



SECURITY INVESTMENT BANK LIMITED

16th Annual Report
2007

THE MONEY WISE BANK





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

(As of March 20, 2004)

PRESIDENT & CHIEF EXECUTIVE

AUDIT COMMITTEE

CHIEF FINANCIAL OFFICER

COMPANY SECRETARY

AUDITORS

TAX ADVISORS

LEGAL ADVISORS

SHARE REGISTRAR

BANKERS

REGISTERED OFFICE

KARACHI OFFICE

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

Mr. Muhammad Saleem Rathod

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

Mr. Muhammad Amin Khatri

Mr. Muhammad Shahzad

Muniff Ziauddin & Co.
Chartered Accountants

Anjum Asim Shahid Rahman
Chartered Accountants

Bawaney & Partners
Muhammad Tariq Qureshi

M/s. C&K Management Associates (Pvt) Limited
404, Trade Tower, near Hotel Metropole, Karachi.

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

Flat No. 4, 3rd Floor, Al-Baber Centre,
Main Markaz, F-8, Islamabad.
Tel : (051) 2856978-80
Fax: (051) 2856987
Website : www.sibl.com.pk

606, 6th Floor, Unitowers,
I.I. Chundrigar Road, Karachi.
Tel : (021) 2418410 - 13 Fax : (021) 2418414
E-mail : sibl@sibl.com.pk



NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of Security Investment Bank Limited will be held at the Registered Office of the Company located at Flat No. 4, 3rd floor, Al-Baber Centre, Main Markaz, F-8, Islamabad, on 28th day of March 2008 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of Sixteenth Annual General Meeting held on April 30, 2007 and EOGM held on June, 29, 2007.
- 2) To receive and adopt the audited accounts of the company for the year ended December 31, 2007 together with the Directors' and Auditors' report thereon.
- 3) To appoint auditors and fix their remuneration for the year ending December 31, 2008. The retiring auditors M/s. Muniff Ziauddin & Co., Chartered Accountants cannot be reappointed in accordance with Code of Corporate Governance. M/s. Avais Hyder Liaquat Nauman offered their consent to act as the external auditor of the company in place.

SPECIAL BUSINESS

- 4) To approve the issue of bonus shares in the ratio of 2 shares for every 10 shares held (i.e. 20%) as declared and recommended by the Board of Directors.
- 5) To consider and approve increase in equity investment in the Dubai's subsidiary of the company by US\$ 500,000/-

ANY OTHER BUSINESS

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

BOOK CLOSURE

The share transfer book of the company will remain closed from 22nd day of March 2008 to 28th day of March 2008 (both days inclusive). Transfer received in order at the office of the share registrar of the company by the close of business on 21st day of March 2008 will be treated in time.

By order of the Board

Muhammad Shahzad
Company Secretary

Islamabad,
Date: March 05, 2008

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 office of the share registrar of the company duly stamped and signed not less than 48 hours before the meeting. A member may not appoint more than one proxy.
- 2) Members are requested to promptly communicate to the company any change in their addresses.
- 3) CDC Account holders and sub-account holders are required to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan.



- a). For attending the meeting.
 - i). In case of individuals, the account holder or sub-account holder shall bring his or her original Computerized National Identity Card or original passport at the time of attending meeting.
 - ii). In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the meeting.
- b). For appointing proxies
 - i). In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
 - ii). The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
 - iii). Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv). The proxy shall produce his or her original CNIC or original passport at the time of meeting.
 - v). In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted to the company along with proxy form.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE 1984, REGARDING SPECIAL BUSINESS

This statement sets out the material facts concerning the following special business to be transacted at the Seventeenth Annual General meeting of the company.

ITEM NO.4 OF THE NOTICE

The Directors have recommended the issue of 8,572,259 bonus shares by capitalization of a part of the Free Reserves of the company. After the issue the total paid up capital will increase to Rs.514,335,583/-. None of the Directors are interested in this business except to the extent of their entitlement to bonus shares as shareholders.

The Directors recommend to consider and, if thought fit pass with or without modification the following Resolutions as Ordinary Resolutions.

RESOLVED THAT the Bonus issue to the extent of Rs.85,722,590/-be capitalized by issuing 8,572,259 fully paid Ordinary shares of Rs10/- each as bonus shares in the proportion of 2 shares for every 10 shares held, and the shares so distributed will be treated for all purposes as an increase in the paid up capital of the company.

RESOLVED FURTHER THAT the bonus shares so distributed shall rank pari passu in all respect with the existing shares of the company.

RESOLVED FURTHER THAT the Chief Executive or Company Secretary be and are hereby authorized to consolidate all fractions of bonus shares and sell in the stock market and pay the proceeds to charity.

RESOLVED FURTHER THAT the Chief Executive or Company Secretary be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of bonus shares.



ITEM NO. 5 OF THE NOTICE

Approval of shareholder is sought for the increase of equity investment in the 100% fully owned subsidiary of the company in Dubai by US\$ 500,000/- The shareholders have already approved the opening of subsidiary in Dubai by making equity investment upto US\$ 500,000/- in the Extra Ordinary General Meeting of the company held on June 29, 2007 and the terms and conditions of this investment have already been conveyed to the shareholders (vide notice of the Extra Ordinary General Meeting dated June 07, 2007. shareholders can still view said notice in website of the company www.sibl.com.pk). The company has also taken approval of the SECP for the above said investment. None of the directors are interested in the business except to the extend of their share holding in the company.

The approval of shareholders required in the upcoming AGM is for an additional equity investment by US\$ 500,000/- as suggested by the concerned regulators of Dubai.

Approval of the shareholders is sought to pass with or without modifications following resolutions as Special Resolutions under section 208 of the Companies Ordinance, 1984:

“RESOLVED THAT the company be and is hereby authorized to make additional equity investment in subsidiary of the company in Dubai by US\$ 500,000/- in addition to the equity investment in subsidiary of the company in Dubai of US\$ 500,000/- as already approved by the shareholders in Extra Ordinary General Meeting of the company held on June 29, 2007.”

“RESOLVED FURTHER THAT after additional equity investment of US\$ 500,000/-, the total equity investment in the 100% fully owned subsidiary of the company in Dubai upto US\$ 1,000,000/- be and is hereby approved.”

“RESOLVED FURTHER THAT the company be and is hereby authorized to issue letter of support (in the form of Subordinated, Convertible loan) to the company’s subsidiary in Duabi (if required), and to execute all documents and take all necessary and appropriate actions on behalf of the Company

“RESOLVED FURTHER THAT the company is authorized to take all appropriate steps and execute all necessary documents in connection with the establishment of 100% fully owned subsidiary in Dubai including coordination with SECP.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all the acts, deeds and things necessary to implement this Resolution and also empowered to make amendments/ modifications to the Resolutions as may be required and such amendments / modifications shall also be deemed as having been approved by the shareholders.”



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Security Investment Bank Limited (SIBL) are pleased to present the Sixteenth Annual Report along with the audited financial statements and Auditor's report thereon for the year ended December 31, 2007.

ECONOMIC OUTLOOK

Pakistan's economy has been alarming and critical. Government is facing challenges as follows

- Rising global steep upward trend of oil prices
- Significant borrowings by the government from Central Bank for budget finance
- On its external accounts, Pakistan has another year of very high trade deficit of around US\$14 billion
- Poor management of a good agriculture crop outcome, coupled with weakness in distribution channel of commodities
- Uncertainty and noisy political situation which reflect the partial political uncertainty of the country
- Deteriorating law and order situation of the country
- Geopolitical situation of the region

State Bank of Pakistan (SBP) continued its tight monetary policy to control inflation but many factors have been out of its control like oil prices in the international market.

The financial sector has witnessed growth in the Islamic Banking sector and Mutual Funds industry. Banking sector has witnessed consolidation process as many local banks have changed their hands with the foreign banks, which depicts healthy business environment of our country.

During the year 2007, the Stock Market depicted a strong bullish trend as compared to 2006 despite a few jolts from a number of political developments throughout the year. Overall, the 100 index jumped by 40% or 4035 points for the year ended December 31, 2007.

OPERATIONAL PERFORMANCE OF SIBL

During the year 2007, the SBP has exercised tight monetary policy, which has substantially increased the cost of deposits and borrowings of entire financial sector. The cost of deposits and borrowings of our company increased by 79%, compared to last year. However, we have been able to maintain our growth.

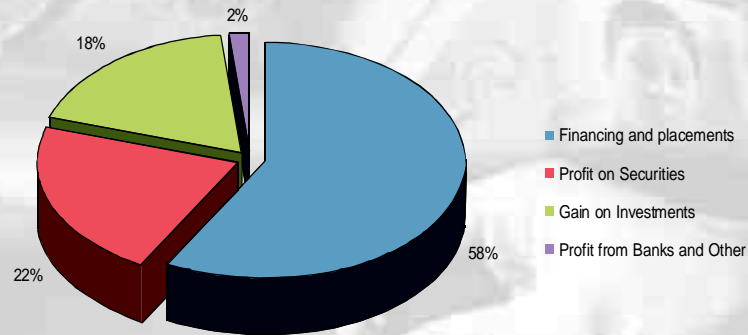
The financial performance for the year 2007 is summarised below:

	(Rupees in Millions)	
	2007	2006
Profit before taxation	97.778	105.050
Less: Taxation	8.535	18.847
Profit after taxation	89.244	86.203

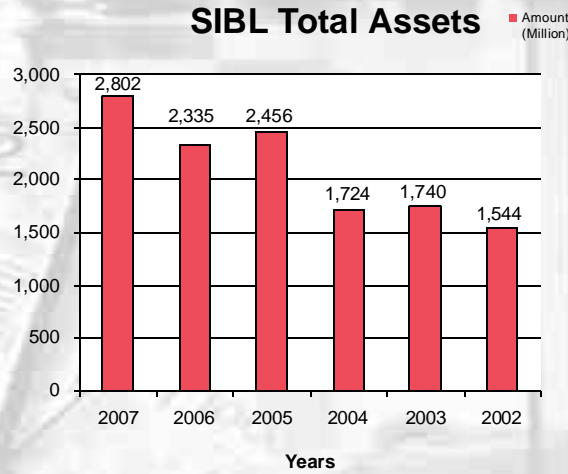
In spite of rising inflation and rising cost of funds, our company has maintained profit after tax of Rs.89.244 million compared to Rs.86.203 million of last year. The bank managed to earn capital gain of Rs.58.282 million, which is 41% more than the capital gain earned during the year 2006. Return on financing and placements increased by 40% when compared to last year although the cost of deposits and borrowings has increased by 79% when compared to last year.



SIBL Income Distribution

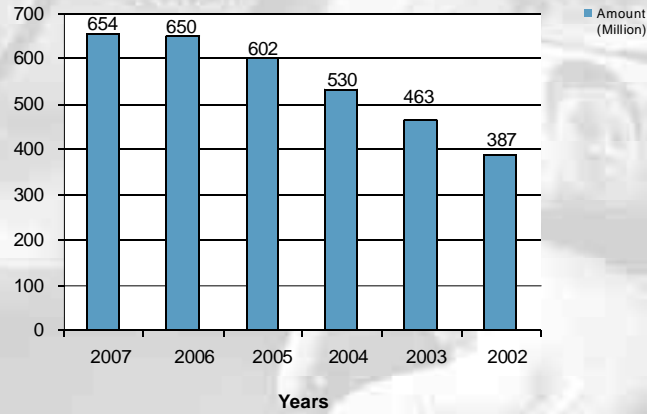


SIBL Total Assets

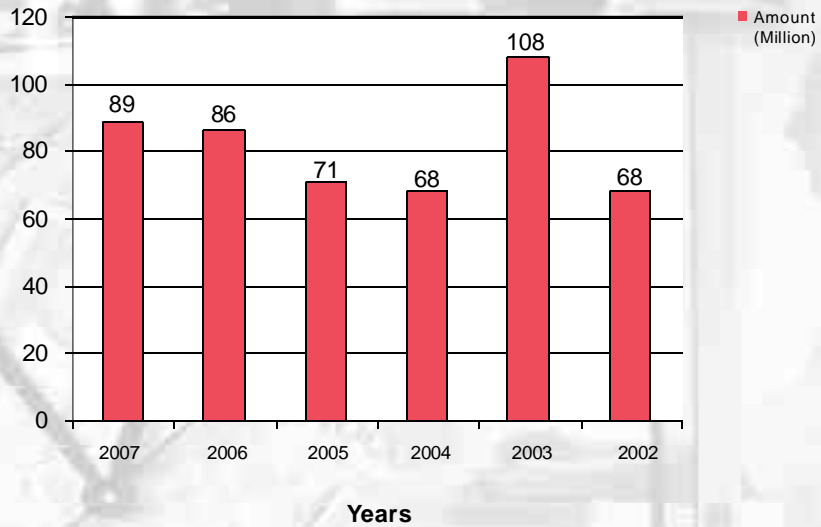




SIBL Shareholders' Equity



SIBL Net Profit





CORPORATE GOVERNANCE

The Board regularly reviews the company's strategic direction, 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 is complying 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 would like 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 account 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 judgment.
- 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 six years of Security Investment Bank Limited are as follows:

(Rupees in millions)

Year ended	Dec. 2007	Dec. 2006	Dec. 2005	Dec. 2004	Dec. 2003	Dec. 2002
Share Capital	429	429	373	373	324	282
Shareholder's Equity	654	650	602	530	463	387
Deposits	972	976	565	448	478	270
Borrowings	1,195	727	1,253	726	703	728
Advances	183	196	171	230	288	240
Investments	728	565	289	556	877	1,125
Operating Profit	98	105	92	83	132	68
Net Profit	89	86	71	68	108	68
Total Assets	2,802	2,335	2,456	1,724	1,727	1,544
Dividend	–	20%	10%	–	10%	12.5%
Bonus	20%	–	15%	15%	15%	–



VALUE OF PROVIDENT FUND INVESTMENT

As on December 31, 2007 based on the unaudited accounts, the value of investment of Provident Fund is Rs.1.410 million.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at December 31, 2007 along with the disclosure required under the Code of Corporate Governance is annexed to the report.

