



SECURITY INVESTMENT BANK LIMITED

The Money Wise Bank **21st Annual** **REPORT 2012**



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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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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Muhammad Taufeeq Motiwala (Chairman)
Mr. Karim Muhammad Munir (Member)
Mr. Muhammad Saleem Rathod (Member)

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

KARACHI OFFICE

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

NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of Security Investment Bank Limited ("the Company") 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 29th April 2013 at 9:00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of the twenty first Annual General Meeting held on 23rd April 2012.
- 2) To receive and adopt the audited financial statements of the Company for the year ended 31 December 2012 together with the directors' and auditors' reports thereon.
- 3) To appoint auditors and fix their remuneration for the year ending 31 December 2013. The retiring auditors M/s. Avais Hyder Liaquat Nouman, Chartered Accountants cannot be reappointed as the Company is required to change its external auditors every five years under the Code of Corporate Governance. In place, the Board has recommended the name of M/s. Muniff Ziauddin & Co, Chartered Accountants for appointment as the external auditors of the Company for the year ending 31 December 2013. They have consented to be appointed as external auditors.

SPECIAL BUSINESS

- 4) To consider and approve the voluntary winding up of the Company's 100% fully owned subsidiary, SIBL Exchange Company (Pvt) Ltd. and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT SIBL Exchange Company (Pvt) Ltd. ("SIBL Exchange") be wound up voluntarily and the Company's investment made in SIBL Exchange be recovered through its winding up and that the directors of SIBL Exchange be instructed to commence the voluntary winding up of SIBL Exchange in accordance with the provisions of the Companies Ordinance, 1984 and to fulfill all requisite legal and corporate formalities in connection therewith, including but not limited to the convening of a general meeting for passing of a special resolution for its voluntary winding up, appointment of liquidator, obtention of all assets and payment of liabilities, payment of the net proceeds of the assets to Security Investment Bank Limited, fulfilling all formalities of the State Bank of Pakistan and Securities and Exchange Commission of Pakistan and eventual de-registration of SIBL Exchange in the register of companies maintained by the Registrar of Companies after payment of the net proceeds of SIBL Exchange's assets to the Company.

RESOLVED FURTHER THAT the Company's Chief Executive, Mr. Muhammad Saleem Rathod and Chief Financial Officer, Mr. Muhammad Amin Khatri be and are hereby authorized to provide full support to the Directors of SIBL Exchange (Private) Limited in relation to its voluntary winding up."

ANY OTHER BUSINESS

- 5) 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 23rd April 2013 to 29th April 2013 (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 22nd April 2013 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.
28 March 2013

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 Second Annual General Meeting of the Company to be held on 29th day of April 2013.

VOLUNTARY WINDING UP OF THE 100% FULLY OWNED SUBSIDIARY SIBL EXCHANGE COMPANY (PVT) LIMITED

- a) The board of directors of the Company has resolved to proceed for the voluntary windup of the Company's 100% fully owned subsidiary, SIBL Exchange Company (Pvt) Ltd. ("SIBL Exchange"). The decision is based on the fact that the State Bank of Pakistan (SBP) informed SIBL Exchange through its letter No. EPD/105/24(49)EC-2013 dated 8 January 2013 that the License of SIBL Exchange stands expired w.e.f 01 October 2012, for not meeting the minimum capital requirement for SIBL Exchange.
- b) Being the holding company of SIBL Exchange, the Company's management was requested by SIBL Exchange to make further investment of Rs. 100 million in the paid up capital of SIBL Exchange to enable SIBL Exchange to comply with the requirement of the State Bank of Pakistan. However, since Rule 7(2)(ca) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 prohibited the Company from making investment in its subsidiary, except out of the Company's surplus equity, the Company was not in a position to make further investment in SIBL Exchange as its subsidiary because the Company has to meet its own equity requirement.
- c) Therefore, on the recommendation of the Company's Board of Directors, approval of shareholders is sought for the winding up of the Company's 100% fully owned subsidiary SIBL Exchange Company (Pvt) Ltd. and to issue instructions to the directors of SIBL Exchange to proceed with the winding up and for eventually striking off the

name of SIBL Exchange Company (Pvt) Ltd from the register at the registrar of Companies after payment of the net proceeds of SIBL Exchange's assets to the Company.

- d) Winding up of SIBL Exchange is the only mechanism for recovering the Company's investment in SIBL Exchange.
- e) For this purpose, it is intended to propose the Special Resolution, text of which is provided above.
- f) The decision to wind up SIBL Exchange would be in the best interest of the Company and would enable the Company to recover its equity investment in SIBL Exchange. No prejudice will be caused to any shareholders.

Interest of Directors and CEO:

The interest of the shareholders, directors and CEO is only to the extent of their being directors, CEO and holders of qualification shares, as the case may be. The number of shares held by the directors and CEO in the Company are as follows:

Name	Designation	Number of Shares held
Haji Jan Muhammad	Non-Executive Director / Chairman	1,221
Mr. Muhammad Mehboob	Non-Executive Director	2,760
Mr. Sheikh Abdullah	Independent Director	1,000
Mr. Muhammad Taufique Motivala	Independent Director	500
Mr. Shaikh Asim Rafique	NIT Nominee	3,662,190
Mr. Karim Muhammad Munir	Independent Director	500
Mr. Muhammad Saleem Rathod	Executive Director	2,335

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Security Investment Bank Limited (SIBL) are pleased to present the Twenty First Annual Report along with the Audited Financial Statements and Auditors' Report thereon for the year ended 31 December 2012.

Economic Outlook

The year 2012 remained very challenging for the Non-Banking and Finance Companies in general and for the Investment Finance Services Companies, like SIBL, in particular, mainly due to non-availability of clean funds, and unfavourable business environment.

During the period under review, the KSE 100 index has increased by 4,883 points to 16,905 points and the State Bank of Pakistan (SBP) has brought the discount rate to a single digit at 9.5%.

Operational Performance

During the period under review, we remained very cautious and did business vigilantly for the reasons mentioned above. However, gross income and profit after tax have been increased from 64.870 million to 85.198 million and 2.562 million to 2.791 million, respectively.

We give below summary of profit and loss account.

Description	2012	2011	Change
	Rupees	Rupees	%
Income	85,198,100	64,869,735	+31
Expenditure	83,338,135	64,167,219	+30
Profit for the year	2,790,926	2,562,276	+9

During the current year, return on financing increased by 270% to Rs. 26.816 million as compared to last year of Rs. 9.916 million. Return on securities increased by 23% to Rs. 55.435 million from Rs. 45 million of last year. Due to increase in financing and investment activities finance cost also increased by 51% to Rs. 54.233 million when compared to last year of Rs. 35.949 million.

SIBL Exchange Company (Private) Limited (a wholly owned subsidiary)

The SIBL had been granted license to carry out business as an investment finance services company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Company in the year 2004 established a wholly owned subsidiary SIBL Exchange Company (Private) Limited (SIBL Exchange) to undertake exchange business. The SIBL Exchange's initial paid up capital was of Rs 100 million which was required to be enhanced to Rs 200 million within three years from the date of incorporation.

Subsequently, the NBFC and Notified Entities Regulations, 2008 (NBFC Regulations) were promulgated thereby minimum equity requirement were set for NBFCs. Moreover, vide SRO number 1131(I)/2007 dated 21 November 2007 a new clause (ca) in the Rule 2 of NBFC Rules was added which stipulates that an NBFC could only make investment in its subsidiary except out of its surplus equity (i.e. over and above the specified minimum equity requirement for the licences held by such NBFC).

After above-mentioned amendment in the NBFC Rules, SIBL was unable to make further investment of Rs 100 million in the SIBL Exchange and consequently the SBP was requested many times for grant of extension in time in this regard which the SBP has very kindly acceded to. However, the SBP vide its letter dated 20th January 2013 conveyed revocation of exchange of license of the SIBL Exchange with effect from 21st October 2012.

The Board has considered various options at length in respect of future of SIBL Exchange and has concluded that the SIBL Exchange should be wound-up.

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 SBP, Securities & Exchange Commission of Pakistan (SECP) and the listing rules of the Stock Exchanges where it is listed.

The code of corporate governance is part of the listing regulations of the exchanges. During the year, the SECP has replace the old code of corporate governance with the Code of Corporate Governance, 2012 (Code 2012) with an objective to improve and raise the standards of corporate governance in the country while at the same time taking into consideration the global developments in corporate governance.

The Code 2012 prescribed certain additional requirements some of which required immediate compliance. The Board has complied with the Code 2012 in its entirety as more fully explained in the "Statement of Compliance with the Code of Corporate Governance".

As required under the Code 2012, the Board 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)

Description / Year	2012	2011	2010	2009	2008	2007	2006
Share Capital	514	514	514	514	514	429	429
Shareholder's Equity	503	500	498	488	304	593	609
Deposits	112	110	112	117	220	972	976
Borrowings	360	363	258	368	376	1,195	727
Short term financing	145	172	40	19	104	183	196
Investments	482	430	423	607	457	728	565
Operating Profit/ (Loss)	1.9	0.7	3.4	(24)	27	98	105
Net Profit / (Loss)	2.8	2.6	9.8	(193)	26.8	89	86
Total Assets	964	935	836	960	932	2,802	2,335
Dividend	-	-	-	-	-	-	20%
Bonus	-	-	-	-	-	20%	-

Value of Provident Fund Investment

As on 31 December 2012 based on the unaudited accounts, the value of investment of Provident Fund is Rs 6 million (2011 Rs 6.550 million).

Value of Gratuity Fund Investment

As on 31 December 2012 based on the unaudited accounts, the value of investment of Gratuity Fund is Rs 3.5 million (2011 Rs 3.498 million).

Pattern of Shareholding

The pattern of shareholding as at 31 December 2012 along with the disclosure required under the Code of Corporate Governance, 2012 is annexed to the report.

Directors' Attendance

During the year ended 31 December 2012, 4 (four) Board of Directors and 4 (four) Audit Committee meetings were held. Attendance of each director is as follows:

Description	Board of Directors	Audit Committee
Mr Haji Jan Muhammad	4	4
Mr Muhammad Mehboob	4	-
Mr Shiekh Asim Rafiq (NIT's nominee)	3	3
Mr Shaikh Abdullah	4	4
Mr Karim Muhammad Munir	3	-
Mr Muhammad Taufiq Motiwala	3	4
Mr Muhammad Saleem Rathod (President & CEO)	4	-

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

Trade / dealing in shares of the Company

During the year, the Directors, CEO, CFO, Company Secretary and Head of Internal Audit and their spouses and minor children did not carry out any transaction in the shares of the Company.

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.

Directors' Training Program

In accordance with the requirement of clause (xi) of the Code of Corporate Governance 2012, Our Director/Chief Executive Mr. Muhammad Saleem Rathod has obtained certification of Certified Director from Pakistan Institute of Corporate Governance during the current year.

Earnings per Share

Earnings per share of the Company is Rs 0.05 for the year ended 31 December 2012 (2011 Rs 0.05).

