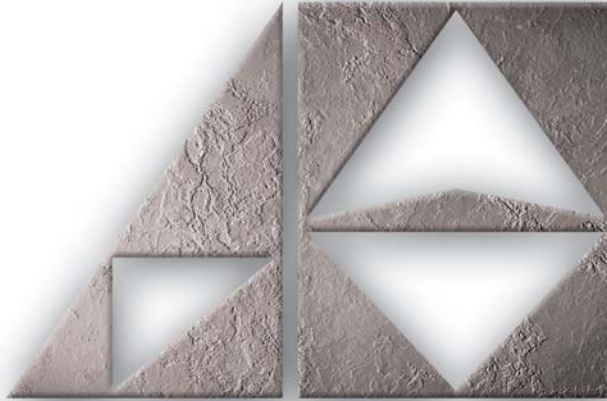


Nine Months Report
July 2008 - March

09

PROMOTING INVESTMENT



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CORPORATE INFORMATION

Board of Directors

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

Audit Committee

Sirajuddin Cassim
(Chairman)
Kashif A. Habib
Muhammad Akmal Jameel
Syed Ajaz Ahmed

Company Secretary

Haroon Usman

Chief Financial Officer

Tahir Iqbal

Auditors

- (i) Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants
- (ii) KPMG Tasir Hadi & Co;
Chartered Accountants
-

Legal Advisors

Bawaney & Partners



ARIF HABIB
SECURITIES LTD.

3rd Quarterly Report 2009

Bankers

Allied Bank Ltd.
Arif Habib Bank Ltd.
Atlas Bank Ltd.
Bank Al Falah Ltd.
Bank Al-Habib Ltd.
Faysal Bank Ltd.
First Women Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
KASB Bank Ltd.
MCB Bank Ltd.
My Bank Ltd.
NIB Bank Ltd.
Standard Chartered Bank
Soneri Bank Limited
United Bank Ltd.

Registered Office

60-64, Karachi Stock Exchange Building
Stock Exchange Road Karahi-74000
Phones: 2415213-15 Fax No: 2416072 - 2429653
E-mail: ahsl@arifhabib.com.pk

Corporate Office

Pardesi House, 2/1, R.Y. 16,
Old Queens Road Karachi-74000
Phone: 2460717-19 Fax No: 2470496

website: www.arifhabib.com.pk

Registrar & Share Transfer Office

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

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Arif Habib Securities Limited, I am pleased to present the Directors' review report of the Company together with condensed unconsolidated and consolidated financial statements for the third quarter and nine months ended 31 March 2009.

Economy and Market Review

Stabilization of economy with signs of improvement in macro economic indicators namely inflation, trade and budget deficits and foreign currency reserves have been conducive for positive performance of the market during January - March 2009.

The stock market has done well during the third quarter under review registering an appreciation of 17 percent with KSE-100 index reached 6860 points. This was after a dismal performance in the previous six months. On nine months aggregate basis the KSE-100 index was down by 5429 points, a decline of 44 percent.

Performance Review

During the third quarter the Company registered a profit after - tax of Rs. 469,769,810 with an EPS of Rs. 1.25 mainly due to gain on remeasurement of investments in listed securities. For nine months period the company registered a loss of Rs. 1,713,256,876 which calculates to Rs. 4.57 per share.

Subsidiaries and Associates

Financial services subsidiaries have started showing signs of recovery led by Arif Habib Limited, the brokerage firm which has shown a remarkable turnaround registering an EPS of Rs. 12.08 in the third quarter as compared to loss per share of Rs. 1.97 at the end of the first six months.

Pak Arab Fertilizers, an associate, recorded an after - tax profit of Rs. 7,090 million for the year ended 31 December 2008 declaring a 50 percent bonus for its shareholders. It has recorded an after - tax profit of Rs. 915 million in the first quarter ended on 31 March 2009 as compared to Rs. 545 million in the previous corresponding period.

Fatima Fertilizer's construction is progressing well and the project is expected to be completed in August this year.

Al-Abbas Cement Industries Limited has recorded a nominal profit and its cement production has stabilized at capacity.

The project of Sweetwater Dairies Pakistan (Pvt.) Limited is progressing satisfactorily whereas efforts are being made to complete the Aisha Steel project on time.

Impact of Accounting Policies

Uptill 30 June 2008, the Company took the remeasurement effect of change in fair value through profit and loss account in case of an associate. During the period, the Company changed its accounting policy with respect to accounting for investments in associates and it now classifies remeasurement difference in associates either through profit and loss account or through equity considering each investment individually. This change has not resulted in any retrospective restatement.



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In addition to the above uptill 30 June 2008, the Company accounted for investments in subsidiaries in accordance with IAS 39 and took any remeasurement effect of change in fair value through equity. During the period, the Company changed its accounting policy with respect to accounting for investments in subsidiaries at cost in accordance with IAS 27. 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 AHSL'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 on 2008 is tabulated below. Opening 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

	31 March 2009 (Rupees)
Decrease in surplus on remeasurement of available for sale investments	5,824,238,210
Decrease in carrying amount of long term investments	5,824,238,210
Decrease in deferred taxation	606,060,163

Future Outlook

Macro economic factors of Pakistan's economy are showing signs of improvement. Friends of Pakistan's commitment of US \$ 5.2 billion show strong support for Pakistan from international community. Market has started returning to normal, 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 the expected opportunities. However poor law and order situation in the country continues to be a big challenge to the investment sentiment.

Special Note on Financial Statements

The Board is conscious to the need of maintaining balance between interests of our equity holders and sustenance of growth in net earnings. Recognized in Pakistan and abroad for best governance practices, financial reporting and disclosure excellence, we believe in the timeliness and accuracy of financial reporting to enable informed decision making by our investors and their confidence in the Board.

- **Valuation of investments**

The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities for the financial results ended on 31 December 2008, had been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the SECP vide its Circular dated 29 January 2009.

- **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, 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. 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/ 31 March 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.79.296 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 nine months would be higher by the same amount, the increase in loss per share would be higher by Rs.0.21 and unappropriated profit would have been lower by Rs.79.296 million.

Acknowledgement

We are grateful to our stakeholders including our bankers for their continuous confidence and patronage. We acknowledge and appreciate the hard work put in by the employees of the Company during the period.