BOARD MEETINGS

During the year ended December 31, 2007, the Board of Directors held four meetings. Attendance of each director is as follows:

<u>Name</u>	<u>No. of Meetings Attended</u>
Mr. Khursheed K. Marker	4
Haji Jan Muhammad	4
Haji Abdul Rauf (Retired on 29.06.2007)	0
Mr. Muhammad Younus Abdul Aziz Tabba	1
Mr. Maqbool H.H. Rahimtoola	4
Mr. Muhammad Iqbal Kasbati	3
Mr. Muhammad Saleem Rathod (President & CEO)	4
Mr. Muhammad Mehboob (Elected on 29.06.2007)	0
Mr. Muhammad Shoaib (Elected on 29.06.2007 and resigned on 29.10.2007)	1

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

TRADE / DEALING IN SHARES OF THE COMPANY

During the year no trade in the shares of the company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board of Directors has adopted the required statement of Ethics and Business Practices. All employees are aware of this statement and are requested to observe rules of conduct of business and regulations.

EARNINGS PER SHARE

Earnings per share of your Bank have risen from Rs.2.01 to Rs.2.08 during the year 2007 despite adverse political and economic conditions, showing an increase of 3%.

DIVIDEND

As per our policy we would like to share earnings of SIBL with our share holders and for the fiscal year ended December 31, 2007, the Board is pleased to declare Bonus Shares @20% (i.e. 2 shares for every 10 shares held). There are two reasons for this option of Bonus Shares.

- SECP has promulgated New Regulations for NBFCs in November 2007 whereby equity requirement has been



enhanced to Rs.1,000/ million by June 2010. Thus if we opt to pay cash dividend than we will have to issue right shares to meet the said requirement.

- SBP has been exercising tight monetary policy and enhancing discount rate periodically, which has resulted in increase in cost of borrowings / funds. To maintain a sound position and least relying on borrowings at high cost, it is appropriate to develop a capital base financing.

CREDIT RATING

JCR VIS Credit Rating Company Limited has maintained your company's rating of medium to long-term rating of A (Single A) with stable outlook and short-term rating of A-1 (A One). The rating incorporates strong liquidity indicators, increased booked profit and conservative risk profile.

FUTURE OUTLOOK

In the background of impending political uncertainty the prospects of business generally in the country look uncertain. However, the past has always been a precursor to the future. Since we have been able to maintain our profitability in 2007 despite adverse factors hence we hope to cope the future challenges.

AUDITORS

The present auditors M/s Muniff Ziauddin & Co, has retired as auditors of the company. In place M/s. Avais Hyder Liaquat Nauman has offered themselves for the appointment as auditors. The change in the auditors is done in compliance with the requirements of the Code of Corporate Governance.

ACKNOWLEDGEMENT

The Directors are exceedingly grateful to the SECP, Stock Exchanges and other regulators for their guidance, support and cooperation. We also acknowledge the understanding shown by the shareholders. The management and staff are also worth praising for their efforts in achieving these results.

Karachi;
February 28, 2008

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



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 occurred 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 Head of Internal Audit and CFO including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
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 CEO and CFO 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. It comprises three members, all of whom are non-executive Directors 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

Karachi; February 28, 2008



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, 2007, 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 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 for the year ended December 31, 2007.

Karachi;
February 28, 2008

MUNIFF ZIAUDDIN & CO.
Chartered Accountants



SECURITY INVESTMENT BANK LIMITED

**SECURITY INVESTMENT BANK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

THE MONEY WISE BANK



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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SECURITY INVESTMENT BANK LIMITED as at December 31, 2007 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, 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 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi;
February 28, 2008

MUNIFF ZIAUDDIN & CO.
Chartered Accountants



SECURITY INVESTMENT BANK LIMITED

BALANCE SHEET

AS AT DECEMBER 31, 2007

	December 31,	December 31,	
	Note	2007 Rupees	2006 Rupees
NON-CURRENT ASSETS			
Tangible fixed assets	5	5,747,315	1,838,745
Stock exchange membership card - intangible	6	36,000,000	36,000,000
Long term investments	7	151,299,508	151,378,660
Deferred tax asset	8	12,925,813	10,860,955
CURRENT ASSETS			
Short term financing	10	182,834,198	195,834,198
Short term placements	11	1,477,892,625	911,653,295
Short term investments	12	727,406,991	564,961,306
Advances, deposits, prepayments and other receivables	13	105,498,709	73,557,495
Cash and bank balances	14	102,460,234	389,399,475
		<u>2,596,092,757</u>	<u>2,135,405,769</u>
		<u>2,802,065,393</u>	<u>2,335,484,129</u>
SHARE CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised Capital			
100,000,000 ordinary shares of Rs. 10/- each		<u>1,000,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up capital	15	428,612,993	428,612,993
Reserve	16	225,473,213	221,951,919
		654,171,206	650,564,912
(Deficit)/Surplus on revaluation of investments-net	17	(61,447,148)	(41,743,845)
LIABILITIES			
Deferred liabilities	18	5,176,000	4,325,000
CURRENT LIABILITIES			
Borrowings	19	1,195,000,000	727,500,000
Short term deposits	20	971,844,854	975,808,919
Accrued and other liabilities	21	37,405,481	19,029,143
		2,204,250,335	1,722,338,062
Contingencies and Commitments	22	-	-
		<u>2,802,065,393</u>	<u>2,335,484,129</u>

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

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



SECURITY INVESTMENT BANK LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2007

(From January 01, 2000 to December 31, 2001)

	Note	2007 Rupees	2006 Rupees
INCOME			
Return on financing and placements	23	183,568,169	131,213,722
Return on securities	24	68,349,850	55,848,295
Gain on sale of investments		58,282,479	41,267,744
Profit on deposit with banks		4,824,649	4,051,877
Other income	25	700,541	859,482
		315,725,688	233,241,120
EXPENDITURE			
Return on deposits and borrowings	26	184,570,833	103,287,426
Administrative and Operating expenses	27	33,376,374	24,903,502
		217,947,207	128,190,928
PROFIT FOR THE YEAR BEFORE TAXATION		97,778,481	105,050,192
Provision for taxation	28	8,534,588	18,847,181
PROFIT AFTER TAXATION		89,243,893	86,203,011
BASIC EARNINGS PER SHARE		2.08	2.01

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

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



SECURITY INVESTMENT BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

(For the period from January 01, 2000 to December 31, 2001)

	2007	2006
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before tax	97,778,481	105,050,192
Adjustment for non-cash and other items		
Depreciation	1,380,147	1,013,878
Amortization of deferred cost	-	115,648
(Gain)/loss on disposal of shares	(58,282,479)	(41,267,744)
(Gain)/loss on disposal of fixed assets	(139,798)	(38,159)
(Gain)/loss on sale of securities	-	(221,770)
Provision for gratuity	971,000	821,586
	(56,071,130)	(39,576,561)
Cash Flows From Operating Activities Before Working Capital Changes	41,707,351	65,473,631
Increase/(decrease in operating assets)		
(Increase)/decrease in financing and placements	(553,239,330)	217,791,930
(Increase)/decrease in advances, deposits, prepayments and other receivables	(13,861,910)	(6,199,897)
	(567,101,240)	211,592,033
Increase/(decrease) in operating Liabilities		
Increase/(decrease) in deposits	(3,964,065)	410,924,970
Increase/(decrease) in borrowings	467,500,000	(525,000,000)
increase/(decrease) in accrued and other liabilities	15,826,311	(4,447,524)
	479,362,246	(118,522,554)
Net Change in operating assets and liabilities	(87,738,994)	93,069,479
Income tax paid	(34,536,854)	(17,681,793)
Gratuity paid	(120,000)	(498,542)
Dividend paid	(75,656,707)	(36,329,198)
	(110,313,561)	(54,509,533)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(156,345,204)	104,033,577
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/sale of fixed assets	(5,148,919)	(69,957)
(Purchase)/sale of investments (shares)	(54,806,350)	15,098,345
(Purchase)/Sale of securities	(70,638,769)	12,638,558
NET CASH USED IN INVESTING ACTIVITIES	(130,594,038)	27,666,946
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase/(decrease) in cash and cash equivalents	(286,939,242)	131,700,523
Cash and cash equivalents at the beginning of the year	389,399,475	257,698,952
Cash and cash equivalents at the end of the year	102,460,234	389,399,475

Note

14

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



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2007

(from July 01, 2000 to December 31, 2001)

	Share Capital (Note 15) Rupees	Statutory Reserve (Note 16) Rupees	Unappropriated Profit (Note 16) Rupees	Total Rupees
Balance as at January 01, 2006	372,706,950	99,236,880	129,688,766	601,632,596
Net profit for the year	-	-	86,203,011	86,203,011
Issuance of bonus shares 2005	55,906,043	-	(55,906,043)	-
Dividend paid for the year 2005	-	-	(37,270,696)	(37,270,696)
Appropriations:				
Statutory reserve	-	17,240,602	(17,240,602)	-
Balance as at December 31, 2006	428,612,993	116,477,482	105,474,437	650,564,912
Net profit for the year	-	-	89,243,893	89,243,893
Issuance of bonus shares	-	-	-	-
Dividend paid for the year 2006	-	-	(85,722,599)	(85,722,599)
Appropriation:				
Statutory reserve	-	17,848,779	(17,848,779)	-
Balance as at December 31, 2007	428,612,993	134,326,261	91,146,952	654,086,206

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

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(in July 01, 2000 to December 31, 2001)

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 Flat No. 4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, 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 (SECP) as amended through SRO 1131 (I)/2007 dated November 21, 2007 and Non-Banking Finance Companies and Notified Entities Regulations 2007. (previously this was covered under SRO 585(1)/87 dated July 13, 1987, issued by the Ministry of Finance).

JCR - VIS Credit Rating Company Limited has reaffirmed medium to long-term rating of SIBL at 'A' (Single A) with stable outlook and the short-term rating at 'A' (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, the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 as amended through SRO 1131 (I)/2007 dated November 21, 2007, Non-Banking Finance Companies and Notified Entities Regulations 2007 and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards/ International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, NBFC Rules 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.

2.1 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment

IAS-1 (Revised) Presentation of Financial Statements	effective from accounting period beginning on or after January 01, 2009
IAS-23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS-41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS-2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS-3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS-5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS-6 Exploration for and Evaluation of Mineral	effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

2.2 Significant Accounting Judgement and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the company's / accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- (a) determining the residual values and useful lives of property and equipment
- (b) classification of investments
- (c) valuation of derivatives
- (d) recognition of taxation and deferred tax
- (e) provisions
- (f) accounting for post employment benefits and
- (g) impairment of financial assets

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investments, which are stated at fair value.

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 month's depreciation is charged on additions during the month in which asset is acquired, while no depreciation is charged in the month of disposal.

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.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

4.2 Stock Exchange Membership Card

This is stated at cost less impairments, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is recorded in excess of its recoverable amount and where carrying value is in excess of recoverable amount, it is written down to its estimated recoverable amount.

4.3 Investments in Subsidiary

Investment in Subsidiary (not held for disposal purpose) are carried at cost less impairment losses, if any.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

4.4 Deferred Cost

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

4.5 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-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 need for liquidity or changes to interest rates, exchange rates or equity prices are classified as 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.

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

Subsequent to initial recognition, investments available for sale and investments held for trading for which active market exists, are measured at market value using rates quoted on Reuters, stock exchange quotes and broker's quotations, in accordance with the guidelines contained in the above referred circulars issued by State Bank of Pakistan. 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. Amortization cost is charged to profit and loss account.

Investments held till maturity are stated at amortized cost using the effective interest rate method less impairment, if any. The amortization for the period has been charged to the profit and loss account.

