



VISION

Aiming for continued growth, we will further develop our strengths to seize new opportunities and maintain our steadfast commitment.

MISSION

- ❑ Meet the challenges of highly competitive market with our expertise, creativity and service.
- ❑ Develop & maintain strong client relationship.
- ❑ Continuously enhance our contributions towards industrial development of the country.
- ❑ Above all, in a tradition of prudent growth, our unwavering determination to strengthen long-term earnings and return on shareholders' equity will endure.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Khursheed K. Marker (Chairman)
Haji Jan Muhammad
Haji Abdul Rauf
Mr. Muhammad Younus Abdul Aziz Tabba
Mr. Maqbool H. H. Rahimtoola
Mr. Muhammad Iqbal Kasbati
Mr. Muhammad Saleem Rathod

PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Saleem Rathod

AUDIT COMMITTEE

Mr. Khursheed K. Marker
Haji Jan Muhammad
Mr. Muhammad Iqbal Kasbati

COMPANY SECRETARY

Mr. Muhammad Amin Khatri

AUDITORS

Muniff Ziauddin & Co.
Chartered Accountants

TAX ADVISORS

Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISORS

Bawaney & Partners
Muhammad Tariq Qureshi

BANKERS

Metropolitan Bank Limited.
Al-Baraka Islamic Bank B.S.C. (E.C.)
Habib Bank AG Zurich.
Muslim Commercial Bank Limited.
The Bank of Khyber.
Habib American Bank, New York.

REGISTERED OFFICE

15-E, Rehmat Centre, Jinnah Avenue,
Blue Area, Islamabad.
Tel : (051) 2822504, 2822505 & 2277494
Fax: (051) 2826488 Telex : 54649 SIBL PK
Website : www.sibl.com.pk

KARACHI OFFICE

606, 6th Floor, Unitowers,
I.I. Chundrigar Road, Karachi.
Tel : 2418410 - 13 Fax : 2418414
E-mail : sibl@cyber.net.pk



NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of Security Investment Bank Limited will be held at the Registered Office of the company located at 15-E, Rehmat Centre, Jinnah Avenue, Blue Area, Islamabad, on Monday, April 25, 2005 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of Thirteenth Annual General Meeting held on April 28, 2004.
- 2) To receive and adopt the audited accounts of the company for the year ended December 31, 2004 together with the Directors' and Auditors' report thereon.
- 3) To approve the payment of interim dividend (i.e. 15% bonus shares) as final dividend for the year ended December 31, 2004.
- 4) To appoint auditors and fix their remuneration for the year ending December 31, 2005. The present auditors M/s. Muniff Ziauddin & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

- 5) To approve the investment of Rs. 100 million in unquoted shares of SIBL Exchange Company (Private) Limited.
- 6) To approve the annual remuneration to be paid to the Chief Executive and fee to Non-Executive Directors for attending Board meetings.

ANY OTHER BUSINESS

- 7) To transact such other business as may be placed before the meeting with the permission of the Chair.

BOOK CLOSURE

The share transfer books of the company will remain closed from 18th day of April 2005 to 25th day of April 2005 (Both days inclusive). Transfer received at our shares department, 606 6th Floor, Uni Towers, I.I. Chundrigar Road, Karachi at the close of business on 17th day of April 2005 will be treated in time.

By order of the Board

Muhammad Amin Khatri
Company Secretary

Islamabad.

Date: April 02, 2005

NOTES:

- 1) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the company duly stamped and signed not less than 48 hours before the meeting.
- 2) Members are requested to promptly communicate to the company any change in their addresses.
- 3) Account holders and sub-account holders holding book entry securities of the company in the Central Depository Systems of Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to please bring their original National Identity Card with copies thereof duly attested by their bankers for identification purposes.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the special business, given in agenda items, to be transacted at the annual general meeting of the company to be held on 25th day of April 2005.

Approval of the shareholders will be sought and resolutions to be passed for the followings:

1. INVESTMENT IN THE PROPOSED SUBSIDIARY COMPANY

- a) Approval of shareholders is sought for making an investment of Rs. 100 million in 10,000,000/- unquoted ordinary shares of SIBL Exchange Company (Pvt) Limited @ Rs. 10/- per share to make it 100% fully owned subsidiary of SIBL.
- b) The exchange companies business has shown improvement during the last two years and future prospects of the SIBL Exchange Company are very bright. SIBL is expected to enormously benefit from this investment.
- c) The Directors of the company have no interest in the special business and/or special resolution that would require a disclosure.

For this purpose, it is intended to propose the following resolution to be passed:

"RESOLVED THAT the company be and is hereby authorized to invest an amount of Rs. 100,000,000/- in 10 million unquoted ordinary shares @ Rs. 10/- per share in SIBL Exchange Co. (Pvt.) Limited to make it 100% fully owned subsidiary of SIBL."

2. REMUNERATION PAYABLE TO DIRECTORS AND CHIEF EXECUTIVE

Approval of the shareholders is sought for the remuneration to be paid to the Chief Executive and payment of reasonable and appropriate fee to the Non-Executive Directors, for attending board meetings, for total amount not exceeding Rs. 5 million, in any one year. Approval of the shareholders is also sought for the Venue of board of directors meetings. For these purposes, it is intended to propose the following resolution to be passed:

"RESOLVED THAT the company be and is hereby authorized for payment of remuneration to Chief Executive and reasonable and appropriate fee to Non Executive Directors for attending board meetings, for total amount not exceeding Rs. 5 million, in any one financial year."

"RESOLVED FURTHER THAT the Board will continue its practice of holding board meetings at the registered office or any other location convenient to the Board."



DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Directors of Security Investment Bank Limited are pleased to present the 13th annual report of Security Investment Bank Limited for the year ended December 31, 2004.

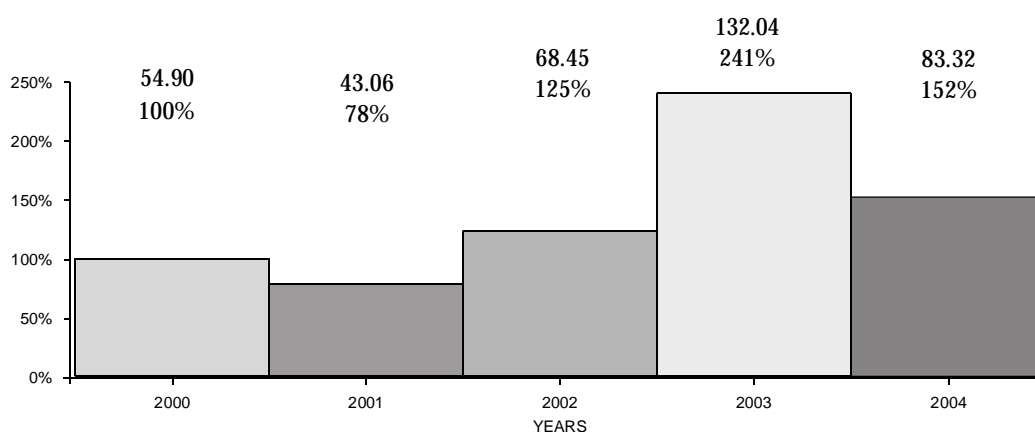
ECONOMIC OUTLOOK

Pakistan's economy has shown marked improvements during the last couple of years and it gained full momentum during the year under review. The privatization of government owned organisation was in full swing. A higher than targeted growth rate accompanied a double-digit growth in per capita income. This performance was a result of continued inflows of worker's remittances and acceleration in domestic economic activities. The pace of economic growth has resulted in a rise in inflation and in order to control rising inflation, the State Bank of Pakistan has opted for gradual tightening of monetary policy. This is evidenced by gradual increase in the treasury bill rates. Income from capital market operations was also brought under the ambit of tax through induction of capital value tax and tax on income from carry over transactions.

