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COMPANY INFORMATION

Board of Directors

Samad A. Habib
(Chairman)
Ahmed Reza
(CEO and Managing Director)
Muhammad Rafiq Jangda
Abdullah A. Rahman
Abdul Majid M. Siddique
Syed Hasan Jafri
Kashif A. Habib

Audit Committee

Abdul Majid M. Siddique
(Chairman)
Syed Hasan Jafri
Kashif A. Habib

Company Secretary

Haroon Usman

Chief Financial Officer

Muhammad Rafiq Jangda

Auditors

Rahman Sarfaraz Rahim
Iqbal Rafiq
Chartered Accountants

Legal Advisors

Bawaney & Partners

COMPANY INFORMATION

Bankers

Allied Bank Ltd.
Arif Habib Bank Ltd.
Atlas Bank Ltd.
Bank Al Habib Ltd.
Bank Al Falah Ltd.
Habib Bank Ltd.
KASB Bank Ltd.
MyBank Ltd.
MCB Bank Ltd.
Habib Metropolitan Bank Ltd.
PICIC Commercial Bank Ltd.
Soneri Bank Ltd.
The Bank of Punjab
United Bank Ltd.

Registered Office

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Registrar & Share Transfer Office

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Off: Shahrāh-e-Quaideen, Karachi.
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DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors of Arif Habib Limited (AHL), it is my pleasure to present the Company's Quarterly Report together with the un-audited financial statements for the period ended 30 September 2007.

Your Company did very well during the first Quarter of the financial year ending 30 June 2008 (FY 2008) by the Grace of the Almighty. The performance parameters of AHL are elaborated in the sections below.

Financial performance

During the Quarter under review, AHL earned operating revenues of Rs. 151.5 million and posted net profit after tax of Rs. 101.1 million. This represents basic earnings per share of Rs. 5.05, and Rs. 4.59 on a fully diluted basis. Healthy Quarter-on-Quarter respective increases of 95.6 percent and 118.3 percent were recorded in operating revenues and net earnings compared to the first Quarter of FY 2007.

At the end of the Quarter under review, i.e. on 30 September 2007, the paid-in capital of your Company stood at Rs. 220 million and its total equity at Rs. 498.5 million. The latter represents a period-on-period increase of 54.7 percent. The sound equity build-up on the back of profitable operations is all the more satisfactory considering that AHL has declared and paid cash dividend at the rate of 100 percent (Rs. 10 per share) during the interim period.

The market

Although the benchmark Karachi Stock Exchange (KSE)-100 Index actually posted a decline of 2.8 percent during the Quarter under review to close on 13,351.79 points on 30 September 2007, the market opportunity represented by the average daily volumes—the average number of shares traded per day—was sound. The volumes averaged 259.6 million shares per day during the Quarter under review, representing a period-on-period increase of 45.1 percent. The average volumes during the comparative Quarter ended 30 September 2006 were a mere 176.8 million per day.

Your Company's performance during the Quarter under review was helped as much by the improved market volumes as by the focused business strategy outlined in our past half-yearly and annual reports. This is evidenced by a relative comparison of the expansion in the market volumes and AHL's revenues and profits.

Outlook

Going forward, the business outlook appears promising for the Company. AHL's enhanced average market share of broking business is suitably supplemented by increasing asset values and improved average turnovers at the exchange.

DIRECTORS' REPORT TO THE MEMBERS

Strategically important to help broaden the areas of business focus for your Company, the Corporate Finance Division achieved full staff strength during the Quarter under review. The Board is pleased to report that the revenues posted by the Division during the Quarter were 62 percent of the revenues achieved by it during the whole of FY 2007 that ended on 30 June 2007.

Shareholder returns

Based on the results of your Company's performance during FY 2007, the Board recommended a final cash dividend at the rate of 100 percent, bonus shares at 10 percent and issuance of Right shares at 10 percent. The Right offering was at a price of Rs. 100 per share—including a premium of Rs. 90 per share.

