



SECURITY INVESTMENT BANK LIMITED

17th Annual Report
2008

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. Maqbool H. H. Rahimtoola
Mr. Muhammad Mehboob
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.
The Bank of Khyber.

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

KARACHI OFFICE

606, 6th Floor, Unitowers,
I.I. Chundrigar Road, Karachi.
Tel : (021) 2418410 - 13 Fax : (021) 2418414
E-mail : sibl@sibl.com.pk



NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of Security Investment Bank Limited will be held on Wednesday, 29 April 2009 at 11:00 a.m. at the Registered Office of the Company located at Flat No.4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, Islamabad to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of 17th Annual General Meeting held on 28 March 2008.
- 2) To receive and adopt the audited accounts of the company for the year ended 31 December 2008 together with the Directors' and Auditors' report thereon.
- 3) To appoint auditors and fix their remuneration for the year ending 31 December 2009. The present auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

ANY OTHER BUSINESS

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

By order of the Board

Muhammad Shahzad
Company Secretary

Islamabad,
Date: 06 April 2009

NOTES:

- 1) The share transfer books of the company will remain closed from 23 April 2009 to 29 April 2009 (both days inclusive). Transfers received in order at the office of the share registrar of the company by the close of business on 22 April 2009 will be treated in time.
- 2) All Members are entitled to attend and vote at the Meeting.
- 3) A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak 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.
- 4) Members are requested to notify the Share Registrar of the Company promptly of any change in their addresses.
- 5) Members who have not yet submitted photocopy of their Computerised National Identity Card (CNIC) are requested to send the same to our Shares Registrar at the earliest.
- 6) 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 Seventeenth Annual Report along with the Audited Financial Statements and Auditor's Report thereon for the year ended 31 December 2008.

Economic Outlook

During the year 2008 Pakistan's economy faced many challenges. The liquidity crunch in international financial market failed to revive inspite of billions of dollars bailout plans. Weakening economic conditions in many countries around the globe triggered an impact on our country. The flight of capital from the country put pressure on foreign exchange reserves and Pak Rupee due to which money market and capital market witnessed a liquidity shortfall. Unprecedented government borrowings, down grading of country's rating, and poor law and order situation also affected the economy. However, due to steep decline in oil prices and fall in international commodity prices helped to ease the trade and current account deficits. The new government was able to control the declining foreign exchange reserves and maintain it at over US\$10 billion with the help of IMF and multilateral funding agencies.

Operational Performance

While reviewing the current year performance and comparison thereof with previous year, the economic conditions and political environment prevailed in Pakistan in year 2008 be considered in general and in particular the conditions wherein financial sector operated in year 2008 in Pakistan. One has also to consider the global financial crisis prevailed across the globe in the year 2008.

The financial results for the year ended 31 December 2008 are as follows:

	(Rupees in Million)	
	31 December 2008	31 December 2007
Profit Before Taxation	26.828	97.778
Profit After Taxation	26.619	89.244

During the year 2008, the gross income fell to Rs.192 million from Rs.316 million of last year. Profit was affected due to the economic downturn, increase in discount rate, liquidity crunch and the Stock Market plunging from an all time high index of 15,676 on 18 April 2008 to 5,865 on 31 December 2008. Capital Market business remained dormant for almost three or more months resulting the decline in the CFS earnings and capital gain. On the other side, most of the commercial banks drastically reduced their lending to NBFCs and have provided short term funds at terms that are more aggressive, which has substantially increased NBFC's cost of funds.

Your attention is invited to Note No.11.1.4 to the Audited Financial Statements for the year ended 31 December 2008 regarding impact of impairment loss in the Financial Statement for the year 2009 as required by the S.R.O. No.150(I)/2009 dated 13 February 2009 issued by the Securities and Exchange Commission of Pakistan.

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	2008	2007	2006	2005	2004	2003
Share Capital	514	429	429	373	373	324
Shareholder's Equity	681	654	650	602	530	463
Deposits	220	972	976	565	448	478
Borrowings	376	1,195	727	1253	726	703
Advances	104	183	196	171	230	288
Investments	457	728	565	289	556	877
Operating Profit	27	98	105	92	83	132
Net Profit	26.6	89	86	71	68	108
Total Assets	932	2,802	2,335	2,456	1,724	1,727
Dividend	-	-	20%	10%	-	10%
Bonus	-	20%	-	15%	15%	15%

Value of Provident Fund Investment

As on 31 December 2008 based on the unaudited accounts, the value of investment of Provident Fund is Rs.10.492 million.