For and on behalf of the Board

Karachi
30 April 2009

Arif Habib
Chairman & Chief Executive



The Chairman & Chief Executive of the Company Mr. Arif Habib receiving Top Companies Awards for 2006 and 2007 from Mr. Shaukat Tareen, Advisor to Prime Minister on Finance, Revenue, Economic Affairs and Statistics

CONDENSED INTERIM UNCONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2009

	(Rupees)	
	Unaudited 31 March 2009	Restated 30 June 2008
<u>EQUITY AND LIABILITIES</u>		
Share Capital and Reserves		
Share capital	3,750,000,000	3,000,000,000
Revenue reserves	13,457,183,353	16,057,983,132
	17,207,183,353	19,057,983,132
Deferred taxation	2,936,679,206	2,310,175,396
Current liabilities		
Trade and other payables	195,597,423	322,382,746
Interest and mark-up accrued on short term borrowings	108,043,005	2,256,351
Short term borrowings	2,480,553,738	1,541,696,789
Provision for taxation	-	51,140,420
	2,784,194,166	1,917,476,306
Contingencies and commitments	-	-
	22,928,056,725	23,285,634,834

The annexed notes form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.4.

	(Rupees)	
	Unaudited 31 March 2009	Restated 30 June 2008
ASSETS		
Non-Current Assets		
Property and equipment	30,129,651	28,298,232
Long term investments	19,922,022,388	17,351,869,433
Long term deposits	44,590	44,590
Current assets		
Trade debts	10,575	3,510,576
Receivable against securities transactions - considered good	-	1,985,320
Loans and advances	15,000,000	15,000,000
Advance tax	38,526,212	62,760,468
Other receivables	22,767,946	24,558,606
Short term investments	2,790,379,773	5,774,324,156
Cash and bank balances	109,175,590	23,283,454
	2,975,860,096	5,905,422,579
	22,928,056,725	23,285,634,834

Chief Executive

Director



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CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE NINE MONTHS ENDED 31 MARCH 2009

(Rupees)

	Nine Months Ended		Third Quarter Ended	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
Operating revenue	205,028,287	516,007,535	6,218,980	56,339,184
(Loss) Profit on sale of securities-net	(116,169,155)	3,750,596,092	(193,005,247)	1,781,616,006
Gain/(loss) on remeasurement of investments-net:	(805,586,035)	2,756,798,530	792,840,346	292,966,919
	<u>(716,726,903)</u>	<u>7,023,402,157</u>	<u>606,054,079</u>	<u>2,130,922,109</u>
Administrative and general expenses	(41,654,734)	(80,479,936)	(5,040,727)	(13,059,945)
Finance cost	(296,659,550)	(64,811,311)	(108,089,129)	(32,510,389)
	<u>(338,314,284)</u>	<u>(145,291,247)</u>	<u>(113,129,856)</u>	<u>(45,570,334)</u>
	<u>(1,055,041,187)</u>	<u>6,878,110,910</u>	<u>492,924,223</u>	<u>2,085,351,775</u>
Other income	9,014,600	494,988	3,277,588	34,165
Other charges	(46,442,000)	-	(26,432,000)	-
	<u>(37,427,400)</u>	<u>494,988</u>	<u>(23,154,412)</u>	<u>34,165</u>
(Loss)/Profit before taxation	(1,092,468,588)	6,878,605,898	469,769,810	2,085,385,940
Provision for taxation				
- Current	-	(50,559,441)	-	(7,275,668)
- Prior	5,715,523	(4,772,878)	-	(3,270,414)
- Deferred	(626,503,811)	(762,348,038)	-	(177,187,500)
	<u>(620,788,288)</u>	<u>(817,680,357)</u>	<u>-</u>	<u>(187,733,582)</u>
(Loss)/Profit after taxation	(1,713,256,876)	6,060,925,541	469,769,810	1,897,652,358
Earnings per share-basic and diluted	(4.57)	16.16	1.25	5.06

The annexed notes form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.4.

Chief Executive

Director



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CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE NINE MONTHS ENDED 31 MARCH 2009

(Rupees)

	Nine Months Ended	
	31 March 2009	31 March 2009
Cash flows from operating activities		
(Loss)/profit before taxation	(1,092,468,588)	6,878,605,898
Adjustment for:		
Depreciation	680,331	881,681
Dividend income	(202,681,227)	(509,904,495)
Interest income	(8,503,391)	(470,988)
Reversal of doubtful debts	(15,000)	(24,000)
Gain on speice distribution	-	(696,527,249)
Surplus on remeasurement of investment in associate	(2,386,681,184)	(2,904,183,000)
Impairment on investments	46,442,000	-
Profit on sale of shares through offer for sale	(133,203,947)	-
Finance cost	296,537,052	64,811,311
	<u>(2,387,425,367)</u>	<u>(4,045,416,740)</u>
Operating (loss)/profit before working capital changes	(3,479,893,955)	2,833,189,158
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts	3,500,001	25,000,001
Loans and advances	-	(25,767,956)
Prepayments	-	6,982
Other receivables	(1,099,578)	610,321
Increase / (decrease) in current liabilities		
Trade and other liabilities	(126,785,323)	84,492,176
	<u>(124,384,900)</u>	<u>84,341,524</u>
Cash (used in)/generated from operations	(3,604,278,855)	2,917,530,682
Income tax paid	(21,190,642)	(52,137,516)
Finance cost paid	(190,872,896)	(52,960,560)
Net cash (used in)/generated from operating activities	<u>(3,816,342,393)</u>	<u>2,812,432,606</u>
Cash flows from investing activities		
Capital expenditure	(2,511,750)	(90,000)
Dividend received	202,267,362	521,585,659
Interest received	11,944,993	494,988
Long term investments	(259,041,825)	(1,960,478,063)
Proceeds from sale of shares through offer for sale	135,004,000	-
Long term deposits	-	8,410
Net cash from /(used in) investing activities	<u>87,662,780</u>	<u>(1,438,479,006)</u>
Cash flows from financing activities		
Dividend paid	(110,214,903)	-
Net cash (used) in financing activities	<u>(110,214,903)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	<u>(3,838,894,516)</u>	<u>1,373,953,600</u>
Cash and cash equivalents at beginning of the period	<u>4,257,896,141</u>	<u>5,423,434,444</u>
Cash and cash equivalents at end of the period	<u>419,001,625</u>	<u>6,797,388,044</u>

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

Chief Executive

Director



3rd Quarterly Report 2009

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED 31 MARCH 2009

(Rupees)