OPERATIONAL PERFORMANCE

During the year 2004, SIBL continued its sustained growth by making a healthy profit before tax amounting to Rs. 83.32 million (152 %), more than the average profit earned during the last five years of its operation with the exception of previous year i.e. 2003 , where the economy had witnessed lowest interest rate scenario and we managed to capitalize from lower cost of funds and extraordinary gains on disposal of government securities which resulted in highest profit of SIBL history.

SIBL FIVE YEARS PROFITABILITY
Amount in million



The major source contributing towards current profitability has been income from investments and income on placements against shares and management's tight control over operating expenditures.



As regards future operations of SIBL, we are eagerly waiting for the first commodity exchange (NCEL) of the country to start its operation and look forward to actively participate in it. Our foreign exchange company is expected to start its operation in a couple of months, once all the legal and statutory formalities are completed.

CORPORATE GOVERNANCE

The Board regularly reviews the company's strategic decisions, business plans and performance in the light of the Company's overall objectives. The board is committed to maintain the high standards of good corporate governance. The company has been in compliance with the provisions set out by the State Bank of Pakistan, Securities & Exchange Commission of Pakistan and the listing rules of the Stock Exchanges. We further want to confirm that:

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgments.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there has been no departure from them.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of last six years of Security Investment Bank Limited are as follows:



(Rupees in million)

Year ended	December 2004	December 2003	December 2002	December 2001 (18 months)	June 2000	June 1999
Share Capital	373	324	282	201	165	165
Shareholder's Equity	530	463	387	356	232	189
Deposits	448	478	270	254	499	1,043
Borrowings	726	703	728	948	285	50
Advances	230	288	240	286	311	928
Investments	556	877	763	724	96	132
Operating Profit	83	132	68	65	55	32
Provisions against non-performing advances	—	—	—	—	—	—
Net Profit after provisions	68	108	50	50	40	21
Total Assets	1,724	1,727	1,544	1,572	1,046	1,345
Dividend/	—	10%	12.5%	—	—	10%
Bonus	15%	15%	—	—	22%	—

- As on December 31, 2004 based on the un-audited accounts, the value of investment of Provident Fund is Rs. 1.512 million.
- The pattern of shareholding as at December 31, 2004 along with the disclosure required under the Code of Corporate Governance is annexed to the report.
- During the year ended December 31, 2004, the Board of Directors held four meetings. Attendance of each Director is as follows:

Name	No. of Meetings Attended
Mr. Khursheed K.Marker (Chairman)	4
Haji Jan Muhammad	4
Mr. Muhammad Yunus Abdul Aziz Tabba	2
Mr. Muhammad Sohail Yunus Tabba (Term expired on 29/06/2004)	2
Mr. Muhammad Ali Tabba (Term expired on 29/06/2004)	2
Haji Abdul Rauf (Elected on 29/06/2004)	1
Mr. Maqbool H.H. Rahimtoola (Elected on 29/06/2004)	2
Mr. Muhammad Iqbal Kasbati (Elected on 29/06/2004)	2
Mr. Muhammad Saleem Rathod (President & CEO)	4

Leave of absence was granted to Directors who could not attend some meetings.

CREDIT RATING

JCR-VIS Credit Rating Company Limited has reaffirmed the medium to long-term rating of A (Single A) and short-term rating of A-1 (A One) to Security Investment Bank Limited (SIBL).



The rating reaffirmation is based on strong asset quality, high level of liquidity, adequate returns on equity and strong support of sponsors for capital injection.

FUTURE OUTLOOK

The upward momentum in the indicators reflects the economic stability and growth in all the sectors of the economy. The reduction in tariff rates, trade liberalization and the global image of Pakistan has resulted in substantial growth in foreign investment and exports. The decrease in fiscal deficit and increase in development expenditure is expected to have a positive effect on private investment and is expected to spur growth in all sectors. The Central Bank has given greater autonomy to the banks and an effective monetary policy transmission mechanism is in place. The unprecedented improvement in the banking sector is witnessed by an increase in liquidity and credit lines, rising consumer loans, financing to agricultural sector and SME sector. This has also deepened the reach of bank financing to new sectors. The steps for privatizing state owned organization and the capital market reforms have lead to buildup of investors' confidence in the equity market. The continuous benchmarking by the government to improve its macroeconomic indicators for the year 2005 will bring good results and maintain its upward momentum, **Inshallah.**

AUDITORS

The present auditors of the bank M/s. Muniff Ziauddin & Co, retire and being eligible, offer themselves for reappointment.

ACKNOWLEDGEMENT

The Directors express their deepest gratitude for the continuous support and encouragement extended by Securities & Exchange Commission of Pakistan and State Bank of Pakistan. We also acknowledge the understanding shown by the shareholders. The management and the staff are also worth praising for their efforts in achieving these results.

On behalf of the Board
Khursheed K. Marker
(Chairman)

Karachi;
March 24, 2005



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a 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 encourages representation of independent non-executive directors on its Board of Directors. At present the Board comprises of six non-executive directors.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies.
3. All the 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 NBFC. No director in the board is a member of any of the stock exchanges in Pakistan.
4. Casual vacancy occurring during the year was filled up by the Board within 30 days thereof.
5. The Company has prepared and adopted a 'Statement of Ethics and Business Practices', which has been reviewed and signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. 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, have been taken by the Board.
8. 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.
9. The CEO conducted orientation course for the directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. Where as the Chief Financial Officer was appointed prior to the implementation of the Code of Corporate Governance.
11. 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.



12. The financial statements of the company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee, comprising of three non-executive directors as members including the Chairman of the committee.
16. The meetings of the Audit Committee were held 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.
17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.
18. 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.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Muhammad Saleem Rathod
Chief Executive

Khursheed K. Marker
Chairman



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF 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 as applicable to the company for the year ended December 31, 2004, prepared by the Board of Directors of Security Investment Bank Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 40 Chapter XIII of the Lahore Stock Exchange (Guarantee) Limited and Listing Regulation No. 36 of the Islamabad Stock Exchange (Guarantee) Limited, 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's 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 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 December 31, 2004.

Karachi;
March 24, 2005

MUNIFF ZIAUDDIN & CO.
Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SECURITY INVESTMENT BANK LIMITED as at December 31, 2004 and the related profit and 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 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 account 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 account 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 and 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 December 31, 2004 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 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi;
March 24, 2005

MUNIFF ZIAUDDIN & CO.
Chartered Accountants

**BALANCE SHEET**

AS AT DECEMBER 31, 2004

	Note	2004 Rupees	2003 Rupees
NON - CURRENT ASSETS			
Tangible fixed assets	5	768,547	1,675,611
Stock exchange membership card - intangible	6	36,000,000	36,000,000
Deferred tax asset	7	3,564,858	—
Deferred cost	8	216,853	334,430
CURRENT ASSETS			
Short term financing	9	230,480,892	288,317,851
Short term placements	10	776,105,645	382,867,305
Short term investments	11	555,803,027	877,172,438
Advances, deposits, prepayments and other receivables	12	55,507,174	43,700,335
Cash and bank balances	13	65,069,926	96,473,094
		1,682,966,664	1,688,531,023
		1,723,516,922	1,726,541,064
SHARE CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised Capital			
50,000,000 ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital	14	372,706,950	324,093,000
Statutory reserve	15	85,109,274	71,503,263
Unappropriated profit		73,178,344	67,368,254
		530,994,568	462,964,517
Surplus on revaluation of investments-net	16	465,522	40,667,730
NON - CURRENT LIABILITIES			
Deferred liabilities	17	3,718,775	22,102,117
CURRENT LIABILITIES			
Borrowings	18	726,242,575	702,500,000
Short term deposits	19	447,525,796	478,187,472
Accrued and other liabilities	20	14,569,686	20,119,228
		1,188,338,057	1,200,806,700
Contingencies and Commitments	21		
		1,723,516,922	1,726,541,064