Pattern of Shareholding

The pattern of shareholding as at 31 December 2008 along with the disclosure required under the Code of Corporate Governance is annexed to the report.

Board Meetings

During the year ended 31 December 2008, the Board of Directors held four meetings. Attendance of each director is as follows:



<u>Name</u>	<u>No. of Meetings Attended</u>
Mr. Khursheed K. Marker	4
Haji Jan Muhammad	2
Mr. Muhammad Younus Abdul Aziz Tabba	-
Mr. Maqbool H.H. Rahimtoola	4
Mr. Muhammad Iqbal Kasbati (Resigned on 15 September 2008)	3
Mr. Muhammad Saleem Rathod (President & CEO)	4
Mr. Muhammad Mehboob	3

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 except following.

- Mr. Maqbool H. H. Rahimtoola 500 shares

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.0.52 for the year ended 31 December 2008.

Dividend

Considering profit of Rs. 26.8 Million earned during the year and provisions related to the minimum capital requirements of NBFC Rules and Regulations, no dividend is declared for the year ended 31 December 2008.

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

Keeping in view the recent improvement in political environment of the Country, we are confident that the economic indicators of our country will improve gradually. Reduction in inflation will help in gradual reduction in discount rate of the Central Bank. Stock markets have already started showing higher turnover and improvement in index.



Auditors

The present auditors Avais Hyder Liaquat Nauman, Chartered Accountants has retired and offered them selves for reappointment. The Board of Directors endorsed the recommendation of the Audit Committee for the reappointment of Avais Hyder Liaquat Nauman, Chartered Accountants for the year ending 31 December 2009.

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;
31 March 2009



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 Executive 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 at least once in every quarter. Written notices of the Board meetings, along with 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. 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; 31 March 2009

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, 2008 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 statement 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.

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, 2008.

Karachi;
31 March 2009

AVAIS HYDER LIAQUAT NAUMAN
Chartered Accountants



**SECURITY INVESTMENT BANK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**





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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, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year ended December 31, 2008 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. The financial statements of the Company as of December 31, 2007, were audited by another auditor whose report dated February 28, 2008, expresses an unqualified opinion on those statements.

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, 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, 2008 and of the profit, 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;
31 March 2009

AVAIS HYDER LIAQUAT NAUMAN
Chartered Accountants



BALANCE SHEET

AS AT DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
ASSETS			
Tangible fixed assets	5	4,918,947	5,747,315
Stock exchange membership card	6	36,000,000	36,000,000
Long term investments	7	151,220,356	151,299,508
Deferred tax asset	8	40,172,105	12,925,813
CURRENT ASSETS			
Short term financing	9	103,802,561	182,834,198
Short term placements	10	2,102,017	1,477,892,625
Short term investments	11	456,767,965	727,406,991
Advances, deposits, prepayments and other receivables	12	110,307,278	105,498,709
Cash and bank balances	13	26,254,850	102,460,234
		699,234,671	2,596,092,757
		931,546,079	2,802,065,393
SHARE CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised			
100,000,000 ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital			
Reserves	14	514,335,583	428,612,993
	15	166,370,021	225,473,213
		680,705,604	654,086,206
Deficit on revaluation of investments-net	16	(376,279,234)	(61,447,148)
LIABILITIES			
Deferred liability	17	6,286,285	5,176,000
CURRENT LIABILITIES			
Borrowings	18	376,426,849	1,195,000,000
Short term deposits	19	220,393,248	971,844,854
Accrued and other liabilities	20	24,013,327	37,405,481
		620,833,424	2,204,250,335
Contingencies and Commitments	21	-	-
		931,546,079	2,802,065,393

The annexed notes 1-40 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit & loss account are given in Note No. 11.1.4.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
INCOME			
Return on financing and placements	22	102,151,548	183,568,169
Return on securities	23	63,442,515	68,349,850
Gain on sale of investments		23,242,547	58,282,479
Profit on deposit with banks		2,722,629	4,824,649
Other income	24	485,680	700,541
		192,044,919	315,725,688
EXPENDITURE			
Return on deposits and borrowings	25	133,781,560	184,570,833
Administrative and Operating expenses	26	31,435,375	33,376,374
		165,216,935	217,947,207
PROFIT BEFORE TAXATION		26,827,984	97,778,481
Provision for taxation	27	208,586	8,534,588
PROFIT AFTER TAXATION		26,619,398	89,243,893
BASIC EARNINGS PER SHARE	28	0.52	2.08

