



SECURITY INVESTMENT BANK LIMITED



The Money Wise Bank

Half Yearly Report **2012**



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

PRESIDENT & CEO

Mr. Muhammad Saleem Rathod

AUDIT COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Muhammad Amin Khatri

COMPANY SECRETARY

Mr. Muhammad Shahzad

AUDITORS

Avais Hyder Liaquat Nauman
Chartered Accountants

TAX ADVISORS

Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISORS

Bawaney & Partners
Mr. Muhammad Tariq Qureshi

SHARE REGISTRAR

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

BANKERS

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

REGISTERED OFFICE

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

KARACHI OFFICE

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



DIRECTORS' REPORT

The directors of Security Investment Bank Limited are pleased to present the financial statement of SIBL duly reviewed by our auditors for the half year ended 30 June 2012.

The State Bank of Pakistan has reduced the discount rate from 12.00 % to 10.50% on August 10, 2012. The reduction in discount rate by 1.5% has surprised the market participants. Money market has been flexible during the period under review. Stock market has shown a mix trend during this period.

During the current period the company has an operating loss of Rs. 0.850 million. The company has been able to meet almost all the expenses out of its core business activities. The return on financing and placements has been Rs 13.7 million as against Rs. 5.2 million when compared to the same period of last year. Similarly the return on Government Securities is Rs. 26.4 million as against 22.1 million of last year due to the investment of company in Market Treasury Bills and Pakistan Investment Bonds. Consequent to increase in financing and placement activities and Investment in government securities, our financing cost has also been increased to Rs 28.65 million from 17.96 million when compared to the same period of last year. During the period under review, our company has earned capital gain of Rs 1.067 million from capital market.

The premier rating agency JCR-VIS has reaffirmed medium to long term rating of our company at "A" (single A) and short term rating at "A-2".

Following the current reduction in the State Bank's policy rate of 1.50%, our overall deficit on revaluation of Government Securities has improved by Rs. 17 million when compared with the deficit as at June 30, 2012. We expect that the recent reduction in the SBP's policy rate will generate business activities many fold and our cost of funds will significantly be reduced while our income will remain under the same orbit consequently we will be in green zone instead of red zone.

The auditors of our company have invited attention in their review report in respect of the minimum capital requirements prescribed under the Non-Banking Companies and Notified Entities Regulations, 2008. The management of your company has explained the same in detail in Note 1 to the accompanying condensed interim financial statement.

We thank our shareholders for their continued confidence and patronage. We also offer our sincere gratitude to the SECP, SBP, and other regulators for their guidance, support and cooperation. We acknowledge and appreciate the hard work put in by the staff for achieving these results.

On behalf of the Board
Haji Jan Muhammad
Chairman
Karachi
29th August 2012

**INDEPENDENT REPORT ON REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS
TO THE MEMBERS OF SECURITY INVESTMENT BANK LIMITED**



Introduction

We have reviewed the accompanying condensed interim balance sheet of security Investment Bank Limited ("the Company") as at 30th June 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (condensed interim financial information). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 30th June 2012 and June 30, 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30th June 2012.

Scope of Review

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

This condensed interim financial report of the company for the six months period ended June 30, 2012 has been prepared in accordance with the requirements of the International Accounting standard 34 Interim Financial Reporting and provisions of the directives issued under Companies Ordinance, 1984. In case where requirements differ the provisions or directives issued under the Companies Ordinance, 1984 have been followed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the half year ended June 30, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

Emphasis of matter

Without qualifying our opinion, we draw attention to note-1 to the accompanying condensed interim financial information which shows that company has not complied with the minimum equity requirements as required under Non-Banking Finance Companies and Notified Entities Regulations, 2008 (vide SRO No. 764(1)/2009 dated 2nd September 2009), which may cause SECP to take action against company that may affect its operations, however, the likelihood of such action by SECP is very low because of the reasons provided by management.

