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CORPORATE INFORMATION

Board of Directors

Arif Habib
(Chairman & Chief Executive)
Sirajuddin Cassim
Abdul Majid M. Siddique
Haroon Usman
Kashif A. Habib
Syed Hasan Jafri
Muhammad Akmal Jameel
Nida Ahsan

Audit Committee

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

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 Ltd.
Arif Habib Rupali Bank Ltd.
Atlas 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.
MCB Bank Ltd.
Metropolitan 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 Karahi-74000
Phones: 2415213-15 Fax No: 2416072 - 2429653
E-mail: ahsl@arifhabib.com.pk

Corporate Finance

Pardesi House, 2/1, R.Y. 16,
Old Queens Road Karachi-74000
Phone: 111-468-378 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.
Dagia House, 241-C,
Block-2, P.E.C.H.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 our company for the first quarter July – September 2006.

Market Review

The performance of the stock market remained mixed during the period under review. The KSE-100 index rose 5 percent, but the average daily turnover was substantially lower than it was during the corresponding quarter last year. This performance is attributable mainly to perceived uncertainty on the political and economic fronts and to increased taxation on stock market transactions.

Financial Results

By the grace of Allah, our company was able to post robust profitability during the period under review. It has earned an after tax profit of Rs. 1,506,709,508. This translates to an earning per share of Rs. 33.48 on its increased capital after issue of bonus shares @ 2:3 approved by the general body of shareholders on 30 September 2006. This impressive performance was contributed by the portfolio investments as well as good dividends and growth posted by our strategic investee companies. The board has decided to increase the paid-up capital to Rs. 1 billion through issue of bonus shares in the proportion of 11:9 i.e. 122.22 percent.

Future outlook

The current quarter has started on a positive note. The KSE-100 Index has reached 11400 points, from 10512 points at the beginning of the quarter. Average daily turnover of shares has also improved. Prospects for better agricultural crops and falling oil prices have reduced pressure on the country's economy. Merger and acquisitions activity in the banking sector and increasing foreign portfolio investors' interest in our capital market, have boosted the investors sentiment.

The boards of directors of our company as well as those of its subsidiaries and associate companies are considering various options for value-additive diversifications, expansions, public offerings and mergers & acquisitions to enhance shareholders value.

The company has decided to disinvest its 25 percent shareholding in Arif Habib Limited (AHL) at a price of Rs. 100 per share. The public offer is expected to raise Rs. 500 million. AHL is expected to be publicly listed within this year.

In view of the above, prospects of our 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, the 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 and its subsidiaries / associates during the period.

For and on behalf of the Board

Karachi
19 October 2006

Arif Habib
Chairman & Chief Executive

QUARTERLY REPORT 2006

BALANCE SHEET

as at September 30, 2006

(Rupees)

| | Un-audited September 2006 | 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 | 470,000,000 | 290,000,000 |
| Buy back of shares | (20,000,000) | (20,000,000) |
| 45,000,000 (June 2006 :27,000,000) | | |
| Ordinary shares of Rs.10/- each | 450,000,000 | 270,000,000 |
| General reserve | 4,000,000,000 | 4,000,000,000 |
| Surplus on remeasurement of investments - Net | 2,327,751,368 | 1,929,406,463 |
| Unappropriated profit | 5,615,444,751 | 4,491,235,243 |
| | 12,393,196,119 | 10,690,641,706 |
| Deferred tax liability | 1,639,956,698 | 1,251,296,567 |
| Current liabilities | | |
| Short term running finance | 124,205,130 | 24,051,162 |
| Trade and other payables | 225,098,520 | 63,091,763 |
| Accrued markup | 3,353,292 | 8,249,621 |
| Taxation | 35,015,231 | 22,112,500 |
| | 387,672,173 | 117,505,046 |
| Contingency | - | - |
| | <u>14,420,824,990</u> | <u>12,059,443,319</u> |

