

ANNUAL REPORT 2009



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Promoting Investment



ARIF HABIB
SECURITIES LTD.

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Corporate Objectives

Vision

To be a leading investment company excelling in every aspect of its business and in delivering its obligations as a good corporate citizen to all the stakeholders.

Mission

To be a significant participant in developing Pakistan's capital market for it to become the engine of industrial and economic growth and in integrating it into the world markets.

Overall Corporate Strategy

Our responsive and energetic corporate strategy strives for enhancing shareholders' satisfaction by accumulation worth over the long run. We aim at creating a value for the stakeholders by maintaining and improving our competitive position in the market. To grow and maintain a high performance culture with continually improvement, through which Company can get the status which stakeholders are willing to see. To develop strategic plan to curtail weak areas and respond to threats to Company's worth. We consider diversification of our investments as a significant factor behind corporate sustainability in the significant changing capital market scenario.

Core Values and Code of Conduct / Ethics

The code of conduct guides the decision, procedures and system of the Company in a way that it contributes to welfare of all stakeholders and respects the rights of all constituents affected by the Company's operations. A summary of code of ethics are as follows:

- **Respect for the Individual**
Discrimination on any basis is fundamentally unacceptable.
- **Conflict of Interest**
The employees must act in the Company's interest and to avoid themselves from a position where their personal interest conflicts with the Company's interest.
- **Financial and Operational Integrity**
Compliance with accepted accounting rules and procedures is required at all times. All information supplied to auditors and shareholders must be complete and not misleading.
- **Bribery**
All kinds of bribes or facilitation payments or receipt in cash or in kind are strictly prohibited.
- **Regulatory Compliance and Corporate Governance**
The Company cooperates fully with all governmental and regulatory bodies and is committed to the highest standards of cooperative governance.
- **High Standards**
Voluntarily sets, and adhere to, the highest standards of professional conduct: this will assure peace of mind and fair treatment for all stakeholders.
- **Efficiency**
Efficiencies, appropriate risk management measure and pricing strategies should enable profitable operations and good shareholder returns in all market scenarios.
- **Growth and Development**
The Company's social responsibility and it's intend role in the growth and development of capital markets, must always be kept in mind in choosing the projects and business offered by the market opportunity, considered adequacy at the appropriate forums may also be taken up as a contributory tool.

Company Information

Board of Directors

Arif Habib	Chairman & Chief Executive
Asadullah Khawaja	Director
Kashif A. Habib	Director
Muhammad Akmal Jameel	Director
Muhammad Khubaib	Director
Nasim Beg	Director
Sirajuddin Cassim	Director
Syed Ajaz Ahmed Zaidi	Director

Company Secretary

Tahir Iqbal

Audit Committee

Sirajuddin Cassim	Chairman
Kashif A. Habib	Member
Muhammad Akmal Jameel	Member
Syed Ajaz Ahmed Zaidi	Member

Management

Arif Habib	Chief Executive Officer
Tahir Iqbal	Chief Financial Officer

Bankers

Allied Bank Limited
 Arif Habib Bank Limited
 Atlas Bank Limited
 Bank Al Falah Limited
 Bank Al-Habib Limited
 Faysal Bank Limited
 First Women Bank Limited
 Habib Bank Limited
 Habib Metropolitan Bank Limited
 KASB Bank Limited
 MCB Bank Limited
 My Bank Limited
 National Bank of Pakistan
 NIB Bank Limited
 Standard Chartered Bank (Pakistan) Limited
 Soneri Bank Limited
 The Bank of Punjab
 United Bank Limited

Auditors

KPMG Taseer Hadi & Co., Chartered Accountants
 Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants

Legal Advisors

Bawaney & Partners

Registered Office

60-64, Karachi Stock Exchange Building
 Stock Exchange Road Karahi-74000
 Phones: (021)2415213-15 Fax No: (021)2429653, 2470496
 E-mail: ahsl@arifhabib.com.pk
 Website: www.arifhabib.com.pk

Corporate Office

Arif Habib Centre
 23, M.T.Khan Road, Karachi-74000
 Phone: (021)2460717-19 Fax No: (021)2429653, 2470496

Registrar & Share Transfer Agent

Technology Trade (Pvt.) Ltd.
 Dagia House, 241-C, Block-2, PECHS
 Off: Shahrah-e-Quaideen, Karachi.
 Ph: (021) 4391316-7 Fax: (021)4391318

Board of Directors



Mr. Arif Habib

Chairman & Chief Executive

Date of Appointment: September 29, 2007

Other engagements

As Chairman

- Arif Habib Bank Limited
- Pakarab Fertilizers Limited
- Fatima Fertilizer Company Limited
- Thatta Cement Company Limited
- Pakistan Private Equity Management Limited
- Real Estate Modaraba Management Company Limited
- Arif Habib DMCC Dubai
- Safemix Concrete Products Limited
- Arif Habib Foundation

As Director

- Pakistan Engineering Company Limited
- Attock Refinery Limited
- Aisha Steel Mills Limited
- Pakistan Centre for Philanthropy
- International Complex Projects Limited

As Honorary Trustee/Governor/Member

- Pakistan Veterans Cricket Association
- Memon Health and Education Foundation
- Fatamid Foundation

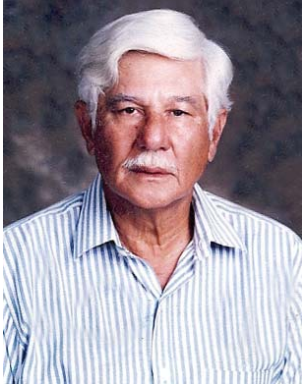
Profile

Mr. Arif Habib, a Commerce Graduate and a Fellow Member of the institute of Chartered Secretaries and Managers is the Chairman & Chief Executive of Arif Habib Securities Limited, a holding company of Arif Habib Group. He is the Chairman of Arif Habib Bank Limited, Fatima Fertilizer Company Limited, Pakarab Fertilizers Limited, Thatta Cement Company Limited and Arif Habib DMCC Dubai.

Mr. Arif Habib has remained the President / Chairman of Karachi Stock Exchange six times in the past. He is the Founding Member and Former Chairman of the Central Depository Company of Pakistan Limited. He has served as Member of the Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years he has been nominated on the Board of Directors of a number of companies by the Government of Pakistan and had remained member of the Board of OGDC.

He has participated in a number of professional advancement courses including on Development of Securities Market organized by the SEC, USA at Washington, D.C. in 1992. He visited over a dozen of stock exchanges in different countries for exchange of views.

On the social services front Mr. Arif Habib is a significant participant of welfare activities of different organizations. To quote a few he is one of the trustees of Fatmid Foundation and Memon Health & Education Foundation and director of Pakistan Centre for Philanthropy.



Mr. Asadullah Khawaja

Non-Executive Director

Date of Appointment: September 29, 2007

Other engagements

As Chairman

- PICIC Asset Management Company Limited

As Director

- Arif Habib Bank Limited
- Pakistan Private Equity Management Limited
- Arif Habib REIT Management Limited

Profile

Mr. Khawaja completed his bachelor of arts in 1964 from Forman Christian College, Lahore. Subsequently, he completed several local and foreign courses on banking, securities industries management, investment analysis and portfolio management. Moreover, he has participated in various international seminars and workshops on investment oriented issues.

He started his professional career with United bank Limited in 1965 and only after a year switched to Investment Corporation of Pakistan. From 1966 till 1995 he rose through the ranks from OG-III to the post of Managing Director. During this long career he rendered his services in different capacities and in different departments.

Mr. Khawaja also held the additional charge of Chief Executive Bankers Equity Limited (BEL) and NITL. His foreign assignments include five years at Pakistan Embassy in London as Investment Counselor. After leaving ICP in 2000 he joined Pakistan Credit Rating Agency as Executive Director on December 2001 and served their till July 31, 2005. Mr. Khawaja has also served on the board of directors of prestigious institutions of domestic and international nature and the list of companies can only be termed impressive



Mr. Kashif A. Habib

Non-Executive Director

Date of Appointment: September 29, 2007

Other engagements

As Director

- Arif Habib Investments Limited
- Pakarab Fertilizers Limited
- Fatima Fertilizer Company Limited
- Thatta Cement Company Limited
- Javedan Cement Limited
- Arif Habib REIT Management Limited
- Rotocast Engineering Company (Pvt.) Limited
- Nooriabad Spinning Mills (Pvt.) Limited
- Arif Habib Foundation

Profile

Mr. Kashif has completed his mandatory Article ship with M/s. A. F Ferguson Chartered Accountants. He has completed C.A Intermediate from Institute of Chartered Accountants of Pakistan (ICAP). He has at his credit experience of 3 years Internship in Arif Habib Securities Ltd.

Presently Mr. Kashif is executive director in Pakarab Fertilizers Limited and Thatta Cement Company Limited.



Mr. Muhammad Akmal Jameel

Non-Executive Director

Date of Appointment: September 29, 2007

Other engagements

As Director

- Arif Habib Investments Limited
- Arif Habib REIT Management Limited
- Real Estate Modaraba Management Company Limited
- Aisha Mills Steel Limited
- Rozgar Microfinance Bank Limited
- Sweetwater Dairies Pakistan (Pvt.) Limited
- Project One (Pvt.) Limited
- J.J. Media (Pvt.) Limited
- Pakistan Private Equity Management Limited

Profile

Mr. Akmal Jameel, a Chartered Financial Analyst (CFA), has deep experience of corporate finance and private equity transactions. He has over 15 years of experience in financial markets and financial consulting in Pakistan and the Gulf. He has previously worked at Ernst & Young in Saudi Arabia, and with Anjum Asim Shahid & Company (Grant Thornton associates) and Hagler Bailly Pakistan. He has extensive experience in structuring projects, evaluating private equity proposals and conducting feasibility studies and was previously responsible for corporate finance and business development at Arif Habib Securities Limited.



Mr. Mohammad Khubaib

Non-Executive Director

Date of Appointment: December 16, 2007

Other engagements

As Chief Executive

- Aisha Steel Mills Limited

As Director

- Thatta Cement Company Limited
- Sweetwater Dairies Pakistan (Pvt.) Limited

Profile

He has over thirty years of experience of managing manufacturing and services organizations. He has been associated with large local and multinational corporations such as Unilever, Unisys, Cupola Group, Alghazi Tractors (Fiat), Dewan Group and IBL (marketing and distribution of 18 multi nationals). He has managed projects in sugar, cement, automobile, information technology, agriculture and distribution sectors. He has masters' degree in commerce.



Mr. Nasim Beg

Non-Executive Director

Date of Appointment: September 29, 2007

Other engagements

As Chief Executive

- Arif Habib Investments Limited

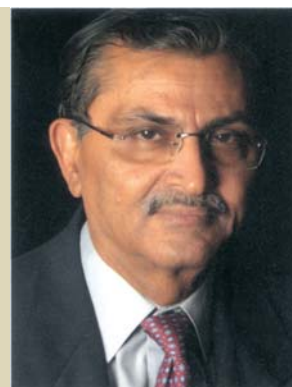
As Director

- Arif Habib Bank Limited
- Pakarab Fertilizers Limited
- Saudi Pak Insurance Company Limited
- Asia Care Health & Life Insurance Co. Limited
- Arif Habib REIT Management Limited
- Pakistan Private Equity Management Limited
- Mutual Fund Association of Pakistan
- Institute of Capital Markets
- Safemix Concrete Products Limited
- Beg Associates (Pvt.) Limited
- Arif Habib Foundation

Profile

Mr. Nasim Beg, a fellow member of ICAP, is CEO of Arif Habib Investments Limited. With over thirty five years of experience in the financial sector as well as industry (in and outside the country), Mr. Nasim Beg is one of the most respected professionals in the mutual funds industry, in the country. Before assuming responsibility of the Chief Executive at Arif Habib Investments, Mr. Beg served as the Deputy Chief Executive of NIT, which he joined during its troubled period, and played an instrumental role in its modernization and turn around. He also served as the Chief Executive for a few months. He has also been associated at top-level positions with other asset management and investment advisory companies.

Besides his expertise in the financial services sector including strength in information technology, back office management, finance and accounting, Mr. Beg has also held senior level responsibilities in the industry. It was during his tenure as the Chief Executive of Allied Precision (a subsidiary of the Allied Engineering Group), which he set up as a green field project, that the company developed sophisticated indigenous components for the automotive industry. Mr. Beg is one of the few senior level professionals who has had rather extensive experience of management information systems. Not only does he have hands-on experience, but at places like Abu Dhabi Investment Co. - UAE (where he played a role in setting up of the company) and NIT, he was responsible for getting such systems developed.



Mr. Sirajuddin Cassim

Non-Executive Director

Date of Appointment: September 29, 2007

Other engagements

As Director

- Arif Habib Investments Limited
- Platinum Securities (Pvt) Limited
- DRH Logistics Pakistan (Pvt) Limited
- Sigma Leasing Corporation Limited

Profile

Mr. Sirajuddin Cassim is one of the most experienced persons of the team. He has a vast knowledge of, Tax accounting, corporate law and corporate finance. He has practical experience of new listings and public offerings and offer for sales. He not only has the experience of preparing prospectus / offer for sale documents of more than 40 companies but also has the honour of successfully listing these companies on all the three stock exchanges of the country. Mr. Sirajuddin Cassim started as a Partner in Daudally Siraj & Company Chartered Accountants and since 1985 is engaged in financial, investment advisory and corporate consultancy services. He is also associated with the family brokerage house. He is a member of the Karachi Stock Exchange since 1975 and served on the Board of Directors of Karachi Stock Exchange in the year 1990 and 1991 and also as Vice President in 1993 and as President in 1995. He also served as Chairman with the CDC in 1995 and has immense experience in accounting and served as the Vice President of Institute of Chartered Secretaries and Managers from 1997 to 2000. Besides this he also served as the Executive Director of Standard Chartered Mercantile Leasing Company Limited from 1989 to 1998. He has a vast experience of serving as a member of the Taxation & Fiscal and Banking & Fiscal sub-Committees of the Karachi Chamber of Commerce and Industries. He attended the General Assembly meeting and Technology meeting of the Federation of Euro-Asian Stock Exchange in the year 1995 and 1996.



Mr. Syed Ajaz Ahmed Zaidi

Non-Executive Director

Date of Appointment: September 29, 2007

Other engagements

As Chairman

- Al-Abbas Cement Industries Limited

As Chief Executive

- Pakistan Premier Fund Limited

As Director

- Arif Habib Investments Limited
- Javedan Cement Limited

Profile

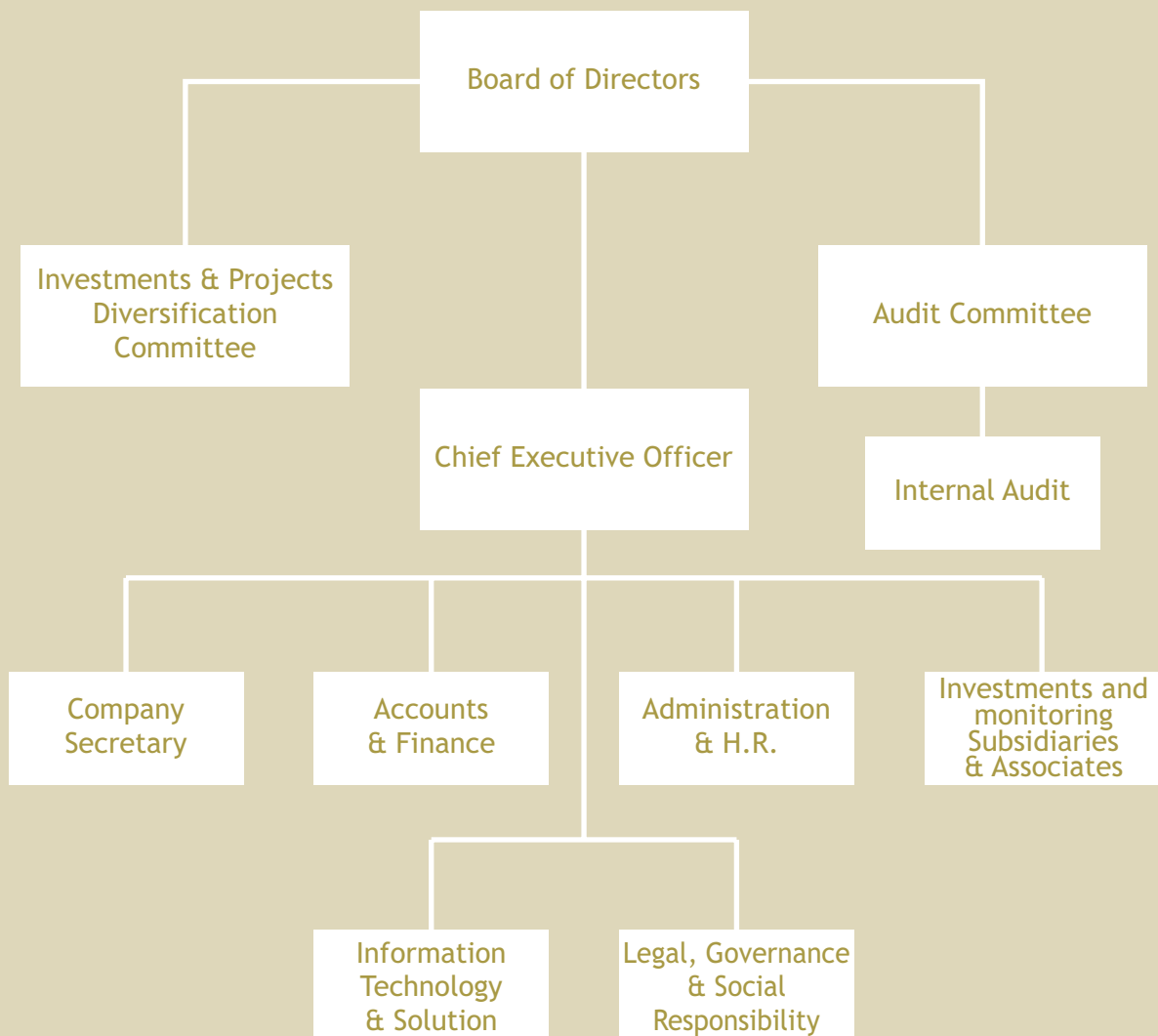
Syed Ajaz Ahmed has extensive national and international experience of the industry and financial sector, which spans over thirty eight years. Mr. Ahmed has also served as a consultant at Taseer Hadi Khalid (an associate of KPMG) and the Malaysian Customs.

Being the CEO of Pakistan Premier Fund Limited (PPFL) has contributed tremendously in turn around of the company. PPFL has the honour of being the only Fund in Pakistan won “Best Companies Award” granted by Karachi Stock Exchange.

He is also Chairman of Al Abbas Cement Industries Limited, member of the Boards of Arif Habib Securities Limited, Arif Habib Investments Limited and Javedan Cement Limited. Formerly, he has served on the Boards of Arif Habib Bank Limited and Thatta Cement Company Limited.

In the Financial sector, Mr. Ahmed’s experience ranges from leasing to brokerage house to investment bank and asset management companies. Mr. Ahmed while serving at senior positions at various financial institutions has had in depth experience of various international markets in North America, Europe, Far East and Pakistan. Mr. Ahmed is an Associate of ICMAP in addition to B.Com and L.L.B.

Organization Chart



BOD and Management Committees

At Arif Habib Securities Limited ("the Company") various Committees have been constituted both at the Board and management levels.

Committees of the Board of Directors

Committees of the Board assist Board of Directors in performance of its duties. Following are the details of structure and other information of the Board's committees;

Audit Committee (AC)

In line with best practices the Board of Directors has established the Audit Committee and determined its terms of reference. Four meetings of the Committee were held during the year.

- Currently, the Audit Committee comprises following four non-executives Directors:

S.No.	Name	Designation
1.	Mr. Sirajuddin Casim	Chairman
2.	Mr. Kashif A. Habib	Member
3.	Mr. Syed Ajaz Ahmed Zaidi	Member
4.	Mr. Muhammad Akmal Jameel	Member

The Audit Committee, in addition to ensure compliance of Code of Corporate Governance, carries out following functions:

- To assist Board of Directors in reviewing, approving and monitoring effective compliance with the Company's mission, vision, corporate strategy & objectives, core values and standard of conduct.
- To review matters relating to the Company's Business Plan, financial reporting process including review of quarterly, half-yearly and annual financial statements, monitoring compliance with applicable accounting standards and review of financial and non-financial publications.
- Held separate meetings with the Chief Financial Officer, Head of Internal Audit and the External Auditors as required under listing regulation.
- The Audit Committee recommends to the Board of Directors the selection of the independent audit firm(s), considering independence and effectiveness and recommend the fees and other compensation to be paid to the independent audit firm(s).

The salient features of audit charter are that the Internal Audit Department (IAD) will assist the Audit Committee and the Board in fulfilling their responsibilities. The role of the IAD is to review and report on the following aspects of the management of the Company:

- internal controls over the Company's key business processes,
- management of financial risks,
- financial accounting and reporting,
- compliance with laws and regulations, and
- any other area identified by the audit committee for investigative, compliance or control review.

Authority

The Board authorizes the (IAD), within the scope of its responsibilities, to:

- Have access to all officers and staff of the company.
- Seek any information it requires from:
 - any employee (and its employees are directed to co-operate with any request made by the internal audit department, and
 - external parties with which the company has or intends to enter into business relationship.
- Obtain expert advice or opinions from independent legal or professional advisors.
- Require attendance of employees and staff at meetings held by IAD.

Key responsibilities

- Gain an understanding of the current areas of business and the risks associated with it and evaluating how effectively the management controls these risks.
- Gain an understanding of computer systems and applications to identify current areas of IT based risk and evaluating how effectively the management controls these risks.
- Consider the possibilities of any fraud and illegal acts that may arise due to collusion between parties or due to deficiencies in internal controls.
- Review significant accounting processes (including financial statement close process) and evaluate effectiveness of controls over the recording of financial transactions.
- Review and evaluation of financial budgeting and reporting process, including compliance with professional, legal and regulatory pronouncements.
- Review any legal matters that could significantly impact the Company's performance.
- Liaison with the external auditors in order to provide assurance to them on areas already covered by the internal audit, assess the impact of significant audit issues to the report of the external auditors and follow up on issues raised in the management letter issued by the external auditors.

Other responsibilities

- Review and update charter; obtain approval for changes from the Board.
- Evaluate performance of the IAD.

Investments and Projects Diversification Committee (IPDC)

The function of IPDC is to present its findings for Board of Directors' review and approval for the acquisitions or expansion with attractive return and satisfactory growth and success potential.

The IPDC comprises Chief Executive, two non-executive Directors and Chief Financial Officer which are as follows:

S.No.	Name	Designation
1.	Mr. Arif Habib	Chairman
2.	Mr. Nasim Beg	Member
3.	Mr. Akmal Jameel	Member
4.	Mr. Tahir Iqbal	Member

The IPDC meets on required/directed basis to discharge its responsibilities for evaluating and discussing feasibilities for potential projects and new avenues for diversified investments of the Company's resources. During the year a meeting of the Committee was held. In line with its terms of reference discussed the quality of the present investments, well positioning of present and future resources for investments opportunities and overall environment for investments.

Management Committees

The purpose of the Management Committees is to improve coordination and review issues including strengths & weaknesses, opportunities & threats and facilitates/coordinates timely decision making to improve performance and efficiency.

Executive Committee on Risk Management (ECRM)

The prime objective of ECRM is to use structured approach in identifying, assessing and controlling risks to support better decision making for effective and efficient use of resources. The Committee places before the Board of Directors all matter of significance and such matters which are required to be approved by it under the law.

The ECRM comprises Chief Executive, Company Secretary, Chief Financial Officer and a senior Advisor which are as follows:

S.No.	Name	Designation
1.	Mr. Arif Habib	Chairman
2.	Mr. Haroon Usman	Member
3.	Mr. Tahir Iqbal	Member
4.	Mr. Shafi Malik	Member

The terms of reference of ECRM is to assist Board of Directors developing, reviewing and approving risk management policies, instituting special projects, value of money studies. ECRM meets on required/directed basis. During the year a meeting of the Committee was held and in line with its terms of reference considered the following matters in detail;

- Review of major risks and challenges identified in the ERM process and to take appropriate measures to counter those risks and challenges, status of implementation of compliance program and to take appropriate action for any non compliance of the policies and procedures.
- Ensure smooth operations of the Company and adequacy of operational, administrative and financial controls.

Executive Committee on Human Resource (ECHR)

The leading objective of ECHR is to assist in promotion of an environment conducive to the Company employees for their optimal performance. ECHR meets at least once every quarter. The ECHR is committed to develop and make decisions on HR strategy and policy.

The ECHR comprises Chief Executive, Company Secretary and Chief Financial Officer which are as follows:

S.No.	Name	Designation
1.	Mr. Arif Habib	Chairman
2.	Mr. Haroon Usman	Member
3.	Mr. Tahir Iqbal	Member

The terms of reference of ECHR include recommendation on human resource management, organizational development, policies to attract and retained quality personnel, assessment of corporate culture and recommendation of change management.

Criteria to Evaluate Board's Performance

Performance evaluation continues to gain profile and momentum within boardrooms. Regulators and institutional investors increasingly endorse performance evaluation as a prerequisite for good corporate governance.

In spirit to match compliance with the best practices of corporate governance as recognized globally the Board of your Company has outlined the following criteria to evaluate its performance in the ensuing years. This will definitely add value, result in improvement of performance of the Board, identify emerging trends and changes and provide a repository of good practice disclosures in reporting examples in the area of performance evaluation. The evaluation would examine those key areas where the Board requires clarity in order to provide high level oversight, including: the strategic process; key business drivers and performance milestones; the global economic environment and competitive context in which the Company operates; the risks faced by the business; board dynamics; capability and alignment; reputation; and information flows.

Criteria include all areas the board is responsible for:

- Membership accountability
- Governance
- Board operations
- Legal responsibility
- Financials
- Planning and strategy
- Risk management
- Leadership and culture
- Board/Member Relations

It is the intention of the Board of the Company to continue to review its performance and that of its Directors annually.

C.E.O Performance Review

The performance of the Company since it's listing in 2001 has been extraordinary. The Company has grown in size from Rs. 0.495 billion of equity to Rs. 16.135 billion of equity and it's stock has given a record breaking return. This achievement has been recognized by the stock exchange and the Company has received the 'KSEs Top 25 Companies Award' every year since listing.

The Board believes that the C.E.O.'s leadership and skills were crucial in the achievements described above. Your company is fortunate to have one of the best investment minds as the C.E.O. of the company.

It is a challenging task for the Board to review the CEO's performance when he has very successfully transformed a sole proprietor brokerage business in to a listed conglomerate.

Nevertheless, Mr. Arif Habib was put to full test during the unprecedented turmoil of last year. As any human being, he too came under tremendous stress but the nerves of steel won the day and he brought not only the Company but also its subsidiaries out of, what then seemed an endless downturn.

It is during this period where he convinced the Board to take a courageous decision and sell the interest in the banking subsidiary, which had been set up with a lot of deliberation, hope and care, with many hours of attention given to it by the group executives. But it is this type of leadership in a Chief Executive that separates the weak and the strong.

Mr. Arif Habib's ability to seek counsel of the Board as well as others puts him in a position to take decisions that are best for the Company and removed from emotions but at the same time keep in mind what is also good for society and all stakeholders.

The Board has had the pleasure of having one of the leading personalities of the industry reporting to it far more frequently to it than the minimum the law requires and holding himself accountable to it.

The company has benefited from this CEO to the Board's satisfaction and expectations.

Notice of Fifteenth Annual General Meeting

Notice is hereby given that the Fifteenth Annual General Meeting of the Shareholders of Arif Habib Securities Limited ("the Company") will be held on Saturday, September 26, 2009 at 10:30 a.m at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road Karachi to transact the following business:

Ordinary Business

- 1) To confirm minutes of the Annual General Meeting held on September 27, 2008.
- 2) To receive, consider and adopt annual audited financial statements of the Company together with the Directors' and the Auditors Reports thereon for the year ended June 30, 2009 together with the Audited Consolidated Financial Statements of the Company and subsidiaries for the year ended June 30, 2009.
- 3) To appoint the Auditors for the year ending June 30, 2010 and fix their remuneration. The Board of Directors have recommended for reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as external auditors.

Special Business

- 4) To consider and if thought fit to pass the following Special Resolutions with or without modification(s):

Special Business No.1 - Sale of Shares of Arif Habib Bank Limited

"RESOLVED THAT the consent and approval be and is hereby accorded for the sale of 297,034,854 Shares of Arif Habib Bank Limited by the Company to Suroor Investments Limited, Mauritius, vide Share Purchase Agreement dated June 30, 2009 ("SPA") executed between the Company and Suroor Investments Limited for a total consideration of Rs.2,673,313,686/-, with interest as provided in the SPA".

"FURTHER RESOLVED THAT the Chief Executive, Mr.Arif Habib be and is hereby authorized to sign any further agreement, document or instrument in addition to already signed SPA and that Mr. Arif Habib and the Company Secretary, Mr. Tahir Iqbal be and are hereby further authorized to take and do and/or cause to be taken or done any/all necessary actions, deeds and things which are or may be necessary for fulfilling the SPA and for giving effect to the aforesaid resolution and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the sale of 297,034,854 Shares of Arif Habib Bank Limited to Suroor Investments Limited by the Company in terms of the SPA.

