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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

Rahman Sarfaraz
Rahim Iqbal Rafiq
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.
PICIC Commercial 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

Research and Corporate Finance

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Phone: 2460717-19 Fax No: 2470496
E-mail: corporate_finance@arifhabib.com.pk
E-mail: equities_research@arifhabib.com.pk

website: www.arifhabib.com.pk

Registrar & Share Transfer Office

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

DIRECTOR'S REPORT

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the financial results of the company for the second quarter and half year ended 31 December 2007. The Financial results have been reviewed by the external auditors of the company.

Economic & Market Review

Due to the volatile political condition there had been some concerns on economic side particularly related to the GDP growth, budget deficit, trade deficit and inflation targets. However the capital market showed an extraordinary resilience during the period under review which can be termed satisfactory pointing to expectations of improvement in political and economic environment after the general elections of 18 February 2008. The performance of the stock market remained mixed during the quarter and half year ended on 31 December 2007. During the last quarter the KSE-100 index was up by 5.42 percent closing at 14075. The average daily turnover was up by 12.58 percent at 288.82 million shares.

Financial Results and Appropriations

By the grace of Allah, the company has been able to achieve good profitability, principally due to gains derived from diversification of investment like banking, asset management, brokerage and fertilizers. Portfolio investment in listed securities also did reasonably well considering the market conditions. The company has earned a profit after tax of Rs. 4,111 million during the period under review as compared to profit of Rs. 2,067 million in the corresponding period last year. This translates to an EPS of Rs. 13.70. The equity of the company now stands to Rs. 26.26 billion as compared to Rs. 18.07 billion at the beginning of the period under review.

The company has distributed 30 million shares of Arif Habib Bank Limited (AHBL) as specie dividend on 26 December 2007 crediting the respective accounts of the shareholders. The market value of these 30 million shares as of that date was Rs. 1,110 million which comes to 37 percent of the paid up capital of our company. The Board of the company had also decided to offer 60 million shares of AHBL to the shareholders of the company at a price of Rs. 21/- subject to regulatory approval. However the State Bank of Pakistan directed us to offer these shares to the general public alongwith the proposed 59 million shares public offer. This decision was conveyed to the shareholders of the company.

Performance of the Subsidiaries and Associates

Arif Habib Limited— securities brokerage and corporate finance arm of the group.

The company posted an impressive growth of 85 percent in its after tax profit during the half year ended on 31 December 2007. The company has earned a profit after tax of Rs. 251,261,834.

Arif Habib Investment Management Limited— asset management arm of the group.

The company manages open and closed end mutual funds, discretionary portfolios and pension funds. During the six months to 31 December 2007 it earned an after tax profit of Rs. 107,636,762 translating to Rs. 5.38 in EPS on diluted basis.

Arif Habib Bank Limited— a commercial banking arm of the group.

The bank has earned a profit of Rs. 230,165,000 in its first full year of operation. The bank has 12 branches all over Pakistan and plans to open 21 more outlets this year. The growth in total assets, deposits and advances has been satisfactory during the period under review. The Bank has been listed. There had been an overwhelming public response to the offer for sale of shares and 224,675 members of the general public have become shareholders of the Bank.

Pakarab Fertilizers Limited— an associate.

The company has earned an after tax profit of Rs. 1,338 million for the half year ended on 31 December 2007 as compared to the profit of Rs. 475 million in the corresponding period last year.

The company has completed installation of Clean Development Mechanism (CDM) project producing Carbon Emission Reductions (CERs) credits duly approved by United Nations. These credits are saleable in the international market and shall contribute to future revenues of the company in foreign exchange.

Fatima Fertilizer Company Limited— an associate.

Fatima Fertilizer is a greenfield fertilizers complex with a capacity of 1.4 million tons. Construction of the project is continuing at full pace and the project is expected to come into operation by middle of the year 2009.

Aisha Steel Mills Limited— an associate.

This is a joint venture amongst our company and Metal one corporation and Universal Metal Corporation— both from Japan— to produce high quality cold rolled products. The financial close for the project was achieved during the period under review and capital for the company has been contributed by the partners. The company is expected to come into production by mid 2009.

