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CORPORATE INFORMATION

Board of Directors

Arif Habib
(Chairman and Chief Executive)
Sirajuddin Cassim
Muhammad Akmal Jameel
Kashif A. Habib
Naseem Beg
Syed Ajaz Ahmed
Rahim Khanani
Asadullah Khawaja

Audit Committee

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

Company Secretary

Haroon Usman

Chief Financial Officer

Tahir Iqbal

Auditors

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors

Bawaney & Partners

Bankers

Allied Bank of Pakistan Ltd.
Arif Habib Rupali Bank Ltd.
Bank Al Habib Ltd.
Bank Al Falah Ltd.
Faysal Bank Ltd.
First Women Bank Ltd.
Habib Bank A.G. Zurich
Habib Bank Ltd.
KASB Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
PICIC Commercial Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank
The Bank of Punjab
United Bank Ltd.

Registered Office

60-63, Karachi Stock Exchange Building
Stock Exchange Road, Karachi - 74000
Phones: 2415213-15
Fax No: 2416072 - 2429653
E-mail : ahsl@arifhabib.com.pk

Web: www.arifhabib.com.pk

Registrar & Share Transfer Office

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

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the financial results of your company for the third quarter and nine months ended on 31 March 2007.

I am pleased to report that your company has been approved as an Investment Finance Company by the Securities & Exchange Commission of Pakistan during the quarter under review. Additionally, the State Bank of Pakistan has issued an in-principle approval for initiating a process to merge the company with and into Arif Habib Rupali Bank Limited. The scheme of arrangement for this proposed merger shall be put before the General Body of shareholders for its approval in the near future.

Market Review

The market performed well during the quarter under report. The KSE-100 index rose to 11272 points appreciating by 12.2% during the quarter. The average daily turnover significantly increased compared to the last quarter recording an appreciation of 25%. Improvement in both the index and the turnover is attributable to the enhanced confidence of both domestic and foreign investors in the economy of Pakistan.

Financial Results and Appropriation

By the grace of Allah, your company continued its pace of progress and has achieved good profits during the period. It has earned a profit after tax of Rs. 440 million in the third quarter, aggregating to Rs. 2.5 billion for the nine months ended 31 March 2007. This profit translates into a basic and diluted earning per share of Rs. 4.40 and Rs. 25.07 respectively calculated on the enhanced capital of Rs. 1 billion compared to Rs. 270 million for the corresponding period last year. The company's subsidiaries and associated entities continue to do well.

Considering the strong position and healthy equity figures, the Board has decided to increase the paid up capital of the company to Rs. 3 billion through an issue of bonus shares in the proportion of 2:1 i.e. 200%. With this issue of bonus shares the aggregate issue of bonus shares for the current financial year will amount Rs. 2.73 billion taking the paid-up share capital to Rs. 3 billion from Rs. 270 million at the beginning of the financial year.

Future Outlook

The current quarter has started on a positive note. The KSE-100 Index has risen by 8.32 percent during these first 26 days of the quarter. This good performance is beneficial for the company's equities portfolio and for its subsidiaries i.e. asset management, banking and brokerage companies. The business fundamentals of Pak-Arab Fertilizers have also improved significantly. In addition, the new fertilizer project, in which Pak Arab Fertilizers will have 85% equity stake, has achieved its financial close and the project progress is on track.

The merger of the company with the bank will also be beneficial for the growth of the banking business and add value for the shareholders of both the entities.

In view of above, the future outlook of the company appears promising.

Acknowledgement

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

For and on behalf of the Board

Karachi
26 April 2007

Arif Habib
Chairman & Chief Executive

Nine Months Report
July 2006 - March 2007

BALANCE SHEET

as at March 31, 2007

(Rupees)

	Un-audited March 2007	Audited June 2006
EQUITY & LIABILITIES		
Share Capital and Reserves		
Authorized Capital:		
100,000,000 (June 2006: 50,000,000)		
Ordinary shares of Rs. 10/- each	<u>1,000,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital:		
Ordinary shares of Rs.10/- each	1,000,000,000	290,000,000
Buy back of shares	-	(20,000,000)
100,000,000 (June 2006 :27,000,000)		
Ordinary shares of Rs.10/- each	1,000,000,000	270,000,000
General reserve	4,000,000,000	4,000,000,000
Surplus on remeasurement of investments - Net	2,437,601,368	1,929,406,463
Unappropriated profit	6,065,605,832	4,491,235,243
	13,503,207,200	10,690,641,706
Deferred tax liability	1,141,206,698	1,251,296,567
Current liabilities		
Short term running finance	344,581,460	24,051,162
Trade and other payables	404,106,812	63,091,763
Accrued markup	85,995	8,249,621
Taxation	16,453,204	22,112,500
	765,227,471	117,505,046
Contingency	-	-
	<u>15,409,641,369</u>	<u>12,059,443,319</u>

