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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.*

COMPANY INFORMATION

BOARD OF DIRECTORS

Haji Jan Muhammad (Chairman)
Mr. Muhammad Mehboob
Mr. Muhammad Shoaib
Mrs. Samreen Shoaib
Mr. Shaikh Abdullah
Mr. Karim Muhammad Munir
Mr. Muzaffar Ahmed Ghouri

PRESIDENT & CHIEF EXECUTIVE

Mr. Zafar .M. Sheikh

AUDIT COMMITTEE

Mr. Shaikh Abdullah (Chairman)
Haji Jan Muhammad
Mr. Muzaffar Ahmed Ghouri
Mr. Karim Muhammad Munir

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Muzaffar Ahmed Ghouri (Chairman)
Mr. Zafar .M. Sheikh
Mr. Muhammad Mehboob

RISK MANAGEMENT COMMITTEE

Mr. Karim Muhammad Munir (Chairman)
Mr. Muhammad Mehboob
Mr. Muhammad Shoaib
Mr. Zafar .M. Sheikh

CFO

Mr. Shakeel Ahmed

AUDITORS

M/S BAKERS TILLY
MEHMOOD IDREES QAMAR,
Chartered Accountants

TAX ADVISORS

Grant Thoranton Anjum Rahman
Chartered Accountants

LEGAL ADVISORS

Rehan Kayani

SHARE REGISTRAR

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

BANKERS

Habib Metropolitan Bank Limited.
UBL Bank Limited.
Summit Bank Limited.

REGISTERED OFFICE

Office No. 1, 1st Floor, Junaid Plaza,
I-10 Markez, Islamabad.
Tel : (051) 4102920
Website : www.sibl.com.pk

KARACHI OFFICE

502, 5th Floor, Madina City Mall,
Abdullah Haroon Road, Saddar Karachi.
Tel: (021) 35659750-54
Fax: (021) 35659755
E-mail : sibl@sibl.com.pk

NOTICE OF THE TWENTY NINE ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Ninth Annual General Meeting of Security Investment Bank Limited (the Company) will be held at the Registered Office of the Company located at Suite Number 1, 1st Floor, Junaid Plaza, I-10 Markaz, Islamabad, on 20 April 2020 at 9:00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of the Extra Ordinary General Meeting held on 29 June 2019.
- 2) To receive and adopt the audited financial statements of the Company for the year ended 31 December 2019 together with the directors' and auditor's reports thereon.
- 3) To appoint auditors and fix their remuneration for the year ending 31 December 2020. The retiring auditors M/s. Baker Tilly Mehmood Idrees Qamar. Chartered Accountants retires and being eligible offers themselves for reappointment to act as the external auditors of the Bank and fix their remuneration for the years ending 31, December 2020.

ANY OTHER BUSINESS

- 4) To consider any other business with the permission of the Chair.

BOOK CLOSURE

The share transfer book of the company will remain closed from 14 April 2020 to 20 April 2020 (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 13 April 2020 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

Karachi:
14 March 2020

Company Secretary

NOTES:

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.

- 1) A members are requested to promptly communicate to the Share Registrar of the Company any change in their addresses.
- 2) 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 alongwith Participant ID Number and the Account Number 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.
- 3) Pursuant to Section 150 of the Income Tax Ordinance, 2001 and Finance Act, 2019 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders at 15% and 30% respectively. According to the Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts. Members that hold shares with joint shareholders are requested to provide shareholding proportions of principal shareholder and joint holder(s) in respect of shares held by them to our Share Registrar in writing. In case the required information is not provided to our Registrar it will be assumed that the shares are held in equal shares by principal shareholder and joint holder(s).

4) SUBMISSION OF COMPUTERISED NATIONAL IDENTITY CARD / NATIONAL TAX NUMBER

We would like to bring it to the notice of our valued shareholders that the Securities & Exchange Commission of Pakistan (SECP) vide Notification No. SRO 831(I)/2012 dated 05 July 2012 in supersession of earlier Notification No. SRO 779(I)/2011 dated 18 August 2011, has directed all the listed companies to issue dividend warrant(s) only crossed as "A/C Payee Only" in the name of registered shareholder or in the name of authorised person where a registered shareholder authorises the Company to pay dividend, on his behalf, to any other person. The dividend warrant(s) should also bear the Computerised National Identity Card Number (CNIC) of the registered shareholder or the authorised person, except in case of minor(s) and corporate shareholders.

In view of the above, it is requested that the Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company Share Registrar.

The Corporate Shareholders are requested to provide at the earliest their National Tax Number directly to the Company Share Registrar.

5) DIVIDEND MANDATE OPTION

In compliance of the Circular No. 18 of 2012 dated 05 June 2012, we would like to inform our valued shareholders that Section 242 of the Companies Act, 2017 allows the shareholders of a company to order the company to pay them cash dividend, if declared, through their respective banks.

In this regard, those shareholders who would like to avail the above facility are requested to provided following details directly the Share Registrar of the Company.

Name of Shareholder
Folio Number / Participant ID and Account Number
CNIC Number
Title of Bank Account
Bank Account Number
Bank's Name
Branch Name
Branch Address
Cell Number of Shareholder, if any
Landline Number of Shareholder, if any

7) Electronic Transmission of Financial Statements and Notices

Pursuant to Notification vide SRO 787 (I)/2014 dated September 08, 2014:SECP has directed all companies to facilitate their members receiving Annual Financial Statements and Notice of Annual General Meeting (Notice) through electronic mail system (e-mail). The Company is pleased to offer this facility to our valued members who desire to receive Annual Financial Statements and Notices through email in future. In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company website i.e. <http://www.sibl.com.pk> Please ensure that your email account has sufficient rights and space available to receive such email which may be greater than 1MB in size. Further, it is the responsibility of the member (s) to timely update the Share Registrar of any changes in his/her/its/their registered email address at the address of Company's Share Registrar mentioned above.

8) Placement of Financial Statements

The Company has placed the Audited Financial Statements for the year ended December 31, 2019 along with Auditors and Directors Reports thereon on its website: <http://www.sibl.com.pk>

CHAIRMAN'S REVIEW REPORT

I am pleased to present you, the 28th Annual Report for the year ended December 31, 2019.

The Board of Directors ("the Board") of Security Investment Bank Limited ("SIB") has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner which results in a profitable year for SIB and delivered profits to our shareholders in an environment where investment banking sector is under pressure and weak economic outlook.

The Board comprises professional and experienced persons. They bring expertise from various business environment including independent directors. All Board members are aware of their fiduciary responsibilities and fulfil these by playing an important role in providing strategic directions to the Management and necessary guidance for compliance with policies and standards.

The Board has constituted effective Audit, Human Resource & Remuneration and Risk Management Committees and approved their respective terms of references, assigned adequate resources so that the Committees perform their responsibilities diligently.

All significant issues throughout the year were presented before the Board or its Committees to strengthen and formalize the corporate decision-making, particularly all related parties transactions executed by the Company were approved by the Board.

The Board has prepared and approved the director's report and ensured that the director's report is published with quarterly and annual financial statements of the Company and the content of the director's report are in accordance with the requirement of applicable laws and regulations.

The Board has exercised its power assigned to the Board in accordance with the relevant laws and regulations applicable and the Board has always prioritized the Compliance with all the applicable laws and regulations.

I would like to acknowledge thank to our shareholders, my fellow directors, stakeholders and our staff for their hard work and commitment. I am also grateful to the regulators for their cooperation and support. We look forward to future success in the Company's endeavours.

KARACHI:
Dated: March 14, 2020

Haji Jan Muhammad
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Security Investment Bank Limited (the "Company") are pleased to present the 28th Annual Report along with the Audited Financial Statements and Auditor's Report thereon for the year ended 31 December 2019.

Economic Overview

The macroeconomic stability is a fundamental pre-requisite for sustained economic growth. Pakistan's economy has experienced frequent boom and bust cycles. The impact of macroeconomic adjustment policies, such as monetary tightening, exchange rate adjustment, expenditure control and enhancement of regulatory duties on non-essential imports, started to become visible this year. These steps have served to bring some degree of stability and have also helped in reducing economic uncertainty.

As a results of measures taken up by the government, in the second quarter of fiscal year 2020 (Oct-Dec 2019), economic growth was likely more or less on an even keel with that of the first quarter. Growth in worker remittances rebounded significantly; private sector credit growth remained brisk, despite slowing from the quarter prior; while merchandise exports strengthened year-on-year in Q2, resulting in a narrower trade deficit. However, the industrial sector continued to remain under pressure due to depressed manufacturing output.

Keeping in view the inflationary outlook, real interest rate and output gap in the economy, State Bank of Pakistan proactively managed its monetary policy stance; policy rate was sustained at the existing level of 13.25% during monetary policy announced on January 28, 2020. Further, PSX 100 index showed 40,887 points at the closing date of the year.

Financial Performance

Alhamdulillah, the year characterized by continued growth in terms of profitability and assets size. During the financial year 2019, your company posted operating profit before tax of Rs 50 million compared to operating profit of Rs 34 million during the corresponding period of 2018.

The key financial results achieved during the year are as under:

	Year 2019	Year 2018
	(Rupees in million)	
Total Income	73	73
Expenditure	31	39
Finance cost	0	9
Administrative	31	30
Profit from operation	41	34
Un-realized gain on re-measurement of shares	13	-
Profit before tax	50	34
Taxation	(11)	(17)
Net Profit after tax	39	17
Earnings per share	0.768	0.335
Transfer to General Reserve	7.901	3.387

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.

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 re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities.

Basis for Qualified Opinion

- As at December 31, 2019, short term financing to H.M. Esmail & Co. Limited, New Delite Company Limited, ARY Services (Private) Limited and Madina Electronics, related parties aggregated to Rs. 235.068 million. The Company has not performed subjective evaluation of its financing portfolio as required under Regulation 25 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and has not carried out impairment review as required by International Financial Reporting Standard 9 - Financial Instruments.

Further, sponsors decided to adjust the entire amount of subordinated loan against the outstanding amount of group financing as on December 31, 2019 through Circular Resolution of the Board of Directors, accordingly application submitted to the SECP.

Corporate Governance

The Board of Directors of the Company (the "Board") regularly reviews the 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 Regulator and the listing rules of the Stock Exchanges.

As required under the Code of Corporate Governance, 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 Financial Reporting 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.
- The directors are not entitled any remuneration except meeting fee and any increase in meeting fees approved by the board of directors in their meeting and ratify it in upcoming meeting of shareholders."
- The executive director/Chief Executive Officer is entitled remuneration approved by the board of directors in their meeting and ratify it in upcoming meeting of shareholders."
- As required under the Code of Corporate Governance, the Board has approved a formal process for its annual performance evaluating through an in-house mechanism based on Quantitative Technique with scored questionnaires. The exercise is on-going expected to be completed in the up- coming financial year"
- In compliance to the Code of Corporate Governance, in respect of Director's Training Program for majority of its Directors so as to acquaint them with the regulations, applicable laws, their duties and responsibilities. The exercise is on-going expected to be completed in the up- coming financial year"
- Key operating and financial data of six years of the Company are as follows:

Description / Year	(Rupees in millions)					
	2019	2018	2017	2016	2015	2014
Share capital	514	514	514	514	514	514
Shareholder's equity	639	779	582	573	519	517
Deposits	-	-	8	8	29	22
Borrowings	-	3	37	-	-	-
Short term financing	242	556	415	292	260	212
Investments	333	113	56	125	41	30
Operating profit	50	34	22	11	3.4	14.5
Net profit	39	17	61	9	0.9	12.2
Total assets	839	819	678	623	557	546
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-

Value of Provident Fund Investment

As on 31 December 2019 based on the unaudited accounts, the value of investment of Provident Fund is Rs. 1 millions (2018 Rs 1.954 millions).

Pattern of Shareholding

The pattern of shareholding as at 31 December 2019 along with the disclosure required under the Code of Corporate Governance, 2019 is annexed to the report.

Changes in the Board

During the year under review, Mr. Muzaffar Ahmed Ghouri replaced the outgoing director Mr. Sheikh Asim Rafiq. Mrs Samreen Shoaib appointed as female director in accordance with section 154 of the Companies Act, 2017. Mr Zafar M Shaikh served as President & Chief Executive Officer of the bank.

Board and Audit Committee Meetings and Attendance

During the year ended 31 December 2019, four Board of Directors; four Audit Committee and one Human Resources and Remuneration Committee (HR & R) meetings were held. Attendance of each director is as follows:

Name	Independent / Non-Independent	Executive / Non-Executive Director	Board of Directors	Audit Committee	HR & R Committee
Haji Jan Muhammad	Non-Independent	Non-Executive	4	4	Not Applicable
Mohammad Shoaib	Non-Independent	Non-Executive	4	Not Applicable	Not Applicable
Muhammad Mahboob	Non-Independent	Non-Executive	3	Not Applicable	1
Samreen Shoaib	Non-Independent	Non-Executive	-	Not Applicable	Not Applicable
Shaikh Abdullah	Independent	Non-Executive	4	4	Not Applicable
Karim Muhammad Munir	Independent	Non-Executive	4	4	1
Muzaffar Ahmed Ghouri	Independent	Non-Executive	1	1	-
Zafar M. Shaikh	Non-Independent	Executive	4	Not Applicable	1

Further, during the year, fresh election for the Company's Board of Directors held on June 29, 2019, and the related requirement of the COCG, 2017 has complied with.

Leave of absence granted to members who did not attend the Board and Committee meetings.

Audit Committee

The Audit Committee of the Board continued to perform its duties and responsibilities in an effective manner as per its terms of reference duly approved by the Board. The committee composition has also been attached with this report.

Trading in Shares of the Company by Directors and Executives

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.

Ethics and Business Practices

As per the Corporate Governance guidelines, the Company has circulated a "Code of Ethics" for compliance. All directors and employees of the Company acknowledging their understanding and acceptance of the Code have signed it.

Directors' Training Program

Details provided in Statement of Compliance.

Earnings per Share

Earning per share of the Company is Rs 0.768 for the year ended 31 December 2019 (2018 Rs 0.335).

Dividend

No dividend is declared for the year ended 31 December 2019 in the Board meeting held on March 14, 2020.

Future outlook

Your company's management is endeavouring to improve the company's business by establishing credit lines with different banks to increase earnings and return for shareholders. Meanwhile the Company is reviewing various business options within the NBFC Regulatory Framework.

Related party transaction

In order to comply with the requirements of listing regulations, the Company has presented all related party transactions before the Audit Committee and Board for their review and approval. The Audit Committee and Board have approved these transactions in their respective meetings. The details of all related party transactions have been provided in note 42 of the annexed audited financial statements.

Auditors

The present auditors Baker Tilly Mehmood Idress Qamar, Chartered Accountants retire and being eligible have offered themselves for re-appointment.

Acknowledgement

We, the directors of SIBL, are grateful to the Regulator, Stock Exchanges 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 / Director

Karachi

March 14, 2020

Zafar M Sheikh

Chief Executive Officer

ڈائریکٹرز رپورٹ برائے حصص دار

حصص دہندگان کو ہدایت کاروں کی رپورٹ

سیکیورٹی انویسٹمنٹ بینک لمیٹڈ ("کمپنی") کے ڈائریکٹرز 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے آڈٹ شدہ مالیاتی بیانات اور آڈیٹرز کی رپورٹ کے ساتھ ساتھ 28 ویں سالانہ رپورٹ پیش کرنے پر خوش ہیں۔

معاشی جائزہ

معاشی استحکام پائیدار معاشی نمو کے لئے بنیادی ضرورت ہے۔ پاکستان کی معیشت میں بار بار عروج اور ٹوٹ پھوٹ کا سامنا کرنا پڑتا ہے۔ معاشی اقتصادی ایڈجسٹمنٹ کی پالیسیوں کے اثرات جیسے مانیٹری سخت کرنا، تبادلے کی شرح میں ایڈجسٹمنٹ، اخراجات پر قابو پانا اور غیر ضروری درآمدات پر ریگولیٹری فراڈز میں اضافہ اس سال نظر آنے لگا۔ ان اقدامات سے کچھ حد تک استحکام لانے میں مدد ملی ہے اور معاشی غیر یقینی کو کم کرنے میں بھی مدد ملی ہے۔

حکومت کی طرف سے اٹھائے گئے اقدامات کے نتائج کے طور پر، مالی سال (2020 اکتوبر دسمبر 2019) کی دوسری سہ ماہی میں، پہلی سہ ماہی کے حتمی تنازعہ پر معاشی نمو کم یا زیادہ کم رہی۔ کارکنوں کی ترسیلات زر میں نمایاں اضافہ ہوا۔ پہلے سہ ماہی سے سست ہونے کے باوجود نجی شعبے میں قرضوں کی نمو تیز رہی۔ جبکہ تجارتی مالیات کی برآمد میں سال بہ سال 2 Q میں تقویت ملی، جس کے نتیجے میں تجارتی خسارہ کم ہوا۔ تاہم، ماپوس کن مینوفیکچرنگ آڈٹ کی وجہ سے صنعتی شعبہ دبائیں رہا۔

افراط زر کی شرح، معیشت میں سود کی اصل شرح اور آڈٹ پٹ گیپ کو مد نظر رکھتے ہوئے، اسٹیٹ بینک آف پاکستان نے فعال طور پر اپنے مانیٹری پالیسی موقف کا انتظام کیا۔ 28 جنوری، 2020 کو اعلان کردہ مالیاتی پالیسی کے دوران پالیسی کی شرح 13.25 کی موجودہ سطح پر برقرار رہی۔ مزید، پی ایس ایکس 100 انڈیکس نے سال کی آخری تاریخ میں 40، 887 پوائنٹس کا مظاہرہ کیا۔

مالیاتی کارکردگی

الحمد للہ، منافع اور اثاثوں کے سائز کے لحاظ سے جاری سال کی خاصیت۔ مالی سال 2019 کے دوران، آپ کی کمپنی نے 2018 کی اسی مدت کے دوران آپریٹنگ منافع میں 34 ملین روپے کے آپریٹنگ منافع کے مقابلے میں 50 ملین روپے ٹیکس سے پہلے آپریٹنگ منافع پوسٹ کیا۔

سال کے دوران حاصل کردہ اہم مالی نتائج درج ذیل ہیں

	Year 2019	Year 2018
	(Rupees in million)	
Total Income	73	73
Expenditure	31	39
Finance cost	0	9
Administrative	31	30
Profit from operation	41	34
Un-realized gain on re-measurement of shares	13	-

	Year 2019	Year 2018
	(Rupees in million)	
Profit before tax	50	34
Taxation	(11)	(17)
Net Profit after tax	39	17
Earnings per share	0.768	0.335
Transfer to General Reserve	7.901	3.387

مارکیٹ کا خطرہ

بینک کی سرگرمیاں اسے متعدد مارکیٹ خطرات (لیکویڈیٹی اور کریڈٹ خطرات کے علاوہ) کے سامنے رکھتی ہیں۔ بینک کی سرگرمیوں کے سلسلے میں مارکیٹ رسک میں سود کی شرح، کرنسی کا خطرہ اور قیمت کا دوسرا خطرہ شامل ہے۔

شرح سود کا خطرہ

سود کی شرح کا خطرہ اس امکان سے پیدا ہوتا ہے جب سود کی شرح میں بدلا مالی آلات کی قیمت کو متاثر کرتا ہے۔ کسی خاص مدت میں پختہ یا دوبارہ قیمت پانے والے اثاثوں اور واجبات کی مقدار میں مماثلت یا خامیوں کے نتیجے میں بینک سود کی شرح کے خطرے سے دوچار ہے۔ بینک اثاثوں اور واجبات کی دوبارہ قیمتوں کا مقابلہ کر کے اس خطرے کا انتظام کرتا ہے۔

اہل رائے کے لئے بنیاد

۱۳ ستمبر ۲۰۱۲ء، ایچ ایم کوئیل مدتی فنانسنگ اسماعیل اینڈ کمپنی لمیٹڈ، نیوڈیلا سٹ کمپنی لمیٹڈ، اے آر وائی سروسز (پرائیویٹ) لمیٹڈ اور مدینہ الیکٹرانکس سے وابستہ فریقین کا مجموعی طور پر 235.068 ملین روپے ہے۔ کمپنی نے نان بیکاری فنانس کمپنیوں اور مطلع شدہ اداروں کے ضوابط، 2008 کے ریگولیشن 25 کے تحت اپنے فنانسنگ پورٹ فولیو کی سائیکس تشخیص نہیں کی ہے اور بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈ - 9 مالی آلات کی ضرورت کے مطابق خرابی کا جائزہ نہیں لیا ہے۔

کارپوریٹ گورننس

کمپنی کے بورڈ آف ڈائریکٹرز ("بورڈ" یا "قاعدگی سے کمپنی کے مجموعی مقاصد کی روشنی میں اسٹریٹجی سمیت، کاروباری منصوبوں اور کارکردگی کا جائزہ لیتے ہیں۔ بورڈ ایچ کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے لئے پرعزم ہے۔ کمپنی ریگولیشن کے ذریعہ مقرر کردہ دفعات اور اسٹاک ایکسچینج کے لسٹنگ قواعد کی تعمیل کر رہی ہے۔

جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت ضروری ہے، بورڈ اس کی تصدیق کرنا چاہتا ہے

