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## Form of Proxy

# Company Information

## Board of Directors

Arif Habib  
(Chairman & Chief Executive)  
Asadullah Khawaja  
Kashif A. Habib  
Muhammd Akmal Jameel  
Nasim Beg  
Rahim Khanani  
Sirajuddin Cassim  
Syed Ajaz Ahmed

## Audit Committee

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

## 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 Falah Ltd.  
Bank Al-Habib Ltd.  
Faysal Bank Ltd.  
First Women Bank Ltd.  
Habib Bank A.G. Zurich  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
KASB Bank Ltd.  
MCB 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](mailto:ahsl@arifhabib.com.pk)

## Research and Corporate Finance

Pardesi House, 2/1, R.Y. 16,  
Old Queens Road Karachi-74000  
Phone: 2460717-19 Fax No: 2470496  
E-mail: [corporate\\_finance@arifhabib.com.pk](mailto:corporate_finance@arifhabib.com.pk)  
E-mail: [equities\\_research@arifhabib.com.pk](mailto:equities_research@arifhabib.com.pk)

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

## Registrar & Share Transfer Office

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



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## Vision

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To be a leading investment company excelling in every aspect of its business and in delivering its obligations as a good corporate citizen to all the stakeholders.

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## Mission

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To be a significant participant in developing Pakistan's capital market for it to become the engine of industrial and economic growth and in integrating it into the world markets.

# NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of Arif Habib Securities Limited will be held on Saturday 29 September 2007 at 11:00 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

## **Ordinary Business**

- 1) To confirm minutes of the Extraordinary General Meeting held on 16 June 2007
- 2) To receive, consider and adopt audited accounts of the company together with the directors' and auditors' report thereon for the year ended 30 June 2007.
- 3) To appoint external auditors and fix their remuneration for the financial year 2007-08. The directors have recommended to appoint M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants.
- 4) To elect directors of the company in accordance with section 178 of Companies Ordinance 1984. The number of the directors to be elected has been fixed at eight by the Board of Directors. Names of the present eight directors retiring and eligible to file nominations for re-election are as under:  
  
Mr. Arif Habib, Mr. Sirajuddin Cassim, Mr. Muhammad Akmal Jameel, Mr. Kashif A. Habib, Mr. Nasim Beg, Syed Ajaz Ahmed, Mr. Rahim Khanani and Mr. Asadullah Khawaja
- 5) Any other business with the permission of the Chair.

By order of the Board

Karachi  
Dated: 30 July 2007

**Haroon Usman**  
Company Secretary

## Notes:

1. Any person who seeks to contest to the office of director shall, whether he is a retiring director or otherwise, file with the company, not later than fourteen days before the date of meeting, a notice of his/her intention to offer himself/herself for election as a director.
2. Share transfer books of the company will remain closed from 22 September 2007 to 29 September 2007 (both days inclusive). Transfers received in order at the office of our shares registrar M/s. Technology Trade (Pvt.) Ltd; Dagia House 241-C Block-2, P.E.C.H.S. off Shahrah-e-Quaideen Karachi by the close of business on 21 September 2007 will be treated in time.
3. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
4. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan:
  - (i) Members, proxies or nominees shall authenticate their identity by showing original national identity card or original passport and bring their folio numbers at the time of attending the meeting.
  - (ii) In the case of corporate entity, Board of Directors' resolution/power of attorney with specimen signature of the nominee shall also be produced (unless provided earlier) at the time of meeting.
  - (iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC numbers and signatures.
  - (iv) In the case of individuals, attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - (v) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted alongwith proxy form.
5. Members are requested to promptly notify any change in address by writing to the office of the registrar.



The Chairman and Chief Executive of the Company Mr. Arif Habib receiving Top Companies Award for 2004 and 2005 from the Prime Minister of Pakistan Mr. Shaukat Aziz



The President of Pakistan Mr. Pervez Musharraf presenting a shield to Mr. Arif Habib, the Chairman & Chief Executive of the Company in recognition of Company's contribution to Hub School. Mr. Kader Jaffer of Ahmed E. H. Jaffer Foundations is seen in the centre.

## Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the Annual Report for the year ended on 30th June 2007, together with the audited accounts and auditors' report thereon. Consistent with the standard set six years ago following its listing, the Board has considered and approved the company's audited financial results within one month of the close of its financial year.

## Top Companies Award

I am pleased to report that during the year your company has been declared as one of the Top 25 Companies by the Karachi Stock Exchange for the year 2005. Your company has the honour of being selected for this award for each of the five years since its listing in 2001. This year the company has the honour of being ranked 9th in the award list. The criteria for selection of Top 25 Companies consists of good return on equity, hefty dividend distribution to the shareholders, adhering to good corporate governance and discharging corporate social responsibility.

The company has been able to produce excellent return for its shareholders since its listing in May 2001. The general public was offered 25 percent shares of the company at Rs. 80 per share by the sponsor shareholders at the time of listing in 2001. Allottee of one (1) share from the general public at that time has become the owner of sixty (60) shares all through issue of bonus shares during last six years valuing at Rs. 7,500 (60 X 125 current market rate) and has received Rs. 147 as cash dividend during this entire period making total shareholders value of Rs. 7,647 i.e. Rs. 80 invested in the company at the time of listing about six years ago have become Rs. 7,647 — a return of 9,558 percent. This is the highest return produced by any company listed in Karachi Stock Exchange during this period.

## Market Review

The stock market continued to perform well during the year under review. The KSE-100 index reached at 13772 points on 30th June, 2007 as against 9989 points at the beginning of the financial year. This translates to an appreciation of 38 percent over the period. Listed capital increased to Rs. 631 billion from Rs. 497 billion and market capitalization increased to Rs. 4,019 billion from Rs. 2,941 billion at the beginning of the financial year.

The above performance of the market is attributable to profitability growth in the listed sector, increased inflow of funds from foreign portfolio investors, rising number of domestic asset management companies and increased merger and acquisition transactions.

The market has shown a great amount of resilience against political uncertainties due to Chief Justice reference case, Lal masjid incident and election year. This has been a pleasant surprise for the investors in the Pakistan Capital Market.

## Financial Results and Appropriations

By the grace of Allah, your company has fully benefited from favorable market conditions. During the financial year it earned an after tax profit of Rs. 3,682,334,925. The equity of the company as at the close of the year has reached to Rs. 18,074,588,378 as compared to Rs. 10,690,641,706 of last year.

Having already declared an interim cash dividend of Rs. 7.5 per share i.e. 75 percent and issue of interim bonus shares of 322 percent the Board of Directors has decided not to recommend any further distribution for the year.

The Summary of Financial Results and Appropriation is as Follows:-

	(Rupees)	
	2007	2006
Profit before taxation	3,934,880,345	4,768,424,435
Provision for taxation	252,545,420	611,061,274
Profit after taxation	3,682,334,925	4,157,363,161
Un-appropriated profit brought forward	4,491,235,243	1,303,872,082
Profit available for appropriation	8,173,570,168	5,461,235,243
<b>Appropriations:</b>		
Dividend @ 75% interim - (2005-06: 100% interim)	202,500,000	180,000,000
Issue of Bonus Shares	2,730,000,000	90,000,000
Buy back of shares	-	700,000,000
Transferred to General reserve	-	-
Un-appropriated profit carried forward	5,241,070,168	4,491,235,243
Earning per share - basic & diluted	12.27	13.86

### Merger with Arif Habib Rupali Bank Limited

The proposal of company's merger with Arif Habib Rupali Bank was considered by the general body of company's shareholders in extra ordinary general meeting held on 16 June 2007. The general body decided to refer back the proposal to the Board with an advice to reconsider the merger proposal in view of some negative budgetary proposals for banking industry in particular levy of capital gains tax to the banking companies. Subsequently the Board in its last meeting has decided to defer the merger for the time being.

### Performance of Subsidiaries and Associated Companies

Your company's subsidiaries and associated undertakings continued to do well during the year under review

**Arif Habib Limited**— seventy five percent owned subsidiary listed on Karachi Stock Exchange. It is the member of Karachi, Lahore and Islamabad Stock Exchanges and National Commodity Exchange Limited. Presently it provides services of securities brokerage and corporate finance. The company continued to grow satisfactorily and recorded on EPS of Rs. 16.08 per share. It has declared a cash dividend of 100 percent, bonus shares of 10 percent and right shares of 10 percent at a premium of Rs. 90/- per share. The share price of Arif Habib Limited was Rs. 277 on report date.

**Arif Habib Investment Management Limited**— an AM-2 rated asset management company. Sixty two percent owned subsidiary of Arif Habib Securities Limited.

The company has earned a profit of Rs. 215,424,339 with an EPS of Rs. 16.57. The company has declared a cash dividend of Rs. 7.5 per share i.e. 75 percent and bonus share of 7 for every 13 shares held.

**Arif Habib Rupali Bank Limited**— 'A' rated scheduled commercial bank. Eighty Nine percent subsidiary of Arif Habib Securities Limited.



The bank has been able to open 7 branches and will soon be having 12 branches, all in strategic locations. It has state-of-the-art I.T. system coupled with quality human resource capable of offering modern banking services. The operations of the bank had commenced on 5th August 2006. It has accumulated profit of Rs. 109,043,000 as on 30th June 2007.

**Arif Habib DMCC**— a company registered at Dubia Multi Commodities Centre, wholly owned subsidiary of Arif Habib Securities Limited. The company is yet to start its full fledged operations.

**Pak Arab Fertilizers Limited**— a 30 percent owned associate of Arif Habib Securities Limited.

Pak Arab Fertilizers Limited has recorded a profit after tax of Rs. 1.439 billion with an EPS of Rs. 19.37 as per unaudited accounts for the year ended 30th June 2007. The company has started producing carbon credits by setting up a Clean Development Mechanism (CDM) project in collaboration with Mitsubishi Japan. This project is first in Pakistan duly approved by United Nations under Kyoto Protocol. This will not only contribute to better environment but would earn substantial foreign exchange for the company and the country through sale of carbon credits in international market.

Pak Arab's eighty five percent owned subsidiary Fatima Fertilizers Limited has achieved the financial close of Rs. 35 billion with a debt equity ratio of 65:35 for setting up a fertilizer complex with a capacity of 1.45 million tons per annum. Fatima Fertilizers Company Limited is expected to commence production in the first half of 2009.

**Rozgar Microfinance Bank Limited**— a nineteen percent owned associate of Arif Habib Securities Limited is a district level microfinance bank in Karachi with currently 15 service centers and 4 branches covering nearly all towns of the city. The bank has been operational only since mid 2005 and is still in it's development phase of operations with break-even projected for next year. The bank has so far disbursed more than Rs. 109 million to over 6,000 borrowers as small business loans, micro-leases, house repair financing and student loans.

### **Corporate Social Responsibility**

In order to discharge its social responsibility, the company contributed a modest amount of Rs. 13,297,305 to various credible institutions enhancing existing facilities in areas of education, health and sports.

### **Future Outlook**

Your company's investments are well diversified. Portfolio investments is continuing to perform well even at the start of new financial year. Brokerage, asset management and banking subsidiaries are on sound footing and expected to yield good investment returns. Private equity and DMCC subsidiaries are yet to be developed. Fertilizer associates are expected to do well both in short and long term.

In view of above, future prospects of your company appear bright.

### **Corporate Governance**

Arif Habib Securities Limited is listed at the Karachi, Lahore and Islamabad Stock Exchanges. The company's board and management are committed to observe the Code of Corporate Governance prescribed for listed companies. Appropriate accounting policies have been adopted and consistently applied. Preparation of accounts and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards, as applicable in Pakistan, are followed. The system of internal controls is sound in design and has been effectively implemented. In compliance with the Corporate Governance Code, we hereby reaffirm that there is no doubt whatsoever about the company's ability to continue as a going concern and that there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

We further report that no material payment has remained outstanding on account of any taxes, duties, levies or charges. The company has no outstanding obligations under gratuity or pension fund except provident fund which is maintained in separate bank account alongwith profit.

A statement showing the company's shares bought and sold by its Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their minor family members is annexed as Annexure-I (Page 11). A statement showing attendance at Board meetings is annexed as Annexure-II (Page 12). The pattern of shareholding as required by the Companies Ordinance, 1984 is annexed as Annexure-III (Page 13). The key operating and financial data has been given in summarized form under the caption "Financial Highlights-Ten Years at a Glance" (Page 15) and graphic presentation of the important statistics is presented on (Page 16).

### **Auditors**

The retiring auditors M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have offered themselves for reappointment. The board recommends their reappointment. A resolution proposing the appointment of M/s. Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq as auditors of the company for the financial year 2007-08 will be submitted at the forthcoming annual general meeting for approval.

### **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 year.

For and on behalf of the Board

Karachi  
30 July 2007

**Arif Habib**  
Chairman & Chief Executive

Statement showing shares bought and sold by  
Directors, CEO, CFO Company Secretary and the Minor Family Members  
From July 1, 2006 to June 30, 2007

(Annexure I)

S. No.	Name	Designation	Shares bought	Shares Sold	Remarks
1	Mr. Arif Habib	Chairman & Chief Executive	-	13,999,900	-
2	Mr. Sirajuddin Cassim	Director	-	-	-
3	Mrs. Nida Ahsan	Director	-	-	Resigned
4	Mr. Abdul Majid M. Siddique	Director	-	-	Resigned
5	Syed Hasan Jafri	Director	-	-	Resigned
6	Mr. Haroon Usman	Director	-	-	Resigned
7	Mr. Muhammad Akmal Jameel	Director	-	6,000	-
8	Mr. Kashif A. Habib	Director	-	310,000	-
9	Mr. Nasim Beg	Director	100	-	Co-opted
10	Syed Ajaz Ahmed	Director	100	-	Co-opted
11	Mr. Rahim Khanani	Director	100	-	Co-opted
12	Mr. Asadullah Khawaja	Director	100	-	Co-opted
13	Mr. Tahir Iqbal	CFO	-	-	-
14	Mr. Haroon Usman	Co. Secretary	-	-	-
15	Minor Family Members	-	-	-	-

Statement showing attendance at Board Meetings  
from July 1, 2006 to June 30, 2007

(Annexure II)

S. No.	Name	Designation	Attended	Leaves Granted	Remarks
1	Mr. Arif Habib	Chairman & Chief Executive	5	-	-
2	Mr. Sirajuddin Cassim	Director	-	5	-
3	Mrs. Nida Ahsan	Director	1	1	Resigned
4	Mr. Abdul Majid M. Siddique	Director	2	-	Resigned
5	Syed Hasan Jafri	Director	2	-	Resigned
6	Mr. Haroon Usman	Director	2	-	Resigned
7	Mr. Muhamamd Akmal Jameel	Director	5	-	-
8	Mr. Kashif A. Habib	Director	3	2	-
9	Mr. Nasim Beg	Director	3	-	Co-opted
10	Syed Ajaz Ahmed	Director	3	-	Co-opted
11	Rahim Khanani	Director	3	-	Co-opted
12	Asadullah Khawaja	Director	3	-	Co-opted

## Pattern of shareholding as at June 30, 2007

### (Annexure III)

No. of shareholders	Shareholding		Total shares held
	From	To	
603	1	100	48,511
2680	101	500	991,692
2077	501	1,000	1,811,940
3145	1,001	5,000	7,837,333
718	5,001	10,000	5,326,556
211	10,001	15,000	2,684,920
108	15,001	20,000	1,941,010
67	20,001	25,000	1,537,881
52	25,001	30,000	1,464,413
28	30,001	35,000	912,905
17	35,001	40,000	633,089
13	40,001	45,000	559,299
18	45,001	50,000	871,545
15	50,001	55,000	782,057
16	55,001	60,000	939,063
11	60,001	65,000	686,642
12	65,001	70,000	811,184
12	70,001	75,000	880,745
6	75,001	80,000	463,432
9	80,001	85,000	742,923
5	85,001	90,000	442,111
4	90,001	95,000	368,571
4	95,001	100,000	400,000
39	100,001	200,000	5,339,963
14	200,001	300,000	3,696,758
9	300,001	400,000	2,985,707
7	400,001	500,000	3,078,297
4	500,001	600,000	2,307,100
4	600,001	700,000	2,605,253
2	700,001	800,000	1,520,500
1	800,001	900,000	873,400
5	900,001	1,000,000	4,838,903
1	1,000,001	2,000,000	1,261,100
4	2,000,001	3,000,000	9,910,599
1	3,000,001	4,000,000	3,444,500
1	4,000,001	6,000,000	6,000,000
1	6,000,001	50,000,000	45,000,000
1	50,000,001	120,000,000	174,000,098
<b>9925</b>			<b>300,000,000</b>

## Categories of shareholders as at June 30, 2007

Categories of shareholders	No.	Shares held	Percentage (%)
Directors, Chief Executive & their Spouse and Minor Childern	9	219,147,865	73.05
Mr. Arif Habib, Chief Executive	-	174,000,098	58.00
Mrs. Zetun Arif, W/o. Mr. Arif Habib	-	45,000,000	15.00
Mr. Sirajuddin Cassim, Director	-	66,666	0.02
Mr. Nasim Beg, Director	-	33,999	0.01
Syed Ajaz Ahmed, Director	-	666	-
Mr. Kashif A. Habib, Director	-	23,333	0.01
Mr. Rahim Khanani, Director	-	666	-
Mr. Muhammad Akmal Jameel Director	-	21,771	0.01
Mr. Asadullah Khawaja, Director	-	666	-
Public Sector Companies and Corporations	-	-	-
Banks, Development Financial Institutions & Non Banking Financial Institutions	30	10,603,298	3.53
Insurance Companies	7	174,420	0.06
Modarabas and Mutual Funds	27	7,266,454	2.42
Other Joint Stock Companies & Funds	177	12,735,240	4.25
Foreign Investors	14	393,165	0.13
Individuals - Local	9661	49,679,558	16.56
<b>Total</b>	<b>9925</b>	<b>300,000,000</b>	<b>100.00</b>
<b>Shareholders holding 10% or more</b>	<b>2</b>	<b>219,000,098</b>	<b>73.00</b>

