established by regulations or market convention.

Where active market of the quoted investment exists, fair value is determined through Karachi Stock Exchange daily quotation. In case of unquoted investment, where active market does not exists, fair value is determined using valuation techniques. The investments in equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be reliably measured are carried at cost.

The Group classifies its investments in the following categories:

3.9.1 At fair value through profit or loss - held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as at fair value through profit or loss - held for trading. These are stated at fair values with any resulting gains or losses recognized in the profit and loss account. The fair value of such investments, representing listed equity securities are determined on the basis of prevailing market prices at the respective stock exchange and on market based redemption / repurchase prices, whichever is applicable, in case of other securities.

3.9.2 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity.

At subsequent balance sheet dates, these investments are remeasured at fair values and the resulting gains or losses are recognized directly in equity until the investment is disposed off or impaired at which time these are transferred to profit and loss account.

Where active market of the quoted investment exists, fair value of quoted investments is determined using quotations of the respective stock exchange. The investments for which a quoted market price is not available, are measured at cost, unless fair value can be reliably measured. Such fair value estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate etc.) and therefore, cannot be determined with precision.

3.9.3 Held-to-maturity investments

Investments with a fixed maturity where the company has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any impairment losses

3.10 Sale and repurchase agreements

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under continuous funding 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 / continuous funding 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 ata specified future date (repos) 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 borrowing charges and accrued over the life of the repo agreement.

3.11 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is re-presented as if the operation had been discontinued from the start of the comparative period.

3.12 Trade and other receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts.

3.13 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid, in the future for goods and services received.

3.14 Short term borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.15 Revenue recognition

- Gain / loss on sale of investments are recognized on the date of transaction and charged to profit and loss account in the period in which they arise.
- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.
- Rental income from investment property is recognized on accrual basis.
- Dividend income and entitlement of bonus shares are recognized when the Group's right to receive such dividend or bonus is established.
- Mark-up income is recognized on a time proportion basis that takes into account the effective yield.
- Management / advisory fee is calculated on a daily / monthly basis by charging specified rates to the net asset value / income of the Collective Investment Schemes. The fee so charged does not exceed the limit prescribed in the NBFC Regulations / Voluntary Pension System Rules, 2005.
- Management fee from open-end schemes is calculated by charging the specified rates to the net asset value / income of open-end schemes at the close of business of each calendar day. Advisory fee from closed-end schemes is calculated on daily / monthly basis by charging the specified rates to the net assets value of closed-end schemes. Advisory fee from the discretionary portfolios is calculated in accordance with the respective agreements with the clients. Management fee from pension funds is calculated by charging the specified rates to theaverage net assets value.
- Revenue from sale of goods is measured at fair value of the consideration received or receivable. Domestic sales are recognised as revenue on dispatch of goods to customers. Export sales are recognised as revenue on the basis of goods shipped to customers.
- Rebate on export is recognized after finalization of export documents.

3.16 Provisions

Provision is recognized when, as a result of past event, the companies have a present legal oconstructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.17 Financial instruments

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

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

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

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

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

3.18 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the date of the transactions. All the monetary assets and liabilities in foreign currencies, at the balance sheet date, are translated into Pak Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. Non-monetary assets and liabilities, denominated in foreign currency that are measured at fair value are translated using exchange rate at the date the fair values are determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, are translated to Pak Rupees at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Pak. Rupees at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

3.19 Borrowing costs

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

3.20 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand, share transfer stamps, banking instruments, cash at bank and short term running finance.

3.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Group's management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment, and intangible assets.

3.22 Dividend and appropriation to reserve

Dividend distribution to the shareholders and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

The Parent Company has applied IFRIC 17 - Distributions of Non-cash Assets to Owners in accounting for distributions of non-cash assets to its shareholders, approved in the Annual General Meeting held on 25 September 2010. The Company measures the liability to distribute investment in associate, Fatima Fertilizer Company Limited, as a dividend at the fair value of the assets distributed. On settlement of the transaction, the Company recognised the difference between the carrying amount of the assets distributed and the carrying amount of the liability in profit and loss account.

4. SHARE CAPITAL

4.1 Authorised share capital

2011	2010			2011	2010
(Number of shares)					
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	Rupees	**10,000,000,000**	10,000,000,000

4.2 Issued, subscribed and paid-up share capital

2011	2010			2011	2010
5,000,00	5,000,000	Ordinary shares of Rs. 10 each fully paid in cash		**50,000,000**	50,000,000
372,000,000	372,000,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**3,720,000,000**	3,720,000,000
377,000,000	377,000,000			**3,770,000,000**	3,770,000,000
(2,000,000)	(2,000,000)	Ordinary shares of Rs. 10 each buy back at Rs. 360 per share		**(20,000,000)**	(20,000,000)
375,000,000	375,000,000		Rupees	**3,750,000,000**	3,750,000,000

4.3 During the financial year 2005-2006, the Parent Company bought back two million shares of Rs. 10 each from its shareholders through tender notice at a price of Rs. 360 per share in accordance with section 95-A of the Companies Ordinance, 1984 and Companies (Buy-back of shares) Rules, 1999. The acquisition resulted in reduction of capital and unappropriated profit by Rs. 20 million and Rs. 700 million respectively, in the relevant year.

5. RESERVES

General reserve		**4,019,567,665**	4,019,567,665
Unappropriated profit		**5,376,504,223**	7,563,434,173
Exchange difference on translation to presentation currency		**30,029,222**	29,325,287
Deficit on remeasurement of available for sale investments		**(1,948,642)**	(424,820,983)
	Rupees	**9,424,152,468**	11,187,506,142

6. LONG TERM LOANS

From banking companies - secured			
Musharaka	6.1	**500,000,000**	-
Term finance	6.1	**2,000,000,000**	-
Allied Bank Limited - DF I		**-**	49,000,000
Allied Bank Limited - DF II		**-**	86,250,000
Summit Bank Limited		**-**	100,000,000
		2,500,000,000	235,250,000
From related parties - unsecured	6.2	**336,644,192**	101,939,269
Less: Current portion of long term loan			
		-	(153,250,000)
	Rupees	**2,836,644,192**	183,939,269

6.1 During the period management of AACIL has entered into the restructuring agreements of long term finances. The terms of the agreements are as under:

Effective date of restructuring 23 June 2010

Tenor 8.5 years

Final Maturity 23 December 2018

Repayments 10 Half - yearly installments. The first principal repayment will fall due on 23 June 2014.

Markup pricing For first 3.5 years (23 June 2010 - 22 December 2013): 6 month KIBOR + 0%.
After 3.5 years (23 December 2013 onwards) : 6 month KIBOR + 1.75%.

Markup payment

Markup period	Payable in
June 2010 - December 2011	December 2011
December 2011 - December 2012	December 2012
December 2012 - December 2013	December 2013

From December 2013 onwards, markup will be payable on six monthly basis for the remaining tenor of the facility.

6.2 From related parties - unsecured

	Note	2011	2010
Interest bearing	6.3	**107,486,981**	101,939,269
Non interest bearing		**450,000,000**	-
Imputed income on remeasurement of loan liability at fair value		**(220,842,789)**	-
	6.4	**229,157,211**	-
		336,644,192	101,939,269

6.3 This represents an unsecured interest bearing loan given by Mr. Arif Habib to SKML

6.4 This represents an unsecured non interest bearing loan received by AHL on 27 June 2011 from Mr. Arif Habib. 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 for financial instruments carrying same terms of repayment.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		2011	2010
Present value of minimum lease payments		**4,347,493**	5,159,779
Less: Current portion shown under current liabilities		**(880,428)**	(774,210)
	Rupees	**3,467,065**	4,385,569

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

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

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

	Minimum lease payments	Future finance cost	Present value of lease liability 2011	2010
Not later than one year	**1,236,318**	**355,890**	**880,428**	774,210
Later than one year and not later than five year	**3,879,862**	**412,827**	**3,467,035**	4,385,569
Rupees	**5,116,180**	**768,717**	**4,347,463**	5,159,779

8. DEFERRED TAXATION

		2011	2010
The liability for deferred taxation comprises of temporary differences relating to:			
- Accelerated tax depreciation		**246,408,212**	22,370,455
- Intangible assets		**-**	1,744,203
- Investment		**390,784,009**	326,261,249
		637,192,221	350,375,907
Deferred tax asset comprises of temporary differences relating to:			
- Unrealized capital loss on short term investments		**(15,143,009)**	(51,694,466)
- Liabilities against assets subject to finance leases		**(678,000)**	-
- Carry forward of losses		**(489,112,000)**	(33,094,366)
- Gratuity		**(1,986,000)**	-
- Unquoted securities		**-**	(1,795,152)
		(506,919,009)	(86,583,984)
	Rupees	**130,273,212**	263,791,923

9. TRADE AND OTHER PAYABLES

Creditors		**393,783,420**	239,014,224
Bills payable		**132,953,000**	-
Accrued liabilities		**91,257,444**	50,426,769
Withholding tax payable		**307,000**	557,933
Advance from customers		**64,951,000**	-
Provision for Workers' Welfare Fund	9.1	**3,499,555**	80,915,912
Provision for gratuity	9.2	**20,276,000**	-
Liabilities against assets subject to finance lease		**880,428**	-
Other liabilities	9.3	**244,207,267**	45,980,858
	Rupees	**952,115,114**	416,895,696

9.1 During the year, the Honourable High Court of Lahore vide their order in respect of writ petition No. 8763/2011, has declared amendments introduced through Finance Acts 2006 and 2008 in Workers' Welfare Ordinance, 1971 as unconstitutional. Further, the Parent has also filed a writ petition in the High Court of Sindh at Karachi to impugn the amendments made to the Workers' Welfare Ordinance 1971, vide Finance Act 2008. The management of the Parent is contesting the case vigorously and has obtained an interim stay on the petition. As per the legal council, the Parent has a reasonable case and expects that the constitution petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in the favour of the Company.

Accordingly, the Parent has reversed the provision recognized as at 30 June 2010 amounting to Rs 76.17 million during the current period. The aggregate unrecognized amount of WWF by Parent as at 30 June 2011 amounted to Rs. 139.135 million.

9.2	**Provision for gratuity**	**2011**	**2010**
a)	Reconciliation of balance due to defined benefit plan		
	Present value of defined benefit obligation	20,835,000	-
	Payable to outgoing members	-	-
	Fair value of plan assets	(559,000)	-
		20,276,000	-
b)	**Movement of the liability recognized in the balance sheet**		
	Present value of defined benefit obligations	18,495,000	-
	Expenses for the period	7,450,000	-
	Liability transferred - out from other Group Company	-	-
	Liability transferred - in from other Group Company	264,000	-
	Less: Payment made during the period	(5,933,000)	-
	Liability recognized in the balance sheet	20,276,000	-
c)	**Change in present value of defined benefits obligations**		
	Present value of defined benefits obligation as on 30 June 2010	18,627,000	-
	Current service cost for the year	6,650,000	-
	Interest cost for the year	2,235,000	-
	Benefits paid during the year	(5,784,000)	-
	Benefits payable to outgoing	-	-
	Liability transferred - out from other Group Company	-	-
	Liability transferred - in from other Group Company	264,000	-
	Actuarial loss on present value of defined benefit obligation	(1,157,000)	-
		20,835,000	-
d)	**Changes in fair value of plan assets**		
	Total contribution made in the year	600,000	-
	Expected return on plan assets	72,000	-
	Contribution during the year	5,933,000	-
	Benefits paid / discharged during the year	(6,252,000)	-
	Actuarial gain / (loss) on plan assets	206,000	-
	Fair value of plan assets	559,000	-
e)	**Expenses recognized in the profit and loss account**		
	Current service cost	6,650,000	-
	Interest cost	2,235,000	-
	Net actuarial loss recognized in the period	(1,363,000)	-
	Expected return on plan assets	(72,000)	-
		7,450,000	-

f) Change in actuarial gains/(losses)

Net gains/(losses) arising during the year	**1,363,000**	-
Charged to the profit and loss account	**(1,363,000)**	-
	-	-

g) Principle actuarial assumptions

Discount rate	**14%**	0%
Expected rate of eligible salary increase in future years	**13%**	0%
Average expected remaining working life time of employees	**11 Years**	-

h) Expected charge for the year 2011-12 is Rs. 10.567 million.

i) Present value of defined benefits obligations

Present value of defined obligations at the end of the year	**18,495,000**	-

j) Experience adjustments

Experience adjustment arising on plan liabilities	**(1,363,000)**	-

9.3 This includes Rs. 180.175 million representing recognised following contingent liabilities of newly acquired subsidiaries.

Al-Abbas Cement Industries Limited

Central Excise and Land Custom has passed an order for the recovery of excise duty, sales tax and penalty of Rs. 91.046 million (2010: 91.046 million). The company has however disputed the same both on grounds of lack of jurisdiction as well as on the merits, the matter is subjudice. The stay order was granted by the Honorable High Court of Sind against the said order and the case is currently pending with the Appellate Tribunal Inland Revenue, Karachi.