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

BALANCE SHEET

as at March 31, 2007

(Rupees)

	Un-audited March 2007	Audited June 2006
ASSETS		
Non current assets		
Property and equipment	5,654,774	9,015,659
Long term investments	10,448,586,408	6,540,329,828
Long term loan	600,000,000	250,000,000
Long term deposits	53,000	261,000
Current assets		
Investments - at fair value through profit and loss	3,769,940,963	3,371,947,570
Trade debts	27,510,575	27,410,876
Receivable against securities transaction	-	521,066,342
Loan and advances	266,447,931	612,771,791
Deposits, prepayments & advance tax	28,669,083	29,423,714
Other receivables	3,002,532	112,464,724
Cash & bank balances	259,776,104	584,751,815
	4,355,347,188	5,259,836,832
	15,409,641,369	12,059,443,319

Chief Executive

Director

Nine Months Report
July 2006 - March 2007

PROFIT AND LOSS ACCOUNT

for nine months & third quarter ended March 31, 2007

(Rupees)

	Nine Months Ended		Third Quarter Ended	
	March 2007 Rupees	March 2006 Rupees	March 2007 Rupees	March 2006 Rupees
Operating revenues	328,164,045	464,980,533	51,155,809	64,425,442
Capital gain on investments	1,697,662,813	1,796,709,509	243,740,682	597,642,274
	2,025,826,858	2,261,690,042	294,896,491	662,067,716
Operating expenses	(47,733,647)	(70,778,321)	(8,816,358)	(13,272,018)
Operating profit	1,978,093,211	2,190,911,721	286,080,133	648,795,698
Finance cost	(54,152,533)	(139,091,967)	(15,239,050)	(47,869,349)
Other charges	(2,608,408)	(33,744)	14,163,492	-
Other income	663,282	3,074,318	62,015	656,832
Surplus on remeasurement of investments	835,751,470	2,663,380,174	157,478,738	2,046,246,153
	779,653,811	2,527,328,781	156,465,195	1,999,033,636
Profit before taxation	2,757,747,022	4,718,240,502	442,545,328	2,647,829,334
Provision for taxation				
- Prior	(359,014)	(329,083)	(359,014)	-
- Current	(16,453,204)	(16,510,394)	(2,383,362)	(1,428,072)
- Deferred	(234,064,215)	(588,667,647)	-	(588,667,647)
	(250,876,433)	(605,507,124)	(2,383,362)	(590,095,719)
Profit after taxation	2,506,870,589	4,112,733,378	440,161,966	2,057,733,615
Earning per share - basic & diluted	25.07	41.13	4.40	20.58

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

Chief Executive

Director

CASH FLOW STATEMENT

for nine months ended March 31, 2007

(Rupees)

	March 2007	March 2006
Cash flow from operating activities		
Profit before taxation	2,757,747,022	4,718,240,502
Adjustment for:		
Depreciation	1,184,857	1,669,748
Surplus on remeasurmnt of investment	(891,673,200)	(2,242,543,417)
Dividend income	(321,316,966)	(238,438,958)
Interest income	(663,282)	(2,650,713)
Provision for doubtful debts	2,492,282	-
Finance cost	54,152,533	139,091,967
	(1,155,823,776)	(2,342,871,373)
Operating profit before working capital changes	1,601,923,246	2,375,369,129
Changes in working capital (Increase)/Decrease in current assets		
Trade debts	(2,591,981)	272,498,659
Loans and advances	346,323,860	(193,220,814)
Deposits & prepayments	195,954	20,599,758
Other receivables	109,462,192	577,942
Increase/(Decrease) in current liabilities		
Trade & other payables	341,015,049	610,691,004
	794,405,074	711,146,549
Cash generated from operating activities	2,396,328,320	3,086,515,678
Income tax paid	(21,912,837)	(24,816,331)
Financial charges paid	(62,316,158)	(144,047,518)
Net cash generated from operating activities	2,312,099,325	2,917,651,829
Cash flow from investing activities		
Fixed capital expenditure	(271,000)	(950,368)
Memberships & licences	-	36,600,000
Dividend received	416,782,327	215,092,669
Interest received	663,282	4,905,927
Long term investments	(2,948,007,920)	(1,266,537,206)
Buy back of shares	-	(720,000,000)
Long term loans	(350,000,000)	(100,414,107)
Proceed from sale of property & equipment	2,447,028	-
Long term deposits	208,000	2,670,000
Net cash used in investing activities	(2,878,178,283)	(1,828,633,086)
Cash flow from financing activities		
Dividend paid	(202,500,000)	(180,000,000)
Net cash used in financing activities	(202,500,000)	(180,000,000)
Net (decrease)/increase in cash and cash equivalents	(768,578,958)	909,018,743
Cash and bank balances at beginning of the period	4,453,714,565	3,932,936,037
Cash and cash equivalent at end of the period	3,685,135,607	4,841,954,780
Cash and cash equivalent		
Investment-at fair value through profit and loss	3,769,940,963	3,219,559,733
Receivable against securities transactions	-	2,980,721,889
Cash and bank balance	259,776,104	9,215,728
Securities held under resale obligation	-	172,187,327
Short term running finance	(344,581,460)	(1,539,729,897)
	3,685,135,607	4,841,954,780

