

Security Investment Bank Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS

(As of June 30, 2004)

Mr. Khursheed K. Marker (Chairman)
Haji Jan Muhammad
Haji Abdul Rauf
Mr. Muhammad Younus Abdul Aziz Tabba
Mr. Maqbool H. H. Rahimatoola (NIT Nominee)
Mr. Muhammad Iqbal Kasbati
Mr. Muhammad Saleem Rathod

PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Saleem Rathod

AUDIT COMMITTEE

Mr. Khursheed K. Marker
Haji Jan Muhammad
Mr. Muhammad Iqbal Kasbati

COMPANY SECRETARY

(As of June 30, 2004)

Farhan Ahmed

AUDITORS

Muniff Ziauddin & Co.
(Chartered Accountants)

TAX ADVISORS

Anjum Asim Shahid Rahman
(Chartered Accountants)

LEGAL ADVISORS

Bawaney & Partners
Muhammad Tariq Qureshi

BANKERS

Metropolitan Bank Limited.
Albaraka Islamic Bank B.S.C. (E.C.)
Habib Bank AG Zurich.
Muslim Commercial Bank Limited.
The Bank of Khyber.
Habib American Bank, New York.

REGISTERED OFFICE

15-E, Rehmat Centre, Jinnah Avenue,
Blue Area, Islamabad.
Tel : (051) 2822504, 2822505 & 2277494
Fax: (051) 2826488 Telex : 54949 SIBL PK

KARACHI OFFICE

606, 6th Floor, Unitowers,
I.I. Chundrigar Road, Karachi.
Tel : 2418410-13 Fax : 2418414
Web : www.sibl.com.pk
E-mail: sibl@cyber.net.pk

Security Investment Bank Limited

DIRECTORS' COMMENTS

The Board of Directors of Security Investment Bank Limited is pleased to present the un-audited financial statements duly reviewed by our external auditors for the half year ended June 30, 2004.

During the period under review, our after-tax profit stood at Rs. 41.361 million as compared to Rs. 43.581 million posted during the corresponding period of last year, thereby showing a meager reduction of 5%. The major portion of current income was earned through investments while income from financing and placement remained at a lower side as per the management policy. The operating expenses remained stable at Rs. 10.180 million reflecting tight control on expenditures by the management.

We are pleased to inform you that we have been issued No Objection Certificate by State Bank of Pakistan to conduct Foreign Exchange business and the said venture will be undertaken at opportune moment. The article and memorandum of association has also been amended to enable SIBL to conduct these new business and has been approved by the SEC and in the Annual General Meeting.

The election for new Board of Directors has also been conducted during the period under review. SEC has issued requisite NOC for the new Board.

The Directors express their deepest gratitude for the continuous support and encouragement extended by Securities & Exchange Commission of Pakistan and State Bank of Pakistan. We also acknowledge the understanding shown by the stakeholder's.

On Behalf of the Board

Chairman

Karachi :
Dated : 13 August, 2004

Security Investment Bank Limited

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of SECURITY INVESTMENT BANK LIMITED as at June 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein-after referred to as the "financial statements"), for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Muniff Ziauddin & Co.
Chartered Accountants

Karachi :
Dated : 13 August, 2004

Security Investment Bank Limited

BALANCE SHEET AS AT JUNE 30, 2004 (UNAUDITED)

	Note	June 30, 2004 Rupees	December 31, 2003 Rupees
ASSETS			
Tangible fixed assets		1,119,068	1,675,611
Membership Card-Intangible		36,000,000	36,000,000
Deferred cost		263,012	334,430
CURRENT ASSETS			
Short term financing		230,384,638	288,317,851
Placements		122,500,000	-
Short term investments	4	1,475,226,115	1,273,216,717
Advances, deposits, prepayments and other receivables		47,277,586	43,700,335
Cash and bank balances		46,379,038	96,473,094
		1,921,767,377	1,701,707,997
		1,959,149,457	1,739,718,038
SHARE CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized			
50,000,000 ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital		372,706,950	324,093,000
Reserves	5	131,618,351	138,871,517
		504,325,301	462,964,517
Surplus on revaluation of investments - net		31,981,784	53,844,704
		536,307,085	516,809,221
LIABILITIES			
Deferred liabilities		7,248,461	22,102,117
CURRENT LIABILITIES			
Borrowings		915,459,686	702,500,000
Short term deposits		481,366,991	478,187,472
Accrued and other liabilities		18,767,234	20,119,228
		1,415,593,911	1,200,806,700
		1,959,149,457	1,739,718,038