کمپنی کے انتظامیہ کے ذریعہ تیار کردہ مالی بیانات، اس کی امور کی منصفانہ حیثیت، اس کے کاموں کے نتائج، نقد بہا اور ایکویٹی میں بدلا پیش کرتے ہیں۔

کمپنی کے انتظامیہ کے ذریعہ تیار کردہ مالی بیانات، اس کی امور کی منصفانہ حیثیت، اس کے کاموں کے نتائج، نقد بہا اور ایکویٹی میں بدلا پیش کرتے ہیں۔

کمپنی کے اکاؤنٹ کی مناسب کتابیں برقرار رکھی گئی ہیں۔

مالی بیانات کی تیاری کے لئے مناسب اکائونٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں، اور حساب کتاب کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔
بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی بیانات کی تیاری میں عمل کیا گیا ہے اور اس میں سے کسی بھی روانگی کا مناسب طور پر انکشاف کیا گیا ہے۔

اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اس کو موثر انداز میں نافذ اور نگرانی کی گئی ہے۔
کمپنی کی جاری تشویش کی حیثیت سے کمپنی کی صلاحیت پر کوئی اہم شبہات نہیں ہیں۔
کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کی مراعات نہیں ہوتی ہیں، جیسا کہ فہرست سازی کے ضوابط میں تفصیل ہے۔

ڈائریکٹرز کسی بھی معاوضے کے حقدار نہیں ہیں سوائے میٹنگ فیس اور میٹنگ فیسوں میں کسی اضافے کے جو بورڈ آف ڈائریکٹرز نے اپنی میٹنگ میں منظور کیا ہے اور شیئر ہولڈرز کے آئندہ اجلاس میں اس کی توثیق کرے گی۔

ایگزیکٹو ڈائریکٹر / چیف ایگزیکٹو آفیسر ان کے اجلاس میں بورڈ آف ڈائریکٹرز کے معاوضے کے حقدار ہیں اور شیئر ہولڈرز کے آئندہ اجلاس میں اس کی توثیق کریں گے۔

جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت مطلوب ہے، بورڈ نے اسکوڈ سوالناموں والی کوائنٹریٹیک میکنیک پر مبنی اندرون مکینزم کے ذریعہ اس کی سالانہ کارکردگی کی جانچ کے لئے باضابطہ عمل کی منظوری دے دی ہے۔ یہ مشق آئندہ مالی سال 2019 میں مکمل ہونے کی امید ہے۔

کارپوریٹ گورننس کے ضوابط اخلاق کی تعمیل کرتے ہوئے، اپنے ڈائریکٹروں کی اکثریت کے لئے ڈائریکٹرز کے ٹریڈنگ پروگرام کے سلسلے میں تاکہ ان کو قواعد و ضوابط، قابل اطلاق قوانین، ان کے فرائض اور ذمہ داریوں سے واقف کریں۔ یہ مشق آئندہ مالی سال 2019 میں مکمل ہونے کی امید ہے۔
کمپنی کے چھ سالوں کا اہم آپریٹنگ اور مالی اعداد و شمار مندرجہ ذیل ہیں۔

Description / Year	(Rupees in millions)					
	2019	2018	2017	2016	2015	2014
Share capital	514	514	514	514	514	514
Shareholder's equity	639	779	582	573	519	517
Deposits	-	-	8	8	29	22
Borrowings	-	3	37	-	-	-
Short term financing	242	556	415	292	260	212
Investments	333	113	56	125	41	30
Operating profit	50	34	22	11	3.4	14.5
Net profit	39	17	61	9	0.9	12.2
Total assets	839	819	678	623	557	546
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-

اخلاقیات اور کاروباری عمل

کارپوریٹ گورننس کے رہنما خطوط کے مطابق، کمپنی نے تعمیل کے لئے "اخلاق کا ضابطہ اخلاق" مرتب کیا ہے۔ اس کمپنی کے تمام ڈائریکٹرز اور ملازمین نے ان کی سمجھداری اور ضابطہ کی قبولیت کو تسلیم کرتے ہوئے اس پر دستخط کر دیئے ہیں۔

ڈائریکٹرز کا تربیتی پروگرام

تفصیلات تعمیل کے بیان میں فراہم کی گئی ہیں۔

فی شیئر آمدنی

ختم ہونے والے سال کے لئے کمپنی کے ہر حصص کی کمائی 0.768 روپے ہے۔ ۹۱۰۲ دسمبر ۱۳

منافع

مارچ ۲۱، کو منعقد بورڈ میٹنگ میں دسمبر ۱۳، ۹۱۰۲ کو ختم ہونے والے سال کے لئے کسی بھی منافع کا اعلان نہیں کیا گیا ہے

مستقبل کا نظریہ

آپ کی کمپنیوں کی انتظامیہ مختلف بینکوں کے ساتھ کریڈٹ لائنیں قائم کر کے کمپنی کے کاروبار میں بہتری لانے کی کوشش کر رہی ہے تاکہ آمدنی میں اضافہ ہو اور حصص یافتگان کی وابستگی ہو سکے۔ ادھر کمپنی این بی ایف سی ریگولیٹری فریم ورک کے اندر مختلف کاروباری آپشنز کا جائزہ لے رہی ہے۔

متعلقہ پارٹی ٹرانزیکشن

فہرست سازی کے ضوابط کی تقاضوں کی تعمیل کرنے کے لئے، کمپنی نے پارٹی سے متعلقہ تمام لین دین کو آڈٹ کمیٹی اور بورڈ کے سامنے اپنے جائزہ اور منظوری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی اور بورڈ نے اپنے متعلقہ اجلاسوں میں ان لین دین کی منظوری دے دی ہے۔ منسلک آڈٹ مالیاتی بیانات کے نوٹ 42 میں پارٹی سے متعلقہ تمام لین دین کی تفصیلات فراہم کی گئی ہیں۔

آڈیٹر

موجودہ آڈیٹر پیکر ٹیلی محمود ادریس قمر، چارٹرڈ اکاؤنٹنٹ ریٹائر ہوئے اور اہل ہونے کے بعد خود کو دوبارہ تفری کے لئے پیش کیا۔

اعتراف

ہم، ایس آئی بی ایل کے ڈائریکٹرز، ان کے تعاون اور تعاون پر ریگولیٹر، اسٹاک ایکسچینجر کا شکر گزار ہیں۔ ہم تسلیم کرتے ہیں اور ان کے تعاون اور تعاون کے لئے ہمارے حصص داروں کا شکر گزار ہیں۔ ہم انتظامیہ اور عملے کی انتھک کوششوں کو بھی تسلیم کرتے ہیں اور ان کا شکر گزار ہیں۔ بورڈ کی جانب سے

ظفر ایم شیخ

چیف ایگزیکٹو آفیسر

حاجی جان محمد

چیئر مین

کراچی 14 مارچ 2020

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 in the following manner:

- The total number of directors during the year 2019 are 8 as per the following:

Category	Number of Directors
a) Male Director*	7
b) Female Director	1

**including the President & CEO who is an Executive Director*

- The composition of the Board as at December 31, 2019 is as follows:

Category	Name
Non-Executive Director	Mr. Haji Jan Muhammad
	Mr. Muhammad Mahboob
	Mr. Muhammad Shoaib
	Mrs. Samreen Shoaib
Independent Director	Mr. Shaikh Abdullah
	Mr. Muzaffar Ahmed Ghouri
	Mr. Karim Muhammad Munir
President & CEO	Mr. Zafar M Sheikh

Further, during the year end, fresh election for the Company's Board of Directors was held on June 29, 2019, and the related requirement of the Code of Corporate Governance Regulations, 2019 has also been complied with.

- The Directors have confirmed that none of them is serving as a director on more than seven (7) listed companies, including Securities Investment Bank Limited (excluding the listed subsidiaries of listed holding companies where applicable).
- 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.
- The Board has approved 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.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.
- 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations.
- The Board has not arranged any training program for its directors during the year. Two of the seven directors namely Mr. Muhammad Mahboob and Mr. Muhammad Shoaib have already obtained certification under the Director's Training Program and one of the directors namely Mr. Haji Jan Muhammad is exempt from Director's Training Program as per criteria prescribed in the said regulation. The Board is committed to compliance with corporate governance regulations and plans fulfillment of the Director's Training Program within the prescribed timelines.

10. The Board has approved the Appointment of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
12. The Board formulated the following committees comprising of the members listed against each committee in the year 2019:

Audit Committee	
Name	Designation
Mr. Shaikh Abdullah	Chairman
Mr. Haji Jan Muhammad	Member
Mr. Muzaffar Ahmed Ghouri	Member
Mr. Karim Muhammad Munir	Member
HR& Remuneration Committee	
Mr. Karim Muhammad Munir	Chairman
Mr. Zafar M. Sheikh	Member
Mr. Muhammad Mahboob	Member
Risk Management Committee	
Mr. Karim Muhammad Munir	Chairman
Mr. Muhammad Mahboob	Member
Mr. Muhammad Shoaib	Member
Mr. Zafar M Sheikh	Member

Further, during the year, the committees of the Board of Directors have been reconstituted to comply with the requirements of the Code of Corporate Governance Regulations, 2019

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:

Meetings	Frequency
Audit Committee	Four quarterly meeting were held during the year ended December 31, 2019
HR & Remuneration Committee	One meeting was held during the year ended December 31, 2019

15. The Board has set-up an effective internal audit function/managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company. However, Mr. Tabish Saleem who was an internal auditor with effect from 23 August 2019, has resigned on 04 November 2019. After leaving process of Mr. Tabish Saleem, appointment of internal auditor started, Interviews are being conducted and it is still in process.
16. 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 and are registered with the Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guide lines on code of ethics as adopted by the ICAP and that the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the CEO, CFO, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except
 - Regulation 10(2) which requires the Board of Directors of the company to carry out annual review of business risks.
 - Regulation 31(5) which requires that the company shall ensure that head of enternal audit is suitably qualified, experienced and conversant with the company's polices and procedures.

Date: 14th March 2020

HAJI JAN MUHAMMAD
CHAIRMAN

ZAFAR M SHEIKH
CEO

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SECURITY INVESTMENT BANK LIMITED ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") prepared by the Board of Directors of Security Investment Bank Limited, for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the unconsolidated financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.


The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approvals of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.

We draw attention to paragraph 18 to the annexed statement of compliance as at December 31, 2019 which states that the company is in non compliance with certain provisions of the regulations.

KARACHI
DATED: March 14, 2020

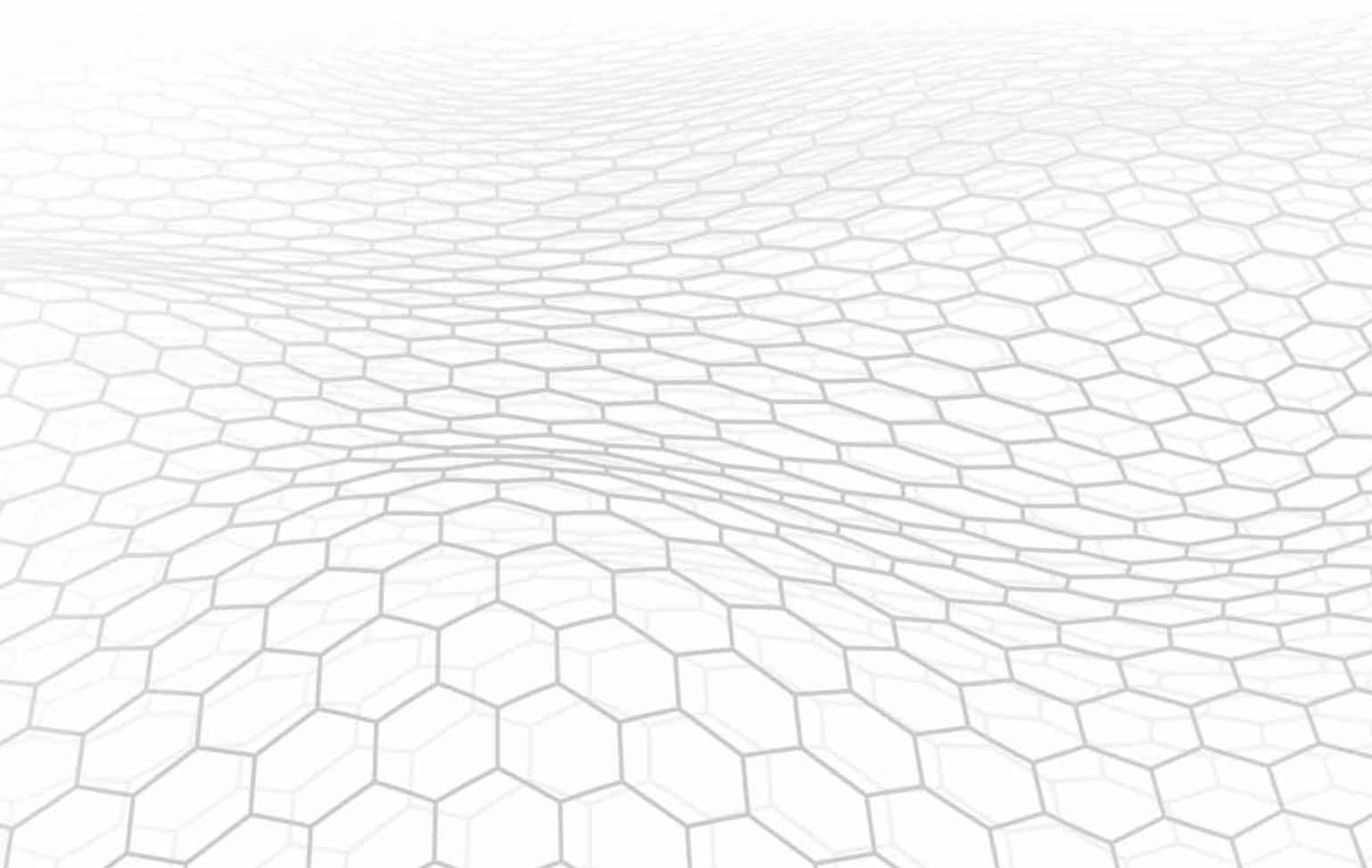
CHARTERED ACCOUNTANTS
Engagement Partner: Mehmood A. Razzak



**UNCONSOLIDATED
FINANCIAL STATEMENTS**
for the year ended December 31, 2019

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AUDITORS' REPORT TO THE MEMBERS

INDEPENDENT AUDITOR'S REPORT ON AUDIT OF UNCONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS

Report on the Audit of the Unconsolidated Financial Statements

Qualified Opinion

We have audited the unconsolidated financial statements of Security Investment Bank Limited (the Company), which comprise of the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement, unconsolidated statement of changes in equity for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the basis for qualified opinion section, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017) along with Part VIIIA of the repealed Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the profit, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As at December 31, 2019, short term financing to H.M. Esmail & Co. Limited, New Delite Company Limited, ARY Services (Private) Limited and Madina Electronics (related parties) aggregated to Rs. 235.136 million. However, as required by regulation 25 of the NBFC, the Company has neither performed evaluation of the provision on time based criteria nor performed subjective evaluation of its financing portfolio and impairment review in accordance with International Financial Reporting Standards 9 – Financial Instruments. Therefore, we are unable to ascertain the recoverability and provisioning required for the same. Moreover, SECP vide its letter No. SCD-S&ED-IW/SIBL/2018/29 dated August 20, 2018 instructed the Company to provide detailed plan/schedule of repayments against all financing extended by the Company to the related parties. The Company in response to the said letter has submitted the required repayment plan/schedule vide its letter dated September 3, 2018 and communicated the same to the related parties which has been acknowledged by related parties, however, no formal revision in the original terms of contract has been made between the Company and the related parties. Previously, this financing was classified in accordance with original contract between parties rather than revised repayment schedule agreed between parties. Hence qualified by the predecessor auditor in this regard. However, classification of the financing to related parties between current and non-current has been made in the unconsolidated financial statements based on the repayment plan approved by SECP.

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to:

- Note 13.1 to the unconsolidated financial statements which states the status of non-compliance with the Regulation 19(h), Regulation 17(2), Regulation 18A and Regulation 23 and Regulation 24 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.
- Note 8.1 to the unconsolidated condensed interim financial information which inter alia states that during the last year, the Company purchased property from M/s ARY Communications Limited vide agreement to Sell entered into with M/s ARY Communications Limited date December 26, 2018 the title of which is in the process of being transferred in to the name of Company.

3. Note no 8.2 to the unconsolidated financial statements which states that the Company had made investments in immovable property in contravention of section 7(2)(j) to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the “Basis for Qualified Opinion” section of our report, we have determine the matters described below to be the key audit matters to be communicated in our report.

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	Control environment relating to the financial reporting process and related IT systems	
	<p>The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach.</p> <p>As the unconsolidated financial statements are based on extensive number of data flows from IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p>	<p>Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights.</p> <p>Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.</p>
2.	Valuation of Investments	
	<p>The Company's investment comprises investments in equity and debt instruments. As at December 31, 2019 total net investment amount to Rs. 288.065 million.</p> <p>The valuation of these investments is made using different valuation techniques as disclosed in note 14 to the unconsolidated financial statements.</p> <p>The Company's accounting policy and movement in the year in the investments balances are disclosed in note 14 to the unconsolidated financial statements.</p> <p>We have considered this as a key audit matter in view of the significance of these investments in relation to the total assets of the Company.</p>	<p>Valuation of investments were addressed by applying following procedures:</p> <ul style="list-style-type: none"> - Evaluated the design and implementation of key control around investments; - Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; - Performed purchases and sales testing on sample basis of trades made during the year and checked that transaction were recorded in the correct period as part of investment in case of purchases. <p>Checked the existence of the securities from the Central Depository Company's report.</p> <p>We also reviewed management's assessment of whether there are any indicators of impairment including those securities that are not actively traded; and</p> <p>Furthermore, we also assessed the adequacy of the respective disclosure relating to investments as disclosed in the unconsolidated financial statements.</p>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
3.	Compliance with laws and regulations	
	<p>The Company is in highly regulated industry and is governed by stringent laws and regulations which mainly include NonBanking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008, various circulars issued by the SECP from time to time to regulate the business of the Company. The Company is required to comply with these rules and regulations.</p> <p>We have considered compliance with laws and regulation as a key audit matter since failure to comply with any of these applicable laws and regulations could have a material financial impact on the business of the Company.</p>	<p>Our audit procedures in respect of this area included the following:</p> <p>Obtained an understanding of the relevant legal and regulatory framework within which the Company operates and assessed the design and operation of its key controls over this framework.</p> <p>Discussed the applicable policies and procedures with senior management and reviewed Board papers, and internal audit reports for any recorded instances of potential non-compliance, and maintained a high level of vigilance when carrying out our other audit procedures for indications of non-compliance.</p>

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's report, but does not include the unconsolidated financial statements of the company and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) along with Part VIII A of the repealed Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report On Other Legal And Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) except for the possible effects of the matter stated in the "Basis for Qualified Opinion" section, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) along with Part VIIIA of the repealed Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The unconsolidated financial statements of the Company for the year ended December 31, 2018, were audited by BDO EBRAHIM& Co. Chartered Accountants, who issued qualified opinion thereon on March 26, 2019.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

Karachi
Date: March 14, 2020

BAKERS TILLY MEHMOOD IDREES QAMAR
CHARTERED ACCOUNTANTS

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
ASSETS			
NON CURRENT ASSETS			
Property and equipment	8	158,654,100	39,904,411
Intangible assets	9	3,353,336	2,500,000
Long term investments	10	45,941,799	50,000,000
Long term financing	11	7,567,047	4,541,296
Long term loans and advances	12	2,500,000	2,500,000
		218,016,282	99,445,707
CURRENT ASSETS			
Short term financing	13	242,654,793	559,996,702
Short term investments	14	288,064,541	62,714,036
Loans and advances	15	1,479,000	1,425,195
Deposits, prepayments and other receivables	16	3,510,029	4,018,373
Accrued interest	17	9,613,068	2,658,841
Tax refund due from Government	18	67,623,955	79,158,655
Cash and bank balances	19	8,033,947	9,455,215
		620,979,333	719,427,017
TOTAL ASSETS		838,995,615	818,872,724
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
100,000,000 (2018: 100,000,000) ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	20	514,335,580	514,335,580
Statutory reserves	21	170,798,844	162,897,175
Surplus/(Deficit) on revaluation of investments	22	-	(287,166)
Accumulated losses		(46,447,221)	(78,053,895)
		638,687,203	598,891,694
NON-CURRENT LIABILITIES			
Subordinated loan	23	-	180,000,000
Deferred tax liabilities - net	24	980,476	2,552,146
		980,476	182,552,146
CURRENT LIABILITIES			
Subordinated loan	23	180,000,000	-
Short term borrowings	25	-	2,759,096
Unclaimed dividend		2,094,583	2,094,583
Accrued and other liabilities	26	17,233,353	32,575,205
		199,327,936	37,428,884
TOTAL EQUITY AND LIABILITIES		838,995,615	818,872,724
CONTINGENCIES AND COMMITMENTS			
	27		