Chartered Accountants
Karachi
Dated: 29 August 2012
Engagement Partner: Adnan Zaman



CONDENSED INTERIM BALANCE SHEET As at 30 June 2012

	Note	Reviewed June 30 2012 Rupees	Audited December 31 2011 Rupees
Non-current assets			
Property, Plant and equipment	5	1,143,429	1,192,020
Stock exchange membership card - Intangible		36,750,000	36,750,000
Long term investments	6	150,943,324	150,982,900
Deferred tax asset		36,658,830	35,363,824
Current assets			
Short term financing		170,541,265	172,441,265
Short term investments	7	461,726,012	434,726,164
Loans and advances		82,041,672	79,533,141
Deposits, prepayments and other receivables		6,264,031	3,724,733
Accrued interest		16,247,950	12,145,492
Cash and bank balances	8	10,375,395	13,243,835
		<u>747,196,325</u>	<u>715,814,630</u>
		<u>972,691,908</u>	<u>940,103,374</u>
Equity and liabilities			
Share capital and reserves			
Authorised capital			
100,000,000 ordinary shares of Rs.10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital		514,335,583	514,335,583
Statutory reserves		142,156,182	142,123,865
Unappropriated loss		(155,949,056)	(156,078,323)
		500,542,709	500,381,125
Deficit on revaluation of investments-net of tax	9	(38,101,873)	(47,431,051)
Current liabilities			
Borrowings	10	385,769,796	362,984,857
Short term deposits		110,533,115	109,848,615
Accrued and other liabilities		13,948,161	14,319,828
		510,251,072	487,153,300
Contingencies	11	-	-
		<u>972,691,908</u>	<u>940,103,374</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the Half Year ended 30 June 2012



	Six Months Ended		Quarter Ended	
	Reviewed		Unaudited	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
	Rupees		Rupees	
Income				
Income on financing and placements	13,681,581	5,194,487	7,612,517	3,013,241
Return on investments	26,408,808	22,136,282	12,951,131	10,349,115
Gain on sale of shares	1,067,456	6,462,992	1,067,456	63,216
Profit on deposit with banks	189,022	185,727	189,022	185,727
Other income	599,669	633,419	432,645	470,118
	41,946,536	34,612,907	22,252,771	14,081,417
Expenditure				
Return on deposits and borrowings	28,647,679	17,963,599	14,731,991	8,800,089
Operating expenses	14,148,587	13,277,121	7,317,008	7,273,518
	42,796,266	31,240,720	22,048,999	16,073,607
Operating (Loss) / profit before tax	(849,730)	3,372,187	(203,772)	(1,992,190)
Taxation	1,011,314	793,683	502,986	950,093
Net Profit / (Loss) after tax	161,584	4,165,870	706,758	(1,042,097)
Earning per share - basic and diluted	0.03	0.81	0.14	(0.02)

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the Half Year ended 30 June 2012

	Six Months Ended		Quarter Ended	
	Reviewed		Unaudited	
	June 30	June 30	June 30	June 30
	2012	2011	2012	2011
	Rupees		Rupees	
Profit / (Loss) for the period after tax	161,584	4,165,870	706,758	(1,042,097)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	161,584	4,165,870	706,758	(1,042,097)

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONDENSED INTERIM CASH FLOW STATEMENT

For the Half Year ended 30 June 2012



	Reviewed 30 June 2012 Rupees	Reviewed 30 June 2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Operating (Loss) / profit before taxation	(849,730)	3,372,187
Adjustments for non cash and other items		
Depreciation	170,395	198,888
Gain on disposal of shares	(1,067,456)	(6,462,992)
Gain on disposal of fixed assets	(799)	(4,999)
	(897,860)	(6,269,103)
Cash flows from operating activities before working capital changes	(1,747,590)	(2,896,916)
(Increase) / Decrease in operating assets		
(Increase) / Decrease in financing and placements	(1,900,000)	24,000,000
(Increase) / Decrease in loans and advances	(168,489)	54,576
Decrease in deposits, prepayment	(2,330,609)	(778,117)
(Increase) / Decrease in accrued interest	(4,311,147)	1,279,085
	(8,710,245)	24,555,544
Increase / (Decrease) in operating liabilities		
Increase / (Decrease) in deposits	22,784,939	(5,042,885)
Increase / (Decrease) in borrowings	684,500	(53,210,771)
Increase / (Decrease) in accrued and other liabilities	(371,667)	(4,332,045)
	23,097,772	(62,585,701)
Net changes in operating assets and liabilities	14,387,527	(38,030,157)
Income tax paid	(2,381,318)	(2,887,800)
Dividend paid	(23,388)	(37,143)
	(2,404,706)	(2,924,943)
Net cash generated from / (used in) operating activities	10,235,231	(43,852,016)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale / (Purchase) of fixed assets	(66,305)	(259,059)
(Purchase)/sale of investments (shares)	8,864,985	45,378,291
Sale / (purchase) of securities	(21,902,351)	1,712,718
Net cash flow (used in) / generated from investing activities	(13,103,671)	46,831,950
Net (decrease) in cash and cash equivalents	(2,868,440)	2,979,934
Cash and cash equivalents at the beginning of the period	13,243,835	6,727,743
Cash and cash equivalents at the end of the period	10,375,395	9,707,677