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Security Investment Bank Limited

PROFIT & LOSS ACCOUNT FOR THE HALF YEAR ENDED JUNE 30, 2004 (UNAUDITED)

	<u>Half Year Ended</u>		<u>Quarter Ended</u>	
	June 30, 2004 Rupees	June 30, 2003 Rupees	June 30, 2004 Rupees	June 30, 2003 Rupees
INCOME				
Return on Securities	28,132,052	47,829,812	14,214,601	32,024,193
Income on financing and placements	11,492,042	19,027,312	4,204,929	9,727,091
Gain on sale of shares	31,166,895	18,123,235	16,064,577	7,109,811
Other Income	430,753	489,858	404,441	194,036
	71,221,742	85,470,217	34,888,548	49,055,131
EXPENDITURE				
Return on deposits and borrowings	14,018,243	15,029,541	5,956,610	7,830,884
Operating expenses	10,180,715	11,158,557	5,809,949	6,812,758
	24,198,958	26,188,098	11,766,559	14,643,642
PROFIT BEFORE TAXATION	47,022,784	59,282,119	23,121,989	34,411,489
Provision for taxation	5,662,000	15,700,739	2,525,655	10,844,314
PROFIT AFTER TAXATION	41,360,784	43,581,380	20,596,334	23,567,175
Unappropriated profit brought forward	67,368,254	55,509,276	35,365,864	29,247,640
PROFIT AVAILABLE FOR APPROPRIATION	108,729,038	99,090,656	55,962,198	52,814,815
Appropriations:				
Transferred to statutory reserve	8,272,157	8,716,276	4,119,267	4,713,435
Interim Dividend:				
Bonus shares 15% (2003: 15%)	48,613,950	42,273,000	-	-
Cash Dividend Nil(2003: 10%)	-	32,409,300	-	32,409,300
	56,886,107	83,398,576	4,119,267	37,122,735
UNAPPROPRIATED PROFIT CARRIED FORWARD TO BALANCE SHEET	51,842,931	15,692,080	51,842,931	15,692,080
Earnings per share - Basic and Diluted	1.11	1.17	0.55	0.63

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Security Investment Bank Limited

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2004 (UNAUDITED)

	06 months ended June 30, 2004 Rupees	06 months ended June 30, 2003 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before tax	47,022,784	59,282,119
Less: Dividend Income	(196,786)	(276,609)
	46,825,998	59,005,510
Adjustments for non cash & other items		
Depreciation	637,481	237,017
Amortization of deferred cost	71,418	50,770
(Gain) on disposal of shares	(31,166,895)	(18,123,235)
(Gain) on sale of securities	-	(20,590,192)
Provision for gratuity	-	337,500
	(30,457,996)	(38,088,140)
Cash flows from operating activities before working capital changes	16,368,002	20,917,370
(Increase) in financing and placements	(64,566,787)	(192,840,815)
Decrease in advances, deposits, & prepayments and other receivables	605,495	46,374,324
Increase in deposits	3,179,519	36,934,081
Increase in borrowings	212,959,686	161,483,898
(Decrease) in accrued & other liabilities	(914,131)	(2,295,473)
	151,263,782	49,656,015
Income tax paid	(9,844,747)	(3,434,298)
Gratuity paid	-	(52,000)
Dividend paid	(437,864)	(34,570)
	(10,282,611)	(3,520,868)
Net cash flow from operating activities	157,349,173	67,052,517
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of fixed assets	(80,936)	(196,199)
(Purchase) of investments (shares)	(23,957,390)	(22,539,645)
(Purchase) of securities	(183,601,689)	(66,012,304)
Dividend income	196,786	276,609
Deferred Cost incurred during the period	-	(48,300)
Net cash used in investing activities	(207,443,229)	(88,519,839)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(decrease) in cash and cash equivalents	(50,094,056)	(21,467,322)
Cash and cash equivalents at the beginning of the period	96,473,094	36,012,604
Cash and cash equivalents at the end of the period	46,379,038	14,545,282

Chairman

Chief Executive

Security Investment Bank Limited

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED JUNE 30, 2004 (UNAUDITED)