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
Income			
Income on financing and placements	28	54,294,087	67,371,883
Return on securities	29	4,263,101	1,868,414
Gain on sale of investments		5,070,366	-
Profit on deposit with banks		1,013,550	1,623,897
Other income	30	8,577,392	2,460,627
		73,218,496	73,324,821
Expenditure			
Financial charges	31	-	8,693,099
Administrative expenses	32	31,826,520	30,659,793
		31,826,520	39,352,892
Operating profit before taxation		41,391,976	33,971,929
Loss on investment in subsidiary		(4,058,201)	-
Unrealized gain/(loss) on remeasurment of investments classified as fair value through profit and loss		13,337,834	-
Profit before taxation		50,671,609	33,971,929
Taxation			
- Current		(10,667,330)	(5,594,889)
- Prior year		(2,067,606)	-
- Deferred		1,571,670	(11,151,979)
	33	(11,163,266)	(16,746,868)
Net profit after tax		39,508,343	17,225,061
Earnings per share - basic and diluted	34	0.768	0.335

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	----- Rupees -----	
Net profit after tax	39,508,343	17,225,061
Other comprehensive income for the year		
Items that may be reclassified subsequently to income statement		
Surplus/Deficit on revaluation of investments	-	(287,166)
Total comprehensive income for the year	<u>39,508,343</u>	<u>16,937,895</u>

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	50,671,609	33,971,929
Adjustment for non cash and other items		
Depreciation	2,240,496	1,746,242
Impairment loss	4,058,201	-
Liability written-off	7,429,663	-
Gain on disposal of shares	(5,070,366)	-
Loss / (gain) on disposal of fixed assets	(194,637)	42,406
Unrealized gain/(loss) on remeasurment of investments classified as fair value through profit and loss	(13,337,834)	-
	(4,874,477)	1,788,648
Cash flows from operating activities before working capital changes	45,797,132	35,760,577
(Increase) / decrease in operating assets		
Short term financing	317,341,909	(145,168,944)
Loans and advances	(53,805)	420,248
Deposits, prepayments and other receivables	508,344	6,523,551
Accrued interest	(6,954,227)	38,480,952
	310,842,221	(99,744,193)
(Decrease) / increase in operating liabilities		
Short term deposits	-	(7,700,000)
Short term borrowings	(2,759,096)	(34,639,129)
Accrued and other liabilities	(22,771,515)	(16,816,170)
	(25,530,611)	(59,155,299)
Net change in operating assets and liabilities	285,311,610	(158,899,492)
Income tax paid	(1,200,236)	(564,512)
Net cash generated / (used) in operating activities	329,908,506	(123,703,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets - net	(121,600,347)	(32,520,880)
Additions in intangible assets	(853,336)	0
Investment in quoted shares	(230,715,025)	(32,164,983)
Investment in government securities	-	(25,000,000)
Sale proceeds of disposal of fixed assets	804,800	-
Sale of investments (shares)	24,059,885	-
Net cash generated / (used in) from investing activities	(328,304,023)	(89,685,863)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	(3,025,751)	8,401,350
Subordinated loans	-	180,000,000
Net cash generated from financing activities	(3,025,751)	188,401,350
Net (decrease) / increase in cash and cash equivalents	(1,421,268)	(24,987,940)
Cash and cash equivalents at the beginning of the year	9,455,215	34,443,155
Cash and cash equivalents at the end of the year	8,033,947	9,455,215

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

	Reserves		Gain / (loss) on remeasurement of investments measured at fair value through profit and loss	Total	
	Statutory reserve	Accumulated losses			
Issued, Subscribed and Paidup Share Capital					
Rupees					
Balance as at January 01, 2018	514,335,580	159,452,163	(91,833,944)	-	581,953,799
Total comprehensive income for the year ended December 31, 2018					
Profit for the year	-	-	17,225,061	-	17,225,061
Other comprehensive income	-	-	-	(287,166)	(287,166)
	-	-	17,225,061	(287,166)	16,937,895
Statutory reserve	-	3,445,012	(3,445,012)	-	-
Balance as at December 31, 2018	514,335,580	162,897,175	(78,053,895)	(287,166)	598,891,694
Total comprehensive income for the year ended December 31, 2019					
Profit for the year	-	-	39,508,343	-	39,508,343
Other comprehensive income	-	-	-	-	-
	-	-	39,508,343	-	39,508,343
Reclassification of unrealised loss to profit and loss account	-	-	-	287,166	287,166
Statutory reserve	-	7,901,669	(7,901,669)	-	-
Balance as at December 31, 2019	514,335,580	170,798,844	(46,447,221)	-	638,687,203

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. "STATUS AND PRINCIPAL ACTIVITIES"

- 1.1** Security Investment Bank Limited (the Company) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company was incorporated in Pakistan on May 23, 1991 and started its commercial operations on December 31, 1991. Its shares are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at Office No. 1, 1st Floor, Junaid Plaza, I-10 Markaz, Islamabad.
- 1.2** The Company is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) 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 1002 (I) /2015 dated October 15, 2015 and Non-Banking Finance Companies and Notified Entities Regulations 2008 as amended through SRO 1160(I) / 2015 dated November 25, 2015 (previously this was covered under SRO 585(1)/87 dated July 13, 1987, issued by the Ministry of Finance). The license is valid until May 29, 2022.
- 1.3** On April 04, 2019; VIS Credit Rating Company Limited (VIS) has assigned initial entity ratings of 'BBB+/A-2' (Triple B Plus/A-Two) to Security Investment Bank Limited (SIBL). The long term rating of 'BBB+' signifies adequate credit quality; protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy. The short term rating of 'A-2' signifies good certainty of timely payment. Outlook on the assigned ratings is 'Stable'.
- 1.4** "In the year 2016, the Company made an investment in newly incorporated wholly owned subsidiary company namely Security Capital & Investment (Private) Limited amounting to Rs. 50 million. As per the agreement dated September 07, 2016 between the Company and the subsidiary, the Company ceded the legal right on Trading Right Entitlement Certificate (TREC) and 1,602,953 shares of the Pakistan Stock Exchange Limited (PSX) and Pakistan Mercantile Exchange (PMEX) membership card to the subsidiary. During the year 2017, the TREC has been transferred by the Company in the name of the subsidiary. However, title of shares of PSX and PMEX card has not yet been transferred in the name of the subsidiary due to the reason that the subsidiary has not obtained license to deal as broker from SECP till the date of unconsolidated statement of financial position."

Rahat Aziz, an advocate of High Court, had file an application on instruction of Security Capital & Investment (Private) Limited for striking off the name of the Company from the Register of Companies under Companies Easy Exit Scheme (CEES). And on 15 January 2020, via Letter No. CEER/MISC/1-1/2020 of Securities and Exchange Commission Of Pakistan, pursuant to the provisions of sub section (1) of section 426 of the Companies Act, 2017 (the Act) read with Companies (Easy Exit) Regulations, 2014 (the Regulations), same has been accepted and dissolution letter will be issued to the company after publication of company name under sub section 426(3) of the Companies Act, 2017.

1.5 Summary of significant events and transactions in the current reporting period

As fully explained in note no.8, the Company has purchased a piece of land for development amounting to Rs. 121.6 million.

The company has recorded an impairment loss of Rs. 4.058 million on revaluation of investments in subsidiary.

2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at Office No. 1, 1st Floor, Junaid Plaza, I-10 Markaz, Islamabad. The Company has a regional office at Suite no. 502, 5th Floor, Madina City Mall, Abdullah Haroon Road, Saddar Karachi.

3. BASIS OF PREPARATION

3.1 Unconsolidated financial statements

These are the unconsolidated financial statements (herein after referred as the financial statements) of the Company in which investment in subsidiary is accounted for on the basis of direct or indirect equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared separately.

3.2 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and directives issued by Securities and Exchange Commission of Pakistan (SECP) differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and directives issued by SECP have been followed.

3.3 Functional and presentation currency

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

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

- a) "Standards, interpretations of and amendments to existing accounting and reporting standards that have become effective in the current year "

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which become effective for the current year:

i. IFRS - 15 "Revenue from Contracts with Customers"

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

There is no material impact on the financial statements including accounting policies of the Company of adopting IFRS 15 - Revenue from Contracts with Customers.

ii. IFRS - 9 "Financial Instruments"

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Company has complied with the requirements of IFRS 9 in preparation of these unconsolidated financial statements. The impacts of adopting IFRS 9 on the Company are as follows:

- Classification and measurement: IFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortized cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Company concluded that the classification and measurement basis for its financial assets remains largely unchanged under this model.

- Impairment: Based on the management's assessment, the introduction of the "expected credit loss" model for the assessment of impairment of financial assets held at amortized cost is not expected to have a material impact on the Company's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.
- IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the period ended December 31, 2019.

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on January 01, 2019. However, the Company has chosen to take advantage of the option not to restate comparatives. Therefore, the figures for 2018 are presented and measured under IAS 39. The investments in quoted shares has been reclassified from Available for Sale investments to investments carried at fair value through profit and loss. As a result, the effect of changes in fair value of such investments have been recognized in profit and loss.

iii. IFRS - 16 "Leases"

IFRS 16 'Leases' (effective for annual period beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating.

There is no material impact on the financial statements including accounting policies of the Company of adopting IFRS 16 - Leases.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the company for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or to not have any significant impact on the company's financial statements.

b) Standards and amendments to existing accounting and reporting standards that are not yet effective and have not been early adopted by the Company

The following new standard and amendments to existing accounting and reporting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations (Amendments)	January 1, 2020
IAS 1 Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8 IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 14 Regulatory Deferral Accounts

IFRS 17 Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4 Determining whether an arrangement contains lease

IFRIC 12 Service concession arrangements

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of unconsolidated 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 Company's accounting policies, management has made the following estimates and judgments which are significant to the unconsolidated financial statements:

- (a) determining the residual values and useful lives of property and equipment (Note 8)
- (b) classification, valuation and impairment of financial instruments (Note 7.4 and 7.5)
- (c) recognition of taxation and deferred tax (Note 7.17) and
- (d) accounting for post employment benefits (Note 7.9)
- (e) impairment of non financial assets"

6. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention, except for investments carried at fair value through profit and loss and investments carried at fair value through other comprehensive income. In these unconsolidated financial statements, except for the amount reflected in cash flow statements, all the transactions have been accounted for on accrual basis.

7. SIGNIFICANT ACCOUNTING POLICIES

7.1 Property and equipment

Property and Equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit and loss account applying the straight line method in accordance with the rate specified in note 8 to these unconsolidated 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.

The assets residual values and useful lives are reviewed, and adjusted if significant, at each statement of financial position date. 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 written down value of Rs. 1/- each.

7.2 Intangible assets

"An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Intangibles are stated at cost less accumulated amortization and impairment losses, if any. These costs are amortized over their estimated useful life using the straight-line method. (Refer Note 9)"

7.2.1 Trading rights and membership card

These are stated at cost less impairments, if any. The carrying amounts are reviewed at each statement of financial position 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.

7.3 Impairment

The carrying amount of the Company's assets, except assets carried as per IFRS-9, are reviewed at each statement of financial position 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.

7.4 Investments in subsidiary

Investment in unquoted subsidiary is initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

7.5 Financial Instruments

Financial Assets

The Company classifies its financial assets in the following categories: The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

Impairment of Financial Assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach to recognise lifetime expected credit losses for trade and other receivables.

Off-setting of financial assets and financial liabilities

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

7.6 Impairment of Financing

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria for non performing exposures as per the requirements of NBFS Rules and Regulations.

7.7 Trade date and settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by the Company. 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.

7.8 Staff retirement benefits**Defined contribution plan**

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

7.9 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company 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.

7.10 Cash and bank balances

Cash in hand and at bank are carried at nominal amounts.

7.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position 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.

7.12 Provisions

Provisions are recognized when the Company 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 statement of financial position date and are adjusted to reflect the current best estimate.

7.13 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 receipt 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 earned basis except which is spread over the time proportion.

7.14 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.

7.15 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method on all temporary differences at the statement of financial position 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 statement of financial position 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 statement of financial position date.

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

7.16 Related party transactions

All transactions with the related parties are priced on arm's length basis.

7.17 Provision for doubtful debts on financing

The Company reviews its doubtful debts at each reporting date to assess whether provision / (income suspension) should be recorded in the profit and loss account in addition to the mandatory provision / (income suspension) required in accordance with the requirements of the NBFC Regulations issued by Securities and Exchange Commission of Pakistan. In particular, calculating the provision for doubtful debts on financing is subject to numerous judgments, estimates and timing of future cash flows. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

7.18 Dividend distributions and appropriations

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

8. PROPERTY AND EQUIPMENT

	Leasehold Property	Building	Furniture and fixtures	Computer and Equipments	Vehicles	Generator	Telephone System	Total
Note	Rupees							
Year ended December 31, 2018								
Net carrying value basis								
Opening net book value	-	-	6,483,079	1,321,473	1,067,472	97,029	203,126	9,172,179
Additions (at cost)	-	32,000,000	254,980	338,400	-	-	10,000	32,603,380
Disposals (NBV)	-	-	(4)	(60,831)	(32,918)	-	(31,153)	(124,906)
Depreciation charge	-	(53,334)	(881,656)	(563,508)	(196,721)	(23,301)	(27,722)	(1,746,242)
Closing net book value		31,946,666	5,856,399	1,035,534	837,833	73,728	154,251	39,904,411
Gross carrying value basis								
Cost	-	32,000,000	8,969,102	3,448,967	940,501	582,736	253,969	46,195,275
Accumulated depreciation	-	(53,334)	(3,112,703)	(2,413,433)	(102,668)	(509,008)	(99,718)	(6,290,864)
Net book value		31,946,666	5,856,399	1,035,534	837,833	73,728	154,251	39,904,411
Year ended December 31, 2019								
Net carrying value basis								
Opening net book value	-	31,946,666	5,856,399	1,035,534	837,833	73,728	154,251	39,904,411
Additions (at cost)	8.1	121,516,047	15,000	69,300	-	-	-	121,600,347
Disposals (NBV)	-	-	(10,163)	-	(600,000)	-	-	(610,163)
Depreciation charge	-	(640,000)	(889,742)	(423,437)	(219,112)	(11,640)	(56,565)	(2,240,496)
Closing net book value		121,516,047	31,306,666	4,971,494	681,397	18,721	62,088	158,654,100
Gross carrying value basis								
Cost	121,516,047	32,000,000	8,916,240	3,518,267	40,500	582,736	253,969	166,827,759
Accumulated depreciation	-	(693,334)	(3,944,746)	(2,836,870)	(21,779)	(520,648)	(156,282)	(8,173,659)
Net book value	121,516,047	31,306,666	4,971,494	681,397	18,721	62,088	97,687	158,654,100
Depreciation rate per annum (%)		2	10	20	20	10	10	

8.1 During the year, the Company purchased from M/s ARY Communications Limited office no. 502, 503 and 504 with total covered area of 3756.19 square feet situated at 5th floor, Madina City Mall, plot no. 27, sheet no. SB-5, Abdullah Haroon road, Saddar, Karachi vide Agreement to Sell entered into with M/s ARY Communications Limited dated December 26, 2018. The title of the said property acquired is in the process of being transferred into the name of the Company.

8.2 Cost and accumulated depreciation as at the end of the year include an amount of Rs. 2,137,486/- (2018 : Rs. 1,224,988/-) in respect of fully depreciated assets still in use.

8.3 Particulars of Disposal of Property and Equipment

	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit / (Loss) on Disposal	Mode of Disposal	Particulars of Buyer	Relationship
----- Rupees -----								
Furniture And Fixtures								
Carpets	19,315	19,314	1					
Filing Cabinet	15,550	13,088	2,462	12,000	1,837	Negotiation		No Relationship
Filing Cabinet	33,000	25,300	7,700					
Vehicles								
Toyota Corolla AHF-197	900,000	300,000	600,000	792,800	192,800	Negotiation		No Relationship

9. INTANGIBLE ASSETS

	Note	2019 ----- Rupees -----	2018
Corporate membership of the PMEX		2,500,000	2,500,000
NBFC License	9.1	583,336	-
DHA Membership	9.2	270,000	-
		<u>3,353,336</u>	<u>2,500,000</u>

9.1 This represents NBFC license which was renewed on 29 May 2019 and is valid for three years from the date of renewal.

9.2 This membership was acquired on 27 June 2019 which is valid for a period of 5 years and after that it shall be renewed as per the requirements of Pakistan Defence Officers Housing Authority.

10. LONG TERM INVESTMENTS

	Note	2019 ----- Rupees -----	2018
Investment - subsidiary 5,000,000 ordinary shares of Security Capital & Investments (Private) Limited @ Rs. 10/- each	10.1	<u>45,941,799</u>	<u>50,000,000</u>

10.1 This represents investment in wholly owned subsidiary of the Company as detailed in note 1 to this unconsolidated financial statements. Break up value per share on 31 December 2019 is Rs. 9.188 (2018: Rs. 14.39). An impairment loss of Rs. 4.058 million has been recognized during the year in profit and loss account.

11. LONG TERM FINANCING

	Note	2019 ----- Rupees -----	2018
Murabaha Financing			
Secured and considered good			
Murabaha finance			
- Associated companies	13.1	-	7,659,053
- Others		12,979,298	10,899,331
Less: Deferred Murabaha income		(1,393,381)	(959,291)
Murabaha receivable	11.1	11,585,917	17,599,093
Less: Current maturity		(4,018,870)	(13,057,797)
		<u>7,567,047</u>	<u>4,541,296</u>

- 11.1 These represent financing of vehicle on murabaha basis against hypothecation of vehicles for a period of 2 years to 3 years, carrying mark up at 1 Year KIBOR + 3% per annum (2018: 1 Year KIBOR+3%).

12. LONG TERM ADVANCE	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
Advances - secured			
- Staff Advance		1,129,000	1,103,125
- Against Expenses		350,000	320,000
- For office premises	12.1	2,500,000	2,500,000
- Others		-	2,070
		3,979,000	3,925,195
Less: Current portion		(1,479,000)	(1,425,195)
		<u>2,500,000</u>	<u>2,500,000</u>

- 12.1 This amount represents advance paid for office space in National Commodity Exchange Limited Building (NCEL) in the year 2003-04 and 2004-05. The said building is still under construction.

13. SHORT TERM FINANCING	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
Secured and considered good			
- Associated companies	13.1	238,635,923	546,938,905
Current maturity under murabaha finance		4,018,870	13,057,797
		<u>242,654,793</u>	<u>559,996,702</u>

13.1 Non-compliance with Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations)

- 13.1.1 Regulation 19(h) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) states that an NBFC shall not provide finance to its major shareholders, chief executive, directors, key executives firms or companies in which it or any of its chief executive, directors, key executives, or their close relatives are interested as a partner, director, guarantor or major shareholder. However, the Company has primarily provided financing facilities to its related parties including directors and officers.

During the year 2016, in response to amendments in the Regulations as to restriction imposed on financing made to related parties as stated in regulation 19(h), the Company vide letter dated February 4, 2016 requested Securities and Exchange Commission of Pakistan (the Commission) to grant relaxation from regulation 19(h). The Commission vide its letter dated February 17, 2016 refused the relaxation and directed the Company to comply with the amended Regulations within stipulated time period of six months. The Company vide letter dated April 18, 2016 again requested for the relaxation which was not responded by the Commission.

- 13.1.2 Regulation 17(2) of the Regulations states that the total outstanding Exposure (fund based and non-fund based) by an NBFC to any group shall not exceed twenty-five per cent (25) of the equity of an NBFC (as disclosed in the latest financial statements), provided that the maximum outstanding fund-based Exposure does not exceed twenty per cent (20) of the equity of an NBFC. However, as at December 31, 2019, the Company has breached total exposure and the fund based exposure limits with respect to H.M. Esmail & Company Limited, New Delite Company Limited, Madina Electronics, ARY Services (Private) Limited by 4.12% and 9.12% respectively.

- 13.1.3 Regulation 18A of the Regulations states that an NBFC may provide unsecured Finance up to Rs. 200,000/- (Rupees two hundred thousand only) to a single borrower. However, as at December 31, 2019, the Company has extended unsecured financing to H.M. Esmail & Company Limited, New Delite Company Limited, ARY Services (Private) Limited, Madina Electronics and Stallion

Deliveries (Private) Limited amounting to Rs. 113.5 million, Rs. 61.216 million, Rs. 46.368 million, Rs. 14.05 million and 1.56 million respectively.

- 13.1.4** Regulation 23 of the Regulations states that an NBFC while taking an Exposure shall not provide finance if the total Exposure availed by the Borrower from financial institutions exceeds 10 times the Equity of the Borrower as disclosed in the financial statements of the Borrower, provided that the fund-based Exposure of a Borrower shall not exceed 4 times of its equity as disclosed in the Borrower's latest financial statements. However, the equity of ARY Services (Private) Limited, Madina Electronics, Stallion Deliveries Stallion Deliveries (Pvt) are negative, based on their financial statements as at June 30, 2019, by Rs. 336.35 million, Rs. 13.86 million and Rs. 52.68 million respectively.
- 13.1.5** Regulation 24 of the Regulations states that, at the time of allowing fresh exposure/ enhancement/renewal, the NBFC shall ensure that the current assets to current liabilities ratio of the borrower is not lower than such ratio as may be required under the credit policy of the NBFC. NBFCs shall prescribe the minimum current ratio under the credit policy keeping in view the quality of the current assets, nature of the current liabilities, nature of industry to which borrower belongs to, average size of current ratio of that industry, appropriateness of risk mitigates available to the NBFCs etc. However, the Company has not established any such clause in its credit policy. Further, the Company has sanctioned financing facilities to Stallion Deliveries (Pvt) Limited amounting to Rs. 3.5 million during the year whose equity was negative at the time of sanction.
- 13.1.6** During the year 2018, the Commission carried out the inspection and directed the Company to provide comments on violation of above stated Regulation 19(h), 17(1), 17(2), 18A and Regulation 23 of the Regulations vide letter SCD/S&ED-IW/SIBL/2018/324, dated July 02, 2018.