Dividend

No dividend is declared for the year ended 31 December 2012 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

The associations representing NBFC sectors approached the SECP after banking crisis and stock market crash in the year 2008 for rationalisation of regulatory regime of NBFCs. The SECP in consultation with them took actions of immediate nature from time to time.

Later on, the SECP considering the importance of the matter have formed a committee comprising of leading market professional and senior SECP officials, which was entrusted with a task to come up with its recommendations for promotion and growth of NBFC sector. The Committee's report is recently published by the SECP for public comments. As per the said report, the NBFC sector has been divided into two main clusters. Cluster one activities represent NBFCs engaged in lending and deposit taking activities. Cluster two comprises NBFCs engaged in fund management services.

Investment Finance Services (IFS-Investment Banks) is being broken down and re-defined as stock brokerage, investment advisory, corporate advisory, securities financing and securities underwriting services. The suggested regime for IFS would consist of two business models, viz, without deposit taking to be regulated solely by SECP and the other with deposit taking as well as lending activities to be jointly regulated by SECP and SBP. As per the said report, SECP is also enhancing time frame for meeting minimum capital requirement for Cluster One entities.

In addition to the above, SECP has brought many changes in NBFC Sector which would not only promote savings by offering different asset classes to the investors but will also provide alternative fund raising opportunities to the participants of financial systems. In the said report, SECP has addressed many issues currently being faced by NBFCs particularly Investment Banks.

We expect that once the said reforms are approved they would result into the change in the NBFC regime and would provide impetus for growth of our NBFC Sector.

We assure our members that we would employ all of our resources to exploit any opportunity that the new NBFC model would bring for the growth and success of our company.

In the twenty first annual general meeting of the company the shareholders have given their approval for investment of Rs 100 million in the ordinary shares of SIBL Securities (Private) Limited to comply with the rule 7(2)(n) of the NBFC Rules, which requires SIBL to form a separate company to undertake the brokerage business in capital market.

In this regard, we would like to apprise that the same has been held in abeyance due to the conditions stipulated in the clause (ca) of Rule 2 of the NBFC Rules, which is explained in detail in "SIBL Exchange Company (Private) Limited (a wholly owned subsidiary)" section of this report.

We have continued our policy of doing business vigilantly in the year 2013 and would review our policy afresh after elections which are expected to be held in May 2013.

Auditors

The present auditors Avais Hyder Liaquat Nauman, Chartered Accountants retire who remained auditor of the Company for the last 5 years.

The Clause xxviii(a) of the Code 2012 stipulates that all listed companies in the financial sector shall change their external auditors every five years; and therefore the retiring auditors could not be reappointed as an auditor for the next year.

The Audit Committee in view of the above has recommended appointment of Muniff Ziauddin & Co., Chartered Accountants as an auditor of the Company for the year ending 31 December 2013.

The Board of Directors endorsed the recommendation of the Audit Committee for the appointment of Muniff Ziauddin & Co., Chartered Accountants as an auditor of the Company for the year ending 31 December 2013.

Acknowledgement

We, the directors of SIBL, are grateful to the SECP, SBP, Stock Exchanges and other regulators for their cooperation and support. We do acknowledge and are thankful to our shareholders for their support and cooperation. We also acknowledge and are thankful for the untiring efforts of the management and staff.

On behalf of the Board
Haji Jan Muhammad
Chairman
Karachi: 28th March, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Name
Non-Executive Director	Haji Jan Muhammad
Non-Executive Director	Mr Muhammad Mehboob
Independent Director	Mr Shaikh Abdullah
Independent Director	Mr Sheikh Asim Rafiq
Independent Director	Mr Muhammad Taufique Motiwala
Independent Director	Mr Karim Muhammad Munir
Executive Director	Mr Muhammad Saleem Rathod

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
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, other executive and non-executive directors, have been taken by the board/shareholders.
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 in time.

9. The Directors have been provided with copies of the Listing Regulations of the Stock Exchange; the Company's Memorandum and Articles of Association and the Code of Corporate Governance and are well conversant with their duties and responsibilities. One executive director has the required certification of Directors Training Course from Pakistan Institute 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 CCG 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 CCG.
15. The board has formed an Audit Committee. It comprises 4 members, all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises 3 members, of whom 2 are independent directors and the chairman of the committee is an independent director.
18. 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.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The related party transactions with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.
24. We confirm that all other material principles enshrined in the CCG 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: 28th March, 2013

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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, 2012 prepared by the Board of Directors of **SECURITY INVESTMENT BANK LIMITED**, to comply with the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the 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 statements 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 are not required to consider whether the Board's statement on internal control covers all risk and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2012.

AVAIS HYDER LIAQUAT NAUMAN

Chartered Accountants

Karachi.

Dated: March 28, 2013

Engagement Partner: Adnan Zaman



Security Investment Bank Ltd
The Money Wise Bank
21st Annual
REPORT 2012

SECURITY INVESTMENT BANK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2012



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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, 2012 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, 2012 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, 2012 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.
- (e) Without qualifying our opinion, we draw the attention to note 37 of financial statements mentioning that bank is not meeting the minimum capital requirement under Non Banking Finance Companies and Notified Entities regulation 2008 and has sought extension with Securities and Exchange Commission of Pakistan. The matter is still pending as on December 31, 2012.

AVAIS HYDER LIAQUAT NAUMAN

Chartered Accountants

Karachi.

Dated: March 28, 2013

Engagement Partner: Adnan Zaman

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	2012 Rupees	2011 Rupees
Assets			
Property, plant and equipment	5	1,051,882	1,192,020
Membership cards	6	750,000	36,750,000
Long term investments	7	186,903,748	150,982,900
Deferred tax asset - net	8	29,065,625	35,363,824
Current assets			
Short term financing	9	145,266,169	172,441,265
Short term investments	10	482,436,968	430,090,148
Loans and advances	11	84,195,196	79,533,141
Deposits, prepayments and other receivables	12	5,407,133	3,724,733
Accrued interest	13	19,873,833	12,145,492
Cash and bank balances	14	9,749,494	13,243,835
		<u>746,928,793</u>	<u>711,178,614</u>
		<u>964,700,048</u>	<u>935,467,358</u>
Share capital and liabilities			
Capital and reserves			
Authorized capital			
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	15	514,335,580	514,335,583
Unappropriated loss		(153,845,579)	(156,078,323)
Statutory reserves	16	142,682,050	142,123,865
		503,172,051	500,381,125
Deficit on revaluation of investments - net of tax	17	(17,707,987)	(47,431,051)
Current liabilities			
Borrowings	18	360,368,326	362,984,857
Short term deposits	19	112,047,664	109,848,615
Accrued and other liabilities	20	6,819,994	9,683,812
		479,235,984	482,517,284
Contingencies and commitments	21	-	-
		<u>964,700,048</u>	<u>935,467,358</u>

The annexed notes 1 to 41 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 2012

	Notes	2012 Rupees	2011 Rupees
Income			
Return on financing and placements	22	26,815,948	9,915,851
Return on securities	23	55,435,123	45,001,255
Gain on sale of investments		1,124,156	8,415,870
Profit on deposit with banks		619,360	448,284
Other income	24	1,203,513	1,088,475
		85,198,100	64,869,735
Expenditure			
Finance cost	25	54,232,994	35,949,287
Administrative expenses	26	29,105,141	28,217,932
		83,338,135	64,167,219
Profit before taxation		1,859,965	702,516
Taxation	27	930,961	1,859,760
Profit for the year		2,790,926	2,562,276
Earnings per share - basic and diluted	28	0.05	0.05

The annexed notes 1 to 41 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 2012

Notes	2012 Rupees	2011 Rupees
Profit for the year	2,790,926	2,562,276
Other comprehensive Income		
Other comprehensive income - net of tax	-	-
Total comprehensive income - net of tax	<u><u>2,790,926</u></u>	<u><u>2,562,276</u></u>

The annexed notes 1 to 41 form an integral part of these financial statements.

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

Notes	2012 Rupees	2011 Rupees
Cash flows from operating activities		
Profit before taxation	1,859,965	702,516
Adjustment for non cash and other items		
Depreciation	351,189	352,132
Gain on disposal of shares	(1,124,156)	(8,415,870)
Gain on disposal of fixed assets	(275,798)	(4,999)
Provision for gratuity	780,146	612,925
	<u>(268,619)</u>	<u>(7,455,812)</u>
Cash flows from operating activities before working capital changes	1,591,346	(6,753,296)
Decrease / (increase) in operating assets		
Decrease / (increase) in financing and placements	27,175,096	(132,100,000)
(Increase) / decrease in loans and advances	(456,134)	10,041
(Increase) / decrease in deposits and prepayments	(1,682,400)	294,522
(Increase) in accrued interest	(7,728,341)	(1,933,343)
	<u>17,308,221</u>	<u>(133,728,780)</u>
(Decrease) / Increase in operating liabilities		
Increase / (decrease) in deposits	2,199,050	(2,223,051)
(Decrease) / Increase in borrowings	(2,616,531)	105,306,771
(Decrease) / Increase in accrued and other liabilities	(3,007,652)	1,241,545
	<u>(3,425,133)</u>	<u>104,325,265</u>
Net change in operating assets and liabilities	13,883,089	(29,403,515)
Income tax paid	(4,205,921)	(5,024,905)
Gratuity paid	(612,925)	(884,475)
Dividend paid	(23,388)	(37,143)
	<u>(4,842,234)</u>	<u>(5,946,523)</u>
Net cash generated / (used in) operating activities	10,632,201	(42,103,334)
Cash flows from investing activities		
Proceeds from sale of fixed assets	275,800	5,000
(Purchase) of fixed assets	(211,053)	(372,960)
Sale of investments	5,796,858	50,561,950
Purchase of securities	(19,988,147)	(46,574,564)
Net cash (used in) / generated from investing activities	(14,126,542)	3,619,426
Cash flows from financing activities	-	-
Net (decrease) in cash and cash equivalents	(3,494,341)	(38,483,908)
Cash and cash equivalents at the beginning of the year	13,243,835	51,727,743
Cash and cash equivalents at the end of the year	9,749,494	13,243,835

The annexed notes 1 to 41 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 2012

	Share Capital (Note 15)	Statutory Reserve (Note 16)	Unappropriated (loss)	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2011	514,335,583	141,611,410	(158,128,144)	497,818,849
Profit for the year			2,562,276	2,562,276
Other comprehensive income for the year	-	-	-	-
Appropriations :				
Transfer to Statutory reserve	-	512,455	(512,455)	-
Balance as at 31 December 2011	514,335,583	142,123,865	(156,078,323)	500,381,125
Profit for the year	-	-	2,790,926	2,790,926
Other comprehensive income for the year	-	-	-	-
Adjustment	(3)		3	-
Appropriation :				
Transfer to Statutory reserve	-	558,185	(558,185)	-
Balance as at 31 December 2012	514,335,580	142,682,050	(153,845,579)	503,172,051

The annexed notes 1 to 41 form an integral part of these financial statements.

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

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) 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.

IAS 12- Income Taxes -Recovery of underlying assets.

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 2015
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 and 01 January 2013
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
IAS 32 Offsetting of financial assets and financial liabilities (Amendments)	effective from accounting period beginning on or after 01 January 2014

- 2.5 There are certain new standards, amendments to approved accounting standards and new interpretations that are mandatory for the Bank's Accounting periods but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not mentioned in these financial statements.