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

Chief Executive

Director

Nine Months Report
July 2006 - March 2007

STATEMENT OF CHANGES IN EQUITY

for nine months ended March 31, 2007

(Rupees)

	Share capital	General reserve	Surplus/(Deficit) on remeasurement of investments	Unappropriated profit	Total
Bal. as at June 30 2005 as restated	200,000,000	4,000,000,000	796,171,410	1,303,872,082	6,300,043,492
Profit for the nine months ended March 2006	-	-	-	4,112,733,378	4,112,733,378
Buy - Back of shares	(20,000,000)	-	-	(700,000,000)	(720,000,000)
Issue of bonus shares	90,000,000	-	-	(90,000,000)	-
Interim dividend	-	-	-	(180,000,000)	(180,000,000)
Surplus on remeasurement of investments - Net	-	-	69,400,000	-	69,400,000
Balance as at March 31, 2006	270,000,000	4,000,000,000	865,571,410	4,446,605,460	9,582,176,870
Profit for the period April, 2006 - June., 2006	-	-	-	44,629,783	44,629,783
Surplus on remeasurement of investment - Net	-	-	1,063,835,053	-	1,063,835,053
Balance as at June 30, 2006	270,000,000	4,000,000,000	1,929,406,463	4,491,235,243	10,690,641,706
Profit for the nine months ended March 2007	-	-	-	2,506,870,589	2,506,870,589
Surplus on remeasurement of investment - Net	-	-	508,194,905	-	508,194,905
Interim dividend	-	-	-	(202,500,000)	(202,500,000)
Issue of bonus shares	730,000,000	-	-	(730,000,000)	-
Balance as at March 31, 2007	1,000,000,000	4,000,000,000	2,437,601,368	6,065,605,832	13,503,207,200

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

for nine months ended March 31, 2007

1 Status and Nature of Business

- 1.1** The Company was incorporated on November 14, 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. Effective January 22, 2007 Securities and Exchange Commission of Pakistan has granted licence to carry out investment finance services as a Non Banking Finance Company under the NBFC rules 2003 . The principal activities are business of portfolio investment in listed and unlisted securities. This includes underwriting of initial public offerings.
- 1.2** The company is the holding company of Arif Habib Rupali Bank Limited a commercial bank with 89.11% shareholding, Arif Habib Investment Management Limited an asset management company with 62.4% shareholding, Arif Habib Limited a brokerage house with 75% shareholding, Arif Habib DMCC a member of Dubai Gold & Commodities Exchange with 100% shareholding and Pakistan Private Equity Management Limited a venture capital management company with 90% shareholding. Additionally it has long term investments of 30% in PakArab Fertilizer (Pvt.) Limited, 28.5% in Pervez Ahmed Securities Limited, 19.01% Rozgar Microfinance Bank Limited and 10% each in Al-Abbas Cement Limited, Takaful Pakistan Limited and Sunbiz (Pvt.) Limited.

2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

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

These financial statements have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended June 30, 2006.

