



# SECURITY INVESTMENT BANK LIMITED



The Money Wise Bank

20th Annual Report 2011

## 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

Haji Jan Muhammad (Chairman)  
Mr. Muhammad Mehboob  
Mr. Sheikh Asim Rafiq (NIT Nominee)  
Mr. Shaikh Abdullah  
Mr. Muhammad Taufeeq Motiwala  
Mr. Karim Muhammad Munir  
Mr. Muhammad Saleem Rathod

## PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Saleem Rathod

## AUDIT COMMITTEE

Mr. Shaikh Abdullah (Chairman)  
Haji Jan Muhammad  
Mr. Muhammad Taufeeq Motiwala  
Mr. Sheikh Asim Rafiq

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Amin Khatri

## COMPANY SECRETARY

Mr. Muhammad Shahzad

## AUDITORS

Avais Hyder Liaquat Nauman  
Chartered Accountants

## TAX ADVISORS

Anjum Asim Shahid Rahman  
Chartered Accountants

## LEGAL ADVISORS

Bawaney & Partners  
Muhammad Tariq Qureshi

## SHARE REGISTRAR

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

## BANKERS

Habib Metropolitan Bank Limited.  
Al-Baraka Islamic Bank B.S.C. (E.C.)  
MCB Bank Limited.  
Summit Bank Limited.

## REGISTERED OFFICE

Flat No. 4, 3rd Floor, Al-Baber Centre,  
Main Markaz, F-8, Islamabad.  
Tel : (051) 2818107-09  
Fax: (051) 2818110  
Website : [www.sibl.com.pk](http://www.sibl.com.pk)

## KARACHI OFFICE

606, 6th Floor, Unitowers,  
I.I. Chundrigar Road, Karachi.  
Tel : (021) 32418410 - 13 Fax : (021) 32418414  
E-mail : [sibl@sibl.com.pk](mailto:sibl@sibl.com.pk)

# ***NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING***



Notice is hereby given that the twenty first annual general meeting of Security Investment Bank Limited will be held at the registered office of the Company located at Suite number 4, 3rd floor, Al-Baber Centre, Main Markaz, F-8, Islamabad, on 23rd April 2012 at 9:00 a.m. to transact the following business:

## **ORDINARY BUSINESS**

- 1) To confirm the minutes of the twentieth Annual General Meeting held on 25 April 2011.
- 2) To receive and adopt the audited financial statements of the Company for the year ended 31 December 2011 together with the directors' and auditors' reports thereon.
- 3) To appoint auditors and fix their remuneration for the year ending 31 December 2012. The retiring auditors M/s. Avais Hyder Liaquat Nouman, Chartered Accountants retire and being eligible offer themselves for reappointment to act as the external auditors of the Company for the year ending 31 December 2012.

## **SPECIAL BUSINESS**

- 4) To consider and approve the investment of Rs. 100,000,000/- (Rupees : One Hundred Million) in 10,000,000 ordinary shares of the proposed SIBL Securities (Private) Limited, an unquoted company, process of incorporation of which has already been undertaken, so as to make it 100% fully owned subsidiary of Security Investment Bank Limited, subject to approval from regulators and for this purpose, to pass Special Resolutions as contained in the attached Statement under Section 160(1)(b) of the Companies Ordinance, 1984.
- 5) To consider and approve the sale of membership card of the Karachi Stock Exchange (Guarantee) Limited and membership of the Pakistan Mercantile Exchange Limited to our proposed subsidiary SIBL Securities (Private) Limited and for this purpose pass Special Resolutions as contained in the attached Statement under Section 160(1)(b) of the Companies Ordinance, 1984.

## **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 17th April 2012 to 23rd April 2012 (both days inclusive). Transfer applications received in order at the office of the Share Registrar of the Company (i.e. C & K Management Associates (Private) Limited, room number 404, Trade Tower, Abdullah Haroon road, Karachi) by the close of business on 16th April 2012 will be treated in time for determining the entitlement of members to attend the Annual General Meeting of the Company.

By order of the board  
**Muhammad Shahzad**  
Head of finance and  
company secretary

Karachi:  
21 March 2012

## **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 Share Registrar of the Company any change in their addresses.



- 3) Members who have not already submitted attested photocopies of their Computerized National Identity Cards (CNICs) are requested to send the same to our Shares Registrar at the earliest.
- 4) 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 CNIC 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 time of 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 UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the special business, given in agenda items, to be transacted at the Twenty First Annual General Meeting of the Company to be held on 23rd day of April 2012.

#### **INVESTMENT IN SHARES OF SIBL SECURITIES (PRIVATE) LIMITED, AN UNQUOTED COMPANY, TO MAKE IT 100% FULLY OWNED SUBSIDIARY**

- a) The board of directors of the Company had resolved to incorporate a subsidiary company by the name of SIBL Securities (Private) Limited to meet with the SECP's requirement under Rule 7(2)(n) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Company has already commenced the process for incorporation of SIBL Securities (Private) Limited and a formal application will be submitted to the Registrar of Companies for such purpose.
- b) Approval of shareholders is sought for making investment of Rs. 100,000,000/- (Rupees : One Hundred Million) by subscribing 10,000,000 ordinary shares of Rs.10/- each of SIBL Securities (Private) Limited, an unquoted company, to make it 100% fully owned subsidiary of Security Investment Bank Limited, subject to approval from the regulators.
- c) This investment is being made to form a separate subsidiary for conducting brokerage business in compliance with the requirement of Rule 7(2)(n) of the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 and as per the direction of the Securities & Exchange Commission of Pakistan.
- d) The information required to be disclosed to the members under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012, is as follows:-

(i)	Name of the Associated Company and criteria of relationship	SIBL Securities (Private) Limited, which will become wholly owned subsidiary of the Company due to subscription of 100% of its issued shares.
(ii)	Purpose, benefits and period of investments	To form a separate wholly owned subsidiary company for undertaking the Company's own trades at Stock Exchanges, to meet the requirement under Rule 7(2)(n) of the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, for which purpose, the SECP has also issued directions. If at any stage, it becomes feasible the subsidiary company may engage in stock brokerage business for clients after fulfilling all legal and regulatory formalities. The investment will therefore be beneficial for the Company.
(iii)	Maximum amount of investment.	Rs:100,000,000/-
(iv)	Maximum price at which securities would be acquired.	Par value i.e. @ Rs:10/- per share.
(v)	Maximum number of securities to be acquired.	10,000,000 Ordinary Shares of Rs:10/- each.
(vi)	Number of securities and percentage thereof held before and after the proposed investment.	Investment is being made in a new company. The Company will hold 100% of the issued shares of SIBL Securities (Private) Limited.
(vii)	In case of investment in listed securities, average of the preceding 12 weekly average price of the security intended to be acquired.	Not applicable
(viii)	In case of investment in unlisted securities, fair market value of such securities in terms of regulation 6(1).	Not applicable
(ix)	Break up value of the securities intended to be acquired on the basis of latest audited financial statements.	Not applicable
(x)	Earning per share of the associated company for the last three years.	Not applicable
(xi)	Sources of funds from which securities will be acquired.	Out of equity
(xii)	Whether securities are intended to be acquired borrowed fund.	No
(xiii)	Salient features of the Agreement, if any.	No Agreement as the subsidiary is the newly incorporated company.
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any.	The Directors, Chief Executive, the Sponsors and the majority shareholders have no direct personal interest in the subsidiary, except in their capacities as being Directors, Chief Executive and the sponsors of Security Investment Bank Limited.



(xv)	Any other important details for the members to understand the transaction.	The Company is a member of the Karachi Stock Exchange and has been conducting its own proprietary business in stock market operations. At the time of renewal of the licence of the Company to undertake investment finance services, the SECP had raised an objection that a separate subsidiary for brokerage business was required under Rule 7(2)(n) of the NBFC Rules. After hearing, the SECP directed the Company to form a separate subsidiary for the brokerage business. Hence, SIBL Securities (Private) Limited is being constituted for such purpose.
(xvi)	Project of the associated company has not commenced operation	<p>(i) SIBL Securities (Private) Limited would be operating as a stock brokerage house.</p> <p>(ii) The brokerage business is expected to commence in the year 2012.</p> <p>(iii) Same as above</p> <p>(iv) In the first year of operation a nominal profit is expected which will be increased gradually.</p>
(xvii)	Interest of directors of the subsidiary in the Company.	Non of the nominee directors of the company on the Board of subsidiary will have any personal interest in the company.

For this purpose, it is intended to propose the following resolution to be passed as Special Resolution with or without modifications:

**“RESOLVED THAT** the Company be and is hereby authorized to invest an amount of Rs. 100,000,000/- (Rupees: Hundred Million only), out of its equity, by subscribing 10,000,000 (Ten Million) ordinary shares of Rs.10/- each of SIBL Securities (Private) Limited, an unquoted company, to make it 100% fully owned subsidiary of Security Investment Bank Limited, subject to approval from regulators.”

**“RESOLVED FURTHER THAT** the Company is authorized to take all appropriate steps and execute all necessary documents in connection with the making SIBL Securities (Private ) Limited, 100% fully owned subsidiary of Security Investment Bank Limited.”

**“RESOLVED FURTHER THAT** the Chief Executive, Mr. Muhammad Saleem Rathod and the Company Secretary, Mr. Muhammad Shahzad be and are hereby authorized jointly and severally to do all the acts, deeds and things necessary to implement this Special Resolution and also jointly and severally empowered to make amendments / modifications to the Resolutions as may be required by the members or by the regulators.”

#### **SALE OF MEMBERSHIP CARD OF THE KARACHI STOCK EXCHANGE (G) LTD AND MEMBERSHIP OF THE PAKISTAN MARCANTILE EXCHANGE LTD**

The Board of Directors has resolved to sale the membership card of the Karachi Stock Exchange (Guarantee) Limited and the membership of the Pakistan Mercantile Exchange Limited to our proposed subsidiary SIBL Securities (Private) Limited. The sale is being effectuated to meet the SECP’s requirement under Rule 7(2)(n) of the Non-Banking Finance Companies (Establishment and Regulation ) Rules, 2003 for conducting brokerage business by setting up a separate subsidiary.

The information required to be disclosed to the members under the SECP’s SRO 1227/2005 for effectuating the transaction under section 196(3)(a) of the Companies Ordinance 1984, is as follows:

(i)	Detail of Asset to be disposed off	Membership Card of the Karachi Stock Exchange (Guarantee) Limited and membership of the Pakistan Mercantile Exchange Limited. Carrying value of both of membership in the books of our Company is Rs. 36.750 million. Combined market value is expected to be from Rs. 45 million to Rs. 55 million. However the company intends to carry out valuation through a firm of Chartered Accountants which will be presented to shareholders at the time of AGM and the transaction shall be made at arm's length basis.
(ii)	Manner of disposal	Transfer of membership cards to proposed subsidiary SIBL Securities (Private) Limited shall be effectuated in accordance with the procedure of the Karachi Stock Exchange (Guarantee) Limited and the Pakistan Mercantile Exchange Limited and in line with the recommendations of our Company's Board of Directors
(iii)	Reasons for sale	To comply with the requirement of Rule 7(2)(n) of the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003, and the directions of SECP, for conducting brokerage business (including proprietary business) by setting up a separate subsidiary
(iv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any	The Directors, Chief Executive, the Sponsors and the majority shareholders have no direct personal interest in the subsidiary, except in their capacities as being Directors, Chief Executive and the sponsors of Security Investment Bank Limited

**“RESOLVED THAT** the Company be and is hereby authorized to transfer / sale the membership card of the Karachi Stock Exchange (Guarantee) Limited and the membership of the Pakistan Mercantile Exchange Limited to proposed 100% fully owned subsidiary SIBL Securities (Private) Limited in line with recommendations of our Company's Board of Directors.”

**“RESOLVED FURTHER THAT** the Company is authorized to take all appropriate steps and execute all necessary documents in connection with the sale of the membership card of the Karachi Stock Exchange (Guarantee) Limited and the membership of the Pakistan Mercantile Exchange Limited.”

**“RESOLVED FURTHER THAT** the Chief Executive, Mr. Muhammad Saleem Rathod and the Company Secretary, Mr. Muhammad Shahzad be and are hereby authorized jointly and severally to do all acts, deeds and things necessary to implement this Special Resolution and also jointly and severally empowered to make amendments / modifications to the Resolutions as may be required by the members or by the regulators.”



# ***DIRECTORS' REPORT TO THE SHAREHOLDERS***

The Directors of Security Investment Bank Limited (SIBL) are pleased to present the Twentieth Annual Report along with the Audited Financial Statements and Auditor's Report thereon for the year ended 31 December 2011.

## **Economic Outlook**

The year under review was remained challenging like its predecessor and business remained under pressure due to, amongst others, high inflation, poor law and order situation, political instability, unavailability of gas and electricity. The State Bank of Pakistan (SBP) has decreased the discount rate during the year by 2%. The KSE 100 index decreased from 12,022 to 11,347 registering decline of 6% during the year.

## **Operational Performance**

We have continued our policy of doing business prudently considering the overall economic environment and non-availability of clean funds to investment banks in money market. Our income has decreased from Rs 83.951 million to Rs. 64.869 million and expenses have decreased from Rs 80.556 million to Rs 64.167 million. Net profit after taxation decreased from Rs 9.806 million to Rs 2.562.

## **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 any departure therefrom has been adequately disclosed.
- 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	2011	2010	2009	2008	2007	2006	2005
Share Capital	514	514	514	514	429	429	373
Shareholder's Equity	500	498	488	304	593	609	612
Deposits	110	112	117	220	972	976	565
Borrowings	363	258	368	376	1,195	727	1253
Advances	172	40	19	104	183	196	171
Investments	434	423	607	457	728	565	289
Operating Profit/ (Loss)	0.7	3.4	(24)	27	98	105	92
Net Profit / (Loss)	2.6	9.8	(193)	26.8	89	86	71
Total Assets	940	836	960	932	2,802	2,335	2,456
Dividend	-	-	-	-	-	20%	10%
Bonus	-	-	-	-	20%	-	15%

#### Value of Provident Fund Investment

As on 31 December 2011 based on the unaudited accounts, the value of investment of Provident Fund is Rs 6.550 million (2010 Rs 5.201 million).

#### Value of Gratuity Fund Investment

As on 31 December 2011 based on the unaudited accounts, the value of investment of Gratuity Fund is Rs 3.498 million (2010 Rs 2.429 million).

#### Pattern of Shareholding

The pattern of shareholding as at 31 December 2011 along with the disclosure required under the Code of Corporate Governance is annexed to the report.

#### Board Meetings

During the year ended 31 December 2011, the Board of Directors held four meetings. Attendance of each director is as follows:

Name	No. of Meetings Attended
Mr Haji Jan Muhammad	4
Mr Muhammad Mehboob	3
Mr Shiekh Asim Rafiq (NIT's nominee)	4
Mr Shaikh Abdullah	4
Mr Muhammad Taufiq Motiwala	4
Mr Karim Muhammad Munir	3
Mr Muhammad Saleem Rathod (President & CEO)	4

Leave of absence was granted to Directors who could not attend the 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 is Rs 0.05 for the year ended 31 December 2011 (2010 Rs 0.19).

