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CORPORATE INFORMATION

Board of Directors

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

Audit Committee

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

Company Secretary

Haroon Usman

Chief Financial Officer

Tahir Iqbal

Auditors

- (i) Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants

 - (ii) M/s. KPMG Tasir Hadi & Company
Chartered Accountants
-

Legal Advisors

Bawaney & Partners

Bankers

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

Registered Office

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

Corporate Office

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

website: www.arifhabib.com.pk

Registrar & Share Transfer Office

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

DIRECTORS' REPORT

Dear Shareholders

On behalf of the Board of Directors I present the financial results of our company for the first quarter July - September 2008.

Market Review

The stock market is going through one of the worst crisis in its history. After a sharp fall in KSE-100 index from its peak of 15,676 points on 18th April 2008 to 9127 points on 27th August 2008. The Karachi Stock Exchange has freezed the market by putting floor on decline below 9,144 points of KSE-100 index. Market is nearly closed since then with very negligible turnover of shares. During the period under review KSE-100 index declined by 25 percent. Sentiment of the market has been very weak.

Financial Results

The Company has recoded a profit before tax of Rs. 372 million and has incurred a loss of Rs. 270 million after provision of deferred tax. There has been an operating profit of Rs. 83 million. An appreciation of Rs. 2403 million in the fair value of investment in the shares of unlisted companies was recorded. However it was the diminution in the value of the investment in listed securities to the tune of Rs. 2095 million which added with other costs like deferred taxation etc resulted in the net loss reported as above.

Future Outlook

Capital markets throughout the world are under tremendous pressure which has created a negative sentiment for equity investments. Pakistan economy is also faced with serious challenges like external current account and budget deficits, declining foreign currency reserves, rising interest rates and erosion in value of Pak Rupees driving investor's confidence at a very low ebb. This difficult environment has created tough conditions for securities investments and financial services companies. However industrial investments are doing well, in particular our investment in Pak Arab Fertilizers Limited.

Waiver of dividend right by the sponsors

In order to support the Company, the sponsors of the Company have decided to waive their entitlement of cash dividend amounting to Rs. 339,785,097 for the financial year 2008.

Material information

In order to strengthen the equity of Arif Habib Bank, a subsidiary of our Company, an MOU has been signed with Mr. Hussain Lawai representing a consortium of foreign and local investors to take up substantial equity stake through injection of new equity / purchase of shares from the existing shareholders. Once the proposal is firmed up into a concluded contract, full details will be provided.

Acknowledgement

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

For and on behalf of the Board

Karachi
23 October 2008

Arif Habib
Chairman & Chief Executive

BALANCE SHEET

as at 30 September 2008

	(Rupees)	
	Un-audited September 2008	Restated Audited June 2008
<u>EQUITY AND LIABILITIES</u>		
Share capital and reserves		
Share capital	3,000,000,000	3,000,000,000
Revenue reserves	15,810,755,041	21,125,971,535
	18,810,755,041	24,125,971,535
Deferred taxation	2,941,199,145	2,916,235,559
Current liabilities		
Trade and other payables	164,526,942	174,232,746
Interest and mark-up accrued on short term borrowings	41,214,833	2,256,351
Short term borrowings	2,416,777,697	1,541,696,789
Provision for taxation	10,468,402	51,140,420
	2,632,987,874	1,769,326,306
Contingencies and commitments	-	-
	<u>24,384,942,061</u>	<u>28,811,533,400</u>

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

	(Rupees)	
	Un-audited September 2008	Restated Audited June 2008
ASSETS		
Non-Current assets		
Property and equipment	30,569,294	28,298,232
Long term investments	19,788,051,965	22,877,767,999
Long term deposits	44,590	44,590
Current assets		
Trade debts	10,575	3,510,576
Receivable against securities transactions - considered good	-	1,985,320
Loans and advances	18,000,000	15,000,000
Advance tax	22,416,317	62,760,468
Other receivables	59,457,653	24,558,606
Short term investments	4,354,827,307	5,774,324,156
Cash and bank balances	111,564,360	23,283,454
	4,566,276,212	5,905,422,579
	<u>24,384,942,061</u>	<u>28,811,533,400</u>

Chief Executive

Director



1st Quarterly Report 2008

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the first quarter ended 30 September 2008