**Nine Months Report
July 2006 - March 2007**

	March 2007 Rupees	June 2006 Rupees
3 Issued, Subscribed and Paid- up Capital		
4,000,000 Ordinary shares of Rs.10/- each issued at par fully paid in cash (June 2006: 4,000,000 shares)	40,000,000	40,000,000
1,000,000 Ordinary shares of Rs.10/- each issued at a premium of Rs.30/- per share fully paid in cash (June 2006: 1,000,000)	10,000,000	10,000,000
97,000,000 Ordinary shares of Rs.10/- each issued as fully paid up bonus shares (June 2006: 24,000,000 shares)	970,000,000	240,000,000
	1,020,000,000	290,000,000
2,000,000 Ordinary shares of Rs.10/- each buy-backed at Rs.360/- per share	(20,000,000)	(20,000,000)
	1,000,000,000	270,000,000

3.1 Pursuant to the approval of the shareholders in the 12th Annual General Meeting held on September 30, 2006 the authorized capital of the Company has been increased from Rupees Five Hundred Million (Rs.500 million) to Rupees One Billion (Rs.1 billion) and its issued, subscribed & paid-up capital has increased to Rupees One Billion (Rs.1 billion) after taking effect of Seventy Three Million (73 million) bonus shares issued during the period. Accordingly, Earning Per Share (EPS) of all periods presented have been adjusted retrospectively. Therefore, EPS of nine months and third quarter ended March 31, 2007 have been restated from Rs.152.32 to Rs.41.13 and Rs.76.21 to Rs.20.58, respectively.

4 Taxation

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

5 Contingency

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. 0.271 million (June 30, 2006: Rs.8.246 million). Deletion of fixed assets made during the period was amounting to Rs.3.797 million (June 30, 2006: Rs. 6.214 million).

7 Long term Investments

During the period, company's wholly owned subsidiary, Arif Habib Limited, was listed at Karachi Stock Exchange (Guarantee) Limited. 25% of its total holding of 20 million shares were offered to the general public at the rate of Rs.100 per share that were oversubscribed by 2.46 times on the date of subscription i.e 22nd & 23rd of December, 2006. Included in capital gain is an amount of Rs.475 million recorded on this sale in the second quarter.

NOTES TO THE FINANCIAL STATEMENTS

for nine months ended March 31, 2007

Rupees

8 Related Party Transactions

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

-- Arif Habib Investment Management Limited	(1,825,585)
-- Arif Habib Limited	2,152,955,886
-- Arif Habib Rupali Bank Limited	6,797,919
-- Pakistan Private Equity Management Limited	4,200,149

9 Post Balance Sheet Event

The Board of Directors in their meeting held on April 26, 2007 have approved a stock dividend of 200% for the period.