	SHARE CAPITAL		RESERVES			TOTAL
	Issued, subscribed and paid up capital	Surplus/ (deficit) on remeasurement of investments	Revenue Reserves		Sub Total	
			General reserve	Unappropriated profit		
Balance 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 adjustment due to change in accounting policy (Refer Note No.3)	-	(5,824,238,210)	-	-	(5,824,238,210)	(5,824,238,210)
Balance at 30 June 2007 as restated	3,000,000,000	9,280,000	4,000,000,000	5,241,070,168	9,250,350,168	12,250,350,168
Net profit for the nine months ended 31 March 2008	-	-	-	6,060,925,541	6,060,925,541	6,060,925,541
Surplus on remeasurement of investments to fair value - net of tax	-	(12,480,000)	-	-	(12,480,000)	(12,480,000)
Interim specie distribution	-	-	-	(1,110,000,000)	(1,110,000,000)	(1,110,000,000)
Balance at 31 March 2008 (restated)	3,000,000,000	(3,200,000)	4,000,000,000	10,191,995,709	14,188,795,709	17,188,795,709
Net profit for the period ended from 01 April 2008 to 30 June 2008	-	-	-	2,236,245,423	2,236,245,423	2,236,245,423
Deficit on remeasurement of investments to fair value - net of tax	-	(48,768,000)	-	-	(48,768,000)	(48,768,000)
Balance at 30 June 2008 as previously reported	3,000,000,000	(51,968,000)	4,000,000,000	12,428,241,132	16,376,273,132	19,376,273,132
Effect of adjustment arising out of tendering of capital gain to the respective issuer of securities to the extent related to trading in that securities as per the requirement of Section 224 of the Companies Ordinance, 1984. (Refer Note No. 1.2)	-	-	-	(318,290,000)	(318,290,000)	(318,290,000)
Balance at 30 June 2008 as restated	3,000,000,000	(51,968,000)	4,000,000,000	12,109,951,132	16,057,983,132	19,057,983,132
Net loss for the nine months ended 31 March 2009	-	-	-	(1,713,256,876)	(1,713,256,876)	(1,713,256,876)
Deficit on remeasurement of investments to fair value - net of tax	-	(53,760,000)	-	-	(53,760,000)	(53,760,000)
Unrealized (loss) in value of available for sale investments transferred to P & L Account (Refer Note No.8.4)	-	26,432,000	-	-	26,432,000	26,432,000
Issuance of Bonus 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 - 15%	-	-	-	(110,214,903)	(110,214,903)	(110,214,903)
Balance at 31 March 2009	3,750,000,000	(79,296,000)	4,000,000,000	9,536,479,353	13,457,183,353	17,207,183,353

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

Chief Executive

Director



3rd Quarterly Report 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 and its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The registered office of the Company is situated at 60-64, KSE Building, Karachi, Pakistan. The Company is domiciled in the province of Sindh. The principal activity of the Company is business of investments in listed and unlisted securities.

These condensed interim financial statements represent separate financial statements of the Parent Company and the consolidated condensed interim financial statement are prepared separately.

The Company is the parent company of Arif Habib Bank Limited a commercial bank with 59.40% shareholding, Arif Habib Limited a brokerage house with 75% shareholding, Arif Habib Investments Limited (Previously Arif Habib Investments Management Limited) an asset management company with 60.18% shareholding, Arif Habib DMCC a UAE incorporated member company of Dubai Gold & Commodities Exchange with 100% shareholding, S.K.M Lanka Holdings (Pvt.) Limited a Sri Lankan incorporated brokerage house at Colombo Stock Exchange with 75% shareholding, Pakistan Private Equity Management Limited a Venture Capital company with 85% shareholding and Real Estate Modaraba Management Company Limited a real estate projects management company with 99.99% shareholding.

Additionally it has long term investments in Pakarab Fertilizers Limited with 30% shareholding, Aisha Steel Mills Limited with 25% shareholding, Al-Abbas Cement Industries Limited with 10% shareholding, Fatima Fertilizer Company Limited with 12.59% shareholding, Rozgar Microfinance Bank Limited with 19.01% shareholding, Takaful Pakistan Limited with 10% shareholding, Sweetwater Dairies Pakistan (Pvt.) Limited with 16.49% shareholding and Sunbiz (Pvt.) Limited with 4.65% shareholding.

1.1 Changes in composition of the Group

During the period ended 31 March 2009, the Company disposed of 1,080,032 shares of Arif Habib Investments Limited (Previously Arif Habib Investments Management Limited) a subsidiary, by an offer for sale. This resulted in reduction of the Company's holding in the subsidiary from 62.40% to 60.18 % at period end.

On 18 October 2008, the Company has entered into a Memorandum of Understanding with Mr. Hussain Lawai representing a consortium of foreign and local investors to take up substantial equity stake through injection of new equity / purchase of existing shares of Arif Habib Bank Limited. After materialization of this transaction, Arif Habib Bank Limited, which is currently a subsidiary, would become an associate of the Company.

1.2 Tender of Capital Gain

The Company tendered the gain on sale of 11,260,000 shares of Arif Habib Limited during the period ended 31 March 2009 to the Issuer, on account of sale and purchase of said shares within a period of less than six months, in compliance with the provisions of Section 224 of the Companies Ordinance, 1984. These transactions were carried out during the year ended 30 June 2008 and therefore, the corresponding figures for the year then ended have been restated.

2 Basis of Preparation

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

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

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

3 Significant Accounting Policies

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

Uptill 30 June 2008, the Company took the remeasurement effect of change in fair value through profit and loss account in case of an associate. During the period, the Company changed its accounting policy with respect to accounting for investments in associates and it now classifies remeasurement difference in associates either through profit and loss account or through equity considering each investment individually. This change has not resulted in any retrospective restatement.

In addition to above uptill 30 June 2008, the Company accounted for investments in subsidiaries in accordance with IAS 39 and took any remeasurement effect of change in fair value through equity. During the period, the Company changed its accounting policy with respect to accounting for investments in subsidiaries at cost in accordance with IAS 27. 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 AHSL'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 on 2008 is tabulated below. Opening 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.

	31 March 2009 (Rupees)
Decrease in surplus on remeasurement of available for sale investments	<u>5,824,238,210</u>
Decrease in carrying amount of long term investments	<u>5,824,238,210</u>
Decrease in deferred taxation	<u>606,060,163</u>

4 Accounting Estimates and Judgements

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

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

5 Short Term Borrowings

Short term running finance facilities are available from various commercial banks under mark-up arrangements amounting to Rs. 3,750 million (June 2008: Rs. 4,800 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the bank. These facilities have various maturity dates upto 30 June 2009. These arrangements are secured against pledge of marketable securities. The rates of mark-up range from 1 Month KIBOR + 1% to 1.75% per annum to 3 months KIBOR +1% to 1.5% per annum (June 2008: one month KIBOR + 1% to 2.5% per annum to 6 months KIBOR + 2% per annum) calculated on a daily product basis payable quarterly/six monthly. The aggregate amount of un-availed facilities at the balance sheet date amounts to Rs. 1,269.446 million (June 2008: Rs. 3,258.30 million).

6 Contingencies and Commitments

There is no change in contingency as disclosed in the preceeding published financial statements of the Company as at 30 June 2008.

7 Property and Equipment

Capital expenditure incurred during the period amounted to Rs. 2.512 million (30 June 2008: Rs.24.108 million). Disposal of fixed assets during the period amounted to Rs. Nil (30 June 2008: Rs. 0.310 million).

