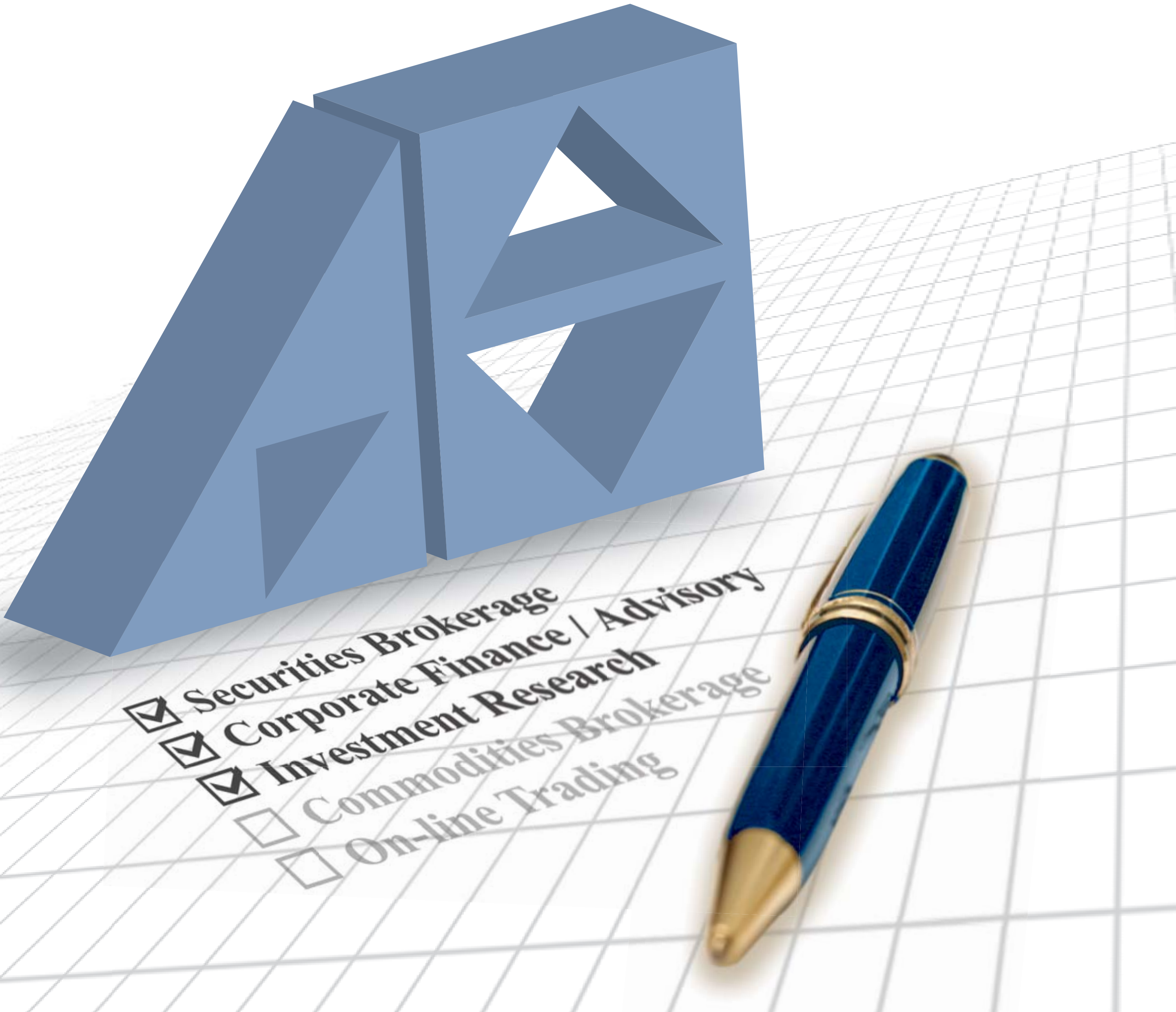

Annual Report 2009

ARIF HABIB
LIMITED

CONTENTS

Corporate Information

Board of Directors
Samad A. Habib
(Chairman)
Ahmed Reza
(CEO and Managing Director)
Abdul Majid M. Siddique
Abdullah A. Rahman
Sajid Qurban Ali
Sharmin Shahid
Nida Ahsan

Audit Committee
Abdul Majid M. Siddique
(Chairman)
Abdullah A. Rahman
Sajid Qurban Ali

Company Secretary & CFO
Haroon Usman

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
Arif Habib Centre, 23-M.T. Khan Road Karachi
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 Shahra-e-Faisal
Karachi-74400
Phones: (92-21) 111-111-500 Ext: 3410
Fax: (92-21) 4326034

VISION

To be the leading full-service securities brokerage and corporate finance company in Pakistan known for its unmatched client service capacity, voluntary adherence to the highest ethical standards and insistence on global best practices at all times.

MISSION

To provide the fullest range of first-rate, value-additive, brokerage, investment advisory and corporate finance services to clients, fair treatment to all stakeholders, superior returns to the shareholders, and to make a meaningful contribution to the development and growth of the capital markets in particular and the country's economy in general.

Introduction to the Corporate Strategy Document

Arif Habib Limited's (AHL) corporate strategy shall always be driven by the tenets recorded in its Vision and Mission Statements. Indeed, the Board of Directors, the management and the staff of AHL all agree that for a corporate business strategy to succeed in the long run—and by implication command ownership by all stakeholders—it must be consistent with the objectives of the company. Cohesion, then, must exist between the corporate goals and the business strategy at all times. With the foregoing in mind, AHL has identified the following principal cornerstones for its strategy:

- Prudent investment in service capacity, keeping in mind the ever-changing market dynamics, client needs and the opportunity-set.

- Client-first approach: all clients must get value for their money; without exception, they must receive the fastest and the best service.

- Set the standards: voluntarily set, and adhere to, the highest standards of professional conduct; this will also assure peace of mind and fair treatment for all stakeholders.

- Value-approach: efficiencies, appropriate risk management measures and pricing strategies should enable profitable operations and good shareholder returns in all market scenarios.

- The big picture: the company's social responsibility, and its intended role in the growth and development of the capital markets, must always be kept in mind in choosing the projects and businesses offered by the market opportunity-set; considered advocacy at the appropriate forums may also be taken up as a contributory tool.

ARIF HABIB LIMITED

Notice of Fifth Annual General Meeting

Notice is hereby given that the Fifth Annual General Meeting of Arif Habib Limited will be held on Saturday 5 September 2009 at 10:30 a.m. at Beach Luxury Hotel, M. T. Khan Road Karachi to transact the following business:

Ordinary Business

1) To confirm minutes of the Extra-ordinary General Meeting held on 3 April 2009.

2) To receive, consider and adopt audited accounts of the company together with the directors' and auditors' report thereon for the year ended 30 June 2009.

3) To declare final cash dividend @ 15% i.e. Rs. 1.50/- per share for the year ended 30 June 2009, as recommended by the directors.

4) To consider and approve bonus issue at the rate of 25% i.e. one share for every four shares held, as recommended by the directors.

5) To appoint auditors of the company and fix their remuneration for the financial year 2009-10. The directors have recommended to appoint M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants who being eligible offer themselves for re-appointment.

Special Business

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

Resolved that:

"A sum of Rs. 75,000,000/- out of company's share premium reserve be capitalized for issuing 7,500,000 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 28 August 2009, in the proportion of one share for every four shares held i.e. 25%. 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:

"Fractional shares to be allocated as a result of distribution of bonus shares be consolidated with the company secretary for sale in the open market in due course and the proceed be donated to any recognized charitable trust".

7) To approve the following resolution as a special resolution:

Resolved that:

"The amount reimbursed and capitalized on account of Company's share of expenses incurred by M/s. Rotocast Engineering (Pvt.) Limited for leasehold improvement of the property rented out to the Company, is hereby approved".

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

By order of the Board

Haroon Usman
Company Secretary

Karachi
Dated : 29 July 2009

Notes:

1. Share transfer books of the company will remain closed from 29 August 2009 to 5 September 2009 (both days inclusive). Transfers received in order at the office of our registrar: The Shares Registrar Department, Central Depository Company of Pakistan Limited CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal Karachi-74400; by the close of business on 28 August 2008 will be treated in time.