### **Dividend**

No dividend is declared for the year ended 31 December 2011 because of the low earnings.

### **Credit Rating**

JCR VIS Credit Rating Company Limited has maintained your company's credit rating of medium to long-term rating of A (Single A) and short-term rating of A-2 (A Two).

### **Outlook**

We would continue our policy of doing business vigilantly with an aim to increase valued shareholders' wealth on sustainable basis considering the overall economic and political environment.

### **Auditors**

The present auditors Avais Hyder Liaquat Nauman, Chartered Accountants retire and being eligible offered them for reappointment. The Board of Directors endorsed the recommendation of the Audit Committee for the reappointment of Avais Hyder Liaquat Nauman, Chartered Accountants for the year ending 31 December 2012.

### **Acknowledgement**

We the directors of SIBL acknowledge the support extended by and understanding of our valued shareholders in this era of poor economic conditions. We are also grateful to the SECP, Stock Exchanges and other regulators for their cooperation and support. We also acknowledge the efforts of the management and staff for achieving these results.

Karachi;  
21 March 2012

On behalf of the Board  
**Haji Jan Muhammad**  
(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 Regulation 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 includes six non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten 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 an NBFC or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurred during the year was filled up by the directors within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been 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, and other Executive, 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 members of the Board are well aware of their duties and responsibilities as outlined by corporate laws listing regulations, the Company's memorandum and article of association and code of corporate governance.
- 10) No new appointments have been made during the year of Chief Financial Officer, Company Secretary and Head of Internal Audit.
- 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, CEO 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 Four (4) 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) The Related Parties transaction have been placed before the Audit Committee and approved by the Board of Directors alongwith pricing methods for such transaction.
- 21) We confirm that all other material principles contained in the Code have been complied with.

for and on behalf of  
the Board of **Security Investment Bank Limited**

**Muhammad Saleem Rathod**  
Chief Executive

**Haji Jan Muhammad**  
Chairman

Karachi: 21 March 2012

# **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, 2011 prepared by the Board of Directors of **SECURITY INVESTMENT BANK LIMITED**, to comply with the listing regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited, listing regulation No. 35 chapter XI of Lahore Stock Exchange (Guarantee) Limited and listing regulation No. 35 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 provision 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 our audit of financial statement we are required to obtain an understanding of the accounting and internal control system 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.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions. and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

**AVAIS HYDER LIAQUAT NAUMAN**

Chartered Accountants

Karachi.

Dated: 21 March 2012

Engagement Partner: Adnan Zaman







**SECURITY INVESTMENT BANK LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2011**





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# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SECURITY INVESTMENT BANK LIMITED (the Bank) as at December 31, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year ended December 31, 2011 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 Bank'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 Bank 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 Bank's business; and
  - (iii). the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;
- (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, statement of comprehensive income, 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 Bank's affairs as at December 31, 2011 and the profit, the comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**AVAIS HYDER LIAQUAT NAUMAN**

Chartered Accountants

Karachi.

Dated: 21 March 2012

Engagement Partner: Adnan Zaman



## **BALANCE SHEET**

### AS AT 31 DECEMBER 2011

	Notes	2011 Rupees	2010 Rupees
<b>ASSETS</b>			
Property, plant and equipment	5	1,192,020	1,171,193
Membership cards	6	36,750,000	36,750,000
Long term investments	7	150,982,900	151,062,052
Deferred tax asset - net	8	35,363,824	42,088,152
<b>CURRENT ASSETS</b>			
Short term financing	9	172,441,265	40,341,265
Short term placements	10	-	45,000,000
Short term investments	11	434,726,164	423,135,838
Loans and advances	12	79,533,141	75,134,754
Deposits, prepayments and other receivables	13	3,724,733	4,019,255
Accrued interest	14	12,145,492	10,212,149
Cash and bank balances	15	13,243,835	6,727,743
		<b>715,814,630</b>	<b>604,571,004</b>
		<b>940,103,374</b>	<b>835,642,401</b>
<b>SHARE CAPITAL AND LIABILITIES</b>			
<b>Capital and reserves</b>			
<b>Authorized capital</b>			
100,000,000 ordinary shares of Rs.10/- each		<b>1,000,000,000</b>	<b>1,000,000,000</b>
Issued, subscribed and paid up capital	16	514,335,583	514,335,583
Unappropriated loss		(156,078,323)	(158,128,144)
Statutory reserves	17	142,123,865	141,611,410
		<b>500,381,125</b>	<b>497,818,849</b>
Deficit on revaluation of investments - net of tax	18	(47,431,051)	(45,313,177)
<b>CURRENT LIABILITIES</b>			
Borrowings	19	362,984,857	257,678,086
Short term deposits	20	109,848,615	112,071,667
Accrued and other liabilities	21	14,319,828	13,386,976
		<b>487,153,300</b>	<b>383,136,729</b>
Contingencies and commitments	22	-	-
		<b>940,103,374</b>	<b>835,642,401</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 31 DECEMBER 2011



	Notes	2011 Rupees	2010 Rupees
<b>INCOME</b>			
Return on financing and placements	23	9,915,851	5,991,623
Return on securities	24	45,001,255	55,289,799
Gain on sale of investments		8,415,870	19,974,708
Profit on deposit with banks		448,284	640,485
Other income	25	1,088,475	2,055,046
		<b>64,869,735</b>	<b>83,951,661</b>
<b>EXPENDITURE</b>			
Finance cost	26	35,949,287	50,392,110
Administrative expenses	27	28,217,932	30,164,626
		<b>64,167,219</b>	<b>80,556,736</b>
Profit before taxation		<b>702,516</b>	3,394,925
Taxation	28	1,859,760	6,411,421
<b>PROFIT FOR THE YEAR</b>		<b>2,562,276</b>	<b>9,806,346</b>
Earnings per share - basic and diluted	29	<b>0.05</b>	0.19

The annexed notes 1 to 42 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN



## **STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

Notes	<b>2011</b> Rupees	<b>2010</b> Rupees
Profit for the year	2,562,276	9,806,346
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income - net of tax	-	-
<b>Total comprehensive income - net of tax</b>	<b>2,562,276</b>	<b>9,806,346</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
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**HAJI JAN MUHAMMAD**  
CHAIRMAN

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2011



Notes	2011 Rupees	2010 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	702,516	3,394,925
<b>Adjustment for non cash and other items</b>		
Depreciation	352,132	1,538,643
Gain on disposal of shares	(8,415,870)	(19,974,708)
Gain on disposal of fixed assets	(4,999)	(547,258)
Provision for gratuity	612,925	884,475
	<u>(7,455,812)</u>	<u>(18,098,848)</u>
<b>Cash flows from operating activities before working capital changes</b>	<b>(6,753,296)</b>	<b>(14,703,923)</b>
<b>(Increase) / decrease in operating assets</b>		
(Increase) in financing and placements	(132,100,000)	(21,741,265)
Decrease / (increase) in loans and advances	10,041	(123,529)
Decrease in deposits and prepayments	294,522	1,564,310
(Increase) in accrued interest	(1,933,343)	(1,966,795)
	<u>(133,728,780)</u>	<u>(22,267,279)</u>
<b>Increase / (decrease) in operating liabilities</b>		
(Decrease) in deposits	(2,223,051)	(5,199,946)
Increase / (decrease) in borrowings	105,306,771	(110,389,981)
Increase / (decrease) in accrued and other liabilities	1,241,545	(2,916,344)
	<u>104,325,265</u>	<u>(118,506,271)</u>
<b>Net change in operating assets and liabilities</b>	<b>(29,403,515)</b>	<b>(140,773,550)</b>
Income tax paid	(5,024,905)	(5,662,570)
Gratuity paid	(884,475)	(7,938,830)
Dividend paid	(37,143)	(121,608)
	<u>(5,946,523)</u>	<u>(13,723,008)</u>
<b>Net cash (used in) operating activities</b>	<b>(42,103,334)</b>	<b>(169,200,481)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	5,000	1,939,870
(Purchase) of fixed assets	(372,960)	(472,235)
Sale / (purchase) of investments	50,561,950	185,713,525
Sale of securities	(46,574,564)	5,630,430
<b>Net cash generated from investing activities</b>	<b>3,619,426</b>	<b>192,811,590</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	-	-
Net (decrease)/increase in cash and cash equivalents	(38,483,908)	23,611,109
<b>Cash and cash equivalents at the beginning of the year</b>	<b>51,727,743</b>	<b>28,116,634</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>13,243,835</b>	<b>51,727,743</b>

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The annexed notes 1 to 42 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN





## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital (Note 16)	Statutory Reserve (Note 17)	Unappropriated (loss)	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at January 01, 2010	514,335,583	139,650,141	(165,973,221)	488,012,503
Profit for the year			9,806,346	9,806,346
Other comprehensive income for the year	-	-	-	-
Appropriations :				
Statutory reserve	-	1,961,269	(1,961,269)	-
<b>Balance as at December 31, 2010</b>	<b>514,335,583</b>	<b>141,611,410</b>	<b>(158,128,144)</b>	<b>497,818,849</b>
Profit for the year	-	-	2,562,276	2,562,276
Other comprehensive income for the year	-	-	-	-
Appropriation :				
Statutory reserve	-	512,455	(512,455)	-
<b>Balance as at December 31, 2011</b>	<b>514,335,583</b>	<b>142,123,865</b>	<b>(156,078,323)</b>	<b>500,381,125</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011



## 1. LEGAL STATUS AND OPERATION

Security Investment Bank Limited (SIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on May 23rd, 1991 and started its commercial operation on December 31, 1991. 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 21 November 2007 and Non-Banking Finance Companies and Notified Entities Regulations 2008 (previously this was covered under SRO 585(1)/87 dated 13 July 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-2' ( A Two ).

These financial statements are the separate financial statements of the Bank. In addition to these financial statements, consolidated financial statements of the Bank and its subsidiary M/s SIBL Exchange Company (Private) Limited, have also been prepared.

## 2. BASIS OF PREPARATION

### 2.1 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 21 November 2007, Non-Banking Finance Companies and Notified Entities Regulations 2008 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, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The SECP has deferred the applicability of International Accounting Standards, IAS-39, 'Financial Instruments: Recognition and measurement' through Circular No. 19 dated August 13, 2003 to NBFCs providing investment finance services, discounting services and housing finance services. The SECP has also deferred the applicability of International Financial Reporting Standard, IFRS-7, 'Financial Instruments: Disclosures' through Circular No. 411(I)/2008 dated April 28, 2008 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements

### 2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the bank and rounded to the nearest Rupee.

### 2.3 Initial application of standards, amendments or an interpretation to existing standards

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements.

IFRS 1 - Amendments relating to oil and gas assets and determining whether an arrangement contain a lease.

IFRS 1 - Limited exemption from comparative IFRS 7 disclosure for first time adopters.

IFRS 3 - Business Combinations - Amendment resulting from improvement to IFRSs.

IAS 1 - Presentation of Financial Statements- Amendments resulting from improvements to IFRSs.

IAS 7 - Statement of Cash Flows - Amendments resulting from improvement to IFRSs.

IAS 27 - Consolidated and Separate Financial Statements - Amendments resulting from improvements to IFRSs.

IAS 32 - Financial Instruments : Presentation - Amendments relating to Classification of Rights Issues.

IAS 36 - Impairment of Assets - Amendments resulting from improvements to IFRSs.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments.

### 2.4 Accounting standards or an interpretations not yet effective

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

IFRS 9 - Financial Instruments	effective from accounting period beginning on or after 01 January 2013
IFRS 10 - Consolidated Financial Statements	effective from accounting period beginning on or after 01 January 2013
IFRS 11 - Joint Arrangements	effective from accounting period beginning on or after 01 January 2013
IFRS 12 - Disclosure of Interest in other entities	effective from accounting period beginning on or after 01 January 2013
IFRS 13 - Fair Value Measurement	effective from accounting period beginning on or after 01 January 2013
IAS 1 - Presentation of Financial Statements -Amendments to revise the way other comprehensive income is presented.	effective from accounting period beginning on or after 01 July 2012
IAS 12 - Income Taxes - Recovery of underlying assets.	effective from accounting period beginning on or after 01 January 2012
IAS 19 Employee Benefits - Amended standard resulting from the Post Employment Benefits and Termination Benefits projects.	effective from accounting period beginning on or after 01 January 2013
IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011).	effective from accounting period beginning on or after 01 January 2013
IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	effective from accounting period beginning on or after 01 January 2013

The above standards, amendments and interpretations are either not relevant to Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain increased disclosures.

### 2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ

from these estimates. Estimates, underlying assumptions 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 Bank'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 (Note 5)
- (b) classification of investments (Note 7 and 11)
- (c) recognition of taxation and deferred tax (Note 8 and 28) and
- (d) accounting for post employment benefits (Note 32)

### 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 and gratuity which are stated at fair value. In these financial statements, except for the amount reflected in cash flow statements, all the transactions have been accounted for on accrual basis.

### 4 SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to income applying the straight line method in accordance with the rate specified in note 5 to these financial statements, 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.

#### 4.2 Membership cards

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

#### 4.3 Impairment

The carrying amount of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### 4.4 Investments

##### Subsidiary company

Investment in subsidiary company is measured at cost. However, at subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts are adjusted accordingly. Impairment losses are recognized as expense.

### **Held-to-maturity**

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

### **Available-for-sale**

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes 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 stock exchange quotes and broker's quotations, in accordance with the requirements of circulars issued by State Bank of Pakistan. In case of available for sale investments, any difference between the carrying value and the revalued amount is taken to surplus/ (deficit) on revaluation of investments account, until realized 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.

## **4.5 Securities under repurchase / reverse repurchase agreement**

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

### **Repurchase agreements**

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 treated as mark-up on borrowings from institutions and accrued as expense over the life of the repo agreement.

### **Reverse repurchase**

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.

## **4.6 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.

#### **4.7 Staff retirement benefits**

##### **4.7.1 Defined contribution plan**

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

##### **4.7.2 Defined benefit plan**

The Bank operates an approved funded gratuity scheme covering all permanent employees who have completed the qualifying period under the scheme. The scheme is administered by the trustees and contributions therein are made in accordance with the actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 32.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous accounting period exceed ten percent of the higher of defined benefit obligation and fair value of the planned assets at that date. These gains or losses are recognized over the expected average working lives of the employees participating in the plan.

#### **4.8 Offsetting of financial assets and financial liabilities**

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

#### **4.9 Financial instruments**

All financial assets and financial liabilities are recognized at the time when Security Investment Bank Limited becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

#### **4.10 Classification of deposits and financing**

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

#### **4.11 Cash and cash equivalents**

Cash and Cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks in current and deposit account and short term clean placement.

#### **4.12 Provisions**

Provisions are recognized when the Bank has legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

#### **4.13 Revenue**

Income on financing, placement, government securities, profit on deposits and term finance certificates are 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 when the right to receive payment is established.

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.