# FINANCIAL HIGHLIGHTS

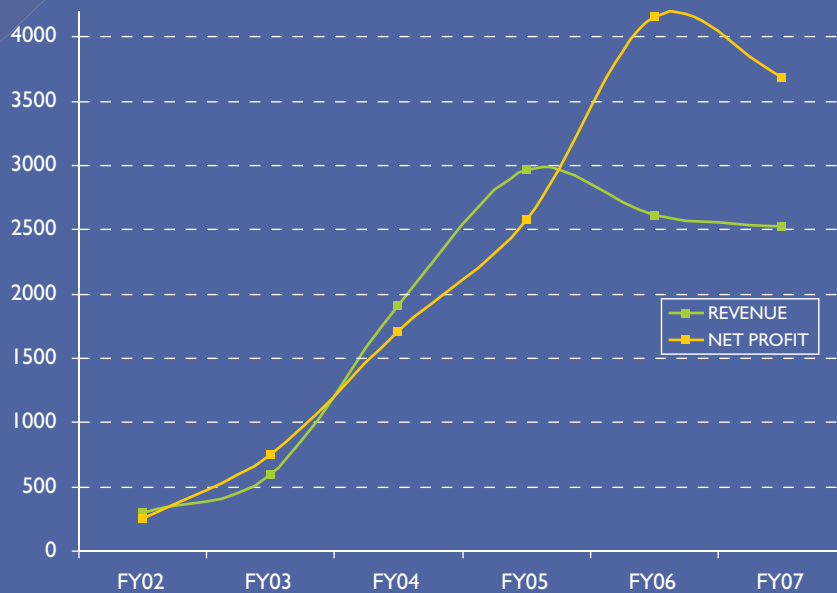
(Rs. Million except per share data and ratios)

Ten Years at a Glance

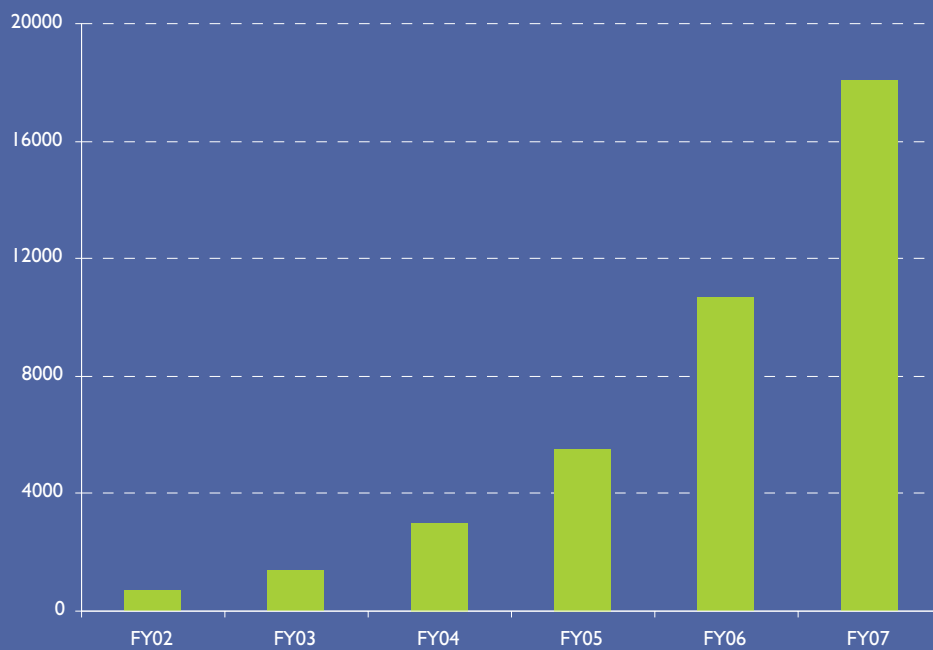
<b>Income Statement</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Revenue	31.6	61.8	268.5	180.1	296.0	592.7	1,904.7	2,960.0	2,607.8	2,529.2
Expenses	6.2	15.2	41.1	38.8	35.8	76.7	130.3	239.6	283.2	128.0
Gain/(loss) due to change in market value/remeasurement of investment	(9.4)	8.0	3.3	(0.4)	5.2	251.4	(20.5)	(80.5)	2,443.8	1,533.7
Profit before tax	15.9	54.6	230.7	140.9	265.4	767.3	1,753.9	2,640.0	4,768.4	3,934.9
Profit after tax	14.9	53.1	228.5	132.6	253.6	751.9	1,705.3	2,583.4	4,157.4	3,682.3
<b>Balance Sheet</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Paid up capital	40.0	50.0	50.0	50.0	50.0	60.0	80.0	200.0	270.0	3,000.0
Shareholders equity	72.0	163.6	387.1	494.7	723.2	1,415.2	3,000.5	5,497.9	10,690.6	18,074.6
Liabilities	1.5	105.3	114.0	596.5	80.0	763.8	222.3	2,340.1	1,368.8	1,974.6
Total assets	73.5	268.9	501.1	1,091.1	803.2	2,179.0	3,222.8	7,837.9	12,059.4	20,049.2
<b>Ratios</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Earning per share (Rs.)- Basic	3.7	10.6	45.7	26.5	50.7	125.3	213.2	129.2	154.0	12.3
Earning per share (Rs.)- Diluted	0.6	0.2	0.8	0.4	0.8	2.5	5.7	8.6	13.8	12.3
Book value per share	18.0	32.7	77.4	98.9	144.7	235.9	375.1	274.9	396.0	60.2
Return on equity (%)	26%	74%	140%	34%	51%	104%	121%	86%	76%	34%
<b>Payout (%)</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Cash	3%	3%	10%	50%	50%	100%	150%	100%	100%	75%
Bonus					20%	33%	150%	50%	67%	322%
<b>Shareholder return* (%) since listing</b>					<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Arif Habib Securities Limited-annual total return					28%	270%	203%	27%	82%	65%
Karachi Stock Exchange 100 Index-annual total return					53%	117%	70%	51%	42%	38%
Shareholder return differential: AHSL-KSE-100 Index					(25%)	+153%	+133%	(24%)	+40%	27%

\*[Price appreciation (decline) + Dividend during the period]/ price at the beginning of the period

## PERFORMANCE RS. MILLION

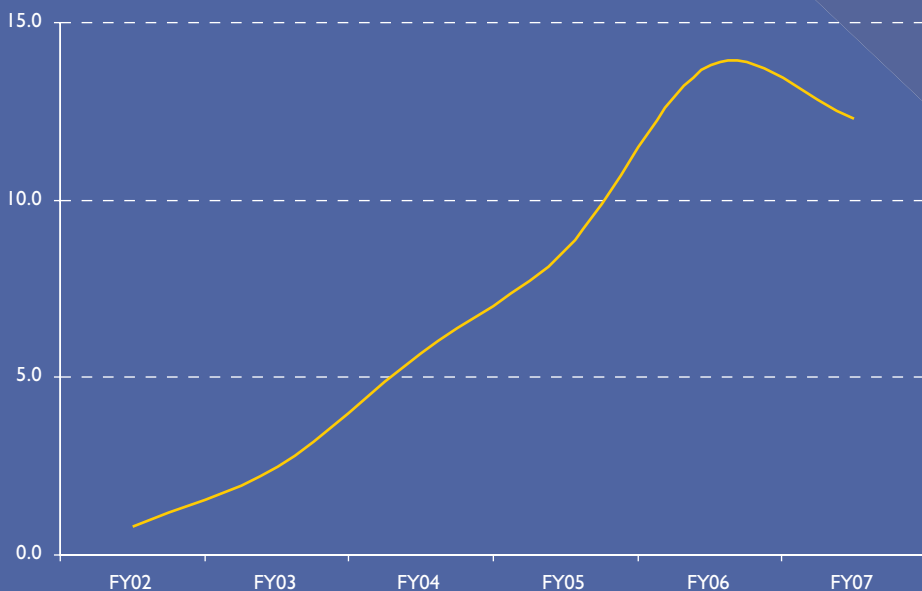


## SHAREHOLDERS' EQUITY RS. MILLION

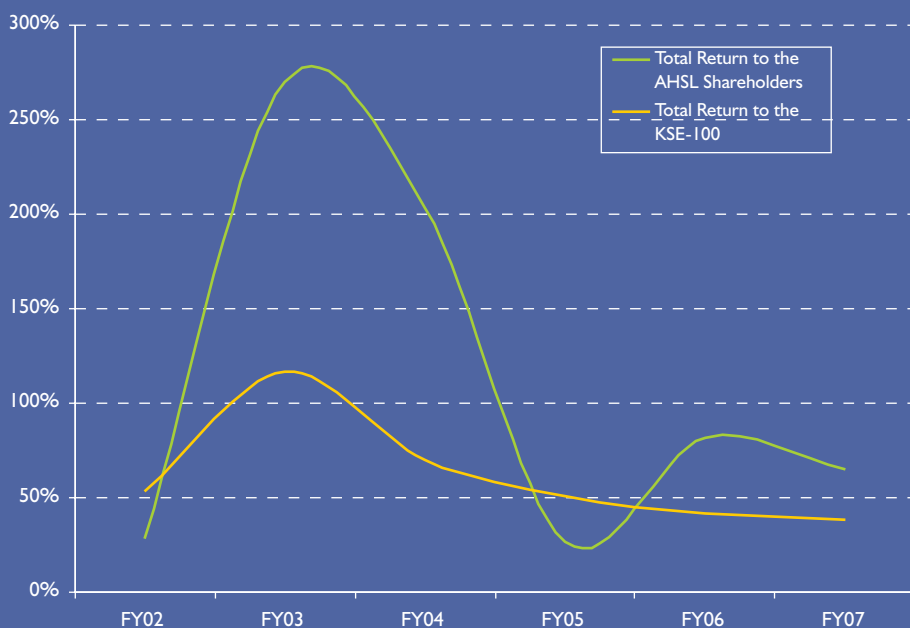




## EARNINGS PER SHARE RUPEES FULLY DILUTED



## TOTAL RETURN\* TO THE AHSL SHAREHOLDER VS KSE TOTAL RETURN PERCENT PER ANNUM



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange for the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company elects its directors every three years. Eight directors were elected by the shareholders in their Ordinary General Meeting held on September 25, 2004.
2. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the Board includes two independent non-executive and five non-executive directors and no directors representing minority shareholders.
3. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
4. All the directors have given declaration that they were aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of the Stock Exchange of Pakistan.
5. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
6. Casual vacancies that occurred in the Board on 31 October 2005 and on 7 November 2006 were filled up by the directors the same day.
7. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by the directors and employees of the Company.
8. The Board has developed a vision/mission statement, and overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
9. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
10. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
11. The Company conducted in-house orientation courses for its directors during the year to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.
12. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.

13. All quarterly, half yearly and annual financial statements presented to the Board for approval within one month of the closing duly signed by the CEO and the CFO.
14. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.
15. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
16. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
17. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
18. The Company has complied with all the corporate and financial reporting requirements of the Code.
19. The Board has formed an audit committee. It comprises four members, all of them are non-executive directors including the chairman of the committee.
20. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
21. The Board has set-up an effective internal audit function with employees who are considered experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. We confirm that all other material principles contained in the Code have been complied with.

Karachi  
30 July 2007

**ARIF HABIB**  
Chairman & Chief Executive

# REVIEW REPORT TO THE MEMBERS ON STATEMENT COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Arif Habib Securities Limited, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2007.

Karachi

Date: July 30, 2007

**Khalid Majid Rahman Sarfaraz**

**Rahim Iqbal Rafiq**

Chartered Accountants

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Arif Habib Securities Limited** as at **June 30, 2007**, and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us; the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007, and of the Profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi  
Date: July 30, 2007

**Khalid Majid Rahman Sarfaraz**  
**Rahim Iqbal Rafiq**  
Chartered Accountants

# BALANCE SHEET

as at June 30, 2007

		(Rupees)	
Note	2007	2006	
<b>Share Capital and Reserves</b>			
<b>Authorized capital:</b>			
	300,000,000 (2006:50,000,000) ordinary shares of Rs. 10/- each	<u>500,000,000</u>	
	<u>3,000,000,000</u>		
<b>Issued, subscribed and paid up capital</b>			
	Ordinary shares of Rs.10/- each	290,000,000	
	Buy back of shares	(20,000,000)	
4	3,000,000,000	270,000,000	
	-		
	4,000,000,000	4,000,000,000	
<b>General reserves</b>			
<b>Surplus on remeasurement of investments</b>			
	- Net of tax	1,929,406,463	
	5,833,518,210		
<b>Unappropriated profit</b>			
	5,241,070,168	4,491,235,243	
	18,074,588,378	10,690,641,706	
<b>Non current liabilities</b>			
	Deferred tax liability	1,251,296,567	
5	1,833,794,116		
<b>Current liabilities</b>			
	Short term borrowing	24,051,162	
6	-		
	Trade and other payables	63,091,763	
7	122,339,161		
	Markup accrued	8,249,621	
	380,115		
	Taxation	22,112,500	
8	18,122,191		
	140,841,467	117,505,046	
	Contingency	-	
9	-		
	<u>20,049,223,961</u>	<u>12,059,443,319</u>	

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

(Rupees)

	Note	2007	2006
<b>Property and equipment</b>	10	5,399,800	9,015,659
<b>Long term investments</b>	11	14,508,840,738	6,540,329,828
<b>Long term loan</b>	12	-	250,000,000
<b>Long term deposits</b>	13	53,000	261,000
<b>Current assets</b>			
Investments - at fair value through profit and loss	14	5,134,859,682	3,371,947,570
Trade debts	15	48,510,576	34,182,776
Receivable against securities transactions		-	521,066,342
Loans and advances	16	16,169	612,771,791
Prepayments		6,982	202,936
Advance tax		30,837,305	29,220,778
Other receivables	17	32,124,948	105,692,824
Cash and bank balances	18	288,574,762	584,751,815
		5,534,930,424	5,259,836,832
		<u>20,049,223,961</u>	<u>12,059,443,319</u>

CHIEF EXECUTIVE

DIRECTOR

# PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2007

		(Rupees)	
	Note	2007	2006
Operating revenue	19	360,594,399	594,121,740
Capital gain on investments - Net		2,163,782,675	2,010,641,482
		<u>2,524,377,074</u>	<u>2,604,763,222</u>
Operating expenses	20	(66,674,485)	(76,538,194)
<b>Operating profit</b>		<u>2,457,702,589</u>	<u>2,528,225,028</u>
Finance costs	21	(54,391,923)	(195,972,754)
Other expenses	22	(6,898,434)	(10,714,779)
Other income	23	4,779,848	3,048,997
Gain on remeasurement of investments	11&14	1,533,688,265	2,443,837,943
		<u>1,477,177,756</u>	<u>2,240,199,407</u>
<b>Profit before taxation</b>		<u>3,934,880,345</u>	<u>4,768,424,435</u>
Provision for taxation	24	(252,545,420)	(611,061,274)
<b>Profit after taxation</b>		<u>3,682,334,925</u>	<u>4,157,363,161</u>
Earnings per share-basic and diluted	26	12.27	13.86

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

CHIEF EXECUTIVE

DIRECTOR



# CASH FLOW STATEMENT

For the year ended June 30, 2007

(Rupees)

Note	2007	2006
<b>Cash flow from operating activities</b>		
Profit before taxation	3,934,880,345	4,768,424,435
Adjustment for:		
Depreciation	1,452,030	2,240,548
Dividend income	(353,396,712)	(357,459,697)
Interest income	(40,766)	(2,645,872)
Foreign currency translation	126,534	
Provision for doubtful debts	6,771,900	10,252,797
Recovery of doubtful debts	(4,070,174)	-
Surplus on remeasurement of investment in associate	(891,673,200)	(2,242,360,727)
Uncollectible commission charges	-	461,982
Financial charges	54,391,923	195,972,754
	<u>(1,186,438,465)</u>	<u>(2,393,538,215)</u>
Operating profit before working capital changes	2,748,441,880	2,374,886,220
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts	(14,327,799)	276,941,753
Loans and advances	612,755,622	(608,494,550)
Prepayments	195,954	20,452,295
Other receivables	(1,784,292)	(10,783,682)
Increase / (decrease) in current liabilities		
Trade and other liabilities	59,247,398	(37,775,574)
	<u>656,086,883</u>	<u>(359,659,758)</u>
Cash generated from operating activities	3,404,528,763	2,015,226,462
Income tax paid	(24,088,041)	(143,487,428)
Finance cost paid	(62,261,429)	(198,556,369)
Net cash from operating activities	<u>3,318,179,293</u>	<u>1,673,182,665</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(283,201)	(8,246,332)
Proceeds from fixed assets	2,447,028	-
Memberships & licenses	-	36,600,000
Dividend received	428,748,880	265,960,541
Interest received	40,766	4,209,359
Long term investments	(2,827,120,887)	(1,156,647,051)
Long term loans	(350,000,000)	603,049,345
Recovery of long term loan	600,000,000	-
Buyback of shares	-	(720,000,000)
Long term deposits	208,000	2,670,000
Net cash (used) in investing activities	<u>(2,145,959,414)</u>	<u>(972,404,138)</u>
<b>Cash flow from financing activities</b>		
Dividend paid	(202,500,000)	(180,000,000)
Net cash (used) in financing activities	<u>(202,500,000)</u>	<u>(180,000,000)</u>
<b>Increase in cash and cash equivalents</b>	969,719,879	520,778,527
Cash and cash equivalents at beginning of the period	4,453,714,565	3,932,936,038
Cash and cash equivalents at end of the period	<u>5,423,434,444</u>	<u>4,453,714,565</u>

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

CHIEF EXECUTIVE

DIRECTOR

# STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2007

(Rupees)

	Share Capital	General Reserve	Surplus/ (deficit) on remeasurement of investments	Unappropriated Profit	Total
<b>Balance as at July 01, 2005</b>	<b>200,000,000</b>	<b>4,000,000,000</b>	<b>796,171,410</b>	<b>1,303,872,082</b>	<b>6,300,043,492</b>
Profit for the year	-	-	-	4,157,363,161	4,157,363,161
Surplus on remeasurement of investments - Net	-	-	1,133,235,053	-	1,133,235,053
Buy - back of shares	(20,000,000)	-	-	(700,000,000)	(720,000,000)
Interim issue of bonus shares	90,000,000	-	-	(90,000,000)	-
Interim dividend	-	-	-	(180,000,000)	(180,000,000)
<b>Balance as at June 30, 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 year	-	-	-	3,682,334,925	3,682,334,925
Surplus on remeasurement of investments - Net	-	-	3,904,111,747	-	3,904,111,747
Issue of bonus shares	2,730,000,000	-	-	(2,730,000,000)	-
Interim dividend	-	-	-	(202,500,000)	(202,500,000)
<b>Balance as at June 30, 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>

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

CHIEF EXECUTIVE

DIRECTOR

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2007

## I 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. Effective January 22, 2007 Securities & Exchange Commission of Pakistan has granted license to carry out investment finance services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The principal activity 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 75% shareholding, Arif Habib Rupali Bank Limited a commercial bank with 89.11% shareholding, Arif Habib Investment Management Limited an asset management company with 62.40% shareholding, Arif Habib DMCC a member of Dubai Gold & Commodities Exchange with 100% 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, Al-Abbas Cement Limited with 10% shareholding, Rozgar Microfinance Bank Limited with 19.01% shareholding, Takaful Pakistan Limited with 10% shareholding and Sunbiz (Pvt.) Limited with 4.65% shareholding.