Special Business No.2 - Sale of Shares of Real Estate Modaraba Management Company Limited

"RESOLVED THAT the consent and approval be and is hereby accorded for the sale of entire shareholding (249,995 Shares) of Real Estate Modaraba Management Company Limited ("REMCO") to Chairman & Chief Executive Mr.Arif Habib at book value per share as per audited financial statements for the year ended June 30, 2009 or at par, whichever is higher".

"FURTHER RESOLVED THAT Director, Mr.Syed Ajaz Ahmed Zaidi, and/or the Company Secretary be and are hereby authorized to take and do and/or cause to be taken or done any/all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolution and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the investment of the Company's funds as above as and when required at the time of investment".

Special Business No.3 - Investments in Associated Companies & Associated Undertakings

"RESOLVED THAT the consent and approval be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for the following limits of additional investments in associated companies and associated undertakings subject to the terms and conditions mentioned in the annexed statement under Section 160(1)(b) of the Companies Ordinance, 1984".

Name of Companies & Undertakings	Rupees in million	
	Proposed amount for Equity	Proposed amount for Loan/ Advance
1. Arif Habib Bank Limited	1000	-
2. Arif Habib Limited	250	250
3. Arif Habib Investment Management Limited	250	250
4. Pakistan Private Equity Management Limited & its Funds	1000	500
5. Real Estate Modaraba Management Company Limited	300	300
6. Aisha Steel Mills Limited	750	250
7. Sweetwater Dairies Pakistan (Pvt.) Limited	500	-
8. Rozgar Microfinance Bank Limited	50	-
9. Pakarab Fertilizers Limited	1000	1000
10. Fatima Fertilizer Company Limited	1500	1000
11. Rotocast Engineering Company (Pvt.) Limited	300	200
12. Thatta Cement Limited	300	200
13. Pakistan Premier Fund Limited	250	-
14. Pakistan Income Fund	2000	-
15. Pakistan Strategic Allocation Fund	250	-
16. Pakistan Capital Protected Fund I	50	-
17. Pakistan Capital Protected Fund II	50	-
18. Pakistan Capital Market Fund	500	-
19. Pakistan Stock Market Fund	500	-
20. Pakistan Cash Management Fund	100	-
21. Pakistan Income Enhancement Fund	100	-
22. Al Abbas Cement Limited	250	-
23. Javedan Cement Limited	400	600
24. International Complex Project Limited	1500	1000
25. Askari Siddiqsons Limited	1560	1040
26. Arif Habib REIT Management Company & REITS' Funds	1500	1000
27. Memon Health & Education Institute	-	50
28. S.K.M Lanka Holdings (Pvt.) Limited	150	100
29. Arif Habib Foundation	-	250

"FURTHER RESOLVED THAT the Chief Executive and/or the Company Secretary be and are hereby authorized to take and do and/or cause to be taken or done any/all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolution and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the investment of the Company's funds as above as and when required at the time of investment".

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

Statement under Section 160(1)(b) of the Companies Ordinance 1984 containing material facts concerning special business to be transacted at the Annual General Meeting are being given on page 141 to 156.

By order of the Board



Tahir Iqbal
Company Secretary

Karachi
24 August 2009

Notes:

1. Share transfer books of the company will remain closed from September 20, 2009 to September 26, 2009 (both days inclusive). Transfers received in order at the office of our registrar: M/s. Technology Trade (Pvt.) Ltd; Dagia House 241-C Block-2, P.E.C.H.S. off Shahrah-e-Quaideen Karachi; by the close of business on September 19, 2009 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 is as follows:
 - (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 the Registrar/Transfer Agent 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.

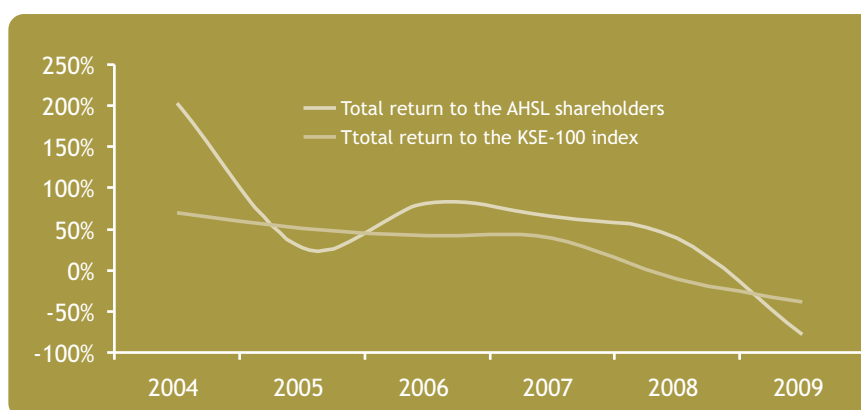
Financial Highlights

year ended June 30

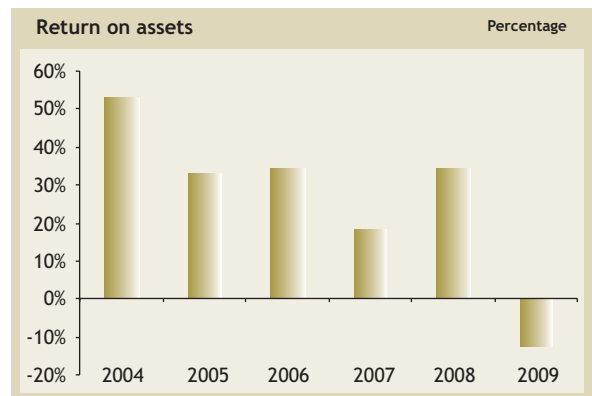
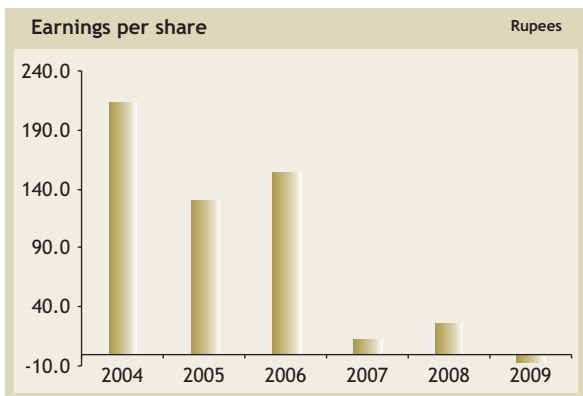
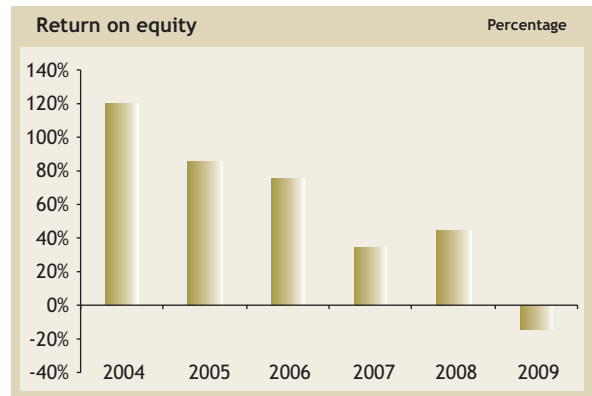
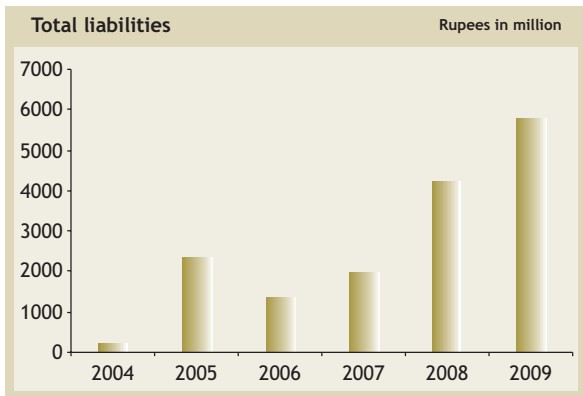
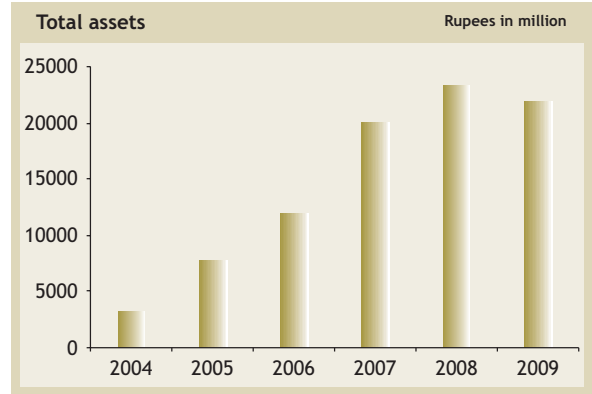
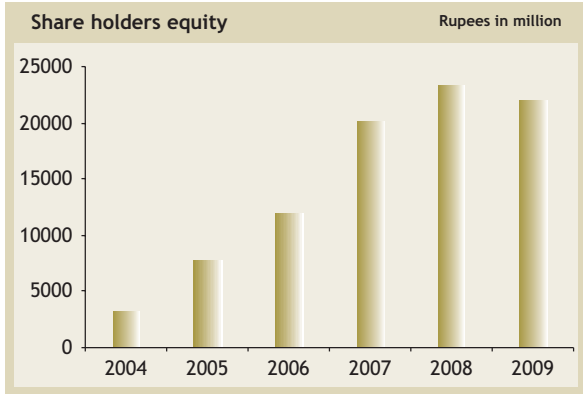
	Rupees in million					
	2009	2008	2007	2006	2005	2004
Profit and Loss Account						
Operating profit	(2,134.6)	9,514.2	3,934.9	4,768.4	2,640.0	1,753.9
Profit before tax	(2,134.6)	9,514.2	3,934.9	4,768.4	2,640.0	1,753.9
Profit after tax	(2,768.9)	7,970.8	3,682.3	4,157.4	2,583.4	1,705.3
EBITDA	(1,676.7)	9,586.8	3,990.7	4,966.6	2,751.1	1,787.6
Balance Sheet						
Share capital	3,750.0	3,000.0	3,000.0	270.0	200.0	80.0
Reserves	12,385.3	16,049.9	15,074.6	10,420.6	5,297.9	2,920.5
Property and equipment	72.2	28.3	5.4	9.0	6.8	3.1
Long term investments	16,544.5	17,343.8	14,508.8	6,540.3	436.1	17.0
Net current assets	5,302.3	5,905.4	5,534.9	5,259.8	6,502.5	3,088.6
Net current liabilities	2,833.5	1,917.5	140.8	117.5	2,340.1	222.3
Deferred liabilities	2,950.2	2,310.2	1,833.8	1,251.3	-	-
Total assets	21,919.0	23,277.6	20,049.2	12,059.4	7,837.9	3,222.8
Total liabilities	5,783.7	4,227.7	1,974.6	1,368.8	2,340.1	222.3
Ratios						
Performance						
Return on equity	-14.5%	44.1%	34.4%	75.6%	86.1%	120.5%
Return on assets	-12.6%	34.2%	18.4%	34.5%	33.0%	52.9%
Return on capital employed	-8.8%	44.9%	20.0%	41.6%	50.0%	59.5%
Income/expenses ratio	(2.6)	58.6	33.5	18.5	12.0	14.4
Earning assets/total assets	0.9	1.0	1.0	0.9	0.7	0.8
Leverage						
Debt:Equity ratio	0.2	0.1	-	0.0	0.2	-
Interest cover ratio	(3.7)	134.2	73.3	25.3	25.1	55.3
Dividend cover ratio	-	17.7	1.6	15.4	12.9	14.2

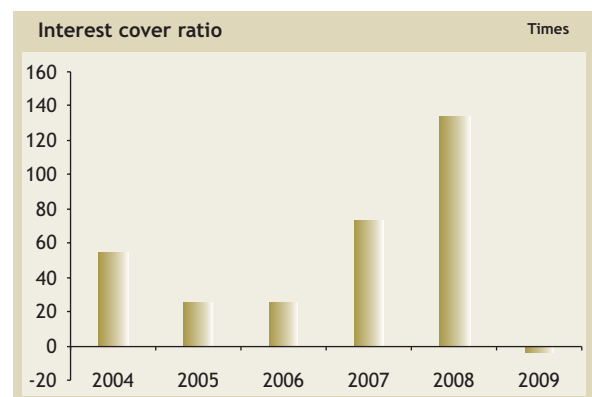
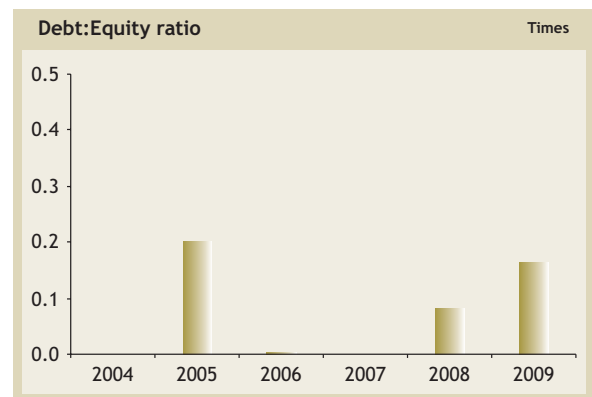
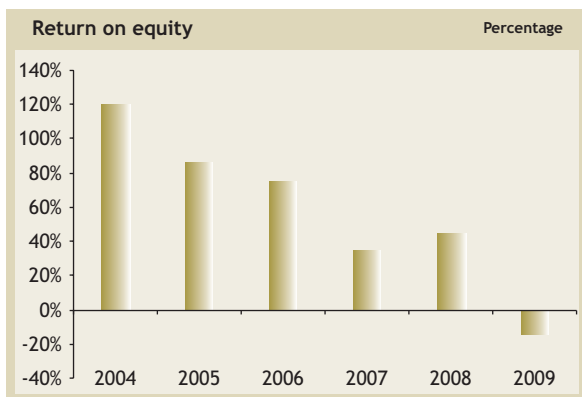
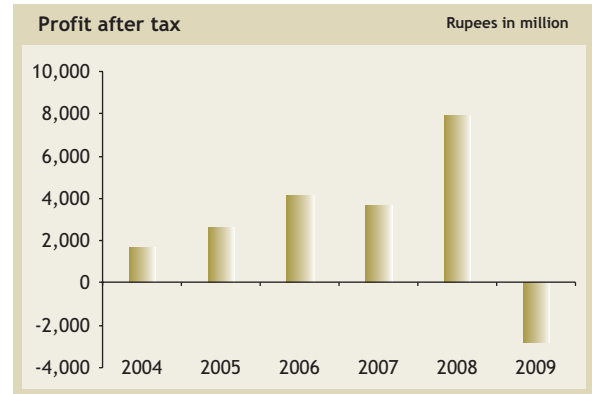
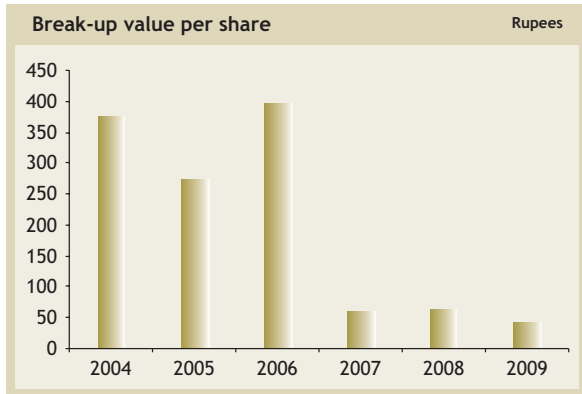
year ended June 30

	2009	2008	2007	2006	2005	2004
Liquidity						
Current ratio	0.9	3.0	38.9	33.9	2.3	11.6
Valuation						
Price earning ratio	(3.6)	6.1	9.5	0.3	0.2	0.1
Break-up value per share - PKR	43.0	63.5	60.2	395.9	274.9	375.1
Cash dividend per share - PKR	-	1.5	7.5	10.0	10.0	15.0
Dividend declared	0%	15%	75%	100%	100%	150%
Dividend yield	0.0%	0.9%	6.4%	22.3%	45.5%	85.9%
Dividend payout ratio	0.0%	5.6%	61.1%	6.5%	7.7%	7.0%
Bonus shares issued	0.0%	25.0%	322.2%	66.7%	50.0%	150.0%
Market value per share (end of year)	26.9	161.5	116.6	498.0	366.0	728.0
High (during the year)	160.4	201.4	605.0	644.0	740.0	757.8
Low (during the year)	17.6	112.7	107.9	259.0	246.0	200.0
Earnings per share - PKR	(7.4)	26.6	12.3	154.0	129.2	213.2
Shareholders' Return						
Arif Habib Securities Limited - annual total return	-78%	39%	65%	82%	27%	203%
Karachi Stock Exchange 100 Index - annual return	-38%	-10%	39%	42%	51%	70%
Shareholders' return differential: AHSL-KSE-100 Index	-40%	49%	26%	40%	-24%	133%



Sources: Bloomberg, Arif Habib Limited - Equity Research Division





Horizontal Analysis of Financial Statements

year ended June 30

	Percentage change				
	w.r.t. 2008	w.r.t. 2007	w.r.t. 2006	w.r.t. 2005	w.r.t. 2004
Balance Sheet					
Total equity	(15.3)	(10.7)	50.9	193.5	437.8
Total non-current liabilities	27.7	60.9	135.8	-	-
Total current liabilities	47.8	1,911.8	2,311.4	21.1	1,174.9
Total equity and liabilities	(5.8)	9.3	81.8	179.7	580.1
Total non-current assets	(4.3)	14.5	144.4	1,144.3	12,286.0
Total current assets	(10.2)	(4.2)	0.8	(18.5)	71.7
Total assets	(5.8)	9.3	81.8	179.7	580.1
Profit and Loss Accounts					
Net operating revenue	-	-	-	-	-
Operating and administrative expenses	-	-	-	-	-
Impairment loss on asset classified as held for sale	-	-	-	-	-
Operating (loss) / profit	-	-	-	-	-
Other income	334.4	1,661.3	2,661.1	1,106.7	1,320.0
Finance cost	-	-	-	-	-
(Loss) / profit before tax	-	-	-	-	-
Taxation	(58.9)	151.2	3.8	1,020.9	1,206.2
(Loss) / profit after tax	-	-	-	-	-

Vertical Analysis of Financial Statements

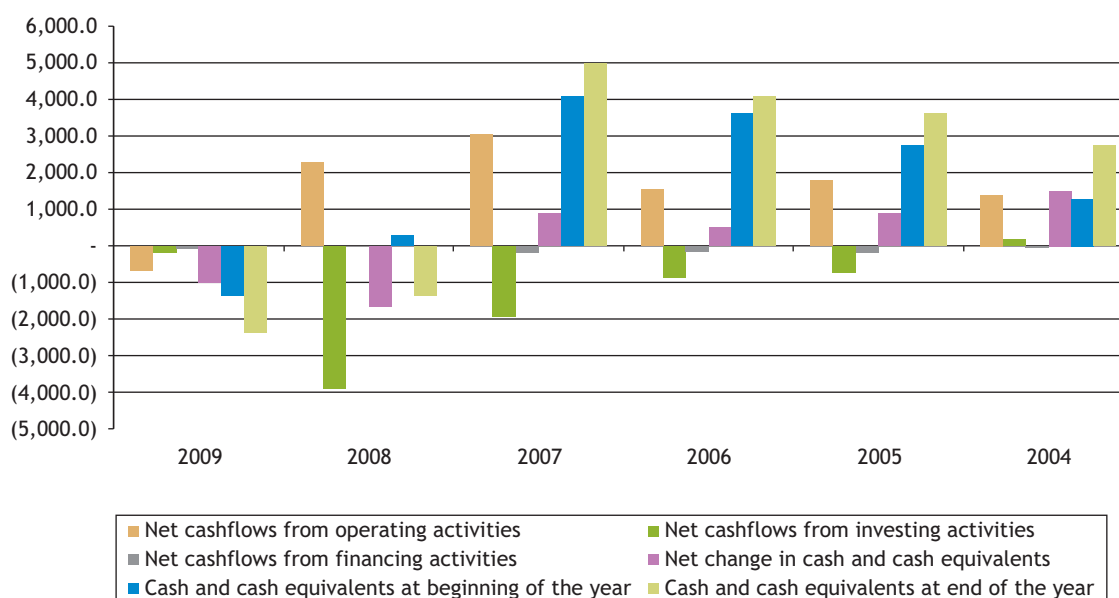
year ended June 30

	2009	2008	2007	2006	Percentage change	
					2005	2004
Balance Sheet						
Total equity	73.6	81.8	90.2	88.6	70.1	93.1
Total non-current liabilities	13.5	9.9	9.1	10.4	-	-
Total current liabilities	12.9	8.2	0.7	1.0	29.9	6.9
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Total non-current assets	75.8	74.6	72.4	56.4	17.0	4.2
Total current assets	24.2	25.4	27.6	43.6	83.0	95.8
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
Profit and Loss Accounts						
Net operating revenue	(100.0)	100.0	100.0	100.0	100.0	100.0
Operating and administrative expenses	-	1.0	1.8	1.7	4.4	5.2
Impairment loss on asset classified as held for sale	-	2.7	1.1	-	-	-
Operating (loss) / profit	-	99.0	98.2	98.3	92.9	93.8
Other income	-	0.2	0.1	0.1	0.2	0.3
Finance cost	-	99.2	98.3	98.3	93.1	94.1
(Loss) / profit before tax	-	0.7	1.3	3.9	3.7	1.7
Taxation	-	98.5	97.0	94.5	89.4	92.4
(Loss) / profit after tax	-	16.0	6.2	12.1	1.9	2.6
	-	82.5	90.7	82.3	87.5	89.8

Summary of Cashflow Statement

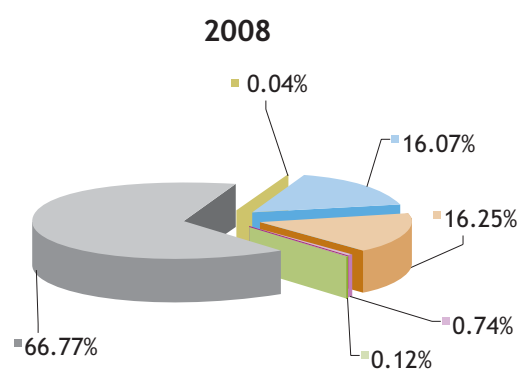
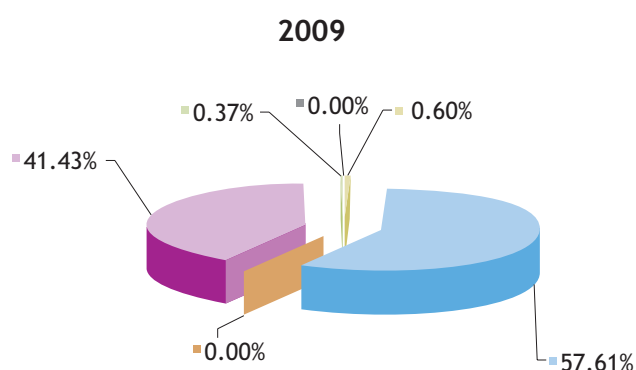
year ended June 30

	Rupees in million					
	2009	2008	2007	2006	2005	2004
Net cashflows from operating activities	(763.4)	2,482.0	3,318.2	1,673.1	1,950.3	1,511.5
Net cashflows from investing activities	(223.8)	(4,287.0)	(2,146.0)	(972.4)	(810.4)	164.1
Net cashflows from financing activities	(110.21)	-	(202.5)	(180.0)	(200.0)	(60.0)
Net change in cash and cash equivalents	(1,097.4)	(1,805.0)	969.7	520.8	939.9	1,615.6
Cash and cash equivalents at beginning of the year	(1,516.4)	288.6	4,453.7	3,932.9	2,993.0	1,377.5
Cash and cash equivalents at end of the year	(2,613.9)	(1,516.4)	5,423.4	4,453.7	3,932.9	2,993.0



Statement of Value Added and its Distribution

	2009 Rupees in million	%	2008 Rupees in million	%
Value Added				
Operating revenue	233.29	73.48	523.14	5.40
Profit on sale of securities - net	-	-	4,299.80	44.42
Gain on remeasurement of investments - net	-	-	4,836.63	49.97
Other income	84.19	26.52	19.38	0.20
	317.47	100.00	9,678.94	100.00
Distribution				
Employees as remuneration	6.56		4.22	
Government as taxes	634.34		1,543.40	
Shareholders as dividends	-		1,560.00	
Financial charges to providers of finance	456.12		71.41	
Society	4.02		11.93	
Retained within the business	-		6,410.82	



Awards and Acheivements

Best Performance Award



Mr. Arif Habib, Chairman & Chief Executive of the Company receiving KSEs Top 25 Companies Award 2007 presented by Mr. Shaukat Tareen, the Federal Finance Minister

Management Excellence Award



Mr. Arif Habib, Chairman & Chief Executive of the Company receiving Corporate Excellence Award 2008 of the Management Association of Pakistan presented by Mr. Hussain Dawood

Best Corporate Report Award



Mr. Tahir Iqbal, CFO & Company Secretary receiving ICAP & ICMAP Best Corporate Report Award 2008 presented by Mr. Salim Raza, the Governor State Bank of Pakistan

Directors' Report

Dear Shareholders

On behalf of the Board of Directors, I am presenting herewith the Annual Report for the financial year ended on 30 June 2009, together with the audited financial statements and auditors' report thereon. Consistent with the standard set seven years ago following the Company's listing, the Board has considered and approved the Company's audited financial results within one month of the close of its financial year.

Awards

During the year the Company continued to get appreciation for improving its standard in various areas namely the financial performance, sound management and disclosure/transparency. The Company has been honored by ICAP/ICMAP by including it in the "Best Corporate Report Award 2008" and declaring its Annual Report 2008 as third best report produced in the sector. The Company has the privilege of winning KSE's Top 25 Companies Award for all the years of listing since 2001. It has also been praised with Corporate Excellence Award by Management Association of Pakistan last year. Thus the Company has been acknowledged for financial performance, best management practices and transparent disclosures in its Annual Report.

Market Review

During the year under review, the stock market declined by 42 percent. The KSE market capitalization dropped to Rs.2,121 billion from Rs.3,778 billion (by 44 percent) at the beginning of the year.

The negative performance of the market is attributable to weak performance of Pakistan's economy with high inflation rate, increasing government borrowing, rising interest rates, falling rupee, below target exports and poor law & order conditions due to terrorist incidents. International financial meltdown also played its part in poor performance of the Capital Market in Pakistan.

Financial Results

The year under review was the first year in the history of the Company in which it has suffered a loss. It has suffered a loss of Rs.2,769 million (loss per share of Rs.7.38). The loss is mainly attributable to decline in valuation of Company's investments and substantial increase in financial charges. Bad market conditions did not allow the Company to exit from short term investments as was envisaged.

In view of loss during the year under review the Board has recommended to Passover the distribution of dividend to shareholders of the Company.

(Rupees)

The Summary of Financial Results is as Follows:-

(Loss)/Profit before tax	(2,134,586,688)	9,514,226,144
Taxation (including deferred tax)	(634,341,049)	(1,543,404,787)
(Loss)/Profit after tax	(2,768,927,737)	7,970,821,357
Un-appropriated profit brought forward	12,101,891,525	5,241,070,168
Profit available for appropriation	9,332,963,788	13,211,891,525

Appropriations:

Interim issue of specie distribution during year ended June 30, 2008, @10%

Final dividend for the year ended June 30, 2008 @ Rs.1.5 per share i.e.15%

Declaration of Bonus for the year ended June 30, 2008 @ 25%

Un-appropriated profit carried forward

Earnings per share - basic & diluted

	2009	2008
	(2,134,586,688)	9,514,226,144
	(634,341,049)	(1,543,404,787)
	(2,768,927,737)	7,970,821,357
	12,101,891,525	5,241,070,168
	9,332,963,788	13,211,891,525
	-	(1,110,000,000)
	(110,214,903)	-
	(750,000,000)	-
	(860,214,903)	(1,110,000,000)
	8,472,748,885	12,101,891,525
	(7.38)	21.26

Performance of Subsidiaries and Associates

Your Company's subsidiaries and associates have recorded mixed performance during the period under review. Brokerage and Fertilizers have done well whereas asset management, bank and other small investments have suffered losses due to diminution in value of their equity investments.

Arif Habib Limited (AHL)-the Brokerage House.

It has earned Rs.5.10 per share despite providing for bad debts of Rs.289 million. AHL has announced a cash dividend of Rs.1.5 per share and bonus shares in the ratio of 1:4 i.e. 25 percent.

Arif Habib Investments Limited (AHIL)-an AM-2 rated Asset Management Company.

It has recorded a loss of Rs.302 million mainly due to diminution in value of investments of Rs.279 million (loss per share Rs.10.08) and have not declared any dividend.

Arif Habib Bank Limited (AHBL)-an'A' rated Scheduled Commercial Bank.

The bank has recorded a nominal loss per share of Rs.0.38 in their financial year ended on December 31, 2008. The bank had declared bonus shares in the ratio of 1:9 i.e.11.25 percent during the year 2008. Further, during the current period bank has recorded a loss per share of Rs. 1.14 in first six months ended on 30 June 2009.

