

July 30, 2018

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Subject: Free Reserve Certificate & Board Resolution

Dear Sir,

With reference to the financial results for the year ended June 30, 2018 announced by the Company today vide letter dated July 30, 2018, we hereby enclose enclosures as follows;

1. Free Reserve Certificate from Auditors of the Company
2. Extract of Board Resolution passed by the Board of Directors in their Meeting held on July 28, 2018;

Thanking you.

Yours sincerely,



Muhammad Taha Siddiqui
CFO & Company Secretary

**EXTRACT OF THE RESOLUTIONS PASSED BY THE BOARD OF DIRECTORS
IN THEIR MEETING HELD ON JULY 28, 2018**

RESOLVED that the audited financial statements of the Company for the year ended June 30, 2018 as recommended by the Audit Committee and duly signed by the Chairman, Chief Executive, Chief Financial Officer and signed by the auditors of the Company namely Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, be are hereby confirmed and approved.

RESOLVED FURTHER that appropriation of the available profit of Rs. 2,621,883,347 be made as under:

Profit available for appropriation	Rupees 2,621,883,347
<u>Appropriations:</u>	
Proposed Final cash dividend @ Rs. 3/- per ordinary share of Rs. 10/- each i.e. 30%	165,000,000
Proposed bonus shares in the proportion of 1 share for every 5 shares of Rs. 10/- each held i.e. 20%	110,000,000
	<u>275,000,000</u>
Unappropriated profit carried forward	<u>2,346,883,347</u>

For Arif Habib Limited

Taha Siddiqui

**Muhammad Taha Siddiqui
CFO & Company Secretary**





July 30, 2018

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

INDEPENDENT STATUTORY AUDITOR'S CERTIFICATE OF FREE RESERVES

Dear Sir,

We refer to your letter dated July 30, 2018 wherein you have requested us, in our capacity as the statutory auditors of **M/s. Arif Habib Limited** ('the Company'), to issue a certificate of free reserves retained by the Company as on **June 30, 2018** in relation to a 20% bonus share issue announced by the Board of Directors of the Company in their meeting held on July 28, 2018. This certificate is required to be issued and submitted to the Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange Limited (PSX) in accordance with the requirements of Rule 6 of the Companies (Issue of Capital) Rules, 1996 (as amended vide S.R.O. 34(I)/2016 dated January 19, 2016 issued by the SECP).

Management's responsibility

In accordance with the provisions of Rule 6 of the Companies (Issue of Capital) Rules, 1996, management of the Company, in relation to the proposed bonus share issue, is responsible for ensuring that at least fifteen percent (15%) of its paid up capital, as enhanced by the proposed bonus issue, is retained as free reserves (as defined in sub-rule (iii)(b) of the aforesaid Rule 6) as well as for completing all the requisite legal formalities in compliance with the requirements of the aforesaid rules and other applicable laws and regulations.

Auditor's responsibility

In accordance with the *Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms* issued by the Institute of Chartered Accountants of Pakistan, we are responsible to certify whether the free reserves retained by the Company after the proposed bonus issue, as depicted in the **Statement of Free Reserves as on June 30, 2018** ('the annexed Statement') prepared by management of the Company based on its audited financial statements for the year then ended, are not less than 15% of the enhanced paid up capital of the Company and that the amount of free reserves has been determined in accordance with the aforesaid definition of free reserves. Hence, in this connection, we carried out certain verification procedures which are as follows:

- Inspected the certified true copy of the extract of the resolution passed by the Board of Directors of the Company in relation to the proposed bonus share issue in order to verify the number and amount of bonus shares as shown on the annexed Statement;
- Traced the amounts of unappropriated profits, intangible assets, contingent liabilities and unrealized capital gain, as shown on the annexed Statement, to those reported in the audited financial statements of the Company for the year then ended; and
- Checked whether all the items which are required to be excluded in order to arrive at the amount of free reserves have been so excluded.

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Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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Karachi-74400 PAKISTAN.
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E-Mail: info@rsrir.com
Website: www.rsrir.com
Other Offices at
Lahore - Rawalpindi / Islamabad

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Certificate

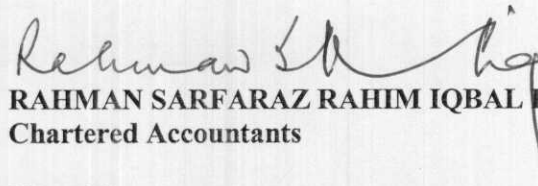
Based on our verification as referred to above, we hereby certify that:

- Free reserves retained after the proposed bonus issue (amounting to Rs. 1,918,711,854 as shown on the annexed Statement) are not less than 15% of the paid up capital of the Company as enhanced by the proposed bonus issue; and
- Free reserves have been determined by management in accordance with the definition of 'free reserves' as provided in sub-rule (iii)(b) of Rule 6 of the Companies (Issue of Capital) Rules, 1996. In particular, we certify that all contingent liabilities have been deducted while calculating the minimum residual reserve of 15%.

Restriction on use and distribution

As aforesaid, this certificate is issued at your request for the purpose of onward submission to the SECP and PSX in compliance with the requirements of Rule 6 of the Companies (Issue of Capital) Rules, 1996 and is not to be used for any other purpose or distributed to any other parties. The certificate is restricted to the facts stated herein and is not a certificate of assurance.

Yours truly,


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

A member of

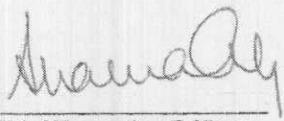
Russell Bedford International

A global network of independent accountancy firms,
business consultants and specialist legal advisers.

M/S. ARIF HABIB LIMITED
STATEMENT OF FREE RESERVES
AS ON JUNE 30, 2018


Based on the audited financial statements of our company, M/s. Arif Habib Limited ('the Company') for the year ended June 30, 2018, free reserves of the Company after the proposed 20% bonus issue announced by the Board of Directors of the Company in their meeting held on July 28, 2018 have been determined as under:

	<u>Rupees</u>
Unappropriated profit	2,621,883,347
Less: Intangible assets	(9,452,439)
Less: Contingent liabilities	(45,420,000)
Less: Unrealized capital gain on investments and investment property	(538,299,054)
Free reserves prior to bonus share issue	2,028,711,854
Less: Proposed 20% bonus issue (11,000,000 shares of Rs. 10 each)	(110,000,000)
Free reserves after proposed bonus issue (A)	<u>1,918,711,854</u>
Existing paid up capital (55,000,000 shares of Rs. 10 each)	550,000,000
Add: Proposed 20% bonus issue	<u>110,000,000</u>
Enhanced paid up capital after proposed bonus issue (B)	<u>660,000,000</u>
% of free reserves to be retained (A/B)	<u>290.71%</u>



Chief Executive Officer





Chief Financial Officer