The Competition Commission of Pakistan (here-in-after referred to as CCP) had issued a show cause notice to the Company against increase in prices of cement . Similar notices were also issued to the other cement manufacturers. The Company filed a writ petition before the Honorable High Court (here-in-after referred to as the Court) challenging the Competition Ordinance, 2007. The Court granted the stay order restricting the CCP to pass any adverse orders against the show cause notices issued to the cement manufacturers.

The Court has dismissed the writ petition and vacated the stay order and as a result the CCP has issued order by imposing a penalty of Rs. 87 million (2009: 87 million). The Company has filed the Constitutional Petition against the recovery order dated August 27, 2009 before the Court. The Court has confirmed the stay with the direction to file an amended Petition in consequence of CCP demand, which the Company has filed. The case is pending before the Court. The management is hopeful that there will be no adverse outcome of the same as company.

Sachal Energy Development (Pvt) Limited:

Faysal Bank Limited has issued guarantee during the year 2010 amounting to US$ 25,000 equals to Rs. 2,128,750 on behalf of the company in the ordinary course of business.

10. INTEREST / MARK-UP ACCRUED

		2011	**2010**
On long term financing		**333,097,000**	6,756,348
On short term borrowings		**103,502,682**	48,524,091
	Rupees	**436,599,682**	55,280,439

11. SHORT TERM BORROWINGS - secured

From banking companies and financial institutions			
- Short term running finance from banks	11.1	**1,990,943,904**	1,203,392,939
- Murabaha finance	11.2	**72,500**	-
- Borrowings in foreign currency by SKML		**29,666,655**	14,334,755
	Rupees	**2,020,683,059**	1,217,727,694

11.1 Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 4,380 million (2010: Rs. 5,480 million) which represents the aggregate of sale prices of all mark-up agreements between the Group companies and the banks. These facilities have various maturity dates upto April 2012. These arrangements are secured against pledge of marketable securities, first charge ranking pari passu against current and fixed assets, and personal guarantees of members with minimum 30% margin (2010: 30% margin). These running finance facilities carry mark-up ranging from 3 month KIBOR+ 1% to 3 month KIBOR+ 2.5% per annum (2010: 3 month KIBOR+ 1% to 6 month KIBOR+ 2.5% per annum) calculated on a daily product basis, that is payable quarterly. The carrying amount of securities pledged as collateral against outstanding liability amounts to Rs.2,292.471 million (2010: Rs. 1,433.646 million). The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 1,652.542 million (2010: Rs. 2,359.763 million).

11.2 Murabaha facility is obtained on mark-up basis to the extent of Rs. 130 million (2010: Rs.130 million). It carry mark up at the rate of 1 month KIBOR plus 3 % (2010: 1 month KIBOR plus 4.50%) per annum.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)

12.1.1 The Company is contesting alongwith other defendants four suits filed by Diamond Industries Limited, Mr. Iftikhar Shafi, Shafi Chemicals Industries Limited and Mr. Nisar Elahi (The Plaintiffs) in the year 2002-2003, for damages jointly against Mr. Saleem Chamdia, Mr. Arif Habib, Mr. Aqeel Karim Dedhi, Mr. A. Ghaffar Usman Moosani, Mr. Shahid Ghaffar, the Karachi Stock Exchange (Guarantee) Limited (KSE), the Securities and Exchange Commission of Pakistan (SECP), the Central Depository Company of Pakistan Limited (CDC), Saleem Chamdia Securities (Private) Limited, Arif Habib Securities Limited, Moosani Securities Limited and Aqeel Karim Dedhi Securities Limited.

The suits are for recovery of damages amounting to Rs. 10,989,948,199, Rs. 5,606,611,760, Rs.1,701,035,843 and Rs. 428,440,971 respectively against the decision of the Karachi Stock Exchange in respect of Risk Management System of its Clearing House during the year 2000. The Chairman and Chief Executive of the Company was the Chairman of the Board of Directors of KSE for the year 2000, the Company has been made party to the suits by the plaintiffs. All the suits at present are pending before the honorable Sindh High Court, Karachi. Individual liability of respective individuals and undertakings is not quantifiable.

The legal advisor of the Company is of the opinion that there are reasonable grounds for a favorable decision and that the suits are likely to be dismissed as these are not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the said suits against the Company Therefore, Company has not made any provision in this respect in the financial statements.

12.1.2 Income tax assessments of the Company have been finalised upto Tax Year 2005 (Accounting year 2005). However, deemed assessments made u/s 120 of the Income Tax Ordinance, 2001 relating to Tax Years 2006 to 2009 have been subsequently amended u/s 122 (5A) of the Income Tax Ordinance, 2001. The Company has filed appeals before the Appellate Tribunal Pakistan (Karachi), in respect of each of the said amendments. All such appeals are still pending. The management foresees that no matter involves potential financial exposure that could result unfavourable to the Company.

Income tax assessment for the Tax Year 2010 has been deemed to be finalised u/s 120 of the Income Tax Ordinance, 2001.

Arif Habib Limited

No contingencies exist as at the balance sheet date.

Al Abbas Cement Industries Limited

12.1.3 From 1993-94 to 1998-99 the excise duty was levied and recovered from the Company being wrongly worked out on retail price based on the misinterpretation of sub section 2 of section 4 of the Central Excise Act, 1944 by Central Board of Revenue. Such erroneous basis of working of excise duty has been held, being without lawful authority, by the Honorable Supreme Court of Pakistan as per its judgment dated February 15, 2007 in the civil appeal Nos. 1388 & 1389 of 2002, civil appeal Nos. 410 to 418 of 2005, civil appeal No. 266 of 2006, civil appeal No. 267 of 2006 and civil appeal No. 395 of 2006. Accordingly, the Company has filed an application to the Collector of Federal Excise and Sales Tax to refund the excess excise duty amounting to Rs. 182.604 million. The case is pending before Collector.

12.1.4 Claim of Rs. 1.197 million filed under Appeal No. 278 of 2006 for recovery of sub-standard supply o cement bags before the Court of District & Session Judge Karachi (East) and allowed same for the payment , has been filed by the Company against the said order under Revision Application No. 61 of 2008.

Based on the lawyers opinion that outcome is likely to be in favour of the Company no provision has been made.

12.2 Commitments

Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)

There were no significant commitments at the balance sheet date.

Arif Habib Limited		2011	2010
Commitment to KSE Clearing House in respect of trading in securities	Rupees	-	388,174,070

Al Abbas Cement Industries Limited

Commitment against open letter of credit amounting to Rs. 326.83 million (2010: Rs. 4.894 million).

12.3 In case of all other subsidiaries, there were no significant contingencies and commitments at the balance sheet date.

		2011	2010
13. PROPERTY, PLANT AND EQUIPMENT			
Assets owned by the Group	13.1	**4,471,257,065**	340,940,389
Assets subject to finance lease	13.2	**4,073,437**	4,983,700
	Rupees	**4,475,330,502**	345,924,089

13.1 Assets owned by the Group

		Leasehold land	Buildings on freehold land	Leasehold Buildings and Improvements	Furniture, fixtures and fittings	Vehicles	Plant and machinery	Office equipment	Computer and allied equipment	Capital work in progress	Total
COST											
Balance as at 01 July 2009		241,605,519	33,142,031	524,940,169	45,872,815	48,484,830	-	165,417,582	160,925,803	649,110,265	1,869,499,014
Additions during the year		148,100,000	-	542,635,356	53,393,231	5,173,780	-	76,606,389	30,756,721	3,266,008	859,931,485
Disposals / transfers		(261,129,990)	-	(968,373,129)	(80,407,941)	(33,735,665)	-	(165,270,578)	(152,578,761)	(652,376,273)	(2,313,872,337)
Balance as at 30 June 2010		128,575,529	33,142,031	99,202,396	18,858,105	19,922,945	-	76,753,393	39,103,763	-	415,558,162
Balance as at 01 July 2010		128,575,529	33,142,031	99,202,396	18,858,105	19,922,945	-	76,753,393	39,103,763	-	415,558,162
Additions during the year		3,025,000	35,853,360	748,446,500	30,479,096	17,547,003	3,666,066,000	20,988,041	26,533,143	5,270,000	4,554,208,143
Disposals / transfers		(126,460,529)	-	(131,690,475)	(31,412,832)	(11,874,888)	-	76,499,076)	(37,745,573)	(5,270,000)	(420,953,373)
Balance as at 30 June 2011		**5,140,000**	**68,995,391**	**715,958,421**	**17,924,369**	**25,595,060**	**3,666,066,000**	**21,242,358**	**27,891,333**	**-**	**4,548,812,932**
DEPRECIATION											
Balance as at 01 July 2009		-	14,197,147	28,807,280	8,825,236	16,638,693	-	31,495,249	53,951,007	-	153,914,612
Charge for the year		-	508,765	79,561,452	7,004,736	6,789,401	-	26,295,276	9,599,153	-	129,758,783
Disposals / transfers		-	-	(89,218,818)	(9,635,929)	(14,303,087)	-	(51,510,757)	(44,387,031)	-	(209,055,622)
Balance as at 30 June 2010		-	14,705,912	19,149,914	6,194,043	9,125,007	-	6,279,768	19,163,129	-	74,617,773
Balance as at 01 July 2010		-	14,705,912	19,149,914	6,194,043	9,125,007	-	6,279,768	19,163,129	-	74,617,773
Charge for the year		-	2,575,168	24,661,221	2,816,728	3,143,596	640,000	3,948,519	9,021,324	-	46,806,556
Disposals / transfers		-	-	(8,882,668)	(5,549,512)	(6,570,397)	-	(8,652,917)	(13,462,560)	-	(43,118,054)
Balance as at 30 June 2011		**-**	**17,281,080**	**34,928,467**	**3,461,259**	**5,698,206**	**640,000**	**1,575,370**	**14,721,893**	**-**	**78,306,275**
Written down value as at 30 June 2010	Rupees	128,575,529	18,436,119	80,052,482	12,664,062	10,797,938	-	70,473,625	19,940,634	-	340,940,389
Effect of movements in exchange rates	**Rupees**	**-**	**590,800**	**15,234**	**41,853**	**-**	**-**	**8,876**	**93,644**	**-**	**750,408**
Written down value as at 30 June 2011	**Rupees**	**5,140,000**	**52,305,111**	**681,045,188**	**14,504,963**	**19,896,854**	**3,665,426,000**	**19,675,864**	**13,263,084**	**-**	**4,471,257,065**
Annual rates of depreciation %		**-**	**5**	**5 - 15**	**5 - 20**	**20**	**10**	**3 - 15**	**33**		**-**

13.2 Assets subject to finance lease

COST		
Balance as at 01 July 2010		5,246,000
Additions during the year		-
Disposals / transfers		-
Balance as at 30 June 2011		**5,246,000**
DEPRECIATION		
Balance as at 01 July 2010		(262,300)
Charge for the year		(910,263)
Disposals / transfers		-
Balance as at 30 June 20111		1,172,563)
Written down value as at 30 June 2011	Rupees	**4,073,437**

13.3 Disposals of property, plant and equipment

The major disposals other than those relating to the disposal of subsidiary are as follows:

Description	**Cost**	**Book value**	**sale proceeds**
		Rupees	
Vehicles			
To employees as per Group Companies' policies			
Mr. Arif Habib (CEO, Toyota Corolla)	1,169,000	184,963	790,000
Tahir Iqbal (Group employee, Honda Civic)	1,238,000	439,000	439,000
Thatta Cement Company Limited	893,000	198,000	670,000
Faisal Kasbati (Employee, cuore)	372,101	201,068	201,068
Mr. Haroon Usman (Employee, cuore)	900,000	478,637	478,637
Computer and Allied Equipment			
By Negotiation to Related Party			
Telenor Internet USB	12,700	6,115	-

14. INTANGIBLE ASSETS - OTHERS

		Software and other intangibles
COST		
Balance as at 01 July 2009		127,072,186
Additions during the year		17,845,010
Disposal		(98,478,180)
Transfers / adjustments		-
Balance as at 30 June 2010		46,439,016
Balance as at 01 July 2010		46,439,016
Additions during the year		20,365,650
Transfers / adjustments		(35,449,498)
Balance as at 30 June 2011		31,355,169
AMORTIZATION		
Balance as at 01 July 2009		23,227,495
Amortization for the year		24,018,956
Transfers / adjustments		(35,488,783)
Balance as at 30 June 2010		11,757,668
Balance as at 01 July 2010		11,757,668
Amortization for the year		1,803,363
Transfers / adjustments		(9,854,600)
Balance as at 30 June 2011		3,706,431
Written down value as at 30 June 2010	Rupees	34,681,348
Effect of movements in exchange rates	Rupees	537,456
Written down value as at 30 June 2011	Rupees	28,186,194