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Half Year ended 30 June 2012

	Share Capital Rupees	Statutory Reserve Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at 01 January 2011	514,335,583	141,611,410	(158,128,144)	497,818,849
Net Profit upto 30 June 2011	-	-	4,165,870	4,165,870
Other comprehensive income for the period	-	-	-	-
Appropriations:				
Statutory Reserves	-	833,174	(833,174)	-
Balance as at 30 June 2011	514,335,583	142,444,584	(154,795,448)	501,984,719
Net Loss July to Dec 2011	-	-	(1,603,594)	(1,603,594)
Other comprehensive income for the period	-	-	-	-
Appropriations:				
Statutory Reserves	-	(320,719)	320,719	-
Balance as at 31 December 2011	514,335,583	142,123,865	(156,078,323)	500,381,125
Net profit for the period	-	-	161,584	161,584
Other comprehensive income for the period	-	-	-	-
Appropriations:				
Statutory Reserves	-	32,317	(32,317)	-
Balance as at 30 June 2012	514,335,583	142,156,182	(155,949,056)	500,542,709

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2012

1 Status and principal activities

Security Investment Bank Limited (SIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 23 May 1991 and started its commercial operation on 31 December 1991. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of SIBL is situated at Flat No.4, 3rd floor, AL-Baber Centre, Main Markaz, F-8, Islamabad.

SIBL is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP) as amended through SRO 1131(I)/2007 dated 21 November 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (previously this was covered under SRO 585(1)/87 dated 13 July 1987 issued by the Ministry of Finance, Government of Pakistan).

In accordance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (vide SRO No. 764(I)/2009 dated 2 September 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different capital requirements and according to which the Bank was required to increase its paid up capital to Rs 700 Million by 30 June 2012.

However, the SECP is currently reviewing the overall regulatory regime which includes minimum equity requirement for Non-Banking Financial Sector including investment banks.

In view of the fact that the regulations are in the process of been revised the management has not increased the capital for meet the present equity requirement. However, the management of the Bank is committed to meet the revised minimum capital requirement within the time frame to be allowed under regulations once these are revised.

JCR - VIS Credit Rating Company Limited has maintained the entity ratings of SIBL for medium to long-term rating of SIBL at 'A' (Single A) with negative outlook and the short-term rating at 'A-2' (A Two).

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

2 Basis of presentation

These condensed interim financial statements have been presented in accordance with the requirements of the "International Accounting Standard 34- Interim Financial Reporting" as applicable in Pakistan and are unaudited but subject to limited scope review performed by the external auditors of the Company in accordance with the requirements of the clause (xix) of the Code of Corporate Governance . These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2011. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and Listing Regulations of Stock Exchanges.

3 Accounting policies

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparation of the financial statements for the year ended 31 December 2011.

4 Estimates

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2011.

	Reviewed 30 June 2012 (Rupees)	Audited 31 December 2011 (Rupees)
5 Operating Assets		
Cost		
As at 01 January 2012	13,063,077	12,767,265
Addition / Deletion -net	66,305	295,812
As at 30 June 2012	13,129,382	13,063,077
Less Accumulated Depreciation		
As at 01 January 2012	11,871,057	11,596,072
For the period	114,896	274,985
As at 30 June 2012	11,985,953	11,871,057
	<u>1,143,429</u>	<u>1,192,020</u>
6 Long term investments		
Held to maturity		
Pakistan Investment Bonds- held to maturity	50,943,324	50,982,900
10,000,000 Ordinary shares of Rs. 10/- each SIBL Exchange Company (Private) Limited- wholly owned subsidiary	100,000,000	100,000,000
	<u>150,943,324</u>	<u>150,982,900</u>

Reviewed
30 June
2012
(Rupees)

Audited
31 December
2011
(Rupees)

7 Short term investment - Available-for-sale

Pakistan Investment Bonds	306,097,276	359,251,200
Term Finance Certificate	6,882,969	6,890,625
Quoted Shares	23,745,767	18,584,339
Market Treasury bills	125,000,000	50,000,000
	<u>461,726,012</u>	<u>434,726,164</u>