The Company has entered into an agreement with M/s.Suroor Investments Limited (a Company incorporated in Mauritius) to sell its entire holding of 59.40% in the bank at a price of Rs.9 per share. The transaction is expected to be completed by September 30, 2009. The buyer is also obliged to pay interest @ 2% above KIBOR with effect from 1st July 2009 until the transaction is complete.

The Board is of the view that small banks have a very difficult future and it is prudent to save the financial cost of this investment and deploy it in more attractive investment opportunities presently available in the market.

Pakarab Fertilizers Limited (PFL)-a 30 percent associate of Arif Habib Securities Limited.

PFL has earned a record profit after tax of Rs.7,090 million with an EPS of Rs.23.63. This has been the highest profit of the Fertilizer Sector during the year 2008. PFL has declared bonus shares at the rate of 1:2 i.e. 50 per cent. PFL has invested Rs.17.395 billion in Fatima Fertilizer Company Limited.

Fatima Fertilizer Company Limited (FFCL)-a subsidiary of PFL and associate of the Company.

The project consisting of production facilities of Urea, CAN, NP and NPK with a capacity of 1.5 M tons is in construction phase. It is expected to be commissioned in fourth quarter of calendar year 2009. Total cost of project is estimated to be Rs.60 billion.

Aisha Steel Mills Limited (ASML)-a joint venture of Metal One (subsidiary of Mitsubishi Japan), Universal Metal Corporation-Japan and Arif Habib Securities Limited.

The construction activities have recommenced as issues concerning cost overruns have been sorted out. It is hoped that the project will be commissioned by first quarter 2010.

Al-Abbas Cement Industries Limited (AACIL).

The Company has increased its shareholding in AACIL from 10 to 25 percent as of June 30, 2009 and subsequent to the balance sheet date from 25 to 33 percent reaching group shareholding to 74%. AACIL has recorded profit of Rs.4.82 million in nine months ended in March 2009. Efforts are being made to improve profitability of AACIL.

Sweetwater Dairies Pakistan (Pvt.) Limited (SDPL)-a joint venture of Sweetwater U.S.A, Habib Bank Limited, Unicorn Investment Bank, Gatron group and Arif Habib Securities Limited.

Having successful proof of concept at its pilot dairy situated 25 kilometers away from Lahore, SDPL is developing 5 more dairies in Punjab with planned capacity of 1000 cows at each dairy. It is expected that full scale commercial production from first dairy shall commence by fourth quarter 2009.

The Company's small investments in Arif Habib DMCC and S.K.M. Lanka (Pvt.) Limited are in development phase whereas investments in Rozgar Microfinance Bank Limited and Pakistan Private Equity Management Limited are performing poorly for which necessary provisions have been made in the accounts out of prudence.

Future Outlook

The Company had to face challenges in the year under review. The Board has taken some measures which would improve the liquidity of the Company resulting in reduction in financial cost.

Macro economic factors of Pakistan's economy are showing signs of improvement. Friends of Pakistan's commitment of US\$ 5.2 billion shows strong support for Pakistan from the international community. The market has started returning to normalcy, whilst interest rates are expected to come down.

In view of the above it is expected that opportunities for profitable business would emerge in the near future and your Company is once again well positioned to avail of the expected opportunities.

Corporate Governance

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

The Board would like to state that proper books of accounts of the Company have been maintained and appropriate accounting policies have been adopted and consistently applied except as disclosed in note 3.5.1 to the audited financial statements. Preparation of accounts and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards, as applicable in Pakistan, are followed. The system of internal controls is sound in design and has been effectively implemented. The financial statements of the Company present fairly its state of affairs, the result of its operations, cash flows and change in equity. No material payment has remained outstanding on account of any taxes, duties, levies or charges. The company has no outstanding obligations under gratuity, pension or provident fund.

In compliance with the Code the Board hereby reaffirm that there is no doubt whatsoever about the Company's ability to continue as a going concern and that there has been no material departure from the best practices of corporate governance as detailed in the listing regulations and transfer pricing.

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 38). A statement showing attendance at Board meetings is annexed as Annexure-II (Page 39). The pattern of shareholding as required by the Companies Ordinance, 1984 is annexed as Annexure-III (Page 136). The key operating and financial data has been given in summarized form under the caption "Financial Highlights-Six Years at a Glance" (Pages 24 to 25) and graphic presentation of the important statistics is presented on (Pages 26 to 31).

Auditors

The present external auditors M/s.KPMG Taseer Hadi & Co., and M/s.Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants shall retire at the conclusion of annual general meeting on September 26, 2009 and being eligible, offer themselves for reappointment for the year ending on June 30, 2010. As suggested by the Audit Committee, the Board recommends reappointment of M/s.KPMG Taseer Hadi & Co., for the year ending June 30, 2010. Approval to this effect will be sought from the shareholders at the forthcoming annual general meeting scheduled on September 26, 2009.

Special Note on Financial Statements

Valuation loss on "available for sale" investments

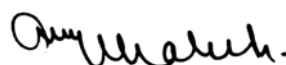
International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to profit and loss account. However, due to unprecedented decline in equity security prices and prevailing financial crisis, the SECP vide SRO 150(1)/2009 dated 13 February 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to profit and loss account on quarterly basis during the calendar year ending on 31 December 2009. Further, the amount taken to equity at 31 December 2008/ 30 June 2009 shall be treated as a charge to profit and loss account for the purposes of distribution as dividend.

Consequently, valuation loss on equity securities classified as available for sale aggregating to Rs. 68 million has not been recognized as impairment in the profit and loss account in accordance with the option provided in above referred SRO. Had the loss been recognized as impairment in the profit and loss account, the after tax loss for the year ended June 30, 2009 would be higher by the same amount, the increase in loss per share would be higher by Rs.0.18 and unappropriated profit would have been lower by Rs. 68 million.

Acknowledgement

We are grateful to the Company's stakeholders for their continuing confidence and patronage. We record our appreciation and thanks to the Ministry of Finance, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, Central Depository Company of Pakistan and the managements of Karachi, Lahore, and Islamabad Stock Exchanges for their support and guidance. We acknowledge and appreciate the hard work put in by the employees of the Company during the year.

For and on behalf of the Board



Arif Habib
Chairman & Chief Executive Officer

Karachi
24 August 2009

(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. Arif Habib	Chairman & Chief Executive	16,523,300	20,654,000	-
2	Mr. Asadullah Khawaja	Director	-	-	-
3	Mr. Sirajuddin Cassim	Director	-	-	-
4	Mr. Muhammad Kashif	Director	-	-	-
5	Mr. Nasim Beg	Director	822,900	344,000	-
6	Mr. Syed Ajaz Ahmed Zaidi	Director	-	-	-
7	Mr. Muhammad Khubaib	Director	125	-	-
8	Mr. Muhammad Akmal Jameel	Director	40,000	45,000	-
9	Mr. Muhammad Akmal Jameel	Director	-	125	-
10	Mr. Tahir Iqbal	CFO & Company Secretary	-	-	-
11	Minor Family Members	-	-	-	-

(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. Arif Habib	Chairman & Chief Executive	7	1	-
2	Mr. Asadullah Khawaja	Director	7	1	-
3	Mr. Sirajuddin Cassim	Director	3	5	-
4	Mr. Muhammad Kashif	Director	6	2	-
5	Mr. Nasim Beg	Director	6	2	-
6	Mr. Syed Ajaz Ahmed Zaidi	Director	7	1	-
7	Mr. Muhammad Akmal Jameel	Director	6	2	-
8	Mr. Muhammad Khubaib	Director	3	2	Co-opted on 16-12-08
9	Mr. Kamaluddin Khan	Director	3	-	Resigned on 01-12-08

Report of the Audit Committee on Adherence to the Best Practices of Code of Corporate Governance

The audit committee has concluded its annual review of the conduct and operations of the Company during 2009, and reports that:

- The Company has adhered in full, without any material departure, with both mandatory and voluntary provisions of the listing regulation of Karachi, Lahore and Islamabad Stock Exchanges of Pakistan, Company's statement of ethics and values and the international best practices of Governance throughout the year.
- Compliance has been confirmed from the members of the Board, the Management and employees of the Company individually. Equitable treatment of shareholders has also been endured.
- The Company has issued a "Statement of Compliance with the Best Practices of Code of Corporate Governance" which has also been reviewed and certified by the auditors of the Company.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern assumption basis, for the financial year ended June 30, 2009, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company, consolidated financial statements and the Directors' Report. They acknowledge their responsibility for true and fair presentation of the financial statements, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and system of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with Companies Ordinance, 1984.
- The financial statements comply with the requirements of the Fourth Scheduled to the Companies Ordinance, 1984 and applicable "International Accounting Standards (IAS/IFRS)" notified by SECP.
- All direct and indirect trading and holdings of the Company's shares by Directors & Executives or their spouse were notified in writing to the Company Secretary along with the price, number of shares, form of share certificate and nature of transaction which were notified by the Company Secretary to the Board with in the stipulated time. All such holdings have been disclosed in the pattern of Shareholdings.
- **INTERNAL AUDIT**
 - The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board.
 - The Company's system of internal control is sound in design and has been continually evaluated or effectiveness and adequacy.

- The Audit Committee has ensured the achievements of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through effective financial operational and compliance controls and risk management at all levels with in the Company.
- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.
- **EXTERNAL AUDITORS**
 - The statutory Auditors of the Company, M/s. Rahman Sarfaraz Rahim Iqbal Rafiq and M/s. KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignments of the "Company's Financial Statements", the "Consolidated Financial Statements " and the "Statement of Compliance with the Best Practices of Code of Corporate Governance" for the financial year ended June 30, 2009 and shall retire on the conclusion of the 15th Annual General Meetings
 - The Audit Committee has reviewed and discussed Audit observation and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 30 days of the date of Auditors' Report on financial statements under the listing regulations and shall thereof accordingly be discussed in the next Audit Committee Meeting.
 - The Audit Firm has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully complaint with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Auditors attended the general meetings of the Company during the year and have confirmed attendance of the Annual General Meeting scheduled for September 26, 2009.
 - Being eligible for re-appointment as Auditors of the Company, the Audit Committee recommends reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the financial year ending June 30, 2010.

Chairman - Audit Committee

Karachi
24 August 2009



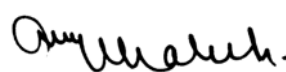
(Alternate) Chairman Audit Committee

Statement of Compliance with the Best Practices of Code of Corporate Governance

This statement is being presented to comply with the requirements of the Code of Corporate Governance ("the Code") as incorporated in the Listing Regulations of the Stock Exchanges of Pakistan. The Code provides a framework of best practices of Corporate Governance. Good Governance is considered indispensable by the Board to enhance and achieve highest performance. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the Board includes two independent non-executive and five non-executive directors. Presently no director representing minority shareholders.
2. 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 Exchanges of Pakistan.
3. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to any banking company, a DFI or an NBF1.
5. None of the directors or their spouses is engaged in the business of stock brokerage or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
6. A casual vacancy occurred on 1st December 2008 which was duly filled up by the directors within fifteen days thereof.
7. The Company elects its directors every three years. Eight directors were elected by the shareholders in the Annual General Meeting held on 29 September 2007.
8. The Company has prepared and adopted a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.
9. The Board of Directors has developed a vision/mission statement, 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.
10. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and the Chief Financial Officer have been determined and approved by the Board of Directors. Further, the appointment, remuneration and terms and conditions of employment of the Company Secretary and the Head of Internal Audit have been determined by the Chief Executive Officer with the approval of the Board of Directors.
11. The roles and responsibilities of the Chairman and the Chief Executive Officer were clearly defined.
12. 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.
13. The Board meets at least once in every quarter.
14. Written notices of the Board meetings, along with agenda and working papers, were circulated not less than seven days before the meetings.
15. The minutes of the meetings were appropriately recorded, signed by the Chairman and circulated within 14 days from the date of meetings.

16. All the directors of the Company, being professionals and directors of other local and foreign companies have adequate exposure of corporate matters and are aware of their duties and responsibilities.
17. The Company also conducted in-house orientation course 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.
18. 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.
19. All quarterly and annual financial statements presented to the Board for approval within one month and half yearly within two months of the closing were duly endorsed by the CEO and the CFO.
20. The directors, CEO, CFO and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
21. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
22. The Company has complied with all material principles and the corporate and financial reporting requirements of the Code.
23. The Board has formed an audit committee. It comprises of four members including the Chairman of Committee, all of whom are non-executive directors.
24. 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.
25. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
26. The Board has set-up an effective internal audit function with employees who are considered 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 a full time basis.
27. 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.
28. 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.



ARIF HABIB
Chairman & Chief Executive

Karachi, 24 August 2009

KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Plot No. 180, Block A
S. M. C. H. S.
Karachi

Auditors' 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 Securities Limited ("the Company") to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the above 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 Company'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 our 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further sub-regulation (xiii) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

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 30 June 2009.



KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Mahmood Hussain



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Muhammad Waseem

Date: 24 August 2009
Karachi



Financial Statements

Financial Statements

KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Plot No. 180, Block A
S. M. C. H. S.
Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of Arif Habib Securities Limited ("the Company") as at 30 June 2009 and the related profit and 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 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:

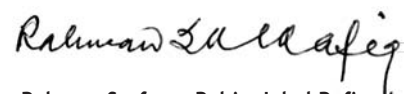
- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.5.1 with which we concur;
 - 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 and 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 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements for the year ended 30 June 2008 were audited by M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants who had expressed in their audit reports unqualified opinion vide their reports dated 30 July 2008 respectively.



KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

Date: 30 July 2009
 Karachi



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Muhammad Waseem

Balance Sheet

As at 30 June 2009

		(Rupees)	
	Note	2009	2008 (Restated)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital	4.1	<u>10,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid up share capital	4.2	3,750,000,000	3,000,000,000
Reserves	5	12,385,322,933	16,049,923,525
		16,135,322,933	19,049,923,525
Non-current liabilities			
Deferred taxation	6	2,950,231,966	2,310,175,396
Current liabilities			
Trade and other payables	7	110,154,289	322,382,745
Interest/Mark-up accrued on short term borrowings		90,790,200	2,256,351
Short term borrowings	8	2,632,515,667	1,541,696,789
Provision for taxation		-	51,140,420
		2,833,460,156	1,917,476,305
		<u>21,919,015,055</u>	<u>23,277,575,226</u>
Contingencies and commitments	9		

Balance Sheet

As at 30 June 2009

		(Rupees)	
	Note	2009	2008 (Restated)
ASSETS			
Non-current assets			
Property and equipment	10	72,156,282	28,298,232
Long term investments	11	16,544,539,328	17,343,809,824
Long term deposits	12	44,590	44,590
Current assets			
Trade debts	13	-	3,510,576
Receivable against securities - considered good		-	1,985,322
Loans and advances	14	15,000,000	25,523,665
Prepayments		112,906	-
Advance tax		48,865,944	62,760,468
Other receivables	15	1,946,012	14,034,939
Short term investments	16	2,544,376,775	5,774,324,156
Cash and bank balances	17	18,659,532	23,283,454
Asset classified as held for sale	18	2,673,313,686	-
		5,302,274,855	5,905,422,580
		<u>21,919,015,055</u>	<u>23,277,575,226</u>

The annexed notes from 1 to 34 form an integral part of these financial statements. The information about impairment loss on available for sale equity securities and its impact on profit and loss account in accordance with SRO 150(1)/2009 issued by Securities and Exchange Commission of Pakistan is disclosed in note 11.3.1.


CHAIRMAN & C.E.O


DIRECTOR

Profit and Loss Account

For the year ended 30 June 2009

		(Rupees)	
	Note	2009	2008 (Restated)
Operating revenue	19	233,286,220	523,141,850
(Loss) / gain on sale of securities-net	20	(477,519,727)	4,299,794,994
(Loss) / gain on remeasurement of investments-net	21	(338,369,115)	4,836,626,205
		<u>(582,602,622)</u>	<u>9,659,563,049</u>
Operating and administrative expenses	22	(168,860,237)	(93,305,851)
Impairment loss on asset classified as held for sale	18	(1,011,194,260)	-
		<u>(1,180,054,497)</u>	<u>(93,305,851)</u>
Operating (loss) / profit		<u>(1,762,657,119)</u>	<u>9,566,257,198</u>
Other income	23	84,185,148	19,381,007
		<u>(1,678,471,971)</u>	<u>9,585,638,205</u>
Finance cost	24	(456,114,717)	(71,412,061)
(Loss) / profit before tax		<u>(2,134,586,688)</u>	<u>9,514,226,144</u>
Taxation	25	(634,341,049)	(1,543,404,787)
(Loss) / profit after tax		<u>(2,768,927,737)</u>	<u>7,970,821,357</u>
(Loss) / earnings per share - basic and diluted	26	<u>(7.38)</u>	<u>21.26</u>

The annexed notes from 1 to 34 form an integral part of these financial statements. The information about impairment loss on available for sale equity securities and its impact on profit and loss account in accordance with SRO 150(1)/2009 issued by Securities and Exchange Commission of Pakistan is disclosed in note 11.3.1.


CHAIRMAN & C.E.O


DIRECTOR

Cash Flow Statement

For the year ended 30 June 2009

		(Rupees)	
	Note	2009	2008 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	28	(364,261,114)	2,606,373,892
Income tax paid		(31,530,374)	(54,818,232)
Finance cost paid		(367,580,868)	(69,535,825)
Net cash (used in) / generated from operating activities		(763,372,356)	2,482,019,835
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(45,600,901)	(107,825)
Dividend received		236,122,350	533,412,080
Interest received		91,751,324	10,107,913
Acquisition of long term investments		(641,117,636)	(4,830,443,188)
Proceeds from sale of long term investments		135,004,000	-
Long term deposits		-	8,410
Net cash (used in) investing activities		(223,840,863)	(4,287,022,610)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(110,214,903)	-
Net cash (used in) financing activities		(110,214,903)	-
Net decrease in cash and cash equivalents		(1,097,428,122)	(1,805,002,775)
Cash and cash equivalents at beginning of the year		(1,516,428,013)	288,574,762
Cash and cash equivalents at end of the year	29	(2,613,856,135)	(1,516,428,013)

The annexed notes from 1 to 34 form an integral part of these financial statements.


CHAIRMAN & C.E.O


DIRECTOR

Statement of Changes in Equity

For the year ended 30 June 2009

	Share Capital	Reserves			Total	
	Issued, subscribed and paid up	Revenue Reserves				
		Surplus/ (deficit) on remeasurement of investments	General Reserve	Unappropriated Profit		Sub Total
----- Rupees -----						
Balance as at 30 June 2007 as previously reported	3,000,000,000	5,833,518,210	4,000,000,000	5,241,070,168	15,074,588,378	18,074,588,378
Effect of change in accounting policy with respect to investment in subsidiaries (Refer Note No.3.5.1)	-	(5,824,238,210)	-	-	(5,824,238,210)	(5,824,238,210)
Balance as at 30 June 2007 - restated	3,000,000,000	9,280,000	4,000,000,000	5,241,070,168	9,250,350,168	12,250,350,168
Changes in equity for 2008						
Profit for the year ended 30 June 2008 - as restated	-	-	-	7,970,821,357	7,970,821,357	7,970,821,357
Deficit on remeasurement of investments classified as available for sale	-	(61,248,000)	-	-	(61,248,000)	(61,248,000)
Interim specie distribution	-	-	-	(1,110,000,000)	(1,110,000,000)	(1,110,000,000)
Balance as at 30 June 2008 - restated	3,000,000,000	(51,968,000)	4,000,000,000	12,101,891,525	16,049,923,525	19,049,923,525
Changes in equity for 2009						
Loss for the year ended 30 June 2009	-	-	-	(2,768,927,737)	(2,768,927,737)	(2,768,927,737)
Deficit on remeasurement of investments classified as available for sale	-	(103,951,429)	-	-	(103,951,429)	(103,951,429)
Provision for impairment in the value of available for sale investment transferred to profit and loss account (refer note 11.3.1)	-	68,493,477	-	-	68,493,477	68,493,477
Issue of bonus shares for the year ended 30 June 2008 @ 25%	750,000,000	-	-	(750,000,000)	(750,000,000)	-
Cash dividend for the year ended 30 June 2008 - Rs. 1.5 per share	-	-	-	(110,214,903)	(110,214,903)	(110,214,903)
Balance as at 30 June 2009	3,750,000,000	(87,425,952)	4,000,000,000	8,472,748,885	12,385,322,933	16,135,322,933

The annexed notes from 1 to 34 form an integral part of these financial statements.


CHAIRMAN & C.E.O


DIRECTOR

Notes to the Financial Statements

For the year ended 30 June 2009

1. STATUS AND NATURE OF BUSINESS

Arif Habib Securities Limited ("the Company") was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan and is engaged in the business of investments in listed and unlisted securities. The registered office of the Company is situated at 60-63, KSE Building, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

These financial statements are separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

The Company has investments in the following:

<i>Name of Company Subsidiaries</i>	<i>Shareholding</i>
- Arif Habib Limited, a brokerage house	75.00%
- Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited), an asset management company	60.18%
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	100.00%
- SKM Lanka Holdings (Private) Limited, a Srilankan incorporated brokerage house at Colombo Stock Exchange	75.00%
- Pakistan Private Equity Management Limited, a venture capital company	85.00%
- Real Estate Modaraba Management Company Limited, a real estate projects management company	99.99%
- Arif Habib Bank Limited	59.40%

Additionally, the Company has long term investments in:

<i>Name of Company Associates</i>	<i>Shareholding</i>
- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	25.00%
- Al-Abbas Cement Industries Limited	25.32%
- Thatta Cement Company Limited	9.71%
- Rozgar Microfinance Bank Limited	19.01%
- Sweetwater Dairies Pakistan (Private) Limited	24.90%
- Fatima Fertilizer Company Limited	12.59%
 <i>Others</i>	
- Takaful Pakistan Limited	10.00%
- Sunbiz (Private) Limited	4.65%

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 (IFRSs) issued by the International Accounting Standards 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 investments and asset classified as held for sale, which are measured at their fair values (as disclosed in note 11, 16 and 18).

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded 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 accounting 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 result of which form the basis of making judgments about 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 an accounting estimate are recognized 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.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future periods are as follows:

- ◆ Useful lives and residual values of property and equipment (note 3.3)
- ◆ Provision for taxation (note 3.2)
- ◆ Classification of investments (note 3.5 - 3.5.3)
- ◆ Fair value of investments (note 3.5 - 3.5.3)
- ◆ Impairment of investments (note 3.4)

2.5 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements

Initial application

- IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning 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. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.
- IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.
- IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 01 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. The application of IFRIC 13 did not affect the Company's financial statements.
- IFRIC 14 - IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset.

Forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2009:

- 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.
- 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. The application of the standard is not likely to have an effect on the Company's financial statements.
- Amendments 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 a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

- Amendment to IFRS 2 - 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. The application of this standard is not likely to have any effect on the Company's financial statements.
- 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 consideration 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 recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard will not effect the Company's separate financial statements.
- 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 recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of this standard is not likely to have an effect on the Company's financial statements.
- 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 the 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.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.
- 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. The amendment is not relevant to the Company's operations.

The Accounting Standards Board made certain amendments to existing standards as part of its annual improvement project

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible hedged Items.
- IFRS 5 (Amendment) - Non-current assets held-for-sale and discontinued operations.
- IAS 23 (Amendment) - Borrowing costs - definition of borrowing costs and use of effective interest method has been amended.
- 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 calculation should be made.
- IAS 38 (Amendment) - Intangible assets. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 19 (Amendment) - Employee benefits. The amendment among other things clarifies treatments in case of plan amendments and modifies definition of return on plan assets.
- IAS 28 (Amendment) - Investments in associates (and consequential amendments to IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial instruments: Disclosures).
- IAS 31 (Amendment) - Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7).
- IAS 40 (Amendment) - Investment property (and consequential amendments to IAS 16).
- IAS 41 (Amendment) - Agriculture.
- Amendment to IFRS 7 - Improving disclosures about financial instruments.
- IFRIC Interpretation 17 - Distribution of non-cash assets to owners.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

3.1 Staff retirement benefits

Defined contribution plan

The Company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 12.50% of basic salary.

3.2 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

3.3 Property and equipment

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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation on all property and equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 10.

Upto previous year, depreciation on addition to property and equipment was charged from the quarter in which the asset was acquired or capitalized, while no depreciation was charged for the quarter in which the asset is disposed off. From the current year, depreciation on property and equipment is charged on monthly basis.

The above change has been accounted for as changes in accounting estimate in accordance with the requirements of International Accounting Standard (IAS-8) "Accounting Policies, Changes in Estimates and Errors" whereby the effects of this change is recognised prospectively by including the same in determination of profit and loss in the period of the change, that is, during the current and future periods.

Had the Company's accounting estimate not been changed, property and equipment and Loss for the current year would have been lower and higher by Rs.1.772 million, respectively.

Further, when the written down value of the asset falls below Rs.10,000 or any addition is made upto Rs.10,000, the same is charged directly to profit and loss account.

Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account currently.

The assets' residual value and useful life are reviewed at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of residual value of property and equipment as at 30 June 2009 did not require any adjustment as its impact is considered insignificant.

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of property and equipment in the course of their construction and installation. Transfers are made to relevant asset's category as and when assets are available for intended use.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

3.4 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized is transferred from equity and recognized in the profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

The carrying amount of the Company's non-financial assets and investment carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

3.5 Investments

All investments are initially recognized at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as at fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

All "regular way" purchases and sales of financial assets are recognized on the trade date, that is the date on which the Company commits to purchase / sell an asset. Regular way purchases or sales of financial assets are the contracts which require delivery of assets within the time frame generally established by regulations or market convention.

The management determines appropriate classification of investment in accordance with the requirements of International Financial Reporting Standards (IFRS).

The Company classifies its investments in the following categories:

3.5.1 Subsidiaries and associates

The Company considers its subsidiary companies to be such enterprise in which the Company has control and / or ownership of more than half or fifty percent, of the voting power.

The Company considers its associates to be such entities in which the Company has ownership, of not less than twenty percent but not more than fifty percent, of the voting power and/or has significant influence through common directorship, but not control.

Change in accounting policy for investment in subsidiaries

Uptill 30 June 2008, investment in subsidiaries were classified as available for sale. During the year, the Company changed its accounting policy with respect to accounting for investments in subsidiaries. As per the new policy, investments in subsidiaries are carried at cost in accordance with IAS 27 - "Consolidated and Separate Financial Statements". Management judges that this policy provides reliable and more relevant information because it results in a more transparent treatment of carrying value of investments in subsidiaries both in orderly and depressed market conditions. It is also consistent with practices of same sector and size companies, making the Company's financial statements more comparable. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2008 have been restated. The effect of the change in 2008 is tabulated below. Opening balance of surplus on remeasurement of available for sale investments for 2008 have been reduced by Rs.5,824.238 million, which is the amount of adjustment relating to periods prior to 2008.

Decrease in surplus on remeasurement of available for sale investments	Rupees	<u>904,399,807</u>
Increase in carrying amount of long term investments	Rupees	<u>904,399,807</u>
Decrease in deferred tax liability	Rupees	<u>606,060,163</u>

The net effect on period prior to 2008 of Rs.5,824.238 million includes remeasurement surplus on available for sale investments and deferred tax liability of Rs.6,835.421 million and Rs.1,011.129 million, respectively.

Change in accounting policy for investment in associates

Uptill 30 June 2008, the Company classified its investment in associates as financial assets at fair value through profit or loss. During the year, Company changed its accounting policy with respect to accounting for investment in associates and it now classifies investments in associates under IAS 39 - Financial instruments Recognition and Measurement considering each investment individually. This change has not resulted in any retrospective restatement.

Company manages its investment in associates classified at fair value through profit or loss upon initial recognition, with an intention to sell them in future upon receiving its fair value in accordance with the Company's documented investment strategy.

Associates classified as at fair value through profit or loss are measured at fair value, and changes there in are recognised in profit and loss account. Whereas, in the case as available for sale, such gain or loss is recognized directly in equity. Where active market of the quoted investment exists, fair value is determined through Karachi Stock Exchange daily quotation. In case of unquoted investment, where active market does not exists, fair value is determined using valuation techniques. The investments in equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be reliably measured are carried at cost.

3.5.2 At fair value through profit or loss - held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as at fair value through profit or loss - held for trading. These are stated at fair values with any resulting gains or losses recognized in the profit and loss account. The fair value of such investments, representing listed equity securities are determined on the basis of prevailing market prices at the Karachi Stock Exchange and on market based redemption / repurchase prices, whichever is applicable, in case of other securities.

3.5.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity.

At subsequent reporting dates, these investments are remeasured at fair values and the resulting gains or losses are recognised directly in equity until the investment is disposed off or impaired at which time these are transferred to profit and loss account.

Where active market of the quoted investment exists, fair value of quoted investments is determined using quotations of Karachi Stock Exchange. The investments for which a quoted market price is not available, are measured at cost, unless fair value can be reliably measured. Such fair value estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate etc.) and therefore, cannot be determined with precision.

3.6 Assets held for sale

Assets and groups of assets and liabilities which comprise disposal groups are classified as 'held for sale' when all of the following criteria are met: a decision has been made to sell, the assets are available for sale immediately, the assets are being actively marketed, and a sale has been or is expected to be concluded with in twelve months of the balance sheet date. Assets and disposal groups 'held for sale' are valued at lower of the carrying amount and fair value less disposal costs.