DIRECTOR'S REPORT

Our investments in Rozgar Micro Finance Bank (19%), Al-Abbas Cement (10%), Arif Habib DMCC (100%), and Pakistan Private Equity Management Company Limited (85%) did not generate returns during the period under review. However medium term prospects remain sound in each case.

Future Outlook

Quality of investment portfolio of the company both strategic and listed securities is sound. Expected improvement in political and economic environment after general elections in Pakistan is expected to provide more profitable opportunities to the company. In view of this, the future of the company looks promising.

Acknowledgement

We are grateful to our stakeholders for their continuing confidence and patronage. We record our appreciation and thanks to 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
14 February 2008

Arif Habib
Chairman & Chief Executive

Independent Auditor's Report
On Review of Condensed Interim Financial Statements to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Arif Habib Securities Limited as at December 31, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figure for the quarter ended December 31, 2006 and December 31, 2007 in the condensed interim profit and loss accounts have not been reviewed and we do not express a conclusion thereon.

Karachi
Dated: 14 February 2008

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

CONDENSED INTERIM BALANCE SHEET

as at 31 December 2007

	(Rupees)	
	Un-audited December 2007	Audited June 2007
EQUITY & LIABILITIES		
Capital and Liabilities		
Authorized capital:		
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>
Issued, subscribed and paid up capital	3,000,000,000	3,000,000,000
General reserves	4,000,000,000	4,000,000,000
Surplus on remeasurement of investments - Net of tax	11,024,104,657	5,833,518,210
Unappropriated profit	8,241,674,111	5,241,070,168
	26,265,778,768	18,074,588,378
Deferred tax	1,915,416,544	1,833,794,116
Current liabilities		
Short term borrowing	2,139,724,373	-
Trade and other payables	377,170,003	122,339,161
Markup accrued	4,551,291	380,115
Taxation	63,267,921	18,122,191
	2,584,713,588	140,841,467
Contingency	-	-
	<u>30,765,908,900</u>	<u>20,049,223,961</u>

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

(Rupees)

	Un-audited December 2007	Audited June 2007
ASSET		
Property and equipments	4,883,970	5,399,800
Long term investements	23,482,692,671	14,508,840,738
Long term deposits	44,590	53,000
Current assets		
Investments - at fair value through profit and loss	4,288,642,243	5,134,859,682
Trade debts	23,510,575	48,510,575
Sales proceed receivable	2,514,718,500	-
Loans and advances	26,475,265	16,169
Prepayments	-	6,982
Advance tax	73,666,172	30,837,305
Other receivables	23,060,335	32,124,948
Cash and bank balances	328,214,579	288,574,762
	7,278,287,669	5,534,930,423
	30,765,908,900	20,049,223,961

Chief Executive

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the half year ended 31 December 2007

(Rupees)

	Half Year Ended		Second Quarter Ended	
	December 2007	December 2006	December 2007	December 2006
Operating revenue	459,668,351	277,008,236	71,767,387	23,106,222
Capital gain on investments - Net	1,968,980,086	1,453,922,131	1,922,162,492	956,998,999
	2,428,648,437	1,730,930,367	1,993,929,879	980,105,221
Operating expenses	(67,419,991)	(38,917,289)	(56,818,955)	(22,461,639)
Operating profit	2,361,228,446	1,692,013,078	1,937,110,924	957,643,582
Finance costs	(48,965,679)	(38,913,483)	(32,510,389)	(10,795,399)
Other charges	-	(16,771,900)	-	13,228,100
Other income	35,066	601,267	34,165	9,987
Gain on remeasurement of investments	2,609,070,293	677,913,718	292,966,919	(398,920,044)
	2,560,139,680	622,829,602	260,490,695	(396,477,356)
Profit before taxation	4,921,368,126	2,314,842,680	2,197,601,619	561,166,226
Provision for taxation				
- Current	(45,145,730)	(14,069,842)	(7,275,668)	(1,167,111)
- Prior	(3,270,414)	-	(3,270,414)	-
- Deferred	(762,348,038)	(234,064,215)	(177,187,500)	-
	(810,764,182)	(248,134,057)	(187,733,582)	(1,167,111)
Profit after taxation	4,110,603,943	2,066,708,623	2,009,868,037	559,999,115
Earning per share-basic and diluted	13.70	6.89	6.70	1.87