2.6 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 judgments 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 10)
- (c) recognition of taxation and deferred tax (Note 8 and 27) and
- (d) accounting for post employment benefits (Note 31)"

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.

Fully depreciated assets are being kept at token value of Rs. 1/- each.

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 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.

4.6 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 31.

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 transaction

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, 2012
	As at January 01, 2012	Additions	(Deletions)	As at December 31, 2012		As at January 01, 2012	Charge for the year	(Adjustment)	As at December 31, 2012	
Computer and equipments	4,241,735	163,100	(55,500)	4,349,335	20%	3,557,659	254,750	(55,499)	3,756,910	592,425
Furniture and fixtures	3,116,836	-	-	3,116,836	10%	3,007,071	18,844	-	3,025,915	90,921
Generator	886,321	-	-	886,321	10%	594,868	46,632	-	641,500	244,821
Sign board	238,068	-	-	238,068	10%	166,992	8,907	-	175,899	62,169
Telephone system	171,496	5,000	-	176,496	10%	148,960	8,526	-	157,486	19,010
Vehicles	4,408,621	42,953	(1,313,490)	3,138,084	20%	4,395,507	13,530	(1,313,489)	3,095,548	42,536
2012	13,063,077	211,053	(1,368,990)	11,905,140		11,871,057	351,189	(1,368,988)	10,853,258	1,051,882

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
2011	12,767,265	372,960	(77,148)	13,063,077		11,596,072	352,132	(77,147)	11,871,057	1,192,020

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 9,520,496/- (2011 : Rs. 10,966,634/-) 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
Computers	55,500	55,499	1	800	799	Cyber Land	Negotiation
						Mr. Muhammad	Negotiation
Vehicle	1,313,490	1,313,489	1	275,000	274,999	Ashraf	
	1,368,990	1,368,988		275,800	275,798		

	Notes	2012 Rupees	2011 Rupees
6 MEMBERSHIP CARDS			
Corporate membership of the Karachi Stock Exchange (Guarantee) Limited		-	36,000,000
Corporate membership of the Pakistan Mercantile Exchange Limited		<u>750,000</u>	<u>750,000</u>
		<u>750,000</u>	<u>36,750,000</u>

7 LONG TERM INVESTMENTS

Subsidiary company

SIBL Exchange Company (Pvt) Ltd.
10,000,000 (2011: 10,000,000) ordinary shares
of Rs. 10 each. Wholly Owned Subsidiary-
Unquoted

7.1 100,000,000 100,000,000

Pakistan Investment Bonds - Held to Maturity 7.2 50,903,748 50,982,900

Karachi Stock Exchange Limited (4,007,383
Ordinary shares of Rs. 10/- each) 7.3 36,000,000 -

186,903,748 **150,982,900**

7.1 State Bank of Pakistan has revoked the license of SIBL Exchange Company (Pvt) Ltd from October 01, 2012, through letter dated January 8, 2013, for not meeting the minimum capital requirement. Board of Directors of SIBL Exchange Company (Pvt) Ltd is in the process deciding whether to windup the company or restructure it. There is no need for impairment of this investment as the net realizable value of the investment is higher than the cost of investment.

7.2 Pakistan Investment Bonds

Cost 50,982,900 51,062,052

Less : Amortization (79,152) (79,152)

50,903,748 **50,982,900**

These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.50,000,000/- (2011: Rs.50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2011 : 10% per annum). Their period to maturity is eleven and a half years.

7.3 In the wake of promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act 2012, in lieu of Membership Cards Shares and Trading Entitlements (TRE) Certificates have been issued to holders of such Cards. A total number of 4,007,383 ordinary shares of Rs. 10/- each in the corporatized and de-mutualized KSE have been allotted to the Company in a dematerialized form. Out of aforementioned, 1,602,953 ordinary shares (i.e. 40 percent) have been received in our CDC participant account whereas 2,404,430 ordinary shares (i.e. 60 percent) have been deposited in a sub-account opened in the bank's name under KSE's participant ID with the Central Depository Company of Pakistan Limited, which will remain blocked in terms of the provision of the Act. The bank's has reclassified its investment from Intangible Assets to Tangible Assets as Long-Term Investments at cost for better presentation.

	Notes	2012 Rupees	2011 Rupees
8 DEFERRED TAX ASSET - NET			
Deferred tax assets arising in respect of:			
Deficit on revaluation of securities		6,950,115	14,682,704
Accelerated depreciation		41,598	98,809
Tax losses		22,073,912	20,582,311
		29,065,625	35,363,824
8.1 Movement in deferred tax asset			
Opening balance		35,363,824	42,088,152
(Reversal) during the year		(6,298,199)	(6,724,328)
Closing balance		29,065,625	35,363,824
8.2	The Bank has an aggregate amount of Rs. 63.068 million (2011: Rs. 58.807 million) in respect of unabsorbed tax losses as at December 31, 2012 on which the management has recognized deferred tax asset of Rs. 22.074 million (2011: Rs. 20.582 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.		
9 SHORT TERM FINANCING			
Secured and considered good			
Associated companies	9.1	63,032,571	88,841,265
Others	9.2	82,233,598	83,600,000
		145,266,169	172,441,265
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 15% per annum (2011: 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 15% per annum (2011: 16% per annum).		
10 SHORT TERM INVESTMENTS			
Available for sale			
Pakistan Investment Bonds	10.1.1	330,919,152	359,251,200
Term Finance Certificates	10.1.2	6,882,969	6,890,625
Quoted Shares	10.1.3	28,847,349	18,584,339
Market Treasury Bills	10.1.4	115,787,498	45,363,984
		482,436,968	430,090,148

10.1 Securities given as collateral under repurchase agreements.

Note	2012			2011			
	Held by SIBL	Repo	Total	Held by SIBL	Repo	Total	
..... Rupees							
Pakistan Investment Bonds	10.1.1	68,596,252	262,322,900	330,919,152	43,587,750	315,663,450	359,251,200
Term Finance Certificates	10.1.2	6,882,969	-	6,882,969	6,890,625	-	6,890,625
Quoted Shares	10.1.3	28,847,349	-	28,847,349	18,584,339	-	18,584,339
Market Treasury Bills	10.1.4	-	115,787,498	115,787,498	-	45,363,984	45,363,984

10.1.1 This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having face value of Rs.350,000,000 (2011: Rs.400,000,000) with income receivable semi annually. Period to maturity of these investments range from three and half years to eleven years and six months and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2011: 9% to 11% per annum). PIBs having market value of Rs. 262.323 million (2011 : Rs. 315.663 million) are held by other financial institutions as security under repurchase transactions.

10.1.2 Particulars of listed Term Finance Certificates (TFC) :

Issuer of TFC	No. of Certificates	2012		2011			
		Cost	Market Value	Cost	Market value		
	 Rupees					
	2012	2011					
Telecard Limited	10.1.2.1	5,000	5,000	9,177,292	6,882,969	9,187,500	6,890,625
				9,177,292	6,882,969	9,187,500	6,890,625

10.1.2.1 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, 2012	3,165			
Balance as at December 31, 2012	1,835			

10.1.2.2 Telecard has restructured its TFCs redemption schedule on December 30, 2011 relating to the default of payment of redemption due on May 27, 2011, without any consequences or delay penalties after the approval obtained by the Company from the TFC holders upon Company's request. The said restructuring has resulted in lower current maturity. As a result, the last redemption date has been extended to May 27, 2015, instead of the revised final redemption date of November 27, 2013.

The TFCs are secured against a first specific charge over the fixed assets of the company, aggregating to Rs. 800 million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

10.1.3 Quoted Shares

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

2012	2011	No. of ordinary shares, certificates / units	2012		2011	
			Cost	Market Value	Cost	Market Value
----- Rupees -----						
Modarabas / Mutual funds						
500	500	Long Term Venture Modaraba	225	225	225	225
4,500	4,500	PICIC Growth Fund	64,170	73,800	64,170	56,070
69,627	69,627	JS Growth Fund (formerly UTP growth fund)	343,957	607,844	343,957	327,247
Leasing						
42,370	42,370	Saudi Pak Leasing Company Limited	59,742	137,703	59,742	20,338
Investment banks / Cos. / Banks						
52,082	46,874	Arif Habib Limited	2,361,689	1,607,251	2,361,689	664,673
932,667	811,015	Askari Bank Limited	16,773,412	16,060,654	16,773,412	8,134,608
3,825	3,825	Bank Alfalah Limited	52,670	64,337	52,670	43,031
214,700	214,700	The Bank of Punjab	4,186,650	2,297,290	4,186,650	1,161,527
27,500	25,000	National Bank of Pakistan	1,189,797	1,358,225	1,189,797	1,026,250
1,644	1,644	First National Equities Limited	21,684	6,609	21,684	4,472
2,270	2,270	Jahangir Siddiqui & Company Limited	68,259	36,638	68,259	9,148
Cement						
-	150,000	D. G. Khan Cement Company Limited	-	-	4,884,000	2,854,500
-	53,800	Maple Leaf Cement Factory Limited	-	-	212,980	130,850
Automobiles and Transport						
45,000	45,000	Pakistan International Airlines Corporation (A)	117,450	181,350	117,450	88,650
Sugar & Allied Industries						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
Textile Composite						
100,000	100,000	Nishat Mills Limited	6,062,076	6,385,000	6,062,076	4,045,000
Miscellaneous						
7,500	7,500	Pace Pakistan Limited	43,875	22,425	43,875	9,750
			31,353,656	28,847,349	36,450,636	18,584,339

10.1.4 Market Treasury Bills

These carry mark-up at the rate ranging between 9.30% to 9.35% (2011: 11.85% to 11.87%) per annum and have terms of one year maturing latest by November 14, 2013.

