



# SECURITY INVESTMENT BANK LIMITED

The Money Wise Bank  
Half Yearly Report **2013**

Security Investment Bank Ltd  
The Money Wise Bank  
**Half Yearly**  
**REPORT 2013**



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Saleem Rathod

## AUDIT COMMITTEE

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

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Amin Khatri

## COMPANY SECRETARY

Mr. Muhammad Shahzad

## AUDITORS

Muniff Ziauddin & Company  
Chartered Accountants

## TAX ADVISORS

Anjum Asim Shahid Rahmani  
Chartered Accountants

## LEGAL ADVISORS

Bawaney & Partners  
Muhammad Tariq Qureshi

## SHARE REGISTRAR

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

## BANKERS

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

## REGISTERED OFFICE

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

## KARACHI OFFICE

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

The directors of Security Investment Bank Limited (the Company) are pleased to present the financial statements of the Company duly reviewed by the auditors for the half year ended 30 June 2013.

The State Bank of Pakistan has reduced the discount rate to 9.00 % from 9.50% during the period under review which has a positive impact on the cost of borrowing of the Company. However, the commercial banks continued their policy of not lending of clean funds to the Non-Banking Finance Companies which restricts the supply of funds to the Company needed to expand its operations.

The KSE 100 Index has reached to 21,006 points on 30 June 2013 from 18,045 points on 31 March 2013. However, the Company has maintained its cautious approach due to non-availability of funds as described above and the volatility in the stock market.

The company has an operating profit of Rs. 3.819 million and net profit of Rs. 3.280 million for the half year ended 30 June 2013 as compared to operating loss of Rs.0.850 million and net profit of Rs. 0.162 million for the half year ended 30 June 2012. Expenses have reduced by Rs. 4.994 million for the period ended 30 June 2013 when compared to the same period of last year due to the reduction in borrowing and its allied cost.

The JCR-VIS Credit Rating Company Limited has reaffirmed medium to long term rating of the Company at "A" (single A) and short term rating at "A-2".

In the Annual General Meeting of the Company held on 29 April 2013, auditors' of the Company M/s Avais Haider Liaquat Nauman, Chartered Accountant retired and in their place M/s Muniff Ziauddin & Co., Chartered Accountants have been appointed as the auditors of the Company.

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

The Company would continue its policy of doing business vigilantly considering the business environment. We hope that after implementation of the recommendations of the NBF Sector Reforms Committee, constituted by the Securities and Exchange Commission of Pakistan, the Company would be in a better position to serve and add value for its all stakeholders.

The board of directors of the Company would like to thank shareholders for their patronage, the SECP, SBP, Karachi Stock Exchange Limited and other regulators for their cooperation. The board of directors would also like to acknowledge and appreciate the efforts of staff of the Company.

On behalf of the Board

Haji Jan Muhammad  
Chairman  
Karachi  
28th August 2013

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

Security Investment Bank Ltd  
The Money Wise Bank  
**Half Yearly**  
**REPORT 2013**

### **Introduction**

**We have reviewed the accompanying condensed interim balance sheet of SECURITY INVESTMENT BANK LIMITED** ("the Company") as at June 30, 2013, 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 together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information') for the half year then ended June 30, 2013. The Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

The figures for the quarters ended June 30, 2013 and June 30, 2012 in the condensed Interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we are required to review only the cumulative figures for the half year ended June 30, 2013.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410. "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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.

### **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, 2013 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 statements which shows that the Company is not meeting the minimum capital requirement under Non Banking Finance Companies and Notified Entities regulations 2008. However, NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for compliance with the enhanced minimum equity requirement of Rs. 600 million may be extended till June 30, 2016.

### **Other matter**

The condensed interim financial information and financial statements of the Company for the half year ended June 30, 2012 and for the year ended December 31, 2012, were reviewed / audited by another firm of Chartered Accountants, whose reports dated August 29, 2012 and March 28, 2013 respectively, expressed an unqualified conclusion /opinion thereon.