8 Long Term Investments

At fair value through profit or loss
Available for sale
At cost

(Rupees)

Note	Unaudited 31 March 2009	Restated 30 June 2008
8.1	12,689,665,429	10,145,740,000
8.2	166,272,000	220,032,000
8.3	7,066,084,959	6,986,097,433
	<u>19,922,022,388</u>	<u>17,351,869,433</u>

	(Rupees)	
	Unaudited 31 March 2009	Restated 30 June 2008
8.1 At fair value through profit or loss		
Associates		
Pakarab Fertilizers Limited	11,117,700,000	9,000,000,000
Fatima Fertilizer Company Limited	1,248,750,000	1,125,000,000
Sweetwater Dairies Pakistan (Private) Limited	323,215,429	20,740,000
	<u>12,689,665,429</u>	<u>10,145,740,000</u>
8.2 Available for sale		
Associate		
Al-Abbas Cement Industries Limited	166,272,000	220,032,000
	<u>166,272,000</u>	<u>220,032,000</u>
8.3 At cost		
Subsidiaries		
Arif Habib Bank Limited	3,684,507,946	3,684,507,946
Arif Habib Limited	2,671,676,243	2,671,676,243
Arif Habib Investment Management Limited	81,947,527	31,200,001
Arif Habib DMCC	33,847,941	33,847,941
Pakistan Private Equity Management Limited	17,000,000	17,000,000
SKM Lanka Holdings (Private) Limited - at cost	47,354,782	47,354,782
Real Estate Modaraba Management Company Limited	2,499,950	2,499,950
	<u>6,538,834,389</u>	<u>6,488,086,863</u>
Associates		
Aisha Steel Mills Limited	497,250,570	448,000,570
Rozgar Microfinance Bank Limited (RMBL)	19,010,000	19,010,000
	<u>516,260,570</u>	<u>467,010,570</u>
Provision for impairment in RMBL	(19,010,000)	-
	<u>497,250,570</u>	<u>467,010,570</u>
Others		
Takaful Pakistan Limited	30,000,000	30,000,000
Sun Biz (Private) Limited (SBL)	1,000,000	1,000,000
	<u>31,000,000</u>	<u>31,000,000</u>
Provision for impairment in SBL	(1,000,000)	-
	<u>30,000,000</u>	<u>31,000,000</u>
	<u>7,066,084,959</u>	<u>6,986,097,433</u>

8.4 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism" the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 15 December 2008. The equity securities for the financial results ended on 31 December 2008, had been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the SECP vide its Circular dated 29 January 2009.

Furthermore, IAS 39 "Financial Instruments: Recognition and Measurement." Requires that available for sale equity instruments are impaired when there is a significant or prolonged decline in the fair value below its cost. Such investment loss should be transferred from equity to profit and loss account. However, due to unprecedented decline in equity security prices and prevailing financial crises, the SECP vide SRO dated 13 February 2009 has allowed the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investment 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/ 31 March 2009 shall be treated as a charge to profit and loss account for the purposes of distribution as dividend

The recognition of full impairment loss based on the market values as at 31 March 2009 instead of quarterly charge would have had the following effect on these condensed interim unconsolidated financial statements:

	(Rupees)	
	Nine months ended 31 March 2009	Three months ended
Impairment loss	79,296,000	79,296,000
Increase in loss after tax	79,296,000	79,296,000
Increase in loss per share after tax	0.21	0.21
Decrease in unappropriated profits	79,296,000	-
Decrease in deficit on remeasurement on investments	79,296,000	-

9 Transactions With Related Parties

There is no change in the relationship with the related parties. Significant transactions and balances with the related parties are as follows:

	(Rupees)	
	Nine months ended 31 March 2009	2008
Transactions with subsidiaries		
- Services availed	5,301,693	9,550,098
- Mark-up charges on short term running finance facility	1,416,644	2,108,886
- Profit earned on bank deposit account	7,254,551	-
- Dividend income	90,133,682	210,840,000
- Tender of capital gain	318,290,000	-
- Entitlement of Bonus Shares	342,005,340	15,000,000
Transactions with associates		
- Subscription of right shares	206,494,245	468,740,570
- Entitlement of Bonus Shares	-	677,081,700
Transactions with other related parties		
- Payment to employees' provident fund	191,712	96,750
- Payment to key management personnel	2,939,387	1,528,124
- Payment for capital work in progress	2,500,000	-
	31 March 2009	30 June 2008
Period-end balances		
- Balance receivable at the year end - unsecured	30,471,891	866,034,361
- Balances payable at the year end	7,022,764	(4,592,905)
- Balance in current account maintained with bank - secured	98,601,304	(250,470,411)
- Balance in deposit account maintained with bank - secured	1,700	-
- Loan from Chairman & CEO	187,905,557	1,500,000,000

10 Date of authorization for issue

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

11 General

Figures have been rounded off to the nearest rupee, unless otherwise stated.

