



SECURITY
INVESTMENT
BANK LTD.

**3rd Quarterly Report
September 30, 2015**

THE MONEY WISE BANK



SECURITY
INVESTMENT
BANK LTD.

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.

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Website : www.sibl.com.pk

DIRECTORS' REPORT

The directors of **Security Investment Bank Limited** (the **Company**) are pleased to present the Financial Statements of the Company for the nine months ended 30 September 2015.

With effect from 14 September 2015 through the Monetary Policy Statement issued on 12 September 2015, the State Bank of Pakistan (the SBP) in consideration of, amongst others, declining inflation; improvements in balance of payment position; and forecasted rise in GDP growth has reduced the 'Policy Rate' from 6.5% to 6%. The 'Ceiling Rate' was reduced from 7% to 6.5% with 'Floor Rate' reduced from 5% to 4.5%. During the third quarter of 2015, the KSE-100 index decreased from 34,399 points as of 30 June 2015 to 32,287 points as of 30 September 2015.

The Company's operating income before taxes for the nine months ended 30 September 2015 was Rs. 3.726 million as compared to Rs. 26.441 million of the corresponding nine months ended 30 September 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. 1.919 million during the nine month ended 30 September 2015 compared with Rs. 21.831 million of the corresponding period of last year.

The Company has recently started financing against motor vehicles and is also exploring other avenues to improve profitability of the Company.

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.

On behalf of the Board

Karachi, 28 October 2015

Haji Jan Muhammad
(Chairman)



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

	Note	Unaudited September 30 2015 Rupees	Audited December 31 2014 Rupees
Non-current assets			
Property, plant and equipment	5	9,752,798	1,061,796
Intangible assets		10,568,182	10,568,182
Long term investments	6	26,181,818	26,181,818
Long term financing	7	1,461,650	-
Deferred tax asset - net		21,584,370	23,049,304
Current assets			
Short term financing	8	234,662,600	212,300,000
Short term placements		80,000,000	73,500,000
Short term investments	9	36,049,037	29,562,484
Loans and advances		93,279,191	89,925,920
Deposits, prepayments and other receivables		6,876,843	5,231,707
Accrued interest		29,633,108	19,931,945
Cash and bank balances	10	9,190,249	54,903,699
		489,691,028	485,355,755
		559,239,846	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		145,927,034	145,543,127
Unappropriated loss		(141,019,182)	(142,554,809)
		519,243,432	517,323,898
Deficit on revaluation of investments-net of tax	11	(299,213)	(787,223)
Current liabilities			
Short term deposits		28,896,435	21,777,653
Accrued and other liabilities		11,399,192	7,902,527
		40,295,627	29,680,180
Contingencies	12	-	-
		559,239,846	546,216,855

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

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
(UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Nine Months Ended		Quarter Ended	
	September 30 2015	September 30 2014	September 30 2015	September 30 2014
	Rupees		Rupees	
Income				
Income on financing and placements	28,141,169	19,327,550	9,702,356	8,131,539
Return on government securities	2,142,919	52,781,946	730,456	10,852,074
Gain on sale of shares	10,790	102,479	8,720	8,944
Profit on deposit with banks	352,812	179,404	105,607	28,330
Other income	1,329,892	429,035	-	231,998
	31,977,582	72,820,414	10,547,139	19,252,885
Expenditure				
Return on deposits and borrowings	1,207,865	19,453,285	581,269	7,474,588
Operating expenses	27,043,526	26,926,069	9,635,240	8,517,537
	28,251,391	46,379,354	10,216,509	15,992,125
Operating profit before tax	3,726,191	26,441,060	330,630	3,260,760
Provision for taxation	(1,806,657)	(4,610,056)	(126,701)	(400,293)
Net Profit after tax	1,919,534	21,831,004	203,929	2,860,467
Earning per share - basic and diluted	0.037	0.424	0.004	0.056

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

MUHAMMAD HANIF YOUSUF
Chief Executive

HAJI JAN MUHAMMAD
Chairman

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Nine Months Ended		Quarter Ended	
	September 30 2015	September 30 2014	September 30 2015	September 30 2014
	Rupees		Rupees	
Profit for the period after tax	1,919,534	21,831,004	203,929	2,860,467
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,919,534</u>	<u>21,831,004</u>	<u>203,929</u>	<u>2,860,467</u>

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

MUHAMMAD HANIF YOUSUF
Chief Executive

HAJI JAN MUHAMMAD
Chairman

**CONDENSED INTERIM CASH FLOW STATEMENT
(UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

Note	Nine Months ended September 30 2015 Rupees	Nine Months ended September 30 2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Operating Profit before taxation	3,726,191	26,441,060
Adjustments for non cash and other items		
Depreciation	728,490	320,408
Gain on disposal of shares	(10,790)	(102,479)
Gain on disposal of fixed assets	(38,727)	(18,998)
	678,973	198,931
Cash flows from operating activities before working capital changes	4,405,164	26,639,991
(Increase) in operating assets		
(Increase) in financing and placements	(23,824,250)	(73,700,000)
(Increase) in advances, deposits, prepayment and other receivables	(15,294,608)	(15,005,207)
	(39,118,858)	(88,705,207)
Increase / (Decrease) in operating liabilities		
Increase/ (Decrease) in deposits	7,118,782	(103,424,581)
Increase in borrowings	-	81,731,191
Increase in accrued and other liabilities	3,496,665	80,708
	10,615,447	(21,612,682)
Net changes in operating assets and liabilities	(28,503,411)	(110,317,889)
Income tax paid	(312,555)	(3,590,903)
Dividend paid	-	-
	(312,555)	(3,590,903)
Net cash used in operating activities	(24,410,802)	(87,268,801)
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) of fixed assets	(9,380,765)	(155,165)
Disposal proceeds from wholly owned subsidiary	-	100,000,000
(Purchase)/Sale of investments (shares)	(5,600,501)	2,309,405
Sale of securities	178,619	733,367
Net cash sued in investing activities	(14,802,647)	102,887,607
CASH FLOW FROM FINANCING ACTIVITIES		
Net (decrease)/ increase in cash and cash equivalents	(39,213,449)	15,618,806
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	89,190,249	24,238,735

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

**CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Share capital	Statutory reserve	Unappropriated profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2014	514,335,580	143,380,640	(151,204,755)	506,511,465
Net profit upto 30 September 2014	-	-	21,831,004	21,831,004
Appropriations:				
Statutory Reserves	-	4,366,201	(4,366,201)	-
Balance as at 30 September 2014	514,335,580	147,746,841	(133,739,952)	528,342,469
Net loss (October to December 2014)	-	-	(11,018,571)	(11,018,571)
Appropriations:				
Statutory Reserves	-	(2,203,714)	2,203,714	-
Balance as at 31 December 2014	514,335,580	145,543,127	(142,554,809)	517,323,898
Net profit for the period	-	-	1,919,534	1,919,534
Appropriations:				
Statutory Reserves	-	383,907	(383,907)	-
Balance as at 30 September 2015	514,335,580	145,927,034	(141,019,182)	519,243,432

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

MUHAMMAD HANIF YOUSUF
Chief Executive

HAJI JAN MUHAMMAD
Chairman

**NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

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 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.

In the month of February 2015 SECP has issued draft amendments in the NBBF Regulations 2008 in which the time limit for minimum capital requirement is proposed to be extended for the 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 remain suspended during the compliance period.

JCR - VIS Credit Rating Company Limited has revised the entity ratings of SIBL for medium to long-term rating of SIBL at 'BBB +' (Triple B plus) with stable outlook and maintained 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. 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 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 31 December 2014.

4 Estimates

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2014.

