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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
Mr. Sheikh Asim Rafiq (NIT Nominee)
Mr. Shaikh Abdullah
Mr. Karim Muhammad Munir
Mr. Zafar .M. Sheikh

PRESIDENT & CHIEF EXECUTIVE

Mr. Zafar .M. Sheikh

AUDIT COMMITTEE

Mr. Shaikh Abdullah (Chairman)
Haji Jan Muhammad
Mr. Sheikh Asim Rafiq
Mr. Karim Muhammad Munir

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

BUSINESS DEVELOPMENT COMMITTEE

Mr. Sheikh Asim Rafiq NIT Nominee (Chairman)
Mr. Muhammad Mehboob
Mr. Muhammad Shoaib
Mr. Karim Muhammad Munir
Mr. Zafar .M. Sheikh

CFO

Mr. Shakeel Ahmed

COMPANY SECRETARY

Mr. Sohaib Hasan

AUDITORS

M/S BDO Ebrahim & Co ,
Chartered Accountants

TAX ADVISORS

Grant Thornton Anjum Rahman
Chartered Accountants

LEGAL ADVISORS

Muhammad Tariq Qureshi
Rehan Kayani

SHARE REGISTRAR

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

BANKERS

Habib Metropolitan Bank Limited.
Al-Baraka Bank Pakistan Ltd.
MCB Bank Limited.
Summit Bank Limited.

REGISTERED OFFICE

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

KARACHI OFFICE

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 EIGHT ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Eight Annual General Meeting of Security Investment Bank Limited (the Company) will be held at the Registered Office of the Company located at Suite Number 4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, Islamabad, on 29 April 2019 at 9:00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of the Annual General Meeting held on 23 April 2018.
- 2) To receive and adopt the audited financial statements of the Company for the year ended 31 December 2018 together with the directors' and auditor's reports thereon.
- 3) To appoint auditors and fix their remuneration for the year ending 31 December 2019. The retiring auditors M/s. BDO Ebrahim & Co. 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 2019.
- 4) To approve property purchased in the name of the bank.

ANY OTHER BUSINESS

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

BOOK CLOSURE

The share transfer book of the company will remain closed from 22 April 2019 to 29 April 2019 (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 21 April 2019 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:
26 March 2019

Sohaib Hasan
Company Secretary

NOTES:

- 1) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the office of the share registrar of the company duly stamped and signed not less than 48 hours before the meeting. A member may not appoint more than one proxy.
- 2) Members are requested to promptly communicate to the Share Registrar of the Company any change in their addresses.
- 3) 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.
- 4) Pursuant to Section 150 of the Income Tax Ordinance, 2001 and Finance Act, 2017 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders at 15% and 20% 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).

5) 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.

6) 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 provide following details directly to 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, 2018 along with Auditors and Directors Reports thereon on its website: <http://www.sibl.com.pk>

CHAIRMAN'S REVIEW REPORT

I am pleased to present the 27th Annual Report of your Company on behalf of the Board of Directors, the Audited Financial Statements for the year ended 31 December 2018 along with my review on the performance of your Company.

Economic Overview

During the year under review, Pakistan's economy remained under pressure. The rising trend in core inflation with devaluation in rupees made it difficult to take economic development freely. On the other side rising trend in SBP discount rate gave rise to the cost of domestic manufacturers, resulting price hike of all commodities produced locally.

GDP growth for FY 18 rose to 5.8% compared to 5.4% achieved in FY17. CPI inflation shown an upward trend and reached at 7.2% in January 2019. During FY18 imports rose to an all-time high USD 67 billion, ballooning the trade deficit to USD 37 billion. The external account shows under considerable pressure, the rupee continued to slide, losing 26% of its value during the year and crossing Rs. 140, our foreign exchange reserves rebounded slightly after inflows from Saudi Arabia and UAE.

In the context of overall economy, the equity market under performed during the year 2018. The PSX index showed 37,067 points at the closing of the year.

Consequently keeping the view of economic scenario, the SBP has adopted a rapid tightening of monetary policy, increasing discount rate during the year.

Financial Performance

Alhamdulillah, during the financial year 2018, your company posted operating profit before taxes of Rs.34 million as compared to Rs. 22 million for the corresponding year.

The leadership and effectiveness of the Board are primarily the Chairman's responsibility. We, in the Board recognize the importance of, and are committed to, high standards of corporate governance, aligned with the needs of the Bank and the interests of all our stakeholders. All directors are aware of their duties and responsibilities. They review and approve the Company's financial statements in addition to all significant plans and decisions. The Audit Committee focuses on compliance with the best practices of corporate governance and relevant statutory requirements, changes in accounting policies and practices, compliance with listing regulations, monitoring the internal and external audit functions, review of financial statements. The Human Resource and Remuneration Committee reviews human resource needs, compensation policies and plans, and executive compensation.

Acknowledgement

I would like to acknowledge thank our CEO, his executive leadership team and all the employees of SIBL for their hard work, commitment. I am also grateful to our bankers, shareholders, the SECP, Stock Exchanges and other regulators for their cooperation and support.

KARACHI:
Dated: March 26, 2019

Haji Jan Muhammad
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Security Investment Bank Limited (the "Company") are pleased to present the 27th Annual Report along with the Audited Financial Statements and Auditor's Report thereon for the year ended 31 December 2018.

Financial Performance

Alhamdulillah, the year characterized by continued growth in terms of profitability and assets size. Overall size of balance sheet increased by 21%. During the financial year 2018, your company posted Operating profit before tax of Rs 34 million compared to operating profit of Rs 22 million during the corresponding period of 2017. There is 55% increase in operating results of the bank. Return on financing increased by 31 to Rs. 67 million from Rs. 51 million.

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

	Year 2018	Year 2017	Increase/ Decrease
	(Rupees in million)		%
Total Income	73	58	+26
Expenditure	39	36	+8
Finance cost	9	3	+200
Administrative	30	33	-9
Profit from operation	34	22	+55
Realized gain on re-measurement of PSX shares	-	52	-
Profit before tax	34	74	
Taxation	(17)	(13)	
Net Profit after tax	17	61	+30
Earnings per share	0.335	1.18	
Transfer to General Reserve	3.387	12.135	

Your company's management is endeavouring to enhance capital adequacy requirement to take deposit-taking status under the NBFC's Regulations. During the year under review, the sponsors/directors had injected funds of Rs. 180 million through sub ordinate loan to meet the minimum capital requirement and submitted application to SECP for up-gradation of status as deposit taking entity. All the points raised by SECP through its report have been complied, submitted an undertaking and repayment schedule duly signed by sponsors directors. We also look forward for future in line with our core business strategies to explore new markets and customer segments for further business expansion in untapped segments.

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, 2018, 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. 546.939 million out of which financing amounting to Rs. 292.887 million were rolled over. Moreover, during the period, an amount of Rs. 72.416 million was receivable from H.M. Esmail & Co. Limited, New Delite Company Limited, ARY Services (Private) Limited and Madina Electronics, related parties in respect of markup accrued which was converted into finance facility.

2. 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 Accounting Standard 39 - Financial Instruments - Recognition and Measurement despite presence of impairment indicators in the portfolio. The Company has not recorded any provision for impairment based on subjective evaluation of the borrowers.

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 2019
- 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 2019
- Key operating and financial data of six years of the Company are as follows:

	(Rupees in millions)					
Description / Year	2018	2017	2016	2015	2014	2013
Share capital	514	514	514	514	514	514
Shareholder's equity	779	582	573	519	517	506
Deposits	-	8	8	29	22	125
Borrowings	3	37	-	-	-	177
Short term financing	556	415	292	260	212	126
Investments	113	56	125	41	30	431
Operating profit	34	22	11	3.4	14.5	5.1
Net profit	17	61	9	0.9	12.2	3.4
Total assets	819	678	623	557	546	793
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-

Value of Provident Fund Investment

As on 31 December 2018 based on the unaudited accounts, the value of investment of Provident Fund is Rs. 1.954 millions (2017 Rs 3.064 millions).

Pattern of Shareholding

The pattern of shareholding as at 31 December 2018 along with the disclosure required under the Code of Corporate Governance, 2017 is annexed to the report.

Directors' Attendance

During the year ended 31 December 2018, six Board of Directors; four Audit Committee and three 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	2	Not Applicable
Karim Muhammad Munir	Independent	Non-Executive	5	4	3
Mohammad Shoaib	Non-Independent	Non-Executive	6	Not Applicable	Not Applicable
Muhammad Mahboob	Non-Independent	Non-Executive	6	Note Applicable	3
Shaikh Abdullah	Independent	Non-Executive	6	4	Not Applicable
Sheikh Asim Rafiq	Independent (NIT Nominee)	Non-Executive	3	2	Not Applicable
Zafar M. Shaikh	Non-Independent	Executive	6	Not Applicable	3

Leave of absence was granted in case the Directors were not able to attend the meeting.

Trade / dealing in shares of the Company

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

Statement of Code of Conduct

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

Directors' Training Program

Details have been provided in Statement of Compliance.

Earnings per Share

Earning per share of the Company is Rs 0.335 for the year ended 31 December 2018 (2017 Rs 1.180).

Dividend

No dividend is declared for the year ended 31 December 2018 in the Board meeting held on March 26, 2019.

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 and its future course of action, including the re-adoption of Deposit taking model keeping in view the NBFC Regulatory Framework.

Auditors

The present auditors BDO Ebrahim & Co., Chartered Accountants retire and being eligible have offered themselves for re-appointment.

Acknowledgement

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

On behalf of the Board

Haji Jan Muhammad
Chairman / Director

Zafar M Sheikh
Chief Executive Officer

Karachi
26 March 2019

ڈائریکٹرز رپورٹ برائے حصص دار

ڈائریکٹریکٹوریٹ انویسٹمنٹ بینک (The Company) 31 دسمبر 2018 کو اختتام پزیر سال پرستانیسویں سالانہ رپورٹ بمع محتسب شدہ مالیاتی دستاویزات اور آڈٹ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالی کارکردگی

الحمد للہ موجودہ سال بھی منافع اور اثاثہ کی مد میں اچھی کارکردگی کا مظہر رہا ہے۔ بیلنس شیٹ کے حجم میں نمایاں تیزی رہی ہے جو کہ 21% رہی ہے۔ مالیاتی سال 2018 میں کمپنی نے

Operating Profit قبل از ٹیکس Rs 34 million بمقابلہ Operating Profit قبل از ٹیکس Rs 22 million برائے سال 2017۔ اس طرح 55%

Operating Profit میں اس سال تیزی رہی۔ Financing پر منافع بھی 31% بڑھا ہے جو کہ مبلغ Rs.67 million (پچھلے سال کے مطابق مبلغ Rs. 51 million)

اس سال کے دوران نمایاں مالیاتی نتائج درج ذیل ہیں۔

Increase/ Decrease	Year 2017	Year 2018	
%		روپے بلین	
+26	58	73	منافع
+8	36	39	خرچے
+200	3	9	انتظامی خرچے
-9	33	30	منافع Operation
+55	22	34	
-	52	-	منافع محصول سے پہلے
	74	34	محصولات
	(13)	(17)	منافع محصول کے بعد
+30	61	17	منافع فی حصہ
	1.18	0.335	
	12.135	3.387	Reserve منتقلی جزل

بینک کی انتظامیہ مسلسل کوشاں ہے تاکہ Capital Adequacy Requirement کو بڑھا ہے اس طرح Deposit Taking کی حالت کو NBFC کے ضوابط کے مطابق کرے۔ موجودہ سال کے دوران ڈائریکٹریٹ اور اسپانسرز نے Rs. 180 million کا فنڈ Subordinate loan کی صورت میں کمپنی میں ڈالا ہے تاکہ کم از کم کیپیٹل کی ضرورت کو پورا

کیا جاسکے اور SECP کو درخواست برائے up gradation of status deposit taking entity دی گئی ہے۔ جو بھی نکات SECP نے اپنی رپورٹ میں اٹھائے ان کو پورا کر دیا اور ساتھ ہی Undertaking اور Re-Payment کا شیڈول جو اسپانسرڈ انریکٹر نے سائن کیا، جمع کر دیا گیا ہے۔ اسی سلسلے میں جو ہمارہ خالص بزنس لائحہ عمل کو آگے مستقبل میں دیکھ رہے ہیں تا کہ نئی مارکیٹ اور کسٹمر Segment کو دیکھا جائے اور اس طرح بزنس کو ان Segment میں پھیلایا جائے۔

مارکیٹ کا خطرہ

بینک کی Activities کی وجہ سے بینک کو مارکیٹ کے خطرات سے مبرا آزما ہونا پڑتا ہے (اس کے علاوہ کریڈٹ کے خطرات اور سالیٹ کے خطرات)۔ مارکیٹ کے خطرات جو بینک کو اپنی Activities کے دوران سامنا کرنا پڑتا ہے ان میں سود کی شرح کا خطرہ، کرنسی کا خطرہ اور دوسری قیمتوں کا خطرہ موجود ہیں۔

سود کا خطرہ

شرح سود کا خطرہ کے بڑھنے کی وجہ سود کی شرح میں تیزی ہوتی ہے جس کی وجہ سے Financial Instruments کی قیمت میں تبدیلی واقع ہوتی ہے۔

معیاری رائے کی بنیاد

31 دسمبر 2018 تک ایچ ایم اسماعیل اینڈ کمپنی لمیٹڈ، نیوڈیلائٹ کمپنی لمیٹڈ، اے آر وائی سروسز پرائیویٹ لمیٹڈ، مدینہ الیکٹرونکس اور منسلک پارٹنرز نے خلیل المعیار سرمایہ لیا جس کی مالیت مبلغ Rs. 546.939 million بنتی ہے جس میں مبلغ Rs. 292.887 million کو واپس لے لیا گیا تھا۔ اس کے علاوہ اسی معیار کے دوران ایچ ایم اسماعیل اینڈ کمپنی لمیٹڈ، نیوڈیلائٹ کمپنی لمیٹڈ، اے آر وائی سروسز پرائیویٹ لمیٹڈ، مدینہ الیکٹرونکس اور منسلک پارٹنرز سے مبلغ Rs. 72.416 million مارک اپ کی صورت میں لینا تھا جسے Finance Facility میں تبدیل کر دیا گیا تھا۔

2 کمپنی نے ضابطہ 5 Non Banking Finance Companies اور 2008 Notified Entities Regulations پر اطلاق نہیں کیا ہے۔ اسی طرح International Accounting Standards 39. Financial Instruments. Recognition and Measurement کے تحت portfolio میں Impairment Indicator, Impairment Review کی موجودگی کے باوجود انجام نہیں دیا ہے۔

کورپوریٹ گورننس

کمپنی ڈائریکٹر کا بورڈ مستقل طور پر علمی، کاروباری پلان اور کارکردگی کو کمپنی کے مقاصد کی روشنی میں جانچتا رہتا ہے بورڈ آف ڈائریکٹرز اچھے کورپوریٹ گورننس کے اعلیٰ معیار کو قائم رکھنے کے لیے ہمیشہ کوشاں رہتے ہیں۔ کمپنی، اسٹیٹ بینک آف پاکستان، ایس ای سی پی PSX کی متعین کردہ Provisions کی پابندی کرتی رہے گی۔

