ANNUAL REPORT 2010

PROMOTING INVESTMENT

ARIF HABIB
SECURITIES LTD.

Contents

Corporate Objectives

VISION

To be the 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 continuous 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 investment 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 desicions, procedures and system of the company in a way that it contributes towords the welfare of all stakeholders and respect the rights of all constituents by the company's operations. A summary of code of ethics is 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 the accepted accounting rules and procedures is required at all times. All the information supplied to the 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 the governmental and regularly bodies and is committed to the highest standards of corporate governance.

High Standards
Voluntarily sets, and adhers to, the highest standards of professional conduct: this will assure peace of mind and fair treatment for all the stakeholders.

Efficiency
Efficiencies, appropriate risk management measures 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 intended 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

Muhammad Kashif A. Habib
Director

Asadullah Khawaja
Director

Sirajuddin Cassim
Director

Nasim Beg
Director

Syed Ajaz Ahmed Zaidi
Director

Muhammad Khubaib
Director

Muhammad Akmal Jameel
Director

Company Secretary
Tahir Iqbal

Audit Committee

Sirajuddin Cassim
Chairman

Kashif A. Habib
Member

Syed Ajaz Ahmed Zaidi
Member

Muhammad Akmal Jameel
Member

Management

Arif Habib
Chief Executive

Tahir Iqbal
Chief Financial Officer

Bankers

Allied Bank Limited
Atlas Bank Limited
Bank Al Falah Limited
Bank Al-Habib Limited
Bank of Khyber
Barclays Bank (Pakistan) 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
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Auditors

KPMG Taseer Hadi & Co., Chartered Accountants

Legal Advisors

Bawaney & Partners

Registered & Corporate Office

Arif Habib Centre
23, M.T. Khan Road
Karachi-74000
Tel: (021)32415213-15
Fax: (021)32429653, 32470496
Email: ahsl@arifhabib.com.pk
Website: www.arifhabib.com.pk

Registrar & Share Transfer Agent

Central Depository Company of Pakistan

Share Registrar Department

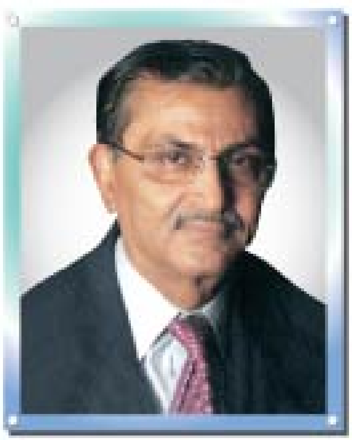
CDC House, 99-B, Block-B, S.M.C.H.S,
Main Shahra-e-Faisal, Karachi
Tel: (021) 111-111-500
Toll Free:0800-23275
Fax: (021)34326053
URL: www.cdcpakistan.com
Email: info@cdcpak.com

Board of Directors

Mr. Arif Habib

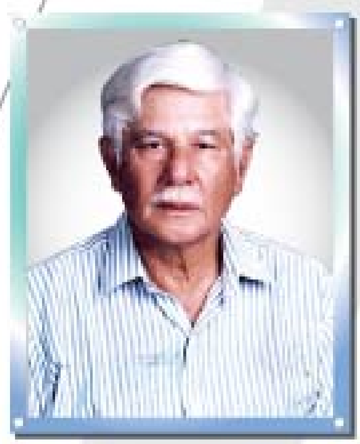
Mr. Nasim Beg

Mr. Kashif A. Habib



Mr. Sirajuddin Cassim

Mr. Syed Ajaz Ahmed Zaidi



Mr. Asadullah Khawaja

Mr. Muhammad Akmal Jameel

Mr. Mohammad Khubaib

Company Profile

Known for consistently generating superior returns for the public investor through its enterprise acumen, the Arif Habib Group is a diversified business conglomerate with investments across a broad spectrum of key industries in Pakistan. It ranks amongst the foremost financial services providers in the country today, with controlling interests in prime corporations competing across the securities brokerage, investment advisory, investment management, and private equity industries.

The Group is also a significant player in the chemical-fertilizers, real estate, steel, dairy and cement industries. It has helped catalyze significant foreign investment inflows into Pakistan. The Group is thus uniquely positioned to offer the best of "the Pakistan menu" to its stakeholders.

Winner of several prestigious national and regional awards in recognition of its consistently strong financial performance, sound corporate governance practices and management quality, the Group takes pride in its orientation towards client service and stakeholder-satisfaction. The Arif Habib brand franchise is built on decades of first-rate services to clients supplemented by astute asset selection, market timing and voluntary adherence to global standards of best practices. Group companies own, and manage, assets of several hundred million US dollars.

Recognizing that its key success factors include the quality of its personnel and systems, the Group has implemented a strategic thrust to continuously invest in staff, systems and capacity building for its various businesses. While the Group's holding company is still managed by the founder himself, all subsidiaries and associates are administered by experienced professionals adept in their respective industry sectors. Key senior staff managing Group companies and operations include Chartered Accountants, Chartered Management Accountants, CFAs, MBAs and Engineers with combined managerial experience.

In recent years, the Group has begun to leverage its core competencies to diversify geographically. With a view to replicate its gainful experience as a large full-service institutional broker into other markets, the Group has invested in subsidiaries with trading rights at the Dubai Multi Commodities Exchange and the Colombo Stock Exchange. Studies are being conducted to ascertain the feasibility of the Group entering the Bangladeshi and the Canadian financial services markets in the medium term.

Arif Habib Securities Limited (AHSL) is the holding company of Arif Habib Group. It was incorporated on 14th November 1994 as a Public Limited Company under the Companies Ordinance, 1984 and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is the business of investment in listed and unlisted securities. Since its public listing in 2001, AHSL has generated a very large cumulative alpha above the benchmark Karachi Stock Exchange (KSE)-100 index total returns, making it by far the best performing stock at the KSE. Despite the large deviations in the market in recent years, AHSL's cumulative alpha has seldom been under 5,000 percent. Resultantly, it has had the distinction of being adjudged winner of the prestigious "KSE Top 25 Companies Award" for each of the years since its common stock was publicly quoted. Winner of numerous other awards recognizing its sterling performance on a variety of standards, AHSL has, over the years, distinguished itself as a superior asset manager and market participant. The awards include reputed national and regional recognitions of performance and governance.

AHSL, holds shares in both the operating subsidiaries and other strategic investments.

Operating subsidiaries cover a wide range of financial services, viz:

1. Arif Habib Limited – Securities brokerage house in Pakistan
2. SKM Lanka Holdings (Pvt.) Limited – Securities brokerage house in Colombo, Srilanka
3. Arif Habib DMCC – Commodities brokerage house in Dubai, UAE
4. Arif Habib Investments Limited – Asset management company
5. Pakistan Private Equity Management Limited – Venture Capital management company

Strategic investments include:

1. Pakarab Fertilizers Limited
2. Fatima Fertilizer Company Limited
3. Al Abbas Cement Industries Limited
4. Thatta Cement Company Limited
5. Aisha Steel Mills Limited
6. Rozgar Microfinance Bank Limited
7. Takaful Pakistan Limited
8. Sweetwater Dairies Pakistan (Pvt.) Limited

Additionally, AHSL maintains a well diversified investment portfolio of listed securities having cost of Rs.5 billion, at an average. With such a diversified investment portfolio, AHSL stands strong and is well placed to play an important role in Pakistan's rapidly developing economy.

Organization Chart

Profiles of Directors and Key Executives

Mr. Arif Habib is Chairman of the Group. He has extensive experience of capital market spread over thirty years.

Mr. Arif Habib

Chairman & Chief Executive
Date of Appointment: September 29, 2007

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.

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 has 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 participated in welfare activities of different organizations. To quote a few he is one of the trustee of Fatamid Foundation and Memon Health & Education Foundation and a director of Pakistan Centre for Philanthropy and Karachi Education Initiative.

Other engagements

As Chairman

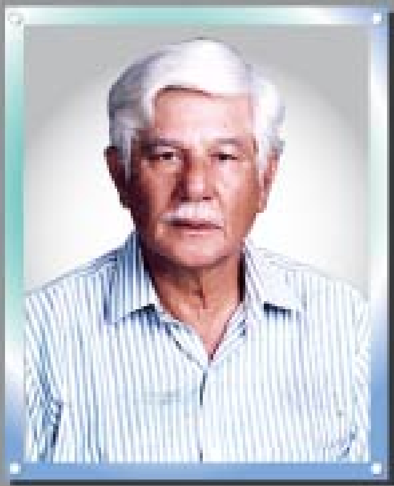
- Pakarab Fertilizers Limited
- Fatima Fertilizer Company Limited
- Thatta Cement Company Limited
- Pakistan Private Equity Management Limited
- Real Estate Modaraba Management Company Limited
- Arif Habib DMCC Dubai
- Safemix Concrete Products Limited
- Sachal Energy Development (Pvt.) Limited
- Arif 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
- Karachi Education Initiative



Mr. Asadullah Khawaja

Non-Executive Director

Date of Appointment: September 29, 2007

Mr. Khawaja has also served on the board of directors of prestigious institutions of domestic and international nature and the list of companies can be termed impressive.

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 Councilor. After leaving ICP in 2000 he served as the Executive Director of Pakistan Credit Rating Agency from December 2001 to 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 be termed impressive.

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

Mr. Kashif A. Habib
Non-Executive Director
Date of Appointment: September 29, 2007

He has at his credit experience of three years Internship in Arif Habib Securities Limited and two years experience as Executive Director in cement and fertilizer companies of the group.

Profile
Mr. Kashif A. Habib has completed his mandatory Articleship 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 three years Internship in Arif Habib Securities Limited and two years experience of Executive Director in cement and fertilizer companies of the group.

Presently Mr. Kashif A. Habib is Executive Director at Pakarab Fertilizers Limited and Thatta Cement Company Limited.

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
Arif Habib Realstate Services (Pvt.) Limited
Real Estate Modaraba Management Co. Limited

Mr. Muhammad Akmal Jameel

Non-Executive Director

Date of Appointment: September 29, 2007

He has over fifteen years of experience in financial markets and financial consulting in Pakistan and the Gulf.

Profile

Mr. Akmal Jameel, a Chartered Financial Analyst (CFA), has extensive experience of corporate finance and private equity transactions. He has over fifteen years of experience in financial markets and financial consulting in Pakistan and the Gulf. He also 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.

Other engagements

As Director

Arif Habib Investments Limited
Arif Habib REIT Management Limited
Real Estate Modaraba Management Company Limited
Rozgar Microfinance Bank Limited
Pakistan Private Equity Management Limited

Mr. Mohammad Khubaib
Non-Executive Director
Date of Appointment: December 16, 2007

He has been associated with Unilever, Unisys, Cupola Group, Alghazi Tractors (Fiat), Dewan Group and IBL.

Profile

He has over thirty years of experience of managing the 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 multinationals). He has managed projects in sugar, cement, automobile, information technology, agriculture and distribution sectors. He has masters degree in commerce.

Other engagements

As Chief Executive
Aisha Steel Mills Limited

As Director
Thatta Cement Company Limited
Sweetwater Diaries Pakistan (Pvt.) Limited

Mr. Nasim Beg

Non-Executive Director

Date of Appointment: September 29, 2007

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.

Profile

Mr. Nasim Beg, a fellow member of ICAP, is the Chief Executive of Arif Habib Investments Limited. With over thirty six 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, of 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 of an IT for a few months. He has also been associated at top-level positions with other asset management and investment advisory companies.

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), in which he set up a green field project, that the company developed sophisticated indigenous components for the automotive industry. Besides his expertise in the financial services sector which includes his strength in information technology, back office management, finance and accounting. Mr. Beg is one of the few senior level professionals who has had rather extensive experience of management of information systems. Not only does he have hands-on experience, but places like Abu Dubai Investment Co. – UAE (where he played a role in setting up of the company) and NIT, he was responsible for getting systems developed.

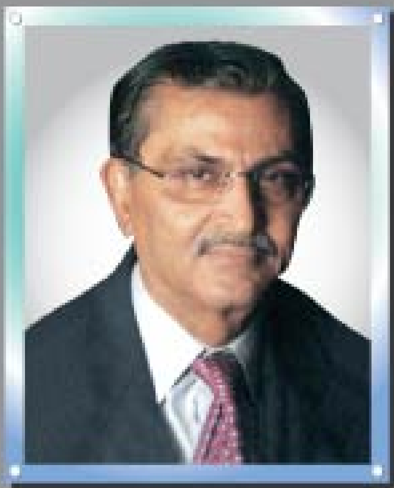
Other engagements

As Chief Executive

Arif Habib Investments Limited
Pakistan Premier Fund Limited

As Director

Arif Habib Bank Limited
Pakarab Fertilizers Limited
Saudi Pak Insurance Company 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



Mr. Sirajuddin Cassim
Non-Executive Director
Date of Appointment: September 29, 2007

He has vast experience of serving as a member of the Taxation & Fiscal and Banking & Fiscal sub-Committees of the Karachi Chamber of Commerce

Profile

Mr. Sirajuddin Cassim is one of the most experienced persons of the team. He has 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 has 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 has also served as Chairman of 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 and 1998. He has 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.

Other engagements

As Director

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

Mr. Syed Ajaz Ahmed Zaidi
Non-Executive Director
Date of Appointment: September 29, 2007

Mr. Ahmed while serving in senior positions at various financial institutions has had in depth experience of various international markets.

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 Khalidi (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 to have won the "Best Companies Award" granted by Karachi Stock Exchange.

He is also Chairman of Al Abbas Cement 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, brokerage, investment bank and asset management companies. Mr. Ahmed while serving in 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.

Other engagements

As Chairman
Al-Abbas Cement Industries Limited

As Chief Executive
Pakistan Private Equity Management Limited

As Director
Arif Habib Investment Limited
Javedan Cement Limited
J.J. Media (Pvt.) Limited
Project One (Pvt.) Limited
Real Estate Modaraba Management Co. Limited
Sweetwater Diaries Pakistan (Pvt.) Limited

Mr. Tahir Iqbal
CFO & Company Secretary

Mr. Iqbal's forte is system developments, financial analysis, compliance & reporting, project evaluations & feasibility studies.

Profile

He has served a number of organizations in different executive positions related to Accounts, Finance, Compliance & Monitoring, and Strategic Management. He has attended a number of managerial courses and seminars organized by the PICG, ICAP, ICMAP, IDBP, MAP and other professional bodies in Pakistan.

During his professional career he has achieved a lot; apart from normal routine functions including computerized software designing and its implementation, preparing and implementing standard operating procedures (SOP) and internal controls, short term loans planning for working capital needs, implementation of Code of Corporate Governance (in line with SECP and other statutory requirements), translating mission statements into strategic and operational plans, preparing feasibilities and project evaluations, entering into joint ventures etc. and to discharge such professional duties he has travelled to all major business hubs in Pakistan. Apart from hands on experience of almost every area of financial management and organizational compliance his forte is system developments, financial analysis, compliance & reporting, project evaluations & feasibility studies, and strategy formulation & implementation.

Other engagements

As Director

SKM Lanka Holdings (Pvt.) Limited.
Real Estate Modaraba Management Co. Limited

As CFO & Company Secretary

Arif Habib Foundation
Rotocast Engineering Co. (Pvt.) Limited.

Board & Management Committees

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

Board Committees

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 Cassim	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, ensures compliance of Code of Corporate Governance and 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.

- Holds separate meetings with the Chief Financial Officer, Head of Internal Audit and the External Auditors as required under listing regulation.

- Recommends to the Board of Directors the selection of the independent audit firm(s), considering independence and effectiveness and also recommends the fees and other compensation to be paid to the 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 evaluate the 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 in 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 the charter and obtain approval for changes if any from the Board.
- Evaluate performance of the IAD.

Investments & Projects Diversification Committee (IPDC)

The function of IPDC is to presents 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 two meetings of the Committee were held. In line with its terms of reference, discussed the quality of present investments, well positioning of present and future resources for investment 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 matters 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 in developing, reviewing and approving risk management policies, instituting special projects and 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 recommendations on human resource management, organizational development, policies to attract and retain quality personnel, assessment of corporate culture and change in 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.

The Board of Directors act as governing trustees of the Company on behalf of the shareholders while carrying out the Company's mission and goals. In order to uphold the trust of stakeholders, the Board of Directors' performance warrants assessment.

The evaluation would examined 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.

The Board of Directors set following evaluation criteria to judge its performance.

- Compliance with the legislative system in which Company operates, particularly Companies Ordinance, 1984. Listing Regulations of Stock Exchanges, the Memorandum and Articles of Association of the Company.
- Active participation in strategic planning process, enterprise risk management system, policy development, financial structure, monitoring and approval.
- Hiring, evaluating, management, compensating and supporting the Executive Directors and other key positions including Chief Executive.
- Appropriate delegations to Board Committees with members possessing adequate technical know how and experience.
- Establishing adequate internal control system in the Company and its regular assessment through self assessment mechanism or/and internal audit activities.
- Ensuring required quorum of Board meeting is available, to foster healthy discussion, deliberation and quality decisions on matter of significance.
- Ensuring training of Board of Directors including new appointments with such that each member is fully integrated in the Company and perform in accordance with the responsibilities entrusted.

Chief Executive's Performance Review

The long-term performance of a company's stock may be the ultimate test of a CEO's talents. But that's not the only measurement used by boards of directors to gauge how well the boss is doing. According to modern theories of governance it relates to; "the exercise of authority by a group of appointed or elected individuals who are responsible and accountable for the direction and control of the organization."

One of the important functions or responsibilities of the Board of Directors is to assure the organization has effective executive management. This includes appointment the chief executive officer, setting expectations and the annual goals and objectives of the organization, and evaluating the performance of the CEO.

THE Chief Executive is present in every meeting of the Board and provides detailed explanation on each item of the agenda and addresses any specific questions by the Board members. The performance of CEO is assessed through the evaluation system set by the Arif Habib Group for it group companies. This evaluation takes into account various parameters including financials, employees, stakeholders and processes.

Notice of Sixteenth Annual General Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of the Shareholders of Arif Habib Securities Limited ("the Company") will be held on Saturday, September 25, 2010 at 10:00 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 26, 2009.

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, 2010 together with the Audited Consolidated Financial Statements of the Company and Subsidiaries for the year ended June 30, 2010.

3) To appoint the Auditors for the year ending June 30, 2011 and fix their remuneration. The Audit Committee and the Board of Directors have recommended for reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as external auditors.

4) To elect directors of the Company in accordance with the provisions of Section 178 of the Companies Ordinance, 1984. The number of the directors to be elected has been fixed at seven by the Board of Directors. Names of the present eight directors retiring and eligible to file nominations for re-election are as under:

   Mr. Arif Habib, Mr. Asadullah Khawaja, Mr. Nasim Beg, Mr. Kashif A. Habib, Mr. Sirajuddin Cassim, Mr. Syed Ajaz Ahmed Zaidi, Mr. Muhammad Khubaib, Mr. Akmal Jameel

5) To declare dividend in specie for the year ended 30 June 2010 at the rate of 30% i.e. to distribute 112.50 million quoted shares of Fatima Fertilizer Company Limited (FFCL) having face value of Rs.10 each, to the shareholders of the Company as specie dividend in the ratio of 3:10 (3 shares of FFCL for every 10 shares held of AHSL), as recommended by the Board of Directors of the Company.

Special Business

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

   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 investments/additional investments in associated companies and associated undertakings subject to the terms and conditions mentioned in the annexed statement **under Section 160(1)(**

		Rupees in million	
		Proposed amount for Equity	Proposed amount for Loan / Advance
1.	Aisha Steel Mills Limited	1000	500
2.	Pakistan Cash Management Fund	1000	-
3.	AHDJ 15 Titans Index Fund	100	-
4.	Pakistan Premier Fund Ltd.	500	-
5.	Pakistan Strategic Allocation Fund	500	-
6.	Al Abbas Cement Limited	1000	500
7.	Sweetwater Dairies Pakistan (Pvt.) Limited	100	100
8.	Crescent Textile Mills Ltd.	700	-
9.	Sachal Energy Development (Pvt.) Ltd.	1000	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".aaid 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".

7) To consider and pass the following resolution as special resolution approving the change of name of the Company from "Arif Habib Securities Limited" to "Arif Habib Corporation Limited" after obtaining regulatory approvals and to approve the necessary amendments in the Articles and Memorandum of Association of the Company as a consequence of change of name of the Company.

"**RESOLVED THAT** that the name of the Company be and is hereby changed from "Arif Habib Securities Limited" to "Arif Habib Corporation Limited" as a consequence thereof, Cluase I (the Name Clause) of the Company's Memorandum of Association be and is hereby altered and replaced to read as follows subject to the approval of Regulatory authorities:

The name of the Company is "Arif Habib Corporation Limited"

"**FURTHER RESOLVED** THAT necessary changes in the Company's Articles of Association as a consequence of change of the name of the Company be and are hereby approved as per the Comparative Statement annexed to this Notice, subject to the approval of Regulatory authorities"

"**FURTHER RESOLVED THAT** the Chief Executive and/or the Company Secretary be and are hereby authorized to take necessary steps and execute documents as may be necessary or expedient for the purpose of giving effect to the spirit and intent of above resolutions"

8) To pass the following resolution as an ordinary resolution:

"Fractional shares to be allocated as a result of distribution of specie dividend in the form of quoted shares of FFCL be consolidated with the company secretary for sale in the open market in due course of time and the proceed be donated to any recognized Non-Profit Organization.

Any Other Business

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

Statement under Section 160(1)(b) of the Companies Ordinance 1984 and Comparative Statement for change of name, containing material facts concerning special businesses to be transacted as special resolutions at the Annual General Meeting are given on page 170 to 184.

By order of the Board

Karachi: September 3, 2010

Tahir Iqbal
Company Secretary

Notes:

1. Share transfer books of the company will remain closed from September 19, 2010 to September 25, 2010 (both days inclusive). Transfers received in order at the office of our registrar: M/s. Central Depository Company Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on September 18, 2010 will be treated in time.

2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

3. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan:

(i) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.

(ii) In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.

(iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC 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.

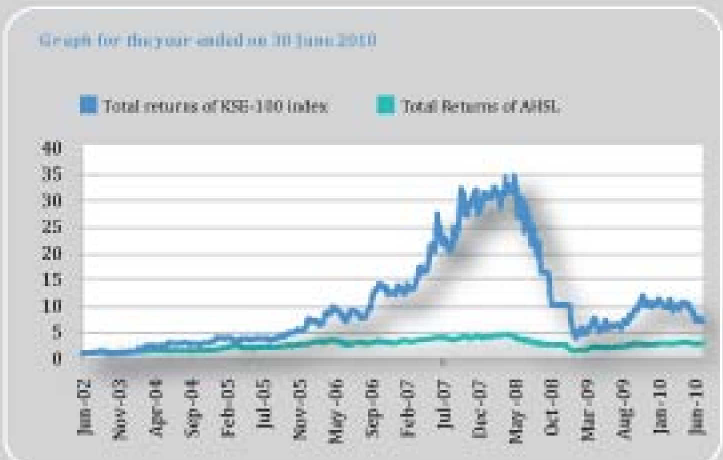
4. Members are requested to promptly notify any change in address by writing to the office of the registrar.

Financial & Business Highlights

Year ended June 30

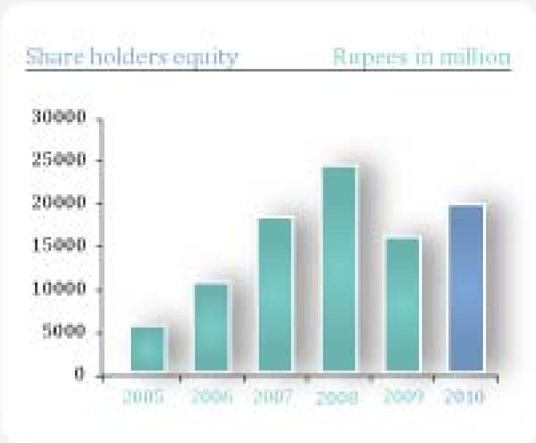
	2010	2009	2008	2007	2006	2005
	Rupees in million					
Profit and Loss Account						
Total revenue	**4,189.37**	(498.42)	10,005.29	4,062.85	5,051.65	2,879.59
Operating & administrative expenses	**(227.41)**	(1,180.05)	(93.31)	(73.57)	(87.25)	(129.97)
Finance cost	**(229.46)**	(456.11)	(71.41)	(54.39)	(195.97)	(109.66)
Operating profit	**3,961.96**	(1,678.47)	9,911.99	3,989.27	4,964.40	2,749.62
Profit before tax	**3,732.50**	(2,134.59)	9,840.58	3,934.88	4,768.42	2,639.96
Profit after tax	**3,798.47**	(2,768.93)	8,297.17	3,682.33	4,157.36	2,583.37
EBITDA	**3,972.39**	(1,676.73)	9,913.20	3,990.72	4,966.64	2,751.05
Balance Sheet						
Share capital	**3,750.00**	3,750.00	3,000.00	3,000.00	270.00	200.00
Reserves	**16,034.15**	12,385.32	16,049.92	15,074.59	10,420.64	5,297.87
Property and equipment	**61.15**	72.16	28.30	5.40	9.02	6.76
Long term investments	**19,535.27**	16,544.54	17,343.81	14,508.84	6,540.33	436.12
Net current assets	**3,791.01**	5,302.27	5,905.42	5,534.93	5,259.84	6,502.47
Net current liabilities	**720.69**	2,833.46	1,917.48	140.84	117.51	2,340.05
Deferred liabilities	**2,883.40**	2,950.23	2,310.18	1,833.79	1,251.30	-
Total assets	**23,388.23**	21,919.00	23,277.58	20,049.22	12,059.44	7,837.92
Total liabilities	**3,604.08**	5,783.69	4,227.65	1,974.64	1,368.80	2,340.05
Ratios						
Performance						
Return on equity (%)	**19.20%**	(17.16%)	45.91%	34.44%	75.62%	86.10%
Return on Assets (%)	**16.24%**	(12.63%)	28.80%	18.37%	34.47%	32.96%
Return on capital employed (%)	**15.45%**	(8.79%)	35.90%	19.49%	38.29%	46.02%
Income/ expense ratio (PKR)	**(7.198)**	(1.877)	(5.607)	(4.901)	(6.809)	(6.102)
Earning Asset/Total Asset Ratio (PKR)	**0.98**	0.88	1.23	0.99	0.87	0.70
Net assets per share (PKR)	**52.76**	43.03	80.99	60.25	395.95	274.89
Leverage						
Debt:Equity ratio (PKR)	**0.03**	0.16	0.06	-	0.00	0.20
Interest cover ratio (PKR)	**17.27**	(3.68)	138.80	73.34	25.33	25.07
Dividend cover ratio (PKR)	**3.38**	-	11.06	1.64	15.40	12.92

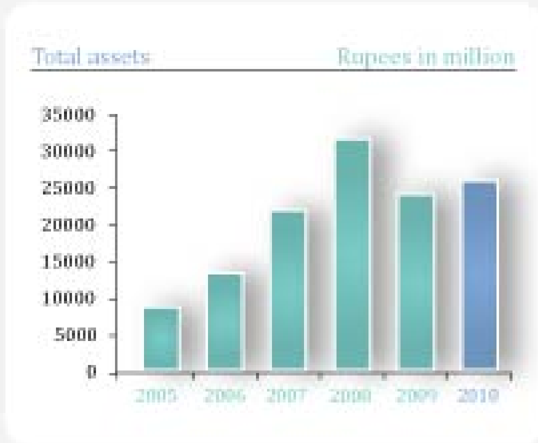
	2010	2009	2008	2007	2006	2005
Liquidity						
Current ratio (PKR)	**5.260**	1.871	3.080	39.299	44.763	2.779
Valuation						
Price earning ratio (PKR)	**3.28**	(3.64)	5.84	9.50	0.29	0.17
Break-up value per share (PKR)	**52.76**	43.03	80.99	60.25	395.95	274.89
Cash dividend per share (PKR)	**-**	-	1.50	7.50	10.00	10.00
Specie dividend per share (PKR)	**3.00**	-	1.00	-	-	-
Dividend Declared (%)	**30%**	-	25%	75%	100%	100%
Dividend yield (%)	**9.02%**	0.00%	1.55%	6.43%	22.31%	45.54%
Dividend payout ratio (%)	**29.62%**	0.00%	9.04%	61.12%	6.49%	7.74%
Bonus shares issued (%)	**0.00%**	0.00%	25.00%	322.22%	66.66%	50.00%
Market value per share (end of year) (PKR)	**33.27**	26.88	161.48	116.60	498.00	366.00
High (during the year) (PKR)	**54.80**	160.40	201.40	605.00	644.00	740.00
Low (during the year) (PKR)	**26.01**	17.64	112.70	107.90	259.00	246.00
Earnings Per Share (PKR)	**10.13**	(7.38)	27.66	12.27	153.98	129.17
Shareholders' Return						
Arif Habib Securities Limited - annual total return (%)	**20.15%**	(78.27%)	39.00%	65.00%	82.00%	27.00%
Karachi Stock Exchange 100 Index - annual return (%)	**35.74%**	(37.97%)	-10.00%	39.00%	42.00%	51.00%
Shareholders' return differential: AHSL-KSE-100 Index (%)	**(15.59%)**	(40.30%)	49.00%	26.00%	40.00%	(24.00%)

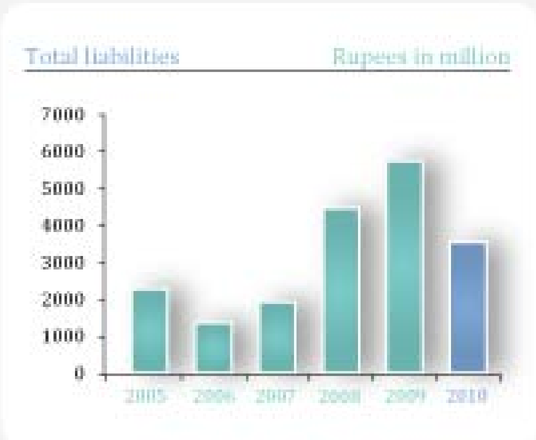


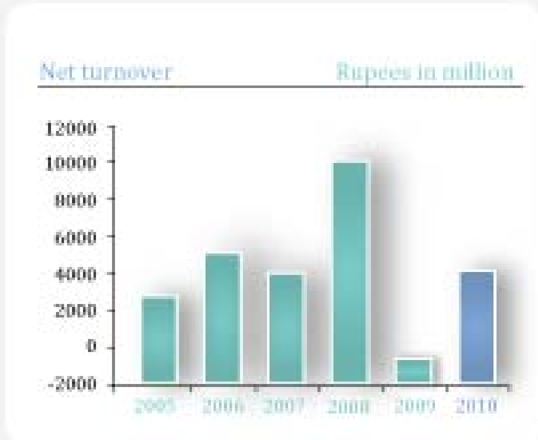
Source: Bloomberg, Arif Habib Limited, Equity Research Division

