



**Half Yearly Report**  
**July - December 2010**

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**Board of Directors**

Bilal Amanullah Moti (Chief Executive)  
Abdul Majid M. Siddique  
Haroon Usman  
Abdullah A. Rahman  
Sajid Qurban Ali  
Sharmin Shahid  
Nida Ahsan

**Audit Committee**

Abdul Majid M. Siddique (Chairman)  
Sajid Qurban Ali  
Sharmin Shahid  
Nida Ahsan

**Company Secretary & CFO**

Zia-ur-Rahim Khan

**Auditors**

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

**Legal Advisors**

Bawaney & Partners

**Bankers**

Allied Bank Ltd.  
Askari Bank Ltd.  
Atlas Bank Ltd.  
Bank Al Falah Ltd.  
Bank Al Habib Ltd.  
The Bank of Khyber  
BankIslami Pakistan 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.  
Summit Bank Ltd.  
The Bank of Punjab  
United Bank Ltd.

**Registered Office**

Arif Habib Centre  
23, M.T. Khan Road Karachi-74000  
Phones: 32415213-15, 32460717-19  
Fax No: 32416072 - 32429653  
E-mail : ahl@arifhabibltd.com

**Website: [www.arifhabibltd.com](http://www.arifhabibltd.com)****Registrar & Share Transfer Office**

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



**Dear Shareholders,**

On behalf of the Board of Directors of Arif Habib Limited, I am delighted to present the company's performance report for the 1HY2011 as well as the reviewed financial statements for the period ended December 31, 2010.

**Economy**

During the 2Q2011 we saw that the overall economy was able to make decent recovery. The foreign reserves crossing almost USD17bn gave much needed stability to PKR, which stood firmly around 85.64 on average against USD. Simultaneously the export grew by 19.5% to USD11.1bn outpacing the imports growth of 10.5% to USD16.8bn for the period under review. This brought the overall trade deficit to USD5.65bn in the 1HY2011, which along with the workers remittances growth of 16.8% helped narrow down the overall current account deficit to USD19m.

These silver linings were overshadowed by widening fiscal deficit, which as of 1HY2011 widened to 3.0% of the total GDP. The inflation during 1HY2011 stood at average 14.32% level (driven mainly by high government borrowing and rising international food and oil prices). This is higher than the previous year average of 11.17%; expectations are still on the higher end for 2HY2011. The State Bank of Pakistan (SBP) envisages an inflation rate of 15-16% for FY2011. In response to this, SBP has raised the discount rate upwards thrice in 1HY2011 by 50 bps each to arrive at 14% to date.

On the fiscal front, Pakistan's lower tax base will remain a major impediment. We expect that the Government of Pakistan will prioritize broadening its tax base through implementation of the Reformed GST and other measures. Given the aforementioned scenario, GDP for FY11 is likely to be constrained at 2.5-3.0%.

**Market**

On the other hand, KSE100 index showed a stellar performance by depicting a growth of 24% during the 6-month period under review and closing the period at 12,022 levels. We believe that the positive corporate results, rise in commodity prices, reduction of turnover tax on oil and gas companies from 1% to 0.5%, Margin Trading System (MTS) expectations and increase in the banking spreads have led this index increase. Major stock market indicators depicted a declining trend during the period as average trading volumes contracted by 47% from 171.8m in (Jul - Dec 2009) to 91.8m in (Jul - Dec 2010). Net foreign portfolio investments (FPI) stood at USD 250m during the period under review compared to USD 290m in the corresponding period last year. During this period market witnessed implementation of the Capital Gain Tax (CGT), which has also partly created uncertainties for investment.

The rules for MTS have been issued by the SECP on February 19, 2011 after receiving approval from the Ministry of Law. The product is expected to be introduced in March 2011, which will significantly help in increasing liquidity in the market. However, growing political uncertainties, economic commotion due to rising oil prices and IMF's decision to defer release of last two tranches could pose some challenges to the market.

We believe that the implementation of MTS would play a pivotal role in driving the market upwards and vibrant, which at current PE level of 7.9x and dividend yield of 6.1% offers a significant discount compared to the regional market. In addition, resultantly, the corporate finance activity is also expected to gather pace in the coming quarters, improving profitability of your company.

