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Corporate Information

Board of Directors

Samad A. Habib
(Chairman)
Ahmed Reza
(CEO and Managing Director)
Abdul Majid M. Siddique
Syed Hasan Jafri
Muhammad Rafiq Jangda
Abdullah A. Rahman
Sajid Bhanji

Audit Committee

Abdul Majid M. Siddique
(Chairman)
Syed Hasan Jafri
Abdullah A. Rahman

Company Secretary

Haroon Usman

Chief Financial Officer

Muhammad Rafiq Jangda

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors

Bawaney & Partners

Bankers

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

Registered Office

60-64, Karachi Stock Exchange Building
Stock Exchange Road, Karachi - 74000
Phones: 2415213-15
Fax No: 2416072 - 2429653
E-mail : ahl@arifhabibltd.com

Research and Corporate Finance

Pardesi House, 2/1, R.Y. 16, Old Queens Road Karachi-74000
Phones: 2460717-19 Fax No: 2470496
E-mail: corporate_finance@arifhabibltd.com
E-mail: equities_research@arifhabibltd.com

Website: www.arifhabibltd.com

Registrar & Share Transfer Office

Shares Registrar Department
Central Depository Co; of Pakistan Ltd.
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shakra-e-Faisal
Karachi-74400
Phones: (92-21) 111-111-500 Ext: 3410
Fax: (92-21) 4326034

Directors' report to the members

On behalf of the Company's Board of Directors, I present the half-yearly report of Arif Habib Limited (AHL) for the period ended 31 December 2008, together with the financial statements for the period. These financial statements have been reviewed by AHL's external auditors.

It need hardly be emphasized that the market conditions during most of the half year under review were extraordinarily difficult. However, your Company braved the storm reasonably well by the Grace of Almighty Allah. The sections below elaborate on AHL's principal performance parameters.

Operating results

During the six months' period under review, AHL earned operating revenues of PKR 282.8 million. It posted capital loss of PKR 100.8 million and received PKR 318.3 million tendered capital gain from its holding company, M/s. Arif Habib Securities Limited. The net loss after tax for the period was recorded at PKR 59.0 million. This represents loss per share of PKR 1.97, on a fully diluted basis. The period-on-period decline in operating revenues was recorded at 16.8 percent. At the end of the half year under review, i.e. on 31 December 2008, the total equity of your Company stood at PKR 934.2 million.

The market

The KSE-100 index closed on 5,865.01 points on 31 December 2008. This represented a net depreciation of 52.01 percent in the index level during the six months' period under review. On 31 December 2008, the index had shed 62.59 percent of its value from its peak of 15,676.30 points on 18 April 2008. These numbers reflect the scale of erosion in values at the Exchange during the period.

The average daily volumes—the average number of shares traded per day — were down by 81.6 percent period-on-period—from 271.75 million per day in the period to 31 December 2007 to just 49.94 million per day in the period to 31 December 2008. This is reflective of the fact that the market was effectively "closed" for an extended period of time during the half-year.

Outlook

In the New Year 2009, the market appears to be consolidating after the shocks it suffered during the second half of calendar 2008 — with daily volumes exceeding 150 million shares on many days. Your company's performance depends to a large extent on the market opportunity in terms of traded volumes and asset values at the Exchange.

The Board expects these to be appreciably better than they were during the period under review, albeit significantly weaker than they were during the first half of calendar 2008.

Receivables

As can be expected under such adverse market conditions, many clients suffered losses and their inability to meet their obligations to AHL on time was exacerbated by the general liquidity situation during the period under review. Renewed efforts are under way to recover client dues; the result, especially in the New Year, is not discouraging. The Company has made general provisioning of PKR 300.0 million and expects to reverse part of this as and when recoveries materialize going forward.

Acknowledgements

The Board of Directors of Arif Habib Limited wishes to place on record its appreciation to its stakeholders for their support, faith and custom. The strong support of AHL's bankers — Al-Falah, Askari, MCB, Meezan and Habib Metropolitan — is specially acknowledged with gratitude. The hard work and the contribution of the Company's employees are also acknowledged and appreciated. The Board is grateful to the Securities & Exchange Commission of Pakistan and to the Karachi Stock Exchange (Guarantee) Limited for their very valuable guidance.

