



SECURITY INVESTMENT BANK LIMITED

**Half Yearly Report
June 30, 2014**

The Money Wise Bank

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 REMUNIRATION 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 & Co.
Chartered Accountants

TAX ADVISORS

Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISORS

Bawaney & Partners
Muhammad Tariq Qureshi

SHARE REGISTRAR

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

BANKERS

Habib Metropolitan Bank Limited.
Al-Baraka 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

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

DIRECTORS' REPORT

The directors of Security Investment Bank Limited (the Company) are pleased to present the financial statement of the Company duly reviewed by the auditors for the half year ended 30 June 2014.

During the period under review the State Bank of Pakistan has maintained the discount rate at 10%. The KSE-100 index has increased from 25,261 points as of 31 December 2013 to 29,652 points as of 30 June 2014.

The Company's operating income before taxes for the half year ended 30 June 2014 was Rs. 23 million as compared to Rs. 3.819 million of the corresponding half year ended 30 June 2013. The Company's net profit after taxes stood at Rs. 18.970 million for the current period as compared to Rs. 3.280 million of the corresponding period of last year. This increase is mainly attributed to dividend income from the wholly owned subsidiary i.e. SIBL Exchange Company (Private) Limited which is under members' voluntary winding up.

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

Regarding, review report of the auditors of the Company wherein they have invited attention in respect of the minimum capital requirements prescribed under the Non-Banking Finance Companies and Notified Entities Regulations, 2008, we would like to appraise that the same has been explained in detail in Note 1 to the accompanying condensed interim financial statements.

We would inform that Mr Muhammad Saleem Rathod has tendered his resignation as President and Chief Executive Officer of the Company with effect from 31 August 2014 after serving the Company around two decades. The Board of Directors in its meeting held on 27 August 2014 has accepted the resignation of Mr Rathod and in his place have appointed Mr Muhammad Mehboob, Director of the Company as Acting President and Chief Executive Officer.

We would like to acknowledge and thank our shareholders for their continued confidence and patronage. The Board would also like to thank the SECP, SBP and other regulators for their guidance and cooperation. We would also like to acknowledge and appreciate the staff for their dedication.

On behalf of the Board

Haji Jan Muhammad
(Chairman)

Karachi, 27 August 2014

AUDITOR'S REPORT TO MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **SECURITY INVESTMENT BANK LIMITED** ("the Bank") as at June 30, 2014, 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, 2014. 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, 2014 and June 30, 2013 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, 2014.

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, 2014 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

We draw attention to note 1 to the accompanying condensed interim financial statements which shows that the Bank 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. Our conclusion is not qualified in respect of this matter.

Chartered Accountants
Karachi
Dated: August 27, 2014
Engagement Partner: Muhammad Moin Khan

CONDENSED INTERIM BALANCE SHEET AS AT 30 JUNE 2014

		June 30 2014 (Un-audited)	December 31 2013 (Audited)
	Note	<----- Rupees ----->	
Non-current assets			
Property, plant and equipment	5	986,055	1,207,931
Intangible assets		10,568,182	10,568,182
Long term investments	6	76,966,838	77,006,414
Deferred tax asset - net		30,669,583	32,389,507
Current assets			
Short term financing		180,000,000	125,500,000
Short term investments	7	336,046,803	430,858,059
Loans and advances		87,353,698	87,714,046
Deposits, prepayments and other receivables		6,637,741	5,504,828
Accrued interest		16,911,191	13,758,446
Cash and bank balances	8	5,226,774	8,619,929
		632,176,207	671,955,308
		751,366,865	793,127,342
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		514,335,580	514,335,580
Statutory reserves		147,174,747	143,380,640
Accumulated loss		(136,028,325)	(151,204,755)
		525,482,002	506,511,465
Deficit on revaluation of investments - net of tax	9	(21,330,330)	(23,767,322)
Current liabilities			
Borrowings	10	218,150,000	176,766,009
Short term deposits		21,189,636	124,614,217
Accrued and other liabilities		7,875,557	9,002,973
		247,215,193	310,383,199
Contingencies and commitments	11	751,366,865	793,127,342