#### **4.14 Finance cost**

Finance cost includes return on deposits and borrowings which are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

#### **4.15 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 1% 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 recognized for all taxable temporary differences. Deferred tax assets are recognized 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 utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on 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.

#### **4.16 Related party transactions**

The Bank enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

**4.17 Provision for doubtful debts on financing**

Provision is made against doubtful receivable in pursuance of Securities & Exchange Commission of Pakistan's NBFC and Notified Entities Regulations 2008.

**4.18 Dividend distributions and appropriations**

Dividend distributions and appropriations other than statutory appropriations are recorded in the period in which they are approved.



## 5 PROPERTY, PLANT AND EQUIPMENT

(In Rupees)

PARTICULARS	Cost				Rate	Depreciation				Written down value as at December 31, 2011
	As at January 01, 2011	Additions	(Deletions)	As at December 31, 2011		As at January 01, 2011	Charge for the year	(Adjustment)	As at December 31, 2011	
Computer and equipments	3,960,843	280,892	-	4,241,735	20%	3,294,995	262,664	-	3,557,659	684,076
Furniture and fixtures	3,083,836	33,000	-	3,116,836	10%	2,990,427	16,644	-	3,007,071	109,765
Generator	963,469	-	(77,148)	886,321	10%	625,384	46,631	(77,147)	594,868	291,453
Sign board	179,000	59,068	-	238,068	10%	163,498	3,494	-	166,992	71,076
Telephone system	171,496	-	-	171,496	10%	138,402	10,558	-	148,960	22,536
Vehicles	4,408,621	-	-	4,408,621	20%	4,383,366	12,141	-	4,395,507	13,114
<b>2011</b>	<b>12,767,265</b>	<b>372,960</b>	<b>(77,148)</b>	<b>13,063,077</b>		<b>11,596,072</b>	<b>352,132</b>	<b>(77,147)</b>	<b>11,871,057</b>	<b>1,192,020</b>

PARTICULARS	Cost				Rate	Depreciation				Written down value as at December 31, 2010
	As at January 01, 2010	Additions	(Deletions)	As at December 31, 2010		As at January 01, 2010	Charge for the year	(Adjustment)	As at December 31, 2010	
Computer and equipments	3,821,123	456,685	(316,965)	3,960,843	20%	3,351,692	246,464	(303,161)	3,294,995	665,848
Furniture and fixtures	3,068,286	15,550	-	3,083,836	10%	2,976,098	14,329	-	2,990,427	93,409
Generator	963,469	-	-	963,469	10%	571,039	54,345	-	625,384	338,085
Sign board	179,000	-	-	179,000	10%	160,498	3,000	-	163,498	15,502
Telephone system	171,496	-	-	171,496	10%	126,832	11,570	-	138,402	33,094
Vehicles	9,361,586	-	(4,952,965)	4,408,621	20%	6,748,587	1,208,935	(3,574,156)	4,383,366	25,255
<b>2010</b>	<b>17,564,960</b>	<b>472,235</b>	<b>(5,269,930)</b>	<b>12,767,265</b>		<b>13,934,746</b>	<b>1,538,643</b>	<b>(3,877,317)</b>	<b>11,596,072</b>	<b>1,171,193</b>

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 10,966,634/- (2010 : Rs. 9,721,958/-) 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
Generator	77,148	77,147	1	5,000	4,999	Rahil Generator Service Centre	Negotiation

6 MEMBERSHIP CARDS	Notes	2011 Rupees	2010 Rupees
Corporate membership of the Karachi Stock Exchange (Guarantee) Limited		36,000,000	36,000,000
Corporate membership of the Pakistan Mercantile Exchange Limited		750,000	750,000
		<u>36,750,000</u>	<u>36,750,000</u>
<b>7 LONG TERM INVESTMENTS</b>			
<b>Subsidiary company</b>			
SIBL Exchange Company (Pvt) Ltd. 10,000,000 (2010: 10,000,000) ordinary shares of Rs. 10 each. Wholly Owned Subsidiary-unquoted		100,000,000	100,000,000
Pakistan Investment Bonds - Held to Maturity	7.1	50,982,900	51,062,052
		<u>150,982,900</u>	<u>151,062,052</u>
<b>7.1 Pakistan Investment Bonds</b>			
Cost		51,062,052	51,141,204
Less : Amortization		(79,152)	(79,152)
		<u>50,982,900</u>	<u>51,062,052</u>
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.50,000,000/- (2010: Rs.50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2010 : 10% per annum). Their period to maturity is twelve and a half years.</p>			
<b>8 DEFERRED TAX ASSET - NET</b>			
Deferred tax assets arising in respect of:			
Deficit on revaluation of securities		14,682,704	23,883,268
Accelerated depreciation		98,809	309,019
Tax losses		20,582,311	17,895,865
		<u>35,363,824</u>	<u>42,088,152</u>
<b>8.1 Movement in deferred tax asset</b>			
Opening balance		42,088,152	30,531,856
(Reversal)/provision during the year		(6,724,328)	11,556,296
Closing balance		<u>35,363,824</u>	<u>42,088,152</u>
<b>8.2</b>			
<p>The Bank has an aggregate amount of Rs. 58.807 million (2010: Rs. 51.131 million) in respect of unabsorbed tax losses as at December 31, 2011 on which the management has recognized deferred tax asset of Rs. 20.582 million (2010: Rs. 17.896 million). The management of the Bank believes that based on the projections of future taxable profit it would be able to realize these tax losses in the future.</p>			
<b>9 SHORT TERM FINANCING</b>			
<b>Secured and considered good</b>			
Associated companies	9.1	88,841,265	12,841,265
Others	9.2	83,600,000	27,500,000
		<u>172,441,265</u>	<u>40,341,265</u>

	Notes	2011 Rupees	2010 Rupees
9.1	These are secured by hypothecation or a charge on assets of customers, certificate of deposits and pledge of shares. The mark-up rate is 16% per annum (2010: 16% per annum).		
9.2	These are secured by demand promissory notes, hypothecation or a charge on assets of customers and certificate of deposits. The mark-up rate is 16% per annum (2010: 16% per annum).		
<b>10</b>	<b>SHORT TERM PLACEMENTS - CONSIDERED GOOD</b>		
	Placement with financial institution-unsecured	-	<b>45,000,000</b>
<b>11</b>	<b>SHORT TERM INVESTMENTS</b>		
	<b>Available for sale</b>		
	Pakistan Investment Bonds	<b>359,251,200</b>	336,310,158
	Term Finance Certificates	<b>6,890,625</b>	8,792,355
	Quoted Shares	<b>18,584,339</b>	78,033,325
	Market Treasury Bills	<b>50,000,000</b>	-
		<b>434,726,164</b>	423,135,838

**11.1 Securities given as collateral under repurchase agreements.**

Note	2011			2010			
	Held by SIBL	Repo	Total	Held by SIBL	Repo	Total	
	Rupees						
Pakistan Investment Bonds	11.1.1	43,587,750	315,663,450	359,251,200	83,640,873	252,669,285	336,310,158
Term Finance Certificates	11.1.2	6,890,625	-	6,890,625	8,792,355	-	8,792,355
Quoted Shares	11.1.3	18,584,339	-	18,584,339	78,033,325	-	78,033,325
Market Treasury Bills	11.1.4	-	50,000,000	50,000,000	-	-	-

11.1.1 This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having face value of Rs.400,000,000 (2010: Rs.400,000,000) with income receivable semi annually. Period to maturity of these investments range from two months to twelve years and six months and carry mark-up at rates (coupon rate) ranging from 9% to 11% per annum (2010: 9% to 11% per annum). PIBs having market value of Rs. 315.663 million (2010 : Rs. 252.669 million) are held by other financial institutions as security under repurchase transactions.

**11.1.2 Particulars of listed Term Finance Certificates (TFC) :**

Issuer of TFC	No. of Certificates	2011		2010			
		Cost	Market Value	Cost	Market value		
		Rupees					
Telecard Limited	11.1.2.1	5,000	5,000	9,187,500	6,890,625	9,187,500	8,792,355
				<b>9,187,500</b>	<b>6,890,625</b>	<b>9,187,500</b>	<b>8,792,355</b>

**11.1.2.1 Terms of redemption of listed TFCs are as follows:**

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
Telecard Limited	5,000	3.75% over 6 months KIBOR.	Semi-annually	Eight years from May 2005.
Valuation of certificates				
Initial value of certificates	5,000			
Redemption upto December 31, 2011	3,162			
<b>Balance as at December 31, 2011</b>	<b>1,838</b>			

### 11.1.3 Quoted Shares

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

2011	2010		2011		2010	
			Cost	Market Value	Cost	Market Value
No. of ordinary shares, certificates / units			Rupees			
<b>Modarabas / Mutual funds</b>						
500	500	Long Term Venture Modaraba	225	225	225	225
4,500	4,500	PICIC Growth Fund	64,170	56,070	64,170	59,625
69,627	69,627	JS Growth Fund (formerly UTP growth fund)	343,957	327,247	343,957	386,430
<b>Leasing</b>						
42,370	42,370	Saudi Pak Leasing Company Limited	59,742	20,338	59,742	23,303
<b>Investment banks / Cos. / Banks</b>						
46,874	46,874	Arif Habib Limited	2,361,689	664,673	2,361,689	1,219,193
811,015	737,287	Askari Bank Limited	16,773,412	8,134,608	16,773,284	13,042,608
3,825	3,825	Bank Alfalah Limited	52,670	43,031	52,670	42,878
214,700	214,700	The Bank of Punjab	4,186,650	1,161,527	4,186,650	2,106,207
25,000	20,000	National Bank of Pakistan	1,189,797	1,026,250	1,189,797	1,536,400
1,644	1,644	First National Equities Limited	21,684	4,472	21,684	14,467
2,270	2,270	Jahangir Siddiqui & Company Limited	68,259	9,148	68,259	24,743
<b>Synthetic and Rayon</b>						
-	18,750	Pakistan Synthetics Limited	-	-	164,063	170,625
<b>Cement</b>						
150,000	150,000	D. G. Khan Cement Company Limited	4,884,000	2,854,500	4,884,000	4,525,500
53,800	53,800	Maple Leaf Cement Factory Limited	212,980	130,850	212,980	168,986
<b>Fuel and energy</b>						
-	60,000	Attock Refinery Limited	-	-	8,275,800	7,480,800
-	89,000	Pakistan Oilfields Limited	-	-	20,538,530	26,340,441
<b>Automobiles and Transport</b>						
45,000	45,000	Pakistan International Airlines Corporation (A)	117,450	88,650	117,450	101,700
<b>Technology and Communication</b>						
-	549,000	Pakistan Telecommunication Co. Ltd.	-	-	9,689,334	10,661,580
<b>Sugar &amp; Allied Industries</b>						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
<b>Textile Composite</b>						
100,000	157,381	Nishat Mills Limited	6,062,076	4,045,000	9,540,556	10,099,139
<b>Miscellaneous</b>						
7,500	7,500	Pace Pakistan Limited	43,875	9,750	43,875	20,475
			<b>36,450,636</b>	<b>18,584,339</b>	<b>78,596,715</b>	<b>78,033,325</b>

### 11.1.4 Market Treasury Bills

These carry mark-up at the rate ranging between 11.85% to 11.87% (2010: Nil) per annum and have terms of one year maturing latest by November 15, 2012.

	Notes	2011 Rupees	2010 Rupees
<b>12 LOANS AND ADVANCES</b>			
<b>Advances - considered good</b>			
For expenses		398,313	408,354
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		76,634,828	72,226,400
		<u>79,533,141</u>	<u>75,134,754</u>
<b>13 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Security deposits		1,443,788	1,443,788
KSE exposure limits		1,521,964	1,465,481
Prepayments		728,865	979,993
Other receivables - considered good		30,116	129,993
		<u>3,724,733</u>	<u>4,019,255</u>
<b>14 ACCRUED INTEREST</b>			
Income receivable	14.1	11,965,238	10,021,339
Accrued profit on PLS deposits		180,254	190,810
		<u>12,145,492</u>	<u>10,212,149</u>
<b>14.1 Income receivable</b>			
Considered good			
Not due	14.1.1	11,965,238	10,021,339

**14.1.1** This represents income on financing, placements and government securities not matured / due on December 31, 2011.

	Notes	2011 Rupees	2010 Rupees
<b>15 CASH AND BANK BALANCES</b>			
<b>With State Bank of Pakistan in</b>			
- Current account		49,598	223,092
<b>With other banks in</b>			
- Current accounts		2,980,060	4,038,984
- Deposit accounts	15.1	10,199,186	2,454,134
		13,179,246	6,493,118
Cash in hand		14,991	11,533
		<u>13,243,835</u>	<u>6,727,743</u>

15.1 Rate of return on these deposits accounts range from 5% to 6.5% per annum (2010 : 5% to 6.47% per annum).

#### 16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<u>Number of shares</u>			
2011	2010		
		Ordinary shares of Rs. 10/- each fully paid	
23,552,000	23,552,000	in cash	235,520,000
		Ordinary shares of Rs. 10/- each issued as	
27,881,558	27,881,558	fully paid bonus shares	278,815,583
<u>51,433,558</u>	<u>51,433,558</u>		<u>514,335,583</u>

#### 17 STATUTORY RESERVES

##### Capital reserves

Statutory reserves	17.1	<u>142,123,865</u>	<u>141,611,410</u>
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17.1 This reserve is created @ 20% of profit for the year from ordinary activities after taxation in compliance with Regulation No.16 of Part I of Chapter II of SECP's NBFCs and Notified Entities Regulations 2008.

	Notes	2011 Rupees	2010 Rupees
<b>18 DEFICIT ON REVALUATION OF INVESTMENTS - NET OF TAX</b>			
Government securities		(41,950,583)	(68,237,909)
Term Finance Certificates		(2,296,875)	(395,145)
		<u>(44,247,458)</u>	<u>(68,633,054)</u>
Related deferred tax asset		14,682,704	23,883,268
		<u>(29,564,754)</u>	<u>(44,749,786)</u>
Quoted shares		(17,866,297)	(563,391)
		<u>(47,431,051)</u>	<u>(45,313,177)</u>
<b>19 BORROWINGS</b>			
Financial institutions - secured	19.1	352,935,341	250,047,600
Related party - unsecured			
SIBL Provident fund	19.2	6,550,891	5,201,193
SIBL Gratuity fund	19.3	3,498,625	2,429,293
		<u>362,984,857</u>	<u>257,678,086</u>
19.1	This represents amount borrowed from financial institutions at mark-up rates of 12.50% per annum (2010: 13.50% per annum) and having maturity on or before January 16, 2012. These are secured against Pakistan Investment Bonds and Market Treasury Bills.		
19.2	These carry mark-up rate of 12.50% per annum (2010: 13% per annum) and having maturity on or before January 26, 2012.		
19.3	These carry mark-up rate of 12.50% per annum (2010: 13% per annum) and having maturity on or before January 26, 2012.		
<b>20 SHORT TERM DEPOSITS</b>			
<b>From individuals</b>		<b>11,602,090</b>	11,475,759
<b>From related parties</b>			
SIBL Exchange Company (Private) Limited		89,659,412	86,699,058
Associated undertaking		2,197,802	1,999,820
Others		6,389,311	11,897,030
	20.1	<u>109,848,615</u>	<u>112,071,667</u>
20.1	This 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 (2010: 8% to 11% per annum) payable monthly, quarterly, semi annually or on maturity.		