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 26 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, CNIC 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.

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 being given below:

Issue of Bonus Shares

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 auditors have certified that the free reserves and surpluses including the share premium reserve retained after the issue of bonus shares will not be less than twenty five percent of the increased capital.

Leasehold improvement

An amount of Rs. 101,622,500/- which has been capitalized was paid to M/s. Rotocast Engineering (Pvt.) Limited being the reimbursement of the proportionate share of expenses incurred for improvement of leasehold based on the area occupied by / rented out to the Company.

Although the directors were competent enough and authorized to approve the matter it was decided in the meeting of the Board that for the sake of transparency and good governance post-facto approval be sought from the shareholders.

Top Companies Award

Chairman of the Company Mr. Samad A. Habib receiving
Top Companies Award for 2007 from Mr. Shaukat Tareen,
Advisor to Prime Minister for Finance, Revenue,
Economic Affairs and Statistics

Directors' Report to the Members

On behalf of the Company's Board of Directors, I present the Annual Report of Arif Habib Limited (AHL) for the financial year (FY) ended 30 June 2009, together with the audited financial statements for the FY.

FY2009 was a challenging year for many businesses; it was particularly so for brokerage houses at the Karachi Stock Exchange (KSE) on account of a number of glum factors-discussed later in the report. By the Grace of God, AHL was able to manage the situation reasonably well, especially considering the steep decline in traded volumes and asset values at the exchange, and given that client recoveries posted a significant challenge in the aftermath of the severe market dislocation witnessed during much of the second half of calendar 2008.

The principal features of the Company's performance during the FY are discussed in the following sections:

Financial results

During FY2009, AHL posted total revenues of PKR 580.6 million and earned net profit after tax of PKR 153.0 million. Revenues and net earnings thus declined by 24.0 percent and 66.5 percent respectively, year-on-year (YOY). Diluted earnings per share (EPS) of 5.10-compared to a sturdy PKR 15.29 for FY2008-indicate the extent to which revenues and margins were adversely affected compared to last year.

On 30 June 2009, i.e. at the end of FY2009, the paid-in capital of your Company stood at PKR 300.0 million and its shareholders' equity at PKR 1,146.9 million. This represents a YOY increase of just 8.8 percent in total equity-PKR 153.0 million of net profit earned and PKR 60.0 million of cash dividend paid being the only two adjustment factors during the year.

As you would note from the attached statements, financial charges for the year under review increased 71.1 percent compared to FY2008. This was on account of both higher utilization of running finance facilities and elevated average rates of mark-up charged by banks. While the latter was a systemic general factor, the former was necessitated to a large extent by a need on the part of the Company to make good financial obligations to the clearinghouse of those clients who, having taken positions in the market, were unable to settle their dues in time on account of the market dislocation.

Mindful of the market situation, your Company had made a general provisioning against doubtful debts of PKR 300 million in December 2008. This was based on an estimate of the probability of recovery of customer dues that were not settled on time. For FY2009, the sum of PKR 289.0 million has been written off against client receivables whose probability of recovery is considered insufficient given an estimate of these clients' ability to settle their dues. One key factor which enabled the Company to do so was the windfall gain of over PKR 319 million received from its holding company, M/s. Arif Habib Securities Limited (AHSL). During the FY under review, AHSL had tendered this gain to AHL in line with the provisions of Section 224 of the Companies Ordinance, 1984. The capital gain tendered by AHSL resulted in AHL posting a net capital gain of PKR 246.4 million for the FY.

Appropriations

Based on the financial results of your Company for FY2009, the Board proposes the following appropriations:

Recommendation	Rate/basis	Impact
Cash dividend	15%, or PKR 1.50 per share	Shareholders would receive total cash of PKR 45 million by way of dividend.
Bonus issue- Out of share premium reserve	25%, or one new share for every four existing shares	The Company's paid-in capital would increase by PKR 75 million to PKR 375 million (37.5 million ordinary shares with a face value of PKR 10 each).
Addition to the reserves	Net earnings for the year minus the dividend recommended	PKR 153,040,670-45,000,000 = PKR 108,040,670 would be the net addition to reserves.

The market

The stock market probably witnessed more unforeseen events during the year under review than it ever has in its history: starting the FY at 12,289 points, the benchmark KSE-100 index recorded a low of 4,815 on 26 January 2009, indicating a decline of over 60.8 percent from the starting point. Effective "closure" of the market for well over three months between August and December 2008 caused loss of investor confidence on account of their inability to exit positions. This, coupled with other negative factors, triggered an unprecedented decline in asset values at the exchange. The situation in terms of its affect on asset valuation was both elicited and exacerbated by the high interest rates, a tight monetary policy and the spill-over effect of the "global meltdown".

Another principal component of the opportunity-set for the brokerage service providers is represented by the average daily volumes (ADV)-the average number of shares traded per day. ADV at the KSE posted a massive YOY decline of 55.1 percent for FY2008: compared to 256.3 million shares per day in FY2008, the ADV during FY2009 was a mere 115.0 million shares. For the FY, the overall price decline in the KSE-100 index was recorded at 41.7 percent, from 12,289.03 points on 1 July 2008 to 7,162.18 points on 30 June 2009.

By the Grace of the Almighty, your Company was able to make good use of the window of opportunity presented during the 3rd Quarter of the FY when asset values rebounded by a handsome 42.5 percent from their lows.

Outlook

FY2010 promises both opportunities and challenges for the Company. With the asset values still down, opportunities in both primary and secondary markets should present themselves as we move ahead into the new FY. While GDP growth will likely remain a concern for FY2010, key macroeconomic variables like inflation, level of interest rates and the balance of payments position appear set to improve going forward. Other positives include the success of the armed forces' campaign against insurgency in the North West, aid commitments by the international community and the impending agreement between stakeholders on the introduction of viable financing products for the market participants.

The challenges would include continued recovery of client receivables and strengthening of the Company's positioning to more fully service market segments that promise sound opportunities. One factor in addressing the latter is strong research coverage: in FY2008, AHL's research division published four thematic/strategy books. Each of these covered recommendations on investment strategy and 14 to 18 individual scrips across a wide array of industrial sectors. These book reports were in addition to the daily and periodic reports and reports on individual stocks distributed during the FY. The success of this coverage can be judged from the fact that clients and prospects from all over the world now access AHL research on a basis far more frequent than ever in the past.

In FY2009 AHL's Corporate Finance and advisory businesses fared poorly compared to FY2008, mainly on account of weaker market opportunity. This segment should again prove to be a worthwhile one for AHL going forward as more primary issues are brought to the market and demand for advisory services picks up.

The Award

During the FY, the Chairman of the Company's Board of Directors received the 2007 KSE Top Companies Award for AHL. Your Company was placed seventh on the list of 25 top companies, and thus joined the prestigious club of superior performers at the KSE.

Corporate Governance

Arif Habib Limited is listed at the Karachi Stock Exchange. The Company's board and management are committed to observe the Code of Corporate Governance prescribed for listed companies and are cognizant of their responsibilities and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Board & the management specifically would like to state that:

a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b. Proper books of account of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. The financial statements are prepared in accordance with International Financial Reporting Standards, as applicable in Pakistan.

e. The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

h. There has been no departure from the best practices of transfer pricing.

i. The Company maintains retirement benefits plan for their employees. Value of investments of provident fund based on their accounts as on 30 June 2009 is Rs. 4.310 million.

We further report that no material payment has remained outstanding on account of any taxes, duties, levies or charges. The Company has no outstanding obligations under gratuity or pension fund except provident fund which is maintained in separate bank account alongwith profit.

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 13). A statement showing attendance at Board meetings is annexed as Annexure-II (Page 14). The pattern of shareholding as required by the Companies Ordinance, 1984 is annexed as Annexure-III (Page 15).

Auditors

The retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have offered themselves for reappointment. The board recommends their reappointment. A resolution proposing the appointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq as auditors of the Company for the financial year 2009-10 will be placed at the forthcoming Annual General Meeting for approval.