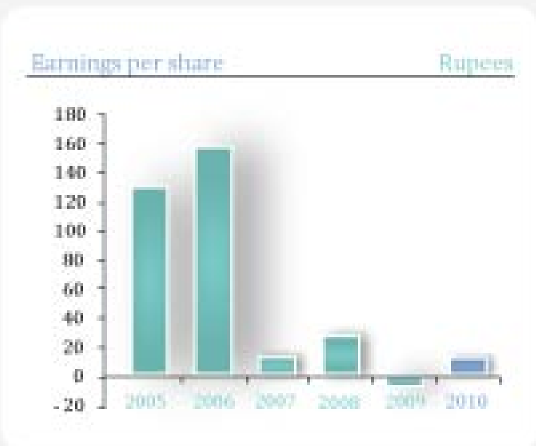
Graphs

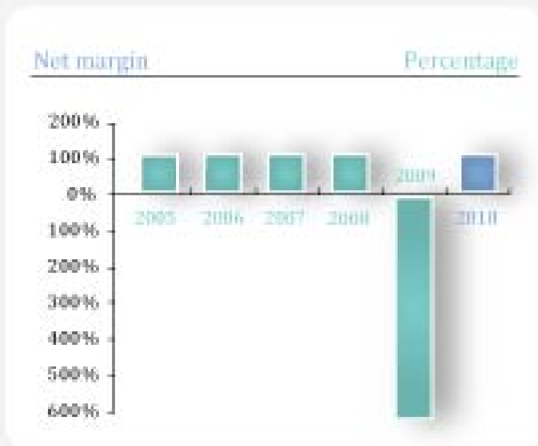

Share holders equity
Rupees in million
30000
25000
20000
15000
10000
5000
0
2005
2006
2007
2008
2009
2010


Total assets
Rupees in million
35000
30000
25000
20000
15000
10000
5000
0
2005
2006
2007
2008
2009
2010

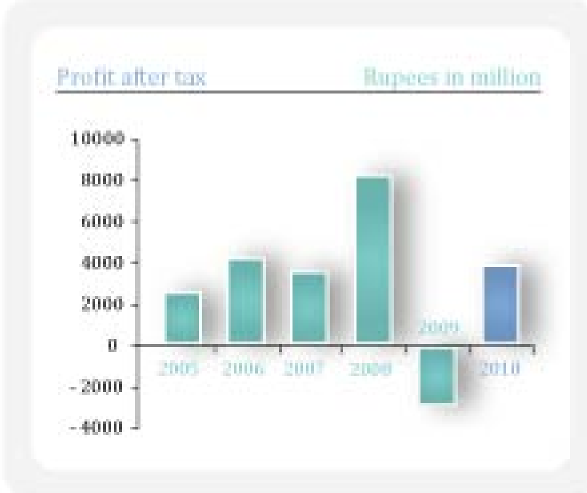

Total liabilities
Rupees in million
7000
6000
5000
4000
3000
2000
1000
0
2005
2006
2007
2008
2009
2010


Net turnover
Rupees in million
12000
10000
8000
6000
4000
2000
0
-2000
2005
2006
2007
2008
2009
2010

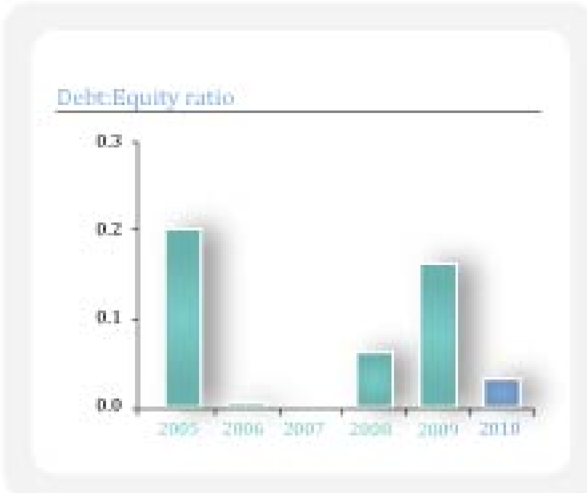

Earnings per share
Rupees
180
160
140
120
100
80
60
40
20
0
-20
2005
2006
2007
2008
2009
2010

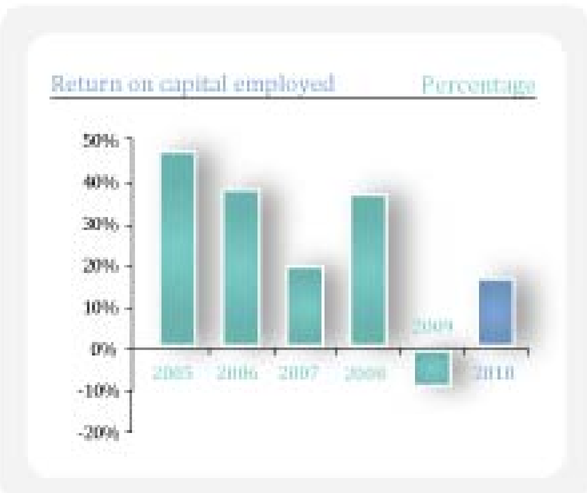

Net margin
Percentage
200%
100%
0%
100%
200%
300%
400%
500%
600%
2005
2006
2007
2008
2009
2010

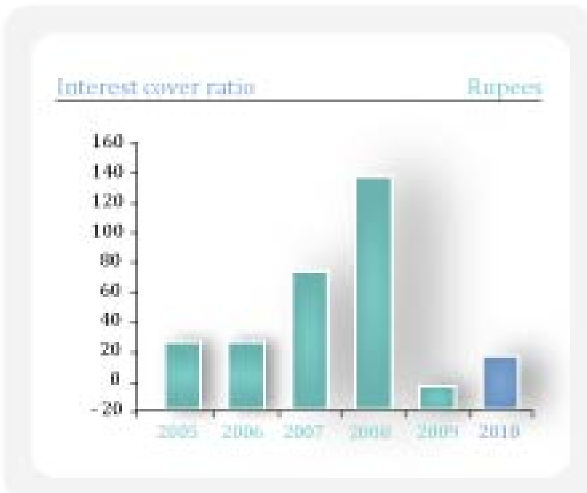

Break-up value per share
Rupees
450
400
350
300
250
200
150
100
50
0
2005
2006
2007
2008
2009
2010


Profit after tax
Rupees in million
10000
8000
6000
4000
2000
0
-2000
-4000
2005
2006
2007
2008
2009
2010


Return on equity
Percentage
100%
80%
60%
40%
20%
0%
-20%
2005
2006
2007
2008
2009
2010


Debt:Equity ratio
0.3
0.2
0.1
0.0
2005
2006
2007
2008
2009
2010


Return on capital employed
Percentage
50%
40%
30%
20%
10%
0%
-10%
-20%
2005
2006
2007
2008
2009
2010


Interest cover ratio
Rupees
160
140
120
100
80
60
40
20
0
-20
2005
2006
2007
2008
2009
2010

Horizontal Analysis of Financial Statements

	2010	2009	2008	2007	2006	2005
	Rupees in million					
Balance Sheet						
Total equity and minority interest	**19,784**	16,135	19,050	18,075	10,691	5,498
Total non-current liabilities	**2,883**	2,950	2,310	1,834	1,251	-
Total current liabilits	**721**	2,833	1,917	141	118	2,340
Total equity and liabilities	**23,388**	21,919	23,278	20,049	12,059	7,838
Total non-current assets	**19,597**	16,617	17,372	14,514	6,800	1,335
Total current assets	**3,791**	5,302	5,905	5,535	5,260	6,502
Total assets	**23,388**	21,919	23,278	20,049	12,059	7,838
Profit and Loss Accounts						
Total revenue	4,189	(498)	10,005	4,063	5,052	2,880
Operating and administrative expenses	(227)	(169)	(93)	(74)	(87)	(130)
Impairment loss on asset classified as held for sale	-	(1,011)	-	-	-	-
Operating profit / (loss)	3,962	(1,678)	9,912	3,989	4,964	2,750
Finance cost	(229)	(456)	(71)	(54)	(196)	(110)
Profit / (loss)t before tax	3,732	(2,135)	9,841	3,935	4,768	2,640
Taxation	66	(634)	(1,543)	(253)	(611)	(57)
Profit / (loss) after tax	3,798	(2,769)	8,297	3,682	4,157	2,583

	Percentage change					
	w.r.t. 2009	w.r.t. 2008	w.r.t. 2007	w.r.t. 2006	w.r.t. 2005	w.r.t. 2004
Balance Sheet						
Total equity and minority interest	**22.6**	3.9	9.5	85.1	259.9	559.4
Total non-current liabilities	**(2.3)**	24.8	57.2	130.4	-	-
Total current liabilits	**(74.6)**	(62.4)	411.7	513.3	(69.2)	224.3
Total equity and liabilities	**6.7**	0.5	16.7	93.9	198.4	625.7
Total non-current assets	**17.9**	12.8	35.0	188.2	1,367.5	14,507.6
Total current assets	**(28.5)**	(35.8)	(31.5)	(27.9)	(41.7)	22.7
Total assets	**6.7**	0.5	16.7	93.9	198.4	625.7
Profit and Loss Accounts						
Total revenue	940.5	(105.0)	146.3	(19.6)	75.4	52.8
Operating and administrative expenses	34.7	81.0	26.8	(15.7)	(32.9)	32.6
Impairment loss on asset classified as held for sale	(100.0)	100.0	-	-	-	-
Operating profit / (loss)	336.0	(116.9)	148.5	(19.6)	80.5	53.9
Finance cost	(49.7)	538.7	31.3	(72.2)	78.7	239.5
Profit / (loss) before tax	274.9	(121.7)	150.1	(17.5)	80.6	50.5
Taxation	110.4	(58.9)	511.1	(58.7)	979.7	16.5
Profit / (loss) after tax	237.2	(133.4)	125.3	(11.4)	60.9	51.5

Vertical Analysis of Financial Statements

	2010 Rupees in million	%	2009 Rupees in million	%	2008 Rupees in million	%
Balance Sheet						
Total equity and minority interest	**19,784.2**	84.6	16,135.3	73.6	19,049.9	81.8
Total non-current liabilities	**2,883.4**	12.3	2,950.2	13.5	2,310.2	9.9
Total current liabilits	**720.7**	3.1	2,833.5	12.9	1,917.5	8.2
Total equity and liabilities	**23,388.2**	100.0	21,919.0	100.0	23,277.6	100.0
Total non-current assets	**19,597.2**	83.8	16,616.7	75.8	17,372.2	74.6
Total current assets	**3,791.0**	16.2	5,302.3	24.2	5,905.4	25.4
Total assets	**23,388.2**	100.0	21,919.0	100.0	23,277.6	100.0
Profit and Loss Accounts						
Total revenue	4,189.4	100.0	(498.4)	(100)	10,005.3	100.0
Operating and administrative expenses	(227.4)	(5.4)	(168.9)	-	(93.3)	(0.9)
Impairment loss on asset classified as held for sale	-	-	(1,011.2)	-	-	-
Operating profit / (loss)	3,962.0	94.6	(1,678.5)	-	9,912.0	99.1
Taxation	(229.5)	(5.5)	(456.1)	-	(71.4)	(0.7)
Profit / (loss) before tax	3,732.5	89.1	(2,134.6)	-	9,840.6	98.4
Taxation	66.0	1.6	(634.3)	-	(1,543.4)	(15.4)
Profit / (loss) after tax	3,798.5	90.7	(2,768.9)	-	8,297.2	82.9

	2007 Rupees in million	%	2006 Rupees in million	%	2005 Rupees in million	%
Balance Sheet						
Total equity and minority interest	**18,074.6**	90.2	10,690.6	88.6	5,497.9	70.1
Total non-current liabilities	**1,833.8**	9.1	1,251.3	10.4	-	-
Total current liabilits	140.8	0.7	117.5	1.0	2,340.1	29.9
Total equity and liabilities	**20,049.2**	100.0	12,059.4	100.0	7,837.9	100.0
Total non-current assets	**14,514.3**	72.4	6,799.6	56.4	1,335.5	17.0
Total current assets	**5,534.9**	27.6	5,259.8	43.6	6,502.5	83.0
Total assets	**20,049.2**	100.0	12,059.4	100.0	7,837.9	100.0
Profit and Loss Accounts						
Total revenue	4,062.8	100.0	5,051.7	100.0	2,879.6	100.0
Operating and administrative expenses	(73.6)	(1.8)	(87.3)	(1.7)	(130.0)	(4.5)
Impairment loss on asset classified as held for sale	-	-	-	-	-	-
Operating profit / (loss)	3,989.3	98.2	4,964.4	98.3	2,749.6	95.5
Taxation	(54.4)	(1.3)	(196.0)	(3.9)	(109.7)	(3.8)
Profit / (loss) before tax	3,934.9	96.9	4,768.4	94.4	2,640.0	91.7
Taxation	(252.5)	(6.2)	(611.1)	(12.1)	(56.6)	(2.0)
Profit / (loss) after tax	3,682.3	90.6	4,157.4	82.3	2,583.4	89.7

Summary of Cashflow Statement

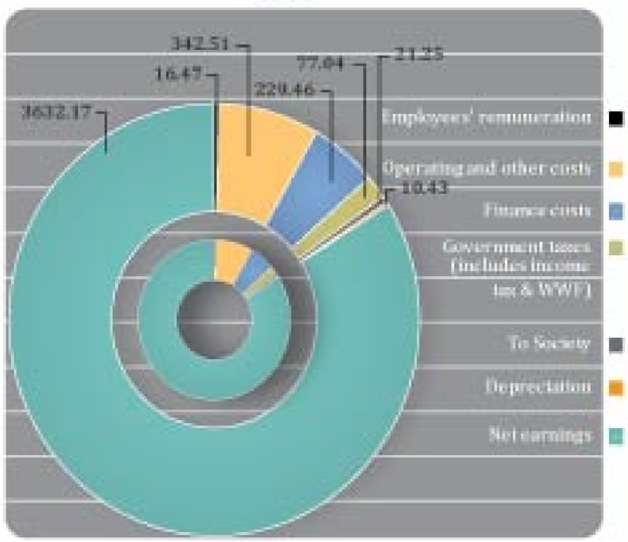
Year ended June 30

	2010	2009	2008	2007	2006	2005
	Rupees in million					
Net cashflows from operating activities	(588.84)	(763.37)	2,482.02	3,318.20	1,673.10	1,950.30
Net cashflows from investing activities	2,589.89	(223.84)	(4,287.02)	(2,146.00)	(972.40)	(810.40)
Net cashflows from financing activities	-	(110.21)	-	(202.50)	(180.00)	(200.00)
Net change in cash and cash equivalents	2,001.05	(1,097.43)	(1,805.00)	969.70	520.80	939.90
Cash and cash equivalents at beginning of the year	(2,613.86)	(1,516.43)	288.57	4,453.70	3,932.90	2,993.00
Cash and cash equivalents at end of the year	(612.81)	(2,613.86)	(1,516.43)	5,423.40	4,453.70	3,932.90

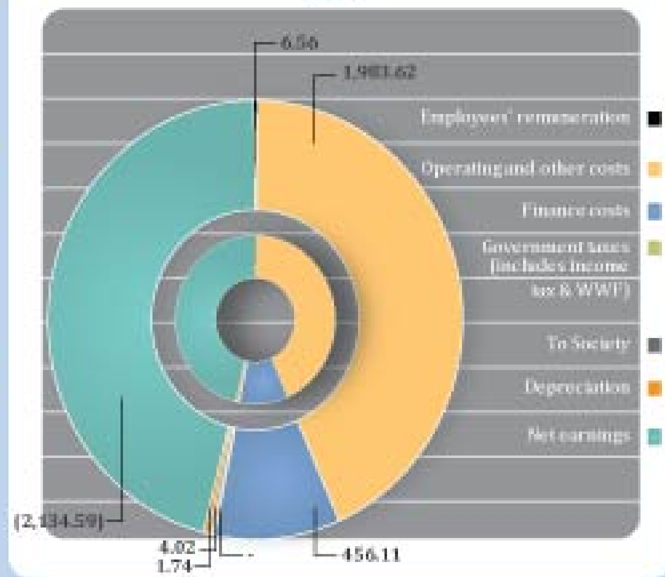
Statement of Value Added and its Distribution

	2010 Rupees in million	%	2009 Rupees in million	%
Value Added				
Operating revenue	1,636.92	37.81	316.87	99.81
Gain on remeasurement of investments - net	2,680.03	61.90	-	-
Other income	12.38	0.29	0.60	0.19
	4,329.33	100.00	317.47	100.00
Distributed As Follows				
Employees' remuneration	16.47	0.38	6.56	2.07
Operating and other costs	342.51	7.91	1,983.62	624.83
Finance costs	229.46	5.30	456.11	143.67
Government taxes (includes income tax & WWF)	77.04	1.78	-	-
To Society	21.25	0.49	4.02	1.27
Retained within the business:				
Depreciation	10.43	0.24	1.74	0.55
Net earnings	3,632.17	83.90	(2,134.59)	(672.38)
	3,642.60	84.14	(2,132.85)	(671.84)
	4,329.33	100.00	317.47	100.00

2010

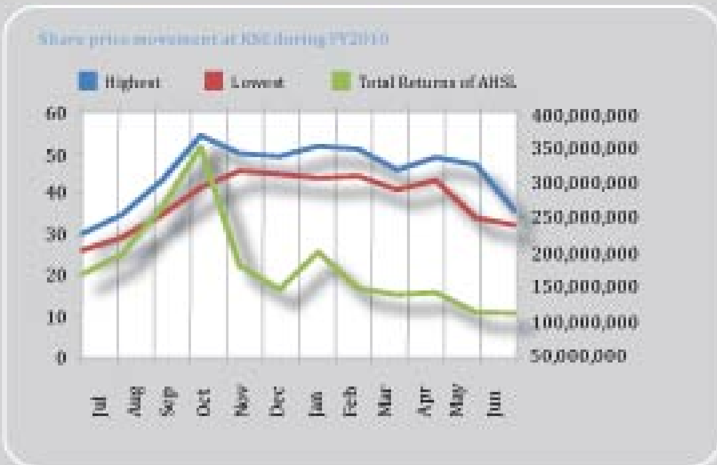


2009

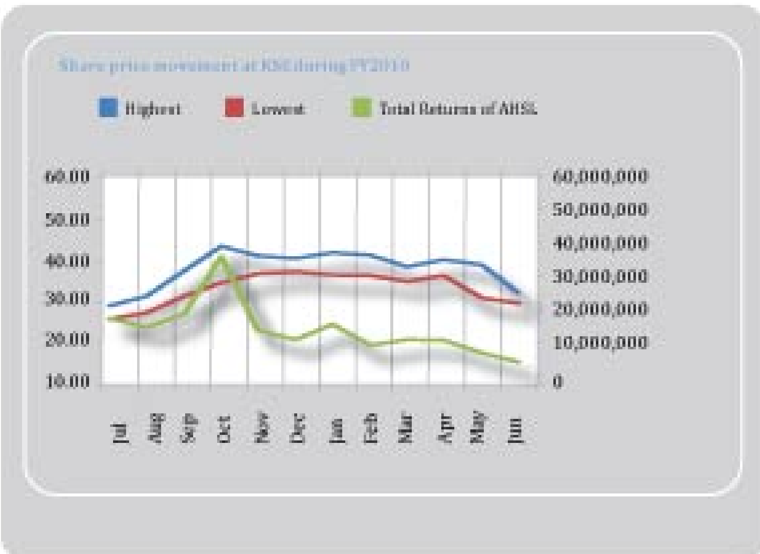


SHARE PRICE / VOLUME ANALYSIS

Month	Highest	Lowest	Volume
	Rupees in million		
AHSL Share Price on the KSE			
July-09	30.17	26.01	133,683,792
August-09	34.83	29.1	165,265,340
September-09	43.45	34.96	243,997,693
October-09	54.8	41.92	345,764,384
November-09	50.32	46.01	147,025,532
December-09	49.54	45.22	106,839,937
January-10	52.27	44.15	170,311,670
February-10	51.29	44.59	108,770,245
March-10	46.17	41.29	98,533,690
April-10	49.24	43.57	101,422,407
May-10	47.48	34.2	67,862,169
June-10	35.91	32.31	66,688,300



Month	Highest	Lowest	Volume
	Rupees in million		
AHSL Share Price on the LSE			
July-09	30.89	25.55	25,600,644
August-09	34.93	28.25	21,900,229
September-09	45.45	34.80	27,640,922
October-09	55.44	40.50	51,037,688
November-09	51.45	43.90	20,611,876
December-09	50.45	44.80	16,874,436
January-10	52.78	43.62	23,239,945
February-10	51.80	43.20	14,755,169
March-10	46.90	40.80	17,094,824
April-10	49.80	43.30	16,806,538
May-10	47.80	34.19	11,383,733
June-10	36.25	32.00	7,827,189



Shareholders' Information

Registered & Corporate Office
Arif Habib Centre
23, M.T. Khan Road
Karachi-74000
Tel: (021)32415213-15
Fax No: (021)32429653, 32470496
Email: ahsl@arifhabib.com.pk
Website: www.arifhabib.com.pk

Share Registrar Office
Central Depository Company of Pakistan
Share Registrar Department
CDC House, 99-B, Block-B, S.M.C.H.S,
Main Shahrah e-Faisal, Karachi
Tel: (021) 111-111-500
Toll Free:0800-23275
Fax: (021)34326053
URL: www.cdcpakistan.com
Email: info@cdcpak.com

Listing on Stock Exchanges

AHSL equity shares are listed on all stock exchanges of Pakistan i.e. Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE).

Listing Fees

The annual listing fee for the financial year 2009-2010 has been paid to all stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of the Company at KSE, LSE and ISE is AHSL.

Dematerialization of Shares

As at 30 June 2010, 100% of equity shares of the Company were in dematerialized form.

Investor Service Centre

AHSL share department is operated by Central Depository Company of Pakistan (CDC) Registrar Services. It also functions as an Investor Service Centre and has been servicing nearly 10,000 share-holders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. Team is headed by Mr. Abdus Samad at Registrar Office and Company Secretary at AHSL Registered Office.

AHSL's share department has online connectivity with CDC's core operational department. The share department undertakes activities pertaining to shares transfer and transmission, issue of duplicate/re-validated dividend warrants, change of address and other related matters.

For assistance, shareholders may contact either the Registered Office or the Share Registrar Office.

Contact Persons:

Mr. Parkash Chohan
Tel: (021)32415213-15
Email: parkash.chohan@arifhabibltd.com

Mr. Hasnain Ather
Tel: (021) 111-111-500
Email: hasnain_athar@cdcpak.com

Service Standard

AHSL has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set for their execution:

	For request received through post	Over the counter
Issue of duplicate dividend warrants	5 days after receipt	5 days after receipt
Issue of revalidated dividend warrants	5 days after receipt	5 days after receipt
Change of address	2 days after receipt	15 minutes

Statutory Compliance

During the year the Company has complied with all applicable provisions, filled all returns/forms and furnished all the relevant information as required under the Companies Ordinance, 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations.

Dividend Announcement

The Board of Directors of the Company has proposed dividend in specie for the year ended 30 June 2010 at the rate of 30% i.e. to distribute 112.50 million quoted shares of Fatima Fertilizer Company Limited (FFCL) having face value of Rs.10 each, to the shareholders of the Company as specie dividend in the ratio of 3:10 (3 shares of FFCL for every 10 shares held of AHSL).

Book Closure Dates

Share transfer books of the company will remain closed from September 19, 2010 to September 25, 2010 (both days inclusive). Transfers received in order at the office of our registrar: M/s. Central Depository Company Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on September 18, 2010 will be treated in time.

Specie Dividend Transfer

Specie dividend declared and approved at the Annual General Meeting will be transfer on or after September 27, 2010 but within the statutory time limit of 30 days.

Investors' Grievances

As on date none of the investor or shareholder has filed any letter of complaints against any service provided by the Company to its shareholders.

Legal Proceedings

No case has ever been filed by shareholders against the Company for non-receipt of share/dividend.

General Meetings & Voting Rights

Pursuant to Section 158 of the Companies Ordinance, 1984, AHSL holds a General Meeting of Shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in all provinces.

Shareholders having a holding of at least 10% of voting right may also apply to the Board of Directors to call for a meeting of shareholders, and if Board does not take action on such application within 12 days, the shareholders may themselves call the meeting.

All shares issued by the Company carry equal voting rights. Generally, matters at eh General Meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded. Since, the fundamental voting principle in a Company is "One Member-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum of Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote a General Meeting of the Company can appoint another person as his / her proxy to attend and vote instead of himself / herself. Every notice calling a General Meeting of the Company contains a statement that shareholder entitled to attend and vote is entitled to appoint a proxy who needs not be a member of the Company.

The instrument appointing proxy, duly signed by the shareholder appointing that proxy should be deposited at the office of the Share Registrar of the Company not less than 48 hours before the meeting.

Web Presence

Updated information regarding the Company can be accessed at AHSL web site, www.arifhabib.com.pk

The web site contains the latest financial results of the Company together with Company's profile and of its group companies.

Shareholding Pattern

The shareholding pattern of the equity share capital of the Company as on 30 June 2010 alongwith categories of shareholders are given on page 166 to 168 of this report.

Corporate Social Responsibility

AHSL has been actively discharging its Corporate Social Responsibility in areas of education, healthcare and community welfare. Apart from the Group's own charitable foundation i.e. Arif Habib Foundation, AHSL also contributes on its own for the welfare of the people and society at large. AHSL has supported several noble causes and some of them are mentioned here below.

Karachi School for Business and Leadership (KSBL) Project

A group of business leaders recognized that the metropolitan city of Karachi needed a world-class business school that would offer quality programs and produce the future business leaders of Pakistan. Together, these business leaders formed the Karachi Education Initiative (KEI), a non-profit organization with the goal of establishing a world-class, international graduate level business institution namely Karachi School of Business and Leadership (KSBL). KEI has been successful in arranging a partnership with Judge Business School (JBS) of the University of Cambridge. JBS will take a lead partnership role in the setting up of KSBL: including curriculum and teaching materials development, faculty development, technology support and executive education development.

For this cause, AHSL's Board of Directors has approved during the year a generous budgetary allocation of Rs.100 million from and on behalf of the Arif Habib Group's Companies towords the construction of this world class institution. Furthermore, the Board of Directors of KEI has invited the Chairman of AHSL to be part of their Board.

Memon Medical Institute (MMI)

MMI is a hundred percent donor funded project of the Memon Health and Education Foundation (MHEF). MMI is a public welfare project of selfless and compassionate individuals/bodies who have contributed generously towards its creation. State-of-the-art medical facility committed to health promotion. It is the vision of a community for the betterment of the nation. It is one of the largest projects undertaken by the Memon Community to provide accessible and affordable quality healthcare and education to all with dignity, respect and empathy. The Hospital structure is now complete and awaiting final touches.

For this cause, AHSL's Board of Directors has approved during the year a generous donation of Rs.15 million towords the construction and completion of this institution. AHSL has also became its corporate member and Mr.Kashif A. Habib, Director, has been designated its one of trustees. Furthermore, the Board of Directors of MHEF has also invited the Chairman of AHSL to be part of their Board.

Corporate Memberships

Enjoying the status of being one of the fastest growing diversified investment companies in Pakistan, AHSL has taken a step further by associating itself with some well-reputed professional bodies to strengthen its management practices.A

Centre for Philanthropy of Pakistan

Pakistan Centre for Philanthropy (PCP) is an independent, nonprofit support organization with a mandate to promote the volume and effectiveness of philanthropy for social development in Pakistan. PCP is registered with Securities and Exchange Commission of Pakistan (SECP) under Section 42 of the Companies Ordinance, 1984. PCP works under the guidance of a Board of Directors, a diverse group of eminent citizens, civil society representatives and corporate leaders. The Board is currently chaired by Dr. Shamsh Kassim-Lakha, H.I., S.I. PCP's social development approach is multi-sectoral i.e. creating synergies between government, business and civil society t address promoting volume and effectiveness of philanthropy as a resource base for social safety net for the poor.

Giving due importance to this objective, AHSL has obtained corporate membership of the Pakistan Centre for Philanthropy (PCP). Furthermore, the Board of Directors of PCP has invited the Chairman of AHSL to be part of their Board.

Pakistan Institute of Corporate Governance

Good corporate governance is an essential pre-requisite for the integrity and credibility of any company. It builds greater confidence and trust by ensuring transparency, fairness and accountability with respect to shareholders and other stakeholders. Giving due importance to this objective, AHSL has obtained corporate membership of the Pakistan Institute of Corporate Governance (PICG). PICG aims to strengthen compliance and conformance by companies, corporations and other institutions to applicable laws and regulations and generally to enhance self-regulating practices that are comparable with the best global practices in good governance. PICG is involved in training and education, creating awareness, undertaking research, publishing guidelines and other resource material. It also provides a forum for discussion on corporate governance.

Being an associate member of the PICG, AHSL aims to take full advantage of these resources at PICG to implement best practices and good corporate governance throughout the Company.

Management Association of Pakistan

Management Association of Pakistan (MAP) was formed in 1964 by a small group of dedicated entrepreneurs and senior professional managers, who were keenly aware of the demands that were likely to be made on managerial talent within the country, as a result of the rapid increase in the tempo of industrial activity.

The need for such an Association had become pressing because of the important role assigned to the private sector in Pakistan's plan for development and the declared policy of the Government to encourage the professional managerial class in the country. Since its inception the Association has established itself as a major forum for training and communication of ideas in the field of management in Pakistan. Its status and contribution are widely recognized.

The Association organizes programmes covering a wide range of management principles and practices. Being an associate member of the MAP, AHSL aims to take full advantage of these resources at MAP to implement best practices of corporate excellence and good corporate governance throughout the Company.

Awards

Regional

SAFA Best Presented Accounts Award 2008

The South Asian Federation of Accountants (SAFA) during the year adjudged our Annual Report 2008 as the recipient of 'Merit Award' under "Best Presented Accounts Award 2008" in the category of non financial institutions. The award distribution ceremony was held in Dhaka, Bangladesh.

This is a wonderful performance and the Board acknowledges and appreciates the whole team for this achievement. This shows that with focused approach, dedication and team work any objective can be achieved. These awards are conferred on the basis of evaluation administered by SAFA's committee for improvement in transparency, accountability & governance of the published annual reports of entities from South Asian Countries.

