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## CORPORATE INFORMATION

### **Board of Directors**

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

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### **Audit Committee**

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

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### **Company Secretary**

Haroon Usman

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### **Chief Financial Officer**

Tahir Iqbal

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### **Auditors**

Rahman Sarfaraz  
Rahim Iqbal Rafiq  
Chartered Accountants

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### **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.  
PICIC Commercial Bank Ltd.  
Standard Chartered Bank  
The Bank of Punjab  
United Bank Ltd.

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### **Registered Office**

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

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### **Research and Corporate Finance**

Pardesi House, 2/1, R.Y. 16,  
Old Queens Road Karachi-74000  
Phone: 2460717-19 Fax No: 2470496  
E-mail: [corporate\\_finance@arifhabib.com.pk](mailto:corporate_finance@arifhabib.com.pk)  
E-mail: [equities\\_research@arifhabib.com.pk](mailto:equities_research@arifhabib.com.pk)

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website: [www.arifhabib.com.pk](http://www.arifhabib.com.pk)

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### **Registrar & Share Transfer Office**

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

# DIRECTOR REPORT

## Dear Shareholders

On behalf of the Board of Directors of the company, I am pleased to present the financial results of our company for the first quarter July – September 2007.

## Market Review

The performance of the stock market remained mixed during the period under review. The KSE-100 index declined by 3 percent. However average daily turnover was higher at 257 million shares as compared to 177 million shares in the last corresponding period. This performance is attributable to uncertain political situation due to ongoing presidential and parliamentary election process.

## Financial Results

By the grace of Allah our company has been able to record a robust profitability during the quarter under review. It has earned an after tax profit of Rs. 2,100,735,907 as compared to Rs. 1,506,709,58 in corresponding period last year. This translates to an earning of Rs. 7 per share.

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

## Future Outlook

The second quarter has started on a positive note. The KSE-100 index has reached 14,393 points from 13351 points at the beginning of the quarter. The companies portfolio and strategic investment are continuing to do well.

The company has decided to disinvest 149,748,250 shares of Arif Habib Bank Limited out of its holding of 417,082,292 shares and get the Bank listed at the stock exchanges.

In view of the above, prospects of our company look promising.

### **Distribution**

The Company has decided to distribute 30 million shares of Arif Habib Bank Limited (AHBL) to the shareholders of Arif Habib Securities Limited (AHSL) as specie distribution in the ratio of 1:10 i.e. one share of AHBL for every 10 shares of AHSL. Further, the Company offers to sell 60 million shares of Arif Habib Bank Limited to the Company's shareholders at a price of Rs. 21 per share in the ratio of 2:10 i.e. two shares of AHBL for every 10 shares of AHSL.

### **Acknowledgement**

We are grateful to our stakeholders for their continuing confidence and patronage. We record our appreciation and thanks to, 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  
19 October 2006

**Arif Habib**  
Chairman & Chief Executive

## BALANCE SHEET

as at June 30, 2007

	(Rupees)	
	Un-audited September 2007	Audited June 2007
<b>Share Capital and Reserves</b>		
<b>Authorized Capital</b>		
300,000,000 (June 2007:300,000,000) ordinary shares of Rs. 10/- each	3,000,000,000	3,000,000,000
<b>Issued, subscribed and paid-up capital</b>	3,000,000,000	3,000,000,000
<b>General reserves</b>	4,000,000,000	4,000,000,000
<b>Surplus on remeasurement of investments</b>		
- Net of tax	5,644,773,210	5,833,518,210
<b>Unappropriated profit</b>	7,341,806,075	5,241,070,168
	19,986,579,285	18,074,588,378
Deferred tax	2,418,954,653	1,833,794,116
<b>Current liabilities</b>		
Short term borrowing	1,562,288,704	-
Trade and other payables	1,523,207,473	122,339,161
Markup accrued	11,989,315	380,115
Taxation	55,992,253	18,122,191
	3,153,477,745	140,841,467
Contingency	-	-
	25,559,011,683	20,049,223,961

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

BALANCE SHEET  
as at June 30, 2007

(Rupees)