4.6 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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.

4.7 Trade date 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.

4.8 Staff retirement benefits

4.8.1 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.

4.8.2 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.

4.9 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.

4.10 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.

4.11 Classification of deposits and financing

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

4.12 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

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.

4.13 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, or at 0.5% of turnover whichever is higher.

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 receivable in pursuance of Securities & Exchange Commission of Pakistan's Prudential Regulations for Non Banking Financial Institutions (NBFIs).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(in July 01, 2000 to December 31, 2001)

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, 2007
	As at Jan. 01, 2007	Additions	Deletions	As at Dec. 31, 2007		As at Jan. 01, 2007	Charge for the year	Adjustment	As at Dec. 31, 2007	
Furniture & fixtures	3,068,286	-	-	3,068,286	10	2,917,222	21,933	-	2,939,155	129,131
Computers and equipments	3,300,971	304,753	-	3,605,724	20	2,807,458	193,586	-	3,001,044	604,680
Telephone system	225,496	31,000	(85,000)	171,496	10	177,113	11,578	(84,999)	103,692	67,804
Vehicles	5,551,395	4,952,966	(606,215)	9,898,146	20	4,462,043	1,142,334	(606,214)	4,998,163	4,899,983
Generator	497,148	-	-	497,148	10	468,217	7,716	-	475,933	21,215
Sign board	179,000	-	-	179,000	10	151,498	3,000	-	154,498	24,502
Rupees 2007	12,822,296	5,288,719	(691,215)	17,419,800		10,983,551	1,380,147	(691,213)	11,672,485	5,747,315

(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, 2006
	As at Jan. 01, 2006	Additions	Deletions	As at Dec. 31, 2006		As at Jan. 01, 2006	Charge for the year	Adjustment	As at Dec. 31, 2006	
Furniture & fixtures	2,934,800	133,486	-	3,068,286	10	2,888,897	28,325	-	2,917,222	151,064
Computers and equipments	3,042,095	414,426	(155,550)	3,300,971	20	2,701,692	258,622	(152,856)	2,807,458	493,513
Telephone system	225,496	-	-	225,496	10	168,643	8,470	-	177,113	48,383
Vehicles	6,147,695	-	(596,300)	5,551,395	20	3,885,476	705,765	(129,198)	4,462,043	1,089,352
Generator	497,148	-	-	497,148	10	460,502	7,715	-	468,217	28,931
Sign board	149,000	30,000	-	179,000	10	146,517	4,981	-	151,498	27,502
Rupees 2006	12,996,234	577,912	(751,850)	12,822,296		10,251,727	1,013,878	(282,054)	10,983,551	1,838,745

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 8,897,107 (2006: Rs. 9,586,322/-) 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
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Telephone System

PABX	85,000	84,999	1	5,000	4,999	Noorani Communication	Trade in
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Vehicles

Suzuki Cultus	606,215	606,214	1	134,800	134,799	R. H. Autos	Sale
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Rupees-2007	691,215	691,213	2	139,800	139,798		
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 Rupees	2006 Rupees
6. STOCK EXCHANGE MEMBERSHIP CARD-Intangible			
Corporate membership of Karachi Stock Exchange	4.1	<u>36,000,000</u>	<u>36,000,000</u>
7. LONG TERM INVESTMENTS			
SIBL Exchange Company (Pvt.) Ltd. 10,000,000 ordinary shares of Rs. 10 each Wholly Owned Subsidiary - un-quoted		100,000,000	100,000,000
Pakistan Investment Bonds - Held to Maturity	7.1	<u>51,299,508</u>	<u>51,378,660</u>
		<u>151,299,508</u>	<u>151,378,660</u>
7.1 Pakistan Investment Bonds			
Cost		51,378,660	51,457,812
Less: Amortization		(79,152)	(79,152)
		<u>51,299,508</u>	<u>51,378,660</u>
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs. 50,000,000 (2006: Rs. 50,000,000) and carrying mark-up rates (coupon rate) of 10% per annum (2006: 10%). Their period to maturity is seventeen and a half year.</p>			
8. DEFERRED TAX ASSET			
Deferred tax assets arising in respect of			
Surplus/(deficit) on revaluation of securities		12,263,887	10,606,125
Accelerated depreciation		364,076	182,241
Provision for gratuity		297,850	113,066
		<u>12,925,813</u>	<u>10,901,432</u>
Deferred tax liabilities arising due to Deferred cost		-	(40,477)
		<u>12,925,813</u>	<u>10,860,955</u>
9. DEFERRED COST			
Opening balance		-	115,648
Amortized during the year		-	(115,648)
		<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

10. SHORT TERM FINANCING - secured considered good

Demand finance	10.1	186,414,796	199,414,796
Provision for non-performing loans	10.2	(3,580,598)	(3,580,598)
		<u>182,834,198</u>	<u>195,834,198</u>

10.1 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 12% to 18% per annum (2006: 10% to 18% per annum).

10.2 Particulars of provision against non-performing loans

Opening balance		3,580,598	3,580,598
(Reversal) or Write-off during the year		-	-
Closing balance		<u>3,580,598</u>	<u>3,580,598</u>

11. SHORT TERM PLACEMENTS - considered good

Under reverse repurchase agreements of quoted shares - secured	11.1	1,477,892,625	911,653,295
		<u>1,477,892,625</u>	<u>911,653,295</u>

11.1 This represents secured placements against shares in Continued Funding System with maturity ranging from overnight to 30 days and carry mark-up ranging from 11.14% to 19.79% (2006: 14.5% to 18%) per annum. Fair value of the collaterals accepted against the above placement balance as at December 31, 2007 amounted to Rs. 1,496,636 million (2006: Rs. 778.725 million).

12. SHORT TERM INVESTMENTS

Available for Sale

Pakistan Investment Bonds	12.1	379,547,242	290,798,150
Wapda Bonds - 10th issue	12.1	50,000,000	50,000,000
Term Finance Certificates	12.1	63,270,922	83,448,873
Quoted shares	12.2	234,588,827	140,714,283
		<u>727,406,991</u>	<u>564,961,306</u>
		<u>727,406,991</u>	<u>564,961,306</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

12.1 Securities given as collateral under repurchase agreements.

Particulars of investments by type	Note	2007			2006		
		Held by SIBL	Repo	Total	Held by SIBL	Repo	Total
		-----Rupees-----			-----Rupees-----		
Pakistan Investment Bonds	12.1.1	-	379,547,242	379,547,242	-	290,798,150	290,798,150
Wapda Bonds - 10th issue	12.1.2	50,000,000	-	50,000,000	50,000,000	-	50,000,000
Term Finance Certificates	12.1.3	63,270,922	-	63,270,922	83,448,873	-	83,448,873

12.1.1 Pakistan Investment Bonds (PIBs) have face value of Rs. 400,000,000 (2006: Rs. 300,000,000) with income receivable semi annually at 9% to 11% (2006: 9% to 11%) per annum and having maturity from Four years and two months to sixteen years and six months.

12.1.2 These include 10,000 certificates of unlisted bonds having face value of Rs. 5,000/- each with income receivable semi-annually at 8.75% (2005: 8.75%) per annum, having 4 years maturity period.

12.1.3 Particulars of listed Term Finance Certificates (TFC):

No. of Certificates			2007		2006	
2007	2006	Issuer of TFC	Cost	Market value	Cost	Market value
			-----Rupees-----			
1,585	1,586	Bank Alfalah Limited	7,924,119	8,003,359	7,927,295	8,006,568
6,125	6,475	Pakistan International Airlines	30,623,775	30,317,537	32,373,705	30,107,546
384	512	Pakistan Services Limited	1,920,989	1,920,989	2,561,319	2,561,319
3,644	4,686	TeleCard Limited	18,217,900	15,485,215	23,427,500	19,913,375
1,494	4,527	Standard Chartered Bank Limited (formerly Union Bank Limited)	7,469,130	7,543,822	22,633,728	22,860,065
			66,155,913	63,270,922	88,923,547	83,448,873



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption Terms
Bank Alfalah 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
Standard Chartered Bank Ltd. (formerly 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
TeleCard Limited	5,000	3.75% over 6 months KIBOR	Semi-annually	Six years from May 27, 2005



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

12.2 Quoted shares

All shares/units have face of Rs. 10/- each unless identified otherwise.

(From July 01, 2000 to December 31, 2001)

No. of ordinary shares, certificates/units			2007		2006	
			Cost	Market Value	Cost	Market Value
2007	2006		-----Rupees-----			
Modarabas/Mutual funds						
500	500	Long Term Venture Modaraba	800	225	800	225
15,002	13,046	Pakistan Premium Fund	90,189	180,774	90,189	169,598
4,500	4,500	PICIC Growth Fund	185,013	128,250	185,013	126,675
69,627	69,627	UTP Growth Fund	1,085,040	891,225	1,085,040	905,151
1,389,697	1,389,697	UTP Large Capital Fund	13,896,970	11,256,546	13,896,970	11,117,576
Leasing						
42,370	40,353	Saudi Pak Leasing	1,450,590	319,894	1,450,590	387,389
Investment Banks / Cos. / Banks						
243,000	10,000	Askari Bank Limited	25,540,281	24,239,250	1,040,958	1,049,500
10,000	25,416	Bank Alfalah Limited	614,122	537,000	943,346	1,062,389
40,000	41,715	Bank of Punjab	4,132,910	3,192,000	2,961,179	4,223,644
–	31,672	Faysal Bank Limited	–	–	1,797,278	1,916,156
–	40,000	MCB Bank Limited	–	–	10,526,495	9,844,000
177,530	104,374	National Bank of Pakistan	47,327,676	41,213,590	20,150,380	23,405,870
–	50,000	Pakistan Industrial Credit. Inv. Corp. Limited	–	–	3,875,725	3,122,500
–	12,500	Saudi Pak Commercial Bank Limited	–	–	224,023	211,875
Insurance						
–	7,416	PICIC Insurance Limited	–	–	74,160	139,050
10,000	–	Adamjee Insurance Company Ltd.	3,875,738	3,583,500	–	–
Synthetic and Rayon						
–	2,750	Dewan Salman Fibre Limited	–	–	69,325	21,038
18,750	18,750	Pakistan Synthetics Limited	688,500	120,938	688,500	131,250
Cement						
–	78	Cherat Cement Company Limited	–	–	3,406	3,198
–	14,493	D.G. Khan Cement Company Limited	–	–	815,856	912,334
–	2,375	Lucky Cement Limited	–	–	232,164	142,263
53,800	45,200	Maple Leaf Cement	1,053,790	922,800	946,290	701,160



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

All shares/units have face of Rs. 10/- each unless identified otherwise. (From July 01, 2000 to December 31, 2001)

No. of ordinary shares, certificates/units		2007		2006		
		Cost	Market Value	Cost	Market Value	
2007	2006	-----Rupees-----				
Fuel and Energy						
51,000	–	Attock Refinery Limited	13,698,930	12,816,300	–	–
50,000	75,000	Hub Power Company Limited	1,890,378	1,525,000	2,489,106	2,025,000
12,500	12,500	Karachi Electric Supply Corporation	100,947	66,250	100,947	81,250
204,329	184,829	Oil and Gas Development Co. Ltd.	25,789,651	24,407,099	21,543,022	21,199,724
117,250	32,750	Pakistan Oilfields Limited	42,310,461	39,208,400	12,102,011	11,454,313
98,750	62,500	Pakistan Petroleum Limited	25,410,455	24,198,688	15,179,441	14,500,000
30,000	18,500	Pakistan State Oil Company Limited	13,017,064	12,198,000	5,938,531	5,439,000
7,750	2,750	Sui Nothern Gas Pipelines Limited	672,358	508,013	295,030	180,125
67,000	67,000	Sui Southern Gas Company Limited	2,052,516	1,752,050	2,052,516	1,574,500
Automobiles and Transport						
–	250	Dewan Farooque Motors Limited	–	–	9,381	3,875
45,000	45,000	Pakistan International Airlines Corporation	900,481	283,500	900,481	317,250
Technology and Communication						
549,000	402,500	Pakistan Telecommunication Co. Limited	35,176,418	23,085,450	27,497,321	17,830,750
–	45,000	TRGPakistan Limited	–	–	617,867	393,750
Fertilizer						
25,586	35,586	Fauji Fertilizer Company Limited	3,322,693	3,038,338	3,569,167	3,756,102
–	–	Fauji Fertilizer Bin Qasim	–	–	–	–
Chemical						
–	7,500	ICI Pakistan Limited	–	–	1,136,851	866,250
20,000	–	Nimir Limited	308,561	270,000	–	–
255,000	255,000	Pakistan PTA Limited	2,417,742	1,287,750	2,417,742	1,249,500
Sugar & Allied Industries						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
Jute						
–	240	Thal Limited	–	–	48,105	39,480
Textile Composite						
–	9,250	Azgard Nine Limited	–	–	323,159	202,575
25,000	–	Nishat Mills Limited	3,356,920	2,629,997	–	–
			270,375,194	234,588,827	157,286,365	140,714,283



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

		2007 Rupees	2006 Rupees
13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances-considerd good			
For expenses		244,250	395,566
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		47,123,829	29,044,525
		49,868,079	31,940,090
Deposits			
Security		13,183,288	2,181,288
KSE exposure limits		14,701,025	11,500,000
High Court	13.1	2,566,112	2,566,112
		30,450,425	16,247,400
Prepayments			
		425,860	424,932
Other receivables			
Income receivable	13.2	22,976,508	19,418,606
Other receivables-considered good	13.3	1,777,837	5,526,466
		24,754,345	24,945,073
		105,498,709	73,557,495
13.1 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.			
13.2 Income receivable			
Considered good			
Not due	13.2.1	23,384,702	19,826,800
Provision for doubtful debts	13.2.2	(408,194)	(408,194)
		22,976,508	19,418,606
13.2.1 This represents income on financing, placements and government securities not matured/due on December 31, 2007.			
13.2.2 Particulars of Provision for doubtful debts			
Opening balance		408,194	408,194
Add/(Less): Addition/(Reversal) during the year		-	-
Closing balance		408,194	408,194



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	December 31,	
		2007 Rupees	2006 Rupees
14. CASH AND BANK BALANCES			
With State Bank of Pakistan in:			
Reserve account	14.1	8,725,000	6,725,000
Current account		1,540,758	1,370,009
		10,265,758	8,095,009
With other banks in:			
Current accounts		8,714,499	8,704,595
Deposit accounts	14.2	83,474,107	372,593,905
		92,188,606	381,298,500
Cash in hand		5,870	5,966
		102,460,234	389,399,475

14.1 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 to meet the additional liquidity reserve of 1% of certain specified liabilities.