	Share Capital	Statutory Reserve	Reserve for issuance of Bonus Share R u p e e s	Surplus on Revaluation of Investments e e s	Unappropriated Profit	Total
Balance as at January 01, 2003	281,820,000	49,867,944	-	94,643,398	55,509,276	481,840,618
Net profit for the year	-	-	-	-	108,176,597	108,176,597
Reserve for issuance of bonus shares	-	-	42,273,000	-	(42,273,000)	-
Bonus shares issued during the year	42,273,000	-	(42,273,000)	-	-	-
Appropriations: Statutory reserve	-	21,635,319	-	-	(21,635,319)	-
Interim dividend	-	-	-	-	(32,409,300)	(32,409,300)
Deficit on revaluation	-	-	-	(40,798,694)	-	(40,798,694)
Balance as at December 31, 2003	324,093,000	71,503,263	-	53,844,704	67,368,254	516,809,221
Net profit for the half year	-	-	-	-	41,360,784	41,360,784
Realized during the period	-	-	-	(21,862,920)	-	(21,862,920)
Reserve for issuance of bonus shares	-	-	48,613,950	-	(48,613,950)	-
Bonus shares issued during the half year	48,613,950	-	(48,613,950)	-	-	-
Appropriations: Statutory reserve	-	8,272,157	-	-	(8,272,157)	-
Balance as at June 30, 2004	372,706,950	79,775,420	-	31,981,784	51,842,931	536,307,085

Chairman

Chief Executive

Security Investment Bank Limited

NOTES TO THE ACCOUNTS FOR THE HALF YEAR ENDED JUNE 30, 2004

1. STATUS AND PRINCIPAL ACTIVITIES

1.1 Security Investment Bank Limited (SIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are quoted on Karachi, Lahore & Islamabad Stock Exchanges. The registered office of SIBL is situated at 15-E, Rehmat Centre, Jinnah Avenue, Blue Area, Islamabad.

SIBL is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP) (previously this was covered under SRO 585 (1) /87 dated July 13, 1987, issued by the Ministry of Finance).

Based on financial results for the year ended December 31, 2003, the JCR-VIS Credit Rating Company Limited reaffirmed the medium to long term rating of SIBL at 'A' (Single A) and the short-term rating at 'A-1' (A one).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements are subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended December 31, 2003.

	June 30, 2004 Rupees	December 31, 2003 Rupees
4. SHORT TERM INVESTMENTS		
Available-for-sale		
Pakistan Investment Bonds	836,707,900	679,207,400
Wapda Bonds - 10th issue	52,187,500	53,500,000
Term Finance Certificates	123,268,779	137,867,161
Quoted Shares	449,998,784	402,642,156
Mutual Fund units	13,063,152	-
	1,475,226,115	1,273,216,717
5. RESERVES		
Statutory Reserve	79,775,420	71,503,263
Un-appropriated Profit	51,842,931	67,368,254
	131,618,351	138,871,517
	June 30, 2004 Rupees	June 30, 2003 Rupees

6. TRANSACTIONS WITH RELATED PARTIES

Financing		
- Associated undertakings	90,195,857	48,890,303
- Others	109,221,081	105,982,667
Return on financing		
- Associated undertakings	3,357,932	2,053,340
- Others	4,204,638	4,422,625
Deposit	154,123,060	81,753,431
Return on deposits	2,949,119	2,054,906

Transactions with associated undertakings/related parties i.e. shareholder, 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.

7. GENERAL

- 7.1 These financial statements were authorised for issue by the Board of Directors on August 13, 2004
- 7.2 Figures have been rearranged and adjusted for the purposes of comparison, wherever necessary.
- 7.3 Figures have been rounded off to the nearest rupee.

Chairman

Chief Executive

BOOK POST



ISLAMABAD

GPO Box No. 2967, 15-E, Rehmat Centre,
Jinnah Avenue, Blue Area, Islamabad (Pakistan)
Phones: (051) 2277494, 2822504 & 2822505
Fax : (051) 2826488 Telex : 54649 SIBL PK.

KARACHI

606, 6th Floor, Unitowers, I. I. Chundrigar Road, Karachi-74000.
Tel : (021) 2418410-13 Fax : (021) 2418414

*If undelivered please return to
Karachi Branch.*

*Kodwani Printing Services
2625682 - 2214433*