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

BALANCE SHEET

as at September 30, 2006

(Rupees)

| | Un-audited September 2006 | Audited June 2006 |
|---|---------------------------------|-----------------------|
| ASSETS | | |
| Property and equipment | 7,531,344 | 9,015,659 |
| Long term investments | 9,912,460,429 | 6,540,329,828 |
| Long term loan | 250,000,000 | 250,000,000 |
| Long term deposits | 53,000 | 261,000 |
| Current assets | | |
| Investments - at fair value through profit and loss | 4,006,716,543 | 3,371,947,570 |
| Trade debts | 20,742,228 | 27,410,876 |
| Receivable against securities transaction | - | 521,066,342 |
| Loan and advances | 9,193,726 | 612,771,791 |
| Deposits, prepayments & advance tax | 42,593,918 | 29,423,714 |
| Other receivables | 60,997,470 | 112,464,724 |
| Cash & bank balances | 110,536,332 | 584,751,815 |
| | 4,250,780,216 | 5,259,836,832 |
| | 14,420,824,990 | 12,059,443,319 |

Chief Executive

Director

QUARTERLY REPORT 2006

PROFIT AND LOSS ACCOUNT

for the quarter ended September 30, 2006

(Rupees)

| | September 2006 | September 2005 |
|--|----------------------|-------------------|
| Operating revenues | 253,902,014 | 250,348,726 |
| Capital gain on investments -Net | 496,923,132 | 370,873,467 |
| | 750,825,145 | 621,222,193 |
| Operating expenses | (16,455,650) | (31,415,295) |
| Operating profit | 734,369,496 | 589,806,898 |
| Finance cost | (28,118,084) | (63,485,681) |
| Other charges | (30,000,000) | - |
| Other income | 591,280 | 1,697,487 |
| Surplus on remeasurement of investments | 1,076,833,762 | 494,896,362 |
| | 1,019,306,957 | 433,108,168 |
| Profit before taxation | 1,753,676,453 | 1,022,915,066 |
| Provision for taxation | | |
| - Current | (12,902,731) | (5,799,036) |
| - Deferred | (234,064,215) | - |
| | (246,966,946) | (5,799,036) |
| Profit after taxation | 1,506,709,508 | 1,017,116,030 |
| Earning per share - basic & diluted | 33.48 | 22.60 |

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

Chief Executive

Director

CASH FLOW STATEMENT

for the quarter ended September 30, 2006

(Rupees)

| | September 2006 | September 2005 |
|--|------------------------|------------------------|
| Cash flow from operating activities | | |
| Profit before taxation | 1,753,676,453 | 1,022,915,066 |
| Adjustment for: | | |
| Depreciation | 489,719 | 537,599 |
| Surplus on remeasurement of investment | (891,673,200) | - |
| Dividend income | (251,059,132) | (144,760,739) |
| Interest income | (575,555) | (1,644,077) |
| Finance cost | 28,118,084 | 63,485,681 |
| | (1,114,700,083) | (82,381,536) |
| Operating profit before working capital changes | 638,976,370 | 940,533,530 |
| Changes in working capital | | |
| (Increase)/Decrease in current assets | | |
| Trade debts | 6,668,648 | (412,953,136) |
| Loans and advances | 603,578,065 | 19,716,935 |
| Deposits & prepayments | 197,264 | - |
| Other receivables | 7,408,981 | - |
| Increase/(Decrease) in current liabilities | | |
| Trade & other payables | (33,571,341) | 825,773,515 |
| | 584,281,617 | 432,537,314 |
| Cash generated from operating activities | 1,223,257,987 | 1,373,070,844 |
| Income tax paid | (13,367,468) | (49,593,159) |
| Financial charges paid | (33,014,413) | (52,224,629) |
| Net cash generated from operating activities | 1,176,876,106 | 1,271,253,056 |
| Cash flow from investing activities | | |
| Fixed capital expenditure | (150,001) | (2,737,450) |
| Dividend received | 288,345,505 | 128,408,102 |
| Interest received | 575,555 | 631,864 |
| Long term investments | (1,927,516,579) | (80,000,000) |
| Buy back of shares | - | (720,000,000) |
| Long term loans | - | (725,918,000) |
| Proceed from sale of property & equipment | 994,595 | - |
| Long term deposits | 208,000 | - |
| Net cash used in investing activities | (1,637,542,926) | (1,399,615,484) |
| Cash flow from financing activities | | |
| Dividend paid | - | (180,000,000) |
| Net cash used in financing activities | - | (180,000,000) |
| Net decrease in cash and cash equivalents | (460,666,819) | (308,362,427) |
| Cash and bank balance at beginning of the period | 4,453,714,565 | 3,932,936,037 |
| Cash and cash equivalent at end of the period | 3,993,047,745 | 3,624,573,610 |