14.2 Rate of return on these deposits accounts range from 3.5% to 10.4% per annum (2006: 3.50% to 12% per annum).

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of shares				
2007	2006			
23,552,000	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000	235,520,000
19,309,299	19,309,299	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	193,092,993	137,186,950
42,861,299	42,861,299		428,612,993	372,706,950

16. RESERVES

Capital Reserves			
Statutory reserves	16.1	134,326,261	116,477,482
Revenue reserves			
Unappropriated profits		91,146,952	105,474,437
		225,473,213	221,951,919

16.1 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 of NBFCs.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(July 01, 2000 to December 31, 2001)

		December 31 2007 Rupees	December 31 2006 Rupees
17. SURPLUS/(DEFICIT) ON REVALUATION OF INVESTMENTS - Net of deferred tax			
Government Securities		(35,039,677)	(30,303,214)
Term Finance Certificates		(2,884,991)	(5,474,674)
		<u>(37,924,668)</u>	<u>(35,777,888)</u>
Related deferred tax asset/(liability)		<u>12,263,887</u>	<u>10,606,125</u>
		<u>(25,660,781)</u>	<u>(25,171,763)</u>
Quoted shares		<u>(35,786,367)</u>	<u>(16,572,082)</u>
		<u>(61,447,148)</u>	<u>(41,743,845)</u>
18. DEFERRED LIABILITY			
Gratuity-unfunded	31	<u>5,176,000</u>	<u>4,325,000</u>
		<u>5,176,000</u>	<u>4,325,000</u>
19. BORROWINGS			
From			
From Financial Institutions			
Secured-under repurchase agreement of Government Securities	19.1	<u>400,000,000</u>	<u>277,500,000</u>
Unsecured from	19.2	<u>795,000,000</u>	<u>450,000,000</u>
		<u>1,195,000,000</u>	<u>727,500,000</u>
19.1	This represents amount borrowed from financial institutions at mark-up rates ranging from 9.45% to 9.80% per annum (2006: 9.35% to 9.45% per annum) and having maturity period upto 3 months. These are secured against Pakistan Investment Bonds sold under repurchase agreements.		



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

		2007 Rupees	2006 Rupees
19.2	These carry mark-up ranging from 9.6% to 10.85% per annum (2006: 11.5% to 12.25% per annum) and having maturity period of upto 3 months.		
20. SHORT TERM DEPOSITS			
Short term certificate of deposits	20.1	<u>971,844,854</u>	<u>975,808,919</u>
20.1	These represents Certificate of Deposits with maturity ranging from one month to twelve months. The expected rate of return on these deposits range from 8% to 11% per annum (2006: 6% to 12.75%) per annum payable monthly, quarterly, semi annually or on maturity.		
21. ACCRUED AND OTHER LIABILITIES			
Accrued expenses			
Return on borrowings - unsecured		5,583,842	1,198,288
Return on deposits		23,469,034	13,297,608
Profit accrued on special US\$ bonds		-	3,278
Mark-up on Repo against FIBs/PIBs/TFCs		1,910,137	454,203
Others		632,511	475,496
		<u>31,595,524</u>	<u>15,428,873</u>
Other liabilities			
Unclaimed dividend		5,726,109	3,176,082
Others		83,848	424,188
		<u>5,809,957</u>	<u>3,600,270</u>
		<u>37,405,481</u>	<u>19,029,143</u>
22. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued on behalf of customer		<u>21,589,400</u>	<u>12,630,000</u>
Commitments			
Future sale contract - Shares		<u>20,593,000</u>	-
Future purchase contract - Shares		<u>19,814,900</u>	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 Rupees	2006 Rupees
23. RETURN ON FINANCING AND PLACEMENTS		
Financing		
Demand finance	23,454,062	20,846,164
Placements		
Unsecured	382,006	16,813,998
Secured against reverse repurchase agreements of:		
Government securities & term finance certificates	–	1,682,452
Quoted shares	159,732,101	91,871,108
	<u>183,568,169</u>	<u>131,213,722</u>
24. RETURN ON SECURITIES		
Return on Government Securities	38,562,854	31,669,464
Return on TFCs	14,059,476	15,405,193
	52,622,330	47,074,657
Gain/(loss) on sale of securities	–	221,770
Dividend income	15,727,520	8,551,868
	<u>68,349,850</u>	<u>55,848,295</u>
25. OTHER INCOME		
Gain on sale of fixed assets	139,798	38,159
Commission	97,323	542,490
Miscellaneous	463,420	278,833
	<u>700,541</u>	<u>859,482</u>
26. RETURN ON DEPOSITS AND BORROWINGS		
Return on certificates of deposits	77,310,558	33,679,011
Return on clean borrowings	74,492,088	41,568,960
Return on borrowing under repurchase agreement borrowings (Repo)	32,768,187	28,039,455
	<u>184,570,833</u>	<u>103,287,426</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(July 01, 2000 to December 31, 2001)

	Note	2007 Rupees	2006 Rupees
27. OPERATING EXPENSES			
Salaries, wages and other benefits		11,770,092	9,665,556
Contribution to provident fund		692,083	524,390
Gratuity scheme expenses		971,000	821,586
Rent, rates and taxes		1,759,558	1,640,363
Telephone, telex and fax		989,952	942,704
Electricity, water and gas		705,775	659,158
Printing, postage and stationery		530,404	589,348
Insurance		616,797	469,248
Fees and membership		2,026,175	790,560
Brokerage and Commission		6,645,944	3,339,052
Central Depository Company charges		1,915,989	921,140
Auditors' remuneration	27.1	395,500	275,000
Legal and professional fees		423,000	395,400
Vehicle running and maintenance		823,416	730,882
Repairs and maintenance		387,796	404,687
Advertisement		634,785	895,192
Travelling and entertainment		298,653	156,285
Depreciation (refer note 5)		1,380,147	1,013,878
Amortization of deferred cost (refer note 9)		-	115,648
Bank charges		83,617	107,087
Old age benefit		69,360	38,550
Books, periodicals & newspapers		35,327	29,310
Other Expenses		221,004	378,478
		33,376,374	24,903,502
27.1 Auditor's remuneration			
Statutory audit fee		275,000	190,000
Half yearly review and other certificates		110,000	80,000
Out of pocket		10,500	5,000
		395,500	275,000
28. PROVISION FOR TAXATION			
Current			
- for the year	28.1	8,941,684	18,614,568
Deferred			
- opening balance		254,830	487,443
- for the year		(661,926)	(254,830)
		(407,096)	232,613
		(8,534,538)	18,847,181



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(From January 01, 2000 to December 31, 2001)

	2007 Rupees	2006 Rupees
28.1 Relationship between tax expense and accounting profit		
Profit for the year from ordinary activities before taxation	<u>97,778,481</u>	<u>105,050,193</u>
Tax at the applicable rate of 35% (December 31, 2006: 35%)	<u>34,222,468</u>	36,767,568
Tax effect of expenses that are not allowable in determining taxable income	(986,177)	(1,016,645)
Tax effect of dividend income taxed at a lower rate	(5,504,632)	(3,183,025)
Tax effect of capital gains-exempt from tax	(20,309,513)	(14,443,710)
Tax effect on gain / (loss) on sale of assets	(95,941)	(6,942)
Tax payable in respect of receipt/income covered under PTR	<u>1,615,479</u>	497,323
Tax charge	<u>8,941,684</u>	<u>18,614,568</u>

The provision for taxation for the current year has been made applying rates applicable to Public Companies listed on Stock Exchange other than a banking company. In the initial assessment for the assessment years 1993-94 to 2001-02 the issue was settled in favour of SIBL by the Income Tax Appellate Tribunal (ITAT) and the department's reference applications for the assessment years 1996-97 and 1998-99 to 2000-01 were also rejected by the ITAT. For the assessment year 2001-2002, cross appeals were filed before the ITAT which has been set aside for reconsideration. The department appeals for the assessment years 1992-93, 1995-96 and 1996-97, filed before the Honourable High Court are pending.

The provisions of Section 122 of the Income Tax Ordinance, 2001 were invoked by the Department for the assessment years 1995-96, 1996-97, 1998-99 to 2000-01, and for tax year 2003 on account of apportionment of the total expenses against income claimed exempt under the head Capital Gains, which was appealed before the Commissioner of Income Tax (Appeals) (CIT(A)), who set aside the orders for reconsideration, against whose decision cross appeals were filed before the ITAT. The ITAT has vacated the amendment.

The declared results for tax years 2004, 2005, 2006 and 2007 are deemed to be assessed in terms of Section 120(1)(b) of the Income Tax Ordinance, 2001.

29. EARNINGS PER SHARE-BASIC AND DILUTED

29.1 Basic

Profit after tax	<u>89,243,893</u>	<u>86,203,011</u>
Weighted average number of ordinary shares	<u>42,861,299</u>	<u>42,861,299</u>
Earnings per share	<u>2.08</u>	<u>2.01</u>

29.2 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.

30. STAFF STRENGTH

Number of employees at end of the year	<u>30</u>	<u>30</u>
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(July 01, 2000 to December 31, 2001)

	2007 Rupees	2006 Rupees
31. DEFINED BENEFIT PLAN		
31.1 General description		
<p>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.</p> <p>Annual provision is based on actuarial valuation, which was carried out as at December 31, 2006 using the Projected Unit Credit Method.</p>		
31.2 Principal actuarial assumptions		
<p>Following principal actuarial assumptions were used for the valuation.</p>		
Estimated rate of increase in salary of the employees	8.90%	8.89%
Discount rate	11.00%	11.00%
31.3 Reconciliation of provision for gratuity scheme		
Present value of defined benefit obligation	(5,197,000)	(4,348,000)
Unrecognized transitional liability	21,000	23,000
	<u>(5,176,000)</u>	<u>(4,325,000)</u>
31.4 Gratuity Asset/Liability		
Provision at beginning of year	(4,325,414)	(4,001,955)
Expense	(971,000)	(822,000)
Benefits paid	120,000	498,541
	<u>(5,176,414)</u>	<u>(4,325,414)</u>
31.4.1 Gratuity scheme expense		
Current service cost	497,000	462,000
Interest Cost	472,000	358,000
Recognition of loss	2,000	2,000
	<u>971,000</u>	<u>822,000</u>

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

31.5 Historical Experience

The following table shows obligation at the end of each year and the experience loss (gain) during the year:

	2007	2006	2005	2004	2002
Obligation	5,197	4,348	4,023	3,738	3,386
Loss on obligation(%)	0%	0%	0%	0%	0%



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

32. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors	
	2007	2006	2007	2006
	-----Rupees-----			
Director's fee	-	-	160,000	120,000
Managerial remuneration	3,240,000	2,520,000	-	-
Housing	-	-	-	-
Bonus	330,000	230,000	-	-
Utilities	320,000	240,000	-	-
Other benefits	154,000	99,880	-	-
Reimbursable expenses	131,156	146,194	-	-
	4,175,156	3,236,074	160,000	120,000
Number of persons	1	1	6	6

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

33. LIQUIDITY RISK

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company matches availability of liquid funds before committing for liability and also on a timely basis an analysis of liquid funds with maturities of liabilities due is.