15. GOODWILL

		2011	2010
Opening balance		2,160,310,718	2,160,310,718
Add: Addition		339,012,150	-
Less: Impairement		(984,280,458)	-
Disposal		-	-
	Rupees	1,515,042,410	2,160,310,718

16. MEMBERSHIP CARDS AND LICENSES

Membership cards			
- Karachi Stock Exchange (Guarantee) Limited	16.1	**15,000,000**	15,000,000
- Islamabad Stock Exchange (Guarantee) Limited	16.1	**4,000,000**	4,000,000
- Lahore Stock Exchange (Guarantee) Limited	16.1	**7,000,000**	7,000,000
- National Commodities Exchange of Pakistan Limited	16.1	**1,000,000**	1,000,000
		27,000,000	27,000,000
Rooms			
- Islamabad Stock Exchange (Guarantee) Limited		**22,005,000**	22,005,000
- Lahore Stock Exchange (Guarantee) Limited		**17,550,000**	17,550,000
		39,555,000	39,555,000
Booths			
- Karachi Stock Exchange (Guarantee) Limited - three booth		**2,100,000**	2,100,000
	Rupees	**68,655,000**	68,655,000

16.1 This represents cost of membership card of Stock and Commodities Exchanges of Pakistan with indefinite useful life.

17. LONG TERM INVESTMENTS

		2011	2010
Investments in equity accounted investees	17.1	**10,490,544,974**	8,587,921,692
Investment in other related parties - available for sale	17.2	**-**	200,232,141
Other investments	17.3	**15,000,000**	30,000,000
	Rupees	**10,505,544,974**	8,818,153,833

17.1 Investment in associates

		2011	2010
Pakarab Fertilizers Limited (PFL)	17.1.1	**4,483,321,482**	4,811,743,182
Fatima Fertilizer Company Limited (FFCL)	17.1.2	**3,608,234,427**	2,675,460,106
Sweetwater Dairies Pakistan (Private) Limited (SDPL)	17.1.3	**211,962,684**	264,950,984
Aisha Steel Mills Limited (ASML)	17.1.4	**1,505,445,251**	393,138,843
Rozgar Microfinance Bank Limited (RMFBL)	17.1.5	**32,310,000**	32,310,000
Al-Abbas Cement Industries Limited (AACIL)		**-**	377,135,659
Crescent Textile Mills Limited (CTML)	17.1.6	**183,106,665**	-
Arif Habib Investments Limited (AHIL)	17.1.7	**465,346,324**	-
Thatta Cement Company Limited (THCCL)	17.1.8	**190,940,592**	74,145,060
		10,680,667,425	8,628,883,834
Less: Provision for impairment in			
SDPL		**(124,422,779)**	-
RMFBL		**(19,010,000)**	(19,010,000)
THCCL		**(46,689,672)**	-
AACIL		**-**	(21,952,142)
		(190,122,451)	(40,962,142)
		10,490,544,974	8,587,921,692

17.2 Investment in other related parties - available for sale

	2011	2010
Pakistan Pension Fund	**-**	99,441,000
Pakistan Islamic Pension Fund	**-**	99,516,000
Pakistan Capital Protected Fund - I	**-**	1,275,141
	-	200,232,141

17.3 Other investments

		2011	2010
Takaful Pakistan Limited (TPL) - at cost	17.3.1	**30,000,000**	30,000,000
Sun Biz (Private) Limited (SBL) - at cost	17.3.2	**1,000,000**	1,000,000
		31,000,000	31,000,000
Provision for impairment in SBL		**(16,000,000)**	(1,000,000)
	Rupees	**15,000,000**	30,000,000

17.1.1 Investment in PFL (unquoted) represents 135 million (2010: 135 million) fully paid ordinary shares of Rs 10 each, representing 30% (2010: 30%) of PFL's paid up share capital as at 30 June 2011, having cost of Rs. 1,324.332 million (2010: Rs. 1,324.332 million). Fair value per share as at 30 June 2011 is Rs. 97.50 (2010: Rs. 91.56). Book value based on net assets, as per reviewed financial statements, as at 30 June 2011 is Rs. 30.07 per share (2010: Rs. 33.06 per share).

17.1.2 Investment in FFCL (quoted) represents 328.012 million (2010: 247.5 million) fully paid ordinary shares of Rs. 10 each, representing 16.40% (2010: 12.375%) of FFCL's paid up share capital as at 30 June 2011 During the year, the Company has distributed 112.50 million (2010:Nil) shares of Fatima Fertilizers Company Limited (an associate) to its shareholders as specie dividend and purchased 57.584 million (2010:Nil) shares from market at an average cost of Rs. 12.10 (2010:Nil). Further, the Company has also received 135 million (2010: 135 million) shares as specie dividend from Pakarab Fertilizers Limited and 0.145 million (2010:Nil) shares from Reliance Weaving Mills Limited. Fair value per share as at 30 June 2011 is Rs. 16.64 (2010: Rs. 12.53). Book value based on net assets as per reviewed financial statements as at 30 June 2011 is Rs. 10.04 per share (2010: Rs. 10.18 per share).

17.1.3 Investment in SDPL (unquoted) represents 18.299 million (2010: 15.867 million) fully paid ordinary shares of Rs. 10 each, representing 29.69%(2010: 27.83%) of SDPL's paid up share capital as at 30 June 2011, having an aggregate cost of Rs. 287.540 million (2010: Rs. 269.451 million). During the year, the Company subscribed 2.412 million (2010: 4.713 million) right shares. Fair value per share as at 30 June 2011 is Rs 4.78 (2010: Rs. 16.96). Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 9.92 per share (2010: Rs. 11.49 per share).

17.1.4 Investment in ASML (unquoted) represents 80.008 million (2010: 49.725 million) fully paid ordinary shares of Rs. 10 each and 75.463 million (2010: Nil) irredeemable convertible preference shares carrying preferential dividend at 6 months KIBOR + 3%, representing 48.6% (2010: 25%) of ASML's total paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 8.33 per share (2010: Rs. 8.12 per share). During the year, the Company subscribed 105.746 million (2010: Nil) right shares of Rs.10 (2010: Nil). The plant errection is expected to complete by the end of year 2011.

17.1.5 Investment in RMFBL (unquoted) represents 3.801 million (2010: 3.801 million) fully paid ordinary shares of Rs.10 each, representing 19.01% (2010: 19.01%) of RMFBL's paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 6.07 per share (2010: Rs. 2.99 per share).

17.1.6 Investment in CTML (quoted) represents 12.207 million (2010: 12.207 million) fully paid ordinary shares of Rs. 10 each, representing 24.81% (2010: 24.81%) of CTML's paid up share capital as at 30 June 2011, having an aggregate cost of Rs. 292.510 million (2010: Rs. 292.510 million). During the year, the Company reassessed its investment in CTML and decided to exercise influence based on voting power and accordingly investment in CTML has been classified from short term portfolio to investment in associate. Fair value per share as at 30 June 2011 is Rs. 15.57 (2010: Rs. 21.57). Book value based on net assets, as per unaudited financial statements, as at 31 March 2011 is Rs. 56.31 per share (Audited 30 June 2010: Rs.56.30 per share).

17.1.7 Investment in AHIL (quoted) represents 21.664 million (2010: 18.053 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2010: 60.18%) of AHIL's paid up share capital as at 30 June 2011, having cost of Rs. 81.95 million (2010: Rs. 81.95 million). Fair value per share as at 30 June 2011 is Rs 21.59 (2010: Rs. 19.36), whereas book value based on net assets, as per draft financial statements, as at 30 June 2011 is Rs. 16.22 per share (2010: Rs. 16.27 per share). As per the scheme of amalgamation of MCB Asset Management Company Limited (MCB-AMC) with and into Arif Habib Investments Limited (AHIL) the shareholders of MCB-AMC have been issued 1.2 shares in the merged entity in lieu of each share of MCB-AMC held by them. Thus, the paid up capital of the merged entity is now doubled to 72 million shares of Rs. 10 each. Of these shares, 36 million shares has been held by MCB Bank Limited and a similar number by the current shareholders of AHIL. This reduced the Company's holding in subsidiary to 30.09%. The Parent has accordingly, accounted for the loss of control and now carries AHIL under equity accounting method. The fair value of investment retained in AHIL after loss of control is Rs. 467.695 million.

However, This scheme of amalgamation was sanctioned by Securities and Exchange Commission of Pakistan (SECP) through its order dated June 10, 2011 with effect from June 27, 2011. Subsequently SECP through its order dated June 27, 2011 extended the effective date of merger from June 27, 2011 to July 30, 2011. The Company in reply to the SECP order filed the petition in the Honorable Sindh High Court claiming that the same is a past and close end transaction. In view of this, the Honorable Sind High Court through its order dated July 02, 2011 suspended the SECP order for extension of the effective date of merger. The hearing of this case is in progress

17.1.8 Investment in THCCL (quoted) represents 7.227 million (2010: 7.744 million) fully paid ordinary shares of Rs. 10 each, representing 9.06% (2010: 9.71%) of THCCL share capital as at 30 June 2011, having cost of Rs. 161.269 million (2010: Rs. 172.805 million). During the year, the Company disposed 0.517 million (2010: Nil) Fair value per share as at 30 June 2011 is Rs. 19.96 (2010: Rs.20.88), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 8.81 per share (2010: Rs. 9.73 per share)

17.1.9 Summarized financial information of the associates of the Group is as follows. Information has been taken as per unaudited financial statements of these investee companies:

	Financial information as of	Revenue	Total assets	Total liabilities	Net assets
			Rupees		
Quoted					
Thatta Cement Company Limited	30 June 2011	1,854,649	1,990,203	1,012,544	977,659
Fatima Fertilizers Company Limited	30 June 2011	-	73,269,600	49,163,536	24,106,064
Arif Habib Investment Limited	30 June 2011	387,927	1,230,111	62,612	1,167,499
Crescent Textile Mills Limited	31 March 2011	10,388,665	13,454,949	9,043,963	4,410,986
Unquoted					
Pakarab Fertilizers Limited	30 June 2011	7,299,367	50,429,869	36,898,955	13,530,914
Aisha Steel Mills Limited	30 June 2011	-	8,313,931	5,649,535	2,664,396
Sweetwater Dairies Pakistan (Private) Limited	30 June 2011	67,857	679,229	67,895	611,334
Rozgar Microfinance Bank Limited	30 June 2011	10,367	109,270	12,178	97,092

Financial statements of the above mentioned associates are unaudited. However, interim financial statements of Pakarab Fertilizers Limited and Fatima Fertilizers Company Limited for the period ended 30 June 2011 have been reviewed by independent auditors.

The financial statements of Crescent Textile Limited as of 30 June 2011 were not available.

17.3.1 Investment in TPL (unquoted) represents 3 million (2010: 3 million) fully paid ordinary shares of Rs.10 each, representing 10% (2010: 10%) of TPL's paid up share capital as at 30 June 2011. Book value based on net assets, as per unaudited financial statements, as at 30 June 2011 is Rs. 4.48 per share (2010: Rs. 5.53 per share).

17.3.2 Investment in SBL (unquoted) represents 0.010 million (2010: 0.010 million) fully paid ordinary shares of Rs. 100 each, representing 4.65% (2010: 4.65%) of SBL's paid up share capital as at 30 June 2011.

17.4 The Group companies also measure unquoted equity instruments at fair value using valuation technique under the guidelines of IAS 39 - "Financial Instruments: Recognition and Measurement". The investments in unquoted equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be measured reliably, due to non availability of market specific inputs and other related factors are measured at cost. However, the carrying amount of these investments approximate to their fair value.

18.	INVESTMENT PROPERTY		2011	2010 Restated	2009 Restated
	Acquisition cost - opening balance		**61,895,000**	60,795,000	-
	Acquisition during the year		**14,500,000**	-	52,000,000
	Transferred during the year		**-**	1,000,000	8,400,000
	Expenditure incurred on acquisition and transferred of investment property		**484,000**	100,000	395,000
			484,000	1,100,000	8,795,000
	Acquisition cost - closing balance		**76,879,000**	61,895,000	60,795,000
	Effect of changes in accounting policy of prior years (note 3.1)		**37,205,000**	41,605,000	41,605,000
	Carrying value		**114,084,000**	103,500,000	102,400,000
	Increase / (decrease) in fair value		**11,916,000**	(4,400,000)	-
		Rupees	**126,000,000**	99,100,000	102,400,000

18.1 Property acquired during the year is under process of registration in the name of company and expected to be completed soon.