The annexed notes form an integral part of these accounts.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004 Rupees	2003 Rupees
INCOME			
Return on financing and placements	22	54,037,807	37,742,133
Return on Securities	23	59,424,515	104,727,582
Gain on sale of investments (shares)		34,844,173	57,391,762
Profit on deposit with banks		537,085	701,677
Other income	24	1,634,990	1,687,111
		150,478,570	202,250,265
EXPENDITURE			
Return on deposits and borrowings	25	40,609,213	45,367,177
Operating expenses	26	26,546,759	24,847,520
		67,155,972	70,214,697
PROFIT BEFORE TAXATION			
		83,322,598	132,035,568
Provision for taxation	27	15,292,547	23,858,971
PROFIT AFTER TAXATION			
		68,030,051	108,176,597
Unappropriated profit brought forward		67,368,254	55,509,276
PROFIT AVAILABLE FOR APPROPRIATION			
		135,398,305	163,685,873
Appropriations			
Transferred to statutory reserve		13,606,011	21,635,319
Interim Dividend			
Bonus shares @ 15% (2003: 15%)		48,613,950	42,273,000
Cash Nil (2003: 10%)		-	32,409,300
		62,219,961	96,317,619
UNAPPROPRIATED PROFIT CARRIED FORWARD			
		73,178,344	67,368,254
EARNINGS PER SHARE			
	28	1.83	2.90

The annexed notes form an integral part of these accounts.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004 Rupees	2003 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	83,322,598	132,035,568
Adjustment for non-cash and other items		
Depreciation	944,233	961,781
Amortization of deferred cost	117,577	117,578
Gain on disposal of shares	(34,844,173)	(55,096,076)
Gain on disposal of fixed assets	(182,933)	-
(Gain)/Loss on sale of securities	3,685,881	(39,312,708)
Provision for gratuity	690,500	678,000
	<u>(29,588,915)</u>	<u>(92,651,425)</u>
Cash Flows From Operating Activities Before Working Capital Changes	53,733,683	39,384,143
(Increase)/Decrease in financing and placements	(335,401,381)	(38,371,996)
Decrease in advances, deposits, prepayments and other receivables	9,306,982	51,694,739
Increase/(decrease) in deposits	(30,661,676)	208,035,997
Increase/(decrease) in borrowings	23,742,575	(25,000,000)
Increase/(decrease) in accrued and other liabilities	(4,841,298)	5,744,923
	<u>(337,854,798)</u>	<u>202,103,663</u>
Income tax paid	(36,362,168)	(24,483,916)
Gratuity paid	(348,333)	(105,280)
Dividend paid	(708,244)	(30,888,721)
	<u>(37,418,745)</u>	<u>(55,477,917)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	(321,539,860)	186,009,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(104,236)	(254,159)
Purchase of marketable securities	12,187,221	38,913,683
(Purchase)/Sale of securities	277,803,707	(164,054,839)
Sale proceeds from disposal of fixed assets	250,000	-
Deferred cost incurred during the year	-	(154,084)
NET CASH USED IN INVESTING ACTIVITIES	290,136,692	(125,549,399)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase/(decrease) in cash and cash equivalents	(31,403,168)	60,460,490
Cash and cash equivalents at the beginning of the year	96,473,094	36,012,604
Cash and cash equivalents at the end of the year	65,069,926	96,473,094

The annexed notes form an integral part of these accounts.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	Share Capital (Note 14)	Statutory Reserve (Note 15)	Reserve for Bonus Shares	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at January 01, 2003	281,820,000	49,867,944	–	55,509,276	387,197,220
Profit after taxation	–	–	–	108,176,597	108,176,597
Reserve for issuance of bonus shares	–	–	42,273,000	(42,273,000)	–
Bonus shares issued during the year	42,273,000	–	(42,273,000)	–	–
Appropriations:					
Statutory Reserve	–	21,635,319	–	(21,635,319)	–
Interim dividend	–	–	–	(32,409,300)	(32,409,300)
Balance as at December 31, 2003	324,093,000	71,503,263	–	67,368,254	462,964,517
Profit after taxation	–	–	–	68,030,051	68,030,051
Reserve for insuance of bonus shares	–	–	48,613,950	(48,613,950)	–
Bonus shares issued during the year	48,613,950	–	(48,613,950)	–	–
Appropriations:					
Statutory Reserve	–	13,606,011	–	(13,606,011)	–
Balance as at December 31, 2004	372,706,950	85,109,274	–	73,178,344	530,994,568

MUHAMMAD SALEEM RATHOD
 Chief Executive

KHURSHEED K. MARKER
 Chairman



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

1. LEGAL STATUS AND OPERATION

Security Investment Bank Limited (SIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of SIBL is situated at 15-E, Rehmat Centre, Jinnah Avenue, Blue Area, Islamabad.

SIBL is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (previously this was covered under SRO 585(1)/87 dated July 13, 1987, issued by the Ministry of Finance).

Based on financial results for the year ended December 31, 2003, the JCR - VIS Credit Rating Company Limited reaffirmed the medium to long-term rating of SIBL at 'A' (**Single A**) and the short-term rating at 'A-1' (**A one**).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. 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 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, as modified for certain investments, which are stated on mark to market basis.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Fixed Assets and Depreciation

Operating fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to income applying the straight line method, whereby the cost of an asset is written off over its estimated useful life.

Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed off during the year.

Minor renewals or replacements, maintenance, repairs and profit or loss on disposal of fixed assets are included in current year's income. Major renewals and repairs are capitalized.

4.2 Intangible

This is stated at acquisition cost. Provisions are made for permanent diminution in value of such assets, if any.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

4.3 Deferred Cost

Deferred cost comprising formation and preliminary expenses, share issue expenses, pre-operating expenses and office renovation expenses are amortized over a period of five years.

4.4 Investments

The management of Security Investment Bank Limited determines the appropriate classification of its investments at the time of purchase and classifies these investments as held-for-trading, held-to-maturity or available-for-sale.

Held-for-trading

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held-for-trading.

Held-to-maturity

Investment with fixed maturity, where management has both the intent and ability to hold to maturity, are classified as held-to-maturity.

Available-for-sale

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale.

All investments are initially recorded at cost, being the fair value of the consideration given.

Subsequent to initial recognition, investments in quoted securities are marked to market, in accordance with the guidelines contained in the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, using rates quoted on Reuters, stock exchange quotation and brokers' quotations. Any difference between the carrying value and the revalued amount is taken to surplus/(deficit) on revaluation of investments account and shown separately in the balance sheet below shareholders' equity, until realised on disposal. At the time of disposal the respective surplus or deficit is transferred to income currently.

4.5 Securities under repurchase / resale agreement

Transactions of repurchase / resale of government securities, term finance certificates and shares are entered into at contracted rates for specified period of time.

The securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are included in borrowings from institutions. The difference between sale and repurchase price is amortized as expense over the life of the repo agreement.

The securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these obligations are included in placements. The difference between purchase and resale price is accrued as income over the life of the reverse repo agreement.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

4.6 Trade and Settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by Security Investment Bank Limited. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

4.7 Staff retirement benefits

Defined contribution plan

The company operates an approved Provident Fund Scheme for all its permanent employees. Equal monthly contributions are made, both by the company and the employee, to the fund @ 10% of basic salary.

Defined benefit plan

The company operates an Unfunded Gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 30. Actuarial gains / losses in excess of 10% of the actuarial liabilities or plan assets are recognized over the average lives of the employees.

4.8 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 intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.9 Financial instruments

All financial assets and financial liabilities are recognized at the time when Security Investment Bank Limited becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

4.10 Classification of deposits and financing

Deposits and financing are classified as long and short term considering their remaining period at the balance sheet date.