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

CONDENSED INTERIM CASH FLOW STATEMENT

For the half year ended 31 December 2007

	(Rupees)	
	December 2007	December 2006
Cash flow from operating activities		
Profit before taxation	4,921,368,126	2,314,842,680
Adjustment for:		
Depreciation	605,830	957,489
Dividend income	(455,767,388)	(273,649,753)
Profit on bank deposits	(11,066)	(601,267)
Surplus on remeasurement of investment in associate	(2,904,183,000)	(891,673,200)
Specie distribution of shares of AHBL	(696,527,249)	-
Reversal of doubtful debt	(24,000)	-
Provision for doubtful debts	-	16,771,900
Finance costs	48,965,679	38,913,483
	(4,006,941,194)	(1,109,281,348)
Operating profit before working capital changes	914,426,932	1,205,561,332
Changes in working capital (Increase) / decrease in current assets		
Trade debts	25,000,001	(59,586,098)
Loans and advances	(26,459,096)	368,305,632
Prepayments	6,982	197,021
Other receivables	7,893,271	(26,911,594)
Increase / (decrease) in current liabilities Trade and other liabilities	254,830,842	(18,451,356)
	261,272,000	263,553,605
Cash generated from operating activities	1,175,698,932	1,469,114,937
Income tax paid	(46,099,281)	(14,700,690)
Finance cost paid	(44,794,503)	(46,980,282)
Net cash from operating activities	1,084,805,148	1,407,433,965
Cash flow from investing activities		
Fixed capital expenditure	(90,000)	(271,000)
Proceeds from sale of fixed assets	-	1,144,596
Dividend received	456,938,728	371,347,103
Profit received on bank deposits	35,066	601,267
Long term investments	(1,973,280,847)	(2,852,907,010)
Long term deposits	8,410	208,000
Net cash used in investing activities	(1,516,388,643)	(2,479,877,044)
Cash flow from financing activities		
Dividend paid	-	(202,500,000)
Net cash used in financing activities	-	(202,500,000)
Decrease in cash and cash equivalents	(431,583,495)	(1,274,943,079)
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	4,991,850,949	3,178,771,486

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 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 period ended July to December, 2006	-	-	-	2,066,708,623	2,066,708,623
Surplus on remeasurement of investments - Net	-	-	346,494,905	-	346,494,905
Issue of bonus	730,000,000	-	-	(730,000,000)	-
Interim dividend	-	-	-	(202,500,000)	(202,500,000)
Balance as at 31 December 2006	1,000,000,000	4,000,000,000	2,275,901,368	5,625,443,866	12,901,345,234
Profit for the period ended January to June 2007	-	-	-	1,615,626,302	1,615,626,302
Surplus on remeasurement of investments - Net	-	-	3,557,616,842	-	3,557,616,842
Issue of bonus	2,000,000,000	-	-	(2,000,000,000)	-
Balance as at 30 June 2007	3,000,000,000	4,000,000,000	5,833,518,210	5,241,070,168	18,074,588,378
Profit for the period ended July to December, 2007	-	-	-	4,110,603,943	4,110,603,943
Surplus on remeasurement of investments - Net	-	-	5,190,586,447	-	5,190,586,447
Specie distribution of shares of AHBL	-	-	-	(1,110,000,000)	(1,110,000,000)
Balance as at 31 December 2007	3,000,000,000	4,000,000,000	11,024,104,657	8,241,674,111	26,265,778,768

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2007

I 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. However, Company has decided not to get renew its IFS license for the next year. Accordingly, Company has applied to the SECP for surrendering of its IFS license. The principal activity of the Company 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 59.40% 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, Fatima Fertilizer Company Limited with 9.08% 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 Disinvestment / Distribution

During the period company has distributed 30 Million shares of AHBL to the shareholders. Further, company has offered 59,748,500 shares of AHBL to the general public with a green shoe option of an additional 60 Million shares of AHBL in case of over-subscription at an offer price of Rs.21 per share (including a premium of Rs.11 per share). The Issue was over-subscribed by 5.6 times. After disinvestments/distribution of aforementioned 149,748,500 shares of AHBL, Company's shareholding in its subsidiary AHBL have been diluted to 59.40% from 92.68%.