19.	LONG TERM LOANS AND ADVANCES - considered good		2011	2010
	Receivable from funds managed by AHIL		**-**	57,976,253
	Loans to employees		**-**	4,907,298
			-	62,883,551
	Less: current maturity of long term loan		**-**	(44,575,843)
		Rupees	**-**	18,307,708

20	LONG TERM DEPOSITS AND PREPAYMENTS		2011	2010
	Karachi Stock Exchange (Guarantee) Limited		**610,000**	610,000
	Lahore Stock Exchange (Guarantee) Limited		**1,480,000**	1,480,000
	Pakistan Mercantile Exchange Limited		**9,513,204**	9,513,204
	National Clearing Company of Pakistan Limited		**750,000**	750,000
	Dubai Gold and Commodity Exchange - clearing house DMCC		**14,122,111**	12,846,141
	Security deposits of leased assets		**1,573,800**	1,573,800
	Security deposit with First Habib Modaraba	20.1	**2,425,000**	745,600
	Others		**8,139,448**	8,601,298
		Rupees	**38,613,563**	36,120,043

20.1 This represents deposit with First Habib Modaraba for six cars obtained under Ijarah leasearrangements.

21	STOCK-IN-TRADE		2011	2010
	Raw material		**28,312,000**	-
	Packing material		**41,068,000**	-
	Work-in-process		**22,912,000**	-
	Finished goods		**28,130,000**	-
		Rupees	**120,422,000**	-

22 STORES, SPARES AND LOOSE TOOLS

	Note	2011	2010
Stores		**200,505,000**	-
Coal		**77,683,000**	-
Spare parts		**176,398,000**	-
Loose tools		**3,724,000**	-
		458,310,000	-
Provision for slow moving / obsolete stock	22.1	**(13,519,000)**	-
	Rupees	**444,791,000**	-

22.1 Movement of provision of the slow moving / obsolete stock

		2011	2010
Opening Balance		-	-
Charge for the year		13,519,000	-
Closing Balance	Rupees	13,519,000	-

23. TRADE DEBTS

	Note	2011	2010
Considered good			
- Secured		**6,297,271**	1,693,005,737
- Unsecured	23.1	**475,309,324**	67,645,451
		481,606,595	1,760,651,188
Considered doubtful		**823,869,020**	-
		1,305,475,615	1,760,651,188
Provision for doubtful debts			
- Opening provision		**-**	-
- Charge for the year		**(823,869,020)**	-
- Reversal during the year		**-**	-
- Provision as at 30 June 2011		**(823,869,020)**	-
	Rupees	**481,606,595**	1,760,651,188

23.1 This includes Rs.37.087 million (2010: Rs. 40.391 million) due from related parties.

24. LOANS AND ADVANCES - considered good

	Note	2011	2010
Unsecured			
Considered good			
Advance for new investment	24.1	**-**	70,000,000
Advance against expenses		**635,000**	635,000
Against letter of credit		**10,972,000**	-
Advances to suppliers and contractors		**69,588,657**	-
Lendings to financial institutions		**701,792**	-
Other employees - unsecured, considered good		**1,052,011**	9,305,905
To related parties:			
Aisha Steel Mills Limited		**-**	10,000,000
Aisha Steel Mills Limited -Advance against equity	24.2	**3,570,577**	-
Thatta Cement Industries Limited - Advance against equity	24.3	**42,232,304**	-
Al-Abbas Cement Industries Limited - Advance against equity		**-**	173,000,000
Executives - unsecured, considered good		**-**	329,110
Secured			
To related parties:			
Javedan Corporation Limited (Formerly Javedan Cement Limited) (JCL)	24.4	**518,449,754**	-
	Rupees	**647,202,095**	263,270,015

24.1 This represents amount paid as deposit money against due diligence process regarding acquisition of a company in aviation industry. Due diligence process has been completed and amount is due for refund (refer note 26).

24.2 The Parent has given advance to subscribe for prospective right issue of preference shares of the company.

24.3 The Parent has given advance to subscribe for prospective right issue of ordinary shares of the company. Subsequent to year end, shares have been allotted by the investee company on 23 July 2011.

24.4 The Parent has entered into an arrangement with said associate on 20 November, 2010. Under the arrangement, the Company shall disburse loan to the associate company in one or more tranches on a short term basis and is secured against REIT units to be issued by the borrower to the Parent in the proposed REIT scheme of the borrower which is in the process of getting permissions from Securities and Exchange Commission of Pakistan (SECP). In case where REIT Scheme is not approved by the SECP, the borrower, as an alternate shall provide a registered mortgage deed in favour of the Parent over its immovable property located in Deh Manghopir and Gadap Town, Karachi, totaling 166 acres. The loan is repayable on demand.

The mark-up rate on the said loan is three months KIBOR prevailing on the base rate setting date plus 3% per annum. Mark-up is payable on a quarterly basis. The effective mark-up charged during the year ranged between 16.02% to 16.52% (2010: Nil) per annum.

25. DEPOSITS AND PREPAYMENTS

		2011	2010
Deposits - future clearing		**28,058,000**	5,675,699
Prepayments		**732,762**	1,930,432
Advance for software		**1,626,513**	-
Others		**11,756,890**	63,409,602
	Rupees	**42,174,165**	71,015,733

26. OTHER RECEIVABLES - considered good

	Note	2011	2010
Accrued income	26.1	**108,244,291**	108,244,291
Profit accrued on bank deposit accounts		**112,954**	-
Receivable from related parties	26.2	**30,095,522**	3,391,748
Receivable from Princely Jets (Private) Limited		**70,000,000**	-
Other	26.3	**17,776,836**	95,560,468
	Rupees	**226,229,603**	207,196,507

26.1 The mark-up pertains to the amount that was due to be received on disposal of the Parent's former subsidiary, Summit Bank Limited (formerly Arif Habib Bank Limited). The bank was sold to Suroor Investment Limited at Rs. 9 per share. The Parent has received sales proceeds in full.

26.2 Due from related parties

	Note	2011	2010
Accrued markup on loan to JCL	24.4	**24,394,584**	-
Accrued markup on loan to ASML		**-**	12,329
Receivable from SWDL	26.3	**698,264**	476,348
Receivable from FFCL	26.3	**7,000**	-
Receivable from Arif Habib Real Estate Services (Private) Limited		**-**	2,903,071
Other		**4,995,674**	-
	Rupees	**30,095,522**	3,391,748

26.3 The amounts represent receivable on account of management fee, current portion of long term receivables and other expenses paid on behalf of related parties.

		2011	2010
27. SHORT TERM INVESTMENTS			
Investments in related parties	27.1	**512,842,026**	276,823,672
Other investments	27.2	**957,442,708**	3,404,045,735
	Rupees	**1,470,284,734**	3,680,869,407
27.1 Investments in related parties			
Available for sale			
Investments in collective investment schemes managed by AHIL		-	276,823,672
At fair value through profit or loss - held for trading			
Javedan Corporation Limited (formerly Javedan Cement Limited)		**512,842,026**	-
	Rupees	**512,842,026**	276,823,672
27.2 Other investments			
Investments available for sale			
Investments in unquoted equity securities		-	4,648,000
At fair value through profit or loss - held for trading	27.3		
Investments in quoted equity securities		**953,253,050**	3,364,175,038
Investments in collective investment scheme		-	-
Investments in Srilankan unquoted equity securities		**4,189,658**	35,222,697
		957,442,708	3,399,397,735
	Rupees	**957,442,708**	3,404,045,735

27.2.1 Fair value of these investments is determined using quoted market prices and repurchase prices prevailing at the balance sheet date. Short term investments include equity securities pledged with various banking companies against short term running finance facilities having a market value of Rs 640.121 million (2010: Rs. 1,203.931 million).

27.3 Reconciliation of gain/(loss) on remeasurement of investments at fair value through profit or loss - held for trading		2011	2010
Cost of investment		**2,438,544,512**	4,876,027,615
Unrealised gain / (loss):			
- Balance as at 1 July		**(1,476,629,880)**	(2,422,523,795)
- Unrealised gain / (loss) for the year		**508,370,102**	945,893,915
- Balance as at 30 June		**(968,259,778)**	(1,476,629,880)
	Rupees	**1,470,284,734**	3,399,397,735

28. CASH AND BANK BALANCES

		2011	2010
With banks in:			
Current accounts			
- In local currency		**23,584,592**	14,192,317
- In foreign currency		**27,897,067**	8,833,845
		51,481,659	23,026,162
Deposit accounts	28.1	**37,907,144**	102,260,171
		89,388,803	125,286,333
Share transfer stamps		**17,000**	-
Cash in hand		**422,102**	1,212,286
	Rupees	**89,827,905**	126,498,619

28.1 The balance in deposit accounts carry markup ranging from 5% to 8% per annum (2010: 5% to 8% per annum).

29. OPERATING REVENUE

		2011	2010
Dividend income		**255,919,225**	112,761,402
Mark-up on income		**49,275,581**	164,201,114
Brokerage income		**97,898,363**	130,028,189
Mark-up on bank deposits		**4,490,213**	-
Underwriting, consultancy and placement commission		**36,565,027**	83,229,971
Management fees		**226,119,677**	271,056,267
Processing and other related income		**12,254,701**	15,229,781
	Rupees	**682,522,787**	776,506,724

29.1 Operating revenue is not subject to trade or any other type of discount.

30. OPERATING, ADMINISTRATIVE AND OTHER EXPENSES

		2011	2010
Salaries and benefits	30.1	**216,425,244**	167,690,632
Printing and stationery		**8,165,262**	7,100,250
Communication		**7,881,947**	9,383,712
Rent, rates and taxes		**52,397,102**	42,557,229
Utilities		**11,926,308**	12,623,577
Legal and professional charges		**29,747,515**	12,275,400
C.D.C. and clearing house charges		**15,978,236**	9,000,826
Entertainment		**4,114,074**	2,551,624
Travel and conveyance		**13,350,699**	12,538,536
Depreciation		**47,716,818**	47,484,748
Repair and maintenance		**13,341,005**	7,687,179
Insurance		**3,103,748**	2,055,964
Fees and subscription		**8,968,940**	6,368,610
Advertisement, business promotion and research		**39,245,311**	31,107,854
Meeting expenses		**4,591,459**	2,784,680
E.O.B.I. contribution		**-**	27,120
Auditors' remuneration	30.2	**2,030,385**	2,135,612
Technical assistance / commission and advisory fee		**19,101,058**	20,415,581
Registrar fee		**4,299,545**	3,390,527
General expenses		**1,500,157**	1,787,615
Bad debts expenses		**826,195,520**	529,740
Impairment loss on property and equipment		**-**	7,425,441
Loss on sale of property and equipment		**-**	1,494,228
Amortization charges		**1,803,363**	2,014,583
Management fee		**-**	62,855,327
Ujrah payments	30.3	**1,501,376**	-
Others		**23,391,692**	3,760,772
	Rupees	**1,356,776,764**	479,047,367

30.1 This includes Group Companies' contribution to staff retirement benefits amounting to Rs. 1.976 million (2010: Rs. 10.338 million).

30.2 Auditors' remuneration

Audit fee		**1,471,935**	1,331,077
Certification including half yearly review		**400,900**	444,500
Other certifications		**49,550**	76,535
Out of pocket		**108,000**	283,500
	Rupees	**2,030,385**	2,135,612

30.3 Ujrah payments

The Parent has entered into various Ijarah arrangements with First Habib Modaraba for lease of 6 vehicles having various monthly rentals for total period of 4 years. Following are the future ujrah payments under the agreement:

		Not later than one year	Later than one year but not later than five years	Later than five years
Total of future ujrah payments under the agreement	Rupees	**2,329,548**	**5,049,143**	-

31. OTHER INCOME

		2011	**2010**
Income from financial assets:			
Profit on exposure deposit with KSE		**3,318**	51,459
Late payment charges		**78,173,553**	20,727,767
Imputed interest on loan from associate		**220,842,789**	-
Income from non-financial assets:			
Rental income		**9,027,256**	9,438,000
Exchange (loss) / gain on foreign currency balance		**14,499**	(1,747,828)
Reversal of provision for Workers' Welfare Fund		**76,173,396**	-
Gain on sale of fixed assets		**598,922**	-
Other		**3,779,758**	81,284,616
	Rupees	**388,613,491**	109,754,014

32. FINANCE COST

Mark-up on long term financing		**4,737,927**	53,379,916
Mark-up on short term borrowings		**256,781,832**	336,306,093
Mark-up on finance lease		**408,291**	57,843
Bank charges		**2,772,227**	2,773,174
Others		**8,123,432**	-
	Rupees	**272,823,709**	392,517,026

33. OTHER CHARGES

Donations	33.1	**58,700,853**	21,805,130
Workers' Welfare Fund		**-**	80,848,134
	Rupees	**58,700,853**	102,653,264

33.1 Directors or their spouses had no interest in donees' fund, except Mr. Arif Habib (CEO and Director of the Company). He is trustee in one of the donee institutions, Fatimid Foundation and director in two of the donee institutions, Karachi Education Initiative and Pakistan Center of Philanthropy.