4.11 Revenue

Income on financing and advances is generally recognized on time proportion basis taking into account the principal / net investment outstanding and applicable rates of profit / return thereon. Income on discounted commercial papers is recognized on a time proportion basis over the life of instruments. Where recovery is considered doubtful, income is recognized on receipts basis.

Dividends on equity investments are recognized as income if declared on or before the balance sheet date.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

Income from capital gains is recognized on earned basis.

Fee, commission, liquidated damages etc. are recorded on actual receipt basis except guarantee commission received in advance which is spread over the guarantee period.

4.12 Taxation

Current

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

Deferred

Deferred tax is accounted for 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 recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

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 utilised.

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

Deferred tax on surplus/(deficit) on revaluation of investments is charged or credited directly to the same account.

4.14 Foreign currencies

Assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing on the balance sheet date. However, liabilities representing deposits in foreign currencies and the return on these deposits are converted at the rate prevailing on the date of deposits, where the option of exchange risk cover has been exercised.

Other foreign currency transactions are converted at the rates prevailing on the date of the transactions.

Exchange differences are included in the current year's income.

4.15 Provision for doubtful debts - on financing

Provision is made against doubtful receivables in pursuance of Securities and Exchange Commission of Pakistan's NBFC's Prudential Regulations.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

5. TANGIBLE FIXED ASSETS

(In Rupees)

PARTICULARS	C O S T				RATE %	D E P R E C I A T I O N				Written down Value as at Dec. 31, 2004
	As at Jan. 01, 2004	Additions	Deletions	As at Dec. 31, 2004		As at Jan. 01, 2004	Charge for the year	Adjustment	As at Dec. 31, 2004	
Furniture & fixtures	2,934,800	-	-	2,934,800	10	2,709,082	153,471	-	2,862,553	72,247
Computers and equipments	2,877,189	104,236	-	2,981,425	20	2,570,967	214,146	-	2,785,113	196,312
Telephone system	225,496	-	-	225,496	10	155,535	8,650	-	164,185	61,311
Vehicles	4,817,707	-	670,662	4,147,045	20	3,816,494	503,352	603,595	3,716,251	430,794
Generator	497,148	-	-	497,148	10	447,001	49,714	-	496,715	433
Sign board	149,000	-	-	149,000	10	126,650	14,900	-	141,550	7,450
Rupees 2004	11,501,340	104,236	670,662	10,934,914		9,825,729	944,233	603,595	10,166,367	768,547
Rupees 2003	11,247,181	254,159	-	11,501,340		8,863,947	1,453,456	491,674	9,825,729	1,675,611

5.1 Cost and accumulated depreciation at the end of the year include Rs. 5,100,029/- (2003: 3,100,377/-) in respect of fully depreciated assets still in use.

5.2 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Sold to	Mode of disposal
-----Rupees-----							
Vehicle	670,662	603,595	67,067	250,000	182,933	Mr. Kashif, House No. B-82, Block-15, Gulshan-e- Iqbal, Karachi.	Negotiation
Rupees 2004	670,662	603,595	67,067	250,000	182,933		



NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004 Rupees	2003 Rupees
6. STOCK EXCHANGE MEMBERSHIP CARD			
Intangible			
Karachi Stock Exchange		36,000,000	36,000,000
7. DEFERRED TAX ASSET			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		2,665,227	-
Accelerated depreciation		821,025	-
Provision for gratuity		119,758	-
		3,606,010	-
Deferred tax liabilities arising due to			
Deferred cost		(41,152)	-
		(41,152)	-
		3,564,858	-
8. DEFERRED COST			
Opening balance		334,430	297,924
Incurred during the year		-	154,084
		334,430	452,008
Amortised during the year		(117,577)	(117,578)
		216,853	334,430
9. SHORT TERM FINANCING			
secured (considered goods)			
Demand finance	9.1	234,061,490	291,898,449
Provision for non-performing loans	9.2	(3,580,598)	(3,580,598)
		230,480,892	288,317,851
9.1	These are secured by demand promissory notes, hypothecation or a charge on assets of customers and certificates of deposits. The mark-up rates range from 6% to 16% per annum (2003: 10% to 16% per annum).		
9.2	Particulars of provision against non-performing loans		
Opening balance		3,580,598	3,580,598
(Reversal) or Write-off during the year		-	-
Closing balance		3,580,598	3,580,598



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004 Rupees	2003 Rupees
10. SHORT TERM PLACEMENTS - considered good			
Placements with financial institution - unsecured	10.1	100,000,000	–
Under reverse repurchase agreements of government securities - secured	10.2	100,000,000	–
Under reverse repurchase agreements of quoted shares - secured	10.3	576,105,645	382,867,305
		776,105,645	382,867,305

10.1 This represents placements with Non-Banking Finance Companies on short term basis carrying mark-up rate of 7.50% and 8.50% per annum.

10.2 This represents placement with Financial Institution against Government security at mark-up rate of 5% per annum.

10.3 These have been placed for a period of 1 to 10 days and carry mark-up ranging from 14% to 18% (2003: 7% to 18%) per annum. Fair value of securities held as collateral is Rs. 586,166,800/-.

11. SHORT TERM INVESTMENTS

Particulars of investment by type	Note	2004			2003		
		Held by SIBL	Given as collateral	Total	Held by SIBL	Given as collateral	Total
		-----Rupees-----			-----Rupees-----		
Available-for-sale							
Pakistan Investment Bonds	11.1	53,952,950	318,441,900	372,394,850	58,903,100	620,304,300	679,207,400
Wapda Bonds - 10th issue	11.2	10,000,000	40,000,000	50,000,000	53,500,000	–	53,500,000
Term Finance Certificates	11.3	47,898,667	46,486,500	94,385,167	72,811,179	65,055,982	137,867,161
Quoted shares	11.4	39,023,010	–	39,023,010	6,597,877	–	6,597,877
		150,874,627	404,928,400	555,803,027	191,812,156	685,360,282	877,172,438

11.1 Pakistan Investment Bonds (PIBs) have face value of Rs. 350,000,000 (2003: Rs. 550,000,000) with income receivable semi-annually at 9% to 11% (2003: 8% to 12%) per annum and having maturity period from 7 to 20 years.

11.2 These include 10,000 certificates of unlisted bonds having face value of Rs. 5,000/- each with income receivable semi-annually at 7.25% per annum, having 5 years maturity period.



NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2004

11.3 Particulars of listed Term Finance Certificates (TFC):

Issuer of TFC	No. of Certificates		2004		2003	
	2004	2003	Cost	Market value	Cost	Market value
-----Rupees-----						
Atlas Investment Bank Limited	3,300	3,300	5,495,589	5,862,694	10,991,189	12,191,427
Al-Noor Sugar Mills Limited	4,000	4,000	4,998,000	5,135,945	9,996,000	10,978,607
Orix Leasing Pakistan Limited	1,000	1,000	2,035,500	2,082,724	4,846,000	5,403,775
Shakarganj Sugar Mills Limited	2,022	2,022	8,083,147	8,286,842	10,105,956	10,815,395
Bank Al-Falah Limited	1,588	1,588	7,933,648	8,638,158	7,936,824	9,409,899
Union Bank Limited	4,534	4,534	22,651,864	24,896,648	22,660,932	26,846,406
Pakistan International Airlines	7,000	7,000	34,998,950	34,998,950	34,999,650	36,749,632
Pakistan Services Limited	897	897	4,483,206	4,483,206	4,485,000	4,485,000
National Development Leasing Corporation Limited	–	100	–	–	3,330,680	3,750,679
Trust Investment Bank Limited	–	3,187	–	–	7,957,939	8,319,229
Paramount Leasing Corporation Limited	–	4,010	–	–	5,012,500	5,232,047
Engro Chemicals Limited	–	670	–	–	3,347,320	3,685,065
			90,679,904	94,385,167	125,669,990	137,867,161



