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Company Information

Board of Directors

Samad A. Habib

(Chairman)

Ahmed Reza

(CEO and Managing Director)

Muhammad Rafiq Jangda

Abdullah A. Rahman

Abdul Majid M. Siddique

Syed Hasan Jafri

Sharmin Shahid

Audit Committee

Abdul Majid M. Siddique

(Chairman)

Syed Hasan Jafri

Abdullah A. Rahman

Company Secretary

Haroon Usman

Chief Financial Officer

Muhammad Rafiq Jangda

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

Legal Advisors

Bawaney & Partners

Company Information

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

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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
Fax: (92-21) 4326034

Directors' Report to the Members

On behalf of the Board of Directors of Arif Habib Limited (AHL), I present to you the Company's Quarterly Report together with the un-audited financial statements for the period ended 30 September 2008.

Financial performance

During the Quarter under review, AHL earned operating revenues of PKR 111.7 million and posted net loss after tax of PKR 42.5 million. This represents loss per share of PKR 1.77 on a fully diluted basis. On a Quarter-on-Quarter (QOQ) basis, operating revenues shrank by 26.3 percent. The primary factor responsible for this financial performance was the poor market condition; this, in turn, resulted in a drastic reduction in business and the need to prudently provision against receivables whose collection may have become doubtful.

At the end of the Quarter under review, i.e. on 30 September 2008, the paid-in capital of your Company stood at PKR 240 million and its total equity at PKR 1,011.4 million. The latter represents a QOQ increase of 102.9 percent. The sound equity build-up was principally on the back of profitable operations during the financial year ended 30 June 2008; it was, of course, eroded by the net loss posted for the Quarter under review, though only to the extent of 4.0 percent of its value as on 30 June 2008.

The market

The benchmark Karachi Stock Exchange (KSE)-100 Index posted a price decline of 24.7 percent during the Quarter under review to close on 9179.68 points on 30 September 2008.

The market opportunity represented by the average daily volumes—the average number of shares traded per day—was most unsound. The volumes averaged just 73.95 million shares per day during the Quarter under review compared to 259.60 million per day in the first Quarter of FY2008, representing a massive period-on-period decline of 71.5 percent. On the 30th of September 2008, the KSE hit the "all time" record for low turnover: less than one million shares were traded on that day. Subsequently, the situation has only worsened in terms of traded volumes.

Outlook

Going forward, at least in the near term, the Company is likely to continue to face stiff challenges posed by extremely weak investor sentiment, low transaction volumes at the Exchange, as well as drastically reduced asset values—and, resultantly, impairment in investors' ability to generate liquidity. While AHL has actually succeeded in further enhancing its average market share, the impact on the Company's profits will likely be inconsequential unless the market opportunity improves very considerably.

Directors' Report to the Members

Acknowledgements

The Board of Directors would like to place on record its appreciation to all stakeholders—including clients, investors and partners in business—for their support and faith. The hard work and the valuable contribution by the company's employees—despite very difficult business conditions—are also appreciated and acknowledged. The Board is grateful to the Securities & Exchange Commission of Pakistan and to the Karachi Stock Exchange (Guarantee) Limited for their support and guidance.

For and on behalf of the Board

Karachi, 23 October 2008

Ahmed Reza, CFA
Chief Executive Officer

Balance Sheet

As At 30 September 2008

	Un-audited September 2008 Rupees	Audited June 2008 Rupees
EQUITY AND LIABILITIES		
Authorised capital		
50,000,000 (June 2008 : 50,000,000) Ordinary shares of Rs. 10/- each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital		
24,000,000 (June 2008 :24,000,000) Ordinary shares of Rs. 10/- each	<u>240,000,000</u>	<u>240,000,000</u>
Shares premium reserve	<u>180,000,000</u>	<u>180,000,000</u>
Unappropriated profit	<u>591,408,675</u>	<u>633,901,009</u>
Total Equity	<u>1,011,408,675</u>	<u>1,053,901,009</u>
Current liabilities		
Short term running finance	<u>788,937,238</u>	<u>168,894,551</u>
Margin finance	-	-
Trade & other payables	<u>1,011,354,380</u>	<u>327,873,795</u>
Accrued markup	<u>19,687,786</u>	<u>21,718,668</u>
Taxation	<u>5,302,528</u>	<u>48,528,447</u>
Total Liabilities	<u>1,825,281,932</u>	<u>567,015,461</u>
Total Equity and Liabilities	<u>2,836,690,606</u>	<u>1,620,916,470</u>

The annexed notes from an integral part of these financial statements.

