



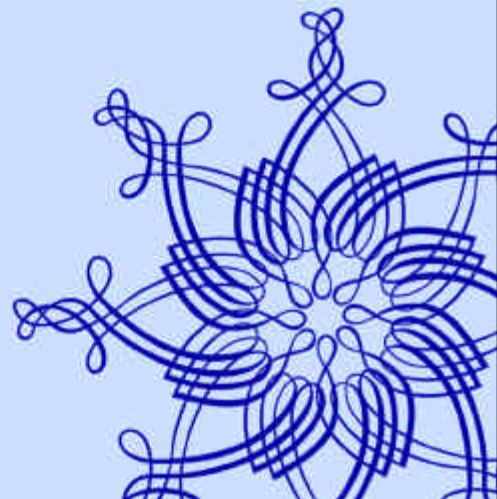
# SECURITY INVESTMENT BANK LIMITED



18th Annual Report

# 2009

THE MONEY WISE BANK



## VISION

*Aiming for continued growth, we will further develop our strengths to seize new opportunities and maintain our steadfast commitment.*

## MISSION

- ❑ *Meet the challenges of highly competitive market with our expertise, creativity and service.*
- ❑ *Develop & maintain strong client relationship.*
- ❑ *Continuously enhance our contributions towards industrial development of the country.*
- ❑ *Above all, in a tradition of prudent growth, our unwavering determination to strengthen long-term earnings and return on shareholders' equity will endure.*



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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Khursheed K. Marker (Chairman)  
Haji Jan Muhammad  
Mr. Muhammad Younus Abdul Aziz Tabba  
Mr. Muhammad Mehboob  
Mr. Sheikh Asim Rafiq (NIT Nominee)  
Mr. Shaikh Abdullah  
Mr. Muhammad Saleem Rathod

### **PRESIDENT & CHIEF EXECUTIVE**

Mr. Muhammad Saleem Rathod

### **AUDIT COMMITTEE**

Mr. Khursheed K. Marker  
Haji Jan Muhammad  
Mr. Shaikh Abdullah

### **CHIEF FINANCIAL OFFICER**

Mr. Muhammad Amin Khatri

### **COMPANY SECRETARY**

Mr. Muhammad Shahzad

### **AUDITORS**

Avais Hyder Liaquat Nauman  
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 Islamic Bank B.S.C. (E.C.)  
MCB Bank Limited.

### **REGISTERED OFFICE**

Flat No. 4, 3rd Floor, Al-Baber Centre,  
Main Markaz, F-8, Islamabad.  
Tel : (051) 2856978-80  
Fax: (051) 2856987  
Website : [www.sibl.com.pk](http://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](mailto:sibl@sibl.com.pk)



## NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of Security Investment Bank Limited will be held on 28 April 2010 at 9:00 a.m. at the Registered Office of the Company located at Flat No.4, 3<sup>rd</sup> Floor, Al-Baber Centre, Main Markaz, F-8, Islamabad to transact the following business:

### ORDINARY BUSINESS

- 1) To confirm the minutes of 18th Annual General Meeting held on 29 April 2009.
- 2) To receive and adopt the audited financial statements of the company for the year ended 31 December 2009 together with the Directors' and Auditors' reports thereon.
- 3) To appoint auditors and fix their remuneration for the year ending December 31, 2010. The retiring auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants retire and being eligible, offer themselves for re-appointment to act as the external auditor of the company for the year ending December 31, 2010.

### ANY OTHER BUSINESS

- 4) To transact such other business as may be placed before the meeting with the permission of the chair.

### BOOK CLOSURE

- 1) The share transfer books of the company will remain closed from April 22, 2010 to April 28, 2010 (both days inclusive). Transfers received in order at the office of the share registrar of the company by the close of business on 21 April 2010 will be treated in time.

By order of the Board

**Muhammad Shahzad**  
Company Secretary

Islamabad,  
Date: March 29, 2010

### Notes:

- 1) A Member entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend, and vote on his/ her behalf. Proxies in order to be effective must be received at the office of the share registrar of the company duly stamped and signed not less than 48 hours before the meeting. A member may not appoint more than one proxy.
- 2) Members are requested to promptly communicate to the share Registrar of the company any change in their addresses.
- 3) Members who have not yet submitted photocopy of their Computerised National Identity Card (CNIC) are requested to send the same to our Share Registrar at the earliest.
- 4) CDC Account holders and sub-account holders are required to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan.



**(a) For attending the meeting.**

- (i) In case of individuals, the account holder or sub-account holder shall bring his or her original Computerized National Identity Card or original passport at the time of attending meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the meeting.

**(b) For appointing proxies**

- (i) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his or her original CNIC or original passport at the time of meeting.
- (v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted to the company along with proxy form.



## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Security Investment Bank Limited (SIBL) are pleased to present the Eighteenth Annual Report alongwith the Audited Financial Statements and Auditor's Report thereon for the year ended 31 December 2009.

### Economic Outlook

Investment climate of the country remained weak throughout the year. Political disorder and law & order situation of the country also dampened the economic and capital market activities. Decline in exports proceeds also built pressure on the country's reserves. Power crises also remained front line issue for domestic as well as commercial consumers. However, some key indicators have shown improvement in the backdrop of the IMF program. Inflation has reduced to a more manageable level. Current Account deficit improved from 8.4% to 5.3% and it was also witnessed in fiscal deficit, which reduced to 5.2% of GDP from 7.4% of last year. Agriculture sector depicted a stellar growth of 4.7 percent, as compared to 1.1 percent witnessed last year and the target of 3.5 percent for the year. Government remained on track with the IMF programme and continued to meet monetary and structural reforms targets. SBP eased its monetary policy by declining its policy rate from 15% to 12.5%. Karachi stock market's benchmark index KSE-100 produced a strong performance in year 2009 by gaining 62 percent as compared to the previous year. The outgoing year started on a negative note as investors were digesting the impact of the floor which remained in place (between August 27 and December 12, 2008), with the index bottoming out to 4,815 on Jan 26.

### Operational Performance

During the year, company continued its policy to remain in-active and side line in the market because of uncertain economic conditions and non availability of funds from commercial banks. Capital Market after reaching at its bottom on Jan 26, surged by 62% through out the year which helped the company to recover its loss of impairment on available for sale investment in stocks by Rs. 122 million. Leverage product remained inactive through out the year. On the other side, most of the commercial banks remained reluctant for their lending to NBFCs other than secured lendings which has substantially affected availability of funds for NBFCs.

### Impairment on Available for Sale Listed Equity Investments:

Attention is invited to the S.R.O. No.150(I)/2009 dated 13 February 2009 issued by the Securities and Exchange Commission of Pakistan. Under the said SRO, total impairment loss of the company was calculated to be Rs. 301 million as of December 31, 2008. During the year 2009, with market registering upsurge, a major portion of this loss amounting to Rs. 122 million has been recovered and the remaining loss of Rs. 179 million is reflected in Profit and Loss Account.

### Corporate Governance

The Board regularly reviews the company's strategic direction, business plans and performance in the light of the Company's overall objectives. The board is committed to maintain the high standards of good corporate governance. The company is complying with the provisions set out by the State Bank of Pakistan, Securities & Exchange Commission of Pakistan and the listing rules of the Stock Exchanges. We further would like to confirm that:

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgment.





- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of six years of Security Investment Bank Limited are as follows:

(Rupees in millions)

Year	2009	2008	2007	2006	2005	2004
Share Capital	514	514	429	429	373	373
Shareholder's Equity *	451	304	593	609	612	531
Deposits	117	220	972	976	565	448
Borrowings	368	376	1,195	727	1253	726
Advances	19	104	183	196	171	230
Investments	607	457	728	565	289	556
Operating (Loss)/ Profit	(24)	27	98	105	92	83
Net (Loss) / Profit	(193)	26.8	89	86	71	68
Total Assets	960	932	2,802	2,335	2,456	1,724
Dividend	-	-	-	20%	10%	-
Bonus	-	-	20%	-	15%	15%

\*Re-arranged after the first time application of IAS-1.

#### Value of Provident Fund Investment

As on 31 December 2009 based on the unaudited accounts, the value of investment of Provident Fund is Rs.12.713 million.

#### Pattern of Shareholding

The pattern of shareholding as at 31 December 2009 alongwith the disclosure required under the Code of Corporate Governance is annexed to the report.

#### Board Meetings

During the year ended 31 December 2009, the Board of Directors held four meetings. Attendance of each director is as follows:





Name	No. of Meetings Attended
Mr. Khursheed K. Marker	4
Haji Jan Muhammad	4
Mr. Muhammad Younus Abdul Aziz Tabba	-
Mr. Maqbool H. H. Rahimtoola (NIT- Nominee resigned on May 29, 2009)	2
Mr. Muhammad Mehboob	4
Mr. Shiekh Asim Rafiq (NIT – Nominee appointed on May 29, 2009)	1
Mr. Shaikh Abdullah	4
Mr. Muhammad Saleem Rathod (President & CEO)	4

Leave of absence was granted to Directors who could not attend the meetings.

**Trade / dealing in shares of the Company**

During the year, no trade in the shares of the company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

**Statement of Ethics and Business Practices**

The Board of Directors has adopted the required statement of Ethics and Business Practices. All employees are aware of this statement and are requested to observe rules of conduct of business and regulations.

**Earnings per Share**

Earnings per share of your Bank is Rs.3.91 negative for the year ended 31 December 2009.

**Dividend**

No dividend is declared for the year ended 31 December 2009 because of the negative earnings.

**Credit Rating**

JCR VIS Credit Rating Company Limited has maintained your company’s credit rating of medium to long-term rating of A (Single A) with stable outlook and short-term rating of A-2 (A Two).

**Outlook**

On the economic front, analysts believe, Pakistan has entered 2010 on relatively stronger economic footing and anticipates growth recovery to gather momentum with the reduction in domestic interest rates and increase in power generation capacity. The advanced crop production figures and monthly data for credit to the private sector indicate that the country can potentially post real GDP growth of around 2.7 percent in Fiscal Year 2010. Despite the adverse domestic security situation and still high financial charges the large scale-manufacturing sector has stabilized after sustained contraction in the first half of year 2009. The management is confident to perform much better and will remain active in its core business in the year 2010



**Auditors**

The present auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants retire and being eligible offered them for reappointment. The Board of Directors endorsed the recommendation of the Audit Committee for the reappointment of M/s. Avais Hyder Liaquat Nauman, Chartered Accountants for the year ending 31 December 2010.

**Acknowledgement**

The Directors are exceedingly grateful to the SECP, Stock Exchanges and other regulators for their guidance, support and cooperation. We also acknowledge the understanding shown by the shareholders. The management and staff are also worth praising for their efforts in achieving these results.

On behalf of the Board  
**Khursheed K. Marker**  
(Chairman)

Karachi;  
29 March 2010



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board comprises of six non-executive directors.
2. The Directors have confirmed that none of them is serving as a director in ten or more listed companies.
3. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC. No director in the board is a member of any of the stock exchanges in Pakistan.
4. Casual vacancy occurred during the year was filled up by the Board within 30 days thereof.
5. The Company has prepared and adopted a 'Statement of Ethics and Business Practices', which has been reviewed and signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and other Executives have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met atleast once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The CEO conducted orientation course for the Directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Head of Internal Audit, CFO and Company Secretary including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive Directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The company has complied with the requirements as stipulated in clause 35 (xiii) (a) of the listing regulations relating to related party transactions.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

**Muhammad Saleem Rathod**  
Chief Executive

**Khursheed K. Marker**  
Chairman

Karachi: 29 March 2010



## ***REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE***

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2009 prepared by the Board of Directors of SECURITY INVESTMENT BANK LIMITED, to comply with the listing regulations No. 37 of the Karachi Stock Exchange (Guarantee) Limited, listing regulation No. 40 chapter XIII of Lahore Stock Exchange (Guarantee) Limited and listing regulation No. 36 of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

Further, Sub-Regulation (XIII) of Listing Regulation 37 notified by Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19,2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transaction and transactions which are not executed at arm length price recording proper justification for using such alternate price mechanism. Further, all such transaction are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transaction were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2009.

Karachi;  
29 March 2010

**AVAIS HYDER LIAQUAT NAUMAN**  
Chartered Accountants  
Engagement Partner: Adnan Zaman



**SECURITY INVESTMENT BANK LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**



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## ***AUDITORS' REPORT TO THE MEMBERS***

We have audited the annexed balance sheet of **SECURITY INVESTMENT BANK LIMITED** as at December 31, 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year ended December 31, 2009 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi;  
29 March 2010

**AVAIS HYDER LIAQUAT NAUMAN**  
Chartered Accountants  
Engagement Partner: Adnan Zaman



**BALANCE SHEET**  
AS AT 31 DECEMBER 2009

	Note	2009 Rupees	2008 Rupees
<b>ASSETS</b>			
Property, plant and equipment	5	3,630,213	4,918,947
Stock exchange membership card	6	36,000,000	36,000,000
Long term investments	7	151,141,204	151,220,356
Deferred tax asset	8	30,531,856	40,172,105
<b>CURRENT ASSETS</b>			
Short term financing	9	18,600,000	103,802,561
Short term placements	10	-	2,102,017
Short term investments	11	606,902,164	456,767,965
Loans and advances	12	69,997,072	64,633,107
Deposits and prepayments	13	5,661,368	7,065,220
Accrued interest	14	8,917,551	38,608,951
Cash and bank balances	15	28,116,634	26,254,850
		738,194,789	699,234,671
		<b>959,498,062</b>	<b>931,546,079</b>
<b>SHARE CAPITAL AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
<b>Authorised Capital</b>			
100,000,000 ordinary shares of Rs.=10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	16	514,335,583	514,335,583
Reserves	17	(63,656,485)	(209,909,213)
		450,679,098	304,426,370
<b>LIABILITIES</b>			
Deferred liability	18	7,938,830	6,286,285
<b>CURRENT LIABILITIES</b>			
Borrowings	19	368,068,067	376,426,849
Short term deposits	20	117,271,614	220,393,248
Accrued and other liabilities	21	15,540,453	24,013,326
		500,880,134	620,833,424
Contingencies and commitments	22	-	-
		<b>959,498,062</b>	<b>931,546,079</b>

The annexed notes 1-41 form an integral part of these financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
CHAIRMAN



## ***PROFIT AND LOSS ACCOUNT***

**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 Rupees	2008 Rupees
<b>INCOME</b>			
Return on financing and placements	23	2,915,246	102,151,548
Return on securities	24	56,608,507	63,442,515
Gain on sale of investments		2,634,910	23,242,547
Profit on deposit with banks		1,221,138	2,722,629
Other income	25	908,794	485,680
		<b>64,288,595</b>	<b>192,044,919</b>
<b>EXPENDITURE</b>			
Return on deposits and borrowings	26	61,028,042	133,781,560
Administrative and operating expenses	27	27,399,426	31,435,375
		<b>88,427,468</b>	<b>165,216,935</b>
<b>(LOSS) / PROFIT FOR THE YEAR BEFORE TAXATION</b>		<b>(24,138,873)</b>	<b>26,827,984</b>
<b>Impairment under SECP's SRO 150(1)/2009</b>			
Impairment against investments available for sale		(300,557,462)	-
Adjustment for price movement during the current period		121,968,798	-
		<b>(178,588,664)</b>	<b>-</b>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(202,727,537)</b>	<b>26,827,984</b>
<b>TAXATION</b>	28	<b>10,034,436</b>	<b>(208,586)</b>
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(192,693,101)</b>	<b>26,619,398</b>
<b>BASIC (LOSS) / EARNING PER SHARE</b>	29	<b>(3.75)</b>	<b>0.52</b>

The annexed notes 1-41 form an integral part of these financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
CHAIRMAN



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

Note	2009 Rupees	2008 Rupees
<b>(Loss) / profit after taxation</b>	<b>(192,693,101)</b>	<b>26,619,398</b>
<b>Other comprehensive income</b>		
Gain / (loss) on available for sale investment	<b>58,472,799</b>	<b>(342,039,444)</b>
Impairment transferred to profit and loss	<b>300,557,462</b>	<b>-</b>
	<b>359,030,261</b>	<b>(342,039,444)</b>
Income tax relating to available for sale investment	<b>(20,084,432)</b>	<b>27,207,358</b>
<b>Other comprehensive income / (loss) for the year, (net of tax)</b>	<b>338,945,829</b>	<b>(314,832,086)</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>146,252,728</b>	<b>(288,212,688)</b>

The annexed notes 1-41 form an integral part of these financial statements.