34. MATURITIES OF ASSETS AND LIABILITIES

DESCRIPTION	2007	2007			
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
	-----Rupees-----				
Assets					
Tangible fixed assets	5,747,315	-	-	-	5,747,315
Membership card	36,000,000	-	-	-	36,000,000
Long term investment	151,299,508	-	-	-	151,299,508
Deferred tax asset	12,925,813	-	-	-	12,925,813
Deferred cost	-	-	-	-	-
Short term financing	182,834,198	166,434,198	16,400,000	-	-
Short term placement	1,477,892,625	1,477,892,625	-	-	-
Short term investments	727,406,991	234,591,515	-	216,578,322	276,237,154
Advances and other receivables	105,498,709	42,625,480	62,873,229	-	-
Cash and bank balances	102,460,234	102,460,234	-	-	-
	2,802,065,393	2,024,004,052	79,273,229	216,578,322	482,209,790
Liabilities					
Deferred liabilities	5,176,000	-	-	-	5,176,000
Borrowings	1,195,000,000	1,195,000,000	-	-	-
Short term deposits	971,844,854	835,102,838	136,742,016	-	-
Accrued expenses	37,405,481	34,229,399	3,176,082	-	-
	2,209,426,335	2,064,332,237	139,918,098	-	5,176,000
Net assets	592,639,058				
Represented by:					
Share capital and reserves	654,086,206				
Surplus on revaluation of investments - net	(61,447,148)				
	592,639,058				



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(July 01, 2000 to December 31, 2001)

DESCRIPTION	2006		2006		
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
-----Rupees-----					
Assets					
Tangible fixed assets	1,838,745	—	—	—	1,838,745
Membership card - intangible	36,000,000	—	—	—	36,000,000
Long term investment	151,378,660	—	—	—	151,378,660
Deferred tax asset	10,860,955	—	—	—	10,860,955
Deferred cost	—	—	—	—	—
Short term financing	195,834,198	182,834,198	13,000,000	—	—
Placements	911,653,295	911,653,295	—	—	—
Short term investments	564,961,306	128,691,556	34,882,792	110,588,808	290,798,150
Advances, deposits and other receivable	73,557,495	32,718,956	40,838,539	—	—
Cash and bank balances	389,399,475	389,399,475	—	—	—
	2,335,484,129	1,645,297,480	88,721,331	110,588,808	490,876,510
Liabilities					
Deferred liabilities	4,325,000	—	—	—	4,325,000
Borrowings	727,500,000	727,500,000	—	—	—
Short term deposits	975,808,919	835,102,838	140,706,081	—	—
Accrued expenses	19,029,143	15,853,061	3,176,082	—	—
	1,726,663,062	1,578,455,899	143,882,163	—	4,325,000
Net assets	<u>608,821,067</u>				
Represented by:					
Share capital and reserves	650,564,912				
Surplus on revaluation of investments - net	(41,743,845)				
	<u>608,821,067</u>				



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(From July 01, 2000 to December 31, 2001)

35. 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 & SBP. 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	2007		2006	
	Rupees	%	Rupees	%
Sugar	–	–	20,000,000	10.03
Textile spinning	6,400,000	3.43	6,400,000	3.21
Cables and electric goods	166,866,498	89.51	156,866,498	78.66
Individuals	3,148,298	1.69	3,148,298	1.58
Others	10,000,000	5.36	13,000,000	6.52
	<u>186,414,796</u>	<u>100.00</u>	<u>199,414,796</u>	<u>100.00</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

36. INTEREST RATE RISK

Interest rate risk and sensitivity of company's financial liabilities and financial assets as at December 31, 2007 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-----					
FINANCIAL ASSETS					
Long term investment	100,000,000	-	-	-	100,000,000
Short term financing	182,834,198	182,834,198	-	-	-
Short term placements	1,477,892,625	1,477,892,625	-	-	-
Investment in Wapda Bonds	50,000,000	-	50,000,000	-	-
Investment in TFCs	63,270,922	-	63,270,922	-	-
Investment in shares	234,591,515	-	-	-	234,591,515
Investment in Govt.Bonds	430,846,750	-	103,307,400	327,539,350	-
Advances, deposits and other receivable	57,704,770	-	-	-	57,704,770
Balances with banks and cash in hand	102,460,234	92,194,476	-	-	10,265,758
Total	2,669,601,014	1,752,921,299	216,578,322	327,539,350	402,562,043
FINANCIAL LIABILITIES					
Deposits	971,844,854	971,844,854	-	-	-
Borrowings	1,195,000,000	1,195,000,000	-	-	-
Profit accrued on deposits & borrowings	31,595,524	-	-	-	31,595,524
Accrued and other liabilities	5,809,957	-	-	-	5,809,957
Total	2,204,250,335	2,166,844,854	-	-	37,405,481
Total interest rate sensitivity gap		(413,923,555)	216,578,322	327,539,350	365,156,562
Cumulative interest rate sensitivity gap		(413,923,555)	(197,345,233)	130,194,117	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Interest rate risk and sensitivity of company's financial liabilities and financial assets as at December 31, 2006 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-----					
FINANCIAL ASSETS					
Long term investment	100,000,000	-	-	-	100,000,000
Short term financing	195,834,198	195,834,198	-	-	-
Short term placements	911,653,295	911,653,295	-	-	-
Investment in Wapda Bonds	50,000,000	-	50,000,000	-	-
Short term investment in TFCs-quoted	83,448,873	-	83,448,873	-	-
Short term investment in shares-quoted	140,714,283	-	-	-	140,714,283
Investment in Government Securities	342,176,810	-	-	376,244,904	-
Advances, deposits and other receivable	43,692,472	-	-	-	43,692,472
Balances with banks and cash in hand	389,399,475	381,298,500	-	-	8,100,975
Total	2,256,919,406	1,488,785,993	133,448,873	376,244,904	292,507,730
FINANCIAL LIABILITIES					
Deposits	975,808,919	975,808,919	-	-	-
Borrowings	727,500,000	727,500,000	-	-	-
Profit accrued on deposits & borrowings	15,425,595	-	-	-	15,425,595
Accrued and other liabilities	3,603,548	-	-	-	3,603,548
Total	1,722,338,062	1,703,308,919	-	-	19,029,143
Total interest rate sensitivity gap		(214,522,926)	133,448,873	376,244,904	273,478,587
Cumulative interest rate sensitivity gap		(214,522,926)	(81,074,053)	295,170,851	568,649,438



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007 and for the year ended December 31, 2006 to December 31, 2007

37. 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.

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

2007	2006
Rupees	Rupees

38. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes subsidiary company, associated companies with or without common directors, directors and major share holder and their close family members, key management personnel and retirement benefit funds. The company has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates. Transactions with related parties during the year, other than Director's remuneration given under note 32 to the financial statements, are as follows:

Financing		
- Associated	121,395,757	121,395,857
- Others	55,470,641	45,470,641
Return on		
- Associated	14,877,694	3,985,298
- Others	6,755,216	1,532,299
Deposits	178,512,284	177,510,235
Return on deposits	16,352,395	4,191,821
Sale of Car	-	500,000

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on February 28, 2008.

40. DIVIDEND

The Board of Directors at their meeting held on February 28, 2008 has proposed to issue 20% bonus shares (i.e. 2 share for every 10 shares held) for the year ended December 31, 2007 for approval of the members at the Annual General Meeting of the company to be held on March 28, 2008. The financial statements do not reflect this proposed dividend.

41. FIGURES

- have been re-arranged by purposes of comparison wherever necessary.
- have been rounded off to the nearest rupee.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHED K. MARKER
Chairman



SECURITY INVESTMENT BANK LIMITED

**SECURITY INVESTMENT BANK LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**



SECURITY INVESTMENT BANK LIMITED

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AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising the consolidated balance sheet of **Security Investment Bank Limited** and its subsidiary company as at **December 31, 2007** and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, (here-in after referred to as the 'financial statements') for the year then ended. We have also expressed a separate opinion on the financial statements of Security Investment Bank Limited. While the financial statements of the subsidiary company for the half year ended December 31, 2007 have also been reviewed by us in accordance with the International Standard on Review Engagements 2410.

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

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

In our opinion, the consolidated financial statements examined by us, present fairly the financial position of Security Investment Bank Limited and its subsidiary company as at December 31, 2007 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Karachi;
February 28, 2008

MUNIFF ZIAUDDIN & CO.
Chartered Accountants



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2007

	December 31, 2007	December 31, 2006
Note	2007 Rupees	2006 Rupees
NON-CURRENT ASSETS		
Tangible fixed assets	5 7,256,220	3,594,181
Intangible assets	6 36,274,170	36,344,167
Long term investments	7 51,299,508	51,378,660
Deferred tax asset	8 12,925,813	10,860,955
Deferred cost	9 168,615	281,024
CURRENT ASSETS		
Short term financing	10 182,834,198	195,834,198
Short term placements	11 1,477,892,625	911,653,295
Short term investments	12 752,406,991	589,961,306
Advances, deposits, prepayments and other receivables	13 105,497,982	71,522,144
Cash and bank balances	14 110,406,415	394,433,275
	2,629,020,211	2,163,404,218
	2,736,944,537	2,265,863,205
SHARE CAPITAL AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised Capital		
100,000,000 (2006: 50,000,000) ordinary shares of Rs. 10/- each	1,000,000,000	500,000,000
Issued, subscribed and paid up capital	15 428,612,993	428,612,993
Reserve	16 229,823,914	223,722,387
	658,436,907	652,335,380
Surplus on revaluation of investments - net	17 (61,447,148)	(41,743,845)
LIABILITIES		
Deferred liabilities	18 5,176,000	4,325,000
CURRENT LIABILITIES		
Borrowings	19 1,195,000,000	727,500,000
Short term deposits	20 902,642,700	904,194,964
Accrued and other liabilities	21 37,136,078	19,251,706
	2,134,778,778	1,650,946,670
Contingencies and Commitments	22 -	-
	2,736,944,537	2,265,863,205

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

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2007

(From January 1, 2000 to December 31, 2007)

	Note	2007 Rupees	2006 Rupees
INCOME			
Return on financing and placements	23	183,568,169	131,213,722
Return on securities	24	70,378,957	57,588,455
Gain on sale of investments		58,282,479	41,267,744
Profit on deposit with banks		4,824,649	4,051,877
Other income	25	1,071,197	1,694,602
		318,125,451	235,816,400
EXPENDITURE			
Return on deposits and borrowings	26	178,899,627	101,051,879
Administrative and Operating expenses	27	37,093,394	28,711,544
		215,993,021	129,763,423
PROFIT FOR THE YEAR BEFORE TAXATION		102,132,430	106,052,977
Provision for taxation	28	10,308,304	19,198,156
PROFIT AFTER TAXATION		91,824,126	86,854,821
BASIC EARNINGS PER SHARE		2.14	2.03

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

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

(For the period from January 01, 2000 to December 31, 2007)

	Note	2007 Rupees	2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before tax		102,132,430	106,052,977
Adjustment for non-cash and other items			
Depreciation		1,714,191	1,247,998
Amortization of deferred cost		182,403	233,892
(Gain) on disposal of shares		(58,282,479)	(41,267,744)
(Gain) on disposal of fixed assets		(139,798)	(5,261)
(Gain) on sale of securities		–	(221,770)
Provision for gratuity		971,000	821,586
		(55,554,683)	(39,191,299)
Cash Flows From Operating Activities Before Working Capital Changes		46,577,747	66,861,678
Increase/(decrease in operating assets)			
(Increase)/decrease in financing and placements		(553,239,330)	217,791,930
(Increase) in advances, deposits, prepayments and other receivables		(16,836,050)	(5,786,001)
		(570,075,380)	212,005,929
Increase/(decrease) in operating Liabilities			
Decrease in deposits		(1,552,264)	439,370,620
Increase/(decrease) in borrowings		467,500,000	(525,000,000)
increase/(decrease) in accrued and other liabilities		15,334,345	(4,037,653)
		481,282,081	(89,667,033)
Net Change in operating assets and liabilities		(88,793,299)	122,338,896
Income tax paid		(35,353,056)	(18,582,549)
Gratuity paid		(120,000)	(498,541)
Dividend paid		(75,656,707)	(36,329,198)
		(111,129,763)	(55,410,288)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(153,345,315)	133,790,286
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase)/sale of fixed assets		(5,236,432)	(1,825,057)
(Purchase)/sale of investments (shares)		(54,806,350)	15,098,346
(Purchase)/Sale of securities		(70,638,763)	(12,33,252)
NET CASH USED IN INVESTING ACTIVITIES		(130,681,545)	934,037
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in cash and cash equivalents		(284,026,860)	134,724,323
Cash and cash equivalents at the beginning of the year		394,433,275	259,708,952
Cash and cash equivalents at the end of the year	14	110,406,415	394,433,275

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

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2007

(from July 01, 2000 to December 31, 2001)

	Share Capital (Note 15) Rupees	Statutory Reserve (Note 16) Rupees	Unappropriated Profit (Note 16) Rupees	Total Rupees
Balance as at January 01, 2006	372,706,950	99,460,611	130,583,692	602,751,253
Net profit for the year	–	–	86,854,822	86,854,822
Issuance of bonus shares 2005	55,906,043	–	(55,906,043)	–
Dividend paid for the year 2005	–	–	(37,270,695)	(37,270,695)
Appropriations:				
Statutory reserve	–	17,370,964	(17,370,964)	–
Balance as at December 31, 2006	428,612,993	116,831,575	106,890,812	652,335,380
Net profit for the year	–	–	91,824,126	91,824,126
Dividend paid for the year 2006	–	–	(85,722,599)	(85,722,599)
Appropriation:				
Statutory reserve	–	17,494,686	(17,494,686)	–
Balance as at December 31, 2007	428,612,993	134,326,261	95,497,653	658,436,907

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

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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 Flat No. 4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, 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 (SECP) as amended through SRO 1131 (I)/2007 dated November 21, 2007 and Non-Banking Finance Companies and Notified Entities Regulations 2007. (previously this was covered under SRO 585(1)/87 dated July 13, 1987, issued by the Ministry of Finance).