At the end of the Quarter under review, i.e. on 30 September 2007, AHL's ordinary shares were quoted at Rs. 176.95 on XD, XB and XR basis. This represents a very high total return to the shareholder since AHL was publicly listed, both in absolute terms and relative to the KSE-100 index return.

Acknowledgements

The Board of Directors wishes to place on record its appreciation to the Company's stakeholders—including its clients, investors and partners in business—for their support and faith. The hard work and the very valuable contribution by the company's employees are also appreciated and gratefully acknowledged. The Board is grateful to the Securities & Exchange Commission of Pakistan and to the Karachi Stock Exchange (Guarantee) Limited for their invaluable support and guidance.

For and on behalf of the Board

Karachi
26 October 2007

Ahmed Reza, CFA
CEO & Managing Director

Balance Sheet

As At September 30, 2007

BALANCE

	Un-audited September 2007 Rupees	Audited June 2007 Rupees
Share Capital and Reserves		
Authorised capital: 50,000,000 (June 2007: 50,000,000) Ordinary shares of Rs. 10/- each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed & paid-up capital: 22,000,000 (June 2007: 20,000,000) Ordinary shares of Rs. 10/- each	<u>220,000,000</u>	<u>200,000,000</u>
Unappropriated profit	<u>278,531,288</u>	<u>397,459,366</u>
	498,531,288	597,459,366
Current liabilities		
Short term borrowing	<u>1,238,125,124</u>	-
Trade & other payables	<u>827,348,124</u>	443,509,955
Markup accrued	<u>13,150,743</u>	4,102,412
Taxation	<u>49,285,342</u>	41,357,424
	2,127,909,333	488,969,791
	<u>2,626,440,621</u>	<u>1,086,429,157</u>

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

CHIEF EXECUTIVE

SHEET

Balance Sheet

As At September 30, 2007

	Un-audited September 2007 Rupees	Audited June 2007 Rupees
Property & equipment	11,455,864	10,098,090
Memberships & licences	41,600,000	41,600,000
Long term deposits	13,971,500	13,971,500
Current assets		
Investments - at fair value through profit & loss	289,229,000	31,204,000
Receivable against securities transactions	1,051,712,418	220,544,999
Trade debts	1,059,299,353	278,093,975
Loans & advances	21,551,280	24,041,405
Deposits and prepayments	54,354,456	88,270,642
Advance tax	53,771,945	43,719,964
Other receivables	10,744,471	8,367,311
Cash & bank balances	18,750,334	326,517,271
	2,559,413,257	1,020,759,567
	2,626,440,621	1,086,429,157

DIRECTOR

Profit and Loss Account

For the quarter ended September 30, 2007

PROFIT AND LOSS ACCOUNT

	September 2007 Rupees	September 2006 Rupees
Operating revenues	151,491,255	77,456,233
Capital gain on investment	1,485,524	11,024,621
	152,976,779	88,480,853
Operating expenses	(31,354,365)	(25,017,741)
Operating profit	121,622,415	63,463,113
Financial charges	(17,606,545)	(9,260,158)
Other Income	1,053,650	-
Other Charges	(29,335)	-
Net gain/(loss) on remeasurement of investment - at fair value through profit & loss	3,959,655	(240,693)
	(12,622,575)	(9,500,851)
Profit before taxation	108,999,839	53,962,262
Provision for taxation-Prior	-	-
Provision for taxation-Current	(7,927,918)	(7,663,753)
Profit after taxation	101,071,921	46,298,508
Earning per share - basic	5.05	2.31
Earning per share - diluted	4.59	2.10