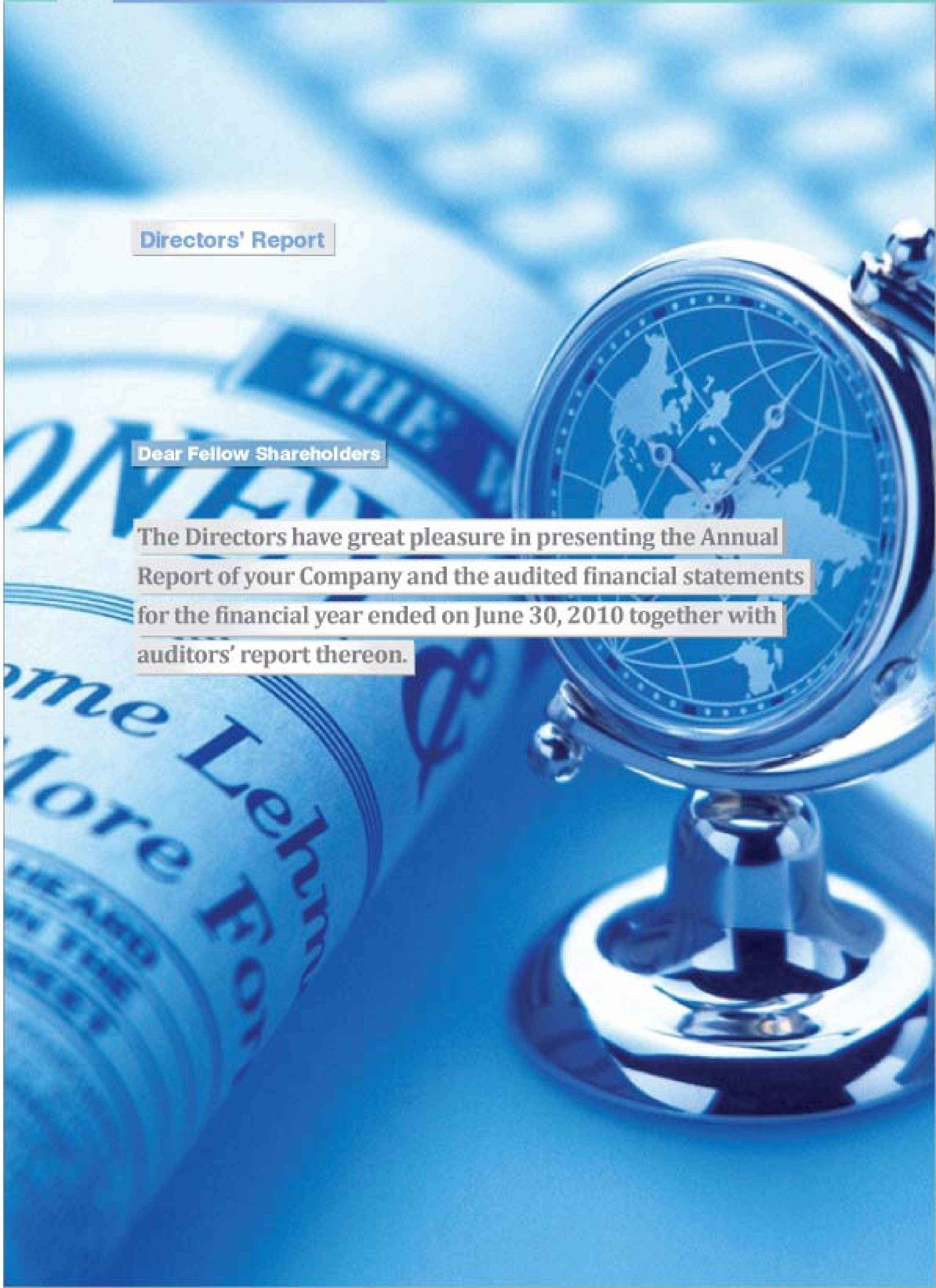
SAFA is an Apex Body of the South Asian Association for Regional Co-operation (SAARC) and a Regional Grouping of International Federation of Accountants (IFAC). SAFA represents over 170,000 accountants having membership of the National Chartered Accountancy and Cost and Management Accountancy institutions in the South Asian countries namely Pakistan, India, Bangladesh, Nepal and Sri Lanka.

National – Best Corporate Report Award 2008

Last year the Company had also been honored by Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost & Management Accountants of Pakistan (ICMAP) by including it in the 'Best Corporate Report Award 2008' and declared its Annual Report 2008 as third best report produced in the sector.

The joint committee of the Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan, the two prestigious accounting bodies, annually hold this competition with the aim to encourage and give recognition to excellence in annual corporate reporting.

Results for Best Corporate Report Award 2009 both National and Regional have not been declared till the publication of this report.



Directors' Report

Dear Fellow Shareholders

The Directors have great pleasure in presenting the Annual Report of your Company and the audited financial statements for the financial year ended on June 30, 2010 together with auditors' report thereon.

The Directors of your Company were actively involved in considering significant matters and decision making during the year in addition to performing their duties assigned to them by law, Articles of Association and the Code of Corporate Governance, with the objective of safeguarding the interest of the shareholders and promoting market confidence.

Economy and Market

During the period under review the economy of Pakistan has stabilized. The Pakistan Rupee parity and interest rates have been range bound. GDP has recorded a growth of 4.1 percent. Current account deficit has reduced. Exports and remittances have recorded good growth and imports have declined. However, energy shortage has been the biggest negative issue and is likely to affect future growth in GDP. The government has not been able to resolve the issue of circular debt amongst the energy sector companies. Despite these constraints profitability in various sectors of the economy has improved. Agriculture, Energy, Textile Spinning, Sugar, Fertilizers, Automobiles and Retails have been the good performers.

During the year under review, the stock market has recorded an appreciation of 36 percent. KSE 100 Index closed at 9,722 at end of the period under review with a low of 7,162 points and high of 10,677 points. The KSE market capitalization increased to Rs. 2,728 billion from Rs. 2,125 billion at the beginning of the year.

Financial Results

By the grace of Allah your company has been able to record a robust profitability during the year under review. It has earned an after tax profit of Rs. 3.8 billion as compared to loss of Rs. (2.7 billion) in corresponding year. This translates to an earning of Rs. 10.13 per share as compared to loss of Rs. (7.38) per share in corresponding year.

This impressive performance was contributed by good dividends and growth posted by our strategic investee companies as well as unrealized gains on investments both trading and strategic portfolios.

In view of the profit during the year under review, the Board has recommended to declare Specie Dividend for the year ended 30 June 2010 at the rate of 30% i.e. to distribute 112.50 million shares of Fatima Fertilizer Company Limited (FFCL) having face value of Rs.10 each, to the shareholders of the Company as specie dividend in the ratio of 3:10 (3 shares of FFCL for every 10 shares held of AHSL). This entitlement shall be available to those shareholders whose name(s) shall appear on the shareholders' register at the close of business on 18 September 2010.

The Summary of Financial Results is as follows:-

	2010 Rupees	2009 Rupees
Profit/(loss) before tax	3,732,496,388	(2,134,586,688)
Taxation (including deferred tax asset)	65,969,106	(634,341,049)
Profit/(loss) after tax	3,798,465,494	(2,768,927,737)
Un-appropriated profit brought forward	8,472,748,885	12,101,891,525
Profit available for appropriation	**12,271,214,379**	9,332,963,788
Appropriations:		
Final dividend for the year ended June 30, 2008 @ Rs.1.5 per share i.e.15%	-	(110,214,903)
Declaration of Bonus for the year ended June 30, 2008 @ 25%	-	(750,000,000)
	-	(860,214,903)
Un-appropriated profit carried forward	12,271,214,379	8,472,748,885
Earnings per share - basic & diluted	10.13	(7.38)

Investments

Our investment objective is to achieve an optimum total return on the investment portfolio adhering to our investment philosophy and the regulations as applicable from time to time. We are guided by value investing principles. Appropriate risk management practices are adopted with an objective to manage risks arising out of duration, market, credit, legal and operations. Your Company's investment portfolio is invested with prudence while seeking a reasonable yield, in line with market conditions.

Performance of Subsidiaries and Associates

Major portion of your Company's investment in subsidiaries and associates has recorded positive performance during the period under review. Brokerage, Asset Management and Fertilizers have done well whereas minor portion of strategic investments have suffered losses. Cement and Dairy businesses faced challenges during the period under review. Greenfield projects in Fertilizer, Steel and Commodities are progressing as per plan and will be able to contribute to the Company's revenues in due course of time.

Segments at a Glance

Brokerage

Arif Habib Limited (AHL), the brokerage arm of the group has earned a net profit after tax of Rs.150.28 million and an earning of Rs.4.01 per share. AHL has announced a bonus in the ratio of 1:5 i.e. 20 percent.

SKM Lanka Holdings (Pvt.) Limited, a subsidiary operating in Colombo has attained breakeven.

Whereas, Arif Habib DMCC, a member of Dubai Multi Commodities Centre, business is yet to start its full operations.

Arif Habib Limited

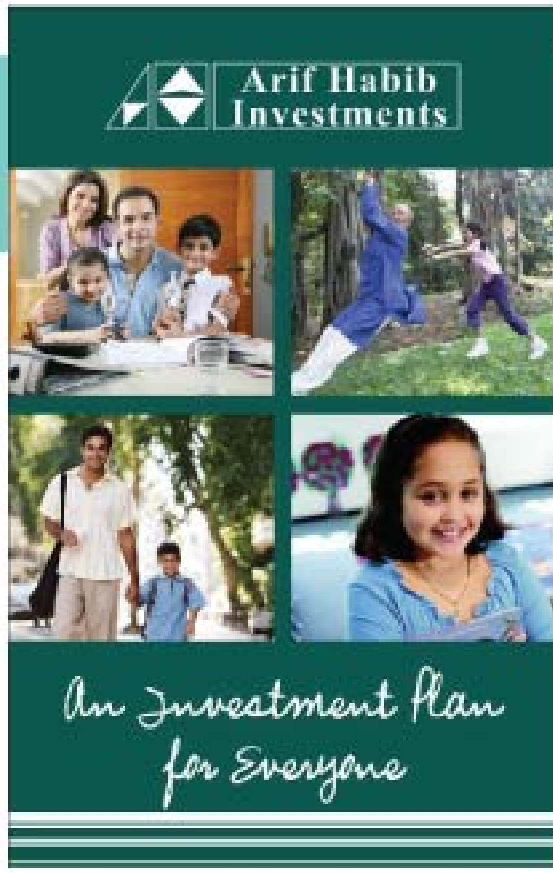
Arif Habib Limited (AHL) ranks amongst the largest and the most successful publicly listed securities broking and corporate finance companies in Pakistan.

It is a corporate member of all three stock exchanges in Pakistan–at Karachi, Lahore and Islamabad–and of National Commodity Exchange Limited. In 2005 AHL inherited the securities brokerage business of its parent company, AHSL. It has since consolidated its position, won further market share and received the prestigious "KSE Top Companies Award" for its performance in 2007–the very first year of its listing at the KSE.

Arif Habib Investments Limited

Arif Habib Investments Ltd is an Asset management, Investment Advisory and Pension Funds Management Company managing Open-end, Closed-end and Voluntary Pension Funds as well as Discretionary & Non-discretionary portfolio accounts.

Arif Habib Investments Limited manages about Rs. 16.316 billion (USD 190.496 million) in 13 mutual funds as of 30th June 2010. The AHIL is an industry leader, setting international standards and bringing innovative products to market. This is one of the fastest growing asset management companies in the country, with 8 open-end, 3 closed-end and 2 Pension Funds and number of different investment plans to meet the investment needs of their growing clientele.



Asset Management

Arif Habib Investments Limited, a subsidiary has earned a net profit after tax of Rs.64.25 million and an earning of Rs.2.14 per share. AHIL has announced bonus in the ratio of 1:5 i.e. 20 percent. We are in advance stage of negotiation with MCB Bank for merger of our subsidiary with the bank's asset management company. The group feels that the merged entity will be in a strong position to contribute for the development of the market and growth of investments for its shareholders.

Banking

The group has opted to get out of this business as it feels that small banks have very limited scope and will continuously need additional capital without giving returns in short term. During the period under review the Company has transferred the shares to the buyer upon receiving full payment.

Fertilizers

Pakarab Fertilizers Limited earned a net profit after tax of Rs.4.6 billion and has distributed shares of Fatima Fertilizer Company Limited as Specie Dividend for an amount of Rs.4.5 billion. The Company has been able to contribute its committed equity of Rs. 26.8 billion in Fatima Fertilizer.

Fatima Fertilizer Company Limited has been successful in commissioning of Urea and CAN projects alongwith mid products of Ammonia, Nitric Acid and off sites and utilities. NP is expected to be commissioned in early 1st Quarter 2011. Upon completion, the project complex will have a capacity of 1.5 million tons Fertilizers. FFCL has also been successfully listed during the year through book building process in which public and institutions participated overwhelmingly.

On July 14, 2005 Pakarab Fertilizer was privatized at a cost of Rs14.125 billion under privatization policy of Government of Pakistan, acquired by a consortium of Fatima Group and Arif Habib Group.

Pakarab Fertilizers Limited

Pakarab Fertilizers Limited is the largest and only fertilizer complex in Pakistan producing compound fertilizers in the country. The company has provided employment opportunities to more than 2000 persons, which also includes indirect employment with contractors.

Fatima Fertilizer Company Limited

At Fatima Fertilizer Company Limited, we are ready to help farmers grow more food and our shareholders to increase value by introducting large capacities of Ammonia, Nitric Acid, Calcium Ammonium Nitrate (CAN), Urea, NP and NPK. All this is through realizing greater operating efficiencies, applying the science of agronomy to maximize crop yields, and harnessing our potential to serve on of the world's largest agricultural markets i.e., Pakistan.

First Greenfield, state-of-the-art and the largest fertilizer manufacturing complex implemented under the Fertilizer Policy 2001, with an investment of Rs. 62 billion.

Steel

Aisha Steel Mills Limited is 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 early 2011.

Aisha Steel Mills Limited

Aisha Steel was incorporated in may 2005 to set up a state of the Art High Tech Cold Rolling Mills in the Downstream Industrial Estate of Pakistan Steel, Bin Qasim Karachi at a cost of US$ 105 million to manufacture high quality Cold Rolled Coils.

Aisha Steel will be a 350,000 MT/Y Cold Roll and Galvanising Plant to be completed in two phases. In the first phase 220,000 MT/Y of Cold Rolled coils shall be produced which will subsequently be increased to 350,000 MT/Y in the second phase.

Cement

Company has increased its shareholding in Al Abbas Cement Industries Limited (AACIL) from 10 to 37.47 percent as of June 30, 2010. AACIL has suffered loss of Rs. 652 million during the year. The shareholders of the Company had entered into a MOU with Attock Cement Pakistan to sell their shareholding which did not materialize. AACIL requires comprehensive restructuring both financial and management.

Shareholders are in process of developing a plan and soon a viable option will be finalized to implement in order to turn around the Company.

Al Abbas Cement Industries Limited

Al-Abbas Cement was established on 1st December 1981. Arif Habib Group and Al-Abbas Group acquired this undertaking from the Privatization Commission of Pakistan.

The Company's principal activity is manufacturing, sell and marketing of cement. It plant site is situated at Deh Kalo, Nooriabad Industrial Estate, District Dadu, Sindh. The installed capacity of the Company is 900,000 metric tones.

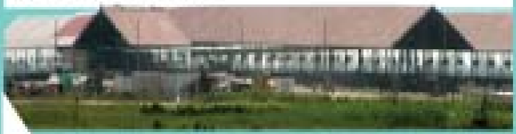
Dairy

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 has developed one large dairy in Punjab with planned capacity of 2000 cows. It has started full scale commercial production from this dairy.

The Company's small investments in Rozgar Microfinance Bank Limited and Pakistan Private Equity Management Limited are performing poorly for which necessary provisions have been made last year in the accounts out of prudence. However, measures have been taken to contain the losses and turn them around.

Sweetwater Dairies Pakistan (Pvt.) Limited



SDPL has set up an exciting and a distinguished dairy project in Renala Khurd, Dist Okara in Punjab. Set up on 28 Acres of land the dairy shed is designed by 5G International, USA and is at par with most advanced dairies in the world. The first phase of the project consist of 1,000 cows housing, milking parlor and state of the art 32,000 litre milk chiller.

The herd consists of cross bred local animals that have good genetic potential and dairy characteristics. The Company is all set to bring new dimensions to the dairy sector in Pakistan.

Future Outlook

Pakistan is passing through a challenging phase. Terrorism and law and order incidents have not subsided. Energy shortages still persist. The impact of recent rains and floods is being assessed. The business sentiment is still at a low ebb. Under the present environment and Company's investment position across various sectors, it appears prudent to consolidate and not to expand for a while. Efforts are being made to strengthen the investee companies' financial and administrative managements in order to be able to meet all financial obligations and achieve improvements in their financial performance. In the medium to long term the Company has a very good future however for short term efforts are being made to earn decent profits without taking undue risk.

Risk Management

Investment business is only viable if the investor assess the risk timely with a range of possible uncertainties. Further, Company's business environment is also influenced by conditions in the domestic, regional and global economies, political uncertainties, law and order situations. Your Company has a comprehensive risk management system which supports early recognition of developments likely to jeopardize the future performance of the Company or to its future well being and helps pre-empting risks and capitalizing opportunities.

Capital Management and Liquidity

The Company has a policy 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. 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.

The Company's liquidity remained strong with investing cash flows of RS. 2,589.89 million. The total cash and cash equivalents at the end of year are Rs.-612.81 million against Rs.-2,613.86 million in last year.

Human Resource

At AHSL Human Resources, in its business partner role, enacts strategies to raise the performance of each team member to its maximum potential. The primary reason for our success is that our organization is built around people.

Team efforts played a key role in achieving the stretched business goals for 2010 and surpassing them in some areas. However, this was also possible through continuous review of the organizational structure, which ensured the business' stability.

Employees are rewarded based on performance, resulting enhanced retention and motivation at all levels.

All our operational activities are carried out in a transparent manner following our code of ethics, on which there can be no compromise.

Our continuous improvement philosophy and benchmarking with the best in class will ensure in making AHSL a high performance organization.

Corporate Social Responsibility

The Company is committed towards fulfilling its Corporate Social Responsibility and has been actively discharging its Corporate Social Responsibility in areas of healthcare, education, environment, community welfare, sports & relief work and aims to enhance its scope and contribution in the future.

We at AHSL are conscious of the well being of our employees as well as community at large. Pollution reduction and waste management processes have been defined and are being applied to ensure minimal impact on our environment. Waste management includes reduce, reuse, recycle and disposal processes.

The Company focuses on energy conservation and all departments and employees adhere to the power conservation measures.

Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent, accurate and timely manner.

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. 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.

Trading in Company's Share by Directors and Executives

All Directors including the Chief Executive, Chief Financial Officer, and Executives of the Company were delivered written notices by the Company Secretary to immediately inform in writing any trading in the Company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and CDC statement within 4 days of such transaction to the Company Secretary. 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 60).

Attendance at Board Meetings

A statement showing attendance at Board meetings is annexed as Annexure-II (Page 61).

Pattern of Shareholding

Shares of the Company are listed on Karachi, Lahore and Islamabad Stock Exchanges. There were 9,401 shareholders of the Company as of June 30, 2010. The detailed pattern of shareholding and categories of shareholding of the Company including shares held by directors and executives, if any, are annexed to this annual report on page 166 to 168 as Annexure-III.

Financial & Business Highlights

The key operating and financial data has been given in summarized form under the caption "Financial & Business Highlights—Six years at a Glance" (Page 30) and graphic presentation of the important statistics is presented on (Page 32).

Investment in Retirement Benefits

The value of investment, made by the staff Provident Fund operated by the Company as per their respective audited financial statements as of June 30, 2009 is amounting to Rs.1.04 million.

Audit Committee

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duly approved by the Board. The Committee composition and its terms of reference are also attached with this report.

Auditors

The present external auditors M/s.KPMG Taseer Hadi & Co., shall retire at the conclusion of annual general meeting on September 25, 2010 and being eligible, have offered themselves for reappointment for the year ending on June 30, 2011. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee, the Board recommends reappointment of M/s.KPMG Taseer Hadi & Co., as auditors of the Company for the financial year ending on June 30, 2011 at a fee to be mutually agreed. Approval to this effect will be sought from the shareholders at the forthcoming annual general meeting scheduled on September 25, 2010.

Compliance with Secretarial Practices

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under listing regulation 37(XXV) of Karachi Stock Exchange , as part of the annual return filed with the Registrar of Companies to certify the secretarial and corporate requirements of the Companies Ordinance, 1984 and listing regulations have been duly complied with.

Election of Directors

In accordance with the provisions of Section 180 of the Companies Ordinance, 1984 the three years term of existing directors elected in the annual general meeting of 2007 shall be completed. Accordingly, the election of Directors shall take place in accordance with the provisions of the Companies Ordinance, 1984 in the forthcoming annual general meeting of the Company. The Board of Directors in their meeting held on August 11, 2010 has fixed the number of Directors to be elected in this meeting as seven.

Post Balance Sheet Events

There have been no material changes since June 30, 2010 to the date of this report except the declaration of specie dividend as final dividend which is subject to the approval of the Members at the 16th Annual General Meeting to be held on September 25, 2010. The effect of such declaration shall be reflected in the next year's financial statements.

Related Party Transactions

In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The details of all related party transactions have been provided in note 31 of the annexed audited separate financial statements.

Acknowledgement

We are grateful to the Company's stakeholders for their continuing confidence and patronage. We record our appreciation and thanks to our Business Partners, Bankers & Financial Institutions, the Ministry of Finance, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Competition Commission of Pakistan, Central Depository Company of Pakistan and the Managements of Karachi, Lahore, and Islamabad Stock Exchanges for their support and guidance.

The Company is immensely proud of its human resources and thankful to all employees for consistently delivering outstanding performance resulting in continuous success of the Company. We also appreciate the valuable contribution and active role of the members of the audit and other committee in supporting and guiding the management on matters of great importance leading to growth with sustainability of the Company.

For and on behalf of the Board

Karachi: August 30, 2010

Arif Habib
Chairman & Chief Executive

Annexure I

Statement showing shares bought and sold by Directors, CEO, CFO Company Secretary and the Minor Family Members From 1 July 2009 to 30 June 2010

Name	Designation	Shares bought	Shares Sold	Remarks
Mr. Arif Habib	Chairman & Chief Executive	-	-	-
Mr. Asadullah Khawaja	Director	10,000		-
Mr. Sirajuddin Cassim	Director	-	-	-
Mr. Kashif A. Habib	Director	-	-	-
Mr. Nasim Beg	Director		150,000	-
Mr. Syed Ajaz Ahmed Zaidi	Director	-	-	-
Mr. Muhammad Khubaib	Director	-	-	-
Mr. Muhammad Akmal Jameel	Director	100	12,213	-
Mr. Tahir Iqbal	CFO & Company Secretary	-	-	-
Minor Family Members	-	-	-	-

Annexure II

Statement showing attendance at Board Meetings from 1 July 2009 to 30 June 2010

Name	Designation	Attended	Leaves Granted	Remarks
Mr. Arif Habib	Chairman & Chief Executive	4	-	-
Mr. Asadullah Khawaja	Director	3	1	-
Mr. Sirajuddin Cassim	Director	1	3	-
Mr. Kashif A. Habib	Director	4	-	-
Mr. Nasim Beg	Director	3	1	-
Mr. Syed Ajaz Ahmed Zaidi	Director	4	-	-
Mr. Muhammad Akmal Jameel	Director	4	-	-
Mr. Muhammad Khubaib	Director	4	-	-

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 financial year ended on 30 June 2010, 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, 2010, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and it's 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. KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignments of the "Company's Separate 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, 2010 and shall retire on the conclusion of the 16th 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 25, 2010.

- 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 on June 30, 2011.

Karachi: August 30, 2010

(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:

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, there is 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 Company's 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 NBFI.

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. No casual vacancy has occurred during the year.

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 together with 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 were presented to the Board for approval within one month and half yearly within two months of the closing and 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 Officer

Karachi: August 30, 2010

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

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Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

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 the Listing Regulations of Karachi, Lahore and Islamabad stock exchanges require 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 undertaken 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 2010.

Karachi: August 30, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

Audited Financial Statements

Arif Habib Securities Ltd.
For the year ended June 30, 2010


DOW JONES
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9280
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Postb.amerika f.
Postb.beleggf
Postb.biotech f
Postb.com tech f
Postb.duurz aandf
Postb.easy bluefd
Postb.eur aandf
157,90
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Auditors' Report to the Members

We have audited the annexed balance sheet of Arif Habib Securities Limited ("the Company") as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, 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 described in note 2.5 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, statement of comprehensive income, 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 2010 and of the profits, other comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Karachi: August 11, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

Balance Sheet
As at 30 June 2010

	Note	2010	2009
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital	4	**10,000,000,000**	10,000,000,000
Issued, subscribed and paid up share capital	4	**3,750,000,000**	3,750,000,000
Reserves	5	**16,034,145,375**	12,385,322,933
		19,784,145,375	16,135,322,933
Non-current liabilities			
Deferred taxation	6	**2,883,395,813**	2,950,231,966
Current liabilities			
Trade and other payables	7	**78,574,509**	110,154,289
Interest/mark-up accrued on short term borrowings		**21,011,622**	90,790,200
Short term borrowings	8	**620,235,048**	2,632,515,667
Provision for taxation		**867,047**	-
		720,688,226	2,833,460,156
	Rupees	**23,388,229,414**	21,919,015,055
Contingencies and commitments	9		

Balance Sheet
As at 30 June 2010

	Note	2010	2009
ASSETS			
Non-current assets			
Property and equipment	10	61,151,042	72,156,282
Long term investments	11	19,535,274,470	16,544,539,328
Long term deposits	12	790,190	44,590
		19,597,215,702	16,616,740,200
Current assets			
Loans and advances	13	268,635,000	15,000,000
Prepayments		75,600	112,906
Advance tax		62,778,527	48,865,944
Other receivables	14	114,054,059	1,946,012
Short term investments	15	3,338,040,948	2,544,376,775
Cash and bank balances	16	7,429,578	18,659,532
Asset classified as held for sale	17	-	2,673,313,686
		3,791,013,712	5,302,274,855
	Rupees	23,388,229,414	21,919,015,055

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Profit and Loss Account
For the year ended 30 June 2010

	Note	2010	2009
Operating revenue	18	**1,636,918,105**	316,872,254
Loss on sale of securities-net	19	**(139,966,515)**	(477,519,727)
Gain / (loss) on remeasurement of investments-net	20	**2,680,034,051**	(338,369,115)
		4,176,985,641	(499,016,588)
Operating and administrative expenses	21	**(227,408,968)**	(168,860,237)
Impairment loss on asset classified as held for sale		**-**	(1,011,194,260)
Operating profit / (loss)		**3,949,576,673**	(1,679,071,085)
Other income	22	**12,382,120**	599,114
		3,961,958,793	(1,678,471,971)
Finance cost	23	**(229,462,405)**	(456,114,717)
Profit / (loss) before tax		**3,732,496,388**	(2,134,586,688)
Taxation	24	**65,969,106**	(634,341,049)
Profit / (loss) after tax	Rupees	**3,798,465,494**	(2,768,927,737)
Earnings / (loss) per share - basic and diluted	25 Rupees	**10.13**	(7.38)

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010	2009
Profit / (loss) for the year		**3,798,465,494**	(2,768,927,737)
Other comprehensive (loss) / income			
Deficit on remeasurement of investments classified as 'available for sale'	11.3	**(220,734,052)**	(103,951,429)
Impairment loss on 'available for sale' investment transferred to profit and loss account	11.3	**71,091,000**	68,493,477
Other comprehensive income / (loss) for the year		**(149,643,052)**	(35,457,952)
Total comprehensive income / (loss) for the year	Rupees	**3,648,822,442**	(2,804,385,689)

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement
For the year ended 30 June 2010

	Note	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	27	**(275,993,561)**	(364,261,114)
Income tax paid		**(13,912,583)**	(31,530,374)
Finance cost paid		**(298,938,019)**	(367,580,868)
Net cash used in operating activities		**(588,844,163)**	(763,372,356)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		**(794,020)**	(45,600,901)
Proceeds from sale of property and equipment		**1,367,777**	-
Dividend received		**131,422,729**	236,122,350
Interest received		**46,705,636**	91,751,324
Acquisition of long term investments		**(263,875,330)**	(641,117,636)
Proceeds from sale of long term investments		**2,675,813,636**	135,004,000
Long term deposits		**(745,600)**	-
Net cash generated from / (used in) investing activities		**2,589,894,828**	(223,840,863)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**-**	(110,214,903)
Net cash used in financing activities		**-**	(110,214,903)
Net increase / (decrease) in cash and cash equivalents		**2,001,050,665**	(1,097,428,122)
Cash and cash equivalents at beginning of the year		**(2,613,856,135)**	(1,516,428,013)
Cash and cash equivalents at end of the year	28 Rupees	**(612,805,470)**	(2,613,856,135)

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

CHAIRMAN & CHIEF EXECUTIVE **DIRECTOR**

Statement of Changes in Equity

For the year ended 30 June 2010

		Issued, subscribed and paid up share capital	Reserves				Total
			Deficit on remeasurement of investments	General reserve	Unappropriated profit	Sub total	
Balance as at 1 July 2008		**3,000,000,000**	**(51,968,000)**	**4,000,000,000**	**12,101,891,525**	**16,049,923,525**	**19,049,923,525**
Total comprehensive (loss) / income for the year							
Loss for the year		-	-	-	(2,768,927,737)	(2,768,927,737)	(2,768,927,737)
Other comprehensive income							
Deficit on remeasurement of investments classified as 'available for sale'		-	(103,951,429)	-	-	(103,951,429)	(103,951,429)
Impairment loss on 'available for sale' investment transferred to profit and loss account		-	68,493,477	-	-	68,493,477	68,493,477
Transactions with owners recorded directly in equity							
Bonus shares issued 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	**Rupees**	**3,750,000,000**	**(87,425,952)**	**4,000,000,000**	**8,472,748,885**	**12,385,322,933**	**16,135,322,933**
Balance as at 1 July 2009		**3,750,000,000**	**(87,425,952)**	**4,000,000,000**	**8,472,748,885**	**12,385,322,933**	**16,135,322,933**
Total comprehensive income for the year							
Profit for the year		-	-	-	3,798,465,494	3,798,465,494	3,798,465,494
Other comprehensive income							
Deficit on remeasurement of investments classified as 'available for sale'		-	(220,734,052)	-	-	(220,734,052)	(220,734,052)
Impairment loss on 'available for sale' investment transferred to profit and loss account		-	71,091,000	-	-	71,091,000	71,091,000
Balance as at 30 June 2010	**Rupees**	**3,750,000,000**	**(237,069,004)**	**4,000,000,000**	**12,271,214,379**	**16,034,145,375**	**19,784,145,375**

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements
For the year ended 30 June 2010

1. STATUS AND NATURE OF BUSINESS

Arif Habib Securities Limited (AHSL), 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 principally engaged in the business of investments in listed and unlisted securities. The registered office of the Company is situated at Arif Habib Centre, 23 M.T.Khan Road, 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:

Name of Company Subsidiaries	Shareholding
- Arif Habib Limited, a brokerage house	75.15%
- 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 fund management company	85.00%

Additionally, the Company has long term investments in:

Name of Company Associates	Shareholding
- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	25.00%
- Al-Abbas Cement Industries Limited	37.47%
- Thatta Cement Company Limited	9.71%
- Rozgar Microfinance Bank Limited	19.01%
- Sweetwater Dairies Pakistan (Private) Limited	27.83%
- Fatima Fertilizer Company Limited	12.38%
Others	
- Takaful Pakistan Limited	10.00%
- Sunbiz (Private) Limited	4.65%

Notes to the Financial Statements
For the year ended 30 June 2010

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, which are measured at their fair values (as disclosed in note 11 and 15).

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All financial information presented in Pak 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 accounting estimates 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.

Information about 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 and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

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

Notes to the Financial Statements
For the year ended 30 June 2010

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

Initial application

During the year following standards and amendments became effective. The application of these standards and interpretations did not have any material effect on the Company's financial statements except for increase in disclosures

- Starting 1 July 2009, the Company has applied revised IAS 1 Presentation of Financial Statements (2007). The revised standard requires all owner changes in equity to be presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. The Company's now also presents a statement of comprehensive income along with the profit and loss account.

- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations: The IASB amended the definition of vesting conditions in IFRS 2 to clarify that vesting conditions are limited to service conditions and performance conditions; all other conditions are considered non-vesting. The amendments also provide guidance for non-vesting conditions and require that cancellations by the counterparty to a share-based payment arrangement to be treated in the same way as cancellations by the entity. These amendments are not applicable to the Company.

- Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments: The IASB amended IFRS 7 to enhance disclosures about fair value measurements of financial instruments and over liquidity risk.

  The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. The disclosures in respect of fair values are provided in note 29.

  Further, the definition of liquidity risk has been amended. The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities.

- IFRS 8 Operating Segments: IFRS 8 replaces IAS 14 Segment Reporting and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. Since these are separate financial statements of the Company and consolidated financial statements will be presented separately, segment information has been presented in the consolidated financial statements.