Chartered Accountants  
Karachi

Dated: August 28, 2013

Engagement Partner: Moin Khan

## CONDENSED INTERIM BALANCE SHEET As at 30 June 2013

	Note	Reviewed June 30 2013 Rupees	Audited December 31 2012 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	1,030,956	1,051,882
Membership card		750,000	750,000
Long term investments	6	186,864,172	186,903,748
Deferred tax asset - net		24,896,651	29,065,625
<b>CURRENT ASSETS</b>			
Short term financing		121,583,598	145,266,169
Short term investments	7	475,753,121	482,436,968
Loans and advances		85,396,430	84,195,196
Deposits, prepayments and other receivables		7,074,947	5,407,133
Accrued interest		18,191,250	19,873,833
Cash and bank balances	8	4,047,498	9,749,494
		<b>712,046,844</b>	<b>746,928,793</b>
		<b>925,588,623</b>	<b>964,700,048</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>AUTHORISED CAPITAL</b>			
100,000,000 ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital		514,335,580	514,335,580
Statutory reserves		143,338,127	142,682,050
Unappropriated loss		(151,221,270)	(153,845,579)
		506,452,437	503,172,051
Deficit on revaluation of investments-net of tax	9	(8,165,273)	(17,707,987)
<b>CURRENT LIABILITIES</b>			
Borrowings	10	307,266,931	360,368,326
Short term deposits		113,786,155	112,047,664
Accrued and other liabilities		6,248,373	6,819,994
		427,301,459	479,235,984
Contingencies and commitments	11		
		<b>925,588,623</b>	<b>964,700,048</b>

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 2013

Security Investment Bank Ltd  
The Money Wise Bank  
**Half Yearly**  
**REPORT** 2013

	Six Months Ended		Quarter Ended	
	Reviewed		Unaudited	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
	Rupees		Rupees	
<b>Income</b>				
Income on financing and placements	10,805,589	13,681,581	5,159,889	7,612,517
Return on investments	26,161,324	26,408,808	13,016,314	12,951,131
Gain on sale of shares	4,098,417	1,067,456	2,511,320	1,067,456
Profit on deposit with banks	21,035	189,022	11,375	189,022
Other income	534,659	599,669	308,854	432,645
	<b>41,621,024</b>	41,946,536	<b>21,007,752</b>	22,252,771
<b>Expenditure</b>				
Return on deposits and borrowings	<b>21,721,237</b>	28,647,679	<b>10,727,148</b>	14,731,991
Operating expenses	<b>16,080,823</b>	14,148,587	<b>8,897,733</b>	7,317,008
	<b>37,802,060</b>	42,796,266	<b>19,624,881</b>	22,048,999
Operating profit / (Loss) before tax	<b>3,818,964</b>	(849,730)	<b>1,382,871</b>	203,772
Taxation	<b>(538,578)</b>	1,011,314	<b>236,779</b>	502,986
Net profit after tax	<b>3,280,386</b>	161,584	<b>1,619,650</b>	706,758
<b>Earning per share - basic and diluted</b>	<b>0.064</b>	0.003	<b>0.031</b>	0.014

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 2013**

	Six Months Ended		Quarter Ended	
	Reviewed		Unaudited	
	June 30	June 30	June 30	June 30
	2013	2012	2013	2012
	Rupees		Rupees	
<b>Profit for the period after tax</b>	<b>3,280,386</b>	<b>161,584</b>	<b>1,619,650</b>	<b>706,758</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>3,280,386</b>	<b>161,584</b>	<b>1,619,650</b>	<b>706,758</b>

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 2013

Security Investment Bank Ltd  
The Money Wise Bank  
**Half Yearly**  
**REPORT 2013**