5 Operating Assets

	Un-audited 30 September 2015 Rupees	Audited 31 December 2014 Rupees
Cost		
As at January 01	11,587,674	12,395,908
Addition	9,505,765	249,046
Deletion	(7,218,798)	(1,057,280)
As at 30 Sept 2015	13,874,641	11,587,674
Less Accumulated Depreciation		
As at January 01	10,525,878	11,187,977
Depreciation expenses	728,490	395,178
Adjustment made	(7,132,525)	(1,057,277)
As at 30 Sept 2015	4,121,843	10,525,878
	9,752,798	1,061,796
6 Long term investments		
Available for sale		
Karachi Stock Exchange Limited	26,181,818	26,181,818
	26,181,818	26,181,818

		Un-audited 30 September 2015 Rupees	Audited 31 December 2014 Rupees
7 Long term financing			
Related parties- Secured and considered good			
Associated companies	7.1	2,224,250	-
Less: Current maturity		<u>(762,600)</u>	<u>-</u>
		<u>1,461,650</u>	<u>-</u>
7.1 Tahese represent financing of vehicle on morabaha basis against hypothecation of vehicles for a period of 3 years, carrying mark up 16% per anum.			
8 Short term financing			
Related parties- Secured and considered good			
Associated companies	8.1	233,900,000	212,300,000
Current maturity under Morabaha Finance		<u>762,600</u>	<u>-</u>
		<u>234,662,600</u>	<u>212,300,000</u>
8.1 These are secured by hypothecation or a charge on assets of customers, pledged certificate of deposits and listed shares. The mark-up rate is 12% to 16% per annum (2014: 16% per annum).			
9 Short term investment			
Available for sale			
Pakistan Investment Bonds		20,002,664	18,287,802
Term Finance Certificate		5,836,219	6,066,100
Quoted shares		<u>10,210,154</u>	<u>5,208,582</u>
		<u>36,049,037</u>	<u>29,562,484</u>
10 Cash and bank balances			
With State Bank of Pakistan in Current account		627,637	121,359
With other banks in			
Current account		<u>8,260,018</u>	<u>2,530,969</u>
Deposit accounts		<u>280,226</u>	<u>52,250,741</u>
		<u>8,540,244</u>	<u>54,781,710</u>
Cash in hand		<u>22,368</u>	<u>630</u>
		<u>9,190,249</u>	<u>54,903,699</u>
11 (Deficit) on revaluation of investment			
Government securities		<u>741,760</u>	<u>(995,467)</u>
Term finance certificates		<u>(1,945,406)</u>	<u>(1,871,775)</u>
		<u>(1,203,646)</u>	<u>(2,867,242)</u>
Related deferred tax asset		<u>(237,363)</u>	<u>328,504</u>
		<u>(1,441,009)</u>	<u>(2,538,738)</u>
Quoted shares		<u>1,141,796</u>	<u>1,751,515</u>
		<u>(299,213)</u>	<u>(787,223)</u>
12 Contingencies			
12.1 Guarantees issued on behalf of customers		<u>75,520,900</u>	<u>65,226,100</u>

12.2 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.

13 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;

	Un-audited 30 September 2015 Rupees	Audited 31 December 2014 Rupees
Financing		
Balance at the period ended		
- Associated undertakings	234,662,600	212,300,000
Short Term Deposits		
Balance at the period ended		
- Associated undertaking	15,479,733	6,255,883
- Others	2,259,095	7,489,162
Un funded guarantee		
- Associated undertaking	25,520,900	15,226,100
- Others	50,000,000	50,000,000
	Un-audited 30 September 2015 Rupees	Un-audited 30 September 2014 Rupees
Return on financing		
- Associated undertaking	26,600,860	19,208,175
Return on deposits		
- Subsidiary	-	747,605
- Associated undertaking	768,759	429,271
- Others	136,500	407,210
Contribution to staff retirement benefit plan	657,990	569,360

14 Date of authorisation

These financial statements were authorised for issue by the Board of Directors on October 28, 2015.

15 General

Figures have been rounded off to the nearest rupee.

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