34. TAXATION

For the year			
- Current		117,949,524	23,061,116
- Deferred		75,683,127	272,083,907
Prior year		(847,207)	(16,215,915)
	Rupees	192,785,444	278,929,108

35. EARNINGS PER SHARE - BASIC AND DILUTED

35.1 Basic (loss) / earnings per share

		2011		
		Continuing operations	Discontinued operations	Total
Profit after tax	Rupees	**(872,915,569)**	-	**(872,915,569)**
Weighted average number of ordinary shares	Number	**375,000,000**	-	**375,000,000**
Earnings per share	Rupees	**(2.33)**	**0.00**	**(2.33)**

		2010 (Restated)		
		Continuing operations	Discontinued operations	Total
Profit after tax	Rupees	1,635,625,526	(75,638,943)	1,559,986,583
Weighted average number of ordinary shares	Number	375,000,000	375,000,000	375,000,000
Earnings per share	Rupees	4.36	(0.20)	4.16

35.2 Diluted earnings per share

Diluted earnings per share has not been presented as the group companies do not have any convertible instruments in issue as at 30 June 2011 and 30 June 2010 which would have any effect on the earnings per share if the option to convert is exercised.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

36.1 For the purpose of disclosure, those employees are considered as executives whose basic salary exceeds five hundred thousand rupees in a financial year.

36.2 The aggregate amounts charged in these financial statements in respect of remuneration including benefits to the Chief Executive, Directors and Executives of the Company are given below:

		Chief Executives		Directors		Other Executives	
		2011	2010	2011	2010	2011	2010
Managerial remuneration		**17,515,200**	24,994,890	**2,502,620**	312,426	**31,567,177**	52,777,324
Retirement benefits		**1,254,564**	1,860,852	**280,916**	139,644	**3,034,388**	5,059,444
Bonus		**1,613,229**	700,000	**27,475**	-	**2,021,733**	210,000
Other allowance		**3,719,410**	8,845,471	**1,985,935**	312,428	**7,361,410**	27,438,636
Commission and performance bonus		**-**	-	**-**	2,829,162	**-**	181,230
Total	Rupees	**24,102,403**	36,401,213	**4,796,946**	3,593,660	**43,984,708**	85,666,634
Number of person(s)		**4**	6	**13**	17	**44**	43

36.3 The aggregate amount charged to these financial statements in respect of directors' fee is Rs. 0.34 million (2010: Rs. 1.63 million).

36.4 Besides above, group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel.

36.5 Certain key management personnel have also been provided with free use of company-maintained vehicles in accordance with the Group's policy.

37. CASH GENERATED FROM / (USED IN) OPERATIONS

		2011	2010
(Loss) / profit before tax		**(789,053,600)**	2,067,478,155
Adjustments for:			
Depreciation and amortization		**49,520,181**	47,484,748
Dividend income		**(255,919,225)**	(112,761,402)
Mark-up on bank balances, loans and advances and term finance certificates		**(50,1 85,844)**	(164,201,114)
Share of profit of equity-accounted investees (net of tax)		**(558,973,994)**	
Impairment loss on investments		**190,632,555**	14,553,799
Goodwill impairment		**984,280,458**	-
		-	-
Unrealized gain on investment property		**(11,916,000)**	4,400,000
Loss on disposal of subsidiary		**285,739,412**	
Remeasurement of short term investment		**(178,153,373)**	
Bad debt expense		**826,195,520**	529,740
		-	-
Loss on sale of property and equipment		**-**	1,494,228
Amortization charges		**-**	2,014,583
Finance cost		**272,823,709**	392,517,026
		1,554,043,400	186,031,608
Operating profit before working capital changes		**764,989,800**	2,253,509,763
Changes in working capital:			
(Increase) / decrease in current assets			
Trade debts		**490,022,073**	(572,059,789)
Other receivables		**(30,418,425)**	75,772,760
Short term investments		**1,999,251,572**	14,095,679
Other assets		**(1,456,764)**	357,082,445
Increase / (decrease) in current liabilities			
Trade and other payables		**96,158,502**	(278,940,411)
		2,553,556,958	(404,049,316)
Cash generated from operations	Rupees	**3,318,546,758**	1,849,460,44737.1

37.1 CASH AND CASH EQUIVALENTS

Cash and bank balances	28	**89,827,905**	126,498,619
Short term borrowings	11	**(2,020,683,059)**	(1,217,727,694)
	Rupees	**(1,930,855,154)**	(1,091,229,075)

38. FINANCIAL INSTRUMENTS

The Group has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

38.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the balance sheet date if counterparties fail completely to perform as contracted and arises principally from loans and advances, trade debts, deposits and other receivables. Out of the total financial assets of Rs. 13,486.334 million (2010: Rs. 13,118.777 million), the financial assets which are subject to credit risk amounted to Rs. 1,455.136 million (2010: Rs. 2,385.868 million).

To manage exposure to credit risk in respect of loans and advances, management performs credit reviews taking into account the borrower's financial position, past experience and other factors. Loan terms and conditions are approved by a competent authority.

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 abilities to meet contractua obligation to be similarly affected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is:

		2011	2010
Trade debts		**481,606,595**	1,760,651,188
Long term deposits		**26,475,315**	33,800,643
Loans and advances		**576,978,438**	263,574,647
Short term deposits		**-**	5,675,699
Other receivables		**226,229,603**	195,879,828
Bank balances		**89,388,803**	125,286,333
	Rupees	**1,400,678,754**	2,384,868,338

The Group did not hold any collateral against the above during the year.

All the loans and advances at the balance sheet date represent domestic parties except a receivable of Rs. 108.245 million (2010: Rs. 108.245 million).

The age analysis of trade debts, loans and advances and other receivables is as follows:

Not past due		**553,394,988**	538,188,507
Past due 1-30 days		**63,807,654**	8,278,444
Past due 30-150 days		**7,761,108**	12,605,022
Past due 150 days		**178,244,291**	1,661,033,690
	Rupees	**803,208,041**	2,220,105,663

Receivable from Princely Jets (Private) Limited is secured by demand promissory note and is refundable as per Memorandum of Understanding signed on 24 May 2010. Loan to Javedan Corporation limited is secured as disclosed in note 24 of these financial statements. Further, Rs. 547.358 million (2010: 186.39 million) is due from group companies and management believes that the sum will be recovered in full as companies are under common management.

The credit quality of Group's bank balances can be assessed with reference to external credit ratings as follows:

Rating Short term	2011	2010
AAA	**4,690,880**	-
AA+	**386,290**	-
AA-	**71,430**	-
A	**9,103,340**	-
A+	**295,605**	1,399,947
A-	**-**	16,739
A1 +	**1,811,060**	-
A1	**730,931**	5,422,861
A1+	**41,718,087**	14,376,036
A2	**1,271,337**	103,810,211
A-1+	**1,355,727**	-
A-2	**19,532,243**	-
AA	**325,070**	245,503
P-1	**-**	15,037

The movement in the allowance for impairment is as follows:

Opening balance		**-**	-
(Reversal) / provision during the year		**823,869,020**	-
Written off		**-**	-
Closing balance	Rupees	**823,869,020**	-

Based on past experience, the management believes that no impairment allowance is necessary in respect of loans, advances and other receivables past due as some receivables have been recovered subsequent to the year end and for other balances, there are reasonable grounds to believe that the amounts will be recovered in short course of time.

38.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Group.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Group 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.

At balance sheet date, the Group has cash and bank balance and unutilized credit lines of Rs. 89.811 million (2010: Rs. 126.498 million) and Rs. 2,489.317 million (2009: Rs. 3,827 million) as mentioned in note 27 and 11.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	2011			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
Financial liabilities				
Trade and other payables	**799,049,042**	**804,866,902**	**795,937,897**	**8,929,005**
Short term borrowings	**2,020,683,059**	**2,124,185,741**	**2,124,185,741**	**-**
Long term loan	**2,836,644,192**	**3,390,583,981**	**440,583,981**	**2,950,000,000**
Rupees	**5,656,376,293**	**6,319,636,624**	**3,360,707,619**	**2,958,929,005**

	2010			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
Financial liabilities				
Trade and other payables	335,310,438	343,416,027	336,280,878	7,135,149
Short term borrowings	1,217,727,694	1,287,456,775	1,287,456,775	-
Long term loan	337,189,269	343,945,617	160,006,348	183,939,269
Rupees	1,890,227,401	1,974,818,419	1,783,744,001	191,074,418

The future interest-related cash flows depend on the extent of utilisation of running finance facilities and the interest rates applicable at that time.

38.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. The market risks associated with the Group's business activities are interest / Mark-up rate risk and price risk. The Group is not exposed to material currency risk.

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Group's foreign exchange risk exposure is restricted to long term equity investments and bank balances in foreign currency. As such the Group does not regularly deal in foreign currency transactions except for utilizing equity investment opportunities as and when it arises and maintenance of foreign currency bank accounts which currently are denominated in US Dollars and UAE Dirham. The management believes that the Group's exposure emanating from any fluctuations in the foreign currencies does not require to be hedged.

Financial assets and liabilities exposed to foreign exchange rate risk amounts to Rs. 24.451 million (2010: Rs. 9.658 million) and Rs. Nil (2010: Nil) respectively, at the year end.

Sensitivity analysis

For the purpose of foreign exchange risk sensitivity analysis, it is observed that in the financial year the local currency has weakened against US Dollars and UAE Dirham by approximately 0.7% and 0.86% respectively. Subsequent to the balance sheet date and till the authorization of these financial statements a further decline of 1.28% and 1.06% respectively, have been observed. During the year, the above decline has resulted in a gain on foreign currency translation of 0.015 million that is recognized in profit and loss account, therefore the Company is not significantly exposed to foreign currency risk. Further, there are no commitments or outstanding derivative contracts in foreign currency at the balance sheet date.

The following table summarizes the financial assets as of 30 June 2011 and 30 June 2010 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets (and the resulting change in profit and loss account) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate remain constant. Rupees are in millions

	Fair value of net assets	Estimated fair value assuming a hypothetical percentage increase / (decrease) in the value of foreign currencies versus Pak rupee					
		-20%	-10%	-1%	1%	10%	20%
30 June 2011	**24.45**	**19.56**	**22.01**	**24.21**	**24.70**	**26.90**	**29.34**
30 June 2010	9.66	7.73	8.69	9.56	9.75	10.62	11.59

b) Interest / mark-up 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 Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing and loans and advances by the Group have variable rate pricing that is mostly dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

At the balance sheet date, the interest rate profile of the Group's significant interest-bearing financial instruments was as follows:

	2011	2010	2011	2010
	Effective interest rate (in %)		Carrying amounts (in Rupees)	
Financial assets				
Deposit to KSE against future clearing	**7% to 8.5%**	7% to 8.5%	**900,000**	5,675,699
Loans and advances	**16.52%**	15%	**518,449,754**	10,000,000
Trade debts	**18%**	8%	**77,500,398**	113,451,786
Cash and bank balances	**5% to 11%**	5% to 11.5%	**37,907,144**	102,260,171
Financial liabilities				
Short term finance	**13.29% to 16.54%**	13.34% to 16.26%	**2,020,683,059**	1,217,727,694
Long term finance	**12.37% to 13.78%**	14% to 15.5%	**2,607,486,981**	183,939,269

Sensitivity analysis

The Group 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 a hypothetical change of 100 basis points in interest rates at the balance sheet date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. 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	
	Increase	Decrease
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	**(36,251,538)**	**36,251,538**
Cash flow sensitivity-Variable rate financial assets	-	-
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	(7,329,204)	7,329,204
Cash flow sensitivity-Variable rate financial assets	822	(822)

c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Group is exposed to equity price risk since it has investments in quoted equity securities, amounting to Rs. 1,470.285 million (2010: Rs. 3,841.231 million) at the balance sheet date.

The Group's strategy is to hold its strategic equity investments for long period of time. Thus, Group's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. The Group strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Group manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date except for, unquoted associates which are carried at fair value determined through valuation techniques. 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, the amount realized from the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 28.54% during the financial year. Subsequent to the balance sheet date and till the date of authorization of these financial statements a further decline of 6.48% in the KSE 100 Index has been observed.

The table below summarizes the Group's equity price risk as of 30 June 2011 and 2010 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. 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 the Group's equity investment portfolio. Rupees are in millions.

	Fair value	Hypothetical Price change	Estimated fair value after Hypothetical change in prices	Hypothetical Increase / (decrease) in Shareholders' equity	Hypothetical Increase (decrease) in profit / (loss) before tax
30 June 2011	**1,470.28**	**30% increase**	**1,911.37**	**174.59**	**1,911.37**
		30% decrease	**1,029.20**	**(174.59)**	**(1,911.37)**
30 June 2010	3,680.86	30% increase	4,993.60	143.12	1,009.25
		30% decrease	2,688.86	(143.12)	(1,009.25)

d) Other market risk

Management believes that unless more sophisticated and comprehensive disclosure of sensitivity analysis is given for each type of market risk to which the Group is exposed at the balance sheet date, the above mentioned sensitivity analysis in absence of availability of a large economic data with high accuracy and the present effects of unprecedented country's political situation on economics, might remain unrepresentative to the financial statements readers for the risk inherent in the financial instruments.