	(Rupees)	
	September 2008	September 2007
Operating revenue	107,289,036	387,900,964
Profit on sale of securities-Net	71,214,192	46,817,594
	178,503,228	434,718,558
Operating and administrative expenses	(21,025,497)	(10,601,036)
Finance cost	(76,821,701)	(16,455,290)
	(97,847,198)	(27,056,326)
	80,656,030	407,662,232
Other income	2,113,326	901
Other charges	(20,010,000)	-
Gain/ (loss) on remeasurement of investments-Net:		
- In listed securities at fair value	(2,095,070,812)	86,920,372
- In associates at fair value	2,403,900,000	2,229,183,002
	290,932,514	2,316,104,275
Profit before Taxation	371,588,543	2,723,766,507
Provision for taxation		
- Current	(10,468,402)	(37,870,062)
- Deferred	(631,023,750)	(585,160,538)
	(641,492,152)	(623,030,600)
(Loss)/Profit after taxation	(269,903,609)	2,100,735,907
Earning per share	(0.90)	7.00

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

Chief Executive

Director



1st Quarterly Report 2008

CONDENSED INTERIM CASH FLOW STATEMENT

For the first quarter ended 30 September 2008

	(Rupees)	
	September 2008	September 2007
Cash flows from operating activities		
Profit before taxation	371,588,543	2,723,766,507
Adjustment for:		
Depreciation	240,688	312,341
Dividend income	(104,660,714)	(384,350,609)
Interest income	(1,660,338)	(901)
Gain on foreign currency translation	(437,988)	-
Reversal of doubtful debts	(15,000)	-
Surplus on remeasurement of investment in associate	(2,403,900,000)	(2,229,183,000)
Impairment on investments	20,010,000	-
Finance cost	76,821,701	16,455,290
	<u>(2,413,601,651)</u>	<u>(2,596,766,879)</u>
Operating (loss)/profit before working capital changes	(2,042,013,108)	126,999,628
Changes in working capital (Increase) / decrease in current assets		
Trade debts	3,500,001	(18,684,310)
Loans and advances	(3,000,000)	(13,664,530)
Other receivables	(34,899,047)	(23,596,437)
Increase / (decrease) in current liabilities		
Trade and other liabilities	(9,705,804)	1,400,868,312
	<u>(44,104,850)</u>	<u>1,344,923,035</u>
Cash (used in)/generated from operations	(2,086,117,958)	1,471,922,663
Income tax paid	(10,796,269)	(38,220,026)
Finance cost paid	(37,863,218)	(4,846,090)
Net cash (used in)/generated from operating activities	<u>(2,134,777,445)</u>	<u>1,428,856,547</u>
Cash flows from investing activities		
Fixed capital expenditure	(2,511,750)	(90,000)
Dividend received	67,993,904	353,210,829
Interest received	1,675,338	901
Long term investments	(140,662,218)	(2,994,773,221)
Long term deposits	-	208,000
Net cash (used in) investing activities	<u>(73,504,726)</u>	<u>(2,641,443,491)</u>
Cash flows from financing activities	-	-
Net (decrease) in cash and cash equivalents	<u>(2,208,282,171)</u>	<u>(1,212,586,944)</u>
Cash and cash equivalents at beginning of the period	4,257,896,141	5,423,434,444
Cash and cash equivalents at end of the period	<u>2,049,613,970</u>	<u>4,210,847,500</u>

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

Chief Executive

Director



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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the first quarter ended 30 September 2008