3.7 Trade and other receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts.

3.8 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid, in the future for goods and services received.

3.9 Short term borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3.10 Revenue recognition

- ◆ Gain/loss on sale of investments are recognized on the date of transaction and charged to profit and loss account in the period in which they arise.
- ◆ Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend or bonus is established.
- ◆ Underwriting commission is recognized when the agreement is executed.
- ◆ Income on continuous funding system transactions and bank deposits are recognized on time proportion basis that takes into account the effective yield.

3.11 Provisions

Provision is recognized when, as a result of past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.12 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include investments, trade debts and other receivables, loans and advances, cash and bank balances, deposits, borrowings, trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the company has a legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.14 Foreign currency transactions

Foreign currency transactions are translated into Pakistan Rupees using the exchange rates prevailing at the date of the transactions. All the monetary assets and liabilities in foreign currencies, at the balance sheet date, are translated into Pakistan Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pakistan Rupees at exchange rates prevailing on the date of the transaction or on the date when fair values are determined.

As at 30 June 2008, the investments in foreign currency equity instruments carried at cost were translated using the exchange rates prevailing at the balance sheet date and the resulting exchange gain was recognised in profit and loss account. The financial statements of 2008 have therefore been restated. The effect of the restatement on those financial statements is summarized below:

		Effect on 2008
Decrease in long term investments	Rupees	<u>(8,059,609)</u>
Decrease in other income	Rupees	<u>(8,059,609)</u>
Decrease in earnings per share	Rupees	<u>(0.02)</u>

3.15 Borrowing costs

Borrowing costs incurred on short term borrowings are recognized as an expense in the period in which these are incurred.

3.16 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand, cash at bank, short term running finance and receivables against sale of securities.

Uptill last year, the Company included equity securities (short term investments) under cash and cash equivalents considering them to be highly liquid. During the year, due to the nature of investments, equity securities have been excluded from cash and cash equivalents and accordingly, cash and cash equivalents and cash flow statement of corresponding year have been restated.

3.17 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4. SHARE CAPITAL

4.1 Authorised share capital

Number of Shares			(Rupees)	
2009	2008		2009	2008 (Restated)
<u>1,000,000,000</u>	<u>300,000,000</u>	Ordinary shares of Rs.10 each	<u>10,000,000,000</u>	<u>3,000,000,000</u>

4.2 Issued, subscribed and paid up share capital

Number of Shares			(Rupees)	
2009	2008		2009	2008 (Restated)
5,000,000	5,000,000	Ordinary shares of Rs.10 each fully paid in cash	50,000,000	50,000,000
372,000,000	297,000,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	3,720,000,000	2,970,000,000
<u>377,000,000</u>	<u>302,000,000</u>		<u>3,770,000,000</u>	<u>3,020,000,000</u>
(2,000,000)	(2,000,000)	Ordinary shares of Rs.10 each buy back at Rs.360 per share	(20,000,000)	(20,000,000)
<u>375,000,000</u>	<u>300,000,000</u>		<u>3,750,000,000</u>	<u>3,000,000,000</u>

- 4.3 During financial year 2005-2006, Company bought back two million shares of Rs.10 each from its shareholders through tender notice at a price of Rs.360 per share in accordance with section 95-A of the Companies Ordinance, 1984 and Companies (Buy-back of shares) Rules, 1999. The acquisition resulted in reduction of capital and unappropriated profit by Rs.20 million and Rs.700 million respectively, in the relevant year.

	(Rupees)	
Note	2009	2008 (Restated)
5. RESERVES		
General reserve	4,000,000,000	4,000,000,000
Unappropriated profit	8,472,748,885	12,101,891,525
Deficit on remeasurement of available for sale investments	(87,425,952)	(51,968,000)
	<u>12,385,322,933</u>	<u>16,049,923,525</u>

		(Rupees)	
	Note	2009	2008 (Restated)
6. DEFERRED TAXATION			
The liability for deferred taxation comprises of temporary differences relating to:			
- Accelerated tax depreciation		13,552,760	-
- Remeasurement of investment in associates classified as at fair value through profit or loss		2,936,679,206	2,310,175,396
		<u>2,950,231,966</u>	<u>2,310,175,396</u>
7. TRADE AND OTHER PAYABLES			
Creditors		108,322,915	159,527
Tenderable capital gain	11.1.2	-	318,290,000
Accrued liabilities		997,308	3,622,730
Current portion of liabilities against asset subject to finance lease	7.1	356,440	-
Other liabilities		477,626	310,488
		<u>110,154,289</u>	<u>322,382,745</u>

7.1 Current portion of liabilities against asset subject to finance lease

	Future minimum lease payments	Interest	Present value of minimum lease payments	Principal outstanding
Not later than one year	356,440	5,347	351,093	356,440
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
Rupees	<u>356,440</u>	<u>5,347</u>	<u>351,093</u>	<u>356,440</u>

During the year, motor vehicle was transferred to the Company by Arif Habib Investments Limited, a subsidiary company (lessee). The vehicle was acquired by the lessee from Orix Leasing Pakistan Limited (lessor) under the finance lease. Company acquired the asset from the lessee for the remainder of the lease term i.e. five months with financial charges payable at the rate of 9% to 11% per annum. Company has the option to purchase the vehicle on the expiry of the lease period and has the intention to exercise it.

(Rupees)

	Note	2009	2008 (Restated)
8. SHORT TERM BORROWINGS - secured			
From banking companies other than related parties - Short term running finance	8.1	<u>2,632,515,667</u>	<u>1,541,696,789</u>

- 8.1 Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs.5,830 million (2008: Rs.4,800 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates upto 31 May 2010. These arrangements are secured against pledge of marketable securities with 30% margin (2008: 30% margin). These running finance facilities carry mark-up ranging from one month KIBOR+1% to 6 month KIBOR+2% per annum (2008: one month KIBOR+1% to 6 month KIBOR+2% per annum) calculated on a daily product basis that is payable quarterly. The carrying amount of securities pledged as collateral against outstanding liability amounts to Rs.3,760.737 million (2008: Rs.2,206 million). The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs.3,197.484 million (2008: Rs.3,258.303 million).

9. CONTINGENCIES AND COMMITMENTS

- 9.1 The Company is contesting alongwith other defendants four suits filed by M/s.Diamond Industries Limited, Mr.Iftikhar Shafi, M/s.Shafi Chemicals Industries Limited and Mr.Nisar Elahi (The Plaintiffs) in the year 2002-2003, for damages jointly against Mr. Saleem Chamdia, Mr.Arif Habib, Mr.Aqeel Karim Dedhi, Mr. A. Ghaffar Usman Moosani, Mr. Shahid Ghaffar, the Karachi Stock Exchange (Guarantee) Limited (KSE), the Securities and Exchange Commission of Pakistan (SECP), the Central Depository Company of Pakistan Limited (CDC), M/s.Saleem Chamdia Securities (Private) Limited, M/s. Arif Habib Securities Limited, M/s.Moosani Securities Limited and M/s.Aqeel Karim Dedhi Securities Limited.

The suits are for recovery of damages amounting to Rs.10,989,948,199, Rs.5,606,611,760, Rs.1,701,035,843 and Rs.428,440,971 respectively against the decision of the Karachi Stock Exchange in respect of Risk Management System of its Clearing House during the year 2000. The Chairman and Chief Executive of the Company were the Chairman of the Board of Directors of KSE for the year 2000, the Company has been made party to the suits by the plaintiffs. All the suits at present are pending before the honorable Sindh High Court, Karachi. While individual liability of respective individuals and undertakings is not quantifiable.

The legal advisor of the Company is of the opinion that there are reasonable grounds for a favorable decision and that the suits are likely to be dismissed as these are not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the said suits against the Company. Therefore, Company has not made any provision in this respect in the financial statements.

- 9.2 There were no significant commitments at the balance sheet date.

10. PROPERTY AND EQUIPMENT

	Vehicles	Office equipments	Computer & Allied equipments	Leasehold improvements	Capital work in progress	Total
----- Rupees -----						
COST						
Balance as at 01 July 2007	6,305,340	316,375	2,582,595	-	-	9,204,310
Additions during the year	-	-	107,825	-	24,000,000	24,107,825
Disposals / transfers	-	-	(309,950)	-	-	(309,950)
Balance as at 30 June 2008	6,305,340	316,375	2,380,470	-	24,000,000	33,002,185
Balance as at 01 July 2008	6,305,340	316,375	2,380,470	-	24,000,000	33,002,185
Additions during the year	1,808,679	-	41,750	67,750,472	43,750,472	113,351,373
Disposals / transfers	-	-	-	-	(67,750,472)	(67,750,472)
Balance as at 30 June 2009	8,114,019	316,375	2,422,220	67,750,472	-	78,603,086
DEPRECIATION						
Balance as at 01 July 2007	2,256,179	117,049	1,431,282	-	-	3,804,510
Charge for the year	751,094	28,259	430,040	-	-	1,209,393
Disposals / transfers	-	-	(309,950)	-	-	(309,950)
Balance as at 30 June 2008	3,007,273	145,308	1,551,372	-	-	4,703,953
Balance as at 01 July 2008	3,007,273	145,308	1,551,372	-	-	4,703,953
Charge for the year	632,530	23,967	239,473	846,881	-	1,742,851
Disposals / transfers	-	-	-	-	-	-
Balance as at 30 June 2009	3,639,803	169,275	1,790,845	846,881	-	6,446,804
Written down value as at 30 June 2008	3,298,067	171,067	829,098	-	24,000,000	28,298,232
Written down value as at 30 June 2009	4,474,216	147,100	631,375	66,903,591	-	72,156,282
Annual rates of depreciation	20%	15%	33%	15%		

- 10.1. Computer and allied equipments having an aggregate cost of Rs.NIL (2008: Rs.0.310 million), accumulated depreciation of Rs.NIL (2008: Rs.0.243 million) and written down value of Rs.Nil (2008: Rs.0.067 million) have been fully charged to profit and loss account as their written down value falls below Rs.10,000 as per Company's accounting policy (refer note 3.3).

(Rupees)

11. LONG TERM INVESTMENTS

	Note	2009	2008 (Restated)
At cost	11.1	3,356,517,404	6,978,037,824
At fair value through profit or loss	11.2	12,710,020,469	10,145,740,000
Available for sale	11.3	478,001,455	220,032,000
		<u>16,544,539,328</u>	<u>17,343,809,824</u>

		(Rupees)	
		2009	2008 (Restated)
11.1 At cost	Note		
Subsidiaries:			
Arif Habib Bank Limited (AHBL)		-	3,684,507,946
Arif Habib Limited (AHL)	11.1.2	2,671,676,243	2,671,676,243
Arif Habib Investments Limited, formerly Arif Habib Investment Management Limited (AHIL)	11.1.3	81,947,527	31,200,001
Arif Habib DMCC (AHD)	11.1.4	29,945,898	29,945,898
Pakistan Private Equity Management Limited (PPEML)	11.1.5	17,000,000	17,000,000
SKM Lanka Holdings (Private) Limited (SKML)	11.1.6	43,197,216	43,197,216
Real Estate Modaraba Management Company Limited (REMCO)	11.1.7	2,499,950	2,499,950
		2,846,266,834	6,480,027,254
Provision for impairment in PPEML		(17,000,000)	-
		<u>2,829,266,834</u>	<u>6,480,027,254</u>
Associates:			
Aisha Steel Mills Limited (ASML)	11.1.8	497,250,570	448,000,570
Rozgar Microfinance Bank Limited (RMFBL)	11.1.9	19,010,000	19,010,000
		516,260,570	467,010,570
Provision for impairment in RMFBL		(19,010,000)	-
		<u>497,250,570</u>	<u>467,010,570</u>
Other investments:			
Takaful Pakistan Limited (TPL)	11.1.10	30,000,000	30,000,000
Sun Biz (Private) Limited (SBL)	11.1.11	1,000,000	1,000,000
		31,000,000	31,000,000
Provision for impairment in SBL		(1,000,000)	-
		<u>30,000,000</u>	<u>31,000,000</u>
		<u>3,356,517,404</u>	<u>6,978,037,824</u>
11.2 At fair value through profit or loss			
Associates:			
Pakarab Fertilizers Limited (PFL)	11.2.1	11,117,700,000	9,000,000,000
Fatima Fertilizer Company Limited (FFCL)	11.2.2	1,248,750,000	1,125,000,000
Sweetwater Dairies Pakistan (Private) Limited (SDPL)	11.2.3	343,570,469	20,740,000
		<u>12,710,020,469</u>	<u>10,145,740,000</u>
11.3 Available for sale			
Associate:			
Al-Abbas Cement Industries Limited (AACIL)	11.3.1	461,115,129	220,032,000
Thatta Cement Company Limited (THCCL)	11.3.2	153,873,280	-
		614,988,409	220,032,000
Provision for impairment in AACIL		(136,986,954)	-
		<u>478,001,455</u>	<u>220,032,000</u>

11.1.1 Fair value of long term investments pledged with banking companies against various short term running finance facilities amounts to Rs.704.715 million.

11.1.2 Investment in AHL (quoted) represents 22.50 million (2008: 18 million) fully paid ordinary shares of Rs.10 each, representing 75% (2008: 75%) of AHL's paid up share capital as at 30 June 2009. Fair value per share as at 30 June 2009 is Rs.66.89 (2008: Rs.246.98), whereas book value based on net assets, as per audited financial statements, as at 30 June 2009 is Rs.38.23 per share (2008: Rs.43.91 per share). During the year, Company subscribed Nil (2008: 1.5 million shares) right shares of Rs.Nil (2008: Rs.150 million) and received 4.5 million (2008: 1.5 million) fully paid bonus shares.

Further during the year ended on 30 June 2008, the Company sold (derecognised in its absolute form) and then purchased (recognised as initial) 11,260,000 shares and 11,260,000 shares respectively, having cost of Rs.659.875 million and Rs.3,107.063 million respectively. Accordingly, during the year ended on 30 June 2009, Company has tendered capital gain amounting to Rs.318.290 million to the issuer (AHL), on account of sale and purchase of said shares within a period of less than six months, in accordance with the provisions of section 224 of the Companies Ordinance, 1984. Therefore, the corresponding figures for the year ended 2008 have been restated. The gain on sale of securities have been reduced by Rs.318.290 million and the EPS for the last year reduced by Rs.0.85 per share.

11.1.3 Investment in AHIL (quoted) represents 18.053 million (2008: 18.72 million) fully paid ordinary shares of Rs.10 each, representing 60.18% (2008: 62.40%) of AHIL's paid up share capital as at 30 June 2009, having cost of Rs.81.95 million (2008: Rs.31.20 million). Fair value per share as at 30 June 2009 was Rs.20.01 (2008: Rs.125), whereas book value based on net assets, as per audited financial statements, as at 30 June 2009 is Rs.11.82 per share (2008: Rs.23.62 per share). During the year, Company received no (2008: 10,608,005) bonus shares.

During the year, regulators approved listing of Arif Habib Investments Limited through offer for sale to the general public by the existing shareholders. Company offered 1,080,032 ordinary shares out of 7.5 million shares to the general public at the rate of Rs.125 per share, which represents 14.4% of the total offering and 5.77% of the Company's shareholding. The remaining shares were offered by the other shareholders. The transaction resulted in reduction in the Company's shareholding in subsidiary to 60.18%.

The cost of ordinary shares offered was Rs.1.67 per share, resulting in capital gain of Rs.123.33 per share or Rs.133.204 million in total which has been recognized in profit and loss account. On listing of this subsidiary, Company reversed the deferred tax provision on surplus on remeasurement amounting to Rs.606.060 million during the year.

11.1.4 Investment in AHD (unquoted) represents 1,300 (2008: 1,300) fully paid ordinary shares of Rs.23,035 (2008: Rs.23,035) each (equivalent UAE Dirham 1,000 each), representing 100% (2008: 100%) of AHD's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.28,030.88 per share (2008: Rs.27,413 per share). The subsidiary is expected to start its commercial operations at the Dubai Gold and Commodities Exchange within next twelve months besides consultancy which have already been started. These shares are held in the name of Mr.Arif Habib, CEO on behalf of the Company.

11.1.5 Investment in PPEML (unquoted) represents 1.7 million (2008: 1.7 million) fully paid ordinary shares of Rs.10 each, representing 85% (2008: 85%) of PPEML's paid up share capital as at 30 June 2009. Book value based on net assets, as per audited financial statements, as at 30 June 2009 is Rs.(7.26) per share (2008: Rs.4.043 per share). During the year Company subscribed Nil (2008:1.275 million) right shares of Rs.Nil (2008: Rs.12.750 million).

11.1.6 Investment in SKML (unquoted) represents 7.50 million (2008: 7.50 million) fully paid ordinary shares of Rs.5.76 (2008: Rs.6.314) each (equivalent US\$ 0.092 each), representing 75% (2008: 75%) of SKML's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.6.424 per share (2008: Rs.14.871 per share). The subsidiary has started its commercial operations at the Colombo Stock Exchange.

- 11.1.7** Investment in REMCO (unquoted) represents 249,995 (2008: 249,995) fully paid ordinary shares of Rs.10 each, representing 99.99% (2008: 99.99%) of REMCO's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.25.60 per share (2008: Rs.5.415 per share). The subsidiary is expected to start its commercial operations within next twelve months.
- 11.1.8** Investment in ASML (unquoted) represents 49.725 million (2008: 44.8 million) fully paid ordinary shares of Rs.10 each, representing 25% (2008: 25%) of ASML's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.8.84 per share (2008: Rs.9.467 per share). During the year, Company subscribed 4.925 million (2008: Nil) right shares at the face value. The plant erection is expected to complete by the end of year 2010.
- 11.1.9** Investment in RMFBL (unquoted) represents 1.901 million (2008: 1.901 million) fully paid ordinary shares of Rs.10 each, representing 19.01% (2008:19.01%) of RMFBL's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.3.86 per share (2008: Rs.6.448 per share).
- 11.1.10** Investment in TPL (unquoted) represents 3 million (2008: 3 million) fully paid ordinary shares of Rs.10 each, representing 10% (2008: 10%) of TPL's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.7.02 per share (2008: Rs.7.826 per share). During the year, Company subscribed Nil (2008: 1 million) right shares of Rs.Nil (2008: Rs.10 million).
- 11.1.11** Investment in SBL (unquoted) represents 0.010 million (2008: 0.010 million) fully paid ordinary shares of Rs.100 each, representing 4.65% (2008: 4.65%) of SBL's paid up share capital as at 30 June 2009.
- 11.2.1** Investment in PFL (unquoted) represents 135 million (2008: 90 million) fully paid ordinary shares of Rs.10 each, representing 30% (2008: 30%) of PFL's paid up share capital as at 30 June 2009, having cost of Rs.1,324.332 million (2008: Rs.1,324.332 million). Fair value per share as at 30 June 2009 is Rs.82.35 (2008: Rs.100). Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.29.94 per share (2008: Rs.32.310 per share). During the year, Company received 45 million (2008: 67,708,170) fully paid ordinary shares as bonus.
- 11.2.2** Investment in FFCL (unquoted) represents 112.5 million (2008:112.5 million) fully paid ordinary shares of Rs.10 each, representing 12.59% (2008: 12.59%) of FFCL's paid up share capital as at 30 June 2009, having cost of Rs.Nil, being specie distribution from its parent company PFL. Fair value per share as at 30 June 2009 is Rs.11.10 (2008: Rs.10). Book value based on net assets as per unaudited financial statements as at 30 June 2009 is Rs.22.197 per share (2008: Rs.12.304 per share).
- 11.2.3** Investment in SDPL (unquoted) represents 11.155 million (2008: 2.074 million) fully paid ordinary shares of Rs.10 each, representing 24.90% (2008: 16.49%) of SDPL's paid up share capital as at 30 June 2009, having an aggregate cost of Rs. 198.339 million (2008: Rs.20.740 million). Fair value per share as at 30 June 2009 is Rs.30.79 (2008: Rs.10). Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.9.74 per share (2008: Rs.100 per share). During the year, Company subscribed 9.082 million (2008: Nil) right shares at the rate Rs.19.56 per share (2008: Rs. Nil). During 2008, SDPL has successfully completed its proof of concept phase and shall start milk production on commercial scale within next twelve months.

11.3.1 Investment in AACIL (quoted) represents 46.304 million (2008: 19.2 million) fully paid ordinary shares of Rs.10 each, representing 25.32% (2008: 10%) of AACIL share capital as at 30 June 2009, having cost of Rs. 461.115 million (2008: Rs.272 million). During the year, Company purchased 27.104 million (2008: Nil) ordinary shares from market at an aggregate cost of Rs.189.115 million (2008: Nil) per share. Market value per share as at 30 June 2009 is Rs.7 (2008: Rs.11.46), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.8.53 per share (2008: Rs.8.35 per share).

International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to profit and loss account.

Furthermore, SECP vide SRO 150(1)/2009 dated 13 February 2009 has allowed that the impairment loss, if any, recognised as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. As per that circular the amount taken to equity on 31 December 2008, after any adjustment/effect for price movements shall be taken to profit and loss account on quarterly basis during the calendar year ending on 31 December 2009.

The Company in accordance with the above mentioned SECP circular has transferred to profit and loss account Rs.68.493 million after price adjustment as at 30 June 2009 on account of impairment in AACIL shares on 31 December 2008.

The recognition of impairment loss in accordance with the requirements of IAS 39 would have had the following effect on these financial statements:

		2009
Increase in 'Impairment Loss' in profit and loss account	Rupees	68,493,477
Increase in loss for the period	Rupees	68,493,477
Increase in loss per share - basic and diluted	Rupees	0.1826
Decrease in deficit on remeasurement of investments	Rupees	68,493,477
Decrease in unappropriated profit	Rupees	68,493,477

11.3.2 During the year, Company has reassessed its investment in THCL and classified as an associate. Investment in THCL (quoted) represents 7.744 million (2008: 7.744 million) fully paid ordinary shares of Rs.10 each, representing 9.71% (2008: 9.71%) of THCL share capital as at 30 June 2009, having cost of Rs. 172.805 million (2008: Rs.172.805 million). Market value per share as at 30 June 2009 is Rs.19.87 (2008: Rs.23.30), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.9.66 per share (2008: Rs.7.15 per share).

11.4 The Company also measures unquoted equity instruments at fair value using valuation techniques under the guidelines of IAS 39 - "Financial Instruments Recognition and Measurement". The investments in other unquoted equity instruments that do not have a market/quoted price in an active market and whose fair value cannot be measured reliably, due to non availability of market specific inputs and other related factors are measured at cost. However, the carrying amount of these investments approximate to their fair value. These are Company's strategic investments and Company does not intend to dispose them off in near future.

- 11.5 Valuation techniques and key assumptions used for the remeasurement of following unquoted investments at fair value are as under (the management estimates that changing any such assumptions to a reasonably possible alternative, would not result in significantly different fair values):

Name of Investment		Key assumptions used				Valuation techniques	Other assumptions used
		Long term growth rate	Long term return on equity	Weighted average cost of capital	Projection period (years)		
Pakarab Fertilizers Limited	2009	5.00%	18.77%	16.40%	8	Discounted Cash flows (DCF)	Market based operational assumptions
Sweetwater Dairies Pakistan (Private) Limited	2009	2.50%	25.00%	25.00%	10	Discounted Cash flows (DCF)	Market based operational assumptions
Fatima Fertilizer Company Limited	2009	4.00%	25.00%	17.20%	10	Discounted Cash flows (DCF)	Market based operational assumptions

(Rupees)

12. LONG TERM DEPOSITS

Deposit with Central Depository Company of Pakistan Limited
Deposits with cellular phone companies

Note	2009	2008 (Restated)
	4,090	4,090
	40,500	40,500
Rupees	<u>44,590</u>	<u>44,590</u>
13.1	-	3,510,575
	-	12,930,524
	-	16,441,099
Provision for doubtful debts		
- Balance as at 1 July	(12,930,523)	(12,954,523)
- Written off during the year	12,915,523	-
- Reversal during the year	15,000	24,000
- Balance as at 30 June	-	(12,930,523)
	-	3,510,576

- 13.1 No balance was due from directors, chief executive and executives of the Company or any of them severally or jointly with any other person and/or any other related party.

(Rupees)

14 LOANS AND ADVANCES - considered good

Memon Health and Education Foundation
PPEML

Note	2009	2008 (Restated)
14.1	15,000,000	15,000,000
14.2	12,188,785	10,523,665
	<u>27,188,785</u>	<u>25,523,665</u>
Provision for doubtful debts		
- Balance as at 1 July	-	-
- Provision during the year	(12,188,785)	-
- Balance as at 30 June	-	-
	<u>(12,188,785)</u>	<u>-</u>
	<u>15,000,000</u>	<u>25,523,665</u>

- 14.1 This represents amount paid as qarz-e-hasna to Memon Health and Education Foundation, a Charitable Society being registered under Societies Act, 1860. The CEO of the Company is one of the honorary governors out of twenty five governors of the Society.
- 14.2 This includes mark-up of Rs.1.665 million (2008: Rs.1.273 million), accrued at the rate of 18% per annum, (2008: 12.5% per annum) on the outstanding balance, which had been lent to the subsidiary i.e. PPEML for meeting expenses.
- 14.3 Maximum balance due from related parties with reference to month end balance was Rs.12.188 million (2008:Rs.18.275 million).

(Rupees)

15 OTHER RECEIVABLES	Note	2009	2008 (Restated)
Considered good:			
Accrued dividend income		-	5,183,190
Mark-up accrued on bank deposits		68,400	-
Due from related parties			
- Mark-up accrued on bank deposits		-	7,551,749
- Receivable from SWDL	15.1	178,612	-
Other		1,699,000	1,300,000
		<u>1,946,012</u>	<u>14,034,939</u>

- 15.1 This represents payment made in respect of expenditures incurred for attending board meetings of the Sweetwater Dairies Pakistan (Private) Limited, an associated company, by the Company's nominee directors. Expenditures shall be reimbursed upon commencement of commercial operations by the associated company.

(Rupees)

16. SHORT TERM INVESTMENTS	Note	2009	2008 (Restated)
<i>At fair value through profit or loss - held for trading</i>			
Investments in quoted equity securities	16.1	2,303,099,026	5,095,491,709
Investments in open-end mutual funds		-	36,690,801
Investments in closed-end mutual funds		241,277,749	594,076,528
Investments in quoted term finance certificates		-	48,065,118
		<u>2,544,376,775</u>	<u>5,774,324,156</u>

- 16.1 Fair value of these investments is determined using quoted market prices and redemption / repurchase prices prevailing at the balance sheet date. Short term investments include equity securities pledged with various banking companies against short term running finance facilities having a market value of Rs.2,395.50 million (2008: Rs.2,206 million).

(Rupees)

16.2 Reconciliation of gain/(loss) on remeasurement of investments at fair value through profit or loss - held for trading	Note	2009	2008 (Restated)
Cost of investment		5,100,722,491	5,605,619,573
Unrealised gain / (loss):			
Balance as at 1 July		168,704,583	998,712,378
Unrealised loss for the year		(2,725,050,299)	(830,007,795)
Balance as at 30 June		<u>(2,556,345,716)</u>	<u>168,704,583</u>
		<u>2,544,376,775</u>	<u>5,774,324,156</u>

(Rupees)

	Note	2009	2008 (Restated)
17. CASH AND BANK BALANCES			
With banks in:			
Current accounts			
- In local currency		14,766,840	19,806,409
- In foreign currency		3,753,243	3,169,129
		18,520,083	22,975,538
Deposit accounts		119,449	297,916
	17.1	18,639,532	23,273,454
Cash in hand		20,000	10,000
		18,659,532	23,283,454

17.1 The balance in deposit accounts carries mark-up ranging from 5% to 8% per annum (2008: 0.5% to 9% per annum). It includes Rs.12.711 million (2008: Rs.16.019 million) in current and deposit accounts with Arif Habib Bank Limited.

18. ASSET CLASSIFIED AS HELD FOR SALE

Company's investment in Arif Habib Bank Limited (AHBL - subsidiary) is presented as an asset classified as held for sale following the signing of share purchase agreement (SPA) with Suroor Investments Limited (a Company incorporated in mauritius) for sale of its entire stake of 297,034,854 ordinary shares at Rs.9 per share. The Company received 10% part payment against the total consideration of Rs.2,673,313,686 subsequent to the year end. The transaction is expected to be completed on or before 30 September 2009.

An impairment loss of Rs. 1,011,194,260 on remeasurement of the asset classified as held for sale to the lower of its carrying amount and its fair value less cost to sell has been charged to profit and loss account.

(Rupees)

	Note	2009	2008 (Restated)
19. OPERATING REVENUE			
Dividend income	19.1	230,939,160	515,663,595
Return on term finance certificates		2,347,060	4,903,345
Consultancy/advisory fees and commission		-	2,574,550
Income from continuous funding system transactions		-	360
		233,286,220	523,141,850

19.1 This includes dividend received from subsidiary companies amounting to Rs.90.134 million (2008: Rs.210.840 million).