\_\_\_\_\_  
 CHIEF EXECUTIVE

\_\_\_\_\_  
 CHAIRMAN





**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

Note	2009 Rupees	2008 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating (loss) / profit before tax	(202,727,537)	26,827,984
<i>Adjustment for non cash and other items</i>		
Depreciation	1,427,633	1,437,078
(Gain) on disposal of shares	(2,634,910)	(23,242,547)
Impairment on available for sale investment	178,588,664	-
(Gain) / loss on disposal of fixed assets	(149,999)	2,600
(Gain) on sale of securities	-	(27,175)
Provision for gratuity	1,652,545	1,291,885
<b>Cash flows from operating activities before working capital changes</b>	<b>178,883,933</b>	<b>(20,538,159)</b>
<b>(Increase) / decrease in Operating Assets</b>		
Decrease in financing and placements	87,304,578	1,554,822,245
Decrease / (Increase) in loans and advances	16,570	(57,145)
Decrease in deposits and prepayments	1,403,852	23,811,065
Decrease / (Increase) in accrued profit	29,691,400	(13,854,606)
	<b>118,416,400</b>	<b>1,564,721,559</b>
<b>Increase / (decrease) in Operating Liabilities</b>		
(Decrease) in deposits	(103,121,634)	(751,451,606)
(Decrease) in borrowings	(8,358,782)	(818,573,151)
(Decrease) in accrued and other liabilities	(7,777,597)	(10,638,044)
	<b>(119,258,013)</b>	<b>(1,580,662,801)</b>
<b>Net change in operating assets and liabilities</b>	<b>(841,613)</b>	<b>(15,941,242)</b>
Income tax paid	(5,790,283)	(14,955,405)
Gratuity paid	-	(181,600)
Dividend paid	(695,276)	(2,754,111)
	<b>(6,485,559)</b>	<b>(17,891,116)</b>
<b>Net cash (used in) operating activities</b>	<b>(31,170,776)</b>	<b>(27,542,533)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale / (purchase) of fixed assets	11,100	(611,310)
Sale / (purchase) investments (shares)	1,730,349	(128,401,893)
Sale of securities	31,291,111	80,350,352
<b>Net cash generated / (used in) investing activities</b>	<b>33,032,560</b>	<b>(48,662,851)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase / (decrease) in cash and cash equivalents	1,861,784	(76,205,384)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>26,254,850</b>	<b>102,460,234</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>28,116,634</b>	<b>26,254,850</b>

The annexed notes 1-41 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

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 CHAIRMAN

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Share Capital (Note 16)	Statutory Reserve (Note 17)	Surplus / Deficit on revaluation of available for sale investment (Note No. 17.2)	Unappropriated Profit (Note 17)	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2008	428,612,993	134,326,261	(61,447,148)	91,146,952	592,639,058
Profit for the year	-	-	-	26,619,398	26,619,398
Other comprehensive loss for the year	-	-	(314,832,086)	-	(314,832,086)
Issuance of bonus shares	85,722,590	-	-	(85,722,590)	-
Appropriations:					
Statutory reserve	-	5,323,880	-	(5,323,880)	-
<b>Balance as at 31 December 2008</b>	<b>514,335,583</b>	<b>139,650,141</b>	<b>(376,279,234)</b>	<b>26,719,880</b>	<b>304,426,370</b>
Loss for the year	-	-	-	(192,693,101)	(192,693,101)
Other comprehensive income for the year	-	-	338,945,829	-	338,945,829
Appropriations:					
Statutory reserve	-	-	-	-	-
<b>Balance as at 31 December 2009</b>	<b>514,335,583</b>	<b>139,650,141</b>	<b>(37,333,405)</b>	<b>(165,973,221)</b>	<b>450,679,098</b>

The annexed notes 1-41 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

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 CHAIRMAN



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **1. LEGAL STATUS AND OPERATION**

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 May 23rd, 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).

JCR - VIS Credit Rating Company Limited has reaffirmed medium to long-term rating of SIBL at 'A' ( Single A ) with stable outlook and the short-term rating at 'A-2' ( A Two ).

#### **2. BASIS OF PERPARATION**

##### **2.1 Statement of Compliance**

These financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 as amended through SRO 1131 (I)/2007 dated 21 November 2007, Non-Banking Finance Companies and Notified Entities Regulations 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards/International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, NBFC Ruels or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The SECP has deferred the applicability of International Financial Reporting Standard, IFRS-7, 'Financial Instruments: Disclosures' through Circular No. 411(I)/2008 dated April 28, 2008 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of this standards have not been considered in the preparation of these financial statements

##### **2.2 Functional and Presentation Currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the company and rounded to the nearest Rupee.

##### **2.3 Initial application of standards, amendments or an interpretation to existing standards**

###### **a. Standards, amendments to published standards and interpretations that are effective in 2009 and are relevant to the company**

IAS 1 (revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Company has changed its accounting policies in the following areas:-  
Presentation of financial statements

- b. The company applies revised IAS 1 "Presentation of Financial Statement", which became effective from January 1, 2009. The Company has accordingly presented all changes in owners equity in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been represented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share. The bank has adopted a two statement approach.

International financial reporting standards (IFRS-8) operating segment. This standard requires disclosure of information about the company's operating segment. Adoption of this standard would not have any effect on the financial position or performance of the company.

- c. **Standards, amendments to published standards and interpretations that are effective in 2009 but not relevant to the company**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 are considered not to be relevant or to have any significant effect on the company's financial reporting and operations.

### 2.4 Accounting standards or an interpretations not yet effective

The following standards, amendments and interpretation of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment

IAS-1 (amendment) Presentation of Financial Statements	effective from accounting period beginning on or after 01 January 2010
IAS- 27 (amended) Consolidated and Separate Financial Statements	effective from accounting period beginning on or after 01 July 2009
IFRS-3 (amendments) Business Combinations	effective from accounting period beginning on or after 01 July 2009
IFRIC- 15 Agreement for the Construction of Real Estate	effective from accounting period beginning on or after 01 October 2009
IFRIC- 17 Distribution of non-cash assets to owners	effective from accounting period beginning on or after 01 July 2009
IFRIC- 18 Transfers of assets from customers	effective from accounting period beginning on or after 01 July 2009

The above standards, amendments and interpretations are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **2.5 Significant accounting judgement and estimates**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates, underlying assumptions and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

"In the process of applying the company's / accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- (a) determining the residual values and useful lives of property and equipment
- (b) classification of investments
- (c) valuation of derivatives
- (d) recognition of taxation and deferred tax
- (e) provisions
- (f) accounting for post employment benefits and
- (g) impairment of financial assets"

#### **3 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investments, which are stated at fair value.

#### **4 SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Fixed assets and depreciation**

"Operating fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to income applying the straight line method, whereby the cost of an asset is written off over its estimated useful life. Full month's depreciation is charged on additions during the month in which asset is acquired, while no depreciation is charged in the month of disposal.

Minor renewals or replacements, maintenance, repairs and profit or loss on disposal of fixed assets are included in current year's income. Major renewals and repairs are capitalized.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end."

##### **4.2 Stock Exchange Membership Card**

This is stated at cost less impairments, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is recorded in excess of its recoverable amount and where carrying value is in excess of recoverable amount, it is written down to its estimated recoverable amount.

##### **4.3 Investments**

###### **Subsidiary Company**

Investment in subsidiary company is measured at cost. However, at subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts are adjusted accordingly. Impairment losses are recognized as expense.

###### **Held-to-maturity**

Investment with fixed maturity where management has both the intent and ability to hold to maturity, are classified as held-to-maturity.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2009

#### Available-for-sale

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes to interest rates, exchange rates or equity prices are classified as available-for-sale.

#### Held-for-trading

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held-for-trading.

All Investments are initially recorded at cost, being the fair value of the consideration given.

Subsequent to initial recognition, investments available for sale and investments held for trading for which active market exists, are measured at market value using rates quoted on Reuters, stock exchange quotes and broker's quotations, in accordance with the requirements of circulars issued by State Bank of Pakistan. In case of available for sale investments, any difference between the carrying value and the revalued amount is taken to surplus/ (deficit) on revaluation of investments account and shown separately in the balance sheet below shareholders' equity, until realised on disposal. At the time of disposal the respective surplus or deficit is transferred to income currently. Amortization cost is charged to profit and loss account.

Investments held till Maturity are stated at amortized cost using the effective interest rate method less impairment, if any. The amortization for the period has been charged to the profit and loss account.

#### 4.4 Securities under repurchase / resale agreement

Transactions of repurchase / resale of government securities, term finance certificates and shares are entered into at contracted rates for specified period of time and are accounted for as follows:

##### Repurchase agreements

The securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these obligations are included in placements. The difference between purchase and resale price is accrued as income over the life of the reverse repo agreement.

##### Resale agreements

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by Security Investment Bank Limited. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

#### 4.5 Trade date and Settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by Security Investment Bank Limited. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets with in time frame generally established by regulation or convention in the market place.

#### 4.6 Staff retirement benefits

##### 4.6.1 Defined contribution plan

The company operates an approved Provident Fund Scheme for all its permanent employees. Equal monthly contributions are made, both by the company and the employee, to the fund @10% of basic salary.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **4.6.2 Defined benefit plan**

The company operates an Unfunded Gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 31. Actuarial gains / losses in excess of 10% of the actuarial liabilities or plan assets are recognized over the average lives of the employees.

#### **4.7 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.8 Financial instruments**

All financial assets and financial liabilities are recognized at the time when Security Investment Bank Limited becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

#### **4.9 Classification of deposits and financing**

Deposits and financing are classified as long and short term considering the remaining period at the balance sheet date.

#### **4.10 Cash and Cash equivalents**

Cash and Cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit account.

#### **4.11 Provisions**

Provisions are recognized when the company has legal or constructive obligation as a result of past events and it is probable that an outflow or resources will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

#### **4.12 Revenue**

Income on financing, placement, government securities, profit on deposits and term finance certificates are generally recognized on time proportion basis taking into account the principal / net investment outstanding and applicable rates of profit / return thereon. Income on discounted commercial papers is recognized on a time proportion basis over the life of instruments. Where recovery is considered doubtful, income is recognized on receipts basis.

Dividends on equity investments are recognized as income when the right to receive payment is established.

Income from capital gains is recognized on earned basis.

Fee, commission, liquidated damages etc. are recorded on actual receipt basis except guarantee commission received in advance which is spread over the guarantee period.

#### **4.13 Return on deposits and borrowings**

Return on deposits and borrowings are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **4.14 Taxation**

##### **Current**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax rebates and credits , if any, or at 0.5% of turnover whichever is higher.

##### **Deferred**

Deferred tax is accounted for using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates ( and tax laws ) that have been enacted at the balance sheet date.

Deferred tax on surplus / (deficit) on revaluation of investments is charged or credited directly to the same account.

#### **4.15 Related party transactions**

The company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

#### **4.16 Foreign currencies**

Assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing on the balance sheet date.

Other foreign currency transactions are converted at the rates prevailing on the date of the transactions.

Exchange differences ,if any, are included in the current year's income.

#### **4.17 Provision for doubtful debts - on financing**

Provision is made against doubtful receivable in pursuance of Securities & Exchange Commission of Pakistan's NBFC and Notified Entities Regulations 2008.

#### **4.18 Dividend distributions and appropriations**

Dividend distributions and appropriations other than statutory appropriations are recorded in the period in which they are approved.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**5. PROPERTY, PLANT AND EQUIPMENT**

(In Rupees)

PARTICULARS	C O S T				RATE %	D E P R E C I A T I O N				Written down Value as at Dec. 31, 2009
	As at Jan. 01, 2009	Additions	Deletions	As at Dec. 31, 2009		As at Jan. 01, 2009	Charge for the year	Adjustment	As at Dec. 31, 2009	
Computers and equipments	3,682,223	140,500	(1,600)	3,821,123	20%	3,200,060	151,632	-	3,351,692	469,431
Furniture and fixtures	3,068,286	-	-	3,068,286	10%	2,961,088	15,010	-	2,976,098	92,188
Generator	963,469	-	-	963,469	10%	518,621	52,418	-	571,039	392,430
Sign board	179,000	-	-	179,000	10%	157,498	3,000	-	160,498	18,502
Telephone system	171,496	-	-	171,496	10%	115,262	11,570	-	126,832	44,664
Vehicles	9,958,636	-	(597,050)	9,361,586	20%	6,151,634	1,194,003	(597,050)	6,748,587	2,612,999
<b>Rupees 2009</b>	<b>18,023,110</b>	<b>140,500</b>	<b>(598,650)</b>	<b>17,564,960</b>		<b>13,104,163</b>	<b>1,427,633</b>	<b>(597,050)</b>	<b>13,934,746</b>	<b>3,630,213</b>

PARTICULARS	C O S T				RATE %	D E P R E C I A T I O N				Written down Value as at Dec. 31, 2008
	As at Jan. 01, 2008	Additions	Deletions	As at Dec. 31, 2008		As at Jan. 01, 2008	Charge for the year	Adjustment	As at Dec. 31, 2008	
Computers and equipments	3,605,724	88,300	(11,801)	3,682,223	20%	3,001,044	204,416	(5,400)	3,200,060	482,163
Furniture and fixtures	3,068,286	-	-	3,068,286	10%	2,939,155	21,933	-	2,961,088	107,198
Generator	497,148	466,321	-	963,469	10%	475,933	42,688	-	518,621	444,848
Sign board	179,000	-	-	179,000	10%	154,498	3,000	-	157,498	21,502
Telephone system	171,496	-	-	171,496	10%	103,692	11,570	-	115,262	56,234
Vehicles	9,898,146	60,490	-	9,958,636	20%	4,998,163	1,153,471	-	6,151,634	3,807,002
<b>Rupees 2008</b>	<b>17,419,800</b>	<b>615,111</b>	<b>(11,801)</b>	<b>18,023,110</b>		<b>11,672,485</b>	<b>1,437,078</b>	<b>(5,400)</b>	<b>13,104,163</b>	<b>4,918,947</b>

5.1 Cost and accumulated depreciation as at the end of the year include Rs.=8895306/- (2008 : Rs.=8897107/- ) in respect of fully depreciated assets still in use.