Furthermore, SECP vide its letter No. SCD-S&ED-IW/SIBL/2018/29 dated August 20, 2018 instructed the Company to provide detailed plan/schedule of repayments against all financing extended by the Company. The Company in response to the said letter has submitted the required repayment plan/schedule vide its letter dated September 3, 2018.

During the year, the Company has adjusted its portfolio of financing on the basis of repayment schedule shared with and confirmed by SECP through letter October 17, 2018.

Moreover, in addition to report dated July 2, 2018, SECP vide its letter No. SCD-S&ED/OW-II/SIBL/Khi/2018/26 dated October 17, 2018 highlighted specific observations which requires immediate attention. In response to this, the Company vide its letter dated October 30, 2018 gave assurance to SECP that management is using all the best possible efforts to settle all financing in compliance with the Regulations with reference to the undertaking already submitted dated July 30, 2018.

Further, the Company submitted an application vide its letter Ref. 2020-010002 dated January 13, 2020 to SECP for extension of group loan/financing for the term of 2 years, which was not acceded by the Regulator vide its letter No. SC/NBFC- 42/SIBL/2019/42 dated February 06, 2020. Therefore, the Company decided to adjust the entire amount of subordinated loan against the outstanding amount of group financing as on December 31, 2019 through Circular Resolution of the Board dated February 14, 2020. The said Resolution was submitted to the SECP vide letter Ref. 2020-010010-MS dated February 18, 2020 on which the decision of Regulator is still pending.

14. SHORT TERM INVESTMENTS	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
Measured at amortised cost			
Market treasury bills		25,000,000	25,000,000
Measured at fair value through other other comprehensive income			
Term finance certificates	14.1	5,836,219	5,836,219
Measured at fair value through profit or loss			
Investment in equity shares	14.2	257,228,322	31,877,817
		288,064,541	62,714,036

14.1 Particulars of listed Term Finance Certificates (TFC) :

Note	No. of Certificates		2019		2018		
	2019	2018	Cost	Market Value	Cost	Market value	
			----- Rupees -----				
Telecard Limited	14.1.1	5,000	5,000	7,781,625	5,836,219	7,781,625	5,836,219

14.1.1 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 months KIBOR + 0%	Quarterly	Originally Eight years from May 2005. Then rescheduled up to May 27, 2015. Now it is restructured to be redeemable over the period of 5 years with 2 years grace period carrying mark up @ 3 months KIBOR+0%.
Valuation of certificates	5,000			
Redemption up to December 31, 2019	3,467			
Balance as at December 31, 2019	1,533			

14.1.2 "Telecard Limited 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. In the year 2015 it is restructured to be redeemable over the period of 5 years with 2 years grace period carrying mark up @ 3 months KIBOR + 0%.

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 Pakistan Telecommunication Authority."

14.2 Quoted Shares

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

2019	2018	No. of ordinary shares	2019		2018	
			Cost	Market Value	Cost	Market Value
----- Rupees -----						
Cement						
277,021	1,747	Lucky Cement Limited	117,001,592	118,675,796	1,204,766	759,368
28,872	-	D.G. Khan Cement Company Limited	2,355,185	2,144,323	-	-
125,445	-	Maple Leaf Cement Factory Limited	4,632,684	2,902,797	-	-
50,000	-	Fauji Cement Company Limited	729,500	778,000	-	-
81,993	-	Pioneer Cement Limited	2,390,916	2,499,967	-	-
Bank						
917,443	344,118	Bank Al Habib Limited	63,971,295	69,872,458	23,506,701	23,671,877
13,112	-	MCB Bank Limited	2,590,013	2,687,173	-	-
70,149	-	Faysal Bank Limited	1,207,264	1,334,234	-	-
134,175	-	Habib Metropolitan Bank Limited	5,261,898	4,877,261	-	-
41,512	-	Bank Alfalah Limited	1,672,934	1,897,098	-	-

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

2019		2018		2019		2018	
No. of ordinary shares				Cost	Market Value	Cost	Market Value
				----- Rupees -----			
		Chemical					
33,300		-	ICI Pakistan Limited	17,230,138	22,472,505	-	-
210,000		-	Lotte Chemical Pakistan Limited	3,250,800	2,944,200	-	-
5,329		-	Akzo Nobel Pakistan Limited	755,173	1,432,808	-	-
		Foods & Personal Care Products					
200,000		-	Fauji Foods Limited	3,302,705	2,894,000	-	-
		Oil & Gas Exploration Compaies					
3,000		-	Pakistan Oilfields Limited	1,144,110	1,340,160	-	-
120,750		-	Sui Southern Gas Company Limited	2,158,279	2,598,540	-	-
		Power Generation					
140,000	86,800		The Hub Power Company Limited	11,478,501	13,069,000	7,453,516	7,446,572
		Technology & Communication					
300,000		-	Pakistan Telecommunication Company Ltd	2,757,500	2,808,000	-	-
<u>2,752,101</u>	<u>432,665</u>			<u>243,890,487</u>	<u>257,228,322</u>	<u>32,164,983</u>	<u>31,877,817</u>

		2019	2018
		----- Rupees -----	----- Rupees -----
15.	LOANS AND ADVANCES	Note	
	Current portin of advances	<u>1,479,000</u>	<u>1,425,195</u>
16.	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Security deposits	361,280	361,280
	Prepayments	750,736	995,396
	Other receivables - considered good	2,398,013	2,661,697
		<u>3,510,029</u>	<u>4,018,373</u>
17.	ACCRUED INTEREST		
	Profit on demand finance- receivable	6,383,518	-
	Profit on TFC - receivable	1,369,744	1,194,629
	Profit on Murabaha car finance receivable	1,859,806	1,464,212
		<u>9,613,068</u>	<u>2,658,841</u>

18. TAX REFUND DUE FROM GOVERNMENT

Advance tax	269,867,091	268,666,855
Less: Provisions for taxation	(202,243,136)	(189,508,200)
	<u>67,623,955</u>	<u>79,158,655</u>

19. CASH AND BANK BALANCES

Cash in hand	47,798	24,064
With State Bank of Pakistan in current account	5,419	11,257
Current accounts	1,825,147	2,196,079
Deposit accounts	6,155,583	7,223,815
	7,980,730	9,419,894
	<u>8,033,947</u>	<u>9,455,215</u>

19.1 Rate of return on these deposits accounts range from 8% to 12% per annum (2018: 5% to 6% per annum).

		2019		2018	
		----- Rupees -----			
Number of shares					
2019	2018				
23,552,000	23,552,000	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	278,815,580	
27,881,558	27,881,558		514,335,580	514,335,580	
<u>51,433,558</u>	<u>51,433,558</u>		<u>514,335,580</u>	<u>514,335,580</u>	

21. STATUTORY RESERVES

21.1 170,798,844 162,897,175

21.1 This reserve is created at the rate of 20% of profit for the year from ordinary activities after taxation as per management discretion. However, in prior periods, this reserve was created in compliance with Regulation No. 16 of Non-Banking Finance Companies and Notified Entities Regulations 2008, as this was mandatory to be created by a deposit taking NBFC. The Company has ceased to be a deposit taking NBFC in 2016.

		2019		2018	
		----- Rupees -----			
22. SURPLUS / DEFICIT ON REVALUATION OF INVESTMENTS					
Surplus / deficit on revaluation of investment		-	(287,166)		
		<u>-</u>	<u>(287,166)</u>		

23. SUBORDINATED LOAN

Subordinated loan - Unsecured	-	180,000,000
Current portion of subordinated loan	180,000,000	-
	23.1	180,000,000

23.1 "This subordinated loan is raised by the Company from Sponsors Directors. The loan is granted for a terms of three years, commencing from date of the said agreement dated April 10, 2018. The interest rate implicit in the agreement is six month KIBOR, which is ratified by the Securities and Exchange Commission of Pakistan (SECP) via letter no. SC/NBFC/SIBL/42/2018/233 dated September 17, 2018. The principal amount and interest thereon will be repayable at the maturity of the loan i.e. April 10, 2021."

23.2 On July 31, 2019, the Company obtained consent from Sponsor Directors to waive the interest accrued on subordinated loan till June 30, 2019. Further, on August 26, 2019, the Board of Directors passed a resolution for waiver of interest on subordinated loan till its maturity.

23.3 In accordance with the requirement of Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (vide SRO No. 1002(I)/2015 dated October 15, 2015 and SRO No. 1160(I)/2015 dated November 25, 2015), the Securities and Exchange Commission of Pakistan has instructed existing NBFCs to meet with Minimum Capital requirement of Rs.750 million to raise deposits. In order to avail the license of deposit taking NBFC, during the year, the Company has raised subordinated loan of Rs. 180 million from related parties under Clause six of Rule 2 of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

24. DEFERRED TAX LIABILITY	Note	2019	2018
		----- Rupees -----	
Deferred tax liability / (asset) arising in respect of:			
Accelerated depreciation		2,981,151	2,635,424
Unrealized gain on revaluation of investments measured at fair value through profit or loss		(2,000,675)	(83,278)
		980,476	2,552,146

24.1 Movement in deferred tax

Opening balance		2,552,146	(8,599,833)
Charge during the year		(1,571,670)	11,151,979
Closing balance		980,476	2,552,146

25. SHORT TERM BORROWINGS

Short term running finance	25.1	-	2,759,096
		-	2,759,096

25.1 The Company had availed running finance facility from Summit Bank with a limit of Rs. 50 million @ 3 months KIBOR plus 4%. The facility was secured against Rs. 58 million book debts of the Company.

		2019	2018
	Note	----- Rupees -----	-----
26. ACCRUED AND OTHER LIABILITIES			
Accrued interest			
- Subordinated loan	23.2	-	7,429,663
Other liabilities			
- Related party	26.1	14,800,033	23,647,873
- Others		2,433,320	1,497,669
		17,233,353	25,145,542
		<u>17,233,353</u>	<u>32,575,205</u>
26.1	This includes the amount paid by the wholly owned subsidiary namely Security Capital & Investment (Private) Limited against purchase of assets (including PMEX membership card) amounting to Rs. 14 million.		
27. CONTINGENCIES AND COMMITMENTS			
		2019	2018
	Note	----- Rupees -----	-----
27.1 Contingencies			
Guarantees issued on behalf of customer:			
- Associated undertaking		-	55,103,000
		<u>-</u>	<u>55,103,000</u>
27.2 Commitments			
There were no commitment as at the statement of financial position date.			
28. INCOME ON FINANCING AND PLACEMENTS			
Financing			
- Demand finance		52,585,943	64,858,461
- Murabaha finance		1,610,265	1,473,136
- Lease finance		97,879	675,327
		54,294,087	67,006,924
Placements			
- With financial institution - unsecured		-	364,959
		<u>-</u>	<u>364,959</u>
		<u>54,294,087</u>	<u>67,371,883</u>
29. RETURN ON SECURITIES			
Return on government securities		1,561,213	931,145
Return on term finance certificates (TFCs)		295,741	487,770
Dividend income		2,406,147	449,499
		<u>4,263,101</u>	<u>1,868,414</u>

30. OTHER INCOME

Gain on sale of fixed assets	194,637	49,996
Commission	195,234	510,737
Processing income	68,850	493,739
Miscellaneous	8,118,671	1,406,155
	<u>8,577,392</u>	<u>2,460,627</u>

	Note	2019	2018
		----- Rupees -----	
31. FINANCIAL CHARGES			
Interest expense on bank borrowings		-	1,148,636
Interest expense on subordinate loan		-	7,544,463
		<u>-</u>	<u>8,693,099</u>

32. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits		17,446,959	17,152,247
Contribution to provident fund	35	360,809	398,049
Rent, rates and taxes		1,128,626	2,194,662
Telephone, telex and fax		676,167	615,559
Electricity, water and gas		653,836	717,246
Printing, postage and stationery		289,935	484,826
Insurance		343,068	276,433
Fees and membership		2,341,692	1,614,000
Brokerage and commission		59,977	-
Central Depository Company charges		664,726	600,632
Auditors' remuneration	32.1	445,300	472,180
Legal and professional fees		1,165,080	1,143,162
Vehicle running and maintenance		573,287	887,128
Repairs and maintenance		628,980	638,384
Advertisement		548,511	238,990
Travelling and conveyance		1,230,918	343,404
Entertainment		562,098	575,185
Depreciation	8	2,240,496	1,746,242
Bank charges		9,371	53,899
Old age benefit		67,600	96,200
Books, periodicals and newspapers		17,870	14,235
Other expenses		371,214	397,130
		<u>31,826,520</u>	<u>30,659,793</u>

32.1 Auditors' remuneration

Statutory audit fee	400,000	400,000
Out of pocket expenses	45,300	72,180
	<u>445,300</u>	<u>472,180</u>

33. TAXATION	Note	2019	2018
		Rupees	
Current tax	33.1	10,667,330	5,594,889
Prior year tax		2,067,606	-
Deferred tax		(1,571,670)	11,151,979
		<u>11,163,266</u>	<u>16,746,868</u>

33.1 The provision for taxation for the current year has been made by applying normal income tax rates to Company on income not covered under fixed / final tax regime; and applying respective rates applicable to income covered under fixed / final tax regime.

The declared results for Assessment years 1993-94, 1994-95 were accepted whereas return of income in respect of Tax years 2004, 2009, 2010 and 2017, are deemed to be assessed in terms of section 120(1)(b) of the Income Tax Ordinance, 2001 (the "Ordinance").

The return of income furnished for assessment year 1995-96 to 2001-02 were filed in the status of a public company. However the status of a banking company was assigned to the Company by the tax department and certain disallowances were made in the profit and loss expenses. For the assessment year 1995-96 to 2000-01 issues were settled in favor of the Company by the Appellate Tribunal Inland Revenue (the ATIR).

Assessment in respect of tax year 2008 was amended vide order dated December 24, 2009 issued under section 122 of the Ordinance by Deputy Commissioner Inland Revenue (the DCIR) creating tax demand of Rs. 37,791,566. The Company filed an appeal before Commissioner Inland Revenue (Appeals) (the CIR(A)), which was decided in favor of tax department and the Company filed a second appeal before ATIR which was also decided against the Company.

The Company has filed a reference application before Islamabad High Court against the said order of ATIR. The date of hearing has not yet been fixed.

No additional provision has been made against this demand as the management is confident that reference application will be decided in favour of the Company.

The return filed by the Company was selected for audit under section 177 of the Ordinance. Information document request was served under section 176 of the Ordinance which was duly responded. And on the basis of reply submitted and hearing with the officer the return was amended under section 122(5) creating a tax demand amounting Rs. 14,460,027. Being aggrieved with the assessment, an appeal against the said order was submitted before the Commissioner Inland Revenue (Appeals-I) which has been heard for order.

Assessment in respect of tax year 2012 was amended vide assessment order dated February 28, 2014 under section 221/113 of the Ordinance. A rectification application was filed which was rejected. The order of DCIR was contested before CIR (A) who remanded back the case to DCIR for further verification. No further notice in this regard has been received by the Company.

The returns filed by the Company for the said years were selected for audit under section 177 of the Ordinance, online showcase notices were issued but adjournment was asked. However, no further action has been taken by the authorities in this regard.

33.2 Relationship between tax expense and accounting profit	2019 Rupees
Profit before income tax expense	<u>50,671,609</u>
Tax at the applicable rate of 29%	14,694,767
Tax effect of:	
- Tax effect of admissible/in-admissible expenses in determining taxable income net	(2,888,016)
- Capital gain tax	(755,262)

	2019 Rupees
- income not subject to tax / income subject to final tax regime / tax credits	(384,159)
Adjustment for prior year tax	2,067,606
Deferred tax	(1,571,670)
	<u><u>11,163,266</u></u>

The numerical reconciliation between tax expense and accounting profit for the year ended Decemehr 31, 2018 has not been presented for in these unconsolidated financial statements as the income of the Company was either subject to minimum tax, special rate of tax or final tax under various provisions of the Income Tax Ordinance, 2001.

33.3 Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of 5% on every public company other than a scheduled bank or modaraba, that derives profits for tax a year but does not distribute 20% of accounting profit either through cash dividend or issuance of bonus shares within six months of the end of said tax year. The Company intends to distribute not less than 20% of accounting profit either through cash dividend or issuance of bonus shares within six months of the end of the reported year and, accordingly, no provision for taxation has been made in these unconsolidated financial statements.

34. EARNINGS PER SHARE - BASIC AND DILUTED	2019	2018
34.1 Basic earning per share		
Profit after tax		
Weighted average number of ordinary shares	Rs. 39,508,343	17,225,061
	51,433,558	51,433,558
Earnings per share	Rs. <u><u>0.768</u></u>	<u><u>0.335</u></u>

34.2 Diluted earning per share

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

35. DEFINED CONTRIBUTION PLAN

An amount of Rs. 0.361 million (2018: Rs. 0.398 million) has been charged during the year in respect of contributory provident fund maintained by the Company.

35.1 Disclosure relating to provident fund

The Company operates a recognized Provident Fund (the Fund) for its permanent employees.

	2019	2018	2019	2018
	----- Percentage -----		----- Rupees -----	
(i) Size of the Fund			1,417,874	3,320,934
(ii) Cost of investments made			1,449,959	3,330,934
(iii) Percentage of investments made			0.73	0.92
(iv) Fair value of investments in government securities			1,057,360	3,080,391

Break up of the investments is as follows:

Bank balance	27.69	7.54	392,599	250,543
Government securities	74.57	92.76	1,057,360	3,080,391

36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, EXECUTIVE AND NON-EXECUTIVE DIRECTORS AND EXECUTIVES

	2019				2018			
	Chief Executive Officer	Non-Executive Directors	Executive Director	Executive	Chief Executive Officer	Non-Executive Directors	Executive Director	Executive
	----- Rupees -----							
Directors meeting fees	-	700,000	-	-	-	855,000	-	-
Managerial remuneration	4,947,000	-	-	-	4,494,000	-	-	-
Bonus	865,500	-	-	-	374,500	-	-	-
Medical expense	412,248	-	-	-	374,496	-	-	-
Provident fund	-	-	-	-	-	-	-	-
Other benefits	1,084,933	-	-	-	785,876	-	-	-
	7,309,681	700,000	-	-	6,028,872	855,000	-	-
Number of persons	1	7			1	6		

36.1 The executives of the Company are also entitled to free use of Company owned and maintained vehicles.

36.2 The amount charged in the financial statements as the fee of directors for attending a Board of Directors meeting was Rs. 0.035 million per meeting.

37. 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 by Assets and Liabilities Committee to ensure that adequate liquidity is maintained. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	December 31, 2019			
	Upto three months	More than three months and upto one year	Over one year	Total
	----- Rupees -----			
Liabilities				
Subordinated loan	-	-	180,000,000	180,000,000
Short term borrowings	-	-	-	-
Unclaimed dividend	2,094,583	-	-	2,094,583
Accrued expenses and other	2,433,320	14,800,033	-	17,233,353
	4,527,903	14,800,033	180,000,000	199,327,936

	December 31, 2018			
	Upto three months	More than three months and upto one year	Over one year	Total
	----- Rupees -----			
Liabilities				
Subordinated loan	-	-	180,000,000	180,000,000
Short term borrowings	2,759,096	-	-	2,759,096
Unclaimed dividend	2,094,583	-	-	2,094,583
Accrued expenses and other	25,145,542	-	7,429,663	32,575,205
	29,999,221	-	187,429,663	217,428,884

38. 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 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 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:

38.1 Finance

	2019		2018	
	Rupees	%	Rupees	%
Services	46,368,141	19.43%	106,292,962	19.43%
Cable and electric goods	192,267,782	80.57%	440,645,943	80.57%
	238,635,923	100%	546,938,905	100%

38.2 Geographical Segment

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

39. MARKET RISK

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

39.1 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:

Description	December 31, 2019				Not Exposed to Interest Rate/ Yield Risk
	Total	Exposed to Interest Rate/ Yield Risk			
		Within one year	More than one year and up to five years	Above five years	
Financial assets					
Investment in subsidiary	45,941,799	-	-	-	45,941,799
Long term financing	11,585,917	4,018,870	7,567,047	-	-
Short term financing	238,635,923	238,635,923	-	-	-
Investment in TFCs	5,836,219	5,836,219	-	-	-
Investment in T-bills	25,000,000	25,000,000	-	-	-
Short term investments in quoted shares	257,228,322	-	-	-	257,228,322
Deposits and other receivables	2,759,293	-	-	-	2,759,293
Accrued interest	9,613,068	-	-	-	9,613,068
Balances with banks and cash in hand	8,033,947	6,155,583	-	-	1,878,364
Total	604,634,488	279,646,595	7,567,047	-	317,420,846
Financial liabilities					
Subordinated loan	-	-	-	-	-
Short term borrowings	-	-	-	-	-
Unclaimed dividend	2,094,583	-	-	-	2,094,583
Accrued interest	-	-	-	-	-
Other liabilities	17,233,353	-	-	-	17,233,353
Total	19,327,936	-	-	-	19,327,936
Total interest rate sensitivity gap		279,646,595	7,567,047	-	298,092,910
Cumulative interest rate sensitivity gap		279,646,595	287,213,642	287,213,642	

Description	December 31, 2018				
	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					
Investment in subsidiary	50,000,000	-	-	-	50,000,000
Long term financing	12,701,494	8,823,033	3,878,461	-	-
Short term financing	546,938,905	546,938,905	-	-	-
Investment in TFCs	5,836,219	5,836,219	-	-	-
Investment in T-bills	25,000,000	25,000,000	-	-	-
Short term investments in quoted shares	31,877,817	-	-	-	31,877,817
Loans and advances	25,00,000	-	-	-	25,00,000
Deposits and other receivables	3,022,977	-	-	-	3,022,977
Accrued interest	2,658,841	-	-	-	2,658,841
Balances with banks and cash in hand	9,455,215	7,223,815	-	-	2,231,400
Total	689,991,468	593,821,972	3,878,461	-	92,291,035
Financial liabilities					
Subordinated loan	180,000,000	-	180,000,000	-	-
Short term borrowings	2,759,096	2,759,096	-	-	-
Unclaimed dividend	2,094,583	-	-	-	2,094,583
Accrued interest	7,429,663	-	-	-	7,429,663
Other liabilities	25,145,542	-	-	-	25,145,542
Total	217,428,884	2,759,096	180,000,000	-	34,669,788
Total interest rate sensitivity gap		591,062,876	(176,121,539)	-	57,621,247
Cumulative interest rate sensitivity gap		591,062,876	414,941,337	414,941,337	

Mark-up rates are mentioned in the respective notes to these unconsolidated financial statements.

