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CORPORATE INFORMATION

Board of Directors

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

Audit Committee

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

Company Secretary

Haroon Usman

Chief Financial Officer

Tahir Iqbal

Auditors

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors

Bawaney & Partners

Bankers

Allied Bank of Pakistan Ltd.
Arif Habib Rupali Bank Ltd.
Bank Al Habib Ltd.
Bank Al Falah Ltd.
Faysal Bank Ltd.
First Women Bank Ltd.
Habib Bank A.G. Zurich
Habib Bank Ltd.
KASB Bank Ltd.
Metropolitan Bank Ltd.
MCB Bank Ltd.
PICIC Commercial Bank Ltd.
Soneri Bank Limited
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

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 second quarter and half year ended 31 December 2006. The financial results have been reviewed by the external auditors of the Company.

Market Review

The performance of the stock market remained weak during the second quarter of the financial year 2007. The KSE-100 index fell by 4.5 percent in the quarter and closed at 10040 points. The net gain in the index for the half year under review has been 0.51 percent as compared to 28 percent in the corresponding period last year. Average daily turnover for the half year under review was substantially lower as compared to the corresponding previous period. It declined by 43 percent period-on-period.

Financial Results and Appropriations

By the grace of Allah, our Company was able to achieve good profitability, principally due to gains derived from diversification of investment in our subsidiaries and associates. Portfolio investment in listed securities also did well especially considering the market conditions. The Company has earned a profit after tax of Rs. 2,067 million as compared to profit of Rs. 2,055 million recorded in the corresponding period last year. This profit translates to an EPS of Rs. 20.67 on its increased capital of Rs. 1 billion after issue of bonus shares of Rs. 730 million in two tranches. Paid-up capital was Rs. 270 million at the beginning of the period under review. The equity of the Company now stands at Rs. 12.9 billion.

Top Companies Award

I am pleased to report that the Company was presented the Top Companies Award for the years 2004 and 2005. The Company has the honour to qualify for this award for each of the five years since its listing in 2001.

Subsidiaries and Associates Performance

Arif Habib Limited (AHL)—a listed Company engaged in securities brokerage and corporate finance.

AHL has earned an after tax profit of Rs. 136 million with an EPS of Rs. 6.81 for the half year under review.

Our Company offered 25 percent of its shareholding in AHL to the general public at a price of Rs. 100 per share in December 2006. The offer received overwhelming response from the general public: More than 12,000 investors subscribed to the issue which was oversubscribed by 2.64 times.

Arif Habib Investment Management Limited—an AM2 rated asset management company.

The Company has earned an after tax profit of Rs. 131 million recording, an EPS of Rs. 20.16 for the half year. The Company has been issued licence to manage pension funds.

Pak Arab Fertilizers Limited—an associate.

Pak Arab Fertilizers has recorded an after tax profit of Rs. 476 million for the half year ended on 31 December 2006.

Pak Arab's 85 percent owned subsidiary Fatima Fertilizer Limited has been able to successfully achieve the financial close for a total amount of Rs. 35 billion with a debt-equity ratio of 65:35. Fatima Fertilizer is a greenfield project with a capacity of 1.450 million tons and is expected to commence operations in two years' time.

Arif Habib Rupali Bank Limited—a scheduled commercial bank.

The bank has started its commercial operations during the period under review and has been able to record a profit of Rs. 48 million for the period ended 31 December 2006.

The bank has been able to open 7 branches during a period of less than 5 months since the start of operations. All the branches are on-line and have state of the art IT systems. Necessary professional human resource has been put in place.

On the back of strong capital base, good IT and risk management systems and qualified human resource, the bank has been awarded 'A' rating for long term and 'A-2' rating for short term. The bank has aggressive plans for opening new branches during the year 2007.

The Board of Arif Habib Securities Limited has proposed to merge the Company into the bank. This will unlock many benefits for the growth of the bank and fully retain the franchise value and prospects of the existing business and holdings of the Company.

Arif Habib DMCC—a Company registered at Dubai Multi-Commodities Centre.