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

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014**

	Six Months Ended		Quarter Ended	
	June 30 2014	June 30 2013	June 30 2014	June 30 2013
←----- Rupees -----→				
Income				
Income on financing and placements	11,196,011	10,805,589	6,511,617	5,159,889
Return on investments	41,929,872	26,161,324	10,366,094	13,016,314
Gain on sale of shares	93,535	4,098,417	-	2,511,320
Profit on deposit with banks	151,074	21,035	132,850	11,375
Other income	197,037	534,659	174,137	308,854
	53,567,529	41,621,024	17,184,698	21,007,752
Expenditure				
Return on deposits and borrowings	11,978,697	21,721,237	6,074,421	10,727,148
Operating expenses	18,408,532	16,080,823	10,110,255	8,897,733
	30,387,229	37,802,060	16,184,676	19,624,881
Operating profit before tax	23,180,300	3,818,964	1,000,022	1,382,871
Taxation	(4,209,763)	(538,578)	(1,393,369)	236,779
Net profit after tax	18,970,537	3,280,386	(393,347)	1,619,650
Earning per share - basic and diluted	0.369	0.064	(0.008)	0.031

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

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014**

	Six Month Ended		Quarter Ended	
	June 30 2014	June 30 2013	June 30 2014	June 30 2013
	←----- Rupees ----->			
Profit for the period after tax	18,970,537	3,280,386	(393,347)	1,619,650
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>18,970,537</u>	<u>3,280,386</u>	<u>(393,347)</u>	<u>1,619,650</u>

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

**CONDENSED INTERIM CASH FLOW STATEMENT
(UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014**

	Half year ended June 30,	
	2014	2013
	←----- Rupees -----→	
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit before taxation	23,180,300	3,818,964
Adjustments for non-cash and other items		
Depreciation	221,876	192,904
Gain on disposal of shares	(93,535)	(4,098,417)
Loss on disposal of fixed assets	-	1,922
	128,341	(3,903,591)
Cash flows from operating activities before working capital changes	23,308,641	(84,627)
(Increase) / Decrease in operating assets		
(Increase) / Decrease in financing and placements	(54,500,000)	23,682,571
Decrease in loans and advances	107,746	566,158
Increase in deposits, prepayment and other receivables	(1,132,913)	(1,667,814)
(Increase) / Decrease in accrued interest	(3,152,745)	1,682,583
	(58,677,912)	24,263,498
Increase / (Decrease) in operating liabilities		
(Decrease) / Increase in short term deposits	(103,424,581)	1,738,491
(Increase) / Decrease in borrowings	41,383,991	(53,101,395)
Decrease in accrued and other liabilities	(1,127,416)	(571,621)
	(63,168,006)	(51,934,525)
Net changes in operating assets and liabilities	(121,845,918)	(27,671,027)
Income tax paid	(2,958,485)	(2,174,579)
Net cash used in operating activities	(101,495,762)	(29,930,233)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets - net	-	(142,147)
Disposal proceeds from wholly owned subsidiary	95,000,000	-
Sale of investments (shares)	2,369,239	22,646,626
Sale of securities	733,367	1,723,758
Net cash generated from investing activities	98,102,607	24,228,237
CASH FLOW FROM FINANCING ACTIVITIES		
Net decrease in cash and cash equivalents	(3,393,155)	(5,701,996)
Cash and cash equivalents at the beginning of the period	8,619,929	9,749,494
Cash and cash equivalents at the end of the period	5,226,774	4,047,498

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

	Share capital	Statutory reserve	Accumulated loss	Total
	←----- Rupees -----→			
Balance as at 01 January 2013	514,335,580	142,682,050	(153,999,114)	503,018,516
Total comprehensive income for the period	-	-	3,280,386	3,280,386
Appropriations:				
Statutory reserves	-	656,077	(656,077)	-
Balance as at 30 June 2013	514,335,580	143,338,127	(151,374,805)	506,298,902
Total comprehensive income for the period	-	-	212,563	212,563
Appropriations:				
Statutory reserves	-	42,513	(42,513)	-
Balance as at 31 December 2013	514,335,580	143,380,640	(151,204,755)	506,511,465
Total comprehensive income for the period	-	-	18,970,537	18,970,537
Appropriations:				
Statutory reserves	-	3,794,107	(3,794,107)	-
Balance as at 30 June 2014	514,335,580	146,174,747	(136,028,325)	525,482,002

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

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2014

1 Status and principal activities

Security Investment Bank Limited (SIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Bank 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 requirement of Non-Banking Finance Companies and Notified Entities Regulations 2008 (vide SRO No. 764(I)/ 2009 dated September 02, 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the Bank is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

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

JCR - VIS Credit Rating Company Limited has reaffirmed 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 condensed interim financial statements are the separate financial statements of the Bank. In addition to these condensed interim financial statements, consolidated condensed interim financial statements of the Bank 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 Bank 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 Bank for the year ended 31 December 2013. 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 2013.