	Reviewed 30 June 2013 Rupees	Reviewed 30 June 2012 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating profit / (loss) before taxation	3,818,964	(849,730)
<b>Adjustments for non-cash and other items</b>		
Depreciation	192,904	170,395
Gain on disposal of shares	(4,098,417)	(1,067,456)
Loss on disposal of fixed assets	1,922	(799)
	(3,903,591)	(897,860)
<b>Cash flows from operating activities before working capital changes</b>	<b>(84,627)</b>	<b>(1,747,590)</b>
<b>(Increase) / Decrease in operating assets</b>		
Financing and placements	23,682,571	(1,900,000)
Loans and advances	566,158	(168,489)
Deposits, prepayment	(1,667,814)	(2,330,609)
Accrued interest	1,682,583	(4,311,147)
	24,263,498	(8,710,245)
<b>Increase / (Decrease) in operating liabilities</b>		
Deposits	1,738,491	22,784,939
Borrowings	(53,101,395)	684,500
Accrued and other liabilities	(571,621)	(371,667)
	(51,934,525)	23,097,772
Net changes in operating assets and liabilities	(27,671,027)	14,387,527
Income tax paid	(2,174,579)	(2,381,318)
Dividend paid	-	(23,388)
	(2,174,579)	(2,404,706)
<b>Net cash (used in) / generated from operating activities</b>	<b>(29,930,233)</b>	<b>10,235,231</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets - net	(142,147)	(66,305)
Sale of investments (shares)	22,646,626	8,864,985
Sale / (purchase) of securities	1,723,758	(21,902,351)
<b>Net cash generated from/ (used in) investing activities</b>	<b>24,228,237</b>	<b>(13,103,671)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	-	-
Net decrease in cash and cash equivalents	(5,701,996)	(2,868,440)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>9,749,494</b>	<b>13,243,835</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,047,498</b>	<b>10,375,395</b>

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 2013

	Share Capital	Statutory Reserve	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2012	514,335,583	142,123,865	(156,078,323)	500,381,125
Total comprehensive income for the period	-	-	161,584	161,584
Appropriations:				
Statutory Reserves	-	32,317	(32,317)	-
<b>Balance as at 30 June 2012</b>	<b>514,335,583</b>	<b>142,156,182</b>	<b>(155,949,056)</b>	<b>500,542,709</b>
Total comprehensive income for the period July 01, 2012 to December 31, 2012			2,629,342	2,629,342
Adjustment	(3)		3	-
Appropriations:				
Statutory Reserves	-	525,868	(525,868)	-
<b>Balance as at 31 December 2012</b>	<b>514,335,580</b>	<b>142,682,050</b>	<b>(153,845,579)</b>	<b>503,172,051</b>
Transfer to statutory reserve	-	-	-	-
Total comprehensive income for the period	-	-	3,280,386	3,280,386
Appropriations:				
Statutory Reserves	-	656,077	(656,077)	-
<b>Balance as at 30 June 2013</b>	<b>514,335,580</b>	<b>143,338,127</b>	<b>(151,221,270)</b>	<b>506,452,437</b>

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 2013

**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. The management of the Bank is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

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

JCR - VIS Credit Rating Company Limited has reaffirmed 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 condensed interim financial statements are the separate financial statements of the Company. In addition to these condensed interim financial statements, consolidated condensed interim financial statements of the Company and its subsidiary M/s. SIBL Exchange Company (Private) 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 (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 31 December 2012. 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 2012.

## 4 Estimates

The preparation of condensed interim financial statements requires management to make judgments, 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 judgments 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 2012.

	Reviewed 30 June 2013 (Rupees)	Audited 31 December 2012 (Rupees)
<b>5 Operating Assets</b>		
<b>Cost</b>		
As at 01 January 2013	11,905,140	13,063,077
Addition / Deletion -net	142,147	(1,157,937)
As at 30 June 2013	12,047,287	11,905,140
<b>Less Accumulated Depreciation</b>		
As at 01 January 2013	10,853,258	11,871,057
For the period	163,073	(1,017,799)
As at 30 June 2013	11,016,331	10,853,258
	<u>1,030,956</u>	<u>1,051,882</u>
<b>6 Long term investments</b>		
<b>Subsidiary company</b>		
SIBL Exchange Company (Private) Limited		
10,000,000 Ordinary shares of Rs. 10/- each (wholly owned subsidiary)	6.1 100,000,000	100,000,000
Pakistan investment bonds - held to maturity	50,864,172	50,903,748
Karachi Stock Exchange Limited (4,007,383 Ordinary shares of Rs. 10/- each)	36,000,000	36,000,000
	<u>186,864,172</u>	<u>186,903,748</u>

- 6.1 State Bank of Pakistan has revoked the license of SIBL Exchange Company (Private) Ltd from October 01, 2012, through letter dated January 8, 2013, for non-compliance of minimum capital requirement. Board of Directors of SIBL Exchange Company (Private) Ltd is has decided to voluntary windup the company . There is no need for impairment as the net book value of the investment is higher than the cost of investment.