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

11.3.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption Terms
Atlas Investment Bank Ltd.	5,000	15.00%	Semi-annually	Five years from September 27, 2000
Al-Noor Sugar Mills Ltd.	5,000	2.5% over SBP discount rate with 16.5% per annum as floor and 18.5% per annum as ceiling.	Semi-annually	Five years from November 01, 2000
Orix Leasing Pakistan Ltd.	5,000	14.00%	Semi-annually	Four years from March 22, 2001
Shakarganj Sugar Mills Ltd.	5,000	2.00% over SBP discount rate with 12.25% per annum as floor and 15.75% per annum as ceiling	Semi-annually	Four years from September 27, 2002
Bank Al-Falah Limited	5,000	1.35% over last auction of five years Pakistan Investment Bonds yield with 10.00% per annum as floor and 15% as ceiling	Semi-annually	Six years from December 19, 2002
Union Bank Limited	5,000	2.25% over last auction of five years Pakistan Investment Bonds yield with 11.00% per annum as floor and 15.50% per annum as ceiling	Semi-annually	Five and half year from December 22, 2002
Pakistan International Airlines	5,000	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling	Semi-annually	Eight years from February 20, 2003
Pakistan Services Limited	5,000	2.25% over SBP discount rate with 9.75% per annum as floor and 13.75% per annum as ceiling	Semi-annually	Five years from November 12, 2003



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

11.4 Quoted shares

No. of ordinary shares certificates/units			2004		2003	
2004	2003		Cost	Market Value	Cost	Market Value
-----Rupees-----						
Modarabas/Mutual funds						
1,389,697	–	ABAMCO Composite Fund	13,896,970	11,812,425	–	–
71,764	88,000	ABAMCO Stock Market Fund	1,085,040	846,815	880,000	651,200
98,437	56,250	Pakistan Premium Fund	850,630	1,348,585	513,130	866,250
500	–	Long Term Venture Modaraba	800	750	–	–
Leasing						
36,685	31,900	Saudi Pak Leasing	1,450,590	498,916	1,450,590	299,860
Investment banks / Cos. / Banks						
66	55	National Bank of Pakistan	501	5,303	501	2,981
125	–	Bank Alfalah Limited	–	4,819	–	–
1,500	–	Jhangir Siddiqui & Company Ltd.	140,850	131,925	–	–
1,437	1,437	Banker's Equity Limited	37,500	–	37,500	–
Insurance						
10,504	–	Adamjee Insurance Company Ltd.	731,100	689,062	–	–
Synthetic and Rayon						
10,750	–	Dewan Salman Fibre Limited	271,000	200,488	–	–
18,750	18,750	Pakistan Synthetics Limited	688,500	331,875	688,500	301,875
Cement						
19,541	17,765	D.G. Khan Cement	1,095,132	1,069,870	1,095,132	811,861
56,875	49,500	Cherat Cement	3,699,656	4,222,969	4,024,900	2,526,975
36,000	36,000	Maple Leaf Cement	1,120,000	1,112,400	1,120,000	1,126,800
375	–	Lucky Cement	13,727	15,244	–	–
Fuel and Energy						
151,229	151,229	Oil and Gas Development Co. Ltd.	4,840,840	11,334,614	4,840,840	–
40,000	–	Hub Power Company Limited	1,439,750	1,284,000	–	–
1,500	–	Pakistan State Oil Company Ltd.	407,021	430,125	–	–
92,000	–	Sui Southern Gas Company Ltd.	3,282,446	2,382,800	–	–
Automobiles and Transport						
5,250	–	Dewan Farooque Motors Limited	197,000	131,775	–	–
80,000	–	Pakistan International Airlines	1,967,242	1,096,000	–	–
–	500	Pakistan International Container Limited	–	–	5,000	10,075
Technology and Communication						
5,000	–	TRG Pakistan Limited	88,750	64,250	–	–
Sugar & Allied Industries						
100	–	Hamza Sugar	8,000	8,000	–	–
			37,313,045	39,023,010	14,656,093	6,597,877



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

		2004 Rupees	2003 Rupees
12.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances		
	For expenses	190,253	183,883
	For office premises	2,100,000	1,500,000
	Advance income tax less payments and provision for tax	34,364,345	13,250,524
		36,654,598	14,934,407
	Deposits		
	Security	2,086,789	1,811,088
	High Court	2,566,112	2,566,112
		4,652,901	4,377,200
	Prepayments	393,241	1,311,706
	Other receivables		
	Income receivable	12,682,355	22,841,276
	Other receivables	1,124,079	235,746
		13,806,434	23,077,022
		55,507,174	43,700,335

12.1 This represents the amount of foreign currency deposits adjusted against financing to a customer. This amount was subsequently deposited with the High Court in pursuance of a High Court order dated January 12, 1998 as the subject settlement by the company has been challenged by the customer in the High Court.

12.2 Income receivable

Not due	12.2.1	13,090,549	23,249,470
Provision for doubtful debts		(408,194)	(408,194)
		12,682,355	22,841,276

12.2.1 This represents income on financing, placements and Government Securities not matured/due on December 31, 2004.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004 Rupees	2003 Rupees
13. CASH AND BANK BALANCES			
With State Bank of Pakistan in:			
Reserve account	13.1	5,725,000	5,725,000
Current account		3,382,108	3,944,569
		9,107,108	9,669,569
With other banks in:			
Current accounts		4,860,956	33,250,377
Deposit accounts		51,089,175	53,545,431
		65,057,239	96,465,377
Cash in hand		12,687	7,717
		65,069,926	96,473,094

13.1 This represents amount deposited with the State Bank of Pakistan as required under the relevant provisions of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial institutions (now superceded) to meet the additional liquidity reserve of 1% of certain specified liabilities.

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<u>Number of shares</u>				
<u>2004</u>	<u>2003</u>			
23,552,000	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000	235,520,000
13,718,695	8,857,300	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	137,186,950	88,573,000
37,270,695	32,409,300		372,706,950	324,093,000

15. STATUTORY RESERVE

This reserve is created @ 20% of profit for the year from ordinary activities after taxation in compliance with Regulation No. 2 of part III of SECP's Regulations for NBFCs.



NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2004

		2004 Rupees	2003 Rupees
16. SURPLUS ON REVALUATION OF INVESTMENTS - Net			
Government Securities		(7,614,934)	52,698,115
Term Finance Certificates		3,705,264	15,697,171
		(3,909,670)	68,395,286
Related deferred tax asset / (liability)	7	2,665,227	(19,669,340)
		(1,244,443)	48,725,946
Quoted shares		1,709,965	(8,058,216)
		465,522	40,667,730
17. DEFERRED LIABILITY			
Gratuity-unfunded		3,718,775	3,376,608
Deferred tax liability - net	27.2	-	18,725,509
		3,718,775	22,102,117
18. BORROWINGS			
Secured under repurchase agreements against			
Government Securities	18.1	400,000,000	520,000,000
Term Finance Certificates	18.2	63,742,575	45,000,000
		463,742,575	565,000,000
Unsecured from			
Commercial Banks	18.3	175,000,000	50,000,000
Cash Management Accounts	18.4	87,500,000	87,500,000
		262,500,000	137,500,000
		726,242,575	702,500,000

18.1 These have been obtained from financial institutions at mark-up rates ranging from 3.50% to 4.50% per annum (2003: 1.80% to 6.10% per annum).



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

- 18.2 This has been obtained from Commercial Bank at mark-up rate of 4.50% per annum (2003: 2.80% per annum).
- 18.3 These have been obtained from Commercial Banks at mark-up rates ranging from 5.00% to 6.25% per annum (2003: 2.75% to 3.60% per annum).
- 18.4 These have been obtained from cash management account holders and carries mark-up rate of 6.00% per annum (2003: 11% per annum).