## 2 Statement of Compliance

- 2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and directives issued by the Securities & Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, the NBFC Rules or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984, NBFC Rules or the said directives take precedence.
- 2.2 New Accounting Standards, Interpretations and Amendments that are Not Yet Effective**

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures;
- IAS 23 - Borrowing Costs (as Revised);
- IAS 41 - Agriculture;
- IFRS 2 - Share-Based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

### **3 Summary of Significant Accounting Policies**

#### **3.1 Accounting Convention and Basis of Preparation**

These financial statements have been prepared under the `historical cost convention', except that investments have been included at fair/market value as at the balance sheet date (refer note 11 and 14).

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, assumptions and judgments made by the management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amount of assets and liabilities in the next year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only the period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

#### **3.2 Staff Retirement Benefits**

##### **Defined Contribution Plan**

The company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions at the rate of 12.50% of basic salary are made both by the company and the employees.

#### **3.3 Taxation**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax rebates and tax credit available, if any.

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

### 3.4 Property, Equipment and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is charged on quarterly basis to profit and loss account by applying reducing balance method at the rates specified in fixed assets note 10. Gains and losses on disposal of fixed assets, are taken to profit and loss account accordingly. Normal repairs and maintenance are charged to profit and loss as and when incurred.

### 3.5 Investments in Subsidiaries and Associated Undertakings

The company considers its subsidiary company to be such enterprise in which the company have control and ownership of more than half of the voting power. The company considers its associates to be such in which the company have ownership of more than twenty percent of the voting and/or has significant influence, but not control, and is neither a subsidiary nor an interest in a joint venture.

Investments in subsidiaries and associated companies held by the company are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with investment. After initial recognition, investments are remeasured at fair value prevailing on the balance sheet date. Where active market of the investment exists, fair value is determined through Karachi Stock Exchange daily quotation and where active market does not exist, fair value is determined by using valuation techniques.

The resultant effect of such remeasurement at fair value is taken to equity in case of a subsidiary and through profit or loss in case of an associated company.

### 3.6 Other Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorized as follows:

- **At Fair Value Through Profit and Loss**

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investment at fair value through profit and loss.

These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity are determined on the basis of prevailing market prices.

- **Held to Maturity**

Investments with fixed or determinable payments and fixed maturity, which the company has the positive intent and ability to hold to maturity, are classified as held to maturity, are carried at amortized cost, using the effective yield method less impairment losses, if so determined.

- **Available for Sale**

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost. Realized and unrealized gains and losses arising from changes in fair value is taken to equity of the company.

### **3.7 Trade Date Accounting**

All "regular way" purchases and sales of financial assets are recognized on the trade date, that is the date on which the company commits to purchase / sell an asset. Regular way purchases or sales of financial assets are the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market.

### **3.8 Trade Debts**

These are stated net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

### **3.9 Sale and Repurchase Agreements**

Securities purchased under agreements to resell ('reverse repo') are shown as receivable against continuous financing system. Securities sold subject to a linked repurchase agreement ('repo') are retained in the financial statements as trading or investment securities and the counter party liability is included in borrowings under repurchase agreements. The difference between sale and repurchase price is treated as income/expense from continuous financing system.

### **3.10 Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

### **3.11 Financial Instruments**

Financial instruments carried on the balance sheet include investments, receivables, cash and bank balances, finances under mark-up arrangements, other payables, deposits, creditors, accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### **3.12 Offsetting of Financial Assets and Financial Liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and either to settle on a net basis or to realize the asset and settle liability simultaneously.

### **3.13 Foreign Currencies**

Foreign currency transactions are translated into Pak rupees at the rate of exchange prevailing on the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into Pak rupee at the rate of exchange ruling on the balance sheet date. Gain or loss on foreign exchange translation are taken into profit and loss account.

### **3.14 Borrowing Costs**

Borrowing cost is charged to profit and loss account as incurred.

### **3.15 Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprises of cash in hand, bank balances, investments - at fair value through profit and loss, receivables against trading of securities and short term running finance.

### 3.16 Related Party Transactions

The Company account for all transactions at arm's length prices using Comparable Uncontrolled Price Method.

### 3.17 Revenue Recognition

- (i) **Capital Gain or Loss**  
Capital gains and losses on sale of marketable securities are recorded on the date of sale.
- (ii) **Dividend / Return on Securities**  
Dividend income is recognized when the right to receive payment is established. Whereas, return on securities other than shares is recognized on accrual basis.
- (iii) **Brokerage**  
Brokerage income is recognized as and when such services are provided.
- (iv) **Underwriting Commission**  
Underwriting commission is recognized when the agreement is executed.
- (v) **Mark-up Interest**  
Mark-up income is recognized on a time proportion basis that takes into account the effective yield.
- (vi) **Income on CFS**  
Income on CFS is recognized on accrual basis.

## 4 Issued, Subscribed and Paid-up Capital

Numbers			(Rupees)	
2007	2006		2007	2006
4,000,000	4,000,000	Ordinary shares of Rs. 10/- each issued at par fully paid in cash	40,000,000	40,000,000
1,000,000	1,000,000	Ordinary shares of Rs. 10/- each issued at premium of Rs.30/- per fully paid in cash	10,000,000	10,000,000
297,000,000	24,000,000	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	2,970,000,000	240,000,000
			<u>3,020,000,000</u>	<u>290,000,000</u>
-	2,000,000	Ordinary shares of Rs. 10/- each buy-backed at Rs.360/- per share	(20,000,000)	(20,000,000)
			<u>3,000,000,000</u>	<u>270,000,000</u>

- 4.1 During financial year 2005-2006, the company acquired two million shares of Rs.10/- each from its shareholders through tender notice at a price of Rs.360/- per share pursuant to section 95-A of the Companies Ordinance, 1984 and Companies (Buy-back of shares) Rules, 1999. The acquisition resulted in reduction in capital by Rs.20 million and in unappropriated profit by Rs.700 million.

(Rupees)

## 5 Deferred Tax Liability

- Credit balances arising in respect of:
- Surplus on remeasurement of investment in subsidiaries
  - Gain on remeasurement of investment in associate

Note	2007	2006
	1,011,110,210	662,676,876
	822,683,906	588,619,691
	<u>1,833,794,116</u>	<u>1,251,296,567</u>
<b>6 Short Term Borrowing - Secured</b>	-	24,051,162

This represents balance against short term running finance facilities obtained under mark-up arrangements of Rs.5,150 million (2006: Rs.5,150 million) from various commercial banks carrying mark-up rate ranging from 11% to 12.5% (2006: 11% to 12.5%) per annum calculated on a daily product basis payable quarterly. The arrangements are secured against pledge of marketable securities.

## 7 Trade and Other Payables

- Creditors  
Payable against securities transactions  
Accrued expenses  
Unclaimed dividend  
Staff provident fund  
Other liabilities

	10,000,000	51,543,247
	101,580,601	-
	10,063,618	6,976,071
	-	279,695
	-	3,487,917
	694,942	804,833
	<u>122,339,161</u>	<u>63,091,763</u>

## 8 Taxation

- Opening balance  
Provided during the year  
Adjusted during the year  
Closing balance

	22,112,500	56,400,000
	18,481,205	22,441,583
	(22,471,514)	(56,729,083)
	<u>18,122,191</u>	<u>22,112,500</u>

The income tax assessments of the company have been finalized upto and including the tax year 2006.

## 9 Contingency

The Company is contesting alongwith other defendants, four suits filed by M/s. Diamond Industries Limited and Mr. Iftikhar Shafi (The Plaintiffs), in the year 2002-2003 and by M/s. Shafi Chemicals Industries Limited and Mr. Nisar Elahi (The Plaintiffs), for damages jointly against Mr. Saleem Chamdia, Mr. Arif Habib, Mr. Aqil Karim Dedhi, Mr. A. Ghaffar Usman Moosani, Mr. Shahid Ghaffar, the Karachi Stock Exchange (Guarantee) Limited (KSE), the Securities and Exchange Commission of Pakistan, the Central Depository Company of Pakistan (CDC), M/s. Saleem Chamdia Securities (Private) Limited, M/s. Arif Habib Securities Limited, M/s. Moosani Securities Limited and M/s. Aqil Karim Dedhi Securities Limited. The suits are for recovery of damages amounting to Rs.10,989,948,199/-, Rs.5,606,611,760/-, Rs.1,701,035,843/- and Rs.428,440,971/- respectively against the decision of the Karachi Stock Exchange in respect of Risk



Management System of its Clearing House during the year 2000. As the Chairman and Chief Executive of the Company was the Chairman of the Board of Directors of the KSE for the year 2000, the Company has been made party to the suits by the plaintiff. All the suits at present are pending before the Sindh High Court, Karachi. While individual liability of respective individuals and undertakings is not quantifiable, in the opinion of the legal advisor of the Company the suits are likely to be dismissed as these are not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the said suits against the company. The Company has hence not made any provision in this respect in these financial statements.

## 10 Property and Equipment

Particulars	C O S T			Rate %	D E P R E C I A T I O N			Written down value as at June 30, 2007
	As at July 1, 2006	Additions/ (Deletions)	As at June 30, 2007		As at July 1, 2006	For the year / (Adjustment)	As at June 30, 2007	
Computer & allied	4,761,205	283,201 (2,461,811)	2,582,595	33	2,093,704	496,957 (1,159,379)	1,431,282	1,151,313
Office equipment	316,375	-	316,375	10	84,121	32,928	117,049	199,326
Vehicles	7,640,340	- (1,335,000)	6,305,340	20	1,524,437	922,146 (190,404)	2,256,179	4,049,161
<b>Total Rupees 2007</b>	<b>12,717,920</b>	<b>283,201 (3,796,811)</b>	<b>9,204,310</b>		<b>3,702,262</b>	<b>1,452,030 (1,349,783)</b>	<b>3,804,510</b>	<b>5,399,800</b>
Total Rupees 2006	10,685,224	8,246,332 (6,213,636)	12,717,920		3,929,739	2,240,548 (2,468,026)	3,702,262	9,015,659

**10.1** Where written down value of a fixed asset falls below Rs.10,000 or any addition is made upto Rs.10,000, the same is charged directly to Profit & Loss Account.

**10.2** During the period further relevant assets transferred to AHL having cost Rs.3.57 million and written down value Rs.2.45 million.

(Rupees)

## 11 Long Term Investments

### Investments in Related Parties: Subsidiaries & Associated Undertakings

### Other Investments: Available for Sale

Note	2007	2006
11.1	14,226,560,738	6,271,729,828
11.2	282,280,000	268,600,000
	<u>14,508,840,738</u>	<u>6,540,329,828</u>

## 11.1 Investments in Related Parties Subsidiaries & Associated Undertakings

These shares are of Rs.10/- each unless stated otherwise.

Number of Shares		Particulars	Activity	Holding (%)		Carrying value		Value per share	
2007	2006			2007	2006	2007	2006	2007	2006
							Restated		
							----- Rupees -----		----- Rupees -----
8,112,000	4,056,000	Arif Habib Investment Management Ltd. (Unquoted, subsidiary)	Asset management	62.40	62.40			159	296.55
								Fair value	Fair value
		Opening balance				1,202,806,800	1,118,890,047		
		Surplus on remeasurement of investment at fair value				87,001,200	83,916,753		
15,000,000	20,000,000	Arif Habib Limited (Quoted, subsidiary)	Brokerage	75	100	1,289,808,000	1,202,806,800	203.90	72.64
								Fair value	Fair value
		Opening balance				1,452,876,539	50,030,000		
		Addition during the year (right issue)				-	49,970,000		
		Surplus on remeasurement of investment at fair value				1,605,623,461	1,352,876,539		
						3,058,500,000	1,452,876,539		
267,334,042	-	Arif Habib Rupali Bank Ltd. (Unquoted, subsidiary)	Banking	89.11	-			20	-
								Fair value	
		Opening balance				99,920	99,920		
		Addition during the year				2,753,340,500	-		
		Surplus on remeasurement of investment at fair value				2,593,240,420	-		
						5,346,680,840	99,920		
1,300	1,300	Arif Habib DMCC, Incorporated in Dubai (Unquoted, subsidiary)	Brokerage & commodity consultancy	100	100			2,266	23,115
								Cost	Cost
		Opening balance				30,243,769	30,243,769		
		Adjustment				(297,871)	-		
						29,945,898	30,243,769		
425,000	-	Pakistan Private Equity Management Ltd. (unquoted, subsidiary)	Venture capital management	85	-	4,250,000	-	10	-
								Cost	
22,291,830	22,291,830	Pakarab Fertilizer Limited (Unquoted, associate)	Manuf. & sale of fertilizer	30	30			200	160
								Fair value	Fair value
		Opening balance				3,566,692,800	1,324,332,073		
		Gain on remeasurement of investment at fair value				891,673,200	2,242,360,727		
						4,458,366,000	3,566,692,800		
1,901,000	1,901,000	Rozgar Microfinance Bank Limited (Unquoted, associate)	Banking	19.01	19.01	19,010,000	19,010,000	10	10
								Cost	Cost
2,000,000	-	Takaful Pakistan Limited (Unquoted, associate)	Islamic Insurance	10.00	0.00	20,000,000	-	10	-
								Cost	
						14,226,560,738	6,271,729,828		



## 14 Investment - At Fair Value Through Profit & Loss

No. of Shares		Name of Script / Company	Cost Rate		Average Cost		Market Rate		Market Value		Profit / (Loss)	
June 2007	June 2006		June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006
<b>Open End Mutual Fund</b>												
-	40,000	Atlas Stock Mkt Fund	-	444	-	17,778,173	-	655.9	-	26,237,200	-	8,459,027
400,000	-	HBL Income Fund	100.0	-	40,000,000	-	102.68	-	41,072,000	-	1,072,000	-
100,000	-	MCB Dynamic Cash Fund	100.0	-	10,000,000	-	103.36	-	10,335,700	-	335,700	-
500,000	40,000				50,000,000	17,778,173			51,407,700	26,237,200	1,407,700	8,459,027
<b>Close End Mutual Fund</b>												
2,884,250	2,525,000	1st. Dawood M. Fund	8.61	9.90	24,832,114	25,000,000	9.00	9.30	25,958,250	23,482,500	1,126,136	(1,517,500)
492,480	492,480	AKD Index Tracker Fund	10.00	10.00	4,924,800	4,924,800	13.70	9.40	6,746,976	4,629,312	1,822,176	(295,488)
-	2,800,954	BSJS Balance Fund	-	8.91	-	24,946,700	-	12.15	-	34,031,591	-	9,084,891
-	-	UTP Large Capitl Fund	-	-	-	-	-	-	-	-	-	-
1,019,329	1,019,329	Meezan Balance Fund	10.00	10.00	10,193,290	10,193,290	10.25	10.05	10,448,122	10,244,256	254,832	50,966
30,276,000	33,301,500	Pak Strateg. Alloc. Fund	9.41	9.39	284,775,027	312,651,732	10.50	10.65	317,898,000	354,660,975	33,122,973	42,009,243
15,191,643	14,177,143	Pakistan Premier Fund	9.81	9.67	149,035,172	137,082,222	15.00	14.25	227,874,645	202,024,288	78,839,473	64,942,066
49,863,702	54,316,406				473,760,403	514,798,744			588,925,993	629,072,922	115,165,590	114,274,178
<b>Modaraba</b>												
-	1,522,500	B.R.R. Int'l Modaraba	-	10.40	-	15,834,000	-	6.85	-	10,429,125	-	(5,404,875)
5,500	-	Allied Rental Modaraba	12.64	-	69,500	-	11.50	-	63,250	-	(6,250)	-
-	400,000	1st ABL Modaraba	-	18.00	-	7,198,800	-	18.35	-	7,340,000	-	141,200
5,500	1,922,500				69,500	23,032,800			63,250	17,769,125	(6,250)	(5,263,675)
<b>Investment Bank</b>												
1,746,639	1,574,469	1st. Dawood Inv. Bank	11.05	12.71	19,297,030	20,004,108	28.95	21.80	50,565,199	34,323,424	31,268,169	14,319,316
10,000,000	-	Pervez Ahmed Securities	10.00	-	100,000,000	-	22.70	-	227,000,000	-	127,000,000	-
-	400	Jahangir Siddiqi Cap Mkt	-	149.19	-	59,676	-	215.0	-	86,000	-	26,324
515,800	-	Jahangir Siddiqi (Pref)	10.17	-	5,245,365	-	21.00	-	10,831,800	-	5,586,435	-
-	185,100	Jahangir Siddiqui & Co.	-	205.2	-	37,979,240	-	204.9	-	37,926,990	-	(52,250)
12,262,439	1,759,969				124,542,395	58,043,024			288,396,999	72,336,414	163,854,604	14,293,390
<b>Commercial Bank</b>												
-	2,060,922	Bank of Punjab	-	81.67	-	168,311,450	-	82.70	-	170,438,249	-	2,126,799
-	4,470,000	Union Bank Limited	-	74.66	-	333,735,577	-	74.00	-	330,780,000	-	(2,955,577)
-	500,000	MCB Bank Limited	-	187.85	-	93,927,060	-	210.3	-	105,150,000	-	11,222,940
2,000,000	1,934,400	Askari Bank Limited	103.38	90.40	206,761,715	174,888,918	105.90	77.55	211,800,000	150,012,720	5,038,285	(24,876,198)
-	450,000	Faysal Bank Ltd	-	68.91	-	31,009,838	-	61.50	-	27,675,000	-	(3,334,838)
-	2,387	IFIC (NDLC)	-	15.69	-	37,455	-	20.50	-	48,934	-	11,479
-	55,500	Mybank Limited	-	20.87	-	1,158,100	-	19.95	-	1,107,225	-	(50,875)
-	190,000	National Bank Pak	-	179.4	-	34,094,997	-	215.5	-	40,945,000	-	6,850,003
2,000,000	9,663,209				206,761,715	837,163,395			211,800,000	826,157,128	5,038,285	(11,006,267)
<b>Textile Weaving</b>												
55,110	56,100	Kohinoor Weaving	17.75	19.52	978,064	1,095,197	29.50	26.50	1,625,745	1,486,650	647,681	391,453
<b>Textile Spinning</b>												
236,280	208,200	Din Textile	26.07	26.61	6,159,115	5,539,375	27.90	28.50	6,592,212	5,933,700	433,097	394,325
352,200	352,200	Gadon Textile	79.01	79.01	27,825,581	27,825,581	77.80	72.85	27,401,160	25,657,770	(424,421)	(2,167,811)
250,288	227,535	Gulistan Textile	21.89	24.08	5,479,200	5,479,200	25.70	21.50	6,432,402	4,892,002	953,202	(587,198)
2,000,000	-	Hira Textile	12.50	-	25,000,000	-	10.00	-	20,000,000	-	(5,000,000)	-
185	979,185	Dewan Spinning Mills	10.00	10.00	1,850	9,791,850	8.95	6.70	1,656	6,560,539	(194)	(3,231,311)
953,400	953,400	Ideal Spinning	8.29	8.29	7,899,290	7,899,290	5.95	7.00	5,672,730	6,673,800	(2,226,560)	(1,225,490)
3,792,353	2,720,520				72,365,036	56,535,296			66,100,159	49,717,812	(6,264,877)	(6,817,484)