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 Bank'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 2013.

5 Operating Assets

Cost

As at January 01

Addition / Deletion -net

As at June 30

Less: Accumulated Depreciation

As at January 01

For the period / year

As at June 30

June 30, December 31,
2014 2013
(Un-audited) (Audited)
----- Rupees ----->

12,395,908	11,905,140
-	490,768
12,395,908	12,395,908
11,187,977	10,853,258
221,876	334,719
11,409,853	11,187,977
986,055	1,207,931

6 Long term investments

Held to maturity

Pakistan Investment Bonds

Available for sale

Karachi Stock Exchange Limited

50,785,020	50,824,596
26,181,818	26,181,818
76,966,838	77,006,414

7 Short term investment

Subsidiary company

SIBL Exchange Company (Private) Limited
500,000 (2013:10,000,000) Ordinary shares 7.1
of Rs. 10/- each (wholly owned subsidiary)

Available for sale

Pakistan Investment Bonds

Term Finance Certificates

Quoted shares

5,000,000	100,000,000
319,629,226	318,480,976
6,304,912	6,865,348
5,112,665	5,511,735
336,046,803	430,858,059

7.1 State Bank of Pakistan has revoked the license of SIBL Exchange Company (Private) Limited (the Company) from October 01, 2012, through letter dated January 8, 2013 for inability to meet the Minimum Capital Requirement. Therefore, Company is being wound-up voluntarily and the winding up is in final stage of completion. During the current period, the Liquidator of the Company, with the approval in the meetings of contributories, returned substantial portion of capital upto Rs. 95 million and paid dividend at the rate of 21% (i.e. Rs. 2.10 per share of the Company) to the Bank. The breakup value of the remaining investment in subsidiary is Rs. 5.157 million. There is no need for impairment as the book value of the investment is higher than the cost of investment.

	June 30, 2014 (Un-audited)	December 31, 2013 (Audited)
	<----- Rupees ----->	
8 Cash and bank balances		
With State Bank of Pakistan in current account	197,003	156,619
With other banks in		
Current account	2,486,884	5,935,113
Deposit accounts	2,529,711	2,517,286
	5,016,595	8,452,399
Cash in hand	13,176	10,911
	5,226,774	8,619,929
9 Deficit on revaluation of investment - net of tax		
Government securities	(31,403,682)	(32,466,504)
Term Finance Certificates	(1,945,463)	(2,118,394)
	(33,349,145)	(34,584,898)
Related deferred tax asset	10,363,215	11,038,611
	(22,985,930)	(23,546,287)
Quoted shares	1,655,600	(221,035)
	(21,330,330)	(23,767,322)
10 Borrowings		
Secured under repurchase agreements against government securities	218,150,000	176,766,009
11 Contingencies and commitments		
Guarantees issued on behalf of customers	66,530,150	68,733,000
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 shareholder and their close family members, key management personnel and retirement benefit funds. The Bank has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates. Transactions with related parties during the year, other than Director's remuneration, are as follows;		
Financing		
Balance at year end		
- Associated undertakings	180,000,000	125,500,000

	June 30, 2014 (Un-audited)	December 31, 2013 (Audited)
	<----- Rupees ----->	
Short term deposits		
Balance at year end		
- Subsidiary	-	94,497,943
- Associated undertakings	<u>8,620,809</u>	<u>5,739,342</u>
- Others	<u>2,897,168</u>	<u>16,355,273</u>
Un funded Guarantee		
- Associated undertakings	<u>16,530,150</u>	<u>18,733,000</u>
- Others	<u>50,000,000</u>	<u>50,000,000</u>
Half year ended June 30,		
	2014	2013
	<----- Rupees ----->	
Return on financing		
- Associated undertakings	<u>11,175,605</u>	<u>3,894,552</u>
- Others	<u>-</u>	<u>6,927,597</u>
Return on deposits		
- Subsidiary	<u>747,606</u>	<u>2,971,360</u>
- Associated undertakings	<u>422,570</u>	<u>-</u>
- Others	<u>87,439</u>	<u>333,605</u>
Contribution to staff retirement benefit plan		
	<u>349,940</u>	<u>345,600</u>

13 Date of authorisation

These condensed interim financial statements were authorised for issue by the Board of Directors on 27 August 2014.