39.2 Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company 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 Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

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

	2019	2018
	----- Rupees -----	
39.4 Financial instruments by category		
Financial assets		
Measured at fair value through profit or loss		
Investment in equity shares	257,228,322	31,877,817
Measured at fair value through other comprehensive income		
Term finance certificates	5,836,219	5,836,219
Measured at amortized cost		
Market treasury bills	25,000,000	25,000,000
Long term advances	2,500,000	2,500,000
Deposits and other receivables	2,759,293	3,022,977
Accrued interest	9,613,068	2,658,841
Bank balances	8,033,947	9,455,215
	<u>53,742,527</u>	<u>48,473,252</u>
Financial liabilities		
Financial liabilities carried at amortized cost		
Subordinated loan	-	180,000,000
Short term borrowings	-	2,759,096
Unclaimed dividend	2,094,583	2,094,583
Accrued interest	-	7,429,663
Other liabilities	17,233,353	25,145,542
	<u>19,327,936</u>	<u>217,428,884</u>

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the 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 carrying values and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs)

As at December 31, 2019, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Measured at fair value through other comprehensive income				
Term Finance Certificates (TFCs)	-	-	5,836,219	5,836,219
Measured at fair value through profit or loss				
Quoted shares	257,228,322	-	-	257,228,322

As at December 31, 2018, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Measured at fair value through other comprehensive income				
Term Finance Certificates (TFCs)	-	-	5,836,219	5,836,219
Measured at fair value through profit or loss				
Quoted shares	31,877,817	-	-	31,877,817

Valuation techniques

For level 3 investments - investment in respect of term finance certificates, the Company has received Telecard Limited sukuk which are non tradeable. Accordingly, these are stated at cost.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

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

Transfers during the year

There were no transfers between various levels of fair value hierarchy during the period.

41. CAPITAL RISK MANAGEMENT

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

The Company is exposed to externally imposed capital requirements.

The Securities and Exchange Commission of Pakistan has notified amendments in the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 and Non-Banking Finance Companies and Notified Entities Regulations 2008 (vide SRO No. 1002(I)/2015 dated October 15, 2015 and SRO No. 1160(I)/2015 dated November 25, 2015). The Board of Directors in its meeting held on September 07, 2016 has resolved to continue the Company's IFS License as Non Deposit taking Lending NBFC and, accordingly, the Company is in compliance with Minimum Capital Requirement as stipulated in the NBFC Regulations, 2008.

42. **BALANCES AND 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 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 37 to the unconsolidated financial statements, are as follows:

Transactions During the year

Nature of Transaction	Nature of Relationship	Basis of Relationship	2019	2018
			Rupees	Rupees
Demand Financing made				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	-	44,847,260
- Madina Electronics	Associated Undertaking	Common Director	-	-
- New Delite Company Limited	Associated Undertaking	Common Director	-	40,505,000
- Ary Services (Private) Limited	Associated Undertaking	Common Director	-	100,000,000
			<u>-</u>	<u>185,352,260</u>
Return on financing				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	26,897,482	33,994,932
- Madina Electronics	Associated Undertaking	Common Director	3,236,169	4,150,956
- New Delite Company Limited	Associated Undertaking	Common Director	14,542,723	18,628,831
- Ary Services (Private) Limited	Associated Undertaking	Common Director	7,638,124	8,083,742
			<u>52,314,498</u>	<u>64,858,461</u>
Repayment of demand finance by companies				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	151,351,431	8,500,000
- Madina Electronics	Associated Undertaking	Common Director	18,741,033	-
- New Delite Company Limited	Associated Undertaking	Common Director	81,785,697	-
- Ary Services (Private) Limited	Associated Undertaking	Common Director	59,924,821	24,556,120
			<u>311,802,982</u>	<u>33,056,120</u>
Markup included in principal				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	23,065,867	29,521,115
- Madina Electronics	Associated Undertaking	Common Director	3,179,604	6,642,230
- New Delite Company Limited	Associated Undertaking	Common Director	12,437,426	13,403,300
- Ary Services (Private) Limited	Associated Undertaking	Common Director	7,651,703	5,861,042
			<u>46,334,600</u>	<u>55,427,687</u>
Adjustment / Repayment of demand finance after SECP inspection				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	189,190,591	37,839,160
- Madina Electronics	Associated Undertaking	Common Director	23,427,080	4,686,047
- New Delite Company Limited	Associated Undertaking	Common Director	102,220,707	20,435,010
- Ary Services (Private) Limited	Associated Undertaking	Common Director	59,924,821	-
			<u>374,763,199</u>	<u>62,960,217</u>
Subordinated loan raised				
- Haji Jan Mohammad	Director	Directorship	-	30,000,000
- Muhammad Shoaib	Director	Directorship	-	25,000,000
- Muhammad Mehboob	Director	Directorship	-	25,000,000
- Shahnaz Jawed	Sponsor	Sponsorship	-	25,000,000
- Fouzia Rauf	Sponsor	Sponsorship	-	25,000,000
- Muhammad Iqbal	Sponsor	Sponsorship	-	25,000,000
- Zarina Iqbal	Sponsor	Sponsorship	-	25,000,000
			<u>-</u>	<u>180,000,000</u>

Nature of Transaction	Nature of Relationship	Basis of Relationship	2019	2018
			Rupees	Rupees
Office building purchased				
- Ary Communication (Private) Limited	Associated Undertaking	Common Director	-	32,000,000
Freehold land (DHA Plot) purchased				
- Muhammad Shoaib Gandhi	Director	Directorship	107,082,047	-
Office rent paid				
- Ary Communication (Private) Limited	Associated Undertaking	Common Director	-	1,096,200
Car finance provided				
- Zafar M Sheikh	Chief Executive	Directorship	-	5,307,000
Long term financing recovery				
Murabaha financing				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	539,957	2,431,104
- New Delite Company Limited	Associated Undertaking	Common Director	1,286,250	1,758,911
- Zafar M Sheikh	Chief Executive	Directorship	1,020,012	2,291,544
			2,846,219	6,481,559
Lease financing				
- New Delite Company Limited	Associated Undertaking	Common Director	5,847,955	5,565,922
Loans and advances				
Car loan				
- Zafar M Sheikh	Chief Executive	Directorship	-	5,307,000
Advance against expenses				
- Security Capital & Investment (Private)	Subsidiary Company	Wholly owned subsidiary	-	277,905
- Sheikh Abdullah	Director	Directorship	60,000	150,000
			60,000	427,905
Recovery against car finance				
- Zafar M Sheikh	Chief Executive	Directorship	1,020,012	-
Recovery against advance for expenses				
- Security Capital & Investment (Private)	Subsidiary Company	Wholly owned subsidiary	2,070	275,835
Repayment of short term deposit				
- New Delite Company Limited	Associated Undertaking	Common Director	-	7,700,000
Repayment of other liabilities				
- Security Capital & Investment (Private)	Subsidiary Company	Wholly owned subsidiary	-	10,000,000
Other				
- Contribution to staff provident fund	Employee Fund		360,809	398,049
Guarantee commission income				
- Madina Electronics	Associated Undertaking	Common Director	-	442,393
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	-	27,398
- ARY Films & TV Production	Associated Undertaking	Common Director	195,234	40,952
			195,234	510,743
Balances as at the year end				
Long term investments				
- Security Capital & Investment (Private)	Subsidiary	Wholly owned subsidiary	45,941,799	50,000,000

Nature of Transaction	Nature of Relationship	Basis of Relationship	2019 Rupees	2018 Rupees
Long term financing				
Car financing				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	-	472,590
- New Delite Company Limited	Associated Undertaking	Common Director	-	1,049,220
- Zafar M Sheikh	Chief Executive	Directorship	3,825,087	-
Lease financing				
- New Delite Company Limited	Associated Undertaking	Common Director	-	5,847,955
Short term financing				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	113,500,913	264,852,344
- Madina Electronics	Associated Undertaking	Common Director	14,050,107	32,791,140
- New Delite Company Limited	Associated Undertaking	Common Director	61,216,762	143,002,459
- Ary Services (Private) Limited	Associated Undertaking	Common Director	46,368,141	106,292,962
			235,135,923	546,938,905
Advance against expenses				
- Security Capital & Investment (Private)	Subsidiary Company	Wholly owned subsidiary	-	2,070
- Sheikh Abdullah	Director	Directorship	98,000	150,000
			98,000	152,070
Subordinate loan				
- Haji Jan Mohammad	Director	Directorship	30,000,000	30,000,000
- Muhammad Shoaib	Director	Directorship	25,000,000	25,000,000
- Muhammad Mehboob	Director	Directorship	25,000,000	25,000,000
- Shahnaz Jawed	Sponsor	Sponsorship	25,000,000	25,000,000
- Fouzia Rauf	Sponsor	Sponsorship	25,000,000	25,000,000
- Muhammad Iqbal	Sponsor	Sponsorship	25,000,000	25,000,000
- Zarina Iqbal	Sponsor	Sponsorship	25,000,000	25,000,000
			180,000,000	180,000,000
Short term deposits				
- New Delite Company Limited	Associated Undertaking	Common Director	-	7,700,000
Other liabilities				
- Security Capital & Investment (Private)	Subsidiary Company	Wholly owned subsidiary	-	14,000,562
Accrued markup on subordinate loan				
- Haji Jan Mohammad	Director	Directorship	-	1,238,275
- Muhammad Shoaib	Director	Directorship	-	1,031,898
- Muhammad Mehboob	Director	Directorship	-	1,031,898
- Shahnaz Jawed	Sponsor	Sponsorship	-	1,031,898
- Fouzia Rauf	Sponsor	Sponsorship	-	1,031,898
- Muhammad Iqbal	Sponsor	Sponsorship	-	1,031,898
- Zarina Iqbal	Sponsor	Sponsorship	-	1,031,898
			-	7,429,663

	2019	2018
	----- Numbers -----	
43. STAFF STRENGTH		
Number of employees at end of the year	12	15
Average number of employees during the year	14	16

44. RECLASSIFICATION

December 31, 2018				
Account Head	Before reclassification Rupees	Account Head	Reclassification Rupees	After reclassification Rupees
Loans and advances	6,322,794	Long term loans and advances Short term financing	(4,234,764) (662,835)	1,425,195
Long term financing	3,878,461	Loans and advances	662,835	4,541,296
Short term financing	555,761,938	Loans and advances	4,234,764	559,996,702

45. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors on March 14, 2020.

46. GENERAL

Figures have been rounded off to the nearest rupee.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR



**CONSOLIDATED
FINANCIAL STATEMENTS**
for the year ended December 31, 2019

AUDITORS' REPORT TO THE MEMBERS

INDEPENDENT AUDITOR'S REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the annexed consolidated financial statements of **Security Investment Bank Limited** (the Holding Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

As at December 31, 2019, short term financing to H.M. Esmail & Co. Limited, New Delite Company Limited, ARY Services (Private) Limited and Madina Electronics (related parties) aggregated to Rs. 235.136 million. However, as required by Regulation 25 of the NBFC, the Holding Company has neither performed evaluation of the provision on time-based criteria nor performed subjective evaluation of its financing portfolio and impairment review in accordance with International Financial Reporting Standards 9 – Financial Instruments. Therefore, we are unable to ascertain the recoverability and provisioning required for the same. Moreover, SECP vide its letter No. SCD-S&ED-IW/SIBL/2018/29 dated August 20, 2018 instructed the Holding Company to provide detailed plan/schedule of repayments against all financing extended by the Holding Company to the related parties. The Holding Company in response to the said letter has submitted the required repayment plan/schedule vide its letter dated September 3, 2018 and communicated the same to the related parties which has been acknowledged by related parties, however, no formal revision in the original terms of contract has been made between the Holding Company and the related parties. Previously, this financing was classified in accordance with original contract between parties rather than revised repayment schedule agreed between parties. Hence also qualified by the predecessor auditor in this regard. However, classification of the financing to related parties between current and non-current has been made in the consolidated financial statements based on the repayment plan approved by SECP.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to:

1. note no 13.1 to the consolidated financial statements which states the status of non-compliance with the Regulation 19(h), Regulation 17(2), Regulation 18A and Regulation 23 and Regulation 24 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.
2. note no 8.1 to the consolidated financial statements which inter alia states that during the previous year, the Holding Company purchased property from M/s ARY Communications Limited vide Agreement to Sell entered into with M/s ARY Communications Limited date December 26, 2018 the title of which is in the process of being transferred in to the name of the Holding Company;
3. note no 8.2 to the consolidated financial statements which states that the Holding Company had made investments in immovable property in contravention of section 7(2)(j) to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003; and
4. note no 3.2 to the consolidated financial statements of the Group which states that the subsidiary company is not considered a going concern and therefore the subsidiary company has prepared its financial statements on a basis other than going concern, as the subsidiary company has applied to the Securities and Exchange Commission of Pakistan (SECP) for liquidation of the subsidiary company and the same has been accepted by SECP.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the following to be the key audit matters to be communicated in our report:

S.N0	Key audit matter(s)	How the matter was addressed in our audit
1.	Control environment relating to the financial reporting process and related IT systems	
	<p>The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach.</p> <p>As the consolidated financial statements are based on extensive number of data flows from IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p>	<p>Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights.</p> <p>Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.</p>
2.	Valuation of investments	
	<p>The Group's investment comprises investments in equity and debt instruments. As at December 31, 2019 total net investment amount to Rs. 288.065 million.</p> <p>The valuation of these investments is made using different valuation techniques as disclosed in note no 14 to the consolidated financial statements.</p> <p>The Group's accounting policy and movement in the year in the investments balances are disclosed in note no. 7.4 and 14 respectively to the consolidated financial statements.</p> <p>We have considered this as a key audit matter in view of the significance of these investments in relation to the total assets of the Group.</p>	<p>Valuation of investments were addressed by applying following procedures:</p> <ul style="list-style-type: none"> - Evaluated the design and implementation of key control around investments; - Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; - Performed purchases and sales testing on sample basis of trades made during the year and checked that transaction were recorded in the correct period as part of investment in case of purchases/transfers. <p>Checked the existence of the securities from the Central Depository Company's report.</p> <p>We also reviewed management's assessment of whether there are any indicators of impairment including those securities that are not actively traded; and</p> <p>Furthermore, we also assessed the adequacy of the respective disclosure relating to investments as disclosed in the consolidated financial statements.</p>

3.	Compliance with laws and regulations	
	<p>The Group is in highly regulated industry and is governed by stringent laws and regulations which mainly include Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008, various circulars issued by the SECP from time to time to regulate the business of the Group. The Group is required to comply with these rules and regulations.</p> <p>We have considered compliance with laws and regulation as a key audit matter since failure to comply with any of these applicable laws and regulations could have a material financial impact on the business of the Group</p>	<p>Our audit procedures in respect of this area included the following:</p> <p>Obtained an understanding of the relevant legal and regulatory framework within which the Group operates and assessed the design and operation of its key controls over this framework.</p> <p>Discussed the applicable policies and procedures with senior management and reviewed Board papers, and internal audit reports for any recorded instances of potential non-compliance, and maintained a high level of vigilance when carrying out our other audit procedures for indications of non-compliance.</p>

Information Other than Consolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 along with Part VIII A of the repealed Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2018, were audited by BDO Ebrahim & Co. Chartered Accountants, who issued qualified opinion thereon on March 26, 2019.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

Karachi

Baker Tilly Mehmood Idrees Qamar
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
Note	----- Rupees -----	
ASSETS		
NON CURRENT ASSETS		
Property and equipment	8 158,654,100	40,036,715
Intangible assets	9 3,353,336	7,500,000
Investment in shares of PSX	10 -	21,752,072
Long term financing	11 7,567,047	4,541,296
Long term loans and advances	12 2,500,000	2,500,000
	172,074,483	76,330,083
CURRENT ASSETS		
Short term financing	13 242,654,793	559,996,702
Short term investments	14 288,064,541	62,714,036
Loans and advances	15 1,479,000	1,423,125
Deposits, prepayments and other receivables	16 3,510,029	4,018,373
Accrued interest	17 9,613,068	2,658,841
Tax refund due from Government	18 67,623,955	79,523,527
Cash and bank balances	19 8,033,947	19,663,073
	620,979,333	729,997,677
Non-current assets held for distribution	20 31,941,238	-
TOTAL ASSETS	824,995,054	806,327,760
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized Share Capital		
100,000,000 (2018: 100,000,000) ordinary shares of Rs.10/- each	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	21 514,335,580	514,335,580
Statutory reserves	22 171,610,484	162,897,175
Surplus / (Deficit) on revaluation of investments	23 -	3,965,468
Accumulated losses	(47,258,860)	(80,882,642)
	638,687,204	600,315,581
NON-CURRENT LIABILITIES		
Subordinated loan	24 -	180,000,000
Deferred tax liabilities - net	25 980,476	2,552,146
	980,476	182,552,146
CURRENT LIABILITIES		
Current portion of subordinated loan	24 180,000,000	-
Short term borrowings	26 -	2,759,096
Unclaimed dividend	2,094,583	2,094,583
Accrued and other liabilities	27 3,232,791	18,606,354
	185,327,374	23,460,033
TOTAL EQUITY AND LIABILITIES	824,995,054	806,327,760
CONTINGENCIES AND COMMITMENTS		
	28	

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Note	Rupees	
Income		
Income on financing and placements	29 54,294,087	67,371,883
Return on securities	30 4,263,101	1,868,414
Gain on sale of investments	5,070,366	-
Profit on deposit with banks	1,013,550	1,790,784
Other income	31 8,577,392	2,460,627
	73,218,496	73,491,708
Expenditure		
Financial charges	32 -	8,693,098
Administrative expenses	33 31,826,520	31,061,404
	31,826,520	39,754,502
Operating profit	41,391,976	33,737,206
Unrealized gain/(loss) on remeasurement of investments classified as fair value through profit or loss	13,337,834	-
Profit before taxation from continuing operations	54,729,810	33,737,206
Taxation		
- Current	(10,667,330)	(5,594,889)
- Prior year	(2,067,606)	-
- Deferred	1,571,670	(11,151,979)
	34 (11,163,266)	(16,746,868)
Profit after taxation from continuing operations	43,566,544	16,990,338
Discontinued operations		
Loss from discontinued operations - net of tax	35 (1,229,454)	-
Profit for the year	42,337,090	16,990,338
Earnings per share - basic and diluted	36 0.823	0.330

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)**

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	----- Rupees -----	
Net profit after tax	42,337,090	16,990,338
Other comprehensive income for the year		
Items that may be reclassified subsequently to income statement		
Surplus / deficit on revaluation of investments	-	(14,441,241)
Total comprehensive income for the year	<u>42,337,090</u>	<u>2,549,097</u>