10 Date of Authorization for Issue

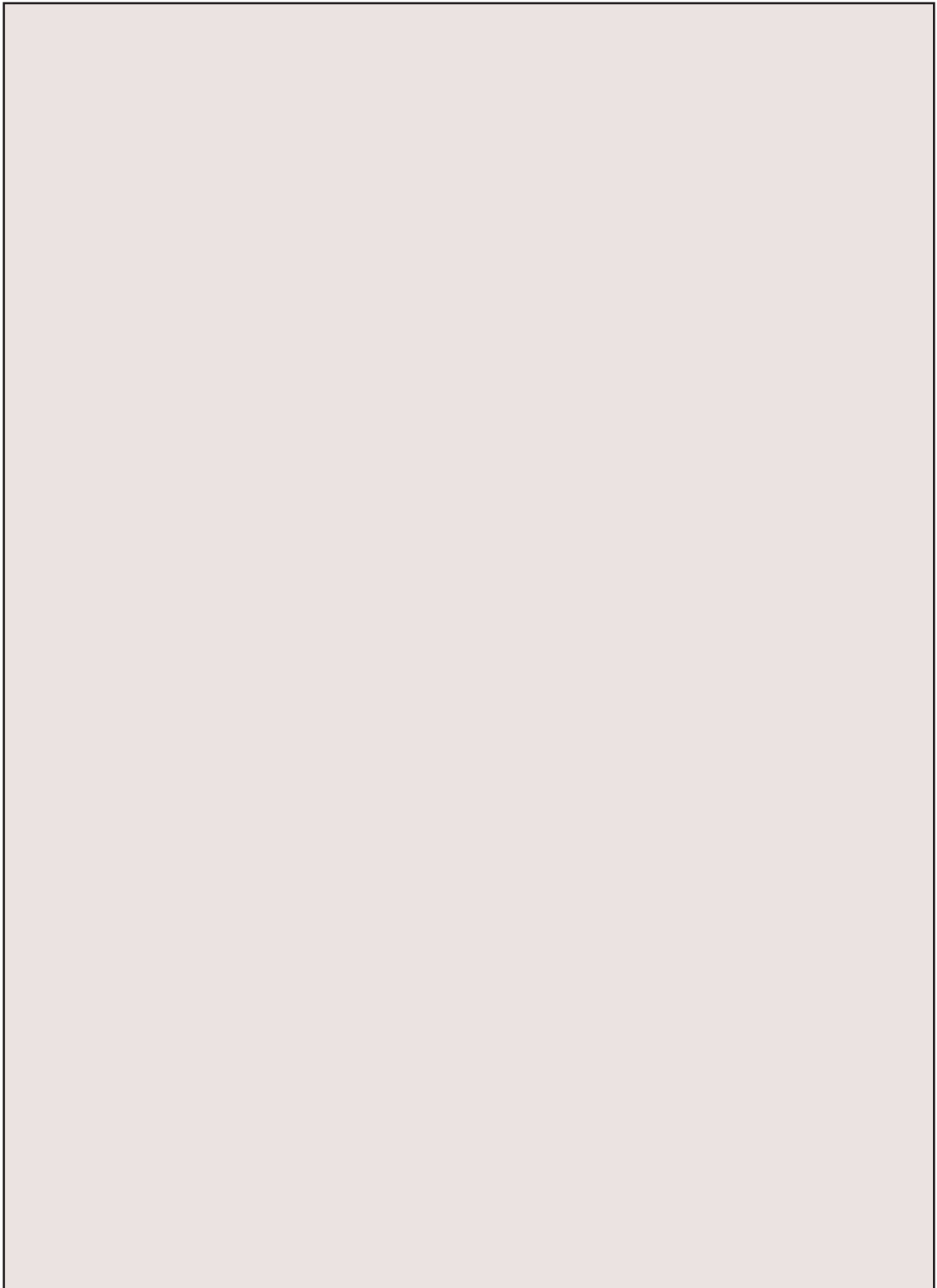
These financial statements have been authorized for issue on April 26, 2007 by the Board of Directors of the company.

11 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director



Consolidated Financial Statements



Nine Months Report
July 2006 - March 2007

CONSOLIDATED BALANCE SHEET

as at March 31, 2007

(Rupees)

	Un-audited March 2007	Audited June 2006
EQUITY & LIABILITIES		
Share Capital and Reserves		
Authorized Capital:		
100,000,000 (June 2006: 50,000,000)		
Ordinary shares of Rs. 10/- each	1,000,000,000	500,000,000
Issued, subscribed and paid-up capital:		
Ordinary shares of Rs. 10/- each	1,000,000,000	290,000,000
Buy back of shares	-	(20,000,000)
100,000,000 (June 2006 : 27,000,000)		
Ordinary shares of Rs. 10/- each	1,000,000,000	270,000,000
General reserve	4,019,567,665	4,000,000,000
(Deficit)/surplus on remeasurement of investments - Net	(48,281,012)	158,668,673
Exchange differences on translation to presentation currency	29,798	(23,279)
Unappropriated profit	5,263,493,708	3,813,762,493
	10,234,810,159	8,242,407,887
Minority interest	668,808,767	216,081,841
Total equity	10,903,618,926	8,458,489,728
Long term liabilities		
Liability against assets subject to finance lease	20,022,250	74,310,100
Deferred tax & other liability	2,121,778	2,654,067
	4,929,027	2,366,234
Current liabilities		
Trade and other payables	1,014,321,234	313,943,858
Short term borrowings	1,234,805,540	82,925,541
Current portion of long-term liabilities	112,500,000	113,700,000
Current portion of liability against assets subject to finance lease	1,040,955	994,823
Accrued markup	28,193,635	18,839,364
Deferred income	50,000	3,262,020
Deposits and other accounts	3,655,466,000	-
Taxation	75,995,976	106,556,431
	6,122,373,340	640,222,037
Contingency	-	-
	17,053,065,321	9,178,042,166

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

CONSOLIDATED BALANCE SHEET

as at March 31, 2007

(Rupees)