8 Cash and bank balances

With State Bank of Pakistan in Current account	62,120	49,598
With other banks in		
Current account	2,305,895	2,980,060
Deposit accounts	7,989,858	10,199,186
	10,295,753	13,179,246
Cash in hand	17,522	14,991
	<u>10,375,395</u>	<u>13,243,835</u>

9 (Deficit) on revaluation of investment

Government securities	(42,052,865)	(41,950,583)
Term finance certificates	(2,294,323)	(2,296,875)
	(44,347,188)	(44,247,458)
Related deferred tax asset	14,718,503	14,682,704
	(29,628,685)	(29,564,754)
Quoted shares	(8,473,188)	(17,866,297)
	<u>(38,101,873)</u>	<u>(47,431,051)</u>

10 Borrowings

Secured under repurchase agreements against government securities	374,673,167	352,935,341
SIBL-Provident fund	6,969,950	6,550,891
SIBL-Gratuity fund	4,126,679	3,498,625
	<u>385,769,796</u>	<u>362,984,857</u>

11 Contingencies

Guarantees issued on behalf of customers	<u>71,770,910</u>	<u>69,046,400</u>
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12 Transaction with related parties

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

	Reviewed 30 June 2012 (Rupees)	Reviewed 30 June 2011 (Rupees)
Financing		
Balance at year end		
- Associated undertakings	80,541,265	12,841,265
- Others	90,000,000	48,500,000
Transaction during the year		
- Associated undertakings		
Financing provided	28,000,000	-
Financing matured	36,300,000	-
- Others		
Financing provided	90,000,000	95,000,000
Financing matured	83,600,000	72,500,000
Return on financing		
- Associated undertakings	7,770,393	1,018,857
- Others	5,869,107	3,412,580
Short term deposits		
Balance at year end		
- Subsidiary	90,325,505	89,611,384
- Others	8,005,510	5,858,188
Transaction during the year		
- Subsidiary		
Certificates of deposits issued	546,722,868	532,027,720
certificates of deposits matured	546,056,775	531,313,197
- Others		
Certificates of deposits issued	14,308,010	19,217,244
certificates of deposits matured	12,691,811	25,255,586
Return on deposits		
- Subsidiary	360,554	3,536,518
- Others	235,928	345,065
Un funded guarantee		
- Associated undertakings	14,267,910	13,731,500
- Others	57,503,000	59,701,389
Contribution to Staff retirement benefit plan	284,114	237,870

13 Date of authorisation

These financial statements were authorised for issue by the Board of Directors on August 29, 2012.

14 General

Figures have been rounded off to the nearest rupee.

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2012**



INDEPENDENT REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE MEMBERS OF SECURITY INVESTMENT BANK LIMITED

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Security Investment Bank Limited ("the Company") as at 30th June 2012 and the related condensed consolidated interim profit and loss account, condensed consolidated interim cash flow statement, condensed consolidated interim statement of comprehensive income and condensed consolidated interim statement of changes in equity for the half year then ended (condensed consolidated interim financial information). Management of holding company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. The reported figures of the condensed consolidated interim profit and loss account for the quarter ended : 30th June 2012 and comparative figures of quarter ended 30th June 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30th June 2012.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

This condensed interim financial report of the company for the six months period ended 30th June 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of the directives issued under Companies Ordinance, 1984. In case where requirements differ the provisions of or directives issued under the, Companies Ordinance, 1984 have been followed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at and for the half year ended 30th June 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

Emphasis of matter

Without qualifying our opinion, we draw attention to;

- note 1.1 to the accompanying condensed consolidated interim financial information which explains the reasons for not meeting minimum equity requirement by the Holding Company in accordance with the requirements of Non-Banking Finance Companies and Notified Entity Regulations, 2008 (vide SRO No. 764(1)/2009 dated 2 September 2009); and
- note 1.2 to the condensed consolidated interim financial information which indicates that the Subsidiary is not meeting capital requirement as per Foreign Exchange regulation Act 1947. However, Company has requested SBP for extension up to September 30, 2012, which is pending with SBP.