Acknowledgements

The Board thanks all stakeholders of the Company-clients, regulators, staff, sponsors, the exchanges and the investing public-for their support, faith and contribution. The hard work of the Company's employees during this difficult year is also specifically acknowledged.

For and on behalf of the Board

Ahmed Reza

Ahmed Reza, CFA®
CEO & Managing Director

Karachi
29 July 2009

ANNEXURE TO THE DIRECTORS' REPORT

Memorandum under Section 218 of the Companies Ordinance, 1984

1) The Board of Directors of Arif Habib Limited considered and approved effective from 10-04-2009 monthly remuneration and benefits, as given here under, for Mr. Samad A. Habib holding the office of the Chairman and working as a whole time director without any remuneration since the inception of the Company in 2004:

   Salary : Rs. 355,500/-

   Medical : Covered through Insurance

   Car : Purchase price limited to that of a New Honda Civic or equivalent

   No other director is concerned or interested in the above referred fixation.

2) The Board has co-opted Mr. Sajid Qurban Ali as Director on 22 January 2009. Mr. Sajid was already working as a trader drawing 12 ½ % of the commission earned by the company on the sales and purchase transactions of the securities by his clients. He continues to work in the said capacity under the same terms and conditions.

   No other director is concerned or interested in the above referred matter.

ARIF HABIB LIMITED

(Annexure I)

Statement showing shares bought and sold by Directors, CEO, CFO Company Secretary and the Minor Family Members From 1 July 2008 to 30 June 2009

S. No.	Name	Designation	Shares bought	Shares Sold	Remarks
1	Mr. Samad A. Habib	Chairman	-	-	-
2	Mr. Ahmed Reza	CEO & Managing Director	-	-	-
3	Mr. Muhammad Rafiq Jangda	CFO & Director	-	-	Resigned on 16-03-2009
4	Mr. Abdullah A. Rahman	Director	-	-	-
5	Mr. Abdul Majid M. Siddique	Director	-	-	-
6	Mr. Syed Hasan Jafri	Director	-	-	Resigned on 01-04-2009
7	Mr. Sajid Qurban Ali	Director	500	-	Co-opted on 22-01-2009
8	Mrs. Sharmin Shahid	Director	500	-	Rejoined-Co-opted on 09-04-2009
9	Mrs. Nida Ahsan	Director	500	-	Co-opted on 09-04-2009
10	Mr. Haroon Usman	Company Secretary	-	-	-
11	Minor Family Members	-	-	-	-

ARIF HABIB LIMITED

(Annexure II)

Statement showing attendance at Board Meetings from 1 July 2008 to 30 June 2009

S. No.	Name	Designation	Attended	Leaves Granted/remarks
1	Mr. Samad A. Habib	Chairman	5	-
2	Mr. Ahmed Reza	CEO & Managing Director	4	1
3	Mr. Muhammad Rafiq Jangda	CFO & Director	4	Resigned on 16-03-2009
4	Mr. Abdullah A. Rahman	Director	5	-
5	Mr. Abdul Majid M. Siddique	Director	5	-
6	Mr. Syed Hasan Jafri	Director	3	Resigned on 01-04-2009
7	Mr. Sajid Qurban Ali	Director	2	Co-opted on 22-01-2009
8	Mrs. Sharmin Shahid	Director	-	Rejoined- Co-opted on 09-04-2009
9	Mrs. Nida Ahsan	Director	-	Co-opted on 09-04-2009
10	Mr. Haroon Usman	Company Secretary	5	-

(Annexure III)

Pattern of shareholding as at 30 June 2009

No. of shareholders	Shareholding From	To	Total shares held
747	1	100	39,739
1,212	101	500	348,196
1,142	501	1000	876,226
915	1001	5000	2,059,189
134	5001	10000	1,005,451
40	10001	15000	508,263
16	15001	20000	281,302
17	20001	25000	387,873
5	25001	30000	130,764
4	30001	35000	123,136
6	35001	40000	220,760
3	40001	45000	128,575
2	45001	50000	95,100
3	50001	55000	160,550
1	55001	60000	56,600
2	60001	65000	126,850
1	70001	75000	73,725
1	75001	80000	77,700
1	85001	90000	87,500
2	105001	110000	218,401
2	150001	155000	304,950
1	185001	190000	189,150
1	22495001	22500000	22,500,000
4,258			**30,000,000**

Categories of shareholders as at 30 June 2009

Categories of shareholders	No.	Shares held	Percentage (%)
Directors, Chief Executive & their Spouse and Minor Childern	**7**	**29,875**	**0.10**
Mr. Samad A. Habib Chairman	1	26,250	0.08
Mr. Ahmed Reza Chief Executive	1	625	0.00
Mr. Abdullah A. Rahman Director	1	750	0.01
Mr. Abdul Majid M. Siddique Director	1	750	0.01
Mr. Sajid Qurban Ali Director	1	500	0.00
Mrs. Sharmin Shahid Director	1	500	0.00
Mrs. Nida Ahsan Director	1	500	0.00
Associated Companies, undertakings and related parties	**1**	**113**	**0.00**
Thatta Cement Company Limited	1	113	0.00
NIT & ICP	**1**	**35,268**	**0.12**
National Bank of Pakistan Trustee Department	1	35,268	0.12
Public Sector Corporations	**3**	**71,136**	**0.23**
Executives	**1**	**750**	**0.01**
Bank, Development Financial Institutions & Non Banking Financial Institutions	**10**	**267,413**	**0.89**
Modarabas and Mutual Funds	**4**	**80,125**	**0.27**
Shareholders holding 10% or more	**1**	**22,500,000**	**75.00**
Arif Habib Securities Limited	1	22,500,000	75.00
General Public	**4,124**	**5,935,166**	**19.78**
a. Local	4,122	5,774,716	19.25
b. Foreign	2	160,450	0.53
Joint Stock Companies	**101**	**1,037,518**	**3.46**
Others	**5**	**42,636**	**0.14**
TOTAL	**4,258**	**30,000,000**	**100.00**

Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Arif Habib Limited** ("the Company"), to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Cmpany's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 June 30, 2009.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Muhammad Rafiq Dossani

Karachi
Date: **July 29, 2009**

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange for the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company elects its directors every three years. Seven directors stood elected by the shareholders of the Company as on 31-10-2008.

2. The company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the Board includes three independent and non-executive directors and no directors representing minority shareholders.

3. Casual vacancies of directors occurred during the year were fulfilled in accordance with the provisions of Companies Ordinance 1984.

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

5. All the directors have given declaration that they were aware of their duties and powers under the relevant laws and the Companys' Memorandum and Articles of Association and the listing regulations of the stock exchange of Pakistan.

6. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

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

9. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken/ratified by the Board.

10. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. The Company conducted in-house orientation courses 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.

12. 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.

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

14. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.

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

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

17. The Company has complied with all the corporate and financial reporting requirements the Code and other material principles contained.

18. The Board has formed an audit committee. It comprises three members including an independent and non-executive director as chairman of the committee.

19. 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.

20. The Board has designed internal control system and has set-up an effective internal audit function with employees who are considered suitably qualified and 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 an ongoing basis.

21. 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.

22. 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.

For and on behalf of the Board

Ahmed Reza

Karachi
29 July 2009

Ahmed Reza, CFA®
CEO & Managing Director

Financial Statements

Auditors' Report To The Members

We have audited the annexed balance sheet of **Arif Habib Limited** as at **June 30, 2009,** and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion

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

(ii) the expenditure incurred during the year was for the purpose of the company's business; 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 & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and,give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **June 30, 2009**,and of the **Profit,** its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi
Date: **July 28, 2009**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Balance Sheet As At 30 June 2009

	Note	June 2009 Rupees	June 2008 Rupees
Share Capital and Reserves			
Authorized capital			
50,000,000 (2008: 50,000,000) Ordinary shares of Rs.10/- each		**500,000,000**	500,000,000
Issued, subscribed & paid-up capital	4	**300,000,000**	240,000,000
Share premium		**120,000,000**	180,000,000
Unappropriated profits		**726,941,678**	633,901,008
Total equity		**1,146,941,678**	1,053,901,008
Liabilities			
Current liabilities			
Short term borrowings	5	**1,115,319,134**	168,894,551
Trade and other payables	6	**471,254,176**	327,873,795
Markup accrued		**94,460,445**	21,718,669
		1,681,033,755	518,487,015
Commitments	7	**-**	-
Total equity and liabilities		**2,827,975,434**	1,572,388,023

The annexed notes 1 to 33 form an integral part of these financial statements.