	Notes	2012 Rupees	2011 Rupees
11 LOANS AND ADVANCES			
Advances - considered good			
For expenses		854,447	398,313
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		80,840,749	76,634,828
		84,195,196	79,533,141
12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits		1,443,788	1,443,788
KSE exposure limits		1,748,123	1,521,964
Prepayments		633,611	728,865
Other receivables - considered good		1,581,611	30,116
		5,407,133	3,724,733
13 ACCRUED INTEREST			
Income receivable	13.1	19,692,893	11,965,238
Accrued profit on PLS deposits		180,940	180,254
		19,873,833	12,145,492
13.1 Income receivable			
Considered good			
Not due	13.1.1	19,692,893	11,965,238
13.1.1	This represents income on financing, placements and government securities not matured / due on December 31, 2012.		
14 CASH AND BANK BALANCES			
With State Bank of Pakistan in			
- Current account		149,312	49,598
With other banks in			
- Current accounts		2,635,833	2,980,060
- Deposit accounts	14.1	6,959,285	10,199,186
		9,595,118	13,179,246
Cash in hand		5,064	14,991
		9,749,494	13,243,835

	Notes	2012 Rupees	2011 Rupees
14.1	Rate of return on these deposits accounts range from 6% to 6.05% per annum (2011 : 5% to 6.5% per annum).		
15	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
	<u>Number of shares</u>		
	<u>2012</u> <u>2011</u>		
	Ordinary shares of Rs. 10/- each fully paid in cash	23,552,000	23,552,000
	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	27,881,558	27,881,558
		51,433,558	51,433,558
	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000	235,520,000
	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	278,815,580	278,815,583
		514,335,580	514,335,583
16	STATUTORY RESERVES		
	Capital reserves		
	Statutory reserves	16.1	142,123,865
		142,682,050	142,123,865
16.1	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.		
17	DEFICIT ON REVALUATION OF INVESTMENTS - NET OF TAX		
	Government securities	(19,857,472)	(41,950,583)
	Term Finance Certificates	(2,294,323)	(2,296,875)
		(22,151,795)	(44,247,458)
	Related deferred tax asset	6,950,115	14,682,704
		(15,201,680)	(29,564,754)
	Quoted shares	(2,506,307)	(17,866,297)
		(17,707,987)	(47,431,051)
18	BORROWINGS		
	Financial institutions - secured	18.1	352,935,341
	Related party - unsecured		
	SIBL Provident fund	-	6,550,891
	SIBL Gratuity fund	-	3,498,625
		360,368,326	362,984,857

	Notes	2012 Rupees	2011 Rupees
18.1	This represents amount borrowed from financial institutions at mark-up rates ranging between 10.30% to 11.25% per annum (2011: 12.50% per annum) and having maturity on or before January 21, 2013. These are secured against Pakistan Investment Bonds and Market Treasury Bills.		
19	SHORT TERM DEPOSITS		
	From individuals	9,662,077	11,602,090
	From related parties		
	SIBL Exchange Company (Private) Limited	91,734,988	89,659,412
	Associated undertaking	2,415,384	2,197,802
	Others	8,235,215	6,389,311
	19.1	112,047,664	109,848,615
19.1	This represents Certificate of Deposits with maturity ranging from one month to twelve months. The expected rate of return on these deposits range from 6.5% to 11% per annum (2011: 8% to 11% per annum) payable monthly, quarterly, semi annually or on maturity.		
20	ACCRUED AND OTHER LIABILITIES		
	Accrued expenses		
	From related party- unsecured	45,602	20,650
	Return on deposits from		
	- individuals	402,010	572,753
	- related party	310,976	601,006
		712,986	1,173,759
	Return on borrowing from		
	financial institutions- secured	1,071,126	3,704,518
		1,829,714	4,898,927
	Other liabilities		
	Unclaimed dividend	2,094,583	2,117,971
	Others		
	- related party	103,748	63,865
	- others	2,011,803	1,990,124
		-	-
		2,115,551	2,053,989
	Payable to employees gratuity fund	780,146	612,925
	31.4	6,819,994	9,683,812

	Notes	2012 Rupees	2011 Rupees
21 CONTINGENCIES AND COMMITMENTS			
21.1 Contingencies			
Guarantees issued on behalf of customer:			
- Associated undertaking		22,897,910	11,543,400
- Others		55,103,000	57,503,000
21.2 Commitments			
There were no commitment as at the balance sheet date.			
22 RETURN ON FINANCING AND PLACEMENTS			
Financing			
Demand finance		26,761,367	8,765,822
Placements			
With financial Institution - unsecured		54,581	1,150,029
		26,815,948	9,915,851
23 RETURN ON SECURITIES			
Return on government securities		52,870,115	42,328,549
Return on TFCs		1,503,095	1,565,251
		54,373,210	43,893,800
Gain on sale of government securities		113,386	58,450
Dividend income		948,527	1,049,005
		55,435,123	45,001,255
24 OTHER INCOME			
Gain on sale of fixed assets		275,798	4,999
Commission		694,435	733,116
Miscellaneous		233,280	350,360
		1,203,513	1,088,475
25 FINANCE COST			
Return on certificate of deposits		7,146,199	7,683,342
Return on clean borrowings		672,065	1,116,294
Return on borrowings under repurchase agreement (Repo)		46,414,730	27,149,651
		54,232,994	35,949,287

	Notes	2012 Rupees	2011 Rupees
26 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		16,393,421	16,043,016
Contribution to provident fund	31.8	569,225	525,225
Gratuity scheme expense	31.4	780,146	612,925
Rent, rates and taxes		2,329,516	2,255,148
Telephone, telex and fax		723,781	672,536
Electricity, water and gas		1,018,900	1,018,148
Printing, postage and stationery		737,941	711,608
Insurance		497,776	481,072
Fees and membership		1,538,169	1,528,748
Brokerage and commission		49,821	14,051
Central Depository Company charges		161,268	182,366
Auditors' remuneration	26.1	352,000	345,475
Legal and professional fees		680,680	917,700
Vehicle running and maintenance		1,557,916	1,245,928
Repairs and maintenance		464,116	350,570
Advertisement		196,727	82,210
Travelling and entertainment		424,330	466,380
Depreciation	5	351,189	352,132
Bank charges		35,555	18,200
Old age benefit		101,544	101,220
Books, periodicals & newspapers		48,214	40,578
Other expenses		92,906	252,696
		29,105,141	28,217,932
26.1 Auditors' remuneration			
Statutory audit fee		325,000	325,000
Out of pocket expenses		27,000	20,475
		352,000	345,475

	Notes	2012 Rupees	2011 Rupees
27 TAXATION			
Current			
- for the year	27.1	(503,429)	(616,476)
Deferred			
- opening balance		(20,681,120)	(18,204,884)
- closing balance		22,115,510	20,681,120
		1,434,390	2,476,236
		930,961	1,859,760

27.1 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 1995-96, 1997-98 to 2001-02, tax year 2003 & 2005, 2006-07 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 Commissioner of the Inland Revenue (Appeals II). SIBL has contested the aforesaid order before Appellate Tribunal Inland Revenue which is pending for fixation. 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 to 2011 are deemed to be assessed in terms of Section 120(1)(b) of Income Tax Ordinance 2001.

28 EARNINGS PER SHARE- BASIC AND DILUTED

28.1 Basic

Profit after tax	2,790,926	2,562,276
Weighted average number of ordinary shares	51,433,558	51,433,558
Earnings per share	0.05	0.05

28.2 Diluted

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.

29 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and bank balances	9,749,494	13,243,835
	9,749,494	13,243,835

	Notes	2012 Rupees	2011 Rupees
30 STAFF STRENGTH			
Number of employees at end of the year		<u>26</u>	<u>27</u>
31 DEFINED BENEFIT PLAN			
31.1 General description			
<p>The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited (SIBL) at varying percentages of last drawn salary. The percentage depends on the number of service years with SIBL.</p> <p>Annual provision is based on actuarial valuation, which was carried out as at December 31, 2012 using the Projected Unit Credit Method.</p>			
31.2 Principal actuarial assumptions			
Following principal actuarial assumptions were used for the valuation.			
Estimated rate of increase in salary of the employees		<u>9.50%</u>	<u>10.75%</u>
Discount rate		<u>11.50%</u>	<u>13.00%</u>
Return on plan assets		<u>11.50%</u>	<u>13.00%</u>
31.3 Amount recognized in the balance sheet			
Fair value of plan assets	31.3.1	<u>4,262,309</u>	3,531,479
Present value of defined benefit obligation	31.3.2	<u>(5,304,348)</u>	<u>(4,772,052)</u>
Funded status		<u>(1,042,039)</u>	(1,240,573)
Unrecognized net Loss		<u>261,893</u>	<u>627,648</u>
(Liability)		<u>(780,146)</u>	<u>(612,925)</u>
31.3.1 Movement in the fair value of plan assets			
Present value of obligation at the beginning of the year		<u>3,531,479</u>	2,527,985
Expected return		462,436	392,615
Contributions		612,925	884,475
Benefits paid		(230,000)	-
Actuarial (Loss)		<u>(114,531)</u>	<u>(273,596)</u>
Fair value of plan assets at the end of the year		<u>4,262,309</u>	<u>3,531,479</u>

Notes	2012 Rupees	2011 Rupees
31.3.2 Movement in the defined benefit obligation		
Present value of obligation at the beginning of the year	4,772,052	3,474,958
Current service cost	601,448	506,847
Interest cost	605,873	495,182
Benefits paid	(230,000)	-
Actuarial (gain) / loss	(445,025)	295,065
Present value of obligation at the end of the year	<u>5,304,348</u>	<u>4,772,052</u>
31.4 Gratuity scheme expense recognized in the profit and loss account		
Current service cost	601,448	506,847
Interest cost	605,873	495,182
Expected return on plan assets	(462,436)	(392,615)
Recognition of actuarial loss	35,261	3,511
Net expense	<u>780,146</u>	<u>612,925</u>

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

31.5 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	2012	2011	2010	2009	2008
(Rupees in '000).....				
Defined benefit obligation	5,304	4,772	3,475	7,814	7,273
Fair value of plan assets	4,626	3,531	2,528	-	-
(Deficit)	(1,042)	(1,241)	(947)	-	-
Loss on obligation (%)	-12%	6%	11%	-13%	8%
Gain on plan assets (%)	-3%	-8%	8%	-	-

31.6 Actual return on plan assets during the year was Rs.0.348 million (2011: 0.119 million).

31.7 Based on actuarial advice the Bank intends to charge an amount of approximately Rs.0.780 million (2011 : Rs.0.613 million) in the financial statements for the year ending December 31, 2012.

31.8 Defined contribution plan

An amount of Rs.0.569 million (2011: Rs.0.525 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

32 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
Director's meeting fees	-	-	210,000	230,000	-	-
Managerial remuneration	4,494,000	4,494,000	-	-	5,496,000	5,034,000
Bonus	-	-	-	-	458,000	419,500
Medical expenses	138,380	335,967	-	-	459,000	416,600
Provident fund	-	-	-	-	360,792	329,796
Other benefits	1,058,855	1,230,444	-	-	-	-
Reimbursable expenses	-	-	-	-	-	-
	5,691,235	6,060,411	210,000	230,000	6,773,792	6,199,896
Number of persons	1	1	6	6	6	6

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

33 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.