JCR - VIS Credit Rating Company Limited has reaffirmed medium to long-term rating of SIBL at 'A' (**Single A**) with **stable outlook** and the short-term rating at 'A' (**A One**).

1.1 BASIS OF CONSOLIDATION

Statement of Subsidiary are included in the consolidated financial statements from the date of its incorporation. The financial statements of subsidiary has been consolidated on a line by line basis. All intercompany balances, ransactions and resulting profit / (losses) have been eliminated.

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, the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 as amended through SRO 1131 (I)/2007 dated November 21, 2007, Non-Banking Finance Companies and Notified Entities Regulations 2007 and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards/ International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, NBFC Ruels 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.

2.1 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment

IAS-1 (Revised) Presentation of Financial Statements	effective from accounting period beginning on or after January 01, 2009
IAS-23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS-41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS-2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS-3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS-5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS-6 Exploration for and Evaluation of Mineral	effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

2.2 Significant Accounting Judgement and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the company's / accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- (a) determining the residual values and useful lives of property and equipment
- (b) classification of investments
- (c) valuation of derivatives
- (d) recognition of taxation and deferred tax
- (e) provisions
- (f) accounting for post employment benefits and
- (g) impairment of financial assets

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investments, which are stated at fair value.

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 month's depreciation is charged on additions during the month in which asset is acquired, while no depreciation is charged in the month of disposal.

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.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

4.2 Stock Exchange Membership Card

This is stated at cost less impairments, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is recorded in excess of its recoverable amount and where carrying value is in excess of recoverable amount, it is written down to its estimated recoverable amount.

4.3 Investments in Subsidiary

Investment in Subsidiary (not held for disposal purpose) are carried at cost less impairment losses, if any.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

4.4 Deferred Cost

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

4.5 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-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 need for liquidity or changes to interest rates, exchange rates or equity prices are classified as 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.

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

Subsequent to initial recognition, investments available for sale and investments held for trading for which active market exists, are measured at market value using rates quoted on Reuters, stock exchange quotes and broker's quotations, in accordance with the guidelines contained in the above referred circulars issued by State Bank of Pakistan. 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. Amortization cost is charged to profit and loss account.

Investments held till maturity are stated at amortized cost using the effective interest rate method less impairment, if any. The amortization for the period has been charged to the profit and loss account.

4.6 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.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

4.7 Trade date 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.

4.8 Staff retirement benefits

4.8.1 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.

4.8.2 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.

4.9 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.

4.10 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.

4.11 Classification of deposits and financing

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

4.12 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.

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.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

4.13 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, or at 0.5% of turnover whichever is higher.

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 receivable in pursuance of Securities & Exchange Commission of Pakistan's Prudential Regulations for Non Banking Financial Institutions (NBFIs).



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

(July 01, 2000 to December 31, 2001)

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, 2007
	As at Jan. 01, 2007	Additions	Deletions	As at Dec. 31, 2007		As at Jan. 01, 2007	Charge for the year	Adjustment	As at Dec. 31, 2007	
Furniture & fixtures	3,643,286	-	-	3,643,286	10	2,941,180	79,437	-	3,020,617	622,669
Computers and equipments	3,988,071	304,753	-	4,292,824	20	2,961,594	331,010	-	3,292,604	1,000,220
Telephone system	290,496	31,000	(85,000)	236,496	10	185,239	18,074	(84,999)	118,314	118,182
Vehicles	6,051,395	4,952,966	(606,215)	10,398,146	20	4,520,376	1,242,330	(606,214)	5,156,492	5,241,654
Generator	497,148	-	-	497,148	10	468,217	7,716	-	475,933	21,215
Sign board	373,812	87,513	-	461,325	10	173,421	35,624	-	209,045	252,280
Rupees 2007	14,844,208	5,376,232	(691,215)	19,529,225		11,250,027	1,714,191	(691,213)	12,273,005	7,256,220

(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, 2006
	As at Jan. 01, 2006	Additions	Deletions	As at Dec. 31, 2006		As at Jan. 01, 2006	Charge for the year	Adjustment	As at Dec. 31, 2006	
Furniture & fixtures	2,934,800	708,486	-	3,643,286	10	2,888,897	52,283	-	2,941,180	702,106
Computers and equipments	3,273,895	869,726	(155,550)	3,988,071	20	2,728,964	385,486	(152,856)	2,961,594	1,026,477
Telephone system	290,496	-	-	290,496	10	170,810	14,429	-	185,239	105,257
Vehicles	6,147,695	500,000	(596,300)	6,051,395	20	3,885,476	764,098	(129,198)	4,520,376	1,531,019
Generator	497,148	-	-	497,148	10	460,502	7,715	-	468,217	28,931
Sign board	294,012	79,800	-	373,812	10	149,434	23,987	-	173,421	200,391
Rupees 2006	13,438,046	2,158,012	(751,850)	14,844,208		10,284,083	1,247,998	(282,054)	11,250,027	3,594,181

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 8,897,107 (2006: Rs.9,586,322/-) 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
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Telephone System

PABX	85,000	84,999	1	5,000	4,999	Noorani Communication	Trade in
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Vehicles

Suzuki Cultus	606,215	606,214	1	134,800	134,799	R. H. Autos	Sale
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Rupees-2007	691,215	691,213	2	139,800	139,798		
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SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 Rupees	2006 Rupees
6. INTANGIBLE ASSETS			
Corporate membership of Karachi Stock Exchange	4.1	36,000,000	36,000,000
Computer Software less amortisation	4.1	274,170	344,167
		36,274,170	36,344,167
7. LONG TERM INVESTMENTS			
Pakistan Investment Bonds - Held to Maturity	7.1	51,299,508	51,378,660
		51,299,508	51,378,660
7.1 Pakistan Investment Bonds			
Cost		51,378,660	51,457,812
Less: Amortization		(79,152)	(79,152)
		51,299,508	51,378,660
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs. 50,000,000 (2006: Rs. 50,000,000) and carrying mark-up rates (coupon rate) of 10% per annum (2006: 10%). Their period to maturity is sixteen and a half year.</p>			
8. DEFERRED TAX ASSET			
Deferred tax assets arising in respect of			
Surplus/(deficit) on revaluation of securities		12,263,887	10,606,125
Accelerated depreciation		364,076	182,241
Provision for gratuity		297,850	113,066
		12,925,813	10,901,432
Deferred tax liabilities arising due to			
Deferred cost		-	(40,477)
		12,925,813	10,860,955
9. DEFERRED COST			
Opening balance		281,024	509,083
Amortized during the year		(112,409)	(228,059)
		168,615	281,024
10. SHORT TERM FINANCING-secured considered goods			
Demand finance	10.1	186,414,796	199,414,796
Provision for non-performing loans	10.2	(3,580,598)	(3,580,598)
		182,834,198	195,834,198

10.1 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 12% to 18% per annum (2006: 10% to 18% per annum).



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 Rupees	2006 Rupees
10.2 Particulars of provision against non-performing loans			
Opening balance		3,580,598	3,580,598
(Reversal) or Write-off during the year		-	-
Closing balance		<u>3,580,598</u>	<u>3,580,598</u>

11. SHORT TERM PLACEMENTS - considered good

Under reverse repurchase agreements of quoted shares - secured	11.1	1,477,892,625	911,653,295
		<u>1,477,892,625</u>	<u>911,653,295</u>

11.1 This represents secured placements against shares in Continued Funding System with maturity ranging from overnight to 30 days and carry mark-up ranging from 11.14% to 19.79% (2006: 14.5% to 18%) per annum. Fair value of the collaterals accepted against the above placement balance as at December 31, 2007 amounted to Rs. 1,496.636 million (2006: Rs. 778.725 million).

12. SHORT TERM INVESTMENTS

Available for Sale

Pakistan Investment Bonds	12.1	379,547,242	290,798,150
Wapda Bonds - 10th issue	12.1	50,000,000	50,000,000
Term Finance Certificates	12.1	63,270,922	83,448,873
Quoted shares	12.2	234,588,827	140,714,283
Treasury bills	12.3	25,000,000	25,000,000
		<u>752,406,991</u>	<u>589,961,306</u>
		<u>752,406,991</u>	<u>589,961,306</u>

12.1 Securities given as collateral under repurchase agreements.

Particulars of investments by type	Note	2007			2006		
		Held by SIBL	Repo	Total	Held by SIBL	Repo	Total
		-----Rupees-----			-----Rupees-----		
Pakistan Investment Bonds	12.1.1	-	379,547,242	379,547,242	-	290,798,150	290,798,150
Wapda Bonds - 10th issue	12.1.2	50,000,000	-	50,000,000	50,000,000	-	50,000,000
Term Finance Certificates	12.1.3	63,270,922	-	63,270,922	83,448,873	-	83,448,873

12.1.1 Pakistan Investment Bonds (PIBs) have face value of Rs. 400,000,000 (2006: Rs. 300,000,000) with income receivable semi-annually at 9% to 11% (2006: 9% to 11%) per annum and having maturity from Four years and two months to sixteen years and six months.

12.1.2 These include 10,000 certificates of unlisted bonds having face value of Rs. 5,000/- each with income receivable semi-annually at 8.75% (2006: 8.75%) per annum, having 4 years maturity period.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

12.1.3 Particulars of listed Term Finance Certificates (TFC):

No. of Certificates		Issuer of TFC	Cost	2007	2006	
2007	2006			Market value	Cost	Market value
		-----Rupees-----				
1,585	1,586	Bank Alfalah Limited	7,924,119	8,003,359	7,927,295	8,006,568
6,125	6,475	Pakistan International Airlines	30,623,775	30,317,537	32,373,705	30,107,546
384	512	Pakistan Services Limited	1,920,989	1,920,989	2,561,319	2,561,319
3,644	4,686	TeleCard Limited	18,217,900	15,485,215	23,427,500	19,913,375
1,494	4,527	Standard Chartered Bank Limited (formerly Union Bank Limited)	7,469,130	7,543,822	22,633,728	22,860,065
			66,155,913	63,270,922	88,923,547	83,448,873

Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption Terms
Bank Alfalah 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
Standard Chartered Bank Ltd. (formerly 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
TeleCard Limited	5,000	3.75% over 6 months KIBOR	Semi-annually	Six years from May 27, 2005

12.3 These are treasury bills having face value of Rs. 25,000,000/- carrying markup of 8.81% per annum (2006: 8.76).



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

12.2 Quoted shares

All shares/units have face of Rs. 10/- each unless identified otherwise.