	(Rupees)						
	SHARE CAPITAL	REVENUE RESERVES			TOTAL		
	General reserve	Surplus/ (deficit) on remeasurement of investments	Reserve for issue of Bonus and Dividend	Unappropriated profit	Sub Total		
Balance at 30 June 2007	3,000,000,000	4,000,000,000	5,833,518,210	-	5,241,070,168	15,074,588,378	18,074,588,378
Net profit for the first quarter ended 30 September 2007	-	-	-	-	2,100,735,907	2,100,735,907	2,100,735,907
Deficit on remeasurement of investments to fair value - Net of tax	-	-	(188,745,000)	-	-	(188,745,000)	(188,745,000)
Balance at 30 September 2007	3,000,000,000	4,000,000,000	5,644,773,210	-	7,341,806,075	16,986,579,285	19,986,579,285
Net profit for the period ended from 1 October 2007 to 30 June 2008	-	-	-	-	6,196,435,057	6,196,435,057	6,196,435,057
Deficit on remeasurement of investments to fair value - Net of tax	-	-	(776,902,807)	-	-	(776,902,807)	(776,902,807)
Interim specie distribution	-	-	-	-	(1,110,000,000)	(1,110,000,000)	(1,110,000,000)
Balance at 30 June 2008 as previously reported	3,000,000,000	4,000,000,000	4,867,870,403	-	12,428,241,132	21,296,111,535	24,296,111,535
Effect of adjustment arising out of voluntarily tendering of capital gain to the respective issuer of securities to the extent related to trading in that securities as per the requirement of Section 224 of the Companies Ordinance, 1984.	-	-	-	-	(170,140,000)	(170,140,000)	(170,140,000)
Balance at 30 June 2008 as restated	3,000,000,000	4,000,000,000	4,867,870,403	-	12,258,101,132	21,125,971,535	24,125,971,535
Net (loss) for the first quarter ended 30 September 2008	-	-	-	-	(269,903,609)	(269,903,609)	(269,903,609)
Deficit on remeasurement of investments to fair value - Net of tax	-	-	(5,045,312,885)	-	-	(5,045,312,885)	(5,045,312,885)
Appropriation of Reserve for issuance of Bonus and Dividend	-	-	-	835,214,903	(835,214,903)	-	-
Balance at 30 September 2008	<u>3,000,000,000</u>	<u>4,000,000,000</u>	<u>(177,442,482)</u>	<u>835,214,903</u>	<u>11,152,982,620</u>	<u>15,810,755,041</u>	<u>18,810,755,041</u>

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

Chief Executive

Director



ARIF HABIB
SECURITIES LTD.

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NOTES TO THE FINANCIAL ACCOUNT

For the first quarter ended 30 September 2008

1 Status and Nature of Business

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

The initial entity rating of the Company rated by JCR-VIS credit rating company, is 'AA / A 1' (Double A / A-One) with a Stable outlook. During financial year 2008 Company has surrendered its IFS license as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which was acquired on 22 January 2007 and now effective from 19 February 2008 the Company is no more a Non-Banking Finance Company.

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

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

2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

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

These financial statements have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended 30 June 2008.

3 Taxation

Provision for taxation has been estimated at the current rate of taxation. Deferred tax provision for the period have been provided on gain on remeasurement of investment in Pakarab Fertilizer Limited.

4 Contingencies and Commitments

There is no change in contingency as disclosed in the last annual audited financial statements.

5 Property & Equipment

Fixed capital expenditure during the period amounting to Rs.2.512 million (30 June 2008: Rs.24.108 million). Deletion of fixed assets made during the period was amounting to Rs.Nil (30 June 2008: Rs.0.310 million).

6 Transactions with Related Parties

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

	Rupees
Transactions with Subsidiaries	
- Services availed	3,852,522
- Mark-up charges on short term running finance facility	1,416,644
- Profit earned on bank deposit account	1,660,338
- Dividend income	45,000,000
- Tender of capital gain	170,140,000
- Balance receivable at the year end - unsecured	10,523,665
- Balances receivable at the year end - secured	45,000,000
- Balance in current account maintained with bank - secured	104,682,459
- Balance in deposit account maintained with bank - secured	838
Transactions with Associates	
- Subscription of right shares	126,519,488
- Payment for capital work in progress	2,500,000
Transactions with Other Related Parties	
- Payment to employees' provident fund	40,430