Balance Sheet As At 30 June 2009

	Note	June 2009 Rupees	June 2008 Rupees
ASSETS			
Non-current assets			
Property and equipment	8	**108,676,356**	11,761,526
Membership cards and offices	9	**46,650,000**	57,150,000
Investment property	10	**60,795,000**	-
Long-term deposits	11	**13,978,704**	13,975,387
		230,100,061	82,886,913
Current assets			
Short-term investments	12	**1,019,861,510**	169,127,651
Trade debts	13	**1,542,238,678**	437,370,800
Loans and advances	14	**1,221,830**	41,109,912
Deposits and short-term prepayments	15	**1,244,644**	133,324,620
Other receivables	16	**9,710,438**	18,483,829
Receivable under continuous funding system transactions		**-**	11,873,267
Taxation - net	17	**7,230,468**	7,331,341
Cash & bank balances	18	**16,367,804**	670,879,690
		2,597,875,373	1,489,501,110
Total assets		**2,827,975,434**	1,572,388,023

Ahmed

CHIEF EXECUTIVE

DIRECTOR

Profit And Loss Account For The Year Ended 30 June 2009

	Note	June 2009 Rupees	June 2008 Rupees
Operating revenue	19	**201,530,369**	731,375,817
Capital gain on investments - net	20	**246,369,241**	34,302,014
Gain/(Loss) on remeasurement of investments carried at fair value through profit & loss	12	**132,681,459**	(1,268,532)
		580,581,070	764,409,299
Administrative and operating expenses	21	**(369,338,247)**	(153,995,551)
Finance cost	22	**(233,736,941)**	(136,593,804)
Other operating income	23	**188,548,545**	29,345,916
Profit before taxation		**166,054,427**	503,165,860
Provision for taxation:			
Current		**(10,101,352)**	(48,528,447)
Prior year		**(2,912,405)**	1,804,229
		(13,013,757)	(46,724,218)
Profit after taxation		**153,040,670**	456,441,642
			(Restated)
Earnings per share - basic & diluted	24	**5.10**	15.29

The annexed notes 1 to 33 form an integral part of these financial statements.

Ahmed

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement For The Year Ended 30 June 2009

	Note	June 2009 Rupees	June 2008 Rupees
Cash flow from operating activities			
Profit before taxation		**166,054,427**	503,165,860
Adjustment for :			
Depreciation		**7,055,734**	3,322,572
Dividend income		**(28,725,788)**	(5,071,000)
Loss on sale of property and equipment		**24,932**	33,765
Finance cost		**233,736,941**	136,593,804
		212,091,819	134,879,141
Cash generated from operating activities before working capital changes		**378,146,246**	638,045,001
(Increase)/Decrease in operating assets			
Trade debts		**(1,156,867,878)**	(159,276,825)
Loan and advances		**3,888,082**	(17,068,507)
Deposits and short-term prepayments		**132,079,976**	(45,053,978)
Other receivables		**8,773,391**	(10,116,518)
Increase/(Decrease) in current liabilities			
Trade and other payables		**143,380,381**	(115,636,160)
		(868,746,048)	(347,151,988)
Cash (used in) / generated from operations		**(490,599,802)**	290,893,013
Tax paid		**(12,912,884)**	(51,693,019)
Finance cost paid		**(160,995,165)**	(118,977,548)
Net cash (used in) / generated from operating activities		**(664,507,851)**	120,222,447
Cash flow from investing activities			
Capital expenditure incured		**(68,460,900)**	(6,516,132)
Proceeds from disposal of property and equipment		**2,565,404**	1,496,359
Intangible assets acquired		**-**	(15,550,000)
Expenses incurred on investment property		**(395,000)**	-
Dividends received		**28,725,788**	5,071,000
Long term deposit		**(3,317)**	(3,887)
Net cash (used in) investing activities		**(37,568,026)**	(15,502,660)
Cash flow from financing activities			
Proceeds from right issue of share capital		**-**	200,000,000
Dividends paid		**(60,000,000)**	(200,000,000)
Net cash (used in) financing activities		**(60,000,000)**	-
Net increase in cash and cash equivalents		**(762,075,877)**	104,719,787
Cash and cash equivalents at beginning of the year		**682,986,057**	578,266,270
Cash and cash equivalents at end of the year	27	**(79,089,820)**	682,986,057

The annexed notes 1 to 33 form an integral part of these financial statements.

Ahmed

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity For The Year Ended 30 June 2009

	Issued, Subscribed& Paid up Capital	Capital Reserve Share Premium	Revenue Reserve Unappropriated profit	Total
	-------------------------RUPEES-----------------------			
Balance as at 1 July 2007	**200,000,000**	**-**	**397,459,366**	**597,459,366**
Final dividend for the year ended 30 June 2007 at Rs. 10 per share	-	-	(200,000,000)	(200,000,000)
Issue of bonus share for the year ended 30 June 2007	20,000,000	-	(20,000,000)	-
Issue of right shares	20,000,000	180,000,000	-	200,000,000
Profit for the year ended 30 June 2008	-	-	456,441,642	456,441,642
Balance as at 30 June 2008	**240,000,000**	**180,000,000**	**633,901,008**	**1,053,901,008**
Issue of bonus share for the year ended 30 June 2008	60,000,000	(60,000,000)	-	-
Final dividend for the year ended 30 June 2008 at Rs. 2.5 per share	-	-	(60,000,000)	(60,000,000)
Profit for the year ended 30 June 2009	-	-	153,040,670	153,040,670
Balance as at 30 June 2009	**300,000,000**	**120,000,000**	**726,941,678**	**1,146,941,678**

The annexed notes 1 to 33 form an integral part of these financial statements.

Ahmed

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements For The Year Ended 30 June 2009

1 Status and Nature of Business

1.1 Arif Habib Limited (the Company) was incorporated under the Companies Ordinance, 1984 as an unquoted Public Limited Company. Subsequently Arif Habib Securities Limited (the holding company) offered its 25% share holding in the Company to general public and the company obtained listing on Karachi Stock Exchange (Guarantee) Limited on 31 January 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, IPO underwriting, advisory and consultancy services. Other activities includes investment in listed equity securities and continuous funding system transactions.

The registered office of the Company is situated at 64, Karachi Stock Exchange Building, Stock Exchange Road, Karachi.

1.2 Arif Habib Securities (AHSL) holds 75% shares of the Company.

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 (IFRS) issued by the International Accounting Standard 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 for certain short term investments which are stated at fair value.

2.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off 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 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 the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are described in note 30

2.5 New Accounting Standards and IFRIC Interpretations that are Not Yet Effective

The following standards, amendments and interpretations of approved accounting standards, are effective for accounting periods beginning from the date specified below. These are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statements of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets presents proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchases, rentals and sale of those assets are classified as cash flows from operating activities.

IAS 19 (Amendment), ‘Employee benefits’ (effective from 1 January 2009).

The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

IAS 37, ‘Provisions, contingent liabilities and contingent asset’s, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

Revised IAS 23-Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Amended IAS 27-Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognised in the profit or loss.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures'). Where an investment in associate is accounted for in accordance with IAS 39 'Financial Instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosure'.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008).

IAS 31 (Amendment)- 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7). Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation', and IFRS 7 'Financial Instruments: Disclosure'.

Amendment to IAS 32-Financial Instruments: Presentation and IAS 1-Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

IAS 36 (Amendment), 'Impairment of assets'. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made.

IAS 38 (Amendment), 'Intangible assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). It requires the use of market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

IFRS 2 (Amendment), ‘Share-based payment’- Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interests in identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

IFRS 7 'Financial instruments: Disclosures' (effective for annual periods on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation.

IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business segments.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraph 6 to 8 of IFRS 5 are met disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity’s functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

Notes to the Financial Statements For The Year Ended 30 June 2009

3 Summary of Significant Accounting Policies

3.1 Staff Retirement Benefits

3.1.1 Defined Contribution Plan

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

3.1.2 Employee Compensated Absences

The company provides for compensated absences for all eligible employees in accordance with the rules of the company.

3.2 Taxation

Current
Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred
Deferred tax is provided using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of the realization a settlement of the carrying amount of assets and liabilities, using the tax rate enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.3 Property and Equipment

Items of property and equipment 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. Depreciation is calculated on reducing balance over the estimated useful life of the assets.

Depreciation on additions is charged from the quarter in which they are available for use and on deletion upto the quarter of deletion. Depreciation rates are specified in note 8.

An item of property and equipment is derecognised upon disposal, when no future economic benefits are expected from its use or disposal and where written down value of a fixed asset falls below Rs.10,000. Addition made upto Rs.10,000 is not recognised as property and equipment.

Gains and losses on disposal of Property & Equipment are taken to profit and loss account currently. Normal repairs and maintenance are charged to income as and when incurred.

3.4 Investment Property

Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both. It is stated at cost. Rental income from investment property is recognised through profit and loss accounts.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognised in the income statements in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfer are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

3.5 Membership Cards and Offices

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.6 Investments

All investments are initially recognised at fair value, being the cost of the consideration given including transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the profit and loss account.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sale of assets.

The management determines the appropriate classification of the investment made by the Company in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of purchase.

The Company classifies its investments in the following categories:

3.6.1 Financial Assets 'At Fair Value Through Profit and Loss'

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss - held for trading'. Subsequent to initial recognition these investments are marked to market and are carried on the Balance Sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the Profit and Loss account.

3.6.2 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.

3.6.3 Available For Sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market prices, are classified as 'available for sale'. Subsequent to initial measurement, 'available for sale' investments are re-measured to fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity. However, any premium or discount on acquisition on debt securities is amortized and taken to the profit and loss account over the life of the investment using the effective interest rate method. When securities are disposed off or impaired, the related fair value adjustments previously taken to equity are transferred to the profit and loss account.

3.7 Trade Debts and Other Receivables

Trade debts and other receivables are recognised at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.8 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-repos) are not recognised 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 at a specified future date (repos) continue to be recognised 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.

3.9 Fiduciary Assets

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

3.10 Provisions

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

3.11 Offsetting of Financial Assets and Financial Liabilities

A financial asset and a financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set of the recognized amounts and the Company intends to settle on a net basis, or to realize the asset and settle liability simultaneously.

3.12 Borrowing Costs

The borrowing costs are interest or other auxiliary cost incurred by the Company in connection with borrowing of funds and is treated as periodic cost and charged to profit and loss account.

3.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balance, bank deposits, short term investments and receivables against continuous funding system transactions. For the purpose of cash flows, cash and cash equivalents are presented net off short-term borrowings which are repayable on demand or in the short-term and form an integral part of the Company's cash management policies.

Notes to the Financial Statements For The Year Ended 30 June 2009

3.14 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

3.15 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

3.16 Trade and Other Payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.17 Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on the recognition and derecognizing of the financial assets and liabilities is taken to profit and loss account currently.

3.18 Earnings Per Share

Earnings per share is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of shares outstanding during the year.

3.19 Foreign Currency Translation

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to profit and loss account.

3.20 Revenue Recognition

- Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.

- Income from continuous funding system transactions and bank deposits is recognised at effective yield on time proportion basis.

- Dividend income is recorded when the right to receive the dividend is established.

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Unrealized capital gains / (losses) arising from marking to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.

- Rental income from investment properties is recognised on accrual basis.

4 Issued, Subscribed and Paid-up Capital

2009	2008		2009	2008
(Number of shares)			Rupees	Rupees
10,000,000	10,000,000	Ordinary shares of Rs.10/- each fully paid in cash	**100,000,000**	100,000,000
10,000,000	10,000,000	Ordinary shares of Rs.10/- each issued as fully paid bonus	**100,000,000**	100,000,000
2,000,000	2,000,000	Ordinary shares of Rs.10/- each issued at par fully paid in cash	**20,000,000**	20,000,000
2,000,000	2,000,000	Ordinary shares of Rs.10/- each issued as fully paid right	**20,000,000**	20,000,000
6,000,000	-	Ordinary shares of Rs.10/- each issued as fully paid bonus	**60,000,000**	-
30,000,000	24,000,000		**300,000,000**	240,000,000

5 Short Term Borrowings - Secured

	2009	2008
From banking companies	**1,115,319,134**	168,894,551

The company has short-term running finance facilities under mark-up arrangements aggregating to Rs. 3,750 million (2008: Rs. 4,250 million) from various commercial banks carrying mark-up between 12.77% and 18.52% (2008: 11.14% and 14.64%) per annum. The facilities utilized against these arrangements are secured against investments in equity securities and personal guarantees. The un-availed aggregate credit facility of running finances amounts to Rs. 2,635 million (2008: 4,081 million).

6 Trade and Other Payables

	Note	2009	2008
Creditors	6.1	**451,026,456**	279,177,604
Commission payable	6.2	**6,725,000**	22,350,379
Payable against purchase of securities		**6,674,434**	-
Workers' welfare fund		**3,388,866**	-
Accrued expenses		**1,972,445**	2,738,696
Due to members of KSE		-	460,153
Withholding tax payable		-	19,547,364
Dividend payable		-	799,227
Other liabilities		**1,466,975**	2,800,372
		471,254,176	327,873,795

6.1 This include amount of Rs.421,121 million (2008: Rs.103,266 million) payable to related parties of the Company.

6.2 This amount include an amount of Rs.3.527 million (2008: Rs.15.77 million) payable to related parties of the company on account of commission.

7 Commitments

	2009	2008
Commitment to KSE Clearing House in respect of trading of securities	**317,703,186**	502,311,056

Notes to the Financial Statements For The Year Ended 30 June 2009

8 Property & Equipment

Rupees

2 0 0 9										
	C O S T					D E P R E C I A T I O N				
Particulars	As at 1 July 2008	Addition/ (Deletion)	Transfers	As at 30 June 2009	Rate %	As at 1 July 2008	Transfers	For the period	As at 30 June 2009	W.D.V As at 30 June 2009
Leasehold office	-	-	2,115,000	2,115,000	-	-	-	-	-	2,115,000
*Leasehold improvement	-	101,622,500	-	101,622,500	15	-	-	3,810,844	3,810,844	97,811,656
Office equipment	1,496,269	-	(710,024)	786,245	15	330,772	(105,136)	79,479	305,115	481,130
Furniture & fixtures	195,162	17,000 (16,000)	-	196,162	15	60,687	-	31,210 (16,000)	75,897	120,265
Computer & allied	4,656,826	2,422,235 (772,136)	710,024	7,016,949	33	1,947,195	105,136	1,883,956 (525,907)	3,410,380	3,606,569
Vehicles	10,243,798	384,165 (3,060,869)	-	7,567,094	20	2,491,875	-	1,250,245 (716,762)	3,025,358	4,541,736
Rupees June, 09	16,592,055	104,445,900 (3,849,005)	2,115,000	119,303,950		4,830,529	-	7,055,734 (1,258,669)	6,816,750	108,676,356

* **Leasehold improvement :** The classification of the amount by category awaits the receipt of BOQ.