3 Accounting Convention, Basis of Preparation and Significant Accounting Policies

These financial statements are unaudited and subject to the limited scope review by the external auditors 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.

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. 0.90 million (30 June 2007: Rs.0.283 million). Deletion of fixed assets made during the period was amounting to Rs.Nil (30 June 2007: Rs. 3.797 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	548,103,119
-- Arif Habib Bank Limited	(250,470,411)
-- Pakistan Private Equity Management Limited	11,468,265
-- Mr. Arif Habib (Chairman & CEO)	(1,500,000,000)

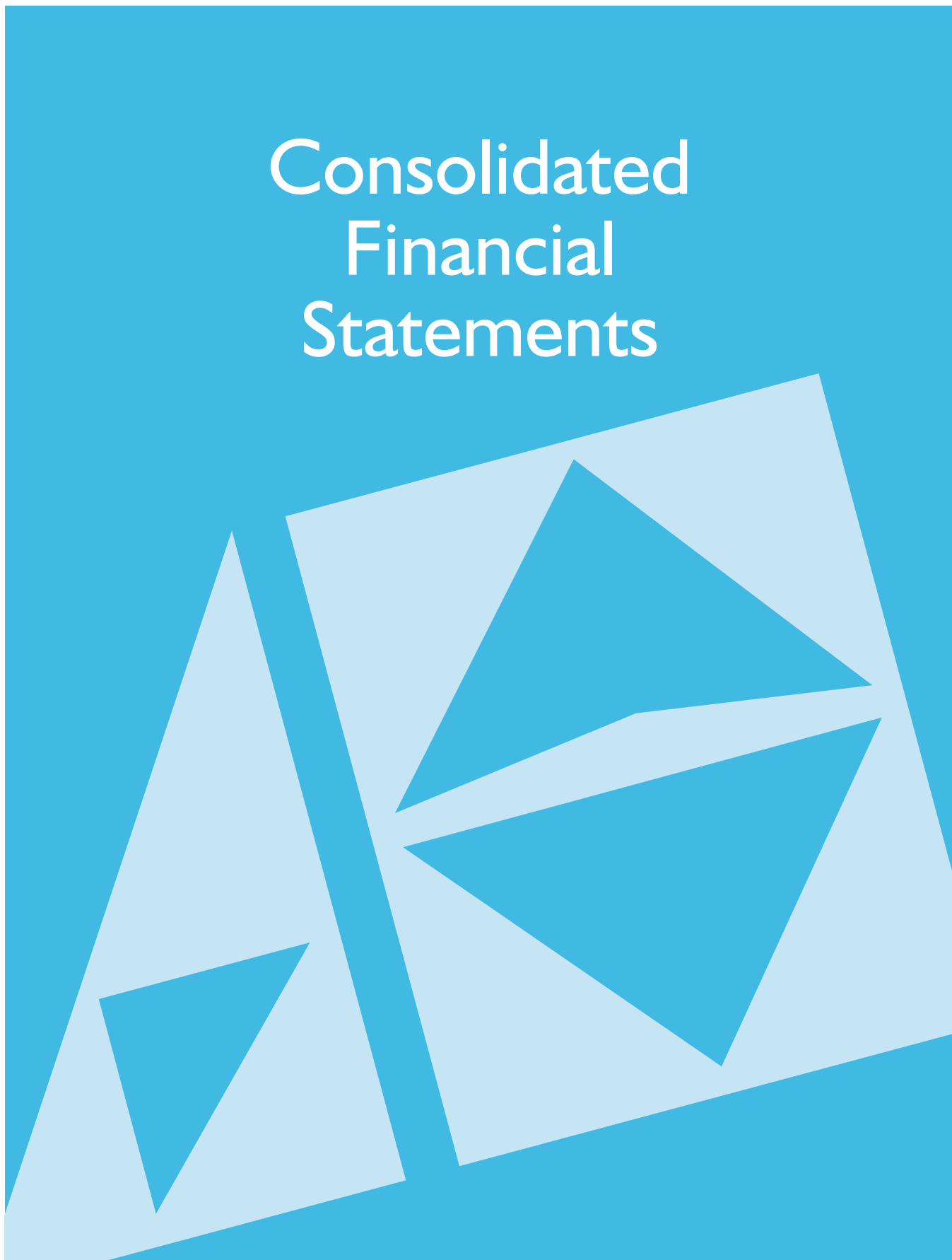
8 Date of Authorization for Issue

These financial statements have been authorized for issue on 14 February 2008 by the Board of Directors of the company.

9 General

- Figures have been rounded off to the nearest rupee

Consolidated Financial Statements



CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

as at 31 December 2007

	(Rupees)	
	Un-audited December 2007	Audited June 2007
EQUITY & LIABILITIES		
Shares Capital and Reserves		
Authorized capital:		
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>
Issued, subscribed and paid-up capital	3,000,000,000	3,000,000,000
General reserve	5,104,048,630	4,019,567,665
Surplus on remeasurement of investments	108,506,523	110,842,696
Exchange differences on translation to presentatin currency	124,281	108,881
Unappropriated profit	6,521,251,861	4,426,009,399
	14,733,931,295	11,556,528,641
Minority interest	1,520,397,387	752,403,630
Total equity	16,254,328,682	12,308,932,271
Long term liabilities	89,531,500	202,384,500
Liability against assets subject to finance lease	982,028	1,564,806
Deferred taxation	220,937,127	36,507,428