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

Chief Executive

Director

QUARTERLY REPORT 2006

STATEMENT OF CHANGES IN EQUITY

For the quarter ended September 30, 2006

(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 quarter ended Sep.2005 | - | - | - | 1,017,116,030 | 1,017,116,030 |
| 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 | - | - | 72,400,000 | - | 72,400,000 |
| Balance as at September 30, 2005 | 270,000,000 | 4,000,000,000 | 868,571,410 | 1,350,988,112 | 6,489,559,522 |
| Profit for the period Oct., 2005 - June, 2006 | - | - | - | 3,140,247,131 | 3,140,247,131 |
| Surplus on remeasurement of investment - Net | - | - | 1,060,835,053 | - | 1,060,835,053 |
| 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 quarter ended Sep., 2006 | - | - | - | 1,506,709,508 | 1,506,709,508 |
| Surplus on remeasurement of investment - Net | - | - | 398,344,905 | - | 398,344,905.40 |
| Interim dividend | - | - | - | (202,500,000) | (202,500,000) |
| Issue of bonus shares | 180,000,000 | - | - | (180,000,000) | - |
| Balance as at September 30, 2006 | 450,000,000 | 4,000,000,000 | 2,327,751,368 | 5,615,444,751 | 12,393,196,119 |

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

For the quarter ended September 30, 2006

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. The Company is principally engaged in the business of financial consultancy, underwriting, portfolio management/acquisition of securities and securities research.
- 1.2** The company is the holding company of Arif Habib Limited a brokerage house, Arif Habib Investment Management Limited an asset management company, Arif Habib DMCC a member of Dubai Gold & Commodities Exchange and Arif Habib Rupali Bank Limited a commercial bank. Additionally it has long term investments in PakArab Fertilizer (Pvt.) Limited, Al-Abbas Cement Limited, Rozgar Microfinance Bank Limited and Sunbiz (Pvt.) Limited.

2 Basis of Preparation

These financial statements are unaudited and 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.

3 Significant Accounting Policies

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.

4 Issued, Subscribed and Paid-up Capital

Pursuant to the approval of the shareholders in the 13th Annual General Meeting held on September 30, 2006 the authorized capital of the Company has increased to Rs.1 billion from Rs.500 million and its issued, subscribed & paid-up capital has increased to Rs.450 million after taking effect of 18 million (66.66%) bonus shares. Accordingly, EPS of the corresponding period has also been restated.

5 Taxation

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

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



QUARTERLY REPORT 2006

CONSOLIDATED BALANCE SHEET

as at September 30, 2006

(Rupees)

| | Un-audited September 2006 | 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 | 470,000,000 | 290,000,000 |
| Buy back of shares | (20,000,000) | (20,000,000) |
| 45,000,000 (June 2006 : 27,000,000) | | |
| Ordinary shares of Rs. 10/- each | 450,000,000 | 270,000,000 |
| General reserve | 4,000,000,000 | 4,000,000,000 |
| Surplus on remeasurement of investments - Net | 87,677,477 | 158,668,673 |
| Exchange differences on translation to presentation currency | 29,798 | (23,279) |
| Unappropriated profit | 4,321,677,211 | 3,813,762,493 |
| | 8,859,384,486 | 8,242,407,887 |
| Minority interest | 1,355,279,961 | 216,081,841 |
| Total equity | 10,214,664,447 | 8,458,489,728 |
| Long term liabilities | | |
| Liability against assets subject to finance lease | 2,390,947 | 2,654,067 |
| Deferred tax & other liability | 27,700,162 | 2,366,234 |
| Current liabilities | | |
| Trade and other payables | 850,532,357 | 313,943,858 |
| Short term borrowings | 889,832,609 | 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 | 1,017,618 | 994,823 |
| Margin finance - Banks | - | - |
| Accrued markup | 8,461,198 | 18,839,364 |
| Deferred income | 50,000 | 3,262,020 |
| Deposits and other accounts | 1,039,712,000 | - |
| Taxation | 142,080,916 | 106,556,431 |
| | 3,044,186,698 | 640,222,037 |
| Contingency | - | - |
| | 13,309,264,504 | 9,178,042,166 |