CHIEF EXECUTIVE

Balance Sheet

As At 30 September 2008

	Un-audited September 2008 Rupees	Audited June 2008 Rupees
ASSETS		
Non current assets		
Property & equipments	12,311,261	11,761,526
Memberships & licences	57,150,000	57,150,000
Long term deposits	13,975,387	13,975,387
Current assets		
Investments - held for trading	144,658,719	169,127,651
Proceed receivable	-	-
Margin trading	221,321,255	-
Investment in CFS	19,776,721	11,873,267
Trade debts	1,976,862,065	437,370,800
Loans & advances	42,672,087	41,109,912
Deposits, prepayments	15,783,866	133,324,620
Advance tax	12,971,998	55,859,789
Other receivables	11,111,178	18,483,829
Cash & bank balances	308,096,069	670,879,690
Total Current Assets	2,753,253,959	1,538,029,558
Total Assets	2,836,690,606	1,620,916,470

DIRECTOR

Profit and Loss Account

For the quarter ended 30 September 2008

		September 2008 Rupees	September 2007 Rupees
Operating revenues	17	111,678,269	151,491,256
Capital gain on investment	18	73,055,906	1,485,524
		184,734,175	152,976,780
Operating expenses	19	(33,776,164)	(31,354,365)
Operating profit		150,958,011	121,622,415
Financial charges	20	(31,766,175)	(17,606,545)
Other income	21	7,267,747	1,053,650
Other charges	22	(161,341,297)	(29,335)
Net gain / (loss) due to change in market value of investment	8	(2,308,093)	3,959,655
		(188,147,818)	(12,622,575)
Profit / (loss) before taxation		(37,189,807)	108,999,840
Provision for taxation-prior		-	-
Provision for taxation-current		(5,302,528)	(7,927,918)
		(5,302,528)	(7,927,918)
Profit / (loss) after taxation		(42,492,335)	101,071,922
Earning per share		(1.77)	4.59

The annexed notes from an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement

For the quarter ended 30 September 2008

	September 2008 Rupees	September 2007 Rupees
Cash flow from operating activities		
Profit / (Loss) before taxation	(37,189,807)	108,999,840
Adjustment for:		
Depreciation	759,819	689,385
Dividend Income	(10,739,488)	(3,625,000)
Loss on sale of asset	-	29,335
Financial charges	31,766,175	17,606,545
	21,786,507	14,700,265
Operating profit / (Loss) before working capital changes	(15,403,300)	123,700,105
Changes in working capital (Increase)/Decrease in current assets		
Trade debts	(1,539,491,266)	(781,205,378)
Loans & advances	(1,562,175)	2,490,125
Deposits, prepayments	117,540,754	33,916,186
Advance Tax	-	(354,645)
Other receivable	8,682,175	885,340
Increase/(Decrease) in current liabilities		
Trade & Other payables	683,480,585	383,838,171
	(731,349,926)	(360,430,202)
Cash generated / (used) in operating activities	(746,753,227)	(236,730,097)
Income tax paid	(5,640,657)	(9,697,336)
Financial charges paid	(33,797,057)	(8,558,215)
Net cash generated from operating activities	(786,190,940)	(254,985,648)
Cash flow from investing activities		
Fixed capital expenditure	(1,366,355)	(3,130,375)
Proceed from sale of assets	56,801	1,053,881
Memberships & licences	-	-
Dividend received	9,429,963	362,500
issur of right shares	-	-
Long tem loan from parent company	-	-
Long tem deposit	-	-
Net cash used in investing activities	8,120,409	(1,713,994)
Cash flow from financing activities		
Dividend paid	-	(200,000,000)
Net cash used in financing activities	-	(200,000,000)
Increase in cash and cash equivalents	(778,070,531)	(456,699,642)
Cash and bank balance at beginning of the period	682,986,058	578,266,269
Cash and cash equivalent at end of the period	(95,084,473)	121,566,628