- انتظامیہ کی تیار کردہ مالیاتی رپورٹس آپریشنز کے نتائج حصول زر اور استعمال نیز ایکویٹی میں ہونے والی تبدیلیوں کی درست عکاسی کرتے ہیں۔
- حسابی کتاب مناسب طور پر رکھی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں حسب سابق اکاؤنٹس کے درست اصولوں کو اختیار کیا گیا ہے اور حسابی اندازوں کی بنیادی معقول اور محتاط ہے۔
- حسابات کی تیاری میں ان بین الاقوامی معیاروں کی، جن کا نفاذ پاکستان میں ہو چکا ہے، پیروی کی گئی ہے اور کسی بھی انحراف کو واضح طور پر ظاہر کیا گیا ہے۔
- اندرونی کنٹرول کا نظام بلحاظ ساخت مکمل ہے اور اس پر عملدرآمد اور نگرانی موثر ہے۔
- کمپنی کے چلتے رہنے کی صلاحیت ہر قسم کے شک و شبہ سے بالا ہے۔
- لسٹنگ ریگولیشنز میں کوڈ آف کورپوریٹ گورننس کے بہترین طریقوں، پر عمل درآمد میں کوئی قابل ذکر انحراف نہیں ہوا ہے۔

• ڈائریکٹر کسی بھی Remuneration کے مجاز نہیں ہونگے سوائے مینٹنگ فیس کے۔ مینٹنگ فیس میں کوئی بھی بڑھوتی بورڈ آف ڈائریکٹرز کی منظوری سے ہوتی ہے۔ جسے بعد میں آنے والی حصہ داروں کی مینٹنگ میں منظور کیا جاتا ہے۔

• ایگزیکٹو ڈائریکٹر اور چیف ایگزیکٹو ڈائریکٹر کوڈی گئی Remuneration کو بورڈ آف ڈائریکٹرز سے منظور کیا جاتا ہے۔ جسے بعد میں آنے والی حصہ داروں کی مینٹنگ میں منظور کیا جاتا ہے۔

• کوڈ آف گورننس کی کمپلائنس کرتے ہوئے ڈائریکٹر ٹریننگ پروگرام کت تحت بیشتر ڈائریکٹر ان کو ضوابط اور رمز و جوائن کے مطابق ان کی ذمہ داری اور فرائض سے آگاہی دی جاتی ہے اس سلسلے میں یہ کوشش موجودہ سال میں جاری ہے اور آنے والے مالیاتی سال 2019 میں مکمل ہو جائے گی۔

روپے ملین میں						
2013	2014	2015	2016	2017	2018	پچھلے سالوں کی نمایاں آپریشنل اور مال اعداد و شمار درج ذیل ہیں۔
514	514	514	514	514	514	شیر رکھنے والے
506	517	519	573	582	779	حصہ داروں کا اثاثہ
125	22	29	8	8	-	امانت
177	-	-	-	37	3	ادھار
126	212	260	292	415	556	قلیل المبدأ سرمایہ کاری
431	30	41	125	56	113	سرمایہ کاری
5.1	14.5	3.4	11	22	34	زیر عمل منافع
3.4	12.2	0.9	9	61	17	خالص منافع
793	546	557	623	678	819	کل اثاثہ
-	-	-	-	-	-	ڈیوڈنڈ
-	-	-	-	-	-	بونس

پراؤڈنڈ فنڈ میں سرمایہ داری کی قدر

31 دسمبر 2018 غیر محتسب کھاتوں کے مطابق پراؤڈنڈ فنڈ سرمایہ داری کی قدر مبلغ Rs. 1.954 ملین (مبلغ Rs. 3.064 2017)

طرز حصہ داری

طرز حصہ داری 31 دسمبر 2018 اور disclosure جو ضابطہ کورپوریٹ گورننس 2017 کے تحت لازمی ہے وہ اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹر کی حاضری

31 دسمبر 2018 کو ختم ہونے والے سال میں چھ ڈائریکٹر کے بورڈ کی، چار آڈٹ کمیٹی کی اور تین Human Resources and Remuneration کمیٹی کی مینٹنگ منعقد ہوئی

ہر ایک ڈائریکٹر کی حاضری درج ذیل ہے۔

نام	آزاد/غیر آزاد	انتظامی/غیر انتظامی ڈائریکٹر	بورڈ آف ڈائریکٹر	آڈٹ کمیٹی	ایچ آر کمیٹی
حاجی جان محمد	غیر آزاد	غیر انتظامی	4	2	نا قابل اطلاق
کریم محمد منیر	آزاد	غیر انتظامی	5	4	3
محمد شہب	غیر آزاد	غیر انتظامی	6	نا قابل اطلاق	نا قابل اطلاق
محمد محبوب	غیر آزاد	غیر انتظامی	6	نا قابل اطلاق	3
شیخ عبداللہ	آزاد	غیر انتظامی	6	4	نا قابل اطلاق
شیخ عاصم رفیق	غیر آزاد	غیر انتظامی	3	2	نا قابل اطلاق
ظفر ایم شیخ	غیر آزاد	انتظامی	6	نا قابل اطلاق	3

نا قبل اطلاق

ڈائریکٹرز کو مینٹنگ سے غیر حاضری سے استثناء دی جاسکتی ہے

کمپنی کے حصص میں لین دین

پورے سال کے دوران ڈائریکٹر، ای او، ای ایف او، کمپنی سیکریٹری اور اندرونی آڈٹ کے سربراہ اور ان سب کی اہلیہ اور ان کے چھوٹے بچوں نے ہماری کمپنی کے حصص میں کوئی لین دین نہیں کیا۔
ضابطہ اخلاف کی تفصیل

ڈائریکٹروں کے بورڈ ضابطہ اخلاف کی پوری طرح پابندی کی ہے تمام ملازمین اس ضابطہ اخلاق سے واقف ہیں اور ان سے گزارش کی جاتی کہ وہ کاروباری پابندی کرتے رہیں۔

ڈائریکٹر کا تریقی پروگرام

پروگرام کی تفصیلات Statement of compliance میں مہیہ کی گئی ہے۔

منافع فی حصہ

کمپنی کا منافع فی شیئر ختم ہونے والے سال 31 دسمبر 2018 میں Rs 0.335 رہا ہے (2017 میں Rs 1.18)۔

ڈیویڈنڈ

منافع کی کمی وجہ سے 31 دسمبر کو ختم ہونے والے سال کے لیے کوئی ڈیویڈنڈ (Dividend) کا اعلان نہیں کیا گیا۔

صورت حال

آپ کی کمپنی کی منجمنٹ بھرپور کوشش کر رہی ہے کہ مختلف بینکوں سے کریڈٹ لائن کو بہتر کرے تاکہ حصص دار کے لیے منافع بڑھایا جاسکے مزید براں کمپنی مختلف کاروباری اختیار کو دیکھ رہی ہے اور ساتھ مستقبل کے لائحہ عمل پر کام کر رہی ہیں۔ جس میں NBFC Regulatory Framework کو مدنظر رکھتے ہوئے Deposits taking model کو رائج کرنے کی کوششیں کی گئی ہیں۔

آڈیٹرز موجودہ آڈیٹرز بی ڈی اور ایم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ اب اس منصب سے مستعفی ہو چکے ہیں۔ اور اپنے آپ کو اس سال کے لئے آڈیٹر کی نامزدگی کے لیے پیش کیا ہے ہم ڈائریکٹر آئی بی

ایل، ایس ای سی پی اسٹاک ایکسچینج اور دوسرے اداروں کے تعاون اور اعانت کے لیے بھرپور شکریہ ادا کرتے ہیں۔ اور تمام حصہ داروں کو ان کی معاونت اور تعاون کے لیے بے حد شکر گزار ہیں
مئنجمینٹ اور اسٹاف کی انتھک کوششوں کا اعتراف کرتے ہوئے ان کا شکریہ ادا کرتے ہیں۔

برائے اور از طرف بروڈ آف ڈائریکٹر

حاجی جان محمد

چیئرمین

کراچی 26 مارچ 2018

ظفر علی شیخ

چیف ایگزیکٹوز آفیسرز

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with Listed Companies (Code of Corporate Governance) Regulations, 2017. The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7(Seven) consisting of male directors. The Board was constituted prior to the notification of Listed Companies (Code of Corporate Governance) Regulations, 2017, therefore, the Company will appoint a female director at the time of next election of Directors to comply with this requirement of the Regulations.
2. The composition of Board is as follows:

Category	Name
a) IndependentDirector:	Mr. Shaikh Abdullah Mr. Sheikh Asim Rafiq Mr. Karim Muhammad Munir
b) OtherNon-executiveDirector:	Mr. Haji Jan Muhammad Mr. Muhammad Mehboob Mr. Muhammad Shoaib
c) ExecutiveDirector:	Mr. Zafar M Sheikh
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
4. 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.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
7. All meetings of the Board were presided over by the Chairman of the Board and in his absence by the Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with aspect to frequency, recording and circulating minutes of meeting of Board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Director's Training program for Mr. Muhammad Mehboob and Mr. Muhammad Shoaib. Furthermore, Mr. Haji Jan Muhammad is exempt from Director's Training program. The Board is committed to compliance with corporate governance regulations and plans fulfillment of the Directors' Training program within the prescribed timelines
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee:

1. Mr. Shaikh Abdullah (Chairman);
2. Mr. Haji Jan Muhammad (Non-executive Director)
3. Mr. Shaikh Asim Rafiq (Independent Director)
4. Mr. Karim Muhammad Munir (Independent Director)

b) HR and Remuneration Committee:

1. Mr. Karim Muhammad Munir (Chairman);
2. Mr. Muhammad Mehboob (Non-executive Director)
3. Mr. Zafar. M. Sheikh (Chief Executive)

13. The terms of reference of the Audit Committee and Human Resource & Remuneration Committee have been formed, documented and advised to the committee for compliance.

14. The frequencies of the meetings of the committees are as follows;

Committee	Frequency of meeting
Audit Committee	4 Quarterly meetings
HR and Remuneration Committee	Yearly

15. The Board has appointed Mr. Ali Somani as Head of Internal Audit who is considered suitably qualified and is conversant with the policies and procedures of the Company.

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 registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 other requirements of the Regulations have been complied with except following;

- a. Regulation 10(2) which requires the Board of Directors of the Company to carry out annual review of business risks.
- b. Regulation 10(3)(vii) which requires the Board of Directors to define the level of materiality, keeping in view the specific circumstances of the company and the recommendations of any technical or executive sub-committee of the board that may be set up for the purpose.
- c. Regulation 10(6) which requires all directors of a company to attend its general meeting(s), (ordinary and extra-ordinary) unless precluded from doing so due to any reasonable cause.
- d. Regulation 19 which requires the Company to make appropriate arrangements to carry out orientation courses for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the listed company for and on behalf of shareholders.

Karachi, 26 March 2019

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, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Security Investment Bank Limited (the Company) for the year ended December 31, 2018 in accordance with the requirements of regulation 40 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 approval 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, 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph references where these are stated in the Statement of Compliance:

Paragraph

S. no	Reference	Description
I	18	<p>The Board of Directors of the Company have not carried out annual review of business risks.</p> <p>The Board of Directors has not defined the level of materiality, keeping in view the specific circumstances of the company and the recommendations of any technical or executive sub-committee of the board that may be set up for the purpose.</p> <p>None of the Directors of the company has attended its general meeting held on April 23, 2018.</p> <p>The Company has not made appropriate arrangements to carry out orientation courses for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the listed company for and on behalf of shareholders.</p>

KARACHI
DATED: March 26, 2019

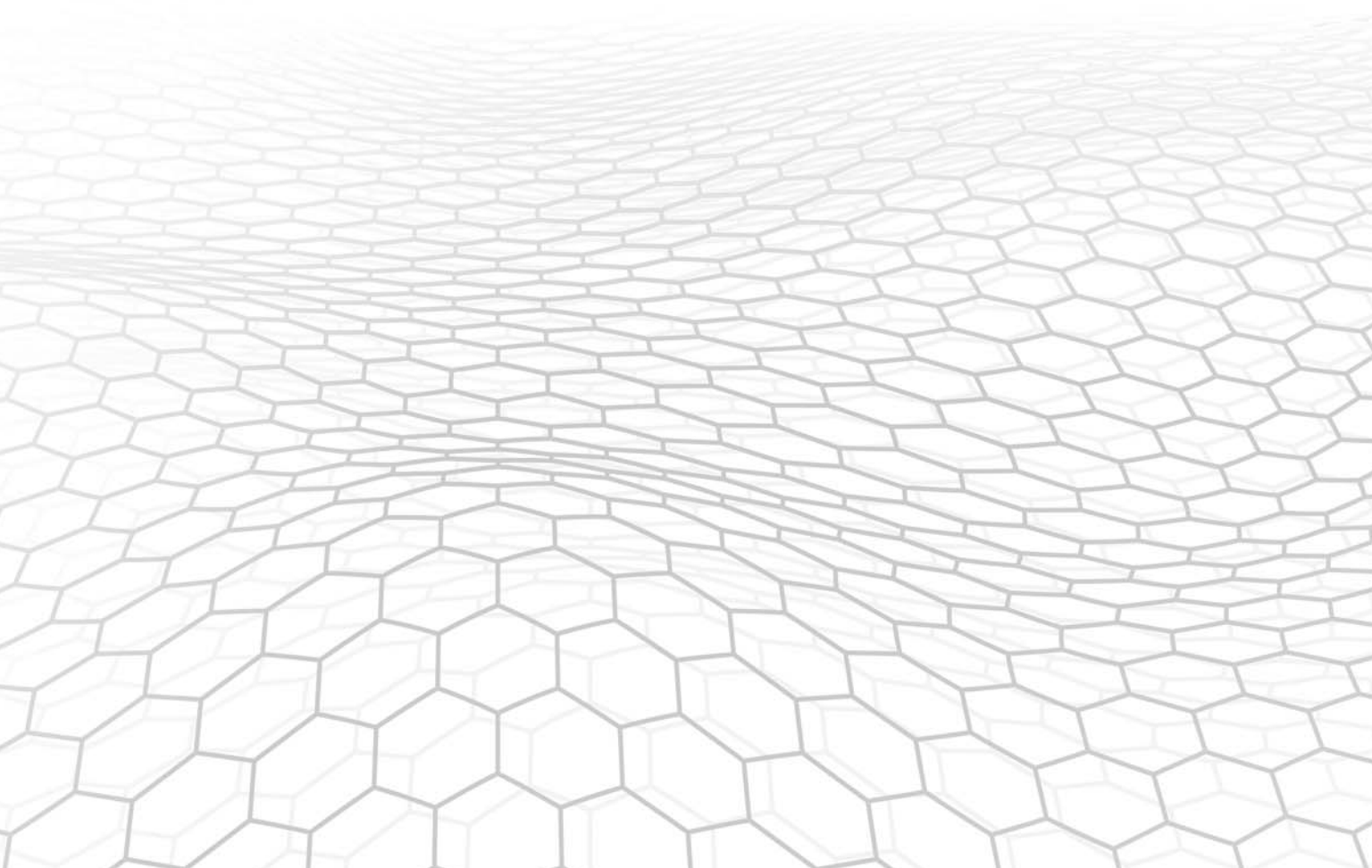
CHARTERED ACCOUNTANTS
Engagement Partner: Raheel Shah Nawaz



**UNCONSOLIDATED
FINANCIAL STATEMENTS**
for the year ended December 31, 2018

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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 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, 2018, and the unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows and 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.