Rupees

2 0 0 8										
	C O S T					D E P R E C I A T I O N				
Particulars	As at 1 July 2007	Addition/ (Deletion)	Transfers	As at 30 June 2008	Rate %	As at 1 July 2007	Transfers	For the period	As at 30 June 2008	W.D.V As at 30 June 2008
Leasehold office	-	-	-	-	-	-	-	-	-	-
Leasehold improvement	-	-	-	-	15	-	-	-	-	-
Office equipment	1,042,578	491,000 (37,309)	-	1,496,269	15	148,888	-	219,193 (37,309)	330,772	1,165,497
Furniture & fixtures	617,644	- (422,482)	-	195,162	15	122,985	-	360,184 (422,482)	60,687	134,475
Computer & allied	3,744,488	1,150,431 (238,093)	-	4,656,826	33	1,013,809	-	1,171,479 (238,093)	1,947,195	2,709,631
Vehicles	7,412,409	4,874,701 (2,043,312)	-	10,243,798	20	1,433,347	-	1,571,716 (513,188)	2,491,875	7,751,923
Rupees June, 08	12,817,119	6,516,132 (2,741,196)	-	16,592,055		2,719,029	-	3,322,572 (513,188)	4,830,529	11,761,526

8.1 Disposal of Property and Equipment

Rupees

2 0 0 9							
Particulars	Acquisition cost	Accumulated depreciation	Written down value	Sale proceed	Gain/ (loss)	Mode of disposal	Particulars of buyer
Notebook computers	292,500	46,271	246,229	225,000	(21,229)	Negotiation	M/s. Cyber Technologies D.H.A., Karachi
Motor vehicle	750,000	169,665	580,335	580,335	-	Co.'s policy	Ali Ahmed - Employee
Motor vehicle	360,000	81,440	278,560	278,560	-	Co.'s policy	Faheem kasim - Employee
Motor vehicle	467,100	66,602	400,498	400,498	-	Co.'s policy	Monib Farid - Employee
Motor vehicle	580,500	56,600	523,900	523,900	-	Co.'s policy	Sara Bhola - Employee
Motor cycle	50,751	4,950	45,801	45,801	-	Co.'s policy	M. Faeez - Employee
Motor cycle	50,751	4,950	45,801	45,801	-	Co.'s policy	Umer Rehan - Employee
Motor cycle	50,751	4,950	45,801	45,801	-	Theft	Insuranec claim
Motor cycle	53,910	2,700	51,210	51,210	-	Co.'s policy	Fahad Aman - Employee
Aggregate of other vehicle with individual book values not exceeding Rs 50,000	697,106	324,905	372,201	368,498	(3,703)		
30 June 2009	3,353,369	763,033	2,590,336	2,565,404	(24,932)		

Rupees

2 0 0 8							
Particulars	Acquisition cost	Accumulated depreciation	Written down value	Sale proceed	Gain/ (loss)	Mode of disposal	Particulars of buyer
Motor vehicle	600,162	202,002	398,160	350,000	(48,160)	Co.'s policy	Tahir Iqbal, Employee
Motor vehicle	319,000	84,505	234,495	254,244	19,749	Negotiation	Muhammad Asif, Sharfabad, Karachi.
Motor vehicle	319,000	84,505	234,495	277,736	43,241	Negotiation	Najib Ul Haq, Satellite tower, Mirpur Khas.
Motor vehicle	342,950	63,615	279,335	250,000	(29,335)	Negotiation	M. Salahuddin Anees, FB Area, Karachi.
Motor vehicle	390,600	55,709	334,891	315,631	(19,260)	Co.'s policy	Samina Naz, Employee
Aggregate of other vehicle with individual book values not exceeding Rs 50,000 "	71,600	22,852	48,748	48,748	-		
30 June 2008	2,114,912	536,040	1,578,872	1,545,107	(33,765)		

Notes to the Financial Statements For The Year Ended 30 June 2009

9 Membership Cards and Offices	Note	2009 Rupees	2008 Rupees
Membership Licenses			
-- Karachi Stock Exchange (Guarantee) Limited	9.1	**15,000,000**	15,000,000
-- Lahore Stock Exchange (Guarantee) Limited	9.1	**7,000,000**	7,000,000
-- Islamabad Stock Exchange (Guarantee) Limited	9.1	**4,000,000**	4,000,000
-- National Commodities Exchange of Pakistan Limited	9.1	**1,000,000**	1,000,000
		27,000,000	27,000,000
Offices			
-- at Karachi Stock Exchange	9.2	**-**	10,500,000
-- at Lahore Stock Exchange		**17,550,000**	17,550,000
		17,550,000	28,050,000
Booths			
-- at Karachi		**2,100,000**	2,100,000
		46,650,000	57,150,000

9.1 This represents cost of membership card of Stock Exchanges of Pakistan with indefinite useful life.

9.2 This represents four office amounting to Rs. 8.4 million at Karachi Stock Exchange (Gurantee) Limited have been transferred to Investment property and one office amounting to Rs. 2.1 million transferred to leasehold office.

10 Investment Property

	Note	2009 Rupees	2008 Rupees
Opening balance		**-**	-
Acquisition during the year		**52,000,000**	-
Transferred during the year	9.2	**8,400,000**	-
Expenditure incurred on acquisition and transferred of investment property		**395,000**	-
		60,795,000	-

11 Long Term Deposits

		2009 Rupees	2008 Rupees
Karachi Stock Exchange (Guarantee) Limited		**1,110,000**	1,110,000
Lahore Stock Exchange (Guarantee) Limited		**1,480,000**	1,480,000
Islamabad Stock Exchange (Guarantee) Limited		**1,000,000**	1,000,000
National Commodity Exchange Limited		**9,513,204**	9,509,887
National Clearing Company of Pakistan Limited		**700,000**	700,000
Central Depository Company Limited		**137,500**	137,500
PMCL Mobilink		**38,000**	38,000
		13,978,704	13,975,387

12 Short Term Investments

Financial Asset at fair value through profit and loss- Held for trading:

Listed Equity Securities:	Note	2009 Rupees	2008 Rupees
Related parties	12.1	**423,858,347**	85,622,740
Others	12.2	**596,003,163**	83,504,911
		1,019,861,510	169,127,651

Notes to the Financial Statements For The Year Ended 30 June 2009

12.1 Related Parties:

2009 (Number of shares)	2008 (Number of shares)		2009 Rupees	2008 Rupees
10,802,825	5,536,825	Pakistan Premier Fund	44,291,583	74,027,350
10,236,000	1,259,000	Pakistan strategic Allocation Fund	35,109,480	11,595,390
16,709,350	-	Thatta Cement Company Limited	332,014,785	-
118,500	-	Javedan Cement	12,442,500	-
			423,858,347	85,622,740

12.2 Investment in Other Quoted Equity Securities:

342,650	-	1st Capital Securities Limited	3,566,987	-
1,288,010	979,300	Allied Bank Limited	48,429,176	83,504,911
23,834,609	-	Arif Habib Bank Limited	166,603,917	-
33	-	Bank Alfalah Limited	348	-
953,000	-	Ideal Spinning Mills Limited	1,810,700	-
2,070,500	-	Hira Textile Mills Limited	6,480,665	-
42,777	-	Dewan Textile Limited	355,477	-
98	-	D.S. Industries Limited	303	-
253,998	-	Gul Ahmed Textile Mills Limited.	9,865,282	-
4,800	-	Din Textile Limited	61,968	-
178,354	-	Gulistan Spinning Mills Limited	758,005	-
489,000	-	Mehar Dastagir	220,050	-
802,500	-	Ishaq Textile Limited	2,993,325	-
2,217,000	-	Crescent Textile Limited	54,316,500	-
250,000	-	Ibrahim Fibre	7,452,500	-
3,734,000	-	Pak Synthetic Limited	22,702,720	-
5,657,894	-	Shakargunj Sugar Mills Limited	57,710,519	-
13,691,500	-	Al Abbas Cement Limited	95,840,500	-
1,000,000	-	Lucky Cement Limited	58,530,000	-
455,000	-	Ghandhara Nissan Limited	2,434,250	-
5,682,821	-	Worldcall Telecom Limited	14,207,053	-
2,067,000	-	Engro Polymer Limited	39,603,720	-
41,184	-	Security Paper Limited	2,059,200	-
			596,003,163	83,504,911

Notes to the Financial Statements For The Year Ended 30 June 2009

	Note	2009 Rupees	2008 Rupees
13 Trade Debts			
Due from Karachi Stock Exchange(Guarantee) Limited and its members-secured/considered good		-	3,210
Due from customers - considered good			
- Secured		**619,752,728**	429,271,071
- Unsecured		**922,485,950**	8,096,519
		1,542,238,678	437,370,800

13.1 This includeRs. 334,655 (2008: Rs. 58.980 million) due from related parites.

	Note	2009 Rupees	2008 Rupees
14 Loans And Advances			
Loans to:			
- executive		**707,111**	1,720,038
- staff		**514,719**	3,389,874
		1,221,830	5,109,912
Advance to Rotocast Engineering for CWIP	14.1	-	36,000,000
		1,221,830	41,109,912

14.1 Maximum balance due from related parties with reference to month end balance was Rs.Nil million (2007: Rs. 36 million).