5.2 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale Proceeds	Gain	Sold to	Mode of disposal
-------------	------	--------------------------	--------------------	---------------	------	---------	------------------

**Computer and equipments**

Peripherals	1,600	-	1,600	1,600	-	Dilshad	Negotiation
Vehicle	597,050	597,049	1	150,000	149,999	R. H. Autos	Negotiation
<b>Rupees-2009</b>	<b>598,650</b>	<b>597,049</b>	<b>1,601</b>	<b>151,600</b>	<b>149,999</b>		



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 Rupees	2008 Rupees
<b>6. STOCK EXCHANGE MEMBERSHIP CARD</b>			
Corporate membership of the Karachi Stock Exchange (Guarantee) Limited		<u>36,000,000</u>	<u>36,000,000</u>
<b>7. LONG TERM INVESTMENTS</b>			
10,000,000 ordinary shares of Rs. 10 each Wholly Owned Subsidiary - un-quoted		<u>100,000,000</u>	100,000,000
Pakistan Investment Bonds - Held to Maturity	7.1	<u>51,141,204</u>	51,220,356
		<u>151,141,204</u>	<u>151,220,356</u>
<b>7.1. Pakistan Investment Bonds</b>			
Cost		<u>51,220,356</u>	51,299,508
Less : Amortization		<u>(79,152)</u>	<u>(79,152)</u>
		<u>51,141,204</u>	<u>51,220,356</u>
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.=50,000,000/- (2008: Rs.=50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2008 : 10%). Their period to maturity is fifteen and a half years.</p>			
<b>8. DEFERRED TAX ASSET</b>			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		<u>19,386,813</u>	39,471,245
Accelerated depreciation		<u>410,766</u>	312,260
Provision for gratuity		<u>578,390</u>	388,600
Tax losses		<u>10,155,887</u>	-
		<u>30,531,856</u>	<u>40,172,105</u>
<b>9. SHORT TERM FINANCING - secured considered good</b>			
Demand finance	9.1	<u>18,600,000</u>	103,802,561
Provision for non-performing loans	9.2	<u>-</u>	<u>-</u>
		<u>18,600,000</u>	<u>103,802,561</u>
9.1 These are secured by demand promissory notes, hypothecation or a charge on assets of customers' Certificates of deposits., The mark-up rates range from 13% to 16% per annum (2008: 12% to 15% per annum).			
9.2 <b>Particulars of provision against non-performing loans</b>			
Opening balance		-	3,580,598
(Reversal) or write-off during the year		-	<u>(3,580,598)</u>
Closing balance		<u>-</u>	<u>-</u>





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

		2009 Rupees	2008 Rupees
<b>10. SHORT TERM PLACEMENTS - considered good</b>			
Under reverse repurchase agreements of quoted shares - secured	10.1	-	2,102,017

10.1 This represents secured placements against shares in Continuous Funding System and have been withdrawn during the year. Fair value of the collaterals accepted against the above placement balance as at December 31, 2009 NIL (2008: Rs.=1.193 million).

### 11. SHORT TERM INVESTMENTS

#### Available for Sale

Pakistan Investment Bonds	11.1	352,503,456	298,465,650
Term Finance Certificates	11.1	10,224,165	36,840,143
Quoted shares	11.1	244,174,543	121,462,172
		<u>606,902,164</u>	<u>456,767,965</u>

#### 11.1 Securities given as collateral under repurchase agreements.

Note	2009			2008		
	Held by SIBL	Repo Rupees	Total	Held by SIBL	Repo Rupees	Total
Pakistan Investment Bonds 11.1.1	-	352,503,456	352,503,456	-	298,465,650	298,465,650
Term Finance Certificates 11.1.2	10,224,165	-	10,224,165	36,840,143	-	36,840,143
Quoted Shares 11.1.3	26,193,112	217,981,432	244,174,543	20,099,143	101,363,029	121,462,172

11.1.1 Pakistan Investment Bonds (PIBs) have face value of Rs.400,000,000 (2008: Rs.400,000,000) with income receivable semi annually at 9% to 11% (2008: 9% to 11%) per annum and having maturity period from Two years and two months to fifteen years and six months. They have been placed as collateral against borrowings.

#### 11.1.2 Particulars of listed Term Finance Certificates (TFC) :

Issuer of TFC	No. of Certificates	2009		2008		
		Cost	Market Value	Cost	Market value	
		Rupees				
	2009	2008				
Pakistan International Airlines	-	5,000	-	-	24,790,675	24,542,768
TeleCard Limited 11.1.2.1	5,000	5,000	11,392,500	10,224,165	14,467,500	12,297,375
			<u>11,392,500</u>	<u>10,224,165</u>	39,258,175	<u>36,840,143</u>

#### 11.1.2.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
TeleCard Limited	5,000	3.75% over 6 months KIBOR.	Semi-annually	Revised on November 2009 as per the restructured redemption schedule is eight years from May 2005.

#### VALUATION OF CERTIFICATES

Initial Value of certificates	5,000
Redemption upto 31 December 2009	2,721
Balance as at 31 December 2009	<u>2,279</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**11.1.3 Quoted Shares**

All shares / units have face value of Rs. 10/- each unless identified otherwise.

No. of ordinary shares Certificates / units			2009		2008	
			Cost	Market Value	Cost	Market value
2009	2008		Rupees			
<b>Modarabas/Mutual Funds</b>						
500	500	Long Term Venture Modarba	225	225	800	225
15,002	15,002	Pakistan Premium Fund	89,262	89,262	90,189	30,304
4,500	4,500	PICIC Growth Fund	64,170	64,170	185,013	25,155
		JS Growth Fund (formerly				
69,627	69,627	UTP growth fund)	343,957	343,957	1,085,040	207,488
		JS Large Capital Fund (formerly				
1,389,697	1,389,697	UTP Large capital fund)	6,392,606	6,392,606	13,896,970	3,196,303
<b>Leasing</b>						
42,370	42,370	Saudi Pak Leasing Company Limited	59,742	59,742	1,450,590	122,874
<b>Investment bank / Cos. / Banks</b>						
39,062	31,250	Arif Habib Limited	2,361,689	2,361,689	9,251,848.00	2,669,688.00
614,406	491,525	Askari Bank Limited	16,773,284	16,773,284	35,663,389	7,161,519
3,825	-	Bank Alfalah Limited	61,762	52,670	-	-
214,700	195,000	Bank of Punjab	4,186,650	4,186,650	14,607,419	2,574,000
93,500	85,000	MCB Bank Limited	20,540,080	20,540,080	34,635,037.00	10,693,850.00
252,039	210,033	National Bank of Pakistan	18,744,140	18,744,140	47,045,688	10,568,861
6,875	6,250	United Bank Limited	401,844	401,844	995,199	230,687
1,644	-	First National Equities Limited	77,952	21,684	-	-
2,270	-	Jehangir Siddiqui & Company Limited	127,438	68,259	-	-
<b>Synthetic and Rayon</b>						
18,750	18,750	Pakistan Synthetics Limited	164,063	164,063	688,500	48,750
<b>Cement</b>						
150,000	150,000	D.G. Khan Cement Company Limited	4,884,000	4,884,000	12,053,527	3,190,500
53,800	53,800	Maple Leaf Cement	212,980	212,980	1,053,790	258,056
<b>Fuel and energy</b>						
60,000	60,000	Attock Refinery Limited	8,275,800	8,275,800	13,050,999	3,593,400
50,000	50,000	Bosicor Pakistan Limited	475,000	475,000	1,085,217.00	233,000.00
50,000	50,000	Hub Power Company Limited	1,554,000	1,554,000	1,890,378	704,500
175,000	175,000	Oil and Gas Development Co. Limited	19,356,750	19,356,750	24,168,759	8,748,250
211,860	211,860	Pakistan Oilfields Limited	48,890,932	48,890,932	72,825,609	21,713,531
310,134	258,445	Pakistan Petroleum Limited	58,798,305	58,798,305	63,281,098	26,004,736
7,750	7,750	Sui Northern Gas Pipelines Limited	192,200	192,200	672,358	166,315
67,000	67,000	Sui Southern Gas Company Limited	899,810	899,810	2,052,516	704,170



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

No. of ordinary shares Certificates / units			2009		2008	
			Cost	Market Value	Cost	Market value
2009	2008		Rupees			
<b>Automobiles and Transport</b>						
45,000	45,000	Pakistan International Airlines Corp.	117,450	117,450	900,481	157,950
<b>Technology and Communication</b>						
649,000	649,000	Pakistan Telecommunication co. Ltd.	11,454,090	11,454,090	39,851,503	10,961,610
<b>Fertilizer</b>						
50,000	50,000	Engro Chemicals Limited	9,163,500	9,163,500	14,851,610	4,823,000
<b>Chemical</b>						
255,000	255,000	Pakistan PTA Limited	1,996,650	1,996,650	2,417,742	405,450
<b>Sugar &amp; Allied Industries</b>						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
<b>Textile Composite</b>						
108,539	100,000	Nishat Mills Limited	7,586,876	7,586,876	12,260,365	2,260,00
<b>Miscellaneous</b>						
7,500	-	Pace Pakistan Limited	80,325	43,875	-	-
			<b>244,335,532</b>	<b>244,174,543</b>	422,019,634	121,462,172



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009	2008
		Rupees	Rupees
<b>12. LOANS AND ADVANCES</b>			
<b>Advances -considered good</b>			
	For expenses	284,825	301,395
	For Office Premises	2,500,000	2,500,000
	Advance income tax less payments and provision for tax	67,212,247	61,831,712
		<u>69,997,072</u>	<u>64,633,107</u>
<b>13. DEPOSITS AND PREPAYMENTS</b>			
	Security deposits	2,202,788	2,201,788
	KSE exposure limits	2,965,506	4,454,799
	Prepayments	493,074	408,633
		<u>5,661,368</u>	<u>7,065,220</u>
<b>14. ACCRUED INTEREST</b>			
	Income receivable	7,736,371	20,609,144
	Other receivables -considerd good	1,181,180	17,999,807
		<u>8,917,551</u>	<u>38,608,951</u>
14.1	<b>Income receivable</b>		
	Considered Good		
	Not due	7,736,371	20,609,144
	Less: Provision for doubtful debts	-	-
		<u>7,736,371</u>	<u>20,609,144</u>
14.1.1	This represents income on financing, placements and government securities not matured / due on December 31,2009.		
14.1.2	<b>Particulars of Provision for doubtful debts</b>		
	Opening balance	-	408,194
	(Less) : (Reversal) during the year	-	(408,194)
	Closing balance	-	-



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009 Rupees	2008 Rupees
<b>15. CASH AND BANK BALANCES</b>			
<b>With State Bank of Pakistan in</b>			
-Current account		2,097,912	2,158,515
<b>With other banks in</b>			
-Current accounts		2,099,032	3,534,710
-Deposit accounts	15.1	23,915,075	20,556,472
		<b>26,014,107</b>	24,091,182
Cash in hand		4,615	5,153
		<b>28,116,634</b>	26,254,850

15.1 Rate of return on these deposits account rang from 1.69% to 8.5% per annum (2008: 3.5% to 10.4% per annum)

**16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

<b>NUMBER OF SHARES</b>			
<u>2009</u>	<u>2008</u>		
23,552,000	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000
27,881,558	27,881,558	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	278,815,583
<b>51,433,558</b>	<b>51,433,558</b>		<b>514,335,583</b>

**17. RESERVES**

<b>Captial Reserves</b>			
Statutory reserves	17.1	139,650,141	139,650,141
<b>Revenue reserves</b>			
Unappropriated (loss) / profits		(165,973,221)	26,719,880
<b>Revaluation reserve</b>			
(Loss) on available for sale investment	17.2	(37,333,405)	(376,279,234)
		<b>(63,656,485)</b>	<b>(209,909,213)</b>

17.1 This reserve is created @ 20% of profit for the year from ordinary activities after taxation in compliance with Regulation No.16 of Part I of Chapter II of SECP's NBFCs and Notified Entities Regulations 2008.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009	2008
		Rupees	Rupees
17.2. (DEFICIT) ON REVALUATION OF INVESTMENTS - NET OF DEFERRED TAX			
Government securities		(55,390,895)	(112,774,985)
Term Finance Certificates		(1,168,335)	(2,418,032)
		<u>(56,559,230)</u>	<u>(115,193,017)</u>
Related deferred tax asset		19,386,813	39,471,245
		<u>(37,172,417)</u>	<u>(75,721,772)</u>
Quoted shares		(160,988)	(300,557,462)
		<u>(37,333,405)</u>	<u>(376,279,234)</u>
<b>18. DEFERRED LIABILITY</b>			
Gratuity - unfunded	31.4	<u>7,938,830</u>	<u>6,286,285</u>
<b>19. BORROWINGS</b>			
From Financial Institutions			
Secured	19.1	358,604,966	367,000,000
Related party - Unsecured			
SIBL provident fund	19.2	9,463,101	9,426,849
		<u>368,068,067</u>	<u>376,426,849</u>
19.1 This represents amount borrowed from financial institutions at mark-up rates ranging from 12.5% to 20% per annum (2008: 15% to 20% per annum) and having maturities on or before January 16, 2010. These are secured against Pakistan Investment Bonds and quoted shares sold under repurchase agreements.			
19.2 These carry mark-up of 12.25% per annum (2008: 20% per annum) and having maturity on or before January 16, 2010.			
<b>20. SHORT TERM DEPOSITS</b>			
From individuals	20.1	34,815,598	140,916,784
<b>From related party</b>			
SIBL Exchange Company (pvt) Limited	20.1	82,456,016	79,476,464
		<u>117,271,614</u>	<u>220,393,248</u>