34 MATURITIES OF ASSETS AND LIABILITIES

	2012			
	Total	Within One Year	Over one year to five years	Over five years
-----Rupees-----				
Assets				
Tangible fixed assets	1,051,882	-	-	1,051,882
Membership cards - Intangible	750,000	-	-	750,000
Long term Investment	186,903,748	-	-	186,903,748
Deferred tax asset	29,065,625	29,065,625	-	-
Short term financing	145,266,169	145,266,169	-	-
Short term investments	482,436,968	144,993,869	103,261,769	234,181,330
Loans and advances	84,195,196	84,195,196	-	-
Deposits, prepayments and other receivables	5,407,133	5,407,133	-	-
Accrued interest	19,873,833	19,873,833	-	-
Cash and bank balances	9,749,494	9,749,494	-	-
	964,700,048	438,551,319	103,261,769	422,886,960
Liabilities				
Borrowings	360,368,326	360,368,326	-	-
Short term deposits	112,047,664	112,047,664	-	-
Accrued expenses and other liabilities	6,819,994	6,819,994	-	-
	479,235,984	479,235,984	-	-
Net assets	485,464,064	(40,684,665)	103,261,769	422,886,960
Represented by:				
Share capital	514,335,580			
Unappropriated loss	(153,845,579)			
Statutory reserves	142,682,050			
Deficit on revaluation of investments - net of tax	(17,707,987)			
	485,464,064			

	2011			
	Total	Within One Year	Over one year to five years	Over five years
	-----Rupees-----			
Assets				
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 investments	430,090,148	212,346,438	91,525,109	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	-	-
	935,467,358	528,798,728	91,525,109	315,143,521
Liabilities				
Borrowings	362,984,857	362,984,857	-	-
Short term deposits	109,848,615	109,848,615	-	-
Accrued expenses and other liabilities	9,683,812	9,683,812	-	-
	482,517,284	482,517,284	-	-
Net assets	452,950,074	46,281,444	91,525,109	315,143,521
Represented by:				
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)			
	452,950,074			

35 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

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

	2012		2011	
	Rupees	%	Rupees	%
35.1 Finance				
Cables and electric goods	140,083,598	96.43	166,350,000	96.47
Others	5,182,571	3.57	6,091,265	3.53
	145,266,169	100.00	172,441,265	100.00

35.2 Geographical Segment

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

36 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.

36.1 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 2012					
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	
Financial assets					
Long term investment	100,000,000	-	-	-	100,000,000
Short term financing	145,266,169	145,266,169	-	-	-
Investment in TFCs	6,882,969	6,882,969	-	-	-
Short term investments in Quoted Shares	28,847,349	-	-	-	28,847,349
Investment in Government Bonds	497,610,398	115,787,498	96,378,800	285,444,100	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	4,773,522	-	-	-	4,773,522
Accrued interest	19,873,833	-	-	-	19,873,833
Balances with banks and cash in hand	9,749,494	6,959,285	-	-	2,790,209
Total	815,503,734	274,895,921	96,378,800	285,444,100	158,784,913
Financial liabilities					
Deposits	112,047,664	112,047,664	-	-	-
Borrowings	360,368,326	360,368,326	-	-	-
Profit accrued on deposits and borrowings	1,829,714	-	-	-	1,829,714
Accrued and other liabilities	2,115,551	-	-	-	2,115,551
Total	476,361,255	472,415,990	-	-	3,945,265
Total interest rate sensitivity gap		(197,520,069)	96,378,800	285,444,100	154,839,648
Cumulative interest rate sensitivity gap		(197,520,069)	(101,141,269)	184,302,831	

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	
Financial assets					
Long term Investment	100,000,000	-	-	-	100,000,000
Short term financing	172,441,265	172,441,265	-	-	-
Investment in Government Bonds	451,176,643	193,762,099	84,634,484	172,780,060	-
Short term investments in TFC's	6,890,625	6,890,625	-	-	-
Short term investments in Quoted Shares	18,584,339	-	-	-	18,584,339
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
Balance with bank and cash in hand	13,243,835	10,199,186	-	-	3,044,649
Total	779,978,067	383,293,175	84,634,484	172,780,060	139,270,348
Financial liabilities					
Deposit	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	2,053,989	-	-	-	2,053,989
Total	479,786,388	472,833,472	-	-	6,952,916
Total interest rate sensitivity gap		(89,540,297)	84,634,484	172,780,060	132,317,432
Cumulative interest rate sensitivity gap		(89,540,297)	(4,905,813)	167,874,247	

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

36.2 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.

36.3 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.

37 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.

NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for compliance with the enhanced minimum equity requirement of Rs. 600 million may be extended till June 30, 2016.

38 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.

39 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 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;

	Notes	2012 Rupees	2011 Rupees
Financing			
Balance as at year end			
- Associated undertakings		63,032,571	88,841,265
- Others		82,233,598	83,600,000
Return on financing			
Transactions during the year			
- Associated undertakings		14,285,072	2,756,551
- Others		12,812,416	6,009,271
Short term deposits			
Balance as at year end			
- Subsidiary		91,734,988	89,659,412
- Associated undertakings		2,415,384	2,197,802
- Others		8,235,215	6,389,311
Return on deposits			
Transactions during the year			
- Subsidiary		6,411,706	6,539,962
- Associated undertakings		263,075	238,715
- Others		564,338	603,440
Guarantee issued			
Balance as at year end			
- Associated undertakings		22,897,910	11,543,400
Other transactions during the year			
Contribution to staff provident fund		569,225	525,225
Contribution to staff gratuity fund		612,925	884,475

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 28 March 2013.

41 FIGURES

41.1 Figures have been rounded off to the nearest rupee.

41.2 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
Current liabilities	Current assets	
Accrued and other liabilities	Short term investment - discount on Market Treasury Bill	4,636,016

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN



Security Investment Bank Ltd
The Money Wise Bank
21st Annual
REPORT 2012

**SECURITY INVESTMENT BANK LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2012**



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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial information comprising the consolidated balance sheet of Security Investment Bank Limited ("the Parent Company") and its subsidiary company as at December 31, 2012 and the related consolidated profit and loss account, consolidated information of comprehensive income, consolidated cash flow information and consolidated information of changes in equity, together with the notes forming part thereof, (here-in after referred to as the 'financial information') for the year then ended. We have expressed separate opinion on the financial information 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 information in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 (XL VII of 1984). Our responsibility is to express an opinion on these financial information 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 information are free of any material misinformation. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the financial information. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial information examined by us, present fairly the financial position of Security Investment Bank Limited and its subsidiary company as at December 31, 2012 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.

Without qualifying our opinion, we draw attention to note 38 of financial information mentioning that bank is not meeting the minimum capital requirement under Non Banking Finance Companies and Notified Entities Regulation 2008 and has sought extension with Securities and Exchange Commission of Pakistan. The matter is still pending as on December 31, 2012.

AVAIS HYDER LIAQUAT NAUMAN

Chartered Accountants

Karachi.

Dated: March 28, 2013

Engagement Partner: Adnan Zaman

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 Rupees	2011 Rupees
Assets			
Property, plant and equipment	5	1,496,250	1,748,597
Intangible assets	6	750,000	36,750,000
Long term investments	7	86,903,748	50,982,900
Deferred tax asset	8	29,065,625	35,363,824
Current assets			
Short term financing	9	145,266,169	172,441,265
Short term investments	10	482,436,968	454,994,790
Loans and advances	11	86,663,246	79,523,626
Deposits, prepayments and other receivable	12	7,039,993	5,356,530
Accrued interest	13	19,873,833	12,145,492
Cash and bank balances	14	35,530,059	14,179,789
		776,810,268	738,641,492
		895,025,891	863,486,813
Share capital and liabilities			
Capital and reserves			
Authorized capital			
100,000,000 (2011: 100,000,000) ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	15	514,335,580	514,335,583
Unappropriated loss		(134,738,441)	(138,436,574)
Statutory reserve	16	142,682,050	142,123,865
		522,279,189	518,022,874
Deficit on revaluation of Investment	17	(17,707,987)	(47,431,051)
Current liabilities			
Borrowings	18	360,368,326	362,984,857
Short term deposits	19	20,312,676	20,189,203
Accrued and other liabilities	20	9,773,687	9,720,930
		390,454,689	392,894,990
Contingencies and commitments	21	-	-
		895,025,891	863,486,813

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 Rupees	2011 Rupees
Income			
Return on financing and placements	22	26,815,948	9,915,851
Return on securities	23	55,530,481	48,144,643
Gain on sale of investments		1,124,156	8,415,870
Profit on deposit with banks		619,360	448,284
Other income	24	1,188,759	1,123,123
		85,278,704	68,047,771
Expenditure			
Finance cost	25	48,097,072	29,409,330
Administrative expenses	26	32,909,783	32,112,396
		81,006,855	61,521,726
Profit for the year before taxation		4,271,849	6,526,045
Taxation	27	(15,534)	(432,617)
Profit after taxation		4,256,315	6,093,428
Basic earning per share	28	0.08	0.12

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

Notes	2012	2011
	Rupees	Rupees
Other comprehensive Income		
Profit after taxation	4,256,315	6,093,428
Other comprehensive income for the year - net of tax	-	-
Total comprehensive income for the year	<u><u>4,256,315</u></u>	<u><u>6,093,428</u></u>

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

Notes	2012 Rupees	2011 Rupees
Cash flow from operating activities		
Operating profit before tax	4,271,849	6,526,045
Adjustment for non cash and other items		
Depreciation	508,474	653,230
Amortization of deferred cost	-	64,168
(Gain) on disposal of shares	(1,124,156)	(8,415,870)
(Gain) on disposal of fixed assets	(275,798)	(4,999)
Provision for gratuity	780,146	612,925
	<u>(111,334)</u>	<u>(7,090,546)</u>
Cash flows from operating activities before working capital changes	4,160,515	(564,501)
(Increase) / decrease in operating assets		
Decrease / (increase) in financing and placements	27,175,096	(132,100,000)
(Increase) / Decrease in loans and advances	(410,050)	39,957
(Increase) / Decrease in deposits and prepayments	(1,683,463)	296,686
(Increase) / Decrease in accrued interest	(7,728,341)	(1,933,343)
	<u>17,353,242</u>	<u>(133,696,700)</u>
Increase / (decrease) in operating liabilities		
Increase / (decrease) in deposits	123,473	(5,183,406)
(Decrease)/ increase in borrowings	(2,616,531)	105,306,771
Increase in accrued and other liabilities	52,757	619,816
	<u>(2,440,301)</u>	<u>100,743,181</u>
Net changes in operating assets and liabilities	14,912,941	(32,953,519)
Income tax paid	(6,729,570)	(6,794,006)
Gratuity paid	(612,925)	(884,475)
Dividend paid	(23,388)	(37,143)
	<u>(7,365,883)</u>	<u>(7,715,624)</u>
Net cash generated from / (used in) operating activities	11,707,573	(41,233,644)
Cash flow from investing activities		
(Purchase) of fixed assets	(14,244)	(584,274)
Sale of investments (shares)	5,796,858	50,561,950
Sale / (purchase) of securities	3,860,083	(47,228,354)
Net cash generated from investing activities	9,642,697	2,749,322
Cash flow from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	<u>21,350,270</u>	<u>(38,484,322)</u>
Cash and cash equivalents at the beginning of the year	14,179,789	52,664,111
Cash and cash equivalents at the end of the year	35,530,059	14,179,789

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share Capital (Note 15) Rupees	Statutory Reserve (Note 16) Rupees	Unappropriated Loss Rupees	Total Rupees
Balance as at January 01, 2011	514,335,583	141,611,410	(144,017,547)	511,929,446
Profit for the year	-	-	6,093,428	6,093,428
Other comprehensive loss for the year	-	-	-	-
Appropriations :				
Statutory reserve	-	512,455	(512,455)	-
Balance as at December 31, 2011	514,335,583	142,123,865	(138,436,574)	518,022,874
Profit for the year	-	-	4,256,315	4,256,315
Other comprehensive income for the year	-	-	-	-
Adjustment	(3)	-	3	-
Appropriation :				
Statutory reserve	-	558,185	(558,185)	-
Balance as at December 31, 2012	514,335,580	142,682,050	(134,738,441)	522,279,189

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

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

License of subsidiary (SIBL Exchange (Pvt) Ltd) has been revoked by SBP through letter dated January 08, 2013, for not meeting the minimum capital requirement and due to this reason the financial information of the subsidiary has been prepared other than on going concern basis and the values of assets and liabilities of subsidiary have been taken from that financial information.