Current liabilities		
Short term running finance	2,928,321,167	-
Deposits and other accounts	9,464,785,000	4,568,958,488
Bills payable	384,179,000	19,612,000
Borrowing from financial institutions	1,748,603,000	1,183,054,000
Current portion of long term liabilities	26,150,000	57,450,000
Current portion of liability against assets subject to finance lease	-	-
	1,139,736	1,089,225
Trade and other payables	2,628,927,520	506,004,211
Markup accrued	13,303,029	4,195,581
Taxation	215,219,448	119,899,615
	17,410,627,900	6,460,263,120
Contingency	-	-
	33,976,407,237	19,009,652,125

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

(Rupees)

	Un-audited December 2007	Audited June 2007
ASSETS		
Property and equipment	414,671,224	366,332,921
Goodwill	(3,588,629)	(4,784,839)
Intangible assets	149,242,884	127,524,145
Capital work in progress	140,910,453	66,595,381
Membership and licenses	63,140,700	47,590,700
Long term investments	4,313,837,151	2,656,217,697
Long term advance & receivables	9,791,425	10,967,294
Long term deposits	24,376,917	24,138,707
Current assets		
Investments - at fair value through profit & loss	4,454,721,884	5,247,776,732
Investments - available for sale	5,521,581,364	5,105,907,617
Trade debts	740,670,792	224,710,950
Sales proceed receivable	4,423,128,713	220,554,999
Advances	8,029,248,000	2,506,519,000
Balances with other banks	52,551,000	500,991,000
Lending to Financial Institutions	2,855,582,000	400,000,000
Loans and advances	59,235,373	27,406,615
Deposits and prepayments	275,515,417	93,806,914
Advance tax	141,888,399	136,371,124
Other receivables	444,059,203	240,132,384
Deferred costs	-	42,762,691
Receivable from Funds managed by AHIML	118,820,195	182,136,142
Cash and bank balances	1,747,022,772	785,993,951
	28,864,025,112	15,715,070,119
	33,976,407,237	19,009,652,125