21 ACCRUED AND OTHER LIABILITIES	Notes	2011 Rupees	2010 Rupees
<b>Accrued expenses</b>			
From related party- unsecured		20,650	124,127
Return on deposits from			
- individuals		572,753	741,891
- related party		601,006	559,257
		1,173,759	1,301,148
Return on borrowing from			
financial institutions- secured		3,704,518	6,288,829
		4,898,927	7,714,104
<b>Other liabilities</b>			
Unclaimed dividend		2,117,971	2,155,114
Others			
- related party		63,865	162,037
- others		1,990,124	2,471,246
- Discount on T-Bill (unearned income)		4,636,016	-
		6,690,005	2,633,283
Payable to employees gratuity fund	32.3	612,925	884,475
		14,319,828	13,386,976
<b>22 CONTINGENCIES AND COMMITMENTS</b>			
<b>22.1 Contingencies</b>			
Guarantees issued on behalf of customer:			
- Associated undertaking		11,543,400	10,699,813
- Others		57,503,000	63,919,000
<b>22.2 Commitments</b>			
There were no commitment as at the balance sheet date.			
<b>23 RETURN ON FINANCING AND PLACEMENTS</b>			
<b>Financing</b>			
Demand finance		8,765,822	5,008,467
<b>Placements</b>			
With financial Institution - unsecured		1,150,029	983,156
		9,915,851	5,991,623



	Notes	2011 Rupees	2010 Rupees
<b>24 RETURN ON SECURITIES</b>			
Return on government securities		42,328,549	41,682,784
Return on TFCs		1,565,251	1,786,380
		43,893,800	43,469,164
Gain on sale of government securities		58,450	49,400
Dividend income		1,049,005	11,771,235
		<u>45,001,255</u>	<u>55,289,799</u>
<b>25 OTHER INCOME</b>			
Gain on sale of fixed assets		4,999	547,258
Commission		733,116	710,422
Miscellaneous		350,360	797,366
		<u>1,088,475</u>	<u>2,055,046</u>
<b>26 FINANCE COST</b>			
Return on certificate of deposits		7,683,342	7,996,345
Return on clean borrowings		1,116,294	902,252
Return on borrowings under repurchase agreement (Repo)		27,149,651	41,493,513
		<u>35,949,287</u>	<u>50,392,110</u>
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits		16,043,016	15,736,158
Contribution to provident fund	32.8	525,225	689,503
Gratuity scheme expense	32.4	612,925	884,475
Rent, rates and taxes		2,255,148	2,149,974
Telephone, telex and fax		672,536	827,452
Electricity, water and gas		1,018,148	929,398
Printing, postage and stationery		711,608	673,996
Insurance		481,072	603,233
Fees and membership		1,528,748	1,690,984
Brokerage and commission		14,051	33,206
Central Depository Company charges		182,366	197,278
Auditors' remuneration	27.1	345,475	340,000
Legal and professional fees		917,700	898,577
Vehicle running and maintenance		1,245,928	1,075,573

	Notes	2011 Rupees	2010 Rupees
Repairs and maintenance		350,570	596,697
Advertisement		82,210	447,976
Travelling and entertainment		466,380	388,360
Depreciation	5	352,132	1,538,643
Bank charges		18,200	22,795
Old age benefit		101,220	83,370
Books, periodicals & newspapers		40,578	41,280
Other expenses		252,696	315,698
		<b>28,217,932</b>	<b>30,164,626</b>
<b>27.1 Auditors' remuneration</b>			
Statutory audit fee		325,000	325,000
Out of pocket expenses		20,475	15,000
		<b>345,475</b>	<b>340,000</b>
<b>28 TAXATION</b>			
Current			
- for the year	28.1	(616,476)	(648,420)
Deferred			
- opening balance		(18,204,884)	(11,145,043)
- closing balance		20,681,120	18,204,884
		<b>2,476,236</b>	<b>7,059,841</b>
		<b>1,859,760</b>	<b>6,411,421</b>

28.1 The Bank has incurred a taxable loss in the current financial year, hence no reconciliation is provided in the current financial statements.

As the bank has incurred a taxable loss in the current year, provision for taxation has been made u/s 113 of Income Tax Ordinance 2001 (minimum tax) at the tax rate of 1% on turnover.

Assessment of tax years 1998-99, 2000-01 and 2007 have been finalized and rectification applications have been filed on rectifiable issues in respect of above mentioned tax years, which is pending for disposal.

The declared results for tax year 2008 were modified under section 122(1) of the Income Tax Ordinance, 2001 and demand of Rs. 68 million was raised by the department, against which SIBL has preferred appeal before the Appellate Tribunal Inland Revenue (Appeals) and rectification application has also been filed on rectifiable issues. No provision has been made against this demand as the management is confident that the appeal will be decided in favour of the Bank.

The declared results for the tax year 2009, 2010 and 2011 are deemed to be assessed in terms of Section 120(1)(b) of Income Tax Ordinance 2001.



	Notes	2011 Rupees	2010 Rupees
<b>29 EARNINGS PER SHARE- BASIC AND DILUTED</b>			
<b>29.1 Basic</b>			
Profit after tax		2,562,276	9,806,346
Weighted average number of ordinary shares		51,433,558	51,433,558
Earnings per share		0.05	0.19
<b>29.2 Diluted</b>			
No figure for diluted earnings per share has been presented as Security Investment Bank Limited has not issued any instrument that would have an impact on its earnings exercised.			
<b>30 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
Cash and bank balances		13,243,835	6,727,743
Short term placements		-	45,000,000
		13,243,835	51,727,743
<b>31 STAFF STRENGTH</b>			
Number of employees at end of the year		27	27
<b>32 DEFINED BENEFIT PLAN</b>			
<b>32.1 General description</b>			
The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited (SIBL) at varying percentages of last drawn salary. The percentage depends on the number of service years with SIBL.			
Annual provision is based on actuarial valuation, which was carried out as at December 31, 2011 using the Projected Unit Credit Method.			
<b>32.2 Principal actuarial assumptions</b>			
Following principal actuarial assumptions were used for the valuation.			
Estimated rate of increase in salary of the employees		10.75%	12.00%
Discount rate		13.00%	14.25%
Return on plan assets		13.00%	14.25%
<b>32.3 Amount recognized in the balance sheet</b>			
Fair value of plan assets	32.3.1	3,531,479	2,527,985
Present value of defined benefit obligation	32.3.2	(4,772,052)	(3,474,958)
Funded status		(1,240,573)	(946,973)
Unrecognized net gain		627,648	62,498
(Liability) / asset		(612,925)	(884,475)

	Notes	2011 Rupees	2010 Rupees
<b>32.3.1 Movement in the fair value of plan assets</b>			
Present value of obligation at the beginning of the year		2,527,985	-
Expected return		392,615	134,909
Contributions		884,475	7,938,830
Benefits paid		-	(5,757,183)
Actuarial (loss) / gain		(273,596)	211,429
Fair value of plan assets at the end of the year		<u>3,531,479</u>	<u>2,527,985</u>
<b>32.3.2 Movement in the defined benefit obligation</b>			
Present value of obligation at the beginning of the year		3,474,958	7,813,993
Current service cost		506,847	390,462
Interest cost		495,182	640,271
Benefits paid		-	(5,757,183)
Actuarial loss		295,065	387,415
Present value of obligation at the end of the year		<u>4,772,052</u>	<u>3,474,958</u>
<b>32.4 Gratuity scheme expense recognized in the profit and loss account</b>			
Current service cost		506,847	390,462
Interest cost		495,182	640,271
Expected return on plan assets		(392,615)	(134,909)
Recognition of actuarial (gain) / loss		3,511	(11,349)
Net expense		<u>612,925</u>	<u>884,475</u>

The Bank amortizes actuarial gains and losses over the expected remaining services of current plan members.

### 32.5 Historical experience

The following table show obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and the proportion resulting from experience gain during the year.

Year	2011	2010	2009	2008	2007
.....(Rupees in '000).....					
Defined benefit obligation	4,772	3,475	7,814	7,273	5,635
Fair value of plan assets	(3,531)	(2,528)	-	-	-
Surplus	(1,241)	(947)	-	-	-
Loss on obligation ( % )	6%	11%	-13%	8%	8%
Gain on plan assets (%)	-8%	8%	-	-	-

32.6 Actual return on plan assets during the year was Rs.0.119 million (2010: 0.346 million).

32.7 Based on actuarial advice the Bank intends to charge an amount of approximately Rs.612,925 (2010 : Rs. 884,475) in the financial statements for the year ending December 31, 2011.

### 32.8 Defined contribution plan

An amount of Rs.525,225 (2010: Rs.689,503) has been charged during the year in respect of contributory provident fund maintained by the Bank.

## 33 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Director's meeting fees	-	-	230,000	170,000	-	-
Managerial remuneration	4,494,000	4,219,823	-	-	5,034,000	4,572,000
Bonus	-	165,000	-	-	419,500	381,000
Medical expenses	335,967	593,736	-	-	416,600	374,238
Provident fund	-	180,000	-	-	329,796	298,800
Other benefits	1,230,444	1,165,098	-	-	-	-
Reimbursable expenses	-	273,600	-	-	-	-
	<b>6,060,411</b>	<b>6,597,257</b>	<b>230,000</b>	<b>170,000</b>	<b>6,199,896</b>	<b>5,626,038</b>
Number of persons	<b>1</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>

In addition to above the Bank provides free use of Bank maintained cars to its Chief Executive and other Senior Executives.

## 34 LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Bank has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily cashable marketable securities. The maturity profile is monitored on regular basis at Assets and Liabilities Committee to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Bank's assets and liabilities.

**35 MATURITIES OF ASSETS AND LIABILITIES**

	<b>2011</b>			
	<b>Total</b>	<b>Within One Year</b>	<b>Over one year to five years</b>	<b>Over five years</b>
-----Rupees-----				
<b>Assets</b>				
Tangible fixed assets	1,192,020	-	-	1,192,020
Membership cards - Intangible	36,750,000	-	-	36,750,000
Long term Investment	150,982,900	-	-	150,982,900
Deferred tax asset	35,363,824	35,363,824	-	-
Short term financing	172,441,265	172,441,265	-	-
Short term placement	-	-	-	-
Short term investments	434,726,164	212,346,438	96,161,125	126,218,601
Loans and advances	79,533,141	79,533,141	-	-
Deposits, prepayments and other receivables	3,724,733	3,724,733	-	-
Accrued interest	12,145,492	12,145,492	-	-
Cash and bank balances	13,243,835	13,243,835	-	-
	<b>940,103,374</b>	<b>528,798,728</b>	<b>96,161,125</b>	<b>315,143,521</b>
<b>Liabilities</b>				
Borrowings	362,984,857	362,984,857	-	-
Short term deposits	109,848,615	109,848,615	-	-
Accrued expenses and other liabilities	14,319,828	14,319,828	-	-
	<b>487,153,300</b>	<b>487,153,300</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>452,950,074</b>	<b>41,645,428</b>	<b>96,161,125</b>	<b>315,143,521</b>
<b>Represented by:</b>				
Share capital	514,335,583			
Unappropriated loss	(156,078,323)			
Statutory reserves	142,123,865			
Deficit on revaluation of investments - net of tax	(47,431,051)			
	<b>452,950,074</b>			

	2010			
	Total	Within One Year	Over one year to five years	Over five years
-----Rupees-----				
<b>Assets</b>				
Tangible fixed assets	1,171,193	-	-	1,171,193
Membership cards - Intangible	36,750,000	-	-	36,750,000
Long Term Investment	151,062,052	-	-	151,062,052
Deferred tax asset	42,088,152	42,088,152.15	-	-
Short term financing	40,341,265	40,341,265	-	-
Short term placement	45,000,000	45,000,000	-	-
Short term investments	423,135,838	78,033,325	151,449,405	193,653,108
Loans and advances	75,134,754	75,134,754	-	-
Deposits, prepayments and other receivables	4,019,255	4,019,255	-	-
Accrued Interest	10,212,149	10,212,149	-	-
Cash and bank balances	6,727,743	6,727,743	-	-
	<b>835,642,401</b>	<b>301,556,643</b>	<b>151,449,405</b>	<b>382,636,353</b>
<b>Liabilities</b>				
Borrowings	257,678,086	257,678,086	-	-
Short term deposits	112,071,667	112,071,667	-	-
Accrued expenses and other liabilities	13,386,976	13,386,976	-	-
	<b>383,136,729</b>	<b>383,136,729</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>452,505,672</b>	<b>(81,580,086)</b>	<b>151,449,405</b>	<b>382,636,353</b>
<b>Represented by:</b>				
Share capital	514,335,583			
Unappropriated loss	(158,128,144)			
Statutory reserves	141,611,410			
Deficit on revaluation of investments - net of tax	(45,313,177)			
	<b>452,505,672</b>			

### 36 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 Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the credit worthiness of counter-parties.

Concentration of credit risk arises 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. Concentration of credit risk indicate the relative sensitivity of a Bank's performance to developments affecting a particular industry.

The Bank 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 and SBP. The operating policies define the extent of fund and non-fund based exposures with reference to a particular sector or group.

The Bank 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 Industry / sector analysis of finance portfolio is given below:

	2011		2010	
	Rupees	%	Rupees	%
<b>36.1 Finance</b>				
Cables and electric goods	166,350,000	96.47	34,250,000	84.90
Others	6,091,265	3.53	6,091,265	15.10
	<b>172,441,265</b>		<b>40,341,265</b>	<b>100.00</b>

### 36.2 Geographical Segment

These financial statements represent operations of the Bank in Pakistan only.

### 37 MARKET RISK

The bank's activities expose it to a variety of market risks ( in addition to liquidity and credit risks). Market risk with respect to the bank's activities include interest rate risk, currency risk and other price risk.

#### 37.1 Interest rate risk

Interest rate risk arises from the possibility when changes in interest rate affect the value of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Bank manages this risk by matching the repricing of assets and liabilities.