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.

IAS 12 - Income taxes - recovery of underlying assets.

2.4 Accounting standards or an interpretations not yet effective

The following standards, amendments and interpretation of approved accounting standards are applicable.

IFRS 9 - Financial Instruments	effective from accounting period beginning on or after 01 January 2015
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	effective from accounting period beginning on or after 01 July 2012 and 01 January 2013
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
IAS 32 off setting of financial assets and financial liabilities (Amendments)	effective from accounting period beginning on or after 01 January 2014

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 10)
- (c) recognition of taxation and deferred tax (note 8 and 27) and
- (d) accounting for post employment benefits (note 31)

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 Membership Card

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

4.3 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.

4.4 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.

4.5 Securities under repurchase / resale agreement

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

4.6 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 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.

4.7 Staff retirement benefits

4.7.1 Defined contribution plan

The parent 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.

4.7.2 Defined benefit plan

The parent 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.

4.8 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 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.

4.9 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.

4.10 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 and cash with banks in current and deposit account and short term clean placements.

4.12 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.

4.13 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 that 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 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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, 2012	
	As at January 01, 2012	Additions	Deletions	As at December 31, 2012		As at January 01, 2012	Charge for the year	Adjustment		As at December 31, 2012
Computers and equipments	5,509,582	242,091	(55,500)	5,696,173	20%	4,615,050	388,590	(55,499)	4,948,141	748,032
Furniture and fixtures	3,691,836	-	-	3,691,836	10%	3,318,531	61,969	-	3,380,500	311,336
Generator	886,321	-	-	886,321	10%	594,868	46,632	-	641,500	244,821
Sign board	262,868	-	-	262,868	10%	182,216	10,767	-	192,983	69,885
Telephone system	236,496	5,000	-	241,496	10%	190,123	13,401	-	203,524	37,972
Vehicles	4,958,621	42,953	(1,313,490)	3,688,084	20%	4,896,339	21,030	(1,313,489)	3,603,880	84,204
2012	15,545,724	290,044	(1,368,990)	14,466,778		13,797,127	542,389	(1,368,988)	12,970,528	1,496,250

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
2011	15,033,598	589,274	(77,148)	15,545,724		13,221,044	653,230	(77,147)	13,797,127	1,748,597

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 11,965,624/- (2011 : Rs. 11,466,634/-) 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
Computers	55,500	55,499	1	800	(799)	Cyber Land	Negotiation
Vehicle	1,313,490	1,313,489	1	275,000	274,999	M. Ashraf	Negotiation

	Notes	2012 Rupees	2011 Rupees	
6	INTANGIBLE ASSETS			
	Corporate membership of Karachi Stock Exchange	-	36,000,000	
	Corporate membership of Pakistan Mercantile Exchange Ltd	750,000	750,000	
		750,000	36,750,000	
7	LONG TERM INVESTMENTS			
	Pakistan Investment Bonds - Held to maturity	7.1	50,903,748	50,982,900
	The Karachi Stock Exchange Ltd- 4,007,383 ordinary shares of Rs. 10/- each	7.2	36,000,000	-
		86,903,748	50,982,900	
7.1	Pakistan Investment Bonds			
	Cost	50,982,900	51,062,052	
	Less : Amortization	(79,152)	(79,152)	
		50,903,748	50,982,900	
	<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.50,000,000/- (2011: Rs.50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2011 : 10%).Their period to maturity is eleven and a half years.</p>			
7.2	<p>In the wake of promulgation of the Stock Exchanges (Corporation, Demutualization and Integeration) Act 2012, in lieu of Membership Cards Shares and Trading Entitlements (TRE) Certificates have been issued to holders of such Cards. A total number of 4,007,383 ordinary shares of Rs. 10/- each in the corporatized and de-mutualized KSE have been allotted to the Company in a dematerialized form. Out of aforementioned, 1,602,953 ordinary shares (i.e. 40 percent) have been received in our CDC participant account whereas 2,404,430 ordinary shares (i.e. 60 percent) have been deposited in a sub-account opened in the company's name under KSE's participant ID with the Central Depository Company of Pakistan Limited, which will remain blocked in terms of the provision of the Act. The company has recalssified its investment from Intangible Assets to Tangible Assets as Long-Term Investments at cost for better presentation.</p>			
8	DEFERRED TAX ASSET			
	Deferred tax assets arising in respect of			
	Deficit on revaluation of securities	6,950,115	14,682,704	
	Accelerated depreciation	41,598	98,809	
	Tax losses	22,073,912	20,582,311	
		29,065,625	35,363,824	

	Notes	2012 Rupees	2011 Rupees
8.1	Movement in deferred tax asset		
	Opening Balance	35,363,824	42,088,152
	Provision during the year	(6,298,199)	(6,724,328)
	Closing Balance	<u>29,065,625</u>	<u>35,363,824</u>
8.2	The Company has an aggregate amount of Rs. 63.068 million (2011: Rs. 58.807 million) in respect of unabsorbed tax losses as at December 31, 2012 on which the management has recognized deferred tax asset of Rs. 22.074 million (2011: Rs. 20.582 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.		
9	SHORT TERM FINANCING		
	Secured and considered good		
	Associated companies	9.1 63,032,571	88,841,265
	Others	9.2 82,233,598	83,600,000
		<u>145,266,169</u>	<u>172,441,265</u>
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 15% per annum (2011: 16% per annum).		
9.2	These are secured by demand promissory notes, hypothecation or a charges on assets of customers and certificates of deposits. The mark-up rate is 15% per annum (2011: 16% per annum)		
10	SHORT TERM INVESTMENTS		
	Available for Sale		
	Pakistan Investment Bonds	10.1 330,919,152	359,251,200
	Term Finance Certificates	10.2 6,882,969	6,890,625
	Quoted shares	10.3 28,847,349	18,584,339
	Treasury bills	10.4 115,787,498	70,268,626
		<u>482,436,968</u>	<u>454,994,790</u>

10.1 Securities given as collateral under repurchase agreements.

	Note	2012			2011		
		Held by SIBL	Repo	Total	Held by SIBL	Repo	Total
..... Rupees							
Pakistan Investment Bonds	10.1.1	68,596,252	262,322,900	330,919,152	43,587,750	315,663,450	359,251,200
Term Finance Certificates	10.1.2	6,882,969	-	6,882,969	6,890,625	-	6,890,625
Quoted Shares	10.1.3	28,847,349	-	28,847,349	18,584,339	-	18,584,339
Market Treasury Bills	10.1.4	-	115,787,498	115,787,498	24,904,642	45,363,984	70,268,626

10.1.1 This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having face value of Rs.350,000,000 (2011: Rs.400,000,000) with income receivable semi annually. Period to maturity of these investments range from three and half years to eleven years and six months and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2011: 9% to 11% per annum). PIBs having market value of Rs. 262.323 million (2011 : Rs. 315.663 million) are held by other financial institutions as security under repurchase transactions.

10.1.2 Particulars of listed Term Finance Certificates (TFC) :

Issuer of TFC	No. of Certificates	2012		2011			
		Cost	Market Value	Cost	Market value		
	 Rupees					
	2012	2011					
Telecard Limited	10.1.2.1	5,000	5,000	9,177,292	6,882,969	9,187,500	6,890,625
				9,177,292	6,882,969	9,187,500	6,890,625

10.1.2.1 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, 2012	3,165			
Balance as at December 31, 2012	1,835			

Notes

2012
Rupees

2011
Rupees

10.1.3 Quoted Shares

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

2012	2011	2012		2011	
		Cost	Market Value	Cost	Market Value
No. of ordinary shares, certificates / units		Rupees			
Modarabas / Mutual funds					
500	500	225	225	225	225
4,500	4,500	64,170	73,800	64,170	56,070
69,627	69,627	343,957	607,844	343,957	327,247
Leasing					
42,370	42,370	59,742	137,703	59,742	20,338
Investment banks / Cos. / Banks					
52,082	46,874	2,361,689	1,607,251	2,361,689	664,673
932,667	811,015	16,773,412	16,060,654	16,773,412	8,134,608
3,825	3,825	52,670	64,337	52,670	43,031
214,700	214,700	4,186,650	2,297,290	4,186,650	1,161,527
27,500	25,000	1,189,797	1,358,225	1,189,797	1,026,250
1,644	1,644	21,684	6,609	21,684	4,472
2,270	2,270	68,259	36,638	68,259	9,148
Cement					
-	150,000	-	-	4,884,000	2,854,500
-	53,800	-	-	212,980	130,850
Automobiles and Transport					
45,000	45,000	117,450	181,350	117,450	88,650
Sugar & Allied Industries					
100	100	8,000	8,000	8,000	8,000
Textile Composite					
100,000	100,000	6,062,076	6,385,000	6,062,076	4,045,000
Miscellaneous					
7,500	7,500	43,875	22,425	43,875	9,750
		31,353,656	28,847,349	36,450,636	18,584,339

10.1.4 Market Treasury Bills

These carry mark-up at the rate ranging between 9.30% to 9.35% (2011: 11.85% to 11.87%) per annum and have terms of one year maturing latest by November 14, 2013.

	Notes	2012 Rupees	2011 Rupees
11 LOANS AND ADVANCES			
Advances -considered good			
For expenses		854,447	444,397
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		83,308,799	76,579,229
		86,663,246	79,523,626
12 DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES			
Security		1,443,788	1,443,788
KSE exposure limits		1,748,123	1,521,964
Prepayments		633,611	736,052
Other receivables -considered good		3,214,471	1,654,726
		7,039,993	5,356,530
13 ACCRUED INTEREST			
Income receivable	13.1	19,692,893	11,965,238
Accrued profit on PLS deposits		180,940	180,254
		19,873,833	12,145,492
13.1 Income receivable			
Considered Good			
Not due	13.1.1	19,873,833	11,965,238
13.1.1	This represents income on financing, placements and government securities not matured / due on December 31, 2012.		
14 CASH AND BANK BALANCES			
With State Bank of Pakistan in			
Current account		25,458,362	518,898
With other banks in			
Current accounts		2,847,742	3,202,412
Deposit accounts	14.1	6,959,285	10,199,186
		9,807,027	13,401,598
Cash in hand		264,670	259,293
		35,530,059	14,179,789