	Un-audited September 2007	Audited June 2007
Property and equipment \	5,177,459	5,399,800
Long term investments	19,574,983,738	14,508,840,738
Long term deposits	53,000	53,000
<b>Current assets</b>		
Investments - at fair value through profit and loss	5,759,545,777	5,134,859,682
Trade debts	67,194,885	48,510,575
Loans and advances	13,680,699	16,169
Prepayments	6,982	6,982
Advance tax	69,057,331	30,837,305
Other receivables	55,721,385	32,124,948
Cash and bank balances	13,590,427	288,574,762
	5,978,797,486	5,534,930,423
	<b>25,559,011,683</b>	<b>20,049,223,961</b>

Chief Executive

Director

## PROFIT AND LOSS ACCOUNT

as at June 30, 2007

	(Rupees)	
	September 2007	September 2006
Operating revenue	387,900,964	253,902,014
Capital gain on investments - Net	46,817,594	496,923,132
	434,718,558	750,825,146
Operating expenses	(10,601,036)	(16,455,650)
<b>Operating profit</b>	<b>424,117,522</b>	<b>734,369,496</b>
Finance costs	(16,455,290)	(28,118,084)
Other charges	-	(30,000,000)
Other income	901	591,280
Gain on remeasurement of investments	2,316,103,374	1,076,833,762
	2,299,648,985	1,019,306,958
<b>Profit before taxation</b>	<b>2,723,766,507</b>	<b>1,753,676,454</b>
Provision for taxation		
- Current	(37,870,062)	(12,902,731)
- Deferred	(585,160,538)	(234,064,215)
	(623,030,600)	(246,966,946)
<b>Profit after taxation</b>	<b>2,100,735,907</b>	<b>1,506,709,508</b>
<b>Earning per share-basic and diluted</b>	<b>7.00</b>	<b>5.02</b>

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



# CASH FLOW STATEMENT

as at June 30, 2007

(Rupees)

	September 2007	September 2006
<b>Cash flow from operating activities</b>		
Profit before taxation	2,723,766,507	1,753,676,454
Adjustment for:		
Depreciation	312,341	489,719
Dividend income	(384,350,609)	(251,059,132)
Interest income	(901)	(575,555)
Surplus on remeasurement of investment in associate	(2,229,183,000)	(891,673,200)
Finance costs	16,455,290	28,118,084
	<u>(2,596,766,879)</u>	<u>(1,114,700,084)</u>
Operating profit before working capital changes	126,999,628	638,976,370
Changes in working capital (Increase) / decrease in current assets		
Trade debts	(18,684,310)	6,668,648
Loans and advances	(13,664,530)	603,578,065
Prepayments	-	197,264
Other receivables	(23,596,437)	7,408,981
Increase / (decrease) in current liabilities		
Trade and other liabilities	1,400,868,312	(33,571,341)
	<u>1,344,923,035</u>	<u>584,281,617</u>
Cash generated from operating activities	1,471,922,663	1,223,257,987
Income tax paid	(38,220,026)	(13,367,468)
Finance cost paid	(4,846,090)	(33,014,413)
Net cash from operating activities	<u>1,428,856,547</u>	<u>1,176,876,106</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(90,000)	(150,001)
Proceeds from fixed assets	-	994,595
Dividend received	353,210,829	288,345,505
Interest received	901	575,555
Long term investments	(2,994,773,221)	(1,927,516,579)
Long term deposits	208,000	208,000
Net cash used in investing activities	<u>(2,641,443,491)</u>	<u>(1,637,542,925)</u>
Cash flow from financing activities	<u>-</u>	<u>-</u>
Decrease in cash and cash equivalents	(1,212,586,944)	(460,666,819)
Cash and cash equivalents at beginning of the period	5,423,434,444	4,453,714,565
Cash and cash equivalents at end of the period	<u>4,210,847,500</u>	<u>3,993,047,746</u>

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

## STATEMENT OF CHANGES IN EQUITY as at June 30, 2007

(Rupees)