	<b>Reviewed 30 June 2013 (Rupees)</b>	<b>Audited 31 December 2012 (Rupees)</b>
<b>7 Short term investment - Available-for-sale</b>		
Pakistan investment bonds	<b>342,540,528</b>	330,919,152
Market treasury bills	<b>121,058,814</b>	115,787,498
Term finance certificate	<b>6,882,969</b>	6,882,969
Quoted shares	<b>5,270,810</b>	28,847,349
	<b><u>475,753,121</u></b>	<b><u>482,436,968</u></b>
<b>8 Cash and bank balances</b>		
With State Bank of Pakistan in current account	<b>179,317</b>	149,312
With other banks in		
Current account	<b>2,425,207</b>	2,635,833
Deposit accounts	<b>1,408,251</b>	6,959,285
	<b>3,833,458</b>	9,595,118
Cash in hand	<b>34,723</b>	5,064
	<b><u>4,047,498</u></b>	<b><u>9,749,494</u></b>
<b>9 Deficit on revaluation of investment</b>		
Government securities	<b>(8,321,524)</b>	(19,857,472)
Term finance certificates	<b>(2,294,323)</b>	(2,294,323)
	<b>(10,615,847)</b>	(22,151,795)
Related deferred tax asset	<b>2,912,533</b>	6,950,115
	<b>(7,703,314)</b>	(15,201,680)
Quoted shares	<b>(461,959)</b>	(2,506,307)
	<b>(8,165,273)</b>	(17,707,987)
<b>10 Borrowings</b>		
Secured under repurchase agreements against government securities	<b>307,266,931</b>	360,368,326
<b>11 Contingencies and commitments</b>		
Guarantees issued on behalf of customers	<b>75,513,000</b>	78,000,910

## 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;

	<b>Reviewed 30 June 2013 (Rupees)</b>	Reviewed 30 June 2012 (Rupees)
<b>Financing</b>		
Balance at year end		
- Associated undertakings	22,350,000	80,541,265
- Others	99,233,598	90,000,000
<b>Return on financing</b>		
- Associated undertakings	3,894,552	7,770,393
- Others	6,927,597	5,869,107
<b>Short term deposits</b>		
Balance at year end		
- Subsidiary	93,148,197	90,325,505
- Others	8,971,374	8,005,510
<b>Return on deposits</b>		
- Subsidiary	2,971,360	360,554
- Others	333,605	235,928
<b>Un funded Guarantee</b>		
- Associated undertakings	20,410,000	14,267,910
- Others	55,103,000	57,503,000
<b>Contribution to staff retirement benefit plan</b>	<b>345,600</b>	<b>284,114</b>

## 13 Date of authorization

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

## 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 2013**

## **Introduction**

We have reviewed the accompanying condensed consolidated interim balance sheet of **SECURITY INVESTMENT BANK LIMITED** ("the Company") as at June 30, 2013, and the related condensed consolidated interim profit and loss account, condensed consolidated interim statement of comprehensive income, condensed consolidated interim cash flow statement and condensed consolidated interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'condensed consolidated interim financial information'), for the half year ended June 30, 2013. The Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

The figures for the quarters ended June 30, 2013 and June 30, 2012 in the condensed consolidated interim profit and loss account and condensed consolidated interim statement of comprehensive income have not been reviewed and we are required to review only the cumulative figures for the half year ended June 30, 2013:

## **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim financial Information Performed by the Independent Auditor of the Entity". A review of 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 all 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.

## **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 June 30, 2013 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 towards note 1 to the accompanying condensed consolidated interim financial statements which show that the Company is not meeting the minimum capital requirement under Non Banking Finance Companies and Notified Entities regulations 2008. However, NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for compliance with the enhanced minimum equity requirement of Rs. 600 million may be extended till June 30, 2016.

## **Other matter**

The condensed consolidated interim financial statements and financial statements of the Company for the half year ended June 30, 2012 and for the year ended December 31, 2012, were reviewed / audited by another firm of Chartered Accountants, whose reports dated August 29, 2012 and March 28, 2013 respectively, expressed an unqualified conclusion / opinion thereon.