**Financial Performance**

During the six months under review, Arif Habib Ltd. posted the net profit of Rs. 27m compared to the net profit of Rs. 195m in the corresponding period last year. The lower revenues compared to the corresponding period were driven by the substantially lower daily shares volume and value turnover of the market as highlighted above.

Our administrative and operating expenses of Rs. 54m were in line with corresponding period's Rs. 46m, reflecting addition of employees and inflation inclusion largely. Our finance costs have been managed significantly lower, down from Rs. 55m to Rs. 31m, on account of limited opportunity seen during the period on the investment side compared to the financing costs. The profits translate to an EPS of Rs. 0.61 compared to the EPS of Rs. 4.34 in the corresponding period.

The Company has changed its accounting policy for recognition and subsequent re-measurement of investment property from cost model to fair value model, which resulted in the net impact of Rs. 10mln on Income Statement and net impact of Rs. 39mln on the previous year equity.

Despite current market related challenges, our company is growingly profitable and is progressively working on widening its client base, developing new products and enhancing the customer service and efficiency levels.

Thanks to the great support by our clients, Arif Habib Ltd. has succeeded in enhancing its average trading and corporate finance related market shares. This is likely to have a positive impact on the profitability of the company in the future.

#### **Acknowledgement**

The Board of Directors wished to appreciate company's valued shareholders, customers and the business partners for their support. The dedicated contribution put in by the company employees is also appreciated and acknowledged. Last but of equally high importance, the Board is grateful to SECP and Karachi Stock Exchange (Guarantee) Limited for their continued support and guidance.

Karachi  
24 February 2011

For the behalf of the Board



**Bilal Amanullah Moti**  
Chief Executive Officer



## Introduction

We have reviewed the accompanying condensed interim balance sheet of Arif Habib Limited as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2009 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

## Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 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 condensed interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

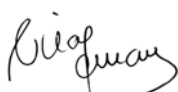
Karachi  
Dated: February 24, 2011



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

		Un-audited December 31, 2010	Audited June 30, 2010 Restated (note 12)	Audited June 30, 2009 Restated (note 12)
				(Rupees)
<b>ASSETS</b>				
<b>Non - current assets</b>				
Property, plant and equipment	5	90,980,235	98,648,454	108,676,356
Intangible assets		69,328,035	69,065,391	46,650,000
Investment property	6	126,000,000	100,700,000	102,400,000
Long-term deposits		14,126,904	14,126,904	13,978,704
		<b>300,435,174</b>	<b>282,540,749</b>	<b>271,705,060</b>
<b>Current assets</b>				
Investments at fair value through profit and loss		252,537,099	26,134,090	1,019,861,510
Trade debts		1,594,398,253	1,435,861,883	1,542,238,678
Proceed receivable		-	257,143,854	-
Short term loans		466,575	705,793	1,221,830
Trade deposits and prepayments		1,681,159	6,085,539	1,244,644
Other receivables		13,459,799	18,028,707	9,710,438
Taxes recoverable		4,983,056	4,191,157	7,230,468
Cash & bank balances		58,420,552	77,954,222	16,367,804
		<b>1,925,946,493</b>	<b>1,826,105,245</b>	<b>2,597,875,372</b>
<b>Total assets</b>		<b>2,226,381,667</b>	<b>2,108,645,994</b>	<b>2,869,580,432</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
<b>Authorized capital</b>				
50,000,000 (June 30, 2010: 50,000,000) ordinary shares of Rs.10/- each		500,000,000	500,000,000	500,000,000
Issued, subscribed & paid-up capital 45,000,000 (June 30, 2010: 37,500,000)		450,000,000	375,000,000	300,000,000
Share premium		-	45,000,000	120,000,000
Unappropriated profits		868,257,577	871,029,303	768,546,678
		<b>1,318,257,577</b>	<b>1,291,029,303</b>	<b>1,188,546,678</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITY</b>				
Liabilities against assets subject to finance lease		3,910,137	4,385,569	-
<b>Current liabilities</b>				
Short term borrowings	8	633,077,529	583,157,891	1,115,319,134
Current portion of lease liability		850,115	774,210	-
Trade and other payables		252,606,158	200,901,902	471,254,175
Markup accrued		17,680,151	28,397,119	94,460,445
		<b>904,213,953</b>	<b>813,231,122</b>	<b>1,681,033,754</b>
<b>Total equity and liabilities</b>		<b>2,226,381,667</b>	<b>2,108,645,994</b>	<b>2,869,580,432</b>
<b>Contingencies and commitments</b>	9			