*The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.*SHAKEEL AHMED
CFOZAFAR M. SHEIKH
CHIEF EXECUTIVEHAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation from continuing and discontinued operations	53,500,356	33,737,206
Adjustment for non cash and other items		
Depreciation	2,240,496	1,784,315
Impairment loss	5,000,000	-
Liability written-off	7,429,663	-
Gain on disposal of shares	(5,070,366)	-
Loss / (gain) on disposal of fixed assets	(194,637)	42,406
Unrealized (gain)/loss on remeasurement of investments classified as fair value through Valuation through profit and loss	(15,843,249)	-
	(6,438,093)	1,826,721
Cash flows from operating activities before working capital changes	47,062,263	35,563,927
Decrease / (increase) in operating assets		
Short term financing	317,341,909	(145,168,944)
Loans and advances	(55,875)	422,318
Deposits, prepayments and other receivables	508,344	6,523,551
Accrued interest	(6,954,227)	38,480,952
	310,840,151	(99,742,123)
(Decrease) in operating liabilities		
Short term deposits	-	(7,700,000)
Short term borrowings	(2,759,096)	(34,639,129)
Accrued and other liabilities	(22,803,226)	(6,795,169)
	(25,562,322)	(49,134,298)
Net change in operating assets and liabilities	285,277,829	(148,876,421)
Net decrease in operating activities from discontinued operation	(11,804,081)	-
Income tax paid	(835,364)	(581,841)
Net cash generated from / (used in) operating activities	319,700,647	(113,894,335)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets - net	(121,600,347)	(32,520,881)
Additions in intangible assets	(853,336)	-
Investment in quoted shares	(230,715,025)	(32,164,983)
Investment in government securities	-	(25,000,000)
Sale proceeds of disposal of fixed assets	804,800	-
Sale of investments (shares)	24,059,885	-
Net cash (used in) investing activities	(328,304,023)	(89,685,864)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	(3,025,751)	8,401,350
Subordinated loans	-	180,000,000
Net cash (used in) / generated from financing activities	(3,025,751)	188,401,350
Net (decrease) in cash and cash equivalents	(11,629,127)	(15,178,849)
Cash and cash equivalents at the beginning of the year	19,663,073	34,841,922
Cash and cash equivalents at the end of the year	8,033,947	19,663,073

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

	Reserves		Gain / (loss) on remeasurement of investments measured at fair value through profit and loss	Total	
	Statutory reserve	Accumulated losses			
----- Rupees -----					
Balance as at January 01, 2018	514,335,580	159,452,163	(94,427,968)	18,406,709	597,766,484
Total comprehensive income for the year ended December 31, 2018					
Profit for the year	-	-	16,990,338	-	16,990,338
Other comprehensive income	-	-	-	(14,441,241)	(14,441,241)
	-	-	16,990,338	(14,441,241)	2,549,097
Statutory reserve	-	3,445,012	(3,445,012)	-	-
Balance as at December 31, 2018	514,335,580	162,897,175	(80,882,642)	3,965,468	600,315,581
Total comprehensive income for the year ended December 31, 2019					
Profit for the year	-	-	42,337,090	-	42,337,090
Other comprehensive income	-	-	-	-	-
	-	-	42,337,090	-	42,337,090
Reclassification of unrealised gain to profit and loss account	-	-	-	(3,965,468)	(3,965,468)
Statutory reserve	-	8,713,309	(8,713,309)	-	-
Balance as at December 31, 2019	514,335,580	171,610,484	(47,258,860)	-	638,687,203

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

1. "STATUS AND PRINCIPAL ACTIVITIES"

- 1.1** The Group consists of Security Investment Bank Limited (the Holding Company) and Security & Capital Investment (Private) Limited (the subsidiary company).
- 1.2** Security Investment Bank Limited (the Holding Company) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Holding Company was incorporated in Pakistan on May 23, 1991 and started its commercial operations on December 31, 1991. Its shares are quoted on Pakistan Stock Exchange. The registered office of the Holding Company is situated at Office No. 1, 1st Floor, Junaid Plaza, I-10 Markaz, Islamabad.
- 1.3** The Holding Company is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) 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 1002 (I) /2015 dated October 15, 2015 and Non-Banking Finance Companies and Notified Entities Regulations 2008 as amended through SRO 1160(I) / 2015 dated November 25, 2015 (previously this was covered under SRO 585(1)/87 dated July 13, 1987, issued by the Ministry of Finance). The license is valid until May 29, 2022.
- 1.4** On April 04, 2019; VIS Credit Rating Company Limited (VIS) has assigned initial entity ratings of 'BBB+/A-2' (Triple B Plus/A-Two) to Holding Company. The long term rating of 'BBB+' signifies adequate credit quality; protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy. The short term rating of 'A-2' signifies good certainty of timely payment. Outlook on the assigned ratings is 'Stable'.
- 1.5** Security Capital & Investments (Private) Limited (the subsidiary company) is a private company limited by shares incorporated in Pakistan on February 23, 2015 under the repealed Companies Ordinance, 1984. The registered office of the company is situated at Karachi in the province of Sindh.
- 1.6** "In the year 2016, the Holding Company made an investment in newly incorporated wholly owned subsidiary company namely Security Capital & Investment (Private) Limited amounting to Rs. 50 million. As per the agreement dated September 07, 2016 between the Company and the subsidiary, the Holding Company ceded the legal right on Trading Right Entitlement Certificate (TREC) and 1,602,953 shares of the Pakistan Stock Exchange Limited (PSX) and Pakistan Mercantile Exchange (PMEX) membership card to the subsidiary. During the year 2017, the TREC has been transferred by the Holding Company in the name of the subsidiary. However, title of shares of PSX and PMEX card has not yet been transferred in the name of the subsidiary due to the reason that the subsidiary has not obtained license to deal as broker from SECP till the date of unconsolidated statement of financial position."

Rahat Aziz, an advocate of High Court, had file an application on instruction of Security Capital & Investment (Private) Limited for striking off the name of the Holding Company from the Register of Companies under Companies Easy Exit Scheme (CEES). And on 15 January 2020, via Letter No. CEER/MISC/1-1/2020 of Securities and Exchange Commission Of Pakistan, pursuant to the provisions of sub section (1) of section 426 of the Companies Act, 2017 (the Act) read with Companies (Easy Exit) Regulations, 2014 (the Regulations), same has been accepted and dissolution letter will be issued to the company after publication of company name under sub section 426(3) of the Companies Act, 2017.

1.7 Summary of significant events and transactions in the current reporting period

As fully explained in note no.8, the Holding Company has purchased a piece of land for development amounting to Rs. 121.6 million.

2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Holding Company is situated at Office No. 1, 1st Floor, Junaid Plaza, I-10 Markaz, Islamabad. The Holding Company has a regional office at Suite no. 502, 5th Floor, Madina City Mall, Abdullah Haroon Road, Saddar Karachi.

3. BASIS OF PREPARATION

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary company.

The assets and liabilities of subsidiary company have been accounted for as per the requirements of International Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations" and hence not been consolidated on a line by line basis. The carrying value of investment held by the holding company is eliminated against holding company's share in paid up capital of the subsidiary. Analysis of subsidiary's assets and liabilities, and income and expenses have been presented as a separate note as disclosed in note 20 and 35 to the consolidated financial statement.

All material inter-group balances, transactions and resulting unrealized profits / losses are eliminated.

3.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Since, the subsidiary company is not a going concern, therefore, International Financial Reporting Standards (IFRSs) have not been applied in preparation of the financial statements of the subsidiary in accordance with the para 25 of IAS-1, "Presentation of Financial Statements". Therefore, the assets and liabilities of the subsidiary have been presented and measured in accordance with the requirements of IFRS 5 - "Non-Current Assets Held For Sale and Discontinued Operations". However, the difference between measurement requirements of IFRS 5 and Liquidation Basis of Accounting do not have significant effect on the reported amounts.

The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and directives issued by Securities and Exchange Commission of Pakistan (SECP) differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and directives issued by SECP have been followed.

3.3 Functional and presentation currency

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

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

a) "Standards, interpretations of and amendments to existing accounting and reporting standards that have become effective in the current year "

The Group has adopted the following accounting standards and the amendments and interpretation of IFRSs which become effective for the current year:

i. IFRS - 15 "Revenue from Contracts with Customers"

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

There is no material impact on the financial statements including accounting policies of the Holding Company of adopting IFRS 15 - Revenue from Contracts with Customers.

ii. IFRS - 9 "Financial Instruments"

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition,

classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has complied with the requirements of IFRS 9 in preparation of these consolidated financial statements. The impacts of adopting IFRS 9 on the Group are as follows:

- Classification and measurement: IFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortized cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Group concluded that the classification and measurement basis for its financial assets remains largely unchanged under this model.
- Impairment: Based on the management's assessment, the introduction of the "expected credit loss" model for the assessment of impairment of financial assets held at amortized cost is not expected to have a material impact on the Group's results, given the low exposure to counter-party default risk as a result of the credit risk management processes that are in place.
- IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. There is no impact of the said change on these consolidated financial statements as there is no hedge activity carried on by the Group during the period ended December 31, 2019.

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on January 01, 2019. However, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the figures for 2018 are presented and measured under IAS 39. The investments in quoted shares has been reclassified from Available for Sale investments to investments carried at fair value through profit and loss. As a result, the effect of changes in fair value of such investments have been recognized in profit and loss.

iii. IFRS - 16 "Leases"

IFRS 16 'Leases' (effective for annual period beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating.

There is no material impact on the consolidated financial statements including accounting policies of the Group of adopting IFRS 16 - Leases.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or to not have any significant impact on the Group's financial statements.

b) Standards and amendments to existing accounting and reporting standards that are not yet effective and have not been early adopted by the Group

The following new standard and amendments to existing accounting and reporting standards will be effective from the dates mentioned below against the respective standard or amendment:

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations (Amendments)	January 1, 2020
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8	IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 14 Regulatory Deferral Accounts

IFRS 17 Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4 Determining whether an arrangement contains lease

IFRIC 12 Service concession arrangements

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated 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 consolidated financial statements:

- (a) determining the residual values and useful lives of property and equipment (Note 8)
- (b) classification, valuation and impairment of financial instruments (Note 7.4 and 7.5)
- (c) recognition of taxation and deferred tax (Note 7.17) and
- (d) accounting for post employment benefits (Note 7.9)
- (e) impairment of non financial assets"

6. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, except for investments carried at fair value through profit and loss and investments carried at fair value through other comprehensive income. In these consolidated financial statements, except for the amount reflected in consolidated cash flow statements, all the transactions have been accounted for on accrual basis.

7. SIGNIFICANT ACCOUNTING POLICIES

7.1 Property and equipment

Property and Equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit and loss account applying the straight line method in accordance with the rate specified in note 8 to these unconsolidated 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.

The assets residual values and useful lives are reviewed, and adjusted if significant, at each statement of financial position date. 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 written down value of Rs. 1/- each.

7.2 Intangible assets

"An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Intangibles are stated at cost less accumulated amortization and impairment losses, if any. These costs are amortized over their estimated useful life using the straight-line method. (Refer Note 9)"

7.2.1 Trading rights and membership card

These are stated at cost less impairments, if any. The carrying amounts are reviewed at each consolidated statement of financial position 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.

7.3 Impairment

The carrying amount of the assets, except assets carried as per IFRS-9, are reviewed at each statement of financial position 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.

7.4 Financial Instruments

Financial Assets

The Holding Company classifies its financial assets in the following categories: The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Financial Liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

Impairment of Financial Assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group applies the simplified approach to recognise lifetime expected credit losses for trade and other receivables.

Off-setting of financial assets and financial liabilities

A financial asset and financial liability is off-set and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

7.5 Impairment of Financing

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria for non performing exposures as per the requirements of NBFS Rules and Regulations.

7.6 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 the 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.

7.7 Staff retirement benefits**Defined contribution plan**

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

7.8 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Group 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.

7.10 Cash and bank balances

Cash in hand and at bank are carried at nominal amounts.

7.11 Cash and cash equivalents

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

7.12 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 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 statement of consolidated financial position date and are adjusted to reflect the current best estimate.

7.13 Non current assets held for distribution

Non-current assets are classified as held for distribution when their carrying value will be recovered principally through a sale/distribution transaction rather than through continuing use. These assets are available for distribution in their present condition subject only to terms that are usual and customary for distribution of such assets and their distribution is highly probable. The Group measures their non-current assets classified as held for distribution at a lower of carrying amount and fair value less cost to sell.

7.14 Revenue

Income on financing, placement, government securities, profit on deposits and term finance certificates are generally recognized on time proportion basis taking into account the principal / net investment outstanding and applicable rates of profit / return thereon. Income on discounted commercial papers is recognized on a time proportion basis over the life of instruments. Where recovery is considered doubtful, income is recognized on receipt 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 earned basis except which is spread over the time proportion.

7.15 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.

7.16 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method on all temporary differences at the consolidated statement of financial position 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 consolidated statement of financial position 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 consolidated statement of financial position date.

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

7.17 Related party transactions

All transactions with the related parties are priced on arm's length basis.

7.18 Provision for doubtful debts on financing

The Group reviews its doubtful debts at each reporting date to assess whether provision / (income suspension) should be recorded in the profit and loss account in addition to the mandatory provision / (income suspension) required in accordance with the requirements of the NBFC Regulations issued by Securities and Exchange Commission of Pakistan. In particular, calculating the provision for doubtful debts on financing is subject to numerous judgments, estimates and timing of future cash flows. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

7.19 Dividend distributions and appropriations

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

8. PROPERTY AND EQUIPMENT

	Leasehold Property	Building	Furniture and fixtures	Computer and Equipments	Vehicles	Generator	Telephone System	Total
Note	----- Rupees -----							
Year ended December 31, 2018								
Net carrying value basis								
Opening net book value	-	-	6,483,079	1,491,850	1,067,472	97,029	203,126	9,342,556
Additions (at cost)	8.1	32,000,000	254,980	338,400	-	-	10,000	32,603,380
Disposals (NBV)	-	-	(4)	(60,831)	(32,918)	-	(31,153)	(124,906)
Depreciation charge	-	(53,334)	(881,656)	(601,581)	(196,721)	(23,301)	(27,722)	(1,784,315)
Closing net book value	-	31,946,666	5,856,399	1,167,838	837,833	73,728	154,251	40,036,715
Gross carrying value basis								
Cost	-	32,000,000	8,969,102	3,639,330	940,501	582,736	253,969	46,385,638
Accumulated depreciation	-	(53,334)	(3,112,703)	(2,471,492)	(102,668)	(509,008)	(99,718)	(6,348,923)
Net book value	-	31,946,666	5,856,399	1,167,838	837,833	73,728	154,251	40,036,715
Year ended December 31, 2019								
Net carrying value basis								
Opening net book value	-	31,946,666	5,856,399	1,167,838	837,833	73,728	154,251	40,036,715
Additions (at cost)	8.2	121,516,047	15,000	69,300	-	-	-	121,600,347
Disposals (NBV)	-	-	(10,163)	-	(600,000)	-	-	(610,163)
Reclassification to held for distribution assets	-	-	-	-	-	-	-	-

	Leasehold Property	Building	Furniture and fixtures	Computer and Equipments	Vehicles	Generator	Telephone System	Total
Note	----- Rupees -----							
Depreciation charge	-	(640,000)	(889,742)	(423,437)	(219,112)	(11,640)	(56,565)	(2,240,496)
Closing net book value	121,516,047	31,306,666	4,971,494	681,398	18,721	62,088	97,686	158,654,100
Gross carrying value basis								
Cost	121,516,047	32,000,000	8,916,240	3,459,854	40,500	582,736	253,969	166,769,346
Accumulated depreciation	-	(693,334)	(3,944,746)	(2,778,457)	(21,779)	(520,648)	(156,282)	(8,115,246)
Net book value	121,516,047	31,306,666	4,971,494	681,397	18,721	62,088	97,687	158,654,100
Depreciation rate per annum (%)	-	2	10	20	20	10	10	

- 8.1 During the last year, the Group purchased from M/s ARY Communications Limited office no. 502, 503 and 504 with total covered area of 3756.19 square feet situated at 5th floor, Madina City Mall, plot no. 27, sheet no. SB-5, Abdullah Haroon road, Saddar, Karachi vide Agreement to Sell entered into with M/s ARY Communications Limited dated December 26, 2018. The title of the said property acquired is in the process of being transferred into the name of the Group.
- 8.2 During the year, the Holding company purchased a piece of land for vault purposes as agreed with SECP. However, due to recommendations of the Board of Directors, the land will be developed for commercial purposes.
- 8.3 Cost and accumulated depreciation as at the end of the year include an amount of Rs. 2,137,486/- (2018 : Rs. 1,224,988/-) in respect of fully depreciated assets still in use.
- 8.4 **Particulars of Disposal of Property and Equipment**

	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit / (Loss) on Disposal	Mode of Disposal	Particulars of Buyer	Relationship
	----- Rupees -----							
Furniture And Fixtures								
Carpets	19,315	19,314	1					
Filing Cabinet	15,550	13,088	2,462	12,000	1,837	Negotiation	Individual	No Relationship
Filing Cabinet	32,000	25,300	7,700					
Vehicles								
Toyota Corolla AHF-197	900,000	300,000	600,000	792,800	192,800	Negotiation	Individual	No Relationship

	Note	2019 ----- Rupees -----	2018 ----- Rupees -----
9. INTANGIBLE ASSETS			
Corporate membership of the PMEX		2,500,000	2,500,000
TREC		-	5,000,000
NBFC License	9.1	583,336	-
DHA Membership	9.2	270,000	-
		3,353,336	7,500,000

- 9.1 This represents NBFC license which was renewed on 29 May 2019 and is valid for three years from the date of renewal.
- 9.2 This membership was acquired on 27 June 2019 which is valid for a period of 5 years and after that it shall be renewed as per the requirements of Pakistan Defence Officers Housing Authority.

	2019	2018
10. INVESTMENT IN SHARES OF PSX	Note	Rupees
Cost	-	17,499,438
Unrealised gain	-	4,252,634
	<u>-</u>	<u>21,752,072</u>

11. LONG TERM FINANCING

Murabaha Financing

Secured and considered good

Murabaha finance

- Associated companies
- Others

Less: Deferred Murabaha income

Murabaha receivable

Less: Current maturity

13.1	-	7,659,053
	12,979,298	10,899,331
	(1,393,381)	(959,291)
11.1	11,585,917	17,599,093
	(4,018,870)	(13,057,797)
	<u>7,567,047</u>	<u>4,541,296</u>

- 11.1 These represent financing of vehicle on murabaha basis against hypothecation of vehicles for a period of 2 years to 3 years, carrying mark up at 1 Year KIBOR + 3% per annum (2018: 1 Year KIBOR+3%).

	2019	2018
12. LONG TERM ADVANCE	Note	Rupees
Advances - secured		
- Staff Advance	1,129,000	1,103,125
- Against Expenses	350,000	320,000
- For office premises	2,500,000	2,500,000
	3,979,000	3,923,125
Less: Current portion	(1,479,000)	(1,423,125)
	<u>2,500,000</u>	<u>2,500,000</u>

- 12.1 This amount represents advance paid for office space in National Commodity Exchange Limited Building (NCEL) in the year 2003-04 and 2004-05. The said building is still under construction.

13. SHORT TERM FINANCING	Note	2019	2018
		Rupees	
Considered good - associated companies	13.1	238,635,923	546,938,905
Current maturity under murabaha finance		4,018,870	13,057,797
		<u>242,654,793</u>	<u>559,996,702</u>
13.1 Non-compliance with Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations).			
13.1.1 Regulation 19(h) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) states that an NBFC shall not provide finance to its major shareholders, chief executive, directors, key executives firms or companies in which it or any of its chief executive, directors, key executives, or their close relatives are interested as a partner, director, guarantor or major shareholder. However, the Holding Company has primarily provided financing facilities to its related parties including directors and officers.			
During the year 2016, in response to amendments in the Regulations as to restriction imposed on financing made to related parties as stated in regulation 19(h), the Holding Company vide letter dated February 4, 2016 requested Securities and Exchange Commission of Pakistan (the Commission) to grant relaxation from regulation 19(h). The Commission vide its letter dated February 17, 2016 refused the relaxation and directed the Holding Company to comply with the amended Regulations within stipulated time period of six months. The Holding Company vide letter dated April 18, 2016 again requested for the relaxation which was not responded by the Commission.			
13.1.2 Regulation 17(2) of the Regulations states that the total outstanding Exposure (fund based and non-fund based) by an NBFC to any group shall not exceed twenty-five per cent (25) of the equity of an NBFC (as disclosed in the latest financial statements), provided that the maximum outstanding fund-based Exposure does not exceed twenty per cent (20) of the equity of an NBFC. However, as at December 31, 2019, the Holding Company has breached total exposure and the fund based exposure limits with respect to H.M. Esmail & Company Limited, New Delite Company Limited, Madina Electronics, ARY Services (Private) Limited by 4.12% and 9.12% respectively.			
13.1.3 Regulation 18A of the Regulations states that an NBFC may provide unsecured Finance up to Rs. 200,000/- (Rupees two hundred thousand only) to a single borrower. However, as at December 31, 2019, the Holding Company has extended unsecured financing to H.M. Esmail & Company Limited, New Delite Company Limited, ARY Services (Private) Limited, Madina Electronics and Stallion Deliveries (Private) Limited amounting to Rs. 113.5 million, Rs. 61.216 million, Rs. 46.368 million, Rs. 14.05 million and 1.56 million respectively.			
13.1.4 Regulation 23 of the Regulations states that an NBFC while taking an exposure shall not provide finance if the total Exposure availed by the borrower from financial institutions exceeds 10 times the Equity of the borrower as disclosed in the financial statements of the borrower, provided that the fund-based Exposure of a borrower shall not exceed 4 times of its equity as disclosed in the borrower's latest financial statements. However, the equity of ARY Services (Private) Limited, Madina Electronics, Stallion Deliveries Stallion Deliveries (Pvt) are negative, based on their financial statements as at June 30, 2019, by Rs. 336.35 million, Rs. 13.86 million and Rs. 52.68 million respectively.			
13.1.5 Regulation 24 of the Regulations states that, at the time of allowing fresh exposure/ enhancement/renewal, the NBFC shall ensure that the current assets to current liabilities ratio of the borrower is not lower than such ratio as may be required under the credit policy of the NBFC. NBFCs shall prescribe the minimum current ratio under the credit policy keeping in view the quality of the current assets, nature of the current liabilities, nature of industry to which borrower belongs to, average size of current ratio of that industry, appropriateness of risk mitigates available to the NBFCs etc. However, the Holding Company has not established any such clause in its credit policy. Further, the Holding Company has sanctioned financing facilities to Stallion Deliveries (Pvt) Limited amounting to Rs. 3.5 million during the year whose equity was negative at the time of sanction.			
13.1.6 During the year 2018, the Commission carried out the inspection and directed the Holding Company to provide comments on violation of above stated Regulation 19(h), 17(1), 17(2), 18A and Regulation 23 of the Regulations vide letter SCD/S&ED-IW/SIBL/2018/324, dated July 02, 2018.			