7 Date of Authorization for Issue

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

8 General

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

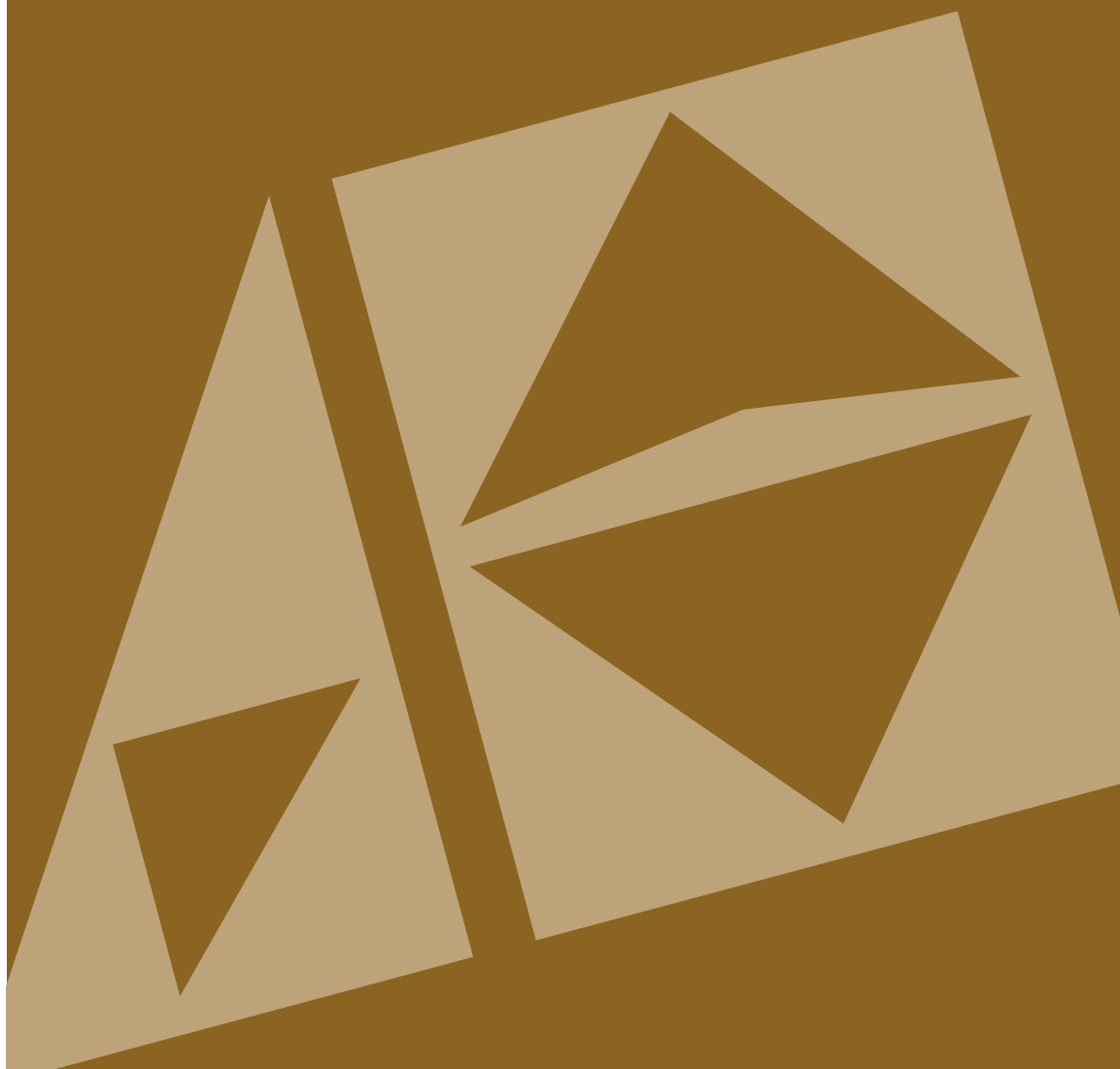
Chief Executive

Director



1st Quarterly Report 2008

Consolidated Financial Statements



CONSOLIDATED BALANCE SHEET

as at 30 September 2008

(Rupees)

	Un-audited September 2008	Audited June 2008
EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	3,000,000,000	3,000,000,000
Revenue reserves	12,794,187,643	14,615,043,615
	15,794,187,643	17,615,043,615
Minority interest	1,627,229,327	1,814,826,835
	17,421,416,970	19,429,870,450
Non current liabilities		
Deferred taxation	188,500,000	188,872,223
	252,602,851	301,370,088
Current liabilities		
Trade and other payables	20,646,247,008	16,601,724,509
Interest and mark-up accrued	77,901,538	122,811,570
Short term borrowings	5,918,258,789	4,663,588,693
Current portion of:		
Long term liabilities	24,750,000	25,050,000
Liability against assets subject to finance lease	1,276,672	1,192,587
Provision for taxation	52,912,792	192,450,252
	26,721,346,799	21,606,817,611
Contingencies and commitments	-	-
	44,583,866,620	41,526,930,372