Chartered Accountants  
Karachi  
Dated: August 28, 2013

Engagement Partner: Moin Khan

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET As at 30 June 2013

Security Investment Bank Ltd  
The Money Wise Bank  
**Half Yearly**  
**REPORT 2013**

	Note	Reviewed 30 June 2013 Rupees	Audited 31 December 2012 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	1,325,172	1,496,250
Membership card		750,000	750,000
Long term investments	7	86,864,172	86,903,748
Deferred tax asset - net		24,896,651	29,065,625
<b>CURRENT ASSETS</b>			
Short term financing		121,583,598	145,266,169
Short term investments	8	475,753,121	482,436,968
Loans and advances		86,691,595	86,663,246
Deposits, prepayments and other receivables		7,090,452	7,039,993
Accrued interest		18,191,250	19,873,833
Cash and bank balances	9	29,830,196	35,530,059
		739,140,212	776,810,268
		852,976,207	895,025,891
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>AUTHORISED CAPITAL</b>			
100,000,000 ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital		514,335,580	514,335,580
Statutory reserves		143,338,127	142,682,050
Unappropriated loss		(131,869,525)	(134,738,441)
		525,804,182	522,279,189
Deficit on revaluation of investments-net of tax	10	(8,165,273)	(17,707,987)
<b>CURRENT LIABILITIES</b>			
Borrowings	11	307,266,931	360,368,326
Short term deposits		20,637,958	20,312,676
Accrued and other liabilities		7,432,409	9,773,687
		335,337,298	390,454,689
Contingencies and commitments	12	852,976,207	895,025,891

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim 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 2013

	Six Months Ended		Quarter Ended	
	Reviewed		Unaudited	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
	Rupees		Rupees	
<b>Income</b>				
Income on financing and placements	<b>10,805,589</b>	13,681,581	<b>5,159,889</b>	7,612,517
Return on investments	<b>26,161,324</b>	26,504,166	<b>13,016,314</b>	12,951,131
Gain on sale of shares	<b>4,098,417</b>	1,067,456	<b>2,511,320</b>	1,067,456
Profit on deposit with banks	<b>21,035</b>	189,022	<b>11,375</b>	189,022
Other income	<b>537,293</b>	565,021	<b>311,488</b>	397,997
	<b>41,623,658</b>	42,007,246	<b>21,010,386</b>	22,218,123
<b>Expenditure</b>				
Return on deposits and borrowings	<b>18,493,573</b>	25,117,902	<b>8,970,377</b>	12,999,470
Operating expenses	<b>18,963,999</b>	16,531,558	<b>11,224,674</b>	8,433,788
	<b>37,457,572</b>	41,649,460	<b>20,195,051</b>	21,433,258
Operating profit before tax	<b>4,166,086</b>	357,786	<b>815,335</b>	784,865
Taxation	<b>(641,093)</b>	498,218	<b>(30,857)</b>	68,448
Net profit after tax	<b>3,524,993</b>	856,004	<b>784,478</b>	853,313
<b>Earning per share - basic and diluted</b>	<b>0.069</b>	0.017	<b>0.015</b>	0.017

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME**  
For the Half Year ended 30 June 2013

Security Investment Bank Ltd  
The Money Wise Bank  
**Half Yearly** 2013  
**REPORT**

	Six Months Ended Reviewed		Quarter Ended Un-audited	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
	Rupees		Rupees	
<b>Profit for the period after tax</b>	<b>3,524,993</b>	856,004	<b>784,478</b>	853,313
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>3,524,993</b>	856,004	<b>784,478</b>	853,313

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

MUHAMMAD SALEEM RATHOD  
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD  
CHAIRMAN