- IAS 23 Borrowing Costs (revised 2007): The revised standard prohibits the immediate expensing of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This standard is not applicable for Company's operations.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments introduce an exemption to the principles otherwise applied in IAS 32 for the classification of instruments as debt or equity; the amendments require certain instruments that normally would be classified as liabilities to be classified as equity if and only if they meet certain conditions. These amendments did not effect Company's financial statements.

Notes to the Financial Statements

For the year ended 30 June 2010

- Amendments to IAS 28 Investments in Associates: The amendments clarify that the disclosures required by an investor in an associate that accounts for its investment in an associate at fair value through profit or loss in accordance with IAS 39; that after applying the equity method, an impairment loss on an investment in associate is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in associate; and that any reversal of a previously recognized impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment in associate subsequently increases. This amendment was not applicable to the Company.

- IFRS 3 Business Combinations (revised 2008) The IASB issued a revised version of the business combinations standard. Some of the main changes to the standard are as follows however, these are not applicable to the Company's financial statements.

  The revised standard also applies to business combinations involving only mutual entities and to business combinations achieved by contract alone.

  The definition of a business has been amended to clarify that it can include a set of activities and assets that are not being operated as a business, as long as an acquirer is capable of operating the set as a business.

  All business combinations are accounted for by applying the acquisition method (previously the purchase method).

  The acquirer can elect to measure any non-controlling (previously minority) interest at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Subsequent recognition of deferred tax assets acquired in a business combination that did not satisfy the criteria for recognition at the acquisition date would be recognized in profit or loss.

- IAS 27 Consolidated and Separate Financial Statements (amended 2008): The IASB amended IAS 27 to reflect changes to the accounting for non-controlling interest (previously minority interest). The amendments deal primarily with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries, and the allocation of profit or loss to controlling and non-controlling interests in a subsidiary. This is not applicable to the Company's financial statements.

- IFRIC 17 Distributions of Non-cash Assets to Owners. This interpretation provides guidance in respect of distributions of non-cash assets to owners acting in their capacity as owners. Distributions within the scope of IFRIC 17 are measured at the fair value of the assets to be distributed. Any gain or loss on settlement of the liability for the dividend payable is recognized in profit or loss.

- The amendments to various other standards by IASB that became effective during the year mainly included amendments to IFRS 5 Non-current assets held for dale and discontinued operations, IAS 1 presentation of financial statements, IAS 16 Property, Plant and Equipment, IAS 19 Employee Benefits, IAS 20 Government Grants and disclosure of Government Assistance, IFRIC 17 Distribution of Non-cash Assets to Owners, IFRIC 18 Transfers of Assets from Customers and amendments to IAS 38 Intangible Assets. These amendments did not effect Company's financial statements.

Notes to the Financial Statements
For the year ended 30 June 2010

Forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2010. These amendments are unlikely to have any material impact on the Company's financial statements

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5.

- Amendments to IFRS 8 Operating Segments. The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.

- Amendments to IAS 1 Presentation of Financial Statements: The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments

- Amendments to IAS 7 Statement of Cash Flows: The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

- Amendments to IAS 17 Leases: The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee.

- Amendments to IAS 36 Impairment of Assets: The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement: The amendments provide additional guidance loan prepayment penalties ; clarify scope exemption in IAS 39 and the reclassification of gains and loses on a cashflow hedge

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues: The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

- IAS 24 Related Party Disclosures (revised 2009). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

Notes to the Financial Statements

For the year ended 30 June 2010

- Other amendments, interpretations and improvements by IASB include:
  - IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
  - Amendments to IFRS 3 Business Combinations
  - Amendments to IAS 27 Consolidated and Separate Financial Statements
  - Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
  - Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures
  - Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements

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.

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.

Notes to the Financial Statements
For the year ended 30 June 2010

3.3 Property and equipment

Owned

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.

The depreciation on property and equipment is charged full in the month of acquisition and no depreciation is charged in the month of disposal.

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 2010 did not require any adjustment as its impact is considered insignificant.

Leased

Leased assets which are obtained under Ijarah agreement are not recognized in the Company's balance sheet and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountants of Pakistan and notified by Securities and Exchange Commission of Pakistan vide S.R.O. 43(1) / 2007 dated 22 May 2007. Payments made under operating lease are charged to profit and loss account on a straight line basis over the lease term.

3.4 Impairment

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred and that the loss event has 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 declined 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 other comprehensive income to profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Notes to the Financial Statements
For the year ended 30 June 2010

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.

Investment in subsidiaries are carried at cost in accordance with IAS 27 - 'Consolidated and Separate Financial Statements'.

Investments in associates are accounted for under 'IAS 39 - Financial instruments Recognition and Measurement' considering each investment individually.

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 at fair value through profit or loss are measured at fair value, and changes there in are recognized 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.

Notes to the Financial Statements
For the year ended 30 June 2010

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 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 balance sheet dates, these investments are remeasured at fair values and the resulting gains or losses are recognized 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 recognized initially at fair value, less any directly 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 recognized in the income statement over the period of the borrowings on an effective interest basis.

Notes to the Financial Statements
For the year ended 30 June 2010

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.

- Interest income on bank deposits and loans 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. These are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the statement of financial position 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.

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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for financial instrument is not active, the Company establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Notes to the Financial Statements
For the year ended 30 June 2010

3.13 Foreign currency

Foreign currency transactions are translated into Pak 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 Pak Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. Non-monetary assets and liabilities, denominated in foreign currency that are measured at fair value are translated using exchange rate at the date the fair values are determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.14 Borrowing costs

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

3.15 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash and banking instruments in hand, cash at bank and short term running finance.

3.16 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.

3.17 Expenses

All expenses are recognized in the profit and loss account on an accrual basis.

4. SHARE CAPITAL

4.1 Authorised share capital

2010	2009			2010	2009
(Number of shares)					
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	Rupees	**10,000,000,000**	10,000,000,000

Notes to the Financial Statements

For the year ended 30 June 2010

4.2 Issued, subscribed and paid up share capital

2010	2009		2010	2009
(Number of shares)				
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	372,000,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**3,720,000,000**	3,720,000,000
377,000,000	377,000,000		**3,770,000,000**	3,770,000,000
(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	375,000,000	Rupees	**3,750,000,000**	3,750,000,000

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.

			2010	2009
5.	**RESERVES**			
	General reserve		**4,000,000,000**	4,000,000,000
	Unappropriated profit		**12,271,214,379**	8,472,748,885
	Deficit on remeasurement of available for sale investments		**(237,069,004)**	(87,425,952)
		Rupees	**16,034,145,375**	12,385,322,933
6.	**DEFERRED TAXATION**			
	The liability for deferred taxation comprises of temporary differences relating to:			
	- Accelerated tax depreciation		**11,069,946**	13,552,760
	- Investment in associates classified as at fair value through profit or loss		**2,924,020,333**	2,936,679,206
	Deferred tax asset comprises of temporary differences relating to:			
	- Unrealized capital loss on short term investments		**(51,694,466)**	-
		Rupees	**2,883,395,813**	2,950,231,966
7.	**TRADE AND OTHER PAYABLES**			
	Creditors		**4,646**	108,322,915
	Accrued liabilities		**1,918,903**	997,308
	Current portion of liabilities against asset subject to finance lease	7.1	**-**	356,440
	Other liabilities		**477,564**	477,626
	Provision for Workers' welfare fund	7.2	**76,173,396**	-
		Rupees	**78,574,509**	110,154,289

Notes to the Financial Statements
For the year ended 30 June 2010

7.1 The liability against asset subject to finance lease was settled during the current year. The principal outstanding at the end of corresponding year comprised of:

	Future minimum lease payments	Interest	Present value of minimum lease payments	Principal outstanding
Rupees	356,440	5,347	351,093	356,440

7.2 The Company has filed a writ petition in the High Court of Sindh at Karachi to impugn the amendments made to the Workers' Welfare Ordinance 1971, vide Finance Act 2008. The management of the Company is contesting the case vigorously. The petition is pending for hearing in the High Court of Sindh. As per the legal council, the Company has a reasonable case. However, as a matter of prudence, a provision of Rs. 76.173 million has been made in these financial statements.

		2010	2009
8. SHORT TERM BORROWINGS - secured			
From banking companies other than related parties - Short term running finance	Rupees	**620,235,048**	2,632,515,667

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,980 million (2009: Rs. 5,830 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 2011. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2009: 30% margin). These running finance facilities carry mark-up ranging from 3 month KIBOR+1% to 3 month KIBOR+2.5% per annum (2009: 1 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. 1,433.646 million (2009: Rs. 3,760.737 million). The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 2,359.763 million (2009: Rs. 3,197.484 million).

9. CONTINGENCIES AND COMMITMENTS

9.1 The Company is contesting alongwith other defendants four suits filed by Diamond Industries Limited, Mr. Iftikhar Shafi, 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), Saleem Chamdia Securities (Private) Limited, Arif Habib Securities Limited, Moosani Securities Limited and 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 was 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. Individual liability of respective individuals and undertakings is not quantifiable.

Notes to the Financial Statements

For the year ended 30 June 2010

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 equipment	Computer and allied equipment	Leasehold improvements	Capital work in progress	Total
Cost							
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
Balance as at 01 July 2009		8,114,019	316,375	2,422,220	67,750,472	-	78,603,086
Additions during the year		152,000	279,240	362,780	-	-	794,020
Disposals / transfers		(3,160,840)	-	(180,275)	-	-	(3,341,115)
Balance as at 30 June 2010		**5,105,179**	**595,615**	**2,604,725**	**67,750,472**	**-**	**76,055,991**
Depreciation							
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
Balance as at 01 July 2009		3,639,803	169,275	1,790,845	846,881	-	6,446,804
Charge for the year		730,440	36,751	290,742	9,373,550	-	10,431,483
Disposals / transfers		(1,793,063)	-	(180,275)	-	-	(1,973,338)
Balance as at 30 June 2010		**2,577,180**	**206,026**	**1,901,312**	**10,220,431**	**-**	**14,904,949**
Written down value as at 30 June 2009	Rupees	4,474,216	147,100	631,375	66,903,591	-	72,156,282
Written down value as at 30 June 2010	Rupees	**2,527,999**	**389,589**	**703,413**	**57,530,041**	**-**	**61,151,042**
Annual rates of depreciation		**20%**	**15%**	**33%**	**15%**	**-**	

10.1. Computer and allied equipments having an aggregate cost of Rs. 0.18 million (2009: Nil) and accumulated depreciation of Rs. 0.18 million (2009: Nil) 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).

10.2. Disposal of vehicles

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
	Director					
Honda Civic	Mr. Akmal Jameel	1,237,000	690,660	546,340	546,340	Company policy
	Group Employees					
Toyata Corolla GLI	Mr. Salman Shahzad (ASML)	987,840	566,054	421,786	421,786	Company policy
Honda City	Mr. Burhan Ali (AHRESL)	936,000	536,349	399,651	399,651	Company policy
	Rupees	**3,160,840**	**1,793,063**	**1,367,777**	**1,367,777**	

Notes to the Financial Statements
For the year ended 30 June 2010

11.	LONG TERM INVESTMENTS		2010	2009
	At cost	11.1	3,396,388,391	3,356,517,404
	At fair value through profit or loss	11.2	15,731,225,855	12,710,020,469
	Available for sale	11.3	407,660,224	478,001,455
		Rupees	19,535,274,470	16,544,539,328
11.1	**At cost**			
	Subsidiaries:			
	Arif Habib Limited (AHL)	11.1.2	2,675,247,180	2,671,676,243
	Arif Habib Investments Limited, formerly Arif Habib Investment Management Limited (AHIL)	11.1.3	81,947,527	81,947,527
	Arif Habib DMCC (AHD)	11.1.4	29,945,898	29,945,898
	Pakistan Private Equity Management Limited (PPEML)	11.1.5	42,500,000	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
			2,872,837,821	2,846,266,834
	Provision for impairment in PPEML		(17,000,000)	(17,000,000)
			2,855,837,821	2,829,266,834
	Associates:			
	Aisha Steel Mills Limited (ASML)	11.1.8	497,250,570	497,250,570
	Rozgar Microfinance Bank Limited (RMFBL)	11.1.9	32,310,000	19,010,000
			529,560,570	516,260,570
	Provision for impairment in RMFBL		(19,010,000)	(19,010,000)
			510,550,570	497,250,570
	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)	(1,000,000)
			30,000,000	30,000,000
		Rupees	3,396,388,391	3,356,517,404
11.2	**At fair value through profit or loss**			
	Associates:			
	Pakarab Fertilizers Limited (PFL)	11.2.1	12,360,600,000	11,117,700,000
	Fatima Fertilizer Company Limited (FFCL)	11.2.2	3,101,175,000	1,248,750,000
	Sweetwater Dairies Pakistan (Private) Limited (SDPL)	11.2.3	269,450,855	343,570,469
		Rupees	15,731,225,855	12,710,020,469
11.3	**Available for sale**			
	Associate:			
	Al-Abbas Cement Industries Limited (AACIL)	11.3.1	385,549,504	461,115,129
	Thatta Cement Company Limited (THCCL)	11.3.2	161,694,720	153,873,280
			547,244,224	614,988,409
	Provision for impairment in AACIL		(139,584,000)	(136,986,954)
		Rupees	407,660,224	478,001,455

Notes to the Financial Statements
For the year ended 30 June 2010

11.1.1 Fair value of long term investments pledged with banking companies against various short term running finance facilities amounts to Rs. 486.22 million (2009: Rs.704.715 million).

11.1.2 Investment in AHL (quoted) represents 28.18 million (2009: 22.50 million) fully paid ordinary shares of Rs. 10 each, representing 75.15% (2009: 75%) of AHL's paid up share capital as at 30 June 2010. Fair value per share as at 30 June 2010 is Rs. 44.00 (2009: Rs. 66.89), whereas book value based on net assets, as per draft financial statements, as at 30 June 2010 is Rs. 33.92 per share (2009: Rs. 38.23 per share). During the year, Company subscribed 57,971 (2009: Nil) right shares at Rs. 61.59 (2009: Rs.Nil) and received 5.625 million (2009: 4.500 million) fully paid bonus shares.

11.1.3 Investment in AHIL (quoted) represents 18.053 million (2009: 18.053 million) fully paid ordinary shares of Rs. 10 each, representing 60.18% (2009: 60.18%) of AHIL's paid up share capital as at 30 June 2010, having cost of Rs. 81.95 million (2009: Rs. 81.95 million). Fair value per share as at 30 June 2009 was Rs. 19.36 (2009: Rs. 20.01), whereas book value based on net assets, as per audited financial statements, as at 30 June 2010 is Rs. 16.27 per share (2009: Rs. 11.82 per share).

11.1.4 Investment in AHD (unquoted) represents 1,300 (2009: 1,300) fully paid ordinary shares of Rs. 23,035 (2009: Rs. 23,035) each (equivalent UAE Dirham 1,000 each), representing 100% (2009: 100%) of AHD's paid up share capital as at 30 June 2010. Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 27,200.16 per share (2009: Rs. 28,030.88 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 4.25 million (2009: 1.7 million) fully paid ordinary shares of Rs. 10 each, representing 85% (2009: 85%) of PPEML's paid up share capital as at 30 June 2010. Book value based on net assets, as per audited financial statements, as at 30 June 2010 is Rs. 2.19 per share (2009: Rs. (7.26) per share). During the year Company subscribed 2.55 million (2009:Nil) right shares of Rs. 10 (2009: Nil).

11.1.6 Investment in SKML (unquoted) represents 7.50 million (2009: 7.50 million) fully paid ordinary shares of Rs. 5.76 (2009: Rs. 5.76) each (equivalent US$ 0.067 each), representing 75% (2009: 75%) of SKML's paid up share capital as at 30 June 2010. Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 11.33 per share (2009: Rs. 6.424 per share). The subsidiary has started its commercial operations at the Colombo Stock Exchange.

11.1.7 Pursuant to the special resolution approved in the last annual general meeting the Company sold it entire stake in REMCO to Mr. Arif Habib at its book value i.e. Rs. 2,499,950 during the year.

11.1.8 Investment in ASML (unquoted) represents Rs. 49.725 million (2009: Rs. 49.725 million) fully paid ordinary shares of Rs. 10 each, representing 25% (2009: 25%) of ASML's paid up share capital as at 30 June 2010. Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 8.12 per share (2009: Rs. 8.84 per share). During the year, the Company did not subscribe (2009: Rs. 4.925 million) any right shares. The plant errection is expected to complete by the end of year 2010.

11.1.9 Investment in RMFBL (unquoted) represents 3.801 million (2009: 1.901 million) fully paid ordinary shares of Rs.10 each, representing 19.01% (2009:19.01%) of RMFBL's paid up share capital as at 30 June 2010. Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 2.99 per share (2009: Rs.3.86 per share).

11.1.10 Investment in TPL (unquoted) represents 3 million (2009: 3 million) fully paid ordinary shares of Rs.10 each, representing 10% (2009: 10%) of TPL's paid up share capital as at 30 June 2010. Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 5.53 per share (2009: Rs. 7.02 per share).

Notes to the Financial Statements
For the year ended 30 June 2010

11.1.11 Investment in SBL (unquoted) represents 0.010 million (2009: 0.010 million) fully paid ordinary shares of Rs. 100 each, representing 4.65% (2009: 4.65%) of SBL's paid up share capital as at 30 June 2010.

11.2.1 Investment in PFL (unquoted) represents 135 million (2009: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2009: 30%) of PFL's paid up share capital as at 30 June 2010, having cost of Rs. 1,324.332 million (2009: Rs. 1,324.332 million). Fair value per share as at 30 June 2010 is Rs. 91.56 (2009: Rs. 82.35). Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 33.06 per share (2009: Rs. 29.94 per share). During the year, Company received Nil (2009: 45 million) fully paid ordinary shares as bonus.

11.2.2 Investment in FFCL (quoted in March 2010) represents 247.5 million (2009:112.5 million) fully paid ordinary shares of Rs. 10 each, representing 12.375% (2009: 12.59%) of FFCL's paid up share capital as at 30 June 2010, received as specie distribution from its parent company PFL. Fair value per share as at 30 June 2010 is Rs. 12.53 (2009: Rs. 11.10). Book value based on net assets as per unaudited financial statements as at 30 June 2010 is Rs. 10.18 per share (2009: Rs. 22.197 per share).

11.2.3 Investment in SDPL (unquoted) represents 15.867 million (2009: 11.155 million) fully paid ordinary shares of Rs. 10 each, representing 27.83% (2009: 24.90%) of SDPL's paid up share capital as at 30 June 2010, having an aggregate cost of Rs. 269.451 million (2009: Rs. 198.339 million). Fair value per share as at 30 June 2010 is Rs. 16.96 (2009: Rs. 30.79). Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 11.49 per share (2009: Rs. 9.74 per share). During the year, Company subscribed 4.713 million (2009: 9.082 million) right shares.

11.3.1 Investment in AACIL (quoted) represents 68.514 million (2009: 46.304 million) fully paid ordinary shares of Rs. 10 each, representing 37.47% (2009: 25.32%) of AACIL share capital as at 30 June 2010, having cost of Rs. 611.508 million (2009: Rs. 461.115 million). During the year, Company purchased 22.210 million (2009: 27.104 million) ordinary shares from market at an average cost of Rs. 6.77 (2009: Rs. 6.98) per share. Market value per share as at 30 June 2010 is Rs.3. 59 (2009: Rs.7), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 5.83 per share (2009: Rs.8.35 per share).

The Company in accordance with Securities and Exchange Commission SRO 150(1)/2009 dated 13 February 2009, transferred to profit and loss account Rs. 71.091 million (2009: Rs. 68.493 million) after price adjustment as at 31 December 2009 on account of impairment in AACIL shares on 30 June 2009.

11.3.2 Investment in THCCL (quoted) represents 7.744 million (2009: 7.744 million) fully paid ordinary shares of Rs. 10 each, representing 9.71% (2009: 9.71%) of THCCL share capital as at 30 June 2010, having cost of Rs. 172.805 million (2009: Rs. 172.805 million). Market value per share as at 30 June 2010 is Rs.20.88 (2009: Rs.19.87), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 9.73 per share (2009: Rs. 9.66 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 their air value. These are Company's strategic investments and Company does not intend to dispose them off in near future.

Notes to the Financial Statements
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11.4.1 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	Year	Key assumptions: Long term growth rate	Key assumptions: Long term return on equity	Key assumptions: Weighted average cost of capital	Key assumptions: Projection period (years)	Valuation techniques	Other assumptions used
Pakarab Fertilizers Limited	**2010**	5.00%	18.77%	16.75%	8	Discounted cash flows (DCF)	Market based operational assumptions
	2009	5.00%	18.77%	16.40%	8	Discounted cash flows (DCF)	Market based operational assumptions
Sweetwater Dairies Pakistan (Private) Limited	**2010**	5.25%	25.00%	25.00%	10	Free cash flows	Market based operational assumptions
	2009	2.50%	25.00%	25.00%	10	Discounted cash flows (DCF)	Market based operational assumptions
Fatima Fertilizer Company Limited	**2010**	-	-	-	-	-	Quoted Price
	2009	4.00%	25.00%	17.20%	10	Discounted cash flows (DCF)	Market based operational assumptions

12. LONG TERM DEPOSITS

	Note	2010	2009
Security deposit with Central Depository Company of Pakistan Limited		**4,090**	4,090
Security deposits with cellular phone companies		**40,500**	40,500
Security deposit with First Habib Modaraba	12.1	**745,600**	-
	Rupees	**790,190**	44,590

12.1. The Company deposited Rs. 0.746 million with First Habib Modaraba for two cars obtained under Ijarah lease arrangements.

Notes to the Financial Statements
For the year ended 30 June 2010

13. LOANS AND ADVANCES - unsecured	Note	2010	2009
Considered good			
Advance for new investment	13.1	**70,000,000**	-
Advance against expenses		**635,000**	-
To related parties:			
Aisha Steel Mills Limited	13.2	**10,000,000**	-
Arif Habib Investments Limited	13.3	**15,000,000**	-
Pakistan Private Equity Management Limited		**-**	12,188,785
Memon Health and Education Foundation		**-**	15,000,000
Al-Abbas Cement Industries Limited	13.4	**173,000,000**	-
		268,635,000	27,188,785
Provision for doubtful debts			
- Balance as at 1 July		**(12,188,785)**	-
- Reversal / (provision) during the year		**12,188,785**	(12,188,785)
- Balance as at 30 June		**-**	(12,188,785)
	Rupees	**268,635,000**	15,000,000

13.1 This represents amount paid as deposit money against due diligence process regarding acquisition of a company in aviation industry. The advance deposit money shall be adjusted on the successful completion of due diligence or refunded if the proposal is declined.

13.2 This represents amount paid as loan carrying markup @ 15%, repayable within 12 months. Being a group company, no collateral was obtained.

13.3 This represents amount paid as loan carrying markup upto 6 months KIBOR plus 2 %, repayable within 12 months. Being a group company, no collateral was obtained.

13.4 The Company has given an advance to Al-Abbas Cement Industries Limited to subscribe for prospective right issue of shares of the said company.

13.5 Maximum balance due from related parties is Rs. 25 million (2009: Rs. 12.188 million).

14 OTHER RECEIVABLES	Note	2010	2009
Considered good:			
Accrued markup on receivables from Suroor Investments Limited	14.1	**108,244,291**	-
Accrued profit on bank deposits		**-**	68,400
Due from related parties			
- Accrued markup on loan to ASML	13.2	**12,329**	-
- Accrued markup on loan to AHIL	13.3	**601,520**	-
- Receivable from SWDL	14.2	**476,348**	178,612
- Receivable from Arif Habib Real Estate Services (Private) Limited	14.3	**2,903,071**	-
Others		**1,816,500**	1,699,000
	Rupees	**114,054,059**	1,946,012

14.1 The markup pertains to the amount that was due to be received on disposal of the Company's former subsidiary, Arif Habib Bank Limited. The bank was sold to Suroor Investment Limited at Rs. 9 per share.

The Company has received sales proceeds in full.

14.2 This represents payment made on traveling for attending board meetings of Sweetwater Dairies Pakistan (Private) Limited, an associated company, and shall be reimbursed by the associated company.

14.3 This represents balance outstanding on account of adjustment of expense sharing which has been duly paid by the associate, Arif Habib Real Estate Services (Private) Limited (AHRSPL), subsequent to balance sheet date.

Notes to the Financial Statements
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15. SHORT TERM INVESTMENTS

	Note	2010	2009
At fair value through profit or loss - held for trading	15.1		
Investment in quoted equity securities		**2,671,030,564**	2,303,099,026
Investment in closed-end mutual funds		**667,010,384**	241,277,749
	Rupees	**3,338,040,948**	2,544,376,775

15.1 Fair value of these investments is determined using quoted market prices and 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. 1,203.931 million (2009: Rs. 2,395.50 million).

15.2 Reconciliation of gain / (loss) on remeasurement of investments at fair value through profit or loss - held for trading

		2010	2009
Cost of investment		**4,814,446,429**	5,100,722,491
Unrealised (loss) / gain:			
Balance as at 1 July		**(2,556,345,716)**	168,704,583
Unrealised gain / (loss) for the year		**1,079,940,235**	(2,725,050,299)
Balance as at 30 June		**(1,476,405,481)**	(2,556,345,716)
	Rupees	**3,338,040,948**	2,544,376,775

16. CASH AND BANK BALANCES

	Note	2010	2009
With banks in:			
Current accounts			
- In local currency		**3,422,723**	14,766,840
- In foreign currency		**3,122,565**	3,753,243
		6,545,288	18,520,083
Deposit accounts		**30,195**	119,449
	16.1	**6,575,483**	18,639,532
Cash in hand		**30,365**	20,000
Banking instrument in hand		**823,730**	-
	Rupees	**7,429,578**	18,659,532

16.1 The balance in deposit accounts carry markup ranging from 5% to 8% per annum (2009: 5% to 8% per annum). It includes Rs. 0.03 million (2009: Rs. 12.711 million) in current and deposit accounts with Arif Habib Bank Limited.

17. ASSET CLASSIFIED AS HELD FOR SALE

In 2009, the Company's investment in Arif Habib Bank Limited (AHBL) was classified as held for sale following the signing of share purchase agreement (SPA) between the Company and Suroor Investments Limited (SIL) for sale of the entire shareholding in AHBL. The Company received full payment from SIL for this sale during the year and the shares of AHBL were transferred to SIL after completion of all conditions for sale.

18. OPERATING REVENUE

	Note	2010	2009
Dividend income	18.1 & 18.2	**1,481,422,729**	230,939,160
Mark-up on loans and advances		**153,913,683**	74,575,593
Mark-up on bank deposits		**1,581,693**	9,010,441
Return on term finance certificates		**-**	2,347,060
	Rupees	**1,636,918,105**	316,872,254

Notes to the Financial Statements

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18.1 This includes cash dividend received from subsidiary companies amounting to Rs. 33.750 million (2009: Rs. 90.134 million).

18.2 The Company received dividend from Pakarab Fertilizers Limited, in the form of shares of Fatima Fertilizers Company Limited, the face value of which is Rs. 1,350 million.

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

19.	**LOSS ON SALE OF SECURITIES - net**		**2010**	2009
	Gain on sale of securities		**338,986,361**	141,681,445
	Loss on sale of securities		**(478,952,876)**	(619,201,172)
		Rupees	**(139,966,515)**	(477,519,727)
20.	**GAIN / (LOSS) ON REMEASUREMENT OF INVESTMENTS - net**			
	Gain on remeasurement of investment in associates - at fair value through profit or loss		**1,600,093,816**	2,386,681,184
	Gain / (loss) on remeasurement of investments - at fair value through profit or loss (held for trading)	15.2	**1,079,940,235**	(2,725,050,299)
		Rupees	**2,680,034,051**	(338,369,115)
21.	**OPERATING AND ADMINISTRATIVE EXPENSES**			
	Salaries and benefits	21.1	**16,472,317**	6,562,566
	C.D.C charges		**1,395,036**	6,561,414
	Advertisement and business promotion		**2,397,250**	5,777,441
	Legal and professional charges		**4,009,893**	6,621,378
	Rent, rates and taxes		**11,867,284**	4,743,771
	Fees and subscription		**612,970**	3,915,582
	Travel and conveyance		**2,242,626**	3,521,333
	Depreciation	10	**10,431,483**	1,742,851
	Share transfer expenses		**-**	2,975,348
	Printing and stationery		**2,646,866**	1,827,850
	Donations	21.2	**21,250,356**	4,019,000
	Impairment loss on investments	11	**71,091,000**	105,503,477
	Bad debts expense	13	**-**	12,188,785
	Auditors' remuneration	21.3	**867,500**	1,096,000
	Communication		**940,147**	848,202
	General expenses		**239,978**	230,760
	Meeting expenses		**296,313**	226,400
	Insurance		**543,999**	194,496
	Power		**1,963,641**	135,738
	Entertainment		**605,378**	94,070
	Repairs and maintenance		**1,171,675**	53,975
	E.O.B.I. contribution		**27,120**	19,800
	Ujrah payments	21.4	**162,740**	-
	Workers' Welfare Fund	7.2	**76,173,396**	-
		Rupees	**227,408,968**	168,860,237

21.1 This includes Company's contribution to defined contribution plan amounting to Rs.1.112 million (2009: Rs.0.430 million).

Notes to the Financial Statements
For the year ended 30 June 2010

21.2 Directors or their spouses had no interest in donees' fund, except Mr. Arif Habib (CEO and Director of the Company). He is trustee in two of the donee institutions, Fatimid Foundation and Memon Health and Education Foundation.

21.3 Auditors' remuneration		**2010**	2009
Audit fee			
- KPMG Taseer Hadi & Co.		**625,000**	400,000
- Rahman Sarfaraz Rahim Iqbal Rafiq		**-**	400,000
Certification including interim review			
- KPMG Taseer Hadi & Co.		**237,500**	135,000
- Rahman Sarfaraz Rahim Iqbal Rafiq		**-**	135,000
Out of pocket		**5,000**	26,000
	Rupees	**867,500**	1,096,000

21.4 Ujrah payments

The Company entered into Ijarah arrangement with First Habib Modaraba for lease of 3 vehicles for monthly rentals of Rs. 80,870 for 4 years. Following are the future ujrah payments under the agreement:

		Not later than one year	**Later than one year but not later than five years**	**Later than five years**
Total of future ujrah payments under the agreement	Rupees	970,440	2,749,580	-

22. OTHER INCOME		**2010**	2009
Reversal of provision for doubtful debts	22.1	**12,188,785**	15,000
Exchange gain on foreign currency bank balances		**193,335**	584,114
	Rupees	**12,382,120**	599,114

22.1 During the year, the Company received Rs.12.188 million from PPEML which were written off in the previous year as shown in note 13.

23. FINANCE COST		**2010**	2009
Mark-up on short term borrowings	23.1	**229,159,443**	455,525,966
Bank charges		**302,962**	588,751
	Rupees	**229,462,405**	456,114,717

23.1 This includes markup on short term borrowing from Arif Habib Bank Limited and Mr. Arif Habib, the CEO amounting to Rs. 3.811 million (2009: Rs. 1.416 million) and Rs. 50.179 million (2009: Rs. 82.050 million) respectively.

24. TAXATION		**2010**	2009
For the year			
- Current		**867,047**	-
- Deferred		**(66,836,153)**	640,056,571
Prior year		**-**	(5,715,522)
	Rupees	**(65,969,106)**	634,341,049

Notes to the Financial Statements
For the year ended 30 June 2010

24.1 The Company has incurred tax loss for the year and has therefore, recorded tax charge in accordance with the provisions of 'minimum tax' under section 113 of the Income Tax Ordinance, 2001.