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement

For the quarter ended September 30, 2007

CASH FLOW STATEMENT

	September 2007 Rupees	September 2006 Rupees
Cash flow from operating activities		
Profit before taxation	108,999,840	53,962,262
Adjustment for:		
Depreciation	689,385	521,237
Dividend income	(3,625,000)	(4,660,250)
Loss on sale of asset	29,335	-
Financial charges	17,606,545	9,260,158
	<u>14,700,265</u>	<u>5,121,145</u>
Operating profit before working capital changes	123,700,105	59,083,407
Changes in working capital (Increase)/Decrease in current assets		
Trade debts	(781,205,378)	(11,545,150)
Loans & advances	2,490,125	(132,883)
Deposits, prepayments	33,916,186	16,498,892
Advance tax	(354,645)	-
Other receivable	885,340	1,716,447
Increase/(Decrease) in current liabilities		
Trade & Other payables	383,838,171	261,307,916
	<u>360,430,202</u>	<u>267,845,222</u>
Cash generated / (used) in operating activities	(236,730,097)	326,928,629
Income tax paid	(9,697,336)	(7,677,877)
Financial charges paid	(8,558,215)	(13,330,163)
Net cash generated/(used in) from operating activities	<u>(254,985,648)</u>	<u>305,920,589</u>
Cash flow from investing activities		
Fixed capital expenditure	(3,130,375)	(2,524,176)
Proceed from sale of assets	1,053,881	789,256
Memberships & licences	-	-
Dividend received	362,500	333,013
Long term loan from parent company	-	-
Long term deposit	-	(208,000)
Net cash used in investing activities	<u>(1,713,994)</u>	<u>(1,609,907)</u>
Cash flow from financing activities		
Issue of shares	(200,000,000)	(50,000,000)
Net cash used in financing activities	<u>(200,000,000)</u>	<u>(50,000,000)</u>
Increase/(Decrease) in cash and cash equivalents	<u>(456,699,642)</u>	<u>254,310,682</u>
Cash and bank balance at beginning of the period	<u>578,266,269</u>	<u>301,266,163</u>
Cash and cash equivalent at end of the period	<u>121,566,627</u>	<u>555,576,845</u>

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity

For the quarter ended September 30, 2007

STATEMENT OF CHANGES IN EQUITY

	Share capital (Rupees)	Unappropriated profit (Rupees)	Total (Rupees)
Balance as at 30 June 2006	200,000,000	125,868,733	325,868,733
Profit for the first quarter ended September 2006	-	46,298,508	46,298,508
Balance as at 30 September 2006	200,000,000	172,167,241	372,167,241
Profit for the period October 2006 to June 2007	-	275,292,125	275,292,125
Interim dividend 2006	-	(50,000,000)	(50,000,000)
Balance as at 30 June 2007	200,000,000	397,459,366	597,459,366
Profit for the first quarter ended September 2007	-	101,071,921	101,071,921
Dividend 2007	-	(200,000,000)	(200,000,000)
Issuance of bonus	20,000,000	(20,000,000)	-
Balance as at 30 September 2007	220,000,000	278,531,288	498,531,288

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

1 Status and Nature of Business

- 1.1 The Company 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.
- 1.2 The Company is listed at the Karachi Stock Exchange (Guarantee) Limited with effect from 31 January 2007. During financial year 2006-2007 the holding company Arif Habib Securities Limited offered 25% shares of the Company for sale to the general public which were over subscribed. AHSL now holds 75% shares of the Company.

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 Commitments

Commitment to KSE Clearing House in respect of trading of securities - (receivable)/payable

5 Property & Equipment

Fixed capital expenditure during the period amounting to Rs. 3.130 million (30 June 2007: Rs.9.219 million). Deletion of fixed assets made during the period was amounting to Rs.1.372 (30 June 2007: Rs. 5.404 million).

Notes to the Financial Statements

For the quarter ended September 30, 2007

NOTES TO THE FINANCIAL STATEMENTS

Rupees

6 Related Party Transactions

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

-- Arif Habib Investment Management Limited	2,107,130
-- Arif Habib Securities Limited	(814,000,000)
-- Arif Habib Bank Limited	(548,103,119)

7 Date of Authorization for Issue

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

8 General

- Figures have been rounded off to the nearest rupee

CHIEF EXECUTIVE

DIRECTOR