Except for the effect of the matters described in the basis for qualified opinion section, in our opinion, and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows 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), 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, 2018 and of the profit and other comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Qualified Opinion

1. As at December 31, 2018, 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. 546.939 million out of which financing amounting to Rs. 292.887 million were rolled over. Moreover, during the period, an amount of Rs. 72.416 million was receivable from H.M. Esmail & Co. Limited, New Delite Company Limited, ARY Services (Private) Limited and Madina Electronics, related parties in respect of markup accrued which was converted into finance facility. However, we have not been able to ascertain the classification and provisioning of financing portfolio on the basis of time-based criteria as required by Regulation 25 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 as the financing facilities are being renewed and rolled over at the maturity dates and, accordingly, the related impact of income recognized during the year on such financing could not be ascertained. 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. However, classification of the financing to related parties between current and non-current has been made in the financial statements based on the original contract between parties.
2. 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 Accounting Standard 39 - Financial Instruments - Recognition and Measurement despite presence of impairment indicators in the portfolio. The Company has not recorded any provision for impairment based on subjective evaluation of the borrowers. Accordingly, we are unable to confirm the valuation and recoverability of short term financing in the unconsolidated financial statements.

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 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 qualified opinion.

Emphasis of Matter

We draw attention to;

1. Note 1.2 to the unconsolidated financial statements which inter-alia states that the license of the Company to carry out the investment finance services as a Non-Banking Finance Company is valid till May 29, 2019.

2. Note 13.1 to the unconsolidated financial statements which provides details regarding non-compliance with the Regulation 19(h), Regulation 17(1), Regulation 17(2), Regulation 18A and Regulation 23 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.
3. Note 8.1 to the unconsolidated financial statements which inter-alia states that during the year, the Company purchased property from M/s ARY Communications Limited vide Agreement to Sell entered into with M/s ARY Communications Limited dated December 26, 2018, the title of which is in the process of being transferred into the name of the Company.

Our opinion is not modified in respect of these matters.

Other matter

The unconsolidated financial statements of the Company for the year ended December 31, 2017, were audited by another firm of Chartered accountants who had expressed an unqualified opinion thereon vide their report dated March 24, 2018.

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 year. 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 matter described in the Basis for Qualified Opinion section, we have determined 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, 2018 total net investment amount to Rs. 62.714 million.</p> <p>The valuation of these investments is made using different valuation techniques as disclosed in note 41 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.

S.NO	Key audit matter(s)	How the matter was addressed in our audit
		<ul style="list-style-type: none"> - Checked the existence of the securities from the Central Depository Company's report; - We also reviewed management's assessment of whether there are any indicators of impairment including those securities that are not actively traded; and - Furthermore, we also assessed the adequacy of the respective disclosure relating to investments as disclosed in the unconsolidated financial statements.
3.	Financing to related parties	
	<p>As disclosed in note 11 and 13 of the unconsolidated financial statements, as at December 31, 2018, short term and long-term financing to related parties aggregated to Rs. 546.939 million. Financing made to related parties is 99% of total financing of the Company and represents 67% of total assets and 71% of total equity of the Company.</p> <p>Further, the assessment of provision of non- performing finances provided to related parties involves significant judgement and use of management assumption both subjectively and objectively. The identification of provision and the determination of the recoverable amount involve various assumption and factor including the financial conditions of the counter party, timing and amount of expected future cash flows including the forced sales value (FSV) benefits on the securities pledged.</p> <p>Due to the significance of transactions involving related parties and the factors detailed above, we have considered the financing to related parties as a key audit matter.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> - Evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring and loan impairment assessment. - Adopted a risk based sampling approach and checked the customers' repayment behavior and evaluated the Company's loan classification taking into consideration the credit committee reports, customers' financial information collateral valuation report and other available information. - Assessed the adequacy of the provision for loan losses by testing the key assumptions and calculations for loss allowance calculation as required by NBFC Regulations, 2008 and management's assumption. - Assessed the adequacy of the respective disclosures relating to loan and finances stated in the unconsolidated financial statements.
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 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 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>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
		Reviewed the Company's documentation and correspondence with the regulators.
4.	First time application of Third and Fourth schedules to the Companies Act, 2017	
	<p>As referred to in note 3.1 to the unconsolidated financial statements, the Third and Fourth Schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual unconsolidated financial statements for the year ended December 31, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said Third and Fourth schedules, the management made certain amendments in disclosures required in the Company's unconsolidated financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the unconsolidated financial statements due to the Companies Act, 2017.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> - Considered the management's process to identify the necessary amendments required in the Company's unconsolidated financial statements. - Evaluated the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the Third and fourth Schedules to the Companies Act, 2017 and our understanding of the Company's operations and business. - Assessed the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed Company's unconsolidated financial statements based on the new requirements.

Information other than the unconsolidated financial statements and auditor's report thereon

The management is responsible for the other information. The other information comprises the information included in the annual report but does not include the unconsolidated financial statements 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 the Management and its Board of Directors

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the 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, the 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 the 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 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 the Management Company.
- 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 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 of the Management Company 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 year 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, except for adjustment in respect of matter stated in basis for qualified opinion section above:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows 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) 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) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditor's report is Raheel Shah Nawaz.

Karachi

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

		2018	2017
	Note	Rupees	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	39,904,411	9,172,179
Intangible assets	9	2,500,000	2,500,000
Long term investments	10	50,000,000	50,000,000
Long term financing	11	3,878,461	12,942,646
Long term advances	12	2,500,000	2,500,000
Deferred tax asset - net	24	-	8,599,833
		98,782,872	85,714,658
CURRENT ASSETS			
Short term financing	13	555,761,938	414,827,758
Short term investments	14	62,714,036	5,836,219
Loans and advances	15	6,322,794	1,845,443
Deposits, prepayments and other receivables	16	4,018,373	10,541,924
Accrued interest	17	2,658,841	41,139,793
Tax refund due from Government	18	79,158,655	84,189,032
Cash and bank balances	19	9,455,215	34,443,155
		720,089,852	592,823,324
TOTAL ASSETS		818,872,724	678,537,982
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2017: 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	162,897,175	159,452,163
Deficit on revaluation of investments - net of tax	22	(287,166)	-
Accumulated losses		(78,053,895)	(91,833,944)
		598,891,694	581,953,799
NON-CURRENT LIABILITIES			
Subordinated loan	23	180,000,000	-
Deferred tax liabilities - net	24	2,552,146	-
		182,552,146	-
CURRENT LIABILITIES			
Short term borrowings	25	2,759,096	37,398,225
Short term deposits	26	-	7,700,000
Unclaimed dividend		2,094,583	2,094,583
Accrued and other liabilities	27	32,575,205	49,391,375
		37,428,884	96,584,183
TOTAL EQUITY AND LIABILITIES		818,872,724	678,537,982
CONTINGENCIES AND COMMITMENTS	28		

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 31 DECEMBER 2018

		2018	2017
	Note	-----Rupees-----	
Income			
Income on financing and placements	29	67,371,883	51,012,119
Return on securities	30	1,868,414	1,044,534
Loss on sale of investments		-	(1,774)
Profit on deposit with banks		1,623,897	152,965
Other income	31	2,460,627	5,524,037
		73,324,821	57,731,881
Expenditure			
Financial charges	32	8,693,099	3,122,524
Administrative expenses	33	30,659,793	32,516,195
		39,352,892	35,638,719
Operating profit before taxation		33,971,929	22,093,162
Realized gain on disposal of PSX shares transferred from unrealized gain		-	51,614,948
Profit before taxation		33,971,929	73,708,110
Taxation			
Current		(5,594,889)	(3,512,930)
Deferred		(11,151,979)	(9,516,269)
	34	(16,746,868)	(13,029,199)
Net profit after tax		17,225,061	60,678,911
Earnings per share - basic and diluted	35	0.335	1.180

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 31 DECEMBER 2018

	2018	2017
	-----Rupees-----	
Net profit after tax	17,225,061	60,678,911
Other comprehensive income for the year		
Items that may be reclassified subsequently to income		
Deficit on revaluation of investments - net of tax	(287,166)	-
Total comprehensive income for the year	<u>16,937,895</u>	<u>60,678,911</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 31 DECEMBER 2018

	2018	2017
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,971,929	73,708,110
Adjustment for non cash and other items		
Depreciation	1,746,242	1,811,792
Gain on disposal of shares	-	(1,748,226)
Loss / (gain) on disposal of fixed assets	42,406	(212,287)
Realized gain on remeasurement of PSX shares	-	(51,614,948)
	<u>1,788,648</u>	<u>(51,763,669)</u>
Cash flows from operating activities before working capital changes	35,760,577	21,944,441
(Increase) / decrease in operating assets		
Financing and placements	(140,934,180)	(122,770,622)
Loans and advances	(4,477,351)	807,470
Deposits, prepayments and other receivables	6,523,551	(1,837,290)
Accrued interest	38,480,952	8,302,912
	<u>(100,407,028)</u>	<u>(115,497,530)</u>
(Decrease) / increase in operating liabilities		
Short term deposits	(7,700,000)	-
Short term borrowings	(34,639,129)	37,398,225
Accrued and other liabilities	(16,816,170)	8,977,311
	<u>(59,155,299)</u>	<u>46,375,536</u>
Net change in operating assets and liabilities	(159,562,327)	(69,121,994)
Income tax paid	(564,512)	(500,968)
Net cash used in operating activities	(124,366,262)	(47,678,521)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets - net	(32,520,880)	(72,980)
Investment in quoted shares	(32,164,983)	-
Investment in government securities	(25,000,000)	-
Sale of investments (shares)	-	1,607,374
Sale of securities	-	67,324,040
Net cash (used in) / generated from investing activities	(89,685,863)	68,858,434
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	9,064,185	4,823,544
Subordinated loans	180,000,000	-
Net cash generated from financing activities	189,064,185	4,823,544
Net (decrease) / increase in cash and cash equivalents	(24,987,940)	26,003,457
Cash and cash equivalents at the beginning of the year	34,443,155	8,439,698
Cash and cash equivalents at the end of the year	<u><u>9,455,215</u></u>	<u><u>34,443,155</u></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 CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued, subscribed and paidup capital	Reserves		Gain / (loss) on remeasurement of available for sale investment	Total
		Statutory reserve	Accumulated losses		
	Rupees				
Balance as at January 01, 2017	514,335,580	147,316,381	(140,377,073)	51,614,948	572,889,836
Total comprehensive income for the year ended December 31, 2017					
Profit for the year	-	-	60,678,911	(51,614,948)	9,063,963
Other comprehensive income	-	-	-	-	-
	-	-	60,678,911	(51,614,948)	9,063,963
Statutory reserve	-	12,135,782	(12,135,782)	-	-
	-	12,135,782	48,543,129	(51,614,948)	9,063,963
Balance as at December 31, 2017	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)	-	-
	-	3,445,012	13,780,049	(287,166)	16,937,895
Balance as at December 31, 2018	514,335,580	162,897,175	(78,053,895)	(287,166)	598,891,694

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 31 DECEMBER 2018

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.
- 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, 2019.
- 1.3** The Company is in the process of getting its credit rating renewed. Previously, JCR - VIS Credit Rating Company Limited has placed the rating of the Company for medium to long-term rating at 'BBB'+ (Triple B plus) and the short-term rating at 'A-2' (A two) on 'Rating Watch Developing' status.
- 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.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at Flat No. 4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, 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 (therein 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.

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.

The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these unconsolidated financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. Specific additional disclosures and changes to the existing disclosures have been included in these unconsolidated financial statements.

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

3.2 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

4.1 Amendments that are effective in current year and relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	First-time Adoption of International Financial Reporting Standards	January 01, 2018

4.2 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
	Conceptual framework for Financial reporting 2018 - Original Issue	March 2018
IAS 39	Financial Instruments: Recognition and Measurements- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IFRS 3	Business Combinations Amendments to clarify the definition of a business	January 1, 2020
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

4.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 16	Leases	January 01, 2019
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 9	Financial Instruments	July 01, 2018

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

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 7.1)
- (b) classification of investments (Note 7.4 and 7.5)
- (c) recognition of taxation and deferred tax (Note 17.7) and
- (d) accounting for post employment benefits (Note 7.9)

6 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investments. 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, plant and equipment

Operating fixed assets are stated at cost less accumulated depreciation less impairment, 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.

7.2.1 Trading rights and membership card

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

7.3 Impairment

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

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 Investments

Held-to-maturity

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

Available-for-sale

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

Held-for-trading

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

Recognition and measurement

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

Subsequent to initial recognition, investments available for sale and investments held for trading for which active market exists, are measured at market value using rates quoted on stock exchange quotes and broker's quotations. In case of available for sale investments, any difference between the carrying value and the revalued amount is taken to surplus/ (deficit) on revaluation of investments account, until realized on disposal. At the time of disposal the respective surplus or deficit is transferred to income currently. Amortization cost is charged to profit and loss account.

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

7.6 Impairment of financial assets

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 Circular No. 33 of 2012 dated October 24, 2012.

7.7 Securities under repurchase / reverse repurchase agreement

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

Repurchase agreements

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

Reverse repurchase agreements

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

7.8 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.

7.9 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.

8.0 Offsetting of financial assets and financial liabilities

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

7.10 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.

7.11 Classification of deposits and financing

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

7.12 Cash and bank balances

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

7.13 Cash and cash equivalents

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

7.14 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 balance sheet date and are adjusted to reflect the current best estimate.

7.15 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.

7.16 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.

7.17 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 balance sheet date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

7.18 Related party transactions

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

7.19 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.

7.20 Dividend distributions and appropriations

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

8 PROPERTY, PLANT AND EQUIPMENT

The following is the statement of operating fixed assets:

Description	Note	Building	Furniture and fixtures	Computer and Equipments	Vehicles	Generator	Telephone System	Total
(Rupees)								
Year ended December 31, 2018								
Net carrying value basis								
Opening net book value (NBV)		-	6,483,079	1,321,473	1,067,472	97,029	203,126	9,172,179
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)	(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, 2017								
Net carrying value basis								
Opening net book value (NBV)		-	6,891,513	1,659,442	1,774,890	155,304	217,555	10,698,704
Additions (at cost)		-	442,384	227,171	987,525	-	12,400	1,669,480
Disposals (NBV)		-	-	(2,513)	(1,381,700)	-	-	(1,384,213)
Depreciation charge		-	(850,818)	(562,627)	(313,243)	(58,275)	(26,829)	(1,811,792)
Closing net book value		-	6,483,079	1,321,473	1,067,472	97,029	203,126	9,172,179
Gross carrying value basis								
Cost		-	8,764,122	3,237,687	987,526	582,736	302,382	13,874,453
Accumulated depreciation		-	(2,281,043)	(1,916,214)	79,946	(485,707)	(99,256)	(4,702,274)
Net book value		-	6,483,079	1,321,473	1,067,472	97,029	203,126	9,172,179
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. 1,224,988/- (2017 : Rs. 538,973/-) in respect of fully depreciated assets still in use.