The Bank's exposure to interest rate risk on its financial assets and financial liabilities are summarized as follows:



31 December 2011					
Description	Total	Exposed to Interest Rate/ Yield Risk			Not Exposed to Interest Rate/ Yield Risk
		Within one year	More than one year and up to five years	above five years	
<b>Financial assets</b>					
Long term investment	100,000,000	-	-	-	100,000,000
Short term financing	172,441,265	172,441,265	-	-	-
Short term placement	-	-	-	-	-
Investment in TFCs	6,890,625	6,890,625	-	-	-
Short term investments in Quoted Shares	18,584,339	-	-	-	18,584,339
Investment in Government Securities	455,812,659	193,762,099	89,270,500	172,780,060	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	2,995,868	-	-	-	2,995,868
Accrued interest	12,145,492	-	-	-	12,145,492
Balances with banks and cash in hand	13,243,835	10,199,186	-	-	3,044,649
<b>Total</b>	<b>784,614,083</b>	<b>383,293,175</b>	<b>89,270,500</b>	<b>172,780,060</b>	<b>139,270,348</b>
<b>Financial liabilities</b>					
Deposits	109,848,615	109,848,615	-	-	-
Borrowings	362,984,857	362,984,857	-	-	-
Profit accrued on deposits and borrowings	4,898,927	-	-	-	4,898,927
Accrued and other liabilities	6,690,005	-	-	-	6,690,005
<b>Total</b>	<b>484,422,404</b>	<b>472,833,472</b>	-	-	<b>11,588,932</b>
Total interest rate sensitivity gap		(89,540,297)	89,270,500	172,780,060	127,681,416
Cumulative interest rate sensitivity gap		(89,540,297)	(269,797)	172,510,263	

31 December 2010					
Description	Total	Exposed to Interest Rate/ Yield Risk			Not Exposed to Interest Rate/ Yield Risk
		Within one year	More than one year and up to five years	above five years	
<b>Financial assets</b>					
Long term Investment	100,000,000	-	-	-	100,000,000
Short term financing	40,341,265	40,341,265	-	-	-
Short term Placements	45,000,000	45,000,000	-	-	-
Investment in Government Securities	387,372,210	-	142,657,050	244,715,160	-
Short term investments in TFC's	8,792,355	8,792,355	-	-	-
Short term investments in Quoted Shares	78,033,325	-	-	-	78,033,325
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	3,039,262	-	-	-	3,039,262
Accrued interest	10,212,149	-	-	-	10,212,149
Balance with bank and cash in hand	6,727,743	2,454,134	-	-	4,273,609
<b>Total</b>	<b>682,018,309</b>	<b>96,587,754</b>	<b>142,657,050</b>	<b>244,715,160</b>	<b>198,058,345</b>
<b>Financial liabilities</b>					
Deposit	112,071,667	112,071,667	-	-	-
Borrowings	257,678,086	257,678,086	-	-	-
Profit accrued on deposits and borrowings	7,714,104	-	-	-	7,714,104
Accrued and other liabilities	2,633,283	-	-	-	2,633,283
<b>Total</b>	<b>380,097,140</b>	<b>369,749,753</b>	-	-	<b>10,347,387</b>
Total interest rate sensitivity gap		(273,161,999)	142,657,050	244,715,160	187,710,958
Cumulative interest rate sensitivity gap		(273,161,999)	(130,504,949)	114,210,211	

Mark-up rates are mentioned in the respective notes to the accounts.

### 37.2 Equity price risk

The bank's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Bank manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the bank's senior management on a regular basis. The bank's Board of Directors reviews and approves all equity investment decisions.

### 37.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Bank is not exposed to currency risk arising from currency exposure as it is not involved in foreign currency transactions.

## 38 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Bank defines as net operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Bank is exposed to externally imposed capital requirements.

In accordance with the requirement of Non-Banking Finance Companies and Notified Entities Regulations 2008 (vide SRO No. 764(I)/ 2009 dated September 02, 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the Bank is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

## 39 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 values as reflected in the financial statements.

Notes	2011 Rupees	2010 Rupees
<b>40 Transactions with related parties</b>		
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 shareholders and their close family members, key management personnel and retirement benefit funds. The Bank 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 33 to the financial statements, are as follows;		
<b>Financing</b>		
Balance as at year end		
- Associated undertakings	88,841,265	12,841,265
- Others	83,600,000	27,500,000
Transactions during the year		
- Associated undertakings		
Financing provided	101,441,265	23,641,265
Financing matured	25,441,265	22,000,000
- Others		
Financing provided	1,107,700,000	61,375,000
Financing matured	1,051,600,000	41,275,000
<b>Return on financing</b>		
Transactions during the year		
- Associated undertakings	2,756,551	1,468,155
- Others	6,009,271	3,540,312
<b>Short term deposits</b>		
Balance as at year end		
- Subsidiary	89,659,412	86,699,058
- Associated undertakings	2,197,802	1,999,820
- Others	6,389,311	11,897,030
Transactions during the year		
- Subsidiary		
Certificate of deposits issued	1,064,135,278	1,037,035,426
Certificate of deposits matured	1,061,174,924	1,032,792,384
- Associated undertakings		
Certificate of deposits issued	2,197,802	1,999,820
Certificate of deposits matured	1,999,820	1,819,672

Notes	2011 Rupees	2010 Rupees
- Others		
Certificate of deposits issued	29,645,939	27,391,415
Certificate of deposits matured	35,153,658	30,974,296
<b>Return on deposits</b>		
Transactions during the year		
- Subsidiary	6,539,962	6,188,871
- Associated undertakings	238,715	217,211
- Others	603,440	1,113,043
<b>Guarantee issued</b>		
Balance as at year end		
- Associated undertakings	11,543,400	13,731,500
<b>Other transactions during the year</b>		
Contribution to staff provident fund	525,225	689,503
Contribution to staff gratuity fund	884,475	7,938,830
Sale of cars to directors	-	1,923,170

#### 41 Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors on 21 March 2012.

#### 42 Figures

42.1 Figures have been rounded off to the nearest rupee.

42.2 Comparative information has been re-classified or re-arranged, wherever necessary, for the purpose of better presentation. Following reclassifications were made during the year:

Reclassification from	Reclassification to	Amount
<b>Current assets</b>	<b>Non-current assets</b>	
Deposits prepayments and other receivables	Membership cards	750,000

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN



Cease Fire Abandoned



**SECURITY INVESTMENT BANK LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2011**



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## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed consolidated financial statements comprising the consolidated balance sheet of Security Investment Bank Limited ("the Parent Company") and its subsidiary company as at December 31, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, 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 expressed separate opinion on the financial statements of Security Investment Bank Limited and SIBL Exchange Company (Private) Limited.

It is the 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, 1954 (XI, VII of 1041. 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, 2011 and the results of their operations, comprehensive income, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

**AVAIS HYDER LIAQUAT NAUMAN**

Chartered Accountants

Karachi.

Dated: 21 March 2012

Engagement Partner: Adnan Zaman



# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2011



	Notes	2011 Rupees	2010 Rupees
<b>ASSETS</b>			
Property, plant and equipment	5	1,748,597	1,812,554
Intangible assets	6	36,750,000	36,814,168
Long term investments	7	50,982,900	51,062,052
Deferred tax asset	8	35,363,824	42,088,152
<b>CURRENT ASSETS</b>			
Short term financing	9	172,441,265	40,341,265
Short term placements	10	-	45,000,000
Short term investments	11	459,726,164	448,135,838
Loans and advances	12	79,523,626	74,715,947
Deposits, prepayments and other receivable	13	5,356,530	5,653,216
Accrued interest	14	12,145,492	10,212,149
Cash and bank balances	15	14,179,789	7,664,111
		<u>743,372,866</u>	<u>631,722,526</u>
		<u>868,218,187</u>	<u>763,499,452</u>
<b>Share capital and liabilities</b>			
<b>Capital and reserves</b>			
<b>Authorized capital</b>			
100,000,000 (2008: 100,000,000) ordinary shares of Rs.10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital	16	514,335,583	514,335,583
Unappropriated loss		(138,436,574)	(144,017,547)
Statutory reserve	17	142,123,865	141,611,410
		518,022,874	511,929,446
Deficit on revaluation of Investment	18	(47,431,051)	(45,313,177)
<b>CURRENT LIABILITIES</b>			
Borrowings	19	362,984,857	257,678,086
Short term deposits	20	20,189,203	25,372,609
Accrued and other liabilities	21	14,452,304	13,832,488
		397,626,364	296,883,183
Contingencies and commitments	22	-	-
		<u>868,218,187</u>	<u>763,499,452</u>

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

MUHAMMAD SALEEM RATHOD  
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD  
CHAIRMAN



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 Rupees	2010 Rupees
<b>Income</b>			
Return on financing and placements	23	9,915,851	5,991,623
Return on securities	24	48,144,643	59,521,858
Gain on sale of investments		8,415,870	19,974,708
Profit on deposit with banks		448,284	640,485
Other income	25	1,123,123	2,057,596
		<b>68,047,771</b>	<b>88,186,270</b>
<b>Expenditure</b>			
Finance cost	26	29,409,330	45,636,920
Administrative expenses	27	32,112,396	33,841,527
		<b>61,521,726</b>	<b>79,478,447</b>
<b>Profit / (loss) for the year before taxation</b>		<b>6,526,045</b>	<b>8,707,823</b>
<b>Taxation</b>	28	(432,617)	4,496,471
<b>Profit / (loss) after taxation</b>		<b>6,093,428</b>	<b>13,204,294</b>
<b>Basic earning per share</b>	29	<b>0.12</b>	<b>0.26</b>

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**



Notes	<b>2011</b> Rupees	<b>2010</b> Rupees
<b>Other comprehensive Income</b>		
Profit / (loss) after taxation	<b>6,093,428</b>	13,204,294
Other comprehensive income for the year - net of tax	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b>6,093,428</b>	13,204,294

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

**MUHAMMAD SALEEM RATHOD**  
 CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
 CHAIRMAN



## CONSOLIDATED CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2011

Notes	2011	2010
	Rupees	Rupees
<b>Cash flow from operating activities</b>		
Profit before tax	6,526,045	8,707,823
Adjustment for non cash and other items		
Depreciation	653,230	1,882,901
Amortization of software	64,168	70,000
(Gain) on disposal of shares	(8,415,870)	(19,974,708)
(Gain) on disposal of fixed assets	(4,999)	(547,258)
Provision for gratuity	612,925	884,475
	(7,090,546)	(17,684,590)
<b>Cash flows from operating activities before working capital changes</b>	(564,501)	(8,976,767)
<b>(Increase) / decrease in operating assets</b>		
(Increase) in financing and placements	(132,100,000)	(21,741,285)
Decrease / (increase) in loans and advances	39,957	(141,529)
Decrease in deposits and prepayments	296,686	1,022,106
(Increase) in accrued interest	(1,933,343)	(1,424,591)
	(133,696,700)	(22,285,299)
<b>Increase / (decrease) in operating liabilities</b>		
(Decrease) in deposits	(5,183,406)	(9,442,989)
Increase/(decrease) in borrowings	105,306,771	(110,389,981)
Increase/(decrease) in accrued and other liabilities	619,816	(2,492,888)
	100,743,181	(122,325,858)
<b>Net changes in operating assets and liabilities</b>	(33,518,020)	(153,587,924)
Income tax paid	(6,794,006)	(6,309,730)
Gratuity paid	(884,475)	(7,938,830)
Dividend paid	(37,143)	(121,608)
	(7,715,624)	(14,370,168)
<b>Net cash (used in) operating activities</b>	(41,233,644)	(167,958,092)
<b>Cash flow from investing activities</b>		
(Purchase)/sale of fixed assets - net	(584,274)	1,467,635
(Purchase)/sale of investments - net	50,561,950	185,713,525
(Purchase)/sale of securities	(47,228,354)	3,725,968
<b>Net cash generated from investing activities</b>	2,749,322	190,907,128
<b>Cash flow from financing activities</b>	-	-
Net (decrease)/increase in cash and cash equivalents	(38,484,322)	22,949,036
Cash and cash equivalents at the beginning of the year	52,664,111	29,715,075
Cash and cash equivalents at the end of the year	14,179,789	52,664,111

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The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**



	Share Capital (Note 16) Rupees	Statutory Reserve (Note 17) Rupees	Unappropriated Loss Rupees	Total Rupees
Balance as at January 01, 2010	514,335,583	139,650,141	(155,260,572)	498,725,152
Profit for the year	-	-	13,204,294	13,204,294
Other comprehensive loss for the year	-	-	-	-
Appropriations :				
Statutory reserve	-	1,961,269	(1,961,269)	-
<b>Balance as at December 31, 2010</b>	<b>514,335,583</b>	<b>141,611,410</b>	<b>(144,017,547)</b>	<b>511,929,446</b>
Profit for the year	-	-	6,093,428	6,093,428
Other comprehensive income for the year	-	-	-	-
Appropriation :				
Statutory reserve	-	512,455	(512,455)	-
<b>Balance as at December 31, 2011</b>	<b>514,335,583</b>	<b>142,123,865</b>	<b>(138,436,574)</b>	<b>518,022,874</b>

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

**MUHAMMAD SALEEM RATHOD**  
 CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
 CHAIRMAN



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. LEGAL STATUS AND OPERATION

Security Investment Bank Limited and its subsidiary company ("The Group") comprises of holding company Security Investment Bank Limited (SIBL) and a wholly owned subsidiary company SIBL Exchange Company (Pvt) Limited (SIBLE).

SIBL ("the company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 23 May 1991 and started its commercial operation on 31 December 1991. 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, Government of Pakistan).

SIBLE ("the Subsidiary") is a private limited company incorporated in Pakistan on December 16, 2004 under the Companies Ordinance, 1984. The Company has been formed to operate under the Foreign Exchange Regulation Act, 1947 as amended by SBP through Foreign Exchange circular # 9 dated July 30, 2002. The Registered Office of the subsidiary is situated at Shop No. 2, Al-Rahim Tower, I. I. Chundrigar Road, Karachi.

#### 1.1 BASIS OF CONSOLIDATION

The consolidated financial statements includes the financial statements of "Security Investment Bank Limited" and its wholly owned subsidiary "SIBL Exchange Company (Pvt) Limited".

The financial statements of subsidiary company have been consolidated on line by line basis and carrying value of investments held by the parent company is eliminated against the subsidiary's shareholders equity in the consolidated financial statements. All Intra-group balances, transactions and resulting profit / (losses) have been eliminated.

### 2. BASIS OF PERPARATION

#### 2.1 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 21 November 2007, Non-Banking Finance Companies and Notified Entities Regulations 2008 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.

The SECP has deferred the applicability of International Accounting Standards, IAS-39, 'Financial Instruments: Recognition and measurement' through Circular No. 19 dated August 13, 2003 to NBFCs providing investment finance services, discounting services and housing finance services. The SECP has also deferred the applicability of International Financial Reporting Standard, IFRS 7, 'Financial Instruments: Disclosures' through Circular No. 411(I)/2008 dated April 28, 2008 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements

## 2.2 Functional and Presentation Currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the company and rounded to the nearest Rupee.

## 2.3 Initial application of standards, amendments or an interpretation to existing standards

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements.

IFRS 1 - Amendments relating to oil and gas assets and determining whether an arrangement contain a lease.

IFRS 1 - Limited exemption from comparative IFRS 7 disclosure for first time adopters.

IFRS 3 - Business Combinations - Amendment resulting from improvement to IFRSs.

IAS 1 - Presentation of Financial Statements- Amendments resulting from improvements to IFRSs.

IAS 7 - Statement of Cash Flows - Amendments resulting from improvement to IFRSs.

IAS 27 - Consolidated and Separate Financial Statements - Amendments resulting from improvements to IFRSs.

IAS 32 - Financial Instruments : Presentation - Amendments relating to Classification of Rights Issues.