The annexed notes 1-40 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit & loss account are given in Note No. 11.1.4.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



CASH FLOW STATEMENT **FOR THE YEAR ENDED DECEMBER 31, 2008**

	Note	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before tax		26,827,984	97,778,481
Adjustment for non-cash and other items			
Depreciation		1,437,078	1,380,147
(Gain)/loss on disposal of shares		(23,242,547)	(58,282,479)
Loss/(gain) on disposal of fixed assets		2,600	(139,798)
(Gain)/loss on sale of securities		(27,175)	–
Provision for gratuity		1,291,885	971,000
		(20,538,159)	(56,071,130)
Cash Flows From Operating Activities Before Working Capital Changes		6,289,825	41,707,351
(Increase)/decrease in Operating assets			
Decrease/(increase) in financing and placements		1,554,822,245	(553,239,330)
Decrease/(increase) in advances, deposits, prepayments and other receivables		9,899,314	(13,861,909)
		1,564,721,559	(567,101,239)
Increase/(decrease) in operating Liabilities			
Decrease/(increase) in deposits		(751,451,606)	(3,964,065)
Decrease/(increase) in borrowings		(818,573,151)	467,500,000
Decrease/(increase) in accrued and other liabilities		(10,638,044)	15,826,311
		(1,580,662,801)	479,362,246
Net Change in operating assets and liabilities		(15,941,242)	(87,738,993)
Income tax paid		(14,955,405)	(34,536,854)
Gratuity paid		(181,600)	(120,000)
Dividend paid		(2,754,111)	(75,656,707)
		(17,891,116)	(110,313,561)
NET CASH (USED IN) OPERATING ACTIVITIES		(27,542,533)	(156,345,203)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of fixed assets		(611,310)	(5,148,919)
(Purchase) of investments (shares)		(128,401,893)	(54,806,350)
Sale/(Purchase) of securities		80,350,352	(70,638,769)
NET CASH (USED IN) INVESTING ACTIVITIES		(48,662,851)	(130,594,038)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease)/increase in cash and cash equivalents		(76,205,384)	(286,939,241)
Cash and cash equivalents at the beginning of the year		102,460,234	389,399,475
Cash and cash equivalents at the end of the year		26,254,850	102,460,234

The annexed notes 1-40 form an integral part of these financial statements.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	Share Capital (Note 14)	Statutory Reserve (Note 15)	Unappropriated Profit (Note 15)	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at January 01, 2007	428,612,993	116,477,482	105,474,437	650,564,912
Net profit for the year	–	–	89,243,893	89,243,893
Dividend paid for the year 2006	–	–	(85,722,599)	(85,722,599)
Appropriations:				
Statutory reserve	–	17,848,779	(17,848,779)	–
Balance as at December 31, 2007	428,612,993	134,326,261	91,146,952	654,086,206
Net profit for the year	–	–	26,619,398	26,619,398
Issuance of bonus shares	85,722,590	–	(85,722,590)	–
Appropriation:				
Statutory reserve	–	5,323,880	(5,323,880)	–
Balance as at December 31, 2008	514,335,583	139,650,141	26,719,880	680,705,604

The annexed notes 1-40 form an integral part of these financial statement.

MUHAMMAD SALEEM RATHOD
 Chief Executive

KHURSHEED K. MARKER
 Chairman



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 December 31, 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).

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 PREPARATION

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 November 21, 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 Rules 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.

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 Accounting standards 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 (Revised) Presentation of Financial Statements	effective from accounting period beginning on or after January 01, 2009
IAS-23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS-27 (amended) Consolidated and Separate Financial Statements	effective from accounting period beginning on or after 01 July 2009
IAS-29 Financial Reporting in Hyperinflationary Economies	effective from accounting period beginning on or after 28 April 2008
IAS-32 (amended) Financial Instruments : Presentation and IAS-1-Presentation of Financial Statements	effective from accounting period beginning on or after 01 January 2009





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

IFRS-2 (amendments) Share based Payment- Vesting Conditions and Cancellations	effective from accounting period beginning on or after 01 January 2009
IFRS-3 (amendments) Business Combinations	effective from accounting period beginning on or after 01 July 2009
IFRS-7 Financial Instruments : Disclosures	effective from accounting period beginning on or after 28 April 2008
IFRS-8 Operating Segments	effective from accounting period beginning on or after 01 January 2009
IFRIC-13 Customer Loyalty Programmes	effective from accounting period beginning on or after 01 July 2008
IFRIC-15 Agreement for the Construction of Real Estate	effective from accounting period beginning on or after 01 October 2009
IFRIC-16 Hedge of Net Investment in a Foreign Operation	effective from accounting period beginning on or after 01 October 2008

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.