24.2 Relationship between accounting profit / (loss) and tax expense

Income tax assessments of the Company have been finalised upto Tax Year 2005 (Accounting year 2005). However, deemed assessments made u/s 120 of the Income Tax Ordinance, 2001 relating to Tax Years 2006 to 2008 have been subsequently amended u/s 122 (5A) of the Income Tax Ordinance, 2001. The Company has filed appeals before the Commissioner Inland Revenue (Appeals - I), Karachi, in respect of each of the said amendments. All such appeals are still pending. According to the Company's tax advisor, neither does any matter involve any potential financial exposure nor is any unfavourable outcome expected, which could raise any claim on the Company.

Income tax assessment for the Tax Year 2009 has been deemed to be finalised u/s 120 of the Income Tax Ordinance, 2001.

24.3 Relationship between accounting profit / (loss) and tax expense

The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income falls under minimum tax regime of the Income Tax Ordinance, 2001.

25. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED		**2010**	2009
25.1 Basic earnings / (loss) per share			
Profit / (loss) after tax	Rupees	**3,798,465,494**	(2,768,927,737)
Weighted average number of ordinary shares	Number	**375,000,000**	375,000,000
Earning / (loss) per share - Basic and Diluted	Rupees	**10.13**	(7.38)

25.2 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 2010 and 30 June 2009 which would have any effect on the earnings per share if the option to convert was exercised.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

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

26.2 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		**Other Executives**	
		2010	2009	**2010**	2009
Managerial remuneration		**8,400,000**	2,800,000	**3,260,000**	2,160,000
Contribution to provident fund		**754,548**	225,516	**262,209**	164,039
Bonus		**700,000**	-	**210,000**	150,000
Other perquisites and benefits		**960,000**	320,000	**488,750**	-
Total	Rupees	**10,814,548**	3,345,516	**4,220,959**	2,474,039
Number of person(s)		**1**	1	**3**	2

Notes to the Financial Statements

For the year ended 30 June 2010

26.3 The aggregate amount charged to these financial statements in respect of directors' fee paid to three directors (2009: two) was Rs. 0.296 million (2009: Rs. 0.135 million). During the year, none of the directors except CEO was drawing any salary on account of managerial remuneration.

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

26.5 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.

27. CASH GENERATED FROM OPERATIONS		2010	2009
Profit / (loss) before tax		**3,732,496,388**	(2,134,586,688)
Adjustments for:			
Depreciation		**10,431,483**	1,742,851
Provision for leave encashment		**669,346**	-
Dividend income		**(1,481,422,729)**	(230,939,160)
Mark-up on bank balances, loans and advances and term finance certificates		**(155,495,376)**	(85,933,094)
Exchange gain on foreign currency bank balances		**-**	(584,114)
Impairment loss on investments		**71,091,000**	105,503,477
Impairment loss on asset classified as held for sale		**-**	1,011,194,260
Reversal of doubtful debts		**-**	(15,000)
Bad debt expense		**-**	12,188,785
Gain on sale of shares of AHIL		**-**	(133,203,947)
Provision for Workers' Welfare fund		**76,173,396**	-
Gain on remeasurement of investment in associates		**(1,600,093,816)**	(2,386,681,184)
Finance cost		**229,159,443**	456,114,717
		(2,849,487,253)	(1,250,612,409)
Operating profit / (loss) before working capital changes		**883,009,135**	(3,385,199,097)
Changes in working capital			
(Increase) / decrease in current assets			
Trade debts		**-**	3,510,576
Loans and advances		**(253,635,000)**	-
Prepayments		**37,306**	(112,906)
Other receivables		**(3,318,307)**	(178,612)
Short term investments		**(793,664,173)**	3,229,947,381
Decrease in current liabilities			
Trade and other payables		**(108,422,522)**	(212,228,456)
		(1,159,002,696)	3,020,937,983
Cash used in operations	Rupees	**(275,993,561)**	(364,261,114)

Notes to the Financial Statements
For the year ended 30 June 2010

28. CASH AND CASH EQUIVALENTS		2010	2009
Cash and bank balances	16	**7,429,578**	18,659,532
Short term borrowings	8	**(620,235,048)**	(2,632,515,667)
	Rupees	**(612,805,470)**	(2,613,856,135)

29. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

29.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the balance sheet date if counterparties fail completely to perform as contracted and arises principally from loans and advances and Other receivables. Out of the total financial assets of Rs. 23,261.027 million (2009: Rs. 19,124.566 million), the financial assets which are subject to credit risk amounted to Rs. 387.712 million (2009: Rs. 35.65 million).

To manage exposure to credit risk in respect of loans and advances, management performs credit reviews taking into account the borrower's financial position, past experience and other factors. Loans terms and conditions are approved by the competent authority.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is:

		2010	2009
Long term deposits		**44,590**	44,590
Loans and advances		**268,000,000**	15,000,000
Other receivables		**112,237,559**	1,946,012
Cash and bank balances		**7,399,213**	18,659,532
	Rupees	**387,681,362**	35,650,134

The Company did not hold any collateral against the above during the year.

All the loans and advances at the balance sheet date represent domestic parties except a receivable of Rs.108.245 million.

The age analysis of loans, advances and other receivable is as follows:

		2010	2009
Not past due		**380,237,559**	16,946,012
Past due 1-30 days		**-**	-
Past due 30-150 days		**-**	-
Past due 150 days		**-**	-
	Rupees	**380,237,559**	16,946,012

Notes to the Financial Statements

For the year ended 30 June 2010

The credit quality of loans, advance and other receivable can be assessed with reference to external credit ratings as follows:

	Rating Short term	Long term	Rating Agency	2010	2009
Al-Abbas Cement Industries Limited	-	-	-	173,000,000	-
Suroor Investment Limited	A-2	A	JCR-VIS	108,244,291	-
Princely Jets (Private) Limited	-	-	-	70,000,000	-
Arif Habib Investments Limited	A-1	A	PACRA	15,601,520	-
Aisha Steel Mills Limited	-	-	-	10,012,329	-
Sweetwater Dairies Pakistan (Private) Limited	-	-	-	476,348	178,612
Arif Habib Real Estate Services (Private) Limited	-	-	-	2,903,071	-

Advance to Princely Jets (Private) Limited is secured by demand promissory note and is refundable as per Memorandum of Understanding signed on 24 May 2010. Further, Rs. 186.39 million is due from group companies and management believes that the sum will be recovered in full as companies are under common management.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Short term	Long term	Rating Agency	2010	2009
Allied Bank Limited	A+	AA	PACRA	294,936	294,076
Arif Habib Bank Limited	A2	AA	JCR-VIS	41,016	12,711,459
Askari Commercial Bank	A1+	AA	PACRA	8,760	9,400
Atlas Bank Limited	A2	A-	PACRA	100,000	100,000
Bank Alfalah Limited	A1+	AA	PACRA	5,258	29,407
Bank AL-Habib Limited	A1+	AA+	PACRA	397,459	394,264
Barclays Bank Ltd.	A1+	AA-	Standard & Poor's	500,000	-
Faysal Bank Limited	A1+	AA	PACRA & JCR-VIS	23,475	23,475
First Women Bank	A2	BBB+	PACRA	50,000	50,000
Habib Bank Limited	A1+	AA+	JCR-VIS	185,329	25,000
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,768	2,201
KASB Bank Limited	A2	A-	PACRA	63,877	64,602
MCB Bank Limited	A1+	AA+	PACRA	3,826,150	2,997,072
National Bank of Pakistan	A1+	AAA	JCR-VIS	252,172	302,530
NIB Bank Limited	A1+	AA-	PACRA	40,951	39,133
Soneri Bank Limited	A1+	AA-	PACRA	99,800	100,000
Standard Chartered Bank Limited	A1+	AAA	PACRA	216,001	991,349
The Bank of Punjab	A1+	AA-	PACRA	1,495	1,795
United Bank Limited	A1+	AA+	JCR-VIS	467,037	467,037

The movement in the allowance for impairment is as follows:		2010	2009
Opening balance		12,188,785	12,930,523
(Reversal) / provision during the year		(12,188,785)	12,173,785
Written off		-	(12,915,523)
Closing balance	Rupees	-	12,188,785

Based on past experience, the management believes that no impairment allowance is necessary in respect of loans advances and other receivables past due as some receivables have been recovered subsequent to the year end and for other balances, there are reasonable grounds to believe that the amounts will be recovered in short course of time.

Notes to the Financial Statements
For the year ended 30 June 2010

29.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The 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. 7.429 million (2009: Rs. 18.660 million) and Rs. 2,359.763 million (2009: Rs. 3,197.484 million) as mentioned in note 16 & 8.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	2010			
	Carrying amount	**Contractual cash flows**	**Upto one year**	**More than one year**
Financial liabilities				
Trade and other payables	**1,731,767**	**5,451,849**	**2,702,207**	**2,749,580**
Short term borrowings	**620,235,048**	**664,688,462**	**664,688,462**	**-**
Rupees	**621,966,815**	**670,140,311**	**667,390,669**	**2,749,580**

	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	-

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

29.3 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. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. The market risks associated with the Company's business activities are interest / Mark-up rate risk and price risk. The Company is not exposed to material currency risk.

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. 77.089 million (2009: Rs. 76.896 million) and Rs. Nil (2009: Nil) respectively, at the year end.

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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 5.2% and 5.3% respectively. Subsequent to the balance sheet date and till the authorization of these financial statements a further decline of 0.05% and 0.08% respectively, have been observed. During the year, the above decline has resulted in a gain on foreign currency translation of Rs.0.193 million that is recognized 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 2010 and 30 June 2009 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 of net assets	Estimated fair value assuming a hypothetical percentage increase / (decreases) in the value of foreign currencies versus Pak Rupee					
		-20%	-10%	-1%	1%	10%	20%
30 June 2010	**77.09**	**61.67**	**69.38**	**76.32**	**77.86**	**84.80**	**92.51**
30 June 2009	76.90	61.52	69.21	76.13	77.66	84.59	92.28

b) Interest / mark-up rate risk

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 and loans and advances by the Company have variable rate pricing that is mostly 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:

	2010	2009	**2010**	2009
	Effective interest rate (in %)		**Carrying amounts (in Rupee)**	
Financial assets				
Loans and advances	**14.35% to 15%**	18%	**25,000,000**	12,188,785
Cash and bank balances	**5% to 8%**	5% to 8%	**30,195**	119,449
Financial liabilities				
Short term finance	**13.34% to 15.27%**	13.5% to 18%	**620,235,048**	2,632,515,667

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Sensitivity analysis

The Company does not account for any fixed rate financial assets 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 a hypothetical change of 100 basis points in interest rates at the balance sheet date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. 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 bps	
	Increase	**Decrease**
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	**(1,497,625)**	**1,497,625**
Cash flow sensitivity-Variable rate financial assets	**23,014**	**(23,014)**
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	(4,555,260)	4,555,260
Cash flow sensitivity-Variable rate financial assets	-	-

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. 6,846.876 million (2009: Rs. 3,033.378 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 favourable. Company strives to maintain above leverage 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 reporting 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 inclined by 35.74% during the financial year. Subsequent to the balance sheet date and till the date of authorization of these financial statements a further incline of 6.48% in the KSE 100 Index has been observed.

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The table below summarizes Company's equity price risk as of 30 June 2010 and 2009 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) before tax
30 June 2010	**6,846.88**	**30% increase**	**8,900.94**	**122.30**	**1,931.76**
		30% decrease	**4,792.81**	**(122.30)**	**(1,931.76)**
30 June 2009	**3,022.38**	**30% increase**	**3,929.09**	**143.40**	**763.31**
		30% decrease	**2,115.66**	**(143.40)**	**(763.31)**

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 conomics, might remain unrepresentative to the financial statements readers for the risk inherent in the financial instruments.

29.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities on the balance sheet, excluding some long term investments, approximate to their fair value.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2010		30 June 2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Long term investments	**19,535,274,470**	**19,535,274,470**	3,356,517,404	3,356,517,404
Short term investments	**3,338,040,948**	**3,338,040,948**	2,544,376,775	2,544,376,775
Long term deposits	**44,590**	**44,590**	44,590	44,590
Loans and advances	**268,000,000**	**268,000,000**	15,000,000	15,000,000
Other receivables	**112,237,559**	**112,237,559**	1,946,012	1,946,012
Cash and bank balances	**7,429,578**	**7,429,578**	18,659,532	18,659,532
Rupees	**23,261,027,145**	**23,261,027,145**	5,936,544,313	5,936,544,313

	30 June 2010		30 June 2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities				
Interest/mark-up accrued on short term borrowings	**21,011,622**	**21,011,622**	90,790,200	90,790,200
Trade and other payables	**1,731,767**	**1,731,767**	110,154,289	110,154,289
Short term borrowings	**620,235,048**	**620,235,048**	2,632,515,667	2,632,515,667
Rupees	**642,978,437**	**642,978,437**	2,833,460,156	2,833,460,156

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b) Valuation of financial instruments

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market.
Level 2: Valuation techniques based on observable inputs.
Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2010		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Equity securities	Rupees	**6,439,215,948**	**-**	**12,630,050,855**	**19,069,266,803**
Available-for-sale financial assets					
Equity securities	Rupees	**407,660,224**	**-**	**-**	**407,660,224**

During the financial year ended 30 June 2010, an equity security, Fatima Fertilizer Company Limited with a carrying amount of Rs. 3,101.175 million, was transferred from Level 3 to Level 1 because Fatima Fertilizer Company Limited was listed on stock exchange during the year.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

30 June 2010		Unlisted equity investment
Balance at 1 July		12,710,020,469
Total gains and losses recognized in profit or loss:		
- included within gain on remeasurement of investment		1,600,093,816
Purchases / shares received as specie		1,421,111,570
Sale		-
Transfer out of level 3		(3,101,175,000)
Balance at 30 June	Rupees	**12,630,050,855**

Notes to the Financial Statements
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30 June 2010		Unlisted equity investment
Total gains or losses recognized in profit or loss for assets and liabilities held at the end of the reporting period:		
- included within gain on remeasurement of financial instruments at fair value through profit or loss		2,680,034,051
- included in unrealized gain on available for sale in other comprehensive income		(220,734,052)
	Rupees	2,459,299,999

During the year ended 30 June 2010, the Company did not acquire shares of any new entity.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

		Effect on profit or loss	
		favourable	(unfavourable)
30 June 2010			
Equity securities	Rupees	**15,300,509**	**(15,300,509)**

c) **Accounting classifications and fair values**

The table below provides reconciliation of the line items in the Company's statement of financial position to the categories of financial instruments.

30 June 2010		Trading	Designated at fair value through profit or loss	Loans and receivables	Available for Sale	Cost / amortized cost	Total carrying amount
Financial Assets							
Cash and bank balances		-	-	-	-	7,429,578	7,429,578
Pledged investments		1,203,930,679	-	-	305,294,720	180,925,360	1,690,150,759
Non-pledged investments		2,134,110,269	15,731,225,855	-	102,365,504	3,215,463,031	21,183,164,659
Long term deposits		-	-	44,590	-	-	44,590
Loans and advances		-	-	268,000,000	-	-	268,000,000
Other receivables		-	-	112,237,559	-	-	112,237,559
	Rupees	3,338,040,948	15,731,225,855	380,282,149	407,660,224	3,403,817,969	23,261,027,145
Financial Liabilities							
Trade and other payables		-	-	-	-	1,731,767	1,731,767
Interest/mark-up accrued on short term borrowings		-	-	-	-	21,011,622	21,011,622
Short term borrowings		-	-	-	-	620,235,048	620,235,048
	Rupees	-	-	-	-	642,978,437	642,978,437
30 June 2009							
Financial Assets							
Cash and cash equivalents		-	-	-	-	18,659,532	18,659,532
Pledged investments		2,395,500,000			366,673,280	338,041,835	3,100,215,115
Non-pledged investments		148,876,775	12,710,020,469	-	111,328,175	3,018,475,569	15,988,700,988
Long term deposits		-	-	44,590	-	-	44,590
Loans and advances		-	-	15,000,000	-	-	15,000,000
Other receivables		-	-	1,946,012		-	1,946,012
	Rupees	2,544,376,775	12,710,020,469	16,990,602	478,001,455	3,375,176,936	19,124,566,237
Financial Liabilities							
Trade and other payables		-	-	-	-	110,154,289	110,154,289
Interest/mark-up accrued on short term borrowings		-	-	-	-	90,790,200	90,790,200
Short term borrowings		-	-	-	-	2,632,515,667	2,632,515,667
	Rupees					2,833,460,156	2,833,460,156

The financial instruments not accounted for at fair value are those financial assets and liabilities whose carrying amounts approximate at fair value.

Notes to the Financial Statements
For the year ended 30 June 2010

30. 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.

31. 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 26 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

Transactions with subsidiaries		2010	2009
- Services availed	Rupees	**21,051,377**	7,905,585
- Mark-up on short term running finance facility	Rupees	**3,467,846**	1,416,644
- Mark-up on bank deposit	Rupees	**1,521,397**	5,179,525
- Dividend income	Rupees	**33,750,000**	90,133,683
- Subscription of right shares	Rupees	**25,500,000**	-
- Initial/fresh equity investments	Rupees	**3,570,937**	52,547,580
- Loan and advances	Rupees	**175,000,000**	-
- Mark-up on loans and advances	Rupees	**1,417,035**	-
- Transfer of vehicle at book value	Rupees	**-**	1,808,678
- Purchase of computers and allied	Rupees	**79,671**	-
Transactions with associates			
- Initial/fresh equity investment	Rupees	**150,392,822**	189,115,129
- Subscription of right shares	Rupees	**84,411,570**	226,849,285
- Advance against shares	Rupees	**173,000,000**	-
- Payment for capital work in progress	Rupees	**-**	43,750,472
- Loan and advances	Rupees	**10,000,000**	400,000,000
- Mark-up on loans and advances	Rupees	**12,329**	74,575,593
- Dividend Income	Rupees	**1,350,393,120**	-

Notes to the Financial Statements
For the year ended 30 June 2010

Transactions with other related parties			2010	2009
-	Payment to employees' provident fund	Rupees	**1,101,709**	430,000
-	Mark-up on loan from CEO	Rupees	**-**	82,050,173
-	Sale of shares	Rupees	**2,499,950**	1,800,413
-	Proceeds from sale of vehicle to Mr. Akmal Jameel	Rupees	**546,340**	-
-	Advisory Fee paid to Mr. Akmal Jameel	Rupees	**150,000**	-
-	Loan to Javedan Cement Limited	Rupees	**150,000,000**	-
-	Mark-up on loans and advances	Rupees	**5,029,909**	-
-	Payment of rent and maintenance to Rotocast Engineering (Pvt) Limited	Rupees	**18,164,483**	-
-	Expenses shared with Arif Habib Real Estate Services (Pvt) Limited	Rupees	**2,903,071**	-

32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on August 11, 2010 by the Board of Directors of the Company.

33. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on August 11, 2010 also approved specie dividend for the year ended 30 June 2010 at the rate of 30% by distributing 112.50 million shares of Fatima Fertilizer Company Limited having face value of Rs. 10 each and fair value of Rs.12.53 each to the shareholders of the Company in the ratio of 3 shares of FFCL for every 10 shares held of Arif Habib Securities Limited. These financial statements do not include the efffect of this specie dividend, which will be accounted for in the financial statements for the year ending 30 June 2011. The investment in FFCL is being carried at fair value in these financial statements using the quoted market rate of this investment at the year end.

Subsequent to the year end, the Company has subscribed further shares in an associates, Aisha Steel Mills Limited. This resulted in parent's holding in the associate to 37.04%.

34. GENERAL

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

Re-classified from	Re-classified to	Note	From (Rupees)	To (Rupees)	Reason
Other income	Operating revenue	18	83,586,034	83,586,034	Better Presentation

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Audited Consolidated Financial Statements

Arif Habib Securities Ltd.
For the year ended June 30, 2010


1.7900
1.7855
1.7810
1.7765
14.56
19.00
05.14
08.47

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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), Arif Habib DMCC (AHD), SKM Lanka Holdings (Private) Limited (SKML) and Pakistan Private Equity Management Limited (PPEML) ("the Group") as at 30 June 2010 and the related consolidated profit and loss account, consolidated statements of comprehensive income, 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 and Pakistan Private Equity Management Limited. The subsidiaries, Arif Habib Limited, Arif Habib Investments Limited and SKM Lanka Holdings (Private) Limited were audited by other firms of chartered accountants, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial 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.

In our opinion, the consolidated financial statements present fairly the financial position of the Group as at 30 June 2010 and the results of its operations, its cash flows, comprehensive income 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 3.1 to the financial statements which explains that the financial information of a subsidiary and equity accounted associates were un-audited.

Karachi: August 30, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

Consolidated Balance Sheet
As at 30 June 2010

	Note	2010	2009
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital	4.1	**10,000,000,000**	10,000,000,000
Issued, subscribed and paid-up share capital	4.2	**3,750,000,000**	3,750,000,000
Reserves	5	**11,159,544,877**	9,480,434,178
		14,909,544,877	13,230,434,178
Non-controlling interests		**515,012,001**	2,548,947,229
		15,424,556,878	15,779,381,407
Non-current liabilities			
Long term loans	6	**183,939,269**	682,607,990
Liabilities against assets subject to finance lease	7	**4,385,569**	-
Deferred taxation	8	**263,791,923**	5,091,888
Current liabilities			
Trade and other payables	9	**416,895,696**	696,680,952
Interest / Mark-up accrued	10	**55,280,439**	194,568,479
Short term borrowings	11	**1,217,727,694**	3,908,551,248
Current portion of long term loans	6	**153,250,000**	53,250,000
Provision for taxation		**2,354,617**	1,987,139
Liabilities classified as held for sale		**-**	26,956,786,000
		1,845,508,446	31,811,823,818
	Rupees	**17,722,182,085**	48,278,905,103
Contingencies and commitments	12		

Consolidated Balance Sheet
As at 30 June 2010

	Note	2010	2009
ASSETS			
Non-current assets			
Property and equipment	13	**345,924,089**	348,830,502
Intangible assets	14	**34,681,348**	35,754,591
Goodwill		**2,160,310,718**	2,160,310,718
Membership cards and licenses	15	**68,655,000**	46,650,000
Long term investments	16	**8,818,153,833**	7,658,758,006
Investment property	17	**61,895,000**	60,795,000
Long term loans and advances - considered good	18	**18,307,708**	41,706,714
Long term deposits and prepayments	19	**36,120,043**	30,233,372
Current assets			
Trade debts	20	**1,760,651,188**	1,546,203,584
Loans and advances - considered good	21	**263,270,015**	127,251,572
Deposits and prepayments	22	**71,015,733**	60,316,245
Advance tax		**68,632,877**	56,954,336
Other receivables - considered good	23	**207,196,507**	176,862,091
Short term investments	24	**3,680,869,407**	3,697,465,086
Other assets		**-**	357,082,445
Cash and bank balances	25	**126,498,619**	66,638,043
Assets classified as held for sale		**-**	31,807,092,798
		6,178,134,346	37,895,866,200
	Rupees	**17,722,182,085**	48,278,905,103

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Consolidated Profit and Loss Account

For the year ended 30 June 2010

	Note	2010	2009
Operating revenue	26	776,506,724	855,469,588
Gain / (loss) on sale of securities - net		161,657,289	(580,318,937)
Gain / (loss) on remeasurement of investments - net		945,893,915	(2,592,368,840)
		1,884,057,928	(2,317,218,189)
Operating, administrative and other expenses	27	(588,828,989)	(1,015,984,021)
Operating profit / (loss)		1,295,228,939	(3,333,202,210)
Other income	28	109,754,014	175,694,681
		1,404,982,953	(3,157,507,529)
Finance cost	29	(392,517,026)	(761,373,005)
		1,012,465,927	(3,918,880,534)
Share of profit from associates - net of tax		1,059,412,228	1,849,504,639
Profit / (loss) before tax		2,071,878,155	(2,069,375,895)
Taxation	31	(278,929,108)	490,426
Profit / (loss) after tax from continuing operations	Rupees	1,792,949,047	(2,068,885,469)
Discontinued operations			
Loss for the year from discontinued operations	30.1	(773,157,701)	(1,480,321,482)
Profit / (loss) for the year	Rupees	1,019,791,346	(3,549,206,951)
Profit / (loss) attributable to:			
Equity holders of Arif Habib Securities Limited			
From continuing operations		1,638,926,532	(2,064,504,292)
From discontinued operations		(75,638,943)	(1,085,648,043)
	Rupees	1,563,287,589	(3,150,152,335)
Non-controlling interests			
From continuing operations		154,022,515	(4,381,177)
From discontinued operations	30.3	(697,518,758)	(394,673,439)
	Rupees	(543,496,243)	(399,054,616)
Earnings / (loss) per share - basic and diluted			
From continuing operations		4.37	(5.51)
From discontinued operations		(0.20)	(2.90)
Total	32 Rupees	4.17	(8.40)

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

		2010	2009
Profit / (loss) for the year		**1,563,287,589**	(3,150,152,335)
Other comprehensive income / (loss)			
Appreciation / (Deficit) on remeasurement of investments classified as for 'available for sale'		**115,067,818**	(1,143,121,639)
Net effect of translation of net assets of foreign subsidiary to presentation currency		**2,277,357**	18,879,440
Other comprehensive income / (loss) for the year		**117,345,175**	(1,124,242,199)
Total comprehensive income / (loss) for the year	Rupees	**1,680,632,764**	(4,274,394,534)

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Consolidated Cash Flow Statement
For the year ended 30 June 2010

	Note	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	34	1,739,828,271	(390,024,714)
Income tax paid		(31,257,347)	(186,654,550)
Finance cost paid		(531,805,066)	(689,619,190)
Net cash generated from / (used in) operating activities		1,176,765,858	(1,266,298,454)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(522,987,514)	(393,316,500)
Acquisition of intangible assets		(941,340)	-
Membership cards and licenses		(22,005,000)	17,321,496
Investment property		(100,000)	(52,000,000)
Dividend and interest received		169,158,364	446,347,158
Long term investments		(1,096,468,494)	(1,466,432,348)
Proceeds from sale of property and equipment		475,224,945	-
Long term loans and advances		(113,686,749)	(24,578,085)
Long term deposits		(6,886,671)	(3,938,705)
Proceeds from sale of AHBL and REMMCO		2,662,529,453	-
Net cash generated from / (used in) investing activities		1,543,836,993	(1,476,596,984)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		41,331,279	522,307,990
Liability against assets subject to finance lease		-	(1,192,587)
Dividend paid		(11,250,000)	(848,716,474)
Net cash generated from / (used in) financing activities		30,081,279	(327,601,071)
Net increase / (decrease) in cash and cash equivalents		2,750,684,130	(3,070,496,509)
Cash and cash equivalents at beginning of the year		(3,841,913,205)	(771,416,696)
Cash and cash equivalents at end of the year	34.1 Rupees	(1,091,229,075)	(3,841,913,205)

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

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Issued, subscribed and paid up share capital	Reserves					Total
		(Deficit) / surplus on remeasurement of investments	Exchange differece on translation to presentation currency	General reserve	Unappropriated profit	Sub total	
Balance as at 1 July 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**
Total comprehensive (loss) / income for the year							
Loss for the year	-	-	-	-	(3,150,152,335)	(3,150,152,335)	(3,150,152,335)
Other comprehensive income							
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 subsidiary to presentation currency	-	-	18,879,440	-	-	18,879,440	18,879,440
	-	(1,143,121,639)	18,879,440	-	(3,150,152,335)	(4,274,394,534)	(4,274,394,534)
Transactions with owners recorded directly in equity							
Bonus shares issued 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 **Rupees**	**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**
Balance as at 1 July 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**
Total comprehensive income / (loss) for the year							
Profit / (loss) for the year	-	-	-	-	1,563,287,589	1,563,287,589	1,563,287,589
Other comprehensive income							
Deficit on remeasurement of investments classified as 'available for sale'	-	115,067,818	-	-	-	115,067,818	115,067,818
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	2,277,357	-	-	2,277,357	2,277,357
	-	115,067,818	2,277,357	-	1,563,287,589	1,680,632,764	1,680,632,764
Acquisition of non-controlling interests without change in control	-	-	-	-	(1,522,065)	(1,522,065)	(1,522,065)
Balance as at 30 June 2010 **Rupees**	**3,750,000,000**	**(424,820,983)**	**29,325,287**	**4,019,567,665**	**7,535,472,908**	**11,159,544,877**	**14,909,544,877**

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

CHAIRMAN & CHIEF EXECUTIVE **DIRECTOR**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1. STATUS AND NATURE OF BUSINESS

Arif Habib Securities Limited (AHSL), 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 principally engaged in the business of investments in listed and unlisted securities. The registered office of the Parent Company is situated at Arif Habib Centre, 23 M.T.Khan Road, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

The consolidated financial statements of AHSL for the year ended 30 June 2010 comprise the Parent company and following subsidiary companies (the Group), that have been consolidated in these financial statements on a line-by-line basis. All material inter-company balances, and transactions have been eliminated.

Subsidiaries Name of Company	Note	Shareholding (including indirect holding)
- Arif Habib Limited (AHL)	1.1	75.15%
- Arif Habib Investments Limited	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%

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

Associates Name of Company	Shareholding (including indirect holding)
- Pakarab Fertilizers Limited (PFL)	30.00%
- Aisha Steel Mills Limited (ASML)	25.00%
- Al-Abbas Cement Industries Limited (AACIL)	37.47%
- Thatta Cement Company Limited (THCCL)	9.71%
- Rozgar Microfinance Bank Limited (RMFBL)	19.01%
- Sweetwater Dairies Pakistan (Private) Limited (SDPL)	27.83%
- Fatima Fertilizer Company Limited (FFCL)	25.88%

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

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 Arif Habib Centre, 23 M.T. Khan Road, 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 and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, advisory and consultancy services. The shares of AHL have been listed at the Karachi Stock Exchange since 31 January 2007.

During the year, the Parent acquired 57,971 shares in AHL for Rs. 3,570,938. The following summarizes the effect of changes in the Parent's ownership interest in AHL:

		2010
Parent's ownership interest at beginning of the year		**860,206,259**
Effect of increase in Parent's ownership interest		**78,848,901**
Share of comprehensive income		**2,048,873**
Parent's ownership interest at end of the year	Rupees	**941,104,032**

1.2 Arif Habib Investments Limited (AHIL) 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 Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. 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, U.A.E. on 24 October 2005 as a limited liability company. Its registered office is situated at Dubai Metals and Commodities Center, Dubai, U.A.E. 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 SKM Lanka Holdings (Private) Limited (SKML) was incorporated in Colombo, Sri Lanka on 15 February 2007 as a limited liability company. Its registered office is situated at 86/1, Dawson Street, Colombo 02, Sri Lanka. It is domiciled in the province of Colombo and is registered with Securities and Exchange Commission of Sri Lanka as securities brokerage house.

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 Arif Habib Centre 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. PPEML is a fund management company (FMC) 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 and licensed to carry out private equity and venture capital fund management services.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

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 which are measured at their fair values (as disclosed in note 16 and 24).

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The financial statements of two foreign incorporated subsidiaries have been translated into Pak 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.

Information about 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 and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

- 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)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

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

Initial application

During the year following standards and amendments became effective. The application of these standards and interpretations did not have any material effect on the Parent's financial statements except for increase in disclosures

- Starting 1 July 2009, the Company has applied revised IAS 1 Presentation of Financial Statements (2007). The revised standard requires all owner changes in equity to be presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. The Company's now also presents a statement of comprehensive income along with the profit and loss account.

- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations: The IASB amended the definition of vesting conditions in IFRS 2 to clarify that vesting conditions are limited to service conditions and performance conditions; all other conditions are considered non-vesting. The amendments also provide guidance for non-vesting conditions and require that cancellations by the counterparty to a share-based payment arrangement to be treated in the same way as cancellations by the entity. These amendments are not applicable to the Company.

- Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments: The IASB amended IFRS 7 to enhance disclosures about fair value measurements of financial instruments and over liquidity risk.

  The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. The disclosures in respect of fair values are provided in note 35.

  Further, the definition of liquidity risk has been amended. The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities.

- IFRS 8 Operating Segments: IFRS 8 replaces IAS 14 Segment Reporting and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. Segment information is presented in note 39 to these consolidated financial statements.

- IAS 23 Borrowing Costs (revised 2007): The revised standard prohibits the immediate expensing of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This has been applied by the components.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments introduce an exemption to the principles otherwise applied in IAS 32 for the classification of instruments as debt or equity; the amendments require certain instruments that normally would be classified as liabilities to be classified as equity if and only if they meet certain conditions. These amendments did not effect Company's financial statements.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

- Amendments to IAS 28 Investments in Associates: The amendments clarify that the disclosures required by an investor in an associate that accounts for its investment in an associate at fair value through profit or loss in accordance with IAS 39; that after applying the equity method, an impairment loss on an investment in associate is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in associate; and that any reversal of a previously recognized impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment in associate subsequently increases.

- IFRS 3 Business Combinations (revised 2008) The IASB issued a revised version of the business combinations standard. Some of the main changes to the standard are as follows. These did not effect the consolidated financial statements for the year.

  The revised standard also applies to business combinations involving only mutual entities and to business combinations achieved by contract alone.

  The definition of a business has been amended to clarify that it can include a set of activities and assets that are not being operated as a business, as long as an acquirer is capable of operating the set as a business.

  All business combinations are accounted for by applying the acquisition method (previously the purchase method).

  The acquirer can elect to measure any non-controlling (previously minority) interests at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Subsequent recognition of deferred tax assets acquired in a business combination that did not satisfy the criteria for recognition at the acquisition date would be recognized in profit or loss.

- IAS 27 Consolidated and Separate Financial Statements (amended 2008): The IASB amended IAS 27 to reflect changes to the accounting for non-controlling interests (previously minority interest). The amendments deal primarily with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries, and the allocation of profit or loss to controlling and non-controlling interests in a subsidiary. These changes have been applied where applicable.

- IFRIC 17 Distributions of Non-cash Assets to Owners. This interpretation provides guidance in respect of distributions of non-cash assets to owners acting in their capacity as owners. Distributions within the scope of IFRIC 17 are measured at the fair value of the assets to be distributed. Any gain or loss on settlement of the liability for the dividend payable is recognized in profit or loss.

- The amendments to various other standards by IASB that became effective during the year mainly included amendments to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 19 Employee Benefits, IAS 20 Government Grants and Disclosure of Government Assistance, IFRIC 17 Distribution of Non-cash Assets to Owners, IFRIC 18 Transfers of Assets from Customers and amendments to IAS 38 Intangible Assets. These amendments did not affect consolidated financial statements.

Forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2010. These amendments are unlikely to have any material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5.

- Amendments to IFRS 8 Operating Segments. The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.

- Amendments to IAS 1 Presentation of Financial Statements: The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments

- Amendments to IAS 7 Statement of Cash Flows: The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

- Amendments to IAS 17 Leases: The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee.

- Amendments to IAS 36 Impairment of Assets: The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement: The amendments provide additional guidance loan prepayment penalties ; clarify scope exemption in IAS 39 and the reclassification of gains and loses on a cashflow hedge

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues: The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

- IAS 24 Related Party Disclosures (revised 2009). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- Other amendments, interpretations and improvements by IASB include:

  - IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
  - Amendments to IFRS 3 Business Combinations
  - Amendments to IAS 27 Consolidated and Separate Financial Statements
  - Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
  - Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures
  - Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

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.

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities in which the Parent has control and / or ownership of more than half or fifty percent, of the voting power. Control exists when the Parent 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.

The assets and liabilities of subsidiary companies have been consolidated on a line-by-line basis. The carrying value of investments held by the Parent is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

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

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary and any non-controlling interests. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

The financial year of the Parent and its subsidiaries are the same except for SKML and AHD. Financial years of the said subsidiaries are 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. 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 Arif Habib Limited, Arif Habib Investments Limited and Pakistan Private Equity Management Limited as of 30 June 2010 and financial statements of SKM Lanka Holdings (Private) Limited as of 31 March 2010 are audited. However, the financial results of Arif Habib DMCC consolidated in these financial statements are unaudited. The results of Arif Habib Bank Limited have been consolidated upto 31 March 2010 which is the date on which the control was transferred to the new owners of AHBL.

(ii) Associates

The Parent 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 2010. However, financial statements of two associates namely, Pakarab Fertilizers Limited and Fatima Fertilizer Company Limited for the period ended 30 June 2010 have been reviewed by the independent auditors.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

3.2 Staff retirement benefits

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

3.2.1 Defined contribution plan

AHSL, 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 permanent employees. Equal monthly contributions are made both by the company and the employees.

3.2.3 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

AHSL and AHL provide 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 (a fund management 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.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

3.4 Property and equipment

Owned

Property and equipment, except capital work-in-progress, 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 13.

The depreciation on property and equipment is charged full in the month of acquisition and no depreciation is charged in the month of disposal.

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.

Leased

Leases in terms of which the Group companies 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.

Leased assets which are obtained under Ijarah agreement are not recognized in the Parent's balance sheet and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountants of Pakistan and notified by Securities and Exchange Commission of Pakistan vide S.R.O. 43(1) / 2007 dated 22 May 2007. Payments made under operating lease are charged to profit and loss account on a straight line basis over the lease term.

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 under cost model. Rental income from investment property is recognized through profit and loss accounts.

Investment properties are derecognized 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 recognized in the income statements in the year of retirement or disposal.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

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 less impairment losses, if any.

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.

3.7 Impairment

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred and that the loss event has 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 declined 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.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

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 Group 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 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.

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 / re-purchase 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 balance sheet dates, these investments are remeasured at fair values and the resulting gains or losses are recognized 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.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

3.8.3 Held-to-maturity investments

Investments with a fixed maturity where the company has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any impairment losses.

3.9 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-repo) are not recognized 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 recognized 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 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 and loss account is re-presented as if the operation had been discontinued from the start of the comparative period.

3.11 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.

3.12 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.

3.13 Short term borrowings

Mark-up bearing borrowings are recognized 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 recognized in the income statement over the period of the borrowings on an effective interest basis.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

3.14 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 recognized as and when such services are provided.

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

- Dividend income and entitlement of bonus shares are recognized when the Group's right to receive such dividend or bonus is established.

- Markup income is 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 recognized once the services are provided to unit holders in connection with their investments in the open-ended schemes managed by AHIL.

3.15 Provisions

Provision is recognized when, as a result of past event, the companies have 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.

3.16 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. These are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expires or istransferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the statement of financial position 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.

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the Group 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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for financial instrument is not active, the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

3.17 Foreign currency transactions

Foreign currency transactions are translated into Pak 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 Pak Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. Non-monetary assets and liabilities, denominated in foreign currency that are measured at fair value are translated using exchange rate at the date the fair values are determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.18 Borrowing costs

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

3.19 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand, banking instruments, cash at bank and short term running finance.

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Group's management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets.

3.21 Dividend and appropriation to reserve

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

4. SHARE CAPITAL

4.1 Authorised share capital

2010	2009		2010	2009
(Number of shares)				
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each Rupees	**10,000,000,000**	10,000,000,000

4.2 Issued, subscribed and paid-up share capital

2010	2009		2010	2009
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	372,000,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**3,720,000,000**	3,720,000,000
377,000,000	377,000,000		**3,770,000,000**	3,770,000,000
(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	375,000,000	Rupees	**3,750,000,000**	3,750,000,000

4.3 During the financial year 2005-2006, the Parent 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.

5. RESERVES

		2010	2009
General reserve		4,019,567,665	4,019,567,665
Unappropriated profit		7,535,472,908	5,973,707,384
Exchange difference on translation to presentation currency		29,325,287	27,047,930
(Deficit) on remeasurement of available for sale investments		(424,820,983)	(539,888,801)
	Rupees	11,159,544,877	9,480,434,178

6. LONG TERM LOANS

		2010	2009
From banking companies - secured			
Allied Bank Limited - DF I	6.1	49,000,000	73,500,000
Allied Bank Limited - DF II	6.2	86,250,000	115,000,000
Arif Habib Bank Limited	6.3	100,000,000	-
From related parties - unsecured		101,939,269	547,357,990
		337,189,269	735,857,990
Less: Current portion of long term loan		(153,250,000)	(53,250,000)
	Rupees	183,939,269	682,607,990

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

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 (2009: 6 months' KIBOR plus 1.5% per annum). The principal amount of the loan and mark-up thereon is payable semi-annually. 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 (2009: 6 months' KIBOR plus 1.75% per annum). The principal amount of the loan is repayable in half yearly installments which commenced from December 2009. Mark-up is payable on half yearly basis. The loan is secured against pledge of units / certificates of various mutual funds 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.

6.3 During the year, a short-term running finance facility of a group company was converted to a term finance facility of sixteen months amounting to Rs. 150 million under the mark-up arrangement, from Arif Habib Bank Limited. The principal amount of the loan is repayable in three equal installments in March, August and December 2010. The outstanding balance of Rs. 100 million is due in two equal installments in August and December 2010 and are included in the current portion. The facility carried mark-up at the rate of 3 months' KIBOR plus 3% per annum (2009: 3 months' KIBOR plus 5% per annum) payable on quarterly basis. The facility is secured against first registered charge over AHIL's receivables from respective trustees of the funds managed by it with 30% margin and / or pledge of units / certificate of various mutual funds and equity securities.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		2010	2009
Present value of minimum lease payments		**5,159,779**	-
Less : Current portion shown under current liabilities		**(774,210)**	-
	Rupees	**4,385,569**	-

The minimum lease payments have been discounted at an implicit interest rate of 16% reset at the beginning of every six months. The implicit interest rate used during the year to arrive at the present value of minimum lease payment is 16% since the implicit interest rate is linked with KIBOR so the amount of minimum lease payments and finance charge may vary from period to period. The lessee has an option to purchase the assets after expiry of the lease term.

Taxes, repairs and insurance costs are borne by the lessee. In case of early termination of lease, the lessee is required to pay entire amount of rentals for the unexpired period of lease agreement.

The amount of future payments of the lease and the periods in which these payments become due are as follows:

	Minimum lease payments	Future finance cost	Present value of lease liability 2010	2009
Not later than one year	1,340,964	566,754	**774,210**	-
Later than one year and not later than five year	5,437,272	1,051,703	**4,385,569**	-
Rupees	6,778,236	1,618,457	**5,159,779**	-

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

8. DEFERRED TAXATION

		2010	2009
Deferred tax liabilities arising in respect of			
Deductible temporary differences			
- Tax losses		**33,094,366**	15,243,552
- Unquoted securities		**1,795,152**	1,853,390
- Short term investments		**51,694,466**	-
		86,583,984	17,096,942
Taxable temporary differences			
- Property and equipment		**(22,370,455)**	(21,040,705)
- Intangible assets		**(1,744,203)**	(1,148,125)
- Unquoted securities		**(326,261,249)**	-
		(350,375,907)	(22,188,830)
	Rupees	**(263,791,923)**	(5,091,888)

9. TRADE AND OTHER PAYABLES

		2010	2009
Creditors		**239,014,224**	559,349,371
Bills payable		**-**	6,674,434
Accrued liabilities		**50,426,769**	61,293,098
Withholding tax payable		**557,933**	1,224,876
Due to related parties		**-**	29,254,860
Advance from customers		**-**	11,873,500
Other liabilities	9.1	**45,980,858**	27,010,813
Provision for Workers' Welfare Fund		**80,915,912**	-
	Rupees	**416,895,696**	696,680,952

9.1 This includes current portion of liabilities against assets subject to finance lease (refer note 7).

10. INTEREST / MARK-UP ACCRUED

		2010	2009
On long term financing		**6,756,348**	-
On short term borrowings		**48,524,091**	194,568,479
	Rupees	**55,280,439**	194,568,479

11. SHORT TERM BORROWINGS - secured

		2010	2009
From banking companies and financial institutions			
- Short term running finance from banks	11.1	**1,203,392,939**	3,908,551,248
- Borrowings in foreign currency by AHD and SKML		**14,334,755**	-
	Rupees	1,217,727,694	3,908,551,248

11.1 Short term running finance facilities are available from various commercial banks under mark-up arrangements amounting to Rs. 5,030 million (2009: Rs. 9,745 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 2011. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2009: 30% margin). The rates of mark-up range from 3 months' KIBOR+1% to 3 months' KIBOR+3.5% per annum (2009: 1 months' KIBOR+1% to 6 months' KIBOR+2% per annum) calculated on a daily product basis, that is payable quarterly.

Notes to the Consolidated Financial Statements

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12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

Arif Habib Securities Limited

12.1.1 The Company is contesting alongwith other defendants four suits filed by Diamond Industries Limited, Mr. Iftikhar Shafi, 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), Saleem Chamdia Securities (Private) Limited, Arif Habib Securities Limited, Moosani Securities Limited and 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 was 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. 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.

12.1.2 Income tax assessments of the Company have been finalised upto Tax Year 2005 (Accounting year 2005). However, deemed assessments made u/s 120 of the Income Tax Ordinance, 2001 relating to Tax Years 2006 to 2008 have been subsequently amended u/s 122 (5A) of the Income Tax Ordinance, 2001. The Company has filed appeals before the Commissioner Inland Revenue (Appeals - I), Karachi, in respect of each of the said amendments. All such appeals are still pending. According to the Company's tax advisor, neither does any matter involve any potential financial exposure nor is any unfavourable outcome expected, which could raise any claim on the Company.

Income tax assessment for the Tax Year 2009 has been deemed to be finalised u/s 120 of the Income Tax Ordinance, 2001.

Arif Habib Limited

No contingencies exist as at the balance sheet date.

Arif Habib Investments Limited

Bank guarantee of Rs. 1,550,000 (30 June 2009: Rs. 1,550,000) against the limit of Rs. 2,100,000 (30 June 2009: Rs. 2,100,000) has been issued by AHBL in favour of Standard Chartered Bank (Pakistan) Limited (SCB) in relation to credit cards issued to certain employees of the Company by SCB.

12.2 Commitments

Arif Habib Securities Limited

There were no significant commitments at the balance sheet date.

Arif Habib Limited		2010	2009
Commitment to KSE Clearing House in respect of trading in securities	Rupees	**388,174,070**	317,703,186

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

13. PROPERTY AND EQUIPMENT

		2010	2009
Assets owned by the Group	13.1	**340,940,389**	348,830,502
Assets subject to finance lease	13.2	**4,983,700**	-
	Rupees	**345,924,089**	348,830,502

13.1 Assets owned by the Group

		Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture, fixtures and fittings	Vehicles	Telecommu-nicaton equipment	Office equipment	Computer and allied equipment	Generator	Leasehold Improvements	Capital work in progress	Total
COST													
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)	(208,518,928)
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
Balance as at 01 July 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
Additions during the year		148,100,000	-	487,313,442	53,393,231	5,173,780	457,100	59,528,421	30,756,721	16,620,868	55,321,914	3,266,008	859,931,485
Disposals / transfers		(261,129,990)	-	(782,517,000)	(80,407,941)	(33,735,665)	(404,950)	(162,537,840)	(152,578,761)	(2,327,788)	(185,856,129)	(652,376,273)	(2,313,872,337)
Balance as at 30 June 2010		**128,575,529**	**33,142,031**	**60,363,639**	**18,858,105**	**19,922,945**	**4,805,283**	**54,940,829**	**39,103,763**	**17,007,281**	**38,838,757**	**-**	**415,558,162**
DEPRECIATION													
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
Balance as at 01 July 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
Charge for the year		-	508,765	35,198,546	7,004,736	6,789,401	345,731	24,763,214	9,599,153	1,186,331	44,362,906	-	129,758,783
Disposals / transfers		-	-	(58,075,562)	(9,635,929)	(14,303,087)	(91,745)	(50,207,162)	(44,387,031)	(1,211,850)	(31,143,256)	-	(209,055,622)
Balance as at 30 June 2010		**-**	**14,705,912**	**1,272,539**	**6,194,043**	**9,125,007**	**1,159,537**	**3,868,821**	**19,163,129**	**1,251,410**	**17,877,375**	**-**	**74,617,773**
Written down value as at 30 June 2009	Rupees	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)
												Rupees	348,830,502
Written down value as at 30 June 2010	Rupees	**128,575,529**	**18,436,119**	**59,091,100**	**12,664,062**	**10,797,938**	**3,645,746**	**51,072,008**	**19,940,634**	**15,755,871**	**20,961,382**	**-**	**340,940,389**
Annual rates of depreciation %		**-**	**5**	**5**	**5 - 20**	**20**	**10**	**3 - 15**	**33**	**10**	**5 - 15**	**20**	**-**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

13.2 Assets subject to finance lease

COST

Balance as at 01 July 2009		-
Additions during the year		**5,246,000**
Disposals / transfers		-
Balance as at 30 June 2010		**5,246,000**
Balance as at 01 July 2009		-
Charge for the year		**(262,300)**
Disposals / transfers		-
Balance as at 30 June 2010		**(262,300)**
Written down value as at 30 June 2010	Rupees	**4,983,700**

13.3 Disposals of property and equipment

The major disposals other than those relating to the discontinued operations are as follows:

Description	**Cost**	**"Book value"**	**"Sale proceeds"**
		Rupees	
Vehicles			
To employees as per Group Companies' policies			
Akmal Jameel (Honda Civic, Director)	1,237,000	546,340	546,340
Salman Shahzad (Group employee)	987,840	421,786	421,786
Burhan Ali (Group employee)	936,000	399,651	399,651
Adnan Siddique	1,812,920	1,284,152	1,284,156
Computer and Allied Equipment			
By Negotiation to Related Party			
Notebook Computer (to Thatta Cement Company Limited)	118,000	54,367	54,367
Laptop by insurance claim on theft (from Asia Care)	131,678	59,086	71,408
HP Compaq 6910p (to Arif Habib REIT Management Limited)	180,000	97,932	97,932
HP Servers Proliant DL380 (to Arif Habib REIT Management Limited)	534,000	283,396	283,396
Furniture, Fixtures and Fittings			
By Negotiation to Related Party			
Arif Habib Real Estate Services (Private) Limited	90,250	61,274	61,274
By Negotiation to Outsider			
Rana Akhter	135,000	99,462	14,612
Generator			
By Negotiation to Outsider			
Zeeshan Power Engineering	495,000	331,185	225,000
Zeeshan Power Engineering	1,188,788	435,835	230,000
Zeeshan Power Engineering	564,000	282,248	72,000
Zeeshan Power Engineering	80,000	66,670	4,000
Aggregate of other items of property and equipment with individual book values not exceeding Rs. 50,000			
Computer and Allied Equipment	3,481,322	741,729	433,834
Furniture, Fixtures and Fittings	370,546	191,924	83,568
Vehicles	205,351	106,324	106,324
Office Equipment	454,050	323,166	72,341
Telecommunications Equipment	404,950	313,205	143,515

Notes to the Consolidated Financial Statements

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14. INTANGIBLE ASSETS

		Software and other intangibles
COST		
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
Balance as at 01 July 2009		**127,072,186**
Additions during the year		**17,845,010**
Disposal		**(98,478,180)**
Transfers / adjustments		**-**
Balance as at 30 June 2010		**46,439,016**
AMORTIZATION		
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
Balance as at 01 July 2009		**23,227,495**
Amortization for the year		**24,018,956**
Amortization on disposal		**(35,488,783)**
Transfers / adjustments		**-**
Balance as at 30 June 2010		**11,757,668**
Written down value as at 30 June 2009		103,844,691
Transferred to assets classified as held for sale		(68,090,100)
Written down value as at 30 June 2009	Rupees	35,754,591
Written down value as at 30 June 2010	Rupees	**34,681,348**

15. MEMBERSHIP CARDS AND LICENSES

		2010	2009
Membership cards			
- 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
		27,000,000	27,000,000
Rooms			
- Islamabad Stock Exchange (Guarantee) Limited		**22,005,000**	-
- Lahore Stock Exchange (Guarantee) Limited		**17,550,000**	17,550,000
		39,555,000	17,550,000
Booths			
- Karachi Stock Exchange (Guarantee) Limited - three booths		**2,100,000**	2,100,000
	Rupees	**68,655,000**	46,650,000

Notes to the Consolidated Financial Statements
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		Note	2010	2009
16.	**LONG TERM INVESTMENTS**			
	Investment in associates	16.1	**8,587,921,692**	7,300,833,430
	Investment in other related parties - available for sale	16.2	**200,232,141**	327,924,576
	Other investments	16.3	**30,000,000**	30,000,000
		Rupees	**8,818,153,833**	7,658,758,006
16.1	**Investment in associates**			
	Pakarab Fertilizers Limited (PFL)	16.1.1	**4,811,743,182**	4,901,246,529
	Fatima Fertilizer Company Limited (FFCL)	16.1.2	**2,675,460,106**	1,340,460,365
	Sweetwater Dairies Pakistan (Private) Limited (SDPL)	16.1.3	**264,950,984**	118,764,731
	Aisha Steel Mills Limited (ASML)	16.1.4	**393,138,843**	441,040,552
	Rozgar Microfinance Bank Limited (RMFBL)	16.1.5	**20,428,358**	7,476,721
	Al-Abbas Cement Industries Limited (AACIL)	16.1.6	**377,135,659**	439,922,527
	Thatta Cement Company Limited (THCCL)	16.1.7	**74,145,060**	73,874,147
			8,617,002,192	7,322,785,572
	Less: Provision for impariment in			
	RMFBL		**(7,128,358)**	-
	AACIL		**(21,952,142)**	(21,952,142)
			(29,080,500)	(21,952,142)
			8,587,921,692	7,300,833,430
16.2	**Investment in other related parties - available for sale**			
	Pakistan Premier Fund Limited		**-**	69,619,923
	Pakistan Pension Fund		**99,441,000**	86,937,000
	Pakistan Islamic Pension Fund		**99,516,000**	88,263,000
	Pakistan Capital Protected Fund - I		**1,275,141**	23,729,757
	Pakistan Capital Market Fund		**-**	10,919,286
	Pakistan Strategic Allocation Fund		**-**	48,455,610
			200,232,141	327,924,576
16.3	**Other investments:**			
	Takaful Pakistan Limited (TPL) - at cost	16.3.1	**30,000,000**	30,000,000
	Sun Biz (Private) Limited (SBL) - at cost	16.3.2	**1,000,000**	1,000,000
			31,000,000	31,000,000
	Provision for impairment in SBL		**(1,000,000)**	(1,000,000)
			30,000,000	30,000,000
		Rupees	**8,818,153,833**	7,658,758,006

16.1.1 Investment in PFL (unquoted) represents 135 million (2009: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2009: 30%) of PFL's paid up share capital as at 30 June 2010, having cost of Rs. 1,324.332 million (2009: Rs. 1,324.332 million). Fair value per share as at 30 June 2010 is Rs. 91.56 (2009: Rs. 82.35). Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 33.06 per share (2009: Rs. 29.94 per share). During the year, the Parent Company received Nil (2009: 45 million) fully paid ordinary shares as bonus.

16.1.2 Investment in FFCL (quoted in March 2010) represents 247.5 million (2009: 112.5 million) fully paid ordinary shares of Rs. 10 each, representing 12.375% (2009: 12.59%) of FFCL's paid up share capital as at 30 June 2010, received as specie distribution from its parent company PFL. Fair value per share as at 30 June 2010 is Rs. 12.53 (2009: Rs. 11.10). Book value based on net assets as per unaudited financial statements as at 30 June 2010 is Rs. 10.18 per share (2009: Rs. 22.197 per share).

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16.1.3 Investment in SDPL (unquoted) represents 15.867 million (2009: 11.155 million) fully paid ordinary shares of Rs. 10 each, representing 27.83% (2009: 24.90%) of SDPL's paid up share capital as at 30 June 2010, having an aggregate cost of Rs. 269.451 million (2009: Rs. 198.339 million). Fair value per share as at 30 June 2010 is Rs. 16.96 (2009: Rs. 30.79). Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 11.49 per share (2009: Rs. 9.74 per share).

16.1.4 Investment in ASML (unquoted) represents 49.725 million (2009: 49.725 million) fully paid ordinary shares of Rs. 10 each, representing 25% (2009: 25%) of ASML's paid up share capital as at 30 June 2010. Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 8.12 per share (2009: Rs. 8.84 per share). During the year, the Parent Company did not subscribe (2009: Rs. 4.925 million) any right shares. The plant errection is expected to complete by the end of year 2010.

16.1.5 Investment in RMFBL (unquoted) represents 3.801 million (2009: 1.901 million) fully paid ordinary shares of Rs. 10 each, representing 19.01% (2009: 19.01%) of RMFBL's paid up share capital as at 30 June 2010. Book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 2.99 per share (2009: Rs. 3.86 per share). The bank is in the process of complying with the minimum capital requirements of the State Bank of Pakistan by issuing further shares.

16.1.6 Investment in AACIL (quoted) represents 68.514 million (2009: 46.304 million) fully paid ordinary shares of Rs. 10 each, representing 37.47% (2009: 25.32%) of AACIL share capital as at 30 June 2010, having cost of Rs. 611.508 million (2009: Rs. 461.115 million). During the year, the Parent Company purchased 22.210 million (2009: 27.104 million) ordinary shares from market at an average cost of Rs. 6.77 (2009: Rs. 6.98) per share. Market value per share as at 30 June 2010 is Rs. 3.59 (2009: Rs. 7), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 5.83 per share (2009: Rs.8.35 per share).

16.1.7 Investment in THCCL (quoted) represents 7.744 million (2009: 7.744 million) fully paid ordinary shares of Rs. 10 each, representing 9.71% (2009: 9.71%) of THCCL share capital as at 30 June 2010, having cost of Rs. 172.805 million (2009: Rs. 172.805 million). Market value per share as at 30 June 2010 is Rs. 20.88 (2009: Rs. 19.87), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2010 is Rs. 9.73 per share (2009: Rs. 9.66 per share).

16.1.8 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:

	Financial information as of	Revenue	Total assets	Total liabilities	Net assets
		Rupees in '000			
Quoted					
Thatta Cement Company Limited	30 June 2010	1,544,124	1,438,852	662,690	776,162
Al-Abbas Cement Industries Limited	30 June 2010	2,198,443	5,392,870	4,327,144	1,065,726
Unquoted					
Pakarab Fertilizers Limited	30 June 2010	14,521,834	52,211,409	37,170,486	15,040,923
Fatima Fertilizers Company Limited	30 June 2010	260	64,079,711	43,726,329	20,353,382
Aisha Steel Mills Limited	30 June 2010	14,893	5,924,516	4,309,334	1,615,182
Sweetwater Dairies Pakistan (Private) Limited	30 June 2010	57,221	719,041	63,273	655,768
Rozgar Microfinance Bank Limited	30 June 2010	9,860	95,183	35,400	59,783

Financial statements of the above mentioned associates are unaudited. However, interim financial statements of Pakarab Fertilizers Limited and Fatima Fertilizer Company Limited for the period ended 30 June 2010 have been reviewed by independent auditors.

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16.3.1 Investment in TPL (unquoted) represents 3 million (2009: 3 million) fully paid ordinary shares of Rs.10 each, representing 10% (2009: 10%) of TPL's paid up share capital as at 30 June 2010. Book value based on net assets, as per unaudited financial statements, as at 31 December 2009 is Rs. 5.53 per share (2009: Rs. 7.02 per share).

16.3.2 Investment in SBL (unquoted) represents 0.010 million (2009: 0.010 million) fully paid ordinary shares of Rs. 100 each, representing 4.65% (2009: 4.65%) of SBL's paid up share capital as at 30 June 2010.

16.4 The Group companies also measure unquoted equity instruments at fair value using valuation technique under the guidelines of IAS 39 - "Financial Instruments: Recognition and Measurement". 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.

		2010	2009
17. INVESTMENT PROPERTY			
Balance as at 01 July 2009		**60,795,000**	-
Acquisition during the year		**-**	52,000,000
Transferred during the year		**1,000,000**	8,400,000
Expenditure incurred on acquisition and transfer of investment property		**100,000**	395,000
Balance as at 30 June 2010	Rupees	**61,895,000**	60,795,000
18. LONG TERM LOANS AND ADVANCES - considered good			
Receivable from Funds managed by AHIL	18.1	**57,976,253**	42,472,078
Loans to employees	18.2	**4,907,298**	6,724,724
		62,883,551	49,196,802
Less: current maturity of long term loan		**(44,575,843)**	(7,490,088)
	Rupees	**18,307,708**	41,706,714

18.1 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 recoverable from Funds in equal amounts receivable annually over a period of five years.

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

		2010	2009
19. LONG TERM DEPOSITS AND PREPAYMENTS			
Karachi Stock Exchange (Guarantee) Limited		**610,000**	1,110,000
Lahore Stock Exchange (Guarantee) Limited		**1,480,000**	1,480,000
Islamabad Stock Exchange (Guarantee) Limited		**-**	1,000,000
National Commodities Exchange (Guarantee) Limited		**9,513,204**	9,513,204
National Clearing Company of Pakistan Limited		**750,000**	700,000
Dubai Gold and Commodity Exchange - clearing house DMCC		**12,846,141**	12,201,354
Security deposits of leased assets		**2,319,400**	-
Others		**8,601,298**	4,228,814
	Rupees	**36,120,043**	30,233,372

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			2010	2009
20.	**TRADE DEBTS**			
	Considered good			
	- Secured		**1,693,005,737**	623,717,634
	- Unsecured		**67,645,451**	922,485,950
			1,760,651,188	1,546,203,584
	Provision for doubtful debts			
	- Opening provision		-	(23,455,523)
	- Written off during the year		-	23,440,523
	- Reversal during the year		-	15,000
	- Provision as at 30 June		-	-
		Rupees	**1,760,651,188**	1,546,203,584
21.	**LOANS AND ADVANCES - considered good**			
	Advances to suppliers and contractors		-	105,435,813
	Advance for new investment	21.1	**70,000,000**	-
	Advance against expenses		**635,000**	-
	Loans and advances to related parties	21.2	**192,635,015**	20,682,479
	Lendings to financial institutions		-	1,133,280
		Rupees	**263,270,015**	127,251,572

21.1 This represents amount paid as deposit money against due diligence process relating to acquisition of a company in aviation industry. The advance deposit money shall be adjusted on the successful completion of due diligence or refunded if the proposal is declined.

			2010	2009
21.2	**Loans and advances to related parties**			
	Aisha Steel Mills Limited	21.2.1	**10,000,000**	-
	Al-Abbas Cement Industries Limited	21.2.2	**173,000,000**	-
	Executives - unsecured, considered good		**329,110**	707,111
	Other employees - unsecured, considered good		**9,305,905**	4,975,368
	Memon Health and Education Foundation		-	15,000,000
		Rupees	**192,635,015**	20,682,479

21.2.1 This represents amount paid as loan carrying mark-up @ 15%, repayable within 12 months. Being a group company, no collateral was obtained.