IAS 36 - Impairment of Assets - Amendments resulting from improvements to IFRSs.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments.

## 2.4 Accounting standards or an interpretations not yet effective

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

IFRS 9 - Financial Instruments	effective from accounting period beginning on or after 01 January 2013
IFRS 10 - Consolidated Financial Statements	effective from accounting period beginning on or after 01 January 2013
IFRS 11 - Joint Arrangements	effective from accounting period beginning on or after 01 January 2013
IFRS 12 - Disclosure of Interest in other entities	effective from accounting period beginning on or after 01 January 2013
IFRS 13 - Fair Value Measurement	effective from accounting period beginning on or after 01 January 2013
IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented.	effective from accounting period beginning on or after 01 July 2012
IAS 12 - Income Taxes - Recovery of underlying assets.	effective from accounting period beginning on or after 01 January 2012
IAS 19 Employee Benefits - Amended standard resulting from the Post Employment Benefits and Termination Benefits projects.	effective from accounting period beginning on or after 01 January 2013
IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011).	effective from accounting period beginning on or after 01 January 2013
IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	effective from accounting period beginning on or after 01 January 2013

The above standards, amendments and interpretations are either not relevant to Group's operations or are not expected to have significant impact on the Group's financial statements other than certain increased disclosures.

## **2.5 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates, underlying assumptions 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 group'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 ( note 5)
- (b) classification of investments (note 7 and 11)
- (c) recognition of taxation and deferred tax (note 8 and 28) and
- (d) accounting for post employment benefits (note 32)

## **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 in accordance with the rate specified in note 5 to these financial statements, 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 Intangible assets**

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 Deferred cost**

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



#### 4.4 Impairment

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### 4.5 Investments

##### Held-to-maturity

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

##### Available-for-sale

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes 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 requirements of circulars issued by State Bank of Pakistan. In case of available for sale investments, 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 and are accounted for as follows:

##### Repurchase agreements

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 treated as mark-up on borrowings from institutions and accrued as expense over the life of the repo agreement.

##### Reverse repurchase agreements

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

##### **4.8.2 Defined benefit plan**

The Group operates an Unfunded Gratuity for its permanent employees of SIBL 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 32.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous accounting period exceed ten percent of the higher of defined benefit obligation and fair value of the planned assets at that date. These gains or losses are recognized over the expected average working lives of the employees participating in the plan.

#### **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 group 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 group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. 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 Cash and Cash equivalents**

Cash and Cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit account and short term clean placements.

#### **4.13 Provisions**

Provisions are recognized when the group has legal or constructive obligation as a result of past events and it is probable that an outflow or resources will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

#### **4.14 Revenue**

Income on financing, placement, government securities, profit on deposits and term finance certificates are 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 when the right to receive payment is established.

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.

#### **4.15 Finance cost**

Finance cost includes return on deposits and borrowings that are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

#### **4.16 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 1% 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.

#### **4.17 Related party transactions**

The company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

#### 4.18 Foreign currencies

Assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing on the balance sheet date.

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

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

#### 4.19 Provision for doubtful debts on financing

Provision is made against doubtful receivable in pursuance of Securities & Exchange Commission of Pakistan's NBFC and Notified Entities Regulations 2008.

#### 4.20 Dividend distributions and appropriations

Dividend distributions and appropriations other than statutory appropriations are recorded in the period in which they are approved.

### 5. PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	Cost				Rate	Depreciation			Written down value as at December 31, 2011	
	As at January 01, 2011	Additions	Deletions	As at December 31, 2011		As at January 01, 2011	Charge for the year	Adjustment		
										As at December 31, 2011
Computers and equipments	5,062,376	447,206	-	5,509,582	20%	4,160,269	454,781	-	4,615,050	894,532
Furniture and fixtures	3,658,836	33,000	-	3,691,836	10%	3,244,387	74,144	-	3,318,531	373,305
Generator	963,469	-	(77,148)	886,321	10%	625,384	46,631	(77,147)	594,868	291,453
Sign board	203,800	59,068	-	262,868	10%	176,242	5,974	-	182,216	80,652
Telephone system	236,496	-	-	236,496	10%	173,065	17,058	-	190,123	46,373
Vehicles	4,908,621	50,000	-	4,958,621	20%	4,841,697	54,642	-	4,896,339	62,282
<b>Rupees 2010</b>	<b>15,033,598</b>	<b>589,274</b>	<b>(77,148)</b>	<b>15,545,724</b>		<b>13,221,044</b>	<b>653,230</b>	<b>(77,147)</b>	<b>13,797,127</b>	<b>1,748,597</b>

PARTICULARS	Cost				Rate	Depreciation			Written down value as at December 31, 2010	
	As at January 01, 2010	Additions	Deletions	As at December 31, 2010		As at January 01, 2010	Charge for the year	Adjustment		
										As at December 31, 2010
Computers and equipments	4,922,656	456,685	(316,965)	5,062,376	20%	4,039,188	424,242	(303,161)	4,160,269	902,107
Furniture and fixtures	3,643,286	15,550	-	3,658,836	10%	3,172,558	71,829	-	3,244,387	414,449
Generator	963,469	-	-	963,469	10%	571,039	54,345	-	625,384	338,085
Sign board	203,800	-	-	203,800	10%	170,762	5,480	-	176,242	27,558
Telephone system	236,496	-	-	236,496	10%	154,995	18,070	-	173,065	63,431
Vehicles	9,861,586	-	(4,952,965)	4,908,621	20%	7,106,918	1,308,935	(3,574,156)	4,841,697	66,924
<b>Rupees 2009</b>	<b>19,831,293</b>	<b>472,235</b>	<b>(5,269,930)</b>	<b>15,033,598</b>		<b>15,215,460</b>	<b>1,882,901</b>	<b>(3,877,317)</b>	<b>13,221,044</b>	<b>1,812,554</b>

5.1 Cost and accumulated depreciation at the end of the year include Rs. 11,466,634/- (2010 : Rs.9,721,958/) 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
Generator	77,148	77,147	1	5,000	(4,999)	Rahil Generator Service Centre	Negotiation
<b>Rupees 2011</b>	<b>77,148</b>	<b>77,147</b>	<b>1</b>	<b>5,000</b>	<b>(4,999)</b>		

	Notes	2011 Rupees	2010 Rupees
<b>6 INTANGIBLE ASSETS</b>			
Corporate membership of Karachi Stock Exchange		<b>36,000,000</b>	36,000,000
Corporate membership of Pakistan Mercantile Exchange Ltd		<b>750,000</b>	750,000
Computer software less amortization		-	64,168
		<b>36,750,000</b>	36,814,168
<b>7 LONG TERM INVESTMENTS</b>			
Pakistan Investment Bonds - Held to maturity	7.1	<b>50,982,900</b>	51,062,052
<b>7.1 Pakistan Investment Bonds</b>			
Cost		<b>51,062,052</b>	51,141,204
Less : Amortization		<b>(79,152)</b>	(79,152)
		<b>50,982,900</b>	51,062,052
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.50,000,000/- (2010: Rs.50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2010 : 10%). Their period to maturity is twelve and a half years.</p>			
<b>8 DEFERRED TAX ASSET</b>			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		<b>14,682,704</b>	23,883,268
Accelerated depreciation		<b>98,809</b>	309,019
Tax losses		<b>20,582,311</b>	17,895,865
		<b>35,363,824</b>	42,088,152
<b>8.1 Movement in deferred tax asset</b>			
Opening Balance		<b>42,088,152</b>	30,531,856
Provision during the year		<b>(6,724,328)</b>	11,556,296
Closing Balance		<b>35,363,824</b>	42,088,152
<b>8.2</b>	<p>The Company has an aggregate amount of Rs. 58.807 million (2010: Rs. 51.131 million) in respect of unabsorbed tax losses as at December 31, 2011 on which the management has recognized deferred tax asset of Rs. 20.582 million (2010: Rs. 17.896 million). The management of the Company believes that based on the projections of future taxable profit it would be able to realize these tax losses in the future.</p>		
<b>9 SHORT TERM FINANCING</b>			
<b>Secured and considered good</b>			
Associated companies	9.1	<b>88,841,265</b>	12,841,265
Others	9.2	<b>83,600,000</b>	27,500,000
		<b>172,441,265</b>	40,341,265

	Notes	2011 Rupees	2010 Rupees
9.1	These are secured by hypothecation or a charge on assets of customers, certificates of deposits and pledge of shares. The mark-up rate is 16% per annum (2010: 16% per annum).		
9.2	These are secured by demand promissory notes, hypothecation or a charge on assets of customers and certificates of deposits. The mark-up rate is 16% per annum (2010: 16% per annum).		

## 10 SHORT TERM PLACEMENTS - CONSIDERED GOOD

Placement with financial Institution-unsecured	-	45,000,000
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## 11 SHORT TERM INVESTMENTS

### Available for Sale

Pakistan Investment Bonds	11.1	359,251,200	336,310,158
Term Finance Certificates	11.2	6,890,625	8,792,355
Quoted shares	11.3	18,584,339	78,033,325
Treasury bills	11.4	75,000,000	25,000,000
		<u>459,726,164</u>	<u>448,135,838</u>

### 11.1 Securities given as collateral under repurchase agreements.

Note	2011			2010			
	Held by SIBL	Repo	Total	Held by SIBL	Repo	Total	
	Rupees.....						
Pakistan Investment Bonds	11.1.1	43,587,750	315,663,450	359,251,200	83,640,873	252,669,285	336,310,158
Term Finance Certificates	11.2	6,890,625	-	6,890,625	8,792,355	-	8,792,355
Quoted Shares	11.3	18,584,339	-	18,584,339	78,033,325	-	78,033,325
Market Treasury Bills	11.4	25,000,000	50,000,000	75,000,000	25,000,000	-	25,000,000

**11.1.1** This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having face value of Rs.400,000,000 (2010: Rs.400,000,000) with income receivable semi annually. Period to maturity of these investments range from two months to twelve years and six months and carry mark-up at rates (coupon rate) ranging from 9% to 11% per annum (2010: 9% to 11% per annum). PIBs having market value of Rs. 315.663 million ( 2010: Rs. 252.669 million ) are held as security under repurchase transactions by other financial institution.

### 11.2 Particulars of listed Term Finance Certificates (TFC) :

Issuer of TFC	No. of Certificates	2011		2010			
		Cost	Market Value	Cost	Market value		
		Rupees					
TeleCard Limited	11.2.1	5,000	5,000	9,187,500	6,890,625	9,187,500	8,792,355
				<u>9,187,500</u>	<u>6,890,625</u>	<u>9,187,500</u>	<u>8,792,355</u>

### 11.2.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
TeleCard Limited	5,000	3.75% over 6 months KIBOR.	Semi-annually	Eight years from May 2005.
Valuation of certificates				
Initial value of certificate	5,000			
Redemption upto 31 December 2011	3,162			
Balance as at 31 December 2011	1,838			

### 11.3 Quoted Shares

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

No. of ordinary shares, certificates / units			Cost		Market	
			2011	2010	Value	Value
<b>-----Rupees-----</b>						
<b>Modarbas / Mutual funds</b>						
500	500	Long Term Venture Modarba	225	225	225	225
4,500	4,500	PICIC Growth Fund	64,170	56,070	64,170	59,625
69,627	69,627	JS Growth Fund (formerly UTP growth fund)	343,957	327,247	343,957	386,430
<b>Leasing</b>						
42,370	42,370	Saudi Pak Leasing Company Limited	59,742	20,338	59,742	23,303
<b>Investment banks / Cos. / Banks</b>						
46,874	46,874	Arif Habid Limited	2,361,689	664,673	2,361,689	1,219,193
811,015	737,287	Askari Bank Limited	16,773,412	8,134,608	16,773,284	13,042,608
3,825	3,825	Bank Alfalah Limited	52,670	43,031	52,670	42,878
214,700	214,700	Bank of Punjab	4,186,650	1,161,527	4,186,650	2,106,207
25,000	20,000	National Bank of Pakistan	1,189,797	1,026,250	1,189,797	1,536,400
1,644	1,644	First National Equities Limited	21,684	4,472	21,684	14,467
2,270	2,270	Jahangir Siddiqui & Company Limited	68,259	9,148	68,259	24,743
<b>Synthetic and Rayon</b>						
-	18,750	Pakistan Synthetics Limited	-	-	164,063	170,625
<b>Cement</b>						
150,000	150,000	D. G. Khan Cement Company Limited	4,884,000	2,854,500	4,884,000	4,525,500
53,800	53,800	Maple Leaf Cement Limited	212,980	130,850	212,980	168,986
<b>Fuel and energy</b>						
-	60,000	Attock Refinery Limited	-	-	8,275,800	7,480,800
-	89,000	Pakistan Oilfields Limited	-	-	20,538,530	26,340,441
<b>Automobiles and Transport</b>						
45,000	45,000	Pakistan International Airlines Corporation	117,450	88,650	117,450	101,700
<b>Technology and Communication</b>						
-	549,000	Pakistan Telecommunication Co. Ltd.	-	-	9,689,334	10,661,580
<b>Sugar &amp; Allied Industries</b>						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
<b>Textile Composite</b>						
100,000	157,381	Nishat Mills Limited	6,062,076	4,045,000	9,540,556	10,099,139
<b>Miscellaneous</b>						
7,500	7,500	Pace Pakistan Limited	43,875	9,750	43,875	20,475
			<b>36,450,636</b>	<b>18,584,339</b>	<b>78,596,715</b>	<b>78,033,325</b>

	Notes	2011 Rupees	2010 Rupees
<b>11.4 Market Treasury Bills</b>			
These carry markup at the rate ranging between 11.85% to 13.58% (2010: 12.27%) per annum and have terms of maturity from 12 days to One year.			
<b>12 LOANS AND ADVANCES</b>			
<b>Advances -considered good</b>			
For expenses		444,397	484,354
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		76,579,229	71,731,593
		<u>79,523,626</u>	<u>74,715,947</u>
<b>13 DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES</b>			
Security		1,443,788	1,443,788
KSE exposure limits		1,521,964	1,465,481
Prepayments		736,052	989,344
Other receivables -considered good		1,654,726	1,754,603
		<u>5,356,530</u>	<u>5,653,216</u>
<b>14 ACCRUED INTEREST</b>			
Income receivable	14.1	11,965,238	10,021,339
Accrued profit on PLS deposits		180,254	190,810
		<u>12,145,492</u>	<u>10,212,149</u>
<b>14.1 INCOME RECEIVABLE</b>			
Considered Good			
Not due	14.1.1	<u>11,965,238</u>	<u>10,021,339</u>
<b>14.1.1</b>	This represents income on financing, placements and government securities not matured / due on December 31, 2011.		
<b>15 CASH AND BANK BALANCES</b>			
<b>With State Bank of Pakistan in</b>			
Current account		518,898	793,992
<b>With other banks in</b>			
Current accounts		3,202,412	4,308,604
Deposit accounts	15.1	10,199,186	2,454,134
		13,401,598	6,762,738
Cash in hand		259,293	107,381
		<u>14,179,789</u>	<u>7,664,111</u>
<b>15.1</b>	Rate of return on these deposits accounts range from 5% to 6.50% per annum (2010 : 5% to 6.47% per annum).		



