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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

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### **Audit Committee**

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

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### **Company Secretary**

Haroon Usman

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### **Chief Financial Officer**

Tahir Iqbal

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### **Auditors**

Rahman Sarfaraz  
Rahim Iqbal Rafiq  
Chartered Accountants

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### **Legal Advisors**

Bawaney & Partners

### **Bankers**

Allied Bank Ltd.  
Arif Habib Bank Ltd.  
Atlas Bank Ltd.  
Bank Al Falah Ltd.  
Bank Al-Habib Ltd.  
Faysal Bank Ltd.  
First Women Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
KASB Bank Ltd.  
MCB Bank Ltd.  
My Bank Ltd.  
NIB Bank Ltd.  
Standard Chartered Bank  
The Bank of Punjab  
United Bank Ltd.

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### **Registered Office**

60-63, Karachi Stock Exchange Building  
Stock Exchange Road Karahi-74000  
Phones: 2415213-15 Fax No: 2416072 - 2429653  
E-mail: ahs1@arifhabib.com.pk

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### **Corporate Office**

Pardesi House, 2/I, R.Y. 16,  
Old Queens Road Karachi-74000  
Phone: 2460717-19 Fax No: 2470496  
E-mail: corporate\_finance@arifhabib.com.pk  
E-mail: equities\_research@arifhabib.com.pk

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

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

Technology Trade (Pvt.) Ltd.  
Dagja House, 241-C, Block-2, PECHS  
Off: Shahrah-e-Quaideen, Karachi.  
Ph: 4391316-7, 4387960-1 Fax: 4391318

# DIRECTORS' REPORT

## **Dear Shareholders**

On behalf of the Board of Directors, I am pleased to present the financial results of the company for the third quarter of financial year (FY) 2008 and for the nine months ended on 31 March 2008.

## **Economic and Market Review**

The economy of Pakistan has remained under pressure during the period under review. Budgetary targets for current financial year appear likely to be missed in the areas of fiscal and trade deficit, GDP growth and inflation. This is attributed to the year of general elections, and the facts that Pakistan was a victim of terrorism and international price hike in oil and commodities. Despite pressure on the economy, KSE-100 Index has shown extraordinary resilience, recording an appreciation of 7.5 percent during the quarter under review. Average daily turnover also recorded a growth of 19.74 percent compared to the corresponding period of the last year at 253.89 million shares.

## **Financial Results**

By the grace of Allah, your company continued its pace of progress and achieved good profits during the period. It has earned a profit after tax of Rs. 1,950 million for the third quarter aggregating to Rs. 6,061 million for the nine months ended on 31 March 2008. This translates into earnings per share of Rs. 6.50 and Rs. 20.20 respectively.

The company's subsidiaries and associated entities continued to do well and have contributed significantly to the achievement of record profits for the company.

## **Future Outlook**

The quality of the company's investment portfolio— both strategic and listed securities— is sound. Expected improvements in political and economic environment bode well for profitable investment opportunities for the company. The stated policies of the newly elected government are considered encouraging. In view of these, 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, Securities and Exchange Commission of Pakistan, State Bank of Pakistan and 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  
17 April 2008

**Arif Habib**  
Chairman & Chief Executive

## BALANCE SHEET

as at 31 March 2008

	(Rupees)	
	Un-audited March 2008	Audited June 2007
<b><u>EQUITY &amp; LIABILITIES</u></b>		
<b>CAPITAL AND LIABILITIES</b>		
<b>Authorized capital</b>		
300,000,000 (June 2007:300,000,000)		
ordinary shares of Rs. 10/- each	<u>3,000,000,000</u>	<u>3,000,000,000</u>
<b>Issued, subscribed and paid up capital</b>	<b>3,000,000,000</b>	3,000,000,000
<b>General reserves</b>	<b>4,000,000,000</b>	4,000,000,000
<b>Surplus on remeasurement of investments - Net of tax</b>	<b>7,896,394,184</b>	5,833,518,210
<b>Unappropriated profit</b>	<b>10,191,995,709</b>	5,241,070,168
	<b>25,088,389,893</b>	18,074,588,378
<b>Deferred tax</b>	<b>1,915,416,544</b>	1,833,794,116
<b>Current liabilities</b>		
Short term borrowing	-	-
Trade and other payables	<b>206,831,337</b>	122,339,161
Markup accrued	<b>12,230,865</b>	380,115
Taxation	<b>50,559,441</b>	18,122,191
	<b>269,621,643</b>	140,841,467
Contingency	-	-
	<u><b>27,273,428,080</b></u>	<u>20,049,223,961</u>