8.3 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated	Written down	Sale proceeds	Capital gain / (loss)	Mode of disposal	Sold to	Address
	(Rupees)							
Furniture - Islamabad office	50,000	49,996	4	50,000	49,996	Negotiation	Javed Advocate	Office no. 55, Blue area, Islamabad
Vehicle- Bike	47,025	14,107	32,918	13,000	(19,918)	Negotiation	Bilawal	House no. 123, Sher Muhammad street 1, DHA Phase 5, Karachi
Office Equipment - Batteries	127,120	66,289	60,831	12,500	(48,331)	Negotiation	Zakir Mehmood	House no. 102 Jamshid Road, Karachi
Telephone - Ipad	58,413	27,260	31,153	7,000	(24,153)	Negotiation	Saima	Room No. 17 Lakhani Centre, Gulistan e Jauhar, Karachi
	282,558	157,652	124,906	82,500	(42,406)			

	Note	2018 Rupees	2017 Rupees
9 INTANGIBLE ASSETS			
Corporate membership of the PMEX		<u>2,500,000</u>	<u>2,500,000</u>

10 LONG TERM INVESTMENTS

Investment - subsidiary			
5,000,000 ordinary shares of Security Capital & Investments (Private) Limited @ Rs. 10/- each	10.1	<u>50,000,000</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 is Rs. 12.28 (2017: Rs. 14.39).

11 LONG TERM FINANCING

Murabaha Financing

Secured and considered good

Murabaha finance

Associated companies

Others

Less: Deferred Murabaha income

Murabaha receivable

Less: Current maturity

12.1	<u>7,659,053</u>	21,135,840
	<u>6,001,732</u>	6,719,717
	<u>(959,291)</u>	(2,260,448)
11.1	<u>12,701,494</u>	25,595,109
	<u>(8,823,033)</u>	(12,652,463)
	<u>3,878,461</u>	<u>12,942,646</u>

11.1 These represent financing of vehicle on murabaha basis against hypothecation of vehicles and machinery for a period of 3 years to 5 years, carrying mark up at 1 Year KIBOR + 3% per annum (2017: 1 Year KIBOR+3%).

12 LONG TERM ADVANCE

For office premises

12.1	<u>2,500,000</u>	<u>2,500,000</u>
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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

Secured and considered good

- Associated companies

- Others

Current maturity under murabaha finance

	Note	2018 Rupees	2017 Rupees
		546,938,905	371,340,338
		-	30,834,957
		8,823,033	12,652,463
13.1 & 13.2		<u>555,761,938</u>	<u>414,827,758</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.

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.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Company and its business. The Commission carried out the inspection and directed the Company to provide comments on violation of above stated Regulation 19(h) 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.

The Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Company vide its letter dated January 8, 2019 has intimated SECP in respect of settlement of financing.

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.

13.1.2 Regulation 17(1) of the Regulations states that the total outstanding Exposure (fund based and non-fund based) by an NBFC to a person shall not at any time exceed 20% of the equity of an NBFC (as disclosed in the latest financial statements), provided that the maximum outstanding fund-based Exposure does not exceed 15% of the equity of an NBFC. However, as at December 31, 2018, the Company has breached the fund based exposure limits with respect to H.M. Esmail & Company Limited and New Delite Company Limited by 15.07% and 1.01% respectively and has breached the fund based and non-fund based exposure limits with respect to H.M. Esmail & Company Limited by 10.07%.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Company and its business. The Commission carried out the inspection and directed the Company to provide comments on violation of above stated Regulation 17(1) 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.

The Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Company vide its letter dated January 8, 2019 has intimated SECP in respect of settlement of financing.

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.

- 13.1.3** 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, 2018, the Company has breached the fund based exposure limits with respect to H.M. Esmail & Company Limited, New Delite Company Limited and ARY Services (Private) Limited by 41.59% and fund based and non-fund based exposure by 43.53% with respect to these companies.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Company and its business. The Commission carried out the inspection and directed the Company to provide comments on violation of above stated Regulation 17(2) 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.

The Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Company vide its letter dated January 8, 2019 has intimated SECP in respect of settlement of financing.

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.

- 13.1.4** 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, 2018, the Company has extended unsecured financing to H.M. Esmail & Company Limited, New Delite Company Limited and ARY Services (Private) Limited amounting to Rs. 161.529 million, Rs. 59.253 million, Rs. 75.997 million and Rs. 52.208 million respectively.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Company and its business. The Commission carried out the inspection and directed the Company to provide comments on violation of above stated Regulation 18A 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.

The Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Company vide its letter dated January 8, 2019 has intimated SECP in respect of settlement of financing.

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.

- 13.1.5** 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, as at December 31, 2018, the Company has breached the fund based and fund/non-fund based exposure limits with respect to H.M. Esmail & Company Limited. Further, the Company has breached the fund based exposure limits with respect to New Delite Company Limited and Madina Electronics by 1.36 and 277.39 times, respectively, and has breached the fund/non-fund based respect to New Delite Company Limited and Madina Electronics by 1.64 and 632.13 times, respectively. Moreover, the equity of related party ARY Services (Private) Limited based on its financial statements as at December 31, 2018 is negative Rs. 227.20 million. However, Company has provided finance facilities as at December 31, 2018 to ARY Services (Private) Limited amounting to Rs. 100 million.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Company and its business. The Commission carried out the inspection and directed the Company to provide comments on violation of above stated 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.

The Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Company vide its letter dated January 8, 2019 has intimated SECP in respect of settlement of financing.

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.

13.1.6 Regulation 19(g) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 states that an NBFC shall not hold shares on aggregate basis, whether as pledgee, or absolute owner, of an amount exceeding 15% of the paid-up share capital of that company or 15% of its own equity, whichever is less. However, as at December 31, 2018, the Company has breached exposure limit with respect to Lucky Cement Limited by 2.30% of its own equity.

13.2 These are secured by way of hypothecation or a charge on assets of customers, pledge of certificates of deposits and pledge of listed shares. The mark-up rates are 13% per annum (2017: 12%).

14	SHORT TERM INVESTMENTS	Note	2018	2017
			Rupees	
	Held to maturity			
	Market Treasury Bills		25,000,000	-
	Available for sale			
	Term Finance Certificates	14.1	5,836,219	5,836,219
	Investment in equity shares	14.2	31,877,817	-
			<u>62,714,036</u>	<u>5,836,219</u>

14.1 Particulars of listed Term Finance Certificates (TFC) :

Particulars of Listed Term Finance Certificates (TFC) :							
Issuer of TFC		No. of Certificates	2018		2017		
			Cost	Market Value	Cost	Market value	
			2018	2017	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	3.75% over 6 months KIBOR.	Semi-annually	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, 2018	3,467			
Balance as at December 31, 2018	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.

2018		2017	
No. of ordinary shares			
		2018	2017
		Cost	Market Value
		Rupees	
	Cement		
1,747	- Lucky Cement Limited	1,204,766	759,368
	Bank		
344,118	- Bank Al Habib Limited	23,506,701	23,671,877
	Power		
86,800	- The Hub Power Company Limited	7,453,516	7,446,572
432,665	-	32,164,983	31,877,817

Note 2018 2017
-----Rupees-----

15 LOANS AND ADVANCES

Advances - considered good
For expenses

6,322,794 1,845,443

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits	361,280	1,526,880
PMEX exposure limits	-	1,212,927
KSE exposure limits	-	1,250,000
Prepayments	995,396	910,386
Other receivables - considered good	2,661,697	5,641,731
	4,018,373	10,541,924

17 ACCRUED INTEREST

Considered good
Income receivable

17.1 2,658,841 41,139,793

- 17.1 This represents income on financing and government securities not matured / due on December 31, 2018.

18 TAX REFUND DUE FROM GOVERNMENT

Advance tax	268,666,855	268,102,343
Less: Provisions for taxation	(189,508,200)	(183,913,311)
	79,158,655	84,189,032

2018 2017
Note -----Rupees-----

19 CASH AND BANK BALANCES

With State Bank of Pakistan in current account		11,257	29,935
With other banks in			
Current accounts		2,196,079	2,111,201
Deposit accounts	19.1	7,223,815	32,285,588
		9,419,894	34,396,789
Cash in hand		24,064	16,431
		<u>9,455,215</u>	<u>34,443,155</u>

19.1 Rate of return on these deposits accounts range from 5% to 6% per annum (2017: 3% to 4% per annum).

20 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares			
2018	2017		
23,552,000	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000 235,520,000
27,881,558	27,881,558	Ordinary shares of Rs. 10/- each issued as fully paid bonus	278,815,580 278,815,580
<u>51,433,558</u>	<u>51,433,558</u>		<u>514,335,580</u> <u>514,335,580</u>

21 STATUTORY RESERVES

Statutory reserves	21.1	<u>162,897,175</u>	<u>159,452,163</u>
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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.

2018 2017
Note -----Rupees-----

22 SURPLUS ON REVALUATION OF INVESTMENTS - NET OF TAX

Deficit on revaluation of investment		(287,166)	-
		<u>(287,166)</u>	<u>-</u>

23 SUBORDINATED LOAN

Unsecured			
Subordinated loan	23.1	<u>180,000,000</u>	<u>-</u>

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.

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 xix of Rule 2 of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

24	DEFERRED TAX LIABILITY	Note	2018 -----Rupees-----	2017 -----Rupees-----
	Deferred tax liability / (asset) arising in respect of:			
	Accelerated depreciation		2,635,424	543,051
	Unrealized gain on revaluation of securities		(83,278)	-
	Tax losses		-	(9,142,884)
			<u>2,552,146</u>	<u>(8,599,833)</u>

24.1 Movement in deferred tax

Opening balance	(8,599,833)	(18,116,102)
Change during the year	11,151,979	9,516,269
Closing balance	<u>2,552,146</u>	<u>(8,599,833)</u>

24.2 The Company has an aggregate amount of Rs. nil (2017: Rs. 0.543 million) in respect of unabsorbed tax losses as at December 31, 2018 on which the management has recognized deferred tax asset of Rs. nil (2017: Rs. 8.599 million).

25 SHORT TERM BORROWINGS

Short term running finance	25.1	<u>2,759,096</u>	<u>37,398,225</u>
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25.1 The Company has availed running finance facility from Summit Bank with a limit of Rs. 50 million @ 3 months KIBOR plus 4%. The facility is secured against Rs. 58 million book debts of the Company.

26 SHORT TERM DEPOSITS

Others	26.1	<u>-</u>	<u>7,700,000</u>
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26.1 During the year, SECP has conducted an inspection of the Company and pointed out that the Company is no more a deposit taking NBFC as the Company do not meet minimum capital requirement of Rs. 750 million to raise deposits as per schedule I of Regulation No. 4 of Non Banking Finance Companies and Notified Entities Regulations, 2008. Therefore, it is required to encash all the existing certificates of investments (COI's) issued previously.

In the year 2008, the Company had issued certificate of investments (COIs) amounting to Rs. 7.70 million to Faisalabad Electric Supply Company Limited (FESCO) on behalf of New Delite Company (Private) Limited. During the year, the Company has repaid the same along with interest amounting to Rs. 7.87 million to New Delite Company (Private) Limited against the indemnity bond.

27	ACCRUED AND OTHER LIABILITIES	Note	2018 -----Rupees-----	2017 -----Rupees-----
	Accrued interest			
	Subordinated loan		7,429,663	-
			-	170,877
	Other liabilities		7,429,663	170,877
	Others			
	related party	27.1	23,647,873	45,718,876
	others		1,497,669	3,501,622
			<u>25,145,542</u>	<u>49,220,498</u>
			<u>32,575,205</u>	<u>49,391,375</u>

- 27.1 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. 10 million.

	2018	2017
Note	Rupees	
28 CONTINGENCIES AND COMMITMENTS		
28.1 Contingencies		
Guarantees issued on behalf of customer:		
- Associated undertaking	<u>55,103,000</u>	<u>64,203,000</u>
28.2 Commitments		
There were no commitment as at the balance sheet date.		
29 INCOME ON FINANCING AND PLACEMENTS		
Financing		
Demand finance	64,858,461	48,166,257
Murabaha finance	1,473,136	1,482,070
Lease finance	675,327	1,281,054
	<u>67,006,924</u>	<u>50,929,381</u>
Placements		
With financial institution - unsecured	364,959	82,738
	<u>67,371,883</u>	<u>51,012,119</u>
30 RETURN ON SECURITIES		
Return on government securities	931,145	-
Return on term finance certificates (TFCs)	487,770	475,500
Dividend income	449,499	569,034
	<u>1,868,414</u>	<u>1,044,534</u>
31 OTHER INCOME		
Gain on sale of fixed assets	49,996	212,287
Commission	510,737	686,136
Processing income	493,739	2,012,732
Miscellaneous	1,406,155	2,612,882
	<u>2,460,627</u>	<u>5,524,037</u>
32 FINANCIAL CHARGES		
Interest expense on bank borrowings	1,148,636	3,122,524
Interest expense on subordinate loan	7,544,463	-
	<u>8,693,099</u>	<u>3,122,524</u>

		2018	2017
	Note	-----Rupees-----	
33 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		17,152,247	17,582,724
Contribution to provident fund	36	398,049	445,572
Rent, rates and taxes		2,194,662	2,299,220
Telephone, telex and fax		615,559	712,503
Electricity, water and gas		717,246	766,085
Printing, postage and stationery		484,826	508,127
Insurance		276,433	542,187
Fees and membership		1,614,000	2,273,383
Brokerage and commission		-	441,795
Central Depository Company charges		600,632	679,990
Auditors' remuneration	33.1	472,180	438,070
Legal and professional fees		1,143,162	1,098,800
Vehicle running and maintenance		887,128	597,009
Repairs and maintenance		638,384	448,153
Advertisement		238,990	349,105
Travelling and conveyance		343,404	610,899
Entertainment		575,185	487,474
Depreciation	8	1,746,242	1,811,792
Bank charges		53,899	6,924
Old age benefit		96,200	140,400
Books, periodicals and newspapers		14,235	29,733
Other expenses		397,130	246,250
		30,659,793	32,516,195

33.1 Auditors' remuneration

Statutory audit fee	400,000	406,820
Out of pocket expenses	72,180	31,250
	472,180	438,070

34 TAXATION

Current		
for the year	34.1	5,594,889
Deferred		11,151,979
		16,746,868

34.1 The provision for taxation for the current year has been made by applying alternate corporate tax 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.

34.2 Relationship between tax expense and accounting profit

The numerical reconciliation between tax expense and accounting profit has not been presented for in these unconsolidated financial statements as the income of the Company is 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 7.5% on every public company other than a scheduled bank or modaraba, that derives profits for tax a year but does not distribute 40% of accounting profit either through cash dividend or issuance of bonus shares within six months of the end of said tax year.