(from July 01, 2000 to December 31, 2001)

No. of ordinary shares, certificates/units			2007		2006	
			Cost	Market Value	Cost	Market Value
2007	2006		-----Rupees-----			
Modarabas/Mutual funds						
500	500	Long Term Venture Modaraba	800	225	800	225
15,002	13,046	Pakistan Premium Fund	90,189	180,774	90,189	169,598
4,500	4,500	PICIC Growth Fund	185,013	128,250	185,013	126,675
69,627	69,627	UTP Growth Fund	1,085,040	891,225	1,085,040	905,151
1,389,697	1,389,697	UTP Large Capital Fund	13,896,970	11,256,546	13,896,970	11,117,576
Leasing						
42,370	40,353	Saudi Pak Leasing	1,450,590	319,894	1,450,590	387,389
Investment Banks / Cos. / Banks						
243,000	10,000	Askari Bank Limited	25,540,281	24,239,250	1,040,958	1,049,500
10,000	25,416	Bank Alfalah Limited	614,122	537,000	943,346	1,062,389
40,000	41,715	Bank of Punjab	4,132,910	3,192,000	2,961,179	4,223,644
-	31,672	Faysal Bank Limited	-	-	1,797,278	1,916,156
-	40,000	MCB Bank Limited	-	-	10,526,495	9,844,000
177,530	104,374	National Bank of Pakistan	47,327,676	41,213,590	20,150,380	23,405,870
-	50,000	Pakistan Industrial Credit Inv. Corp. Limited	-	-	3,875,725	3,122,500
-	12,500	Saudi Pak Commercial Bank Limited	-	-	224,023	211,875
Insurance						
-	7,416	PICIC Insurance Limited	-	-	74,160	139,050
10,000	-	Adamjee Insurance Company Ltd.	3,875,738	3,583,500	-	-
Synthetic and Rayon						
-	2,750	Dewan Salman Fibre Limited	-	-	69,325	21,038
18,750	18,750	Pakistan Synthetics Limited	688,500	120,938	688,500	131,250
Cement						
-	78	Cherat Cement Company Limited	-	-	3,406	3,198
-	14,493	D.G. Khan Cement Company Limited	-	-	815,856	912,334
-	2,375	Lucky Cement Limited	-	-	232,164	142,263
53,800	45,200	Maple Leaf Cement	1,053,790	922,800	946,290	701,160



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

All shares/units have face of Rs. 10/- each unless identified otherwise. (From July 01, 2000 to December 31, 2001)

No. of ordinary shares, certificates/units			2007		2006	
			Cost	Market Value	Cost	Market Value
2007	2006		-----Rupees-----			
Fuel and Energy						
51,000	-	Attock Refinery Limited	13,698,930	12,816,300	-	-
50,000	75,000	Hub Power Company Limited	1,890,378	1,525,000	2,489,106	2,025,000
12,500	12,500	Karachi Electric Supply Corporation	100,947	66,250	100,947	81,250
204,329	184,829	Oil and Gas Development Co. Ltd.	25,789,651	24,407,099	21,543,022	21,199,724
117,250	32,750	Pakistan Oilfields Limited	42,310,461	39,208,400	12,102,011	11,454,313
98,750	62,500	Pakistan Petroleum Limited	25,410,455	24,198,688	15,179,441	14,500,000
30,000	18,500	Pakistan State Oil Company Limited	13,017,064	12,198,000	5,938,531	5,439,000
7,750	2,750	Sui Nothern Gas Pipelines Limited	672,358	508,013	295,030	180,125
67,000	67,000	Sui Southern Gas Company Limited	2,052,516	1,752,050	2,052,516	1,574,500
Automobiles and Transport						
-	250	Dewan Farooque Motors Limited	-	-	9,381	3,875
45,000	45,000	Pakistan International Airlines Corporation	900,481	283,500	900,481	317,250
Technology and Communication						
549,000	402,500	Pakistan Telecommunication Co. Limited	35,176,418	23,085,450	27,497,321	17,830,750
-	45,000	TRG Pakistan Limited	-	-	617,867	393,750
Fertilizer						
25,586	35,586	Fauji Fertilizer Company Limited	3,322,693	3,038,338	3,569,167	3,756,102
Chemical						
-	7,500	ICI Pakistan Limited	-	-	1,136,851	866,250
20,000	-	Nimir Limited	308,561	270,000	-	-
255,000	255,000	Pakistan PTA Limited	2,417,742	1,287,750	2,417,742	1,249,500
Sugar & Allied Industries						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
Jute						
-	240	Thal Limited	-	-	48,105	39,480
Textile Composite						
-	9,250	Azgard Nine Limited	-	-	323,159	202,575
25,000	-	Nishat Mills Limited	3,356,920	2,629,997	-	-
			270,375,194	234,588,827	157,286,365	140,714,283



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

		2007 Rupees	2006 Rupees
13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances-considerd good			
For expenses		244,250	501,566
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		46,715,373	29,593,585
		49,459,623	32,595,151
Deposits			
Security		13,183,288	2,181,288
KSE exposure limits		14,701,025	11,500,000
High Court	13.1	2,566,112	2,566,112
		30,450,425	16,247,400
Prepayments			
		471,458	474,205
Other receivables			
Income receivable	13.2	22,976,508	19,418,606
Other receivables-considered good	13.2	2,121,968	2,786,782
		25,098,476	22,205,388
		105,479,982	71,522,144
13.1 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.			
13.2 Income receivable			
Considered good			
Not due	13.2.1	23,384,702	19,826,800
Provision for doubtful debts	13.2.2	(408,194)	(408,194)
		22,976,508	19,418,606
13.2.1 This represents income on financing, placements and government securities not matured/due on December 31, 2007.			
13.2.2 Particulars of Provision for doubtful debts			
Opening balance		408,194	408,194
Add/(Less): Addition/(Reversal) during the year		-	-
Closing balance		408,194	408,194



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

		December 31:	
		2007	2006
		Rupees	Rupees
		Note	
14. CASH AND BANK BALANCES			
With State Bank of Pakistan in:			
Reserve account	14.1	8,725,000	6,725,000
Current account		5,125,108	3,132,309
		13,850,108	9,857,309
With other banks in:			
Current accounts		9,605,261	9,079,815
Deposit accounts	14.2	83,474,107	372,593,905
		93,079,368	381,673,720
Cash in hand		3,476,939	2,902,246
		110,406,415	394,433,275

14.1 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 to meet the additional liquidity reserve of 1% of certain specified liabilities.

14.2 Rate of return on these deposits accounts range from 3.5% to 10.4% per annum (2006: 3.50% to 12% per annum).

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

		Number of shares			
		2007	2006		
23,552,000	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000	235,520,000	
19,309,299	19,309,299	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	193,092,993	193,092,993	
42,861,299	42,861,299		428,612,993	428,612,993	

16. RESERVES

Capital Reserves			
Statutory reserves	16.1	134,326,261	116,477,482
Revenue reserves			
Unappropriated profits		95,497,653	105,474,437
		229,823,914	221,951,919

16.1 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 of NBFCs.



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(July 01, 2000 to December 31, 2001)

		December 31 2007 Rupees	December 2006 Rupees
17. SURPLUS/(DEFICIT) ON REVALUATION OF INVESTMENTS - Net of deferred tax			
Government Securities		(35,039,677)	(30,303,214)
Term Finance Certificates		(2,884,991)	(5,474,674)
		<u>(37,924,668)</u>	<u>(35,777,888)</u>
Related deferred tax asset/(liability)		12,263,887	10,606,125
		<u>(25,660,781)</u>	<u>(25,171,763)</u>
Quoted shares		(35,786,367)	(16,572,082)
		<u>(61,447,148)</u>	<u>(41,743,845)</u>
18. DEFERRED LIABILITY			
Gratuity-unfunded	31	5,176,000	4,325,000
		<u>5,176,000</u>	<u>4,325,000</u>
19. BORROWINGS			
From			
From Financial Institutions			
Secured-under repurchase agreement of Government Securities	19.1	400,000,000	277,500,000
Unsecured	19.2	795,000,000	450,000,000
		<u>1,195,000,000</u>	<u>727,500,000</u>
19.1	This represents amount borrowed from financial institutions at mark-up rates ranging from 9.45% to 9.80% per annum (2006: 9.35% to 9.45% per annum) and having maturity period upto 3 months. These are secured against Pakistan Investment Bonds sold under repurchase agreements.		



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

		2007 Rupees	2006 Rupees
19.2	These carry mark-up ranging from 9.6% to 10.85% per annum (2006: 11.5% to 12.25% per annum) and having maturity period of upto 3 months.		
20. SHORT TERM DEPOSITS			
	Short term certificate of deposits	20.1 902,642,700	904,194,964
20.1	These represents Certificate of Deposits with maurity ranging from one month of to twelve months. The expected rate of return on these deposis range from 8% to 11% per annum (2006: 6% to 12.75%) per annum payable monthly, quarterly, semi annually or on maturity.		
21. ACCRUED AND OTHER LIABILITIES			
	Accrued expenses		
	Return on borrowings - unsecured	5,583,842	1,198,288
	Return on deposits	23,114,144	13,060,948
	Profit accrued on special US\$ bonds	-	3,278
	Mark-up on Repo against FIBs/PIBs/TFCs	1,910,137	454,203
	Others	701,365	919,719
		31,309,488	15,636,436
	Other liabilities		
	Unclaimed dividend	5,726,109	3,176,082
	Others	100,481	439,188
		5,826,590	3,615,270
		37,136,078	19,251,706
22. CONTINGENCIES AND COMMITMENTS			
	Contingencies		
	Guarantees issued on behalf of customer	21,589,400	12,630,000
	Commitments		
	Future sale contract - Shares	20,593,000	-
	Future purchase contract - Shares	19,814,900	-



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 Rupees	2006 Rupees
23. RETURN ON FINANCING AND PLACEMENTS		
Financing		
Demand finance	23,454,062	20,846,164
Placements		
Unsecured	382,006	16,813,998
Secured against reverse repurchase agreements of:		
Government securities & term finance certificates	-	1,682,452
Quoted shares	159,732,101	91,871,108
	<u>183,568,169</u>	<u>131,213,722</u>
24. RETURN ON SECURITIES		
Return on Government Securities	40,591,961	33,409,624
Return on TFCs	14,059,476	15,405,193
	54,651,437	48,814,817
Gain/(loss) on sale of securities	-	221,770
Dividend income	15,727,520	8,551,868
	<u>70,378,957</u>	<u>57,588,455</u>
25. OTHER INCOME		
Gain on sale of fixed assets	139,798	5,261
Commission	467,979	1,410,508
Miscellaneous	463,420	278,833
	<u>1,071,197</u>	<u>1,694,602</u>
26. RETURN ON DEPOSITS AND BORROWINGS		
Return on certificates of deposits	71,639,352	31,443,464
Return on clean borrowings	74,492,088	41,568,960
Return on borrowing under repurchase agreement (Repo)	32,768,187	28,039,455
	<u>178,899,627</u>	<u>101,051,879</u>



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Covering the period from January 01, 2000 to December 31, 2001)

	Note	2007 Rupees	2006 Rupees
27. OPERATING EXPENSES			
Salaries, wages and other benefits		13,498,092	11,529,057
Contribution to provident fund		692,083	524,390
Gratuity scheme expenses		971,000	821,586
Rent, rates and taxes		1,759,558	1,640,363
Telephone, telex and fax		1,250,405	1,195,492
Electricity, water and gas		867,216	823,718
Printing, postage and stationery		560,977	672,006
Insurance		877,587	701,313
Fees and membership		2,031,796	816,952
Brokerage and Commission		6,645,944	3,339,052
Central Depository Company charges		1,915,989	921,140
Auditors' remuneration	27.1	455,500	306,000
Legal and professional fees		441,000	406,200
Vehicle running and maintenance		1,078,411	923,626
Repairs and maintenance		485,117	480,335
Advertisement		634,785	895,192
Travelling and entertainment		373,098	366,369
Depreciation (refer note 5)		1,714,191	1,247,998
Amortization of deferred cost (refer note 9)		182,403	228,059
Bank charges		83,617	107,087
Old age benefit		69,360	38,550
Books, periodicals & newspapers		35,327	29,310
Other Expenses		469,938	697,749
		37,093,394	28,711,544
27.1 Auditor's remuneration			
Statutory audit fee		320,000	190,000
Half yearly review and other certificates		125,000	110,000
Out of pocket		10,500	6,000
		455,500	306,000
28. PROVISION FOR TAXATION			
Current			
- for the year	28.1	10,715,400	18,965,543
Deferred			
- opening balance		254,830	487,443
- for the year		(661,926)	(254,830)
		(407,096)	232,613
		10,308,304	19,198,156



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Comparative figures for the year ended December 31, 2006)

	2007 Rupees	2006 Rupees
28.1 Relationship between tax expense and accounting profit		
Profit for the year from ordinary activities before taxation	<u>102,132,430</u>	<u>106,052,977</u>
Tax at the applicable rate of 35% (December 31, 2006: 35%)	35,746,351	37,118,542
Tax effect of expenses that are not allowable in determining taxable income	(736,344)	(1,016,645)
Tax effect of dividend income taxed at a lower rate	(5,504,632)	(3,183,025)
Tax effect of capital gains-exempt from tax	(20,309,513)	(14,443,710)
Tax effect on gain / (loss) on sale of assets	(95,941)	(6,942)
Tax payable in respect of receipt/income covered under PTR	<u>1,615,479</u>	<u>497,323</u>
Tax charge	<u>10,715,400</u>	<u>18,965,543</u>

The provision for taxation for the current year has been made applying rates applicable to Public Companies listed on Stock Exchange other than a banking company. In the initial assessment for the assessment years 1993-94 to 2001-02 the issue was settled in favour of SIBL by the Income Tax Appellate Tribunal (ITAT) and the department's reference applications for the assessment years 1996-97 and 1998-99 to 2000-01 were also rejected by the ITAT. For the assessment year 2001-2002, cross appeals were filed before the ITAT which has been set aside for reconsideration. The department appeals for the assessment years 1992-93, 1995-96 and 1996-97, filed before the Honourable High Court are pending.