The Company is expected to start its full operations within 2007.

Our investments in Rozgar Micro Finance Bank (19%), Al Abbas Cement (10%) and Sunbiz (Pvt.) Limited (4.65%) did not generate returns during the period under review, although the medium term prospects remain sound in each case.

Future outlook

The current quarter has started on a positive note. The KSE-100 index has risen 12.27 percent during the 31 days of January 2007 providing good appreciation in the value of the investment portfolio. At the same time better performance of the market will benefit its subsidiaries ie the asset management company, the brokerage house and the bank. Additionally the proposed merger of the Company with the bank will be value additive for the shareholders of both, the Company and the bank.

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
31 January 2007

Arif Habib
Chairman & Chief Executive

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Arif Habib Securities Limited as at December 31, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the half-year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion. Based on our review nothing has come to our attention that causes us believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi

Dated : 31 January 2007

Khalid Majid Rahman sarfaraz

Rahim Iqbal Rafiq

Chartered Accountants

HALF YEARLY REPORT 2006

BALANCE SHEET

as at December 31, 2006

(Rupees)

	December 2006	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	<u>1,000,000,000</u>	290,000,000
Buy back of shares	-	(20,000,000)
100,000,000 (June 2006 : 27,000,000)		
Ordinary shares of Rs. 10/- each	1,000,000,000	270,000,000
General reserve	4,000,000,000	4,000,000,000
Surplus on remeasurement of investments - Net	2,275,901,368	1,929,406,463
Unappropriated profit	5,625,443,866	4,491,235,243
	12,901,345,234	10,690,641,706
Deferred tax liability	1,141,206,698	1,251,296,567
Current liabilities		
Short term running finance	899,214,928	24,051,162
Trade and other payables	44,640,406	63,091,763
Accrued markup	182,822	8,249,621
Taxation	36,182,342	22,112,500
	980,220,498	117,505,046
Contingency	-	-
	<u>15,022,772,430</u>	<u>12,059,443,319</u>

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

BALANCE SHEET

as at December 31, 2006

(Rupees)

	December 2006	June 2006
ASSETS		
Property and equipment	7,184,574	9,015,659
Long term investments	10,287,250,859	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	3,538,295,037	3,371,947,570
Trade debts	76,996,974	27,410,876
Receivable against securities transaction	500,000,000	521,066,342
Loan and advances	244,466,159	612,771,791
Deposits, prepayments & advance tax	43,927,383	29,423,714
Other receivables	34,907,068	112,464,724
Cash & bank balances	39,691,377	584,751,815
	4,478,283,998	5,259,836,832
	15,022,772,430	12,059,443,319

Chief Executive

Director

HALF YEARLY REPORT 2006

PROFIT AND LOSS ACCOUNT

for the half year ended December 31, 2006

(Rupees)

	Half Year Ended		Second Quarter Ended	
	December 2006	December 2005	December 2006	December 2005
Operating revenues	277,008,236	400,555,091	23,106,222	150,206,365
Capital gain on investments	1,453,922,131	1,199,067,235	956,998,999	828,193,768
	1,730,930,367	1,599,622,326	980,105,221	978,400,133
Operating expenses	(38,917,289)	(57,506,303)	(22,461,639)	(26,091,008)
Operating profit	1,692,013,078	1,542,116,023	957,643,582	952,309,125
Finance cost	(38,913,483)	(91,222,618)	(10,795,399)	(27,770,680)
Other charges	(16,771,900)	(33,744)	13,228,100	-
Other income	601,267	2,417,486	9,987	719,999
Surplus on remeasurement of investments	677,913,718	617,134,021	(398,920,044)	122,237,659
	622,829,602	528,295,145	(396,477,356)	95,186,978
Profit before taxation	2,314,842,680	2,070,411,168	561,166,226	1,047,496,103
Provision for taxation				
- Prior	-	(329,083)	-	(329,083)
- Current	(14,069,842)	(15,082,322)	(1,167,111)	(9,283,286)
- Deferred	(234,064,215)	-	-	-
	(248,134,057)	(15,411,405)	(1,167,111)	(9,612,369)
Profit after taxation	2,066,708,623	2,054,999,764	559,999,115	1,037,883,734
Earning per share				
- basic & diluted	20.67	20.55	5.60	10.38