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

(Rupees)

	Un-audited March 2008	Audited June 2007
<b>ASSET</b>		
<b>Property and equipment</b>	4,608,119	5,399,800
<b>Long term investments</b>	20,342,179,413	14,508,840,738
<b>Long term deposits</b>	44,590	53,000
<b>Current assets</b>		
Investments - at fair value through profit and loss	4,229,128,105	5,134,859,682
Trade debts	23,510,575	48,510,575
Sales proceed receivable	2,020,717,588	-
Loans and advances	25,784,125	16,169
Prepayments	-	6,982
Advance tax	60,079,751	30,837,305
Other receivables	19,833,460	32,124,948
Cash and bank balances	547,542,354	288,574,762
	<b>6,926,595,958</b>	<b>5,534,930,423</b>
	<b>27,273,428,080</b>	<b>20,049,223,961</b>

Chief Executive

Director

## PROFIT AND LOSS ACCOUNT

### For the nine months ended 31 March 2008

(Rupees)

	Nine Months Ended		Third Quarter Ended	
	March 2008	March 2007	March 2008	March 2007
Operating revenue	516,007,535	328,164,045	56,339,184	51,155,809
Capital gain on investments - Net	3,750,596,092	1,697,662,813	1,781,616,006	243,740,682
	<b>4,266,603,627</b>	<b>2,025,826,858</b>	<b>1,837,955,190</b>	<b>294,896,491</b>
Operating expenses	(80,479,936)	(47,733,647)	(13,059,945)	(8,816,358)
<b>Operating profit</b>	<b>4,186,123,691</b>	<b>1,978,093,211</b>	<b>1,824,895,245</b>	<b>286,080,133</b>
Finance costs	(64,811,311)	(54,152,533)	(15,845,632)	(15,239,050)
Other charges	-	(2,608,408)	-	14,163,492
Other income	494,988	663,282	459,922	62,015
Gain on remeasurement of investments	2,756,798,530	835,751,470	147,728,237	157,478,738
	<b>2,692,482,207</b>	<b>779,653,811</b>	<b>132,342,527</b>	<b>156,465,195</b>
<b>Profit before taxation</b>	<b>6,878,605,898</b>	<b>2,757,747,022</b>	<b>1,957,237,772</b>	<b>442,545,328</b>
<b>Provision for taxation</b>				
- Current	(50,559,441)	(16,453,204)	(5,413,711)	(2,383,362)
- Prior	(4,772,878)	(359,014)	(1,502,464)	(359,014)
- Deferred	(762,348,038)	(234,064,215)	-	-
	<b>(817,680,357)</b>	<b>(250,876,433)</b>	<b>(6,916,175)</b>	<b>(2,742,376)</b>
<b>Profit after taxation</b>	<b>6,060,925,541</b>	<b>2,506,870,589</b>	<b>1,950,321,597</b>	<b>439,802,952</b>
<b>Earning per share-basic and diluted</b>	<b>20.20</b>	<b>8.36</b>	<b>6.50</b>	<b>1.47</b>

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



# CASH FLOW STATEMENT

## For the nine months ended 31 March 2008

(Rupees)

	March 2008	March 2007
<b>Cash flow from operating activities</b>		
Profit before taxation	6,878,605,898	2,757,747,022
Adjustment for:		
Depreciation	881,681	1,184,857
Dividend income	(509,904,495)	(321,316,966)
Profit on bank deposits	(470,988)	(663,282)
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	-	2,492,282
Finance costs	64,811,311	54,152,533
	<u>(4,045,416,740)</u>	<u>(1,155,823,776)</u>
Operating profit before working capital changes	2,833,189,158	1,601,923,246
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts	25,000,001	(2,591,981)
Loans and advances	(25,767,956)	346,323,860
Prepayments	6,982	195,954
Other receivables	610,321	109,462,192
Increase / (decrease) in current liabilities		
Trade and other liabilities	84,492,176	341,015,049
	<u>84,341,524</u>	<u>794,405,074</u>
Cash generated from operating activities	2,917,530,682	2,396,328,320
Income tax paid	(52,137,516)	(21,912,837)
Finance cost paid	(52,960,560)	(62,316,158)
Net cash from operating activities	<u>2,812,432,606</u>	<u>2,312,099,325</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(90,000)	(271,000)
Proceeds from sale of fixed assets	-	2,447,028
Dividend received	521,585,659	416,782,327
Profit received on bank deposits	494,988	663,282
Long term investments	(1,960,478,063)	(2,948,007,920)
Long term loans	-	(350,000,000)
Long term deposits	8,410	208,000
Net cash (used) in investing activities	<u>(1,438,479,006)</u>	<u>(2,878,178,283)</u>
<b>Cash flow from financing activities</b>		
Dividend paid	-	(202,500,000)
	-	(202,500,000)
<b>Increase/(decrease) in cash and cash equivalents</b>	<u>1,373,953,603</u>	<u>(768,578,958)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>5,423,434,444</u>	<u>4,453,714,565</u>
<b>Cash and cash equivalents at end of the period</b>	<u>6,797,388,047</u>	<u>3,685,135,607</u>

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

## STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2008

(Rupees)

	Share capital	General reserve	Surplus/(Deficit) on remeasurement of investments	Unappropriated profit	Total
<b>Balance as at 30 June 2006</b>	<b>270,000,000</b>	<b>4,000,000,000</b>	<b>1,929,406,463</b>	<b>4,491,235,243</b>	<b>10,690,641,706</b>
Profit for the period ended July 2006 to March, 2007	-	-	-	2,506,870,589	2,506,870,589
Surplus on remeasurement of investments - Net	-	-	508,194,905	-	508,194,905
Issue of bonus	730,000,000	-	-	(730,000,000)	-
Interim dividend	-	-	-	(202,500,000)	(202,500,000)
<b>Balance as at 31 March 2007</b>	<b>1,000,000,000</b>	<b>4,000,000,000</b>	<b>2,437,601,368</b>	<b>6,065,605,832</b>	<b>13,503,207,200</b>
Profit for the period ended April 2007 to June 2007	-	-	-	1,175,464,336	1,175,464,336
Surplus on remeasurement of investments - Net	-	-	3,395,916,842	-	3,395,916,842
Issue of bonus	2,000,000,000	-	-	(2,000,000,000)	-
<b>Balance as at 30 June 2007</b>	<b>3,000,000,000</b>	<b>4,000,000,000</b>	<b>5,833,518,210</b>	<b>5,241,070,168</b>	<b>18,074,588,378</b>
Profit for the period ended July 2007 to March, 2008	-	-	-	6,060,925,541	6,060,925,541
Surplus on remeasurement of investments - Net	-	-	2,062,875,974	-	2,062,875,974
Specie distribution of shares of AHBL	-	-	-	(1,110,000,000)	(1,110,000,000)
<b>Balance as at 31 March 2008</b>	<b>3,000,000,000</b>	<b>4,000,000,000</b>	<b>7,896,394,184</b>	<b>10,191,995,709</b>	<b>25,088,389,893</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the nine months ended 31 March 2008

### **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. During the period company has surrendered its license to carry out investment finance services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which was acquired on 22 January 2007 and now company is no more a Non-Banking Finance Company. 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 52% 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 & Commodity Exchange with 100% shareholding, S.KM Lanka Holdings (Pvt.) Limited with 75% 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, Aisha Steel Mills Limited with 25% 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 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. 0.090 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	854,566,096
-- Arif Habib Bank Limited	597,877,888
-- 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 17 April 2008 by the Board of Directors of the company.