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

		Half year ended		Second Quarter ended	
		31 December 2010	31 December 2009 Restated	31 December 2010	31 December 2009 Restated
		(Rupees)			
Note					
	Operating revenue	42,619,311	66,348,346	22,893,502	32,008,164
	Capital (loss)/gain on sale of short term investments	(3,009,789)	122,653,590	(1,751,498)	97,136,323
	Unrealized gain/ (loss) on re-measurement of investment property	10,316,000	(400,000)	10,316,000	(400,000)
6					
	Unrealized gain/(loss) on re-measurement of short term investments	8,020,629	(74,970,990)	8,461,905	(148,417,873)
		<b>57,946,151</b>	<b>113,630,946</b>	<b>39,919,909</b>	<b>(19,673,386)</b>
	Administrative and operating expenses	(54,104,825)	(46,452,072)	(28,415,964)	(23,885,124)
	Finance costs	(30,576,385)	(54,592,799)	(18,388,505)	(12,211,095)
	Other operating income	58,245,107	120,072,646	15,064,086	63,572,653
10					
	Write back of accrued finance costs	-	67,704,837	-	67,704,837
	<b>Profit before taxation</b>	<b>31,510,048</b>	<b>200,363,558</b>	<b>8,179,526</b>	<b>75,507,885</b>
	Taxation	(4,281,774)	(5,091,290)	(3,091,822)	(2,579,013)
	<b>Profit after taxation</b>	<b>27,228,274</b>	<b>195,272,268</b>	<b>5,087,704</b>	<b>72,928,872</b>
	<b>Earning per share - basic and diluted (2009: Restated)</b>	<b>0.61</b>	<b>4.34</b>	<b>0.11</b>	<b>1.62</b>

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

  
CHIEF EXECUTIVE

  
DIRECTOR



	Half year ended		Second Quarter ended	
	31 December 2010	31 December 2009 Restated	31 December 2010	31 December 2009 Restated
	(Rupees)			
Profit for the period	<b>27,228,274</b>	195,272,268	<b>5,087,704</b>	72,928,872
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<b>27,228,274</b>	195,272,268	<b>5,087,704</b>	72,928,872

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

	Issued, subscribed and paid-up capital	Share Premium	Revenue Reserve (Unappropriated Profit)	(Rupees) Total
<b>Balance as at July 1, 2009, as previously reported</b>	<b>300,000,000</b>	<b>120,000,000</b>	<b>726,941,678</b>	<b>1,146,941,678</b>
Effect of change in accounting policy of prior years (note 12)	-	-	41,605,000	41,605,000
<b>Balance as at July 1, 2009, as restated</b>	<b>300,000,000</b>	<b>120,000,000</b>	<b>768,546,678</b>	<b>1,188,546,678</b>
Issue of bonus shares	75,000,000	(75,000,000)	-	-
Issue of dividend @Rs. 1.5 per share	-	-	(45,000,000)	(45,000,000)
Total comprehensive income for the half year ended December 31, 2009, as previously reported	-	-	195,672,268	195,672,268
Effect of change in accounting policy (note 12)	-	-	(400,000)	(400,000)
Total comprehensive income for the half year ended December 31, 2009, as restated	-	-	195,272,268	195,272,268
<b>Balance as at December 31, 2009, as restated</b>	<b>375,000,000</b>	<b>45,000,000</b>	<b>918,818,946</b>	<b>1,338,818,946</b>
Balance as at December 31, 2009, as previously reported	375,000,000	45,000,000	877,613,946	1,297,613,946
Cumulative effect of change in accounting policy	-	-	41,205,000	41,205,000
Balance as at December 31, 2009, as restated	375,000,000	45,000,000	918,818,946	1,338,818,946
Total comprehensive income for the half year ended June 30, 2010, as previously reported	-	-	(45,389,643)	(45,389,643)
Effect of change in accounting policy (note 12)	-	-	(2,400,000)	(2,400,000)
Total comprehensive income for the half year ended June 30, 2010, as restated	-	-	(47,789,643)	(47,789,643)
<b>Balance as at June 30, 2010, as restated</b>	<b>375,000,000</b>	<b>45,000,000</b>	<b>871,029,303</b>	<b>1,291,029,303</b>
Balance as at July 1, 2010, as previously reported	375,000,000	45,000,000	832,224,303	1,252,224,303
Cumulative effect of change in accounting policy (note 12)	-	-	38,805,000	38,805,000
Balance as at June 30, 2010, as restated	375,000,000	45,000,000	871,029,303	1,291,029,303
Issue of bonus shares	75,000,000	(45,000,000)	(30,000,000)	-
Total comprehensive income for the half year ended December 31, 2010	-	-	27,228,274	27,228,274
<b>Balance as at December 31, 2010</b>	<b>450,000,000</b>	<b>-</b>	<b>868,257,577</b>	<b>1,318,257,577</b>