	Note	2009 Rupees	2008 Rupees
15 Deposits And Prepayments			
Deposits to Karachi Stock Exchange(Guarantee) Limited against future clearing		**750,000**	133,305,571
Prepayments		**494,644**	19,049
		1,244,644	133,324,620
16 Other Receivables			
Accrued income	16.1	**192,277**	16,227,117
Others	16.2	**9,518,161**	2,256,712
		9,710,438	18,483,829

16.1 This includes Rs.NIL (2008: Rs. 10.365 million) receivable from related party.

16.2 This includes Rs. 6.99 million (2008: Rs. 1.49 million) receivable from related parties.

	Note	2009 Rupees	2008 Rupees
17 Taxation - Net			
Advance income tax		**17,331,820**	55,859,788
Provision for taxation		**(10,101,352)**	(48,528,447)
		7,230,468	7,331,341
Profit before tax		**166,054,427**	503,165,860

	2009 Percentage	2008 Percentage
17.1 Reconciliation of Tax Charge for the Year		
Applicable tax rate	**35.00**	35.00
Tax effect of income presumptive / exempted	**(15.35)**	(24.83)
Prior year tax charge	**1.75**	(0.36)
Tax effect of income taxed at low rate	**(13.57)**	(0.25)
Others	**-**	(0.27)
Average effective tax rate charged on income	**7.84**	9.29

17.2 The income tax assessments of the company have been finalized upto and including the tax year 2008, under section 120 of Income Tax Ordinance, 2001 unless amended.

	Note	2009 Rupees	2008 Rupees
18 Cash and Bank Balances			
Cash in hand		**18,698**	64,923
Cash at bank			
- in current account		**4,788,753**	362,679,801
- in PLS account	18.1	**11,560,353**	308,134,966
		16,349,106	670,814,767
		16,367,804	670,879,690

18.1 The return on these balances is 5% to 12% (2008: 9%) per annum on daily product basis.

	Note	2009 Rupees	2008 Rupees
19 Operating Revenue			
Brokerage income		**164,752,461**	687,887,600
Dividend income		**28,725,788**	5,071,000
Income from Continuous Funding System transactions		**1,784,827**	3,278,186
Consultancy, underwriting & placement		**4,080,858**	35,139,031
Return on TFC		**2,186,435**	-
		201,530,369	731,375,817
20 Capital Gain on Investment - Net	20.1	**246,369,241**	34,302,014

20.1 This include capital gain of Rs. 318.9 million tendered by the parent company under section 224 of the Companies Ordinance, 1984.

			2009 Rupees	2008 Rupees
21	**Administrative and Operating Expenses**			
	Salaries and benefits	21.1	**17,917,902**	19,627,712
	Motor vehicle expense		**1,977,630**	1,739,645
	Conveyance and meals		**589,368**	1,375,776
	Insurance		**1,517,949**	877,555
	Commission		**13,183,217**	48,479,447
	Communication		**1,982,664**	2,572,675
	Printing and stationery		**1,476,193**	2,168,063
	Rent, rates and taxes	21.2	**3,885,288**	2,451,594
	Electricity		**2,275,221**	761,954
	Entertainment		**136,000**	264,575
	C.D.C & clearing house charges		**18,756,169**	63,888,556
	Depreciation	8	**7,055,734**	3,322,572
	Repair and maintenance		**833,841**	989,559
	Membership and other subscription		**2,430,738**	1,786,909
	Meeting expenses		**113,424**	59,742
	Donation	21.3	**7,000**	1,057,000
	Legal and professional charges		**628,999**	447,007
	EOBI Contribution		**156,960**	165,424
	Auditors remuneration	21.4	**502,000**	540,000
	Advertisement & business promotion		**544,894**	519,220
	Bad debts		**288,974,535**	-
	Workers' welfare Fund		**3,388,866**	-
	Others		**1,003,656**	900,566
			369,338,247	153,995,551

21.1 This includes company's contribution to provident fund of Rs.886,089/- (2008: 806,419/-).

21.2 This includes penalty of Rs.101,000 on violation of Brokers and Agent Registration Rules and Rs.100,000 on failed transaction of CFS automated transfer.

21.3 None of the directors or their spouses had any interest in donees' fund.

21.4 Auditors' Remuneration

Annual audit fee	**210,000**	175,000
Half year review	**100,000**	100,000
Certification of code of corporate governance	**72,000**	60,000
Other certifications	**120,000**	205,000
	502,000	540,000

22 Finance Cost

Mark-up on short term borrowing	**161,778,880**	74,648,362
Mark-up on client balances	**67,882,070**	61,071,393
Bank charges	**4,075,990**	770,487
Mark-up on provident fund	-	103,562
	233,736,941	136,593,804

Notes to the Financial Statements For The Year Ended 30 June 2009

	2009 Rupees	2008 Rupees
23 Other Operating Income		
Profit on exposure deposit with Karachi Stock Exchange (guarantee) Limited.	**4,571,700**	6,747,984
Profit on PLS accounts	**18,055,447**	14,872,020
Late payment charges	**157,366,331**	-
Rental income from office	**8,580,000**	7,759,677
(Loss) on sale of property and equipment	**(24,932)**	(33,765)
	188,548,545	29,345,916
24 Earnings Per Share - Basic And Diluted		
Profit for the period	**153,040,670**	456,441,642
Weighted average number of ordinary shares (2008: Restated)	**30,000,000**	29,849,652
Earning per share (2008: Restated)	**5.10**	15.29

25 Financial Instruments

25.1 Financial Assets and Financial Liabilities

Rupees

	2009				
	Interest/mark-up bearing		Non interest/markup bearing		Total
	One month to one year	Over one year	One month to one year	Over one year	
Financial Assets					
Long term deposits	-	-	-	13,978,704	13,978,704
Investments-at fair value through P&L	-	-	1,019,861,510	-	1,019,861,510
Trade debts	-	-	1,542,238,678	-	1,542,238,678
Loans and advances	-	-	1,221,830	-	1,221,830
Deposits and prepayments	-	-	1,244,644	-	1,244,644
Other receivables	-	-	7,230,468	-	7,230,468
Cash and bank balances	11,560,353	-	4,788,753	-	16,349,106
	11,560,353	-	2,576,585,884	13,978,704	2,602,124,941
Financial Liabilities					
Recognised					
Trade and other payables	411,852,732	-	59,401,444	-	471,254,176
Markup accrued	-	-	94,460,445	-	94,460,445
Short term borrowing	1,115,319,134	-	-	-	1,115,319,134
	1,527,171,866	-	153,861,889	-	1,681,033,755
Unrecognised					
Commitments	-	-	317,703,186	-	317,703,186
	1,527,171,866	-	471,565,075	-	1,998,736,941

Notes to the Financial Statements For The Year Ended 30 June 2009

Rupees

	2008				
	Interest/mark-up bearing		Non interest/markup bearing		Total
	One month to one year	Over one year	One month to one year	Over one year	
Financial Assets					
Long term deposits	-	-	-	13,975,387	13,975,387
Investments-at fair value through P&L	-	-	169,127,651	-	169,127,651
Trade debts	-	-	437,370,800	-	437,370,800
Receivable under continuous funding system transactions	11,873,267	-	-	-	11,873,267
Loans and advances	-	-	41,109,912	-	41,109,912
Deposits and short-term prepayments	-	-	133,324,620	-	133,324,620
Other receivables	-	-	18,483,829	-	18,483,829
Cash and bank balances	308,134,966	-	362,744,724	-	670,879,690
	320,008,233	-	1,162,161,536	13,975,387	1,496,145,156
Financial Liabilities					
Recognised					
Trade and other payables	-	-	471,254,176	-	471,254,176
Markup accrued	-	-	21,718,669	-	21,718,669
Short term borrowing	168,894,551	-	-	-	168,894,551
	168,894,551	-	492,972,845	-	661,867,396
Unrecognised					
Commitments	-	-	502,311,056	-	-
	168,894,551	-	995,283,901	-	661,867,396

25.2 Effective Interest/Markup Rates for the Monetary Assets/Liabilities are as Follows:

	2009 Percentage	2008 Percentage
Markup on short term borrowing	**12.77 - 18.52**	11.14 - 14.64
Markup on client balances	**9**	9
Markup on late payments	**14.43**	14.43
Return on PLS accounts	**5.00 - 12.00**	9

26 Financial Risk Management

The company's activity are exposed to variety of financial risk namely interest rate risk, credit risk, liquidity risk, foreign exchange risk, fair value instruments risk and market risk. The company has established adequate procedure to mange each of these risks as explained below:

26.1 Interest Rate Risk

Interest/ markup rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest/ markup rates. Sensitivity to interest/ markup 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. Information about the company’s exposures to mark up rate risk based on contractual refinancing and maturity dates.