	(Rupees)	
	Un-audited September 2008	Audited June 2008
ASSETS		
Non-current assets		
Property and equipment	1,079,903,447	939,264,866
Intangible assets	83,552,506	83,552,506
Goodwill	2,491,676,242	2,042,582,067
Membership cards and licenses	57,150,000	63,971,496
Long term investments	5,522,295,540	5,593,724,663
Long term loans and advances	11,672,273	17,128,629
Long term deposits and prepayments	15,606,973	26,294,667
Deferred costs	19,424,250	25,899,000
Current assets		
Trade debts	2,242,732,178	955,846,068
Stock in trade	331,645,124	-
Receivable against securities transactions - considered good	19,776,721	13,858,587
Loans and advances	18,057,607,712	16,723,505,112
Deposits and prepayments	15,783,866	186,633,891
Advance tax	35,393,841	241,033,640
Other receivables	947,969,006	33,378,518
Short term investments	10,740,968,381	11,568,848,252
Cash and bank balances	2,910,708,560	3,011,408,410
	35,302,585,389	32,734,512,478
	44,583,866,620	41,526,930,372

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

Chief Executive

Director



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CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS

For the first quarter ended 30 September 2008

	(Rupees)	
	September 2008	September 2007
Operating revenue	682,634,180	1,185,735,638
Profit on sale of securities-Net	113,190,294	115,143,976
	795,824,474	1,300,879,614
Operating and administrative expenses	(330,259,718)	(400,557,723)
Finance cost	(123,417,434)	(45,735,437)
	(453,677,152)	(446,293,160)
	342,147,322	854,586,454
Other income	16,223,529	14,533,380
Other charges	(185,872,220)	(29,335)
Gain/(loss) on remeasurement of investments-Net:		
- In listed securities at fair value	(2,097,378,905)	99,476,029
	(2,267,027,596)	113,980,074
Share of profit from associates	780,685,260	196,829,270
(Loss)/Profit before taxation	(1,144,195,014)	1,165,395,798
Provision for taxation		
- Current	(70,319,378)	(106,461,912)
- Deferred	(234,763)	(10,064,000)
	(70,554,141)	(116,525,912)
(Loss)/Profit after taxation	(1,214,749,155)	1,048,869,886
Attributable to:		
Equity holders of Arif Habib Securities Limited	(962,702,325)	936,237,719
Minority interest	(252,046,830)	112,632,167
	(1,214,749,155)	1,048,869,886

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

Chief Executive

Director



1st Quarterly Report 2008

CONDENSED INTERIM CONSOLIDATED CASH FLOW

For the first quarter ended 30 September 2008

	(Rupees)	
	September 2008	September 2007
Cash flows from operating activities		
(Loss)/profit before taxation	(1,144,195,014)	1,165,395,798
Adjustment for:		
Depreciation	42,202,853	27,119,632
Dividend income	(157,006,168)	(496,696,149)
Profit on deposits	(11,764,633)	(901)
Gain on disposal of property and equipment	(250)	(25,356)
Provision for doubtful debts	188,398,297	-
Reversal of doubtful debts	(15,000)	-
Amortization	6,474,750	5,627,827
Gain on foreign currency translation	(437,988)	-
Impairment on investments	20,010,000	-
Finance cost	123,417,434	36,657,253
	211,279,295	(427,317,694)
Operating (loss)/profit before working capital changes	(932,915,719)	738,078,104
Changes in working capital (Increase) / decrease in current assets		
Trade debts	(1,286,886,110)	(609,272,001)
Stock in trade	(331,645,124)	-
Loans and advances	(1,334,102,600)	(2,158,115,946)
Deposits and prepayments	170,850,025	(55,076,382)
Other receivables	(914,590,488)	182,403,488
Increase / (decrease) in current liabilities		
Trade and other liabilities	4,044,522,499	5,231,728,993
	348,148,202	2,591,668,152
Cash (used in)/generated from operations	(584,767,516)	3,329,746,256
Income tax paid	(111,021,266)	(88,497,031)
Finance cost paid	(92,358,135)	(15,419,755)
Net cash (used in)/generated from operating activities	(788,146,917)	3,225,829,470
Cash flows from investing activities		
Fixed capital expenditure	(402,847,498)	(199,964,080)
Proceeds from transfer of property & equipment	2,180,335	2,604,881
Dividend received	214,367,833	455,844,869
Interest received	11,764,633	901
Long term investments	71,429,123	(832,734,514)
Long term loans and advances	5,456,356	(44,575,941)
Long term deposits	10,687,694	(216,620)
Net cash (used in) investing activities	(86,961,524)	(619,040,504)
Cash flows from financing activities		
Long term financing	(672,223)	(143,853,000)
Liability against assets subject to finance lease	84,085	(263,129)
Net cash (used in) financing activities	(588,138)	(144,116,129)
Net (decrease)/increase in cash and cash equivalents	(875,696,579)	2,462,672,837
Cash and cash equivalents at beginning of the period	4,360,761,757	6,254,325,682
Cash and cash equivalents at end of the period	3,485,065,178	8,716,998,519