Furthermore, SECP vide its letter No. SCD-S&ED-IW/SIBL/2018/29 dated August 20, 2018 instructed the Holding Company to provide detailed plan/schedule of repayments against all financing extended by the Holding Company. The Holding Company in response to the said letter has submitted the required repayment plan/schedule vide its letter dated September 3, 2018.

During the year, the Holding Company has adjusted its portfolio of financing on the basis of repayment schedule shared with and confirmed by SECP through letter October 17, 2018.

Moreover, in addition to report dated July 2, 2018, SECP vide its letter No. SCD-S&ED/OW-II/SIBL/Khi/2018/26 dated October 17, 2018 highlighted specific observations which requires immediate attention. In response to this, the Holding Company vide its letter dated October 30, 2018 gave assurance to SECP that management is using all the best possible efforts to settle all financing in compliance with the Regulations with reference to the undertaking already submitted dated July 30, 2018.

Further, the Holding Company submitted an application vide its letter Ref. 2020-010002 dated January 13, 2020 to SECP for extension of group loan/financing for the term of 2 years, which was not acceded by the Regulator vide its letter No. SC/NBFC-42/SIBL/2019/42 dated February 06, 2020. Therefore, the Holding Company decided to adjust the entire amount of subordinated loan against the outstanding amount of group financing as on December 31, 2019 through Circular Resolution of the Board dated February 14, 2020. The said Resolution was submitted to the SECP vide letter Ref. 2020-010010-MS dated February 18, 2020 which was approved by the Regulator.

14. SHORT TERM INVESTMENTS	Note	2019	2018
		Rupees	
Measured at amortised cost			
Market treasury bills		25,000,000	25,000,000
Measured at fair value through other other comprehensive income			
Term finance certificates	14.1	5,836,219	5,836,219
Measured at fair value through profit or loss			
Investment in equity shares	14.2	257,228,322	31,877,817
		<u>288,064,541</u>	<u>62,714,036</u>

14.1 Particulars of listed Term Finance Certificates (TFC)

Note	2019		2018		2019		2018	
	No. of Certificates		Cost	Market Value	Cost	Market value	Rupees	
	----- Number -----							
Telecard Limited	14.1.1	5,000	5,000	7,781,625	5,836,219	7,781,625	5,836,219	

14.1.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
Telecard Limited	<u>5,000</u>	3 months KIBOR + 0%	Quarterly	Originally Eight years from May 2005. Then rescheduled up to May 27, 2015. Now it is restructured to be redeemable over the period of 5 years with 2 years grace period carrying mark up @ 3 months KIBOR+0%.
Valuation of certificates	5,000			
Redemption up to December 31, 2019	3,467			
Balance as at December 31, 2019	<u>1,533</u>			

14.1.2 Telecard Limited 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 Holding Company from the TFC holders upon Holding 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. In the year 2015 it is restructured to be redeemable over the period of 5 years with 2 years grace period carrying mark up @ 3 months KIBOR + 0%.

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

14.2 Quoted Shares

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

2019		2018		2019		2018	
No. of ordinary shares				Cost	Market Value	Cost	Market Value
----- Rupees -----							
Cement							
277,021	1,747	Lucky Cement Limited		117,001,592	118,675,796	1,204,766	759,368
28,872		- D.G. Khan Cement Company Limited		2,355,185	2,144,323	-	-
125,445		- Maple Leaf Cement Factory Limited		4,632,684	2,902,797	-	-
50,000		- Fauji Cement Company Limited		729,500	778,000	-	-
81,993		- Pioneer Cement Limited		2,390,916	2,499,967	-	-
Bank							
917,443	344,118	Bank Al Habib Limited		63,971,295	69,872,458	23,506,701	23,671,877
13,112		- MCB Bank Limited		2,590,013	2,687,173	-	-
70,149		- Faysal Bank Limited		1,207,264	1,334,234	-	-
134,175		- Habib Metropolitan Bank Limited		5,261,898	4,877,261	-	-
41,512		- Bank Alfalah Limited		1,672,934	1,897,098	-	-
Chemical							
33,300		- ICI Pakistan Limited		17,230,138	22,472,505	-	-
210,000		- Lotte Chemical Pakistan Limited		3,250,800	2,944,200	-	-
5,329		- Akzo Nobel Pakistan Limited		755,173	1,432,808	-	-

2019		2018		2019		2018	
No. of ordinary shares				Cost	Market Value	Cost	Market Value
				Rupees			
		Foods & Personal Care Products					
200,000	-	Fauji Foods Limited		3,302,705	2,894,000	-	-
		Oil & Gas Exploration Compaies					
3,000	-	Pakistan Oilfields Limited		1,144,110	1,340,160	-	-
120,750	-	Sui Southern Gas Company Limited		2,158,279	2,598,540	-	-
		Power Generation					
140,000	86,800	The Hub Power Company Limited		11,478,501	13,069,000	7,453,516	7,446,572
		Technology & Communication					
300,000	-	Pakistan Telecommunication Company Ltd		2,757,500	2,808,000	-	-
<u>2,752,101</u>	<u>432,665</u>			<u>243,890,487</u>	<u>257,228,322</u>	<u>32,164,983</u>	<u>31,877,817</u>

	2019	2018
Note	Rupees	Rupees
15. LOANS AND ADVANCES		
Current portion of advances	<u>1,479,000</u>	<u>1,423,125</u>
16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Security deposits	361,280	361,280
Prepayments	750,736	995,396
Other receivables - considered good	2,398,013	2,661,697
	<u>3,510,029</u>	<u>4,018,373</u>
17. ACCRUED INTEREST		
Profit on demand finance- receivable	6,383,518	-
Profit on TFC - receivable	1,369,744	1,194,629
Profit on murabaha car finance receivable	1,859,806	1,464,212
	<u>9,613,068</u>	<u>2,658,841</u>
18. TAX REFUND DUE FROM GOVERNMENT		
Advance tax	269,867,091	269,031,727
Less: Provisions for taxation	(202,243,136)	(189,508,200)
	<u>67,623,955</u>	<u>79,523,527</u>

19. CASH AND BANK BALANCES	Note	2019	2018
		Rupees	
Cash in hand		47,798	24,064
With State Bank of Pakistan in current account		5,419	11,257
Current accounts		1,825,147	2,196,079
Deposit accounts	19.1	6,155,583	17,431,673
		7,980,730	19,627,752
		8,033,947	19,663,073

19.1 Rate of return on these deposits accounts range from 8% to 12% per annum (2018: 5% to 6% per annum).

20. NON-CURRENT ASSETS HELD FOR DISTRIBUTION

The subsidiary company discontinued its business of undertaking stock brokerage business, and to act as Trading Right Entitlement Certificate (TREC) Holder of the stock exchange and as broker under the Securities Brokers (Licensing and Operations) Regulations, 2016. Accordingly, the assets have been classified as held for distribution as at 31 December 2019 in accordance with the requirement of IFRS-5 "Non Current Assets - Held For Sale" in the consolidated financial statements.

Breakup of assets(after elimination entries) as disclosed in the separate financial statements of subsidiary is as follows:

	2019
	Rupees
Property, plant and equipment	107,605
Investments	20,004,853
Advances, prepayments and other receivables	391,261
Loans	10,000,000
Accrued markup	813,699
Cash and bank balances	623,820
	31,941,238

There are no liabilities in the financial statements of subsidiary as on December 31, 2019.

21. ISSUED, SUBSCRIBED AND PAID UP CAPITAL	Note	2019	2018
		Rupees	
Number of shares			
		2019	2018
		23,552,000	23,552,000
		23,552,000	235,520,000
		27,881,558	278,815,580
		51,433,558	514,335,580

Ordinary shares of Rs. 10/- each fully paid in cash

Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.

	2019	2018
22. STATUTORY RESERVES	Note ----- Rupees -----	
Statutory reserves	22.1 <u>171,610,484</u>	<u>162,897,175</u>
22.1 This reserve is created by Holding Company at the rate of 20% of profit after tax for the year from ordinary activities after taxation as per management discretion. However, in prior periods, this reserve was created in compliance with Regulation No. 16 of Non-Banking Finance Companies and Notified Entities Regulations 2008, as this was mandatory to be created by a deposit taking NBFC. The Holding Company has ceased to be a deposit taking NBFC in 2016.		
23. SURPLUS / DECIFIT ON REVALUATION OF INVESTMENTS		
Surplus / deficit on revaluation of investment	-	(14,441,241)
	<u>-</u>	<u>(14,441,241)</u>
24. SUBORDINATED LOAN	2019	2018
	Note ----- Rupees -----	
Subordinated loan - Unsecured	180,000,000	180,000,000
Current portion of subordinated loan	(180,000,000)	-
	24.1 <u>-</u>	<u>180,000,000</u>
24.1 "This subordinated loan is raised by the Holding Company from Sponsors Directors. The loan is granted for a terms of three years, commencing from date of the said agreement dated April 10, 2018. The interest rate implicit in the agreement is six month KIBOR, which is ratified by the Securities and Exchange Commission of Pakistan (SECP) via letter no. SC/NBFC/SIBL/42/2018/233 dated September 17, 2018. The principal amount and interest thereon will be repayable at the maturity of the loan i.e. April 10, 2021."		
24.2 On July 31, 2019, the Holding Company obtained consent from Sponsor Directors to waive the interest accrued on subordinated loan till June 30, 2019. Further, on August 26, 2019, the Board of Directors passed a resolution for waiver of interest on subordinated loan till its maturity.		
24.3 In accordance with the requirement of Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (vide SRO No. 1002(I)/2015 dated October 15, 2015 and SRO No. 1160(I)/2015 dated November 25, 2015), the Securities and Exchange Commission of Pakistan has instructed existing NBFCs to meet with Minimum Capital requirement of Rs.750 million to raise deposits. In order to avail the license of deposit taking NBFC, during the year, the Holding Company has raised subordinated loan of Rs. 180 million from related parties under Clause xix of Rule 2 of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.		
25. DEFERRED TAX LIABILITY	2019	2018
	Note ----- Rupees -----	
Deferred tax liability / (asset) arising in respect of:		
Accelerated depreciation	2,981,151	2,635,424
Unrealized gain on revaluation of investments measured at fair value through profit of loss	(2,000,675)	(83,278)
	<u>980,476</u>	<u>2,552,146</u>

		2019	2018
	Note	----- Rupees	-----
25.1 Movement in deferred tax			
Opening balance		2,552,146	(8,599,833)
Charge during the year		(1,571,670)	11,151,979
Closing balance		<u>980,476</u>	<u>2,552,146</u>
26. SHORT TERM BORROWINGS			
Short term running finance	26.1	-	2,759,096
		<u>-</u>	<u>2,759,096</u>
26.1	The Holding Company had availed running finance facility from Summit Bank with a limit of Rs. 50 million @ 3 months KIBOR plus 4%. The facility was secured against Rs. 58 million book debts of the Holding Company.		
27. ACCRUED AND OTHER LIABILITIES			
Accrued interest			
- Subordinated loan	24.2	-	7,429,663
Other liabilities			
- Related party		799,471	9,679,022
- Others		2,433,320	1,497,669
		<u>3,232,791</u>	<u>11,176,691</u>
		<u>3,232,791</u>	<u>18,606,354</u>
28. CONTINGENCIES AND COMMITMENTS			
28.1 Contingencies			
Guarantees issued on behalf of customer:			
- Associated undertaking		-	55,103,000
28.2 Commitments			
There were no commitments as at year end.			
29. INCOME ON FINANCING AND PLACEMENTS			
Financing			
- Demand finance		52,585,943	64,858,461
- Murabaha finance		1,610,265	1,473,136
- Lease finance		97,879	675,327
		<u>54,294,087</u>	<u>67,006,924</u>
Placements			
- With financial institution - unsecured		-	364,959
		<u>54,294,087</u>	<u>67,371,883</u>

		2019	2018
	Note	----- Rupees -----	-----
30. RETURN ON SECURITIES			
Return on government securities		1,561,213	931,145
Return on term finance certificates (TFCs)		295,741	487,770
Dividend income		2,406,147	449,499
		<u>4,263,101</u>	<u>1,868,414</u>
31. OTHER INCOME			
Gain on sale of fixed assets		194,637	49,996
Commission		195,234	510,737
Processing income		68,850	493,739
Miscellaneous		8,118,671	1,406,155
		<u>8,577,392</u>	<u>2,460,627</u>
32. FINANCIAL CHARGES			
Interest expense on bank borrowings		-	1,148,635
Interest expense on subordinated loan		-	7,544,463
		<u>-</u>	<u>8,693,098</u>
33. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		17,446,959	17,347,247
Contribution to provident fund	37	360,809	398,049
Rent, rates and taxes		1,128,626	2,194,662
Telephone, telex and fax		676,167	669,749
Electricity, water and gas		653,836	717,246
Printing, postage and stationery		289,935	484,826
Insurance		343,068	276,433
Fees and membership		2,341,692	1,622,525
Brokerage and commission		59,977	-
Central Depository Company charges		664,726	600,632
Auditors' remuneration	33.1	445,300	547,780
Legal and professional fees		1,165,080	1,173,162
Vehicle running and maintenance		573,287	887,128
Repairs and maintenance		628,980	638,384
Advertisement		548,511	238,990
Travelling and conveyance		1,230,918	343,404
Entertainment		562,098	575,185
Depreciation	8	2,240,496	1,784,315
Bank charges		9,371	53,899
Old age benefit		67,600	96,200
Books, periodicals and newspapers		17,870	14,235
Other expenses		371,214	397,353
		<u>31,826,520</u>	<u>31,061,404</u>

		2019	2018
	Note	----- Rupees -----	-----
33.1 Auditors' remuneration			
Statutory audit fee		400,000	450,000
Out of pocket expenses		45,300	97,780
		<u>445,300</u>	<u>547,780</u>
34. TAXATION			
Current tax	34.1	10,667,330	5,594,889
Prior year tax		2,067,606	-
Deferred tax		(1,571,670)	11,151,979
		<u>11,163,266</u>	<u>16,746,868</u>

34.1 The provision for taxation for the current year has been made by applying normal income tax rates to Group on income not covered under fixed / final tax regime; and applying respective rates applicable to income covered under fixed / final tax regime.

The declared results for Assessment years 1993-94, 1994-95 were accepted whereas return of income in respect of Tax years 2004, 2009, 2010 and 2017, are deemed to be assessed in terms of section 120(1)(b) of the Income Tax Ordinance, 2001 (the "Ordinance").

The return of income furnished for assessment year 1995-96 to 2001-02 were filed in the status of a public company. However the status of a banking company was assigned to the Holding Company by the tax department and certain disallowances were made in the profit and loss expenses. For the assessment year 1995-96 to 2000-01 issues were settled in favor of the Holding Company by the Appellate Tribunal Inland Revenue (the ATIR).

Assessment in respect of tax year 2008 was amended vide order dated December 24, 2009 issued under section 122 of the Ordinance by Deputy Commissioner Inland Revenue (the DCIR) creating tax demand of Rs. 37,791,566. The Holding Company filed an appeal before Commissioner Inland Revenue (Appeals) (the CIR(A)), which was decided in favor of tax department and the Holding Company filed a second appeal before ATIR which was also decided against the Holding Company.

The Holding Company has filed a reference application before Islamabad High Court against the said order of ATIR. The date of hearing has not yet been fixed.

No additional provision has been made against this demand as the management is confident that reference application will be decided in favour of the Holding Company.

The return filed by the Holding Company was selected for audit under section 177 of the Ordinance. Information document request was served under section 176 of the Ordinance which was duly responded. And on the basis of reply submitted and hearing with the officer the return was amended under section 122(5) creating a tax demand amounting Rs. 14,460,027. Being aggrieved with the assessment, an appeal against the said order was submitted before the Commissioner Inland Revenue (Appeals-I) which has been heard for order.

Assessment in respect of tax year 2012 was amended vide assessment order dated February 28, 2014 under section 221/113 of the Ordinance. A rectification application was filed which was rejected. The order of DCIR was contested before CIR (A) who remanded back the case to DCIR for further verification. No further notice in this regard has been received by the Holding Company.

The returns filed by the Company for the said years were selected for audit under section 177 of the Ordinance, online showcase notices were issued but adjournment was asked. However, no further action has been taken by the authorities in this regard.

34.2 Relationship between tax expense and accounting profit	2019 Rupees
Profit before income tax expense	54,729,810
Tax at the applicable rate of 29%	15,871,645
Tax effect of:	
- Tax effect of admissible/in-admissible expenses in determining taxable income net	(4,064,894)
- Capital gain tax	(755,262)
- Income not subject to tax / income subject to final tax regime / tax credits	(384,159)
Adjustment for prior year tax	2,067,606
Deferred tax	(1,571,670)
	11,163,266

The numerical reconciliation between tax expense and accounting profit for the year ended December 31, 2018 has not been presented in these consolidated financial statements as the income of the Group was either subject to minimum tax, special rate of tax or final tax under various provisions of the Income Tax Ordinance, 2001.

- 34.3 Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of 5% on every public company other than a scheduled bank or modaraba, that derives profits for tax a year but does not distribute 20% of accounting profit either through cash dividend or issuance of bonus shares within six months of the end of said tax year. The Holding Company intends to distribute not less than 20% of accounting profit either through cash dividend or issuance of bonus shares within six months of the end of the reported year and, accordingly, no provision for taxation has been made in these consolidated financial statements.

35. LOSS FROM DISCONTINUED OPERATIONS	2019	2018
Profit after taxation from discontinued operations:		
Revenue	-	-
Operating expenses	-	-
Administrative expenses	(199,369)	-
Impairment loss on TREC	(5,000,000)	-
Profit on deposit account	1,463,660	-
Other income	840	-
Profit before taxation	(3,734,869)	-
Equity investments at FVPL - net change in fair value	2,505,415	-
	(1,229,454)	-
36. EARNINGS PER SHARE - BASIC AND DILUTED	2019	2018
36.1 Basic earning per share		
Profit after tax attributable to ordinary shareholders of parent entity	Rs. 42,337,090	16,990,338
Weighted average number of ordinary shares	51,433,558	51,433,558
Earnings per share	Rs. 0.823	0.330

36.2 Diluted earning per share

Earnings per share has not been presented as the Group has not issued any instrument that would have an impact on its earnings exercised.

37. DEFINED CONTRIBUTION PLAN

An amount of Rs. 0.361 million (2018: Rs. 0.398 million) has been charged during the year in respect of contributory provident fund maintained by the Holding Company.

37.1 Disclosure relating to provident fund

The Company operates a recognized Provident Fund (the Fund) for its permanent employees.

	2019	2018	Audited 2019	Audited 2018
	----- Percentage -----		----- Rupees -----	
(i) Size of the Fund			1,417,874	3,320,934
(ii) Cost of investments made			1,449,959	3,330,934
(iii) Percentage of investments made			0.73	0.92
(iv) Fair value of investments in government securities			1,057,360	3,080,391

Break up of the investments is as follows:

Bank balance	27.69	7.54	392,599	250,543
Government securities	74.57	92.76	1,057,360	3,080,391

38. REMUNERATION OF CHIEF EXECUTIVE OFFICER, EXECUTIVE AND NON-EXECUTIVE DIRECTORS AND EXECUTIVES

	2019				2018			
	Chief Executive Officer	Non-Executive Directors	Executive Director	Executive	Chief Executive Officer	Non-Executive Directors	Executive Director	Executive
	----- Rupees -----							
Directors meeting fees	-	700,000	-	-	-	855,000	-	-
Managerial remuneration	4,947,000	-	-	-	4,494,000	-	-	-
Bonus	865,500	-	-	-	715,500	-	-	-
Medical expense	412,248	-	-	-	374,496	-	-	-
Provident fund	-	-	-	-	-	-	-	-
Other benefits	1,084,933	-	-	-	785,876	-	-	-
	7,309,681	700,000	-	-	6,369,872	855,000	-	-
Number of persons	1	7	-	-	1	6	-	-

38.1 The executives of the Group are also entitled to free use of Group owned and maintained vehicles.

38.2 The amount charged in the financial statements as the fee of directors for attending a Board of Directors meeting was Rs. 0.035 million per meeting.

39. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group 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 by Assets and Liabilities Committee to ensure that adequate liquidity is maintained. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	December 31, 2019			
	Upto three months	More than three months and upto one year	Over one year	Total
----- Rupees -----				
Liabilities				
Subordinated loan	-	-	180,000,000	180,000,000
Short term borrowings	-	-	-	-
Unclaimed dividend	2,094,583	-	-	2,094,583
Accrued expenses and other liabilities	2,433,320	799,471	-	3,232,791
	4,527,903	799,471	180,000,000	185,327,374

	December 31, 2018			
	Upto three months	More than three months and upto one year	Over one year	Total
----- Rupees -----				
Liabilities				
Subordinated loan	-	-	180,000,000	180,000,000
Short term borrowings	2,759,096	-	-	2,759,096
Unclaimed dividend	-	2,094,583	-	2,094,583
Accrued expenses and other liabilities	11,176,691	-	7,429,663	18,606,354
	13,935,787	2,094,583	187,429,663	203,460,033

40. 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 Group 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 Group's performance to developments affecting a particular industry.

The Group 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 Group 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:

40.1 Finance

	2019		2018	
	Rupees	%	Rupees	%
Services	46,368,141	19.43%	106,292,962	19.43%
Cable and electric goods	192,267,782	80.57%	440,645,943	80.57%
	238,635,923	100%	546,938,905	100%

40.2 Geographical Segment

These consolidated financial statements represent operations of the Group in Pakistan only.

41. 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.

41.1 Interest rate risk

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

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

Description	December 31, 2019				
	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					
Investment in shares of PSX	20,004,853	-	-	-	20,004,853
Long term financing	11,585,917	4,018,870	7,567,047	-	-
Short term financing	238,635,923	238,635,923	-	-	-
Investment in TFCs	5,836,219	5,836,219	-	-	-
Investment in T-bills	25,000,000	25,000,000	-	-	-
Short term investments in quoted shares	257,228,322	-	-	-	257,228,322
Deposits and other receivables	2,759,293	-	-	-	2,759,293
Accrued interest	10,426,767	-	-	-	10,426,767
Balances with banks and cash in hand	8,657,767	6,158,921	-	-	2,498,846
Total	580,135,061	279,649,933	7,567,047	-	292,918,081

Description	December 31, 2019				
	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 liabilities					
Subordinated loan	-	-	-	-	-
Short term borrowings	-	-	-	-	-
Unclaimed dividend	2,094,583	-	-	-	2,094,583
Accrued interest	-	-	-	-	-
Other liabilities	3,232,791	-	-	-	3,232,791
Total	5,327,374	-	-	-	5,327,374
Total interest rate sensitivity gap		279,649,933	7,567,047	-	287,590,707
Cumulative interest rate sensitivity gap		279,649,933	287,216,980	287,216,980	

Description	December 31, 2018				
	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					
Investment in shares of PSX	21,752,072	-	-	-	21,752,072
Long term financing	12,701,494	8,823,033	3,878,461	-	-
Short term financing	546,938,905	546,938,905	-	-	-
Investment in TFCs	5,836,219	5,836,219	-	-	-
Investment in T-bills	25,000,000	25,000,000	-	-	-
Short term investments in quoted shares	31,877,817	-	-	-	31,877,817
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	3,022,977	-	-	-	3,022,977
Accrued interest	2,658,841	-	-	-	2,658,841
Balances with banks and cash in hand	19,663,073	17,431,673	-	-	2,231,400
Total	671,951,398	604,029,830	3,878,461	-	64,043,107
Financial liabilities					
Subordinated loan	180,000,000	-	180,000,000	-	-
Short term borrowings	2,759,096	2,759,096	-	-	-
Unclaimed dividend	2,094,583	-	-	-	2,094,583
Accrued interest	7,429,663	-	-	-	7,429,663
Other liabilities	11,176,691	-	-	-	11,176,691
Total	203,460,033	2,759,096	180,000,000	-	20,700,937
Total interest rate sensitivity gap		601,270,734	(176,121,539)	-	43,342,170
Cumulative interest rate sensitivity gap		601,270,734	425,149,195	425,149,195	

Financial assets					
Investment in shares of PSX	21,752,072	-	-	-	21,752,072
Long term financing	12,701,494	8,823,033	3,878,461	-	-
Short term financing	546,938,905	546,938,905	-	-	-
Investment in TFCs	5,836,219	5,836,219	-	-	-
Investment in T-bills	25,000,000	25,000,000	-	-	-
Short term investments in quoted shares	31,877,817	-	-	-	31,877,817
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	3,022,977	-	-	-	3,022,977
Accrued interest	2,658,841	-	-	-	2,658,841
Balances with banks and cash in hand	19,663,073	17,431,673	-	-	2,231,400
Total	671,951,398	604,029,830	3,878,461	-	64,043,107
Financial liabilities					
Subordinated loan	180,000,000	-	180,000,000	-	-
Short term borrowings	2,759,096	2,759,096	-	-	-
Unclaimed dividend	2,094,583	-	-	-	2,094,583
Accrued interest	7,429,663	-	-	-	7,429,663
Other liabilities	11,176,691	-	-	-	11,176,691
Total	203,460,033	2,759,096	180,000,000	-	20,700,937
Total interest rate sensitivity gap		601,270,734	(176,121,539)	-	43,342,170
Cumulative interest rate sensitivity gap		601,270,734	425,149,195	425,149,195	

Mark-up rates are mentioned in the respective notes to these consolidated financial statements.

41.2 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.

41.3 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.

41.4 Financial instruments by category	2019	2018
	----- Rupees -----	
Financial assets		
Measured at fair value through profit or loss		
Investment in equity shares	257,228,322	31,877,817
Investment in shares of PSX	20,004,853	21,752,072
Measured at fair value through other comprehensive income		
Term finance certificates	5,836,219	5,836,219
Measured at amortized cost		
Market treasury bills	25,000,000	25,000,000
Long term advances	2,500,000	2,500,000
Deposits and other receivables	2,759,293	3,022,977
Accrued interest	10,426,767	2,658,841
Bank balances	8,657,767	19,663,073
	<u>332,413,221</u>	<u>112,310,999</u>
Financial liabilities		
Financial liabilities carried at amortized cost		
Subordinated loan	-	180,000,000
Short term borrowings	-	2,759,096
Unclaimed dividend	2,094,583	2,094,583
Accrued interest	-	7,429,663
Other liabilities	3,232,791	11,176,691
	<u>5,327,374</u>	<u>203,460,033</u>

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the 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 carrying values and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Group is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1:	fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3:	fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs)

As at December 31, 2019, the Group held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Measured at fair value through other comprehensive income				
Term Finance Certificates (TFCs)	-	-	5,836,219	5,836,219
Measured at fair value through profit or loss				
Quoted shares	277,233,175	-	-	277,233,175

As at December 31, 2018, the Group held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Measured at fair value through other comprehensive income				
Term Finance Certificates (TFCs)	-	-	5,836,219	5,836,219
Measured at fair value through profit or loss				
Quoted shares	31,877,817	-	-	31,877,817

Valuation techniques

For level 3 investments - investment in respect of term finance certificates, the Holding Company has received Telecard Limited sukuks which are non tradeable. Accordingly, these are stated at cost.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

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

Transfers during the year

There were no transfers between various levels of fair value hierarchy during the period.

43. 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 Group defines as net operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Holding Company is exposed to externally imposed capital requirements.

The Securities and Exchange Commission of Pakistan has notified amendments in the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 and Non-Banking Finance Companies and Notified Entities Regulations 2008 (vide SRO No. 1002(I)/2015 dated October 15, 2015 and SRO No. 1160(I)/2015 dated November 25, 2015). The Board of Directors in its meeting held on September 07, 2016 has resolved to continue the Company's IFS License as Non Deposit taking Lending NBFC and, accordingly, the Holding Company is in compliance with Minimum Capital Requirement as stipulated in the NBFC Regulations, 2008.

44. BALANCES AND 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 Group 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 36 to the consolidated financial statements, are as follows:

Transactions During the year

Nature of Transaction	Nature of Relationship	Basis of Relationship	2019	2018
			Rupees	Rupees
Demand Financing made				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	-	44,847,260
- Madina Electronics	Associated Undertaking	Common Director	-	-
- New Delite Company Limited	Associated Undertaking	Common Director	-	40,505,000
- Ary Services (Private) Limited	Associated Undertaking	Common Director	-	100,000,000
			<u>-</u>	<u>185,352,260</u>
Return on financing				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	26,897,482	33,994,932
- Madina Electronics	Associated Undertaking	Common Director	3,236,169	4,150,956
- New Delite Company Limited	Associated Undertaking	Common Director	14,542,723	18,628,831
- Ary Services (Private) Limited	Associated Undertaking	Common Director	7,638,124	8,083,742
			<u>52,314,498</u>	<u>64,858,461</u>
Repayment of demand finance by companies				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	151,351,431	8,500,000
- Madina Electronics	Associated Undertaking	Common Director	18,741,033	-
- New Delite Company Limited	Associated Undertaking	Common Director	81,785,697	-
- Ary Services (Private) Limited	Associated Undertaking	Common Director	59,924,821	24,556,120
			<u>311,802,982</u>	<u>33,056,120</u>
Markup included in principal				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	23,065,867	29,521,115
- Madina Electronics	Associated Undertaking	Common Director	3,179,604	6,642,230
- New Delite Company Limited	Associated Undertaking	Common Director	12,437,426	13,403,300
- Ary Services (Private) Limited	Associated Undertaking	Common Director	7,651,703	5,861,042
			<u>46,334,600</u>	<u>55,427,687</u>

Nature of Transaction	Nature of Relationship	Basis of Relationship	2019 Rupees	2018 Rupees
Adjustment / Repayment of demand finance after SECP inspection				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	189,190,591	37,839,160
- Madina Electronics	Associated Undertaking	Common Director	23,427,080	4,686,047
- New Delite Company Limited	Associated Undertaking	Common Director	102,220,707	20,435,010
- Ary Services (Private) Limited	Associated Undertaking	Common Director	59,924,821	
			<u>374,763,199</u>	<u>62,960,217</u>
Subordinated loan raised				
- Haji Jan Mohammad	Director	Directorship	-	30,000,000
- Muhammad Shoaib	Director	Directorship	-	25,000,000
- Muhammad Mehboob	Director	Directorship	-	25,000,000
- Shahnaz Jawed	Sponsor	Sponsorship	-	25,000,000
- Fouzia Rauf	Sponsor	Sponsorship	-	25,000,000
- Muhammad Iqbal	Sponsor	Sponsorship	-	25,000,000
- Zarina Iqbal	Sponsor	Sponsorship	-	25,000,000
			<u>-</u>	<u>180,000,000</u>
Office building purchased				
- Ary Communication (Private) Limited	Associated Undertaking	Common Director	-	32,000,000
Freehold land (DHA Plot) purchased				
- Muhammad Shoaib Gandhi	Director	Directorship	107,082,047	-
Office rent paid				
- Ary Communication (Private) Limited	Associated Undertaking	Common Director		1,096,200
Car finance provided				
- Zafar M Sheikh	Chief Executive	Directorship	-	5,307,000
Long term financing recovery				
Murabaha financing				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	539,957	2,431,104
- New Delite Company Limited	Associated Undertaking	Common Director	1,286,250	1,758,911
- Zafar M Sheikh	Chief Executive	Directorship	1,020,012	2,291,544
			<u>2,846,219</u>	<u>6,481,559</u>
Lease financing				
- New Delite Company Limited	Associated Undertaking	Common Director	5,847,955	5,565,922
Loans and advances				
Car loan				
- Zafar M Sheikh	Chief Executive	Directorship	-	5,307,000
Advance against expenses				
- Sheikh Abdullah	Director	Directorship	60,000	150,000
Recovery against car finance				
- Zafar M Sheikh	Chief Executive	Directorship	1,020,012	-

Nature of Transaction	Nature of Relationship	Basis of Relationship	2019 Rupees	2018 Rupees
Repayment of short term deposit				
- New Delite Company Limited	Associated Undertaking	Common Director	-	7,700,000
Other				
- Contribution to staff provident fund	Employee Fund		360,809	398,049
Guarantee commission income				
- Madina Electronics	Associated Undertaking	Common Director	-	442,393
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	-	27,398
- ARY Films & TV Production	Associated Undertaking	Common Director	195,234	40,952
			195,234	510,743
Balances as at the year end				
Long term financing				
Car financing				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	-	472,590
- New Delite Company Limited	Associated Undertaking	Common Director	-	1,049,220
- Zafar M Sheikh	Chief Executive	Directorship	3,825,087	-
Lease financing				
- New Delite Company Limited	Associated Undertaking	Common Director	-	5,847,955
Short term financing				
- H.M Esmail & Co. Limited	Associated Undertaking	Common Director	113,500,913	264,852,344
- Madina Electronics	Associated Undertaking	Common Director	14,050,107	32,791,140
- New Delite Company Limited	Associated Undertaking	Common Director	61,216,762	143,002,459
- Ary Services (Private) Limited	Associated Undertaking	Common Director	46,368,141	106,292,962
			235,135,923	546,938,905
Advance against expenses				
- Sheikh Abdullah	Director	Directorship	98,000	150,000
Subordinate loan				
- Haji Jan Mohammad	Director	Directorship	30,000,000	30,000,000
- Muhammad Shoaib	Director	Directorship	25,000,000	25,000,000
- Muhammad Mehboob	Director	Directorship	25,000,000	25,000,000
- Shahnaz Jawed	Sponsor	Sponsorship	25,000,000	25,000,000
- Fouzia Rauf	Sponsor	Sponsorship	25,000,000	25,000,000
- Muhammad Iqbal	Sponsor	Sponsorship	25,000,000	25,000,000
- Zarina Iqbal	Sponsor	Sponsorship	25,000,000	25,000,000
			180,000,000	180,000,000
Short term deposits				
- New Delite Company Limited	Associated Undertaking	Common Director	-	7,700,000

Nature of Transaction	Nature of Relationship	Basis of Relationship	2019 Rupees	2018 Rupees
Accrued markup on subordinate loan				
- Haji Jan Mohammad	Director	Directorship	-	1,238,275
- Muhammad Shoaib	Director	Directorship	-	1,031,898
- Muhammad Mehboob	Director	Directorship	-	1,031,898
- Shahnaz Jawed	Sponsor	Sponsorship	-	1,031,898
- Fouzia Rauf	Sponsor	Sponsorship	-	1,031,898
- Muhammad Iqbal	Sponsor	Sponsorship	-	1,031,898
- Zarina Iqbal	Sponsor	Sponsorship	-	1,031,898
			<u>-</u>	<u>7,429,663</u>

	2019	2018
45. STAFF STRENGTH	----- Numbers -----	
Number of employees at end of the year	<u>12</u>	<u>15</u>
Average number of employees during the year	<u>14</u>	<u>16</u>

46. RECLASSIFICATION

December 31, 2018				
Account Head	Before reclassification Rupees	Account Head	Reclassification ----- Rupees -----	After reclassification
Loans and advances	6,320,724	Long term loans and advances	(4,234,764)	1,423,125
		Short term financing	(662,835)	
Long term financing	3,878,461	Loans and advances	662,835	4,541,296
Short term financing	555,761,938	Loans and advances	4,234,764	559,996,702

47. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2020.

48. GENERAL

Figures have been rounded off to the nearest rupee.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2019

Number of shareholders	Shareholding		Total shares hold
	From	To	
799	1	-	29,986
486	101	-	119,497
220	501	-	176,654
458	1001	-	775,174
51	5001	-	355,969
18	10001	-	222,317
4	15001	-	73,051
6	20001	-	143,262
3	25001	-	88,500
2	30001	-	63,122
2	40001	-	85,602
1	45001	-	45,172
5	50001	-	264,754
2	65001	-	133,998
3	160001	-	487,440
1	205001	-	208,236
2	230001	-	466,758
1	300001	-	301,680
1	375001	-	375,463
1	420001	-	423,000
1	425001	-	427,500
1	490001	-	495,000
1	585001	-	585,572
1	705001	-	706,977
1	915001	-	917,841
1	925001	-	926,234
1	1085001	-	1,089,900
1	1110001	-	1,114,392
1	1160001	-	1,160,500
1	1170001	-	1,172,500
1	1175001	-	1,178,581
1	1420001	-	1,421,698
1	1570001	-	1,573,550
1	1740001	-	1,743,947
1	1825001	-	1,825,050
1	1950001	-	1,953,500
2	2225001	-	4,453,120
1	2230001	-	2,232,482
1	2795001	-	2,796,114
1	2920001	-	2,923,849
1	3650001	-	3,650,100
1	4945001	-	4,945,316
1	7300001	-	7,300,200

2090

Total

51,433,558

Categories of shareholders	Number of shareholder	Shares held	Shares held %
INDIVIDUALS	2048	46,647,820	90.70
INVESTMENT COMPANIES	4	2,029	0.00
INSURANCE COMPANIES	2	375,693	0.73
JOINT STOCK COMPANIES	25	2,499,807	4.86
FINANCIAL INSTITUTIONS	5	5,079	0.01
EMPLOYEE PROVIDENT FUND	1	235,000	0.46
MODARABA COMPANIES	1	889	0.00
CHARITABLE TRUST	1	30,000	0.06
MUTUAL FUND	1	1,421,698	2.76
OTHERS	1	208,236	0.40
EMPLOYEES BENEVOLENT FUND	1	7,307	0.01
	2090	51,433,558	100.00

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

Row Labels	Sum of Shares held
1) Individual	12,601,866
Individual	12,601,866
2) Investment companies except ICP	2,029
Investment companies except ICP	2,029
3) Public / Private Sector Companies and Corporations	2,499,807
Public / Private Sector Companies and Corporations	2,499,807
4) Directors, Chief Executive Officer and their spouse and minor children	2,239,574
Haji Jan Muhammad	1,221
Karim Muhammad Munir	500
Mohammad Shoaib	1,111
Muhammad Mehboob	2,760
Shaikh Abdullah	1,000
Samreen Shoaib	2,232,482
Muzaffar Ahmed Ghouri	500
5) Investment Corporation of Pakistan	1,705
Investment Corporation of Pakistan	1,705
6) Associated companies, undertakings and related parties	17,987,314
Fouzia Bano	1,825,050
Maryiam Bai	1,178,581
Muhammad Hanif	2,226,560
Muhammad Iqbal	4,084,349
Shahnaz Javed	3,650,100
Yasmin Bano	2,226,560
Zarina Iqbal	2,796,114
7) Banks, DFIs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Department	2,282,197
Banks, DFIs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Department	2,282,197
8) Shareholders holding ten percent or more voting interest	13,819,066
Amina Bano	7,300,200
HAR	6,518,866
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,
Shakeel Ahmed
Company Secretary
Security Investment Bank Limited

FORM OF PROXY

TWENTY NINTH 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 Nine Annual General Meeting of the Company to be held on 20th April 2020 and at any adjournment thereof.

As Witness my/our hand this day of2020.

Folio No. _____

REVENUE STAMP RS. 5/-

Witness:

1. Name _____
CNIC No. _____

SIGNATURE OF MEMBER(S)

2. Name _____
CNIC No. _____

IMPORTANT:

- 1 A member entitled to attend Twenty Nine Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him.
- 2 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.
- 3 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.
- 4 For CDC Account Holders / Corporate Entities
In addition to the above the following requirements have to be met.
 - (i) Copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
 - (ii) The proxy shall produce his original CNIC or original passport at the time of meeting.
 - (iii) in case of a corporate entity, the Board of Director's resolution / power of attorney with specimen signature.

8

پڑا کسی فارم اُنتیسواں سالانہ عمومی اجلاس

میں اہم _____ کا / کے بحیثیت ممبر (ز) سیکورٹی انویسٹمنٹ بینک لمیٹڈ اور
حامل _____ عام حصص برطابق فولیو نمبر / CDC Sub A/C / CDC A/C نمبر _____ مقرر کرتا / کرتے
ہیں۔ محترم / محترمہ _____ آف _____ کو اپنے / ہمارے ایما پر کمپنی کے 20 اپریل 2020 کو ہونے
والے 29 واں سالانہ عمومی اجلاس میں شرکت کرنے، حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور نمائندہ (پڑا کسی)۔

بطور گواہ آج بتاریخ _____ میرے / ہمارے دستخط ہوئے۔

پانچ روپے کے رسیدی ٹکٹ پر دستخط

فولیو نمبر _____

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت
ہونا لازمی ہے۔

گواہ:

۱۔ نام: _____

_____ :CNIC

۲۔ نام: _____

_____ :CNIC

اہم نکات:

- 1۔ کوئی ممبر جو کہ سالانہ عمومی اجلاس میں شرکت کرنے کا مجاز ہے وہ اپنے بدلے شرکت اور حق رائے دہی کے لیے پڑا کسی نامزد کر سکتا ہے۔
- 2۔ پڑا کسی انسٹرومینٹ ممبر سے یا بااختیار انارنی سے دستخط شدہ ہونا لازمی ہے، اگر ممبر کوئی کمپنی یا کارپوریشن ہے تو اسکی Common Seal پڑا کسی انسٹرومینٹ پر ہونا لازمی ہے۔
- 3۔ ہر لحاظ سے مکمل اور دستخط شدہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے سینئر رجسٹرازی آفس میں موصول ہو جانا چاہیئے۔
- 4۔ CDC اکاؤنٹ رکھنے والے / کارپوریٹ ادارے۔
مزید برآں درج ذیل شرائط کو پورا کیا جائے گا۔
- 1) پڑا کسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی نقول بھی دی جائیں۔
- 2) پڑا کسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔
- 3) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف انارنی مع دستخط کے نمونے کمپنی میں پڑا کسی فارم کے ساتھ جمع کرانی ہوگی۔

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