The provisions of Section 122 of the Income Tax Ordinance, 2001 were invoked by the Department for the assessment years 1995-96, 1996-97, 1998-99 to 2000-01, and for tax year 2003 on account of apportionment of the total expenses against income claimed exempt under the head Capital Gains, which was appealed before the Commissioner of Income Tax (Appeals) (CIT(A)), who set aside the orders for reconsideration, against whose decision cross appeals were filed before the ITAT. The ITAT has vacated the amendment.

The declared results for tax years 2004, 2005, 2006 and 2007 are deemed to be assessed in terms of Section 120(1)(b) of the Income Tax Ordinance, 2001.

29. EARNINGS PER SHARE-BASIC AND DILUTED

29.1 Basic		
Profit after tax	<u>91,824,126</u>	<u>86,854,821</u>
Weighted average number of ordinary shares	<u>42,861,299</u>	<u>42,861,299</u>
Earnings per share	<u>2.14</u>	<u>2.03</u>

29.2 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.

30. STAFF STRENGTH

Number of employees at end of the year	<u>38</u>	<u>38</u>
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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(from January 01, 2000 to December 31, 2001)

	2007 Rupees	2006 Rupees
31. DEFINED BENEFIT PLAN		
31.1 General description		
<p>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.</p> <p>Annual provision is based on actuarial valuation, which was carried out as at December 31, 2006 using the Projected Unit Credit Method.</p>		
31.2 Principal actuarial assumptions		
<p>Following principal actuarial assumptions were used for the valuation.</p>		
Estimated rate of increase in salary of the employees	8.90%	8.89%
Discount rate	11.00%	11%
31.3 Reconciliation of provision for gratuity scheme		
Present value of defined benefit obligation	(5,197,000)	(4,348,000)
Unrecognized transitional liability	21,000	23,000
	<u>(5,176,000)</u>	<u>(4,325,000)</u>
31.4 Gratuity Asset/Liability		
Provision at beginning of year	(4,325,414)	(4,001,955)
Expense	(971,000)	(822,000)
Benefits paid	120,000	498,541
	<u>(5,176,414)</u>	<u>(4,325,414)</u>
31.4.1 Gratuity scheme expense		
Current service cost	497,000	462,000
Interest Cost	472,000	358,000
Recognition of loss	2,000	2,000
	<u>971,000</u>	<u>822,000</u>

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

31.5 Historical Experience

The following table shows obligation at the end of each year and the experience loss (gain) during the year:

	2007	2006	2005	2004	2002
Obligation	5,197	4,348	4,023	3,738	3,386
Loss on obligation(%)	0%	0%	0%	0%	0%



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

32. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors	
	2007	2006	2007	2006
	-----Rupees-----			
Director's fee	-	-	160,000	120,000
Managerial remuneration	3,655,200	2,935,200	-	-
Housing	167,280	167,280	-	-
Bonus	330,000	230,000	-	-
Utilities	361,520	281,520	-	-
Other benefits	154,000	99,880	-	-
Reimbursable expenses	131,156	146,194	-	-
	4,799,156	3,860,074	160,000	120,000
Number of persons	2	2	6	6

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

33. LIQUIDITY RISK

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company matches availability of liquid funds before committing for liability and also on a timely basis an analysis of liquid funds with maturities of liabilities due is.

34. MATURITIES OF ASSETS AND LIABILITIES

DESCRIPTION	2007	2007			
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
	-----Rupees-----				
Assets					
Tangible fixed assets	7,256,220	-	-	-	7,256,220
Membership card	36,274,170	-	-	-	36,274,170
Long term investment	51,299,508	-	-	-	51,299,508
Deferred tax asset	12,925,813	-	-	-	12,925,813
Deferred cost	168,615	-	-	168,615	-
Short term financing	182,834,198	166,434,198	16,400,000	-	-
Short term placement	1,477,892,625	1,477,892,625	-	-	-
Short term investments	752,406,991	234,591,515	25,000,000	216,578,322	276,237,154
Advances and other receivables	105,479,982	43,015,209	62,464,773	-	-
Cash and bank balances	110,406,415	110,406,415	-	-	-
	2,736,944,537	2,032,339,962	103,864,773	216,746,937	383,992,865
Liabilities					
Deferred liabilities	5,176,000	-	-	-	5,176,000
Borrowings	1,195,000,000	1,195,000,000	-	-	-
Short term deposits	902,642,700	835,102,838	67,539,862	-	-
Accrued expenses	37,136,078	33,959,996	3,176,082	-	-
	2,139,954,778	2,064,062,834	70,715,944	-	5,176,000
Net assets	596,989,759				
Represented by:					
Share capital and reserves	658,436,907				
Surplus on revaluation of investments - net	(61,447,148)				
	596,989,759				



SECURITY INVESTMENT BANK LIMITED

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(July 01, 2000 to December 31, 2001)

DESCRIPTION	2006	2006			
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
----- Rupees					
Assets					
Tangible fixed assets	3,594,181	—	—	—	3,594,181
Membership card - intangible	36,344,167	—	—	—	36,344,167
Long term investment	51,378,660	—	—	—	51,378,660
Deferred tax asset	10,860,955	—	—	—	10,860,955
Deferred cost	281,024	—	—	281,024	—
Short term financing	195,834,198	182,834,198	13,000,000	—	—
Placements	911,653,295	911,653,295	—	—	—
Short term investments	589,961,306	153,691,556	34,882,792	110,588,808	290,798,150
Advances, deposits and other receivable	71,522,144	30,683,635	40,838,509	—	—
Cash and bank balances	394,433,275	394,433,275	—	—	—
	2,265,863,205	1,673,295,959	88,721,301	110,869,832	392,976,113
Liabilities					
Deferred liabilities	4,325,000	—	—	—	4,325,000
Borrowings	727,500,000	727,500,000	—	—	—
Short term deposits	904,194,964	763,488,883	140,706,081	—	—
Accrued expenses	19,251,706	16,075,624	3,176,082	—	—
	1,655,271,670	1,507,064,507	143,882,163	—	4,325,000
Net assets	610,591,535				
Represented by:					
Share capital and reserves	652,335,380				
Surplus on revaluation of investments - net	(41,743,845)				
	<u>610,591,535</u>				



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(July 01, 2000 to December 31, 2001)

35. 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 & SBP. 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	2007		2006	
	Rupees	%	Rupees	%
Sugar	–	–	20,000,000	10.03
Textile spinning	6,400,000	3.43	6,400,000	3.21
Cables and electric goods	166,866,498	89.51	156,866,498	78.66
Individuals	3,148,298	1.69	3,148,298	1.58
Others	10,000,000	5.36	13,000,000	6.52
	186,414,796	100.00	199,414,796	100.00

36. 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.

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



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 Rupees	2006 Rupees
37. TRANSACTIONS WITH RELATED PARTIES		
<p>Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes subsidiary company, associated companies with or without common directors, directors and major share holder and their close family members, key management personnel and retirement benefit funds. The company has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates. Transactions with related parties during the year, other than Director's remuneration given under note 32 to the financial statements, are as follows:</p>		
Financing		
- Associated	121,395,757	121,395,857
- Others	55,470,641	45,470,641
Return on		
- Associated	14,877,694	3,985,298
- Others	6,755,216	1,532,299
Deposits	109,310,130	105,896,280
Return on deposits	10,671,636	1,219,227

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 February 28, 2008.

39. DIVIDEND

The Board of Directors at their meeting held on February 28, 2008 has proposed to issue 20% bonus shares (i.e. 2 share for every 10 shares held) for the year ended December 31, 2007 for approval of the members at the Annual General Meeting of the company to be held on March 28, 2008. The financial statements do not reflect this proposed dividend.

40. FIGURES

- have been rounded off to the nearest rupee.

MUHAMMADSALEEMRATHOD
Chief Executive

KHURSHED K. MARKER
Chairman



SECURITY INVESTMENT BANK LIMITED

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2007

Number of Shareholders	Shareholding From	To	Total number of shares held	Percentage %
850	1	100	39,712	0.09
643	101	500	163,602	0.38
243	501	1,000	192,998	0.45
632	1,001	5,000	1,075,024	2.51
66	5,001	10,000	466,457	1.09
23	10,001	15,000	277,182	0.65
16	15,001	20,000	273,947	0.64
8	20,001	25,000	176,415	0.41
2	25,001	30,000	56,352	0.13
3	30,001	35,000	96,691	0.23
6	40,001	45,000	260,206	0.61
1	45,001	50,000	50,000	0.12
1	50,001	55,000	55,000	0.13
2	55,001	60,000	113,425	0.26
1	105,001	110,000	108,500	0.25
2	115,001	120,000	231,316	0.54
4	135,001	140,000	541,600	1.26
1	150,001	155,000	150,538	0.35
1	155,001	160,000	155,713	0.36
1	285,001	290,000	286,667	0.67
1	295,001	300,000	593,633	1.39
1	310,001	315,000	312,886	0.73
1	360,001	365,000	364,598	0.85
1	410,001	415,000	412,500	0.96
1	585,001	590,000	589,148	1.37
1	760,001	765,000	759,721	1.77
1	900,001	905,000	900,283	2.10
1	925,001	930,000	928,660	2.17
1	980,001	985,000	982,151	2.29
1	1,520,001	1,525,000	1,520,875	3.55
1	1,570,001	1,575,000	1,573,550	3.67
2	1,855,001	1,855,001	3,710,934	8.66
1	1,860,001	1,865,001	1,860,402	4.34
1	1,895,001	1,900,001	1,898,082	4.43
1	1,955,001	1,960,000	1,955,183	4.56
1	1,975,001	1,980,000	1,976,623	4.61
1	2,330,001	2,335,000	2,330,095	5.44
1	2,435,001	2,440,000	2,436,541	5.68
1	3,040,001	3,045,000	3,041,750	7.09
1	3,855,001	3,860,000	3,858,839	9.00
1	6,080,001	6,085,000	6,083,500	14.19
2,528			42,861,299	100.00

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	2,462	36,088,463	84.20%
INVESTMENT COMPANIES	4	1,692	0.00%
INSURANCE COMPANIES	3	313,502	0.73%
JOINT STOCK COMPANIES	47	2,537,198	5.92%
FINANCIAL INSTITUTIONS	8	3,867,971	9.02%
MODARABA COMPANIES	2	34,823	0.08%
COOPERATIVE SOCIETIES	2	17,650	0.04%
	2,528	42,861,299	100.00%



SECURITY INVESTMENT BANK LIMITED

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

Categories of Shareholders	Shares Held
Individuals	12,165,159
Investment Companies except ICP	1,692
Public/Private Sector Companies and Corporations	–
Directors, Chief Executive Officer and their spouse and minor children	
1) Mr. Khursheed K. Marker	1,946
2) Haji Jan Muhammad	1,018
3) Mr. Muhammad Younus Abdul Aziz Tabba	928,660
4) Mr. Maqbool H. Rahimtoola (NIT)	1,150
National Bank of Pakistan, Trustee Department	3,853,265
5) Mr Muhammad Mehboob	2,300
6) Mr. Muhammad Iqbal Kasbati	1,150
7) Mr. Muhammad Saleem Rathod	1,946
Investment Corporation of Pakistan	1,421
Associated Companies, Undertakings and Related Parties	
Mr. Muhammad Iqbal	2,436,541
Mrs. Zarina Iqbal	2,330,095
Mrs. Shahnaz Javed	3,041,750
Mr. Muhammad Hanif	1,855,467
Mrs. Fouzia Bano	1,520,875
Mrs. Yasmeen	1,855,467
Mrs. Mariam Bai	982,151
Banks, DFIs, NBFCs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Deptt.	363,357
Shareholders holding ten percent or more voting interest	
H.A.R	5,432,389
Amina Bano	6,083,500



SECURITY INVESTMENT BANK LIMITED

FORM OF PROXY

SEVENTEENTH ANNUAL GENERAL MEETING

I/We
of
a member / members of SECURITY INVESTMENT BANK LIMITED and holding
ordinary shares, as per Register Folio/CDC A/c or sub account no.
do hereby appoint
of
to vote for me/us and on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held on March 28, 2008 and at any adjournment thereof.

As Witness my/our hand this day of2008

Folio No. _____

REVENUE
STAMP
RS. 5/-

Witness:

1. Name _____

CNIC No. _____

SIGNATURE OF MEMBER(S)

2. Name _____

CNIC No. _____

IMPORTANT:

- Signature of Member(s) should agree with specimen registered with the Company.
- A member entitled to attend Seventeenth Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him.
- 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.
- The proxies shall be deposited at the Share registrar's office of the Company not less than 48 hours before the time of the meeting.



SECURITY INVESTMENT BANK LIMITED

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