		2004 Rupees	2003 Rupees
19. SHORT TERM DEPOSITS			
Local currency	19.1	<u>447,525,796</u>	<u>478,187,472</u>

- 19.1 These include deposits with maturity ranging from one month to twelve months. The rate of return on these deposits range from 2% to 10% per annum (2002: 5.5% to 13%) per annum.

20. ACCRUED AND OTHER LIABILITIES

Accrued expenses			
Return on borrowings - unsecured		2,152,928	3,450,677
Return on deposits		5,681,620	9,891,997
Profit accrued on special US\$ bonds		3,278	405,755
Mark-up on Repo against TFCs/PIBs		2,562,485	1,410,236
Others		454,767	535,464
		10,855,078	15,694,129
Other liabilities			
Unclaimed dividend		3,541,396	4,249,640
Others		173,212	175,459
		3,714,608	4,425,099
		<u>14,569,686</u>	<u>20,119,228</u>

21. CONTINGENCIES AND COMMITMENTS

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NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004 Rupees	2003 Rupees
22. RETURN ON FINANCING AND PLACEMENTS		
Financing		
Demand finance	19,093,422	33,175,340
Musharika finance	–	1,990,753
	19,093,422	35,166,093
Placements		
Unsecured	3,220,786	2,326,260
Secured against reverse repurchase agreements of:		
Government securities and Term finance certificates	685,627	249,780
Quoted shares	31,037,972	–
	54,037,807	37,742,133
23. RETURN ON SECURITIES		
Return on Government Securities	44,333,207	44,412,329
Return on TFCs	16,733,003	20,362,869
	61,066,210	64,775,198
Gain/(loss) on sale of government securities	(3,685,881)	39,312,708
Dividend Income	2,044,186	639,676
	59,424,515	104,727,582
24. OTHER INCOME		
Gain on sale of fixed assets	182,933	–
Commission	223,522	–
Miscellaneous	1,228,535	1,687,111
	1,634,990	1,687,111
25. RETURN ON DEPOSITS AND BORROWINGS		
Return on deposits	14,657,024	16,270,584
Return on borrowings	12,793,680	16,698,882
Return on repurchase agreement borrowings (repo)	13,158,509	12,397,711
	40,609,213	45,367,177

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004 Rupees	2003 Rupees
26. OPERATING EXPENSES			
Salaries, wages and other benefits		9,596,223	9,838,502
Contribution to provident fund		546,671	518,512
Gratuity scheme expenses		690,500	678,000
Rent, rates and taxes		1,758,876	1,640,028
Telephone, telex and fax		1,096,132	820,662
Electricity, water and gas		661,876	698,842
Printing, postage and stationery		471,262	476,653
Insurance		413,659	366,694
Fees and membership		811,357	1,091,971
Brokerage and Commission		3,880,663	3,544,981
Central Depository Company charges		2,351,134	1,748,987
Auditors' remuneration	26.1	231,500	195,569
Legal and professional fees		1,164,400	314,770
Vehicle running and maintenance		541,553	506,684
Repairs and maintenance		215,003	240,253
Advertisement		365,179	247,730
Travelling and entertainment		154,371	167,416
Depreciation (refer note 5)		944,233	961,781
Amortization of deferred cost (refer note 8)		117,577	117,578
Bank charges		113,560	123,785
Old age benefit		47,250	54,450
Books periodicals & newspapers		37,536	22,458
Other Expenses		336,244	471,214
		26,546,759	24,847,520
26.1 Auditor's remuneration			
Statutory audit fee		150,000	125,000
Review and other services		60,000	50,000
Out of pocket expenses		21,500	20,569
		231,500	195,569
27. PROVISION FOR TAXATION			
Current			
for the year	27.1	15,248,347	23,797,197
Deferred			
opening balance		943,831	1,005,605
for the year		(899,631)	(943,831)
		44,200	61,774
		15,292,547	23,858,971



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004 Rupees	2003 Rupees
27.1 Relationship between tax expense and accounting profit		
Profit for the year from ordinary activities before taxation	<u>83,322,598</u>	<u>132,035,568</u>
Tax at the applicable rate of 35% (2003: 35%)	29,162,909	46,212,449
Tax effect of expenses that are not allowable in determining taxable income	(1,105,845)	221,033
Tax effect of dividend income taxed at a lower rate	(613,256)	(191,903)
Tax effect of capital gains exempt from tax	(12,195,461)	(19,283,627)
Tax relief on gain on sale of PIBs held for one year or more, exempt from tax	-	(3,160,755)
Tax charge	<u>15,248,347</u>	<u>23,797,197</u>

The provision for taxation has been computed at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Income Tax (DCIT), the rate for the assessment years 1992-1993, 1995-1996 & 1997-1998 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments, the full bench of ITAT, in its decision on the issue of application of banking company tax rate held that investment banks are not banking companies and therefore the rate of tax applicable to a public company should be applied. However, the tax authorities has filed appeals before the Honourable High Court regarding determination of status of the investment banks.

During the year 2004, the CIT (A) set aside the amendments made in the assessment orders issued by Taxation Officer u/s 122 of the Income Tax Ordinance, 2001, for assessment years 1995-96, 1996-97, 1998-99 to 2001-2002. Appeals are pending with the Income Tax Appellate Tribunal in respect of the said orders against the issue of allocation of expenses between exempt income and taxable income. SIBL is confident that these matters would be decided in its favour and the possibility of any liability arising there against is considered remote.

27.2 Deferred

Deferred tax comprises of:

Deferred tax assets arising in respect of

Accelerated depreciation	-	(784,531)
Provision for gratuity	-	(200,452)
	-	(984,983)

Deferred tax liabilities arising due to:

Surplus on revaluation of securities	-	19,669,340
Deferred cost	-	41,152
	-	19,710,492
	-	<u>18,725,509</u>



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004 Rupees	2003 Rupees
28. EARNINGS PER SHARE-BASIC AND DILUTED		
28.1 Basic		
Profit after Tax	68,030,051	108,176,597
Weighted average number of ordinary shares	37,270,695	37,270,695
Earnings per share	1.83	2.90
28.2 Diluted		
No figure for diluted earnings per share has been presented as Security Investment Bank Limited has not issued any instrument which would have an impact on its earnings exercised.		
29. STAFF STRENGTH		
Number of employees at end of the year	30	30
30. DEFINED BENEFIT PLAN		
30.1 General description		
The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited at varying percentages of last drawn salary. The percentage depends on the number of service years with SIBL.		
Annual provision is based on actuarial valuation, which was carried out as at December 31, 2004 using the Projected Unit Credit Method.		
30.2 Principal actuarial assumptions		
Following principal actuarial assumptions were used for the valuation.		
Estimated rate of increase in salary of the employees	7.40%	6.00%
Discount rate	9.50%	8.00%
30.3 Reconciliation of provision for gratuity scheme		
Present value of defined benefit obligation	(3,737,775)	(3,376,608)
Unrecognized transitional liability	19,000	-
	(3,718,775)	(3,376,608)
30.4 Gratuity Asset/(Liability)		
Provision at beginning of year	(3,376,608)	(2,803,888)
Expense	(690,500)	(678,000)
Contributions	348,333	105,280
	(3,718,775)	(3,376,608)
30.4.1 Gratuity scheme expense		
Current service cost	432,000	458,000
Interest Cost	257,000	220,000
Recognition of loss	1,500	-
	690,500	678,000

The company amortizes gains and losses over the expected remaining service of current employees.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

31. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executive		Total	
	2004	2003	2004	2003	2004	2003
	-----Rupees-----					
Managerial remuneration	2,480,000	2,364,000	–	990,000	2,480,000	3,354,000
Housing	–	–	–	399,000	–	399,000
Bonus	230,000	220,000	–	124,000	230,000	344,000
Utilities	240,000	236,000	–	99,000	240,000	335,000
Other benefits	87,120	42,500	–	–	87,120	42,500
Reimbursable expenses	111,170	694,236	–	136,830	111,170	831,066
	<u>3,148,290</u>	<u>3,556,736</u>	<u>–</u>	<u>1,748,830</u>	<u>3,148,290</u>	<u>5,305,566</u>
Number of persons	1	1	–	5	1	6

The company provides free use of company maintained cars to its Chief Executive and other Senior Executives.