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

Chief Executive

Director

CASH FLOW STATEMENT

for the half year ended December 31, 2006

(Rupees)

	December 2006	December 2005
Cash flow from operating activities		
Profit before taxation	2,314,842,680	2,070,411,168
Adjustment for:		
Depreciation	957,489	1,131,300
Surplus on remeasurment of investment	(891,673,200)	-
Dividend income	(273,649,753)	(202,202,719)
Interest income	(601,267)	(2,297,313)
Provision for doubtful debts	16,771,900	-
Finance cost	38,913,483	91,222,618
	(1,109,281,348)	(112,146,114)
Operating profit before working capital changes	1,205,561,332	1,958,265,055
Changes in working capital		
(Increase)/Decrease in current assets		
Trade debts	(59,586,098)	93,613,202
Loans and advances	368,305,632	(27,231,372)
Deposits & prepayments	197,021	62,657,647
Other receivables	(26,911,594)	161,159
Increase/(Decrease) in current liabilities		
Trade & other payables	(18,451,356)	766,760,460
	263,553,605	895,961,096
Cash generated from operating activities	1,469,114,937	2,854,226,151
Income tax paid	(14,700,690)	(61,922,558)
Financial charges paid	(46,980,282)	(96,524,268)
Net cash generated from operating activities	1,407,433,965	2,695,779,325
Cash flow from investing activities		
Fixed capital expenditure	(271,000)	(4,243,978)
Memberships & licences	-	36,600,000
Dividend received	371,347,103	195,308,495
Interest received	601,267	3,959,154
Long term investments	(2,852,907,010)	(160,015,898)
Buy back of shares	-	(720,000,000)
Long term loans	-	(1,175,918,000)
Proceed from sale of property & equipment	1,144,596	-
Long term deposits	208,000	2,670,000
Net cash used in investing activities	(2,479,877,044)	(1,821,640,228)
Cash flow from financing activities		
Dividend paid	(202,500,000)	(180,000,000)
Net cash used in financing activities	(202,500,000)	(180,000,000)
Net (decrease)/increase in cash and cash equivalents	(1,274,943,079)	694,139,098
Cash and bank balances at beginning of the period	4,453,714,565	3,932,936,037
Cash and cash equivalent at end of the period	3,178,771,486	4,627,075,135
Cash and cash equivalent		
Investment-at fair value through profit and loss	3,538,295,037	6,149,832,788
Receivable against securities transactions	500,000,000	645,755,070
Cash and bank balance	39,691,377	135,943,861
Short term running finance	(899,214,928)	(2,304,456,584)
	3,178,771,486	4,627,075,135

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

Chief Executive

Director

HALF YEARLY REPORT 2006

STATEMENT OF CHANGES IN EQUITY

for the half year ended December 31, 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 half year ended Dec.2005	-	-	-	2,054,999,764	2,054,999,764
Buy - Back of shares	(20,000,000)	-	-	(700,000,000)	(720,000,000)
Issue of bonus shares	90,000,000	-	-	(90,000,000)	-
Interim dividend	-	-	-	(180,000,000)	(180,000,000)
Surplus on remeasurement of investments - Net	-	-	69,400,000	-	69,400,000
Balance as at Dec. 31, 2005	270,000,000	4,000,000,000	865,571,410	2,388,871,846	7,524,443,256
Profit for the period Jan., 2006 - Jun., 2006	-	-	-	2,102,363,397	2,102,363,397
Surplus on remeasurement of investment:- Net	-	-	1,063,835,053	-	1,063,835,053
Balance as at June 30, 2006	270,000,000	4,000,000,000	1,929,406,463	4,491,235,243	10,690,641,706
Profit for the half year ended Dec.2006	-	-	-	2,066,708,623	2,066,708,623
Surplus on remeasurement of investment - Net	-	-	346,494,905	-	346,494,905
Interim dividend	-	-	-	(202,500,000)	(202,500,000)
Issue of bonus shares	730,000,000	-	-	(730,000,000)	-
Balance as at Dec. 31, 2006	1,000,000,000	4,000,000,000	2,275,901,368	5,625,443,866	12,901,345,234

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended December 31, 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 portfolio investment in listed and unlisted securities. This includes underwriting of initial public offerings.