Chief Executive

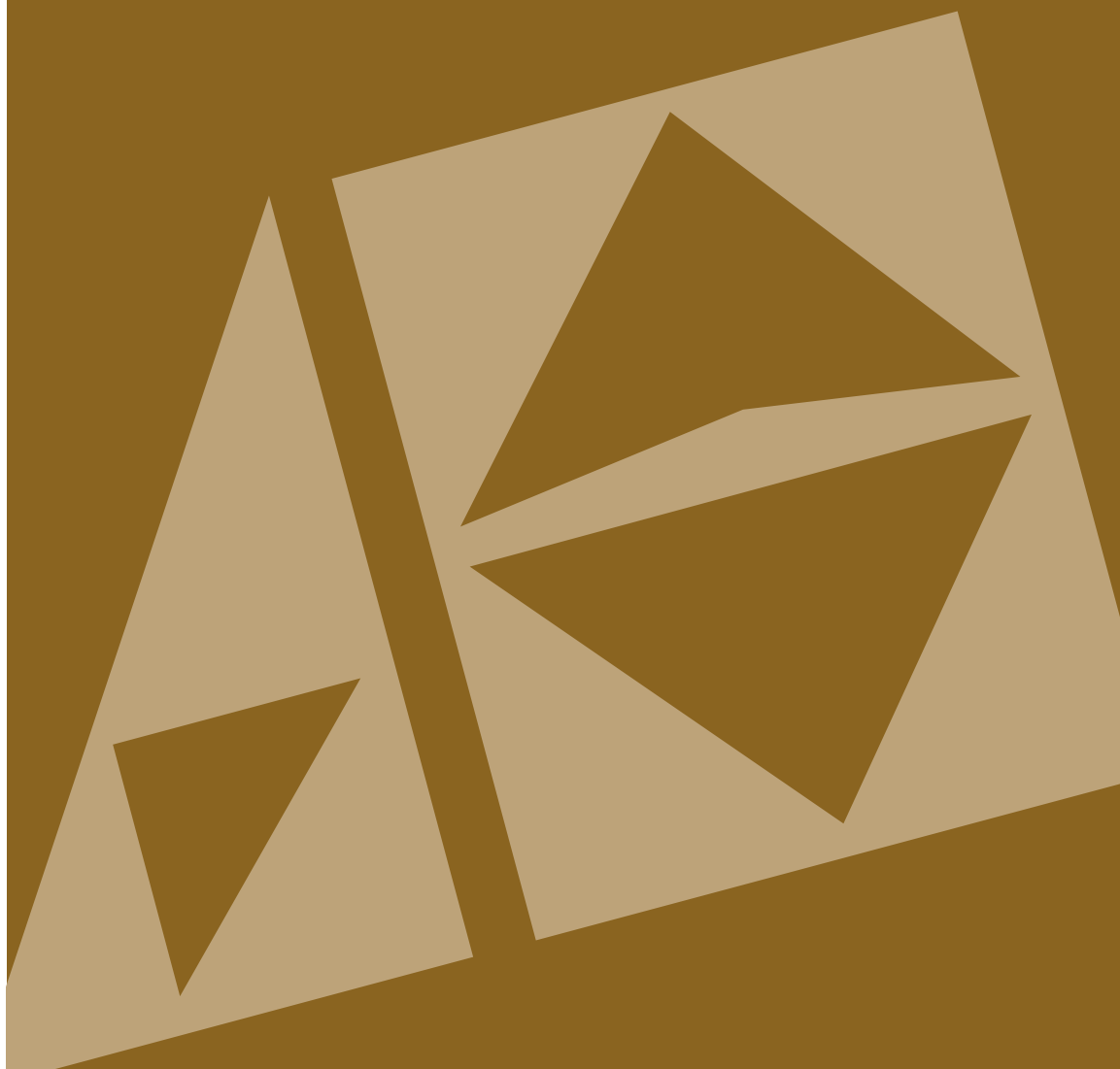
Director



**ARIF HABIB
SECURITIES LTD.**

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Consolidated Financial Statements



CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2009

	(Rupees)	
	Unaudited 31 March 2009	Restated 30 June 2008
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised Capital 1,000,000,000 (30 June 2008: 300,000,000) ordinary shares of Rs. 10/- each	10,000,000,000	3,000,000,000
Issued, subscribed and paid up capital	3,750,000,000	3,000,000,000
Exchange difference	-	-
Surplus/defecit on remeasurement	-	-
Unappropriated	-	-
Reserves	11,751,556,562	14,450,637,915
	15,501,556,562	17,450,637,915
Minority interest	1,708,271,533	1,814,826,835
	17,209,828,096	19,265,464,750
Non-current liabilities	253,276,606	188,872,223
Deferred taxation	-	301,370,088
Current liabilities		
Trade and other payables	23,410,246,117	16,601,724,509
Interest and mark-up accrued on short term borrowings	227,613,647	122,811,570
Short term borrowings	6,048,471,530	4,663,588,693
Current portion of:		
Long term liabilities	38,875,000	25,050,000
Liability against assets subject to finance lease	680,513	1,192,587
Provision for taxation	10,308,722	192,450,252
	29,736,195,529	21,606,817,611
Contingencies and commitments		
	47,199,300,231	41,362,524,672

	(Rupees)	
	Unaudited 31 March 2009	Restated 30 June 2008
ASSETS		
Non-current assets		
Property and equipment	1,375,577,843	939,264,866
Intangible assets	103,603,511	83,552,506
Goodwill	2,463,371,867	2,042,582,067
Membership cards and licenses	57,150,000	63,971,496
Long term investments	7,914,467,727	5,429,318,963
Long term loans and advances	40,365,805	17,128,629
Long term deposits and prepayments	30,161,364	26,294,667
Deferred costs	1,632,580	25,899,000
Deferred tax assets	282,026,000	-
Current assets		
Trade debts	2,048,776,479	955,846,068
Stock in trade	333,759,293	-
Receivable against securities transactions-considered good	13,011,265	13,858,587
Loans and advances	15,061,162,118	16,723,505,112
Deposits and prepayments	84,336,282	186,633,891
Advance tax	56,519,901	241,033,640
Other receivables	1,055,548,947	33,378,518
Short term investments	14,239,366,449	11,568,848,252
Cash and bank balances	2,038,462,802	3,011,408,410
	34,930,943,535	32,734,512,478
	47,199,300,232	41,362,524,672

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information. The parameters used for determination of the value of equity securities held as available for sale and the information about impairment loss and its impact on profit and loss account is disclosed in note 8.

Chief Executive

Director



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CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE NINE MONTHS ENDED 31 MARCH 2009

(Rupees)

	Nine Months Ended		Third Quarter Ended	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
Operating revenue	1,615,014,016	2,074,205,801	440,892,084	668,681,490
Profit on sale of securities-net	(245,247,255)	3,977,251,833	(170,195,351)	2,482,962,486
(Loss) / gain on remeasurement of investments-net	(2,973,201,511)	525,754,522	1,103,877,666	152,979,539
	<u>(1,603,434,750)</u>	<u>6,577,212,156</u>	<u>1,374,574,399</u>	<u>3,304,623,515</u>
Administrative and general expenses	(2,228,870,599)	(822,677,812)	(526,742,884)	(290,694,846)
Operating (loss) / profit	<u>(3,832,305,350)</u>	<u>5,754,534,344</u>	<u>847,831,514</u>	<u>3,013,928,669</u>
Other charges	(93,904,954)	(817,755)	(71,193,272)	(508,160)
Other income	359,314,373	24,005,337	6,472,949	9,304,084
	<u>(3,566,895,930)</u>	<u>5,777,721,926</u>	<u>783,111,192</u>	<u>3,022,724,593</u>
Finance cost	(541,912,211)	(114,025,478)	(195,550,007)	(35,764,479)
Share of profit of associates-net	2,683,499,192	564,684,926	1,212,154,093	163,154,426
(Loss) / profit before taxation	<u>(1,425,308,948)</u>	<u>6,228,381,374</u>	<u>1,799,715,279</u>	<u>3,150,114,540</u>
Provision for taxation				
- Current	(25,278,196)	(165,281,726)	(2,243,584)	(56,386,893)
- Prior	16,954,876	(44,981,649)	-	301,765
- Deferred	265,313,612	(253,908,246)	59,461,572	451,453
	<u>256,990,292</u>	<u>(464,171,621)</u>	<u>57,217,988</u>	<u>(55,633,675)</u>
(Loss) / profit after taxation	<u>(1,168,318,656)</u>	<u>5,764,209,753</u>	<u>1,856,933,267</u>	<u>3,094,480,865</u>
Attributable to:				
Equity holders of Arif Habib Securities Limited	(976,853,239)	5,419,678,027	1,844,389,529	2,910,962,814
Minority interest	(191,465,417)	344,531,726	12,543,737	183,518,051
	<u>(1,168,318,656)</u>	<u>5,764,209,753</u>	<u>1,856,933,266</u>	<u>3,094,480,865</u>

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information. The parameters used for determination of the value of equity securities held as available for sale and the information about impairment loss and its impact on profit and loss account is disclosed in note 8.