No. of Shares		Name of Script / Company	Cost Rate		Average Cost		Market Rate		Market Value		Profit / (Loss)	
June 2007	June 2006		June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006
<b>Textile Composite</b>												
87,200	35,500	Blessed Textile	58.96	56.00	5,141,700	1,988,000	73.50	71.00	6,409,200	2,520,500	1,267,500	532,500
4,077	4,077	Gul Ahmed Textile	63.69	63.69	259,650	259,650	45.65	41.00	186,115	167,157	(73,535)	(92,493)
802,500	799,500	Ishaq Textile	13.35	13.32	10,710,281	10,653,106	16.40	19.00	13,161,000	15,190,500	2,450,719	4,537,394
-	1,650	Nishat (Chunian)	-	16.69	-	27,545	-	44.50	-	73,425	-	45,880
1,000,000	-	Nishat Mills	128.40	-	128,402,800	-	130.45	-	130,450,000	-	2,047,200	-
165,000	132,000	Reliance Weaving	12.29	15.36	2,027,525	2,027,525	19.95	25.90	3,291,750	3,418,800	1,264,225	1,391,275
9,700	9,700	Sapphire Textile	64.48	64.48	625,496	625,496	101.85	70.00	987,945	679,000	362,449	53,504
683,425	671,025	Sapphire Fibre	82.26	81.95	56,218,152	54,993,147	182.70	97.90	124,861,748	65,659,796	68,643,596	10,666,649
2,751,902	1,653,452				203,385,604	70,574,469			279,347,758	87,709,178	75,962,154	17,134,709
<b>Synthetic &amp; RyOn</b>												
-	3,456,000	Pak Synthetic Ltd.	-	10.23	-	35,343,775	-	8.50	-	29,376,000	-	(5,967,775)
-	425,000	Dewan Salman Fibre	-	12.36	-	5,253,722	-	11.20	-	4,760,000	-	(493,722)
-	3,881,000				-	40,597,497			-	34,136,000	-	(6,461,497)
<b>Insurance</b>												
7,628	6,103	Century Insurance	23.06	28.82	175,867	175,867	55.50	40.50	423,354	247,171	247,487	71,305
-	150,500	New Jubilee Insurance	-	23.75	-	3,573,700	-	22.00	-	3,311,000	-	(262,700)
7,628	156,603				175,867	3,749,567			423,354	3,558,172	247,487	(191,395)
<b>Sugar</b>												
5,658,894	5,658,894	Shakarganj Sugar-pref.	10.00	10.00	56,588,940	56,588,940	6.00	10.00	33,953,364	56,588,940	(22,635,576)	-
-	29,000	Dewan Sugar	-	16.95	-	491,550	-	17.55	-	508,950	-	17,400
5,658,894	5,687,894				56,588,940	57,080,490			33,953,364	57,097,890	(22,635,576)	17,400
<b>Cement</b>												
-	1,378,900	Attock Cement	-	63.86	-	88,061,650	-	91.00	-	125,479,900	-	37,418,250
-	4,529,000	Fauji Cement	-	20.17	-	91,344,200	-	19.20	-	86,956,800	-	(4,387,400)
-	300	Kohat Cement	-	37.63	-	11,289	-	53.95	-	16,185	-	4,896
-	30,500	Javedan Cement	-	57.68	-	1,759,325	-	69.95	-	2,133,475	-	374,150
15	20,650	Bestway Cement	37.20	40.91	558	844,773	81.95	75.00	1,229	1,548,750	671	703,977
-	1,000,000	Maple Leaf Cement	-	34.47	-	34,470,725	-	25.60	-	25,600,000	-	(8,870,725)
1,040,000	-	Dewan Cement	14.95	-	15,546,673	-	17.35	-	18,044,000	-	2,497,327	-
-	1,000,000	D.G. Khan Cement	-	83.50	-	83,500,820	-	90.00	-	90,000,000	-	6,499,180
1,040,015	7,959,350				15,547,231	299,992,782			18,045,229	331,735,110	2,497,998	31,742,328
<b>Oil &amp; Gas Marketing</b>												
-	250,000	Pakistan State Oil	-	310.5	-	77,634,575	-	309.0	-	77,250,000	-	(384,575)
-	42,500	Sui Southern Gas	-	29.99	-	1,274,375	-	28.90	-	1,228,250	-	(46,125)
-	292,500				-	78,908,950			-	78,478,250	-	(430,700)
<b>Oil &amp; Gas Exploration</b>												
10,638,200	1,000,000	O.G.D.C	120.5	127.9	1,282,145,511	127,855,429	119.8	136.8	1,274,456,360	136,750,000	(7,689,151)	8,894,571
10,638,200	1,000,000				1,282,145,511	127,855,429			1,274,456,360	136,750,000	(7,689,151)	8,894,571

No. of Shares		Name of Script / Company	Cost Rate		Average Cost		Market Rate		Market Value		Profit / (Loss)	
June 2007	June 2006		June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006
<b>Automobile Assembler</b>												
370,800	482,200	Honda Atlas Cars	28.71	28.71	10,644,380	13,842,288	63.20	70.50	23,434,560	33,995,100	12,790,180	20,152,812
-	300,000	Inclus Motors	-	139.7	-	41,903,575	-	191.0	-	57,300,000	-	15,396,425
500,050	1,406,700	Pak Suzuki Motors	54.49	130.2	27,245,881	183,177,539	392.00	313.0	196,019,600	440,297,100	168,773,719	257,119,561
870,850	2,188,900				37,890,261	238,923,402			219,454,160	531,592,200	181,563,899	292,668,798
<b>Engineering</b>												
-	22,900	Pakistan Engineering	-	70.80	-	1,621,975	-	107.0	-	2,450,300	-	828,325
<b>Autoparts &amp; Assess.</b>												
-	592,500	Dewan Automat. Engrn.	-	9.08	-	5,377,950	-	11.00	-	6,517,500	-	1,139,550
<b>Cable &amp; Electrical</b>												
2,500,000	2,500,000	Pak Electron (Pref)	10.00	10.00	25,000,000	25,000,000	10.00	10.00	25,000,000	25,000,000	-	-
-	7,500	Pak Electron	-	48.67	-	365,004	-	105.95	-	794,625	-	429,621
2,500,000	2,507,500				25,000,000	25,365,004			25,000,000	25,794,625	-	429,621
<b>Tech &amp; Communication</b>												
-	1,000,000	P.T.C.L	-	39.39	-	39,393,045	-	40.60	-	40,600,000	-	1,206,955
43,000,062	5,551,381	Worldcall Telecom	9.79	10.19	421,167,249	56,553,240	18.35	8.95	789,051,138	49,684,860	367,883,889	(6,868,380)
-	500	Telecard	-	15.34	-	7,671	-	11.35	-	5,675	-	(1,996)
-	500,000	TRG Pakistan	-	14.52	-	7,259,225	-	10.05	-	5,025,000	-	(2,234,225)
43,000,062	7,051,881				421,167,249	103,213,181			789,051,138	95,315,535	367,883,889	(7,897,646)
<b>Fertilizer</b>												
26,910,399	10,000,000	F.F.C Bin Qasim	34.49	38.80	928,252,643	388,039,883	39.00	29.25	1,049,505,561	292,500,000	121,252,918	(95,539,883)
1,500,000	-	Fauji Fertilizer	121.34	-	182,015,420	-	121.25	-	181,875,000	-	(140,420)	-
28,410,399	10,000,000				1,110,268,063	388,039,883			1,231,380,561	292,500,000	121,112,498	(95,539,883)
<b>Pharmaceuticals</b>												
-	2,850	Glaxosmithkline	-	110.9	-	316,170	-	176.0	-	501,600	-	185,430
<b>Chemicals</b>												
-	30,000	Pakistan PTA	-	7.00	-	209,920	-	6.40	-	192,000	-	(17,920)
<b>Papers &amp; Board</b>												
26,000	20,000	Security Paper	117.1	152.3	3,045,000	3,045,000	113.95	118.0	2,962,700	2,360,000	(82,300)	(685,000)
<b>TFCs</b>												
2,578	2,578	Al-Zamin L.M TFC	3,400	5,000	8,765,200	12,890,000	3400	5000	8,765,200	12,890,000	-	-
8,747	8,747	Bank Al Habib TFC	4,995	4,997	43,691,265	43,708,759	4996	4997	43,700,012	43,708,759	8,747	-
-	400	Maple Leaf TFC	-	833	-	333,200	-	833	-	333,200	-	-
-	1,000	Orix Leasing TFC	-	5,000	-	5,000,000	-	5550	-	5,550,000	-	550,000
11,325	12,725				52,456,465	61,931,959			52,465,212	62,481,959	8,747	550,000

163,394,379	113,538,759	Grand total
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4,136,147,304	3,015,250,257
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5,134,859,682	3,371,947,570	998,712,378	356,697,313
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Changes due to fair Market Value  
Opening balance  
Provided

356,697,313	235,672,242
642,015,065	121,025,071
998,712,378	356,697,313
5,134,859,682	3,371,947,570

(Rupees)

15 Trade Debts	Note	2007	2006
Due from KSE members- secured/considered good		-	10,099,608
Due from customers			
- Secured, considered good		48,510,575	24,083,168
- Unsecured, considered doubtful		12,954,524	10,252,797
		61,465,099	34,335,965
Provision for doubtful debts		(12,954,524)	(10,252,797)
		48,510,575	34,182,776
<b>16 Loan and Advances - Considered Good</b>			
To:			
Staff		16,169	645,950
Others	16.1	-	612,125,841
		16,169	612,771,791

**16.1** Included in the above is the advance of Rs.469.614 million paid to Privatization Commission in respect of transaction for acquisition of Pakistan Steel Mills Limited as a member of a consortium. Subsequent to the balance sheet date, the amount was refunded by the commission pursuant to judgment of the Honorable Supreme Court of Pakistan in this matter. Also included above is advance paid during last year to Arif Habib Rupali Bank Limited of Rs.141.798 million.

17 Other Receivables			
Dividend		22,931,675	98,283,843
Accrued income		-	1,000,000
Pakistan Private Equity Management Limited		8,493,341	-
Other		699,932	6,408,981
		32,124,948	105,692,824
<b>18 Cash and Bank Balances</b>			
Cash at bank			
- Current account		288,435,046	581,679,872
- PLS account		139,716	3,071,943
		288,574,762	584,751,815
		288,574,762	584,751,815
<b>19 Operating Revenue</b>			
Brokerage		-	130,099,720
Consultancy fees & commission		1,660,637	9,330,862
Commission on new shares subscription		-	747,131
Dividend		353,396,712	357,459,697
Return on term finance certificates		5,537,050	5,510,419
Income from CFS		-	48,772,009
Return on margin trading		-	42,201,902
		360,594,399	594,121,740

		(Rupees)		
20	Operating Expenses	Note	2007	2006
	Salaries and benefits		1,732,211	9,484,617
	Printing and stationery		1,327,648	726,491
	Communication		276,752	922,866
	Rent rates and taxes		50,861	338,259
	Power		17,900	204,727
	Legal and professional charges		1,200,978	4,398,410
	C.D.C & Clearing house charges		2,919,594	23,145,677
	Entertainment		126,559	531,753
	Traveling and motor vehicle		2,382,282	3,900,225
	Depreciation	10	1,452,030	2,240,548
	Repair and maintenance		443,760	545,728
	Office renovation		-	34,900
	Auditors' remuneration	20.1	325,000	250,000
	Share transfer expenses		89,400	47,818
	Insurance		254,430	232,689
	Fees and subscription		18,622,285	638,000
	Advertisement and business promotion		9,653,200	4,652,276
	Meeting expenses		23,000	60,850
	Commission		12,186,677	16,541,224
	Donation	20.2	13,297,305	7,320,000
	E.O.B.I. Contribution		2,100	48,390
	General expenses		290,513	272,746
			66,674,485	76,538,194

#### 20.1 Auditors' Remuneration

Audit fee	150,000	150,000
Certification including half yearly review reporting	150,000	100,000
Out of pocket	25,000	-
	325,000	250,000

**20.2** It includes Rs.18,187,357/- incurred during the year for payments made to SECP, KSE, LSE, ISE and CDC for increase in authorized capital from five hundred million to three billion and on issuance of 273,000,000 ordinary shares being bonus.

**20.3** None of the directors or their spouses had any interest in donees' fund. However, the Chief Executive of the Company is a trustee in one of the donee institution.(Fatmid Foundation).

#### 21 Finance Cost

Mark-up on short term borrowings	52,056,913	193,974,478
Bank charges	2,335,010	1,430,116
Interest on employees' provident fund	-	568,160
	54,391,923	195,972,754

#### 22 Other Expenses

Uncollectible commission charges	-	461,982
Loss on foreign currency translation	126,534	-
Provision for doubtful debts	6,771,900	10,252,797
	6,898,434	10,714,779



(Rupees)

	Note	2007	2006
<b>23 Other Income</b>			
<b>Income from Financial Assets:</b>			
Profit on bank deposits		40,766	172,358
Gain on foreign currency translation		-	84,052
Other service charges		-	146,715
Recovery of doubtful debts		4,070,174	-
Profit on investment in Pre-IPO of Funds		668,908	-
<b>Income on Loans from Related Party:</b>			
Markup on loan to associated undertaking		-	2,645,872
		<u>4,779,848</u>	<u>3,048,997</u>
<b>24 Provision for Taxation</b>			
Current		18,122,191	22,112,500
Prior		359,014	329,083
Deferred		234,064,215	588,619,691
		<u>252,545,420</u>	<u>611,061,274</u>

**25 Remuneration of Chief Executive, Directors and Executives**

25.1 The Chief Executive of the company presently draws no remuneration for holding the office.

25.2 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds five hundred thousand rupees in a financial year.

**25.3**

	Directors		Executives	
	2007	2006	2007	2006
Managerial remuneration	-	804,008	-	373,512
House rent allowance	-	294,306	-	168,080
Conveyance	-	3,600	-	2,400
Utilities	-	65,400	-	37,344
Contribution to provident fund	-	81,750	-	46,688
Medical allowance	-	32,700	-	18,672
	-	<u>1,281,764</u>	-	<u>646,696</u>
Number of persons	-	1	-	1

		(Rupees)	
26 Earnings Per Share - Basic and Diluted	Note	2007	2006
Profit for the year		3,682,334,925	4,157,363,161
(Number of Shares)			
Number of ordinary shares		300,000,000	300,000,000
(Rupees)			
Earnings per share-basic and diluted		12.27	13.86

Earnings per share of comparative of Rs. 153.98 have been restated after taking into account the issue of 273,000,000 shares issued being bonus during the year by the company.

## 27 Financial Instruments and Related Disclosures

### 27.1 Interest/Mark-up Rate Risk Exposure

Interest/ markup rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest/ markup rates. Sensitivity to interest/ markup rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Information about the company's exposures to mark up rate risk based on contractual refinancing and maturity dates, whichever is earlier, is as follows:

	Interest/mark-up bearing		Non Interest/ mark-up bearing	2007 Total	2006 Total
	One month to one year	Over one year			
.....Rupees.....					
<b>Financial Assets</b>					
Long term investment	-	-	14,508,840,738	14,508,840,738	6,540,329,828
Long term loan	-	-	-	-	250,000,000
Long term deposits	-	-	53,000	53,000	261,000
Investments - at fair value through profit and loss	-	-	5,134,859,682	5,134,859,682	3,371,947,570
Trade debts	-	-	48,510,576	48,510,576	34,182,776
Receivable against securities transactions	-	-	-	-	521,066,342
Loans and advances	-	-	16,169	16,169	612,771,791
Deposits and prepayments	-	-	6,982	6,982	202,936
Other receivables	-	-	32,124,948	32,124,948	105,692,824
Cash and bank	139,716	-	288,435,046	288,574,762	584,751,815
	139,716	-	20,012,847,141	20,012,986,857	12,021,206,882
The average interest/mark-up rates were	9.8% to 15% (2006: 9.80% to 15%)				
<b>Financial Liabilities</b>					
Short term borrowing	-	-	-	-	24,051,162
Trade and other payables	-	-	122,339,161	122,339,161	63,091,763
Markup accrued	-	-	380,115	380,115	8,249,621
	-	-	122,719,276	122,719,276	95,392,546

The interest/mark-up rates are 11% to 12.5% (2006 : 11% to 12.5%)

## 27.2 Concentration of Credit Risk and Credit Exposure of the Financial Instruments.

Credit risk is the risk that one party to a financial instrument will fail to discharge obligation and cause the other party to incur a financial loss.