1.2 The company is the holding company of Arif Habib Limited a brokerage house with 75% shareholding, Arif Habib Investment Management Limited an asset management company with 62.4% shareholding, Arif Habib DMCC a member of Dubai Gold & Commodities Exchange with 100% shareholding, Arif Habib Rupali Bank Limited a commercial bank with 89.11% shareholding and Pakistan Private Equity Management Limited a venture capital management company with 90% shareholding. Additionally it has long term investments of 30% in PakArab Fertilizer (Pvt.) Limited, 10% in Al-Abbas Cement Limited, 19.01% in Rozgar Microfinance Bank Limited, 10% in Takaful Pakistan Limited, 28.50% in Pervez Ahmed Securities Limited and 4.65% in Sunbiz (Pvt.) Limited.

2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

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

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

3 Issued, Subscribed and Paid-up Capital

4,000,000 Ordinary shares of Rs.10/- each issued at par fully paid in cash (June 2006: 4,000,000 shares)

1,000,000 Ordinary shares of Rs.10/- each issued at a premium of Rs.30/- per share fully paid in cash (June 2006: 1,000,000)

97,000,000 Ordinary shares of Rs.10/- each issued as fully paid up bonus shares (June 2006: 24,000,000 shares)

2,000,000 Ordinary shares of Rs.10/- each buy-backed at Rs.360/- per share

	(Rupees)	
	December 2006	June 2006
	40,000,000	40,000,000
	10,000,000	10,000,000
	970,000,000	240,000,000
	<u>1,020,000,000</u>	<u>290,000,000</u>
	(20,000,000)	(20,000,000)
	<u>1,000,000,000</u>	<u>270,000,000</u>

HALF YEARLY REPORT 2006

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 been increased from Rupees Five Hundred Million (Rs.500 million) to Rupees One Billion (Rs.1 billion) and its issued, subscribed & paid-up capital has increased to Rupees One Billion (Rs.1 billion) after taking effect of Seventy Three Million (73 million) bonus shares issued during the period. Accordingly, earning per share (EPS) of all periods presented have been adjusted retrospectively. Therefore, EPS of half year ended and quarter ended December 31, 2006 have been restated from Rs.76.11 to Rs.20.55 and Rs.38.44 to Rs.10.38, respectively.

4 Taxation

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

5 Contingency

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

6 Property & Equipment

Fixed capital expenditure during the period amounting to Rs. 0.271 million (June 30, 2006: Rs.8.246 million). Deletion of fixed assets made during the period was amounting to Rs.1.335 million (June 30, 2006: Rs. 6.214 million).

7 Long Term Investments

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

8 Related Party Transactions

Rupees

Maximum balance due from/(to) at the end of any month	
-- Arif Habib Investment Management Limited	(1,825,585)
-- Arif Habib Limited	(1,655,678,318)
-- Arif Habib Rupali Bank Limited	6,797,919
-- Pakistan Private Equity Management Limited	4,200,149

9 Date of Authorization for Issue

These financial statements have been authorized for issue on 31st January 2007 by the Board of Directors of the company.

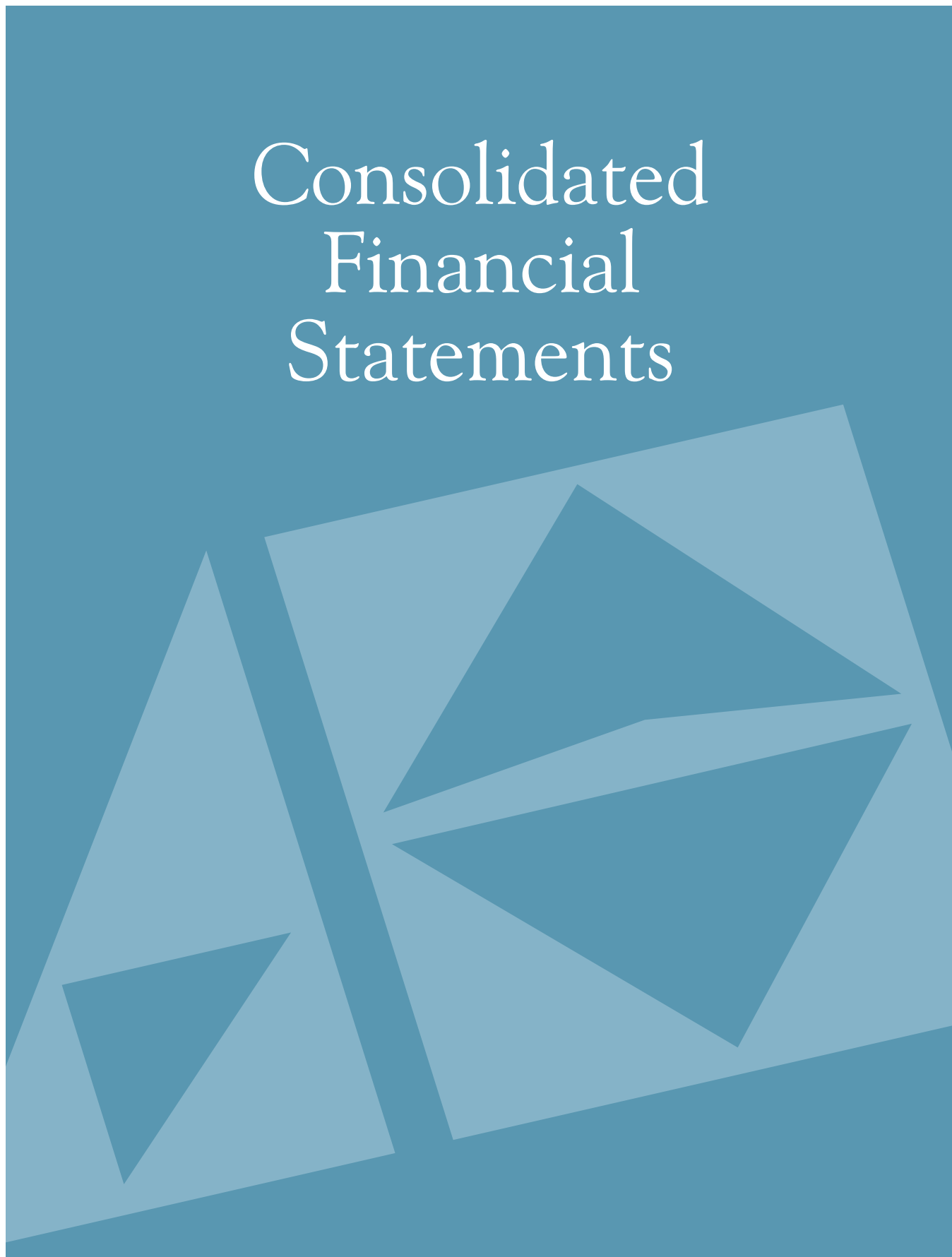
10 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director

Consolidated Financial Statements



HALF YEARLY REPORT 2006

CONSOLIDATED BALANCE SHEET

as at December 31, 2006

(Rupees)