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

CONSOLIDATED BALANCE SHEET

as at September 30, 2006

(Rupees)

| | Un-audited September 2006 | Audited June 2006 |
|---|---------------------------------|----------------------|
| ASSETS | | |
| Property and equipment | 345,434,839 | 52,469,470 |
| Goodwill | (6,613,737) | (7,177,259) |
| Intangible assets | 3,461,258 | 3,772,487 |
| Capital work-in-progress | 29,512,970 | 27,488,625 |
| Membership & licenses | 47,590,700 | 47,590,700 |
| Long term investments | 2,204,693,620 | 2,342,818,267 |
| Long term advance & receivables | 16,647,604 | 21,346,899 |
| Long term deposits | 23,105,949 | 22,940,949 |
| Current assets | | |
| Investments - at fair value through profit & loss | 4,006,716,543 | 3,502,352,170 |
| Investments - available for sale | 1,112,729,676 | 344,963,035 |
| Trade debts | 426,016,419 | 421,139,917 |
| Receivable against securities transaction | 1,155,589,248 | 548,119,056 |
| Loan and advances | 2,509,793,417 | 636,301,543 |
| Deposits, prepayments & advance tax | 264,915,283 | 88,051,737 |
| Other receivables/assets | 134,865,189 | 120,635,128 |
| Deferred cost | 41,685,557 | 958,554 |
| Receivable from Funds managed by AHIML | 70,564,651 | 204,373,390 |
| Cash & bank balances | 922,555,318 | 799,897,498 |
| | 10,645,431,301 | 6,666,792,028 |
| | 13,309,264,504 | 9,178,042,166 |

Chief Executive

Director

QUARTERLY REPORT 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the quarter ended September 30, 2006

(Rupees)

| | September 2006 | September 2005 |
|---|----------------------|-------------------|
| Operating revenue | 452,121,178 | 418,489,834 |
| Capital gain on investments - Net | 516,823,215 | 370,873,467 |
| | 968,944,393 | 789,363,301 |
| Operating expenses | (139,035,455) | (91,992,897) |
| Operating profit | 829,908,938 | 697,370,404 |
| Finance cost | (41,022,749) | (67,166,412) |
| Other charges | (30,000,000) | - |
| Other income | 1,589,367 | 830,993 |
| Surplus on remeasurement of investments | 184,919,869 | 499,551,362 |
| | 115,486,487 | 433,215,943 |
| | 945,395,425 | 1,130,586,347 |
| Share of profit of Associates-Net | 79,440,779 | - |
| Profit before taxation | 1,024,836,204 | 1,130,586,347 |
| Provision for taxation | | |
| - Current | (79,135,484) | (25,867,746) |
| - Deferred | 20,954,073 | - |
| | (58,181,411) | (25,867,746) |
| Profit after taxation | 966,654,793 | 1,104,718,601 |
| Minority interest | (76,240,075) | (32,121,960) |
| | 890,414,718 | 1,072,596,641 |
| Earnings per share-basic and diluted | 19.79 | 23.84 |

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

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT

for the quarter ended September 30, 2006

(Rupees)

| | September 2006 | September 2005 |
|--|-------------------|-------------------|
| Cash flow from operating activities | | |
| Profit before taxation | 1,024,836,204 | 1,130,586,347 |
| Adjustment for: | | |
| Depreciation | 4,207,257 | 1,961,179 |
| Dividend income | (204,424,172) | (208,832,489) |
| Profit from associated undertakings | (79,440,779) | - |
| Other income | (1,589,367) | (1,644,077) |
| Amortization of computer system | 1,615,229 | 426,693 |
| Provision for doubtful debts | 30,000,000 | - |
| Finance cost | (41,022,749) | 67,166,412 |
| | (290,654,581) | (140,922,282) |
| Operating profit before working capital changes | 734,181,623 | 989,664,065 |
| Changes in working capital | | |
| (Increase)/Decrease in current assets | | |
| Trade debts | (4,876,502) | (412,953,136) |
| Loan and advances | (1,175,197,638) | (75,405,442) |
| Deposits and prepayments | (176,863,546) | - |
| Other receivables/assets | (54,957,065) | - |
| Receivable from funds | 133,808,739 | - |
| Increase/(Decrease) in current liabilities | | |
| Trade and other liabilities | 536,588,499 | 743,645,813 |
| | (741,497,513) | 255,287,235 |
| Cash generated in operating activities | (7,315,890) | 1,244,951,300 |
| Income tax paid | (27,398,345) | (49,593,159) |
| Finance cost paid | (46,344,576) | (57,542,670) |
| Net cash (Used in)/generated from operating activities | (81,058,811) | 1,137,815,471 |
| Cash flow from investing activities | | |
| Fixed capital expenditure | (19,760,000) | (4,772,000) |
| Proceed from sale of property & equipment | 2,140,000 | 941,478 |
| Dividend received | 288,678,518 | 174,761,102 |
| Interest received | 575,555 | 631,864 |
| Investments | (629,641,994) | (129,156,231) |
| Long term loan & receivable | 4,699,295 | (438,997,148) |
| Buy-back of shares | - | (720,000,000) |
| Long term deposits | (165,000) | 2,000 |
| Net cash (used) in investing activities | (353,473,626) | (1,116,588,935) |
| Cash flow from financing activities | | |
| Dividend paid | (147,500,000) | (180,000,000) |
| Long term liability | (55,187,850) | (56,550,000) |
| Deposits and other accounts | 1,039,712,000 | - |
| Other liability | 25,333,928 | - |
| Obligation under finance lease | (240,325) | (240,325) |
| Net cash used in financing activities | 862,117,753 | (236,790,325) |
| Increase in cash and cash equivalents | 427,585,317 | (215,563,789) |
| Cash and bank balance at beginning of the period | 4,767,443,183 | 3,932,758,849 |
| Cash and cash equivalent at end of the period | 5,195,028,500 | 3,717,195,060 |