The company is not exposed to major concentration of credit risk as its debt securities are marketable and readily traded on the stock exchange. The company seeks to minimize its credit risk exposure by dealing with customers considered credit worthy against pledge of marketable securities and makes full provision against those balances considered doubtful of recovery.

## 27.3 Fair Value of Financial Instruments

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The carrying value of all the financial assets and liabilities reflected in the financial statements approximate their fair value.

## 27.4 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping regular credit lines with the banks.

(Rupees)

	Note	2007	2006
<b>28 Cash and Cash Equivalents</b>			
Cash and bank balances		288,574,762	584,751,815
Investments - at fair value through profit and loss		5,134,859,682	3,371,947,570
Receivable against securities transactions		-	521,066,342
Short term borrowing		-	(24,051,162)
		<u>5,423,434,444</u>	<u>4,453,714,565</u>
<b>29 Related Party Transactions</b>			
Brokerage paid to:			
- Arif Habib Limited		19,574,595	-
Brokerage earned from			
- Pakistan Income Fund (PIF)		-	268,000
- Pakistan Stock Market Fund (PSMF)		-	270,000
- Pakistan Premier Fund (PPF)		-	153,000
- Pakistan Capital Market Fund Limited (PCMF)		-	267,000
- Pakistan Strategic Allocation Fund (PSAF)		-	530,000
Maximum balance due from/(to) at the end of any month			
- Arif Habib Investment Management Ltd.		(4,594,900)	68,600,000
- Arif Habib Ltd.		2,152,955,886	500,000,000
Mark-up income on loan to AHIML		-	2,645,872
Current bank account balance maintained with Arif Habib Rupali Bank Limited (subsidiary) as of balance sheet date		271,477,810	-

**29.1** PIF, PCMF and PSMF are open end mutual funds managed by Arif Habib Investment Management Limited.

**29.2** PPF and PSAF are close end mutual funds managed by Arif Habib Investment Management Limited.

**30 Date of Authorization for Issue**

These financial statements have been authorized for issue on July 30, 2007 by the Board of Directors of the company.

**31 Figures**

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

# CONSOLIDATED FINANCIAL STATEMENTS



# AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Arif Habib Securities Limited and its subsidiary companies Arif Habib Limited, Arif Habib Rupali I Bank Limited, Arif Habib Investment Management Limited, Arif Habib DMCC and Pakistan Private Equity Management Limited as at June 30, 2007 and the related consolidated profit and loss account, statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Arif Habib Securities Limited and Arif Habib Limited. The financial statements of Arif Habib Investment Management Limited, Pakistan Private Equity Management Limited and Arif Habib DMCC were audited, and financial statements of Arif Habib Rupali Bank Limited were reviewed by another firm of chartered accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the subsidiary companies, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements, based on our examination.

Our examination was made in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Arif Habib Securities Limited and its subsidiary companies as at June 30, 2007 and the results of their operations for the year then ended.

Karachi  
Date: July 30, 2007

**Khalid Majid Rahman Sarfaraz**  
**Rahim Iqbal Rafiq**  
Chartered Accountants

# CONSOLIDATED BALANCE SHEET

as at June 30, 2007

		(Rupees)	
Note	2007	2006	
<b>EQUITY &amp; LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
<b>Authorized capital:</b>			
	300,000,000 (2006:50,000,000)		
	Ordinary shares of Rs. 10/- each	<u>3,000,000,000</u>	<u>500,000,000</u>
<b>Issued, subscribed and paid-up capital:</b>			
	Ordinary shares of Rs.10/- each	3,020,000,000	290,000,000
	Buy back of shares	(20,000,000)	(20,000,000)
4	3,000,000,000	270,000,000	
	General reserve	4,019,567,665	4,000,000,000
	Surplus on remeasurement of investments - Net	110,842,696	158,668,673
	Exchange differences on translation to presentation currency	108,881	(23,279)
	Unappropriated profit	4,426,009,399	3,813,762,493
	Minority interest	11,556,528,641	8,242,407,887
	Total equity	<u>752,403,630</u>	<u>216,081,841</u>
		<u>12,308,932,271</u>	<u>8,458,489,728</u>
	Long term liabilities	202,384,500	74,310,100
5	Liability against assets subject to finance lease	1,564,806	2,654,067
6	Deferred tax liability	36,507,428	2,366,234
7			
<b>Current liabilities</b>			
	Deposits and other accounts	4,568,958,488	-
	Bills Payable	19,612,000	-
	Borrowing from financial institutions	1,183,054,000	-
8	Trade and other payables	506,004,211	313,943,858
9	Short term running finance	-	82,925,541
10	Taxation	119,899,615	106,556,431
	Current portion of long-term liabilities	57,450,000	113,700,000
	Current portion of liability against assets subject to finance lease	1,089,225	994,823
	Accrued markup	4,195,581	18,839,364
	Deferred income	-	3,262,020
		6,460,263,120	640,222,037
11	Contingency	-	-
		<u>19,009,652,125</u>	<u>9,178,042,166</u>

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



(Rupees)

	Note	2007	2006
<b>ASSETS</b>			
<b>Property and equipment</b>	12	366,332,921	52,469,470
<b>Goodwill</b>		(4,784,839)	(7,177,259)
<b>Intangible assets</b>	13	127,524,145	3,772,487
<b>Capital work-in-progress</b>	14	66,595,381	27,488,625
<b>Membership &amp; licenses</b>	15	47,590,700	47,590,700
<b>Long term investments</b>	16	2,656,217,697	2,342,818,267
<b>Long term advance &amp; receivables</b>	17	10,967,294	21,346,899
<b>Long term deposits</b>	18	24,138,707	22,940,949
<b>Balances with other banks</b>		500,991,000	-
<b>Lending to Financial Institutions</b>		400,000,000	-
<b>Current assets</b>			
Investments - at fair value through profit & loss	19	5,247,776,732	3,502,352,170
Investments - available for sale	20	5,105,907,617	344,963,035
Trade debts	21	224,710,950	421,139,917
Receivable against securities transaction		220,554,999	548,119,056
Advances	22	2,506,519,000	-
Loan and advances	23	27,406,615	636,301,543
Deposits, prepayments & advance tax	24	230,178,038	88,051,737
Other receivables	25	240,132,384	120,635,128
Deferred cost		42,762,691	958,554
Receivable from Funds managed by AHIML		182,136,142	204,373,390
Cash & bank balances	26	785,993,951	799,897,498
		14,814,079,119	6,666,792,029
		<u>19,009,652,125</u>	<u>9,178,042,167</u>

CHIEF EXECUTIVE

DIRECTOR

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2007

		(Rupees)	
	Note	2007	2006
Operating revenue	27	1,491,930,274	1,387,409,712
Capital gain on investments - Net		1,869,412,628	2,160,536,994
Gain on disposal of subsidiary		396,997,645	-
		<u>3,758,340,547</u>	<u>3,547,946,706</u>
Operating expenses	28	(685,228,308)	(394,553,363)
<b>Operating profit</b>		<u>3,073,112,239</u>	<u>3,153,393,343</u>
Finance cost	29	(117,788,763)	(241,644,009)
Other charges	30	(14,142,179)	(56,290,605)
Other income	31	30,222,733	6,875,762
Gain / (Loss) on remeasurement of investments	19	637,901,366	201,717,909
Unrealised loss on revaluation of investments classified as held for trading		5,078,000	-
		<u>541,271,157</u>	<u>(89,340,943)</u>
Share of profit of Associates- Net		177,608,649	520,440,514
<b>Profit before taxation</b>		<u>3,791,992,045</u>	<u>3,584,492,914</u>
Provision for taxation	32	(111,124,761)	(107,600,696)
<b>Profit after taxation</b>		<u>3,680,867,284</u>	<u>3,476,892,218</u>
Minority interest		(136,120,378)	(79,397,645)
		<u>3,544,746,906</u>	<u>3,397,494,573</u>
Earnings per share-basic and diluted - Restated	34	<u>11.82</u>	<u>11.32</u>

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

CHIEF EXECUTIVE

DIRECTOR

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 30, 2007

(Rupees)

Note	2007	2006
<b>Cash flow from operating activities</b>		
Profit before taxation	3,794,019,785	3,584,492,914
Adjustment for:		
Depreciation	34,641,985	9,635,030
Dividend income	(354,099,475)	(428,951,536)
Profit from associated undertakings	(177,608,649)	(520,440,514)
Other income	(16,669,337)	(5,036,799)
Amortization of computer system	2,392,420	1,772,042
(Gain) / loss on disposal of fixed assets	136,121	(286,594)
Loss on deemed disposal of AHIML	-	45,575,826
Provision for doubtful debts	12,954,524	10,252,797
Uncollectible commission charges	-	461,982
Financial charges	117,788,763	241,644,009
	(380,463,648)	(645,373,757)
Operating profit before working capital changes	3,413,556,137	2,939,119,157
Changes in working capital		
( Increase)/decrease in current assets		
Trade debts	196,428,967	(116,787,288)
Loan and advances	658,742,306	(430,669,554)
Deposits and prepayments	(142,126,301)	12,121,646
Receivable from funds managed by AHIML	22,237,248	(110,365,801)
Advances	(2,506,519,000)	-
Other receivables	(155,489,424)	(18,280,392)
Increase/(decrease) in current liabilities		
Deposits and other accounts	4,568,958,488	-
Bills payables	19,612,000	-
Borrowing from financial institutions	1,183,054,000	-
Trade and other liabilities	192,060,353	167,857,960
	4,036,958,637	(496,123,429)
Cash generated in operating activities	7,450,514,774	2,442,995,729
Income tax paid	(158,426,433)	(226,471,596)
Finance cost paid	(132,432,546)	(241,993,194)
Net cash generated from operating activities	7,159,655,796	1,974,530,939
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(358,460,490)	(5,265,346)
Proceed from sale of property & equipment	9,275,526	4,423,145
Memberships & licenses	-	(5,990,700)
Dividend received	540,376,643	273,279,541
Interest received	-	424,876
Investments	(4,896,735,363)	(1,221,725,193)
Long term loan & receivable	10,379,605	791,458,058
Buy-back of shares	-	(720,000,000)
Long term deposits	(1,197,758)	(9,402,449)
Net cash (used) in investing activities	(4,696,361,837)	(892,798,068)
<b>Cash flow from financing activities</b>		
Dividend paid	(202,500,000)	(180,000,000)
Long term liability	128,074,400	(66,139,900)
Balances with other banks	(500,991,000)	-
Lending to Financial Institutions	(400,000,000)	-
Obligation under finance lease	(994,859)	(908,637)
Net cash (used) in financing activities	(976,411,459)	(247,048,537)
<b>Increase in cash and cash equivalents</b>	1,486,882,500	834,684,334
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	6,254,325,682	4,767,443,183

36

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

CHIEF EXECUTIVE

DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the year ended June 30, 2007

(Rupees)

	Share Capital	General Reserve	Surplus/ (deficit) on remeasurement of investments	Exchange difference on translation to presentation currency	Unappropriated Profit	Total
<b>Balance as at July 01, 2005</b>	<b>200,000,000</b>	<b>4,000,000,000</b>	<b>75,571,287</b>	<b>-</b>	<b>1,386,267,920</b>	<b>5,661,839,207</b>
Profit for the year	-	-	-	-	3,397,494,573	3,397,494,573
Surplus on remeasurement of investments - Net	-	-	83,097,386	-	-	83,097,386
Exchange difference on translation to presentation currency	-	-	-	(23,279)	-	(23,279)
Buy - back of shares	(20,000,000)	-	-	-	(700,000,000)	(720,000,000)
Interim issue of bonus shares	90,000,000	-	-	-	(90,000,000)	-
Interim dividend	-	-	-	-	(180,000,000)	(180,000,000)
<b>Balance as at June 30, 2006</b>	<b>270,000,000</b>	<b>4,000,000,000</b>	<b>158,668,673</b>	<b>(23,279)</b>	<b>3,813,762,493</b>	<b>8,242,407,887</b>
Profit for the year	-	-	-	-	3,544,746,906	3,544,746,906
Surplus/(Deficit) on remeasurement of investments - Net	-	-	(47,825,977)	-	-	(47,825,977)
Exchange difference on translation to presentation currency	-	-	-	132,160	-	132,160
Issue of bonus shares	2,730,000,000	-	-	-	(2,730,000,000)	-
Interim dividend	-	-	-	-	(202,500,000)	(202,500,000)
Transferred to general reserve	-	19,567,665	-	-	-	19,567,665
<b>Balance as at June 30, 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>

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

CHIEF EXECUTIVE

DIRECTOR

# CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

## for the year ended June 30, 2007

### I Status and Nature of Business

- 1.1 The company is the holding company of Arif Habib Limited a brokerage house with 75% shareholding, Arif Habib Rupali Bank Limited a commercial bank with 89.11% shareholding, Arif Habib Investment Management Limited an asset management company with 62.40% shareholding, Arif Habib DMCC a member of Dubai Gold & Commodities Exchange with 100% 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, Al-Abbas Cement Limited with 10% shareholding, Rozgar Microfinance Bank Limited with 19.01% shareholding, Takaful Pakistan Limited with 10% shareholding and Sunbiz (Pvt.) Limited with 4.65% shareholding.
- 1.2 Arif Habib Securities Limited (AHSL) 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. Effective January 22, 2007 Securities & Exchange Commission of Pakistan has granted license to carry out investment finance services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The principal activity is business of investments in listed and unlisted securities.
- 1.3 Arif Habib Limited (AHL) was incorporated on September 07, 2004 under the Companies Ordinance, 1984, as an unquoted Public Limited Company. The Company is member of Karachi, Lahore and 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 January 31, 2007. During the year 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.
- 1.4 Arif Habib Rupali Bank Limited (AHRBL) was incorporated in Pakistan as a public limited company on December 09, 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 5th August, 2006. The bank is a majority owned subsidiary of AHSL with shareholding of 89.11%.
- 1.5 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.
- 1.6 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.

- 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 Basis of Consolidation

The consolidated financial statements include the financial statements of AHSL and its subsidiaries - AHL (75%), AHRBL (89.11%), AHIML (62.4%), , AH-DMCC (100%), PPEML (85%) - (the "Group Companies").

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 subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary companies 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.

## 2 Statement of Compliance

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and directives issued by the Securities & Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, the NBFC Rules or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984, NBFC Rules or the said directives take precedence.

### 2.2 New Accounting Standards, Interpretations and Amendments that are not Yet Effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures;
- IAS 23 - Borrowing Costs (as revised);
- IAS 41 - Agriculture;
- IFRS 2 - Share-Based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;

IFRIC 10 - Interim Financial Reporting and Impairment;  
IFRIC 11 - Group and Treasury Share Transactions;  
IFRIC 12 - Service Concession Arrangements;  
IFRIC 13 - Customer Loyalty Programmes;  
IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

### **3 Summary of Significant Accounting Policies**

#### **3.1 Accounting Convention and Basis of Preparation**

These financial statements have been prepared under the 'historical cost convention', except that investments available for sale and investments at fair value through profit and loss are measured at their fair values.

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, assumptions and judgments made by the management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amount of assets and liabilities in the next year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

#### **3.2 Staff Retirement Benefits**

##### **Defined Contribution Plan**

The company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions at the rate of 12.50% of basic salary are made both by the company and the employees.

##### **Defined Benefit Plan**

The Bank operates an unfunded gratuity scheme covering all employees who have attained the minimum qualifying period of five years. Provision is made in accordance with the actuarial recommendations and charged to income currently. Actual valuation is carried out periodically using "Projected Unit Credit Method".

#### **3.3 Taxation**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax rebates and tax credit available, if any.

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

### **3.4 Property, Equipment, and Capital Work in Progress**

#### **Owned Assets**

Property and equipments are stated at cost less accumulated depreciation and impairment in value, if any. Capital work in progress are stated at cost.

Depreciation is provided on quarterly basis to income by applying reducing balance method at the rates specified in Note 13. Gains and losses on disposal of fixed assets, are included in profit and loss account currently.

Normal repairs and maintenance are charged to profit and loss account as and when incurred.

#### **Leased Assets**

Leased property and equipment in terms of which the AHIML assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease terms other than finance lease are classified as operating lease.

Assets held under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged directly against income.

#### **Impairment**

The carrying amount of the "Group Companies" assets are reviewed at each balance sheet date to identify circumstances mitigating occurrence of impairment loss. If any such indications exists, the recoverable amounts of such assets are estimated and impairment losses are recognized in the profit and loss account.

### **3.5 Intangible Assets**

#### **Software**

Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization on software is charged to income by applying reducing balance method whereby the cost of an intangible asset is written off over its estimated useful life.

#### **Membership Cards and License**

These are stated at cost less impairment losses, if any.



### 3.6 Investments in Associates

Investment in associate where significant influence can be established are accounted for under the equity method. In the case of investments accounted for under the equity method, the method is applied from the date when significant influence commence until the date when that significant influence ceases.

### 3.7 Other Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorized as follows:

#### - At Fair Value Through Profit and Loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investments at fair value through profit and loss.

These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity are determined on the basis of prevailing market prices.

#### - Held to Maturity Investments

Investments with fixed or determinable payments and fixed maturity, which the Group Companies have the positive intent and ability to hold to maturity, are classified as held to maturity, are carried at amortized cost, using the effective yield method less impairment losses, if so determined.

#### - Available for Sale Securities

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost. Realized and unrealized gains and losses arising from changes in fair value are charged to equity of the company.

### 3.8 Trade Date Accounting

All "regular way" purchases and sales of listed shares are recognized on the trade date, that is the date that the company commits to purchase / sell the asset. Regular way purchases or sales of listed shares delivered on T+3 basis as per stock exchange regulations.

### 3.9 Goodwill

On acquisition of an entity, the difference between a purchase consideration and the fair value of the identifiable assets and liabilities acquired, is initially recognised as goodwill and amortized on a systematic basis over a period of five years.