Chartered Accountants
Karachi
Dated: 29 August 2012

Engagement Partner: Adnan Zaman

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET As at 30 June 2012



	Note	Reviewed 30 June 2012 Rupees	Audited 31 December 2011 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,621,712	1,748,597
Stock exchange membership card - Intangible		36,750,000	36,750,000
Long term Investments	7	50,943,324	50,982,900
Deferred tax asset		36,658,830	35,363,824
CURRENT ASSETS			
Short term financing		170,541,265	172,441,265
Short term Investments	8	461,726,012	459,726,164
Loans and advances		83,666,281	77,253,805
Deposits, prepayments and other receivables		6,279,536	5,356,530
Accrued interest		16,247,950	12,145,492
Tax due from government		1,881,255	2,269,821
Cash and bank balances	9	36,135,566	14,179,789
		776,477,865	743,372,866
		902,451,731	868,218,187
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
100,000,000 ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital		514,335,583	514,335,583
Stationary reserves		142,156,182	142,123,865
Unappropriated loss		(137,612,887)	(138,436,574)
		518,878,878	518,022,874
Deficit on revaluation of investments - net of tax 10		(38,101,873)	(47,431,051)
CURRENT LIABILITIES			
Borrowings	11	385,769,796	362,984,857
Short term deposits		20,207,610	20,189,203
Accrued and other liabilities		15,697,320	14,452,304
		421,674,726	397,626,364
Contingencies and commitments	12	-	-
		902,451,731	868,218,187

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN



CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT For the Half Year ended 30 June 2012

	Six Months Ended		Quarter Ended	
	Reviewed		Unaudited	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
	Rupees		Rupees	
INCOME				
Income on financing and placements	13,681,581	5,194,487	7,612,517	3,013,241
Return on Investments	26,504,166	23,695,095	12,951,131	11,139,094
Gain on sale of shares	1,067,456	6,462,992	1,067,456	63,216
Profit on deposit with banks	189,022	185,727	189,022	185,727
Other income	565,021	633,419	397,997	470,118
	42,007,246	36,171,720	22,218,123	14,871,396
EXPENDITURE				
Return on deposits and borrowings	25,117,902	14,543,928	12,999,470	7,096,130
Operating expenses	16,531,558	15,126,681	8,433,788	8,316,224
	41,649,460	29,670,609	21,433,258	15,412,354
Operating Profit / (Loss)	357,786	6,501,111	784,865	(540,958)
Taxation	498,218	(414,892)	68,448	328,710
NET PROFIT / (LOSS) AFTER TAXATION	856,004	6,086,219	853,313	(212,248)
EARNINGS PER SHARE- BASIC AND DILUTED	0.017	0.118	0.017	(0.004)

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the Half Year ended 30 June 2012



	Six Months Ended Reviewed		Quarter Ended Un-audited	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
	Rupees		Rupees	
Profit / (Loss) for the period after tax	856,004	6,086,219	853,313	(212,248)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	856,004	6,086,219	853,313	(212,248)

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN



CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the Half Year ended 30 June 2012

	Reviewed 30 June 2012 Rupees	Reviewed 30 June 2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before taxation	357,786	6,501,111
Adjustment for non cash and other items		
Depreciation	468,370	359,297
Amortization of software and deferred cost	(9,486)	69,998
Gain on disposal of shares	(1,067,456)	(6,462,992)
Gain on disposal of fixed assets	(799)	(4,999)
	(609,371)	(6,038,696)
Cash flows from operating activities before working capital changes	(251,585)	462,415
(Increase) / Decrease in operating assets		
(Increase) / Decrease in financing and placements	1,900,000	24,000,000
(Increase) / Decrease in advances, deposits, prepayment and other receivables	(7,360,538)	619,007
	(5,460,538)	24,619,007
(Decrease) / Increase in operating liabilities		
Increase / (Decrease) in deposits	18,407	(5,757,408)
Increase / (Decrease) in borrowings	22,784,939	(53,210,771)
Increase / (Decrease) in accrued and other liabilities	2,936,022	(3,676,132)
	25,739,368	(62,644,311)
Net changes in operating assets and liabilities	20,278,830	(38,025,304)
Income tax paid	(4,196,853)	(5,307,450)
Dividend paid	(23,388)	(37,143)
	(4,220,241)	(5,344,593)
Net cash used in operating activities	15,807,004	(42,907,482)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) / sale of fixed assets - net	(301,610)	(319,060)
(Purchase) / sale of investments (shares)	8,864,985	45,378,291
(Purchase) / sale of securities	(2,414,602)	1,712,718
Net cash used in generated from / (used in) investing activities	6,148,773	46,771,949
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net increase / (decrease) in cash and cash equivalents	21,955,777	3,864,467
Cash and cash equivalents at the beginning of the period	14,179,789	7,664,111
Cash and cash equivalents at the end of the period	36,135,566	11,528,578