Chief Executive

Director

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the half year ended 31 December 2007

(Rupees)

	Half Year Ended		Second Quarter Ended	
	December 2007	December 2006	December 2007	December 2006
Operating revenue	1,405,524,311	910,087,521	219,788,673	457,966,343
Capital gain on investments - Net	1,494,289,347	1,522,958,785	1,379,145,371	1,006,135,570
	2,899,813,658	2,433,046,306	1,598,934,044	1,464,101,913
Operating expenses	(531,982,966)	(341,649,769)	(131,425,243)	(202,614,314)
Operating profit	2,367,830,692	2,091,396,537	1,467,508,801	1,261,487,599
Finance costs	(78,260,999)	(78,931,436)	(32,525,562)	(37,908,687)
Other charges	(309,595)	(16,851,900)	(280,260)	13,148,100
Other income	14,701,253	3,010,353	167,873	1,420,986
Gain on remeasurement of investments	372,774,983	(210,234,550)	273,298,954	(395,154,419)
	308,905,642	(303,007,533)	240,661,005	(418,494,020)
Share of profit of associates-Net	401,530,500	139,852,992	204,701,230	60,412,213
Profit before taxation	3,078,266,834	1,928,241,996	1,912,871,036	903,405,792
Provision for taxation				
- Current	(108,894,833)	(61,848,963)	(2,432,921)	17,286,521
- Prior	(45,283,414)	-	(45,283,414)	-
- Deferred	(254,359,699)	(745,793)	(244,295,699)	(21,699,866)
	(408,537,946)	(62,594,756)	(292,012,034)	(4,413,345)
Profit after taxation	2,669,728,888	1,865,647,240	1,620,859,002	898,992,447
Minority interest	(161,013,675)	(88,581,387)	(48,381,508)	(12,341,312)
	2,508,715,213	1,777,065,853	1,572,477,494	886,651,135
Earnings per share-basic and diluted	8.36	5.92	5.24	2.96

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

Chief Executive

Director

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the half year ended 31 December 2007

	(Rupees)	
	December 2007	December 2006
Cash flow from operating activities		
Profit before taxation	3,078,266,834	1,928,241,996
Adjustment for:		
Depreciation	40,256,309	11,660,426
Dividend income	(567,628,928)	(378,178,493)
Other income	(14,701,253)	(3,010,353)
Amortization	12,260,497	622,460
Gain on sale of assets	(1,849,902)	(47,186)
Provision/(reversal) for doubtful debts	(24,000)	16,851,900
Share of profits of associates	(401,530,500)	(139,852,992)
Specie distribution of shares of AHBL	413,472,751	-
Amortization of negative goodwill	(1,196,210)	-
Finance costs	(78,260,999)	78,931,436
	(599,202,235)	(413,022,802)
Operating profit before working capital changes	2,479,064,599	1,515,219,194
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts	(515,959,842)	(1,556,903,400)
Loans and advances	(31,828,758)	(2,141,154,953)
Deposits and prepayments	(181,708,503)	(64,274,641)
Other receivables	(203,926,819)	(70,080,160)
Receivable from funds	63,315,947	100,452,291
Advances	(5,522,729,000)	-
Increase / (decrease) in current liabilities		
Deposits and other accounts	4,895,826,512	2,526,312,000
Bills payable	364,567,000	-
Borrowing from financial institutions	565,549,000	-
Trade and other payables	3,058,477,784	338,052,596
	2,491,583,321	(867,596,267)
Cash generated from operating activities	4,970,647,920	647,622,927
Income tax paid	(124,915,311)	(90,219,196)
Finance cost paid	(71,477,121)	(78,406,719)
Net cash from operating activities	4,774,255,488	478,997,012
Cash flow from investing activities		
Fixed capital expenditure	(283,734,000)	(19,760,000)
Memberships & licenses	(15,550,000)	-
Proceeds from fixed assets	22,685,320	2,975,291
Dividend received	569,601,268	475,975,843
Profit on bank deposits & other	14,701,253	601,267
Investments-net	(1,473,293,201)	(2,099,608,001)
Long term advance & receivables	1,175,869	11,299,295
Long term deposits	(238,210)	(515,000)
Net cash used in investing activities	(1,180,201,701)	(1,629,031,305)
Cash flow from financing activities		
Dividend paid	-	(350,000,000)
Long term liability	(144,153,000)	(55,487,850)
Balances with other banks	448,440,000	42,067,793
Lending to Financial Institutions	(2,455,582,000)	-
Obligation under finance lease	(532,267)	(486,157)
Net cash used in financing activities	(2,151,827,267)	(363,906,214)
Increase in cash and cash equivalents	1,442,226,520	(1,513,940,507)
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	7,696,552,202	3,253,502,676

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

Chief Executive

Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2007

	(Rupees)					
	Share capital	General reserve	Surplus/ (Deficit) on remeasure- ment of investments	Exchange differences on translation to presentation currency	Unappro- priated profit	Total
Balance as at 30 June 2006	270,000,000	4,000,000,000	158,668,673	(23,279)	3,813,762,493	8,242,407,887
Profit for the period ended July to December, 2006	-	-	-	-	1,777,065,853	1,777,065,853
(Deficit) on remeasurement of investments - Net	-	-	(173,685,717)	-	-	(173,685,717)
Exchange differences on translation to presentation currency	-	-	-	53,077	-	53,077
Issue of bonus	730,000,000	-	-	-	(730,000,000)	-
Interim dividend	-	-	-	-	(202,500,000)	(202,500,000)
Balance as at 31 December 2006	1,000,000,000	4,000,000,000	(15,017,044)	29,798	4,658,328,346	9,643,341,100
Profit for the period ended January to June, 2007	-	-	-	-	1,767,681,053	1,767,681,053
Surplus on remeasurement of investments - Net	-	-	125,859,740	-	-	125,859,740
Exchange differences on translation to presentation currency	-	-	-	79,083	-	79,083
Issue of bonus	2,000,000,000	-	-	-	(2,000,000,000)	-
Transferred to general reserve	-	19,567,665	-	-	-	19,567,665
Balance as at 30 June 2007	3,000,000,000	4,019,567,665	110,842,696	108,881	4,426,009,399	11,556,528,641
Profit for the period ended July to December, 2007	-	-	-	-	2,508,715,213	2,508,715,213
Deficit on remeasurement of investments - Net	-	-	(2,336,173)	-	-	(2,336,173)
Exchange differences on translation to presentation currency	-	-	-	15,400	-	15,400
Specie distribution of shares of AHBL	-	-	-	-	(413,472,751)	(413,472,751)
Transferred to general reserve	-	1,084,480,965	-	-	-	1,084,480,965
Balance as at 31 December 2007	3,000,000,000	5,104,048,630	108,506,523	124,281	6,521,251,861	14,733,931,295

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2007

I 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 59.40% 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, Fatima Fertilizer Company Limited with 9.08% 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. However, company has decided not to get renew its IFS license for the next year. Accordingly, company has applied to the SECP for surrendering of its IFS license. The principal activity of the Company 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 59.40%.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2007

- 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 calender 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2007

3 Basis of Consolidation

The consolidated financial statements includes the financial statements of holding company AHSL and its aforementioned subsidiaries (refer to 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 (refer 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. 283.734 million (30 June 2007: Rs.358.460 million). Deletion of fixed assets made during the period was amounting to Rs.28.715 million (30 June 2007: Rs. 13.207 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2007

Rupees

7 Related Party Transactions

Maximum balance due from/(to) at the end of any month	
-- Arif Habib Investment Management Limited	(4,592,905)
-- Arif Habib Limited	548,103,119
-- Arif Habib Bank Limited	(250,470,411)
-- Pakistan Private Equity Management Limited	11,468,265
-- Mr. Arif Habib (Chairman & CEO)	(1,500,000,000)

8 Date of Authorization for Issue

These consolidated financial statements have been authorized for issue on 14 February 2008 by the Board of Directors of the company.

9 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director