### 3.10 Trade Debts

These are stated net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

### 3.11 Sale and Repurchase Agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as an investment and the counter party liability is included in the borrowings. Securities purchased under agreement to resale (reverse repo) are not recognized in financial statements as an investment and the amount extended to the counter party is included in lending to financial institutions and in case of Continuous Funding System shown under advances. The difference between sale and repurchase price is treated as markup/return expensed or earned as the case may be.

### 3.12 Advances

Advances are stated net of provisions. Provisions comprise of:

- **Specific Provisions**
- **General Provisions**

#### **Specific Provisions**

The bank maintains specific provisions for doubtful debts at a level that can reasonably be anticipated keeping in view the requirement of the Prudential Regulations issued by the SBP.

#### **General Provisions**

The bank maintains a general provision at the rate of 5% against unsecured customer portfolio and at the rate of 1.5% against secured customer portfolio in accordance with the Prudential Regulations.

### 3.13 Fiduciary Assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the company and accordingly are not included in these financial statements.

### 3.14 Provisions

Provisions are recognized when the group companies have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

### 3.15 Financial Instruments

Financial instruments carried on the balance sheet include investments, receivables, cash and bank balances, finances under mark-up arrangements, other payables, deposits, creditors, accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 3.16 Offsetting of Financial Assets and Financial Liabilities

Financial assets and a financial liabilities are offset and the net amount is reported in the balance sheet if the group companies have a legally enforceable right to set off the recognized amounts and group companies intend to settle on a net basis or realize the asset and settle the liability simultaneously.

### 3.17 Foreign Currencies

Foreign currency transactions are translated into Pak rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the rate of exchange prevailing on the balance sheet date. Exchange differences are included in the profit and loss account for the year.

### 3.18 Borrowing Costs

Borrowing cost are recognized as an expense in the year in which these are incurred.

### 3.19 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at their nominal values. For the purposes of the cash flow statement, cash and cash equivalents comprises of cash in hand, bank balances, investments - at fair value through profit and loss, receivables against trading of securities and short term running finance.

### 3.20 Deferred Costs

Pre-operating /preliminary expenses are included in deferred costs and these will be amortized over a maximum period of five years on straight line basis from the date of commencement of business.

### 3.21 Revenue Recognition

- (i) **Capital Gain or Loss**  
Capital gains and losses on sale of marketable securities are recorded on the date of sale.
- (ii) **Dividend / Return on Securities**  
Dividend income is recognized when the right to receive payment is established. Whereas, return on securities other than shares is recognized on accrual basis.
- (iii) **Brokerage**  
Brokerage income is recognized as and when such services are provided.
- (iv) **Underwriting Commission**  
Underwriting commission is recognized when the agreement is executed.
- (v) **Mark-up/Interest**  
Mark-up/interest on advances and return on investments is recognized on accrual basis except on non performing advances and investments which is recognized on receipt basis in accordance with Prudential Regulations issued by State Bank of Pakistan.
- (vi) **Income on CFS**  
Income on CFS is recognized on accrual basis.
- (vii) **Management Fee**  
Management fee from open-end unit trusts is accrued on daily basis by charging the specified rates to the net asset value of unit trusts, at the close of business of each calendar date. However, the maximum rates charged is restricted to the admissible rates under the NBFC Rules.  
  
Management fee from close-end funds is recognized on daily/ monthly basis by charging the specified rates to the net assets value of the funds and is accrued at the month end. However, the maximum rates charged is restricted to the admissible rates under the NBFC Rules.
- (viii) **Processing and Other Related Income**  
These are recognized as the services are provided to unit holders and connection with their investments in the open-end mutual funds managed by the Company.

		(Rupees)	
Note	2007	2006	
<b>4 Issued, Subscribed and Paid-up Capital</b>			
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 shares)	10,000,000	10,000,000	
297,000,000 Ordinary shares of Rs.10/- each issued as fully paid up bonus shares (June 2006: 24,000,000 shares).	2,970,000,000	240,000,000	
	<u>3,020,000,000</u>	<u>290,000,000</u>	
2,000,000 Ordinary shares of Rs.10/- each buy-backed at Rs.360/- per share.	4.1 (20,000,000)	(20,000,000)	
	<u>3,000,000,000</u>	<u>270,000,000</u>	

**4.1** During financial year 2005-2006, AHSL acquired two million shares of Rs.10/- each from its shareholders through tender notice at a price of Rs.360/- per share pursuant to section 95-A of the Companies Ordinance, 1984 and Companies (Buy-back of shares) Rules, 1999. The acquisition resulted in reduction in capital by Rs.20 million and in unappropriated profit by Rs.700 million.

## 5 Long Term Liabilities

Secured			
From Bank	5.1 139,250,000	168,750,000	
From Others	87,303,000	-	
Unsecured			
From associate	5.2 31,531,500	16,310,100	
From other	5.3 1,750,000	2,950,000	
	<u>259,834,500</u>	<u>188,010,100</u>	
Less: Current portion	(57,450,000)	(113,700,000)	
	<u>202,384,500</u>	<u>74,310,100</u>	

**5.1** The loan is subject to markup at the rate of 3 month's KIBOR plus 2.5% per annum (2006: 3 months KIBOR plus 2.5% per annum). The principal amount of the loan is repayable in half yearly installments commenced from January 2005. Mark-up is payable on quarterly basis. The loan is secured against pledge over shares of listed companies held and owned by AHIML and its sponsors.

**5.2** This represents unsecured interest free loan.

**5.3** This represents amount payable against acquisition of licensed software by AHIML. This liability is payable in equal monthly installments of Rs.100,000 per month and is interest free.

## 6 Liability Against Assets Subject to Finance Lease

6.1 This represent vehicle acquired by AHIML under finance lease from a leasing company. The financing rate used as discounting factor is 9.1% (2006: 9.1%). Overdue rentals are subject to additional charge at the rate of 0.1% per day. Taxes, repairs, replacement and insurance costs are borne by the Company. The Company intends to exercise its option to purchase the above asset upon completion of the lease period.

6.2 The amounts of future payments and the periods in which these will be due are as follows:

	2007		2006	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
Within one year	1,271,244	1,089,225	1,271,244	994,823
After one year but not more than five years	1,645,852	1,564,806	2,917,128	2,654,067
After five years	-	-	-	-
Total minimum lease payments	2,917,096	2,654,031	4,188,372	3,648,890
Less: Amount representing finance charges	263,065	-	539,482	-
Present value of minimum lease payments	2,654,031	2,654,031	3,648,890	3,648,890
Less: Current portion	1,089,225	1,089,225	994,823	994,823
	<u>1,564,806</u>	<u>1,564,806</u>	<u>2,654,067</u>	<u>2,654,067</u>

(Rupees)

## 7 Deferred Tax Liability

Deferred tax(liabilities)/assets arising in respect of Taxable temporary differences

Accelerated tax depreciation/amortization in respect of

- Property and equipment
- Surplus on PIB
- Intangible assets
- Assets subject to finance lease

Deductible temporary differences

Accelerated tax depreciation/amortization in respect of

- Liability under finance lease
- Deficit on treasury bills
- Gratuity
- Tax losses
- Intangible assets

Note	2007	2006
	41,074,044	1,913,577
	161,000	-
	-	452,657
	930,937	-
	<u>42,165,981</u>	<u>2,366,234</u>
	(928,911)	-
	(1,030,000)	-
	(364,000)	-
	(3,234,000)	-
	(101,642)	-
	<u>(5,658,553)</u>	<u>-</u>
	<u>36,507,428</u>	<u>2,366,234</u>

(Rupees)

**8 Trade and Other payables**

Note	2007	2006
Creditors	416,058,461	218,184,735
Accrued expenses	58,359,112	82,562,777
Due to KSE members	922,446	633,052
Unclaimed dividend	-	279,695
Staff provident fund	2,015,513	4,149,719
Commission payable	-	-
Taxation	10,681,524	1,257,503
Other liabilities	17,967,155	6,876,377
	<u>506,004,211</u>	<u>313,943,858</u>

**9 Short Term Running Finance - Secured**

-

82,925,541

This represents balance against short term running finance facilities obtained under mark-up arrangements of Rs.5,175 million (2006: Rs.4,475 million) from various commercial banks carrying mark-up rate ranging from 11% to 12.5% (2006: 4.5% to 9.46%) per annum calculated on a daily product basis payable quarterly. The arrangements are secured against pledge of marketable securities.

**10 Taxation**

Opening balance	106,556,431	56,400,000
Provided during the year :	120,462,829	106,919,514
Adjusted during the year	(107,119,645)	(56,763,083)
Closing balance	<u>119,899,615</u>	<u>106,556,431</u>

**11 Contingencies and Commitments****11.1 Contingency**

The Parent Company is contesting alongwith other defendants, four suits filed by M/s. Diamond Industries Limited and Mr. Iftikhar Shafi (The Plaintiffs), in the year 2002-2003 and by M/s. Shafi Chemicals Industries Limited and Mr. Nisar Elahi (The Plaintiffs), for damages jointly against Mr. Saleem Chamdia, Mr.Arif Habib, Mr.Aqil Karim Dedhi, Mr. A. Ghaffar Usman Moosani, Mr. Shahid Ghaffar, the Karachi Stock Exchange (Guarantee) Limited (KSE), the Securities and Exchange Commission of Pakistan, the Central Depository Company of Pakistan (CDC), M/s.Saleem Chamdia Securities (Private) Limited, M/s.Arif Habib Securities Limited, M/s.Moosani Securities Limited and M/s.Aqil Karim Dedhi Securities Limited. The suits are for recovery of damages amounting to Rs.10,989,948,199/-, Rs.5,606,611,760/-, Rs.1,701,035,843/- and Rs.428,440,971/- respectively against the decision of the Karachi Stock Exchange in respect of Risk Management System of its Clearing House during the year 2000. As the Chairman and Chief Executive of the Company was the Chairman of the Board of Directors of the KSE for the year 2000, the Company has been made party to the suit by the plaintiff. All the suits at present are pending before the Sindh High Court, Karachi. While individual liability of respective individuals and undertakings is not quantifiable, in the opinion of the legal advisor of the Company the suits are likely to be dismissed as these are not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the said suits against the company. The Company has hence not made any provision in this respect in these financial statements.

(Rupees)

Note	2007	2006
<b>11.2 Commitment</b>		
Commitment to KSE Clearing House in respect of trading in securities-(receivable)/payable	(285,741,237)	-
<b>11.3 Transactions-Related Contingent Liabilities/Commitments</b>		
Guarantees Given in Favor of:		
Government	4,698,000	-
Others	1,620,000	-
	6,318,000	-
<b>11.4 Trade Related Contingent Liabilities</b>		
Letter of Credit	85,340,000	-
Acceptances	7,640,000	-
	92,980,000	-
<b>11.5 Other Contingencies - Claims Against Banks Not Acknowledged as Debts</b>	83,903,000	83,903,000
<b>11.6 Commitments in Respect of Forward Lending</b>		
Forward repurchase agreement lending	-	49,286,000
<b>11.7 Commitments in Respect of Future Contracts</b>		
Purchase	-	3,501,000
Sale	16,643,000	26,736,000
	16,643,000	30,237,000
<b>11.8 Commitments for the Acquisition of Operating Fixed Assets</b>		
Civil works	25,382,000	14,168,000
Acquisition of computer software	18,273,000	38,876,000
	43,655,000	53,044,000
<b>11.9 Underwriting Commitments</b>	-	50,000,000

**11.10** In the year 2005, DCIT completed assessment for the tax year 2003 of Rupali Bank Limited - Pakistan Branch (RBL) and created an additional tax demand of Rs.42.241 million on account of disallowance of provision made by RBL against the non performing advances amounting to Rs.89-12 million. the order of CIT was set aside by the Commissioner of Income Tax (Appeals) vide its order No.65,66, dated June 22, 2005 for reconsideration by the DCIT in the light of orders passed by higher forum in this context. RBL as well as the tax department have filed appeal with ITAT against the order of cCIT appeals which is pending. No provision has been made in this respect in these financial statements as in the opinion of Tax Consultants, the case is likely to be decided in favour of RBL based on precedence.

## 12 Property and Equipment

Particulars	C O S T			Rate %	D E P R E C I A T I O N			Written down value as at June 30, 2007
	As at July 1, 2006	Additions/ (Deletions)	As at June 30, 2007		As at July 1, 2006	For the year / (Adjustment)	As at June 30, 2007	
Computer & allied	20,073,619	52,820,581 (3,180,156)	69,714,044	33	10,290,303	8,692,974 (1,689,979)	17,293,298	52,420,746
Office equipment	5,208,484	32,815,434 (50,000)	37,973,918	10	1,212,136	3,797,652 (19,109)	4,990,679	32,983,239
Furniture and fixtures	3,333,835	13,110,369	16,444,204	15	1,444,004	1,572,786	3,016,790	13,427,414
Generator	3,753,728	2,025,000 (1,050,000)	4,728,728	10	1,118,420	385,262 (329,201)	1,174,481	3,554,247
Telecommunication	1,569,324	562,016 (78,300)	2,053,040	10	321,601	149,430 (5,880)	465,151	1,587,889
Office Premises	10,412,714	-	10,412,714		2,793,777	761,894	3,555,671	6,857,043
Building - leasehold	-	211,129,718	211,129,718		-	7,971,319	7,971,319	203,158,399
Vehicles	26,952,764	45,997,372 (8,798,517)	64,151,619	20	5,826,075	10,645,712 (2,004,290)	14,467,497	49,684,122
Vehicle- Leased	5,194,966	-	5,194,966	20	1,870,188	664,956	2,535,144	2,659,822
<b>Total Rupees 2007</b>	<b>76,499,434</b>	<b>358,460,490 (13,206,973)</b>	<b>421,802,951</b>		<b>24,876,504</b>	<b>34,641,985 (4,067,568)</b>	<b>55,470,030</b>	<b>366,332,921</b>
Total Rupees 2006	59,360,124	30,892,846 (13,753,536)	76,499,434		20,665,570	9,635,030 (6,270,655)	24,029,955	52,469,470

**12.1** Where written down value of a fixed asset falls below Rs. 10,000 or any addition is made upto Rs. 10,000, the same is charged directly to Profit & Loss Account.

### 12.2 Disposal

Particulars	Acquisition cost	Accumulated depreciation	Written down value	Sale proceed	Gain/ (loss)	Mode of disposal	Buyer's particulars
Motor vehicle	541,646	77,252	464,394	420,673	(43,721)	Negotiation	Sapna Motors, Karachi.
Motor vehicle	570,154	81,318	488,836	462,017	(26,819)	Negotiation	Muhammad Hussain, Jamshed Road, Karachi.
Motor vehicle	874,522	162,219	712,303	712,303	-	Negotiation	Hasan, Employee
Motor vehicle	500,000	92,747	407,253	407,253	-	Negotiation	Faisal, Employee
Motor vehicle	1,288,000	125,580	1,162,420	1,162,420	-	Negotiation	Ahmed Reza, Employee
Motor vehicle	801,646	40,082	761,564	700,000	(61,564)	Negotiation	Muhammad Hussain, Jamshed Road, Karachi.
Motor vehicle	400,000	57,050	342,950	342,950	-	Negotiation	Humayun, Employee
Motor vehicle	390,600	38,084	352,516	352,516	-	Negotiation	Izhar, Employee
Motor cycle	37,500	8,483	29,017	25,000	(4,017)	Negotiation	Altaf Hussain Autos, Karachi.
Other vehicles	2,059,449	1,131,071	928,378	953,740	25,362	Tender	Employees
Generators	1,050,000	329,201	720,799	300,000	(420,799)	Negotiation	Allied Engineering, Kar.
Office equipment	50,000	19,109	30,891	20,000	(10,891)	Negotiation	Asia Traders
Computer equipments	718,345	530,600	187,745	127,695	(60,050)	Negotiation	General Computer Dealers, Karachi.
Telecommunication	78,300	5,880	72,420	33,800	(38,620)	Tender	Employees



### 13 Intangible Assets

Particulars	C O S T			Rate %	A M O R T I Z A T I O N			Written down value as at June 30, 2007
	As at July 1, 2006	Additions/ (Transfer)	As at June 30, 2007		As at July 1, 2006	For the year / (Adjustment)	As at June 30, 2007	
Software	9,945,620	125,084,136	135,029,756	33	6,173,133	1,332,478	7,505,611	127,524,145
Total Rupees 2007	12,717,920	125,084,136	135,029,756		6,173,133	1,332,478	7,505,611	127,524,145
Total Rupees 2006	9,573,120	372,500	9,945,620		4,401,091	1,772,042	6,173,133	3,772,487

(Rupees)

### 14 Capital Work-in-Progress

Note	2007	2006
Customized software	390,920	120,000
Advance for office premises	6,579,119	6,579,119
Advance to contractors & suppliers	9,181,823	-
Civil works	27,629,668	-
Advance for residential apartment	22,813,851	20,789,506
	<u>66,595,381</u>	<u>27,488,625</u>

### 15 Membership and Licenses

#### Membership

-- Karachi Stock Exchange (Guarantee) Limited	15,000,000	15,000,000
-- Islamabad Stock Exchange (Guarantee) Limited	4,000,000	4,000,000
-- Lahore Stock Exchange (Guarantee) Limited	7,000,000	7,000,000
-- National Commodity Exchange of Pakistan Limited	1,000,000	1,000,000
-- Dubai Multi Commodities Centre	5,990,700	5,990,700
	<u>32,990,700</u>	<u>32,990,700</u>

#### Offices

-- Karachi - five offices	10,500,000	10,500,000
-- Lahore - one office	2,000,000	2,000,000
	<u>12,500,000</u>	<u>12,500,000</u>

#### Booths

-- Karachi - three booths	2,100,000	2,100,000
	<u>47,590,700</u>	<u>47,590,700</u>

### 16 Long Term Investments

#### Investments in Related Parties:

Associated Undertakings	16.1	2,061,391,236	1,863,782,587
<b>Other Investments:</b>			
Available for Sale	16.2	594,826,461	479,035,680

2,656,217,697      2,342,818,267

## 16.1

Number of Shares		Particulars	Activity	Holding (%)		Carrying value	
2007	2006			2007	2006	2007	2006
				----- Rupees -----		----- Rupees -----	
22,291,830	22,291,830	Pakarab Fertilizer Limited (Unquoted, associate)	Manuf. & sale of fertilizer	30	30	-	-
		Opening balance				1,845,048,334	1,324,332,073
		Add: Share of appreciation in equity				183,787,532	520,716,261
						2,028,835,866	1,845,048,334
1,901,000	1,901,000	Rozgar Microfinance Bank Limited (Unquoted, associate)	Microfinance Banking	19.01	19.01	-	-
		Opening balance				18,734,253	19,010,000
		Less: Share of diminution in equity				(3,201,403)	(275,747)
						15,532,850	18,734,253
2,000,000	-	Takaful Pakistan Limited (Unquoted, associate)	Islamic Insurance	10.00	-	-	-
		Opening balance				20,000,000	-
		Less: Share of diminution in equity				(2,977,480)	-
						17,022,520	-
						2,061,391,236	1,863,782,587

## 16.2 These Shares are of Rs. 10/- Each Unless Stated Otherwise.

Number of Shares/ Units/Certificates		Particulars	Activity	Carrying value		Value per share	
2007	2006			2007	2006	2007	2006
				----- Rupees -----		----- Rupees -----	
<b>Quoted - at market value</b>							
19,200,000	12,000,000	Al-Abbas Cement Ltd.	Manuf. & sale of cement			14.65	22.80
		Opening balance		267,600,000	114,000,000		
		Addition during the year (right issue)		72,000,000	80,000,000		
		(Defecit)/surplus on remeasurement of investment at fair value		(58,320,000)	73,600,000		
				281,280,000	267,600,000		
14,767,416	14,767,416	Pakistan Premier Fund Limited	Mutual Fund	221,511,241	210,435,680	15.00	14.25
<b>Unquoted - at fair value</b>							
900,000	-	Pakistan Pension Fund	Mutual Fund	90,000,000	-	100	-
2,000	-	Atlas Islamic Fund	Mutual Fund	1,035,220	-	518	-
10,000	10,000	Sun Biz (Private) Limited	Telebusiness	1,000,000	1,000,000	100	100
						Cost	Cost
				594,826,461	479,035,680		

(Rupees)

### 17 Long Term Receivable - Unsecured/Considered Good

Receivable from Funds managed by AHIML

Less: Current maturity

Note	2007	2006
	15,967,399	27,986,695
	(5,000,105)	(6,639,796)
	<u>10,967,294</u>	<u>21,346,899</u>

This represents expenses incurred in connection with the incorporation, registration, establishment and offering for sale and distribution of the securities of the Funds born by the company and reimbursable by Funds in equal amounts payable annually over a period of five years.