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

		(Rupees)	
		For the half year ended	
	Note	December 31, 2010	December 31, 2009 Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		31,510,048	200,363,558
Adjustment for :			
Depreciation		7,455,624	8,399,817
Amortization of intangible assets		100,056	-
Dividend income		(3,363,980)	(12,245,984)
Unrealized (gain)/ loss on re-measurement of short term investments		(8,020,629)	74,970,990
Loss / (Gain) on sale of short term investments		3,009,789	(122,653,590)
Unrealized (gain)/ loss on re-measurement of investment property	6	(10,316,000)	400,000
Write back of accrued finance costs		-	(67,704,837)
Finance costs		30,576,385	54,592,799
		<u>19,441,245</u>	<u>(64,240,805)</u>
Cash generated from operating activities before working capital changes		50,951,293	136,122,753
Changes in working capital (Increase)/Decrease in current assets			
Trade debts		(173,520,370)	(67,947,992)
Short term investments		(221,392,169)	536,416,436
short term loans		239,218	330,168
Proceed receivables		257,143,854	-
Deposits and short-term prepayments		4,404,380	144,644
Other receivables		4,568,908	(87,190)
Increase in current liabilities			
Trade and other payables		51,704,256	247,825,581
		<u>(76,851,923)</u>	<u>716,681,647</u>
Cash generated from operations		(25,900,630)	852,804,400
Taxes paid		(5,073,673)	(5,587,132)
Finance costs paid		(41,087,342)	(79,900,996)
<b>Net cash (used in) / generated from operating activities</b>		<u>(72,061,645)</u>	<u>767,316,272</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(628,970)	(787,955)
Proceeds from disposal of property, plant and equipment		841,565	267,886
Acquisition of intangible assets		(362,700)	(21,710,000)
Expenditure incurred on investment property		-	(100,000)
Long term debt		-	(84,616,000)
Long term deposits refunded		-	445,800
Dividend received		3,363,980	12,245,984
<b>Net cash generated from / (used in) investing activities</b>		<u>3,213,875</u>	<u>(94,254,285)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease liability		(605,538)	-
Dividend paid		-	(45,000,000)
<b>Net cash used in financing activities</b>		<u>(605,538)</u>	<u>(45,000,000)</u>
<b>Net (Decrease) / increase in cash and cash equivalents during the period</b>		<u>(69,453,308)</u>	<u>628,061,988</u>
Cash and cash equivalents at beginning of the period		(505,203,669)	(1,098,951,330)
Cash and cash equivalents at end of the period	13	<u>(574,656,977)</u>	<u>(470,889,342)</u>

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.



**CHIEF EXECUTIVE**



**DIRECTOR**

## 1 STATUS AND NATURE OF BUSINESS

Arif Habib Limited (the Company) is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984. The shares of the Company are quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company was initially incorporated as an unquoted public limited company wholly owned by Arif Habib Corporation Limited (formally Arif Habib Securities Limited) the Parent Company. Subsequently, the Parent Company offered its 25% share holding in the Company to general public. The Company obtained listing on Karachi Stock Exchange (Guarantee) Limited on January 31, 2007.

The Company is a corporate member of Karachi, Lahore and Islamabad Stock Exchanges and National Commodity Exchange Limited. The principal activities of the Company are share brokerage, commodity brokerage, Initial Public Offer (IPO) underwriting, advisory, consultancy services and investment in listed equity securities.