For and on behalf of the Board

Karachi
27 February 2009

Ahmed Reza, CFA
Chief Executive Officer

Independent Auditor's Report

On Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Arif Habib Limited as at December 31, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the three months period ended December 31, 2008 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Karachi
Dated: 27 February 2009



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Muhammad Rafiq Dosani

Condensed Interim Balance Sheet

As At 31 December 2008

	Note	Un-audited 31 December 2008	(Rupees) Audited 30 June 2008
EQUITY & LIABILITIES			
Shares Capital and Reserves			
Authorized capital			
50,000,000 Ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and Paid-up capital			
30,000,000 (30 June 2008 :24,000,000) Ordinary shares of Rs. 10/- each		300,000,000	240,000,000
Share premium reserve		120,000,000	180,000,000
Unappropriated profit		514,841,788	633,901,008
		934,841,788	1,053,901,008
Current liabilities			
Trade and other payables		901,417,323	327,873,795
Mark-up accrued on short term borrowings		77,805,270	21,718,668
Short term borrowings	5	1,273,684,550	168,894,551
Taxation		7,420,160	48,528,447
		2,260,327,304	567,015,461
		3,195,169,092	1,620,916,469

CHIEF EXECUTIVE

Condensed Interim Balance Sheet

As At 31 December 2008

			(Rupees)
	Note	Un-audited 31 December 2008	Audited 30 June 2008
ASSETS			
Non-current assets			
Property and equipments	7	47,351,977	11,761,526
Memberships and licences		57,150,000	57,150,000
Long term deposits		13,975,387	13,975,386
Current assets			
Trade debts	8	2,435,990,431	437,370,800
Loans and advances		4,831,075	41,109,912
Deposits and prepayments		751,555	133,324,620
Advance tax		16,065,745	55,859,788
Other receivables		12,262,083	18,483,829
Proceed receivable		220,467,112	-
Investment in CFS		752,631	11,873,267
Short term investments		223,525,105	169,127,651
Cash and bank balances		162,045,991	670,879,690
		3,076,691,728	1,538,029,557
		3,195,169,092	1,620,916,469

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

DIRECTOR

Condensed Interim Profit and Loss Account (un-audited)

For the Half Year ended 31 December 2008

	Note	Half Year Ended		Second Quarter Ended	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
		(Rupees)			
Operating revenues		282,808,508	339,936,243	171,130,239	188,444,988
(Loss) / gain on sale of securities - net		(100,785,292)	29,395,013	(173,841,198)	27,909,489
		182,023,216	369,331,256	(2,710,959)	216,354,477
Administrative and operating expenses		(46,040,788)	(72,500,840)	(12,264,624)	(41,146,475)
Provision for doubtful debts		(300,000,000)	-	(138,658,703)	-
Operating (loss) / Profit		(164,017,573)	296,830,415	(153,634,287)	175,208,001
Finance cost		(126,159,102)	(24,401,070)	(94,392,927)	(6,794,525)
Other income	9	336,327,226	6,171,350	329,059,479	1,258,023
Other charges		-	(48,595)	-	(19,260)
(Loss) on remeasurement of investments-net		(97,789,612)	(5,393,310)	(95,481,519)	(9,352,965)
		112,378,513	(23,671,625)	139,185,034	(14,908,727)
(Loss) / Profit before taxation		(51,639,060)	273,158,790	(14,449,253)	160,299,274
Provision for taxation - Current		(7,420,160)	(21,896,956)	(2,117,632)	(13,969,038)
(Loss) / Profit after taxation		(59,059,220)	251,261,834	(16,566,885)	146,330,236
(Loss) / Earnings per share - basic and diluted (2007:Restated)		(1.97)	8.49	(0.55)	5.01

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

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Cash Flow Statement (Unaudited)