### 18 Long Term Deposits

Karachi Stock Exchange (Guarantee) Limited  
Lahore Stock Exchange (Guarantee) Limited  
Islamabad Stock Exchange (Guarantee) Limited  
National Commodity Exchange Limited  
National Clearing Company of Pakistan  
Central Depository Company Limited  
Clearing house - DMCC  
Telephone  
Others

	1,210,000	760,000
	1,480,000	1,030,000
	1,000,000	1,450,000
	9,406,000	9,000,000
	700,000	700,000
	150,000	112,500
	9,076,158	8,988,496
	78,500	78,500
	<u>1,038,049</u>	<u>821,453</u>
	<u>24,138,707</u>	<u>22,940,949</u>

### 19 Investment - At Fair Value Through Profit & Loss

No. of Shares		Name of Script / Company	Cost Rate		Average Cost		Market Rate		Market Value		Profit / (Loss)	
June 2007	June 2006		June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006
<b>Open End Mutual Fund</b>												
-	40,000	Atlas Stock Mkt Fund	-	444	-	17,778,173	-	655.9	-	26,237,200	-	8,459,027
400,000	-	HBL Income Fund	100.0	-	40,000,000	-	102.68	-	41,072,000	-	1,072,000	-
400,000	-	Meezan Islamic Fund	50.0	-	20,000,000	-	52.17	-	20,868,000	-	868,000	-
200,000	-	MCB Dynamic Cash Fund	100.0	-	20,000,000	-	103.36	-	20,671,700	-	671,700	-
1,000,000	40,000				80,000,000	17,778,173			82,611,700	26,237,200	2,611,700	8,459,027
<b>Close End Mutual Fund</b>												
2,884,250	2,525,000	1st. Dawood M. Fund	8.61	9.90	24,832,114	25,000,000	9.00	9.30	25,958,250	23,482,500	1,126,136	(1,517,500)
492,480	492,480	AKD Index Tracker Fund	10.00	10.00	4,924,800	4,924,800	13.70	9.40	6,746,976	4,629,312	1,822,176	(295,488)
-	2,800,954	BSJS Balance Fund	-	8.91	-	24,946,700	-	12.15	-	34,031,591	-	9,084,891
1,019,329	1,019,329	Meezan Balance Fund	10.00	10.00	10,193,290	10,193,290	10.25	10.05	10,448,122	10,244,256	254,832	50,966
30,394,000	33,301,500	Pak Strateg. Alloc. Fund	9.40	9.39	285,853,547	312,651,732	10.50	10.65	319,137,000	354,660,975	33,283,453	42,009,243
15,347,143	14,177,143	Pakistan Premier Fund	9.84	9.67	151,052,007	137,082,222	15.00	14.25	230,207,145	202,024,288	79,155,138	64,942,066
50,137,202	54,316,406				476,855,758	514,798,744			592,497,493	629,072,922	115,641,735	114,274,178
<b>Modaraba</b>												
-	1,522,500	B.R.R. Int'l Modaraba	-	10.40	-	15,834,000	-	6.85	-	10,429,125	-	(5,404,875)
5,500	-	Allied Rental Modaraba	12.64	-	69,500	-	11.50	-	63,250	-	(6,250)	-
-	400,000	1st ABL Modaraba	-	18.00	-	7,198,800	-	18.35	-	7,340,000	-	141,200
5,500	1,922,500				69,500	23,032,800			63,250	17,769,125	(6,250)	(5,263,675)

No. of Shares		Name of Script / Company	Cost Rate		Average Cost		Market Rate		Market Value		Profit / (Loss)	
June 2007	June 2006		June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006
<b>Investment Bank</b>												
1,746,639	1,574,469	1st, Dawood Inv. Bank	11.05	12.71	19,297,030	20,004,108	28.95	21.80	50,565,199	34,323,424	31,268,169	14,319,316
10,000,000	-	Pervez Ahmed Securities	10.00	-	100,000,000	-	22.70	-	227,000,000	-	127,000,000	-
-	400	Jahangir Siddiqi Cap Mkt	-	149.19	-	59,676	-	215.0	-	86,000	-	26,324
515,800	-	Jahangir Siddiqi (Pref)	10.17	-	5,245,365	-	21.00	-	10,831,800	-	5,586,435	-
-	185,100	Jahangir Siddiqi & Co.	-	205.2	-	37,979,240	-	204.9	-	37,926,990	-	(52,250)
12,262,439	1,759,969				124,542,395	58,043,024			288,396,999	72,336,414	163,854,604	14,293,390
<b>Commercial Bank</b>												
147,500	2,060,922	Bank of Punjab	111.82	81.67	16,493,798	168,311,450	116.5	82.70	17,183,750	170,438,249	689,952	2,126,799
-	4,470,000	Union Bank Limited	-	74.66	-	333,735,577	-	74.00	-	330,780,000	-	(2,955,577)
-	500,000	Muslim Comm. Bank	-	187.85	-	93,927,060	-	210.3	-	105,150,000	-	11,222,940
2,000,000	1,934,400	Askari Comm. Bank	103.38	90.40	206,761,715	174,888,918	105.90	77.55	211,800,000	150,012,720	5,038,285	(24,876,198)
-	450,000	Faysal Bank Ltd	-	68.91	-	31,009,838	-	61.50	-	27,675,000	-	(3,334,838)
-	2,387	IFIC (NDLC)	-	15.69	-	37,455	-	20.50	-	48,934	-	11,479
-	55,500	Mybank Limited	-	20.87	-	1,158,100	-	19.95	-	1,107,225	-	(50,875)
-	190,000	National Bank Pak	-	179.4	-	34,094,997	-	215.5	-	40,945,000	-	6,850,003
2,147,500	9,663,209				223,255,513	837,163,395			228,983,750	826,157,128	5,728,237	(11,006,267)
<b>Textile Weaving</b>												
55,110	56,100	Kohinoor Weaving	17.75	19.52	978,064	1,095,197	29.50	26.50	1,625,745	1,486,650	647,681	391,453
<b>Textile Spinning</b>												
236,280	208,200	Din Textile	26.07	26.61	6,159,115	5,539,375	27.90	28.50	6,592,212	5,933,700	433,097	394,325
352,200	352,200	Gadon Textile	79.01	79.01	27,825,581	27,825,581	77.80	72.85	27,401,160	25,657,770	(424,421)	(2,167,811)
250,288	227,535	Gulistan Textile	21.89	24.08	5,479,200	5,479,200	25.70	21.50	6,432,402	4,892,002	953,202	(587,198)
2,000,000	-	Hira Textile	12.50	-	25,000,000	-	10.00	-	20,000,000	-	(5,000,000)	-
185	979,185	Dewan Spinning Mills	10.00	10.00	1,850	9,791,850	8.95	6.70	1,656	6,560,539	(194)	(3,231,311)
953,400	953,400	Ideal Spinning	8.29	8.29	7,899,290	7,899,290	5.95	7.00	5,672,730	6,673,800	(2,226,560)	(1,225,490)
3,792,353	2,720,520				72,365,036	56,535,296			66,100,159	49,717,812	(6,264,877)	(6,817,484)
<b>Textile Composite</b>												
87,200	35,500	Blessed Textile	58.96	56.00	5,141,700	1,988,000	73.50	71.00	6,409,200	2,520,500	1,267,500	532,500
4,077	4,077	Gul Ahmed Textile	63.69	63.69	259,650	259,650	45.65	41.00	186,115	167,157	(73,535)	(92,493)
802,500	799,500	Ishaq Textile	13.35	13.32	10,710,281	10,653,106	16.40	19.00	13,161,000	15,190,500	2,450,719	4,537,394
-	1,650	Nishat (Chunian)	-	16.69	-	27,545	-	44.50	-	73,425	-	45,880
1,000,000	-	Nishat Mills	128.40	-	128,402,800	-	130.45	0.00	130,450,000	-	2,047,200	-
165,000	132,000	Reliance Weaving	12.29	15.36	2,027,525	2,027,525	19.95	25.90	3,291,750	3,418,800.00	1,264,225	1,391,275
9,700	9,700	Sapphire Textile	64.48	64.48	625,496	625,496	101.85	70.00	987,945	679,000	362,449	53,504
683,425	671,025	Sapphire Fibre	82.26	81.95	56,218,152	54,993,147	182.70	97.9	124,861,748	65,659,796	68,643,596	10,666,649
2,751,902	1,653,452				203,385,604	70,574,469			279,347,758	87,709,178	75,962,154	17,134,709
<b>Synthetic &amp; Ryön</b>												
-	3,456,000	Pak Synthetic Ltd.	-	10.23	-	35,343,775	-	8.50	-	29,376,000	-	(5,967,775)
-	425,000	Dewan Salman Fibre	-	12.36	-	5,253,722	-	11.20	-	4,760,000	-	(493,722)
-	3,881,000				-	40,597,497			-	34,136,000	-	(6,461,497)
<b>Insurance</b>												
7,628	6,103	Century Insurance	23.06	28.82	175,867	175,867	55.50	40.50	423,354	247,171	247,487	71,305
-	150,500	New jubilee Insurance	-	23.75	-	3,573,700	-	22.00	-	3,311,000	-	(262,700)
7,628	156,603				175,867	3,749,567			423,354	3,558,172	247,487	(191,395)
<b>Sugar</b>												
5,658,894	5,658,894	Shakarganj Sugar-pref.	10.00	10.00	56,588,940	56,588,940	6.00	10.00	33,953,364	56,588,940	(22,635,576)	-
-	29,000	Dewan Sugar	-	16.95	-	491,550	-	17.55	-	508,950	-	17,400
5,658,894	5,687,894				56,588,940	57,080,490			33,953,364	57,097,890	(22,635,576)	17,400
<b>Cement</b>												
-	1,378,900	Attock Cement	-	63.86	-	88,061,650	-	91.00	-	125,479,900	-	37,418,250
-	4,529,000	Fauji Cement	-	20.17	-	91,344,200	-	19.20	-	86,956,800	-	(4,387,400)
-	300	Kohat Cement	-	37.63	-	11,289	-	53.95	-	16,185	-	4,896
-	30,500	Javedan Cement	-	57.68	-	1,759,325	-	69.95	-	2,133,475	-	374,150
-	5,719,500	Al-Abbas Cement	-	22.76	-	130,163,907	-	22.80	-	130,404,600	-	240,693
15	20,650	Bestway Cement	37.20	40.91	558	844,773	81.95	75.00	1,229	1,548,750	671	703,977
-	1,000,000	Maple Leaf Cement	-	34.47	-	34,470,725	-	25.60	-	25,600,000	-	(8,870,725)
1,040,000	-	Dewan Cement	14.95	-	15,546,673	-	17.35	-	18,044,000	-	2,497,327	-
-	1,000,000	D.G. Khan Cement	-	83.50	-	83,500,820	-	90.00	-	90,000,000	-	6,499,180
1,040,015	13,678,850				15,547,231	430,156,689			18,045,229	462,139,710	2,497,998	31,983,021

No. of Shares		Name of Script / Company	Cost Rate		Average Cost		Market Rate		Market Value		Profit / (Loss)	
June 2007	June 2006		June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006
<b>Oil &amp; Gas Marketing</b>												
173,400	250,000	Pakistan State Oil	352.25	310.5	61,079,881	77,634,575	317.0	309.0	54,967,800	77,250,000	(6,112,081)	(384,575)
-	42,500	Sui Southern Gas	-	29.99	-	1,274,375	-	28.90	-	1,228,250	-	(46,125)
173,400	292,500				61,079,881	78,908,950			54,967,800	78,478,250	(6,112,081)	(430,700)
<b>Oil &amp; Gas Exploration</b>												
10,688,200	1,000,000	O.G.D.C	120.5	127.9	1,288,266,533	127,855,429	119.80	136.8	1,280,446,360	136,750,000	(7,820,173)	8,894,571
10,688,200	1,000,000				1,288,266,533	127,855,429			1,280,446,360	136,750,000	(7,820,173)	8,894,571
<b>Automobile Assembler</b>												
370,800	482,200	Honda Atlas Cars	28.71	28.71	10,644,380	13,842,288	63.20	70.50	23,434,560	33,995,100	12,790,180	20,152,812
-	300,000	Indus Motors	-	139.7	-	41,903,575	-	191.0	-	57,300,000	-	15,396,425
500,050	1,406,700	Pak Suzuki Motors	54.49	130.2	27,245,881	183,177,539	392.00	313.0	196,019,600	440,297,100	168,773,719	257,119,561
870,850	2,188,900				37,890,261	238,923,402			219,454,160	531,592,200	181,563,899	292,668,798
<b>Engineering</b>												
-	22,900	Pakistan Engineering	-	70.8	-	1,621,975	-	107.0	-	2,450,300	-	828,325
<b>Autoparts &amp; Assess.</b>												
-	592,500	Dewan Automat. Engrn.	-	9.08	-	5,377,950	-	11.00	-	6,517,500	-	1,139,550
<b>Cable &amp; Electrical</b>												
2,500,000	2,500,000	Pak Electron (Pref)	10.00	10.00	25,000,000	25,000,000	10.00	10.00	25,000,000	25,000,000	-	-
-	7,500	Pak Electron	-	48.67	-	365,004	-	105.95	-	794,625	-	429,621
2,500,000	2,507,500				25,000,000	25,365,004			25,000,000	25,794,625	-	429,621
<b>Tech &amp; Communication</b>												
-	1,000,000	P.T.C.L	-	39.39	-	39,393,045	-	40.60	-	40,600,000	-	1,206,955
43,000,062	5,551,381	Worldcall Telecom	9.79	10.19	421,167,249	56,553,240	18.35	8.95	789,051,138	49,684,860	367,883,889	(6,868,380)
-	500	Telecard	-	15.34	-	7,671	-	11.35	-	5,675	-	(1,996)
-	500,000	TRG Pakistan	-	14.52	-	7,259,225	-	10.05	-	5,025,000	-	(2,234,225)
43,000,062	7,051,881				421,167,249	103,213,181			789,051,138	95,315,535	367,883,889	(7,897,646)
<b>Fertilizer</b>												
26,910,399	10,000,000	F.F.C Bin Qasim	34.49	38.80	928,252,643	388,039,883	39.00	29.25	1,049,505,561	292,500,000	121,252,918	(95,539,883)
1,500,000	-	Fauji Fertilizer	121.34	-	182,015,420	-	121.25	-	181,875,000	-	(140,420)	-
28,410,399	10,000,000				1,110,268,063	388,039,883			1,231,380,561	292,500,000	121,112,498	(95,539,883)
<b>Pharmaceuticals</b>												
-	2,850	Glaxosmithkline	-	110.9	-	316,170	-	176.0	-	501,600	-	185,430
<b>Chemicals</b>												
-	30,000	Pakistan PTA	-	7.00	-	209,920	-	6.40	-	192,000	-	(17,920)
<b>Papers &amp; Board</b>												
26,000	20,000	Security Paper	117.1	152.3	3,045,000	3,045,000	113.95	118.0	2,962,700	2,360,000	(82,300)	(685,000)
<b>TFCs</b>												
2,578	2,578	Al-Zamin L.M TFC	3,400	5,000	8,765,200	12,890,000	3400	5000	8,765,200	12,890,000	-	-
8,747	8,747	Bank Al Habib TFC	4,995	4,997	43,691,265	43,708,759	4996	4997	43,700,012	43,708,759	8,747	-
-	400	Maple Leaf TFC	-	833	-	333,200	-	833	-	333,200	-	-
-	1,000	Orix Leasing TFC	-	5,000	-	5,000,000	-	5550	-	5,550,000	-	550,000
11,325	12,725				52,456,465	61,931,959			52,465,212	62,481,959	8,747	550,000

164,538,779	119,258,259	Grand total	4,252,937,360	3,145,414,164	5,247,776,732	3,502,352,170	994,839,372	356,938,006
Changes due to fair Market Value Provided			356,938,006	155,220,097				
			637,901,366	201,717,909				
			994,839,372	356,938,006				
			5,247,776,732	3,502,352,170				