38.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities on the balance sheet, excluding some long term investments, approximate to their fair value.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		30 June 2011		30 June 2010	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Long term investments		**10,505,544,974**	**16,369,118,220**	8,818,153,833	16,369,118,220
Short term investments		**1,470,284,734**	**1,470,284,734**	3,680,869,407	3,680,869,407
Long term deposits		**26,475,315**	**26,475,315**	33,800,643	33,800,643
Loans and advances		**576,978,438**	**576,978,438**	263,574,647	263,574,647
Other receivables		**226,229,603**	**226,229,603**	195,879,828	195,879,828
Cash and bank balances		**89,810,905**	**89,810,905**	126,498,619	126,498,619
	Rupees	**12,895,323,969**	**18,758,897,215**	13,118,776,977	20,669,741,364
Financial liabilities					
Interest/mark-up accrued on short term borrowings		**436,599,682**	**436,599,682**	55,280,439	55,280,439
Trade and other payables		**799,049,042**	**799,049,042**	355,310,438	335,310,438
Short term borrowings		**2,020,683,059**	**2,020,683,059**	2,632,515,667	1,217,727,694
	Rupees	**3,256,331,783**	**3,256,331,783**	1,608,318,571	1,608,318,571

b) Valuation of financial instruments

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

Level 1 :Quoted market price (unadjusted) in an active market.
Level 2 :Valuation techniques based on observable inputs.
Level 3 :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 Group determines fair values using valuation techniques.

Valuation techniques used by the Group 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 management judgement and estimation in the determination of fair value. Management judgement 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 categorised:

30 June 2011		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Equity securities	Rupees	**1,470,284,734**	-	-	**1,470,284,734**
Available-for-sale financial assets					
Equity securities	Rupees	-	-	-	-

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 securities		**2011**	**2010**
Balance at 1 July		**4,814,000**	4,648,000
Unrealized gain / (loss) in total comprehensive income		-	166,000
Transfer out of level 3		**(4,814,000)**	-
Balance at 30 June	Rupees	-	4,814,000

30 June 2011		Unlisted equity investment
Total unrealized gains / (losses) for assets and liabilities held at the end of the reporting period:		
- included in unrealized gain on available for sale in other comprehensive income	Rupees	-

Although the Group 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:

		Effect on profit or loss	
30 June 2011		**favourable**	**(unfavorable)**
Equity securities	Rupees	-	-
30 June 2010			
Equity securities	Rupees	4,648	(4,648)

c) Accounting classifications and fair values

The table below provides reconciliation of the line items in the Group's statement of financial position to the categories of financial instruments.

30 June 2011		Trading	Loans and reciveables	Available for sale	Cost / amortized cost	Total carrying amount
Financial Assets						
Cash and bank balances		-	-	-	89,810,905	89,810,905
Investments		1,470,284,734	-	-	15,000,000	1,485,284,734
Long term deposits		-	26,475,315	-	-	26,475,315
Loans and advances		-	576,978,438	-	-	576,978,438
Other receivables		-	226,229,603	-	-	226,229,603
	Rupees	**1,470,284,734**	**829,683,356**	**-**	**104,810,905**	**2,404,778,995**
Financial Liabilities						
Trade and other payables		-	-	-	799,049,042	799,049,042
Interest/mark-up accrued on short term borrowings		-	-	-	436,599,682	436,599,682
Short term borrowings		-	-	-	2,020,683,059	2,020,683,059
	Rupees	**-**	**-**	**-**	**3,256,331,783**	**3,256,331,783**
30 June 2010						
Financial Assets						
Cash and bank balances		-	-	-	126,498,619	126,498,619
Investments		3,399,397,735	-	481,703,813	30,000,000	3,911,101,548
Long term deposits		-	33,800,643	-	-	33,800,643
Loans and advances		-	263,574,647	-	-	263,574,647
Other receivables		-	195,879,828	-	-	195,879,828
	Rupees	3,399,397,735	493,255,118	481,703,813	156,498,619	4,530,855,285
Financial Liabilities						
Trade and other payables		-	-	-	335,310,438	335,310,438
Interest/mark-up accrued on short term borrowings		-	-	-	55,280,439	55,280,439
Short term borrowings		-	-	-	1,217,727,694	1,217,727,694
	Rupees				1,608,318,571	1,608,318,571

The financial instruments not accounted for at fair value are those financial assets and liabilities whose carrying amounts approximate at fair value.

d) Other market risk

Management believes that unless more sophisticated and comprehensive disclosure of sensitivity analysis is given for each type of market risk to which the Group companies are exposed at the balance sheet date, the above mentioned sensitivity analysis in absence of availability of a large economic data with high accuracy and the present effects of unprecedented country's political situation on economics, might remain unrepresentative to the financial statements readers for the risk inherent in the financial instruments.

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Group companies is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

40. CAPITAL MANAGEMENT

The Group companies' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Group companies' ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group companies define as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes in Group companies' approach to capital management during the year.

41. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Group 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 36 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

		2011	2010
Transactions with associates			
- Purchase of Shares	Rupees	**4,471,760**	150,392,822
- Subscription of right shares	Rupees	**-**	84,411,570
- Payment for capital work in progress	Rupees	**-**	100,114,837
- Advance against shares	Rupees	**367,874,595**	173,000,000
- Loan advanced and repaid	Rupees	**113,428,328**	-
- Loans and advances	Rupees	**108,285,328**	10,000,000
- Mark-up on loans and advances	Rupees	**1,725,025**	12,329
- Markup received	Rupees	**1,731,365**	-
- Shared expenses	Rupees	**162,687**	2,734,043
- Dividend Income	Rupees	**1,157,152,500**	1,350,000,000
- Capital Gain earned on related parties securities	Rupees	**-**	126,162,143
- Capital loss incurred on related parties securities	Rupees	**-**	(17,685,487)
- Brokerage commission paid	Rupees	**2,817,192**	-
Transaction with employees and key management personnel			
- Brokerage commission to key management personnel	Rupees	**2,911,905**	5,267
- Advances to key management personnel	Rupees	**-**	1,224,354

		2011	2010
- Expenses incurred on behalf of Mr. Arif Habib	Rupees	**548,084**	
- Amount repaid by Mr. Arif Habib	Rupees	**548,084**	
- Receipt of advances to employees	Rupees	-	512,000
- Purchase of Shares by Mr. Arif Habib	Rupees	**80,000,060**	-
- Amount repaid to Mr. Arif Habib	Rupees	-	3,885,142
- Loan from Mr. Arif Habib	Rupees	-	101,939,269
- Profitability bonus	Rupees	-	8,617,435
- Mark up on employee loan	Rupees	-	711,250
- Proceeds from sale of property to Mr. Syed Ajaz Ahmed Zaidi	Rupees	-	7,000
Transaction with other related parties			
- Payment to employees' provident fund / voluntary pension scheme	Rupees	**3,934,622**	11,428,080
- Technical assistance feeRupees		-	192,000
- Sale of shares to related parties	Rupees	-	144,601,058
- Payment of rent and maintenance to Rotocast Engineering (Pvt) Limited	Rupees	**50,996,420**	39,062,723
- Brokerage commission charged to related parties	Rupees	**2,534,423**	11,269,399
- Expenses shared with Arif Habib Real Estate Services (Pvt) Limited	Rupees	-	7,093,236
- Amount recovered from Arif Habib Real Estate Services Pvt) Limited against sharing of expenses	Rupees	**2,903,070**	-
- Advisory Fee paid to Mr. Akmal Jameel	Rupees	-	150,000
- Loan to Javedan Corporation Limited (formerly Javedan Cement Limited)	Rupees	**616,000,000**	150,000,000
- Repayment of Loan from Javedan Corporation Limited (formerly Javedan Cement Limited)			
- Mark-up on loans and advances	Rupees	-	5,029,909
- Interest income earned on advance to related party	Rupees	**42,844,340**	344,141
- Markup received from related party	Rupees	**18,449,756**	
- Bank balance at Summit Bank Limited (Formerly Arif Habib Bank Limited)	Rupees	**514,357**	-
- Accrued Markup on cash and term deposit at Summit Bank Limited (formerly Arif Habib Bank Limited)	Rupees	**994,510**	-
- Bank Charges paid to Summit Bank Limited (formerly Arif Habib Bank Limited)	Rupees	**300**	-
- Purchase of goods from Javedan Corporation Limited (formerly Javedan Cement Limited)	Rupees	**6,488,589**	-
- Markup accrued against amount received from RESPL	Rupees	-	996,220
- Proceeds from disposal of property and equipment to RESPL	Rupees	-	104,513
- Proceeds from disposal of property and equipment to REIT	Rupees	-	519,241
- Payable to AH REIT	Rupees	-	**33,750**
- Management Fee / Investment Advisory fee - Funds	Rupees	-	270,234,441
- Processing and other related income - Funds	Rupees	-	15,229,781
- Investment / Conversion in funds at cost	Rupees	-	712,290,437
- Sale proceeds from redemption - Funds	Rupees	-	613,292,780
- IPO profit / markup on balances with CIS under management	Rupees	-	5,547,393
- Reimbursement to CIS / Pension funds against expenses / issuance of units to investors	Rupees	-	665,853

42. SEGMENT INFORMATION

For management purposes the Group is organized into following major business segments:

Capital market operations — Principally engaged in trading of equity securities and maintaining strategic and trading portfolios.

Banking — Principally engaged in providing investment and commercial banking services. The segment was disposed off in previous year.

Investment advisory / assets manager — Principally providing investment advisory and asset management services to different mutual funds and unit trusts.

Brokerage and others — Other operations of the Group comprise of Brokerage, underwriting, corporate consultancy, research and corporate finance services.

Material & Construction — Principally engaged in manufacturing, selling and marketing of cement.

	2011							
	Capital market operations	**Investment advisory / assets manager**	**Brokerage and others**	**Material and Construction**	**Continued operations**	**Discontinued Banking**	**operations Other**	**Consolidated**
Revenues								
Operating revenue	259,482,253	284,500,035	142,235,885	(3,695,386)	682,522,787	-	-	682,522,787
(Loss) / gain on sale of securities - net	(14,377,233)	83,057,906	21,101,306	-	89,781,979	-	-	89,781,979
Gain / (loss) on remeasurement of investments - net	492,954,122	3,377,481	12,038,499	-	508,370,102			508,370,102
Gain / (loss) on remeasurement of investment property		11,916,000		-	11,916,000	-	-	11,916,000
	738,059,142	382,851,422	175,375,690	(3,695,386)	1,292,590,868	-	-	1,292,590,868
Gain on distribution of shares	127,125,000	-	-	-	127,125,000			127,125,000
Loss on loss of control of subsidiary	(293,142,614)				(293,142,614)			(293,142,614)
Operating, administrative and other expenses	(69,403,580)	(277,773,059)	(1,009,274,733)	(325,392)	(1,356,776,764)	-	-	(1,356,776,764)
Impairment of goodwill			(984,280,458)		(984,280,458)			(984,280,458)
Impairment loss on investment	(186,112,451)	(4,520,104)			(190,632,555)			(19,520,104)
Operating profit	316,525,497	100,558,259	(1,818,179,501)	(4,020,778)	(1,405,116,523)	-	-	(1,405,116,523)
Other income	77,546,387	1,747,394	309,094,614	225,096	388,613,491	-	-	388,613,491
	394,071,884	102,305,653	(1,509,084,887)	(3,795,682)	(1,016,503,032)	-	-	(1,016,503,032)
Finance cost & other charges	(231,161,148)	(20,066,976)	(75,609,446)	(4,686,992)	(331,524,562)	-	-	(331,524,562)
	162,910,736	82,238,677	(1,584,694,333)	(8,482,674)	(1,348,027,594)	-	-	(1,348,027,594)
Share of profit from associates	558,973,994	-	-	-	558,973,994	-	-	558,973,994
Segment results	721,884,730	82,238,677	(1,584,694,333)	(8,482,674)	(789,053,600)	-	-	(789,053,600)
Unallocated expenditures	-	-	-	-	-	-	-	-
Profit / (loss) before tax	721,884,730	82,238,677	(1,584,694,333)	(8,482,674)	(789,053,600)	-	-	(789,053,600)
Taxation	(199,137,235)	16,583,157	(9,987,914)	(243,452)	(192,785,444)	-	-	(192,785,444)
Profit / (loss) after tax	522,747,495	98,821,834	(1,594,682,247)	(8,726,126)	(981,839,044)	-	-	(981,839,044)
Loss on remeasurement of disposal group classified as held for sale	-	-	-		-	-	-	-
Gain / (loss) on disposal	-	-	-		-	-	-	-
Total Rupees	**522,747,495**	**98,821,834**	**(1,594,682,247)**	**(8,726,126)**	**(981,839,044)**	**-**	**-**	**(981,839,044)**