Chief Executive

Director



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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE NINE MONTHS ENDED 31 MARCH 2009

(Rupees)

	Nine Months Ended	
	31 March 2009	31 March 2008
Cash flow from operating activities		
(Loss) / profit before taxation	(1,425,308,948)	6,228,381,374
Adjustment for:		
Depreciation	49,968,477	38,584,734
Dividend income	(291,959,981)	(677,280,662)
Interest income	(8,503,391)	(24,005,337)
Amortization	21,080,439	13,762,857
Gain on sale of assets	(90,874)	(2,007,139)
Reversal of doubtful debts	(15,000)	(24,000)
Share of profits of associates	(2,683,499,192)	(564,684,926)
Specie distribution	-	(675,000,000)
Amortization of negative goodwill	-	(1,794,315)
Finance cost	541,912,211	(114,025,487)
Impairment on investments	89,952,802	-
Gain on sale of shares	(133,203,947)	-
	<u>(2,414,358,457)</u>	<u>(2,006,474,275)</u>
Operating (loss) / profit before working capital changes	(3,839,667,405)	4,221,907,099
Changes in working capital		
Decrease / (increase) in current assets		
Trade debts	(1,092,930,411)	(2,684,962,480)
Stock in trade	(333,759,293)	-
Loans and advances	1,662,342,994	(9,298,882,388)
Deposits and prepayments	102,297,609	(244,320,841)
Other receivables	(1,022,170,429)	(187,403,483)
(Decrease) / increase in current liabilities		
Trade and other liabilities	6,808,521,608	6,558,155,404
	<u>6,124,302,078</u>	<u>(5,857,413,788)</u>
Net cash generated/(used in) operations	2,284,634,673	(1,635,506,689)
Income tax paid	(153,868,242)	(139,432,414)
Finance cost paid	(344,970,441)	(96,119,870)
Net cash generated/(used in) operating activities	1,785,795,990	(1,871,058,973)
Cash flow from investing activities		
Capital expenditure incurred	(594,527,000)	(310,115,228)
Membership and licenses	-	(15,550,000)
Dividend received	290,348,126	588,822,808
Interest received	14,541,683	24,005,337
Proceeds from sale of shares	135,004,000	-
Proceeds from sale of fixed assets	52,480,552	25,685,500
Investments	(380,693,497)	(1,905,170,347)
Long term loans and receivables	(23,237,176)	1,213,162
Long term deposits and prepayments	(3,866,697)	(513,210)
Net cash (used in) investing activities	(509,950,009)	(1,591,621,978)
Cash flow from financing activities		
Dividend paid	(110,214,903)	-
Long term financing	64,404,383	(144,153,000)
Liability against assets subject to finance lease	-	(491,756)
Net cash (used in) financing activities	(110,214,903)	(144,644,756)
Net increase/(decrease)/ in cash and cash equivalents	1,165,631,078	(3,607,325,707)
Cash and cash equivalents at beginning of the period	4,360,761,757	10,794,576,718
Cash and cash equivalents at end of the period	5,526,392,835	7,187,251,011

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

Chief Executive

Director



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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED 31 MARCH 2009

(Rupees)

	SHARE CAPITAL			RESERVES			TOTAL
	Issued, subscribed and paid up capital	Surplus/ (deficit) on remeasurement of investments	Exchange difference on transaction to presentation currency	Revenue Reserves		Sub Total	
				General reserve	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
Profit for the nine months ended 31 March 2008	-	-	-	-	5,419,678,027	5,419,678,027	5,419,678,027
Surplus on remeasurement of investments to fair value - net of tax	-	(59,573,613)	-	-	-	(59,573,613)	(59,573,613)
Exchange difference on translation to presentation currency	-	-	16,150	-	-	16,150	16,150
Interim specie distribution	-	-	-	-	(413,472,751)	(413,472,751)	(413,472,751)
Transferred to general reserve	-	-	-	1,169,474,067	-	1,169,474,067	1,169,474,067
Balance as at 31 March 2008 as previously reported	3,000,000,000	51,269,083	125,031	5,189,041,732	9,432,214,675	14,672,650,521	17,672,650,521
Effect of change in accounting policy as equity method instead of carrying at fair value due to classification of Al-Abbas Cement Industries Limited as associated company instead of investment available for sale (Refer Note No.3)	-	3,200,000	-	-	(104,222,200)	(101,022,200)	(101,022,200)
Balance as at 31 March 2008 as restated	3,000,000,000	54,469,083	125,031	5,189,041,732	9,327,992,475	14,571,628,321	17,571,628,321
Balance as at 30 June 2008 as previously reported	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
Effect of change in accounting policy as equity method instead of carrying at fair value due to classification of Al-Abbas Cement Industries Limited as associated company instead of investment available for sale (Refer Note No.3)	-	(51,968,000)	-	-	(112,437,700)	(164,405,700)	(164,405,700)
Balance as at 30 June 2008 as restated	3,000,000,000	551,264,838	8,168,490	4,019,567,665	9,871,636,922	14,450,637,915	17,450,637,915
Loss for the nine months ended 31 March 2009	-	-	-	-	(1,168,318,656)	(1,168,318,656)	(1,168,318,656)
Deficit on remeasurement of investments to fair value	-	(695,575,057)	-	-	-	(695,575,057)	(695,575,057)
Exchange difference on translation to presentation currency	-	-	25,027,264	-	-	25,027,264	25,027,264
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 - 15%	-	-	-	-	(110,214,903)	(110,214,903)	(110,214,903)
Balance as at 31 March 2009	3,750,000,000	(144,310,219)	33,195,754	4,019,567,665	7,843,103,363	11,751,556,562	15,501,556,562

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

Chief Executive

Director



ARIF HABIB
SECURITIES LTD.

3rd Quarterly Report 2009

1 Status and Nature of Business

1.1 Arif Habib Securities Limited ("the Company") was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. 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 principal activity of the Company is business of investments in listed and unlisted securities.

During financial year 2008, Company has surrendered its IFS license as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which was acquired on 22 January 2007 and now effective from 19 February 2008 the Company is no more a Non-Banking Finance Company.