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 2014**

AUDITOR'S REPORT TO MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim consolidated balance sheet of **SECURITY INVESTMENT BANK LIMITED** ("the Bank") as at June 30, 2014, and the related condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated cash flow statement and condensed interim consolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'condensed interim consolidated financial information'), for the half year then ended June 30, 2014. The Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

The figures for the quarters ended June 30, 2014 and June 30, 2013 in the condensed interim consolidated profit and loss account and condensed interim consolidated 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, 2014.

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 consolidated financial information as at and for half year ended June 30, 2014 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

We draw attention to note 1 to the accompanying condensed interim financial statements which shows that the Bank 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. Our conclusion is not qualified in respect of this matter.

Chartered Accountants
Karachi
Dated: August 27, 2014
Engagement Partner: Muhammad Moin Khan

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
(UNAUDITED)
AS AT 30 JUNE 2014

		June 30 2014 (Un-audited)	December 31 2013 (Audited)
	Note	<----- Rupees ----->	
Non-current assets			
Property, plant and equipment	6	986,055	1,207,931
Intangible assets		10,568,182	10,568,182
Long term investments	7	76,966,838	77,006,414
Deferred tax asset - net		30,669,583	32,389,507
Current assets			
Short term financing		180,000,000	125,500,000
Short term investments	8	331,046,803	330,858,059
Loans and advances		87,353,698	88,467,607
Deposits, prepayments and other receivables		6,637,741	5,403,096
Accrued interest		16,911,191	13,758,446
Cash and bank balances	9	10,383,835	34,272,402
		<u>632,333,268</u>	<u>598,259,610</u>
		<u>751,523,926</u>	<u>719,431,644</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		514,335,580	514,335,580
Statutory reserves		147,174,747	143,380,640
Accumulated loss		(135,871,264)	(130,177,536)
		525,639,063	527,538,684
Deficit on revaluation of investments - net of tax	10	(21,330,330)	(23,767,322)
Current liabilities			
Borrowings	11	218,150,000	176,766,009
Short term deposits		21,189,636	30,116,274
Accrued and other liabilities		7,875,557	8,777,999
		247,215,193	215,660,283
Contingencies and commitments	12	<u>751,523,926</u>	<u>719,431,644</u>

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

**CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT
(UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014**

	Six Months Ended		Quarter Ended	
	June 30 2014	June 30 2013	June 30 2014	June 30 2013
←----- Rupees -----→				
Income				
Income on financing and placements	11,196,011	10,805,589	6,511,617	5,159,889
Return on investments	20,929,872	26,161,324	10,366,094	13,016,314
Gain on sale of shares	93,535	4,098,417	-	2,511,320
Profit on deposit with banks	151,074	21,035	132,850	11,375
Other income	197,907	537,293	174,137	311,488
	32,568,399	41,623,658	17,184,698	21,010,386
Expenditure				
Return on deposits and borrowings	9,870,785	18,493,573	6,074,421	8,970,377
Operating expenses	19,029,637	18,963,999	10,110,255	11,224,674
	28,900,422	37,457,572	16,184,676	20,195,051
Operating profit before tax	3,667,977	4,166,086	1,000,022	815,335
Taxation	(5,567,598)	(641,093)	(1,393,369)	(30,857)
Net (loss) / profit after tax	(1,899,621)	3,524,993	(393,347)	784,478
Loss / earning per share - basic and diluted	(0.037)	0.069	(0.008)	0.015

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014**

	Six Month Ended		Quarter Ended	
	June 30 2014	June 30 2013	June 30 2014	June 30 2013
	←----- <i>Rupees</i> -----→			
(Loss) / profit for the period after tax	(1,899,621)	3,524,993	(393,347)	784,478
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(1,899,621)</u>	<u>3,524,993</u>	<u>(393,347)</u>	<u>784,478</u>