19.2 Operating revenue is not subject to trade or any other type of discount.

(Rupees)

	Note	2009	2008 (Restated)
20. (LOSS) / GAIN ON SALE OF SECURITIES - net			
Gain on sale of securities		141,681,445	4,736,461,715
Loss on sale of securities		(619,201,172)	(118,376,721)
		(477,519,727)	4,618,084,994
Tenderable capital gain		-	(318,290,000)
		(477,519,727)	4,299,794,994

			(Rupees)	
	Note	2009	2008 (Restated)	
21. (LOSS) / GAIN ON REMEASUREMENT OF INVESTMENTS - net				
Gain on remeasurement of investment in associates - at fair value through profit or loss		2,386,681,184	5,666,634,000	
Loss on remeasurement of investments - at fair value through profit or loss (held for trading)	16.2	<u>(2,725,050,299)</u> <u>(338,369,115)</u>	<u>(830,007,795)</u> <u>4,836,626,205</u>	
22. OPERATING AND ADMINISTRATIVE EXPENSES				
Salaries and benefits	22.1	6,562,566	4,220,454	
C.D.C charges		6,561,414	4,129,947	
Advertisement and business promotion		5,777,441	5,782,880	
Legal and professional charges		6,621,378	1,918,359	
Rent, rates and taxes		4,743,771	2,298,463	
Fees and subscription		3,915,582	9,650,396	
Travel and conveyance		3,521,333	2,501,807	
Depreciation	10	1,742,851	1,209,393	
Share transfer expenses		2,975,348	40,000	
Printing and stationery		1,827,850	4,231,429	
Donations	22.2	4,019,000	11,930,000	
Impairment loss on investments	11	105,503,477	-	
Bad debts expense	14	12,188,785	-	
Auditors' remuneration	22.3	1,096,000	527,500	
Communication		848,202	673,207	
General expenses		230,760	262,781	
Meeting expenses		226,400	480,000	
Insurance		194,496	40,105	
Power		135,738	53,500	
Entertainment		94,070	201,561	
Repairs and maintenance		53,975	151,833	
E.O.B.I. contribution		19,800	15,778	
Commission and advisory fee		-	42,986,458	
		<u>168,860,237</u>	<u>93,305,851</u>	

22.1 This includes Company's contribution to defined contribution plan amounting to Rs.0.430 million (2008: Rs.0.054 million).

22.2 Directors or their spouses had no interest in donees' fund, except Mr.Arif Habib (CEO and Director of the Company). He is trustee in one of the donee institution, Fatmid Foundation situated at 393, Britto Road, Garden East, Karachi.

			(Rupees)	
	Note	2009	2008 (Restated)	
22.3 Auditors' remuneration				
Audit fee				
- KPMG Taseer Hadi & Co.		400,000	-	
- Rahman Sarfaraz Rahim Iqbal Rafiq		400,000	200,000	
Certification including interim review				
- KPMG Taseer Hadi & Co.		135,000	-	
- Rahman Sarfaraz Rahim Iqbal Rafiq		135,000	287,500	
Out of pocket		26,000	40,000	
		<u>1,096,000</u>	<u>527,500</u>	

		(Rupees)	
23. OTHER INCOME	Note	2009	2008 (Restated)
Income from financial assets:			
Related parties:			
Mark up on bank deposit - AHBL		-	17,399,879
Mark-up on loans and advances		74,575,593	1,273,540
Others			
Mark up on bank deposits		9,010,441	15,853
Exchange gain on foreign currency bank balances		584,114	667,735
Others		15,000	24,000
		<u>84,185,148</u>	<u>19,381,007</u>
24. FINANCE COST			
Mark up on short term borrowings	24.1	455,525,966	70,816,351
Bank charges		588,751	595,710
		<u>456,114,717</u>	<u>71,412,061</u>

24.1 This includes markup on short term borrowing from Arif Habib Bank Limited and Mr.Arif Habib, the CEO amounting to Rs.1.416 million (2008: Rs.2.028 million) and Rs.82.050 million respectively.

(Rupees)

25. TAXATION	Note	2009	2008 (Restated)
For the year			
- Current		-	51,140,420
- Deferred		640,056,571	1,487,491,489
Prior year		(5,715,522)	4,772,878
		<u>634,341,049</u>	<u>1,543,404,787</u>

25.1 During the year, no current tax provision has been made due to tax loss. The tax assessments of the Company have been finalised upto and including tax year 2008.

25.2 Tax charge reconciliation

Reconciliation between the average effective tax rate and the applicable tax rate is as follows:

(Rupees)

	Note	2009	2008 (Restated)
(Loss) / profit before tax		<u>(2,134,586,688)</u>	<u>9,514,226,144</u>
		%	%
Applicable tax rate		-	35.00
Prior year income			
Tax effect of amounts that are deductible for tax purpose		-	(14.48)
Tax effect of amounts taxed at lower rates		-	(4.72)
Tax effect of rebates and tax credit		-	(0.12)
Average effective tax rate charged on income		<u>-</u>	<u>15.68</u>

No current tax provision has been made by the Company due to tax loss incurred for the year. In view of loss, tax reconciliation has not been presented for current year.

		(Rupees)	
26. EARNINGS PER SHARE - BASIC AND DILUTED	Note	2009	2008 (Restated)
26.1 Basic (loss) / earnings per share			
(Loss) / profit after tax		<u>(2,768,927,737)</u>	<u>7,970,821,357</u>
Weighted average number of ordinary shares	Number	<u>375,000,000</u>	<u>375,000,000</u>
(Loss)/earning per share - Basic and Diluted		<u>(7.38)</u>	<u>21.26</u>

26.2 Diluted earnings per share Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2009 and 30 June 2008 which would have any effect on the earnings per share if the option to convert is exercised.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

27.1 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds five hundred thousand rupees in a financial year.

27.2 The aggregate amounts charged in these financial statements in respect of remuneration including benefits to the Chief Executive, Directors and Executives of the Company are given below. Chief Executive has started to take remuneration effective from March 2009, previously he was not drawing any remuneration for holding office.

	Chief Executive		Other Executives	
	2009	2008	2009	2008
Managerial remuneration	2,800,000	-	2,160,000	1,603,124
Contribution to provident fund	225,516	-	164,039	46,876
Bonus	-	-	150,000	250,000
Other perquisites and benefits	320,000	-	-	-
Total	<u>3,345,516</u>	<u>-</u>	<u>2,474,039</u>	<u>1,900,000</u>
Number of person(s)	<u>1</u>	<u>-</u>	<u>2</u>	<u>1</u>

27.3 The aggregate amount charged to these financial statements in respect of directors' fee paid to two directors (2008: six) was Rs. 0.135 million (2008: Rs.0.480 million). During the year, none of the directors was drawing any salary on account of managerial remuneration.

27.4 Besides the above group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel.

27.5 The Chief Executive and one of the Executive have been provided with free use of Company maintained vehicles in accordance with the Company's policy.

	(Rupees)	
	2009	2008 Restated
28. CASH GENERATED FROM OPERATIONS		
(Loss)/profit before tax	(2,134,586,688)	9,514,226,144
Adjustments for:		
Depreciation	1,742,851	1,209,393
Dividend income	(230,939,160)	(515,663,595)
Mark-up on bank balances, loans and advances and term finance certificates	(85,933,094)	(17,415,730)
Exchange gain on foreign currency bank balances	(584,114)	(667,735)
Impairment loss on investments	105,503,477	-
Impairment loss on asset classified as held for sale	1,011,194,260	-
Reversal of doubtful debts	(15,000)	(24,000)
Bad debt expense	12,188,785	-
Gain on specie dividend	-	(696,527,249)
Gain on sale of shares of AHIL	(133,203,947)	-
Loss on sale of shares of AHBL	-	-
Gain on remeasurement of investment in associates	(2,386,681,184)	(5,666,634,000)
Tenderable capital gain	-	318,290,000
Finance cost	456,114,717	71,412,061
	<u>(1,250,612,409)</u>	<u>(6,506,020,855)</u>
Operating (loss)/profit before working capital changes	<u>(3,385,199,097)</u>	<u>3,008,205,289</u>
Changes in working capital		
(Increase)/decrease in current assets		
Trade debts	3,510,576	45,000,000
Loans and advances	-	(14,983,831)
Prepayments	(112,906)	6,982
Other receivables	(178,612)	7,566,342
Short term investments	3,229,947,381	(639,464,474)
Increase/(decrease) in current liabilities		
Trade and other payables	(212,228,456)	200,043,584
	<u>3,020,937,983</u>	<u>(401,831,397)</u>
Cash (used in)/generated from operations	<u>(364,261,114)</u>	<u>2,606,373,892</u>
29. CASH AND CASH EQUIVALENTS		
Cash and bank balances	17 18,659,532	23,283,454
Receivable against securities - considered good	-	1,985,322
Short term borrowings	8 (2,632,515,667)	(1,541,696,789)
	<u>(2,613,856,135)</u>	<u>(1,516,428,013)</u>

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

30.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions.

The carrying amounts of financial assets represent the maximum credit exposure, as specified below:

	Note	Carrying amount	
		2009	2008
Long term deposits	12	44,590	44,590
Trade debts	13	-	3,510,576
Receivable against securities transactions		-	1,985,322
Loans and advances	14	15,000,000	25,523,665
Other receivables	15	1,946,012	14,034,939
Cash and bank balances	17	18,659,532	23,283,454
		<u>35,650,134</u>	<u>68,382,546</u>

The Company did not hold any collateral against the above during the year. The movement in the provision for doubtful debt account is shown in note 13.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

On the balance sheet date, Company has cash and bank balance and unutilized credit lines of Rs.18.660 million (2008: Rs.23.284 million) and Rs. 3,197.484 million (2008: Rs. 3,258.303 million) as mentioned in note 17 and 8.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

		2009			
		Carrying amount	Contractual cash flows	Upto one year	More than one year
Financial liabilities					
	Trade and other payables	110,154,289	110,154,289	110,154,289	-
	Short term borrowings	2,632,515,667	2,723,305,867	2,723,305,867	-
	Rupees	2,742,669,956	2,833,460,156	2,833,460,156	-
		2008			
		Carrying amount	Contractual cash flows	Upto one year	More than one year
Financial liabilities					
	Trade and other payables	322,382,745	322,382,745	322,382,745	-
	Short term borrowings	1,541,696,789	1,543,953,140	1,543,953,140	-
	Rupees	1,864,079,534	1,866,335,885	1,866,335,885	-

Contractual cash flows include interest related cash flows upto the year end. The future interest related cash flows depends on the extent of utilisation of running finance facilities and the interest rates applicable at that time.

30.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest/mark up rate risk and price risk. The market risks associated with the Company's business activities are discussed as under:

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Company's foreign exchange risk exposure is restricted to long term equity investments and bank balances in foreign currency. As such the Company does not regularly deal in foreign currency transactions except for utilizing equity investment opportunities as and when it arises and maintenance of foreign currency bank accounts which currently are denominated in US Dollars and UAE Dirhams. The management believes that the Company's exposure emanating from any fluctuations in the foreign currencies does not require to be hedged.

Financial assets and liabilities exposed to foreign exchange rate risk amounts to Rs.76.896 million (2008: Rs.76.312 million) and Rs.NIL (2008: Rs.NIL) respectively, at the year end.

Sensitivity analysis

For the purpose of foreign exchange risk sensitivity analysis, it is observed that in the financial year the local currency has weakened against US Dollars and UAE Dirham by approximately 16.10% and 16.04% respectively. Subsequent to the balance sheet date and till the authorization of these financial statements a further decline of 1.62% and 1.55% respectively, have been observed. During the year, the above decline has resulted in a gain on foreign currency translation of Rs.0.584 million that is recognised in profit and loss account, therefore the Company is not significantly exposed to foreign currency risk. Further, there are no commitments or outstanding derivative contracts in foreign currency at the balance sheet date.

The following table summarizes the financial assets as of 30 June 2009 and 2008 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets (and the resulting change in profit and loss account) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant. Rupees are in millions.

	Fair value net assets	Estimated fair value assuming a hypothetical percentage increase (decrease) in the value of foreign currencies versus the Pak rupee					
		-20%	-10%	-1%	1%	10%	20%
30 June 2009	76.90	61.52	69.21	76.13	77.66	84.59	92.28
30 June 2008	76.31	61.05	68.68	75.55	77.08	83.94	91.57

b) Interest/mark up rate risk

Financial assets and liabilities include balances of Rs.12.308 million (2008: Rs.10.821 million) and Rs.2,632.515 million (2008: Rs.1,541.697 million) respectively, which are subject to interest rate risk. Applicable interest/mark-up rates for financial assets and liabilities have been indicated in respective notes.

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up 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. The short term borrowing arrangements has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2009		2008		(Rupees)	
	Effective interest rate (in %)		Carrying amounts		2009	2008
Financial assets						
Loans and advances	18%	12.5%	12,188,785	10,523,665		
Cash and bank balances	5% to 8%	0.5% to 9%	119,449	297,916		
Financial liabilities						
Short term borrowings	13.5% to 18%	11.25% to 14%	2,632,515,667	1,541,696,789		

Sensitivity analysis

The Company does not account for any fixed rate financial asset and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest/mark-up rate in terms of KIBOR has substantially been increased during the year by approximately 2%. Subsequent to the balance sheet date and till the date of authorization of these financial statements a decrease of 1% has been observed.

The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Profit and loss 100 bp	
	increase	decrease
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	<u>(4,555,260)</u>	<u>4,555,260</u>
As at 30 June 2008		
Cash flow sensitivity-Variable rate financial liabilities	<u>(708,164)</u>	<u>708,164</u>

c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs.13,188.02 million (2008: Rs.10,365.77 million) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date except for, unquoted associates which are carried at fair value determined through valuation techniques. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has declined by 42% during the financial year. Subsequent to the balance sheet date and till the date of authorization of these financial statements an appreciation of 13.20% in the KSE 100 Index has been observed.

The table below summarizes Company's equity price risk as of 30 June 2009 and 2008 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio. Rupees are in millions.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in Shareholders' Equity	Hypothetical increase (decrease) in profit/(loss) after tax
30 June 2009	Rupees	13,188.02	30% increase	17,144.43	143.40	3,813.01
			30% decrease	9,231.61	(143.40)	(3,813.01)
30 June 2008	Rupees	10,365.77	30% increase	13,475.50	66.010	3,044.00
			30% decrease	7,256.04	(66.010)	(3,044.00)

d) **Other market risk**

Management believes that unless more sophisticated and comprehensive disclosure of sensitivity analysis is given for each type of market risk to which the Company is exposed at the balance sheet date, the above mentioned sensitivity analysis in absence of availability of a large economic data with high accuracy and the present effects of unprecedented country's political situation on economics, might remain unrepresentative to the financial statements readers for the risk inherent in the financial instruments.

30.4 Fair value of financial assets and liabilities

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 financial assets and liabilities on the balance sheet, excluding some long term investments, approximate to their fair value.

31 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders.

There were no changes in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

32. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. 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. Remuneration of chief executive, directors and executives is disclosed in note 27 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

	(Rupees)	
	2009	2008
Transaction with subsidiaries		
- Services availed	7,905,585	26,403,000
- Mark up on short term running finance facility	1,416,644	2,028,000
- Mark up on bank deposit	5,179,525	17,399,879
- Dividend income	90,133,683	210,840,000
- Subscription of right shares	-	3,157,715,000
- Initial/fresh equity investments	52,547,580	45,697,165
- Transfer of vehicle at book value	1,808,678	-
Transaction with associates		
- Initial/fresh equity investment	189,115,129	448,000,570
- Subscription of right shares	226,849,285	-
- Payment for capital work in progress	43,750,472	24,000,000
- Loan advanced and repaid	400,000,000	-
- Mark-up on loans and advances	74,575,593	1,273,540
Transaction with other related parties		
- Payment to employees' provident fund	430,000	53,906
- Purchase of shares	-	773,998,820
- Sale of shares	-	762,874,970
- Mark up on loan from CEO	82,050,173	-
- Sale of shares	1,800,413	-

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 30 July 2009 by the Board of Directors of the Company.

33.1 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their adjourned meeting held on 5 August 2009 approved the sale of entire shareholding (249,995 shares) of Real Estate Modaraba Management Company Limited to chairman and chief executive, Mr. Arif Habib.

34. GENERAL

Corresponding figures have been re-arranged and/or re-classified, wherever necessary, for the purposes of compliance, comparison and better presentation. Major changes made during the year are as follows:

<u>Re-classified from</u>	<u>Re-classified to</u>	<u>Note</u>	<u>Amount (Rupees)</u>		<u>Reason</u>
			<u>From</u>	<u>To</u>	
Balance sheet					
Other receivable	Loans and advances	14	12,188,785	12,188,785	Better Presentation
Profit and loss account					
Salaries and benefits	Legal and professional	22	900,000	900,000	Better Presentation
Fees and subscription	Professional charges	22	35,009	35,009	Better Presentation


CHAIRMAN & C.E.O


DIRECTOR



Consolidated Financial Statements

Consolidated
Financial
Statements

KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Plot No. 180, Block A
S. M. C. H. S.
Karachi

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Arif Habib Securities Limited ("the Parent Company") and its subsidiary companies, Arif Habib Limited (AHL), Arif Habib Investments Limited (AHIL), (formerly Arif Habib Investment Management Limited), Arif Habib DMCC (AHD), SKM Lanka Holdings (Private) Limited (SKML), Pakistan Private Equity Management Limited (PPEML), Arif Habib Bank Limited (AHBL) and Real Estate Modarba Management Company Limited (REMMCO) ("the Group") as at 30 June 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have expressed separate opinion on the financial statements of Arif Habib Securities Limited.

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 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.

These financial statements are responsibility of the Parent Company's management. Our responsibility is to express our opinion on these financial statements based on our audit.

In our opinion, the consolidated financial statements audited by us present fairly the financial position of the Group as at 30 June 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to Note No. 25.1 to these consolidated financial statements which explain the emphasis of matter paragraph contained in the audit report of AHIL. Further, as more fully explained in note 3.1 to these consolidated financial statements, the financial information of a subsidiary and equity accounted associates were un-audited.

The consolidated financial statements for the year ended 30 June 2008 were audited by M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants who had expressed unqualified opinion vide their report dated 30 July 2008.



KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Mahmood Hussain



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Muhammad Waseem

Date: 24 August 2009
Karachi

Consolidated Balance Sheet

As at 30 June 2009

(Rupees)

	Note	2009	2008
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital	4.1	<u>10,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid up share capital	4.2	<u>3,750,000,000</u>	<u>3,000,000,000</u>
Reserves	5	<u>9,480,434,178</u>	<u>14,615,043,615</u>
		<u>13,230,434,178</u>	<u>17,615,043,615</u>
Minority interest		<u>2,548,947,229</u>	<u>1,814,826,835</u>
		<u>15,779,381,407</u>	<u>19,429,870,450</u>
Non-current liabilities			
Long term loans	6	682,607,990	188,500,000
Liabilities against assets subject to finance lease	7	-	372,223
Deferred taxation	8	5,091,888	301,370,088
Current liabilities			
Trade and other payables	9	<u>696,680,952</u>	<u>16,602,917,096</u>
Interest/Mark-up accrued	10	<u>194,568,479</u>	<u>122,811,570</u>
Short term borrowings	11	<u>3,908,551,248</u>	<u>4,663,588,693</u>
Current portion of:			
- Long term loans	6	53,250,000	25,050,000
Provision for taxation		1,987,139	192,450,252
Liabilities classified as held for sale	12	<u>26,956,786,000</u>	<u>-</u>
		<u>31,811,823,818</u>	<u>21,606,817,611</u>
		<u>48,278,905,103</u>	<u>41,526,930,372</u>

Contingencies and commitments

13

Consolidated Balance Sheet

As at 30 June 2009

		(Rupees)	
	Note	2009	2008
ASSETS			
Non-current assets			
Property and equipment	14	348,830,502	939,264,866
Intangible assets	15	35,754,591	83,552,506
Goodwill		2,160,310,718	2,042,582,067
Membership cards and licenses	16	46,650,000	63,971,496
Long term investments	17	7,658,758,006	5,593,724,663
Investment property	18	60,795,000	-
Long term loans and advances - considered good	19	41,706,714	17,128,629
Long term deposits and prepayments	20	30,233,372	26,294,667
Deferred cost	21	-	25,899,000
Current assets			
Trade debts	22	1,546,203,584	955,846,068
Receivable against securities - considered good		-	13,858,587
Loans and advances - considered good	23	127,251,572	17,537,630,112
Deposits and prepayments	24	60,316,245	186,633,891
Advance tax		56,954,336	241,033,640
Other receivables - considered good	25	176,862,091	33,378,518
Short term investments	26	3,697,465,086	10,754,723,252
Other assets		357,082,445	-
Cash and bank balances	27	66,638,043	3,011,408,410
Assets classified as held for sale	12	31,807,092,798	-
		37,895,866,200	32,734,512,478
		48,278,905,103	41,526,930,372

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHAIRMAN & C.E.O


DIRECTOR

Consolidated Profit and Loss Account

For the year ended 30 June 2009

(Rupees)

	Note	2009	2008
Operating revenue	28	746,432,153	2,287,163,125
(Loss) / gain on sale of securities-net		(580,318,937)	4,774,334,608
Loss on remeasurement of investments-net		(2,592,368,840)	(828,353,327)
		<u>(2,426,255,624)</u>	<u>6,233,144,406</u>
Operating, administrative and other expenses	29	(1,021,129,391)	(575,498,265)
Operating (loss) / profit		<u>(3,447,385,015)</u>	<u>5,657,646,141</u>
Other income	30	294,880,273	55,202,929
		<u>(3,152,504,742)</u>	<u>5,712,849,070</u>
Finance cost	31	(761,376,099)	(214,335,282)
		<u>(3,913,880,841)</u>	<u>5,498,513,788</u>
Share of profit from associates - net of tax		1,849,504,639	1,493,078,499
(Loss) / profit before tax		<u>(2,064,376,202)</u>	<u>6,991,592,287</u>
Taxation	32	(816,547)	(436,367,652)
(Loss) / profit after tax from continuing operations		<u>(2,065,192,749)</u>	<u>6,555,224,635</u>
Discontinued operations			
(Loss) / profit for the year from discontinued operations	12	(1,484,014,202)	427,771,000
(Loss) / profit for the year		<u>(3,549,206,951)</u>	<u>6,982,995,635</u>
(Loss) / profit attributable to:			
Equity holders of Arif Habib Securities Limited			
From continuing operations		(2,060,811,572)	6,413,969,249
From discontinued operations		(1,089,340,763)	254,095,974
		<u>(3,150,152,335)</u>	<u>6,668,065,223</u>
Minority interest			
From continuing operations		(4,381,177)	141,255,386
From discontinued operations		(394,673,439)	173,675,026
		<u>(399,054,616)</u>	<u>314,930,412</u>
(Loss) / earnings per share - basic and diluted			
From continuing operations		(5.50)	17.10
From discontinued operations		(2.90)	0.68
Total	33	<u>(8.40)</u>	<u>17.78</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHAIRMAN & C.E.O


DIRECTOR

Consolidated Cash Flow Statement

For the year ended 30 June 2009

		(Rupees)	
	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) operations	35	(2,239,529,353)	(601,047,077)
Income tax paid		(186,654,550)	(32,617,476)
Finance cost paid		(689,619,190)	(124,241,116)
Net cash (used in) operating activities		(3,115,803,093)	(757,905,669)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(393,316,500)	(398,536,872)
Membership cards and licenses		17,321,496	(16,380,796)
Investment property		(52,000,000)	-
Dividend received		318,262,802	771,719,879
Interest received		128,084,356	40,149,203
Acquisition of long term investments		(641,117,636)	(3,498,219,324)
Proceeds from sale of long term investments		1,024,189,927	2,514,718,500
Long term loans and advances		(24,578,085)	(6,161,335)
Long term deposits		(3,938,705)	(2,155,960)
Net cash generated from/(used in) investing activities		372,907,655	(594,866,705)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		522,307,990	73,418,500
Liability against assets subject to finance lease		(1,192,587)	(1,192,583)
Dividend paid		(848,716,474)	-
Net cash (used in)/generated from financing activities		(327,601,071)	72,225,917
Net decrease in cash and cash equivalents		(3,070,496,509)	(1,280,546,457)
Cash and cash equivalents at beginning of the year		(771,416,696)	509,129,761
Cash and cash equivalents at end of the year	35.1	(3,841,913,205)	(771,416,696)

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHAIRMAN & C.E.O


DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

(Rupees)

	Share Capital	Reserves				Sub Total	Total
	Issued, subscribed and paid up	Surplus / (deficit) on remeasurement of investments / fixed assets	Exchange difference on translation to presentation currency	General reserves	Unappropriated Profit		
Balance as at 30 June 2007	3,000,000,000	110,842,696	108,881	4,019,567,665	4,426,009,399	8,556,528,641	11,556,528,641
Changes in equity for 2008							
Profit for the year ended 30 June 2008	-	-	-	-	6,668,065,223	6,668,065,223	6,668,065,223
Deficit on remeasurement of investments classified as available for sale	-	(250,364,018)	-	-	-	(250,364,018)	(250,364,018)
Share of changes recognized directly in the associate's equity	-	742,754,160	-	-	-	742,754,160	742,754,160
Net effect of translation of net assets of foreign subsidiaries to presentation currency	-	-	8,059,609	-	-	8,059,609	8,059,609
Interim specie distribution	-	-	-	-	(1,110,000,000)	(1,110,000,000)	(1,110,000,000)
Balance as at 30 June 2008	3,000,000,000	603,232,838	8,168,490	4,019,567,665	9,984,074,622	14,615,043,615	17,615,043,615
Changes in equity for 2009							
Loss for the year ended 30 June 2009	-	-	-	-	(3,150,152,335)	(3,150,152,335)	(3,150,152,335)
Deficit on remeasurement of investments classified as available for sale	-	(1,143,121,639)	-	-	-	(1,143,121,639)	(1,143,121,639)
Net effect of translation of net assets of foreign subsidiaries to presentation currency	-	-	18,879,440	-	-	18,879,440	18,879,440
Issue of bonus shares for the year ended 30 June 2008 @ 25%	750,000,000	-	-	-	(750,000,000)	(750,000,000)	-
Cash dividend for the year ended 30 June 2008 - Rs. 1.5 per share	-	-	-	-	(110,214,903)	(110,214,903)	(110,214,903)
Balance as at 30 June 2009	3,750,000,000	(539,888,801)	27,047,930	4,019,567,665	5,973,707,384	9,480,434,178	13,230,434,178

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHAIRMAN & C.E.O


DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

1. STATUS AND NATURE OF BUSINESS

Arif Habib Securities Limited ("the Parent Company") was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan and is engaged in the business of investments in listed and unlisted securities. The registered office of the Company is situated at 60-63, KSE Building, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

The Group comprises of the Parent Company and following subsidiary companies that have been consolidated in these financial statements on line by line basis. All material inter company balances, and transactions have been eliminated.

Subsidiaries		Shareholding (including indirect holding)
Name of Company	Note	
- Arif Habib Limited (AHL)	1.1	75.00%
- Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited) (AHIL)	1.2	60.18%
- Arif Habib DMCC (AHD)	1.3	100.00%
- SKM Lanka Holdings (Private) Limited (SKML)	1.4	75.00%
- Pakistan Private Equity Management Limited (PPEML)	1.5	85.00%
- Real Estate Modaraba Management Company Limited (REMMCO)	1.6	99.99%
- Arif Habib Bank Limited (AHBL)	12	59.40%

Additionally, the Company has long term investments in following associates and these are being carried under equity accounting.

Associates		Shareholding (including indirect holding)
Name of Company		
- Pakarab Fertilizers Limited (PFL)		30.00%
- Aisha Steel Mills Limited (ASML)		25.00%
- Al-Abbas Cement Industries Limited (AACIL)		30.94%
- Thatta Cement Company Limited (THCCL)		25.42%
- Rozgar Microfinance Bank Limited (RMFBL)		19.01%
- Sweetwater Dairies Pakistan (Private) Limited (SDPL)		24.90%
- Fatima Fertilizer Company Limited (FFCL)		24.53%

- 1.1 Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the Companies Ordinance, 1984, as a public limited company. The registered office of AHL is situated at 64, KSE Building, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodities Exchange. It is registered with SECP as securities brokerage house. AHL is a subsidiary of AHSL with shareholding of 75% (2008: 75%) and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, corporate finance advisory and securities research. The shares of AHL are listed at the Karachi Stock Exchange with effect from 31 January 2007.
- 1.2 Arif Habib Investments Limited (AHIL) (formerly Arif Habib Investment Management Limited) was incorporated in Pakistan on 30 August 2000 as a public limited company under the Companies Ordinance, 1984. The registered office of AHIL is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHIL is a subsidiary of AHSL with shareholding of 60.18% (2008: 62.40%). AHIL is registered as an Asset Management Company, Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC) and Pension Scheme Manager under Voluntary Pension System Rules 2005. AHIL is currently acting as Asset Management Company / Investment Advisor / Pension Scheme Manager for the various funds / schemes.
- 1.3 Arif Habib DMCC (AHD) was incorporated in Dubai, UAE on 24 October 2005 as a limited liability company. Its registered office situated at Dubai Metals and Commodities Center, Dubai, UAE. AHD is a wholly owned subsidiary of AHSL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on 26 October 2005. AHD is expected to start its commercial operations at the Dubai Gold and Commodities Exchange within next twelve months besides consultancy which have already been started.
- 1.4 S.K.M Lanka Holdings (Pvt.) Limited (SKML) was incorporated in Colombo, Sri Lanka on 15 February 2007 as a limited liability company. Its registered office situated at 86/1, Dawson Street, Colombo 02, Sri Lanka. It is domiciled in the province of Colombo. It is registered with Securities and Exchange Commission of Sri Lanka as securities brokerage house. SKML is a subsidiary of AHSL with 75% shareholding.
- 1.5 Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 6 September 2006 as a public limited company under the Companies Ordinance, 1984. The registered office of PPEML is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. It is domiciled in the province of Sindh. PPEML is a subsidiary of AHSL with shareholding of 85% (2008: 85%). PPEML is a venture capital company registered, under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through SRO 113(1)2007, with the Securities and Exchange Commission of Pakistan.
- 1.6 Real Estate Modaraba Management Company Limited (REMCO) was incorporated in Pakistan on 13 October 2005 as a public limited company under the Companies Ordinance, 1984. The registered office of REMCO is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. It is domiciled in the province of Sindh. REMCO is a subsidiary of AHSL with shareholding of 99.99%. REMCO is a Modaraba management company. Currently, it has not floated any Modaraba.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated 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 (IFRSs) issued by the International Accounting Standards 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 consolidated financial statements have been prepared under the historical cost convention, except for certain investments and asset classified as held for sale, which are measured at their fair values (as disclosed in note 12, 17 and 26).