	Share capital	General reserve	Surplus/(Deficit) on remeasurement of investments	Unappropriated profit	Total
Balance as at 30 June 2006	270,000,000	4,000,000,000	1,929,406,463	4,491,235,243	10,690,641,706
Profit for the first quarter ended 30 September 2006	-	-	-	1,506,709,508	1,506,709,508
Surplus on remeasurement of investments - Net	-	-	398,344,905	-	398,344,905
Issue of bonus	180,000,000	-	-	(180,000,000)	-
Interim dividend	-	-	-	(202,500,000)	(202,500,000)
<b>Balance as at 30 September 2006</b>	<b>450,000,000</b>	<b>4,000,000,000</b>	<b>2,327,751,368</b>	<b>5,615,444,751</b>	<b>12,393,196,119</b>
Profit for the period ended October 2006 to June 2007	-	-	-	2,175,625,417	2,175,625,417
Surplus on remeasurement of investments - Net	-	-	3,505,766,842	-	3,505,766,842
Issue of bonus	2,550,000,000	-	-	(2,550,000,000)	-
<b>Balance as at 30 June 2007</b>	<b>3,000,000,000</b>	<b>4,000,000,000</b>	<b>5,833,518,210</b>	<b>5,241,070,168</b>	<b>18,074,588,378</b>
Profit for the first quarter ended 30 September 2007	-	-	-	2,100,735,907	2,100,735,907
Deficit on remeasurement of investments - Net	-	-	(188,745,000)	-	(188,745,000)
<b>Balance as at 30 September 2007</b>	<b>3,000,000,000</b>	<b>4,000,000,000</b>	<b>5,644,773,210</b>	<b>7,341,806,075</b>	<b>19,986,579,285</b>

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

# NOTES TO THE FINANCIAL ACCOUNT

as at June 30, 2007

## 1 Status and Nature of Business

- 1.1 The Company was incorporated 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. Effective 22 January 2007 Securities & Exchange Commission of Pakistan has granted license to carry out investment finance services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The principal activity is business of investments in listed and unlisted securities.
- 1.2 The company is the holding company of Arif Habib Limited a brokerage house with 75% shareholding, Arif Habib Bank Limited a commercial bank with 92.68% shareholding, Arif Habib Investment Management Limited an asset management company with 62.40% 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 85% shareholding. Additionally it has long term investments in PakArab Fertilizer Limited with 30% shareholding, Al-Abbas Cement Limited with 10% shareholding, Rozgar Microfinance Bank Limited with 19.01% shareholding, Takaful Pakistan Limited with 10% shareholding, Sweetwater Pakistan Dairies (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 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 2007.

## 3 Taxation

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

## 4 Contingency

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

## 6 Contingency

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

## 7 Property & Equipment

Fixed capital expenditure during the period amounting to Rs. 0.15 million (June 30, 2006: Rs.8.246 million). Deletion of fixed assets made during the period was amounting to Rs.1.34 million (June 30, 2006: Rs. 6.214 million).

## 8 Related Party Transactions

Rupees

Maximum balance due from at the end of any month	
-- Arif Habib Investment Management Limited	1,850,000
-- Arif Habib Limited	1,442,532,443
-- Arif Habib Rupali Bank Limited	6,797,919
-- Pakistan Private Equity Management Limited	2,030,782

## 9 Date of Authorization for Issue

These financial statements have been authorized for issue on October 19, 2006 by the Board of Directors of the company.

## 10 Post Balance Sheet Event

The Board of Directors of AHSL in their meeting held on October 19, 2006 have announced/declared an interim stock dividend (bonus shares) @ 122.2222% i.e, 11:9.