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

Chief Executive

Director



1st Quarterly Report 2008

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first quarter ended 30 September 2008

(Rupees)

	SHARE CAPITAL		REVENUE RESERVES				Sub Total	TOTAL
	General reserve	Surplus/ (deficit) on remeasurement of investments	Exchange difference on transaction to presentation currency	Reserve for issue of Bonus and Dividend	Unappropriated profit			
Balance at 30 June 2007	3,000,000,000	4,019,567,665	110,842,696	108,881	-	4,426,009,399	8,556,528,641	11,556,528,641
Net profit for the first quarter ended 30 September 2007	-	-	-	-	-	936,237,719	936,237,719	936,237,719
Deficit on remeasurement of investments to fair value - Net of tax	-	-	(100,000,422)	-	-	-	(100,000,422)	(100,000,422)
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	-	9,500	-	-	9,500	9,500
Balance at 30 September 2007	3,000,000,000	4,019,567,665	10,842,274	118,381	-	5,362,247,118	9,392,775,438	12,392,775,438
Net profit for the period ended from 1 October 2007 to 30 June 2008	-	-	-	-	-	5,731,827,504	5,731,827,504	5,731,827,504
Deficit on remeasurement of investments to fair value - Net of tax	-	-	(150,363,596)	-	-	-	(150,363,596)	(150,363,596)
Share of changes recognized directly in the associate's equity	-	-	742,754,160	-	-	-	742,754,160	742,754,160
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	-	8,050,109	-	-	8,050,109	8,050,109
Interim specie distribution	-	-	-	-	-	(1,110,000,000)	(1,110,000,000)	(1,110,000,000)
Balance at 30 June 2008	3,000,000,000	4,019,567,665	603,232,838	8,168,490	-	9,984,074,622	14,615,043,615	17,615,043,615
Net (loss) for the first quarter ended 30 September 2008	-	-	-	-	-	(962,702,325)	(962,702,325)	(962,702,325)
Deficit on remeasurement of investments to fair value - Net of tax	-	-	(858,554,635)	-	-	-	(858,554,635)	(858,554,635)
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	-	400,988	-	-	400,988	400,988
Appropriation of Reserve for issuance of Bonus and Dividend	-	-	-	-	835,214,903	(835,214,903)	-	-
Balance at 30 September 2008	3,000,000,000	4,019,567,665	(255,321,797)	8,569,478	835,214,903	8,186,157,394	12,794,187,643	15,794,187,643

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

Chief Executive

Director



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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Status and Nature of Business

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

The initial entity rating of the Company rated by JCR-VIS credit rating company, is 'AA / A 1' (Double A / A-One) with a Stable outlook. During the period Company has surrendered its IF5 license as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which was acquired on 22 January 2007 and now effective from 19 February 2008 the Company is no more a Non-Banking Finance Company.

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

- 1.2 Arif Habib Bank Limited (AHBL), (formerly Arif Habib Rupali Bank Limited) was incorporated in Pakistan as a public limited company on 9 December 2005 under the Companies Ordinance, 1984. Its registered office is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. AHBL is domiciled in the province of Sindh. AHBL commenced operations from 10 April 2006. AHBL is principally engaged in the business of banking company, through its 12 branches and one sub-branch as defined in the Banking Companies Ordinance, 1962. The medium to long term rating of AHBL rated by JCR-VIS credit rating company, is A with a positive outlook. Short term rating of AHBL is A-2. AHBL is a subsidiary of AHSL with shareholding of 59.40% (2007:89.11%).

During the year AHSL subscribed 149,748,500 right shares issued by AHBL. Out of it AHSL has distributed 30 million shares to its shareholders being specie distribution. During the year the regulators approved the listing of AHBL through offer for sale to the general public by its existing shareholders. Accordingly, AHSL offered 119,748,500 shares to the public which resulted in diluted shareholding to 59.40% from 89.11%. Effective from 13 February 2008 shares of AHBL are listed on all the Stock Exchanges of Pakistan.