## 20 Investments - Available for Sale

Number of Shares/ Units/Certificates		Particulars	Carrying value		Value per share	
2007	2006		2007	2006 Restated	2007	2006
			----- Rupees -----		----- Rupees -----	
<b>Quoted - at market value</b>						
6,914,500	-	Pakistan Premier Fund Limited	103,717,500	-	15.00	-
19,674,000	12,486,500	Pakistan Strategic Allocation Fund	206,577,000	132,981,225	10.50	-
122,100	-	National Bank of Pakistan	31,990,200	-	262.00	-
60,500	-	Pakistan Oil Field	19,178,500	-	317.00	-
1,060,900	-	Oil & Gas Development Company	127,095,820	-	119.80	-
<b>Unquoted - at fair value</b>						
1,930,690	-	AKD Income Fund	99,940,437	-	51.76	-
1,000,000	-	Alfalah GHP Income Fund	50,166,000	-	50.17	-
1,785,367	-	AMZ Plus Income Fund	200,167,289	-	112.12	-
1,353,913	-	Askari Income Fund	151,245,600	-	111.71	-
1,350,174	-	Dawood Money Market Fund	150,165,936	-	111.22	-
200,000	-	First Habib Income Fund	20,318,000	-	101.59	-
593,730	-	HBL Income Fund	60,964,159	-	102.68	-
200,000	-	IGI Income Fund	20,402,000	-	102.01	-
1,362,852	-	KASB Liquid Fund	151,235,657	-	110.97	-
1,064,599	-	MCB Dynamic Fund	110,027,937	-	103.35	-
1,915,793	-	Meezan Islamic Income Fund	100,004,384	-	52.20	-
9,040,467	-	NAFA Cash Fund	100,107,581	-	11.07	-
8,143,027	180,261	Pakistan Income Fund	451,449,408	9,928,747	55.44	55.08
7,043	5,194	Pakistan Stock Market Fund	768,226	593,635	109.08	114.29
1,018,626	13,858,497	Pakistan Capital Market Fund	14,861,754	201,363,968	14.59	14.53
2,000	2,000	Pakistan International Element Islamic Fund	117,780	95,460	58.89	47.73
11,000	-	Metro Sovereign Fund	615,560	-	55.96	-
18,000	-	Atlas Islamic Fund	9,316,980	-	517.61	-
1,000,000	-	NAMCO Balanced Fund	9,750,000	-	9.75	-
180,309	-	UTP Income Fund	100,723,944	-	558.62	-
-	-	Pakistan Investment Bonds	447,086,646	-	-	-
-	-	Market Treasury Bills	2,117,913,319	-	-	-
-	-	TFC - Dominion Fertilizer	150,000,000	-	-	-
-	-	Others - Certificate of Investments	100,000,000	-	-	-
			<u>5,105,907,617</u>	<u>344,963,035</u>		

(Rupees)

## 21 Trade Debts

Due from KSE members- secured/considered good

20,185,260

10,110,982

Due from customers

- secured, considered good

204,525,691

411,028,935

- unsecured, considered good

12,954,524

-

- unsecured, considered doubtful

-

10,252,797

217,480,215

421,281,732

Provision for doubtful debts

(12,954,524)

(10,252,797)

224,710,950

421,139,917

(Rupees)

	Note	2007	2006
<b>22 Advances</b>			
Loans, cash credits, running finance, etc.			
In Pakistan		1,554,652,000	-
Outside Pakistan		-	-
		1,554,652,000	-
Financing in respect of			
Continuous funding system (CFS)		1,085,218,000	-
		2,639,870,000	-
Provision for non-performing advances		(133,351,000)	-
		2,506,519,000	-
<b>23 Loan and Advances - Considered Good</b>			
- To staff		14,417,960	16,916,299
- Advance rent		-	5,715,439
- Market advance		11,720,000	-
- To others	23.1	1,268,655	613,669,805
		27,406,615	636,301,543
<b>23.1</b>			
Included in the above is the advance of Rs.469.614 million paid to Privatization Commission in respect of transaction for acquisition of Pakistan Steel Mills Limited as a member of a consortium. Subsequent to the balance sheet date, the amount was refunded by the Commission pursuant to judgment of the Honorable Supreme Court of Pakistan in this matter. Also included above is advance paid during last year to Arif Habib Rupali Bank Limited of Rs.141.798 million.			
<b>24 Deposits, Prepayments &amp; Advance Tax</b>			
Deposits - Future clearing		87,557,191	1,112,994
Prepayments		6,249,723	1,874,406
Advance income tax		136,371,124	85,064,336
Others		-	2,180,409
		230,178,038	88,051,737
<b>25 Other Receivables</b>			
Dividend		22,391,675	98,383,843
Accrued income		-	5,668,512
Other miscellaneous receivable		217,740,709	16,582,773
		240,132,384	120,635,128
<b>26 Cash and Bank Balances</b>			
Cash in hand		169,824	109,204
Cash at bank			
- Current account		230,828,238	790,755,516
- PLS account		139,716	9,032,778
- Deposit accounts		95,903,173	-
- Cash & balances with treasury banks		458,953,000	-
		785,824,127	799,788,294
		785,993,951	799,897,498

		(Rupees)		
	Note	2007	2006	
<b>27</b>	<b>Operating Revenue</b>			
	Markup/ Returns/ Interest earned - Net	205,390,259	-	
	Brokerage	467,856,765	377,396,450	
	Underwriting commission, placement, consultancy	9,358,743	9,330,862	
	Commission on new shares subscription	-	747,131	
	Dividend	354,099,475	428,951,536	
	Return on term finance certificates and bank deposit	8,051,037	5,510,419	
	Income from CFS/COT	8,154,366	76,288,319	
	Return on margin trading	-	42,201,902	
	Management fee	418,050,613	402,425,901	
	Processing and other related income	20,969,016	44,557,192	
		<u>1,491,930,274</u>	<u>1,387,409,712</u>	
<b>28</b>	<b>Operating Expenses</b>			
	Salaries and benefits	28.1	252,339,646	131,516,453
	Printing and stationery		12,158,502	6,728,276
	Communication		17,249,399	5,271,645
	Rent rates and taxes		39,147,545	7,060,702
	Power		519,039	454,221
	Legal and professional charges		8,293,134	6,879,637
	C.D.C & Clearing house charges		62,995,455	52,763,881
	Entertainment		1,693,843	1,515,959
	Traveling and motor vehicle		15,175,714	7,678,922
	Depreciation	12	34,641,985	9,635,030
	Repair and maintenance		10,311,055	5,599,474
	Office renovation		610,425	446,295
	Auditors' remuneration	28.2	1,507,626	677,560
	Share transfer expenses		89,400	47,818
	Insurance		2,088,770	499,872
	Membership and other subscription		29,311,169	1,706,518
	Advertisement, business promotion, research and development		81,235,206	80,486,182
	Meeting expenses		23,000	66,250
	Commission		53,218,027	37,243,983
	Donation	28.3	17,472,699	12,440,523
	E.O.B.I. Contribution		141,260	48,390
	Technical assistance fee		18,189,653	18,427,534
	Registrar fee		4,570,903	3,582,159
	Amortization		4,420,160	1,772,040
	Brokerage expense		9,183,478	966,298
	General expenses		8,641,215	1,037,741
			<u>685,228,308</u>	<u>394,553,363</u>



**28.1** This includes company's contribution to provident fund of Rs.5,433,138/- (2006: Rs.3,674,133/-).

(Rupees)

**28.2 Auditors' Remuneration**

Note	2007	2006
Audit fee	987,000	460,000
Certification including half yearly review reporting	465,000	217,560
Out of pocket	55,626	-
	<u>1,507,626</u>	<u>677,560</u>

**28.3** None of the directors or their spouses had any interest in donees' fund. However, the Chief Executive of the Company is a trustee in one of the donee institution.(Fatmid Foundation Trust).

**29 Finance Cost**

Mark-up on long term finance	11,037,262	15,719,604
Mark-up on short term borrowings	102,763,755	222,648,677
Lease finance cost	276,421	362,643
Bank charges	3,512,535	2,344,925
Interest on employees' provident fund	198,790	568,160
	<u>117,788,763</u>	<u>241,644,009</u>

**30 Other Charges**

Uncollectible commission charges	-	461,982
Loss on disposal of assets	136,121	-
Loss on foreign currency translation	126,534	45,575,826
Provision for doubtful receivables	12,954,524	10,252,797
Miscellaneous	925,000	-
	<u>14,142,179</u>	<u>56,290,605</u>

**31 Other Income**

Income from Financial Assets:		
Profit on bank deposits	40,766	424,876
Profit on exposure deposit with KSE	1,015,583	-
Gain on foreign currency translation	-	84,052
Other service charges	12,501,862	1,754,911
Amortization of negative goodwill	2,254,087	2,254,087
Profit on Pre-IPO investments & others	4,163,527	-
Reversal of goodwill due to deemed disposal	668,908	2,357,836
Miscellaneous	9,578,000	-
	<u>30,222,733</u>	<u>6,875,762</u>

**32 Provision for Taxation**

- Current	122,312,615	106,556,431
- Prior	(739,048)	(292,485)
- Deferred	(10,448,806)	1,336,750
	<u>111,124,761</u>	<u>107,600,696</u>

### 33 Remuneration of Chief Executive, Directors and Executives

33.1 The Chief Executive of the parent company presently draws no remuneration for holding the office.

33.2 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds five hundred thousand rupees in a financial year.

	Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
Managerial remuneration	33,815,849	41,473,362	714,342	970,205	36,797,116	18,309,782
Fees, commission and performance bonus	6,908,067	2,734,467	7,523,109	1,800,545	-	87,600
Contribution to provident fund	840,000	767,737	-	102,525	2,179,069	1,158,214
Other benefits	142,220	1,207,273	525,096	674,023	230,899	3,354,824
	<u>41,706,136</u>	<u>46,182,839</u>	<u>8,762,547</u>	<u>3,547,298</u>	<u>39,207,084</u>	<u>22,910,420</u>
Number of persons	4	2	-	14	23	10

The above were provided with vehicles in accordance with Company's policy.

### 34 Earnings Per Share - Basic and Diluted

Profit for the year

Note	2007	2006
	<u>3,544,746,906</u>	<u>3,397,494,573</u>

(Number of Shares)

Number of ordinary shares

	<u>300,000,000</u>	<u>300,000,000</u>
--	--------------------	--------------------

(Rupees)

Earnings per share-basic and diluted

	<u>11.82</u>	<u>11.32</u>
--	--------------	--------------

Earnings per share of comparative of Rs. 125.83 have been restated after taking into account the issue of 273,000,000 shares issued being bonus during the year by the company.

### 35 Financial Instruments and Related Disclosures

#### 35.1 Interest/Mark-up Rate Risk Exposure

Interest/ markup rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest/ markup rates. Sensitivity to interest/ markup rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Information about the company's exposures to mark up rate risk based on contractual refinancing and maturity dates, whichever is earlier, is as follows:

	Interest/mark-up bearing		Non Interest/mark-up bearing	2007 Total	2006 Total
	One month to one year	Over one year			
.....Rupees.....					
Financial assets					
Long term investment	-	-	2,656,217,697	2,656,217,697	2,342,818,267
Long term loan & receivable	-	-	10,967,294	10,967,294	21,346,899
Long term deposits	-	-	24,138,707	24,138,707	22,940,949
Investments - at fair value through profit and loss	-	-	5,247,776,732	5,247,776,732	3,502,352,170
Investments - available for sale	-	-	5,105,907,617	5,105,907,617	344,963,035
Trade debts	-	-	224,710,950	224,710,950	421,139,917
Receivable against securities transaction	-	220,554,999	220,554,999	548,119,056	-
Loan and advances	-	-	27,406,615	27,406,615	636,301,543
Deposits and prepayments	-	-	93,806,914	93,806,914	2,987,401
Other receivables	-	-	240,132,384	240,132,384	120,635,128
Cash and bank	96,042,889	-	689,951,062	785,993,951	799,897,498
	96,042,889	-	14,541,570,971	14,637,613,860	8,763,501,863

The average interest/mark-up rates were 9.8% to 15% (2006: 9.8% to 15%)

Financial liabilities					
Long term liabilities	56,250,000	167,903,000	34,481,500	258,634,500	186,810,100
Liability against assets subject to finance lease	1,089,225	1,564,806	-	2,654,031	3,648,890
Deposits and other accounts	4,568,958,488	-	-	4,568,958,488	-
Bills Payables	-	-	19,612,000	19,612,000	-
Borrowing from financial institutions	1,183,054,000	-	-	1,183,054,000	-
Short term running finance	-	-	-	-	82,925,541
Margin Finance	-	-	-	-	-
Trade and other payables	-	-	506,004,211	506,004,211	313,943,858
Accrued markup	-	-	4,195,581	4,195,581	18,839,364
	5,809,351,713	169,467,806	564,293,292	6,543,112,811	606,167,753

The interest/mark-up rates are 11% to 12.5% (2006 : 11% to 12.5%)

### 35.2 Concentration of Credit Risk and Credit Exposure of the Financial Instruments.

Credit risk is the risk that one party to a financial instrument will fail to discharge obligation and cause the other party to incur a financial loss.

The company is not exposed to major concentration of credit risk as its debt securities are marketable and readily traded on the stock exchange. The company seeks to minimize its credit risk exposure by dealing with customers considered credit worthy against pledge of marketable securities and makes full provision against those balances considered doubtful of recovery.

### 35.3 Fair Value of Financial Instruments

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The carrying value of all the financial assets and liabilities reflected in the financial statements approximate their fair value.

### 35.4 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of business. Company treasury aims at maintaining flexibility in funding by keeping regular credit lines with the banks.

		(Rupees)		
36	Cash and Cash Equivalents	Note	2007	2006
	Cash and bank balances		785,993,951	799,897,498
	Investments - at fair value through profit and loss		5,247,776,732	3,502,352,170
	Receivable against securities transaction		220,554,999	548,119,056
	Short term running finance		-	(82,925,541)
			6,254,325,682	4,767,443,183

### 37 Related Party Transactions

Related parties comprise parent, subsidiary and associated companies, major shareholders, directors, companies with common directorship, key management staff and employees.

#### 37.1 Of Arif Habib Securities Limited :

Brokerage earned from		
-- Pakistan Income Fund (PIF)	-	268,000
-- Pakistan Stock Market Fund (PSMF)	-	270,000
-- Pakistan Premier Fund (PPF)	-	153,000
-- Pakistan Capital Market Fund Limited (PCMF)	-	267,000
-- Pakistan Strategic Allocation Fund (PSAF)	-	530,000
Brokerage paid to		
-- Arif Habib Limited	19,574,595	-
Maximum balance due from/(to) at the end of any month		
- Arif Habib Investment Management Ltd.	(4,594,900)	68,600,000
- Arif Habib Ltd.	2,152,955,886	500,000,000
Mark-up income on loan to AHIML	-	2,645,872
Current bank account balance maintained with Arif Habib Rupali Bank Limited (subsidiary) as of balance sheet date.	271,477,810	-

37.1.1 PIF, PCMF and PSMF are open end mutual funds managed by Arif Habib Investment Management Ltd.

37.1.2 PPF and PSAF are close end mutual funds managed by Arif Habib Investment Management Limited.

#### 37.2 Of Arif Habib Limited :

##### Transactions with such, are as follows:

Brokerage earned from group companies	36,601,768	4,910,953
Long term loan from parent company - interest free	-	500,000,000
Liabilities transferred by parent company at book value	2,447,028	810,335,752

(Rupees)

**37.3 Of Arif Habib Investment Management Limited :**

Note	2007	2006
Management fee	481,050,613	402,425,901
Processing and other related income	20,969,016	44,557,192
Investments in Fund at cost	247,135,755	422,533,446
Sale of investments in funds	350,332,469	389,730,340
Technical assistance fees	14,794,858	18,427,534
Advertisement & other expenses paid for related parties	5,607,068	1,990
Mark-up on loan	-	2,645,872

**40 Date of Authorization for Issue**

These financial statements have been authorized for issue on July 30, 2007 by the Board of Directors of the company.

**41 General**

- Figures have been rounded off to the nearest rupee.
- For the purpose of comparison and better presentation the previous year's figures have been rearranged as disclosed in the relevant head of accounts.

CHIEF EXECUTIVE

DIRECTOR



# FORM OF PROXY

## 13th Annual General Meeting

The Company Secretary  
Arif Habib Securities Limited  
60-63, 1st Floor, Stock Exchange Building  
Stock Exchange Road  
Karachi.

I/we \_\_\_\_\_ of \_\_\_\_\_ being a member(s)  
of Arif Habib Securities Limited holding \_\_\_\_\_ ordinary shares as per  
CDC A/c. No. \_\_\_\_\_ hereby appoint Mr./Mrs./Miss \_\_\_\_\_  
\_\_\_\_\_ of (full address) \_\_\_\_\_  
\_\_\_\_\_ or failing him/her  
Mr./Mrs./Miss \_\_\_\_\_ of (full address) \_\_\_\_\_

(being member of the company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held on September 29, 2007 and /or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

### Witnesses:

1. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
NIC No. : \_\_\_\_\_  
Signature : \_\_\_\_\_

Signature on  
Rs. 5/-  
Revenue Stamp

2. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
NIC No. : \_\_\_\_\_  
Signature : \_\_\_\_\_

### NOTICE:

1. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
2. Proxy shall authenticate his/her identity by showing his/her original national identity card or original passport and bring folio number at the time of attending the meeting.
3. In order to be effective, the proxy forms must be received at the office of our registrar M/s. Technology Trade (Pvt.) Ltd; Dagia House 241-C Block-2, PECHS off Shahrah-e-Quaideen Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their names, addresses and NIC umbers mentioned on the form.
4. In the case of individuals attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted alongwith proxy form.



**AFFIX  
CORRECT  
POSTAGE**

**ARIF HABIB SECURITIES LTD.**

**Registrar:**

M/s. Technology Trade (Pvt.) Ltd.  
Dagia House, 241-C, Block-2, P.E.C.H.S.  
Off: Shahrah-e-Quaideen, Karachi.

Fold : Here

Fold : Here

Fold : Here

Fold : Here