## 11 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director

# Consolidated Financial Statements



## CONSOLIDATED BALANCE SHEET as at June 30, 2007

	(Rupees)	
	Un-audited September 2007	Audited June 2006
<b>EQUITY &amp; LIABILITY</b>		
<b>Share capital and reserves</b>		
<b>Authorized Capital</b> 300,000,000 (June 2007:300,000,000) ordinary shares of Rs. 10/- each	<u>3,000,000,000</u>	<u>3,000,000,000</u>
<b>Issued, subscribed and paid-up capital</b>	3,000,000,000	3,000,000,000
<b>General reserve</b>	5,488,358,315	4,019,567,665
<b>Surplus on remeasurement of investments</b>	10,842,274	110,842,696
<b>Exchange differences on translation to presentatin currency</b>	118,381	108,881
<b>Unappropriated profit</b>	<u>5,362,247,118</u>	<u>4,426,009,399</u>
	<u>13,861,566,088</u>	<u>11,556,528,641</u>
<b>Minority interest</b>	<u>865,035,797</u>	<u>752,403,630</u>
<b>Total equity</b>	<u>14,726,601,885</u>	<u>12,308,932,271</u>
<b>Long term liabilities</b>	1,14,781,500	202,384,500
<b>Liability against assets subject to finance lease</b>	1,276,708	1,564,806
<b>Deferred taxation</b>	43,516,044	36,507,428
<b>Current liabilities</b>		
Short term running finance	<u>2,800,706,467</u>	-
Deposits and other accounts	7,362,732,000	4,568,958,488
Bills payable	45,420,000	19,612,000
Borrowing from financial institutions	-	1,183,054,000
Current portion of long term liabilities	1,200,000	57,450,000
Current portion of liability against assets subject to finance leas	1,114,194	1,089,225
Trade and other payables	2,575,290,643	506,004,211
Markup accrued	27,576,903	4,195,581
Taxation	<u>182,593,595</u>	<u>119,899,615</u>
	<u>12,996,633,802</u>	<u>6,460,263,120</u>
Contingency	-	-
	<u>27,882,809,939</u>	<u>19,009,652,125</u>

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

	(Rupees)	
	Un-audited September 2007	Audited June 2006
<b>ASSETS</b>		
Property and equipment	607,079,654	366,332,921
Goodwill	(3,631,858)	(4,784,839)
Intangible assets	228,293,402	127,524,145
Capital work in progress	29,559,453	66,595,381
Membership and licenses	47,590,700	47,590,700
Long term investments	3,643,275,402	2,656,217,697
Long term advance & receivables	55,543,235	10,967,294
Long term deposits	24,355,327	24,138,707
Balances with other banks	73,864,000	500,991,000
Lending to Financial Institutions	2,124,023,000	400,000,000
<b>Current assets</b>		
Investments - at fair value through profit & loss	7,582,077,387	5,247,776,732
Investments - available for sale	5,551,584,426	5,105,907,617
Trade debts	1,126,494,238	224,710,950
Receivable against securities transactions	1,051,712,418	220,554,999
Advances	4,575,769,000	2,506,519,000
Loans and advances	116,272,561	27,406,615
Deposits and prepayments	148,883,296	93,806,914
Advance tax	113,829,276	136,371,124
Other receivables	57,728,896	240,132,384
Deferred costs	8,736,960	42,762,691
Receivable from Funds managed by AHIML	33,740,984	182,136,142
Cash and bank balances	686,028,181	785,993,951
	<b>21,052,857,623</b>	<b>14,814,079,119</b>
	<b>27,882,809,939</b>	<b>19,009,652,125</b>

Chief Executive

Director

## CONSOLIDATED PROFIT AND LOSS as at June 30, 2007

	(Rupees)	
	September 2007	September 2006
Operating revenue	1,185,735,638	452,121,178
Capital gain on investments - Net	115,143,976	516,823,215
	1,300,879,614	968,944,393
Operating expenses	(400,557,723)	(139,035,455)
<b>Operating profit</b>	<b>900,321,891</b>	<b>829,908,938</b>
Finance costs	(45,735,437)	(41,022,749)
Other charges	(29,335)	(30,000,000)
Other income	14,533,380	1,589,367
Gain on remeasurement of investments	99,476,029	184,919,869
	68,244,637	115,486,487
Share of profit of associates-net	196,829,270	79,440,779
<b>Profit before taxation</b>	<b>1,165,395,798</b>	<b>1,024,836,204</b>
Provision for taxation		
- Current	(106,461,912)	(79,135,484)
- Deferred	(10,064,000)	20,954,073
	(116,525,912)	(58,181,411)
<b>Profit after taxation</b>	<b>1,048,869,886</b>	<b>966,654,793</b>
Minority interest	(112,632,167)	(76,240,075)
	<b>936,237,719</b>	<b>890,414,718</b>
<b>Earnings per share-basic and diluted</b>	<b>3.12</b>	<b>2.97</b>

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



# CONSOLIDATED CASH FLOW

as at June 30, 2007

(Rupees)

	September 2007	September 2006
<b>Cash flow from operating activities</b>		
Profit before taxation	1,165,395,798	1,024,836,204
Adjustment for:		
Depreciation	27,119,632	4,207,257
Dividend income	(496,696,149)	(204,424,172)
Interest income	(901)	(1,589,367)
Amortization	6,780,808	1,615,229
Gain on sale of assets	(25,356)	-
Provision for doubtful debts	-	30,000,000
Share of profits of associates	(196,829,270)	(79,440,779)
Amortization of negative goodwill	(1,152,981)	-
Finance costs	36,657,253	(41,022,749)
	<u>(624,146,964)</u>	<u>(290,654,581)</u>
Operating profit before working capital changes	541,248,834	734,181,623
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts	(901,783,288)	(4,876,502)
Loans and advances	(88,865,946)	(1,175,197,638)
Deposits and prepayments	(55,076,382)	(176,863,546)
Other receivables	182,403,488	(54,957,065)
Receivable from funds	148,395,158	133,808,739
Advances	(2,069,250,000)	-
Increase / (decrease) in current liabilities		
Deposits and other accounts	2,793,773,512	1,039,712,000
Bills payable	25,808,000	-
Borrowing from financial institutions	(1,183,054,000)	-
Trade and other payables	3,035,155,880	536,588,499
	<u>1,887,506,422</u>	<u>298,214,487</u>
Cash generated from operating activities	2,428,755,256	1,032,396,110
Income tax paid	(88,497,031)	(27,398,345)
Finance cost paid	(15,419,755)	(46,344,576)
Net cash from operating activities	<u>2,324,838,470</u>	<u>958,653,189</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(199,964,080)	(19,760,000)
Proceeds from fixed assets	2,604,881	2,140,000
Dividend received	455,844,869	288,678,518
Interest received	901	575,555
Investments	(832,734,514)	(629,641,994)
Long term advance & receivables	(44,575,941)	4,699,295
Long term deposits	(216,620)	(165,000)
Net cash used in investing activities	<u>(619,040,504)</u>	<u>(353,473,626)</u>
<b>Cash flow from financing activities</b>		
Dividend paid	-	(147,500,000)
Long term liability	(143,853,000)	(29,853,922)
Balances with other banks	427,127,000	-
Lending to Financial Institutions	(1,724,023,000)	-
Obligation under finance lease	(263,129)	(240,325)
Net cash used in financing activities	<u>(1,441,012,129)</u>	<u>(177,594,247)</u>
Increase in cash and cash equivalents	264,785,837	427,585,316
Cash and cash equivalents at beginning of the period	6,254,325,682	4,767,443,183
Cash and cash equivalents at end of the period	<u>6,519,111,519</u>	<u>5,195,028,499</u>

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

Chief Executive

Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as at June 30, 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, 2006	270,000,000	4,000,000,000	158,668,673	(23,279)	3,813,762,493	8,242,407,887
Profit for the first quarter ended 30 September 2006	-	-	-	-	890,414,718	890,414,718
Surplus/(Deficit) on remeasurement of investments - Net	-	-	(70,991,196)	-	-	(70,991,196)
Exchange differences on translation to presentation currency	-	-	-	53,077	-	53,077
Issue of bonus	180,000,000	-	-	-	(180,000,000)	-
Interim dividend	-	-	-	-	(202,500,000)	(202,500,000)
<b>Balance as at 30 September 2007</b>	<b>450,000,000</b>	<b>4,000,000,000</b>	<b>87,677,477</b>	<b>29,798</b>	<b>4,321,677,211</b>	<b>8,859,384,486</b>
Profit for the period ended October to June 2007	-	-	-	-	2,654,332,188	2,654,332,188
Surplus/(Deficit) on remeasurement of investments - Net	-	-	23,165,219	-	-	23,165,219
Exchange differences on translation to presentation currency	-	-	-	79,083	-	79,083
Issue of bonus	2,550,000,000	-	-	-	(2,550,000,000)	-
Transferred to general reserve	-	19,567,665	-	-	-	19,567,665
	<b>3,000,000,000</b>	<b>4,019,567,665</b>	<b>110,842,696</b>	<b>108,881</b>	<b>4,426,009,399</b>	<b>11,566,528,641</b>
Profit for the first quarter ended 30 September 2007	-	-	-	-	936,237,719	936,237,719
Surplus/(Deficit) on remeasurement of investments - Net	-	-	-	9,500	-	9,500
Exchange differences on translation to presentation currency	-	-	(100,000,422)	-	-	(100,000,422)
Transferred to general reserve	-	1,468,790,650	-	-	-	1,468,790,650
	<b>3,000,000,000</b>	<b>5,488,358,315</b>	<b>10,842,274</b>	<b>118,381</b>	<b>5,362,247,118</b>	<b>13,861,566,088</b>

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

# CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

as at June 30, 2007

## 1 Status and Nature of Business

- 1.1 The company is the holding company of Arif Habib Limited a brokerage house with 75% shareholding, Arif Habib Bank Limited a commercial bank with 92.68% shareholding, Arif Habib Investment Management Limited an asset management company with 62.40% 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 85% shareholding. Additionally it has long term investments in PakArab Fertilizer Limited with 30% shareholding, Al-Abbas Cement Limited with 10% shareholding, Rozgar Microfinance Bank Limited with 19.01% shareholding, Takaful Pakistan Limited with 10% shareholding, Sweetwater Pakistan Dairies (Pvt.) Limited with 16.49% shareholding and Sunbiz (Pvt.) Limited with 4.65% shareholding.
- 1.2 Arif Habib Securities Limited (AHSL) was incorporated 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. Effective 22 January 2007 Securities & Exchange Commission of Pakistan has granted license to carry out investment finance services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The principal activity is business of investments in listed and unlisted securities.
- 1.3 Arif Habib Limited (AHL) was incorporated on 7 September 2004 under the Companies Ordinance, 1984, as an unquoted Public Limited Company. The Company is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodities Exchange. It is registered with SECP as securities brokerage house. The Company is majority owned subsidiary of Arif Habib Securities Limited (AHSL) and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, corporate finance advisory and securities research. The Company is listed at the Karachi Stock Exchange (Guarantee) Limited with effect from 31 January 2007.
- 1.4 Arif Habib Bank Limited (AHBL) was incorporated in Pakistan as a public limited company on 9 December 2005 under the Companies Ordinance, 1984 with registered office in Karachi, Pakistan. The bank has taken over the Pakistan branch operations of Rupali Bank of Bangladesh alongwith the banking license and have started its commercial operations from 5 August, 2006. The bank is a majority owned subsidiary of AHSL with shareholding of 92.68%.
- 1.5 Arif Habib Investment Management Limited (the subsidiary) was incorporated on 30 August 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 22 December 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.

1.6 Arif Habib - DMCC (the subsidiary) was incorporated in Dubai on 24 October 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 26 October 2005. The Company is expected to commence its operations in the current calendar year.

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 85%.

## **2 Basis of Preparation & Significant Accounting Policies**

These 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 consolidated 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 2007.

## **3 Basis of Consolidation**

The consolidated financial statements includes the financial statements of holding company AHSL and its aforementioned subsidiaries (referred to in note 1).

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 subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The consolidated financial statements includes the financial statements of holding company AHSL and its aforementioned subsidiaries (referred to note 1).

The assets and liabilities of subsidiaries 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 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. 108.979 million (30 June 2007: Rs.358.460 million). Deletion of fixed assets made during the period was amounting to Rs.2.957 million (30 June 2007: Rs. 13.207 million).

#### 7 Related Party Transactions

Rupees

Maximum balance due from/(to) at the end of any month	
-- Arif Habib Investment Management Limited	(4,592,905)
-- Arif Habib Limited	814,000,000
-- Arif Habib Bank Limited	1,303,731,670
-- Pakistan Private Equity Management Limited	8,736,960

#### 8 Date of Authorization for Issue

These consolidated financial statements have been authorized for issue on 29 October 2007 by the Board of Directors of the company.

#### 9 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director