	2010							
	Capital market operations	Investment advisory / assets manager	Brokerage and others	Material and Construction	Continued operations	Discontinued Banking	operations Other	Consolidated
Revenues								
Operating revenue	286,918,105	287,700,622	201,887,997	-	776,506,724	3,011,884,000	-	3,788,390,724
(Loss) / gain on sale of securities-net	(139,966,515)	80,964,435	220,659,368	-	161,657,288	57,050,000	-	218,707,288
(Loss) / gain on remeasurement of investments-net	1,079,940,235	-	(134,046,320)	-	945,893,915	(73,805,000)		872,088,915
(Loss) / gain on remeasurement of investment property	-	(4,400,000)	-	-	(4,400,000)	-	-	(4,400,000)
	1,226,891,825	279,543,285	288,501,045	-	1,879,657,927	2,995,129,000	-	4,874,786,927
Operating, administrative and other expenses	(163,446,326)	(280,557,906)	(144,824,756)	-	(588,828,988)	(2,408,688,000)	-	(2,997,516,988)
Operating (loss) / profit	1,063,445,499	(285,660,180)	143,676,289	-	1,290,828,939	586,441,000	-	1,877,269,939
Other income	193,335	13,155,416	96,405,263	-	109,754,014	10,097,000	-	119,851,014
	1,063,638,834	(274,290,159)	240,081,552	-	1,400,582,953	596,538,000	-	1,997,120,953
Finance cost	(229,462,405)	(47,259,182)	(115,795,439)	-	(392,517,026)	(2,430,530,000)	-	(2,823,047,026)
	834,176,429	(344,453,762)	124,286,113	-	1,008,065,927	(1,833,992,000)	-	(825,926,073)
Share of profit from associates	1,059,412,228	-	-	-	1,059,412,228	-	-	1,059,412,228
Segment results	1,893,588,657	(344,453,762)	124,286,113	-	2,067,478,155	(1,833,992,000)	-	233,486,155
Unallocated expenditures	-	-	-	-	-	-	-	-
(Loss) / profit before tax	1,893,588,657	(344,453,762)	124,286,113	-	2,067,478,155	(1,833,992,000)	-	233,486,155
Taxation	(272,950,954)	11,896,303	(17,874,457)	-	(278,929,108)	120,850,000	-	(158,079,108)
(Loss) / profit after tax	1,620,637,703	(323,112,340)	106,411,656	-	1,788,549,047	(1,713,142,000)	-	75,407,047
Loss on remeasurement of disposal group classified as held for sale	-	-	-	-	-	943,884,577	(3,900,278)	939,984,299
Total Rupees	**1,620,637,703**	**(323,112,340)**	**106,411,656**	**-**	**1,788,549,047**	**(769,257,423)**	**(3,900,278)**	**1,015,391,346**

	2011						
	Capital market operations	Investment advisory / assets manager	Brokerage and others	Material and Construction	Continued operations	Discontinued operation Banking	Consolidated
Other information							
Segment assets	**2,010,742,594**	**-**	**2,617,512,964**	**5,318,235,000**	**9,946,490,558**	**-**	**9,946,490,558**
Investment in equity method associates	**10,490,544,974**	**-**	**-**		**10,490,544,974**	**-**	**10,490,544,974**
Unallocated corporate assets	-	-	-		-	-	-
Consolidated total assets	**12,501,287,568**	**-**	**2,617,512,964**	**5,318,235,000**	**20,437,035,532**	**-**	**20,437,035,532**
Segment Liabilities	1,480,772,949		839,020,659	4,393,891,000	6,713,684,608	-	6,713,684,608
Unallocated corporate liabilities	-	-	-		-	-	-
Consolidated total liabilities	**1,480,772,949**	**-**	**839,020,659**	**4,393,891,000**	**6,713,684,608**	**-**	**6,713,684,608**
Capital expenditure	**1,792,925**	**11,518,293**	**271,351,926**	**4,269,545,000**	**4,554,208,144**	**-**	**4,554,208,144**
Depreciation	**8,986,333**	**16,449,083**	**23,042,765**	**1,042,000**	**49,520,181**	**-**	**49,520,181**
Non-cash expenses other than depreciation	**15,000,000**	**4,520,104**	**1,810,475,978**	**-**	**1,829,996,082**	**-**	**1,829,996,082**

		2010						
		Capital market operations	Investment advisory / assets manager	Brokerage and others	Material and Construction	Continued operations	Discontinued operations Banking	Consolidated
Other information								
Segment assets		6,755,792,765	702,492,619	1,671,575,009	-	9,129,860,393	-	9,129,860,393
Investment in equity method associates		8,587,921,692	-	-	-	8,587,921,692	-	8,587,921,692
Unallocated corporate assets		-	-	-	-	-	-	-
Consolidated total assets	Rupees	15,343,714,457	702,492,619	1,671,575,009	-	17,717,782,085	-	17,717,782,085
Segment Liabilities		1,006,324,893	296,091,459	995,208,853	-	2,297,625,205	-	2,297,625,205
Unallocated corporate liabilities		-	-	-	-	-	-	-
Consolidated total liabilities	Rupees	1,006,324,893	296,091,459	995,208,853	-	2,297,625,205	-	2,297,625,205
Capital expenditure	Rupees	794,020	108,009,558	6,866,810	-	115,670,388	-	115,670,388
Depreciation	Rupees	10,431,483	14,696,554	22,356,711	-	47,484,748	82,274,035	129,758,783
Non-cash expenses other than depreciation	Rupees	-	-	-	-	-	-	-

Reconciliations of reportable segment revenues, profit or loss and assets and liabilities

		2011	2010
Operating revenues			
Total revenue for reportable segments		**2,356,631,726**	3,845,926,887
Elimination of inter-segment revenue		**(1,673,804,325)**	(57,536,163)
Elimination of discontinued operations		**-**	(3,011,884,000)
Consolidated revenue	Rupees	**682,522,787**	776,506,724
Profit or loss			
Total profit or loss before tax for reportable segments		**1,776,330,002**	1,206,810,287
Elimination of inter-segment revenue / expense		**(2,565,383,602)**	(33,339,833)
Elimination of discontinued operations		**-**	894,007,701
Consolidated profit from continuing operations before tax	Rupees	**(789,053,600)**	2,067,478,155

Information about major customers

Arif Habib Limited is involved in a brokerage business. Its major client are banking institutions such as National Bank of Pakistan Limited, United Bank Limited and Allied Bank Limited.

42.1 GEOGRAPHICAL SEGMENT ANALYSIS

		2011			
		Profit / (Loss) before tax	Total assets employed	Net assets	Contingencies and commitments
Pakistan		**(786,840,060)**	**20,139,161,023**	**13,676,814,772**	**180,174,750**
Colombo, Srilanka		**(2,884,440)**	**152,102,480**	**21,820,921**	**-**
Dubai, UAE		**670,900**	**145,772,029**	**24,715,231**	**-**
	Rupees	**(789,053,600)**	**20,437,035,532**	**13,723,350,924**	**180,174,750**

		2010			
		Profit / (Loss) before tax	Total assets employed	Net assets	Contingencies and commitments
Pakistan		1,177,392,779	17,565,043,163	15,444,835,468	389,724,070
Colombo, Srilanka		(1,970,046)	100,297,914	(18,528,845)	-
Dubai, UAE		(1,952,278)	52,441,008	(6,149,745)	-
	Rupees	1,173,470,455	17,717,782,085	15,420,156,878	389,724,070

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 14 September 2011 by the Board of Directors of the Company.

44. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Parent has proposed a cash dividend of Rs. 2 per share amounting to Rs. 750 million and bonus shares in the proportion of 1 ordinary shares per 10 ordinary shares held amounting to Rs. 375 million at its meeting held on 14 September 2011 for the approval of the members at the annual general meeting to be held on 22 October 2011. These financial statements do not reflect this appropriation as explained in note 3.22

45. GENERAL

Corresponding figures have been re-arranged and/or re-classified, wherever necessary, for the purposes of comparison and better presentation including the following:

Re-classified from	Re-classified to	Note	Rupees	Reason
Operating and administrative expenses	Other charges	32	102,653,264	Better Presentation
Operating and administrative expenses	Impairment loss on investment	32	7,128,358	Better Presentation

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Annexure III

Pattern of Shareholding

Categories of Shareholders as at 30 June 2011

Category	"Number of shareholders"	Number of shares held	Holding %
Directors, Chief Executive, and their Spouses and minor children	8	268,542,134	71.61
Executives	1	7,500	0.00
NIT and ICP	1	1,101,895	0.29
Associated Companies, Undertakings and Related Parties	-	-	-
Public Sector Companies and Corporatons	5	8,979,936	2.39
Bank, Development Finance Institutions, Non-Banking Finance Institutions	11	15,179,096	4.05
Insurance Companies	8	4,402,465	1.17
Modaraba and Mutual Funds	9	1,429,941	0.38
Others	137	17,601,793	4.69
General Public - Local	7,571	48,625,918	12.97
General Public - Foreign	18	9,129,322	2.43
	7,769	**375,000,000**	**100.00**

Pattern of Shareholding

Categories of Shareholders as at 30 June 2011

Category	"Number of shareholders"	Number of shares held	Holding %
Directors, Chief Executive, and their Spouses and minor children			
Mr. Arif Habib	1	210,250,247	56.07
Mr. Asadullah Khawaja	1	10,832	0.00
Mr. Nasim Beg	1	832	0.00
Mr. Samad A. Habib	1	832	0.00
Mr. Kashif A. Habib	1	29,166	0.01
Mr. Muhammad Akmal Jameel	1	100	0.00
Mr. Tahir Iqbal	1	125	0.00
Mrs. Zetun Arif	1	58,250,000	15.53
	8	268,542,134	71.61
Executives	1	7,500	0.00
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP			
National Bank of Pakistan - Trustee Department NI(U)T Fund	1	1,101,895	0.29
Joint Stock Companies			
Public Sector Companies and Corporatons	5	8,979,936	2.39
Bank, Development Finance Institutions, Non-Banking Finance Institutions	11	15,179,096	4.05
Insurance Companies	8	4,402,465	1.17
Modaraba and Mutual Funds	9	1,429,941	0.38
Others	137	17,601,793	4.69
	170	47,593,231	12.69
Genral Public			
Local	7,571	48,625,918	12.97
Foreign	18	9,129,322	2.43
	7,589	57,755,240	15.40
	7,769	**375,000,000**	**100.00**

Pattern of Shareholding
Categories of Shareholders as at 30 June 2011

Number of shareholders	Shareholdings' slab			Total Shares held
876	1	to	100	41,500
1,804	101	to	500	583,360
1,452	501	to	1,000	1,199,612
2,339	1,001	to	5,000	5,702,103
536	5,001	to	10,000	4,060,317
204	10,001	to	15,000	2,587,002
121	15,001	to	20,000	2,214,179
91	20,001	to	25,000	2,099,534
40	25,001	to	30,000	1,103,424
39	30,001	to	35,000	1,289,576
29	35,001	to	40,000	1,110,056
18	40,001	to	45,000	765,731
26	45,001	to	50,000	1,281,347
12	50,001	to	55,000	634,129
6	55,001	to	60,000	355,625
11	60,001	to	65,000	690,913
4	65,001	to	70,000	272,715
11	70,001	to	75,000	801,979
5	75,001	to	80,000	391,000
9	80,001	to	85,000	748,940
5	85,001	to	90,000	444,571
8	90,001	to	95,000	751,277
9	95,001	to	100,000	900,000
3	100,001	to	105,000	308,512
3	105,001	to	110,000	320,901
1	110,001	to	115,000	112,000
3	115,001	to	120,000	356,210
1	120,001	to	125,000	125,000
2	125,001	to	130,000	260,000
7	130,001	to	135,000	928,350
3	135,001	to	140,000	417,854
1	140,001	to	150,000	150,000
3	150,001	to	155,000	456,994
1	155,001	to	160,000	158,000
2	160,001	to	170,000	339,445
2	170,001	to	175,000	344,117
2	175,001	to	180,000	357,500
3	180,001	to	185,000	552,500
2	185,001	to	190,000	375,000
6	190,001	to	200,000	1,196,500
2	200,001	to	205,000	401,893
1	205,001	to	210,000	207,500
2	210,001	to	215,000	425,970
1	215,001	to	220,000	215,449
1	220,001	to	225,000	225,000
2	225,001	to	250,000	500,000
1	250,001	to	260,000	260,000
2	260,001	to	265,000	529,041
1	265,001	to	270,000	267,975
1	270,001	to	275,000	275,000
1	275,001	to	300,000	300,000
1	300,001	to	305,000	300,300