20.1 These represents Certificate of Deposits with maturity ranging from one month to twelve months. The expected rate of return on these deposits range from 8% to 11% per annum (2008: 8% to 11% per annum) payable monthly, quarterly, semi annually or on maturity.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 Rupees	2008 Rupees
<b>21. ACCRUED AND OTHER LIABILITIES</b>		
<b>Accrued expenses</b>		
From related party-unsecured	244,550	230,587
Return on deposits-		
from individuals	529,528	500,924
from related party	928,628	9,822,282
from financial institutions-secured	1,458,156	10,323,206
	9,452,331	8,951,893
	<u>11,155,037</u>	<u>19,505,686</u>
<b>Other liabilities</b>		
Unclaimed dividend	2,276,722	2,971,998
Others	2,108,694	1,535,642
	4,385,416	4,507,640
	<u>15,540,453</u>	<u>24,013,326</u>
<b>22. CONTINGENCIES AND COMMITMENTS</b>		
<b>Contingencies</b>		
Guarantees issued on behalf of customer	74,618,813	22,775,324
<b>Commitments</b>		
There were no commitments as at the balance sheet date.		
<b>23. RETURN ON FINANCING AND PLACEMENTS</b>		
<b>Financing</b>		
Demand finance	2,904,566	32,423,383
<b>Placements</b>		
Secured against reverse repurchase agreements of Quoted Shares	10,680	69,728,165
	<u>2,915,246</u>	<u>102,151,548</u>
<b>24. RETURN ON SECURITIES</b>		
Return on government securities	42,096,269	41,638,564
Return on TFCs	3,340,662	8,151,893
	45,436,931	49,790,457
Gain on sale of securities	-	27,175
Dividend Income	11,171,576	13,624,883
	<u>56,608,507</u>	<u>63,442,515</u>
<b>25. OTHER INCOME</b>		
Gain / (Loss) on sale of fixed assets	149,999	(2,600)
Commission	638,545	183,782
Miscellaneous	120,250	304,498
	<u>908,794</u>	<u>485,680</u>
<b>26. RETURN ON DEPOSITS AND BORROWINGS</b>		
Return on certificate of deposits	8,944,136	36,593,844
Return on clean borrowings	1,983,313	50,073,031
Return on borrowings under repurchase agreement ( Repo )	50,100,593	47,114,685
	<u>61,028,042</u>	<u>133,781,560</u>





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009 Rupees	2008 Rupees
<b>27. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, wages and other benefits		13,510,445	13,155,822
Contribution to provident fund		792,030	884,070
Gratuity scheme expenses	31	1,652,545	1,291,885
Rent, rates and taxes		1,925,201	1,820,789
Telephone, telex and fax		683,402	1,011,660
Electricity, water and gas		817,985	705,756
Printing, postage and stationery		273,388	537,765
Insurance		747,608	593,892
Fees and membership		1,443,142	1,319,927
Brokerage and Commission		89,153	3,473,327
Central Depository Company charges		271,283	994,257
Auditors' remuneration	27.1	288,650	293,850
Legal and professional fees		800,600	855,599
Vehicle running and maintenance		906,401	936,272
Repairs and maintenance		307,522	284,681
Advertisement		418,608	462,379
Travelling and entertainment		374,995	382,792
Depreciation	5	1,427,633	1,437,078
Bank charges		24,998	195,490
Old age benefit		79,500	81,320
Books, periodicals & newspapers		43,454	34,055
Other Expenses		520,883	682,709
		<b>27,399,426</b>	<b>31,435,375</b>
<b>27.1 Auditors' remuneration</b>			
Statutory audit fee		275,000	275,000
Out of pocket		13,650	18,850
		<b>288,650</b>	<b>293,850</b>
<b>28. PROVISION FOR TAXATION</b>			
Current			
- for the year	28.1	(64,440)	(592,827)
Deferred			
- opening balance		(1,046,167)	(661,926)
- closing balance		11,145,043	1,046,167
		<b>10,098,876</b>	<b>384,241</b>
		<b>10,034,436</b>	<b>(208,586)</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 Rupees	2008 Rupees
<b>28.1 Relationship between tax expense and accounting profit</b>		
Profit for the year from ordinary activities before taxation	-	26,827,984
Tax at the applicable rate of 35% (December 31, 2008 : 35%)	-	9,389,794
Tax effect of expenses that are not allowable in determining taxable income	-	(494,944)
Tax effect of dividend income taxed at a lower rate	-	(416,036)
Tax effect of capital gains exempt from tax	-	(8,134,891)
Tax effect on gain / (loss) on sale of assets	-	1,383
Tax payable in respect of receipt/income covered under PTR	-	247,521
Tax charge	-	592,827

28.2 The Bank incurred a taxable loss in the current financial year, hence no reconciliation will be provided in the current financial statements.

Provision for taxation for current year has been made by applying rate i.e. 35% applicable to public companies listed on stock exchanges other than a banking company. Assessment years upto 2001-2002 and for tax years 2002 to 2007 have been finalised and rectification applications have been filed on rectifiable issues. The department preferred appeals before the Honourable High Court that were decided in favour of SIBL, against which the department filed appeals before the Honourable Supreme Court, which were also decided in favour of SIBL.

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 SIBL has preferred appeal before the Commissioner of the Inland Revenue (Appeals) and rectification application has also been filed on rectifiable issues. No provision has been made against this demand as the management is confident that the appeal will be decided in favour of SIBL.

The declared results for the tax year 2009 are deemed to be assessed in terms of Section 120(1)(b) of the Ordinance.

**29. EARNINGS PER SHARE- BASIC AND DILUTED**

**29.1 Basic**

Profit after tax	(192,693,101)	26,619,398
Weighted average number of ordinary shares	51,433,558	51,433,558
(Loss) / Earnings per share	(3.75)	0.52

**29.2 Diluted**

No figure for diluted earnings per share has been presented as Security Investment Bank Limited has not issued any instrument which would have an impact on its earnings

**30. STAFF STRENGTH**

Number of employees at end of the year	27	27
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2008
	Rupees	Rupees
<b>31. DEFINED BENEFIT PLAN</b>		
<b>31.1 General description</b>		
The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited at varying percentages of last drawn salary. The percentage depends on the number of service with SIBL.		
Annual provision is based on actuarial valuation, which was carried out as at 31 December 2009 using the Projected Unit Credit Method.		
<b>31.2 Principal actuarial assumptions</b>		
Following principal actuarial assumptions were used for the valuation.		
Estimated rate of increase in salary of the employees	10.60%	13.79%
Discount rate	12.70%	16.00%
<b>31.3 Reconciliation of provision for gratuity scheme</b>		
Present value of defined benefit obligation	(6,286,285)	(7,272,874)
Unrecognized transitional liability	(1,652,545)	986,589
	(7,938,830)	(6,286,285)
<b>31.4 Gratuity Asset/(Liability)</b>		
Provision at beginning of year	(6,286,285)	(5,176,000)
Expense	31.4.1 (1,652,545)	(1,291,885)
Benefits paid	-	181,600
	(7,938,830)	(6,286,285)
<b>31.4.1 Gratuity scheme expense</b>		
Current service cost	399,195	644,149
Interest Cost	1,163,660	610,117
Recognition of loss	89,690	37,619
	1,652,545	1,291,885



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2009

The company amortizes gains and losses over the expected remaining service of current plan members.

#### 31.5 Historical Experience

The following table show obligation at the end of each year and the proportion there of resulting from experience loss during the year:

Year	2009	2008	2007	2006	2005
Obligation (Rs. in 000)	7,814	7,273	5,635	4,348	4,023
Loss on obligation ( % )	-13%	8%	8%	0%	0%

#### 32. REMUNERATION OF CHIEF EXECUTIVE , DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
Director's Meeting fees	-	-	180,000	160,000	-	-
Managerial remuneration	3,960,000	3,960,000	-	-	3,684,000	3,684,000
Bonus	330,000	330,000	-	-	307,000	307,000
Medical expenses	214,798	154,221	-	-	321,795	306,172
Provident fund	360,000	396,000	-	-	245,400	245,400
Other benefits	1,147,193	961,647	-	-	-	-
Reimbursable expenses	173,400	155,600	-	-	-	-
	<b>6,185,391</b>	<b>5,921,468</b>	<b>180,000</b>	<b>160,000</b>	<b>4,558,195</b>	<b>4,542,572</b>
Number of persons	<b>1</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>

In addition to above the company provides free use of company maintained cars to its Chief Executive and other Senior Executives.

#### 33. LIQUIDITY RISK

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company matches availability of liquid funds before committing for liability and also on a timely basis an analysis of liquid funds with maturities of liabilities due is performed.

#### 32. MATURITIES OF ASSETS AND LIABILITIES

Assets	Total	2009			
		Upto three months	Over three months to one year	Over one year to five years	Over five years
		<b>R u p e e s</b>			
Tangible fixed assets	3,630,213	-	-	-	3,630,213
Membership card	36,000,000	-	-	-	36,000,000
Long term Investment	151,141,204	-	-	-	151,141,204
Deferred tax asset	30,531,856	-	30,531,856	-	-
Short term financing	18,600,000	11,300,000	7,300,000	-	-
Short term investments	606,902,164	244,174,543	-	153,484,565	209,242,756
Loans and advances	69,997,072	2,784,825	67,212,247	-	-
Deposits and prepayments	5,661,368	5,661,368	-	-	-
Accrued interest	8,917,551	8,917,551	-	-	-
Cash and bank balance	28,116,634	28,116,634	-	-	-
	<b>959,498,062</b>	<b>300,954,921</b>	<b>105,044,103</b>	<b>153,484,565</b>	<b>400,014,173</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Liabilities**

Deferred liabilities	7,938,830	-	-	-	7,938,830
Borrowings	368,068,067	368,068,067	-	-	-
Short term deposits	117,271,614	94,947,928	22,323,686	-	-
Accrued expenses and other liabilities	15,540,453	15,540,453	-	-	-

**508,818,964**      **478,556,448**      **22,323,686**      -      **7,938,830**

**Net assets**

**450,679,098**

**Represented by:**

Share capital & Reserves

**450,679,098**

**450,679,098**

**2008**

Assets	Total	2008			
		Upto three months	Over three months to one year	Over one year to five years	Over five years

**Rupees**

Tangible fixed assets	4,918,947	-	-	-	4,918,947
Membership card-intangibl	36,000,000	-	-	-	36,000,000
Long term Investment	151,220,356	-	-	-	151,220,356
Deferred tax asset	40,172,105	-	40,172,105	-	-
Short term financing	103,802,561	97,302,561	6,500,000	-	-
Placement	2,102,017	2,102,017	-	-	-
Short term investments	456,767,965	146,004,940	-	141,748,775	169,014,250
Loan and advances	64,633,107	2,801,395	61,831,712	-	-
Deposits and prepayments	7,065,220	7,065,220	-	-	-
Accrued Interest	38,608,951	38,608,951	-	-	-
Cash and bank balances	26,254,850	26,254,850	-	-	-

**931,546,079**      **320,139,934**      **108,503,817**      **141,748,775**      **361,153,553**

**Liabilities**

Deferred liabilities	6,286,285	-	-	-	6,286,285
Borrowings	376,426,849	376,426,849	-	-	-
Short term deposits	220,393,248	202,861,560	17,531,688	-	-
Accrued expenses and other liabilities	24,013,326	24,013,326	-	-	-

**627,119,708**      **603,301,735**      **17,531,688**      -      **6,286,285**

**Net assets**

**304,426,371**

**Represented by:**

Share capital & Reserves

304,426,370

**304,426,370**



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**35 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the credit worthiness of counter-parties.

Concentration of credit risk arise when a number of counter-parties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

The company follows two sets of guidelines. Firstly, it has its own operating policies duly approved by the Board of Directors. Secondly, it adheres to the regulations issued by the SECP and SBP. The operating policies define the extent of fund and non-fund based exposures with reference to a particular sector or group.

The company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of risks with individuals or groups of customers in specific locations or business. It also obtains security when appropriate. Details of Industry / sector analysis of finance portfolio is given below:

FINANCE	2009		2008	
	Rupees	%	Rupees	%
Textile spinning	2,400,000	12.90	2,400,000	2.31
Cables and electric goods	8,900,000	47.85	93,502,561	90.08
Others	7,300,000	39.25	7,900,000	7.61
	<b>18,600,000</b>	<b>100.00</b>	<b>103,802,561</b>	<b>100.00</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**36 INTEREST RATE RISK**

Interest rate risk arises from the possibility when changes in interest rate affect the value of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts assets and liability that mature or reprice in a given period. The company manages this risk by matching the repricing of assets and liabilities.

The Company's exposure to interest rate risk on its financial assets and financial liabilities are summarized as follows:

DESCRIPTION	Total	December 31, 2009 Exposed to Interest Rate/ Yield Risk			Not Exposed to Interest Rate/ Yield Risk
		Within one year	More than one years and upto five years	above five years	
<b>FINANCIAL ASSETS</b>					
Long Term Investment	100,000,000	-	-	-	100,000,000
Short term financing	18,600,000	18,600,000	-	-	-
Short term placement	-	-	-	-	-
Investment in TFCs	10,224,165	10,224,165	-	-	-
Investment in Shares	244,174,543	-	-	-	244,174,543
Investment in Govt Bonds	403,644,660	-	143,260,700	260,383,960	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and prepayments	5,168,294	-	-	-	5,168,294
Accrued interest	8,917,551	-	-	-	8,917,551.00
Balance with banks and cash in hand	28,116,634	26,014,107	-	-	2,102,527
<b>Total</b>	<b>821,345,847</b>	<b>54,838,272</b>	<b>143,260,700</b>	<b>260,383,960</b>	<b>362,862,915</b>
<b>FINANCIAL LIABILITIES</b>					
Deposits	117,271,614	117,271,614	-	-	-
Borrowings	368,068,067	368,068,067	-	-	-
Profit accrued on deposits and borrowings	11,155,037	-	-	-	11,155,037
Accrued and other liabilities	4,385,416	-	-	-	4,385,416
<b>Total</b>	<b>500,880,134</b>	<b>485,339,681</b>	<b>-</b>	<b>-</b>	<b>15,540,453</b>
Total interest rate sensitivity gap		(430,501,409)	143,260,700	260,383,960	347,322,462
Cumulative interest rate sensitivity gap		(430,501,409)	(287,240,709)	(26,856,749)	



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

DESCRIPTION	Total	December 31, 2008 Exposed to Interest Rate/ Yield Risk			Not Exposed to Interest Rate/ Yield Risk
		Within one year	More than one years and upto five years	above five years	
<b>FINANCIAL ASSETS</b>					
Long Term Investment	100,000,000	-	-	-	100,000,000
Short term financing	130,802,561	103,802,561	-	-	-
Short term placement	2,102,017	2,102,017	-	-	-
Investment in government securities	349,686,006	-	129,451,400	220,234,606	-
Short term investment in TFCs	36,840,143	24,542,768	12,297,375	-	-
Short term investments in shares-quotec	121,462,172	-	-	-	121,462,172
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and prepayments	6,656,587	-	-	-	6,656,587
Accrued interest	38,608,951	-	-	-	38,608,951
Balance with banks and cash in hand	26,254,850	24,097,052	-	-	2,157,798
<b>Total</b>	<b>787,913,287</b>	<b>154,544,398</b>	<b>141,748,775</b>	<b>220,234,606</b>	<b>271,385,508</b>
<b>FINANCIAL LIABILITIES</b>					
Deposits	220,393,248	220,393,248	-	-	-
Borrowings	376,426,849	376,426,849	-	-	-
Profit accrued on deposits and borrowings	19,505,686	-	-	-	19,505,686
Accrued and other liabilities	4,507,640	-	-	-	4,507,640
<b>Total</b>	<b>620,833,423</b>	<b>596,820,097</b>	<b>-</b>	<b>-</b>	<b>24,013,326</b>
Total interest rate sensitivity gap		(442,275,699)	141,748,775	220,234,606	247,372,182
Cumulative interest rate sensitivity gap		(442,275,699)	(300,526,924)	(80,292,318)	167,079,864





## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **CAPITAL RISK MANAGEMENT**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company is exposed to externally imposed capital requirements.