	Un-audited March 2007	Audited June 2006
ASSETS		
Non current assets		
Property and equipment	482,838,063	52,469,470
Goodwill	(6,613,737)	(7,177,259)
Intangible assets	3,150,029	3,772,487
Capital work-in-progress	29,392,970	27,488,625
Membership & licenses	47,590,700	47,590,700
Long term investments	2,733,527,662	2,342,818,267
Long term advance & receivables	10,047,604	21,346,899
Long term deposits	23,493,449	22,940,949
Current assets		
Investments - at fair value through profit & loss	3,810,874,638	3,502,352,170
Investments - available for sale	3,515,591,980	344,963,035
Trade debts	2,233,626,788	421,139,917
Receivable against securities transaction	-	548,119,056
Loan and advances	2,641,375,163	636,301,543
Deposits, prepayments & advance tax	127,205,069	88,051,737
Other receivables/assets	144,384,590	120,635,128
Deferred cost	37,499,557	958,554
Receivable from Funds managed by AHIML	103,921,099	204,373,390
Cash & bank balances	1,115,159,697	799,897,498
	13,729,638,581	6,666,792,028
	17,053,065,321	9,178,042,166

Chief Executive

Director

Nine Months Report
July 2006 - March 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for nine months & third quarter ended March 31, 2007

(Rupees)

	Nine Months Ended		Third Quarter Ended	
	March 2007 Rupees	March 2006 Rupees	March 2007 Rupees	March 2006 Rupees
Operating revenues	1,274,718,679	988,174,694	364,631,158	326,490,410
Capital gain on investments	1,854,633,511	1,938,390,839	331,674,726	713,103,785
	3,129,352,190	2,926,565,533	696,305,884	1,039,594,195
Operating expenses	(562,920,925)	(295,243,740)	(221,271,156)	(106,120,064)
Operating profit	2,566,431,265	2,631,321,793	475,034,728	933,474,131
Finance cost	(128,296,278)	(165,325,754)	(49,364,842)	(65,788,847)
Other charges	(2,503,512)	(33,744)	14,348,388	-
Other income	12,214,437	2,864,564	9,204,084	1,460,494
(Deficit)/surplus on remeasurement of investments	(52,521,221)	427,166,988	157,713,329	(206,687,033)
	(171,106,574)	264,672,054	131,900,959	(271,015,386)
Share of profit of Associates-Net	166,538,811	187,546,446	26,685,819	187,546,446
Profit before taxation	2,561,863,502	3,083,540,293	633,621,506	850,005,191
Provision for taxation				
- Prior	(563,214)	292,485	(563,214)	-
- Current	(93,767,403)	(108,192,494)	(31,918,440)	(60,183,771)
- Deferred	43,512,503	(725,405)	44,258,296	(113,666)
	(50,818,114)	(108,625,414)	11,776,642	(60,297,437)
Profit after taxation	2,511,045,388	2,974,914,879	645,398,148	789,707,754
Minority interest	(128,814,173)	(87,717,463)	(40,232,786)	(42,095,871)
	2,382,231,215	2,887,197,416	605,165,362	747,611,883
Earning per share - basic & diluted	23.82	28.87	6.05	7.48

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

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT

for nine months ended March 31, 2007

(Rupees)

	March 2007	March 2006
Cash flow from operating activities		
Profit before taxation	2,561,863,502	3,083,540,293
Adjustment for:		
Depreciation	21,396,444	6,790,084
Dividend income	(433,010,729)	(307,205,797)
Profit from associated undertakings	(166,538,811)	(187,546,446)
Other income	(12,214,437)	(3,024,541)
Amortization of computer system	967,766	(373,805)
(Gain) / loss on disposal of fixed assets	(720,000)	-
Provision for doubtful debts	2,503,512	-
Finance cost	128,296,278	(167,910,326)
	(459,319,977)	(659,270,831)
Operating profit before working capital changes	2,102,543,525	2,424,269,462
Changes in working capital		
(Increase)/decrease in current assets		
Trade debts	(1,812,486,871)	(1,152,058,467)
Loan and advances	(2,005,073,620)	(213,448,752)
Deposits and prepayments	(39,153,332)	(130,799,050)
Other receivables/assets	(23,749,463)	(18,700,863)
Receivable from funds	100,452,291	65,253,213
Increase/(decrease) in current liabilities		
Trade and other liabilities	700,377,376	1,700,352,659
	(3,079,633,619)	250,598,740
Cash (used in)/generated from operating activities	(977,090,094)	2,674,868,202
Income tax paid	(88,873,866)	(115,903,551)
Finance cost paid	(120,355,708)	(170,538,723)
Net cash (used in)/generated from operating activities	(1,186,319,668)	2,388,425,928
Cash flow from investing activities		
Fixed capital expenditure	(339,142,656)	6,841,290
Proceed from sale of property & equipment	10,546,585	284,013,267
Dividend received	528,576,090	283,147,008
Interest received	663,282	8,513,267
Investments	(3,353,339,603)	(1,527,752,225)
Long term receivable	-	(120,820,783)
Long term loan & advances	11,299,295	493,469,110
Buy-back of shares	-	(720,000,000)
Long term deposits	(552,500)	(16,451,715)
Net cash (used) in investing activities	(3,141,949,507)	(1,309,040,781)
Cash flow from financing activities		
Dividend paid	(350,000,000)	(180,000,000)
Long term liability	(55,487,850)	84,200,000
Deposits and other accounts	3,655,466,000	
Other liability	2,562,793	1,171,800
Obligation under finance lease	(486,157)	673,700
Net cash generated from/(used in) financing activities	3,252,054,786	(93,954,500)
Increase in cash and cash equivalents	(1,076,214,388)	985,430,647
Cash and cash equivalents at beginning of the period	4,767,443,183	3,932,758,849
Cash and cash equivalent at end of the period	3,691,228,795	4,918,189,496