		Notes	2011	2010
			Rupees	Rupees
<b>16</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
	<b>Number of shares</b>			
	<b>2011</b>	<b>2010</b>		
	<b>235,520,000</b>	235,520,000	<b>235,520,000</b>	235,520,000
	<b>278,815,583</b>	278,815,583	<b>278,815,583</b>	278,815,583
	<b>514,335,583</b>	514,335,583	<b>514,335,583</b>	514,335,583
		Ordinary shares of Rs. 10/- each fully paid in cash		
		Ordinary shares of Rs. 10/- each issued as fully paid bonus		
<b>17</b>	<b>RESERVES</b>			
	Capital Reserves			
	Statutory reserves	17.1	<b>142,123,865</b>	141,611,410
	17.1	This reserve is created @ 20% of profit for the year from ordinary activities after taxation in compliance with Regulation No.16 of Part I of Chapter II of SECP's NBFCs and Notified Entities Regulations 2008.		
<b>18</b>	<b>(DEFICIT) ON REVALUATION OF INVESTMENTS - NET OF DEFERRED TAX</b>			
	Government securities		<b>(41,950,583)</b>	(68,237,909)
	Term Finance Certificates		<b>(2,296,875)</b>	(395,145)
			<b>(44,247,458)</b>	(68,633,054)
	Related deferred tax asset		<b>14,682,704</b>	23,883,268
			<b>(29,564,754)</b>	(44,749,786)
	Quoted shares		<b>(17,866,297)</b>	(563,391)
			<b>(47,431,051)</b>	(45,313,177)
<b>19</b>	<b>BORROWINGS</b>			
	Financial institutions- secured	19.1	<b>352,935,341</b>	250,047,600
	Related party - unsecured			
	SIBL Provident fund	19.2	<b>6,550,891</b>	5,201,193
	SIBL Gratuity fund	19.3	<b>3,498,625</b>	2,429,293
			<b>362,984,857</b>	257,678,086
	19.1	This represents amount borrowed from financial institutions at mark-up rates of 12.50% per annum (2010: 13.50% per annum) and having maturity on or before January 16, 2012. These are secured against Pakistan Investment Bonds and Market Treasury Bills.		
	19.2	These carry mark-up of 12.50% per annum (2010: 13% per annum) and having maturity on or before January 26, 2012.		
	19.3	These carry mark-up of 12.50% per annum (2010: 13% per annum) and having maturity on or before January 26, 2012.		

	Notes	2011 Rupees	2010 Rupees
<b>20 SHORT TERM DEPOSITS</b>			
<b>From individuals</b>		<b>11,602,090</b>	11,475,759
<b>From related parties</b>			
Associated undertaking		2,197,802	-
Others		6,389,311	13,896,850
	<b>20.1</b>	<b>20,189,203</b>	<b>25,372,609</b>

**20.1** This represents Certificate of Deposits with maturity ranging from three months to twelve months. The expected rate of return on these deposits range from 9% to 11% per annum (2010 : 9% to 11% per annum) payable quarterly, semi annually or on maturity.

## 21 ACCRUED AND OTHER LIABILITIES

### Accrued expenses

Return on borrowing From related party- unsecured		20,650	124,127
Return on deposits from			
- individuals		572,753	399,847
- related party		601,006	559,257
		1,173,759	959,104
Return on borrowing from financial institutions- secured		3,704,518	6,288,829
		4,898,927	7,372,060

### Other liabilities

Unclaimed dividend		2,117,971	2,155,114
Others			
- related party		63,865	124,835
- others		2,027,242	3,296,004
- Disount on T-Bill (unsecured income)		4,731,374	-
		6,822,481	3,420,839
Payable to employee gratuity fund	32.3	612,925	884,475
		14,452,304	13,832,488

## 22 CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

Guarantees issued on behalf of customer:

- Associated undertaking		11,543,400	10,699,813
- Others		57,503,000	63,919,000

### 22.2 Commitments

There were no commitments at the balance sheet date

	Notes	2011 Rupees	2010 Rupees
<b>23</b>	<b>RETURN ON FINANCING AND PLACEMENTS</b>		
	<b>Financing</b>		
	Demand finance	8,765,822	5,008,467
	<b>Placements</b>		
	With financial Institution - unsecured	1,150,029	983,156
		<u>9,915,851</u>	<u>5,991,623</u>
<b>24</b>	<b>RETURN ON SECURITIES</b>		
	Return on government securities	45,471,937	45,914,843
	Return on TFCs	1,565,251	1,786,380
		47,037,188	47,701,223
	Gain on sale of government securities	58,450	49,400
	Dividend income	1,049,005	11,771,235
		<u>48,144,643</u>	<u>59,521,858</u>
<b>25</b>	<b>OTHER INCOME</b>		
	Gain on sale of fixed assets	4,999	547,258
	Commission	733,116	710,422
	Miscellaneous	385,008	799,916
		<u>1,123,123</u>	<u>2,057,596</u>
<b>26</b>	<b>FINANCIAL COST</b>		
	Return on certificate of deposits	1,143,385	3,241,155
	Return on clean borrowings	1,116,294	902,252
	Return on borrowings under repurchase agreement ( Repo )	27,149,651	41,493,513
		<u>29,409,330</u>	<u>45,636,920</u>
<b>27</b>	<b>ADMINISTRATIVE AND OPERATING EXPENSES</b>		
	Salaries, wages and other benefits	17,413,251	17,140,042
	Contribution to provident fund	525,225	689,503
	Gratuity scheme expenses	612,925	884,475
	Rent, rates and taxes	2,255,148	2,149,974
	Telephone, telex and fax	992,065	1,139,148
	Electricity, water and gas	1,244,523	1,108,848
	Printing, postage and stationery	754,544	673,996
	Insurance	499,736	664,598
	Fees and membership	1,534,748	1,703,984
	Brokerage and commission	14,051	33,206

	Notes	2011 Rupees	2010 Rupees
Central Depository Company charges		182,366	197,278
Auditors' remuneration	27.1	470,475	458,750
Legal and professional fees		928,500	912,977
Vehicle running and maintenance		1,658,338	1,413,870
Repairs and maintenance		643,087	762,194
Advertisement		82,210	641,838
Travelling and entertainment		602,645	523,570
Depreciation	5	653,230	1,882,901
Amortization of deferred cost		64,168	70,000
Bank charges		18,346	22,795
Old age benefit		101,220	83,370
Books, periodicals & newspapers		40,578	41,280
Other expenses		821,017	642,930
		<b>32,112,396</b>	<b>33,841,527</b>
<b>27.1 Auditors' remuneration</b>			
Statutory audit fee		450,000	443,750
Out of pocket		20,475	15,000
		<b>470,475</b>	<b>458,750</b>
<b>28 PROVISION FOR TAXATION</b>			
Current			
- for the year	28.1	(2,908,853)	(2,563,370)
Deferred			
- opening balance		(18,204,884)	(11,145,043)
- closing balance		20,681,120	18,204,884
		<b>2,476,236</b>	<b>7,059,841</b>
		<b>(432,617)</b>	<b>4,496,471</b>
28.1	The Group has incurred a taxable loss in the current financial year, hence no reconciliation is provided in the current financial statements.		
	As the group has incurred a taxable loss in the current year, provision for taxation has been made u/s 113 of Income Tax Ordinance 2001 (minimum tax) at the rate of 1% on turnover.		
	Assessment of tax years 1998-99, 2000-01 and 2007 have been finalized and rectification applications have been filed on rectifiable issues in respect of above mentioned tax years, which is pending for disposal.		

Notes

2011

2010

Rupees

Rupees

The declared results for tax year 2008 were modified under section 122(1) of the Income Tax Ordinance, 2001 and demand of Rs. 68 million was raised by the department, against which SIBL has preferred appeal before the Appellate Tribunal Inland Revenue and rectification application has also been filed on rectifiable issues. No provision has been made against this demand as the management is confident that the appeal will be decided in favor of SIBL.

The declared results for the tax year 2009, 2010 & 2011 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>6,093,428</u>	<u>13,204,294</u>
Weighted average number of ordinary shares	<u>51,433,558</u>	<u>51,433,558</u>
Earnings per share	<u>0.12</u>	<u>0.26</u>

### 29.2 Diluted

No figure for diluted earnings per share has been presented as the group has not issued any instrument which would have an impact on its earnings exercised.

## 30 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and bank balances	14,179,789	7,664,111
Short term placements	-	45,000,000
	<u>14,179,789</u>	<u>52,664,111</u>

## 31 STAFF STRENGTH

Number of employees at end of the year	<u>33</u>	<u>33</u>
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## 32 DEFINED BENEFIT PLAN

### 32.1 General description

The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited at varying percentages of last drawn salary. The percentage depends on the number of service years with SIBL.

Annual provision is based on actuarial valuation, which was carried out as at December 31, 2011 using the Projected Unit Credit Method.

### 32.2 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation.

Estimated rate of increase in salary of the employees	<u>10.75%</u>	<u>12.00%</u>
Discount rate	<u>13.00%</u>	<u>14.25%</u>
Return on Plan Assets	<u>13.00%</u>	<u>14.25%</u>

	Notes	2011 Rupees	2010 Rupees
<b>32.3</b>	<b>Amount recognized in the balance sheet</b>		
	Fair value of plan assets 32.3.1	3,531,479	2,527,985
	Present value of defined benefit obligation 32.3.2	<u>(4,772,052)</u>	<u>(3,474,958)</u>
	Funded status	(1,240,573)	(946,973)
	Unrecognized net gain (Loss)	<u>627,648</u>	<u>62,498</u>
	(Liability) / Asset	<u><u>(612,925)</u></u>	<u><u>(884,475)</u></u>
<b>32.3.1</b>	<b>Movement in the fair value of plan assets</b>		
	Fair value at beginning of year	2,527,985	-
	Expected return	392,615	134,909
	Contributions	884,475	7,938,830
	Benefits paid	-	(5,757,183)
	Actuarial (loss) / gain	<u>(273,596)</u>	<u>211,429</u>
	Fair value of plan assets at the end of the year	<u><u>3,531,479</u></u>	<u><u>2,527,985</u></u>
<b>32.3.2</b>	<b>Movement in the defined benefit obligation</b>		
	Present value of obligation at the beginning of the year	3,474,958	7,813,993
	Service cost	506,847	390,462
	Interest cost	495,182	640,271
	Benefits paid	-	(5,757,183)
	Actuarial loss (gain)	<u>295,065</u>	<u>387,415</u>
	Present value of obligation at the end of the year	<u><u>4,772,052</u></u>	<u><u>3,474,958</u></u>
<b>32.4</b>	<b>Gratuity scheme expense / (income) recognized in the profit and loss account</b>		
	Service cost	506,847	390,462
	Interest cost	495,182	640,271
	Expected return on plan assets	<u>(392,615)</u>	<u>(134,909)</u>
	Recognition of actuarial (gain) / loss	<u>3,511</u>	<u>(11,349)</u>
	Net expense	<u><u>612,925</u></u>	<u><u>884,475</u></u>

The group amortises actuarial gains and losses over the expected remaining services of current plan members.

### 32.5 Historical experience

The following table show obligation at that end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and the proportion resulting from experience gain during the year.

Year	2011	2010	2009	2008
	.....(Rupees in '000).....			
Defined benefit obligation	4,772	3,475	7,814	7,273
Fair value of plan assets	(3,531)	(2,528)	-	-
Deficit	(1,241)	947	-	-
Loss on obligation ( % )	6%	11%	-13%	8%
Gain on plan assets ( % )	-8%	8%	-	-

32.6 Actual return on plan assets during the year was Rs.0.119 million (2010: 0.346 million ).

32.7 Based on actuarial advice the Bank has charged an amount of Rs.612,925 (2010: Rs.884,475 ) in the financial statements for the year ended December 31, 2011.

### 32.8 Defined contribution plan

An amount of Rs.525,255 (2010: Rs.689,503) has been charged during the year in respect of contributory provident fund maintained by the Bank.

## 33 REMUNERATION OF CHIEF EXECUTIVES AND DIRECTORS

	Chief Executives		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Director's meeting fees	-	-	230,000	170,000	-	-
Managerial remuneration	5,118,000	4,843,823	-	-	5,034,000	4,572,000
Bonus	-	165,000	-	-	419,500	381,000
Medical expenses	335,967	593,736	-	-	416,600	374,238
Provident fund	-	180,000	-	-	329,796	298,800
Other benefits	1,230,444	1,165,098	-	-	-	-
Reimbursable expenses	-	273,600	-	-	-	-
	<b>6,684,411</b>	<b>7,221,257</b>	<b>230,000</b>	<b>170,000</b>	<b>6,199,896</b>	<b>5,626,038</b>
Number of persons	<b>2</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>

In addition to above the company provides free use of company maintained cars to its Chief Executive and other Senior Executives.

## 34 SEGMENT INFORMATION

The group's activities are broadly categorized into two primary business segments namely Investment Banking activities and Exchange Company activities within Pakistan.

### Investment Banking Activities

Investment Banking Activities includes all those activities carried out by SIBL.

### Exchange Companies Activities

Exchange Companies Activities includes all those activities carried out by SIBL Exchange Company (Pvt) Limited

	<b>December 31, 2011</b>		
	<b>Investment Banking Activities</b>	<b>Exchange Company Activities</b>	<b>Total</b>
	-----Rupees-----		
Return on financing and placements	9,915,851	-	9,915,851
Return on securities	45,001,255	3,143,388	48,144,643
Gain on sale of investments	8,415,870	-	8,415,870
Profit on deposits with banks	448,284	-	448,284
Other income	1,088,475	34,648	1,123,123
<b>Total income for reportable</b>	<b>64,869,735</b>	<b>3,178,036</b>	<b>68,047,771</b>
Financial cost	29,409,330	-	29,409,330
Administrative and Operating	28,217,932	3,894,465	32,112,397
<b>Segment result</b>	<b>7,242,473</b>	<b>(716,429)</b>	<b>6,526,044</b>
Impairment on equity securities	-	-	-
<b>Profit before taxation</b>	<b>7,242,473</b>	<b>(716,429)</b>	<b>6,526,044</b>
<b>Segment Assets</b>	840,103,374	28,114,813	868,218,187
<b>Segment Liabilities and Equity</b>	850,443,962	17,774,225	868,218,187

	<b>December 31, 2010</b>		
	<b>Investment Banking Activities</b>	<b>Exchange Company Activities</b>	<b>Total</b>
	-----Rupees-----		
Return on financing and placements	5,991,623	-	5,991,623
Return on securities	55,289,799	4,232,059	59,521,858
Gain on sale of investments	19,974,708	-	19,974,708
Profit on deposits with banks	640,485	-	640,485
Other income	2,055,046	2,550	2,057,596
<b>Total income for reportable</b>	<b>83,951,661</b>	<b>4,234,609</b>	<b>88,186,270</b>
Return on deposits and borrowings	45,636,920	-	45,636,920
Administrative and Operating	30,164,626	3,676,901	33,841,527
<b>Segment result</b>	<b>8,150,115</b>	<b>557,708</b>	<b>8,707,823</b>
Impairment on equity securities	-	-	-
<b>Loss before taxation</b>	<b>8,150,115</b>	<b>557,708</b>	<b>8,707,823</b>
<b>Segment Assets</b>	734,646,876	28,852,576	763,499,452
<b>Segment Liabilities and Equity</b>	749,388,855	14,110,597	763,499,452

### 35 LIQUIDITY RISK

Liquidity Risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily cashable marketable securities. The maturity profile is monitored on regular basis at Assets and Liabilities Committee to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's assets and liabilities.