In accordance with the requirement of Non-Banking Finance Companies and Notified Entities Regulations 2008 ( vide SRO No. 1203 (1)/2008), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the company is of the view that it will be able to meet its capital requirement within the time frame allowed under the said regulations.

#### **38. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying value of financial assets and financial liabilities approximate their fair values as reflected in the financial statements.

#### **39. TRANSACTIONS 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 holders 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 given under note 31 to the financial statements, are as follows;

	2009 Rupees	2008 Rupees
Financing		
- Associated undertakings	11,200,000	51,931,920
- Others	5,000,000	49,470,641
Return on financing		
- Associated undertakings	1,486,412	20,292,131
- Others	1,488,884	12,300,979
Deposits		
- Subsidiary	82,456,016	79,476,464
- Associated undertakings	1,819,672	39,410,578
- Others	15,479,611	60,369,591



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

Return on deposits		
- Subsidiary	<b>6,126,045</b>	5,257,643
- Associated undertakings	<b>188,947</b>	5,865,573
- Others	<b>935,765</b>	8,189,750
Contribution to staff provident fund	<b>792,030</b>	884,070

**40. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors on 29 March 2010

**41. FIGURES**

41.1 Figures have been rounded off to the nearest rupee.

41.2 Prior years figures have been reclassified for the purpose of better presentation and comparison.

Changes made during the year are as follows.

<b>Reclassification from</b>	<b>Reclassification to</b>	<b>Amount</b>
Advances, deposits, prepayments and other receivables.	Loans and advances	<u>64,633,107</u>
	Deposits and prepayments	<u>7,065,220</u>
	Accrued interest	<u>38,608,951</u>

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CHIEF EXECUTIVE

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CHAIRMAN



**SECURITY INVESTMENT BANK LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**



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## ***AUDITORS' REPORT TO THE MEMBERS***

We have audited the annexed consolidated financial statements comprising the consolidated balance sheet of Security Investment Bank Limited and its subsidiary company as at December, 31, 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, (here-in after referred to as the 'financial statements') for the year then ended. We have also expressed a separate opinion on the financial statements of Security Investment Bank Limited. While the financial statements of the subsidiary company for the half year ended December 31, 2009 have been reviewed by another auditor in accordance with the International Standard on Review Engagements 2410, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor.

It is the responsibility of the holding company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 (XL VII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us, present fairly the financial position of Security Investment Bank Limited and its subsidiary company as at December 31, 2009 and the results of their operations, their statement of comprehensive income, their statement of changes in equity, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Karachi;  
29 March 2010

**AVAIS HYDER LIAQUAT NAUMAN**  
Chartered Accountants  
Engagement Partner: Adnan Zaman



## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	2009 Rupees	2008 Rupees
<b>ASSETS</b>			
Property, plant and equipment	5	4,615,832	6,155,313
Intangible assets	6	36,134,168	36,204,168
Long Term Investments	7	51,141,204	51,220,356
Deferred tax asset	8	30,531,856	40,172,105
Deferred cost	9	-	56,205
<b>CURRENT ASSETS</b>			
Short term financing	10	18,600,000	103,802,561
Short term placements	11	-	2,102,017
Short term Investments	12	631,902,164	481,767,965
Loans and advances	13	69,768,145	63,920,929
Deposits and prepayments	14	5,710,619	7,111,354
Accrued interest	15	10,542,161	38,608,951
Cash and bank balances	16	29,715,075	28,845,277
		<b>766,238,164</b>	<b>726,159,054</b>
		<b>888,661,224</b>	<b>859,967,201</b>
<b>SHARE CAPITAL AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
<b>Authorised Capital</b>			
100,000,000 (2008: 100,000,000) ordinary shares of Rs. 10/-each		<b>1,000,000,000</b>	<b>1,000,000,000</b>
Issued, subscribed and paid up capital	17	514,335,583	514,335,583
Reserves	18	(52,943,836)	(202,338,008)
		<b>461,391,747</b>	<b>311,997,575</b>
<b>LIABILITIES</b>			
Deferred liability	19	7,938,830	6,286,285
<b>CURRENT LIABILITIES</b>			
Borrowings	20	368,068,067	376,426,849
Short term deposits	21	34,815,598	140,916,784
Accrued and other liabilities	22	16,446,982	24,339,708
		<b>419,330,647</b>	<b>541,683,341</b>
<b>Contingencies and commitments</b>	23	-	-
		<b>888,661,224</b>	<b>859,967,201</b>

The annexed notes 1-42 form an integral part of these financial statements.

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CHIEF EXECUTIVE

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CHAIRMAN



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 Rupees	2008 Rupees
<b>INCOME</b>			
Return on financing and placements	24	2,915,246	102,151,548
Return on securities	25	59,375,604	65,648,997
Gain on sale of investments		2,634,910	23,242,547
Profit on deposit with banks		1,221,138	2,722,629
Other income	26	1,083,007	1,804,178
		<b>67,229,905</b>	<b>195,569,899</b>
<b>EXPENDITURE</b>			
Return on deposits and borrowings	27	54,935,658	128,597,145
Administrative and operating expenses	28	31,508,248	35,117,448
		<b>86,443,906</b>	<b>163,714,593</b>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(19,214,001)</b>	<b>31,855,306</b>
<b>IMPAIRMENT UNDER SECP'S SRO 150(1)/2009</b>			
Impairment against investments in equity securities		(300,557,462)	-
Adjustment for price movement during the current period		121,968,798	-
		<b>(178,588,664)</b>	<b>-</b>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(197,802,665)</b>	<b>31,855,306</b>
<b>TAXATION</b>	29	<b>8,251,008</b>	<b>(2,015,404)</b>
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(189,551,657)</b>	<b>29,839,902</b>
<b>BASIC EARNING PER SHARE</b>	30	<b>(3.69)</b>	<b>0.58</b>

The annexed notes 1-42 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

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 CHAIRMAN



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

Note	2009 Rupees	2008 Rupees
<b>(Loss) / profit after taxation</b>	<b>(189,551,657)</b>	<b>29,839,902</b>
<b>Other comprehensive income</b>		
Gain / (loss) on available for sale investment	58,472,799	(342,039,444)
Impairment transferred to profit and loss	300,557,462	-
	359,030,261	(342,039,444)
Income tax relating to available for sale investment	(20,084,432)	27,207,358
<b>Other comprehensive income / (loss) for the year, (net of tax)</b>	<b>338,945,829</b>	<b>(314,832,086)</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>149,394,172</b>	<b>(284,992,184)</b>

The annexed notes 1-42 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

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 CHAIRMAN





**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 Rupees	2008 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit before tax		(197,802,665)	31,855,306
Adjustment for non cash and other items			
Depreciation		1,775,688	1,769,217
Amortization of deferred cost		126,205	182,412
Impairment on available for sale investment		178,588,664	-
(Gain) on disposal of shares		(2,634,910)	(23,242,547)
(Gain)/loss on disposal of fixed assets		(149,999)	2,600
(Gain) on sale of securities		-	(27,175)
Provision for gratuity		1,652,545	1,291,885
		<u>179,358,193</u>	<u>(20,023,608)</u>
<b>Cash flows from operating activities before working capital changes</b>		<b>(18,444,472)</b>	<b>11,831,698</b>
<b>(Increase) / decrease in operating assets</b>			
Decrease / (increase) in financing and placements		87,304,578	1,554,822,245
Decrease / (increase) in loans and advances		(41,430)	(57,145)
Decrease / (increase) in deposits and prepayments		1,400,735	23,810,529
Decrease / (increase) in accrued interest		28,066,790	(13,510,475)
		<u>116,730,673</u>	<u>1,565,065,154</u>
<b>Increase / (decrease) in Operating Liabilities</b>			
(Decrease) in deposits		(106,101,186)	(761,725,916)
(Decrease) / increase in borrowings		(8,358,782)	(818,573,151)
(Decrease) / increase in accrued and other liabilities		(7,197,450)	(10,042,259)
		<u>(121,657,418)</u>	<u>(1,590,341,326)</u>
<b>Net Changes in operating assets and liabilities</b>		<b>(54,926,745)</b>	<b>(25,276,172)</b>
Income tax paid		(7,416,973)	(16,494,709)
Gratuity paid		-	(181,600)
Dividend paid		(695,276)	(2,754,111)
		<u>(8,112,249)</u>	<u>(19,430,420)</u>
<b>Net cash (used in) operating activities</b>		<b>(31,483,466)</b>	<b>(32,874,894)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Purchase) of fixed assets		(86,208)	(670,910)
Sale / (Purchase) of investments (shares)		1,730,349	(128,401,893)
(Purchase) / sale of securities		30,709,123	80,386,559
<b>Net cash (used in) investing activities</b>		<b>32,353,264</b>	<b>(48,686,244)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (decrease) in cash and cash equivalents		<u>869,798</u>	<u>(81,561,138)</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>28,845,277</b>	<b>110,406,415</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<u><u>29,715,075</u></u>	<u><u>28,845,277</u></u>

The annexed notes 1-42 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

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 CHAIRMAN



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Share Capital (Note 17)	Statutory Reserve (Note 18)	Surplus / Deficit on revaluation of available for sale investment (Note No. 18.2)	Unappropriated Profit (Note 18)	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2008	428,612,993	134,326,261	(61,447,148)	95,497,653	596,989,759
Profit for the year	-	-	-	29,839,902	29,839,902
Other comprehensive loss for the year	-	-	(314,832,086)	-	(314,832,086)
Issuance of bonus shares	85,722,590	-	-	(85,722,590)	-
Appropriations:					
Statutory reserve	-	5,323,880	-	(5,323,880)	-
<b>Balance as at 31 December 2008</b>	<b>514,335,583</b>	<b>139,650,141</b>	<b>(376,279,234)</b>	<b>34,291,085</b>	<b>311,997,575</b>
Loss for the year	-	-	-	(189,551,657)	(189,551,657)
Other comprehensive income for the year	-	-	338,945,829	-	338,945,829
Appropriations:					
Statutory reserve	-	-	-	-	-
<b>Balance as at 31 December 2009</b>	<b>514,335,583</b>	<b>139,650,141</b>	<b>(37,333,405)</b>	<b>(155,260,572)</b>	<b>461,391,747</b>

The annexed notes 1-42 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

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 CHAIRMAN



## **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **1. LEGAL STATUS AND OPERATION**

Security Investment Bank Limited and its subsidiary company ("The Group") comprises of holding company Security Investment Bank Limited (SIBL) and a wholly owned subsidiary company SIBL Exchange Company (Pvt) Limited (SIBLE).

SIBL ("the company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 23 May 1991 and started its commercial operation on 31 December 1991. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of SIBL is situated at Flat No.4, 3rd floor, AL-Baber Centre, Main Markaz, F-8, Islamabad. SIBL is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP) as amended through SRO 1131(I)/2007 dated November 21, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (previously this was covered under SRO 585(1)/87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan).

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

##### **1.1 Basis of Consolidation**

The consolidated financial statements includes the financial statements of "Security Investment Bank Limited" and its wholly owned subsidiary "SIBL Exchange Company (Pvt) Limited".

The financial statements of subsidiary company have been consolidated on line by line basis and carrying value of investments held by the parent company is eliminated against the subsidiary's shareholders equity in the consolidated financial statements. All Intra-group balances, transactions and resulting profit / (losses) have been eliminated.

#### **2. BASIS OF PERPARATION**

##### **2.1 Statement Of Compliance**

These financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 as amended through SRO 1131 (I)/2007 dated 21 November 2007, Non-Banking Finance Companies and Notified Entities Regulations 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards/International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, NBFC Ruels or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The SECP has also deferred the applicability of International Financial Reporting Standard, IFRS-7, 'Financial Instruments: Disclosures' through Circular No. 411(I)/2008 dated April 28, 2008 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements



## **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **2.2 Functional and Presentation Currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the company and rounded to the nearest Rupee.

#### **2.3 Initial application of standards, amendments or an interpretation to existing standards**

##### **a Standards, amendments to published standards and interpretations that are effective in 2009 and are relevant to the company**

IAS 1 (revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Group has preferred to present two statement (the income statement and the statement of comprehensive income). Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit and loss for the year.

##### **b Standards, amendments to published standards and interpretations that are effective in 2009 but not relevant to the company**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 are considered not to be relevant or to have any significant effect on the group's financial reporting and operations.

#### **2.4 Accounting standards or an interpretations not yet effective**

The following standards, amendments and interpretation of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment

IAS-1 (amendment) Presentation of Financial Statements	effective from accounting period beginning on or after 01 January 2010
IAS- 27 (amended) Consolidated and Separate Financial Statements	effective from accounting period beginning on or after 01 July 2009
IFRS-3 (amendments) Business Combinations	effective from accounting period beginning on or after 01 July 2009
IFRIC- 15 Agreement for the Construction of Real Estate	effective from accounting period beginning on or after 01 October 2009
IFRIC- 17 Distribution of non-cash assets to owners	effective from accounting period beginning on or after 01 July 2009
IFRIC- 18 Transfers of assets from customers	effective from accounting period beginning on or after 01 July 2009

The above standards, amendments and interpretations are either not relevant to group's operations or are not expected to have significant impact on the group's financial statements other than certain increased disclosures.



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**2.5 Significant Accounting Judgement And Estimates**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates, underlying assumptions and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

"In the process of applying the group's / accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- (a) determining the residual values and useful lives of property and equipment
- (b) classification of investments
- (c) valuation of derivatives
- (d) recognition of taxation and deferred tax
- (e) provisions
- (f) accounting for post employment benefits and
- (g) impairment of financial assets"

**3 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investments, which are stated at fair value.

**4 SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Fixed assets and depreciation**

"Operating fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to income applying the straight line method, whereby the cost of an asset is written off over its estimated useful life. Full month's depreciation is charged on additions during the month in which asset is acquired, while no depreciation is charged in the month of disposal.

Minor renewals or replacements, maintenance, repairs and profit or loss on disposal of fixed assets are included in current year's income. Major renewals and repairs are capitalized.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end."

**4.2 Stock Exchange Membership Card**

This is stated at cost less impairments, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is recorded in excess of its recoverable amount and where carrying value is in excess of recoverable amount, it is written down to its estimated recoverable amount.

**4.3 Deferred cost**

Deferred cost comprising formation and preliminary expenses, share issue expenses, pre-operating expenses and office renovation expenses are amortized over a period of five years.



## **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **4.4 Investments**

##### **Held-to-maturity**

Investment with fixed maturity where management has both the intent and ability to hold to maturity, are classified as held-to-maturity.

##### **Available-for-sale**

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes to interest rates, exchange rates or equity prices are classified as available-for-sale.

##### **Held-for-trading**

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held-for-trading.

All Investments are initially recorded at cost, being the fair value of the consideration given.

Subsequent to initial recognition, investments available for sale and investments held for trading for which active market exists, are measured at market value using rates quoted on Reuters, stock exchange quotes and broker's quotations, in accordance with the requirements of circulars issued by State Bank of Pakistan. In case of available for sale investments, any difference between the carrying value and the revalued amount is taken to surplus/ (deficit) on revaluation of investments account and shown separately in the balance sheet below shareholders' equity, until realised on disposal. At the time of disposal the respective surplus or deficit is transferred to income currently. Amortization cost is charged to profit and loss account.

Investments held till Maturity are stated at amortized cost using the effective interest rate method less impairment, if any. The amortization for the period has been charged to the profit and loss account.

#### **4.5 Securities under repurchase / resale agreement**

Transactions of repurchase / resale of government securities, term finance certificates and shares are entered into at contracted rates for specified period of time and are accounted for as follows:

##### **Repurchase agreements**

The securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are included in borrowings from institutions. The difference between sale and repurchase price is treated as mark-up on borrowings from institutions and accrued as expense over the life of the repo agreement.

##### **Resale agreements**

The securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these obligations are included in placements. The difference between purchase and resale price is accrued as income over the life of the reverse repo agreement.



## **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **4.6 Trade date and Settlement date accounting**

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by Security Investment Bank Limited. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

#### **4.7 Staff retirement benefits**

##### **4.7.1 Defined contribution plan**

The SIBL operates an approved Provident Fund Scheme for all its permanent employees. Equal monthly contributions are made, both by the SIBL and the employee, to the fund @10% of basic salary.

##### **4.7.2 Defined benefit plan**

The SIBL operates an Unfunded Gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 32. Actuarial gains / losses in excess of 10% of the actuarial liabilities or plan assets are recognized over the average lives of the employees.

#### **4.8 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.9 Financial instruments**

All financial assets and financial liabilities are recognized at the time when group becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

#### **4.10 Classification of deposits and financing**

Deposits and financing are classified as long and short term considering the remaining period at the balance sheet date.

#### **4.11 Cash and Cash equivalents**

Cash and Cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit account.

#### **4.12 Provisions**

Provisions are recognized when the group has legal or constructive obligation as a result of past events and it is probable that an outflow or resources will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.





## **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **4.13 Revenue**

Income on financing, placement, government securities, profit on deposits and term finance certificates are generally recognized on time proportion basis taking into account the principal / net investment outstanding and applicable rates of profit / return thereon. Income on discounted commercial papers is recognized on a time proportion basis over the life of instruments. Where recovery is considered doubtful, income is recognized on receipts basis.

Dividends on equity investments are recognized as income when the right to receive payment is established.

Income from capital gains is recognized on earned basis.

Fee, commission, liquidated damages etc. are recorded on actual receipt basis except guarantee commission received in advance which is spread over the guarantee period.

#### **4.14 Return on deposits and borrowings**

Return on deposits and borrowings are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

#### **4.15 Taxation**

##### **Current**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax rebates and credits.

##### **Deferred**

Deferred tax is accounted for using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates ( and tax laws ) that have been enacted at the balance sheet date.

Deferred tax on surplus / (deficit) on revaluation of investments is charged or credited directly to the same account.





**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**4.16 Related party transactions**

The company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

**4.17 Foreign currencies**

Assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing on the balance sheet date.

Other foreign currency transactions are converted at the rates prevailing on the date of the transactions.

Exchange differences ,if any, are included in the current year's income.

**4.18 Provision for doubtful debts - on financing**

Provision is made against doubtful receivable in pursuance of Securities & Exchange Commission of Pakistan's NBFC and Notified Entities Regulations 2008.

**4.19 Dividend distributions and appropriations**

Dividend distributions and appropriations other than statutory appropriations are recorded in the period in which they are approved.



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**5. PROPERTY, PLANT AND EQUIPMENT**

(In Rupees)

PARTICULARS	C O S T				RATE %	D E P R E C I A T I O N				Written down Value as at Dec. 31, 2009
	As at Jan. 01, 2009	Additions	Deletions	As at Dec. 31, 2009		As at Jan. 01, 2009	Charge for the year	Adjustment	As at Dec. 31, 2009	
Furniture & fixtures	3,643,286	237,808	(1,600)	3,879,494	10%	3,100,050	72,508	-	3,172,558	706,936
Computers and equipments	4,428,923	-	-	4,428,923	20%	3,657,279	333,209	-	3,990,488	438,435
Telephone system	236,496	-	-	236,496	10%	136,384	18,070	-	154,454	82,042
Vehicles	10,458,636	-	(597,050)	9,861,586	20%	6,409,963	1,294,005	(597,049)	7,106,919	2,754,667
Generator	963,469	-	-	963,469	10%	518,621	52,418	-	571,039	392,430
Sign board	461,325	-	-	461,325	10%	214,525	5,478	-	220,003	241,322
<b>Rupees 2009</b>	<b>20,192,135</b>	<b>237,808</b>	<b>(598,650)</b>	<b>19,831,293</b>		<b>14,036,822</b>	<b>1,775,688</b>	<b>(597,049)</b>	<b>15,215,461</b>	<b>4,615,832</b>

PARTICULARS	C O S T				RATE %	D E P R E C I A T I O N				Written down Value as at Dec. 31, 2008
	As at Jan. 01, 2008	Additions	Deletions	As at Dec. 31, 2008		As at Jan. 01, 2008	Charge for the year	Adjustment	As at Dec. 31, 2008	
Furniture & fixtures	3,643,286	-	-	3,643,286	10%	3,020,617	79,433	-	3,100,050	543,236
Computers and equipments	4,292,824	147,900	(11,801)	4,428,923	20%	3,292,604	370,075	(5,400)	3,657,279	771,644
Telephone system	236,496	-	-	236,496	10%	118,314	18,070	-	136,384	100,112
Vehicles	10,398,146	60,490	-	10,458,636	20%	5,156,492	1,253,471	-	6,409,963	4,048,673
Generator	497,148	466,321	-	963,469	10%	475,933	42,688	-	518,621	444,848
Sign board	461,325	-	-	461,325	10%	209,045	5,480	-	214,525	246,800
<b>Rupees 2008</b>	<b>19,529,225</b>	<b>674,711</b>	<b>(11,801)</b>	<b>20,192,135</b>		<b>12,273,005</b>	<b>1,769,217</b>	<b>(5,400)</b>	<b>14,036,822</b>	<b>6,155,313</b>

5.1 Cost and accumulated depreciation as at the end of the year include Rs.8,895,306/- (2008 : Rs.8,897,107) in respect of fully depreciated assets still in use.

5.2 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale Proceeds	Gain	Sold to	Mode of disposal
<b>Computers and equipments</b>	1,600	-	1,600	1,600	-	Dilshad	Negotiation
Vehicle	597,050	597,049	1	150,000	149,999	R. H. Autos	Negotiation
<b>Rupees-2009</b>	<b>598,650</b>	<b>597,049</b>	<b>1,601</b>	<b>151,600</b>	<b>149,999</b>		



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

		2009 Rupees	2008 Rupees
<b>6. STOCK EXCHANGE MEMBERSHIP CARD</b>			
Corporate membership of Karachi Stock Exchange		36,000,000	36,000,000
Computer Software less amortization		134,168	204,168
		<b>36,134,168</b>	<b>36,204,168</b>
<b>7. LONG TERM INVESTMENTS</b>			
Pakistan Investment Bonds - Held to Maturity	7.1	<b>51,141,204</b>	51,220,356
<b>7.1. Pakistan Investment Bonds</b>			
Cost		51,220,356	51,299,508
Less : Amortization		(79,152)	(79,152)
		<b>51,141,204</b>	<b>51,220,356</b>
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.=50,000,000/- (2008: Rs. 50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2008 : 10%). Their period to maturity fifteen and a half years.</p>			
<b>8. DEFERRED TAX ASSET</b>			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		19,386,813	39,471,245
Accelerated depreciation		410,766	312,260
Provision for gratuity		578,390	388,600
Tax losses		10,155,887	-
		<b>30,531,856</b>	<b>40,172,105</b>
<b>9. DEFERRED COST</b>			
Opening balance		56,205	168,615
Amortised during the year		(56,205)	(112,410)
		-	<b>56,205</b>
<b>10. SHORT TERM FINANCING - secured considered good</b>			
Demand finance	10.1	18,600,000	103,802,561
Provision for non-performing loans	10.2	-	-
		<b>18,600,000</b>	<b>103,802,561</b>

**10.1** These are secured by demand promissory notes, hypothecation or a charge on assets of customers and certificates of deposits. The mark-up rates range from 13% to 16% per annum (2008: 12% to 15% per annum).



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 Rupees	2008 Rupees
<b>10.2 Particulars of provision against non-performing loans</b>		
Opening balance	-	3,580,598
(Reversal) during the year	-	(3,580,598)
Closing balance	-	-

**11. SHORT TERM PLACEMENTS - considered good**

Under reverse repurchase agreements of quoted shares - secured	11.1	-	2,102,017
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11.1 This represents secured placements against shares in Continuous Funding System and have been withdrawn during the year. Fair value of the collaterals accepted against the above placement balance as at December 31, 2009 NIL (2008:Rs 1.193 million)

**12. SHORT TERM INVESTMENTS**

**Available for Sale**

Pakistan Investment Bonds	12.1	352,503,456	298,465,650
Term Finance Certificates	12.1	10,224,165	36,840,143
Quoted shares	12.1	244,174,543	121,462,172
Treasury bills	12.2	25,000,000	25,000,000
		<b>631,902,164</b>	<b>481,767,965</b>

**12.1 Securities given as collateral under repurchase agreements.**

	Note	2009			2008		
		Held by SIBL	Repo	Total	Held by SIBL	Repo	Total
Pakistan Investment Bonds	12.1.1	-	352,503,456	352,503,456	-	298,465,650	298,465,650
Term Finance Certificates	12.1.2	10,224,165	-	10,224,165	36,840,143	-	36,840,143
Quoted Shares	12.1.3	26,193,112	217,981,432	244,174,544	20,099,143	101,363,029	121,462,172

12.1.1 Pakistan Investment Bonds (PIBs) have face value of Rs.400,000,000 (2008: Rs.400,000,000) with income receivable semi annually at 9% to 11% ( 2008: 9% to 11%) per annum and having maturity period from two years and two months to fifteen years and six months. They have been placed as collateral against borrowings.



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**12.1.2 Particulars of listed Term Finance Certificates (TFC's) :**

Issuer of TFC	No. of Certificates		2009		2008	
			Cost	Market Value	Cost	Market value
			Rupees			
	2009	2008				
Pakistan International Airlines	-	5,000	-	-	24,790,675	24,542,768
TeleCard Limited 12.1.2.1	5,000	5,000	11,392,500	10,224,165	14,467,500	12,297,375
			<b>11,392,500</b>	<b>10,224,165</b>	<b>39,258,175</b>	<b>36,840,143</b>

**12.1.2.1 Terms of redemption of listed TFCs are as follows:**

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
TeleCard Limited	5,000	3.75% over 6 months KIBOR.	Semi-annually	Revised on November 2009 as per restructured redemption schedule is eight years from May 2005.

**VALUATION OF CERTIFICATES**

Initial Value of certificates	5,000
Redemption upto 31 December 2009	2,721
Balance as at 31 December 2009	<u>2,279</u>



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

### 12.1.3 Quoted Shares

All shares / units have face value of Rs. 10/- each unless identified otherwise.

No. of ordinary shares Certificates / units			2009		2008	
			Cost	Market Value	Cost	Market value
2009	2008		Rupees			
<b>Modarbas / Mutual Fund</b>						
500	500	Long Term Venture Modarba	225	225	800	255
15,002	15,002	Pakistan Premium Fund	89,262	89,262	90,189	30,304
4,500	4,500	PICIC Growth Fund	64,170	64,170	185,013	25,155
		JS Growth Fund (formely				
69,627	69,627	UTP growth fund)	343,957	343,957	1,085,040	207,488
		JS Large Capital Fund (formerly				
1,389,697	1,389,697	UTP Large capital fund)	6,392,606	6,392,606	13,896,970	3,196,303
<b>Leasing</b>						
42,370	42,370	Saudi Pak Leasing Company Limited	59,742	59,742	1,450,590	122,874
<b>Investment bank / Cos. / Banks</b>						
39,062	31,250	Arif Habib Limited	2,361,689	2,361,689	9,251,848	2,669,688
614,406	491,525	Askari Bank Limited	16,773,284	16,773,284	35,663,389	7,161,519
3,825	-	Bank Alfalah Limited	61,762	52,670	-	-
214,700	195,000	Bank of Punjab	4,186,650	4,186,650	14,607,419	2,574,000
93,500	85,000	MCB Bank Limited	20,540,080	20,540,080	34,635,037.00	10,693,850.00
252,039	210,033	National Bank of Pakistan	18,744,140	18,744,140	47,045,688	10,568,861
6,875	6,250	United Bank Limited	401,844	401,844	995,199	230,687
1,644	-	First National Equities Limited	77,952	21,684	-	-
2,270	-	Jehangir Siddiqui & Company Limited	127,438	68,259	-	-
<b>Synthetic and Rayon</b>						
18,750	18,750	Pakistan Synthetics Limited	164,063	164,063	688,500	48,750
<b>Cement</b>						
150,000	150,000	D.G. Khan Cement Company Limited	4,884,000	4,884,000	12,053,527	3,190,500
53,800	53,800	Maple Leaf Cement	212,980	212,980	1,053,790	258,056
<b>Fuel and energy</b>						
60,000	60,000	Attock Refinery Limited	8,275,800	8,275,800	13,050,999	3,593,400
50,000	50,000	Bosicor Pakistan Limited	475,000	475,000	1,085,217.00	233,000.00
50,000	50,000	Hub Power Company Limited	1,554,000	1,554,000	1,890,378	704,500
175,000	175,000	Oil and Gas Development Co. Limited	19,356,750	19,356,750	24,168,759	8,748,250
211,860	211,860	Pakistan Oilfields Limited	48,890,932	48,890,932	72,825,609	21,713,531
310,134	258,445	Pakistan Petroleum Limited	58,798,305	58,798,305	63,281,098	26,004,736
7,750	7,750	Sui Northern Gas Pipelines Limited	192,200	192,200	672,358	166,315
67,000	67,000	Sui Southern Gas Company Limited	899,810	899,810	2,052,516	704,170



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

No. of ordinary shares Certificates / units			2009		2008	
			Cost	Market Value	Cost	Market value
2009	2008		Rupees			
<b>Automobiles and Transport</b>						
45,000	45,000	Pakistan International Airlines Corp.	117,450	117,450	900,481	157,950
<b>Technology and Communication</b>						
649,000	649,000	Pakistan Telecommunication co. Ltd.	11,454,090	11,454,090	39,851,503	10,961,610
<b>Fertilizer</b>						
50,000	50,000	Engro Chemicals Limited	9,163,500	9,163,500	14,851,610	4,823,000
<b>Chemical</b>						
255,000	255,000	Pakistan PTA Limited	1,996,650	1,996,650	2,417,742	405,450
<b>Sugar &amp; Allied Industries</b>						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
<b>Textile Composite</b>						
108,539	100,000	Nishat Mills Limited	7,586,876	7,586,876	12,260,365	2,260,000
<b>Miscellaneous</b>						
7,500	-	Pace Pakistan Limited	80,325	43,875	-	-
			<b>244,335,532</b>	<b>244,174,543</b>	422,019,634	121,462,172

12.2 These carry mark up at 12.30% per annum (2008:12.30%)



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2008
	RUPEES	RUPEES
<b>13. LOANS AND ADVANCES</b>		
<b>Advances -considered good</b>		
For Expenses	342,825	301,395
For Office Premises	2,500,000	2,500,000
Advance Income Tax Less Payments and		
Provision For Tax	66,925,320	61,119,534
	<b>69,768,145</b>	<b>63,920,929</b>
<b>14. DEPOSITS AND PREPAYMENT</b>		
Security	2,202,788	2,201,788
KSE Exposure Limits	2,965,506	4,454,799
Prepayments	542,325	454,767
	<b>5,710,619</b>	<b>7,111,354</b>
<b>15. ACCRUED INTEREST</b>		
Income Receivable	7,736,371	20,609,144
Other receivables -considered good	2,805,790	17,999,807
	<b>10,542,161</b>	<b>38,608,951</b>
<b>15.1 Income Receivable</b>		
Cosidered good		
Not due	7,736,371	20,609,144
Less: Provision for doubtful debts	-	-
	<b>7,736,371</b>	<b>20,609,144</b>
15.1.1 This represents income on financing, placements and government securities not matured / due on 31 December 2009.		
<b>15.1.2 Particulars of Provision for doubtful debts</b>		
Opening		
Less: (Reversal) during the year	-	408,194
Closing balance	-	(408,194)
	<b>-</b>	<b>-</b>
<b>16. CASH AND BANK BALANCES</b>		
<b>With state bank of Pakistan in</b>		
Current account	3,099,187	2,297,690
<b>With other banks in:</b>		
Current accounts	2,601,261	4,302,109
Deposit accounts	23,915,075	20,556,472
	<b>26,516,336</b>	<b>24,858,581</b>
Cash In Hand	99,552	1,689,006
	<b>29,715,075</b>	<b>28,845,277</b>
16.1 Rate of return on these deposits accounts range from 1.69% to 8.5% per annum (2008 : 3.5% to 10.4% per annum)		
<b>17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
<b>NUMBER OF SHARES</b>		
2009	2008	
<b>23,552,000</b>	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash
		<b>235,520,000</b>
<b>27,881,558</b>	27,881,558	Ordinary shares of Rs. 10/- each issued as fully paid
		<b>278,815,583</b>
	<b>514,335,58</b>	<b>514,335,583</b>





**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009	2008
		Rupees	Rupees
<b>18. RESERVES</b>			
Capital Reserves			
Statutory reserves	18.1	139,650,141	139,650,141
Revenue			
Unappropriated (loss) / profits		(155,260,572)	34,291,085
Revaluation reserve			
(Loss) on available for sale investment	18.2	(37,333,405)	(376,279,234)
		<u>(52,943,836)</u>	<u>(202,338,008)</u>
18.1	This reserve is created @ 20% of profit for the year from ordinary activities after taxation in compliance with Regulation No.16 of Part I of Chapter II of SECP's NBFCs and Notified Entities Regulations 2008.		
18.2	(DEFICIT) ON REVALUATION OF INVESTMENTS - net of deferred tax		
Government securities		(55,390,895)	(112,774,985)
Term Finance Certificates		(1,168,335)	(2,418,032)
		<u>(56,559,230)</u>	<u>(115,193,017)</u>
Related deferred tax asset		19,386,813	39,471,245
		<u>(37,172,417)</u>	<u>(75,721,772)</u>
Quoted shares		(160,988)	(300,557,462)
		<u>(37,333,405)</u>	<u>(376,279,234)</u>
<b>19. DEFERRED LIABILITY</b>			
Gratuity - unfunded	32	<u>7,938,830</u>	<u>6,286,285</u>
<b>20. BORROWINGS</b>			
From Financial Institutions			
Secured	20.1	358,604,966	367,000,000
Unsecured	20.2	9,463,101	9,426,849
		<u>368,068,067</u>	<u>376,426,849</u>
20.1	This represents amount borrowed from financial institutions at mark-up rates ranging from mark 12.5% to 20% per annum (2008: 15% to 20% per annum) and having maturities on or before January 16, 2010. These are secured against Pakistan Investment Bonds and quoted shares sold under repurchase agreements.		
20.2	These carry mark-up of 12.25% per annum (2008: 20% per annum) and having maturity on or before January 16, 2010.		
<b>21. SHORT TERM DEPOSITS</b>			
Short Term Certificate of Deposits	21.1	<u>34,815,598</u>	<u>140,916,784</u>
21.1	These represents Certificate of Deposits with maturity ranging from one month to twelve months. The expected rate of return on these deposits range from 8% to 11% per annum (2008: 8% to 11% per annum) payable monthly, quarterly, semi annually or on maturity.		
<b>22. ACCRUED AND OTHER LIABILITIES</b>			
<b>Accrued expenses</b>			
Return on borrowings- unsecured		244,550	230,587
Return on deposits		1,458,156	10,323,206
Return on borrowings- secured		9,452,331	8,951,893
		<u>11,155,037</u>	<u>19,505,686</u>
<b>Other liabilities</b>			
Unclaimed dividend		2,276,722	2,971,998
Others		3,015,223	1,862,024
		<u>5,291,945</u>	<u>4,834,022</u>
		<u>16,446,982</u>	<u>24,339,708</u>



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	Rupees	Rupees
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>Contingencies</b>		
Guarantees issued on behalf of customer	74,618,813	22,775,324
<b>Commitments</b>		
There were no commitments at the balance sheet date		
<b>24. RETURN ON FINANCING AND PLACEMENTS</b>		
<b>Financing</b>		
Demand finance	2,904,566	32,423,383
<b>Placements</b>		
Unsecured	-	-
Secured against reverse repurchase agreements of Quoted Shares	10,680	69,728,165
	<u>2,915,246</u>	<u>102,151,548</u>
<b>25. RETURN ON SECURITIES</b>		
Return on government securities	44,863,366	43,845,046
Return on TFCs	3,340,662	8,151,893
	48,204,028	51,996,939
Gain on sale of securities	-	27,175
Dividend Income	11,171,576	13,624,883
	<u>59,375,604</u>	<u>65,648,997</u>
<b>26. OTHER INCOME</b>		
(Loss) / Gain on sale of fixed assets	149,999	(2,600)
Commission	747,758	1,502,280
Miscellaneous	185,250	304,498
	<u>1,083,007</u>	<u>1,804,178</u>
<b>27. RETURN ON DEPOSITS AND BORROWINGS</b>		
Return on certificate of deposits	2,851,752	31,409,429
Return on clean borrowings	1,983,313	50,073,031
Return on borrowings under repurchase agreement ( Repo )	50,100,593	47,114,685
	<u>54,935,658</u>	<u>128,597,145</u>
<b>28. ADMINISTRATIVE AND OPERATING EXPENSES</b>		
Salaries, wages and other benefits	14,981,355	14,645,693
Contribution to provident fund	792,030	884,070
Gratuity scheme expenses	1,652,545	1,291,885
Rent, rates and taxes	1,925,201	1,820,789
Telephone, telex and fax	683,402	1,283,463
Electricity, water and gas	983,515	855,976
Printing, postage and stationery	422,069	666,401
Insurance	1,020,695	855,344
Fees and membership	1,443,337	1,327,602
Brokerage and Commission	374,581	3,473,327
Central Depository Company charges	271,283	994,257
Auditors' remuneration	358,650	368,850
Legal and professional fees	1,029,752	854,999
Vehicle running and maintenance	1,213,938	1,248,561
Repairs and maintenance	550,424	426,399
Advertisement	418,608	462,379
Travelling and entertainment	403,675	398,237



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

Depreciation	5	1,775,688	1,769,217
Amortization of deferred cost (refer note 9)		126,205	182,412
Bank charges		24,998	195,490
Old age benefit		79,500	81,320
Books, periodicals & newspapers		43,454	34,055
Other Expenses		933,343	996,722
		<u>31,508,248</u>	<u>35,117,448</u>

**28.1 Auditors' remuneration**

Statutory audit fee		345,000	320,000
Half yearly review and other certificates		-	30,000
Out of pocket		13,650	18,850
		<u>358,650</u>	<u>368,850</u>

**29 PROVISION FOR TAXATION**

Current			
- for the year	29.1	(1,847,868)	(2,399,645)
Deferred			
- opening balance		(1,046,167)	(661,926)
- Closing balance		11,145,043	1,046,167
		<u>10,098,876</u>	<u>384,241</u>
		<u>8,251,008</u>	<u>(2,015,404)</u>

**29.1 Relationship between tax expense and accounting profit**

Profit for the year from ordinary activities before taxation		-	31,855,306
Tax at the applicable rate of 35% (31 December 2008 : 35%)		-	11,196,612
Tax effect of expenses that are not allowable in determining taxable income		-	(494,944)
Tax effect of dividend income taxed at a lower rate		-	(416,036)
Tax effect of capital gains exempt from tax		-	(8,134,891)
Tax effect on gain / (loss) on sale of assets		-	1,383
Tax payable in respect of receipt/income covered under PTR		-	247,521
Tax charge		<u>-</u>	<u>2,399,645</u>

29.2 The Bank incurred a taxable loss in the current financial year, hence no reconciliation will be provided in the current financial statements.

Provision for taxation for current year has been made by applying rate i.e. 35% applicable to public companies listed on stock exchanges other than a banking company. Assessment years up to 2001-2002 and for tax years 2002 to 2007 have been finalized and rectification applications have been filed on rectifiable issues. The department preferred appeals before the Honorable High Court that were decided in favor of SIBL, against which the department filed appeals before the Honorable Supreme Court, which were also decided in favor of SIBL.

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 SIBL has preferred appeal before the Commissioner of the Inland Revenue (Appeals) and rectification application has also been filed on rectifiable issues. No provision has been made against this demand as the management is confident that the appeal will be decided in favor of SIBL.

The declared results for the tax year 2009 are deemed to be assessed in terms of Section 120(1)(b) of the Ordinance.



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**30. EARNINGS PER SHARE- BASIC AND DILUTED**

**30.1 Basic**

Profit after Tax	<u>(189,551,657)</u>	<u>29,839,902</u>
Weighted average number of ordinary shares	<u>51,433,558</u>	<u>51,433,558</u>
Earnings per share	<u>(3.69)</u>	<u>0.58</u>

**30.2 Diluted**

No figure for diluted earnings per share has been presented as Security Investment Bank Limited has not issued any instrument which would have an impact on its earnings exercised.

**31. STAFF STRENGTH**

Number of employees at end of the year	<u>33</u>	<u>33</u>
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**32. DEFINED BENEFIT PLAN**

**32.1 General description**

The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited at varying percentages of last drawn salary. The percentage depends on the number of service years with SIBL.

Annual provision is based on actuarial valuation, which was carried out as at 31 December 2008 using the Projected Unit Credit Method.

**32.2 Principal actuarial assumptions**

Following principal actuarial assumptions were used for the valuation.

Estimated rate of increase in salary of the employees	<u>10.60%</u>	<u>13.79%</u>
Discount rate	<u>12.70%</u>	<u>16.00%</u>

**32.3 Reconciliation of provision for gratuity scheme**

Present value of defined benefit obligation	(6,286,285)	(7,272,874)
Unrecognized transitional liability	<u>1,652,545</u>	<u>986,589</u>
	<u>(7,938,830)</u>	<u>(6,286,285)</u>

**32.4 Gratuity Asset/(Liability)**

Provision at beginning of year		(6,286,285)	(5,176,000)
Expense	32.4.1	(1,652,545)	(1,291,885)
Benefits paid		<u>-</u>	<u>181,600</u>
		<u>(7,938,830)</u>	<u>(6,286,285)</u>

**32.4.1 Gratuity scheme expense**

Current service cost	399,195	644,149
Interest Cost	1,63,660	610,117
Recognition of loss	89,690	37,619
	<u>1,652,545</u>	<u>1,291,885</u>

The company amortizes gains and losses over the expected remaining service of current employees.

**32.5 Historical Experience**

The following table show obligation at the end of each year and the experience loss (gain) during the year:

Year	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Obligation (Rs. in 000)	7,814	7,273	5,635	4,348	4,023
Loss on obligation ( % )	-13%	8%	8%	0%	0%



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**33. LIQUIDITY RISK**

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company matches availability of liquid funds before committing for liability and also on a timely basis an analysis of liquid funds with maturities of liabilities due is performed.