The Company is the parent company of Arif Habib Bank Limited, a commercial bank with 59.40% shareholding, Arif Habib Limited, a brokerage house with 75% shareholding, Arif Habib Investment Management Limited, an asset management company with 60.18% shareholding, Arif Habib DMCC, a UAE incorporated member company of Dubai Gold & Commodities Exchange with 100% shareholding, S.K.M Lanka Holdings (Pvt.) Limited, a Sri Lankan incorporated brokerage house at Colombo Stock Exchange with 75% shareholding, Pakistan Private Equity Management Limited, a Venture Capital company with 85% shareholding and Real Estate Modaraba Management Company Limited a real estate projects management company with 99.99% shareholding.

Additionally it has long term investments in Pakarab Fertilizers Limited with 30% shareholding, Aisha Steel Mills Limited with 25% shareholding, Al-Abbass Cement Industries Limited with 10% shareholding, Fatima Fertilizer Company Limited with 12.59% shareholding, Rozgar Microfinance Bank Limited with 19.01% shareholding, Takaful Pakistan Limited with 10% shareholding, Sweetwater Dairies Pakistan (Pvt.) Limited with 16.49% shareholding and Sunbiz (Pvt.) Limited with 4.65% shareholding.

1.2 Changes in Composition of the Group

During the period ended 31 March 2009, the Company disposed off 1,080,032 shares of Arif Habib Investment Management Limited (a subsidiary) by an offer for sale. This resulted in reduction of the Company's holding in the subsidiary from 62.40% to 60.18 % at period end.

On 18 October 2008, the Company has entered into a Memorandum of Understanding with Mr. Hussain Lawai representing a consortium of foreign and local investors to take up substantial equity stake through injection of new equity / purchase of existing shares of Arif Habib Bank Limited. After materialization of this transaction, Arif Habib Bank Limited, which is currently a subsidiary, would become an associate of the Company.

- 1.3 Arif Habib Bank Limited (AHBL) was incorporated in Pakistan as a public limited company on December 09, 2005 under the Companies Ordinance, 1984. Its registered office is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. AHBL is domiciled in the province of Sindh. AHBL commenced operations from April 10, 2006. AHBL is principally engaged in the business of banking company, through its 33 branches including sub-branch as defined in the Banking Companies Ordinance, 1962. The medium to long term rating of AHBL rated by JCR-VIS credit rating company, is A with a positive outlook. Short term rating of AHBL is A-2. AHBL is a subsidiary of AHSL with shareholding of 59.40% (30 June 2008:59.40%).
- 1.4 Arif Habib Limited (AHL) was incorporated in Pakistan on September 07, 2004 under the Companies Ordinance, 1984, as a public limited company. The registered office of AHL is situated at 60-63, 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% (30 June 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 January 31, 2007.
- 1.5 Arif Habib Investment Management Limited (AHIML) was incorporated in Pakistan on August 30, 2000 as a public limited company under the Companies Ordinance, 1984. The registered office of AHIML is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHIML is a subsidiary of AHSL with shareholding of 60.18% (30 June 2008:62.40%). AHIML 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. AHIML is currently acting as Asset Management Company / Investment Advisor / Pension Scheme Manager.
- 1.6 Arif Habib DMCC (AHD) was incorporated in Dubai-UAE on October 24, 2005 as a limited liability company. Its registered office situated at Dubai Metals & 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 October 26, 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
- 1.7 S.K.M Lanka Holdings (Pvt.) Limited (SKML) was incorporated in Colombo-Sri Lanka on February 15, 2007 as a limited liability company. Its registered office situated at 86/1, Dawson Street, Colombo 02, Sri Lanka. It is domiciled in th province of Colombo. It is registered with Securities & Exchange Commission of Sri Lanka as securities brokerage house. SKML is a subsidiary of AHSL with 75% (30 June 2008:75%) shareholding.

- 1.8 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% (30 June 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.
- 1.9 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% (30 June 2008:99.99%). REMCO is a Modaraba management company. Currently it has not floated any Modaraba.

2 Basis of Preparation and Consolidation

The condensed interim consolidated financial statements include the financial statements of AHSL and its seven subsidiaries ("the Group Companies") as described in notes from 1.3 to 1.9 above.

Subsidiaries are those enterprises in which parent company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date when control commences until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and 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 are that part of the net results of the operations and of net assets of the subsidiaries attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

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

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

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

3 Significant Accounting Policies

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

Company changed its accounting policy retrospectively for Al Abbas Cement Industries Limited to equity method instead of carrying at fair value due to classification of Al-Abbas Cement Industries Limited as associated company instead of investment available for sale. The financial statements for the period ended 31 March 2008 and 30 June 2008 have been restated to correct this error. Had the policy not been changed the loss after tax for the period and unappropriated profit as at 31 March 2009 would have been higher and lower respectively, by Rs.111,956,100/-. Further, the long term investments would have been higher by Rs.6,228,100/- and deficit on remeasurement of investments would have been higher by Rs.105,728,000/-.

4 Accounting Estimates and Judgments

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

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

5 Short Term Borrowings

Short term running finance facilities are available from various commercial banks under mark-up arrangements amounting to Rs.8,575 million (30 June 2008: Rs.8,575 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 June 30, 2009. These arrangements are secured against pledge of marketable securities. The rates of mark-up range from one month KIBOR+1% to 2.50% per annum to 6 months' KIBOR+2% per annum (30 June 2008: one month KIBOR+1% to 2.50% per annum to 6 months' KIBOR+2% per annum) calculated on a daily product basis payable quarterly. The aggregate amount of these facilities which have not availed of at the date of the balance sheet is amounting to Rs.2,229.73 million (30 June 2008: Rs.6,861.189 million).

Borrowings from different financial institutions by AHBL at interest/mark-up rates ranging from 14% to 15% per annum (30 June 2008:10% per annum) maturing within one month. Market Treasury Bills amounting to Rs.1,574.70 million (30 June 2008:Rs.2,903.50 million) have been given as collateral against these borrowings.

Short term running finance facility is available to Arif Habib DMCC (AHD) from a Pakistani commercial bank at Dubai branch, UAE under mark-up arrangement amounting to US\$ 10.00 million (30 June 2008: US\$ 10.00 million) equivalent to Rs.689.500 million which represents the aggregate of sale prices of all mark-up agreements between the AHD and the bank. This facility have maturity date upto July 31, 2009. This arrangement is secured against pledge of marketable securities. The rate of mark-up range from one month LIBOR+2% per annum calculated on a daily product basis payable quarterly. The aggregate amount of this facility which have not availed of at the date of the balance sheet is amounting to US\$ 10.00 million (30 June 2008: US\$ 9.326 million) equivalent to Rs.643.056 million.