35 EARNINGS PER SHARE - BASIC AND DILUTED

35.1	Basic earning per share	2018	2017
	Profit after tax	Rs. <u>17,225,061</u>	<u>60,678,911</u>
	Weighted average number of ordinary shares	<u>51,433,558</u>	<u>51,433,558</u>
	Earnings per share	Rs. <u>0.335</u>	<u>1.180</u>

35.2 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.

36 DEFINED CONTRIBUTION PLAN

An amount of Rs. 0.398 million (2017: Rs. 0.446 million) has been charged during the year in respect of contributory provident fund maintained by the Company.

36.1 Disclosure relating to provident fund

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

	2018	2017	2018	2017
	-----Percentage-----		-----Rupees-----	
(i) Size of the Fund			2,153,806	6,629,575
(ii) Cost of investments made			2,228,407	6,522,626
(iii) Percentage of investments made			103.46	98.39
(iv) Fair value of investments in government securities			2,228,407	3,064,000

Break up of the investments is as follows:

Bank balance	12.75	52.17	274,703	3,458,626
Government securities	90.71	46.22	1,953,704	3,064,000

36.2 Investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

37 REMUNERATION OF CHIEF EXECUTIVE OFFICER, EXECUTIVE AND NON-EXECUTIVE DIRECTORS AND EXECUTIVES

	2018				2017			
	Chief Executive Officer	Non-Executive directors	Executive director	Executives	Chief Executive Officer	Non-Executive directors	Executive director	Executives
	----- (Rupees) -----				----- (Rupees) -----			
Directors' meeting fees	-	855,000	-	-	-	910,000	-	-
Managerial remuneration	4,494,000	-	-	-	4,494,000	-	-	-
Bonus	715,500	-	-	-	374,500	-	-	-
Medical expenses	374,496	-	-	-	374,496	-	-	-
Provident fund	-	-	-	-	-	-	-	-
Other benefits	785,876	-	-	-	705,300	-	-	-
	6,369,872	855,000	-	-	5,948,296	910,000	-	-
Number of persons	1	6	1	-	1	6	1	-

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

37.2 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.

37.3 The current and corresponding year figures include remunerations of Company's Executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.

38 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:

Particulars	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	25,145,542	-	7,429,663	32,575,205
	27,904,638	2,094,583	187,429,663	217,428,884

Particulars	December 31, 2017			Total
	Upto three months	More than three months and upto one year	Over one year	
	-----Rupees-----			
Liabilities				
Short term borrowings	37,398,225	-	-	37,398,225
Unclaimed dividend	-	2,094,583	-	2,094,583
Short term deposits	-	7,700,000	-	7,700,000
Accrued expenses and other liabilities	170,877	-	49,220,498	49,391,375
	37,569,102	9,794,583	49,220,498	96,584,183

39 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:

39.1 Finance	2018		2017	
	Rupees	%	Rupees	%
Services	106,292,962	19.43	24,988,040	6.21
Cables and electric goods	440,645,943	80.57	377,187,255	93.79
	546,938,905	100.00	402,175,295	100.00

39.2 Geographical Segment

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

40 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.

40.1 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:

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

December 31, 2018						
Description	Total	Exposed to Interest Rate/ Yield Risk			Not Exposed to	
		Within one year	More than one year and up to five	Above five years	Interest	Rate/ Yield Risk
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	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	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		

December 31, 2017						
Description	Total	Exposed to Interest Rate/ Yield Risk			Not Exposed to	
		Within one year	More than one year and up to five	Above five years	Interest	Rate/ Yield Risk
Financial assets						
Investment in subsidiary	50,000,000	-	-	-		50,000,000
Long term financing	25,595,109	12,652,463	12,942,646	-		-
Short term financing	402,175,295	402,175,295	-	-		-
Investment in TFCs	5,836,219	5,836,219	-	-		-
Loans and advances	2,500,000	-	-	-		2,500,000
Deposits and other receivables	9,631,538	-	-	-		9,631,538
Accrued interest	41,139,793	-	-	-		41,139,793
Balance with bank and cash in hand	34,443,155	32,285,588	-	-		2,157,567
Total	571,321,109	452,949,565	12,942,646	-		105,428,898
Financial liabilities						
Short term borrowings	37,398,225	37,398,225	-	-		-
Short term deposit	7,700,000	7,700,000	-	-		-
Unclaimed dividends	2,094,583	-	-	-		2,094,583
Accrued interest	170,877	-	-	-		170,877
Other liabilities	49,220,497	-	-	-		49,220,497
Total	96,584,182	45,098,225	-	-		51,485,957
Total interest rate sensitivity gap		407,851,340	12,942,646	-		53,942,941
Cumulative interest rate sensitivity gap		407,851,340	420,793,986	420,793,986		

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

40.2 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.

40.3 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.

40.4 Financial instruments by category

	2018	2017
	----- Rupees -----	-----
Financial assets		
Available for sale carried at fair value		
Investments	37,714,036	31,431,328
Held to maturity carried at amortized cost		
Long term investments	50,000,000	50,000,000
Market treasury bills	25,000,000	-
Loans and receivables carried at amortized cost		
Long term advances	2,500,000	2,500,000
Deposits and other receivables	3,022,977	9,631,538
Accrued interest	2,658,841	41,139,793
Bank balances	9,455,215	34,443,155
	<u>130,351,069</u>	<u>169,145,814</u>
Financial liabilities		
Financial liabilities carried at amortized cost		
Subordinated loan	180,000,000	-
Short term borrowings	2,759,096	37,398,225
Short term deposits	-	7,700,000
Unclaimed dividend	2,094,583	2,094,583
Accrued interest	7,429,663	170,877
Other liabilities	25,145,542	49,220,497
	<u>217,428,884</u>	<u>96,584,182</u>

41 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, 2018, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- 'Rupees -----			
Available for sale				
Term Finance Certificates (TFCs)	-	-	5,836,219	5,836,219
Quoted shares	31,877,817	-	-	31,877,817

As at December 31, 2017, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- 'Rupees -----			
Available for sale				
Term Finance Certificates (TFCs)	-	-	5,836,219	5,836,219
Quoted shares	-	-	-	-

Valuation techniques

For level 3 investments - investment in respect of term finance certificates, the Company has received Telecard Limited sukus 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.

42 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.

43 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 36 to the unconsolidated financial statements, are as follows:

Transactions During the year

Nature of Transaction	Nature of Relation	Basis of Relation	2018 Rupees	2017 Rupees
Demand Financing made				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	44,847,260	95,300,000
Madina Electronics	Associated Undertaking	Common Director	-	30,000,000
New Delite Company Limited	Associated Undertaking	Common Director	40,505,000	68,000,000
Ary Services (Private) Limited	Associated Undertaking	Common Director	100,000,000	83,000,000
			<u>185,352,260</u>	<u>276,300,000</u>
Return on financing				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	33,994,932	26,785,107
Madina Electronics	Associated Undertaking	Common Director	4,150,956	3,393,901
New Delite Company Limited	Associated Undertaking	Common Director	18,628,831	15,950,407
Ary Services (Private) Limited	Associated Undertaking	Common Director	8,083,742	1,714,675
			<u>64,858,461</u>	<u>47,844,090</u>
Repayment of demand finance by companies				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	8,500,000	64,584,717
Madina Electronics	Associated Undertaking	Common Director	-	8,400,000
New Delite Company Limited	Associated Undertaking	Common Director	-	6,236,566
Ary Services (Private) Limited	Associated Undertaking	Common Director	24,556,120	6,072,581
			<u>33,056,120</u>	<u>85,293,864</u>
Markup included in principal				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	29,521,115	-
Madina Electronics	Associated Undertaking	Common Director	6,642,230	-
New Delite Company Limited	Associated Undertaking	Common Director	13,403,300	-
Ary Services (Private) Limited	Associated Undertaking	Common Director	5,861,042	-
			<u>55,427,687</u>	<u>-</u>
Adjustment / Repayment of demand finance after SECP inspection				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	37,839,160	-
Madina Electronics	Associated Undertaking	Common Director	4,686,047	-
New Delite Company Limited	Associated Undertaking	Common Director	20,435,010	-
			<u>62,960,217</u>	<u>-</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>180,000,000</u>	<u>-</u>
Office building purchased				
Ary Communication (Private) Limited	Associated Undertaking	Common Director	32,000,000	-
Office rent paid				
Ary Communication (Private) Limited	Associated Undertaking	Common Director	1,096,200	1,096,200
Murabaha finance provided				
Zafar M Sheikh	Chief Executive	Directorship	-	2,742,500

Nature of Transaction	Nature of Relation	Basis of Relation	2018 Rupees	2017 Rupees
Long term financing recovery				
Murabaha financing				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	2,431,104	2,217,804
New Delite Company Limited	Associated Undertaking	Common Director	1,758,911	2,521,511
Zafar M Sheikh	Chief Executive	Directorship	2,291,544	450,956
			<u>6,481,559</u>	<u>5,190,271</u>
Lease financing				
New Delite Company Limited	Associated Undertaking	Common Director	<u>5,565,922</u>	<u>4,760,078</u>
Loans and advances				
Car loan				
Zafar M Sheikh	Chief Executive	Directorship	<u>5,307,000</u>	-
Advance against expenses				
Security Capital & Investment (Private) Limited	Subsidiary Company	Wholly owned subsidiary	277,905	-
Sheikh Abdullah	Director	Directorship	150,000	-
			<u>427,905</u>	<u>-</u>
Recovery against car loan				
Zafar M Sheikh	Chief Executive	Directorship	<u>461,901</u>	-
Recovery against advance for expenses				
Security Capital & Investment (Private) Limited	Subsidiary Company	Wholly owned subsidiary	<u>275,835</u>	-
Repayment of short term deposit				
New Delite Company Limited	Associated Undertaking	Common Director	<u>7,700,000</u>	-
Repayment of other liabilities				
Security Capital & Investment (Private) Limited	Subsidiary Company	Wholly owned subsidiary	<u>10,000,000</u>	-
Other				
Contribution to staff provident fund	Employee Fund		<u>398,049</u>	445,572
Guarantee commission income				
Madina Electronics	Associated Undertaking	Common Director	442,393	539,631
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	27,398	91,000
ARY Films & TV Production	Associated Undertaking	Common Director	40,952	55,505
			<u>510,743</u>	<u>686,136</u>
Balances as at the year end				
Long term investments				
Security Capital & Investment (Private) Limited	Subsidiary	Wholly owned subsidiary	<u>50,000,000</u>	<u>50,000,000</u>
Long term financing				
Murabaha financing				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	472,590	2,903,694
New Delite Company Limited	Associated Undertaking	Common Director	1,049,220	2,808,131
Zafar M Sheikh	Chief Executive	Directorship	-	2,291,544
Lease financing				
New Delite Company Limited	Associated Undertaking	Common Director	<u>5,847,955</u>	<u>11,413,877</u>

Nature of Transaction	Nature of Relation	Basis of Relation	2018 Rupees	2017 Rupees
Short term financing				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	264,852,344	236,823,129
Madina Electronics	Associated Undertaking	Common Director	32,791,140	30,834,957
New Delite Company Limited	Associated Undertaking	Common Director	143,002,459	109,529,169
Ary Services (Private) Limited	Associated Undertaking	Common Director	106,292,962	24,988,040
			546,938,905	402,175,295
Loans and advances				
Car loan				
Zafar M Sheikh	Chief Executive	Directorship	4,845,099	-
Advance against expenses				
Security Capital & Investment (Private) Limited	Subsidiary Company	Wholly owned subsidiary	2,070	-
Sheikh Abdullah	Director	Directorship	150,000	-
			152,070	-
Subordinate loan				
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	-
			180,000,000	-
Short term deposits				
New Delite Company Limited	Associated Undertaking	Common Director	-	7,700,000
Other liabilities				
Security Capital & Investment (Private) Limited	Subsidiary Company	Wholly owned subsidiary	-	10,000,000
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	-

44 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors on 26 March 2019.

45 STAFF STRENGTH

Number of employees at end of the year	15	16
Average number of employees during the year	16	16

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, 2018

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 and its subsidiary (the Group), which comprise of the consolidated statement of financial position as at December 31, 2018, and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated 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.

Except for the effect of the matters described in the basis for qualified opinion section, in our opinion, and to the best of our information and according to the explanations given to us, the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated 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), in the manner so required and respectively give a true and fair view of the state of the Group's affairs as at December 31, 2018 and of the profit and other comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Qualified Opinion

1. As at December 31, 2018, 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. 546.939 million out of which financing amounting to Rs. 292.887 million were rolled over. Moreover, during the period, an amount of Rs. 72.416 million was receivable from H.M. Esmail & Co. Limited, New Delite Company Limited, ARY Services (Private) Limited and Madina Electronics, related parties in respect of markup accrued which was converted into finance facility. However, we have not been able to ascertain the classification and provisioning of financing portfolio on the basis of time-based criteria as required by Regulation 25 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 as the financing facilities are being renewed and rolled over at the maturity dates and, accordingly, the related impact of income recognized during the year on such financing could not be ascertained.
2. The Group 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 Accounting Standard 39 - Financial Instruments - Recognition and Measurement despite presence of impairment indicators in the portfolio. The Group has not recorded any provision for impairment based on subjective evaluation of the borrowers. Accordingly, we are unable to confirm the valuation and recoverability of short term financing in the consolidated financial statements.

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 1.3 to the consolidated financial statements of the Group which inter-alia states that the license of the holding company to carry out the investment finance services as a Non-Banking Finance Company is valid till May 29, 2019.

2. Note 13.1 to the consolidated financial statements of the Group which provides details regarding non-compliance with the Regulation 19(h), Regulation 17(1), Regulation 17(2), Regulation 18A and Regulation 23 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.
3. Note 8.1 to the consolidated financial statements of the Group which inter-alia states that during the year, the Group has purchased property from M/s ARY Communications Limited vide Agreement to Sell entered into with M/s ARY Communications Limited dated December 26, 2018, the title of which is in the process of being transferred into the name of the Group.
4. Note 1.6 to the consolidated financial statements of the Group which inter-alia states that the shares of PSX and PMEX card have not yet been transferred in the name of the Group due to the reason that the subsidiary company has not obtained license to deal as broker from SECP till balance sheet date.

Our opinion is not modified in respect of these matters.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2017, were audited by another firm of Chartered accountants who had expressed an unqualified opinion thereon vide their report dated March 24, 2018.