	Notes	2012 Rupees	2011 Rupees
14.1	Rate of return on these deposits accounts range from 6% to 6.05% per annum (2011 : 5% to 6.5% per annum)		
15	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
	Number of shares		
	2012	2011	
	23,552,000	23,552,000	Ordinary shares of Rs.10/- each fully paid in cash
	27,881,558	27,881,558	Ordinary shares of Rs.10/- each issued as fully paid bonus shares
	51,433,558	51,433,558	
		235,520,000	235,520,000
		278,815,580	278,815,583
		514,335,580	514,335,583
16	STATUTORY RESERVES		
	Capital Reserves		
	Statutory reserves	16.1	
		142,682,050	142,123,865
16.1	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.		
17	(DEFICIT) ON REVALUATION OF INVESTMENTS - NET OF DEFERRED TAX		
	Government securities	(19,857,472)	(41,950,583)
	Term Finance Certificates	(2,294,323)	(2,296,875)
		(22,151,795)	(44,247,458)
	Related deferred tax asset	6,950,115	14,682,704
		(15,201,680)	(29,564,754)
	Quoted shares	(2,506,307)	(17,866,297)
		(17,707,987)	(47,431,051)
18	BORROWINGS		
	Financial institutions- secured	18.1	
	Related party - unsecured		
	SIBL Provident fund	-	6,550,891
	SIBL Gratuity fund	-	3,498,625
		360,368,326	362,984,857

	Notes	2012 Rupees	2011 Rupees
18.1	This represents amount borrowed from financial institutions at mark-up rates ranging between 10.30% to 11.25% (2011: 12.50%) and having maturity on or before January 16, 2012. These are secured against Pakistan Investment Bonds and Market Treasury Bills.		
19	SHORT TERM DEPOSITS		
	From individuals	9,662,077	11,602,090
	From related parties		
	Associated undertaking	2,415,384	2,197,802
	Others	8,235,215	6,389,311
	19.1	20,312,676	20,189,203
19.1	This represents Certificate of Deposits with maturity ranging from one month to twelve months. The expected rate of return on these deposits range from 6.5% to 11% per annum (2011 : 8% to 11% per annum) payable monthly, quarterly, semi annually or on maturity.		
20	ACCRUED AND OTHER LIABILITIES		
	Accrued expenses		
	Return on borrowing from related party- unsecured	45,602	20,650
	Return on deposits from		
	- individuals	712,986	572,753
	- related party	-	601,006
		712,986	1,173,759
	Return on borrowing from financial institutions- secured	1,071,126	3,704,518
		1,829,714	4,898,927
	Other liabilities		
	Unclaimed dividend	2,094,583	2,117,971
	Others		
	- related party	-	63,865
	- others	5,069,244	2,027,242
		5,069,244	2,091,107
	Payable to employee gratuity fund	780,146	612,925
	32	9,773,687	9,720,930

	Notes	2012 Rupees	2011 Rupees
21 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued on behalf of customer:			
- Associated undertaking		22,897,910	11,543,400
- Others		55,103,000	57,503,000
Commitments			
There were no commitments at the balance sheet date			
22 RETURN ON FINANCING AND PLACEMENTS			
Financing			
Demand finance		26,761,367	8,765,822
Placements			
With financial Institution - unsecured		54,581	1,150,029
		26,815,948	9,915,851
23 RETURN ON SECURITIES			
Return on government securities		52,965,473	45,471,937
Return on TFCs		1,503,095	1,565,251
		54,468,568	47,037,188
Gain on sale of securities		113,386	58,450
Dividend income		948,527	1,049,005
		55,530,481	48,144,643
24 OTHER INCOME			
Gain on sale of fixed assets		275,798	4,999
Commission		694,435	733,116
Miscellaneous		218,526	385,008
		1,188,759	1,123,123
25 FINANCE COST			
Return on certificate of deposits		1,010,277	1,143,385
Return on clean borrowings		672,065	1,116,294
Return on borrowings under repurchase agreement (Repo)		46,414,730	27,149,651
		48,097,072	29,409,330

	Notes	2012 Rupees	2011 Rupees
26 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, wages and other benefits		17,819,726	17,413,251
Contribution to provident fund	31.8	569,225	525,225
Gratuity scheme expenses	31.4	780,146	612,925
Rent, rates and taxes		2,329,516	2,255,148
Telephone, telex and fax		751,639	992,065
Electricity, water and gas		1,237,668	1,244,523
Printing, postage and stationery		764,793	754,544
Insurance		529,713	499,736
Fees and membership		1,542,669	1,534,748
Brokerage and commission		49,821	14,051
Central Depository Company charges		161,268	182,366
Auditors' remuneration	26.1	477,000	470,475
Legal and professional fees		705,280	928,500
Vehicle running and maintenance		1,995,029	1,658,338
Repairs and maintenance		629,838	643,087
Advertisement		196,727	82,210
Travelling and entertainment		532,278	602,645
Depreciation	5	542,389	653,230
Amortization of deferred cost		-	73,654
Bank charges		35,555	18,346
Old age benefit		101,544	101,220
Books, periodicals & newspapers		48,214	40,578
Other expenses		1,109,745	811,531
		32,909,783	32,112,396
26.1 Auditors' remuneration			
Statutory audit fee		450,000	450,000
Out of pocket		27,000	20,475
		477,000	470,475

	Notes	2012 Rupees	2011 Rupees
27	PROVISION FOR TAXATION		
Current			
- for the year	27.1	(1,449,924)	(2,908,853)
Deferred			
- opening balance		(20,681,120)	(18,204,884)
- closing balance		22,115,510	20,681,120
		1,434,390	2,476,236
		(15,534)	(432,617)

27.1 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 1995-96, 1997-98 to 2001-02, tax year 2003 & 2005, 2006-07 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 Commissioner of the Inland Revenue (Appeals II). SIBL has contested the aforesaid order before Appellate Tribunal Inland Revenue which is pending for fixation. 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 to 2011 are deemed to be assessed in terms of Section 120(1)(b) of Income Tax Ordinance 2001.

28 Earnings per share- basic and diluted

28.1 Basic

Profit after tax	4,256,315	6,093,428
Weighted average number of ordinary shares	51,433,558	51,433,558
Earnings per share	0.08	0.12

28.2 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.

29 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and bank balances	35,530,059	14,179,789
	35,530,059	14,179,789

	Notes	2012 Rupees	2011 Rupees
30 STAFF STRENGTH			
Number of employees at end of the year		32	33
31 DEFINED BENEFIT PLAN			
31.1 General description			
<p>The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited at varying percentages of last drawn salary. The percentage depends on the number of service years with SIBL.</p> <p>Annual provision is based on actuarial valuation, which was carried out as at December 31, 2012 using the Projected Unit Credit Method.</p>			
31.2 Principal actuarial assumptions			
<p>Following principal actuarial assumptions were used for the valuation.</p>			
Estimated rate of increase in salary of the employees		9.50%	10.75%
Discount rate		11.50%	13.00%
Return on Plan Assets		11.50%	13.00%
31.3 Amount recognized in the balance sheet			
Fair value of plan assets	31.3.1	4,262,309	3,531,479
Present value of defined benefit obligation	31.3.2	(5,304,348)	(4,772,052)
Funded status		(1,042,039)	(1,240,573)
Unrecognized net gain		261,893	627,648
(Liability)		(780,146)	(612,925)
31.3.1 Movement in the fair value of plan assets			
Fair value at beginning of year		3,531,479	2,527,985
Expected return		462,436	392,615
Contributions		612,925	884,475
Benefits paid		(230,000)	-
Actuarial (Loss)		(114,531)	(273,596)
Fair value of plan assets at the end of the year		4,262,309	3,531,479

Notes	2012 Rupees	2011 Rupees
31.3.2 Movement in the defined benefit obligation		
Present value of obligation at the beginning of the year	4,772,052	3,474,958
Service cost	601,448	506,847
Interest cost	605,873	495,182
Benefits paid	(230,000)	-
Actuarial loss (gain)	(445,025)	295,065
Present value of obligation at the end of the year	<u>5,304,348</u>	<u>4,772,052</u>
31.4 Gratuity scheme expense recognized in the profit and loss account		
Service cost	601,448	506,847
Interest cost	605,873	495,182
Expected return on plan assets	(462,436)	(392,615)
Recognition of actuarial loss	35,261	3,511
Net expense	<u>780,146</u>	<u>612,925</u>

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

31.5 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	2012	2011	2010	2009
(Rupees in '000).....			
Defined benefit obligation	5,304	4,772	3,475	7,814
Fair value of plan assets	4,626	(3,531)	(2,528)	-
Deficit	(1,042)	(1,241)	947	-
Loss on obligation (%)	(12)	6%	11%	-13%
Gain on plan assets (%)	-3%	-8%	8%	-

31.6 Actual return on plan assets during the year was Rs.0.348 million (2011: 0.119 million).

31.7 Based on actuarial advice the Bank has charged an amount of Rs.0.780 (2011: Rs.0.613) in the financial statements for the year ended December 31, 2012.

31.8 Defined contribution plan

An amount of Rs.0.569 million (2011: Rs.0.525 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

32 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
Director's meeting fees	-	-	210,000	230,000	-	-
Managerial remuneration	5,118,000	5,118,000	-	-	5,496,000	5,034,000
Bonus	-	-	-	-	458,000	419,500
Medical expenses	138,380	335,967	-	-	459,000	416,600
Provident fund	-	-	-	-	360,792	329,796
Other benefits	1,058,855	1,230,444	-	-	-	-
Reimbursable expenses	-	-	-	-	-	-
	6,315,235	6,684,411	210,000	230,000	6,773,792	6,199,896
Number of persons	2	2	6	6	6	6

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

33. SEGMENT

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

	December 31, 2012		
	Investement Banking Activities	Exchange Company Activities	Total
	-----Rupees-----		
Return on financing and placements	26,815,948	-	26,815,948
Return on securities	55,435,123	95,358	55,530,481
Gain on sale of investments	1,124,156	-	1,124,156
Profit on deposits with banks	619,360	-	619,360
Other income	1,203,513	(14,754)	1,188,759
Total income for reportable	85,198,100	80,604	85,278,704
Financial cost	48,097,072	-	48,097,072
Administrative and Operating	29,105,141	3,804,642	32,909,783
Segment result	7,995,887	(3,724,038)	4,271,849
Profit before taxation	7,995,887	(3,724,038)	4,271,849
Segment Assets	864,552,189	32,475,091	897,027,280
Segment Liabilities and Equity	872,817,201	24,210,079	897,027,280
	December 31, 2011		
	Investement Banking Activities	Exchange Company Activities	Total
	-----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
Total income for reportable	64,869,735	3,178,036	68,047,771
Financial cost	29,409,330	-	29,409,330
Administrative and Operating	28,217,932	3,894,465	32,112,397
Segment result	7,242,473	(716,429)	6,526,045
Loss before taxation	7,242,473	(716,429)	6,526,045
Segment Assets	840,103,374	28,114,813	868,218,187
Segment Liabilities and Equity	850,443,962	17,774,225	868,218,187

34 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.