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

Chief Executive

Director

Nine Months Report
July 2006 - March 2007

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for nine months ended March 31, 2007

(Rupees)

	Share capital	General reserve	Surplus/(Deficit) on remeasurement of investments	Exchange differences on translation to presentation currency	Unappropriated profit	Total
Balance as at June 30, 2005	200,000,000	4,000,000,000	75,571,287	-	1,386,267,920	5,661,839,207
Profit for the nine months ended March, 2006	-	-	-	-	2,887,197,416	2,887,197,416
Surplus on remeasurement of investments-Net	-	-	122,011,890	-	-	122,011,890
Buy-back of shares	(20,000,000)	-	-	-	(700,000,000)	(720,000,000)
Interim dividend	-	-	-	-	(180,000,000)	(180,000,000)
Interim issue of bonus shares	90,000,000	-	-	-	(90,000,000)	-
Balance as at March 31, 2006	270,000,000	4,000,000,000	197,583,177	-	3,303,465,336	7,771,048,513
Profit for the period April-June, 2006	-	-	-	-	510,297,157	510,297,157
Deficit on remeasurement of investments-Net	-	-	(38,914,504)	-	-	(38,914,504)
Exchange differences on translation to presentation currency	-	-	-	(23,279)	-	(23,279)
Balance as at June 30, 2006	270,000,000	4,000,000,000	158,668,673	(23,279)	3,813,762,493	8,242,407,887
Profit for the nine months ended March, 2007	-	-	-	-	2,382,231,215	2,382,231,215
Deficit on remeasurement of investments-Net	-	-	(206,949,685)	-	-	(206,949,685)
Exchange differences on translation to presentation currency	-	-	-	53,077	-	53,077
Transfer to general reserve	-	19,567,665	-	-	-	19,567,665
Interim dividend	-	-	-	-	(202,500,000)	(202,500,000)
Issue of bonus shares	730,000,000	-	-	-	(730,000,000)	-
Balance as at March 31, 2007	1,000,000,000	4,019,567,665	(48,281,012)	29,798	5,263,493,708	10,234,810,159