	December 2006	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	<u>1,000,000,000</u>	290,000,000
Buy back of shares	-	(20,000,000)
100,000,000 (June 2006 :27,000,000)\ ordinary shares of Rs.10/- each	<u>1,000,000,000</u>	270,000,000
General reserve	<u>4,000,000,000</u>	4,000,000,000
(Deficit)/surplus on remeasurement of investments - Net	<u>(15,017,044)</u>	158,668,673
Exchange differences on translation		
to presentation currency	29,798	(23,279)
Unappropriated profit	<u>4,658,328,346</u>	3,813,762,493
	<u>9,643,341,100</u>	8,242,407,887
Minority interest	<u>641,047,017</u>	216,081,841
Total equity	<u>10,284,388,117</u>	8,458,489,728
Long term liabilities	<u>20,022,250</u>	74,310,100
Liability against assets subject to finance lease	<u>2,121,778</u>	2,654,067
Deferred tax & other liability	<u>44,434,027</u>	2,366,234
Current liabilities		
Trade and other payables	<u>651,996,454</u>	313,943,858
Short term borrowings	<u>1,841,577,314</u>	82,925,541
Current portion of long-term liabilities	<u>112,500,000</u>	113,700,000
Current portion of liability against assets subject to finance lease	<u>1,040,955</u>	994,823
Margin finance - Banks	-	-
Accrued markup	<u>19,214,599</u>	18,839,364
Deferred income	<u>50,000</u>	3,262,020
Deposits and other accounts	<u>2,526,312,000</u>	-
Taxation	<u>102,115,467</u>	106,556,431
	<u>5,254,806,789</u>	640,222,037
Contingency	-	-
	<u>15,605,772,961</u>	9,178,042,166

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

CONSOLIDATED BALANCE SHEET

as at December 31, 2006

(Rupees)

	December 2006	June 2006
ASSETS		
Property and equipment	443,201,980	52,469,470
Goodwill	(6,050,215)	(7,177,259)
Intangible assets	3,150,029	3,772,487
Capital work-in-progress	29,392,970	27,488,625
Membership & licenses	47,590,700	47,590,700
Long term investments	2,704,749,839	2,342,818,267
Long term advance & receivables	10,047,604	21,346,899
Long term deposits	23,455,949	22,940,949
Current assets		
Investments - at fair value through profit & loss	3,567,291,037	3,502,352,170
Investments - available for sale	2,051,553,980	344,963,035
Trade debts	1,978,043,317	421,139,917
Receivable against securities transaction	500,000,000	548,119,056
Loan and advances	2,777,456,496	636,301,543
Deposits, prepayments & advance tax	152,326,378	88,051,737
Other receivables/assets	190,715,287	120,635,128
Deferred cost	1,137,557	958,554
Receivable from funds managed by AHIML	103,921,099	204,373,390
Cash & bank balances	1,027,788,954	799,897,498
	12,350,234,105	6,666,792,028
	15,605,772,961	9,178,042,166

Chief Executive

Director

HALF YEARLY REPORT 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the half year ended December 31, 2006

(Rupees)

	Half Year Ended		Second Quarter Ended	
	December 2006	December 2005	December 2006	December 2005
Operating revenues	910,087,521	706,085,531	457,966,343	287,595,696
Capital gain on investments	1,522,958,785	1,225,287,054	1,006,135,570	854,413,587
	2,433,046,306	1,931,372,585	1,464,101,913	1,142,009,283
Operating expenses	(341,649,769)	(189,891,152)	(202,614,314)	(97,963,555)
Operating profit	2,091,396,537	1,741,481,433	1,261,487,599	1,044,045,728
Finance cost	(78,931,436)	(99,824,166)	(37,908,687)	(33,310,990)
Other charges	(16,851,900)	(33,744)	13,148,100	-
Other income	3,010,353	1,691,329	1,420,986	937,636
(Deficit)/surplus on remeasurement of investments	(210,234,550)	633,854,021	(395,154,419)	134,302,659
	(303,007,533)	535,687,440	(418,494,020)	101,929,305
Share of profit of associates-Net	139,852,992	-	60,412,213	-
Profit before taxation	1,928,241,996	2,277,168,873	903,405,792	1,145,975,033
Provision for taxation				
- Prior	-	326,485	-	326,485
- Current	(61,848,963)	(48,008,723)	17,286,521	(25,768,507)
- Deferred	(745,793)	(611,739)	(21,699,866)	(1,639,551)
	(62,594,756)	(48,293,977)	(4,413,345)	(27,081,573)
Profit after taxation	1,865,647,240	2,228,874,896	898,992,447	1,118,893,460
Minority interest	(88,581,387)	(45,621,592)	(12,341,312)	(12,848,922)
	1,777,065,853	2,183,253,304	886,651,135	1,106,044,538
Earning per share				
- basic & diluted	17.77	21.83	8.87	11.06

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

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT

for the half year ended December 31, 2006

(Rupees)

	December 2006	December 2005
Cash flow from operating activities		
Profit before taxation	1,928,241,996	2,277,168,873
Adjustment for:		
Depreciation	11,660,426	4,249,510
Dividend income	(378,178,493)	(206,109,219)
Profit from associated undertakings	(139,852,992)	-
Other income	(3,010,353)	(1,691,329)
Amortization of computer system	622,460	862,556
(Gain) / loss on disposal of fixed assets	(47,186)	-
Provision for doubtful debts	16,851,900	-
Finance cost	78,931,436	99,824,166
	(413,022,802)	(102,864,316)
Operating profit before working capital changes	1,515,219,194	2,174,304,557
Changes in working capital (Increase)/decrease in current assets		
Trade debts	(1,556,903,400)	(1,179,605,405)
Loan and advances	(2,141,154,953)	(39,231,901)
Deposits and prepayments	(64,274,641)	(39,620,618)
Other receivables/assets	(70,080,160)	(2,093,190)
Receivable from funds	100,452,291	(42,756,635)
Increase/(decrease) in current liabilities		
Trade and other liabilities	338,052,596	1,668,147,484
	(3,393,908,267)	364,839,735
Cash (used in)/generated from operating activities	(1,878,689,073)	2,539,144,292
Income tax paid	(90,219,196)	(101,999,397)
Finance cost paid	(78,406,719)	(109,193,631)
Net cash (used in)/generated from operating activities	(2,047,314,988)	2,327,951,264
Cash flow from investing activities		
Fixed capital expenditure	(19,760,000)	(13,754,068)
Proceed from sale of property & equipment	2,975,291	-
Dividend received	475,975,843	195,308,495
Interest received	601,267	6,631,697
Investments	(2,099,608,001)	(261,386,451)
Long term receivable	-	4,035,615
Long term loan & advances	11,299,295	(725,918,000)
Buy-back of shares	-	(720,000,000)
Long term deposits	(515,000)	(131,517)
Net cash (used) in investing activities	(1,629,031,305)	(1,515,214,229)
Cash flow from financing activities		
Dividend paid	(350,000,000)	(180,000,000)
Long term liability	(55,487,850)	(81,712,654)
Deposits and other accounts	2,526,312,000	-
Other liability	42,067,793	(871,800)
Obligation under finance lease	(486,157)	(444,025)
Net cash generated from/(used in) financing activities	2,162,405,786	(263,028,479)
Increase in cash and cash equivalents	(1,513,940,506)	549,708,556
Cash and cash equivalents at beginning of the period	4,767,443,183	3,932,758,849
Cash and cash equivalent at end of the period	3,253,502,677	4,482,467,405

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

Chief Executive

Director

HALF YEARLY REPORT 2006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended December 31, 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 half year ended Dec., 2005	-	-	-	-	2,183,253,304	2,183,253,304
Surplus on remeasurement of investments-Net	-	-	122,011,890	-	-	122,011,890
Buy-back of shares	(20,000,000)	-	-	-	(700,000,000)	(720,000,000)
Interim dividend	-	-	-	-	(180,000,000)	(180,000,000)
Interim issue of bonus shares	90,000,000	-	-	-	(90,000,000)	-
Balance as at December 31, 2005	270,000,000	4,000,000,000	197,583,177	-	2,599,521,224	7,067,104,401
Profit for the period January-June, 2006	-	-	-	-	1,214,241,269	1,214,241,269
Deficit on remeasurement of investments-Net	-	-	(38,914,504)	-	-	(38,914,504)
Exchange differences on translation to presentation currency	-	-	-	(23,279)	-	(23,279)
Balance as at June 30, 2006	270,000,000	4,000,000,000	158,668,673	(23,279)	3,813,762,493	8,242,407,887
Profit for the half year ended Dec., 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
Interim dividend	-	-	-	-	(202,500,000)	(202,500,000)
Issue of bonus shares	730,000,000	-	-	-	(730,000,000)	-
Balance as at December 31, 2006	1,000,000,000	4,000,000,000	(15,017,044)	29,798	4,658,328,346	9,643,341,100