35 Maturities of assets and liabilities

Assets	2012			
	Total	Within One Year	Over one year to five years	Over five years
Rupees				
Tangible fixed assets	1,496,250	-	-	1,496,250
Membership card	750,000	-	-	750,000
Long term Investment	86,903,748	-	-	86,903,748
Deferred tax asset	29,065,625	29,065,625	-	-
Short term financing	145,266,169	145,266,169	-	-
Short term investments	482,436,968	144,993,869	103,261,769	234,181,330
Loans and advances	86,663,246	86,663,246	-	-
Deposits and prepayments	7,039,993	7,039,993	-	-
Accrued interest	19,873,833	19,873,833	-	-
Cash and bank balances	35,530,059	35,530,059	-	-
	895,025,891	468,432,794	103,261,769	323,331,328
Liabilities				
Borrowings	360,368,326	360,368,326	-	-
Short term deposits	20,312,676	20,312,676	-	-
Accrued expenses and other liabilities	9,773,687	9,773,687	-	-
	390,454,689	390,454,689	-	-
Net assets	504,571,202	77,978,105	103,261,769	323,331,328
Represented by:				
Share capital & Reserves	514,335,580			
Unappropriated loss	(134,738,441)			
Statutory reserve	142,682,050			
Deficit on revaluation of Investment	(17,707,987)			
	504,571,202			

2011				
Assets	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 - Intangible	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 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	-	-
	868,218,187	556,356,964	96,161,125	215,700,098
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	-	-
	397,626,364	397,626,364	-	-
Net assets	470,591,823	158,730,600	96,161,125	215,700,098
Represented by:				
Share capital & Reserves	514,335,583			
Unappropriated loss	(138,436,574)			
Statutory reserve	142,123,865			
Deficit on revaluation of Investment	(47,431,051)			
	470,591,823			

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 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:

36.1 Finance	2012		2011	
	Rupees	%	Rupees	%
Cables and electric goods	140,083,598	96.43	166,350,000	96.47
Others	5,182,571	3.57	6,091,265	3.53
	145,266,169	100.00	172,441,265	100.00

36.2 Geographical Segment

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

37 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.

37.1 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 2012					
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	
Financial assets					
Short term financing	145,266,169	145,266,169	-	-	-
Investment in TFCs	6,882,969	6,882,969	-	-	-
Investment in Shares	28,847,349	-	-	-	28,847,349
Investment in Government Bonds	497,610,398	115,787,498	96,378,800	285,444,100	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	6,303,941	-	-	-	6,303,941
Accrued interest	19,873,833	-	-	-	19,873,833
Balances with banks and cash in hand	35,530,059	31,549,456	-	-	3,980,603
Total	742,814,718	299,486,092	96,378,800	285,444,100	61,505,726
Financial liabilities					
Deposits	20,312,676	20,312,676	-	-	-
Borrowings	360,368,326	360,368,326	-	-	-
Profit accrued on deposits and borrowings	4,898,927	-	-	-	4,898,927
Accrued and other liabilities	6,822,481	-	-	-	6,822,481
Total	392,402,410	380,681,002	-	-	11,721,408
Total interest rate sensitivity gap		(81,194,910)	96,378,800	285,444,100	49,784,318
Cumulative interest rate sensitivity gap		(81,194,910)	15,183,890	300,627,990	

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	
Financial assets					
Short term financing	172,441,265	172,441,265	-	-	-
Investment in TFCs	6,890,625	6,890,625	-	-	-
Investment in quoted shares	18,584,339	-	-	-	18,584,339
Investment in government securities	480,502,726	214,030,725	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
Balance with bank and cash in hand	14,179,789	10,199,186	-	-	3,980,603
Total	716,596,088	403,561,801	89,270,500	177,201,501	41,830,912
Financial liabilities					
Deposit	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	4,822,003	-	-	-	4,822,003
Total	394,895,468	383,174,060	-	-	9,720,930
Total interest rate sensitivity gap		20,387,741	89,270,500	177,122,349	32,109,982
Cumulative interest rate sensitivity gap		20,387,741	109,658,241	286,780,590	

37.2 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.

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 Group 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 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 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. Currently the bank does not meet its minimum capital requirement as required by the above regulations. The management of the company is confident of 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.

NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for compliance with the enhanced minimum equity requirement of Rs. 600 million may be extended till June 30, 2016.

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.

40 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	2012 Rupees	2011 Rupees
Financing		
Balance as at year end		
- Associated undertakings	63,032,571	88,841,265
- Others	82,233,598	83,600,000
Return on financing		
Transactions during the year		
- Associated undertakings	14,285,072	2,756,551
- Others	12,812,416	6,009,271
Short term deposits		
Balance as at year end		
- Associated undertakings	2,415,384	2,197,802
- Others	8,235,215	6,389,311
Transaction during the year		
- Certificate of deposit issued	2,415,384	2,197,802
Return on deposits		
Transactions during the year		
- Associated undertakings	263,075	238,715
- Others	564,338	603,440
Guarantee issued		
Balance as at year end		
- Associated undertakings	22,897,910	11,543,400
Other transactions during the year		
Contribution to staff provident fund	569,225	525,225
Contribution to staff gratuity fund	612,925	612,925

41 Figures

41.1 Figures have been rounded off to the nearest rupee.

41.2 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
Current Liabilities	Currents Assets	
Accrued and other liabilities	Short term investments discount on market treasury bills	4,731,374

43 Date of authorization of issue

These financial statements were authorized for issue by the Board of Directors on 28 March 2013.

MUHAMMAD SALEEM RATHOD
 CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
 CHAIRMAN

PATTERN OF SHAREHOLDING
AS AT 31 DECEMBER 2012

Number of Shareholders	Shareholding From	To	Total number of shares held	Percentage %
807	1	100	30,728	0.06%
545	101	500	135,231	0.26%
236	501	1,000	184,715	0.36%
564	1,001	5,000	1,002,456	1.95%
66	5,001	10,000	474,125	0.92%
23	10,001	15,000	278,635	0.54%
15	15,001	20,000	266,278	0.52%
15	20,001	25,000	344,480	0.67%
3	25,001	30,000	86,100	0.17%
3	30,001	35,000	100,622	0.20%
3	35,001	40,000	113,944	0.22%
1	40,001	45,000	43,834	0.09%
4	45,001	50,000	185,765	0.36%
3	50,001	55,000	156,727	0.30%
3	55,001	60,000	175,359	0.34%
2	65,001	70,000	137,575	0.27%
1	75,001	80,000	79,627	0.15%
1	85,001	90,000	88,002	0.17%
1	90,001	95,000	92,423	0.18%
1	100,001	105,000	100,717	0.20%
1	120,001	125,000	121,500	0.24%
1	130,001	135,000	139,200	0.27%
4	155,001	160,000	649,920	1.26%
2	185,001	190,000	1,276,755	2.48%
1	215,001	220,000	216,823	0.42%
1	225,001	230,000	230,000	0.45%
1	230,001	235,000	231,758	0.45%
1	245,001	250,000	246,500	0.48%
1	275,001	280,000	275,142	0.53%
1	340,001	345,000	344,000	0.67%
1	375,001	380,000	375,463	0.73%
1	395,001	400,000	400,000	0.78%
1	490,001	495,000	495,000	0.96%
1	700,001	705,000	706,977	1.37%
1	915,001	920,000	917,841	1.78%
1	925,001	930,000	926,234	1.80%
1	1,110,001	111,5000	1,114,392	2.17%
1	1,160,001	116,5000	1,160,703	2.26%
1	1,175,001	1,180,000	1,178,581	2.29%
1	1,565,001	1,570,000	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%
2,332			51,433,558	

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	2,279	43,944,036	85.44%
INVESTMENT COMPANIES	6	3,849	0.01%
INSURANCE COMPANIES	3	376,202	0.73%
JOINT STOCK COMPANIES	34	3,180,059	6.18%
FINANCIAL INSTITUTIONS	6	1,386,125	2.69%
MODARABA COMPANIES	1	889	0.00%
MUTUTAL FUND	1	2,277,698	4.43%
OTHERS	2	264,700	0.51%
2,332		51,433,558	

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

Categories of Shareholders	Shares Held
Individual	13,289,840
Investment companies except ICP	2,144
Public / Private Sector Companies and Corporations	3,444,759
Directors, Chief Executive Officer and their spouse and minor children	
Haji Jan Muhammad	1,221
Muhammad Mehboob	2,760
Sheikh Asim Rafiq (NIT) National Bank of Pakistan, Trustee Department	3,662,190
Shaikh Abdullah	1,000
Muhammad Taufique Motiwala	500
Karim Muhammad Munir	500
Muhammad Saleem Rathod	2,335
Investment Corporation of Pakistan	1,705
Associated companies, undertakings and related parties	
Muhammad Iqbal	2,923,849
Zarina Iqbal	2,796,114
Shahnaz Javed	3,650,100
Muhammad Hanif	2,226,560
Fouzia Bano	1,825,050
Yasmin Bano	2,226,560
Maryiam Bai	1,178,581
Banks, DFIs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Department	378,724
Shareholders holding ten percent or more voting interest	
H.A.R	6,518,866
Amina Bano	7,300,200
Grand Total	51,433,558

Dividend Mandate

Dear Shareholder,

Dividend Mandate: (Optional)

Security Investment Bank Limited wishes to inform its Shareholders that under the Law (Section 250 of the Companies Ordinance, 1984) they are entitled (if they so opt) to receive their cash dividend directly in their designated bank accounts instead of receiving it through dividend warrants. This will not only be convenient but will also save considerable time as funds will be credited directly into the bank account.

Shareholders either desiring to exercise this option or wanting to update the Bank Mandate information already provided should submit the following information to Security Investment Bank Limited Share Registrar at the address noted herein:

S.No	Shareholder/Member Details	
1	Shareholder Name	
2	Father's/ Husband's Name	
3	Folio Number	
4	Name of Bank and Branch	
5	Title of Bank Account	
6	Bank Account Number	
7	Cell Number	
8	Telephone Number (if any)	
9	CNIC Number (attach copy)	
10	NTN (in case of corporate entity, attach copy)	
11	Passport No. (in case of foreign shareholder)	

Signature of Member/Shareholder

Please note that this dividend mandate is OPTIONAL and NOT COMPULSORY, in case you do not wish your dividend to be directly credited into your bank account then the same shall be paid to you through the dividend warrants.

CNIC Submission (Mandatory):

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, you are therefore requested to submit a copy of your valid CNIC. In case of non-receipt of the copy of valid CNIC, Security Investment Bank Limited (the Company) would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and therefore may be constrained under Section 251(2) (a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders in future.

Security Investment Bank Limited Share Registrar

C & K Management Associates (Pvt) Limited
404, Trade Tower, Near Hotel Metropolitan, Karachi.

***Note:** The Shareholders who hold shares in Central Depository Company are requested to submit the duly filled in Dividend Mandate Form to their Participants/Investor Account Services.

Yours faithfully,
Head of Finance and Company Secretary
Security Investment Bank Limited

FORM OF PROXY

TWENTY SECOND 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.

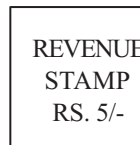
do hereby appoint

of

to vote for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company to be held on 29th April 2013 and at any adjournment thereof.

As Witness my/our hand this day of2013.

Folio No.



Witness:

1. Name _____

CNIC No. _____

SIGNATURE OF MEMBER(S)

2. Name _____

CNIC No. _____

IMPORTANT:

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



KARACHI OFFICE

606, 6th Floor, Unitowers,
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ISLAMABAD OFFICE

GPO Box No. 2967, Suit # 4, 3rd Floor,
Al-Babar Centre, Main Markaz F-8 v.
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