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

**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT
(UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014**

	Half year ended June 30,	
	2014	2013
	←----- Rupees ----->	
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit before taxation	(3,667,977)	4,166,086
Adjustments for non-cash and other items		
Depreciation	221,876	192,904
Gain on disposal of shares	(93,535)	(4,098,417)
Loss on disposal of fixed assets	-	1,922
	128,341	(3,903,591)
Cash flows from operating activities before working capital changes	(3,796,318)	262,495
(Increase) / Decrease in operating assets		
(Increase) / Decrease in financing and placements	(54,500,000)	23,682,571
(Increase) / Decrease in loans and advances	(433,858)	566,161
Decrease in deposits, prepayment and other receivables	(1,234,645)	(50,459)
(increase) / Decrease in accrued interest	(3,152,745)	1,682,583
	(59,321,248)	25,880,856
Increase / (Decrease) in operating liabilities		
(Decrease) / Increase in short term deposits	(8,926,638)	325,282
Increase / (Decrease) in borrowings	41,383,991	(53,101,395)
Decrease in accrued and other liabilities	(366,799)	(802,444)
	32,090,555	(53,578,557)
Net changes in operating assets and liabilities	(27,230,693)	(27,697,701)
Income tax paid	(3,556,798)	(2,492,894)
Net cash used in operating activities	(26,991,173)	(29,928,100)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets - net	-	(142,147)
Sale of investments (shares)	2,369,239	22,646,626
Sale of securities	733,367	1,723,758
Net cash generated from investing activities	3,102,606	24,228,237
CASH FLOW FROM FINANCING ACTIVITIES	-	-
Net decrease in cash and cash equivalents	(23,888,567)	(5,699,863)
Cash and cash equivalents at the beginning of the period	34,272,402	35,530,059
Cash and cash equivalents at the end of the period	10,383,835	29,830,196

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

	Share capital	Statutory reserve	Accumulated loss	Total
	←----- Rupees -----→			
Balance as at 01 January 2013	514,335,580	142,682,050	(134,891,976)	522,125,654
Total comprehensive income for the period	-		3,524,993	3,524,993
Appropriations:				
Statutory reserves	-	656,077	(656,077)	-
Balance as at 30 June 2013	514,335,580	143,338,127	(132,023,060)	525,650,647
Total comprehensive income for the period	-		1,888,037	1,888,037
Appropriations:				
Statutory reserves	-	42,513	(42,513)	-
Balance as at 31 December 2013	514,335,580	143,380,640	(130,177,536)	527,538,684
Total comprehensive loss for the period	-		(1,899,621)	(1,899,621)
Appropriations:				
Statutory reserves	-	3,794,107	(3,794,107)	-
Balance as at 30 June 2014	514,335,580	147,174,747	(135,871,264)	525,639,063

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

CONDENSED INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

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 (Private) Limited "SIBLE".

SIBL "the bank" is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Bank 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 the Bank is situated at Flat No.4, 3rd floor, AL-Baber Centre, Main Markaz, F-8, Islamabad. Bank 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).

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 Shope no. 2, Al-Rahim Tower, I. I. Chundrigar Road, Karachi.

State Bank of Pakistan has revoked the license of SIBL Exchange Company (Private) Limited (the Company) from October 01, 2012, through letter dated January 8, 2013 for inability to meet the Minimum Capital Requirement. Therefore, Company is being wound-up voluntarily and the winding up is in final stage of completion. During the current period, the Liquidator of the Company, with the approval in the meetings of contributories, returned substantial portion of capital upto Rs. 95 million. The value of the remaining investment in subsidiary is Rs. 5.157 million. Therefore, financial statements of subsidiary have been prepared on a basis other than going concern.

In accordance with the requirement of Non-Banking Finance Companies and Notified Entities Regulations 2008 (vide SRO No. 764(I)/ 2009 dated September 02, 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the Bank is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations. NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for compliance with the enhanced minimum equity requirement of Rs.600 million may be extended till June 30, 2016.

2 Basis of presentation

These condensed interim consolidated 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 Bank in accordance with the requirements of the clause (xxi) of the Code of Corporate Governance. These condensed interim consolidated 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 Bank for the year ended 31 December 2013. Further, these condensed interim consolidated 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 interim consolidated financial statements are the same as those applied in preparation of the consolidated financial statements for the year ended 31 December 2013.