For the Half Year ended 31 December 2008

				Note	31 December 2008	Rupees 31 December 2007
Cash flow from operating activities						
(Loss) / profit before taxation					(51,639,060)	273,158,790
Adjustment for:						
Depreciation					1,492,923	1,458,423
Dividend income					(26,857,488)	(5,071,000)
Loss on sale of asset					3,703	48,595
Financial charges					126,159,102	24,401,070
					<u>100,798,240</u>	<u>20,837,088</u>
Operating profit before working capital changes					49,159,180	293,995,878
Changes in working capital (Increase)/Decrease in current assets						
Trade debts					(1,998,619,631)	(439,066,242)
Loans & advances					36,278,837	18,732,152
Deposits and prepayments					132,573,065	(82,679,668)
Other receivables					6,683,445	(479,922)
Increase/(Decrease) in current liabilities						
Trade & Other payables					573,543,528	1,556,351,392
					<u>(1,249,540,756)</u>	<u>1,052,857,712</u>
Cash generated / (used) in operating activities					(1,200,381,576)	1,346,853,590
Income Tax paid					(8,734,404)	(24,502,263)
Financial Charges paid					(70,072,499)	(24,563,470)
Net cash (used) / generated in operating activities					<u>(1,279,188,479)</u>	<u>1,297,787,857</u>
Cash flow from investing activities						
Fixed capital expenditure					(38,409,551)	(5,099,776)
Proceed from sale of assets					1,322,474	1,059,620
Memberships & licenses					-	(15,550,000)
Dividend received					26,395,788	5,071,000
Issue of right shares					-	200,000,000
Long term loan from parent company					-	-
Long term deposit					-	-
Net cash (used) / generated in investing activities					<u>(10,691,289)</u>	<u>185,480,844</u>
Cash flow from financing activities						
Dividend paid					(60,000,000)	(200,000,000)
Net cash used in financing activities					<u>(60,000,000)</u>	<u>(200,000,000)</u>
(Decrease) / increase in cash and cash equivalents					<u>(1,349,879,768)</u>	<u>1,283,268,701</u>
Cash and cash equivalents at beginning of the period					<u>682,986,058</u>	<u>578,266,270</u>
Cash and cash equivalents at end of the period				11	<u>(666,893,710)</u>	<u>1,861,534,971</u>

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

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Statement of Changes in Equity (Unaudited)

For the Half Year ended 31 December 2008

	Share capital	Share Premium Reserve	Accumulated profit/ loss	(Rupees) Total
Balance as at 30 June 2007	200,000,000	-	397,459,366	597,459,366
Profit after taxation for the year ended 30 June 2008	-	-	456,441,642	456,441,642
Final cash dividend for the year ended 30 June 2007	-	-	(200,000,000)	(200,000,000)
Bonus shares issued for the year ended 30 June 2007	20,000,000	-	(20,000,000)	-
Right shares issued for the year ended 30 June 2007	20,000,000	180,000,000	-	200,000,000
Balance as at 30 June 2008	240,000,000	180,000,000	633,901,008	1,053,901,008
Profit after taxation for the six months period ended 31 December 2008	-	-	(59,059,220)	(59,059,220)
Final cash dividend for the year ended 30 June 2008	-	-	(60,000,000)	(60,000,000)
Bonus shares issued for the year ended 30 June 2008	60,000,000	(60,000,000)	-	-
Balance as at 31 December 2008	300,000,000	120,000,000	514,841,788	934,841,788

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Condensed Interim Financial Statements

For the Half Year ended 31 December 2007 (un-audited)

1 Status and Nature of Business

- 1.1 The Company was incorporated on 7 September 2004 under the Companies Ordinance, 1984, as an unquoted Public Limited Company. The company is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodities Exchange. It is registered with SECP as corporate securities brokerage house. The Company is majority owned subsidiary of Arif Habib Securities Limited (AHSL) and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, corporate finance advisory and securities research.
- 1.2 The company is listed at the Karachi Stock Exchange (Guarantee) Limited with effect from 31 January 2007. During financial year 2006-2007 the holding company Arif Habib Securities Limited offered 25% shares of the company for sale to the general public which were over subscribed. AHSL now holds 75% shares of the Company.