26.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge obligation and cause the other party to incur a financial loss. The company is exposed to credit risk of Rs. 922.486 million (2008: 8.096 million). The company controls credit risk by monitoring credit exposure, limiting transactions with specified counter parties, obtaining collaterals, continually assessing the credit worthiness of counter parties and makes full provision against those balances considered doubtful of recovery. It has written off an amount of Rs. 288.974 million on account of bad debts.

26.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping regular credit lines with the banks.

26.4 Foreign Exchange Risk

Foreign currency risk arise mainly where receivables and payables exist due to transaction with foreign undertakings. The financial assets and liabilities of the company are not exposed to foreign exchange risk.

26.5 Fair Value of Financial Instruments

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 company 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 the financial assets and liabilities reflected in the financial statements approximate their fair value.

26.6 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The company manages its market risk exposure by diversifying its investment portfolio.

27 Cash and Cash Equivalents

	2009 Rupees	2008 Rupees
Short-term investments	**1,019,861,510**	169,127,651
Receivable under continuous funding system transactions	**-**	11,873,267
Cash and bank balances	**16,367,804**	670,879,690
Short term borrowing	**(1,115,319,134)**	(168,894,551)
	(79,089,819)	682,986,057

28 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party a exercise significant influence over other party in making financial and operating decisions

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the company and key management personnel, staff provident fund, and financial institution having nominee on the Board of Directors. 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. Transactions with other related parties are entered into at rates negotiated with them. The remuneration of Chief Executive, Directors and Executives is disclosed in Note 29 to the financial statements.

Details of Transactions with Related Parties, Other than those which have been Disclosed Elsewhere in these Financial Statements, are as Follows:

	Note	2009 Rupees	2008 Rupees
Brokerage Commission and Other Services to:			
Parent (AHSL)		**7,905,585**	18,899,920
Group companies		**5,472,302**	20,021,198
Key management personnel		**7,796,897**	36,502,341
Other related parties		**13,554,877**	-
Capital gain tendered by parent company (AHSL)		**318,290,000**	-
Paid to Rotocast (Pvt) Ltd against leasehold improvement		**65,622,500**	-
Rental income from AHBL		**8,580,000**	7,759,677
Rent paid to Rotocast (Pvt) Ltd		**1,741,520**	-
Interest earned on deposits		**7,592,482**	14,872,020
Interest paid on running finance		**3,757,726**	22,425,788
Interest expenses on client balances		**67,304,768**	44,875,820
Contribution to staff provident fund		**886,089**	806,419
Balances with Related Parties at the End of the Year are as Follows:			
Advances to / Receivable form related parties			
Group companies		**6,592,740**	38,890,139
Key management personnel		**899,626**	2,049,247
Other related parties		**46,002**	47,956,661
Investment in related parties		**423,858,347**	85,622,740
Bank balances		**-**	661,381,106
(Payable) to related parties			
Key management personnel		**(11,160,176)**	(11,360,648)
Other related parties		**(413,440,699)**	(91,906,134)

29 Remuneration of Chief Executives, Directors and Executives

The aggregate amount charged in the accounts for remuneration, including certain benefits to director, chief executive and executives of the company as follows:

		Chief Executive		Directors		Other Executives	
		2009	2008	**2009**	2008	**2009**	2008
Managerial remuneration		**-**	-	**1,702,118**	1,033,919	**595,212**	4,091,727
House rent allowance		**-**	-	**334,021**	465,264	**267,845**	1,841,277
Conveyance		**-**	-	**219,226**	221,940	**169,084**	871,737
Utilities		**-**	-	**74,227**	103,392	**59,521**	409,173
Contribution to provident fund		**-**	-	**92,784**	101,489	**74,402**	417,093
Medical allowance		**-**	-	**37,113**	51,696	**29,761**	204,586
Commission & performance bonus	29.1	**5,897,237**	11,155,799	**2,927,990**	318,919	**145,256**	1,170,236
		5,897,237	11,155,799	**5,387,479**	2,089,034	**1,341,081**	9,005,829
Number of persons		**1**	1	**4**	2	**1**	7

29.1 This includes entitlement of commission @ 12.5% on account of sale and purchase transaction and 7.5% on CFS transactions on behalf of client.

29.2 The Company also provides the Chief Executive, certain Executive, and Directors with company maintained Car.

30 Accounting Estimates and Judgments

30.1 Income Taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

30.2 Property and Equipment

The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

30.3 Membership Cards and Offices

The Company reviews carrying value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the impairment.

30.4 Investments Stated at Fair value

The Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

30.5 Trade and Other Receivables

The Company reviews its trade and other receivables regularly to assess amount of any provision required against such balances.

31 Non-Adjusting Event After the Balance Sheet Date

The Board of Directors of the Company have proposed a final cash dividend of 15% (2008: 25%) and stock dividend of 25% (2008: 25%) for the year ended 30 June 2009, amounting to Rs. 45 million (2008: 60 million) and Rs. 75 million (2008: Rs. 60 million) respectively in their meeting held on 29 July 2008 for approval of the members in Annual General Meeting to be held on 5 September 2009.

32 Date of Authorization for Issue

These financial statements were authorized for issue in the Board of Directors meeting held on 29 July 2009.

33 General

33.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

Reclassification from	Reclassification to	30 June 2008 (Rupees)
Balance Sheet		
Reserves	Share premium	180,000,000
	Unappropriated profits	630,292,550
Taxation	Taxation - net	48,528,477
Advance tax	Taxation - net	55,859,788
Profit and Loss Account		
Operating expenses	Administrative and operating expenses	153,995,551
Other income	Other operating income	29,379,681
Other charges	Other operating income	33,765

33.2 Figures have been rounded off to the nearest rupee.

Ahmed

CHIEF EXECUTIVE

DIRECTOR

ARIF HABIB LIMITED

Form of Proxy 5th Annual General Meeting

The Company Secretary
Arif Habib Limited
60-63, 1st Floor, Stock Exchange Building
Stock Exchange Road
Karachi.

I/we ______________________________ of ________________ being a member(s) of Arif Habib Limited holding______________________________ ordinary shares as per Registered Folio/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 and vote for me/us and on my/our behalf at the Fifth Annual General Meeting of the Company to be held on 5th September 2009 and /or any adjournment thereof.

Signed this ________________________ day of ________________________ 2009.

Witnesses:

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

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

Signature on
Rs. 5/-
Revenue Stamp

NOTICE:

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 original national identity card or original passport and bring folio number at the time of attending the meeting.

3. In order to be effective, the proxy forms must be received at the registered office of the company not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons duly signed by them with their names, addresses and NIC numbers mentioned on the form.

4. In the case of individuals attested copies of NIC 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 with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted alongwith proxy form.

ARIF HABIB
LIMITED

60-64, Karachi Stock Exchange Building,
Stock Exchange Road, Karachi-74000
Phone : 2415213 - 15 Fax : 2429653 - 2416072