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 year. 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 matter described in the Basis for Qualified Opinion section, we have determined 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 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, 2018 total net investment amount to Rs. 62.714 million.</p> <p>The valuation of these investments is made using different valuation techniques as disclosed in note 41 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 14 to the consolidated financial statements.</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;

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	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.	<ul style="list-style-type: none"> - 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. - Checked the existence of the securities from the Central Depository Company's report; - We also reviewed management's assessment of whether there are any indicators of impairment including those securities that are not actively traded; and - Furthermore, we also assessed the adequacy of the respective disclosure relating to investments as disclosed in the consolidated financial statements.
3.	Financing to related parties	
	<p>As disclosed in note 11 and 13 of the consolidated financial statements, as at December 31, 2018, short term and long-term financing to related parties aggregated to Rs. 546.939 million. Financing made to related parties is 99% of total financing of the holding company and represents 67% of total assets and 71% of total equity of the holding company.</p> <p>Further, the assessment of provision of non-performing finances provided to related parties involves significant judgement and use of management assumption both subjectively and objectively. The identification of provision and the determination of the recoverable amount involve various assumption and factor including the financial conditions of the counter party, timing and amount of expected future cash flows including the forced sales value (FSV) benefits on the securities pledged.</p> <p>Due to the significance of transactions involving related parties and the factors detailed above, we have considered the financing to related parties as a key audit matter.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> - Evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring and loan impairment assessment. - Adopted a risk based sampling approach and checked the customers' repayment behavior and evaluated the Group's loan classification taking into consideration the credit committee reports, customers' financial information collateral valuation report and other available information. - Assessed the adequacy of the provision for loan losses by testing the key assumptions and calculations for loss allowance calculation as required by NBFC Regulations, 2008 and management's assumption. - Assessed the adequacy of the respective disclosures relating to loan and finances stated in the consolidated financial statements.
4.	Compliance with laws and regulations	
	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>Our audit procedures in respect of this area included the following:</p> <ul style="list-style-type: none"> - 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.

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	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.	<ul style="list-style-type: none"> - 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. - Reviewed the Company's documentation and correspondence with the regulators.
4.	First time application of Third and Fourth schedules to the Companies Act, 2017	
	<p>As referred to in note 3.1 to the consolidated financial statements, the Third and Fourth Schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements.</p> <p>As part of this transition to the requirements of the said Third and Fourth schedules, the management made certain amendments in disclosures required in the Group's consolidated financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the consolidated financial statements due to the Companies Act, 2017.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> - Considered the management's process to identify the necessary amendments required in the Group's consolidated financial statements. - Evaluated the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the Third and Fourth Schedules to the Companies Act, 2017 and our understanding of the Group's operations and business. - Assessed the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed Group's consolidated financial statements based on the new requirements.

Information other than the consolidated financial statements and auditor's report thereon

The 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 auditor's report 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 the Management and its Board of Directors

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the 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 consolidated financial statements, the 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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 the Group.
- 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 of the Group 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 consolidated financial statements of the current year 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, except for adjustment in respect of matter stated in basis for qualified opinion section above:

- a) proper books of account have been kept by the Group as required by the Companies Act, 2017 (XIX of 2017);
- b) the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) 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 Group's business; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditor's report is Raheel Shahnawaz.

Karachi

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

		2018	2017
	Note	Rupees	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	40,036,715	9,342,555
Intangible assets	9	7,500,000	7,500,000
Investment in shares of PSX	10	21,752,072	35,906,147
Long term financing	11	3,878,461	12,942,646
Long term advances	12	2,500,000	2,500,000
Deferred tax asset - net	23	-	8,599,833
		75,667,248	76,791,181
CURRENT ASSETS			
Short term financing	13	555,761,938	414,827,758
Short term investments	14	62,714,036	5,836,219
Loans and advances	15	6,320,724	1,845,443
Deposits, prepayments and other receivables	16	4,018,373	10,541,924
Accrued interest	17	2,658,841	41,139,793
Tax refund due from Government	18	79,523,527	84,536,575
Cash and bank balances	19	19,663,073	34,841,922
		730,660,512	593,569,634
		806,327,760	670,360,815
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2017: 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	162,897,175	159,452,163
Unrealized gain on re-measurement of 'available for sale' investments			
investments to fair value - net		3,965,468	18,406,709
Accumulated losses		(80,882,642)	(94,427,968)
		600,315,581	597,766,484
NON-CURRENT LIABILITIES			
Subordinated loan	22	180,000,000	-
Deferred tax liabilities - net	23	2,552,146	-
		182,552,146	-
CURRENT LIABILITIES			
Short term borrowings	24	2,759,096	37,398,225
Short term deposits	25	-	7,700,000
Unclaimed dividend		2,094,583	2,094,583
Accrued and other liabilities	26	18,606,354	25,401,523
		23,460,033	72,594,331
		806,327,760	670,360,815
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	27		

The annexed notes from 1 to 45 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 31 DECEMBER 2018

		2018	2017
	Note	-----Rupees-----	
Income			
Income on financing and placements	28	67,371,883	51,012,119
Return on securities	29	1,868,414	1,044,534
Loss on sale of investments		-	(1,774)
Profit on deposit with banks		1,790,784	693,238
Other income	30	2,460,627	5,524,037
		73,491,708	58,272,154
Expenditure			
Financial charges	31	8,693,098	3,122,524
Administrative expenses	32	31,061,404	35,251,432
		39,754,502	38,373,956
Operating profit before taxation		33,737,206	19,898,198
Gain on disposal of 'available for sale' investments		-	51,614,948
Profit before taxation		33,737,206	71,513,146
Taxation			
Current		(5,594,889)	(3,512,930)
Deferred		(11,151,979)	(9,516,269)
	33	(16,746,868)	(13,029,199)
Net profit after tax		16,990,338	58,483,947
Earnings per share - basic and diluted	34	0.330	1.137

The annexed notes from 1 to 45 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 31 DECEMBER 2018

	2018	2017
	-----Rupees-----	
Net profit after tax	16,990,338	58,483,947
Other comprehensive income for the year		
Items that may be reclassified subsequently to income		
Deficit on revaluation of investments - net of tax	<u>(14,441,241)</u>	<u>(8,956,537)</u>
Total comprehensive income for the year	<u><u>2,549,097</u></u>	<u><u>49,527,410</u></u>

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

CONSOLIDATED CASH FLOW STATMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,737,206	71,513,146
Adjustment for non cash and other items		
Depreciation	1,784,315	1,831,778
Gain on disposal of shares	-	(1,748,226)
Loss / (gain) on disposal of fixed assets	42,406	(212,287)
Realized gain on remeasurement of PSX shares	-	(51,614,948)
	<u>1,826,721</u>	<u>(51,743,683)</u>
Cash flows from operating activities before working capital changes	35,563,927	19,769,463
(Increase) / decrease in operating assets		
Financing and placements	(140,934,180)	(122,770,622)
Loans and advances	(4,475,281)	608,158
Deposits, prepayments and other receivables	6,523,551	(1,837,288)
Accrued interest	38,480,952	8,302,912
	<u>(100,404,958)</u>	<u>(115,696,840)</u>
(Decrease) / increase in operating liabilities		
Short term deposits	(7,700,000)	-
Short term borrowings	(34,639,129)	37,398,225
Accrued and other liabilities	(6,795,169)	(1,040,231)
	<u>(49,134,298)</u>	<u>36,357,994</u>
Net change in operating assets and liabilities	(149,539,256)	(79,338,846)
Income tax paid	(581,841)	(500,967)
Net cash used in operating activities	(114,557,170)	(60,070,350)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets - net	(32,520,881)	(263,343)
Investment in quoted shares	(32,164,983)	-
Investment in Government securities	(25,000,000)	-
Sale of investments (shares)	-	1,607,374
Sale of PSX shares	-	67,324,040
Net cash (used in) / generated from investing activities	(89,685,864)	68,668,071
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	9,064,185	4,823,544
Subordinated loans	180,000,000	-
Net cash generated from financing activities	189,064,185	4,823,544
Net (decrease) / increase in cash and cash equivalents	(15,178,849)	13,421,265
Cash and cash equivalents at the beginning of the year	34,841,922	21,420,657
Cash and cash equivalents at the end of the year	<u>19,663,073</u>	<u>34,841,922</u>

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

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CHAIRMAN/DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued, subscribed and paidup capital	Reserves		Unrealized gain / (loss) on remeasurement of available for sale investment to fair value	Total
		Statutory reserve	Accumulated losses		

The annexed notes from 1 to 45 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 31 DECEMBER 2018

1 THE GROUP AND ITS OPERATIONS

- 1.1** The "Group" consist 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.
- 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, 2019.
- 1.4** The Holding Company is in the process of getting its credit rating renewed. Previously, JCR - VIS Credit Rating Company Limited has placed the rating of the Holding Company for medium to long-term rating at 'BBB'+ (Triple B plus) and the short-term rating at 'A-2' (A two) on 'Rating Watch Developing' status.
- 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 statement of financial position.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Holding Company is situated at Flat No. 4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, 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 financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the Holding Company is eliminated against the Holding Company's share in paid up capital of the subsidiaries. The accounting policies used by the subsidiary companies in preparation of their financial statements are consistent with that of the Holding Company. Where policies are different, necessary adjustments are made to the financial statements of that subsidiary to bring their accounting policies in line with those used by the Group.

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.

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.

The third and fourth schedules to the Companies Act, 2017 became applicable to the Group for the first time for the preparation of these consolidated financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Group. Specific additional disclosures and changes to the existing disclosures have been included in these consolidated financial statements.

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

3.3 Functional and presentation currency

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

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

4.1 Amendments that are effective in current year and relevant to the Group

The Group has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standard	January 01, 2018
IAS 28	Investment in Associates and Joint Ventures	January 01, 2018

4.2 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Conceptual framework for Financial reporting 2018 - Original Issue	March 2018
IAS 39	Financial Instruments: Recognition and Measurements- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IFRS 3	Business Combinations Amendments to clarify the definition of a business	January 1, 2020

**Effective date
(annual periods
beginning on or
after)**

IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
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The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

4.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 16	Leases	January 01, 2019
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 9	Financial Instruments	July 01, 2018

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers, IFRS 16 - Leases and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Group expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Group's consolidated financial statements in the period of initial application.

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 judgments which are significant to the unconsolidated financial statements:

- (a) determining the residual values and useful lives of property and equipment (Note 7.1)
- (b) classification of investments (Note 7.4 and 7.5)
- (c) recognition of taxation and deferred tax (Note 7.17) and
- (d) accounting for post employment benefits (Note 7.8)

6 BASIS OF MEASUREMENT

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

Operating fixed assets are stated at cost less accumulated depreciation less impairment, 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 consolidated 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.

7.2.1 Trading rights and membership card

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

7.3 Impairment

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

7.4 Investments

Held-to-maturity

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

Available-for-sale

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

Held-for-trading

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

Recognition and measurement

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

Subsequent to initial recognition, investments available for sale and investments held for trading for which active market exists, are measured at market value using rates quoted on stock exchange quotes and broker's quotations. In case of available for sale investments, any difference between the carrying value and the revalued amount is taken to surplus/ (deficit) on revaluation of investments account, until realized on disposal through consolidated statement of comprehensive income. At the time of disposal the respective surplus or deficit is transferred to income currently. Amortization cost is charged to profit and loss account.

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

7.5 Impairment of financial assets

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 Circular No. 33 of 2012 dated October 24, 2012.

7.6 Securities under repurchase / reverse repurchase agreement

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

Repurchase agreements

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

Reverse repurchase agreements

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

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 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.

7.8 Staff retirement benefits

Defined contribution plan

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

7.9 Offsetting of financial assets and financial liabilities

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

7.10 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.

7.11 Classification of deposits and financing

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

7.12 Cash and bank balances

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

7.13 Cash and cash equivalents

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

7.14 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 balance sheet date and are adjusted to reflect the current best estimate.

7.15 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.

7.16 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.

7.17 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 balance sheet date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

7.18 Related party transactions

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

7.19 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 consolidated 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.

7.20 Dividend distributions and appropriations

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

8 PROPERTY, PLANT AND EQUIPMENT

The following is the statement of operating fixed assets:

Description	Note	Building	Furniture and fixtures	Computer and Equipments	Vehicles	Generator	Telephone System	Total
(Rupees)								
Year ended December 31, 2018								
Net carrying value basis								
Opening net book value (NBV)		-	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, 2017								
Net carrying value basis								
Opening net book value (NBV)		-	6,891,513	1,659,442	1,774,890	155,304	217,555	10,698,704
Additions (at cost)		-	442,384	417,534	987,525	-	12,400	1,859,843
Disposals (NBV)		-	-	(2,513)	(1,381,700)	-	-	(1,384,213)
Depreciation charge		-	(850,818)	(582,613)	(313,243)	(58,275)	(26,829)	(1,831,778)
Closing net book value		-	6,483,079	1,491,850	1,067,472	97,029	203,126	9,342,555
Gross carrying value basis								
Cost		-	8,764,122	3,428,050	987,526	582,736	302,382	14,064,816
Accumulated depreciation		-	(2,281,043)	(1,936,200)	79,946	(485,707)	(99,256)	(4,722,260)
Net book value		-	6,483,079	1,491,850	1,067,472	97,029	203,126	9,342,555
Depreciation rate % per annum		2	10	20	20	10	10	

8.1 During the 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 Cost and accumulated depreciation as at the end of the year include an amount of Rs. 1,224,988/- (2017 : Rs. 538,973/-) in respect of fully depreciated assets still in use.

8.3 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated	Written down	Sale proceeds	Capital gain / (loss)	Mode of disposal	Sold to	Address
	(Rupees)							
Furniture - Islamabad office	50,000	49,996	4	50,000	49,996	Negotiation	Javed Advocate	Office no. 55, Blue area, Islamabad
Vehicle- Bike	47,025	14,107	32,918	13,000	(19,918)	Negotiation	Bilawal	House no. 123, Sher Muhammad street 1, DHA Phase 5, Karachi
Office Equipment - Batteries	127,120	66,289	60,831	12,500	(48,331)	Negotiation	Zakir Mehmood	House no. 102 Jamshaid Road, Karachi
Telephone - Ipad	58,413	27,260	31,153	7,000	(24,153)	Negotiation	Saima	Room No. 17 Lakhani Centre, Gulistan e Jauhar, Karachi
	282,558	157,652	124,906	82,500	(42,406)			

9	INTANGIBLE ASSETS	Note	2018	2017
			Rupees	Rupees
	Corporate membership of the PMEX		2,500,000	2,500,000
	TREC of Pakistan Stock Exchange Limited		5,000,000	5,000,000
			7,500,000	7,500,000

10	INVESTMENT IN SHARES OF PSX	Note	2018	2017
			Rupees	Rupees
	Available for sale			
	Cost		17,499,438	17,499,438
	Unrealised gain		4,252,634	18,406,709
		10.1	21,752,072	35,906,147

10.1 This represents 1,602,953 (December 31, 2017: 1,602,953) shares of PSX at fair value of Rs. 13.57/- (December 31, 2017: Rs. 22.40/- per share) per share.

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	21,135,840
	6,001,732	6,719,717
	(959,291)	(2,260,448)
11.1	12,701,494	25,595,109
	(8,823,033)	(12,652,463)
	3,878,461	12,942,646

11.1 These represent financing of vehicle on murabaha basis against hypothecation of vehicles and machinery for a period of 3 years to 5 years, carrying mark up at 1 Year KIBOR + 3% per annum (2017: 1 Year KIBOR+3%).

12 LONG TERM ADVANCE

For office premises

12.1	2,500,000	2,500,000
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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.

		2018	2017
	Note	Rupees	
13 SHORT TERM FINANCING			
Secured and considered good			
- Associated companies		546,938,905	371,340,338
- Others		-	30,834,957
Current maturity under murabaha finance		8,823,033	12,652,463
	13.1 & 13.2	<u>555,761,938</u>	<u>414,827,758</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.