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

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY For the Half Year ended 30 June 2012



	Share Capital	Statutory Reserve	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2011	514,335,583	141,611,410	(144,017,547)	511,929,446
Net profit upto 30 June 2011	-	-	6,086,219	6,086,219
Other comprehensive income for the period	-	-	-	-
Transfer to Statutory reserve	-	833,174	(833,174)	-
Balance as at 30 June 2011	514,335,583	142,444,584	(138,764,502)	518,015,665
Net profit July to December, 2011	-	-	7,209	7,209
Other comprehensive income for the period	-	-	-	-
Transfer to Statutory reserve	-	(320,719)	320,719	-
Balance as at 31 December 2011	514,335,583	142,123,865	(138,436,574)	518,022,874
Net profit for the period	-	-	856,004	856,004
Other comprehensive income for the period	-	-	-	-
Transfer to Statutory reserve	-	32,317	(32,317)	-
Balance as at 30 June 2012	514,335,583	142,156,182	(137,612,887)	518,878,878

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

CONDENSED CONSOLIDATED INTERIM NOTES TO THE FINANCIAL STATEMENTS For the half year ended 30 June 2012

1. LEGAL STATUS AND OPERATION

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

SIBL ("the company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 23 May 1991 and started its commercial operation on 31 December 1991. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of SIBL is situated at Flat No.4, 3rd floor, AL-Baber Centre, Main Markaz, F-8, Islamabad. SIBL is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP) as amended through SRO 1131(I)/2007 dated November 21, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (previously this was covered under SRO 585(1)/87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan).

In accordance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (vide SRO No. 764(I) / 2009 dated 2 September 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different capital requirements and according to which the Bank was required to increase its paid up capital to Rs 700 Million by 30 June 2012,

However, the SECP is currently reviewing the overall regulatory regime which includes minimum equity requirement for Non-Banking Financial Sector including investment banks.

In view of the fact that the regulations are in the process of been revised the management has not increased the capital for meet the present equity requirement. However, the management of the Bank is committed to meet the revised minimum capital requirement within the time frame to be allowed under regulations once these are revised.



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

The Subsidiary was required to increase its paid up capital upto Rs.200 million within three years of its incorporation as required under the provision of SBP's Foreign Exchange Circular-9 dated July 30, 2002, However, due to SECP's capital requirement on the parent Company, M/S Security Investment Bank Limited (SIBL), SIBL is not in a position to inject funds in the the subsidiary. During the year the Subsidiary has requested SBP to grant further relaxation upto September 30, 2012, which is pending with State Bank of Pakistan. Management of the Subsidiary is confident that SBP will grant extension upto September 30, 2012

2. BASIS OF PRESENTATION

These condensed interim financial statements have been presented in accordance with the requirements of the "International Accounting Standard 34- Interim Financial Reporting" as applicable in Pakistan and are unaudited but subject to limited scope review performed by the external auditors of the Company in accordance with the requirements of the clause (XXI) of the Code of Corporate Governance. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2011. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparation of the financial statements for the year ended December 31, 2011.

4. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2011.

5. BASIS OF CONSOLIDATION

The Consolidated financial statements include the Financial Statements of Parent Company (Security Investment Bank Limited) and a wholly owned Subsidiary Company (SIBL Exchange Company (Private) Limited). The Financial Statements of Subsidiary are included in the consolidated financial statements from the date of its incorporation. The financial statements of subsidiary has been consolidated on a line by line basis. All intercompany balance, transactions and resulting profit/(losses) have been eliminated.