Pattern of Shareholding
Categories of Shareholders as at 30 June 2011

Number of shareholders	Shareholdings' slab			Total Shares held
1	305,001	to	325,000	325,000
1	325,001	to	345,000	342,478
1	345,001	to	350,000	350,000
1	350,001	to	355,000	353,478
1	355,001	to	370,000	368,000
1	370,001	to	375,000	371,755
1	375,001	to	380,000	375,416
1	380,001	to	385,000	382,625
1	385,001	to	400,000	400,000
1	400,001	to	420,000	416,666
1	420,001	to	430,000	426,000
1	430,001	to	455,000	454,200
1	455,001	to	480,000	477,040
2	480,001	to	500,000	1,000,000
1	500,001	to	510,000	507,318
1	510,001	to	550,000	550,000
1	550,001	to	580,000	578,000
1	580,001	to	600,000	596,601
1	600,001	to	625,000	625,000
1	625,001	to	635,000	631,600
1	635,001	to	650,000	650,000
1	650,001	to	685,000	685,000
1	685,001	to	725,000	721,600
1	725,001	to	745,000	744,762
1	745,001	to	790,000	785,841
1	790,001	to	800,000	800,000
1	800,001	to	845,000	842,600
1	845,001	to	870,000	866,500
1	870,001	to	1,000,000	1,000,000
1	1,000,001	to	1,105,000	1,101,895
1	1,105,001	to	1,110,000	1,105,590
1	1,110,001	to	1,135,000	1,133,973
1	1,135,001	to	1,160,000	1,157,641
1	1,160,001	to	1,200,000	1,200,000
1	1,200,001	to	1,250,000	1,248,188
1	1,250,001	to	1,275,000	1,273,619
1	1,275,001	to	1,325,000	1,322,403
1	1,325,001	to	1,495,000	1,494,462
2	1,495,001	to	1,500,000	3,000,000
1	1,500,001	to	1,530,000	1,529,875
1	1,530,001	to	1,565,000	1,560,197
1	1,565,001	to	2,000,000	2,000,000
1	2,000,001	to	2,140,000	2,139,440
1	2,140,001	to	2,670,000	2,665,780
1	2,670,001	to	3,880,000	3,875,900
1	3,880,001	to	3,955,000	3,952,165
1	3,955,001	to	4,905,000	4,901,861
1	4,905,001	to	5,830,000	5,828,646
1	5,830,001	to	6,685,000	6,684,737
1	6,685,001	to	62,705,000	58,250,000
1	62,705,001	to	210,500,000	210,250,247
7,769				**375,000,000**

Corporate Calendar of Major Events

- **Results**

  The Company follows the period of 1st July to 30th June as the Financial Year.

For the Financial Year ending on 30th June 2012, Financial Results will be announced as per the following tentative schedule:

1st quarter ending 30th September 2011	Last week of October, 2011
2nd quarter ending 31st December 2011	Last week of February, 2012
3rd quarter ending 31st March 2012	Last week of April, 2012
Year ending 30th June 2012	Last week of August, 2012

- **Issuance of Annual Report**

  21 days before AGM i.e. on or before 1st October 2011.

- **17th Annual General Meeting**

  The 17th Annual General Meeting of the Shareholders of Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited) ("the Company") will be held on Saturday, 22nd October 2011 at 2:00 P.M at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road Karachi.

- **Cash Dividend**

  A final Cash Dividend for the year ended 30th June 2011 at Rs. 2 per share i.e. 20% as recommended by the Board of Directors. Subject to the approval by members in the AGM, the date of entitlement of cash dividend shall be 14th October 2011, and the company expects to dispatch the final dividend warrants on or before 21st November 2011, being the statutory limit of 30 days from the date of General Meeting in which the dividend is approved.

- **Bonus Shares**

  The Board of Directors have recommended a bonus issue for the year ended 30th June 2011 at the rate of 10%, i.e. one share for every ten shares held. Bonus shares will not be entitled for the final cash dividend for the year ended 30th June 2011. Subject to the approval by members in the AGM, the date of entitlement of bonus issue shall be 14th October 2011, and the company expects the bonus shares to be issued on or before 21st November 2011, being the statutory limit of 30 days from the date of re-opening of the share transfer register closed for the purpose of determining the entitlement.

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

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

Issue of Bonus Shares to Members

The Directors in their meeting held on September 14, 2011 have recommended issue of bonus shares in proportion of 1 ordinary share for every 10 ordinary shares held by the members, i.e. 10%. While recommending stock dividend the directors have taken cognizance of the financial strength of the company. They are of the view that the company's financial position and its reserves justify the capitalization of free reserves.

Pursuant to rule 6 (iii) of the Companies (issue of capital) Rules 1996 (the Rules), the auditors have certified that the "free reserves" (in accordance with the meaning given to it in Rule 5 & 6 of the Rules) retained after the issue of bonus shares will not be less than twenty five percent of the increased capital.

The directors of the company are interested in the business to the extent of their shareholding in the company.

Investments in Associated Company & Associated Undertaking

The Board of Directors of the Company has approved the specific limits for equity investments and loans/advances alongwith other particulars for investments in its following existing and planned associated company and associated undertaking subject to the consent of members under Section 208 of the Companies Ordinance, 1984.

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

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

S.no	Description	Information Requried
(i)	Name of investee company	**Javedan Corporation Limited** (Formerly Javedan Cement Limited)
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs. 1000 million and any advance against subscription of right. Further, an aggregate limit for loan upto Rs. 81.5 million.
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs. 60.3 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 70.22 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years:	
	June 30, 2010	Rs.(2.36) per share
	June 30, 2009	Rs.(8.37) per share
	June 30, 2008	Rs.(0.76) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	* None except as disclosed below
(xii)	Any loan had already been provided or loan has been written off to the said company	Outstanding loan of Rs. 518.449 million.
(ix)	Rate of interest on loan/advance	6 Months KIBOR+3%
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

* Following directors of the company have no inertest in the investee company except in their capacity as director / shareholder

Mr. Arif Habib	Chairman and shareholder
Mr. Samad A. Habib	Chief Executive and shareholder
Mr. Kashif A. Habib	Director and shareholder
Mr. Muhammad Ejaz	Director and shareholder

Statement under Section 160(1)(b) of the Companies Ordinance 1984, in compliance with the SRO 865 /(1)/2000 dated December 6, 2000, for previous Special Resolutions which not yet implemented

The Company in its previous general meeting had sought approvals under section 208 of the Companies Ordinance, 1984 for investments in the Associated Companies and Associated Undertakings in which investment / additional investment has not been made fully so far due to the fact that Company was waiting for an appropriate time in the interest of the sharehoders of the Company otherwise Company had the adequate financial strength for investments.

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Summit Bank Limited** (Formerly Arif Habib Bank Limited)	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.1000 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.4.13 per share	Rs.3.76 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.11.70 per share	Rs.7.54 per share
(v)	Earning per share of investee company in last three years:		
	Dec. 31, 2010	Rs.(4.16) per share	
	Dec. 31, 2009	Rs.(5.20) per share	
	Dec. 31, 2008	Rs.(0.38) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Arif Habib Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 246.429 million and Loan/advance upto Rs. 250 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.20.06 per share	Rs. 19.67 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 34.38 per share	Rs.16.2 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010 (Restated)	Rs. 3.24 per share	Rs. (12.43) per share
	June 30, 2009 (Restated)	Rs.4.33 per share	
	June 30, 2008	Rs.19.02 per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Arif Habib Investments Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 250 million and Loan/advance upto Rs. 250 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.21.69 per share	Rs.21.59 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.16.27 per share	Rs.16.22 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs.2.14 per share	Rs.0.74 per share
	June 30, 2009	Rs.10.08 per share	
	June 30, 2008	Rs..8.30 per share	

S.no	Description	Information at the time of Approval	Present Status
i)	Name of investee company	**Pakistan Private Equity Management Limited & its FUNDS**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 1000 million and Loan/advance upto Rs. 250 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.2.19 per share	Rs.1.75 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs.(0.99) per share	Rs.(0.44) per share
	June 30, 2009	Rs.(11.15) per share	
	June 30, 2008	Rs.(1.05) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Real Estate Modaraba Management Company Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 300 million and Loan/advance upto Rs. 300 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.10.83 per share	Rs.(119.13) per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2009	Rs.(129.96) per share	N.A
	June 30, 2008	Rs.1.72 per share	
	June 30, 2007	Rs.(0.38) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Pakarab Fertilizers Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 1000 million and Loan/advance upto Rs. 1000 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.33.06 per share	Rs.30.07 per share
(v)	Earning per share of investee company in last three years:		
	Dec. 31, 2010	Rs. 7.18 per share	Rs.3.79 per share
	Dec. 31, 2009	Rs.10.53 per share	
	Dec. 31, 2008	Rs.23.63 per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Fatima Fertilizer Company Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 823.306 million and Loan/advance upto Rs. 1000 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.12.70 per share	Rs.12.44 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.12.12 per share	Rs.12.053 per share
(v)	Earning per share of investee company in last three years:		
	Dec. 31, 2010	Rs. (0.07) per share	Rs.(0.06) per share
	Dec. 31, 2009	Rs.(0.08) per share	
	Dec. 31, 2008	Rs.(0.17) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Rotocast Engineering Company (Pvt.) Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 300 million and Loan/advance upto Rs. 200 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.283.68 per share	N.A
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs.9.26 per share	N.A
	June 30, 2009	Rs.0.87 per share	
	June 30, 2008	Rs.0.33 per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Thatta Cement Company Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 300 million and Loan/advance upto Rs. 200 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.17.73 per share	Rs.19.96 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.73 per share	Rs.8.81 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs. 0.01 per share	Rs.(0.91) per share
	June 30, 2009	Rs.2.56 per share	
	June 30, 2008	Rs.0.50 per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Javedan Corporation Limited** (Formerly Javedan Cement Limited)	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 1000 million and Loan/advance upto Rs. 81.550 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.60.30 per share	Rs.61.35 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 70.22 per share	Rs.64.30 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs.(2.36) per share	Rs.(5.92) per share
	June 30, 2009	Rs.(8.37) per share	
	June 30, 2008	Rs.(0.76) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**International Complex Projects Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 1500 million and Loan/advance upto Rs. 1000 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.74.48 per share	N.A
(v)	Earning per share of investee company in last three years:		
	June 30, 2009	Rs.1.94 per share	N.A
	June 30, 2008	Rs.7.52 per share	
	June 30, 2007	Rs.(0.61) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Proposed "Askari Siddiqsons Development Limited"**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 1560 million and Loan/advance upto Rs. 1040 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A	N.A
(v)	Earning per share of investee company in last three years: June 30, 2010 June 30, 2009 June 30, 2008	N.A	N.A

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Arif Habib REIT Management Limited & REITS' Funds**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 1500 million and Loan/advance upto Rs. 1000 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 7.25 per share	Rs. 5.16 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs. (2.58) per share	Rs. (2.10) per share
	June 30, 2009	Rs. (0.16) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**S.K.M Lanka Holdings (Pvt.) Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 150 million and Loan/advance upto Rs. 100 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 11.33 per share	Rs. 12.82 per share
(v)	Earning per share of investee company in last three years:		
	March. 31, 2010	Rs. (0.254) per share	Rs. 0.81 per share
	March. 31, 2009	Rs. (3.58) per share	
	March. 31, 2008	Rs. (1.20) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Aisha Steel Mills Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 641.716 million and Loan/advance upto Rs. 750 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 8.12 per share	Rs. 8.33 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs.(1.08) per share	Rs.(0.14) per share
	June 30, 2009	Rs.(.90) per share	
	June 30, 2008	Rs.(0.20) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Al-Abbas Cement Industries Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 1000 million and Loan/advance upto Rs. 500 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs. 2.79 per share	Rs. 2.64 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 5.83 per share	Rs. 3.02 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs.(3.94) per share	Rs.(4.34) per share
	June 30, 2009	Rs.0.67 per share	
	June 30, 2008	Rs.(0.59) per share	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Sweetwater Dairies Pakistan (Pvt) Limited**	
(ii)	Nature, amount and extent of investment	Equity investment upto Rs. 581.910 million and Loan/advance upto Rs. 100 million	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N/A	N/A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 9.92 per share	Rs. 11.49 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	Rs. (2.79) per share	Rs.(1.31) per share
	June 30, 2009	Rs.(1.40) per share	
	June 30, 2008	N/A	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Memon Health & Educational Foundation**	
(ii)	Nature, amount and extent of investment	Loan/advance upto Rs.50 million being convertible into donation	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A	N.A
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	N.A	N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	**Arif Habib Foundation**	
(ii)	Nature, amount and extent of investment	Loan/advance upto Rs.250 million being convertible into donation	
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A	
(v)	Earning per share of investee company in last three years:		
	June 30, 2010	N.A	N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	

Form of Proxy

17th Annual General Meeting

The Company Secretary
Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)
Arif Habib Centre
23, M.T. Khan Road
Karachi.

I/ we ______________________________ of ______________________ being a member(s) of Arif Habib Corporation 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 Seventeenth Annual General Meeting of the Company to be held on October 22, 2011 and/or any adjournment thereof.

Signed this ___________ day of ___________ 2011.

Witnesses:

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

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

Signature on Rs. 5/- Revenue Stamp

NOTES:

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

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

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

4. In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy Form.

5. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy Form.

AFFIX
CORRECT
POSTAGE

ARIF HABIB CORPORATION LIMITED
(formerly Arif Habib Securities 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

Fold : Here

Fold : Here

Arif Habib Corp

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Karachi-74000
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