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional and presentation currency. The financial statements of two foreign incorporated subsidiaries have been translated into Pakistan Rupees for the purpose of these consolidated financial statements. All financial information has been rounded to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of these consolidated 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 accounting 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 result of which form the basis of making judgments about 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 an accounting estimate are recognized 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.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future periods are as follows:

- ▶ Useful lives and residual values of property and equipment (note 3.4)
- ▶ Provision for taxation (note 3.3)
- ▶ Classification of investments (note 3.8 - 3.8.3)
- ▶ Fair value of investments (note 3.8 - 3.8.3)
- ▶ Impairment of investments (note 3.7)

2.5 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements

Initial application

- IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning 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. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.
- IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.
- IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 01 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. The application of IFRIC 13 did not affect the Company's financial statements.
- IFRIC 14 - IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset.

Forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2009:

- 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.
- 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. The application of the standard is not likely to have an effect on the Company's financial statements.
- Amendments 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 a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

- Amendment to IFRS 2 - 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. The application of this standard is not likely to have any effect on the Company's financial statements.
- 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 consideration 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 recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. This standard will be applied prospectively.
- 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 recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The amended IAS requires some amendments to be applied retrospectively.
- 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 the 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.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.
- 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. The amendment is not relevant to the Company's operations.

The Accounting Standards Board made certain amendments to existing standards as part of its annual improvement project

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible hedged Items.

- IFRS 5 (Amendment) - Non-current assets held-for-sale and discontinued operations.
- IAS 23 (Amendment) - Borrowing costs - definition of borrowing costs and use of effective interest method has been amended.
- 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 calculation should be made.
- IAS 38 (Amendment) - Intangible assets. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 19 (Amendment) - Employee benefits. The amendment among other things clarifies treatments in case of plan amendments and modifies definition of return on plan assets.
- IAS 28 (Amendment) - Investments in associates (and consequential amendments to IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial instruments: Disclosures).
- IAS 31 (Amendment) - Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7).
- IAS 40 (Amendment) - Investment property (and consequential amendments to IAS 16).
- IAS 41 (Amendment) - Agriculture.
- Amendment to IFRS 7 - Improving disclosures about financial instruments.
- IFRIC Interpretation 17 - Distribution of non-cash assets to owners.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities in which the Parent Company has control and / or ownership of more than half or fifty percent, of the voting power. Control exists when the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Parent Company.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis except for Arif Habib Bank Limited as explained in note 12. The carrying value of investments held by the Parent Company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

Minority interests is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Minority interest are presented as a separate item in the consolidated financial statements.

The financial year of the Parent Company and its subsidiaries are the same except for AHBL, SKML and AHD. Financial years of the said subsidiaries are 31 December, 31 March and 31 December, respectively. These subsidiaries have however prepared, for consolidation purposes, interim financial statements as of the same date as the financial statements of the Parent Company. These consolidated financial statements have been prepared using the uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of Real Estate Modaraba Management Company Limited are unaudited.

(ii) Associates

The Parent Company considers its associates to be such entities in which the Group has ownership, of not less than twenty percent but not more than fifty percent, of the voting power and / or has significant influence through common directorship, but not control.

Investment in associates that are not held exclusively with a view to its disposal in near future are accounted for under the equity method, less impairment losses, if any. Such investments are carried in the balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The profit and loss account reflects the Group's share of the results of its associates. The equity method for investments in associates is applied from the date when significant influence commence until the date when that significant influence ceases. Group's share of results of associates in these consolidated financial statements are based on un-audited figures as of 30 June 2009.

3.2 Staff retirement benefits

The Group companies operate the following retirement and other benefit schemes:

3.2.1 Defined contribution plan

AHSL, AHBL, AHL and AHIL operate recognized provident fund schemes for all eligible permanent employees for which their contributions are charged to profit and loss account.

3.2.2 Voluntary pension scheme

PPEML operates a voluntary pension scheme for all its employees. Employees are entitled to amounts on account of Company's contribution to unfunded and unrecognised voluntary pension scheme on the basis of 10% of salary.

3.2.3 Defined benefit plan

Unfunded gratuity scheme

AHBL operates an unfunded gratuity scheme for all its permanent employees who have completed the minimum qualifying period of five years. Provision is made to meet the cost of such gratuity benefits on the basis of actuarial recommendations and are charged to income currently. Actuarial valuation is carried out periodically using "Projected Unit Credit Method". Actuarial gains / (losses) are recognized using 10% corridor approach. Corridor is defined as greater of 10% of present value of defined benefit obligation and fair value plan assets.

3.2.4 Other benefit schemes

Profitability bonus

AHIL allocates 5% of the profit before tax of the company before charging chief executive's profitability bonus, as a profitability bonus. After deduction of applicable taxes, 50% of the amount is paid to the employees as cash bonus and 50% is invested in a trust on behalf of the employees.

AHIL also operates a profit sharing scheme for its chief executive officer (CEO) in which 10% of the profit after tax (before charging CEO's profitability bonus) is payable by the company to the CEO.

Compensated absences

AHL and AHBL provides for compensated absences for all of its eligible employees on the basis of unavailed leave balances of each employee at the end of the year.

3.3 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. However, in case of PPEML (Venture capital company) no tax is payable in accordance with clause 101 of part I of second schedule to the Income Tax Ordinance, 2001.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

3.4 Property and equipment

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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation on all property and equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 14.

In case of Parent Company upto previous year, depreciation on addition to property and equipment was charged from the quarter in which the asset was acquired or capitalized, while no depreciation was charged for the quarter in which the asset is disposed off. From the current year, depreciation on property and equipment is charged on monthly basis.

The above change has been accounted for as changes in accounting estimate in accordance with the requirements of International Accounting Standard (IAS-8) "Accounting Policies, Changes in Estimates and Errors" whereby the effects of this change is recognised prospectively by including the same in determination of profit and loss in the period of the change, that is, during the current and future periods.

Had the Parent Company's accounting estimate not been changed, property and equipment and consolidated loss for the current year would have been lower and higher by Rs.1.772 million respectively.

Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account currently.

The assets' residual value and useful life are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of property and equipment in the course of their construction and installation. Transfers are made to relevant asset's category as and when assets are available for intended use.

Leases in terms of which the Group Company's assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease.

3.5 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.

3.6 Intangible assets

3.6.1 Goodwill

Goodwill is measured as the excess of the purchase consideration over the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities.

3.6.2 Membership cards and offices

These are held by AHL and are stated at cost less impairment losses, 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.

3.6.3 Others

Intangible assets, other than goodwill, are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangibles are amortised over their estimated useful lives. In respect of additions and deletions to intangibles assets during the year, amortisation is charged from the month of acquisition and up to the month preceding the deletion.

3.7 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized is transferred from equity and recognized in the profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

The carrying amount of the Group's non-financial assets and investment carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

3.8 Investments

The management of the group determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies / reclassifies its investment as subsidiaries, associates and joint ventures, at fair value through profit or loss, available for sale and held to maturity.

All investments are initially recognized at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as at fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

All "regular way" purchases and sales of financial assets are recognized on the trade date, that is the date on which the Company commits to purchase / sell an asset. Regular way purchases or sales of financial assets are the contracts which require delivery of assets within the time frame generally established by regulations or market convention.

Where active market of the quoted investment exists, fair value is determined through Karachi Stock Exchange daily quotation. In case of unquoted investment, where active market does not exist, fair value is determined using valuation techniques. The investments in equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be reliably measured are carried at cost.

The Group classifies its investments in the following categories:

3.8.1 At fair value through profit or loss - held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as at fair value through profit or loss - held for trading. These are stated at fair values with any resulting gains or losses recognized in the profit and loss account. The fair value of such investments, representing listed equity securities are determined on the basis of prevailing market prices at the respective stock exchange and on market based redemption / repurchase prices, whichever is applicable, in case of other securities.

3.8.2 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity.

At subsequent reporting dates, these investments are remeasured at fair values and the resulting gains or losses are recognised directly in equity until the investment is disposed off or impaired at which time these are transferred to profit and loss account.

Where active market of the quoted investment exists, fair value of quoted investments is determined using quotations of the respective stock exchange. The investments for which a quoted market price is not available, are measured at cost, unless fair value can be reliably measured. Such fair value estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate etc.) and therefore, cannot be determined with precision.

3.8.3 Held-to-maturity investments

Investments with a fixed maturity where the Group 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.

3.9 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.

3.10 Assets held for sale

Assets and groups of assets and liabilities which comprise disposal groups are classified as 'held for sale' when all of the following criteria are met: a decision has been made to sell, the assets are available for sale immediately, the assets are being actively marketed, and a sale has been or is expected to be concluded with in twelve months of the balance sheet date. Assets and disposal groups 'held for sale' are valued at lower of the carrying amount and fair value less disposal costs.

3.11 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit & loss account is re-presented as if the operation had been discontinued from the start of the comparative period.

3.12 Trade and other receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts.

3.13 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid, in the future for goods and services received.

3.14 Short term borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3.15 Revenue recognition

- ▶ Gain/loss on sale of investments are recognized on the date of transaction and charged to profit and loss account in the period in which they arise.
- ▶ Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.
- ▶ Rental income from investment properties is recognised on accrual basis.
- ▶ Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend or bonus is established.
- ▶ Underwriting commission is recognized when the agreement is executed.
- ▶ Income on continuous funding system transactions and bank deposits are recognized on time proportion basis that takes into account the effective yield.
- ▶ Management / advisory fee is calculated on a daily/monthly basis by charging specified rates to the net asset value / income of the Collective Investment Schemes. The fee so charged does not exceed the limit prescribed in the NBFC Regulations / Voluntary Pension System Rules 2005.

Management fee from open-end schemes is calculated by charging the specified rates to the net asset value / income of open-end schemes at the close of business of each calendar day. Advisory fee from closed-end schemes is calculated on daily / monthly basis by charging the specified rates to the net assets value of closed-end schemes. Advisory fee from the discretionary portfolios is calculated in accordance with the respective agreements with the clients. Management fee from pension funds is calculated by charging the specified rates to the average net assets value.

- ▶ Processing and other related income are recognised once the services are provided to unit holders in connection with their investments in the open-ended schemes managed by AHIL.

3.16 Provisions

Provision is recognized when, as a result of past event, the Group Companies has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.17 Financial instruments

Financial assets and financial liabilities are recognized when the Group companies become a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include investments, trade debts and other receivables, loans and advances, cash and bank balances, deposits, borrowings, trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.18 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the Group Company has a legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.19 Foreign currency transactions

Foreign currency transactions are translated into Pakistan Rupees using the exchange rates prevailing at the date of the transactions. All the monetary assets and liabilities in foreign currencies, at the balance sheet date, are translated into Pakistan Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pakistan Rupees at exchange rates prevailing on the date of the transaction or on the date when fair values are determined.

3.20 Borrowing costs

Borrowing costs incurred on short term borrowings are recognized as an expense in the period in which these are incurred.

3.21 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand, cash at bank, short term running finance and receivables against sale of securities.

During the year, due to the nature of investments, equity securities have been excluded from cash and cash equivalents and accordingly, cash and cash equivalents and cash flow statement of corresponding year have been restated.

3.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, intangible assets and biological assets other than goodwill.

3.23 Dividend and appropriation to reserve

Dividend distribution to the Group's shareholders and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4. SHARE CAPITAL

4.1 Authorised share capital

(Number of shares)			(Rupees)	
2009	2008		2009	2008
1,000,000,000	300,000,000	Ordinary shares of Rs.10 each	10,000,000,000	3,000,000,000

4.2 Issued, subscribed and paid up share capital

(Number of shares)			(Rupees)	
2009	2008		2009	2008
5,000,000	5,000,000	Ordinary shares of Rs.10 each fully paid in cash	50,000,000	50,000,000
372,000,000	297,000,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	3,720,000,000	2,970,000,000
377,000,000	302,000,000		3,770,000,000	3,020,000,000
(2,000,000)	(2,000,000)	Ordinary shares of Rs.10 each buy back at Rs.360 per share	(20,000,000)	(20,000,000)
375,000,000	300,000,000		3,750,000,000	3,000,000,000

4.3 During financial year 2005-2006, Company bought back two million shares of Rs.10 each from its shareholders through tender notice at a price of Rs.360 per share in accordance with section 95-A of the Companies Ordinance, 1984 and Companies (Buy-back of shares) Rules, 1999. The acquisition resulted in reduction of capital and unappropriated profit by Rs.20 million and Rs.700 million respectively, in the relevant year.

	(Rupees)	
Note	2009	2008
5. RESERVES		
General reserve	4,019,567,665	4,019,567,665
Unappropriated profit	5,973,707,384	9,984,074,622
Exchange difference on translation to presentation currency	27,047,930	8,168,490
Surplus / (deficit) on remeasurement of available for sale investments / revaluation of fixed assets	(539,888,801)	603,232,838
	9,480,434,178	14,615,043,615

(Rupees)

	Note	2009	2008
6. LONG TERM LOANS			
From banking companies - secured			
Allied Bank Limited - DF I	6.1	73,500,000	98,000,000
Allied Bank Limited - DF II	6.2	115,000,000	115,000,000
		188,500,000	213,000,000
Less: current portion of long term loan		(53,250,000)	(24,500,000)
		135,250,000	188,500,000
From related parties - unsecured		547,357,990	550,000
Less: current portion of long term loan		-	(550,000)
		547,357,990	-
		682,607,990	188,500,000

6.1 This represents long term financing facility which is subject to mark-up at the rate of 6 months KIBOR plus 1.5% per annum (2008: 6 months KIBOR plus 1.5% per annum). The principal amount of the loan is repayable in half yearly installments. Mark-up is payable on half yearly basis. The loan is secured against pledge of units/certificates of various mutual funds and equity securities held and owned by the Group Companies. The agreement contains a clause that in case of a default in payment of any installment, the bank reserves the right to demand immediate payment of outstanding balance or sell the pledged securities.

6.2 This represents long term financing facility which is subject to mark-up at the rate of 6 months KIBOR plus 1.75% per annum (2008: 6 months KIBOR plus 1.75% per annum). The principal amount of the loan is repayable in half yearly installments commencing from December 2009. Mark-up is payable on half yearly basis. The loan is secured against pledge over units/certificates of various mutual fund and equity securities of held and owned by the Group Companies. The agreement contains a clause that in case of a default in payment of any installment, the bank reserves the right to demand immediate payment of outstanding balance or sell the pledged securities.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represent vehicle acquired under finance lease from a leasing company by AHL, which has been transferred during the year on net book value to Arif Habib Securities Limited, the Parent Company.

(Rupees)

	Note	2009	2008
8. DEFERRED TAXATION			
Deferred tax assets / (liabilities) arising in respect of Deductible temporary differences			
Accelerated tax depreciation / amortization in respect of:			
- Liability against assets subject to finance lease		-	(547,684)
- Tax losses		(15,243,552)	-
- Loss on sale of unquoted securities		(1,853,390)	-
- Deficit on treasury bills		-	(793,000)
		(17,096,942)	(1,340,684)
Taxable temporary differences			
Accelerated tax depreciation / amortization in respect of:			
- Property and equipment		21,040,705	6,488,718
- Specie distribution		-	295,312,500
- Intangible assets		1,148,125	164,804
- Assets subject to finance lease		-	744,750
		22,188,830	302,710,772
		5,091,888	301,370,088

		(Rupees)	
	Note	2009	2008
9. TRADE AND OTHER PAYABLES			
Creditors		559,349,371	697,870,308
Deposits and other accounts		-	15,538,962,000
Bills payable		6,674,434	120,411,000
Accrued liabilities		61,293,098	157,312,173
Security deposit		-	24,945,000
Due to KSE members		-	460,153
Withholding tax payable		1,224,876	20,337,168
Payable to gratuity fund		-	8,405,000
Due to related parties		29,254,860	-
Advance from customers		11,873,500	-
Other liabilities	9.1	27,010,813	34,214,294
		<u>696,680,952</u>	<u>16,602,917,096</u>

9.1 This includes current portion of liabilities against asset subject to finance lease:

		2009			
		Future minimum lease payments	Interest	Present value of minimum lease payments	Principal outstanding
Not later than one year		356,440	5,347	351,093	356,440
Later than one year but not later than five years		-	-	-	-
Later than five years		-	-	-	-
	Rupees	<u>356,440</u>	<u>5,347</u>	<u>351,093</u>	<u>356,440</u>
		2008			
		Future minimum lease payments	Interest	Present value of minimum lease payments	Principal outstanding
Not later than one year		1,271,244	914,804	1,192,587	1,192,587
Later than one year but not later than five years		-	-	-	-
Later than five years		-	-	-	-
	Rupees	<u>1,271,244</u>	<u>914,804</u>	<u>1,192,587</u>	<u>1,192,587</u>

During the year, motor vehicle was transferred to the Parent Company by Arif Habib Investments Limited, a subsidiary company (lessee). The vehicle was acquired by the lessee from Orix Leasing Pakistan Limited (lessor) under the finance lease. Parent Company acquired the asset from the lessee for the remainder of the lease term i.e. five months with financial charges payable at the rate of 9% to 11% per annum. AHSL has the option to purchase the vehicle on the expiry of the lease period and has the intention to exercise it.

(Rupees)

	Note	2009	2008
10. INTEREST / MARK-UP ACCRUED			
On long term financing		-	10,841,551
On deposits and other mark-up bearing accounts		-	87,995,000
On short term borrowings		<u>194,568,479</u>	<u>23,975,019</u>
		<u>194,568,479</u>	<u>122,811,570</u>
11. SHORT TERM BORROWINGS - secured			
From banking companies and financial institutions			
- Short term running finance from banks	11.1	<u>3,908,551,248</u>	1,713,811,263
- Borrowings from financial institutions by AHBL		-	2,903,333,000
- Borrowings in foreign currency by AHD		-	46,444,430
		<u>3,908,551,248</u>	<u>4,663,588,693</u>

11.1 Short term running finance facilities are available from various commercial banks under mark-up arrangements amounting to Rs.9,745.00 million (2008: Rs.8,575.00 million) which represents the aggregate of sale prices of all mark-up agreements between the group companies and the banks. These facilities have various maturity dates upto 31 May 2010. These arrangements are secured against pledge of marketable securities with 30% margin (2008: 30% margin). The rates of mark-up range from one month KIBOR+1% to 6 months KIBOR+2% per annum (2008: one month KIBOR+1% to 6 months KIBOR+2% per annum) calculated on a daily product basis payable quarterly. The rate of mark-up is three month KIBOR+5% per annum (2008: Nil) payable quarterly in case of AHIL.

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets and liabilities of a subsidiary, Arif Habib Bank Limited (AHBL), are presented as disposal group classified as held for sale and its result presented as discontinued operations, following the signing of share purchase agreement (SPA) with Suroor Investments Limited (a Company incorporated in Mauritius) for sale of its entire stake of 297,034,854 ordinary shares at Rs.9 per share. The subsidiary was not a discontinued operation or classified as held for sale as at 30 June 2008 and the comparative profit and loss account has been re-presented to show the discontinued operation separately from continuing operations. The Company received 10% part payment against the total consideration of Rs.2,673,313,686 subsequent to the year end. The transaction is expected to be completed on or before 30 September 2009. The disposal group is presented as net of impairment loss of Rs.511.745 million.

	(Rupees)
	2009
Assets classified as held for sale	
Long term investments	9,532,104,000
Long term loans and advances	17,057,170,062
Other non current assets	1,836,850,736
Lendings to financial institutions	314,471,000
Other receivables	1,255,243,000
Cash and bank balances	1,811,254,000
	<u>31,807,092,798</u>
Liabilities classified as held for sale	
Short term borrowings	1,850,090,000
Deposit and other accounts	24,380,216,000
Other Liabilities	726,480,000
	<u>26,956,786,000</u>

	(Rupees)	
Note	2009	2008
Results of AHBL		
Revenue	3,308,670,000	1,052,962,000
Expenses	<u>(4,635,024,000)</u>	<u>(490,755,000)</u>
(Loss) / profit from operations	(1,326,354,000)	562,207,000
Taxation	354,085,000	(134,436,000)
(Loss) / profit after tax	<u>(972,269,000)</u>	427,771,000
Loss on remeasurement of disposal group classified as held for sale	(511,745,202)	-
(Loss) / profit from discontinued operations	<u>(1,484,014,202)</u>	<u>427,771,000</u>
Cash flows generated from / (used in) AHBL		
Net cash flows generated from / (used in) operating activities	5,753,642,000	(1,894,187,000)
Net cash flows (used in) / generated from investing activities	(5,978,816,000)	29,329,000
Net cash flows generated from financing activities	-	3,000,000,000
	<u>(225,174,000)</u>	<u>1,135,142,000</u>

13. CONTINGENCIES AND COMMITMENTS

13.1 Arif Habib Securities Limited

The Company is contesting alongwith other defendants four suits filed by M/s.Diamond Industries Limited, Mr.Iftikhar Shafi, M/s.Shafi Chemicals Industries Limited and Mr.Nisar Elahi (The Plaintiffs) in the year 2002-2003, for damages jointly against Mr. Saleem Chamdia, Mr.Arif Habib, Mr.Aqeel Karim Dedhi, Mr. A. Ghaffar Usman Moosani, Mr. Shahid Ghaffar, the Karachi Stock Exchange (Guarantee) Limited (KSE), the Securities and Exchange Commission of Pakistan (SECP), the Central Depository Company of Pakistan Limited (CDC), M/s.Saleem Chamdia Securities (Private) Limited, M/s. Arif Habib Securities Limited, M/s.Moosani Securities Limited and M/s.Aqeel Karim Dedhi Securities Limited.

The suits are for recovery of damages amounting to Rs.10,989,948,199, Rs.5,606,611,760, Rs.1,701,035,843 and Rs.428,440,971 respectively against the decision of the Karachi Stock Exchange in respect of Risk Management System of its Clearing House during the year 2000. The Chairman and Chief Executive of the Company were the Chairman of the Board of Directors of KSE for the year 2000, the Company has been made party to the suits by the plaintiffs. All the suits at present are pending before the honorable Sindh High Court, Karachi. While individual liability of respective individuals and undertakings is not quantifiable.

The legal advisor of the Company is of the opinion that there are reasonable grounds for a favorable decision and that the suits are likely to be dismissed as these are not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the said suits against the Company. Therefore, Company has not made any provision in this respect in the financial statements.

Arif Habib Limited

There were no contingencies as of 30 June 2009.

Arif Habib Investments Limited

Bank guarantee of Rs.1,550,000 (2008: Rs.1,850,000) have been issued in favour of third parties.

Commitments

13.2 Arif Habib Limited

Commitment to KSE Clearing House in respect of trading of securities.

13.3 In case of all other subsidiaries, there were no significant contingencies and commitments at the balance sheet date.

14. PROPERTY AND EQUIPMENT

	Leasehold Land	Buildings on free-hold land	Buildings on leasehold land	Furniture, fixtures and fittings	Vehicles	Telecommunication equipment	Office equipment	Computer & allied equipment	Generator	Leasehold improvements	Capital work in progress	Total
(Rupees)												
COST												
Balance as at 01 July 2007	-	-	221,542,432	16,444,204	69,346,585	2,053,040	37,973,918	69,714,044	4,728,728	-	66,595,381	488,398,332
Additions during the year	88,029,700	30,268,344	60,704,568	15,839,038	12,440,645	1,500,099	58,850,695	54,907,588	80,000	-	292,275,632	614,896,309
Disposals / transfers	-	-	(23,022,171)	(422,482)	(31,351,715)	(91,000)	(410,084)	(680,943)	-	-	-	(55,978,395)
Balance as at 30 June 2008	88,029,700	30,268,344	259,224,829	31,860,760	50,435,515	3,462,139	96,414,529	123,940,689	4,808,728	-	358,871,013	1,047,316,246
Balance as at 01 July 2008	88,029,700	30,268,344	259,224,829	31,860,760	50,435,515	3,462,139	96,414,529	123,940,689	4,808,728	-	358,871,013	1,047,316,246
Additions during the year	153,575,819	2,873,687	96,342,368	14,658,972	19,047,322	2,065,613	63,290,352	41,364,894	97,473	169,372,972	468,012,224	1,030,701,696
Disposals / transfers	-	-	-	(646,917)	(20,998,007)	(774,619)	(1,754,633)	(4,379,780)	(2,192,000)	-	(177,772,972)	(208,518,978)
Balance as at 30 June 2009	241,605,519	33,142,031	355,567,197	45,872,815	48,484,830	4,753,133	157,950,248	160,925,803	2,714,201	169,372,972	649,110,265	1,869,499,014
DEPRECIATION												
Balance as at 01 July 2007	-	-	11,526,990	3,016,790	17,002,641	465,151	4,990,679	17,293,298	1,174,481	-	-	55,470,030
Charge for the year	-	2,724,722	12,622,565	3,803,860	9,354,315	235,309	13,860,981	18,772,310	356,760	-	-	61,730,822
Disposals / transfers	-	-	-	(424,697)	(7,971,231)	(6,085)	(199,416)	(548,043)	-	-	-	(9,149,472)
Balance as at 30 June 2008	-	2,724,722	24,149,555	6,395,953	18,385,725	694,375	18,652,244	35,517,565	1,531,241	-	-	108,051,380
Balance as at 01 July 2008	-	2,724,722	24,149,555	6,395,953	18,385,725	694,375	18,652,244	35,517,565	1,531,241	-	-	108,051,380
Charge for the year	-	11,472,425	-	3,179,605	5,852,582	352,526	11,049,359	21,514,066	264,500	4,657,725	-	58,342,788
Disposals / transfers	-	-	-	(750,322)	(7,599,614)	(141,350)	(388,834)	(3,080,624)	(518,812)	-	-	(12,479,556)
Balance as at 30 June 2009	-	14,197,147	24,149,555	8,825,236	16,638,693	905,551	29,312,769	53,951,007	1,276,929	4,657,725	-	153,914,612
Written down value as at 30 June 2008	88,029,700	27,543,622	235,075,274	25,464,807	32,049,790	2,767,764	77,762,285	88,423,124	3,277,487	-	358,871,013	939,264,866
Written down value as at 30 June 2009	241,605,519	18,944,884	331,417,642	37,047,579	31,846,137	3,847,582	128,637,479	106,974,796	1,437,272	164,715,247	649,110,265	1,715,584,402
Less Written down value of property and equipment transferred to assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	(1,366,753,900)
Annual rates of depreciation %	-	7	5	15	20	10	10	33	10	15	-	348,830,502
												Rupees

14.1 Disposals of property and equipment

(Rupees)

Description	Cost	Book value	Sale proceeds
Vehicles:			
As per Group Companies' policies to employee			
Ali Ahmed	750,000	580,335	580,335
Faheem kasim	360,000	278,560	278,560
Monib Farid	467,100	400,498	400,498
Sara Bhola	580,500	523,900	523,900
Syed Ajaz Ahmed	1,340,850	668,637	668,637
Syed Shukat Hussain Rizwi	1,310,380	730,318	730,318
Basharat-Ullah	1,560,620	1,382,882	1,382,882
M. Faez	50,751	45,801	45,801
Umer Rehan	50,751	45,801	45,801
Fahad Aman	53,910	51,210	51,210
By auction/tender to outsider			
Mohammad	508,000	155,364	250,000
Mohammad Amir	1,340,850	680,794	860,000
Mirza Usman Ali	1,558,070	1,236,068	1,450,000
Abdul Waheed	961,332	881,223	870,000
By Negotiation to outsider			
Noman Zaheer	644,000	151,940	151,940
By Insurance Claim			
Universal Insurance Company	1,562,970	1,485,690	1,485,690
Insurance Claim	50,751	45,801	45,801
Transfer to Related Party			
Arif Habib Bank Limited	1,842,000	1,811,300	1,842,000
Arif Habib Securities Limited	5,194,966	1,808,678	1,808,678
Aggregate of other vehicle with individual book values not exceeding Rs 50,000	697,106	372,201	368,498
Computer and allied:			
By Negotiation to outsider			
Cyber Technologies	292,500	246,229	225,000
Friends Corporation Stevedores	52,800	51,920	29,397
Sardar Babar	78,800	60,370	60,370
Adnan Jalees	84,309	66,781	46,000
Transfer to Related Party			
Arif Habib Bank	76,500	54,747	45,000
Office equipment:			
By Negotiation to outsider			
Adnan Nasir	640,000	524,400	310,700
Allied Engineering and Services Limited	1,552,000	1,148,788	685,000
Mansha Brothers	160,000	58,324	30,000
Space Transmission	54,296	53,844	53,844
Friends Corporation Stevedores	61,900	58,289	24,760
Aggregate of other items of property and equipment with individual book values not exceeding Rs.50 thousand	5,423,184	2,383,232	1,352,174
	29,361,196	18,043,925	16,702,794

14.2 CAPITAL WORK IN PROGRESS

This includes expenditure capitalised on account of civil works, advance for office premises, residential apartments and to contractors and suppliers.