2 Basis of Preparation

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

This condensed interim financial information is unaudited and subject to limited scope review by the auditors, and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the published financial statements as at and for the year ended 30 June 2008.

3 Significant Accounting Policies

The accounting policies adopted by the Company in the preparation of these condensed interim financial statements are the same as those applied in preparation of the preceding published financial statements of the Company for the year ended 30 June 2008.

4 Accounting Estimates and Judgments

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published financial statements of the Company as at and for the year ended 30 June 2008.

5 Short Term Borrowings

Short term running finance facilities are available from various commercial banks under mark-up arrangements amounting to Rs. 1,750 million (June 2008: Rs. 4,250 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the bank. These facilities have various maturity dates upto 30 June 2009. These arrangements are secured against pledge of marketable securities and personal guarantees of sponsoring members. The rates of mark-up range from 1 Month KIBOR + 1% to 4% per annum (June 2008: one month KIBOR + 1% to 2.5% per annum) calculated on a daily product basis payable quarterly.

31 December 2008
Rupees

6 Contingency

Commitment to KSE Clearing House in respect of trading of securities — Receivable **1,619,779**

7 Property and Equipment

Fixed capital expenditure during the period amounting to Rs. 2.4 millions (30 June 2008: Rs. 6.5 millions). Deletion of fixed assets made during the period was amounting to Rs.1.6 millions (30 June 2008: Rs. 2.7 millions).

8 Trade Debts	Note	31 December 2008 (Unaudited)	31 December 2007 (Unaudited)
Rupees			
Considered good			
Secured		1,049,100,914	429,274,281
Unsecured		1,686,889,517	8,096,519
		2,735,990,431	437,370,800
Provision for doubtful debts	8.1	(300,000,000)	-
		2,435,990,431	437,370,800

8.1 The Company has made a general provision against trade debtors that are overdue as a result of the effect of plunge in equity markets caused by the "Floor Mechanism" placed by the Karachi Stock Exchange on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism" the individual security price of equity securities could vary within normal circuit breaker limit but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE the market volume declined significantly during the period from 28 August to 15 December 2008. Subsequent to removal of floor mechanism, market activity has picked up and management believes that trade debts and interest charged on these balances will be recovered in due course.

9 Other Income

Profit on exposure deposit with KSE		1,466,069	2,248,683
Profit on PLS accounts		10,229,054	-
Capital gain tendered by holding company under Section 224	9.1	318,290,000	-
Others		6,342,103	3,922,667
		336,327,226	6,171,350

9.1 This represents capital gain tendered by the Arif Habib Securities Limited (AHSL) to the company earned by AHSL during the half year ended 31 December 2008, on account of sale and purchase of 11,260,000 shares of the company within a period of less than six months, in compliance with the provisions of Section 224 of the Companies Ordinance, 1984.

		31 December 2008	
		Rupees	
10	Related Party Transactions		
	Maximum balance due from/(to) at the end of any month		
	-- Mutual funds - managed by Arif Habib Investment Management Limited		168,683
	-- Arif Habib Bank Limited		269,385
	-- Arif Habib Securities Limited		13,815,321
	-- Mr. Arif Habib (Chairman of AHSL)		(286,518,338)
	-- Mr. Ahmed Reza (Chief Executive)		536,451
	-- Mr. Samad A. Habib (Chairman of AHL)		(192,128,330)
		Note	
		31 December 2008 (Unaudited)	31 December 2007 (Unaudited)
11	Cash and Cash Equivalents		Rupees
	Investment in marketable securities	223,525,105	104,127,641
	Proceed receivable	220,467,112	1,908,410,213
	Investment in CFS	752,631	-
	Cash and bank balance	162,045,991	637,593,910
	Less : Running finance	(1,273,684,550)	(788,596,794)
		<u>(666,893,711)</u>	<u>1,861,534,971</u>

12 Date of Authorization for Issue

These financial statements have been authorized for issue on 27 February 2008 by the Board of Directors of the company.

13 General

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR