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Corporate Information

Board of Directors

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

Audit Committee

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

Company Secretary

Haroon Usman

Chief Financial Officer

Muhammad Rafiq Jangda

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisors

Bawaney & Partners

Bankers

Allied Bank Ltd.
Arif Habib Bank Ltd.
Askari Bank Ltd.
Atlas Bank Ltd.
Bank Al Falah Ltd.
Bank Al Habib Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
KASB Bank Ltd.
MCB Bank Ltd.
MyBank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
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 : ahl@arifhabibltd.com

Research and Corporate Finance

Pardesi House, 2/1, R.Y. 16, Old Queens Road Karachi-74000
Phones: 2460717-19 Fax No: 2470496
E-mail: corporate_finance@arifhabib.com.pk
E-mail: equities_research@arifhabib.com.pk

Website: www.arifhabibltd.com

Registrar & Share Transfer Office

Technology Trade (Pvt.) Ltd.
Dagia House, 241-C,
Block-2, P.E.C.H.S.
Off: Shahrah-e-Quaideen, Karachi.
Phones: 4391316-7 Fax: 4391318

Directors' Report

to the Members

On behalf of the Company's Board of Directors, I have pleasure in presenting the half-yearly report of Arif Habib Limited (AHL) for the period ended 31 December 2007, together with the financial statements for the period. These financial statements have been reviewed by AHL's external auditors.

By the Grace of Almighty Allah, your Company posted strong performance during the half year. As elaborated in the sections below, each one of the principal performance parameters showed substantive improvement, period-on-period.

Operating results

During the six months' period under review, AHL earned operating revenues of PKR 339.94 million and posted net profit after tax of PKR 251.26 million. This represents earnings of PKR 10.68 per share, on a fully diluted basis. The period-on-period increases in operating revenues and net profits were respectively recorded at 74.1 percent and 84.6 percent.

At the end of the half year under review, i.e. on 31 December 2007, the total equity of your Company stood at PKR 848.72 million. This represents a period-on-period increase of 106.0 percent. The sound equity build-up on the back of profitable operations is all the more satisfying especially considering that your Company has paid cash dividend at 100 percent during the interim period.

The market

The KSE-100 index closed on 14,075.83 points on 31 December 2007. This represented a net appreciation of only 2.2 percent in the index level during the six months' period under review. However, the average daily volumes—the average number of shares traded per day—were up by a very healthy 56.8 percent period-on-period, from a mere 173.28 million per day in the period to 31 December 2006 to 271.75 million per day in the period to 31 December 2007. Your Company posted improvement in operating results beyond those provided by the enhanced opportunity-set, indicating its ability to perform well in a variety of market conditions.

Outlook

In the New Year 2008, the business outlook appears sound for your Company. The market has shown strong resilience and absorbed many a shock in the recent past. Corporate earnings-driven momentum in some key sectors—coupled with attractive valuations on a region-comparative basis—should help the market consolidate in the post-election period.

The Board is pleased to report that, in terms of capacity-building and business diversification, the Company's plans are on course. A new, state-of-the-art, MIS is under implementation, as are procedures to launch a sales campaign to attract more international institutional investors to AHL. The sales and research staff are undergoing focused technical and communication skills training to achieve this objective.

During the period under review, the Corporate Finance Division provided advice on, and completed, more public offerings of equity securities than any other competitor at the KSE. These include the highly successful public offerings for Arif Habib Bank Limited and Dost Steels Limited. The Division is now poised to venture more actively into the debt instruments market. The sizable pipeline of projects indicates that the targets set for 2008 are achievable.

Directors' Report

to the Members

Shareholder returns

During the period under review, your Company continued to generate superior shareholder returns for the public investor. Based on the results of its operating performance during the financial year ended 30 June 2007, the Company paid cash dividend at 100 percent, issued bonus shares at 10 percent and offered right shares at 10 percent, the processes for which were completed during the 6 months' period under review.

The total return to the shareholder for the period from 1 July to 31 December 2007 computes to 35.38 percent. This compares favourably with the KSE-100 total return of just 3.97 percent during the period, indicating a very large alpha. The annualized equivalent for AHL total return during the period works to 81.79 percent compared to that of the KSE-100 at just 7.98 percent.

Acknowledgements

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

For and on behalf of the Board

Karachi
28 January 2008

Ahmed Reza, CFA
CEO & Managing Director

Independent Auditor's Report

On Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Arif Habib Limited as at December 31, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figure of the condensed interim profit and loss for the quarters ended December 31, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2007.

Scope of Review

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

Conclusion

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

Karachi.
Dated: 28 January 2008

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Condensed Interim

Balance Sheet

As At 31 December 2007

BALANCE

	Un-audited December 2007 Rupees	Audited June 2007 Rupees
EQUITY & LIABILITIES		
Shares Capital and Reserves		
Authorized capital:		
50,000,000 Ordinary shares of Rs. 10/- each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital		
24,000,000 (2007 :20,000,000) Ordinary shares of Rs. 10/- each	<u>240,000,000</u>	<u>200,000,000</u>
Shares premium	<u>180,000,000</u>	<u>-</u>
Unappropriated profit	<u>428,721,200</u>	<u>397,459,366</u>
	848,721,200	597,459,366
Current liabilities		
Short term borrowings	<u>788,596,794</u>	<u>-</u>
Trade and other payables	<u>1,999,861,345</u>	<u>443,509,953</u>
Accrued markup	<u>3,940,013</u>	<u>4,102,412</u>
Taxation	<u>63,254,380</u>	<u>41,357,424</u>
	2,855,652,533	488,969,790
	<u>3,704,373,733</u>	<u>1,086,429,156</u>

CHIEF EXECUTIVE

SHEET

Condensed Interim

Balance Sheet

As At 31 December 2007

	Un-audited December 2007 Rupees	Audited June 2007 Rupees
ASSETS		
Property and equipments	12,631,228	10,098,090
Memberships and licences	57,150,000	41,600,000
Long term deposits	13,971,500	13,971,500
Current assets		
Investments - held for trading	104,127,641	31,204,000
Proceed receivable	1,908,410,213	-
Investment in CFS	-	220,544,999
Trade debts	717,160,217	278,093,975
Loans and advances	5,309,253	24,041,405
Deposits, prepayments	170,950,310	88,270,642
Advance tax	68,222,227	43,719,963
Other receivables	8,847,233	8,367,311
Cash and bank balances	637,593,910	326,517,271
	3,620,621,005	1,020,759,566
	<u>3,704,373,733</u>	<u>1,086,429,156</u>

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

DIRECTOR

Condensed Interim

Profit and Loss Account

For the Half Year ended 31 December 2007 (un-audited)

(Rupees)

	Half Year Ended		Second Quarter Ended	
	December 2007	December 2006	December 2007	December 2006
Operating revenues	339,936,243	195,223,227	188,444,988	117,766,994
Capital gain on investment	29,395,013	38,370,790	27,909,489	27,346,169
	369,331,256	233,594,017	216,354,477	145,113,163
Operating expenses	(72,500,840)	(51,578,119)	(41,146,475)	(26,560,378)
Operating profit	296,830,415	182,015,898	175,208,001	118,552,785
Financial charges	(24,401,070)	(32,547,021)	(6,794,525)	(23,286,863)
Other income	6,171,350	-	1,258,023	-
Other charges	(48,595)	-	(19,260)	-
Net gain / (loss) due to change in market value of investment	(5,393,310)	3,524,932	(9,352,965)	3,765,626
	(23,671,625)	(29,022,089)	(14,908,727)	(19,521,237)
Profit before taxation	273,158,790	152,993,809	160,299,274	99,031,548
Provision for taxation-Current	(21,896,956)	(16,853,121)	(13,969,038)	(9,189,368)
	(21,896,956)	(16,853,121)	(13,969,038)	(9,189,368)
Profit after taxation	251,261,834	136,140,688	146,330,236	89,842,180
Earning per share - basic and diluted	10.68	5.97	6.35	3.94

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim

Cash Flow Statement

For the Half Year ended 31 December 2007 (un-audited)

Rupees

	December 2007	December 2006
Cash flow from operating activities		
Profit before taxation	273,158,790	152,993,809
Adjustment for:		
Depreciation	1,458,423	1,189,884
Dividend income	(5,071,000)	(36,393,950)
Loss on sale of asset	48,595	-
Financial charges	24,401,070	32,547,021
	20,837,088	(2,657,045)
Operating profit before working capital changes	293,995,878	150,336,764
Changes in working capital		
(Increase)/Decrease in current assets		
Trade debts	(439,066,242)	(1,507,317,302)
Loans and advances	18,732,152	(443,738)
Deposits, prepayments	(82,679,668)	(37,548,788)
Other receivable	(479,922)	2,038,711
Increase/(Decrease) in current liabilities		
Trade and other payables	1,556,351,392	265,288,881
	1,052,857,712	(1,277,982,236)
Cash generated from operating activities	1,346,853,590	(1,127,645,472)
Income tax paid	(24,502,263)	(16,918,218)
Financial charges paid	(24,563,470)	(22,693,253)
Net cash generated from operating activities	1,297,787,857	(1,167,256,943)
Cash flow from investing activities		
Fixed capital expenditure	(5,099,776)	(5,555,376)
Proceed from sale of assets	1,059,620	1,162,420
Memberships and licences	(15,550,000)	-
Dividend received	5,071,000	36,493,950
Issue of right shares	200,000,000	-
Long term loan from parent company	-	-
Long term deposit	-	(558,000)
Net cash from investing activities	185,480,844	31,542,994
Cash flow from financing activities		
Dividend paid	(200,000,000)	(50,000,000)
Net cash used in financing activities	(200,000,000)	(50,000,000)
Increase/(Decrease) in cash and cash equivalents	1,283,268,702	(1,185,713,949)
Cash and cash equivalent at beginning of the period	578,266,269	301,266,163
Cash and cash equivalent at end of the period	1,861,534,971	(884,447,786)
Cash and cash equivalent		
Investment in marketable securities	104,127,641	28,996,000
Proceed receivable	1,908,410,213	-
Investment in CFS	-	-
Cash and bank balance	637,593,910	28,918,599
Less : Short term borrowings	(788,596,794)	(942,362,386)
	1,861,534,971	(884,447,787)

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim

Statement of Changes in Equity

For the Half Year ended 31 December 2007 (un-audited)

	Share capital	Share premium reserve	Unappropriated profit	(Rupees) Total
Balance as at 30 June 2006	200,000,000	-	125,868,733	325,868,733
Profit for the period July - Dec. 2006	-	-	136,140,688	136,140,688
Dividend - Interim	-	-	(50,000,000)	(50,000,000)
Balance as at 31 December 2006	200,000,000		212,009,421	412,009,421
Profit for the period Jan. - June. 2007	-	-	185,449,945	185,449,945
Balance as at 30 June 2007	200,000,000	-	397,459,366	597,459,366
Profit for the period July - Dec. 2007	-	-	251,261,834	251,261,834
Dividend	-	-	(200,000,000)	(200,000,000)
Issuance of bonus	20,000,000		(20,000,000)	-
Issue of right shares	20,000,000	180,000,000	-	200,000,000
Balance as at 31 Decemer 2007	240,000,000	180,000,000	428,721,200	848,721,200

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Financial Statements

For the Half Year ended 31 December 2007 (un-audited)

1 Status and Nature of Business

- 1.1 The Company was incorporated on 7 September 2004 under the Companies Ordinance, 1984, as an unquoted Public Limited Company. The company is member of Karachi, Lahore, Islamabad Stock Exchanges and National Commodity Exchange. It is registered with SECP as corporate securities brokerage house. The Company is majority owned subsidiary of Arif Habib Securities Limited (AHSL) and principally engaged in the business of securities brokerage, commodities brokerage, IPO underwriting, corporate finance advisory and securities research.
- 1.2 The company is listed at the Karachi Stock Exchange (Guarantee) Limited with effect from 31 January 2007. During financial year 2006-2007 the holding company Arif Habib Securities Limited offered 25% shares of the company for sale to the general public which were over subscribed. AHSL now holds 75% shares of the Company.

2 Accounting Convention, Basis of Preparation and Significant Accounting Policies

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

These financial statements have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended 30 June 2007.

3 Taxation

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

4 Contingency

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

5 Property and Equipment

Fixed capital expenditure during the period amounting to Rs. 5.10 million (30 June 2007: Rs.9.219 million). Deletion of fixed assets made during the period was amounting to Rs.1.41 million (30 June 2007: Rs. 5,404).

Notes to the

Condensed Interim Financial Statements

For the Half Year ended 31 December 2007 (un-audited)

Rupees

6 Related Party Transactions

Maximum Balance due from/(to) at the end of any Month

-- Mutual funds - managed by Arif Habib Investment Management Limited	2,107,130
-- Arif Habib Bank Limited	(814,000,000)
-- Arif Habib Securities Limited	(548,103,119)
-- Arif Habib (Chairman of AHSL)	(2,208,565,729)

7 Date of Authorization for Issue

These financial statements have been authorized for issue on 28 January 2008 by the Board of Directors of the company.

8 General

- Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR