



SECURITY
INVESTMENT
BANK LTD.

Half Yearly Report
June 30, 2015

THE MONEY WISE BANK

CORPORATE INFORMATION

BOARD OF DIRECTORS

Haji Jan Muhammad (Chairman)
Mr. Muhammad Mahboob
Mr. Sheikh Asim Rafiq (NIT Nominee)
Mr. Shaikh Abdullah
Mr. Muhammad Shoaib
Mr. Karim Muhammad Munir
Mr. Zafar M. Sheikh

PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Hanif Yousuf

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Karim Muhammad Munir
Mr. Muhammad Hanif Yousuf
Mr. Zafar M. Sheikh

BUSINESS DEVELOPMENT COMMITTEE

Mr. Sheikh Asim Rafiq (Chairman)
Mr. Muhammad Mahboob
Mr. Muhammad Shoaib
Mr. Karim Muhammad Munir
Mr. Zafar M. Sheikh

CHIEF FINANCIAL OFFICER

Mr. Muhammad Amin Khatri

COMPANY SECRETARY

Mr. M. Shahzad

AUDITORS

Muniff Ziauddin & Co.
Chartered Accountants

TAX ADVISORS

Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISORS

Bawany & 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.
Summit Bank Limited.

REGISTERED OFFICE

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E-mail : sibl@sibl.com.pk
Website : www.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 2015.

During the first six months of 2015, the **State Bank of Pakistan** (the **SBP**) in consideration of improvements in macroeconomic indicators continued its accommodative monetary policy stand and slashed the policy rate significantly. The key factors include a sharp decline in CPI inflation, along with its benign outlook, and improvement in external account. The SBP maintained the discount rate at 7% in the monetary policy statement issued in July 2015. During the second quarter of 2015, the KSE-100 index increased from 30,234 points as of 31 March 2015 to 34,399 points as of 30 June 2015.

The Company's operating income before taxes for the half year ended 30 June 2015 was Rs. 3 million as compared to Rs. 23 million of the corresponding half year ended 30 June 2014, which included dividend income of Rs 21 million from the defunct wholly owned subsidiary i.e. SIBL Exchange Company (Private) Limited. The Company's net profit after taxes stood at Rs. 1.8 million for the current period as compared to Rs. 18.970 million of the corresponding period of last year.

JCR-VIS Credit Rating Company Limited has revised the long term entity rating of the Company from 'A-' (Single A Minus) to 'BBB+' (Triple B Plus); and maintained the short term rating 'A-2' (A-Two). The Outlook on the assigned rating is Stable.

Regarding emphasis of matter in review report of the Auditors of the Company wherein attention is invited in respect of the minimum capital requirements prescribed under the Non-Banking 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 like to inform that Mr Muhammad Mahboob has tendered his resignation as **Chief Executive Officer** (the **CEO**) of the Company with effect from day end of 20 May 2015. The Board acknowledge and appreciate the meritorious services of Mr Mahboob as CEO of the Company. The Board in place of Mr Mahboob has appointed Mr M Hanif Yousuf as a professional CEO of the Company.

The Company has explored new avenues permissible under the NBFC regulations; and it is expected that these would be materialised in the last quarter of 2015.

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

Karachi, 27 August 2015

On behalf of the Board

Sheikh Asim Rafiq
(Director)

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 investment Bank") as at June 30, 2015, 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, 2015. 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, 2015 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, 2015.

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 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, 2015 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 Investment Bank is not meeting the minimum capital requirement under Non Banking Finance Companies and Notified Entities regulations 2008. Our conclusion is not qualified in respect of this matter.

Chartered Accountants

Karachi

Dated: August 27, 2015

Engagement Partner: Muhammad Moin Khan

**CONDENSED INTERIM BALANCE SHEET
(UNAUDITED)
AS AT JUNE 30, 2015**

		June 30 2015 (Un-audited) Rupees	December 31 2014 (Audited) Rupees
Non-current assets			
Property, plant and equipment	5	9,826,731	1,061,796
Intangible assets		10,568,182	10,568,182
Long term investments	6	26,181,818	26,181,818
Deferred tax asset - net		21,945,339	23,049,304
		68,522,070	60,861,100
Current assets			
Short term financing		257,400,000	212,300,000
Short term placement		63,000,000	73,500,000
Short term investments	7	35,058,484	29,562,484
Loans and advances		93,405,073	89,925,920
Deposits, prepayments and other receivables		6,604,822	5,231,707
Accrued interest		23,221,597	19,931,945
Cash and bank balances	8	38,680,520	54,903,699
		517,370,496	485,355,755
		585,892,566	546,216,855
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		145,886,248	145,543,127
Accumulated loss		(141,182,324)	(142,554,809)
		519,039,504	517,323,898
Deficit on revaluation of investments - net of tax	9	(375,361)	(787,223)
Current liabilities			
Short term deposits		28,461,985	21,777,653
Accrued and other liabilities		38,766,438	7,902,527
		67,228,423	29,680,180
Contingencies and commitments	10	585,892,566	546,216,855

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD HANIF YOUSUF
Chief Executive

SHEIKH ASIM RAFIQ
Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
(UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015**

	Six Months Ended		Quarter Ended	
	June 30 2015 Rupees	June 30 2014 Rupees	June 30 2015 Rupees	June 30 2014 Rupees
Income				
Income on financing and placements	18,438,813	11,196,011	9,535,846	6,511,617
Return on investments	1,412,463	41,929,872	466,244	10,366,094
Gain on sale of shares	2,070	93,535	-	-
Profit on deposit with banks	247,205	151,074	142,600	132,850
Other income	1,329,892	197,037	743,203	174,137
	21,430,443	53,567,529	10,887,893	17,184,698
Expenditure				
Return on deposits and borrowings	626,596	11,978,697	395,921	6,074,421
Operating expenses	17,408,286	18,408,532	10,231,152	10,110,255
	18,034,882	30,387,229	10,627,073	16,184,676
Operating profit before tax	3,395,561	23,180,300	260,820	1,000,022
Taxation	(1,679,955)	(4,209,763)	(668,305)	(1,393,369)
Net profit / (loss) after tax	1,715,606	18,970,537	(407,485)	(393,347)
Earning per share - basic and diluted	0.033	0.369	(0.008)	(0.008)

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD HANIF YOUSUF
Chief Executive

SHEIKH ASIM RAFIQ
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015**

	Six Month Ended		Quarter Ended	
	June 30 2015	June 30 2014	June 30 2015	June 30 2014
	Rupees	Rupees	Rupees	Rupees
Profit / (loss) for the period after tax	1,715,606	18,970,537	(407,485)	(393,347)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,715,606	18,970,537	(407,485)	(393,347)

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD HANIF YOUSUF
 Chief Executive

SHEIKH ASIM RAFIQ
 Director



**CONDENSED INTERIM CASH FLOW STATEMENT
(UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015**

	Half year ended June 30,	
	2015	2014
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit before taxation	3,395,561	23,180,300
Adjustments for non-cash and other items		
Depreciation	363,528	221,876
Gain on disposal of shares	(2,070)	(93,535)
Gain on disposal of fixed assets	(38,727)	-
	322,731	128,341
Cash flows from operating activities before working capital changes	3,718,292	23,308,641
(Increase) / Decrease in operating assets		
Increase in financing	(45,100,000)	(54,500,000)
(Increase) / Decrease in loans and advances	(4,056,674)	107,746
(Increase) in deposits, prepayment and other receivables	(1,373,115)	(1,132,913)
(Increase) in accrued interest	(3,289,652)	(3,152,745)
	(53,819,441)	(58,677,912)
Increase / (Decrease) in operating liabilities		
Increase / (Decrease) in short term deposits	6,684,332	(103,424,581)
Increase in borrowings	-	41,383,991
Increase / (Decrease) in accrued and other liabilities	30,863,911	(1,127,416)
	37,548,243	(63,168,006)
Net changes in operating assets and liabilities	(16,271,198)	(121,845,918)
Income tax paid	(253,768)	(2,958,485)
Net cash used in operating activities	(12,806,674)	(101,495,762)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(9,214,736)	-
Sales proceeds from of property, plant and equipment	125,000	-
Disposal proceeds from wholly owned subsidiary	-	95,000,000
Purchase of securities	(5,000,000)	-
Sales proceeds from shares	173,231	3,102,607
Net cash generated from investing activities	(13,916,505)	98,102,607
CASH FLOW FROM FINANCING ACTIVITIES		
Net decrease in cash and cash equivalents	(26,723,179)	(3,393,155)
Cash and cash equivalents at the beginning of the period	128,403,699	8,619,929
Cash and cash equivalents at the end of the period	101,680,520	5,226,774

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD HANIF YOUSUF
Chief Executive

SHEIKH ASIM RAFIQ
Director

**CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015**

	Share capital	Statutory reserve	Accumulated loss	Total
	-----Rupees-----			
Balance as at 01 January 2014	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	147,174,747	(136,028,325)	525,482,002
Total comprehensive loss for the period	-	-	(8,158,104)	(8,158,104)
Appropriations:				
Statutory reserves	-	(1,631,620)	1,631,620	-
Balance as at 31 December 2014	514,335,580	145,543,127	(142,554,809)	517,323,898
Total comprehensive income for the period	-	-	1,715,606	1,715,606
Appropriations:				
Statutory reserves	-	343,121	(343,121)	-
Balance as at 30 June 2015	514,335,580	145,886,248	(141,182,324)	519,039,504

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD HANIF YOUSUF
Chief Executive

SHEIKH ASIM RAFIQ
Director

**NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015**

1 Status and principal activities

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

SIB 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 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 SIB 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.

In the month of February 2015 SECP has issued draft amendments in the NBFC Regulations 2008 in which the time limit for minimum capital requirement is proposed to be extended for two years for compliance. However, if the proposed amendment are enacted in the same manner and the equity of the Company remains below the minimum capital requirement than the deposit taking activities of the Company will remained suspended during the compliance period.

JCR - VIS Credit Rating Company Limited has revised the entity ratings of SIB for medium to long-term rating of SIB at 'BBB +' (**Triple B plus**) and the short-term rating at 'A-2' (**A Two**).

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 SIB 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 SIB for the year ended December 31, 2014. 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 December 31, 2014.

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 SIB 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, 2014.

	June 30, 2015 (Un-audited) Rupees	December 31, 2014 (Audited) Rupees
5 Operating Assets		
Cost		
As at January 01	11,587,674	12,395,908
Addition	9,214,736	249,046
Deletion	(7,218,798)	(1,057,280)
As at June 30	13,583,612	11,587,674
Less: Accumulated Depreciation		
As at January 01	10,525,878	11,187,977
Depreciation for the period / year	363,528	395,178
Disposal during the period / year	(7,132,525)	(1,057,277)
As at June 30	3,756,881	10,525,878
	9,826,731	1,061,796
6 Long term investments		
Available for sale		
Karachi Stock Exchange Limited	26,181,818	26,181,818
7 Short term investment		
Available for sale		
Pakistan Investment Bonds	19,039,594	18,287,802
Term Finance Certificates	5,836,219	6,066,100
Quoted shares	10,182,671	5,208,582
	35,058,484	29,562,484

	June 30, 2015 (Un-audited) Rupees	December 31, 2014 (Audited) Rupees
8 Cash and bank balances		
With State Bank of Pakistan in current account	259,125	121,359
With other banks in		
Current account	35,436,800	2,530,969
Deposit accounts	2,972,970	52,250,741
	38,409,770	54,781,710
Cash in hand	11,625	630
	38,680,520	54,903,699
9 Deficit on revaluation of investment - net of tax		
Government securities	(228,765)	(995,467)
Term Finance Certificates	(1,945,406)	(1,871,775)
	(2,174,171)	(2,867,242)
Related deferred tax asset	73,205	328,504
	(2,100,966)	(2,538,738)
Quoted shares	1,725,605	1,751,515
	(375,361)	(787,223)
10 Contingencies and commitments		
10.1 Guarantees issued on behalf of customers	75,975,267	65,226,100

10.2 The declared results for tax year 2008 were modified under section 122(1) of the Income Tax Ordinance, 2001 and demand of Rs. 68 million was raised by the department, against which SIB has preferred appeal before the Commissioner of the Inland Revenue (Appeals II) which was decided against SIB. SIB contested the aforesaid order before Appellate Tribunal Inland Revenue which was decided on 13 May 2015 against SIB. Now SIB has referred the aforesaid order before the Honorable Islamabad High Court on 11 August 2015. No provision has been made against this demand as the management is confident that reference application will be decided in favour of the SIB.

11 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. SIB 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;



	June 30, 2015 (Un-audited) Rupees	December 31, 2014 (Audited) Rupees
Financing		
Balance at year end		
- Associated undertakings	<u>257,400,000</u>	<u>212,300,000</u>
Short term deposits		
Balance at year end		
- Associated undertakings	<u>6,988,934</u>	<u>6,255,883</u>
- Others	<u>5,365,444</u>	<u>7,489,162</u>
Un funded Guarantee		
- Associated undertakings	<u>25,520,900</u>	<u>15,226,100</u>
- Others	<u>50,454,367</u>	<u>50,000,000</u>
	<u>Half year ended June 30,</u>	
	2015	2014
	Rupees	Rupees
Return on financing		
- Associated undertakings	<u>17,500,060</u>	<u>11,175,605</u>
Return on deposits		
- Subsidiary	<u>346,575</u>	<u>747,606</u>
- Associated undertakings	<u>-</u>	<u>422,570</u>
- Others	<u>193,140</u>	<u>87,439</u>
Contribution to staff retirement benefit plan		
	<u>436,710</u>	<u>349,940</u>

12 Date of authorisation

These condensed interim financial statements were authorised for issue by the Board of Directors on August 27, 2015.

13 General

Figures have been rounded off to the nearest rupee.

MUHAMMAD HANIF YOUSUF
Chief Executive

SHEIKH ASIM RAFIQ
Director

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