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

Chief Executive

Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

for nine months ended March 31, 2007

1 Status and Nature of Business

- 1.1 The Group consists of Arif Habib Securities Limited (AHSL /parent company), its subsidiaries Arif Habib Rupali Bank Limited (AHRBL), Arif Habib Investment Management Limited (AHIML), Arif Habib Limited (AHL), Arif Habib DMCC and Pakistan Private Equity Management Limited (PPEML).
- 1.2 Arif Habib Securities Limited was incorporated on November 14, 1994 as a Public Limited Company under the Companies Ordinance, 1984.
- 1.3 Arif Habib Rupali Bank Limited (the subsidiary) has taken over the Pakistan branch operations of Rupali Bank of Bangladesh alongwith the banking license and have started its commercial operations from 5th August, 2006. The bank is a majority owned subsidiary of AHSL with shareholding of 89.11%.
- 1.4 Arif Habib Investment Management Limited (the subsidiary) was incorporated on August 30, 2000 as an unquoted public limited company under the Companies Ordinance, 1984 with registered office in Karachi, Pakistan. The certificate of commencement of business was obtained on December 22, 2000. The Company is a majority owned subsidiary of AHSL with shareholding of 62.4%. The principal activity of the company is to act as the asset management company for open end unit trusts and investment advisors to close end funds.
- 1.5 Arif Habib Limited(the subsidiary)was incorporated on September 07, 2004 under the Companies Ordinance, 1984, as an unquoted Public Limited Company with registered office at room # 60-63, Karachi Stock Exchange Building, Stock Exchange Road, Karachi. The company is a member of Karachi, Lahore and Islamabad Stock Exchanges having been granted registration as brokerage house by Securities & Exchange Commission of Pakistan (SECP) on September 22, 2005. The company is a subsidiary of Arif Habib Securities Limited and since December 05, 2005 is principally engaged in the business of brokerage, financial consultancy, underwriting, acquisition of securities/portfolio management and securities research. Effective January 31, 2007, the company has become a listed company on the Karachi Stock Exchange (Guarantee) Limited. During the period the holding company Arif Habib Securities Limited that held 100% of 20 million shares in the company offered to general public to subscribe to 5 million shares or 25%. The issue was fully subscribed on the dates of subscription i.e., December 22nd and 23rd, 2006.
- 1.6 Arif Habib - DMCC (the subsidiary) was incorporated in Dubai on October 24, 2005 as a limited liability company with registered office at Dubai Metals & Commodities Center, Dubai, UAE. The company is a wholly owned subsidiary of AHSL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on October 26, 2005. The Company is expected to commence its operations in the current calendar year.

Nine Months Report
July 2006 - March 2007

1.7 Pakistan Private Equity Management Limited (the subsidiary) a venture capital management company, incorporated in 2006 under the Companies Ordinance, 1984 as an unquoted Public Limited Company with the registered office at 2/1, R.Y.16, Old Queens Road, Karachi. The Company is a majority owned subsidiary of AHSL with shareholding of 90%.

2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

These financial statements are being submitted to the share holders 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 consolidated financial statements include the accounts of holding company and its subsidiaries (the Group). These consolidated financial statements have been consolidated on a line-by-line basis. All material intercompany balances, transactions and resulting unrealized profits have been eliminated. The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in the preparation of the audited financial statements for the year ended June 30, 2006.

	March 2007	June 2006
	Rupees	Rupees
3 Issued, Subscribed and Paid-up Capital		
4,000,000 Ordinary shares of Rs.10/- each issued at par fully paid in cash (June 2006: 4,000,000 shares)	40,000,000	40,000,000
1,000,000 Ordinary shares of Rs.10/- each issued at a premium of Rs.30/- per share fully paid in cash (June 2006: 1,000,000)	10,000,000	10,000,000
97,000,000 Ordinary shares of Rs.10/- each issued as fully paid up bonus shares (June 2006: 24,000,000 shares)	<u>970,000,000</u>	<u>240,000,000</u>
	1,020,000,000	290,000,000
2,000,000 Ordinary shares of Rs.10/- each buy-backed at Rs.360/- per share	<u>(20,000,000)</u>	<u>(20,000,000)</u>
	<u>1,000,000,000</u>	<u>270,000,000</u>

Pursuant to the approval of the shareholders in the 12th Annual General Meeting held on September 30, 2006 the authorized capital of the Company has been increased from Rupees Five Hundred Million (Rs.500 million) to Rupees One Billion (Rs.1 billion) and its issued, subscribed & paid-up capital has increased to Rupees One Billion (Rs.1 billion) after taking effect of Seventy Three Million (73 million) bonus shares issued during the period. Accordingly, Earning Per Share (EPS) of all periods presented have been adjusted retrospectively. Therefore, EPS of nine months ended and third quarter ended March 31, 2006 have been restated from Rs.106.93 to Rs.28.87 and Rs.27.69 to Rs.7.48, respectively.

4 Taxation

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

5 Contingency

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. 339.143 million (June 30, 2006: Rs.30.90 million). Deletion of fixed assets made during the period was amounting to Rs.11.047 million (June 30, 2006: Rs. 13.75 million).

7 Related Party Transactions

Rupees

Maximum balance due from/(to) at the end of any month	
-- Arif Habib Investment Management Limited	(1,850,000)
-- Arif Habib Limited	2,152,955,886
-- Arif Habib Rupali Bank Limited	6,797,919
-- Pakistan Private Equity Management Limited	4,200,149

8 Post Balance Sheet Event

The Board of Directors in their meeting held on April 26, 2007 have approved a stock dividend of 200% for the period.

9 Date of Authorization for Issue

These financial statements have been authorized for issue on April 26, 2007 by the Board of Directors of the company.

10 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director