4 Estimates

The preparation of these condensed interim consolidated financial statements require 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 Bank'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 2013.

5 Basis of consolidation

These condensed interim consolidated 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 interim consolidated financial statements from the date of its incorporation. The condensed 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.

	June 30, 2014 (Un-audited)	December 31, 2013 (Audited)
	<----- Rupees ----->	
6 Operating Assets		
Cost		
As at January 01	12,395,908	14,466,778
Addition / Deletion -net	-	(2,070,870)
As at June 30	12,395,908	12,395,908
Less: Accumulated Depreciation		
As at January 01	11,187,977	12,970,528
For the period / year	221,876	(1,782,551)
As at June 30	11,409,853	11,187,977
	986,055	1,207,931

	June 30, 2014 (Un-audited)	December 31, 2013 (Audited)
	<----- Rupees ----->	
7 Long term investments		
Pakistan Investment Bonds	50,785,020	50,824,596
Available for sale		
Karachi Stock Exchange Limited	26,181,818	26,181,818
	<u>76,966,838</u>	<u>77,006,414</u>
8 Short term investment - Available for sale		
Pakistan Investment Bonds	319,629,226	318,480,976
Term Finance Certificates	6,304,912	6,865,348
Quoted shares	5,112,665	5,511,735
	<u>331,046,803</u>	<u>330,858,059</u>
9 Cash and bank balances		
With State Bank of Pakistan in current account	197,003	25,465,669
With other banks in		
Current account	7,643,945	6,137,156
Deposit accounts	2,529,711	2,532,411
	10,173,656	8,669,567
Cash in hand	13,176	137,166
	<u>10,383,835</u>	<u>34,272,402</u>
10 Deficit on revaluation of investment - net of tax		
Government securities	(31,403,682)	(32,466,504)
Term Finance Certificates	(1,945,463)	(2,118,394)
	(33,349,145)	(34,584,898)
Related deferred tax asset	10,363,215	11,038,611
	(22,985,930)	(23,546,287)
Quoted shares	1,655,600	(221,035)
	<u>(21,330,330)</u>	<u>(23,767,322)</u>
11 Borrowings		
Secured under repurchase agreements against government securities	218,150,000	176,766,009
12 Contingencies and commitments		
Guarantees issued on behalf of customers	66,530,150	68,733,000

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 include all those activities carried out by SIBL and Exchange Companies Activities includes all those activities carried out by SIBL.

	June 30, 2014		
	Investment Banking Activities	Exchange Company Activities	Total
Income on financing and placements	11,196,011	-	11,196,011
Return on securities	20,929,872	-	20,929,872
Gain on sale of investments	93,535	-	93,535
Profit on deposit with banks	151,074	-	151,074
Other income	197,037	870	197,907
Total income for reportable segments	32,567,529	870	32,568,399
Return on deposits and borrowings	9,870,785	-	9,870,785
Administrative and operating expenses	18,408,532	621,105	19,029,637
Segment result	4,288,212	(620,235)	3,667,977
Profit / (Loss) before taxation	4,288,212	(620,235)	3,667,977
Segment Assets	751,366,865	157,061	751,523,926
Segment Liabilities and Equities	751,366,865	157,061	751,523,926
	June 30, 2013		
	Investment Banking Activities	Exchange Company Activities	Total
Income 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 deposit with banks	21,035	-	21,035
Other income	534,659	2,634	537,293
Total income for reportable segments	41,621,024	2,634	41,623,658
Return on deposits and borrowings	18,493,573	-	18,493,573
Administrative and operating expenses	16,080,823	2,883,176	18,963,999
Segment result	7,046,628	(2,880,542)	4,166,086
Profit / (Loss) before taxation	7,046,628	(2,880,542)	4,166,086
Segment Assets	825,588,623	27,387,584	852,976,207
Segment Liabilities and Equities	832,357,485	20,618,722	852,976,207

14 Date of authorisation

These condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 27 August 2014.

15 General

Figures have been rounded off to the nearest rupee.

MUHAMMAD SALEEM RATHOD
Chief Executive

HAJI JAN MUHAMMAD
Chairman



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