15. INTANGIBLE ASSETS

(Rupees)

	Software and other intangibles
COST	
Balance as at July 01, 2007	135,029,756
Additions during the year	94,458,063
Disposal	(124,432,636)
Transfers / adjustments	-
Balance as at 30 June 2008	105,055,183
Balance as at 01 July 2008	105,055,183
Additions during the year	56,858,478
Disposal	(34,841,475)
Transfers / adjustments	-
Balance as at 30 June 2009	127,072,186
AMORTIZATION	
Balance as at 01 July 2007	7,505,611
Amortization for the year	13,997,066
Amortization on disposal	-
Transfers / adjustments	-
Balance as at 30 June 2008	21,502,677
Balance as at 01 July 2008	21,502,677
Amortization for the year	1,717,075
Amortization on disposal	7,743
Transfers / adjustments	-
Balance as at 30 June 2009	23,227,495
Written down value as at 30 June 2008	83,552,506
Written down value as at 30 June 2009	103,844,691
Transferred to assets classified as held for sale	(68,090,100)
Net written down value as at 30 June 2009	35,754,591

(Rupees)

16. MEMBERSHIP CARDS AND LICENSES

Membership cards

	2009	2008
- Karachi Stock Exchange (Guarantee) Limited	15,000,000	15,000,000
- Islamabad Stock Exchange (Guarantee) Limited	4,000,000	4,000,000
- Lahore Stock Exchange (Guarantee) Limited	7,000,000	7,000,000
- National Commodities Exchange of Pakistan Limited	1,000,000	1,000,000
- Dubai Multi Commodities Centre	-	6,821,496
	27,000,000	33,821,496

Rooms

- Karachi Stock Exchange (Guarantee) Limited - five rooms	-	10,500,000
- Lahore Stock Exchange (Guarantee) Limited - three rooms	17,550,000	17,550,000
	17,550,000	28,050,000

Booths

- Karachi Stock Exchange (Guarantee) Limited - three booths	2,100,000	2,100,000
	46,650,000	63,971,496

(Rupees)

	Note	2009	2008
17. LONG TERM INVESTMENTS			
Investment in associates	17.1	7,300,833,430	4,785,316,519
Investments in other related parties - available for sale	17.2	327,924,576	481,358,064
Other investments	17.3	30,000,000	327,050,080
		<u>7,658,758,006</u>	<u>5,593,724,663</u>
17.1 Investment in equity accounted associates			
Pakarab Fertilizers Limited (PFL)	17.1.1	4,901,246,529	2,907,933,558
Fatima Fertilizer Company Limited (FFCL)	17.1.2	1,340,460,365	1,384,110,594
Sweetwater Dairies Pakistan (Private) Limited (SDPL)	17.1.3	118,764,731	20,744,750
Aisha Steel Mills Limited (ASML)	17.1.4	441,040,552	424,134,515
Rozgar Microfinance Bank Limited (RMFBL)	17.1.5	7,476,721	12,258,528
Al-Abbas Cement Industries Limited (AACIL)	17.1.6	439,922,527	-
Thatta Cement Company Limited (THCCL)	17.1.7	73,874,147	36,134,574
		7,322,785,572	4,785,316,519
Less: Provision for impairment in AACIL		(21,952,142)	-
		<u>7,300,833,430</u>	<u>4,785,316,519</u>
17.2 Investments in other related parties - available for sale			
Pakistan Premier Fund Limited		69,619,923	227,028,871
Pakistan Pension Fund		86,937,000	88,836,000
Pakistan Islamic Pension Fund		88,263,000	90,453,000
Pakistan Capital Protected Fund - I		23,729,757	25,040,000
Pakistan Cash Management Fund		-	50,000,193
Pakistan Capital Market Fund		10,919,286	-
Pakistan Strategic Allocation Fund		48,455,610	-
		<u>327,924,576</u>	<u>481,358,064</u>
17.3 Other investments:			
Takaful Pakistan Limited (TPL) - at cost	17.3.1	30,000,000	30,000,000
Sun Biz (Private) Limited (SBL) - at cost	17.3.2	1,000,000	1,000,000
Dewan Cement Limited: TFC - at fair value		-	75,000,000
Atlas Islamic Fund - at fair value		-	1,018,080
Al-Abbas Cement Industries Limited (AACIL)		-	220,032,000
		31,000,000	327,050,080
Provision for impairment in SBL		(1,000,000)	-
		<u>30,000,000</u>	<u>327,050,080</u>
		<u>7,658,758,006</u>	<u>5,593,724,663</u>

- 17.1.1 Investment in PFL (unquoted) represents 135 million (2008: 90 million) fully paid ordinary shares of Rs.10 each, representing 30% (2008: 30%) of PFL's paid up share capital as at 30 June 2009, having cost of Rs.1,324.332 million (2008: Rs.1,324.332 million). Fair value per share as at 30 June 2009 is Rs.82.35 (2008: Rs.100). Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.29.94 per share (2008: Rs.32.310 per share). During the year, Company received 45 million (2008: 67.708 million) fully paid ordinary shares as bonus.
- 17.1.2 Parent Company holds 24.53% shares in FFCL (unquoted), which includes direct holding of 112.5 million (2008:112.5 million) fully paid ordinary shares of Rs.10 each, representing 12.59% (2008: 12.59%) of FFCL's paid up share capital as at 30 June 2009, having cost of Rs.Nil, being specie distribution from its parent company PFL. Fair value per share as at 30 June 2009 is Rs.11.10 (2008: Rs.10). Book value based on net assets as per unaudited financial statements as at 30 June 2009 is Rs.22.197 per share (2008: Rs.12.304 per share).
- 17.1.3 Parent Company holds 24.90% shares in SDPL (unquoted), which includes direct holding of 11.155 million (2008: 2.074 million) fully paid ordinary shares of Rs.10 each, representing 24.90% (2008: 16.49%) of SDPL's paid up share capital as at 30 June 2009, having an aggregate cost of Rs. 198.339 million (2008: Rs.20.740 million). Fair value per share as at 30 June 2009 is Rs.30.79 (2008: Rs.10). Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.9.74 per share (2008: Rs.100 per share). During the year, Parent Company subscribed 9.082 million (2008: Nil) right shares at the rate Rs.19.56 per share (2008: Rs. Nil). During 2008, SDPL has successfully completed its proof of concept phase and shall start milk production on commercial scale within next twelve months.
- 17.1.4 Investment in ASML (unquoted) represents 49.725 million (2008: 44.8 million) fully paid ordinary shares of Rs.10 each, representing 25% (2008: 25%) of ASML's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.8.84 per share (2008: Rs.9.467 per share). During the year, Parent Company subscribed 4.925 million (2008: Nil) right shares at the face value. The plant erection is expected to complete by the end of year 2010.
- 17.1.5 Investment in RMFBL (unquoted) represents 1.901 million (2008: 1.901 million) fully paid ordinary shares of Rs.10 each, representing 19.01% (2008:19.01%) of RMFBL's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.3.86 per share (2008: Rs.6.448 per share).
- 17.1.6 Parent Company holds 30.94% shares in AACIL (quoted), which includes direct holding of 46.304 million (2008: 19.2 million) fully paid ordinary shares of Rs.10 each, representing 25.32% (2008: 10%) of AACIL share capital as at 30 June 2009, having cost of Rs. 461.115 million (2008: Rs.272 million). During the year, Parent Company purchased 27.104 million (2008: Nil) ordinary shares, accordingly AACIL was classified as an associate (2008: Nil) per share. Market value per share as at 30 June 2009 is Rs.7 (2008: Rs.11.46), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.8.53 per share (2008: Rs.8.35 per share).
- 17.1.7 Parent Company holds 25.42% shares in THCL (quoted), which includes direct holding of 7.744 million (2008: 5.00 million) fully paid ordinary shares of Rs.10 each, representing 9.71% (2008: 6.27%) of THCL share capital as at 30 June 2009, having cost of Rs. 172.805 million (2008: Rs.113.013 million). Market value per share as at 30 June 2009 is Rs.19.87 (2008: Rs.23.30), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.9.37 per share (2008: Rs.7.22 per share).

17.1.8 Summarized financial information of the associates of the Group is as follows. Information has been taken as per unaudited financial statements of these investee companies:

(Rupees)

Financial information as of	Revenue	Total Assets	Total Liabilities	Net Assets	
Quoted					
Thatta cement Company Limited	30 June 2009	1,795,109,000	1,417,857,000	646,870,000	770,987,000
Al-Abbas Cement Industries Limited	30 June 2009	2,982,685,000	5,788,582,000	4,228,015,000	1,560,627,000
Unquoted					
Pakarab Fertilizers Limited	30 June 2009	4,908,195,042	46,670,811,110	33,198,111,263	13,472,669,847
Fatima Fertilizers Company Limited	30 June 2009	-	47,812,519,829	27,969,677,004	19,832,842,825
Aisha Steel Mills Limited	30 June 2009	-	4,112,770,601	2,354,290,773	1,758,479,828
Sweetwater Dairies Pakistan Limited	30 June 2009	9,369,481	475,401,867	39,053,933	436,347,934
Rozgar Microfinance Bank Limited	30 June 2009	12,139,274	74,289,936	35,247,106	39,042,830

17.3.1 Investment in TPL (unquoted) represents 3 million (2008: 3 million) fully paid ordinary shares of Rs.10 each, representing 10% (2008: 10%) of TPL's paid up share capital as at 30 June 2009. Book value based on net assets, as per unaudited financial statements, as at 30 June 2009 is Rs.7.02 per share (2008: Rs.7.826 per share). During the year, Company subscribed Nil (2008: 1 million) right shares of Rs.Nil (2008: Rs.10 million).

17.3.2 Investment in SBL (unquoted) represents 0.010 million (2008: 0.010 million) fully paid ordinary shares of Rs.100 each, representing 4.65% (2008: 4.65%) of SBL's paid up share capital as at 30 June 2009.

17.4 The investments in unquoted equity instruments that do not have a market/quoted price in an active market and whose fair value cannot be measured reliably, due to non availability of market specific inputs and other related factors are measured at cost. However, the carrying amount of these investments approximate to their fair value. These are Company's strategic investments and Company does not intend to dispose them off in near future.

(Rupees)

Note	2009	2008
18. INVESTMENT PROPERTY		
Balance as at 01 July 2008	-	-
Acquisition during the year	52,000,000	-
Transferred during the year	8,400,000	-
Expenditure incurred on acquisition and transfer of investment property	395,000	-
Balance as at 30 June 2009	<u>60,795,000</u>	<u>-</u>

18.1 This represents four offices amounting to Rs.8.4 million at Karachi Stock Exchange (Guarantee) Limited transferred to investment property from property and equipment.

(Rupees)

	Note	2009	2008
19. LONG TERM LOANS AND ADVANCES - considered good			
Receivable from funds managed by AHIL	19.1	42,472,078	17,196,549
Loans to employees	19.2	6,724,724	7,173,202
		49,196,802	24,369,751
Less: current maturity of long term loan		(7,490,088)	(7,241,122)
		<u>41,706,714</u>	<u>17,128,629</u>

19.1 This represents expenses incurred in connection with the incorporation, registration, establishment and offer for sale and distribution of the securities of the Funds borne by AHIL and reimbursable by Funds in equal amounts payable annually over a period of five years.

19.2 These are interest free advances to employees for the down payment of the car purchased on lease in accordance with their employment contracts.

(Rupees)

	Note	2009	2008
20. LONG TERM DEPOSITS AND PREPAYMENTS			
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 Commodities Exchange (Guarantee) Limited		9,513,204	9,509,887
National Clearing Company of Pakistan Limited		700,000	700,000
Central Depository Company of Pakistan Limited		137,500	141,590
Dubai Gold and Commodity Exchange - clearing house DMCC		12,201,354	10,235,029
Cellular phone companies		38,000	78,500
Others		4,053,314	2,039,661
		<u>30,233,372</u>	<u>26,294,667</u>
21. DEFERRED COSTS			
Balance as at 01 July 2008		25,899,000	42,762,691
Incurred during the year		-	-
Amortised during the year		(25,899,000)	(16,863,691)
Balance as at 30 June 2009		<u>-</u>	<u>25,899,000</u>
22. TRADE DEBTS			
Considered good			
- Secured		623,717,634	429,274,281
- Unsecured		922,485,950	486,551,094
Due from mutual funds managed by AHIL-unsecured, considered good		-	50,521,692
Considered doubtful		-	12,954,524
		<u>1,546,203,584</u>	<u>979,301,591</u>
Provision for doubtful debts			
- Balance as at 01 July 2008		(23,455,523)	(12,954,523)
- Written off during the year		23,440,523	(10,525,000)
- Reversal during the year		15,000	24,000
- Balance as at 30 June 2009		<u>-</u>	<u>(23,455,523)</u>
		<u>1,546,203,584</u>	<u>955,846,068</u>

		(Rupees)	
	Note	2009	2008
23. LOANS AND ADVANCES - considered good			
Loans advanced by AHBL		-	16,434,716,000
Advances to suppliers and contractors	23.1	105,435,813	248,827,390
Loans and advances to related parties	23.2	20,682,479	34,346,034
Lendings to financial institutions		1,133,280	814,125,000
Others		-	5,615,688
		<u>127,251,572</u>	<u>17,537,630,112</u>
23.1 Advances to suppliers and contractors			
Considered good		105,435,813	113,551,390
Considered doubtful		-	140,167,000
		<u>105,435,813</u>	<u>253,718,390</u>
Provision for doubtful debts		-	(4,891,000)
		<u>105,435,813</u>	<u>248,827,390</u>
23.2 Loans and advances to related parties			
Executives - unsecured, considered good		707,111	5,430,515
Other employees - unsecured, considered good		4,975,368	6,674,397
		<u>5,682,479</u>	<u>12,104,912</u>
Current portion of long term loans and advances		-	7,241,122
		<u>5,682,479</u>	<u>19,346,034</u>
Memon health and education foundation	23.2.1	15,000,000	15,000,000
		<u>20,682,479</u>	<u>34,346,034</u>

23.2.1 This represents amount paid as qarz-e-hasna to Memon Health and Education Foundation, a Charitable Society being registered under Societies Act, 1860. The CEO of the Parent Company is one of the honorary governors out of twenty five governors of the Society.

		(Rupees)	
	Note	2009	2008
24. DEPOSITS AND PREPAYMENTS			
Deposits - future clearing		750,000	133,305,571
Prepayments		6,793,254	48,782,923
Others		52,772,991	4,545,397
		<u>60,316,245</u>	<u>186,633,891</u>
25. OTHER RECEIVABLES - considered good			
Accrued income		305,803	22,024,691
Profit accrued on bank deposit accounts		134,335	4,436,030
Receivable from Rotocast Engineering Company (Private) Limited by AHIL	25.1	76,852,357	-
Other		99,569,596	6,917,797
		<u>176,862,091</u>	<u>33,378,518</u>

- 25.1 This represents pre-IPO investment in Term Finance Certificates (TFCs) by AHIL of Dewan Cement Limited (DCL) made on 17 January 2008. As per the agreement, DCL was required to pay mark-up at the rate of KIBOR+2% on this investment for the period till these TFCs are issued. The agreement also contained a clause that if these TFCs are not issued within 270 days from the date of the agreement, the agreement will stand cancelled and the amount of Rs.75 million will be refundable to the AHIL immediately. These TFCs were not issued during stipulated time and the agreement expired on 08 October 2008. Consequently, AHIL had initiated a legal action to recover the investment of Rs.75 million and mark-up receivable of Rs.10.1 million (upto 31 December 2008) from DCL and the amount was reflected in "Other receivables" as on 31 December 2008. Subsequently, AHIL has entered into an agreement with Rotocast Engineering Company (Private) Limited (RECPL), a related party, for transferring its right to receive the amount of investment in pre-IPO and the mark-up thereon (for upto 31 December 2008). This amount will be paid to AHIL by February 2010. Consequently, the company has withdrawn the recovery suit against DCL and the amount is included in "Receivable from related parties" as on 30 June 2009 at amortized cost of Rs. 76.9 million and resultant discount of Rs. 8.2 million has been charged to profit and loss account. The auditors of AHIL have drawn attention to this matter without qualifying their audit report for the year ended 30 June 2009.

(Rupees)

	Note	2009	2008
26. SHORT TERM INVESTMENTS			
Investments in related parties	26.1	512,169,536	257,064,999
Other investments	26.2	3,185,295,550	10,497,658,253
		<u>3,697,465,086</u>	<u>10,754,723,252</u>
26.1 Investments in related parties			
Available for sale			
Investments in collective investment schemes managed by AHIL		<u>512,169,536</u>	<u>257,064,999</u>
26.2 Other investments			
<i>Investments available for sale</i>			
Investments in quoted equity securities		598,231,718	370,344,000
Investments in collective investment scheme		4,720,000	44,465,000
Investments in market treasury bills		33,485,057	2,267,399,000
Investments in Pakistan investment bonds		-	349,540,000
Investments in sukuk bonds		-	400,000,000
Investments in term finance certificates and certificates of investment		-	1,062,876,000
Investments in unquoted equity securities		4,482,000	3,950,800
		<u>640,918,775</u>	<u>4,498,574,800</u>
<i>At fair value through profit or loss - held for trading</i>			
Investments in quoted equity securities	26.3	2,303,099,026	5,178,996,620
Investments in collective investment scheme		241,277,749	716,390,069
Investments in quoted term finance certificates		-	48,065,118
Investments in Srilankan quoted equity securities by SKM		-	55,631,646
		<u>2,544,376,775</u>	<u>5,999,083,453</u>
		<u>3,185,295,550</u>	<u>10,497,658,253</u>

		(Rupees)	
	Note	2009	2008
26.3 Reconciliation of gain/(loss) on remeasurement of investments at fair value through profit or loss - held for trading			
Cost of investment		4,966,900,570	5,829,238,408
Unrealised gain / (loss):			
Balance as at 1 July		169,845,045	999,917,372
Unrealised loss for the year		(2,592,368,840)	(830,072,327)
Balance as at 30 June		(2,422,523,795)	169,845,045
		<u>2,544,376,775</u>	<u>5,999,083,453</u>
27. CASH AND BANK BALANCES			
With banks in:			
Current accounts			
- In local currency		40,254,725	519,763,957
- In foreign currency		3,753,243	20,465,462
		44,007,968	540,229,419
Deposit accounts	27.1	22,296,182	547,943,810
Cash and balances with treasury banks		-	1,923,091,000
		66,304,150	3,011,264,229
Cash in hand		333,893	144,181
		<u>66,638,043</u>	<u>3,011,408,410</u>

27.1 Balance in deposit accounts carries mark-up ranging from 5% to 12% per annum (2008: 0.5% to 10.5% per annum).

		(Rupees)	
	Note	2009	2008
28. OPERATING REVENUE	28.1		
Dividend income		296,543,914	771,352,895
Brokerage income		165,301,050	687,887,600
Return on term finance certificates		10,454,991	8,998,919
Consultancy / advisory fees and commission		15,080,858	45,213,581
Income from continuous funding system transactions		1,784,827	294,984,718
Management fees		249,296,321	446,124,865
Processing and other related income		7,970,192	32,600,547
		<u>746,432,153</u>	<u>2,287,163,125</u>

28.1 Operating revenue is not subject to trade or any other type of discount.

		(Rupees)	
	Note	2009	2008
29. OPERATING, ADMINISTRATIVE AND OTHER EXPENSES			
Salaries and benefits	29.1	194,864,311	178,433,037
Printing and stationery		6,369,070	10,351,396
Communication		9,082,201	9,214,604
Rent, rates and taxes		17,728,899	29,385,596
Utilities		8,123,098	815,454
Legal and professional charges		13,906,245	6,605,354
C.D.C and clearing house charges		25,317,583	68,018,503
Entertainment		1,559,390	3,423,132
Travel and conveyance		10,465,877	7,321,256
Depreciation		23,173,992	17,508,822
Repair and maintenance		5,328,674	8,591,484
Share transfer expenses		2,975,348	40,000
Insurance		2,218,136	1,182,409
Fees and subscription		9,311,186	18,833,263
Advertisement, business promotion & research		25,798,416	91,836,927
Meeting expenses		1,627,526	2,251,742
Donation	29.2	4,837,120	19,402,280
E.O.B.I. contribution		176,760	181,202
Auditors' remuneration	29.3	2,301,878	1,584,777
Technical assistance/Commission and advisory fee		16,620,210	47,498,530
Registrar fee		3,946,332	4,768,542
General expenses		5,984,862	20,674,110
Bad debts expenses		288,974,828	15,416,000
Impairment loss on investment		302,258,031	-
Loss on sale of property and equipment		1,639,328	33,765
Amortization charges		303,198	10,871,757
Management Fee		27,784,378	-
Others		8,452,514	1,254,323
		<u>1,021,129,391</u>	<u>575,498,265</u>

29.1 This includes Group Companies' contribution to defined contribution plan amounting to Rs.9.550 million (2008: Rs.13.93 million).

29.2 Directors or their spouses had no interest in donees' fund, except Mr.Arif Habib (CEO and Director of the Company). He is trustee in one of the donee institution, Fatmid Foundation situated at 393, Britto Road, Garden East, Karachi.

		(Rupees)	
	Note	2009	2008
29.3 Auditors' remuneration			
Audit fee		1,450,000	931,875
Certification including half yearly review reporting		547,000	381,275
Other certifications		220,000	80,000
Out of pocket		84,878	191,627
		<u>2,301,878</u>	<u>1,584,777</u>

		(Rupees)		
		Note	2009	2008
30.	OTHER INCOME			
	Income from financial assets:			
	Profit on bank deposit accounts		112,326,672	35,336,382
	Profit on exposure deposit with KSE		-	6,747,984
	Profit on musharika financing		1,172,466	-
	Late payment charges		157,366,331	-
	Income from non-financial assets:			
	Rental income		14,266,454	7,759,677
	Exchange gain on foreign currency balance		584,114	-
	Amortisation of negative goodwill		-	4,784,839
	Other		9,164,236	574,047
			<u>294,880,273</u>	<u>55,202,929</u>
31.	FINANCE COST			
	Mark-up on long term financing		33,623,138	76,678,182
	Mark-up on short term borrowings		643,276,823	135,706,236
	Mark up on finance lease		69,203	182,019
	Markup on employees' provident fund		-	103,562
	Mark up expense on financial assets measured at amortized cost		9,868,385	-
	Discounting charges on advance to employees		68,113,540	-
	Bank charges		6,425,010	1,665,283
			<u>761,376,099</u>	<u>214,335,282</u>
32.	TAXATION			
	For the year			
	- Current		12,445,732	134,431,721
	- Deferred		(1,758,699)	299,087,660
	Prior year		(9,870,486)	2,848,271
			<u>816,547</u>	<u>436,367,652</u>

33. EARNINGS PER SHARE - BASIC AND DILUTED**33.1 Basic (loss) / earnings per share**

		2009		
		Continuing operations	Discontinued operations	Total
(Loss) after tax	(Rupees)	<u>(2,060,811,572)</u>	<u>(1,089,340,763)</u>	<u>(3,150,152,335)</u>
Weighted average number of ordinary shares	Number	<u>375,000,000</u>	<u>375,000,000</u>	<u>375,000,000</u>
(Loss) per share	(Rupees)	<u>(5.50)</u>	<u>(2.90)</u>	<u>(8.40)</u>

		2008		
		Continuing operations	Discontinued operations	Total
Profit after tax	(Rupees)	6,413,969,249	254,095,974	6,668,065,223
Weighted average number of ordinary shares	Number	375,000,000	375,000,000	375,000,000
Earnings per share	(Rupees)	17.10	0.68	17.78

33.2 Diluted earnings per share

Diluted earnings per share has not been presented as the group companies do not have any convertible instruments in issue as at 30 June 2009 and 30 June 2008 which would have any effect on the earnings per share if the option to convert is exercised.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

34.1 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds five hundred thousand rupees in a financial year.

34.2 The aggregate amounts charged in these financial statements in respect of remuneration including benefits to the Chief Executive, Directors and Executives of the Group Companies are given below.

	Chief Executive		Directors		Other Executives	
	2009	2008	2009	2008	2009	2008
Managerial remuneration	16,030,780	30,485,153	1,702,118	1,033,919	71,007,573	144,999,015
Contribution to provident fund	1,548,598	1,753,982	92,784	101,489	5,818,086	11,113,378
Bonus	-	520,000	-	318,919	150,000	1,420,236
Other allowance	2,501,925	2,803,947	664,587	842,292	20,607,409	67,820,484
Commission and performance bonus	5,897,237	12,681,900	4,187,990	-	145,256	-
Total	(Rupees) 25,978,540	48,244,982	6,647,479	2,296,619	97,728,324	225,353,113
Number of person(s)	4	7	10	4	38	159

34.3 The aggregate amount charged to these financial statements in respect of directors' fee is Rs.1.395 million (2008: Rs.2.19 million).

34.4 Besides the above group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel.

34.5 Certain key management personnel have also been provided with free use of Company maintained vehicles in accordance with the Group's policy.

(Rupees)

	Note	2009	2008
35. CASH GENERATED FROM OPERATIONS			
(Loss) / profit before tax		(3,913,880,841)	5,498,513,788
Adjustments for:			
Depreciation		23,173,992	17,508,822
Dividend income		(296,543,914)	(771,352,895)
Mark-up on bank balances, loans and advances and term finance certificates		(123,954,129)	(51,083,285)
Exchange gain on foreign currency bank balances		(584,114)	-
Impairment loss on investments		302,258,031	-
Reversal of doubtful debts		(15,000)	(24,000)
Bad debt expense		288,974,828	15,416,000
Specie dividend		-	(696,527,249)
Gain on sale of shares of AHIL		(133,203,947)	-
Loss on sale of property and equipment		1,639,328	33,765
Amortization charges		303,198	10,871,757
Finance cost		761,376,099	214,335,282
		<u>823,424,372</u>	<u>(1,260,821,803)</u>
Operating (loss) / profit before working capital changes		<u>(3,090,456,469)</u>	<u>4,237,691,985</u>
Changes in working capital			
(Increase) / decrease in current assets			
Trade debts		(1,404,482,516)	45,676,108
Loans and advances		161,538,540	(256,383,392)
Prepayments		126,317,646	(92,826,977)
Other receivables		(143,483,573)	206,753,866
Short term investments		2,633,172,166	(966,662,903)
Other assets		(357,082,445)	-
Increase / (decrease) in current liabilities			
Trade and other payables		(165,052,702)	(3,775,295,764)
		<u>850,927,116</u>	<u>(4,838,739,062)</u>
Cash (used in) operations		<u>(2,239,529,353)</u>	<u>(601,047,077)</u>
35.1 CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	66,638,043	974,980,410
Receivable against securities - considered good		-	13,858,587
Short term borrowings	11	(3,908,551,248)	(1,760,255,693)
		<u>(3,841,913,205)</u>	<u>(771,416,696)</u>

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group companies' activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Group companies' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Overall, risks arising from the Group companies' financial assets and liabilities are limited. The Group companies consistently manage its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Group Companies' risk management framework. All treasury related transactions are carried out within the parameters of these policies.

36.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest/mark up rate risk and price risk. The market risks associated with the Group companies' business activities are discussed as under:

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Group companies' foreign exchange risk exposure is restricted to equity investments in foreign entities, bank balances in foreign currency, and further arise from transactions carried out by foreign incorporated subsidiaries. The Group companies deal mostly in UAE Dirham and US Dollars. The management of the Group believes that the Group companies' exposure emanating from any fluctuations in the foreign currencies does not require to be hedged.

Financial assets and liabilities exposed to foreign exchange rate risk amounts to Rs.115.358 million (2008: Rs.187.153 million) and Rs.121.599 million (2008: Rs.151.712 million) respectively, at the year end.

Sensitivity analysis

For the purpose of foreign exchange risk sensitivity analysis, it is observed that in the financial year the local currency has weakened against US Dollars and UAE Dirham by approximately 16.10% and 16.04% respectively. Subsequent to the balance sheet date and till the authorization of these financial statements a further decline of 1.62% and 1.55% respectively, have been observed. Further, there are no commitments or outstanding derivative contracts in foreign currency at the balance sheet date.

The following table summarizes the financial assets as of 30 June 2009 and 2008 that are subject to foreign currency risk and shows the estimated changes in the value of financial instruments (and the resulting change in profit and loss account and equity) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant. Rupees are in millions.