#### 9 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director

# Consolidated Financial Statements



## CONSOLIDATED BALANCE SHEET as at 31 March 2008

	(Rupees)	
	Un-audited March 2008	Audited June 2007
<b>EQUITY &amp; LIABILITIES</b>		
<b>Share Capital and Reserves</b>		
<b>Authorized capital</b>		
300,000,000 (June 2007:300,000,000) ordinary shares of Rs. 10/- each	<b>3,000,000,000</b>	3,000,000,000
<b>Issued, subscribed and paid-up capital</b>	<b>3,000,000,000</b>	3,000,000,000
<b>General reserve</b>	<b>5,189,041,732</b>	4,019,567,665
<b>Surplus on remeasurement of investments</b>	<b>51,269,083</b>	110,842,696
<b>Exchange differences on translation to presentatin currency</b>	<b>125,031</b>	108,881
<b>Unappropriated profit</b>	<b>9,432,214,675</b>	4,426,009,399
	<b>17,672,650,520</b>	11,556,528,641
<b>Minority interest</b>	<b>1,846,591,366</b>	752,403,630
<b>Total equity</b>	<b>19,519,241,886</b>	12,308,932,271
<b>Long term liabilities</b>	<b>219,531,500</b>	202,384,500
<b>Liability against assets subject to finance lease</b>	<b>996,412</b>	1,564,806
<b>Deferred taxation</b>	<b>216,420,674</b>	36,507,428
<b>Current liabilities</b>		
Short term running finance	<b>1,446,630,605</b>	-
Deposits and other accounts	<b>13,611,846,000</b>	4,568,958,488
Bills payable	<b>438,687,000</b>	19,612,000
Borrowing from financial institutions	<b>895,373,000</b>	1,183,054,000
Current portion of long term liabilities	<b>25,850,000</b>	57,450,000
Current portion of liability against assets subject to finance lease	<b>1,165,863</b>	1,089,225
Trade and other payables	<b>2,211,240,229</b>	506,004,211
Markup accrued	<b>26,353,897</b>	4,195,581
Taxation	<b>117,749,635</b>	119,899,615
	<b>18,774,896,229</b>	6,460,263,120
<b>Contingency</b>	<b>-</b>	-
	<b>38,731,086,701</b>	19,009,652,125

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

	(Rupees)	
	Un-audited March 2008	Audited June 2007
<b>ASSETS</b>		
Property and equipment	530,685,808	366,332,921
Goodwill	(2,990,524)	(4,784,839)
Intangible assets	148,971,414	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	5,501,894,053	2,656,217,697
Long term advance & receivables	9,754,132	10,967,294
Long term deposits	24,651,917	24,138,707
<b>Current assets</b>		
Investments - at fair value through profit & loss	4,338,519,049	5,247,776,732
Investments - available for sale	6,865,401,608	5,105,907,617
Trade debts	3,029,243,758	224,710,950
Sales proceed receivable	2,020,717,588	220,554,999
Advances	11,749,432,000	2,506,519,000
Balances with other banks	172,901,000	500,991,000
Lending to Financial Institutions	850,000,000	400,000,000
Loans and advances	83,376,003	27,406,615
Deposits and prepayments	338,127,755	93,806,914
Advance tax	101,603,326	136,371,124
Other receivables	427,535,867	240,132,384
Deferred costs	-	42,762,691
Receivable from Funds managed by AHIML	62,565,814	182,136,142
Cash and bank balances	2,274,644,980	785,993,951
	<b>32,314,068,748</b>	<b>15,715,070,119</b>
	<b>38,731,086,701</b>	<b>19,009,652,125</b>

Chief Executive

15

Director

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### For the nine months ended 31 March 2008

**(Rupees)**

	Nine Months Ended		Third Quarter Ended	
	March 2008	March 2007	March 2008	March 2007
Operating revenue	2,074,205,801	1,274,718,679	668,681,490	364,631,158
Capital gain on investments - Net	3,977,251,833	1,854,633,511	2,482,962,486	331,674,726
	<b>6,051,457,634</b>	<b>3,129,352,190</b>	<b>3,151,643,976</b>	<b>696,305,884</b>
Operating expenses	<b>(822,677,812)</b>	<b>(562,920,925)</b>	<b>(290,694,846)</b>	<b>(221,271,156)</b>
<b>Operating profit</b>	<b>5,228,779,822</b>	<b>2,566,431,265</b>	<b>2,860,949,130</b>	<b>475,034,728</b>
Finance costs	<b>(114,025,478)</b>	<b>(128,296,278)</b>	<b>(35,764,479)</b>	<b>(49,364,842)</b>
Other charges	<b>(817,755)</b>	<b>(2,503,512)</b>	<b>(508,160)</b>	<b>14,348,388</b>
Other income	<b>24,005,337</b>	<b>12,214,437</b>	<b>9,304,084</b>	<b>9,204,084</b>
Gain on remeasurement of investments	<b>525,754,522</b>	<b>(52,521,221)</b>	<b>152,979,539</b>	<b>157,713,329</b>
	<b>434,916,626</b>	<b>(171,106,574)</b>	<b>126,010,984</b>	<b>131,900,959</b>
Share of profit of associates-Net	<b>564,684,926</b>	<b>166,538,811</b>	<b>163,154,426</b>	<b>26,685,819</b>
<b>Profit before taxation</b>	<b>6,228,381,374</b>	<b>2,561,863,502</b>	<b>3,150,114,540</b>	<b>633,621,506</b>
<b>Provision for taxation</b>				
- Current	<b>(165,281,726)</b>	<b>(93,767,403)</b>	<b>(56,386,893)</b>	<b>(31,918,440)</b>
- Prior	<b>(44,981,649)</b>	<b>(563,214)</b>	<b>301,765</b>	<b>(563,214)</b>
- Deferred	<b>(253,908,246)</b>	<b>43,512,503</b>	<b>451,453</b>	<b>44,258,296</b>
	<b>(464,171,621)</b>	<b>(50,818,114)</b>	<b>(55,633,675)</b>	<b>11,776,642</b>
<b>Profit after taxation</b>	<b>5,764,209,753</b>	<b>2,511,045,388</b>	<b>3,094,480,865</b>	<b>645,398,148</b>
Minority interest	<b>(344,531,726)</b>	<b>(128,814,173)</b>	<b>(183,518,051)</b>	<b>(40,232,786)</b>
	<b>5,419,678,027</b>	<b>2,382,231,215</b>	<b>2,910,962,814</b>	<b>605,165,362</b>
<b>Earnings per share-basic and diluted</b>	<b>18.07</b>	<b>7.94</b>	<b>9.70</b>	<b>2.02</b>

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



# CONSOLIDATED CASH FLOW STATEMENT

## For the nine months ended 31 March 2008

(Rupees)

	March 2008	March 2007
<b>Cash flow from operating activities</b>		
Profit before taxation	6,228,381,374	2,561,863,502
Adjustment for:		
Depreciation	38,584,734	21,396,444
Dividend income	(677,280,662)	(433,010,729)
Other income	(24,005,337)	(12,214,437)
Amortization	13,762,857	967,766
Gain on sale of assets	(2,007,139)	(720,000)
Provision/(reversal) for doubtful debts	(24,000)	2,503,512
Share of profits of associates	(564,684,926)	(166,538,811)
Specie distribution of shares of FFCL	(675,000,000)	-
Amortization of negative goodwill	(1,794,315)	(1,794,315)
Finance costs	(114,025,478)	128,296,278
	<u>(2,006,474,266)</u>	<u>(461,114,292)</u>
Operating profit before working capital changes	4,221,907,108	2,100,749,210
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts	(2,804,532,808)	(1,812,486,871)
Loans and advances	(55,969,388)	(2,005,073,620)
Deposits and prepayments	(244,320,841)	(39,153,332)
Other receivables	(187,403,483)	(23,749,463)
Receivable from funds	119,570,328	100,452,291
Advances	(9,242,913,000)	-
Increase / (decrease) in current liabilities		
Deposits and other accounts	9,042,887,512	3,655,466,000
Bills payable	419,075,000	-
Borrowing from financial institutions	(287,681,000)	-
Trade and other payables	1,961,884,920	700,377,376
	<u>(1,279,402,760)</u>	<u>575,832,381</u>
Cash generated from operating activities	2,942,504,348	2,676,581,591
Income tax paid	(139,432,414)	(88,873,866)
Finance cost paid	(96,119,870)	(120,355,708)
Net cash from operating activities	<u>2,706,952,064</u>	<u>2,467,352,017</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(310,115,228)	(339,142,656)
Memberships & licenses	(15,550,000)	-
Proceeds from fixed assets	25,685,500	10,546,585
Dividend received	558,822,808	528,576,090
Profit on bank deposits & other	24,005,337	663,282
Investments-net	(1,905,170,347)	(3,353,339,603)
Long term advance & receivables	1,213,162	11,299,295
Long term deposits	(513,210)	(552,500)
Net cash (used) in investing activities	<u>(1,637,171,979)</u>	<u>(3,141,949,507)</u>
<b>Cash flow from financing activities</b>		
Dividend paid	-	(350,000,000)
Long term liability	(14,453,000)	(58,050,643)
Balances with other banks	328,090,000	227,404,208
Lending to Financial Institutions	(450,000,000)	-
Obligation under finance lease	(491,756)	(486,157)
Net cash (used) in financing activities	<u>(136,854,756)</u>	<u>(181,132,592)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<u>932,925,329</u>	<u>(855,730,082)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>6,254,325,682</u>	<u>4,767,443,183</u>
<b>Cash and cash equivalents at end of the period</b>	<u>7,187,251,011</u>	<u>3,911,713,101</u>

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

**Chief Executive**

**Director**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2008

(Rupees)

	Share capital	General reserve	Surplus/ (Deficit) on remeasurement of investments	Exchange differences on translation to presentation currency	Unappropriated profit	Total
<b>Balance as at 30 June 2006</b>	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 2006 to March, 2007	-	-	-	-	2,382,231,215	2,382,231,215
(Deficit) on remeasurement of investments - Net	-	-	(206,949,685)	-	-	(206,949,685)
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)
Transferred to general reserve	-	19,567,665	-	-	-	19,567,665
<b>Balance as at 31 March 2007</b>	<b>1,000,000,000</b>	<b>4,019,567,665</b>	<b>(48,281,012)</b>	<b>29,798</b>	<b>5,263,493,708</b>	<b>10,234,810,159</b>
Profit for the period ended April to June, 2007	-	-	-	-	1,162,515,691	1,162,515,691
Surplus on remeasurement of investments - Net	-	-	159,123,708	-	-	159,123,708
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	-	-	-	-	-	-
<b>Balance as at 30 June 2007</b>	<b>3,000,000,000</b>	<b>4,019,567,665</b>	<b>110,842,696</b>	<b>108,881</b>	<b>4,426,009,399</b>	<b>11,556,528,641</b>
Profit for the period ended July 2007 to March, 2008	-	-	-	-	5,419,678,027	5,419,678,027
Surplus on remeasurement of investments - Net	-	-	(59,573,613)	-	-	(59,573,613)
Exchange differences on translation to presentation currency	-	-	-	16,150	-	16,150
Specie distribution of shares of AHBL	-	-	-	-	(413,472,751)	(413,472,751)
Transferred to general reserve	-	1,169,474,067	-	-	-	1,169,474,067
<b>Balance as at 31 March 2008</b>	<b>3,000,000,000</b>	<b>5,189,041,732</b>	<b>51,269,083</b>	<b>125,031</b>	<b>9,432,214,675</b>	<b>17,672,650,520</b>

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

**Chief Executive**

**Director**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2008

## I Status and Nature of Business

- 1.1 The company is the holding company of Arif Habib Limited a brokerage house with 52% 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 & Commodity Exchange with 100% shareholding, Pakistan Private Equity Management Limited a venture capital management company with 85% shareholding and S.K.M Lanka Holdings (Pvt) Limited with 75% shareholding. Additionally it has long term investments in PakArab Fertilizer Limited with 30% shareholding, Aisha Steel Mills Limited with 25% 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. During the period Company has surrendered its license to carry out investment finance services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which was acquired on 22 January 2007 and now Company is no more a Non-Banking Finance Company. 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 Commodity 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%.
- 1.5 Arif Habib Investment Management Limited (the subsidiary) was incorporated on 30 August 2000 as an unquoted public limited company under the Companies Ordinance, 1984 with registered office in Karachi, Pakistan. The certificate of commencement of business was obtained on 22 December 2000. The company is a majority owned subsidiary of AHSL with shareholding of 62.4%. The principal activity of the company is to act as the asset management company for open end unit trusts and investment advisors to close end funds.
- 1.6 Arif Habib - DMCC (the subsidiary) was incorporated in Dubai on 24 October 2005 as a limited liability company with registered office at Dubai Metals & Commodities Center, Dubai, UAE. The company is a wholly owned subsidiary of AHSL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on 26 October 2005. The company is expected to commence its operations in the current calendar year.
- 1.7 Pakistan Private Equity Management Limited (the subsidiary) a venture capital management company, incorporated in 2006 under the Companies Ordinance, 1984 as an unquoted Public Limited Company with the registered office at 2/1, R.Y.16, Old Queens Road, Karachi. The company is a majority owned subsidiary of AHSL with shareholding of 85%.
- 1.8 S.K.M Lanka Holdings (Pvt.) Limited (the subsidiary) was registered in Sri Lanka in 2007 as limited liability company with registered office 68/1, Dawson Street, Colombo 2, Sri Lanka. The company is a member of Colombo Stock Exchange. The Company is a majority owned subsidiary of AHSL with shareholding of 75%.

## 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.

### 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. 310.115 million (30 June 2007: Rs.358.460 million). Deletion of fixed assets made during the period was amounting to Rs.23.678 million (30 June 2007: Rs. 13.207 million).

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	854,566,096
-- Arif Habib Bank Limited	597,877,888
-- 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 17 April 2008 by the Board of Directors of the company.

## 9 General

- Figures have been rounded off to the nearest rupee

Chief Executive

Director