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.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Holding Company and its business. The Commission carried out the inspection and directed the Holding Company to provide comments on violation of above stated Regulation 19(h) 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.

The Holding Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Holding Company vide its letter dated January 8, 2019 has intimated SECP in respect of first quarterly settlement of financing.

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.

13.1.2 Regulation 17(1) of the Regulations states that the total outstanding Exposure (fund based and non-fund based) by an NBFC to a person shall not at any time exceed 20% of the equity of an NBFC (as disclosed in the latest financial statements), provided that the maximum outstanding fund-based Exposure does not exceed 15% of the equity of an NBFC. However, as at December 31, 2018, the Holding Company has breached the fund based exposure limits with respect to H.M. Esmail & Company Limited and New Delite Company Limited by 15.07% and 1.01% respectively and has breached the fund based and non-fund based exposure limits with respect to H.M. Esmail & Company Limited by 10.07%.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Holding Company and its business. The Commission carried out the inspection and directed the Holding Company to provide comments on violation of above stated Regulation 17(1) 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.

The Holding Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Holding Company vide its letter dated January 8, 2019 has intimated SECP in respect of first quarterly settlement of financing.

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.

- 13.1.3** 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, 2018, the Holding Company has breached the fund based exposure limits with respect to H.M. Esmail & Company Limited, New Delite Company Limited and ARY Services (Private) Limited by 41.59% and fund based and non-fund based exposure by 43.53% with respect to these companies.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Holding Company and its business. The Commission carried out the inspection and directed the Holding Company to provide comments on violation of above stated Regulation 17(2) 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.

The Holding Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Holding Company vide its letter dated January 8, 2019 has intimated SECP in respect of first quarterly settlement of financing.

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.

- 13.1.4** Regulation 18A of the Regulations states that an NBFC may provide secured Finance up to Rs. 200,000/- (Rupees two hundred thousand only) to a single borrower. However, as at December 31, 2018, the Holding Company has extended secured financing to H.M. Esmail & Company Limited, New Delite Company Limited and ARY Services (Private) Limited amounting to Rs. 161.529 million, Rs. 59.253 million and Rs. 76.163 million respectively.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Holding Company and its business. The Commission carried out the inspection and directed the Holding Company to provide comments on violation of above stated Regulation 18A 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.

The Holding Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Holding Company vide its letter dated January 8, 2019 has intimated SECP in respect of first quarterly settlement of financing.

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.

- 13.1.5** 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, as at December 31, 2018, the Holding Company has breached the fund based and fund/non-fund based exposure limits with respect to H.M. Esmail & Company Limited. Further, the Holding Company has breached the fund based exposure limits with respect to New Delite Company Limited and Madina Electronics by 1.36 and 277.39 times, respectively, and has breached the fund/non-fund based respect to New Delite Company Limited and Madina

Electronics by 1.64 and 632.13 times, respectively. Moreover, the equity of related party ARY Services (Private) Limited based on its financial statements as at December 31, 2018 is negative Rs. 227.20 million. However, Holding Company has provided finance facilities as at December 31, 2018 to ARY Services (Private) Limited amounting to Rs. 100 million.

During the year, the Commission issued onsite inspection orders vide letter number SCD/S&ED-IW/SIBL/2018/305 dated April 24, 2018 in respect of inspection of the Holding Company and its business. The Commission carried out the inspection and directed the Holding Company to provide comments on violation of above stated 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.

The Holding Company has settled first quarterly repayment as per repayment plan/schedule shared with SECP. The Holding Company vide its letter dated January 8, 2019 has intimated SECP in respect of first quarterly settlement of financing.

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.

13.1.6 Regulation 19(g) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 states that an NBFC shall not hold shares on aggregate basis, whether as pledgee, or absolute owner, of an amount exceeding 15% of the paid-up share capital of that company or 15% of its own equity, whichever is less. However, as at December 31, 2018, the Holding Company has breached exposure limit with respect to Lucky Cement Limited by 2.30% of its own equity.

13.2 These are secured by way of hypothecation or a charge on assets of customers, pledge of certificates of deposits and pledge of listed shares. The mark-up rates are 13% per annum (2017: 12%).

14 SHORT TERM INVESTMENTS

Note	2018	2017
	Rupees	
Held to maturity		
Market Treasury Bills	25,000,000	-
Available for sale		
Term Finance Certificates	14.1 5,836,219	5,836,219
Investment in equity shares	14.2 31,877,817	-
	<u>62,714,036</u>	<u>5,836,219</u>

14.1 Particulars of listed Term Finance Certificates (TFC) :

Issuer of TFC	No. of Certificates	2018		2017	
		Cost	Market Value	Cost	Market value
		Rupees			
		2018	2017		
Telecard Limited	14.1.1	5,000	5,000	7,781,625	5,836,219

14.1.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates	Profit rate per annum	Profit	Redemption terms
Telecard Limited	5,000	3.75% over 6 months	Semi-annually	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, 2018	3,467			
Balance as at December 31, 2018	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.

2018		2017		2018		2017	
No. of ordinary shares				Cost	Market Value	Cost	Market Value
				----- Rupees -----			
		Cement					
1,747	-	Lucky Cement Limited		1,204,766	759,368	-	-
		Bank					
344,118	-	Bank Al Habib Limited		23,506,701	23,671,877	-	-
		Power					
86,800	-	The Hub Power Company Limited		7,453,516	7,446,572	-	-
432,665	-			32,164,983	31,877,817	-	-

		2018		2017	
		Note	-----Rupees-----		
15	LOANS AND ADVANCES				
	Advances - considered good				
	For expenses		6,320,724	1,845,443	
16	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES				
	Security deposits		361,280	1,526,880	
	PMEX exposure limits		-	1,212,927	
	KSE exposure limits		-	1,250,000	
	Prepayments		995,396	910,386	
	Other receivables - considered good		2,661,697	5,641,731	
			4,018,373	10,541,924	
17	ACCRUED INTEREST				
	Considered good				
	Income receivable	17.1	2,658,841	41,139,793	
17.1	This represents income on financing and government securities not matured / due on December 31, 2018.				
18	TAX REFUND DUE FROM GOVERNMENT				
	Advance tax		269,031,727	268,449,886	
	Less: Provisions for taxation		(189,508,200)	(183,913,311)	
			79,523,527	84,536,575	

2018 2017
Note -----Rupees-----

19 CASH AND BANK BALANCES

With State Bank of Pakistan in current account		11,257	29,935
With other banks in			
Current accounts		<u>2,196,079</u>	<u>2,111,201</u>
Deposit accounts	19.1	<u>17,431,673</u>	<u>32,684,355</u>
		<u>19,627,752</u>	<u>34,795,556</u>
Cash in hand		<u>24,064</u>	<u>16,431</u>
		<u><u>19,663,073</u></u>	<u><u>34,841,922</u></u>

19.1 Rate of return on these deposits accounts range from 5% to 6% per annum (2017: 3% to 4% per annum).

20 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares			
2018	2017		
23,552,000	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000 235,520,000
27,881,558	27,881,558	Ordinary shares of Rs. 10/- each issued as fully paid bonus	278,815,580 278,815,580
<u>51,433,558</u>	<u>51,433,558</u>		<u>514,335,580</u> <u>514,335,580</u>

21 STATUTORY RESERVES

Statutory reserves	21.1	<u>162,897,175</u>	<u>159,452,163</u>
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21.1 This reserve is created by Holding Company 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 Holding Company has ceased to be a deposit taking NBFC in 2016.

22 SUBORDINATED LOAN

Secured			
Subordinated loan	22.1	<u>180,000,000</u>	<u>-</u>

22.1 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.

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.

23 DEFERRED TAX LIABILITY

	2018	2017
Note	-----Rupees-----	
Deferred tax liability / (asset) arising in respect of:		
Accelerated depreciation	2,635,424	543,051
Unrealized gain on revaluation of securities	(83,278)	-
Tax losses	-	(9,142,884)
	<u>2,552,146</u>	<u>(8,599,833)</u>

23.1 Movement in deferred tax

Opening balance	(8,599,833)	(18,116,102)
Charge during the year	11,151,979	9,516,269
Closing balance	<u>2,552,146</u>	<u>(8,599,833)</u>

23.2 The Holding Company has an aggregate amount of Rs. nil (2017: Rs. 0.543 million) in respect of unabsorbed tax losses as at December 31, 2018 on which the management has recognized deferred tax asset of Rs. nil (2017: Rs. 8.599 million).

	2018	2017
Note	-----Rupees-----	

24 SHORT TERM BORROWINGS

Short term running finance	24.1	<u>2,759,096</u>	<u>37,398,225</u>
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24.1 The Holding Company has availed running finance facility from Summit Bank with a limit of Rs. 50 million @ 3 months KIBOR plus 4%. The facility is secured against Rs. 58 million book debts of the Holding Company.

25 SHORT TERM DEPOSITS

Others	25.1	<u>-</u>	<u>7,700,000</u>
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25.1 During the year, SECP has conducted an inspection of the Holding Company and pointed out that the Holding Company is no more a deposit taking NBFC as the Holding Company do not meet minimum capital requirement of Rs. 750 million to raise deposits as per schedule I of Regulation No. 4 of Non Banking Finance Companies and Notified Entities Regulations, 2008. Therefore, it is required to encash all the existing certificates of investments (COI's) issued previously.

In the year 2008, the Holding Company had issued certificate of investments (COIs) amounting to Rs. 7.70 million to Faisalabad Electric Supply Company Limited (FESCO) on behalf of New Delite Company (Private) Limited. During the year, the Holding Company has repaid the same along with interest amounting to Rs. 7.87 million to New Delite Company (Private) Limited against the indemnity bond.

	2018	2017
Note	-----Rupees-----	

26 ACCRUED AND OTHER LIABILITIES
Accrued interest

Subordinated loan	7,429,663	-
Return on deposits from others	-	170,877
	<u>7,429,663</u>	<u>170,877</u>

Other liabilities

Others		
related party	9,679,022	21,718,314
others	1,497,669	3,512,332
	<u>11,176,691</u>	<u>25,230,646</u>
	<u>18,606,354</u>	<u>25,401,523</u>

		2018	2017
		-----Rupees-----	
27	CONTINGENCIES AND COMMITMENTS		
27.1	Contingencies		
	Guarantees issued on behalf of customer:		
	- Associated undertaking	<u>55,103,000</u>	<u>64,203,000</u>
27.2	Commitments		
	There were no commitment as at the balance sheet date.		
28	INCOME ON FINANCING AND PLACEMENTS		
	Financing		
	Demand finance	64,858,461	48,166,257
	Murabaha finance	1,473,136	1,482,070
	Lease finance	675,327	1,281,054
		<u>67,006,924</u>	<u>50,929,381</u>
	Placements		
	With financial institution	364,959	82,738
		<u>67,371,883</u>	<u>51,012,119</u>
29	RETURN ON SECURITIES		
	Return on Government securities	931,145	-
	Return on term finance certificates (TFCs)	487,770	475,500
	Dividend income	449,499	569,034
		<u>1,868,414</u>	<u>1,044,534</u>
30	OTHER INCOME		
	Gain on sale of fixed assets	49,996	212,287
	Commission	510,737	686,136
	Processing income	493,739	2,012,732
	Miscellaneous	1,406,155	2,612,882
		<u>2,460,627</u>	<u>5,524,037</u>
31	FINANCIAL CHARGES		
	Interest expense on bank borrowings	1,148,635	3,122,524
	Interest expense on subordinate loan	7,544,463	-
		<u>8,693,098</u>	<u>3,122,524</u>
32	ADMINISTRATIVE EXPENSES		
	Salaries, wages and other benefits	17,347,247	19,088,884
	Contribution to provident fund	398,049	445,572
	Rent, rates and taxes	2,194,662	2,299,220
	Telephone, telex and fax	669,749	772,013
	Electricity, water and gas	717,246	766,085
	Printing, postage and stationery	484,826	512,807
	Insurance	276,433	542,187
	Fees and membership	1,622,525	2,899,353
	Brokerage and commission	-	441,795
	Central Depository Company charges	600,632	679,990

		2018	2017
		-----Rupees-----	
Auditors' remuneration	32.1	547,780	497,870
Legal and professional fees		1,173,162	1,291,215
Vehicle running and maintenance		887,128	743,274
Repairs and maintenance		638,384	448,153
Advertisement		238,990	413,204
Travelling, conveyance and entertainment		918,589	1,140,109
Depreciation	8	1,784,315	1,831,778
Bank charges		53,899	6,924
Old age benefit		96,200	140,400
Books, periodicals and newspapers		14,235	29,733
Other expenses		397,353	260,866
		<u>31,061,404</u>	<u>35,251,432</u>
32.1 Auditors' remuneration			
Statutory audit fee		450,000	466,620
Out of pocket expenses		97,780	31,250
		<u>547,780</u>	<u>497,870</u>
33 TAXATION			
Current			
for the year	33.1	5,594,889	3,512,930
Deferred		11,151,979	9,516,269
		<u>16,746,868</u>	<u>13,029,199</u>

33.1 The provision for taxation for the current year has been made by applying alternate corporate tax to the 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 Holding 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

The numerical reconciliation between tax expense and accounting profit has not been presented for in these unconsolidated financial statements as the income of the Holding Company is 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 7.5% on every public company other than a scheduled bank or modaraba, that derives profits for tax a year but does not distribute 40% 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 40% 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.

		2018	2017
34 EARNINGS PER SHARE - BASIC AND DILUTED			
34.1 Basic earning per share			
Profit after tax	Rs.	<u>16,990,338</u>	<u>58,483,947</u>
Weighted average number of ordinary shares		<u>51,433,558</u>	<u>51,433,558</u>
Earnings per share	Rs.	<u>0.330</u>	<u>1.137</u>

34.2 Diluted earning per share

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

35 DEFINED CONTRIBUTION PLAN

An amount of Rs. 0.398 million (2017: Rs. 0.446 million) has been charged during the year in respect of contributory provident fund maintained by the Holding Company.

35.1 Disclosure relating to provident fund

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

	2018 ---Percentage---	2017 -----Rupees-----	2018	2017
(i) Size of the Fund			2,153,806	6,629,575
(ii) Cost of investments made			2,228,407	6,522,626
(iii) Percentage of investments made			103.46	98.39
(iv) Fair value of investments in government securities			2,228,407	3,064,000

Break up of the investments is as follows:

Bank balance	12.75	52.17	274,703	3,458,626
Government securities	90.71	46.22	1,953,704	3,064,000

35.2 Investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

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

	2018				2017			
	Chief Executive Officer	Non-Executive directors	Executive director	Executives	Chief Executive Officer	Non-Executive directors	Executive director	Executives
	(Rupees)				(Rupees)			
Directors' meeting fees	-	855,000	-	-	-	910,000	-	-
Managerial remuneration	4,494,000	-	-	-	4,494,000	-	-	-
Bonus	715,500	-	-	-	374,500	-	-	-
Medical expenses	374,496	-	-	-	374,496	-	-	-
Provident fund	-	-	-	-	-	-	-	-
Other benefits	785,876	-	-	-	705,300	-	-	-
	6,369,872	855,000	-	-	5,948,296	910,000	-	-
Number of persons	1	6	1	-	1	6	1	-

- 36.1** The executives of the Group are also entitled to free use of Group owned and maintained vehicles.
- 36.2** The amount charged in the consolidated financial statements as the fee of directors for attending a Board of Directors meeting was Rs. 0.035 million per meeting.
- 36.3** The current and corresponding year figures include remunerations of Groups's Executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.