**34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
Director's Meeting fees	-	-	180,000	160,000	-	-
Managerial remuneration	<b>4,584,000</b>	4,584,000	-	-	3,684,000	3,684,000
Bonus	<b>330,000</b>	330,000	-	-	307,000	-
Medical expenses	<b>214,798</b>	154,221	-	-	321,795	306,172
Provident fund	<b>360,000</b>	360,000	-	-	245,400	245,400
Other benefits	<b>1,147,193</b>	961,647	-	-	-	-
Reimbursable expenses	<b>173,400</b>	155,600	-	-	-	-
	<b>6,809,391</b>	6,545,468	<b>180,000</b>	<b>160,000</b>	<b>4,558,195</b>	<b>4,542,572</b>
Number of persons	<b>2</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>

In addition to above the company provides free use of company maintained cars to its Chief Executive and other Senior Executives.

**35. MATURITIES OF ASSETS AND LIABILITIES**

Assets	Total	2009			
		Upto three months	Over three months to one year	Over one year to five years	Over five years
		<b>R u p e e s</b>			
Tangible fixed assets	4,615,832	-	-	-	4,615,832
Membership card	36,134,168	-	-	-	36,134,168
Long term Investment	51,141,204	-	-	-	51,141,204
Deferred tax asset	30,531,856	-	30,531,856	-	-
Short term financing	18,600,000	11,300,000	7,300,000	-	-
Short term investments	631,902,164	244,174,543	-	178,484,865	209,242,756
Loans and advances	69,768,145	2,842,825	66,925,320	-	-
Deposits and prepayments	5,710,619	5,710,619	-	-	-
Accrued interest	10,542,161	10,542,161	-	-	-
Cash and bank balance	29,715,075	29,715,075	-	-	-
	<b>888,661,224</b>	<b>304,285,223</b>	<b>104,757,176</b>	<b>178,484,865</b>	<b>301,133,960</b>
<b>Liabilities</b>					
Deferred liabilities	7,938,830	-	-	-	7,938,830
Borrowings	368,068,067	368,068,067	-	-	-
Short term deposits	34,815,598	17,283,910	17,531,688	-	-
Accrued expenses and other liabilities	16,446,982	16,446,982	-	-	-
	<b>427,269,477</b>	<b>401,798,959</b>	<b>17,531,688</b>	<b>-</b>	<b>7,938,830</b>
<b>Net assets</b>	<b>461,391,747</b>				
<b>Represented by:</b>					
Share capital & Reserves	<b>461,391,747</b>				
	<b>461,391,747</b>				



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

Assets	2008				
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
	<b>R u p e e s</b>				
Tangible fixed assets	6,155,313	-	-	-	6,155,313
Membership card-intangible	36,204,168	-	-	-	36,204,168
Long term Investment	51,220,356	-	-	-	51,220,356
Deferred tax asset	40,172,105	-	40,172,105	-	-
Deferred cost	56,205	-	56,205	-	-
Short term financing	103,802,561	97,302,561	6,500,000	-	-
Placement	2,102,017	2,102,017	-	-	-
Short term investments	481,767,965	171,004,940	-	141,748,775	169,014,250
Loan and advances	63,920,929	2,809,217	61,111,712	-	-
Deposits and prepayments	7,111,354	7,111,354	-	-	-
Accrued Interest	38,608,951	38,608,951	-	-	-
Cash and bank balances	28,845,277	28,845,277	-	-	-
	<b>859,967,201</b>	<b>347,784,317</b>	<b>107,840,022</b>	<b>141,748,775</b>	<b>262,594,087</b>
<b>Liabilities</b>					
Deferred liabilities	6,286,285	-	-	-	6,286,285
Borrowings	376,426,849	376,426,849	-	-	-
Short term deposits	140,916,784	123,385,096	17,531,688	-	-
Accrued expenses and other liabilities	24,339,708	24,339,708	-	-	-
	<b>547,969,626</b>	<b>524,151,653</b>	<b>17,531,688</b>	<b>-</b>	<b>6,286,285</b>
<b>Net assets</b>	<b>311,997,575</b>				
<b>Represented by:</b>					
Share capital & Reserves	311,997,575				
	<b>311,997,575</b>				

**36. 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**

Investment Banking Activities includes all those activities carried out by SIBL.

**Exchange Company Activities**

Exchange company activities includes all thoses activities carried out by SIBL Exchange Company (Private) Limited.



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	December 31, 2009		
	Investment Banking Activities	Exchange Company Activities	Total
Return on financing and placements	2,915,246	-	2,915,246
Return on securities	56,608,507	2,767,097	59,375,604
Gain on sale of investments	2,634,910	-	2,634,910
Profit on deposits with banks	1,221,138	-	1,221,138
Other income	908,794	174,213	1,083,007
<b>Total income for reportable</b>	<b>64,288,595</b>	<b>2,941,310</b>	<b>67,229,905</b>
Return on deposits and borrowings	54,935,658	-	54,935,658
Administrative and Operating expenses	27,399,426	4,108,822	31,508,248
<b>Segment result</b>	<b>(18,046,489)</b>	<b>(1,167,512)</b>	<b>(19,214,001)</b>
Impairment on equity	(178,588,664)	-	(178,588,664)
<b>Loss before taxation</b>	<b>(196,635,153)</b>	<b>(1,167,512)</b>	<b>(197,802,665)</b>
<b>Segment Assets</b>	<b>859,498,062</b>	<b>29,163,162</b>	<b>888,661,224</b>
<b>Segment Liabilities and Equity</b>	<b>876,879,394</b>	<b>11,781,830</b>	<b>888,661,224</b>

	December 31, 2008		
	Investment Banking Activities	Exchange Company Activities	Total
Return on financing and placements	102,151,548	-	102,151,548
Return on securities	63,442,515	2,206,482	65,648,997
Gain on sale of investments	23,242,547	-	23,242,547
Profit on deposits with banks	2,722,629	-	2,722,629
Other income	485,680	1,318,498	1,804,178
<b>Total income for reportable</b>	<b>192,044,919</b>	<b>3,524,980</b>	<b>195,569,899</b>
Return on deposits and borrowings	128,597,145	-	128,597,145
Administrative and Operating expenses	31,435,375	3,682,073	35,117,448
<b>Segment result</b>	<b>32,012,399</b>	<b>157,093</b>	<b>31,855,306</b>
Impairment on equity	-	-	-
<b>Loss before taxation</b>	<b>32,012,399</b>	<b>157,093</b>	<b>31,855,306</b>
<b>Segment Assets</b>	<b>831,546,079</b>	<b>28,421,122</b>	<b>859,967,201</b>
<b>Segment Liabilities and Equity</b>	<b>852,069,615</b>	<b>7,897,586</b>	<b>859,967,201</b>





## **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **37 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the credit worthiness of counter-parties.

Concentration of credit risk arise when a number of counter-parties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

The company follows two sets of guidelines. Firstly, it has its own operating policies duly approved by the Board of Directors. Secondly, it adheres to the regulations issued by the SECP and SBP. The operating policies define the extent of fund and non-fund based exposures with reference to a particular sector or group.

The company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of risks with individuals or groups of customers in specific locations or business. It also obtains security when appropriate. Details of Industry / sector analysis of finance portfolio is given below:

<b>FINANCE</b>	<b>2009</b>		<b>2008</b>	
	<b>Rupees</b>	<b>%</b>	<b>Rupees</b>	<b>%</b>
Textile spinning	<b>2,400,000</b>	<b>12.90</b>	2,400,000	2.31
Cables and electric goods	<b>8,900,000</b>	<b>47.85</b>	93,502,561	90.08
Others	<b>7,300,000</b>	<b>39.25</b>	7,900,000	7.61
	<b>18,600,000</b>	<b>100.00</b>	103,802,561	100.00

#### **38. CAPITAL RISK MANAGEMENT**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company is exposed to externally imposed capital requirements.

In accordance with the requirement of Non-Banking Finance Companies and Notified Entities Regulations 2008 ( vide SRO No. 1203 (1)/2008), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the company is of the view that it will be able to meet its capital requirement within the time frame allowed under the said regulations.

#### **39. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying value of financial assets and financial liabilities approximate their fair values as reflected in the financial statements.





**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**40. TRANSACTIONS 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 holders 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 given under note 32 to the financial statements, are as follows;

	2009 Rupees	2008 Rupees
Financing		
- Associated undertakings	11,200,000	51,931,920
- Others	5,000,000	49,470,641
Return on financing		
- Associated undertaking	1,486,412	20,292,131
- Others	1,488,884	12,300,979
Deposits	7,297,283	99,780,169
Return on deposits	7,080,105	14,055,323

Transactions with associated undertakings / related parties, i.e., shareholders, directors and their related concerns are accounted for in accordance with comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates.

**41. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors on 29 March 2010.

**42. FIGURES**

42.1 Figures have been rounded off to the nearest rupee.

42.2 Prior years figures have been reclassified for the purpose of better presentation and comparison. changes made during the year are as follows:

Reclassification from	Reclassification to	Amount
Advances, deposits and prepayments	Loans and advances	63,920,929
	Deposits and prepayments	7,111,354
	Accrued interest	38,608,951



\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
CHAIRMAN

**PATTERN OF SHAREHOLDING**  
**AS AT DECEMBER 31, 2009**

Number of Shareholders	Shareholding From	To	Total number of shares held	Percentage %
772	1	100	30,404	0.06
651	101	500	149,185	0.29
233	501	1,000	154,356	0.30
684	1,001	5,000	1,181,490	2.30
70	5,001	10,000	491,941	0.96
31	10,001	15,000	372,532	0.72
14	15,001	20,000	243,524	0.47
13	20,001	25,000	296,973	0.58
3	25,001	30,000	86,100	0.17
4	30,001	35,000	135,970	0.26
2	35,001	40,000	75,130	0.15
2	40,001	45,000	83,398	0.16
2	45,001	50,000	91,973	0.18
3	50,001	55,000	156,727	0.30
1	55,001	60,000	115,400	0.22
1	65,001	70,000	68,575	0.13
2	75,001	80,000	157,587	0.31
1	80,001	85,000	82,379	0.16
1	90,001	95,000	92,423	0.18
2	135,001	140,000	274,280	0.53
4	160,001	165,000	649,920	1.26
1	180,001	185,000	180,645	0.35
1	185,001	190,000	186,855	0.36
2	230,001	235,000	464,234	0.90
1	335,001	340,000	337,648	0.66
1	340,001	345,000	344,000	0.67
1	355,001	360,000	356,110	0.69
1	375,001	380,000	375,463	0.73
1	490,001	495,000	495,000	0.96
1	705,001	710,000	706,977	1.37
1	915,001	920,000	917,841	1.78
1	1,085,001	1,090,000	1,089,900	2.12
1	1,110,001	1,115,000	1,114,392	2.17
1	11,175,001	1,180,000	1,178,581	2.29
1	1,570,001	1,575,000	1,573,550	3.06
1	1,825,001	1,830,000	1,825,050	3.55
2	2,225,001	2,230,000	4,453,120	8.66
1	2,230,001	2,235,000	2,232,482	4.34
1	2,275,001	2,280,000	2,277,698	4.43
1	2,345,001	2,350,000	2,346,219	4.56
1	2,370,001	2,375,000	2,371,947	4.61
1	2,795,001	2,800,000	2,796,114	5.44
1	2,920,001	2,925,000	2,923,849	5.68
1	3,650,001	3,655,000	3,650,100	7.10
1	4,945,001	4,950,000	4,945,316	9.61
1	7,300,001	7,305,000	7,300,200	14.19
<b>2523</b>			<b>51,433,558</b>	<b>100.00</b>

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	2455	43,168,771	83.93
INVESTMENT COMPANIES	6	3,849	0.01
INSURANCE COMPANIES	3	376,202	0.73
JOINT STOCK COMPANIES	49	3,180,190	6.18
FINANCIAL INSTITUTIONS	6	4,640,316	9.02
MODARABA COMPANIES	2	41,787	0.08
EMPLOYEE PROVIDENT FUND	1	20,463	0.04
COOPERATIVE SOCIETIES	1	1,980	0.00
<b>2523</b>		<b>51,433,558</b>	<b>100.00</b>



## DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Shares Held
<b>Individuals</b>	14,617,253
<b>Investment Companies except ICP</b>	2468
<b>Public/Private Sector Companies and Corporations</b>	-
<b>Directors, Chief Executive Officer and their spouse and minor children</b>	
1) Mr. Khursheed K. Marker	2,638
2) Haji Jan Muhammad	1,221
3) Mr. Muhammad Younus Abdul Aziz Tabba	1,114,392
4) Mr. Sheikh Asim Rafiq (NIT) National Bank of Pakistan, Trustee Department	4,623,917
5) Mr Muhammad Mehboob	2,760
6) Mr. Shaikh Abdullah	1,000
7) Mr. Muhammad Saleem Rathod	2,335
<b>Investment Corporation of Pakistan</b>	1,705
<b>Associated Companies, Undertakings and Related Parties</b>	
Mr. Muhammad Iqbal	2,923,849
Mrs. Zarina Iqbal	2,796,114
Mrs. Shahnaz Javed	3,650,100
Mr. Muhammad Hanif	2,226,560
Mrs. Fouzia Bano	1,825,050
Mrs. Yasmeen	2,226,560
Mrs. Mariam Bai	1,178,581
<b>Banks, DFIs, NBFCs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Deptt.</b>	417,989
<b>Shareholders holding ten percent or more voting interest</b>	
H.A.R	6,518,866
Amina Bano	7,300,200

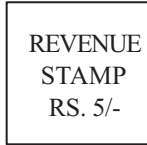


**NINETEENTH ANNUAL GENERAL MEETING**

I/We .....  
of .....  
a member / members of SECURITY INVESTMENT BANK LIMITED and holding .....  
ordinary shares, as per Register Folio/CDC A/c or sub account no. ....  
do hereby appoint .....  
of .....  
to vote for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held on April 28, 2010 and at any adjournment thereof.

As Witness my/our hand this ..... day of .....2010

Folio No. \_\_\_\_\_



Witness:

1. Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_

SIGNATURE OF MEMBER(S)

2. Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_

**IMPORTANT:**

1. Signature of Member(s) should agree with specimen registered with the Company.
2. A member entitled to attend Nineteenth Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him.
3. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If the member is a corporation its common seal (if any) should be affixed on the instrument.
4. The proxies shall be deposited at the Share registrar's office of the Company not less than 48 hours before the time of the meeting.



# Annual Report 2009





## **SECURITY INVESTMENT BANK LIMITED**

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