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

Chief Executive

Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

for the half year ended December 31, 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 07, 2004 under the Companies Ordinance, 1984, as an unquoted Public Limited Company with registered office at room # 60-63, Karachi Stock Exchange Building, Stock Exchange Road, Karachi. The company is a member of Karachi, Lahore and Islamabad Stock Exchanges having been granted registration as brokerage house by Securities & Exchange Commission of Pakistan (SECP) on September 22, 2005. The company is a subsidiary of Arif Habib Securities Limited and since December 05, 2005 is principally engaged in the business of brokerage, financial consultancy, underwriting, acquisition of securities/portfolio management and securities research. Effective January 31, 2007, the company shall become a listed company on the Karachi Stock Exchange (Guarantee) Limited and these financial statements have accordingly been prepared as that of a listed company. During the period the holding company Arif Habib Securities Limited that held 100% of 20 million shares in the company offered to general public to subscribe to 5 million shares or 25%. The issue was fully subscribed on the dates of subscription i.e., December 22nd and 23rd, 2006.
- 1.5** 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 89.11%.
- 1.6** Arif Habib - DMCC (the subsidiary) was incorporated in Dubai on October 24, 2005 as a limited liability company with registered office at Dubai Metals & Commodities Center, Dubai, UAE. The company is a wholly owned subsidiary of AHSL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on October 26, 2005. The Company is expected to commence its operations in the current calendar year.

HALF YEARLY REPORT 2006

2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

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

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

3 Issued, Subscribed and Paid-up Capital

4,000,000 Ordinary shares of Rs.10/- each issued at par fully paid in cash (June 2006: 4,000,000 shares)

40,000,000 40,000,000

1,000,000 Ordinary shares of Rs.10/- each issued at a premium of Rs.30/- per share fully paid in cash (June 2006: 1,000,000)

10,000,000 10,000,000

97,000,000 Ordinary shares of Rs.10/- each issued as fully paid up bonus shares (June 2006: 24,000,000 shares)

970,000,000 240,000,000
1,020,000,000 290,000,000

2,000,000 Ordinary shares of Rs.10/- each buy-backed at Rs.360/- per share

(20,000,000) (20,000,000)
1,000,000,000 270,000,000

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 been increased from Rupees Five Hundred Million (Rs.500 million) to Rupees One Billion (Rs.1 billion) and its issued, subscribed & paid-up capital has increased to Rupees One Billion (Rs.1 billion) after taking effect of Seventy Three Million (73 million) bonus shares issued during the period. Accordingly, Earning Per Share (EPS) of all periods presented have been adjusted retrospectively. Therefore, EPS of half year ended and quarter ended December 31, 2006 have been restated from Rs.65.82 to Rs.17.77 and Rs.32.84 to Rs.8.87, respectively.

4 Taxation

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

5 Contingency

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

6 Property & Equipment

Fixed capital expenditure during the period amounting to Rs. 19.76 million (June 30, 2006: Rs.30.90 million). Deletion of fixed assets made during the period was amounting to Rs.4.003 million (June 30, 2006: Rs. 13.75 million).

Rupees

7 Related Party Transactions

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

-- Arif Habib Investment Management Limited	(1,850,000)
-- Arif Habib Limited	(1,655,678,318)
-- Arif Habib Rupali Bank Limited	6,797,919
-- Pakistan Private Equity Management Limited	4,200,149

8 Date of Authorization for Issue

These financial statements have been authorized for issue on January 31, 2007 by the Board of Directors of the company.

9 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director