37 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, 2018				
Particulars	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
December 31, 2017				
Particulars	Upto three months	More than three months and upto one year	Over one year	Total
-----Rupees-----				
Liabilities				
Short term borrowings	37,398,225	-	-	37,398,225
Unclaimed dividend	-	2,094,583	-	2,094,583
Short term deposits	-	7,700,000	-	7,700,000
Accrued expenses and other liabilities	170,877	-	25,230,646	25,401,523
	37,569,102	9,794,583	25,230,646	72,594,331

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 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:

38.1	Finance	2018		2017	
		Rupees	%	Rupees	%
	Services	106,292,962	19.43	24,988,040	6.21
	Cables and electric goods	440,645,943	80.57	377,187,255	93.79
		<u>546,938,905</u>	<u>100.00</u>	<u>402,175,295</u>	<u>100.00</u>

38.2 Geographical Segment

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

39 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.

39.1 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 or gaps 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:

December 31, 2018					
Description	Total	Exposed to Interest Rate/ Yield Risk			Not Exposed to Interest Rate/ Yield Risk
		Within one year	More than one year and up to five	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	
December 31, 2017					
Description	Total	Exposed to Interest Rate/ Yield Risk			Not Exposed to Interest Rate/ Yield Risk
		Within one year	More than one year and up to five	Above five years	
Financial assets					
Investment in shares of PSX	35,906,147	-	-	-	35,906,147
Long term financing	25,595,109	12,652,463	12,942,646	-	-
Short term financing	402,175,295	402,175,295	-	-	-
Investment in TFCs	5,836,219	5,836,219	-	-	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	9,631,538	-	-	-	9,631,538
Accrued interest	41,139,793	-	-	-	41,139,793
Balance with bank and cash in hand	34,841,922	32,684,355	-	-	2,157,567
Total	557,626,023	453,348,332	12,942,646	-	91,335,045
Financial liabilities					
Short term borrowings	37,398,225	37,398,225	-	-	-
Short term deposit	7,700,000	7,700,000	-	-	-
Unclaimed dividends	2,094,583	-	-	-	2,094,583
Accrued interest	170,877	-	-	-	170,877
Other liabilities	25,230,646	-	-	-	25,230,646
Total	72,594,331	45,098,225	-	-	27,496,106
Total interest rate sensitivity gap		408,250,107	12,942,646	-	63,838,939
Cumulative interest rate sensitivity gap		408,250,107	421,192,753	421,192,753	

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

39.2 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.

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

39.4 Financial instruments by category

	2018	2017
	----- Rupees -----	
Financial assets		
Available for sale carried at fair value		
Investments	37,714,036	31,431,328
Investment in shares of PSX	21,752,072	35,906,147
Held to maturity carried at amortized cost		
Market treasury bills	25,000,000	-
Loans and receivables carried at amortized cost		
Long term advances	2,500,000	2,500,000
Deposits and other receivables	3,022,977	9,631,538
Accrued interest	2,658,841	41,139,793
Bank balances	19,663,073	34,841,922
	<u>112,310,999</u>	<u>155,450,728</u>
Financial liabilities		
Financial liabilities carried at amortized cost		
Subordinated loan	180,000,000	-
Short term borrowings	2,759,096	37,398,225
Short term deposits	-	7,700,000
Unclaimed dividend	2,094,583	2,094,583
Accrued interest	7,429,663	170,877
Other liabilities	11,176,691	25,230,646
	<u>203,460,033</u>	<u>72,594,331</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 Group 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, 2018, the Group held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- 'Rupees' -----			
Available for sale				
Term Finance Certificates (TFCs)	-	-	5,836,219	5,836,219
Investment in shares of PSX	21,752,072	-	-	21,752,072
Short term investments	31,877,817	-	-	31,877,817

As at December 31, 2017, the Group held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- 'Rupees' -----			
Available for sale				
Term Finance Certificates (TFCs)	-	-	5,836,219	5,836,219
Investment in shares of PSX	35,906,147	-	-	35,906,147
Short term investments	-	-	-	-

Valuation techniques

For level 3 investments - investment in respect of term finance certificates, the Holding Company has received Telecard Limited sukus 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 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 Holding 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.

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 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 unconsolidated financial statements, are as follows:

Transactions During the year

Nature of Transaction	Nature of Relation	Basis of Relation	2018 Rupees	2017 Rupees
Demand Financing made				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	44,847,260	95,300,000
Madina Electronics	Associated Undertaking	Common Director	-	30,000,000
New Delite Company Limited	Associated Undertaking	Common Director	40,505,000	68,000,000
Ary Services (Private) Limited	Associated Undertaking	Common Director	100,000,000	83,000,000
			185,352,260	276,300,000
Return on financing				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	33,994,932	26,785,107
Madina Electronics	Associated Undertaking	Common Director	4,150,956	3,393,901
New Delite Company Limited	Associated Undertaking	Common Director	18,628,831	15,950,407
Ary Services (Private) Limited	Associated Undertaking	Common Director	8,083,742	1,714,675
			64,858,461	47,844,090
Repayment of demand finance by companies				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	8,500,000	64,584,717
Madina Electronics	Associated Undertaking	Common Director	-	8,400,000
New Delite Company Limited	Associated Undertaking	Common Director	-	6,236,566
Ary Services (Private) Limited	Associated Undertaking	Common Director	24,556,120	6,072,581
			33,056,120	85,293,864
Markup included in principal				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	29,521,115	-
Madina Electronics	Associated Undertaking	Common Director	6,642,230	-
New Delite Company Limited	Associated Undertaking	Common Director	13,403,300	-
Ary Services (Private) Limited	Associated Undertaking	Common Director	5,861,042	-
			55,427,687	-
Adjustment / Repayment of demand finance after SECP inspection				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	37,839,160	-
Madina Electronics	Associated Undertaking	Common Director	4,686,047	-
New Delite Company Limited	Associated Undertaking	Common Director	20,435,010	-
			62,960,217	-
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	-
			180,000,000	-
Office building purchased				
Ary Communication (Private) Limited	Associated Undertaking	Common Director	32,000,000	-
Office rent paid				
Ary Communication (Private) Limited	Associated Undertaking	Common Director	1,096,200	1,096,200

Nature of Transaction	Nature of Relation	Basis of Relation	2018 Rupees	2017 Rupees
Murabaha finance provided				
Zafar M Sheikh	Chief Executive	Directorship	-	2,742,500
Long term financing recovery				
Murabaha financing				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	2,431,104	2,217,804
New Delite Company Limited	Associated Undertaking	Common Director	1,758,911	2,521,511
Zafar M Sheikh	Chief Executive	Directorship	2,291,544	450,956
			6,481,559	5,190,271
Lease financing				
New Delite Company Limited	Associated Undertaking	Common Director	5,565,922	4,760,078
Loans and advances				
Car loan				
Zafar M Sheikh	Chief Executive	Directorship	5,307,000	-
Advance against expenses				
Sheikh Abdullah	Director	Directorship	150,000	-
			427,905	-
Recovery against car loan				
Zafar M Sheikh	Chief Executive	Directorship	461,901	-
Recovery against advance for expenses				
Repayment of short term deposit				
New Delite Company Limited	Associated Undertaking	Common Director	7,700,000	-
Repayment of other liabilities				
Other				
Contribution to staff provident fund	Employee Fund		398,049	445,572
Guarantee commission income				
Madina Electronics	Associated Undertaking	Common Director	442,393	539,631
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	27,398	91,000
ARY Films & TV Production	Associated Undertaking	Common Director	40,952	55,505
			510,743	686,136
Balances as at the year end				
Long term investments				
Long term financing				
Murabaha financing				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	472,590	2,903,694
New Delite Company Limited	Associated Undertaking	Common Director	1,049,220	2,808,131
Zafar M Sheikh	Chief Executive	Directorship	-	2,291,544
Lease financing				
New Delite Company Limited	Associated Undertaking	Common Director	5,847,955	11,413,877
Short term financing				
H.M Esmail & Co. Limited	Associated Undertaking	Common Director	264,852,344	236,823,129
Madina Electronics	Associated Undertaking	Common Director	32,791,140	30,834,957
New Delite Company Limited	Associated Undertaking	Common Director	143,002,459	109,529,169
Ary Services (Private) Limited	Associated Undertaking	Common Director	106,292,962	24,988,040
			546,938,905	402,175,295
Loans and advances				
Car loan				
Zafar M Sheikh	Chief Executive	Directorship	4,845,099	-

Nature of Transaction	Nature of Relation	Basis of Relation	2018 Rupees	2017 Rupees
Advance against expenses				
Sheikh Abdullah	Director	Directorship	<u>150,000</u>	<u>-</u>
Subordinate loan				
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>180,000,000</u>	<u>-</u>
Short term deposits				
New Delite Company Limited	Associated Undertaking	Common Director	<u>-</u>	<u>7,700,000</u>
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>7,429,663</u>	<u>-</u>

43 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors on 26 March 2019.

44 STAFF STRENGTH

Number of employees at end of the year
Average number of employees during the year

2018	2017
<u>15</u>	<u>16</u>
<u>16</u>	<u>16</u>

45 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

SHAKEEL AHMED
CFO

ZAFAR M. SHEIKH
CHIEF EXECUTIVE

HAJI JAN MOHAMMAD
CHAIRMAN/DIRECTOR

PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2018

Number of shareholders	Shareholding		Total number of shares held	Percentage %
	From	To		
812	1	100	30,273	0.059
480	101	500	116,903	0.227
225	501	1000	181,265	0.352
457	1001	5000	776,001	1.509
53	5001	10000	377,412	0.734
18	10001	15000	222,299	0.432
1	15001	20000	18,367	0.036
10	20001	25000	233,790	0.455
4	25001	30000	116,100	0.226
2	30001	35000	63,122	0.123
2	40001	45000	85,602	0.166
1	45001	50000	45,172	0.088
5	50001	55000	264,754	0.515
2	65001	70000	133,998	0.261
1	120001	125000	124,500	0.242
3	160001	165000	487,440	0.948
1	170001	175000	171,500	0.333
1	205001	210000	208,236	0.405
2	230001	235000	466,758	0.907
1	300001	305000	301,680	0.587
1	375001	380000	375,463	0.730
1	420001	425000	422,500	0.821
1	430001	435000	431,500	0.839
1	490001	495000	495,000	0.962
1	585001	590000	585,572	1.139
1	705001	710000	706,977	1.375
1	915001	920000	917,841	1.785
1	925001	930000	926,234	1.801
1	1085001	1090000	1,089,900	2.119
1	1110001	1115000	1,114,392	2.167
1	1150001	1155000	1,150,500	2.237
1	1160001	1165000	1,160,500	2.256
1	1175001	1180000	1,178,581	2.291
1	1470001	1475000	1,475,000	2.868
1	1515001	1520000	1,517,198	2.950
1	1570001	1575000	1,573,550	3.059
1	1760001	1765000	1,761,447	3.425
1	1825001	1830000	1,825,050	3.548
2	2225001	2230000	4,453,120	8.658
1	2230001	2235000	2,232,482	4.341
1	2795001	2800000	2,796,114	5.436
1	2920001	2925000	2,923,849	5.685
1	3650001	3655000	3,650,100	7.097
1	4945001	4950000	4,945,316	9.615
1	7300001	7305000	7,300,200	14.193
2,107			51,433,558	100

Categories of shareholders	Number of shareholder	Shares held	Shares held %
INDIVIDUALS	2063	46,518,320	90
INVESTMENT COMPANIES	4	2,029	0
INSURANCE COMPANIES	2	375,693	1
JOINT STOCK COMPANIES	27	2,533,807	5
FINANCIAL INSTITUTIONS	5	5,079	0
EMPLOYEE PROVIDENT FUND	1	235,000	0
MODARABA COMPANIES	1	889	0
CHARITABLE TRUST	1	30,000	0
MUTUAL FUND	1	1,517,198	3
OTHERS	1	208,236	0
EMPLOYEES BENEVOLENT FUND	1	7,307	0
	2,107	51,433,558	100

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

Row Labels	Shares held
1) Individual	14,704,348
Individual	14,704,348
2) Investment companies except ICP	2,029
Investment companies except ICP	2,029
3) Public / Private Sector Companies and Corporations	2,533,807
Public / Private Sector Companies and Corporations	2,533,807
4) Directors, Chief Executive Officer and their spouse and minor children	1,524,790
Haji Jan Muhammad	1,221
Karim Muhammad Munir	500
Mohammad Shoaib	1,111
Muhammad Mehboob	2,760
Shaikh Abdullah	1,000
Sheikh Asim Rafiq (NIT) National Bank of Pakistan, Trustee Department	1,517,198
ZAFAR MUHAMMAD SHAIKH	1,000
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	860,499
Banks, DFIs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Department	860,499
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 EIGHT 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 Eight Annual General Meeting of the Company to be
held on 29th April 2019 and at any adjournment thereof.

As Witness my/our hand this day of2019.

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 Eight 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.

پراکسی فارم ستائیسوی سالانہ عمومی اجلاس

میں / ہم _____ کا / کے بحیثیت ممبر (ز) سیکورٹی انویسٹمنٹ بینک لمیٹڈ اور
حامل _____ عام حصص، بمطابق فولیو نمبر / CDC Sub A/C / CDC A/C نمبر _____ مقرر کرتا / کرتے
ہیں۔ محترم / محترمہ _____ آف _____ کو اپنے / ہمارے ایماء پر کمپنی کے xx اپریل 2018 بروز پیر کو ہونے
والے 28 واں سالانہ عمومی اجلاس میں شرکت کرنے، حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور نمائندہ (پراکسی)۔

بطور گواہ آج بتاریخ _____ میرے / ہمارے دستخط ہوئے۔

پانچ روپے کے رسیدی ٹکٹ پر دستخط

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

فولیو نمبر _____

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 پراکسی نامزد کر سکتا ہے۔
- 2۔ پراکسی انسٹرومینٹ ممبر سے یا بااختیار اثرائتی سے دستخط شدہ ہونا لازمی ہے، اگر ممبر کوئی کمپنی یا کارپوریشن ہے تو اسکی Commom Seal پراکسی انسٹرومینٹ پر ہونا لازمی ہے۔
- 3۔ ہر لحاظ سے مکمل اور دستخط شدہ فارم مینٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹراز کی آفس میں موصول ہو جانا چاہیئے۔
- 4۔ CDC کا ڈسٹنٹ رکھنے والے / کارپوریٹ ادارے۔
- مزید برآں درج ذیل شرائط کو پورا کیا جائے گا۔
- (۱) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی نقول بھی دی جائیں۔
- (۲) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ مینٹنگ کے وقت دکھانا ہوگا۔
- (۳) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اثرائتی مع دستخط کے نمونے کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔

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