32. MATURITIES OF ASSETS AND LIABILITIES

DESCRIPTION	2004	2004		
	Total	Within one year	More than One Year & Upto Five Years	Over five Years
	-----Rupees-----			
Assets				
Tangible fixed assets	768,547	–	–	768,547
Membership card	36,000,000	–	–	36,000,000
Deferred tax asset	3,564,858	–	3,564,858	–
Deferred cost	216,853	–	216,853	–
Short term financing	230,480,892	230,480,892	–	–
Short term placements	776,105,645	776,105,645	–	–
Short term investments	555,803,027	52,104,864	96,304,363	407,393,800
Advances and other receivables	55,507,174	21,178,128	34,329,046	–
Cash and bank balances	65,069,926	65,069,926	–	–
	<u>1,723,516,922</u>	<u>1,144,939,455</u>	<u>134,415,120</u>	<u>444,162,347</u>
Liabilities				
Deferred liabilities	3,718,775	–	–	3,718,775
Borrowings	726,242,575	726,242,575	–	–
Short term deposits	447,525,796	447,525,796	–	–
Accrued expenses and other liabilities	14,569,686	14,569,686	–	–
	<u>1,192,056,832</u>	<u>1,188,338,057</u>	<u>–</u>	<u>3,718,775</u>
Net assets	<u>531,460,090</u>			
Represented by:				
Share capital and reserves	530,994,568			
Surplus on revaluation of investments - net	465,522			
	<u>531,460,090</u>			



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

DESCRIPTION	2003	2003		
	Total	Within One Year	More than one Year & Upto Five Years	Over five years
	Rupees	-----Rupees-----		
Assets				
Tangible fixed assets	1,675,611	–	–	1,675,611
Membership card	36,000,000	–	–	36,000,000
Deferred tax asset	–	–	–	–
Deferred cost	334,430	–	334,430	–
Short term financing	288,317,851	288,317,851	–	–
Short term placements	382,867,305	382,867,305	–	–
Short term investments	877,172,438	60,757,953	102,208,135	714,206,350
Advances and other receivables	43,700,335	30,449,811	13,250,524	–
Cash and bank balances	96,473,094	96,473,094	–	–
	1,726,541,064	858,866,014	115,793,089	751,881,961
Liabilities				
Deferred liabilities	22,102,117	–	–	22,102,117
Borrowings	702,500,000	702,500,000	–	–
Short term deposits	478,187,472	478,187,472	–	–
Accrued expenses and other liabilities	20,119,228	20,119,228	–	–
	1,222,908,817	1,200,806,700	–	22,102,117
Net assets	<u>503,632,247</u>			
Represented by:				
Share capital and reserves	462,964,517			
Surplus on revaluation of investments-net	40,667,730			
	<u>503,632,247</u>			



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

33. INTEREST RATE RISK

Interest rate risk and sensitivity of company's financial liabilities and financial assets as at December 31, 2004 can be evaluated from the following:

Description	Total	Exposed to Interest Rate /Yield Risk			Not Exposed to Interest Rate/Yield Risk
		Within one year	More than one year & upto five years	Above five years	
-----Rupees-----					
ASSETS					
Tangible fixed assets	768,547	–	–	–	768,547
Membership card - Intangible	36,000,000	–	–	–	36,000,000
Deferred tax asset	3,564,858	–	–	–	3,564,858
Deferred cost	216,853	–	–	–	216,853
Short term financing	230,480,892	230,480,892	–	–	–
Short term placements	776,105,645	776,105,645	–	–	–
Short term investments in government securities	372,394,850	–	–	372,394,850	–
Investment in Wapda Bonds	50,000,000	50,000,000	–	–	–
Short term investments in TFCs-quoted	94,385,167	13,081,854	46,304,363	34,998,950	–
Short term investments in shares - quoted	39,023,010	–	–	–	39,023,010
Advances, deposits and other receivable	8,067,233	–	–	–	8,067,233
Prepayments	393,241	–	–	–	393,241
Income tax recoverable	34,364,315	–	–	–	34,364,315
Income receivable	12,682,355	–	–	–	12,682,355
Balance with banks & Cash in hand	65,069,926	51,089,175	–	–	13,980,751
Total	1,723,516,922	1,120,757,566	46,304,363	407,393,800	149,061,193
SHARE CAPITAL AND RESERVES					
Surplus on revaluation of investments-net	465,522	–	–	–	465,522
LIABILITIES					
Deposits	447,525,796	447,525,796	–	–	–
Deferred liabilities	3,718,775	–	–	–	3,718,775
Borrowings	726,242,575	726,242,575	–	–	–
Profit accrued on deposits & borrowings	10,851,800	–	–	–	10,851,800
Accrued and other liabilities	3,717,886	–	–	–	3,717,886
Total	1,723,516,922	1,173,768,371	–	–	549,748,551
Total interest rate sensitivity gap		(53,010,805)	46,304,363	407,393,800	(400,687,358)
Cumulative interest rate sensitivity gap		(53,010,805)	(6,706,442)	400,687,358	–



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

Interest rate risk and sensitivity of company's financial liabilities and financial assets as at December 31, 2003 can be evaluated from the following:

Description	Total	Exposed to Interest Rate /Yield Risk			Not Exposed to Interest Rate/Yield Risk
		Within one year	More than one year & upto five years	Above five years	
-----Rupees-----					
ASSETS					
Tangible fixed assets	1,675,611	–	–	–	1,675,611
Membership card - Intangible	36,000,000	–	–	–	36,000,000
Deferred costs	334,430	–	–	–	334,430
Short term financing	288,317,851	288,317,851	–	–	–
Short term placements	382,867,305	382,867,305	–	–	–
Short term investments in government securities	679,207,400	679,207,400	–	–	–
Investment in Wapda Bonds	53,500,000	–	53,500,000	–	–
Short term investments in TFCs - quoted	137,867,161	137,867,161	–	–	–
Short term investments in shares - quoted	6,597,877	–	–	–	6,597,877
Advances, deposits and other receivable	6,296,829	–	–	–	6,296,829
Prepayments	1,311,706	–	–	–	1,311,706
Income tax recoverable	13,250,524	–	–	–	13,250,524
Income receivable	22,841,276	–	–	–	22,841,276
Balances with banks & Cash in hand	96,473,094	53,545,431	–	–	42,927,663
Total	1,726,541,064	1,541,805,148	53,500,000	–	131,235,916
SHARE CAPITAL AND RESERVES					
Surplus on revaluation of investments - net	462,964,517	–	–	–	462,964,517
	40,667,730	–	–	–	40,667,730
LIABILITIES					
Deposits	478,187,472	478,187,472	–	–	–
Deferred liabilities	22,102,117	–	–	–	22,102,117
Borrowings	702,500,000	702,500,000	–	–	–
Profit accrued on deposits & borrowings	14,752,910	–	–	–	14,752,910
Accrued and other liabilities	5,366,318	–	–	–	5,366,318
Total	1,726,541,064	1,180,687,472	–	–	545,853,592
Total interest rate sensitivity gap		361,117,676	53,500,000	–	(414,617,676)
Cumulative interest rate sensitivity gap		361,117,676	414,617,676	414,617,676	–



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

34. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the credit worthiness of counter-parties.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

The company follows two sets of guidelines. Firstly, it has its own operating policies duly approved by the Board of Directors. Secondly, it adheres to the regulations issued by the SECP. The operating policies define the extent of fund and non-fund based exposures with reference to a particular sector or group.