21.2.2 The Parent has given an advance to Al-Abbas Cement Industries Limited to subscribe for prospective right issue of shares of the said company.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

			2010	2009
22.	**DEPOSITS AND PREPAYMENTS**			
	Deposits - future clearing		5,675,699	750,000
	Prepayments		1,930,432	6,793,254
	Others		63,409,602	52,772,991
		Rupees	71,015,733	60,316,245
23.	**OTHER RECEIVABLES - considered good**			
	Accrued income	23.1	108,244,291	305,803
	Profit accrued on bank deposit accounts		-	134,335
	Receivable from related parties	23.2	93,897,751	76,852,357
	Other		5,054,465	99,569,596
		Rupees	207,196,507	176,862,091

23.1 The mark-up pertains to the amount that was due to be received on disposal of the Parent's former subsidiary, Arif Habib Bank Limited. The bank was sold to Suroor Investment Limited at Rs. 9 per share. The Parent has received sales proceeds in full.

23.2 The amounts represent receivable on account of management fee, current portion of long term receivables and other expenses paid on behalf of related parties.

			2010	2009
24.	**SHORT TERM INVESTMENTS**			
	Investments in related parties	24.1	276,823,672	512,169,536
	Other investments	24.2	3,404,045,735	3,185,295,550
		Rupees	3,680,869,407	3,697,465,086
24.1	**Investments in related parties**			
	Available for sale			
	Investments in collective investment schemes managed by AHIL	Rupees	276,823,672	512,169,536
24.2	**Other investments**			
	Investments available for sale			
	Investments in quoted equity securities		-	598,231,718
	Investments in collective investment scheme		-	4,720,000
	Investments in market treasury bills		-	33,485,057
	Investments in unquoted equity securities		4,648,000	4,482,000
			4,648,000	640,918,775
	At fair value through profit or loss - held for trading	24.3		
	Investments in quoted equity securities		3,364,175,038	2,303,099,026
	Investments in collective investment scheme		-	241,277,749
	Investments in Srilankan unquoted equity securities		35,222,697	-
			3,399,397,735	2,544,376,775
		Rupees	3,404,045,735	3,185,295,550

Notes to the Consolidated Financial Statements
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			2010	2009
24.3	**Reconciliation of gain/(loss) on remeasurement of investments at fair value through profit or loss - held for trading**			
	Cost of investment		**1,537,986,667**	4,966,900,570
	Unrealised gain / (loss):			
	Balance as at 1 July		**(2,422,523,795)**	169,845,045
	Unrealised gain / (loss) for the year		**945,893,915**	(2,592,368,840)
	Balance as at 30 June		**(1,476,629,880)**	(2,422,523,795)
		Rupees	**61,356,787**	2,544,376,775

25. CASH AND BANK BALANCES

			2010	2009
With banks in:				
Current accounts				
- In local currency			**14,192,317**	40,254,725
- In foreign currency			**8,833,845**	3,753,243
			23,026,162	44,007,968
Deposit accounts	25.1		**102,260,171**	22,296,182
			125,286,333	66,304,150
Cash in hand			**1,212,286**	333,893
		Rupees	**126,498,619**	66,638,043

25.1 Balance in deposit accounts carry mark-up ranging from 5% to 11.5% per annum (2009: 5% to 12% per annum).

25.2 As of 01 July 2009, the cash and cash equivalents of REMMCO amounted to Rs. 13,284,183.

26. OPERATING REVENUE

		2010	2009
Dividend income		**112,761,402**	296,543,914
Mark-up income		**164,201,114**	109,037,435
Brokerage income		**130,028,189**	165,301,050
Return on term finance certificates		**-**	10,454,991
Consultancy / advisory fees and commission		**83,229,971**	15,080,858
Income from continuous funding system transactions		**-**	1,784,827
Management fees		**271,056,267**	249,296,321
Processing and other related income		**15,229,781**	7,970,192
	Rupees	**776,506,724**	855,469,588

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

Notes to the Consolidated Financial Statements
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27. OPERATING, ADMINISTRATIVE AND OTHER EXPENSES	Note	2010	2009
Salaries and benefits	27.1	**167,690,632**	192,026,094
Printing and stationery		**7,100,250**	6,323,430
Communication		**9,383,712**	9,003,377
Rent, rates and taxes		**42,557,229**	17,728,899
Utilities		**12,623,577**	8,080,288
Legal and professional charges		**12,275,400**	13,014,565
C.D.C. and clearing house charges		**9,000,826**	25,317,583
Entertainment		**2,551,624**	1,550,250
Travel and conveyance		**12,538,536**	9,955,619
Depreciation		**47,484,748**	22,939,514
Repair and maintenance		**7,687,179**	5,321,794
Share transfer expenses		**-**	2,975,348
Insurance		**2,055,964**	2,180,483
Fees and subscription		**6,368,610**	9,311,186
Advertisement, business promotion and research		**31,107,854**	25,437,626
Meeting expenses		**2,784,680**	1,613,526
Donation	27.2	**21,805,130**	4,837,120
E.O.B.I. contribution		**27,120**	176,760
Auditors' remuneration	27.3	**2,135,612**	2,226,878
Technical assistance / commission and advisory fee		**20,415,581**	16,620,210
Registrar fee		**3,390,527**	3,946,332
General expenses		**1,787,615**	5,984,862
Bad debts expenses		**529,740**	288,974,828
Impairment loss on investments and property and equipment		**14,553,799**	302,258,031
Loss on sale of property and equipment		**1,494,228**	1,639,328
Amortization charges		**2,014,583**	303,198
Management fee		**62,855,327**	27,784,378
Others		**3,760,772**	8,452,514
Workers' Welfare Fund		**80,848,134**	-
	Rupees	**588,828,989**	1,015,984,021

27.1 This includes Group Companies' contribution to defined contribution plan amounting to Rs. 10.338 million (2009: Rs. 9.550 million) and allocation of profitability bonus amounting to Rs. 8.552 million (2009: Nil).

27.2 Directors or their spouses had no interest in donees' funds, except Mr. Arif Habib (CEO and Director of the Parent). He is trustee in two of the donee institution, Fatmid Foundation and Memon Health and Education Foundation.

27.3 Auditors' remuneration		2010	2009
Audit fee		**1,331,077**	1,375,000
Certification including half yearly review reporting		**444,500**	547,000
Other certifications		**76,535**	220,000
Out of pocket		**283,500**	84,878
	Rupees	**2,135,612**	2,226,878

Notes to the Consolidated Financial Statements
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		2010	2009
28. OTHER INCOME			
Income from financial assets:			
Profit on exposure deposit with KSE		**51,459**	-
Late payment charges		**20,727,767**	157,366,331
Income from non-financial assets:			
Rental income		**9,438,000**	8,580,000
Exchange (loss) / gain on foreign currency balance		**(1,747,828)**	584,114
Other		**81,284,616**	9,164,236
	Rupees	**109,754,014**	175,694,681
29. FINANCE COST			
Mark-up on long term financing		**53,379,916**	33,623,138
Mark-up on short term borrowings		**336,537,562**	643,276,823
Mark-up on finance lease		**57,843**	69,203
Mark-up on financial assets measured at amortized cost		**-**	9,868,385
Discounting charges on advance to employees		**(231,469)**	68,113,540
Bank charges		**2,773,174**	6,421,916
	Rupees	**392,517,026**	761,373,005

30. DISCONTINUED OPERATIONS

During the year ended 30 June 2009, the Parent Company signed an agreement for sale of entire shareholding of Arif Habib Bank Limited for Rs. 2,673,313,686. Accordingly, AHBL was classified as held for sale and its results were presented as a discontinued operation as of 30 June 2009.

Further, during the current year, a wholly-owned subsidiary, REMMCO was sold to the Chief Executive Officer, Mr. Arif Habib for Rs. 2,499,950 on 1 July 2009.

The results of these two subsidiaries have been presented as discontinued operations and the comparative profit and loss account has been re-presented to show the discontinued operations separately from continuing operations.

30.1 Results of discontinued operations

		2010	2009	
			Arif Habib Bank Limited	Real Estate Modaraba Management Company Limited
Revenue		**3,005,226,000**	3,308,670,000	10,148,157
Expenses		**(4,839,218,000)**	(4,635,024,000)	(5,148,464)
(Loss) / profit from operations		**(1,833,992,000)**	(1,326,354,000)	4,999,693
Taxation		**120,850,000**	354,085,000	(1,306,973)
(Loss) / profit after tax	30.3	**(1,713,142,000)**	(972,269,000)	3,692,720
Gain / (loss) on sale of discontinued operations	30.2	**939,984,229**	-	-
Loss on remeasurement of disposal group classified as held for sale		**-**	(511,745,202)	-
(Loss) / profit from discontinued operations	Rupees	**(773,157,701)**	(1,484,014,202)	(3,692,720)
Cash flows generated from / (used in) discontinued operations				
Net cash flows (used in) / generated from operating activities		**(1,252,628,000)**	5,227,152,000	(324,226,290)
Net cash flows generated / (used in) from investing activities		**526,787,000**	(4,983,374,000)	5,303,877
Net cash flows generated from financing activities		**-**	-	89,996,906
	Rupees	**(725,841,000)**	243,778,000	(228,925,507)

Notes to the Consolidated Financial Statements
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30.2 Gain on disposal of subsidiaries / (loss) on remeasurement

		2010	2009
Arif Habib Bank Limited		**943,884,577**	(511,745,202)
Real Estate Modaraba Management Company Limited		**(3,900,278)**	-
	Rupees	**939,984,299**	(511,745,202)

30.3 This includes loss after tax amounting to Rs. 697.519 million attributable to non-controlling interests. Further, gain on sale of discontinued operations amounting to Rs. 939.984 million is entirely attributable to equity holders of the Parent Company.

31. TAXATION

		2010	2009
For the year			
- Current		**(23,061,116)**	(11,138,759)
- Deferred		**(272,083,907)**	1,758,699
Prior year		**16,215,915**	9,870,486
	Rupees	**(278,929,108)**	490,426

32. EARNINGS PER SHARE - BASIC AND DILUTED

32.1 Basic (loss) / earnings per share

		2010		
		Continuing operations	**Discontinued operations**	**Total**
Profit after tax	Rupees	**1,638,926,532**	**(75,638,943)**	**1,563,287,589**
Weighted average number of ordinary shares	Number	**375,000,000**	**375,000,000**	**375,000,000**
Earnings per share	Rupees	**4.37**	**(0.20)**	**4.17**

		2009		
		Continuing operations	Discontinued operations	Total
Loss after tax	Rupees	(2,064,504,292)	(1,085,648,043)	(3,150,152,335)
Weighted average number of ordinary shares	Number	375,000,000	375,000,000	375,000,000
Loss per share	Rupees	(5.51)	(2.90)	(8.40)

32.2 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 2010 and 30 June 2009 which would have any effect on the earnings per share if the option to convert is exercised.

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33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

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

33.2 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 Executives		Directors		Other Executives	
	2010	2009	**2010**	2009	**2010**	2009
Managerial remuneration	**24,994,890**	16,030,780	**312,426**	1,702,118	**52,777,324**	71,007,573
Contribution to provident fund	**1,860,852**	1,548,598	**139,644**	92,784	**5,059,444**	5,818,086
Bonus	**700,000**	-	**-**	-	**210,000**	150,000
Other allowance	**8,845,471**	2,501,925	**312,428**	664,587	**27,438,636**	20,607,409
Commission and performance bonus	**-**	5,897,237	**2,829,162**	4,187,990	**181,230**	145,256
Total Rupees	**36,401,213**	25,978,540	**3,593,660**	6,647,479	**85,666,634**	97,728,324
Number of person(s)	**6**	4	**17**	10	**43**	38

33.3 The aggregate amount charged to these financial statements in respect of directors' fee is Rs. 1.63 million (2009: Rs. 1.395 million).

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

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

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			2010	2009
34.	**CASH GENERATED FROM (USED IN) OPERATIONS**			
	Profit / (loss) before tax		**2,071,878,155**	(2,064,376,202)
	Adjustments for:			
	Depreciation		**47,484,748**	23,173,992
	Dividend income		**(112,761,402)**	(296,543,914)
	Mark-up on bank balances, loans and advances and term finance certificates		**(164,201,114)**	(123,954,129)
	Impairment loss on investments		**14,553,799**	302,258,031
	Reversal of doubtful debts		**-**	(15,000)
	Bad debt expense		**529,740**	288,974,828
	Gain on sale of shares		**-**	(133,203,947)
	Loss on sale of property and equipment		**1,494,228**	1,639,328
	Amortization charges		**2,014,583**	303,198
	Finance cost		**392,517,026**	760,791,985
			181,631,068	823,424,372
	Operating profit / (loss) before working capital changes		**2,253,509,763**	(1,240,951,830)
	Changes in working capital:			
	(Increase) / decrease in current assets			
	Trade debts		**(572,059,789)**	(1,404,482,516)
	Loans and advances		**(98,932,688)**	161,538,540
	Prepayments		**(10,699,488)**	126,317,646
	Other receivables		**75,772,760**	(143,483,573)
	Short term investments		**14,095,679**	2,633,172,166
	Other assets		**357,082,445**	(357,082,445)
	Increase / (decrease) in current liabilities			
	Trade and other payables		**(278,940,411)**	(165,052,702)
			(513,681,492)	850,927,116
	Cash generated from / (used in) operations	Rupees	**1,739,828,271**	(390,024,714)
34.1	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	25	**126,498,619**	66,638,043
	Short term borrowings	11	**(1,217,727,694)**	(3,908,551,248)
		Rupees	**(1,091,229,075)**	(3,841,913,205)

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35. FINANCIAL INSTRUMENTS

The Group has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

35.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the balance sheet date if counterparties fail completely to perform as contracted and arises principally from loans and advances, trade debts, deposits and other receivables. Out of the total financial assets of Rs. 13,118.777 million (2009: Rs. 11,578.502 million), the financial assets which are subject to credit risk amounted to Rs. 2,384.868 million (2009: Rs. 1,768.899 million).

To manage exposure to credit risk in respect of loans and advances, management performs credit reviews taking into account the borrower's financial position, past experience and other factors. Loan terms and conditions are approved by a competent authority.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is:

		2010	2009
Trade debts		**1,760,651,188**	1,546,203,584
Long term deposits		**33,800,643**	30,233,372
Loans and advances		**263,574,647**	49,330,176
Short term deposits		**5,675,699**	750,000
Other receivables		**195,879,828**	76,077,472
Bank balances		**125,286,333**	66,304,150
	Rupees	**2,384,868,338**	1,768,898,754

The Group did not hold any collateral against the above during the year.

All the loans and advances at the balance sheet date represent domestic parties except a receivable of Rs. 108.245 million.

The age analysis of loans, advances and other receivable is as follows:

		2010	2009
Not past due		**538,188,507**	107,140,242
Past due 1-30 days		**8,278,444**	436,345,576
Past due 30-150 days		**12,605,022**	327,767,671
Past due 150 days		**1,661,033,690**	800,357,743
	Rupees	**2,220,105,663**	1,671,611,232

Notes to the Consolidated Financial Statements

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The credit quality of loans, advance and other receivable can be assessed with reference to external credit ratings as follows:

	Rating Short term	Rating Long term	Rating Agency	2010 Rupees	2009 Rupees
Al-Abbas Cement Industries Limited	-	-	-	**183,251,381**	-
Suroor Investment Limited	A-2	A	JCR-VIS	**108,244,291**	-
Princely Jets (Private) Limited	-	-	-	**70,000,000**	-
Aisha Steel Mills Limited	-	-	-	**10,012,329**	-
Sweetwater Dairies Pakistan (Private) Limited	-	-	-	**476,348**	178,612
Arif Habib Real Estate Services (Private) Limited	-	-	-	**2,903,071**	-
Arif Habib REIT Management Limited	-	-	-	**240,092**	209,703
Fatima Fertilizer Company Limited	-	-	-	**4,539,361**	31,625
Pak Power Resources Limited	-	-	-	**-**	2,326,500
Memon Health and Education Foundation	-	-	-	**-**	15,000,000
Star Rating					
Pakistan Stock Market Fund	4 - star	2 - star	PACRA	**3,683,650**	3,391,097
Pakistan Premier Fund Limited	3 - star	3 - star	PACRA	**2,916,196**	2,321,059
Pakistan Capital Market Fund	2 - star	-	PACRA	**744,632**	914,761
Pakistan International Element Islamic Fund	4 - star	-	PACRA	**900,630**	1,255,345
Pakistan Strategic Allocation Fund	3 - star	3 - star	PACRA	**4,227,992**	10,195,013
Stability Rating					
Pakistan Cash Management Fund		AAA (f)	PACRA	**2,864,463**	1,390,280
Pakistan Income Fund		AA (f)	PACRA	**2,823,310**	3,196,132
MetroBank - Pakistan Sovereign Fund		AA (f)	PACRA	**1,423,773**	1,424,860
Pakistan Income Enhancement Fund		A+ (f)	PACRA	**4,501,136**	18,703,897
Pakistan Pension Fund		-	-	**242,352**	186,673
Pakistan Islamic Pension Fund		-	-	**148,775**	126,759
Pakistan Capital Protected Fund - FIS		-	-	**1,499,835**	-
Pakistan Capital Protected Fund - I				**44,175,843**	30,126,312

Advance to Princely Jets (Private) Limited is secured by demand promissory note and is refundable as per Memorandum of Understanding signed on 24 May 2010. Further, Rs. 201.423 million is due from group companies and management believes that the sum will be recovered in full as companies are under common management.

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The credit quality of Group's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Short term	Rating Long term	Rating Agency	2010	2009
				Rupees	
Allied Bank Limited	A+	AA	PACRA	**493,235**	955,141
Arif Habib Bank Limited	A2	AA	JCR-VIS	**103,187,014**	51,593,858
Askari Bank Limited	A1+	AA	PACRA	**8,760**	9,400
Atlas Bank Limited	A2	A-	PACRA	**185,198**	142,960
Bank Alfalah Limited	A1+	AA	PACRA	**5,258**	29,407
Bank AL-Habib Limited	A1+	AA+	PACRA	**2,718,448**	1,692,323
Bank Islami Pakistan Limited	A1	A	PACRA	**5,119,299**	-
Bank of Ceylon	AA	AA	Fitch Ratings Lanka Ltd	**8,794**	-
Barclays Bank Limited	A1+	AA-	Standard & Poor's	**500,000**	-
Deutsche Bank A.G.	P-1	Aa3	Moody's	**15,037**	-
Faysal Bank Limited	A1+	AA	PACRA & JCR-VIS	**23,475**	23,475
First Women Bank Limited	A2	BBB+	PACRA	**50,000**	50,000
Habib Bank Limited	A1+	AA+	JCR-VIS	**613,816**	990,288
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**1,768**	2,201
JS Bank Limited	A1	A	PACRA	**303,562**	346,969
KASB Bank Limited	A2	A-	PACRA	**387,999**	125,557
MCB Bank Limited	A1+	AA+	PACRA	**4,268,118**	3,945,934
My Bank Limited	A1+	AA	PACRA	**80,470**	86,948
National Bank of Pakistan	A1+	AAA	JCR-VIS	**252,172**	302,530
National Bank of Dubai	A+	AA	Standard & Poor's	**906,713**	1,534,539
NIB Bank Limited	A1+	AA-	PACRA	**437,936**	103,773
Sampath Bank	AA	AA	Fitch Ratings Lanka Ltd	**222,886**	16,158
Soneri Bank Limited	A1+	AA-	PACRA	**164,475**	164,675
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**216,001**	991,349
Standard Chartered Bank, Dubai	AA	AAA	Standard & Poor's	**13,823**	-
Standard Chartered Bank, Sri Lanka	A1+	AAA	Fitch Ratings Lanka Ltd	**4,535,612**	2,084,145
The Bank of Punjab	A1+	AA-	PACRA	**1,495**	82,315
Union Bank, Sri Lanka	A-	A	Fitch Ratings Lanka Ltd	**16,739**	8,265
United Bank Limited	A1+	AA+	JCR-VIS	**548,232**	1,021,940

The movement in the allowance for impairment is as follows:

Opening balance		-	(23,455,523)
(Reversal) / provision during the year		-	23,440,523
Written off		-	15,000
Closing balance	Rupees	-	-

Based on past experience, the management believes that no impairment allowance is necessary in respect of loans, advances and other receivables past due as some receivables have been recovered subsequent to the year end and for other balances, there are reasonable grounds to believe that the amounts will be recovered in short course of time.

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35.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Group. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Group 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.

At balance sheet date, the Group has cash and bank balance and unutilized credit lines of Rs. 126.498 million (2009: Rs. 66.638 million) and Rs. 3,827 million (2009: Rs. 5,836.449 million) as mentioned in note 25 and 11.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	2010			
	Carrying amount	**Contractual cash flows**	**Upto one year**	**More than one year**
Financial liabilities				
Trade and other payables	**335,310,438**	**343,416,027**	**336,280,878**	**7,135,149**
Short term borrowings	**1,217,727,694**	**1,287,456,775**	**1,287,456,775**	**-**
Long term loan	**337,189,269**	**343,945,617**	**160,006,348**	**183,939,269**
Rupees	**1,890,227,401**	**1,974,818,419**	**1,783,744,001**	**191,074,418**

	2009			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
Financial liabilities				
Trade and other payables	696,680,952	696,680,952	696,680,952	-
Short term borrowings	3,908,551,248	3,908,551,248	3,908,551,248	-
Long term loan	735,857,990	735,857,990	53,250,000	682,607,990
Rupees	5,341,090,190	5,341,090,190	4,658,482,200	682,607,990

The future interest-related cash flows depend on the extent of utilisation of running finance facilities and the interest rates applicable at that time.

35.3 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. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. The market risks associated with the Group's business activities are interest / Markup rate risk and price risk. The Group is not exposed to material currency risk.

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Group's foreign exchange risk exposure is restricted to long term equity investments and bank balances in foreign currency. As such the Group 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 Group'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. 9.658 million (2009: Rs. 7.911 million) and Rs. Nil (2009: Nil) respectively, at the year end.

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Sensitivity analysis

For the purpose of foreign exchange risk sensitivity analysis, it is observed that during the financial year the local currency has weakened against US Dollar, UAE Dirham and Sri Lankan Rupee by approximately 5.2%, 5.3% and 6.4% respectively. Subsequent to the balance sheet date and till the authorization of these financial statements, a further decline of 0.05%, 0.08% and 0.82% respectively, has been observed. During the year, the above decline has resulted in a gain on foreign currency translation of Rs. 1.748 million that is recognized in profit and loss account. Therefore, the Group 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 2010 and 30 June 2009 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 of net assets	Estimated fair value assuming a hypothetical percentage increase / (decreases) in the value of foreign currencies versus Pak Rupee					
		-20%	-10%	-1%	1%	10%	20%
30 June 2010	**9.66**	**7.73**	**8.69**	**9.56**	**9.75**	**10.62**	**11.59**
30 June 2009	7.91	6.33	7.12	7.83	7.99	8.70	9.49

b) Interest / mark-up rate risk

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. The short term borrowing and loans and advances by the Group have variable rate pricing that is mostly 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 Group's significant interest-bearing financial instruments was as follows:

	2010	2009	**2010**	2009
	Effective interest rate (in %)		**Carrying amounts (in Rupee)**	
Financial assets				
Loans and advances	**15%**	18%	**10,000,000**	12,188,785
Cash and bank balances	**5% to 11.5%**	5% to 12%	**102,260,171**	22,296,182
Financial liabilities				
Short term finance	**13.34% to 16.26%**	11.14% to 18%	**1,217,727,694**	3,908,551,248
Long term finance	**14% to 15.5%**	14% to 17.5%	**183,939,269**	682,607,990

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Sensitivity analysis

The Group does not account for any fixed rate financial assets 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 a hypothetical change of 100 basis points in interest rates at the balance sheet date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. 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 bps Increase	Profit and loss 100 bps Decrease
	Rupees	
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	**(7,329,204)**	**7,329,204**
Cash flow sensitivity-Variable rate financial assets	**822**	**(822)**
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	(15,708,451)	15,708,451
Cash flow sensitivity-Variable rate financial assets	-	-

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. The Group is exposed to equity price risk since it has investments in quoted equity securities, amounting to Rs. 3,841.231 million (2009: Rs. 4,020.908 million) at the balance sheet date.

The Group's strategy is to hold its strategic equity investments for long period of time. Thus, Group'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. The Group strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Group 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 reporting 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, the amount realized from 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 increased by 35.74% during the financial year. Subsequent to the balance sheet date and till the date of authorization of these financial statements, a further increase of 6.48% in the KSE 100 Index has been observed.

The table below summarizes the Group's equity price risk as of 30 June 2010 and 2009 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 the Group's equity investment portfolio. Rupees are in millions.

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	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) before tax
30 June 2010	**3,841.23**	**30% increase** **30% decrease**	**4,993.60** **2,688.86**	**143.12** **(143.12)**	**1,009.25** **(1,009.25)**
30 June 2009	4,020.91	30% increase 30% decrease	5,227.18 2,814.64	125.54 (125.54)	1,080.74 (1,080.74)

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 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.

35.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities on the balance sheet, excluding some long term investments, approximate to their fair value.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		30 June 2010		30 June 2009	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Long term investments		**8,818,153,833**	**16,369,118,220**	7,658,758,006	7,658,758,006
Short term investments		**3,680,869,407**	**3,680,869,407**	3,697,465,086	3,697,465,086
Long term deposits		**33,800,643**	**33,800,643**	30,233,372	30,233,372
Loans and advances		**263,574,647**	**263,574,647**	49,330,176	49,330,176
Other receivables		**195,879,828**	**195,879,828**	76,077,472	76,077,472
Cash and bank balances		**126,498,619**	**126,498,619**	66,638,043	66,638,043
	Rupees	**13118776977**	**20,669,741,364**	11,578,502,155	11,578,502,155

		30 June 2010		30 June 2009	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities					
Interest/mark-up accrued on short term borrowings		**55,280,439**	**55,280,439**	194,568,479	194,568,479
Trade and other payables		**335,310,438**	**335,310,438**	696,680,952	696,680,952
Short term borrowings		**1,217,727,694**	**1,217,727,694**	3,908,551,248	3,908,551,248
	Rupees	**1,608,318,571**	**1,608,318,571**	4,799,800,679	4,799,800,679

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b) Valuation of financial instruments

In case of equity instruments, the Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market.
Level 2: Valuation techniques based on observable inputs.
Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques used by the Group include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2010		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Equity securities	Rupees	**3,399,397,735**	**-**	**-**	**3,399,397,735**
Available-for-sale financial assets					
Equity securities	Rupees	**477,055,813**	**-**	**4,648,000**	**481,703,813**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

		Unlisted equity investment
Balance at 1 July 2009		4,482,000
Unrealized gain / (loss) in total comprehensive income		166,000
Balance at 30 June 2010	Rupees	**4,648,000**

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30 June 2010		Unlisted equity investment
Total unrealized gains / (losses) for assets and liabilities held at the end of the reporting period:		
- included in unrealized gain on available for sale in other comprehensive income	Rupees	**166,000**

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

		Effect on profit or loss	
		favourable	(unfavourable)
30 June 2010			
Equity securities	Rupees	**4,648**	**(4,648)**

c) **Accounting classifications and fair values**

The table below provides reconciliation of the line items in the Group's statement of financial position to the categories of financial instruments.

30 June 2010		Trading	Loans and receivables	Available for Sale	Cost / amortized cost	Total carrying amount
Financial Assets						
Cash and bank balances		-	-	-	126,498,619	126,498,619
Investments		3,399,397,735	-	481,703,813	30,000,000	3,911,101,548
Long term deposits		-	33,800,643	-	-	33,800,643
Loans and advances		-	263,574,647	-	-	263,574,647
Other receivables		-	195,879,828	-	-	195,879,828
	Rupees	**3,399,397,735**	**493,255,118**	**481,703,813**	**156,498,619**	**4,530,855,285**
Financial Liabilities						
Trade and other payables		-	-	-	335,310,438	335,310,438
Interest/mark-up accrued on short term borrowings		-	-	-	55,280,439	55,280,439
Short term borrowings		-	-	-	1,217,727,694	1,217,727,694
	Rupees	**-**	**-**	**-**	**1,608,318,571**	**1,608,318,571**
30 June 2009						
Financial Assets						
Cash and bank balances		-	-	-	126,498,619	126,498,619
Investments		3,697,465,086	-	327,924,576	30,000,000	4,055,389,662
Long term deposits		-	30,233,372	-	-	30,233,372
Loans and advances		-	49,330,176	-	-	49,330,176
Other receivables		-	76,077,472	-	-	76,077,472
	Rupees	3,697,465,086	155,641,020	327,924,576	156,498,619	4,337,529,301
Financial Liabilities						
Trade and other payables		-	-	-	696,680,952	696,680,952
Interest/mark-up accrued on short term borrowings		-	-	-	55,280,439	55,280,439
Short term borrowings		-	-	-	3,908,551,248	3,908,551,248
	Rupees				4,660,512,639	4,660,512,639

The financial instruments not accounted for at fair value are those financial assets and liabilities whose carrying amounts approximate at fair value.

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.

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36. 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.

37. 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.

38. 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 Group 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 33 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

		2010	2009
Transactions with subsidiaries			
- Initial / fresh equity investments	Rupees	**150,392,822**	189,115,129
- Subscription of right shares	Rupees	**84,411,570**	226,849,285
- Payment for capital work in progress	Rupees	**100,114,837**	128,372,972
- Advance against shares	Rupees	**173,000,000**	-
- Loan advanced and repaid	Rupees	**-**	400,000,000
- Loans and advances	Rupees	**10,000,000**	-
- Mark-up on loans and advances	Rupees	**12,329**	74,575,593
- Services availed	Rupees	**2,734,043**	13,386,692
- Dividend Income	Rupees	**1,350,000,000**	-
- Capital Gain earned on related parties securities	Rupees	**126,162,143**	-
- Capital loss incurred on related parties securities	Rupees	**(17,685,487)**	-
Transaction with employees and key management personnel			
- Brokerage commission to key management personnel	Rupees	**5,267**	7,962,851
- Advances to key management personnel	Rupees	**1,224,354**	899,626
- Receipt of advances to employees	Rupees	**512,000**	-
- Mark-up on loan from CEO	Rupees	**-**	82,050,173
- Amount repaid to Mr. Arif Habib	Rupees	**3,885,142**	-
- Loan from Mr. Arif Habib	Rupees	**101,939,269**	95,495,599
- Advance against shares	Rupees	**-**	11,862,391
- Profitability bonus	Rupees	**8,617,435**	779,711

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		2010	2009
- Mark-up on employee loan	Rupees	**711,250**	726,399
- Proceeds from sale of property to Syed Ajaz Ahmed Zaidi	Rupees	**7,000**	-
Transaction with other related parties			
- Payment to employees' provident fund	Rupees	**9,958,009**	9,958,009
- Purchase of shares from related party	Rupees	**-**	-
- Sale of shares to related party	Rupees	**1,800,413**	1,800,413
- Memon Health & Education Foundation	Rupees	**-**	-
- Fatmid Foundation	Rupees	**-**	-
- Sale of property and equipment to employees	Rupees	**-**	-
- Payment of rent	Rupees	**1,741,520**	1,741,520
- Brokerage charged to others	Rupees	**13,554,877**	13,554,877
- Building expenses shared with Arif Habib REIT Management Ltd	Rupees	**209,703**	209,703
- Mark-up on employee loan	Rupees	**726,399**	726,399
- Transfer of right to receive the amount of investment and mark-up there on to RECPL	Rupees	**85,017,070**	85,017,070
Transaction with other related parties			
- Payment to employees' provident fund / voluntary pension scheme	Rupees	**11,428,080**	9,958,009
- Technical assistance fee	Rupees	**192,000**	350,552
- Sale of shares to related parties	Rupees	**144,601,058**	1,800,413
- Payment of rent and maintenance to Rotocast Engineering (Private) Limited	Rupees	**39,062,723**	1,741,520
- Brokerage commission charged to related parties	Rupees	**11,269,399**	13,554,877
- Building expenses shared with Arif Habib REIT Management Limited	Rupees	**-**	209,703
- Expenses shared with Arif Habib Real Estate Services (Private) Limited	Rupees	**7,093,236**	9,780
- Transfer of right to receive the amount of investment and mark-up thereon to RECPL of units to investors	Rupees	**-**	85,017,070
- Advisory Fee paid to Mr. Akmal Jameel	Rupees	**150,000**	-
- Loan to Javedan Cement Limited	Rupees	**150,000,000**	-
- Mark-up on loans and advances	Rupees	**5,029,909**	-
- Interest income earned on advance to related party	Rupees	**344,141**	-
- Paid to Rotocast (Private) Limited against lease improvements	Rupees	**-**	65,622,500
- mark-up accrued against amount received from RESPL	Rupees	**996,220**	-
- Proceeds from disposal of property and equipment to RESPL	Rupees	**104,513**	-
- Proceeds from disposal of property and equipment to REIT	Rupees	**519,241**	-
- Payable to AH REIT	Rupees	**33,750**	332,929
- Management Fee / Investment Advisory fee - Funds	Rupees	**270,234,441**	248,667,967
- Processing and other related income - Funds	Rupees	**15,229,781**	7,970,192
- Investment / Conversion in funds at cost	Rupees	**712,290,437**	338,465,005
- Sale proceeds from redemption - Funds	Rupees	**613,292,780**	339,143,152
- IPO profit / mark-up on balances with CIS under management	Rupees	**5,547,393**	2,274,278
- Reimbursement to CIS / Pension funds against expenses / issuance of units to investors	Rupees	**665,853**	420,937

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

39. 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.

