

2016

3rd Quaterly Report
30 September 2016



SIB

SECURITY
INVESTMENT
BANK LTD.



SECURITY
INVESTMENT
BANK LTD.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

ACTING PRESIDENT & CHIEF EXECUTIVE

Mr. Zafar .M. Sheikh

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Zafar .M. Sheikh (Chairman)
Mr. Karim Muhammad Munir
Mr. Muhammad Mehboob

BUSINESS DEVELOPMENT COMMITTEE

Mr. Sheikh Asim Rafiq NIT Nominee (Chairman)
Mr. Muhammad Mehboob
Mr. Muhammad Shoaib
Mr. Karim Muhammad Munir
Mr. Zafar .M. Sheikh

CFO / HEAD OF OPERATIONS

Mr. Muhammad Amin Khatri

COMPANY SECRETARY

Mr. Shakeel Ahmed

HEAD OF INTERNAL AUDIT / COMPLAINEE

Mr. Shah Imran Ahmed

AUDITORS

Muniff Ziauddin & Co.
Chartered Accountants

TAX ADVISORS

Grant Thoranton Anjum 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

502, 5th Floor, Madina City Mall,
Abdullah Haroon Road, Saddar Karachi.
Tel: (021) 35659750-54
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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 2016.

During the current period The State Bank of Pakistan (SBP) maintained discount rate at 5.75% in its monetary policy statement issued on September 24, 2016. During the third quarter of 2016, the PSE-100 index registered increase of 7.30% from 37,783 points as of 30 June 2016 to 40,542 points as of 30 September 2016.

Your company posted operating profit before taxes of Rs. 2.563 million for the nine months ended 30 September 2016 as compared to Rs. 3.726 million of the corresponding nine months ended 30 September 2015. The Company's net profit after taxes stood at Rs. 2.009 million during the nine month ended 30 September 2016 compared with Rs. 1.919 million of the corresponding period of last year. Your Company's EPS of Rs. 0.039 shows slightly increased compared to EPS of Rs. 0.012 as of half year ended 30 June 2016.

Despite the limiting factors being faced for the last many years, your Company's Board is endeavouring to explore business avenues in line with applicable NBFC Rules and Regulations so as to bring a handsome uptake in the Company's activities and profitability.

The board wishes to place on record the gratitude to Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan for their continued valued support, assistance, and guidance. The board would also like to take this opportunity to express their admiration to the employees of the company for their commitment and hard work and the company recognizes and records its gratitude for their efforts.

Haji Jan Muhammad

Karachi, 24 October 2016

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Haji Jan Muhammad
(Chairman)



SECURITY
INVESTMENT
BANK LTD.

**CONDENSED INTERIM BALANCE SHEET
(UNAUDITED)
AS AT 30 SEPTEMBER 2016**

	Note	Unaudited September 30 2016 Rupees	Audited December 31 2015 Rupees
Non-current assets			
Property, plant and equipment	5	12,399,645	11,568,874
Intangible assets		10,568,182	10,568,182
Long term investments	6	26,181,818	26,181,818
Murabaha financing	7	27,861,006	2,978,750
Deferred tax asset - net		20,173,193	20,254,890
Current assets			
Short term financing	8	283,862,484	260,283,600
Short term placements		-	40,000,000
Short term investments	9	29,998,220	40,730,401
Loans and advances		92,942,542	91,357,122
Deposits, prepayments and other receivables		8,995,979	8,605,777
Accrued interest		42,945,109	32,537,054
Cash and bank balances	10	9,202,360	11,986,367
		467,946,694	485,500,321
		565,130,538	557,052,835
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
		514,335,580	514,335,580
Issued, subscribed and paid up capital		146,057,647	145,712,633
Statutory reserves		(143,495,952)	(140,876,007)
Unappropriated loss		520,897,275	519,172,206
Deficit on revaluation of investments-net of tax	11	(2,195,930)	(94,581)
Current liabilities			
Short term deposits		31,741,778	29,112,373
Accrued and other liabilities		14,687,415	8,862,837
		46,429,193	37,975,210
Contingencies	12	-	-
		565,130,538	557,052,835

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

Zafar.M. Sheikh
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Chief Executive

Haji Jan Muhammad
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Chairman
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CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Nine Months Ended		Quarter Ended	
	September 30	September 30	September 30	September 30
	2016	2015	2016	2015
	Rupees		Rupees	
Income				
Income on financing and placements	26,423,119	28,141,169	9,338,480	9,702,356
Return on government securities	4,598,663	2,142,919	369,848	730,456
Gain on sale of shares	1,558,409	10,790	40,040	8,720
Profit on deposit with banks	104,205	352,812	18,831	105,607
Other income	906,037	1,329,892	477,036	-
	33,590,433	31,977,582	10,244,235	10,547,139
Expenditure				
Return on deposits and borrowings	1,048,595	1,207,865	483,712	581,269
Operating expenses	29,978,722	27,043,526	8,062,469	9,635,240
	31,027,317	28,251,391	8,546,181	10,216,509
Operating profit before tax	2,563,116	3,726,191	1,698,054	330,630
Provision for taxation	(553,925)	(1,806,657)	(285,468)	(126,701)
Net Profit after tax	2,009,191	1,919,534	1,412,586	203,929
Earning per share - basic and diluted	0.039	0.037	0.027	0.004

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

**Zafar.M.
Sheikh**

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ZAFAR. M. SHEIKH
Chief Executive

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HAJI JAN MUHAMMAD
Chairman



SECURITY
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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR NINE MONTHS ENDED 30 SEPTEMBER 2016**

	Nine Months Ended		Quarter Ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
	Rupees		Rupees	
Profit for the period after tax	2,009,191	1,919,534	1,412,586	203,929
Other comprehensive income				
Tax effect on Remeasurement of defined benefit plans	(284,122)	-	-	-
Total comprehensive income for the period	1,725,069	1,919,534	1,412,586	203,929

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

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Chief Executive

HAJI JAN MUHAMMAD
Chairman

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

Note	Nine Months ended September 30 2016 Rupees	Nine Months ended September 30 2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Operating Profit before taxation	2,563,116	3,726,191
Adjustments for non cash and other items		
Depreciation	1,465,529	728,490
Gain on disposal of shares	(1,558,409)	(10,790)
Gain on disposal of fixed assets	(2,999)	(38,727)
	(95,879)	678,973
Cash flows from operating activities before working capital changes	2,467,337	4,405,164
Decrease / (Increase) in operating assets		
(Increase) in financing and placements	(48,461,140)	(23,824,250)
(Increase) in advances, deposits, prepayment and other receivables	(12,488,982)	(15,294,608)
	(60,950,122)	(39,118,858)
(Decrease) / Increase in operating liabilities		
Increase in deposits	2,629,405	7,118,782
Increase in accrued and other liabilities	5,824,578	3,496,665
	8,453,983	10,615,447
Net changes in operating assets and liabilities	(52,496,139)	(28,503,411)
Income tax paid	(352,908)	(312,555)
Dividend paid	-	-
	(352,908)	(312,555)
Net cash used in operating activities	(50,381,810)	(24,410,802)
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) of fixed assets	(2,343,302)	(9,380,765)
(Proceeds)/Sale of investments (shares)	10,219,333	(5,600,501)
Sale of securities	(278,227)	178,619
Net cash sued in investing activities	7,597,804	(14,802,647)
CASH FLOW FROM FINANCING ACTIVITIES		
	-	-
Net (decrease)/ increase in cash and cash equivalents	(47,784,006)	(39,213,449)
Cash and cash equivalents at the beginning of the period	51,986,367	128,403,699
Cash and cash equivalents at the end of the period	9,202,360	89,190,249

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

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Sheikh**

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Chief Executive

Haji Jan Muhammad

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HAJI JAN MUHAMMAD
Chairman



SECURITY
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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Share capital	Statutory reserve	Unappropriated profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2015	514,335,580	145,543,127	(142,554,809)	517,323,898
Net profit upto 30 September 2015	-	-	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
Net loss (October to December 2015)	-	-	(71,226)	(71,226)
Appropriations:				
Statutory Reserves	-	(214,401)	214,401	-
Balance as at 31 December 2015	514,335,580	145,712,633	(140,876,007)	519,172,206
Net profit for the period	-	-	1,725,069	1,725,069
Appropriations:				
Statutory Reserves	-	345,014	(345,014)	-
Balance as at 30 September 2016	514,335,580	146,057,647	139,495,952	520,897,275

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

1 Status and principal activities

Security Investment Bank Limited (SIB) 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 Pakistan Stock Exchange. The registered office of SIBL is situated at Flat No.4, 3rd floor, AL-Baber Centre, Main Markaz, F-8, Islamabad. SIB is also member of Pakistan Stock Exchange and Pakistan Mercantile Exchange.

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 1002 (I) /2015 dated 15 October 2015 and Non-Banking Finance Companies and Notified Entities Regulations 2008 as amended through SRO 1160(I) / 2015 dated 25 November 2015 (previously this was covered under SRO 585(1)/87 dated 13 July 1987, issued by the Ministry of Finance).

JCR - VIS Credit Rating Company Limited has placed the entity ratings of SIBL for medium to long-term rating at 'BBB'+ (Triple B plus) and the short-term rating at 'A-2' (A Two) on 'Rating Watch Developing' status.

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 2015. 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 2015."

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 2015.

	Un-audited 30 September 2016	Audited 31 December 2015
	Rupees	Rupees
5 Operating Assets		
Cost		
As at January 01, 2016	16,256,917	11,587,674
Addition	2,296,301	11,888,041
Deletion	(27,000)	(7,218,798)
As at 30 Sept 2016	18,526,218	16,256,917
Less Accumulated Depreciation		
As at January 01, 2016	4,688,043	10,525,878
Depreciation expenses	1,465,529	1,294,690
Adjustment made	(26,999)	(7,132,525)
As at 30 Sept 2016	6,126,573	4,688,043
	<u>12,399,645</u>	<u>11,568,874</u>
6 Long term investments		
Available for sale		
Pakistan Stock Exchange Limited	26,181,818	26,181,818
	<u>26,181,818</u>	<u>26,181,818</u>
7 Murbaha Financing		
Related parties- Secured and considered good		
Murbaha Financing- Associated companies	26,793,835	5,625,689
- Others	8,336,400	-
Less: Deferred Murabaha income	(2,906,745)	(1,263,339)
Murabaha receiveable	32,223,490	4,362,350
Less: Current maturity	(4,362,484)	(1,383,600)
	<u>27,861,006</u>	<u>2,978,750</u>



	Un-audited 30 September 2016	Audited 31 December 2015
	Rupees	Rupees
8 Short term financing		
Related parties- Secured and considered good		
Associated companies	279,500,000	258,900,000
Current maturity under Morabaha Finance	4,362,484	1,383,600
	<u>283,862,484</u>	<u>260,283,600</u>
9 Short term investment - Available-for-sale		
Available for sale		
Term Finance Certificate	5,836,219	5,836,219
Quoted shares	4,551,715	14,645,361
Government treasury bill	19,610,286	20,248,821
	<u>29,998,220</u>	<u>40,730,401</u>
10 Cash and bank balances		
With State Bank of Pakistan in Current account	69,668	160,874
With other banks in		
Current account	7,827,937	9,018,514
Deposit accounts	1,249,366	2,787,667
	<u>9,077,303</u>	<u>11,806,181</u>
Cash in hand	55,389	19,312
	<u>9,202,360</u>	<u>11,986,367</u>
11 (Deficit) on revaluation of investment		
Government securities	-	995,372
Term finance certificates	(1,945,406)	(1,945,406)
	<u>(1,945,406)</u>	<u>(950,034)</u>
Related deferred tax asset	-	(318,519)
	<u>(1,945,406)</u>	<u>(1,268,553)</u>
Quoted shares	(250,524)	1,173,972
	<u>(2,195,930)</u>	<u>(94,581)</u>
12 Contingencies and Commitments		
12.1 Guarantees issued on behalf of customers		
-Associated undertaking	14,584,900	25,520,900
-Others	50,000,000	50,000,000

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 2016	Audited 31 December 2015
	Rupees	Rupees
Financing		
Balance at the period ended		
- Associated undertakings	283,862,484	260,283,600
Short Term Deposits		
Balance at the period ended		
- Associated undertaking	16,818,912	12,168,912
- Others	6,036,091	8,423,918
Un funded guarantee		
- Associated undertaking	14,584,900	25,520,900
- Others	50,000,000	50,000,000
	Un-audited 30 September 2016	Un-audited 30 September 2015
	Rupees	Rupees
Return on financing		
- Associated undertaking	24,830,290	26,600,860
Return on deposits		
- Associated undertaking	793,195	768,759
- Others	276,329	136,500
Contribution to staff retirement benefit plan	520,071	657,990

14 Date of authorisation

These financial statements were authorized for issue by the Board of Directors on October 24, 2016.

15 General

Figures have been rounded off to the nearest rupee.

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ZAFAR. M. SHEIKH
Chief Executive

HAJI JAN MUHAMMAD
Chairman

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