	Fair value net assets	Estimated fair value assuming a hypothetical percentage increase (decrease) in the value of foreign currencies versus the Pak rupee					
		-20%	-10%	-1%	1%	10%	20%
30 June 2009	(6.312)	(5.05)	(5.68)	(6.25)	(6.38)	(6.94)	(7.57)
30 June 2008	35.988	28.79	32.39	35.63	36.35	39.59	43.19

b) Interest/mark up rate risk

Financial assets and liabilities include balances of Rs.64.768 million (2008: Rs.16,999.856 million) and Rs.4,664.409 million (2008: Rs.4,876.589 million) respectively, which are subject to interest rate risk. Applicable interest/mark-up rates for financial assets and liabilities have been indicated in respective notes.

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

At the balance sheet date, the interest rate profile of the Group companies' significant interest bearing financial instruments was as follows:

			(Rupees)	
	2009	2008	2009	2008
	Effective interest rate (in %)		Carrying amounts	
Financial assets				
Loans and advances	18%	12.5%	<u>42,472,078</u>	<u>16,451,912,549</u>
Cash and bank balances	5% to 12%	0.5% to 10.5%	<u>22,296,182</u>	<u>547,943,810</u>
Financial liabilities				
Short term borrowings	13.5% to 18%	11.25% to 14%	<u>3,908,551,248</u>	<u>4,663,588,693</u>
Long term loan	13.5% to 18%	11.25% to 14%	<u>735,857,990</u>	<u>213,000,000</u>

Sensitivity analysis

The Group companies do not account for any fixed rate financial asset and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest/mark-up rate in terms of KIBOR has substantially been increased during the year by approximately 2%. Subsequent to the balance sheet date and till the date of authorization of these financial statements a decrease of 1% has been observed.

The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	(Rupees)	
	Profit and loss 100 bp increase	100 bp decrease
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	<u>(45,911,592)</u>	<u>45,911,592</u>
As at 30 June 2008		
Cash flow sensitivity-Variable rate financial liabilities	<u>(48,520,887)</u>	<u>48,520,887</u>

c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Group companies are exposed to equity price risk mainly on its investments in quoted equity securities amounting to Rs. 2,901.331 million (2008: Rs. 5,549.341 million) at the balance sheet date.

The Group companies' strategy is to hold its strategic equity investments for long period of time. Thus, Group companies' management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Group companies strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Group companies manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date except for, unquoted associates which are carried at fair value determined through valuation techniques. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has declined by 42% during the financial year. Subsequent to the balance sheet date and till the date of authorization of these financial statements an appreciation of 13.20% in the KSE 100 Index has been observed.

The table below summarizes Group companies' equity price risk as of 30 June 2009 and 2008 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Group companies' equity investment portfolio. Rupees are in millions.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in Shareholders' Equity	Hypothetical increase (decrease) in profit/ (loss) after tax
30 June 2009	2,901.33	30% increase	3,771.71	565.76	565.76
		30% decrease	2,030.92	(565.76)	(565.76)
30 June 2008	5,549.34	30% increase	7,214.14	1,082.00	1,082.00
		30% decrease	3,884.54	(1,082.00)	(1,082.00)

d) Other market risk

Management believes that unless more sophisticated and comprehensive disclosure of sensitivity analysis is given for each type of market risk to which the Group companies are exposed at the balance sheet date, the above mentioned sensitivity analysis in absence of availability of a large economic data with high accuracy and the present effects of unprecedented country's political situation on economics, might remain unrepresentative to the financial statements readers for the risk inherent in the financial instruments.

37 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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 Group companies 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 financial assets and liabilities on the balance sheet approximate to their fair value.

38. CAPITAL MANAGEMENT

The Group companies' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Group companies' ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group companies define as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes in Group companies' approach to capital management during the year.

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. 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. Remuneration of chief executive, directors and executives is disclosed in note 34 to the financial statements.

Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

(Rupees)

	2009	2008
Transactions with associates		
- Initial/fresh equity investments	189,115,129	468,740,570
- Payment for capital work in progress	128,382,752	106,000,000
- Loan advanced and repaid	400,000,000	-
- Services availed	13,719,621	-
- Key management personnel	7,962,851	36,999,581
- Technical assistance fee	350,552	16,527,728
Transaction with other related parties		
- Payment to employees' provident fund	9,958,009	13,933,000
- Purchase of shares from related party	-	773,998,820
- Sale of shares from related party	1,800,413	762,874,970
- Memon Health & Education Foundation	-	15,000,000
- Fatmid Foundation	-	40,000
- Sale of property and equipment to employees	4,707,942	398,748
- Payment of rent	1,741,520	-
- Brokerage charged to others	13,554,877	-
- Building expenses shared with Arif Habib REIT Management Ltd	209,703	-
- Mark up on employee loan	726,399	-
- Transfer of right to receive the amount of investment and mark up there on to RECPL	85,017,070	-
- Dividend to CEO and Mr. Arif Habib	11,188,206	25,349,910

40. SEGMENT INFORMATION

For management purposes the Group is organized into following major business segments:

Capital market operations Principally engaged in trading of equity securities and maintaining strategic and trading portfolios.

Banking Principally engaged in providing investment and commercial banking services.

Investment advisory / assets manager Principally providing investment advisory and asset management services to different mutual funds and unit trusts.

Brokerage and others Other operations of the Group Comprise of Brokerage, underwriting, corporate consultancy, research and corporate finance services.

	2009						
	Capital Market Operations	Banking (discontinued)	Investment advisory / assets manager	Brokerage and others	Consolidated	Less banking (discontinued)	Continuing operations
Revenues							
Operating revenue	233,286,220	3,319,853,000	311,066,975	202,078,958	4,066,285,153	3,319,853,000	746,432,153
(Loss) / gain on sale of securities-net	(795,809,727)	29,468,000	(31,523,690)	247,014,480	(550,850,937)	29,468,000	(580,318,937)
(Loss) / gain on remeasurement of investments-net	(2,725,050,299)	(45,940,000)	-	132,681,459	(2,638,308,840)	(45,940,000)	(2,592,368,840)
	(3,287,573,806)	3,303,381,000	279,543,285	581,774,897	877,125,376	3,303,381,000	(2,426,255,624)
Operating, administrative and other expenses	(74,120,117)	(2,271,334,000)	(565,203,465)	(381,805,809)	(3,292,463,391)	(2,271,334,000)	(1,021,129,391)
Operating (loss) / profit	(3,361,693,923)	1,032,047,000	(285,660,180)	199,969,088	(2,415,338,015)	1,032,047,000	(3,447,385,015)
Other income	82,520,028	5,289,000	11,370,021	200,990,224	300,169,273	5,289,000	294,880,273
	(3,279,173,895)	1,037,336,000	(274,290,159)	400,959,312	(2,115,168,742)	1,037,336,000	(3,152,504,742)
Finance cost	(456,114,717)	(2,363,690,000)	(70,163,603)	(235,097,779)	(3,125,066,099)	(2,363,690,000)	(761,376,099)
	(3,735,288,612)	(1,326,354,000)	(344,453,762)	165,861,533	(5,240,234,841)	(1,326,354,000)	(3,913,880,841)
Share of profit from associates	1,849,504,639	-	-	-	1,849,504,639	-	1,849,504,639
Segment results	(1,885,783,973)	(1,326,354,000)	(344,453,762)	165,861,533	(3,390,730,202)	(1,326,354,000)	(2,064,376,202)
Unallocated expenditures	-	-	-	-	-	-	-
(Loss) / profit before tax	(1,885,783,973)	(1,326,354,000)	(344,453,762)	165,861,533	(3,390,730,202)	(1,326,354,000)	(2,064,376,202)
Taxation	(7,837,239)	354,085,000	21,341,422	(14,320,730)	353,268,453	354,085,000	(816,547)
(Loss) / profit after tax	(1,893,621,212)	(972,269,000)	(323,112,340)	151,540,803	(3,037,461,749)	(972,269,000)	(2,065,192,749)
Loss on remeasurement of disposal group classified as held for sale	-	(511,745,202)	-	-	(511,745,202)	(511,745,202)	-
Total	Rupees (1,893,621,212)	(1,484,014,202)	(323,112,340)	151,540,803	(3,549,206,951)	(1,484,014,202)	(2,065,192,749)
Attributable to:							
Equity holders of Arif Habib Securities Limited	(1,893,621,212)	(1,089,340,763)	(203,990,188)	36,799,828	(3,150,152,335)	(1,089,340,763)	(2,060,811,572)
Minority Interest	-	(394,673,439)	(119,122,152)	114,740,975	(399,054,617)	(394,673,439)	(4,381,177)
	Rupees (1,893,621,212)	(1,484,014,202)	(323,112,340)	151,540,803	(3,549,206,951)	(1,484,014,202)	(2,065,192,749)

	2009				
	Capital Market Operations	Banking (discontinued)	Investment advisory / assets manager	Brokerage and others	Consolidated
Other information					
Segment assets	4,646,144,988	31,807,092,798	772,597,643	3,752,236,244	40,978,071,673
Investment in equity method associates	7,300,833,430	-	-	-	7,300,833,430
Unallocated corporate assets	-	-	-	-	-
Consolidated total assets	Rupees 11,946,978,418	31,807,092,798	772,597,643	3,752,236,244	48,278,905,103
Segment Liabilities	2,847,012,916	26,956,786,000	432,419,724	2,263,305,056	32,499,523,696
Unallocated corporate liabilities	-	-	-	-	-
Consolidated total liabilities	Rupees 2,847,012,916	26,956,786,000	432,419,724	2,263,305,056	32,499,523,696
Capital expenditure	Rupees 45,600,901	181,111,000	10,876,376	155,728,223	393,316,500
Depreciation	Rupees 1,742,851	37,650,000	9,620,110	9,329,827	58,342,788
Non-cash expenses other than depreciation	Rupees -	-	-	-	-

40.1 Geographical Segment Analysis

	(Loss)/profit before tax	Total assets employed	Net assets	Contingencies & Commitments
Pakistan	(3,897,282,819)	48,067,371,182	15,701,308,810	1,550,000
Colombo, Srilanka	(158,401)	78,947,613	53,494,841	-
Dubai, UAE	(5,034,184)	132,586,308	24,577,756	-
Rupees	<u>(3,902,475,404)</u>	<u>48,278,905,103</u>	<u>15,779,381,407</u>	<u>1,550,000</u>

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 24 August 2009 by the Board of Directors of the Company.

41.1. Event after the balance sheet date

The Board of Directors of the Parent Company in their adjourned meeting held on 5 August 2009 approved the sale of entire shareholding (249,995 shares) of Real Estate Modaraba Management Company Limited to chairman and chief executive, Mr. Arif Habib.

42. GENERAL

Corresponding figures have been re-arranged and / or re-classified, wherever necessary, for the purposes of comparison and better presentation. The comparative profit and loss account and cash flow statement have been represented as if the subsidiary discontinued this year has been discontinued from the start of the corresponding year. Other major changes made during the year are as follows:

<u>Re-classified from</u>	<u>Re-classified to</u>	<u>Note</u>	<u>Amount (Rupees)</u>		<u>Reason</u>
			<u>From</u>	<u>To</u>	
Balance sheet					
Short term investment	Loans and advances	23	814,125,000	814,125,000	Better presentation


CHAIRMAN & C.E.O


DIRECTOR

(Annexure III)**Pattern of shareholding as at 30 June 2009**

No. of Shareholders	Shareholding		Total shares held
	From	To	
1245	1	100	71,585
3032	101	500	987,211
2385	501	1,000	1,990,749
3848	1,001	5,000	9,381,793
793	5,001	10,000	6,001,436
331	10,001	15,000	4,186,601
180	15,001	20,000	3,274,122
111	20,001	25,000	2,604,738
67	25,001	30,000	1,864,938
58	30,001	35,000	1,874,359
44	35,001	40,000	1,673,534
22	40,001	45,000	930,051
43	45,001	50,000	2,120,072
19	50,001	55,000	994,526
16	55,001	60,000	933,568
25	60,001	65,000	1,576,537
10	65,001	70,000	683,977
14	70,001	75,000	1,029,547
10	75,001	80,000	778,598
7	80,001	85,000	582,957
4	85,001	90,000	352,275
6	90,001	95,000	555,853
15	95,001	100,000	1,493,185
3	100,001	105,000	306,341
7	105,001	110,000	760,415
4	110,001	115,000	452,025
4	115,001	120,000	469,991
7	120,001	125,000	866,580
3	125,001	130,000	380,035
4	130,001	135,000	527,661
3	135,001	140,000	414,475
3	140,001	145,000	430,300
5	145,001	150,000	743,887
3	150,001	155,000	461,794
3	155,001	160,000	472,755
2	160,001	165,000	327,706
6	165,001	170,000	1,010,945
1	170,001	175,000	171,038
2	175,001	180,000	356,000

No. of Shareholders	Shareholding		Total shares held
	From	To	
1	180,001	185,000	183,210
5	185,001	190,000	940,000
2	190,001	195,000	386,455
6	195,001	200,000	1,190,900
4	205,001	210,000	834,669
1	210,001	215,000	212,500
2	215,001	220,000	437,710
2	220,001	225,000	446,875
1	230,001	235,000	234,525
6	235,001	240,000	1,421,238
1	240,001	245,000	243,600
6	245,001	250,000	1,491,532
1	260,001	265,000	264,041
2	265,001	270,000	539,200
1	275,001	280,000	280,000
1	280,001	285,000	284,875
2	295,001	300,000	599,974
1	300,001	305,000	302,850
1	315,001	320,000	319,625
1	325,001	330,000	326,000
1	335,001	340,000	337,500
1	340,001	345,000	342,117
1	365,001	370,000	370,000
2	375,001	380,000	750,497
1	380,001	385,000	382,625
2	395,001	400,000	800,000
1	415,001	420,000	416,666
1	425,001	430,000	427,550
1	435,001	440,000	437,500
2	460,001	465,000	927,606
1	495,001	500,000	500,000
1	545,001	550,000	546,000
1	565,001	570,000	567,416
1	580,001	585,000	581,875
1	595,001	600,000	600,000
1	600,001	605,000	603,800
1	635,001	640,000	640,000
1	665,001	670,000	668,750
1	670,001	675,000	675,000

No. of Shareholders	Shareholding		Total shares held
	From	To	
1	690,001	695,000	693,400
1	695,001	700,000	700,000
1	720,001	725,000	725,000
1	785,001	790,000	785,841
1	795,001	800,000	800,000
1	820,001	825,000	823,700
1	865,001	870,000	869,000
1	950,001	955,000	952,200
2	955,001	1,000,000	2,000,000
1	1,045,001	1,050,000	1,050,000
1	1,100,001	1,105,000	1,101,895
1	1,125,001	1,130,000	1,127,100
1	1,190,001	1,195,000	1,194,000
1	1,205,001	1,210,000	1,206,300
1	1,230,001	1,235,000	1,231,875
1	1,230,001	1,235,000	1,240,950
1	1,240,001	1,245,000	1,424,150
1	1,420,001	1,425,000	1,500,000
1	1,495,001	1,500,000	1,500,752
1	1,500,001	1,505,000	1,529,875
1	1,525,001	1,530,000	1,545,200
1	1,545,001	1,550,000	2,400,000
1	2,395,001	2,400,000	2,492,099
1	2,490,001	2,495,000	2,550,000
1	2,545,001	2,550,000	2,611,850
1	2,610,001	2,615,000	5,385,725
1	5,385,001	5,390,000	16,550,125
1	16,550,001	16,555,000	53,700,000
1	53,695,001	53,700,000	62,700,122
1	62,700,001	62,705,000	127,000,000
12,445	-	-	375,000,000

Categories of shareholders as at 30 June 2009

Categories of shareholder	No.	Shares held	Percentage (%)
Directors, Chief Executive & their Spouses and Minor Children	9	263,194,870	70.19
Mr. Arif Habib, Chief Executive	-	206,250,247	55.00
Mr. Muhammad Kashif A. Habib, Director	-	29,166	-
Mr. Asadullah Khawaja, Director	-	832	-
Mr. Sirajuddin Cassim, Director	-	83,332	0.02
Mr. Nasim Beg, Director	-	568,248	0.15
Mr. Syed Ajaz Ahmed Zaidi, Director	-	832	-
Mr. Muhammad Khubaib, Director	-	125	-
Mr. Muhammad Akmal Jameel, Director	-	12,213	-
Mrs. Zetun Arif, W/o. Arif Habib	-	56,250,000	15.00
Banks, Development Financial Institutions & Non Banking Financial Institutions	38	11,219,823	2.99
Insurance Companies	10	2,080,866	0.55
Modarabas and Mutual Funds	32	8,625,778	2.30
Other Joint Stock Companies & Funds	212	17,042,517	4.54
Foreign Investors	18	11,377,325	3.03
Individuals - Local	12,126	61,458,695	16.39
Total	12,445	375,000,000	100.00
Shareholders holding 10% or more voting interest	2	262,500,247	70.00

Calendar of Major Events

- The Company follows the period of July 1 to June 30 as the Financial Year.

For the Financial Year ending on June 30, 2010, Financial Results will be announced as per the following tentative schedule:

1st quarter ending September 30, 2009	Last week of October, 2009
2nd quarter ending December 31, 2009	Last week of January, 2010
3rd quarter ending March 31, 2010	Last week of April, 2010
Year ending June 30, 2010	Last week of July, 2010

- The Fifteenth Annual General Meeting of the Shareholders of Arif Habib Securities Limited ("the Company") will be held on Saturday, September 26, 2009 at 10:30 a.m at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road Karachi.
- The inauguration of new Corporate Office of the Company situated at Arif Habib Centre, 23, M.T. Khan Road, Karachi, shall be held on 14th August 2009.

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:

Sale of Shares of Arif Habib Bank Limited

The Company has entered into an agreement with M/s. Suroor Investments Limited, a Company incorporated in Mauritius ("the Buyer") to sell its entire holding of 59.40% in Arif Habib Bank Limited, comprising 297,034,854 Shares at a price of Rs.9 per share i.e. for a total consideration of Rs. 2,673,313,686/-, subject to necessary regulatory approvals, including the approval of the Shareholders. The transaction is expected to be completed by September 30, 2009. The Buyer has already paid 10% of the total consideration amounting to Rs:267,331,118/- at the time of the signing of the SPA and the balance is payable at completion before the transfer of the said Shares to the Buyer. The Buyer is also obliged to pay interest @ 2% above KIBOR with effect from 1st July 2009 on the balance 90% consideration amounting to Rs:2,405,982,568/- until the transaction is complete.

The Board is of the view that small banks have a very dim future and it would also be difficult to meet the capital adequacy requirements of the State Bank of Pakistan. Hence, the Board considers it prudent to save the financial cost of this investment and deploy it in more attractive investment opportunities presently available in the market.

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 approval of the shareholders shall also be sought. The interest of the Shareholders of the Company will not be affected as the transaction is in the best interest of the Company.

The interest of the Directors and Chief Executive in the transaction is limited to their being the Shareholders, Chief Executive and Directors in the Company.

Sale of Shares of Real Estate Modaraba Management Company Limited ("REMCO")

Since incorporation of REMCO in 2005, it has not been able to commence its commercial activity on full scale basis, consequently the Company to date has not received any income from REMCO. The fair values of property stocks purchased by REMCO being financed through sponsoring loan advanced by the Chairman, Mr. Arif Habib, have substantially been diminished due to significant fall in values of real estates.

Keeping in view the above circumstances the Board is of the view that these companies have very difficult future and it is prudent to save the financial cost of this investment of the Company and deploy it in more attractive investment opportunities presently available in the market. The Board has requested to the Chairman of the Company and he very kindly accepted to purchase the Company's entire shareholding into REMCO at book value or at par whichever is higher.

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 approval of the shareholders shall also be sought.

Investments in Associated Companies & Associated Undertakings

The referred special resolution for investments in associated companies and associated undertakings had already been approved in the extra ordinary general meeting of the shareholders of the Company held on May 17, 2008. However, the Commission has advised the Company to pass a fresh resolution by providing complete information as required under the Notification read with Section 160 of the Companies Ordinance, 1984 in the forthcoming AGM of the Company to make good the default made in the previous published statement under Clause-(b) of Sub-section (1) of Section 160 of the Companies Ordinance, 1984.

The Board of Directors of the Company has decided to rectify the position by passing the fresh resolution and has approved the specific limits for equity investments and loans/advances alongwith other particulars for investments in its following existing and planned associated companies and associated undertakings subject to the consent of members under Section 208 of the Companies Ordinance, 1984. The principle purpose of this special resolution is to make the Company in a ready position to materialize the investment opportunities as and when arrive. It is prudent that the Company should be able to make the investment at the right time when the opportunity is available.

The directors of the company have no additional interest in any of the above business.

Other Information

S.No.	Description	Information Required
(i)	Name of investee company	Arif Habib Bank Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.1000 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.6.20 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.11.70 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: Dec. 31, 2008 Dec. 31, 2007 Dec. 31, 2006	Rs.(0.38) per share Rs.0.65 per share Rs.1.10 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Arif Habib Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.250 million and Loan/advance upto Rs.250 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.58.23 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.38.23 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.5.10 per share Rs.19.02 per share Rs.16.08 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Arif Habib Investment Management Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.250 million and Loan/advance upto Rs.250 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.26.41 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.11.82 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.10.08 per share Rs.8.30 per share Rs.10.77 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Private Equity Manag. Limited & its FUNDS
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.1000 million and Loan/advance upto Rs.500 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.(6.93) per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.(11.15) per share Rs.(1.05) per share Rs.(17.06) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	Pursuant of Special Resolution passed in the AGM held on 29 September 2007 for investment of Rs.50 million in the investee company, Rs.17 million have been invested in equity and Rs.9.25 million have been given as loan till 30 June 2009.
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Sweetwater Dairies Pakistan (Pvt.) Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.500 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.74 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2008 June 30, 2007 June 30, 2006	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Real Estate Modaraba Management Company Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.300 million and Loan/advance upto Rs.300 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.10.83 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2008 June 30, 2007 June 30, 2006	Rs.1.72 per share Rs.(0.38) per share Rs.(0.52) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Rozgar Microfinance Bank Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.50 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 7.94 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: Dec. 31, 2008 Dec. 31, 2007 Dec. 31, 2006	Rs.(2.05) per share Rs.(1.76) per share Rs.(0.80) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the underprivileged with a view to mitigate poverty.
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	In addition to promoting social welfare, micro-financing business has evidenced tremendous growth globally and is poised to take off locally. It would benefit the shareholders in the long run.
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Aisha Steel Mills Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.750 million and Loan/advance upto Rs.250 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.51 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2008 June 30, 2007 June 30, 2006	Rs.(0.20) per share Rs.(0.19) per share N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Pakarab Fertilizers Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.1000 million and Loan/advance upto Rs.1000 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.48.17 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: Dec. 31, 2008 Dec. 31, 2007 June 30, 2006	Rs.23.63 per share Rs.4.46 per share Rs.1.41 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Fatima Fertilizer Company Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.1500 million and Loan/advance upto Rs.1000 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.17.17 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: Dec. 31, 2008 Dec. 31, 2007 June 30, 2006	Rs.0.16 per share Rs.0.07 per share Rs.(0.05) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Rotocast Engineering Company (Pvt.) Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.300 million and Loan/advance upto Rs.200 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.48.73 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2008 June 30, 2007 June 30, 2006	Rs.0.33 per share Rs.0.25 per share Rs.0.17 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Thatta Cement Company Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.300 million and Loan/advance upto Rs.200 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.15.52 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.32 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2008 June 30, 2007 June 30, 2006	Rs.0.50 per share Rs.0.58 per share Rs.2.78 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Premier Fund Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.250 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.7.44 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.8.20 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.(4.52) per share Rs.(0.74) per share Rs.4.76 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Income Fund
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.2000 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.53.06 per unit (NAV)
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Strategic Allocation Fund
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.250 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.3.43 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.7.12 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.(3.11) per share Rs.(0.25) per share Rs.2.68 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Capital Protected Fund- I
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.50 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.8.74 per share/unit
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 8.88 per share/unit
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	Rs.(1.17) per share Rs.(0.67) per share N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Proposed "Pakistan Capital Protected Fund-II"
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.50 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2007 June 30, 2006 June 30, 2005	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Capital Market Fund
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.500 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs. 7.82 per unit
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 8.28 per share/unit
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Stock Market Fund
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.500 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs. 42.74 per share/unit
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.47.56 per share/unit
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Cash Management Fund
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.100 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs. 50.34 per share/unit
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 50.68 per share/unit
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Pakistan Income Enhancement Fund
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.100 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs. 50.83 per share/unit
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.50.91 per share/unit
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Al-Abbas Cement Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.500 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.5.51 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.8.75 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2008 June 30, 2007 June 30, 2006	Rs.(0.59) per share Rs.(1.24) per share Rs.0.15 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A

S.No.	Description	Information Required
(i)	Name of investee company	Javedan Cement Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.400 million and Loan/advance upto Rs.600 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	Rs.108.72 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.(125.13) per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2008 June 30, 2007 June 30, 2006	Rs.(0.76) per share Rs.(1.61) per share Rs.6.15 per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	International Complex Projects Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.1500 million and Loan/advance upto Rs.1000 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.4.59 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2008 June 30, 2007 June 30, 2006	Rs.3.31 per share Rs.(0.61) per share Rs.(0.52) per share
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Proposed "Askari Siddiqsons Development Limited"
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.1560 million and Loan/advance upto Rs.1040 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2007 June 30, 2006 June 30, 2005	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Arif Habib REIT Management Limited & REITS' Funds
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.1500 million and Loan/advance upto Rs.1000 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: June 30, 2007 June 30, 2006 June 30, 2005	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Memon Health & Educational Institute
(ii)	Nature, amount and extent of investment	Loan/advance upto Rs.50 million being convertible into donation
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A
(v)	Price at which shares will be purchased	N.A
(vi)	Earning per share of investee company in last three years: June 30, 2007 June 30, 2006 June 30, 2005	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the underprivileged with a view to mitigate poverty and provide better facilities of health and education.
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	Promoting social welfare in the country and creating goodwill for the Company and its shareholders.
(xi)	Interest of directors and their relatives in the investee company	None except as trustee, CEO of the Company is trustee to the Institute. As a trustee he does not benefit in any way from the assets of the trust
(xii)	Any loan had already been provided or loan has been written off to the said company	Pursuant of Special Resolution passed in the AGM held on 17 May 2008 for loan of Rs.50 million in the investee undertakig, Rs.15 million have been advanced as loan till 30 June 2009.
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher being convertible into donation
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being charitable society there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	S.K.M Lanka Holdings (Pvt.) Limited
(ii)	Nature, amount and extent of investment	Equity investment upto Rs.150 million and Loan/advance upto Rs.100 million
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 5.25 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
(vi)	Earning per share of investee company in last three years: March. 31, 2009 March. 31, 2008 March. 31, 2007	Rs. (3.58) per share Rs. (1.20) per share N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	This investment may increase dividend earnings and capital appreciation since it is expected that investee company will generate reasonable profits in future
(xi)	Interest of directors and their relatives in the investee company	None except as shareholder
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being group company there is no need of collateral security.

S.No.	Description	Information Required
(i)	Name of investee company	Arif Habib Foundation
(ii)	Nature, amount and extent of investment	Loan/advance upto Rs.250 million being convertible into donation
(iii)	Average market price of the shares intended to be purchased during preceeding six months in case of listed companies	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A
(v)	Price at which shares will be purchased	N.A
(vi)	Earning per share of investee company in last three years: June 30, 2007 June 30, 2006 June 30, 2005	N.A N.A N.A
(vii)	Source of funds from where shares will be made	From company's own available liquidity and credit lines
(viii)	Period for which investment will be made	Long term/short term
(ix)	Purpose of investment	For the benefit of the underprivileged with a view to mitigate poverty and provide better facilities of health and education.
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investment	Promoting social welfare in the country and creating goodwill for the Company and its shareholders.
(xi)	Interest of directors and their relatives in the investee company	Certain directors of the Company are promoters/directors of the Foundation. The directors receive no financial benefit from the Foundation
(xii)	Any loan had already been provided or loan has been written off to the said company	N.A
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever higher being convertible into donation
(x)	Repayment schedule of loan/advance	Short to medium term within 3 years and long term within 5 years
(xi)	Security on loan/advance	Management considers that being charitable society there is no need of collateral security.

Form of Proxy

15th Annual General Meeting

The Company Secretary
 Arif Habib Securities Limited
 60-64, 1st Floor, Stock Exchange Building
 Stock Exchange Road
 Karachi.

I/we _____ of _____ being a member(s)
 of Arif Habib Securities Limited holding _____ ordinary shares as per
 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 Fifteenth Annual General Meeting of the Company to be held on 26 September 2009 and/or any
 adjournment thereof.

Signed this _____ day of _____ 2009.

Witnesses:

1. Name : _____
 Address : _____
 NIC No. : _____
 Signature : _____

Signature on Rs. 5/- Revenue Stamp
--

2. Name : _____
 Address : _____
 NIC No. : _____
 Signature : _____

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 office of our registrar M/s. Technology Trade (Pvt.) Ltd; Dagia House 241-C Block-2, PECHS off Shahrah-e-Quaideen Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signatures, names, addresses and CNIC numbers given on the form.
4. 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.
5. 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.



**AFFIX
CORRECT
POSTAGE**

ARIF HABIB SECURITIES LTD.
Registrar:
M/s. Technology Trade (Pvt.) Ltd.
Dagia House, 241-C, Block-2, P.E.C.H.S.
Off: Shahrah-e-Quaideen, Karachi.

Fold : Here

Fold : Here

Fold : Here

Fold : Here



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