	Reviewed 30 June 2012 Rupees	Audited 31 December 2011 Rupees
6. Property, plant and equipment		
Cost		
As at January 01, 2012	15,389,410	15,033,598
Additions / (deletions) - net	301,610	512,126
As at June 30, 2012	15,691,020	15,545,724
Less: Accumulated depreciation		
As at January 01, 2012	13,656,437	13,221,044
For the period	468,370	653,230
Adjustment for the period	(55,499)	(77,147)
As at June 30, 2012	14,069,308	13,797,127
	1,621,712	1,748,597
7. Long term investments		
Held to maturity		
Pakistan investment bonds	50,943,324	50,982,900
	<u>50,943,324</u>	<u>50,982,900</u>
8. Short term investments		
Available-for-sale		
Pakistan Investment Bonds	306,097,276	359,251,200
Term Finance Certificate	6,882,969	6,890,625
Quoted Shares	23,745,767	18,584,339
Treasury Bills	125,000,000	75,000,000
	<u>461,726,012</u>	<u>459,726,164</u>
9. Cash and bank balances		
With State Bank of Pakistan in current account	25,371,170	518,898
With other banks in current account deposit account	2,502,938 8,004,390 10,507,328	3,202,412 10,199,186 13,401,598
Cash in hand	257,068	259,293
	<u>36,135,566</u>	<u>14,179,789</u>
10. Deficit on revaluation of investment - net of tax		
Government securities	(42,052,865)	(41,950,583)
Term finance certificates	(2,294,323)	(2,296,875)
	(44,347,188)	(44,247,458)
Related deferred tax asset	14,718,503	14,682,704
	(29,628,685)	(29,564,754)
Quoted shares	(8,473,188)	(17,866,297)
	<u>(38,101,873)</u>	<u>(47,431,051)</u>
11. Borrowings		
Secured under repurchase agreements against government securities	374,673,167	352,935,341
SIBL-Provident fund	6,969,950	6,550,891
SIBL-Gratuity fund	4,126,679	3,498,625
	<u>385,769,796</u>	<u>362,984,857</u>
12. Contingencies and commitments		
Contingencies		
Guarantees issued on behalf of customers	71,770,910	69,046,400

- 12.1** Other receivables includes an amount of Rs. 1.624 million due from insurance company against claim filed for the loss of cash due to armed robbery outside the office premises in June 2009. The Company filed FIR against the robbery. The police investigated the matter and submitted an investigation report to judicial Magistrate, who accepted the report and concluded in his order that the robbery did not take place. The Company has successfully taken the stay against the order of Judicial Magistrate and the appeal is pending before the Honorable High Court of Sindh. The management and its legal advisor are confident that the matter will be decided in favour of the company, therefore no provision has been made in these financial statements against the receivables.

Commitments

There were no commitment as at the balance sheet date.

13. SEGMENT INFORMATION

The group's activities are broadly categorized into two primary business segments namely Investment Banking activities and Exchange Company activities within Pakistan. Investment Banking Activities includes all those activities carried out by SIBL and Exchange Companies Activities includes all those activities carried out by SIBLE.

	30/June/2012		
	Investment Banking Activities	Exchange Company Activities	Total
Return on financing and placements	13,681,581	-	13,681,581
Return on securities	26,408,808	95,358	26,504,166
Gain on sale of investments	1,067,456	-	1,067,456
Profit on deposits with banks	189,022	-	189,022
Other income	599,669	(34,648)	565,021
Total income for reportable segments	41,946,536	60,710	42,007,246
Return on deposits and borrowings	25,117,902	-	25,117,902
Administrative and Operating expenses	14,148,587	2,382,971	16,531,558
Segment result	2,680,047	(2,322,261)	357,786
Loss before taxation	2,680,047	(2,322,261)	357,786
Segment Assets	872,691,908	29,759,824	902,451,732
Segment Liabilities and Equities	882,005,849	20,445,883	902,451,732
	30/June/2011		
	Investment Banking Activities	Exchange Company Activities	Total
Return on financing and placements	5,194,487	-	5,194,487
Return on securities	22,136,282	1,558,813	25,695,095
Gain on sale of investments	6,462,992	-	6,462,992
Profit on deposits with banks	185,727	-	185,727
Other income	633,419	-	633,419
Total income for reportable segments	34,612,907	1,558,813	36,171,720
Return on deposits and borrowings	14,543,928	-	14,543,928
Administrative and Operating expenses	13,348,934	1,777,747	15,126,681
Segment result	6,720,045	(218,934)	6,501,111
Loss before taxation	6,720,045	(218,934)	6,501,111
Segment Assets	668,414,262	31,307,788	699,722,050
Segment Liabilities and Equities	580,673,727	119,048,323	699,722,050

14. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors on August 29, 2012.

15. GENERAL

Figures have been rounded off to the nearest rupee.

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN



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