- 1.3 Arif Habib Limited (AHL) was incorporated in Pakistan on 7 September 2004 under the Companies Ordinance, 1984, as a public limited company. The registered office of AHL is situated at 60-63, KSE Building, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodities Exchange. It is registered with SECP as securities brokerage house. AHL is a subsidiary of AHSL with shareholding of 75% (2007:75%) and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, corporate finance advisory and securities research. The shares of AHL are listed at the Karachi Stock Exchange with effect from 31 January 2007.
- 1.4 Arif Habib Investment Management Limited (AHIML) was incorporated in Pakistan on 30 August 2000 as a public limited company under the Companies Ordinance, 1984. The registered office of AHIML is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHIML is a subsidiary of AHSL with shareholding of 60.18% (2008:62.40%). AHIML is registered as an Asset Management Company, Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC) and Pension Scheme Manager under Voluntary Pension System Rules 2005. AHIML is currently acting as Asset Management Company / Investment Advisor / Pension Scheme Manager for the following funds / schemes.
- 1.5 Arif Habib DMCC (AHD) was incorporated in Dubai-UAE on 24 October 2005 as a limited liability company. Its registered office situated at Dubai Metals & Commodities Center, Dubai, UAE. AHD is a wholly owned subsidiary of AHSL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on 26 October 2005. AHD is expected to start its commercial operations at the Dubai Gold and Commodities Exchange within next twelve months besides consultancy which have already been started.
- 1.6 S.K.M Lanka Holdings (Pvt.) Limited (SKML) was incorporated in Colombo-Sri Lanka on 15 February 2007 as a limited liability company. Its registered office situated at 86/1, Dawson Street, Colombo 02, Sri Lanka. It is domiciled in the province of Colombo. It is registered with Securities & Exchange Commission of Sri Lanka as securities brokerage house. SKML is a subsidiary of AHSL with 75% shareholding. SKML is expected to start its commercial operations at the Colombo Stock Exchange within next twelve months besides consultancy which have already been started.
- 1.7 Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 6 September 2006 as a public limited company under the Companies Ordinance, 1984. The registered office of PPEML is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. It is domiciled in the province of Sindh. PPEML is a subsidiary of AHSL with shareholding of 85% (2007:85%). PPEML is a venture capital company registered, under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through SRO 113(1)2007, with the Securities and Exchange Commission of Pakistan.
- 1.8 Real Estate Modaraba Management Company Limited (REMCO) was incorporated in Pakistan on 13 October 2005 as a public limited company under the Companies Ordinance, 1984. The registered office of REMCO is situated at 2/1, R.Y 16, Old Queens Road, Karachi, Pakistan. It is domiciled in the province of Sindh. REMCO is a subsidiary of AHSL with shareholding of 99.99%. REMCO is a Modaraba management company. Currently it has not floated any Modaraba.

2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

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

These financial statements have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited consolidated financial statements for the year ended 30 June 2008.

3 Basis of Consolidation

The consolidated financial statements include the financial statements of AHSL and its seven subsidiaries ("the Group Companies") as described in notes from 1.2 to 1.8 above.

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

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

Material intra-group balances and transactions have been eliminated.

Minority interests are that part of the net results of the operations and of net assets of the subsidiaries attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

4 Taxation

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

5 Contingencies and Commitments

There is no change in contingency as disclosed in the last annual audited financial statements.

6 Property & Equipment

Fixed capital expenditure during the period amounting to Rs.402.847 million (30 June 2008: Rs.614.896 million). Deletion of fixed assets made during the period was amounting to Rs.2.180 (30 June 2008: Rs.55.668 million).

7 Transactions with Related Parties

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

	Rupees
Transactions with Associates	
- Services availed	85,686,190
- Subscription of right shares	126,519,488
- Investment in funds at cost	200,396,446
- Receivable from funds	41,819,994
- Payment for capital work in progress	2,500,000
Transactions with Other Related Parties	
- Payment to employees' provident fund	6,299,430

8 Date of Authorization for Issue

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

9 General

- Figures have been rounded off to the nearest rupee, unless otherwise stated.
- Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

Chief Executive

Director



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