The company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of risks with individuals or groups of customers in specific locations or business. It also obtains security when appropriate. Details of finance portfolio is given below:

FINANCE	2004		2003	
	Rupees	%	Rupees	%
Sugar	25,000,000	10.68	100,000,000	34.26
Textile spinning	6,400,000	2.73	6,400,000	2.19
Cables and electric goods	175,366,498	74.92	159,703,457	54.71
Individuals	3,148,298	1.35	3,148,298	1.08
Others	24,146,694	10.32	22,646,694	7.76
	<u>234,061,490</u>	<u>100</u>	<u>291,898,449</u>	<u>100</u>

35. 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 an 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.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

FINANCIAL ASSETS	2004		2003	
	Book value	Fair value	Book value	Fair value
	-----Rupees-----			
Financing	230,480,892	230,480,892	288,317,851	288,317,851
Placements	776,105,645	776,105,645	382,867,305	382,867,305
Short term investments	555,803,027	555,803,027	877,172,438	877,172,438
Advances and other receivables	21,142,829	21,142,829	30,449,811	30,449,811
Cash and bank balances	65,069,926	65,069,926	96,473,094	96,473,094
	<u>1,648,602,319</u>	<u>1,648,602,319</u>	<u>1,675,280,499</u>	<u>1,675,280,499</u>
FINANCIAL LIABILITIES				
Deferred liabilities	3,718,775	3,718,775	3,376,608	3,376,608
Borrowings	726,242,575	726,242,575	702,500,000	702,500,000
Short term deposits	447,525,796	447,525,796	478,187,472	478,187,472
Accrued expenses and other liabilities	14,569,686	14,569,686	20,119,228	20,119,228
	<u>1,192,056,832</u>	<u>1,192,056,832</u>	<u>1,204,183,308</u>	<u>1,204,183,308</u>

As at December 31, 2004, the fair value of all financial instruments is based on the valuation methodology outlined below:

a) **Finances and certificate of deposits**

For all finances and deposits, the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and repricing profiles of similar advances and deposits.

b) **Investments**

The fair value of quoted investments is based on quoted market prices or average of quotations received from brokers. Unquoted investments are stated at cost which approximates to their fair value in the absence of an active market.

c) **Other financial instruments**

The fair values of all other financial instruments are considered approximate to their book values as they are short term in nature.

36. CASH MANAGEMENT SCHEME

The company has an amount of Rs. 87.5 million (2003: Rs. 87.5 million) as at December 31, 2004, under its Cash Management Scheme, offered to its customers. These funds are invested in various alternatives depending on customer's authority and without any liability on the part of the company.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004 Rupees	2003 Rupees
37. TRANSACTIONS WITH RELATED PARTIES		
Financing		
- Associated undertakings	94,195,857	77,499,924
- Others	91,170,641	104,850,227
Return on financing		
- Associated undertakings	7,133,527	5,680,193
- Others	6,300,525	9,448,199
Deposits	156,040,004	161,786,097
Return on deposits	5,313,972	7,350,940

Transactions with associated undertakings / related parties i.e. shareholders, directors and their related concerns are accounted for in accordance with comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on March 24, 2005.

39. FIGURES

39.1 Figures have been re-arranged wherever necessary to facilitate comparison. Significant rearrangement is as under.

The securities purchased with a corresponding commitment to resale amounting to Rs. 576,105,645/- (2003: Rs. 382,867,305/-) are included in placements which were shown as part of investments last year.

39.2 Figures have been rounded off to the nearest rupee.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



PATTERN OF SHAREHOLDING

HELD BY THE SHAREHOLDERS AS AT DECEMBER 31, 2004

Number of Shareholders	Shareholding From	To	Total number of shares held	Percentage %
646	1	100	31,397	0.08
643	101	500	162,053	0.43
668	501	1,000	553,039	1.48
352	1,001	5,000	776,000	2.08
89	5,001	10,000	635,868	1.71
19	10,001	15,000	234,444	0.63
18	15,001	20,000	298,987	0.80
4	20,001	25,000	94,070	0.25
4	25,001	30,000	111,958	0.30
1	30,001	35,000	35,000	0.09
8	35,001	40,000	299,994	0.80
3	40,001	45,000	127,012	0.34
2	45,001	50,000	95,322	0.26
1	50,001	55,000	50,399	0.14
2	55,001	60,000	112,106	0.30
1	60,001	65,000	63,553	0.17
3	65,001	70,000	202,305	0.54
1	75,001	80,000	78,839	0.21
1	100,001	105,000	205,133	0.55
1	110,001	115,000	115,000	0.31
1	120,001	125,000	122,992	0.33
1	145,001	150,000	146,403	0.39
1	245,001	250,000	249,276	0.67
1	250,001	255,000	254,152	0.68
3	255,001	260,000	774,456	2.08
1	270,001	275,000	272,075	0.73
1	315,001	320,000	317,042	0.85
1	665,001	670,000	665,103	1.78
1	785,001	790,000	789,783	2.12
2	805,001	810,000	1,615,062	4.33
1	840,001	845,000	842,232	2.26
1	850,001	855,000	854,045	2.29
1	1,320,001	1,325,000	1,322,500	3.55
2	1,610,001	1,615,000	3,226,900	8.66
1	1,615,001	1,620,000	1,617,741	4.34
1	1,880,001	1,885,000	1,882,803	5.05
1	2,025,001	2,030,000	2,026,170	5.44
1	2,640,001	2,645,000	2,645,000	7.10
1	3,350,001	3,355,000	3,350,666	8.99
1	4,720,001	4,725,000	4,723,817	12.67
1	5,285,001	5,290,000	5,290,000	14.19
2,492			37,270,695	100.00

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	2,415	30,634,700	82.20%
INVESTMENT COMPANIES	4	1,647	0.004%
INSURANCE COMPANIES	5	301,516	0.81
JOINT STOCK COMPANIES	53	2,868,989	7.70%
FINANCIAL INSTITUTIONS	9	3,415,446	9.16%
MODARABA COMPANIES	2	30,282	0.08%
OTHERS	4	18,115	0.05%
	2,492	37,270,695	100%



DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Shares Held
Individuals	19,816,393
Investment Companies except ICP	1,385
Public/Private Sector Companies and Corporations	–
Directors, Chief Executive Officer and their spouse and minor children	
1) Khursheed K. Marker	1,693
2) Haji Jan Muhammad	886
3) Haji Abdul Rauf	2,000
4) Muhammad Younus Abdul Aziz Tabba	807,531
5) Muhammad Iqbal Kasbati	1,000
6) Mr. Maqbool H. Rahimtoola (NIT) National Bank of Pakistan, Trustee Department	3,350,666
7) Mr. Muhammad Saleem Rathod	1,693
Investment Corporation of Pakistan	6,241
Associated Companies, Undertakings and Related Parties	–
Banks, DFIs, NBFs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Deptt.	3,267,390
Shareholders holding ten percent or more voting interest	
H.A.R	4,723,817
Amina Bano	5,290,000



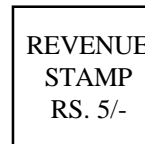
FORM OF PROXY

FOURTEENTH ANNUAL GENERAL MEETING

I/We
of
a member / members of SECURITY INVESTMENT BANK LIMITED and holding
ordinary shares, as per Register Folio
do hereby appoint
of
to vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held on April 25, 2005 and at any adjournment thereof.

As Witness my/our hand this day of2005

Folio No.



SIGNATURE OF MEMBER(S)

IMPORTANT:

1. Signature of Member(s) should agree with specimen registered with the Company.
2. A member entitled to attend Fourteenth Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him.
3. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If the member is a corporation its common seal (if any) should be affixed on the instrument.
4. The proxies shall be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