## 2 BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited. The interim financial information have been prepared in accordance with requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan. The interim financial information do not include all the information and disclosures required in the annual financial information, and should be read in connection with the Company's annual financial statements for the year ended Jun 30, 2010.

The comparative balance sheets, presented in this condense interim financial report, as at June 30, 2009 and 2010 have been extracted from the annual audited financial statements of the Company for the years ended June 30, 2009 and 2010 wherein certain balances have been restated to account for the effects of the change in accounting policy as disclosed in note 6 and 12. The comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the half year ended December 31,2010 were subjected to a review but not audited. The comparative condensed profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31,2010 included in this condensed interim financial report was not subjected to a review.

## 3 SIGNIFICANT ACCOUNTING POLICIES

These interim financial information have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended June 30, 2010, except for the changes described in note 3.1 and 6.

### 3.1 Adoption of new accounting standards

The company has adopted the following amended IFRS and related interpretations which became effective during the period:

IAS 32 - Financial Instruments: Presentation - Classification of Rights issue (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity instruments

In April 2009, International Accounting Standards Board issued amendment to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are made in the following standards:

IFRS 5 - Non-current Assets Held for sale and discontinued operations

IFRS 8 - Operating segments

IAS 1 - Presentation of financial information  
IAS 7 - information of Cash Flows  
IAS 17 - Leases  
IAS 36 - Impairment of Assets  
IAS 39 - Financial Instruments: Recognition and measurement

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the condensed interim financial information of the company.

#### 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial information in conformity with approved accounting standards require 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 the 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 annual financial information of the Company as at and for the year ended June 30, 2010.

#### 5 ADDITIONS TO AND DELETIONS FROM PROPERTY, PLANT AND EQUIPMENT

During the half year ended December 31, 2010, additions to property, plant and equipment amounted to Rs. 0.628 million (December 31, 2009: Rs. 0.787 million) which mainly comprised computers and allied accessories. Further, assets costing Rs. 1.672 million (December 31, 2009: Rs. 0.858 million) having book value of Rs. 0.841 million were sold for Rs. 0.841 million (December 31, 2009: Rs. 0.267 million).

#### 6 INVESTMENT PROPERTY

Investment property comprises of freehold land and leasehold properties that are held to earn rental or for capital appreciation or both.

The Company with effect from September 1, 2010, changed its accounting policy for recognition and subsequent remeasurement of investment property from cost model to fair value model for the reason of more appropriate presentation as permitted by the International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors' and IAS 40 'Investment Property'. The change in accounting policy has been accounted for in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and effects thereof disclosed in note 12 to this condensed interim financial information.

Under the new policy, investment properties are initially recognized at cost, being the fair value of the consideration given, and subsequently remeasured at their fair values. The fair value is to be determined with sufficient regularity to ensure that the carrying values do not differ materially with the fair values of the items of investment property.

Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is recognized through profit and loss account.

Investment properties are derecognized when either they have been disposed off or when no future economic benefit is expected from its use. Any gains and losses on the disposal of an investment property are recognized in the profit and loss account in the year of retirement or disposal.

The effects of the change in accounting policy on the current and prior periods/years are as follows:

	December 31, 2010	June 30, 2010	December 31, 2009	June 30, 2009
	Rupees			
Acquisition cost - opening balance	61,895,000	60,795,000	60,795,000	-
Acquisition during the year		-	-	52,000,000
Transferred during the year	-	1,000,000	-	8,400,000
Expenditure incurred on acquisition and transferred of investment property	14,984,000	100,000	-	395,000
	14,984,000	1,100,000	-	8,795,000
Acquisition cost - closing balance	76,879,000	61,895,000	60,795,000	60,795,000
Effect of changes in accounting policy of prior years	-	-	-	41,605,000
Carrying value	115,684,000	103,100,000	102,400,000	102,400,000
Increase / (Decrease) in fair value	10,316,000	(2,400,000)	(400,000)	-
	126,000,000	100,700,000	102,000,000	102,400,000

The related effect on the performance results of the Company are disclosed in note 12 to this condensed interim financial information.

## 7 ISSUANCE OF BONUS SHARES

The company issued 7,500,000 ordinary shares of Rs. 10 each as bonus shares at par to the members existing on October 26, 2010 in the ratio of one ordinary shares for every five ordinary shares held by the members as at such date. These bonus shares shall rank pari passu with the existing shares in all respects.

## 8 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 30, 2010: Rs. 2,050 million) which represent the aggregate of sale prices of all mark-up agreements between the Company and the bank. these facilities have various maturity dates upto November 2011. These arrangements are secured against pledge of marketable securities and personal guarantees of sponsoring members. the rate of mark-up range from 3 months KIBOR + 1% to 2.5% per annum (June 30, 2010: 3 months KIBOR + 1% to 2.5% per annum) calculated on daily product basis payable quarterly.

## 9 CONTINGENCIES AND COMMITMENTS

There are no contingent liabilities as at December 31, 2010 (June 30, 2010 nil). Commitments to Karachi stock exchange to pay against purchase on behalf of the clients of amounted to Rs. 229.333 million as at December 31, 2010 (June 30, 2010: Rs. 388.174 million) and commitments to deliver shares against sales on behalf of clients amounted to Rs. 208.037 million as at December 31, 2010 (June 30, 2010 nil).

## 10 OTHER OPERATING INCOME

Included therein is an amount of Rs. 50.385 million representing late payment charges for the period 1st July 2009 to-date on delayed settlement of balances outstanding from certain debtors, which were recovered and recognized as income during the current period.

**11 RELATED PARTY TRANSACTIONS**

**Significant transactions with the related parties during the half year ended are as follows:**

Brokerage commission and other services to:

	(Rupees)	
	Half year ended	
Note	December 31, 2010	December 31, 2009
Parent	7,698,839	11,679,260
Group companies	2,579,803	2,402,559
Key management personnel	9,167	1,928,719
Other related parties	5,935,592	4,652,697
Rent paid to associated company	11,044,081	10,449,120
Rent income from related party	-	4,719,000
Remuneration to Chief Executive Officer	3,839,751	2,221,950
Remuneration to key management personnel	7,504,663	1,873,561
Contribution to staff provident fund	1,027,899	931,102

**Balances with related parties at the end of the period are as follows:**

	(Rupees)	
	December 31, 2010	June 30, 2010
Note		
Advances to / receivable from related parties:		
Parent	31,852,436	-
Group companies	303,643	-
Key management personnel	-	316,635
Other related parties	50,429,240	13,703,493
Investment in related parties	143,658,272	254,661,229
Payable to related parties:		
Parent	-	28,736,808
Group companies	406,772	-
Key management personnel	2,648,522	2,520,564
Other related parties	111,224,593	501,337,541

## 12 EFFECTS OF CHANGE IN ACCOUNTING POLICY

12.1 The retrospective effect of the change in accounting policy as disclosed in note 6 on the profit and loss account figures of the prior year/ period is tabulated below:

	Audited Year ended June 30, 2010	(Rupees) Unaudited Year ended December 31, 2009
Decrease in profit after tax	<b>2,400,000</b>	400,000
Decrease in diluted and basic earnings per share	<b>0.37</b>	0.05

12.2 The retrospective effect of the change in accounting policy as disclosed in note 6, on relevant head of accounts reported on the balance sheets of prior years is tabulated below:

	Audited June 30, 2010	(Rupees) Audited June 30, 2009
Effect on investment property	<b>38,805,000</b>	41,605,000
Effect on unappropriated profits	<b>38,805,000</b>	41,605,000

## 13 CASH AND CASH EQUIVALENTS

For the purposes of cash flow statement, cash and cash equivalents include cash on hand and in banks and investments having maturity of less than 3 months and insignificant risk of changes in value till maturity, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the condensed interim cash flow statement are reconciled to the related items as follows:

	December 31, 2010	(Rupees) December 31, 2009
Cash & bank balances	<b>58,420,552</b>	18,666,919
Short term borrowings	<b>(633,077,529)</b>	(489,556,261)
	<b>(574,656,977)</b>	(470,889,342)




**14 DATE OF AUTHORIZATION FOR ISSUE**

The condensed interim financial information have been authorized for issue on February 24, 2011 by the Board of Directors of the company.

**15 GENERAL**

Figures have been rounded off to the nearest rupee.



**CHIEF EXECUTIVE**



**DIRECTOR**





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