2010

	Capital market operations	Investment advisory / assets manager	Brokerage and others	Continued operations	Discontinued operations Banking	Discontinued operations Other	Consolidated
Revenues							
Operating revenue	286,918,105	287,700,622	201,887,997	776,506,724	3,011,884,000	-	3,788,390,724
(Loss) / gain on sale of securities - net	(139,966,515)	80,964,435	220,659,368	161,657,288	57,050,000	-	218,707,288
Gain / (loss) on remeasurement of investments - net	1,079,940,235	-	(134,046,320)	945,893,915	(73,805,000)	-	872,088,915
	1,226,891,825	368,665,057	288,501,045	1,884,057,927	2,995,129,000	-	4,879,186,927
Operating, administrative and other expenses	(163,446,326)	(280,557,906)	(144,824,756)	(588,828,988)	(2,408,688,000)	-	(2,997,516,988)
Operating profit	1,063,445,499	88,107,151	143,676,289	1,295,228,939	586,441,000	-	1,881,669,939
Other income	193,335	13,155,416	96,405,263	109,754,014	10,097,000	-	119,851,014
	1,063,638,834	101,262,567	240,081,552	1,404,982,953	596,538,000	-	2,001,520,953
Finance cost	(229,462,405)	(47,259,182)	(115,795,439)	(392,517,026)	(2,430,530,000)	-	(2,823,047,026)
	834,176,429	54,003,385	124,286,113	1,012,465,927	(1,833,992,000)	-	(821,526,073)
Share of profit from associates	1,059,412,228	-	-	1,059,412,228	-	-	1,059,412,228
Segment results	1,893,588,657	54,003,385	124,286,113	2,071,878,155	(1,833,992,000)	-	237,886,155
Unallocated expenditures	-	-	-	-	-	-	-
Profit / (loss) before tax	1,893,588,657	54,003,385	124,286,113	2,071,878,155	(1,833,992,000)	-	237,886,155
Taxation	(272,950,954)	11,896,303	(17,874,457)	(278,929,108)	120,850,000	-	(158,079,108)
Profit / (loss) after tax	1,620,637,703	65,899,688	106,411,656	1,792,949,047	(1,713,142,000)	-	79,807,047
Loss on remeasurement of disposal group classified as held for sale	-	-	-	-	-	-	-
Gain / (loss) on disposal	-	-	-	-	943,884,577	(3,900,278)	939,984,299
Total Rupees	1,620,637,703	65,899,688	106,411,656	1,792,949,047	(769,257,423)	(3,900,278)	1,019,791,346

2009

	Capital market operations	Investment advisory / assets manager	Brokerage and others	Continued operations	Discontinued operations Banking	Discontinued operations Other	Consolidated
Revenues							
Operating revenue	233,286,220	311,066,975	202,078,958	746,432,153	3,319,853,000	-	4,066,285,153
(Loss) / gain on sale of securities-net	(795,809,727)	(31,523,690)	247,014,480	(580,318,937)	29,468,000	-	(550,850,937)
(Loss) / gain on remeasurement of investments-net	(2,725,050,299)	-	132,681,459	(2,592,368,840)	(45,940,000)	-	(2,638,308,840)
	(3,287,573,806)	279,543,285	581,774,897	(2,426,255,624)	3,303,381,000	-	877,125,376
Operating, administrative and other expenses	(74,120,117)	(565,203,465)	(376,660,439)	(1,015,984,021)	(2,271,334,000)	(5,145,370)	(3,292,463,391)
Operating (loss) / profit	(3,361,693,923)	(285,660,180)	205,114,458	(3,442,239,645)	1,032,047,000	(5,145,370)	(2,415,338,015)
Other income	82,520,028	11,370,021	190,842,067	284,732,116	5,289,000	10,148,157	300,169,273
	(3,279,173,895)	(274,290,159)	395,956,525	(3,157,507,529)	1,037,336,000	5,002,787	(2,115,168,742)
Finance cost	(456,114,717)	(70,163,603)	(235,094,685)	(761,373,005)	(2,363,690,000)	(3,094)	(3,125,066,099)
	(3,735,288,612)	(344,453,762)	160,861,840	(3,918,880,534)	(1,326,354,000)	4,999,693	(5,240,234,841)
Share of profit from associates	1,849,504,639	-	-	1,849,504,639	-	-	1,849,504,639
Segment results	(1,885,783,973)	(344,453,762)	160,861,840	(2,069,375,895)	(1,326,354,000)	4,999,693	(3,390,730,202)
Unallocated expenditures	-	-	-	-	-	-	-
(Loss) / profit before tax	(1,885,783,973)	(344,453,762)	160,861,840	(2,069,375,895)	(1,326,354,000)	4,999,693	(3,390,730,202)
Taxation	(7,837,239)	21,341,422	(13,013,757)	490,426	354,085,000	(1,306,973)	353,268,453
(Loss) / profit after tax	(1,893,621,212)	(323,112,340)	147,848,083	(2,068,885,469)	(972,269,000)	3,692,720	(3,037,461,749)
Loss on remeasurement of disposal group classified as held for sale	-	-	-	-	(511,745,202)	-	(511,745,202)
Total Rupees	(1,893,621,212)	(323,112,340)	147,848,083	(2,068,885,469)	(1,484,014,202)	3,692,720	(3,549,206,951)

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

		2010					
		Capital market operations	Investment advisory / assets manager	Brokerage and others	Continued operations	Discontinued operations Banking	Consolidated
Other information							
Segment assets		6,796,417,347	724,337,363	1,675,975,009	9,196,729,719	-	9,196,729,719
Investment in equity method associates		8,502,987,550	-	-	8,502,987,550	-	8,502,987,550
Unallocated corporate assets		-	-	-	-	-	-
Consolidated total assets	Rupees	15,299,404,897	724,337,363	1,675,975,009	17,699,717,269	-	17,699,717,269
Segment Liabilities		720,688,226	317,936,203	995,208,853	2,033,833,282	-	2,033,833,282
Unallocated corporate liabilities		-	-	-	-	-	-
Consolidated total liabilities	Rupees	720,688,226	317,936,203	995,208,853	2,033,833,282	-	2,033,833,282
Capital expenditure	Rupees	794,020	108,009,558	6,866,810	115,670,388	-	115,670,388
Depreciation	Rupees	10,431,483	14,696,554	22,356,711	47,484,748	82,274,035	129,758,783
Non-cash expenses other than depreciation	Rupees	-	-	-	-	-	-

		2009					
		Capital market operations	Investment advisory / assets manager	Brokerage and others	Continued operations	Discontinued operations Banking	Consolidated
Other information							
Segment assets		4,646,144,988	772,597,643	3,752,236,244	9,170,978,875	31,807,092,798	40,978,071,673
Investment in equity method associates		7,300,833,430	-	-	7,300,833,430	-	7,300,833,430
Unallocated corporate assets		-	-	-	-	-	-
Consolidated total assets	Rupees	11,946,978,418	772,597,643	3,752,236,244	16,471,812,305	31,807,092,798	48,278,905,103
Segment Liabilities		2,847,012,916	432,419,724	2,263,305,056	5,542,737,696	26,956,786,000	32,499,523,696
Unallocated corporate liabilities		-	-	-	-	-	-
Consolidated total liabilities	Rupees	2,847,012,916	26,956,786,000	2,263,305,056	2,263,305,056	26,956,786,000	32,499,523,696
Capital expenditure	Rupees	45,600,901	10,876,376	155,728,223	212,205,500	181,111,000	393,316,500
Depreciation	Rupees	1,742,851	9,620,110	9,329,827	20,692,788	37,650,000	58,342,788
Non-cash expenses other than depreciation	Rupees	-	-	-	-	-	-

		2010	2009
Reconciliations of reportable segment revenues, profit or loss and assets and liabilities			
Operating revenues			
Total revenue for reportable segments		**3,845,926,887**	4,066,285,153
Elimination of inter-segment revenue		**(57,536,163)**	-
Elimination of discontinued operations		**(3,011,884,000)**	(3,319,853,000)
Consolidated revenue	Rupees	**776,506,724**	746,432,153
Profit or loss			
Total profit or loss before tax for reportable segments		**1,211,210,287**	(3,562,233,261)
Elimination of inter-segment revenue / expense		**(33,339,833)**	(345,241,836)
Elimination of discontinued operations		**894,007,701**	1,838,099,202
Consolidated profit from continuing operations before tax	Rupees	**2,071,878,155**	(2,069,375,895)

Information about major customers

Arif Habib Limited is involved in a brokerage business. Its major client are banking institutions such as National Bank of Pakistan Limited, United Bank Limited and Allied Bank Limited.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

39.1 GEOGRAPHICAL SEGMENT ANALYSIS

	2010			
	Profit / (Loss) before tax	**Total assets employed**	**Net assets**	**Contingencies and commitments**
Pakistan	**1,096,858,637**	**17,546,978,347**	**15,690,562,576**	**389,724,070**
Colombo, Srilanka	**(1,970,046)**	**100,297,914**	**(18,528,845)**	**-**
Dubai, UAE	**(1,952,278)**	**52,441,008**	**(6,149,745)**	**-**
Rupees	**1,092,936,313**	**17,699,717,269**	**15,665,883,986**	**389,724,070**

	2009			
	Profit / (Loss) before tax	Total assets employed	Net assets	Contingencies and commitments
Pakistan	(3,897,282,819)	48,067,371,182	15,701,308,810	319,253,186
Colombo, Srilanka	(158,401)	78,947,613	53,494,841	-
Dubai, UAE	(5,034,184)	132,586,308	24,577,756	-
Rupees	(3,902,475,404)	48,278,905,103	15,779,381,407	319,253,186

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on August 30, 2010 by the Board of Directors of the Company.

41. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company in their meeting held on August 11, 2010 also approved specie dividend for the year ended 30 June 2010 at the rate of 30% by distributing 112.50 million shares of Fatima Fertilizer Company Limited having face value of Rs. 10 each and fair value of Rs. 12.53 each to the shareholders of the Company in the ratio of 3 shares of FFCL for every 10 shares held of Arif Habib Securities Limited. These financial statements do not include the effect of this specie dividend, which will be accounted for in the financial statements for the year ending 30 June 2011. The investment in FFCL is being carried at fair value in these financial statements using the quoted market rate of this investment at the year end.

Subsequent to the year end, the Parent Company has subscribed further shares in an associate, Aisha Steel Mills Limited. This resulted in increase in Parent's holding in the associate to 37.04%.

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:

Re-classified from	**Re-classified to**	**Note**	**From** (Rupees)	**To** (Rupees)	**Reason**
Balance sheet					
Other income	Operating revenue	27	113,499,138	113,499,138	Better presentation

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

Pattern of Shareholding

Categories of Shareholders as at 30 June 2010

Category	Number of shareholders	Number of shares held	Holding %
Directors, Chief Executive, and their Spouses and minor children	12	261,615,466	69.76
Executives	-	-	-
NIT and ICP	1	1,101,895	0.29
Associated Companies, Undertakings and Related Parties			
Public Sector Companies and Corporatons	7	4,712,183	1.26
Bank, Development Finance Institutions, Non-Banking Finance Institutions	17	5,186,510	1.38
Insurance Companies	12	2,180,025	0.58
Modaraba and Mutual Funds	11	815,789	0.22
Others	192	28,929,981	7.71
General Public - Local	9,138	63,071,302	16.82
General Public - Foreign	11	7,386,849	1.97
	9,401	375,000,000	100.00
Directors, Chief Executive, and their Spouses and minor children			
Mr. Arif Habib	3	205,250,247	54.73
Mr. Asadullah Khawaja	1	832	0.00
Mr. Kashif A. Habib	1	29,166	0.01
Mr. Nasim Beg	1	832	0.00
Mr. Sirajuddin Cassim	1	83,332	0.02
Mr. Syed Ajaz Ahmed Zaidi	1	832	0.00
Mr. Muhamad Khubaib	1	125	0.00
Mr. Muhammad Akmal Jameel	1	100	0.00
Mrs. Zetun Arif	2	56,250,000	15.00
	12	261,615,466	69.76
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP			
National Bank of Pakistan - Trustee Department NI(U)T Fund	1	1,101,895	0.29
Joint Stock Companies			
Public Sector Companies and Corporatons	7	4,712,183	1.26
Bank, Development Finance Institutions, Non-Banking Finance Institutions	17	5,186,510	1.38
Insurance Companies	12	2,180,025	0.58
Modaraba and Mutual Funds	11	815,789	0.22
Others	192	28,929,981	7.71
	239	41,824,488	11.15
Genral Public			
Local	9,138	63,071,302	16.82
Foreign	11	7,386,849	1.97
	9,149	70,458,151	18.79
	9,401	375,000,000	100.00
Shareholders holding 10% or more voting interest			
Mr. Arif Habib	3	205,250,247	54.73
Mrs. Zetun Arif	2	53,700,000	15.00

Pattern Of Shareholding

No. Of Shareholders	Shareholdings'Slab			Total Shares Held
1013	1	to	100	51,537
2325	101	to	500	745,384
1753	501	to	1000	1,467,750
2840	1001	to	5000	6,918,840
617	5001	to	10000	4,691,933
231	10001	to	15000	2,921,984
128	15001	to	20000	2,342,387
98	20001	to	25000	2,283,886
55	25001	to	30000	1,535,905
42	30001	to	35000	1,377,971
38	35001	to	40000	1,445,409
22	40001	to	45000	938,565
33	45001	to	50000	1,598,445
16	50001	to	55000	853,031
13	55001	to	60000	769,258
8	60001	to	65000	499,700
7	65001	to	70000	478,252
10	70001	to	75000	736,216
7	75001	to	80000	550,146
8	80001	to	85000	664,882
6	85001	to	90000	533,310
6	90001	to	95000	554,637
10	95001	to	100000	990,366
5	100001	to	105000	512,721
3	105001	to	110000	323,650
1	110001	to	115000	111,255
1	115001	to	120000	117,667
2	125001	to	130000	256,850
4	130001	to	135000	529,000
2	135001	to	140000	275,750
5	145001	to	150000	745,400
1	150001	to	155000	154,581
2	155001	to	160000	314,150
1	160001	to	165000	164,000
1	165001	to	170000	170,000
2	170001	to	175000	349,000
1	175001	to	180000	177,500
1	75001	to	180000	177,500
3	180001	to	185000	560,214
3	195001	to	200000	600,000
1	200001	to	205000	204,538
1	210001	to	215000	214,096
2	215001	to	220000	431,687
1	220001	to	225000	222,156
3	235001	to	240000	715,251
1	245001	to	250000	250,000
1	250001	to	255000	253,500
2	260001	to	265000	525,296
1	265001	to	270000	265,685
1	270001	to	275000	275,000

Pattern Of Shareholding

No. Of Shareholders	Shareholdings'Slab			Total Shares Held
3	285001	to	290000	864,361
1	300001	to	305000	300,300
1	305001	to	310000	308,770
1	320001	to	325000	325,000
2	350001	to	355000	708,617
1	365001	to	370000	368,000
2	370001	to	375000	747,793
2	375001	to	380000	750,497
2	380001	to	385000	762,979
2	415001	to	420000	834,082
1	425001	to	430000	430,000
1	430001	to	435000	435,000
3	445001	to	450000	1,347,199
1	460001	to	465000	462,606
1	475001	to	480000	477,040
1	485001	to	490000	489,882
1	490001	to	495000	491,000
2	495001	to	500000	1,000,000
2	500001	to	505000	1,006,603
1	545001	to	550000	550,000
3	595001	to	600000	1,800,000
1	645001	to	650000	650,000
2	670001	to	675000	1,350,000
1	750001	to	755000	751,500
1	785001	to	790000	785,841
1	795001	to	800000	800,000
3	995001	to	1000000	3,000,000
1	1100001	to	1105000	1,101,895
1	1155001	to	1160000	1,160,000
1	1290001	to	1295000	1,293,300
1	1345001	to	1350000	1,350,000
1	1365001	to	1370000	1,370,000
2	1495001	to	1500000	3,000,000
1	1510001	to	1515000	1,514,393
1	1525001	to	1530000	1,529,875
1	1855001	to	1860000	1,856,892
1	2295001	to	2300000	2,300,000
1	2545001	to	2550000	2,550,000
1	3490001	to	3495000	3,494,462
1	6295001	to	6300000	6,300,000
1	9995001	to	10000000	10,000,000
1	10695001	to	10700000	10,700,000
1	15550001	to	15555000	15,550,125
1	53695001	to	53700000	53,700,000
1	62700001	to	62705000	62,700,122
1	126995001	to	127000000	127,000,000
9401				375,000,000

Corporate Calendar of Major Events

- **Results**

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

For the Financial Year ending on June 30, 2011, Financial Results will be announced as per the following tentative schedule:

1st quarter ending September 30, 2010	Last week of October, 2010
2nd quarter ending December 31, 2010	Last week of January, 2010
3rd quarter ending March 31, 2011	Last week of April, 2011
Year ending June 30, 2011	Last week of July, 2011

- **Issuance of Annual Report**

  21 days before AGM i.e. on or before September 04, 2010.

- **16th Annual General Meeting**

  The 16th Annual General Meeting of the Shareholders of Arif Habib Securities Limited ("the Company") will be held on Saturday, September 25, 2010 at 10:00 A.M at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi.

- **Dividend**

  Specie dividend as final dividend for the year ended on June 30, 2010, announced on August 11, 2010 having entitlement date September 18, 2010 is expected to be delivered on or after September 27, 2010 but before statutory time limit of 30 days from the date of AGM.

Statement under Section 160 (1)(b) of the Companies Ordinance, 1984, for Special Resolution of investment

Material facts concerning special business to be transacted at the Annual General Meeting are given below:

Investments in Associated Companies & Associated Undertakings

The Board of Directors of the Company 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.

S.no	Description	Information Requried
(i)	Name of investee company	Aisha Steel Mills Limited
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.2200 million including fresh limit of Rs.1000 million and any advance against subscription of right. Further, an aggregate limit for loan upto Rs.750 million including fresh limit of Rs.500 million.
(iii)	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	N.A
(iv)	Brealup value of shares intended to be purchased on the basis of last published financial statements	Rs.8.59 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, 2009	Rs.(0.90) per share
	June 30, 2008	Rs.(0.20) per share
	June 30, 2007	Rs.(0.19) 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	Outstanding loan of Rs.10 million subsequent to balance sheet date was repaid to the Company
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever is 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 Requried
(i)	Name of investee company	Sweetwater Dairies Pakistan (Pvt.) Limited
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.600 million including fresh limit of Rs.100 million and any advance against subscription of right. Further, an aggregate limit for loan upto Rs.100 million.
(iii)	Average market price of the shares intended to be purchased during preceding 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.11.45 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	Rs.(1.40) per share
	June 30, 2008	N.A
	June 30, 2007	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 is 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 Requried
(i)	Name of investee company	Pakistan Premier Fund Limited
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.750 million including fresh limit of Rs.500 million.
(iii)	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Rs.5.68 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.10.92 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, 2010	Rs.2.10 per share
	June 30, 2009	Rs.(4.52) per share
	June 30, 2008	Rs.(0.74) 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

S.No	Description	Information Requried
(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 Requried
(i)	Name of investee company	Pakistan Strategic Allocation Fund
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.750 million including fresh limit of Rs.500 million.
(iii)	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Rs.4.50 per unit
(iv)	Brealup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.24 per 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, 2010	Rs.1.28 per unit
	June 30, 2009	Rs.(3.11) per unit
	June 30, 2008	Rs.(0.25) per unit
(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 Requried
(i)	Name of investee company	Pakistan Cash Management Fund
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.1000 million
(iii)	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	N.A
(iv)	Brealup value of shares intended to be purchased on the basis of last published financial statements	Rs. 50.32 per share/unit

S.No	Description	Information Requried
(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, 2010	N.A
	June 30, 2009	N.A
	June 30, 2008	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 Requried
(i)	Name of investee company	Proposed "AHDG 15 Titan Index Fund"
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.100 million
(iii)	Average market price of the shares intended to be purchased during preceding 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, 2010	N.A
	June 30, 2009	N.A
	June 30, 2008	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
(i)	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 Requried
(i)	Name of investee company	Al-Abbas Cement Limited
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.1772 million including fresh limit of Rs.1000 million and any advance against subscription of right. Further, an aggregate limit for loan upto Rs.500 million.
(iii)	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Rs.6.90 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.7.27 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	Rs.0.67 per share
	June 30, 2008	Rs.(0.59) per share
	June 30, 2007	Rs.(1.24) 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

S.No	Description	Information Requried
(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	Rs.173 million has been given for subscripton of Right Shares to be issued
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever is 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 Requried
(i)	Name of investee company	Crescent Textile Mills Limited
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.700 million including any advance against subscription of right.
(iii)	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Rs.26.70 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.54.40 per share
(v)	Price at which shares will be purchased	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment

S.No	Description	Information Requried
(vi)	Earning per share of investee company in last three years:	
	June 30, 2009	Rs.3.64 per share
	June 30, 2008	Rs.(1.25) per share
	June 30, 2007	Rs.1.78 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

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

S.No	Description	Information Requried
(i)	Name of investee company	Sachal Energy Development (Pvt.) Limited
(ii)	Nature, amount and extent of investment	An aggregate limit of equity investment upto Rs.1000 million including any advance against subscription of right. Further, an aggregate limit for loan upto Rs.250 million including
(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 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	N.A
	June 30, 2008	N.A
	June 30, 2007	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	Outstanding loan of Rs.10 million subsequent to balance sheet date was repaid to the Company
(ix)	Rate of interest on loan/advance	6 Months KIBOR+1% or Company's borrowing rate whichever is 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.

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

Statement under Section 160(1)(b) of the Companies Ordinance, 1984, in compliance with the SRO 865/(1)/2000 dated December 6, 2000, for previous Special Resolutions which not yet implemented

The Company in its previous general meeting had sought approvals under section 208 of the Companies Ordinance, 1984 for investments in the Associated Companies and Associated Undertakings in which investment / additional investment has not been made so far due to the reason of waiting for an appropriate time in the interest of the sharehoders of the Company otherwise Company had the adequate financial strength for investments.

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	Rs.6.20 per share	Rs.5.42
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.11.70 per share	Rs.7.54
(v)	Earning per share of investee company in last three years:		
	Dec. 31, 2009		Rs.(4.13)
	Dec. 31, 2008	Rs.(0.38) per share	
	Dec. 31, 2007	Rs.0.65 per share	
	Dec. 31, 2006	Rs.1.10 per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	Rs.58.23 per share	Rs.60.85
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.38.23 per share	Rs.36.68
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		Rs.4.01
	June 30, 2009	Rs.5.10 per share	
	June 30, 2008	Rs.19.02 per share	
	June 30, 2007	Rs.16.08 per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	Rs.26.41 per share	Rs.20.92
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.11.82 per share	Rs.14.35
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		Rs.2.14
	June 30, 2009	Rs.10.08 per share	
	June 30, 2008	Rs.8.30 per share	
	June 30, 2007	Rs.10.77 per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding 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	Rs.2.19
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		Rs.(0.99) per share
	June 30, 2009	Rs.(11.15) per share	
	June 30, 2008	Rs.(1.05) per share	
	June 30, 2007	Rs.(17.06) per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding 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	Rs.(119.13) per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2009		Rs.(129.96) per share
	June 30, 2008	Rs.1.72 per share	
	June 30, 2007	Rs.(0.38) per shar6	
	June 30, 2006	Rs.(0.52) per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.48.17 per share	Rs.37.37 per share
(v)	Earning per share of investee company in last three years:		
	Dec. 31, 2009		Rs.10.32 per share
	Dec. 31, 2008	Rs.23.63 per share	
	Dec. 31, 2007	Rs.4.46 per share	
	June 30, 2006	Rs.1.41 per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	Rs.12.44 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.17.17 per share	Rs.10.25 per share
(v)	Earning per share of investee company in last three years:		
	Dec. 31, 2009		
	Dec. 31, 2008	Rs.(0.17) per share	Rs.(0.08) per share
	Dec. 31, 2007	Rs.(0.07) per share	
	June 30, 2006	Rs.(0.05) per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.48.73 per share	Rs.15.25 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2009		Rs.0.87 per share
	June 30, 2008	Rs.0.33 per share	
	June 30, 2007	Rs.0.25 per share	
	June 30, 2006	Rs.0.17 per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	Rs.15.52 per share	Rs.18.84 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.9.32 per share	Rs.9.55 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2009		Rs.2.56 per share
	June 30, 2008	Rs.0.50 per share	
	June 30, 2007	Rs.0.58 per share	
	June 30, 2006	Rs.2.78 per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	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)	Rs.50.73 per unit (NAV)
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	Rs.8.74 per certificate	
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 8.88 per certificate	Rs. 9.35 per certificate
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		Rs.0.47 per certificate
	June 30, 2009	Rs.(1.17) per certificate	
	June 30, 2008	Rs.(0.67) per certificate	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A	Rs.10.14 per unit (NAV)
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 8.28 per unit (NAV)	Rs. 10.02 per unit (NAV)
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.47.56 per unit (NAV)	Rs.63.46 per unit (NAV)
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 50.68 per unit (NAV)	Rs. 50.32 per unit (NAV)
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.50.91 per unit (NAV)	Rs.50.82 per unit (NAV)
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	Rs.108.72 per share	Rs.68.36 per share
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs.(125.13) per share	Rs.9.1 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2009		Rs.(14.73) per share
	June 30, 2008	Rs.(0.76) per share	
	June 30, 2007	Rs.(1.61) per share	
	June 30, 2006	Rs.6.15 per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding 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.80.76 per share	Rs.74.48 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2009		Rs.1.94 per share
	June 30, 2008	Rs.7.52 per share	
	June 30, 2007	Rs.(0.61) per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A	Rs. 9.44 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2009		Rs. 0.56 per share
	June 30, 2008	N.A	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A	Rs. 7.25 per share
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		Rs. (2.58) per share
	June 30, 2009	Rs. (0.16) per share	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	Rs. 5.25 per share	Rs. 7.49 per share
(v)	Earning per share of investee company in last three years:		
	March. 31, 2010		Rs. (0.18) per share
	March. 31, 2009	Rs. (3.58) per share	
	March. 31, 2008	Rs. (1.20) per share	
	March. 31, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(i)	Name of investee company	Memon Health & Educational Foundation	
(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 preceding six months in case of listed companies	N.A	N.A
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statements	N.A	N.A
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	
	June 30, 2007	N.A	

S.no	Description	Information at the time of Approval	Present Status
(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 preceding 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	N.A
(v)	Earning per share of investee company in last three years:		
	June 30, 2010		N.A
	June 30, 2009	N.A	
	June 30, 2008	N.A	
	June 30, 2007	N.A	

Statement under Section 160(1)(b) of the Companies Ordinance, 1984, for Change of Name of the Company

The Company was incorporated under the name of "Arif Habib Securities Limited" on 14 November 1994. The Company had transferred its brokerage business alongwith memberships of all three stock exchanges in the year 2005 to its majority owned subsidiary Arif Habib Limited which is commonly known as Brokerage House Company. Since then Arif Habib Securities Limited is not directly dealing in providing brokerage services. Therefore, in this scenario, it is considered necessary to replace the word "Securities" from the name of the Company with the word "Corporation" in order to reflect the nature of its business and make it easier to remember and to make the Company more prominent in line with market trend.

The change of the name of the Company will not affect any rights or obligations of the Company or the interest of any shareholder or investor in any manner.

The interest of the Directors and Chief Executive of the Company is only their being the Chief Executive, Shareholder and Directors of the Company.

Comparative Statement
proposed changes in Memorandum & Articles of association

PRESENT PROVISIONS OF MEMORANDUM OF ASSOCIATION	AFTER CHANGE OF NAME FOLLOWING WILL BE APPLICABLE
Name	**Name**
1. The name of the company is "**Arif Habib Securities Limited**"	1. The name of the company is "**Arif Habib Corporation Limited**"
PRESENT PROVISIONS OF ARTICLE OF ASSOCIATION	**AFTER CHANGE OF NAME FOLLOWING WILL BE APPLICABLE**
PRELIMINARY	**PRELIMINARY**
3. "The Company" means **Arif Habib Securities Limited**	3. "The Company" means **Arif Habib Corporation Limited**

Form of Proxy

16th Annual General Meeting

The Company Secretary
Arif Habib Securities Limited
Arif Habib Centre
23, M.T. Khan Road
Karachi.

I/ we ______________________ of ______________________ being a member(s) of Arif Habib Securities Limited holding ______________________ ordinary shares as per CDC A/c. No. ____________ herby 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 vote for me/us and on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held on September 25, 2010 and/or any adjournment thereof.

Signed this ____________ day of ____________ 2010.

Witnesses:

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

Signature on
Rs. 5/-
Revenue Stamp

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

NOTES:

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 identity by showing his/her original passport and bring folio number at the time of attending the meeting

3. In order to be effective, the proxy Form must be received at the office of our Registrar M/s. Central Depository Company of Pakistan, Share Registrar Department, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signature, name, address and CNIC number 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:
Central Depository Company of Pakistan,
Share Registrar Department, CDC
House, 99-B, Block-B, S.M.C.H.S, Main
Shahra-e-Faisal, Karachi.

Fold : Here   Fold : Here

Fold : Here   Fold : Here

ARIF HABIB

SECURITIES LTD.

Arif Habib Centre
23, M. T. Khan Road
Karachi-74000
Tel: (021) 32415213-15
Website: www.arifhabib.com.pk