**CONDENSED CONSOLIDATED INTERIM  
CASH FLOW STATEMENT**  
For the Half Year ended 30 June 2013

	Reviewed	Reviewed
	30 June 2013 Rupees	30 June 2012 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating profit / (loss) before taxation	4,166,086	357,786
<b>Adjustments for non-cash and other items</b>		
Depreciation	192,904	468,370
Amortization of software and deferred cost	-	(9,486)
Gain on disposal of shares	(4,098,417)	(1,067,456)
Loss on disposal of fixed assets	1,922	(799)
	<b>(3,903,591)</b>	<b>(609,371)</b>
<b>Cash flows from operating activities before working capital changes</b>	<b>262,495</b>	<b>(251,585)</b>
<b>(Increase) / Decrease in operating assets</b>		
Financing and placements	23,682,571	1,900,000
Loans and advances, deposits, prepayment and other receivables	2,198,285	(7,360,538)
	<b>25,880,856</b>	<b>(5,460,538)</b>
<b>Increase / (Decrease) in operating liabilities</b>		
Deposits	325,282	18,407
Borrowings	(53,101,395)	22,784,939
Accrued and other liabilities	(802,444)	2,936,022
	<b>(53,578,557)</b>	<b>25,739,368</b>
Net changes in operating assets and liabilities	<b>(27,697,701)</b>	<b>20,278,830</b>
Income tax paid	(2,492,894)	(4,196,853)
Dividend paid	-	(23,388)
	<b>(2,492,894)</b>	<b>(4,220,241)</b>
<b>Net cash (used in) / generated from operating activities</b>	<b>(29,928,100)</b>	<b>15,807,004</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets - net	(142,147)	(301,610)
Sale of investments (shares)	22,646,626	8,864,985
Sale / (purchase) of securities	1,723,758	(2,414,602)
<b>Net cash generated from/ (used in) investing activities</b>	<b>24,228,237</b>	<b>6,148,773</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	-	-
Net decrease in cash and cash equivalents	(5,699,863)	21,955,777
<b>Cash and cash equivalents at the beginning of the period</b>	<b>35,530,059</b>	<b>14,179,789</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>29,830,196</b>	<b>36,135,566</b>

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim 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 2013

Security Investment Bank Ltd  
The Money Wise Bank  
**Half Yearly**  
**REPORT 2013**

	Share Capital	Statutory Reserve	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2012	514,335,583	142,123,865	(138,436,574)	518,022,874
Total comprehensive income for the period	-	-	856,004	856,004
Appropriations:				
Statutory Reserves	-	32,317	(32,317)	-
<b>Balance as at 30 June 2012</b>	<b>514,335,583</b>	<b>142,156,182</b>	<b>(137,612,887)</b>	<b>518,878,878</b>
Total comprehensive income for the period				
July 01, 2012 to December 31, 2012	-	-	3,400,311	3,400,311
Adjustment	(3)		3	-
Appropriations:				
Statutory Reserves	-	525,868	(525,868)	-
<b>Balance as at 31 December 2012</b>	<b>514,335,580</b>	<b>142,682,050</b>	<b>(134,738,441)</b>	<b>522,279,189</b>
Transfer to statutory reserve	-	-	-	-
Total comprehensive income for the period	-	-	3,524,993	3,524,993
Appropriations:				
Statutory Reserves	-	656,077	(656,077)	-
<b>Balance as at 30 June 2013</b>	<b>514,335,580</b>	<b>143,338,127</b>	<b>(131,869,525)</b>	<b>525,804,182</b>

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM NOTES TO THE FINANCIAL STATEMENTS For the half year ended 30 June 2013

### 1 Status and principal activities

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 (SIBLX).

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. The management of the Bank is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

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

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

State Bank of Pakistan has revoked the license of SIBL Exchange Company (Private) Limited from October 01, 2012, through letter dated January 8, 2013, for non-compliance of minimum capital requirements. The carrying value of assets and liabilities of the company as at June 30, 2013 is equivalent to the net realizable value.

## **2 Basis of presentation**

These condensed consolidated 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 31 December 2012. Further, these condensed consolidated interim financial statements 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 condensed consolidated interim financial statements are the same as those applied in preparation of the consolidated financial statements for the year ended 31 December 2012.

## **4 Estimates**

The preparation of condensed consolidated interim financial statements requires management to make judgments, 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 judgments 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 2012."