The annexed notes from an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity

For the quarter ended 30 September 2008

	Share capital (Rupees)	Premium Reserve (Rupees)	Accumulated profit/ loss (Rupees)	Total (Rupees)
Balance as at 1 July 2005	50,030,000	-	(1,489,700)	48,540,300
Issue of right shares	49,970,000	-	-	49,970,000
Profit for the year	-	-	227,358,433	227,358,433
Issue of bonus shares	100,000,000	-	(100,000,000)	-
Balance as at 30 June 2006	200,000,000	-	125,868,733	325,868,733
Profit for the year	-	-	321,590,633	321,590,633
Dividend 2006	-	-	(50,000,000)	(50,000,000)
Balance as at 01 July 2007	200,000,000	-	397,459,366	597,459,366
Profit / (Loss) for the first quarter ended 30 September 2007	-	-	101,071,921	101,071,921
Dividend 2007	-	-	(200,000,000)	(200,000,000)
Issuance of bonus	20,000,000	-	(20,000,000)	-
Balance as at 30 Sep 2007	220,000,000	-	278,531,287	498,531,287
Profit for the period October 2007 to June 2008	-	-	355,369,722	355,369,722
Issue of right shares	20,000,000	180,000,000	-	200,000,000
Balance as at 30 June 2008	240,000,000	180,000,000	633,901,009	1,053,901,009
Profit / (Loss) for the first quarter ended 30 September 2008	-	-	(42,492,335)	(42,492,335)
Balance as at 30 September 2008	240,000,000	180,000,000	591,408,175	1,011,408,675

The annexed notes from an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements

For the quarter ended 30 September 2008

1 Status and Nature of Business

The Company was incorporated on 7 September 2004 under the Companies Ordinance, 1984, as an unquoted Public Limited Company. The Company is listed at the Karachi Stock Exchange (Guarantee) Limited with effect from 31 January 2007. The Company is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodities Exchange. It is registered with SECP as securities brokerage house. The Company is majority owned subsidiary of Arif Habib Securities Limited (AHSL) and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, corporate finance advisory and securities research.

2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

These financial statements are unaudited and are submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard - 34 (Interim Financial Reporting) as applicable in Pakistan.

These financial statements have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended 30 June 2007.

3 Taxation

Provision for taxation has been estimated at the current rate of taxation.

4 Commitments

Commitment to National Clearing House in respect of trading of securities - (receivable)/payable

Rupees

410,264,921

5 Property & Equipment

Fixed capital expenditure during the period amounting to Rs. 1.366 million (30 June 2008: Rs.6.516 million). Deletion of fixed assets made during the period was amounting to Rs.0.083 million (30 June 2008: Rs. 2.741 million).

Notes to the Financial Statements

For the quarter ended 30 September 2008

6 Related Party Transactions

Rupees

Maximum balance due from/(to) at the end of any month

-- Mutual funds - managed by Arif Habib Investment Management Limited	168,683
-- Arif Habib Securities Limited	13,815,321
-- Arif Habib Bank Limited	694,651
-- Mr. Samad A. Habib (Chairman AHL)	(327,128,330)
-- Mr. Muhammad Arif Habib (Chairman AHSL)	(286,518,338)

7 Date of Authorization for Issue

These financial statements have been authorized for issue on 23 October 2008 by the Board of Directors of the company.

8 General

- Figures have been rounded off to the nearest rupee

CHIEF EXECUTIVE

DIRECTOR