6 Contingencies and Commitments

There is no change in contingency as disclosed in the preceding published financial statements of the Company as at 30 June 2008.

7 Property and Equipment

Capital expenditure incurred during the period amounted to Rs. 594.527 million (30 June 2008: Rs.614.896 million). Disposal of fixed assets during the half year amounted to Rs.65.010 million (30 June 2008: Rs. 55.668 million).

8 Long Term Investments

The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism" the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 15 December 2008. The equity securities for the financial results ended on 31 December 2008, had been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the SECP vide its Circular dated 29 January 2009.

Furthermore, IAS 39 "Financial Instruments: Recognition and Measurement." Requires that available for sale equity instruments are impaired when there is a significant or prolonged decline in the fair value below its cost. Such investment loss should be transferred from equity to profit and loss account. However, due to unprecedented decline in equity security prices and prevailing financial crises, the SECP vide SRO dated 13 February 2009 has allowed the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investment 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/ 31 March 2009 shall be treated as a charge to profit and loss account for the purposes of distribution as dividend.

The recognition of full impairment loss based on the market values as at 31 March 2009 instead of quarterly charge would have had the following effect on these condensed interim consolidated financial statements:

	(Rupees)	
	Nine months ended 31 March 2009	Three months ended 31 March 2009
Impairment loss	425,675,407	425,675,407
Increase in loss after tax	425,675,407	425,675,407
Increase in loss per share after tax	1.14	1.14
Decrease in unappropriated profits	425,675,407	425,675,407
Decrease in deficit on remeasurement on investments	425,675,407	425,675,407

9 Transactions with Related Parties

There is no change in the relationship with the related parties from the preceding published financial statements of the Company as at 30 June 2008. Significant transactions and balances with the related parties during the period are as follows:

	Nine months ended 31 March 2009	31 March 2008
Transactions with Associates		
Subscription of right shares	206,494,245	468,740,570
Bonus shares	-	677,081,700
Technical assistance fee	6,582,270	7,984,108
Transactions with Other Related Parties		
Payment to employees' provident fund	191,712	96,750
Remuneration to key management personnel	2,939,387	1,528,124
Payment for capital work in progress	21,500,000	21,000,000
Management fee/investment advisory fee	189,474,883	342,782,372
Processing and other related income	5,147,357	20,950,245
Investment in mutual funds at cost	210,486,790	304,823,305
Sale proceeds from redemption from funds	192,592,071	12,506,532
	(Unaudited 31 March 2009)	30 June 2008
Balances as at		
Receivable at the year end - unsecured	90,000,958	927,380,036
Loan from other related parties	666,015,774	1,500,000,000

10 Date of Authorisation for Issue

This condensed interim unconsolidated financial information was authorized for issue on 30 April 2009 by the Board of Directors of the Company.

11 General

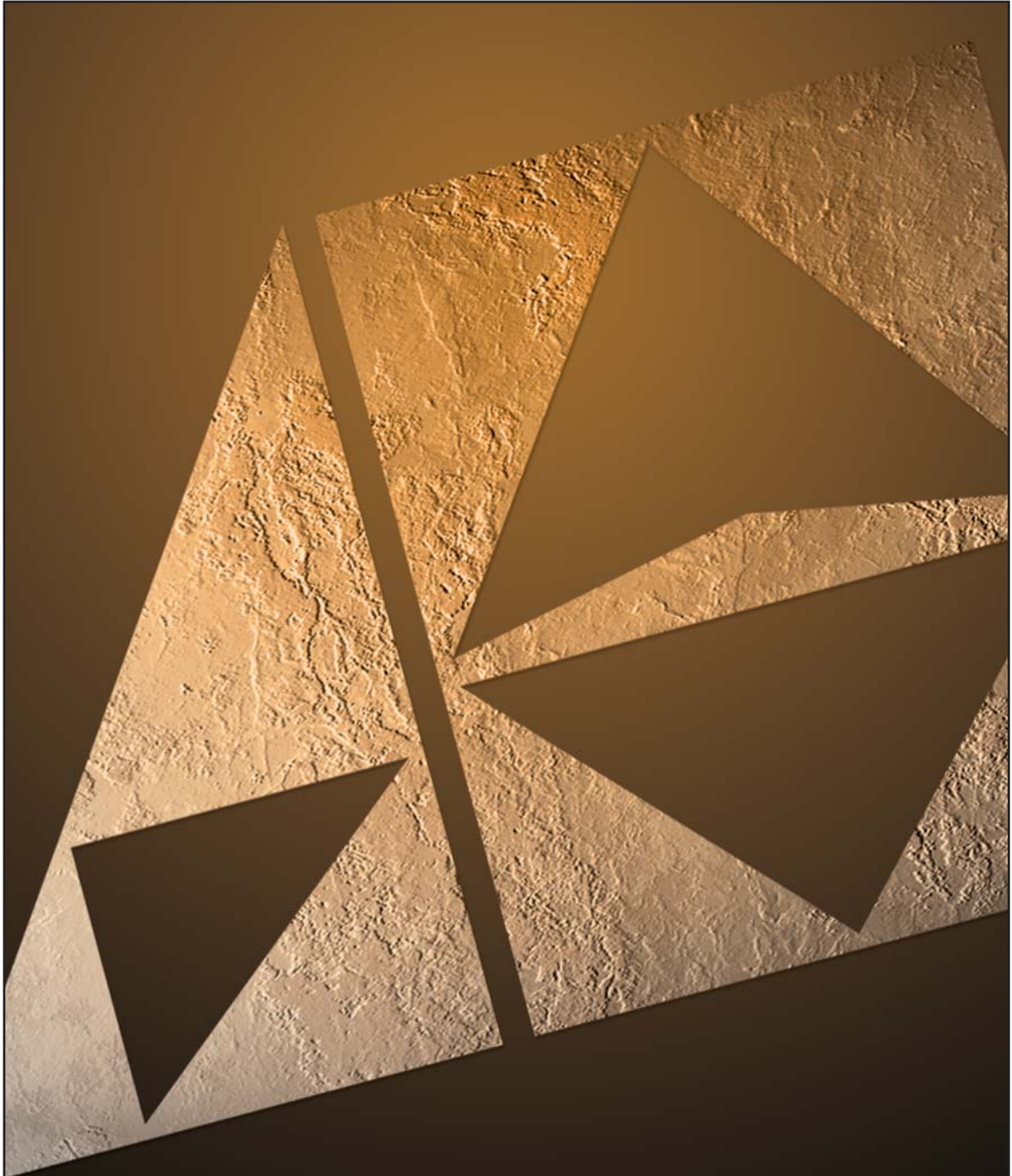
Figures have been rounded off to the nearest rupee. Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of correct presentation.

Chief Executive

Director



3rd Quarterly Report 2009



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