### 36 MATURITIES OF ASSETS AND LIABILITIES

Assets	2011			
	Total	Within One Year	Over one year to five years	Over five years
	Rupees			
Tangible fixed assets	1,748,597	-	-	1,748,597
Membership card	36,750,000	-	-	36,750,000
Long term Investment	50,982,900	-	-	50,982,900
Deferred tax asset	35,363,824	35,363,824	-	-
Short term financing	172,441,265	172,441,265	-	-
Short term placements	-	-	-	-
Short term investments	459,726,164	237,346,438	96,161,125	126,218,601
Loans and advances	79,523,626	79,523,626	-	-
Deposits and prepayments	5,356,530	5,356,530	-	-
Accrued interest	12,145,492	12,145,492	-	-
Cash and bank balances	14,179,789	14,179,789	-	-
	<b>868,218,187</b>	<b>556,356,964</b>	<b>96,161,125</b>	<b>215,700,098</b>
<b>Liabilities</b>				
Deferred liabilities	-	-	-	-
Borrowings	362,984,857	362,984,857	-	-
Short term deposits	20,189,203	20,189,203	-	-
Accrued expenses and other liabilities	14,452,304	14,452,304	-	-
	<b>397,626,364</b>	<b>397,626,364</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>470,591,823</b>	158,730,600	96,161,125	215,700,098
<b>Represented by:</b>				
Share capital & Reserves	514,335,583			
Unappropriated loss	(138,436,574)			
Statutory reserve	142,123,865			
Deficit on revaluation of Investment	(47,431,051)			
	<b>470,591,823</b>			

Assets	2010			
	Total	Within One	Over one	Over five years
		Year	year to five	
Rupees				
Tangible fixed assets	1,812,554	-	-	1,812,554
Membership card - Intangible	36,814,168	-	-	36,814,168
Long Term Investment	51,062,052	-	-	51,062,052
Deferred tax asset	42,088,152	42,088,152	-	-
Short term financing	40,341,265	40,341,265	-	-
Short term placements	45,000,000	45,000,000	-	-
Short term investments	448,135,838	103,033,325	151,449,405	193,653,108
Loans and advances	74,715,947	74,715,947	-	-
Deposits and prepayments	5,653,216	5,653,216	-	-
Accrued interest	10,212,149	10,212,149	-	-
Cash and bank balances	7,664,111	7,664,111	-	-
	<b>763,499,452</b>	<b>328,708,165</b>	<b>151,449,405</b>	<b>283,341,882</b>
<b>Liabilities</b>				
Deferred liabilities	-	-	-	-
Borrowings	257,678,086	257,678,086	-	-
Short term deposits	25,372,609	25,372,609	-	-
Accrued expenses and other liabilities	13,832,488	13,832,488	-	-
	<b>296,883,183</b>	<b>296,883,183</b>	-	-
<b>Net assets</b>	<b>466,616,269</b>			
<b>Represented by:</b>				
Share capital & Reserves	514,335,583			
Unappropriated loss	(144,017,547)			
Statutory reserve	141,611,410			
Deficit on revaluation of Investment	(45,313,177)			
	<b>466,616,269</b>			

### 37 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.

Concentration 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 and 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 Industry / sector analysis of finance portfolio is given below:

	2011		2010	
	Rupees	%	Rupees	%
<b>37.1 Finance</b>				
Cables and electric goods	16,635,000	96.47	34,250,000	84.90
Others	6,091,265	3.53	6,091,265	15.10
	<b>172,441,265</b>	<b>100.00</b>	<b>40,341,265</b>	<b>100.00</b>

**37.2 Geographical Segment**

These financial statements represent operations of the Company in Pakistan only.

**38 MARKET RISK**

The group's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the group's activities include interest rate risk, currency risk and other price risk.

**38.1 Interest rate risk**

Interest rate risk arises from the possibility when changes in interest rate affect the value of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The company manages this risk by matching the repricing of assets and liabilities.

The Company's exposure to interest rate risk on its financial assets and financial liabilities are summarized as follows:

31 December 2011					
Description	Total	Exposed to Interest Rate/ Yield Risk			Not Exposed to Interest Rate/ Yield Risk
		Within one year	More than one year and up to five years	above five years	
<b>Financial assets</b>					
Short term financing	172,441,265	172,441,265	-	-	-
Investment in TFCs	6,890,625	6,890,625	-	-	-
Investment in Shares	18,584,339	-	-	-	18,584,339
Investment in Government Bonds	485,234,100	218,762,099	89,270,500	177,201,501	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	4,620,478	-	-	-	4,620,478
Accrued interest	12,145,492	-	-	-	12,145,492
Balances with banks and cash in hand	14,179,789	10,199,186	-	-	3,980,603
<b>Total</b>	<b>716,596,088</b>	<b>408,293,175</b>	<b>89,270,500</b>	<b>177,201,501</b>	<b>41,830,912</b>
<b>Financial liabilities</b>					
Deposits	20,189,203	20,189,203	-	-	-
Borrowings	362,984,857	362,984,857	-	-	-
Profit accrued on deposits and borrowings	4,898,927	-	-	-	4,898,927
Accrued and other liabilities	6,822,481	-	-	-	6,822,481
<b>Total</b>	<b>394,895,468</b>	<b>383,174,060</b>	<b>-</b>	<b>-</b>	<b>11,721,408</b>
Total interest rate sensitivity gap		25,119,115	89,270,500	177,201,501	30,109,504
Cumulative interest rate sensitivity gap		25,119,115	114,389,615	291,591,116	
31 December 2010					
Description	Total	Exposed to Interest Rate/ Yield Risk			Not Exposed to Interest Rate/ Yield Risk
		Within one year	More than one year and up to five years	above five years	
<b>Financial assets</b>					
Short term financing	18,600,000	18,600,000	-	-	-
Short term Placements	-	-	168,260,700	-	-
Investment in Government Bonds	428,644,660	-	168,260,700	260,383,960	-
Short term investments in TFC's	10,224,165	10,224,165	-	-	-
Short term investments in Shares - quoted	244,174,544	-	-	-	244,174,544
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	7,465,101	-	-	-	7,465,101
Accrued interest	8,245,354	-	-	-	8,245,354
Balance with bank and cash in hand	29,715,075	27,113,814	-	-	2,601,261
<b>Total</b>	<b>749,568,899</b>	<b>55,937,979</b>	<b>336,521,400</b>	<b>260,383,960</b>	<b>264,986,260</b>
<b>Financial liabilities</b>					
Deposit	34,815,598	34,815,598	-	-	-
Borrowings	368,068,067	368,068,067	-	-	-
Profit accrued on deposits and borrowings	11,155,037	-	-	-	11,155,037
Accrued and other liabilities	3,015,223	-	-	-	3,015,223
<b>Total</b>	<b>417,053,925</b>	<b>402,883,665</b>	<b>-</b>	<b>-</b>	<b>14,170,260</b>
Total interest rate sensitivity gap		(346,945,686)	336,521,400	260,383,960	250,816,000
Cumulative interest rate sensitivity gap		(346,945,686)	(10,424,286)	249,959,674	

### 38.2 Equity Price risk

The group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the group's senior management on a regular basis. The group's Board of Directors reviews and approves all equity investment decisions.

### 38.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The group is not exposed to currency risk arising from currency exposure as it is not involved in foreign currency transactions.

## 39 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company is exposed to externally imposed capital requirements.

In accordance with the requirement of Non-Banking Finance Companies and Notified Entities Regulations 2008 ( vide SRO No. 764(I)/ 2009 dated September 02, 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the company is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

## 40 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 values as reflected in the financial statements.

## 41 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 holders 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 34 to the financial statements, are as follows;

Notes	2011 Rupees	2010 Rupees
<b>Financing</b>		
Balance as at year end		
- Associated undertakings	88,841,265	12,841,265
- Others	83,600,000	27,500,000
Transactions during the year		
- Associated undertakings		
Financing provided	101,441,265	23,641,265
Financing matured	25,441,265	22,000,000
- Others		
Financing provided	1,107,700,000	61,375,000
Financing matured	1,051,600,000	41,275,000
<b>Return on financing</b>		
Transactions during the year		
- Associated undertakings	2,756,551	1,468,155
- Others	6,009,271	3,540,312
<b>Short term deposits</b>		
Balance as at year end		
- Associated undertakings	2,197,802	1,999,820
- Others	6,389,311	11,897,030
Transactions during the year		
- Associated undertakings		
Certificate of deposits issued	2,197,802	1,999,820
Certificate of deposits matured	1,999,820	1,819,672
- Others		
Certificate of deposits issued	29,645,939	27,391,415
Certificate of deposits matured	35,153,658	30,974,296
<b>Return on deposits</b>		
Transactions during the year		
- Associated undertakings	238,715	217,211
- Others	603,440	1,113,043

Notes	2011 Rupees	2010 Rupees
<b>Guarantee issued</b>		
Balance as at year end		
- Associated undertakings	11,543,400	13,731,500
<b>Other transactions during the year</b>		
Contribution to staff provident fund	525,225	689,503
Contribution to staff gratuity fund	884,475	7,938,830
Sale of cars to directors	-	1,923,170

#### 42 Figures

- 42.1 Figures have been rounded off to the nearest rupee.
- 42.2 Comparative information has been re-classified or re-arranged, wherever necessary, for the purpose of better presentation. Following reclassifications were made during the year:

Reclassification from	Reclassification to	Amount
<b>Current assets</b>	<b>Non-current assets</b>	
Deposits prepayments and other receivables	Membership cards	750,000

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN

## PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2011

Number of Shareholders	Shareholding From	To	Total number of shares held	Percentage %
798	1	100	30,695	0.06
549	101	500	135,022	0.26
185	501	1,000	137,856	0.27
647	1,001	5,000	1,117,436	2.17
67	5,001	10,000	476,850	0.93
26	10,001	15,000	314,898	0.61
15	15,001	20,000	274,653	0.53
11	20,001	25,000	252,937	0.49
5	25,001	30,000	137,791	0.27
6	30,001	35,000	200,432	0.39
2	35,001	40,000	73,944	0.14
1	40,001	45,000	44,999	0.09
3	45,001	50,000	135,765	0.26
4	50,001	55,000	207,726	0.40
3	55,001	60,000	174,055	0.34
1	65,001	70,000	68,575	0.13
1	75,001	80,000	79,627	0.15
1	80,001	85,000	85,000	0.17
1	85,001	90,000	88,002	0.17
1	90,001	95,000	92,423	0.18
2	95,001	100,000	196,778	0.38
1	100,001	105,000	100,717	0.20
1	115,001	120,000	118,197	0.23
1	135,001	140,000	139,200	0.27
4	160,001	165,000	649,920	1.26
1	185,001	190,000	186,855	0.36
1	215,001	220,000	216,823	0.42
1	230,001	235,000	231,758	0.45
1	340,001	345,000	344,000	0.67
1	350,001	355,000	354,187	0.69
1	375,001	380,000	375,463	0.73
1	450,001	455,000	451,994	0.88
1	490,001	495,000	495,000	0.96
1	705,001	710,000	706,977	1.37
1	915,001	920,000	917,841	1.78
1	925,001	930,000	926,234	1.80
1	1,085,001	1,090,000	1,089,900	2.12
1	1,110,001	1,115,000	1,114,392	2.17
1	1,160,001	1,165,000	1,160,703	2.26
1	1,175,001	1,180,000	1,178,581	2.29
1	1,750,001	1,575,000	1,573,550	3.06
1	1,825,001	1,830,000	1,825,050	3.55
2	2,225,001	2,230,000	4,453,120	8.66
1	2,230,001	2,235,000	2,232,482	4.34
1	2,275,001	2,280,000	2,277,698	4.43
1	2,370,001	2,375,000	2,371,947	4.61
1	2,795,001	2,800,000	2,796,114	5.44
1	2,920,001	2,925,000	2,923,849	5.68
1	3,650,001	3,655,000	3,650,100	7.10
1	4,945,001	4,950,000	4,945,316	9.61
1	7,300,001	7,305,000	7,300,200	14.19
<b>2,363</b>			<b>51,433,632</b>	<b>100.00</b>

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	2308	43,982,166	85.51
INVESTMENT COMPANIES	6	3,849	0.01
INSURANCE COMPANIES	3	376,202	0.73
JOINT STOCK COMPANIES	35	3,220,071	6.26
FINANCIAL INSTITUTIONS	7	1,452,580	2.82
MODARABA COMPANIES	1	889	0.00
MUTUAL FUND	1	2,277,698	4.43
OTHERS	1	118,197	0.23
COOPERATIVE SOCIETIES	1	1,980	0.00
<b>2,363</b>		<b>51,433,632</b>	<b>100.00</b>



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

Categories of Shareholders	Shares Held
<b>Individuals</b>	13,327,970
<b>Investment Companies except ICP</b>	2,144
<b>Public/Private Sector Companies and Corporations</b>	3,340,248
<b>Directors, Chief Executive Officer and their spouse and minor children</b>	
1) Haji Jan Muhammad	1,221
2) Mr. Muhammad Mehboob	2,760
3) Mr. Sheikh Asim Rafiq (NIT) National Bank of Pakistan, Trustee Department	3,713,879
4) Mr. Sheikh Abdullah	1,000
5) Mr. Muhammad Taufique Motiwala	500
6) Mr. Karim Muhammad Munir	500
7) Mr. Muhammad Saleem Rathod	2,335
<b>Investment Corporation of Pakistan</b>	
<b>Associated Companies, Undertakings and Related Parties.</b>	
Mr. Muhammad Iqbal	2,923,849
Mrs. Zarina Iqbal	2,796,114
Mrs. Shahnaz Jawed	3,650,100
Mr. Muhammad Hanif	2,226,560
Mrs. Fouzia Bano	1,825,050
Mrs. Yasmeen	2,226,560
Mrs. Mariam Bai	1,178,581
<b>Banks, DFIs, NBFCs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Deptt.</b>	393,490
<b>Shareholders holding ten percent or more voting interest</b>	
H.A.R	6,518,866
Amina Bano	7,300,200

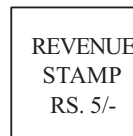


## TWENTY FIRST ANNUAL GENERAL MEETING

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 Twenty First Annual General Meeting of the Company to be held on 23 April 2012 and at any adjournment thereof.

As Witness my/our hand this ..... day of .....2012

Folio No. \_\_\_\_\_



Witness:

1. Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

SIGNATURE OF MEMBER(S)

2. Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

### IMPORTANT:

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





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