## **5 Basis of consolidation**

These condensed consolidated interim financial statements include the condensed interim financial statements of Parent Company (Security Investment Bank Limited) and a wholly owned Subsidiary Company (SIBL Exchange Company (Private) Limited). The condensed interim financial statements of Subsidiary are included in the condensed consolidated interim financial statements from the date of its incorporation. The condensed consolidated interim 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 2013 Rupees	Audited 31 December 2012 Rupees
<b>6 Operating Assets</b>		
<b>Cost</b>		
As at 01 January 2013	14,466,778	15,545,724
Addition / Deletion -net	142,147	(1,078,946)
As at 30 June 2013	14,608,925	14,466,778
<b>Less Accumulated Depreciation</b>		
As at 01 January 2013	12,970,528	13,797,127
For the period	163,346	542,389
Adjustment for the period	149,879	(1,368,988)
As at 30 June 2013	13,283,753	12,970,528
	<u>1,325,172</u>	<u>1,496,250</u>
<b>7 Long term investments</b>		
Pakistan investment bonds - held to maturity	50,864,172	50,903,748
Karachi Stock Exchange Limited (4,007,383 Ordinary shares of Rs. 10/- each)	36,000,000	36,000,000
	<u>86,864,172</u>	<u>86,903,748</u>
<b>8 Short term investment - Available-for-sale</b>		
Pakistan investment bonds	342,540,528	330,919,152
Market treasury bills	121,058,814	115,787,498
Term finance certificate	6,882,969	6,882,969
Quoted shares	5,270,810	28,847,349
	<u>475,753,121</u>	<u>482,436,968</u>
<b>9 Cash and bank balances</b>		
With State Bank of Pakistan in current account	25,488,367	25,458,362
With other banks in		
Current account	2,622,250	2,847,742
Deposit accounts	1,423,376	6,959,285
	4,045,626	9,807,027
Cash in hand	296,203	264,670
	<u>29,830,196</u>	<u>35,530,059</u>
<b>10 Deficit on revaluation of investment</b>		
Government securities	(8,321,524)	(19,857,472)
Term finance certificates	(2,294,323)	(2,294,323)
	(10,615,847)	(22,151,795)
Related deferred tax asset	2,912,533	6,950,115
	(7,703,314)	(15,201,680)
Quoted shares	(461,959)	(2,506,307)
	<u>(8,165,273)</u>	<u>(17,707,987)</u>
<b>11 Borrowings</b>		
Secured under repurchase agreements against government securities	307,266,931	360,368,326
<b>12 Contingencies and commitments</b>		
<b>Contingencies</b>		
12.1 Guarantees issued on behalf of customers	75,513,000	78,000,910

### 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.

	June 30, 2013		
	Investment Banking Activities	Exchange Company Activities	Total
Return on financing and placements	10,805,589	-	10,805,589
Return on securities	26,161,324	-	26,161,324
Gain on sale of investments	4,098,417	-	4,098,417
Profit on deposits with banks	21,035	-	21,035
Other income	534,659	2,634	537,293
<b>Total income for reportable segments</b>	<b>41,621,024</b>	<b>2,634</b>	<b>41,623,658</b>
Return on deposits and borrowings	18,493,573	-	18,493,573
Administrative and Operating expenses	16,080,823	2,883,176	18,963,999
<b>Segment result</b>	<b>7,046,628</b>	<b>(2,880,542)</b>	<b>4,166,086</b>
<b>Loss before taxation</b>	<b>7,046,628</b>	<b>(2,880,542)</b>	<b>4,166,086</b>
<b>Segment Assets</b>	<b>825,588,623</b>	<b>27,387,584</b>	<b>852,976,207</b>
<b>Segment Liabilities and Equities</b>	<b>832,357,485</b>	<b>20,618,722</b>	<b>852,976,207</b>

  

	June 30, 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
<b>Total income for reportable segments</b>	<b>41,946,536</b>	<b>60,710</b>	<b>42,007,246</b>
Return on deposits and borrowings	25,117,902	-	25,117,902
Administrative and Operating expenses	14,148,587	2,382,971	16,531,558
<b>Segment result</b>	<b>2,680,047</b>	<b>(2,322,261)</b>	<b>357,786</b>
<b>Loss before taxation</b>	<b>2,680,047</b>	<b>(2,322,261)</b>	<b>357,786</b>
<b>Segment Assets</b>	<b>872,691,908</b>	<b>29,759,824</b>	<b>902,451,732</b>
<b>Segment Liabilities and Equities</b>	<b>882,005,849</b>	<b>20,445,883</b>	<b>902,451,732</b>

**14 Date of authorization**

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

**15 General**

Figures have been rounded off to the nearest rupee.

MUHAMMAD SALEEM RATHOD  
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD  
CHAIRMAN





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