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

Chief Executive

Director

QUARTERLY REPORT 2006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the quarter ended September 30, 2006

(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 quarter ended September 2005 | | | | | 1,072,596,641 | 1,072,596,641 |
| Surplus on remeasurement of investments-Net | | | 121,372,623 | | | 121,372,623 |
| 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 September 30, 2005 | 270,000,000 | 4,000,000,000 | 196,943,910 | - | 1,488,864,561 | 5,955,808,471 |
| Profit for the period October-June, 2006 | | | | | 2,324,897,932 | 2,324,897,932 |
| Deficit on remeasurement of investments-Net | | | (38,275,237) | | | (38,275,237) |
| 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 quarter ended September 2006 | | | | | 890,414,718 | 890,414,718 |
| Deficit on remeasurement of investments-Net | | | (70,991,196) | | | (70,991,196) |
| Exchange differences on translation to presentation currency | | | | 53,077 | | 53,077 |
| Interim dividend | | | | | (202,500,000) | (202,500,000) |
| Issue of bonus shares | 180,000,000 | | | | (180,000,000) | - |
| Balance as at September 30, 2006 | 450,000,000 | 4,000,000,000 | 87,677,477 | 29,798 | 4,321,677,211 | 8,859,384,486 |

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

Chief Executive

Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

for the quarter ended September 30, 2006

1 Status and Nature of Business

- 1.1 The Group consists of Arif Habib Securities Limited (AHSL /parent company), its subsidiaries Arif Habib Investment Management Limited (AHIML), Arif Habib Limited (AHL), Arif Habib Rupali Bank Limited (AHRBL) and Arif Habib - DMCC.
- 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 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.
- 1.4 Arif Habib Limited (the subsidiary) was incorporated on September 7, 2004 under the Companies Ordinance, 1984 as an unquoted public limited company with registered office in Karachi, Pakistan. It acquired registration to act as a broker from Securities & Exchange Commission of Pakistan on September 22, 2005 and became a member of Islamabad Stock Exchange in the year 2005. The Company is wholly owned subsidiary of AHSL and principally engaged in the business of financial consultancy, brokerage, underwriting, portfolio management and securities research.
- 1.5 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 62%.
- 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 beginning of year 2007.

2 Basis of Preparation

These financial statements are unaudited and 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.

3 Basis of Consolidation

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.

4 Significant Accounting Policies

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.

5 Issued, Subscribed and Paid-up Capital

Pursuant to the approval of the shareholder in the 13th Annual General Meeting held on September 30, 2006 the authorized capital of the holding company has increased to Rs.1 billion from Rs.500 million and its issued, subscribed & paid-up capital has increased to Rs.450 million after taking effect of 18 million (66.66%) bonus shares. Accordingly, EPS of the corresponding period has also been restated.

6 Taxation

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

7 Contingency

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

8 Property & Equipment

Fixed capital expenditure during the period amounting to Rs. 19.76 million (June 30, 2006: Rs.30.90 million). Deletion of fixed assets made during the period was amounting to Rs.2.14 million (June 30, 2006: Rs. 13.75 million).

9 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 |

10 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.

11 Post Balance Sheet Event

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

12 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director