24 Significant Accounting Judgement and estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets in come and expenses. Actual results may differ from these estimates. Estimates under lying 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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.

Available-for-sale

Investments intended to be held for an indefinite period of time which may be sold in response to need 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 guidelines contained in the above referred circulars issued by State Bank of Pakistan requirement of in case of available for sale investment. 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 is 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:



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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.

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 within the 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.

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.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 and advances is 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 if declared on or before the balance sheet date.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 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 are included in the current year's income.

4.16 Provision for doubtful debts - on financing

Provision is made against doubtful receivable in pursuance of Securities & Exchange Commission of Pakistan's Prudential Regulations for Non Banking Financial Institutions (NBFIs).

4.17 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 DECEMBER 31, 2008

5. TANGIBLE FIXED ASSETS

(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, 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 & 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
Rupees 2008	17,419,800	615,111	(11,801)	18,023,110		11,672,485	1,437,078	(5,400)	13,104,163	4,918,947

(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, 2007
	As at Jan. 01, 2007	Additions	Deletions	As at Dec. 31, 2007		As at Jan. 01, 2007	Charge for the year	Adjustment	As at Dec. 31, 2007	
Computers and equipments	3,300,971	304,753	–	3,605,724	20	2,807,458	193,586	–	3,001,044	604,680
Furniture & fixtures	3,068,286	–	–	3,068,286	10	2,917,222	21,933	–	2,939,155	129,131
Generator	497,148	–	–	497,148	10	468,217	7,716	–	475,933	21,215
Sign board	179,000	–	–	179,000	10	151,498	3,000	–	154,498	24,502
Telephone system	225,496	31,000	(85,000)	171,496	10	177,113	11,578	(84,999)	103,692	67,804
Vehicles	5,551,395	4,952,966	(606,215)	9,898,146	20	4,462,043	1,142,334	606,214	4,998,163	4,899,983
Rupees 2007	12,822,296	5,288,719	(691,215)	17,419,800		10,983,551	1,380,147	(691,213)	11,672,485	5,747,315

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 8,895,306 (2007: 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
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Computer and equipments

Peripherals	1,801	1,800	1	1,801	1,800	Dilshad	Negotiation
Batteries	10,000	3,600	6,400	2,000	(4,400)	Aftab	Negotiation

Rupees-2008	11,801	5,400	6,401	3,801	(2,600)		
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
6. STOCK EXCHANGE MEMBERSHIP CARD			
Corporate membership of Karachi Stock Exchange (Guarantee) Ltd.		<u>36,000,000</u>	<u>36,000,000</u>
7. LONG TERM INVESTMENTS			
SIBL Exchange Company (Pvt.) Ltd. 10,000,000 ordinary shares of Rs. 10 each Wholly Owned Subsidiary - un-quoted		100,000,000	100,000,000
Pakistan Investment Bonds - Held to Maturity	7.1	<u>51,220,356</u>	<u>51,299,508</u>
		<u>151,220,356</u>	<u>151,299,508</u>
7.1 Pakistan Investment Bonds			
Cost		51,299,508	51,378,660
Less: Amortization		(79,152)	(79,152)
		<u>51,220,356</u>	<u>51,299,508</u>
These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs. 50,000,000 (2007: Rs. 50,000,000) carrying mark-up rates (coupon rate) of 10% per annum (2007: 10%). Their period to maturity is sixteen and a half year.			
8. DEFERRED TAX ASSET			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		39,471,245	12,263,887
Accelerated depreciation		312,260	364,076
Provision for gratuity		388,600	297,850
		<u>40,172,105</u>	<u>12,925,813</u>
9. SHORT TERM FINANCING-secured considered good			
Demand finance	9.1	103,802,561	186,414,796
Provision for non-performing loans	9.2	—	(3,580,598)
		<u>103,802,561</u>	<u>182,834,198</u>
9.1 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 12% to 15% per annum (2007: 12% to 18% per annum).			
9.2 Particulars of provision against non-performing loans			
Opening balance		3,580,598	3,580,598
(Reversal) or Write-off during the year		(3,580,598)	—
Closing balance		<u>—</u>	<u>3,580,598</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

10. SHORT TERM PLACEMENTS - considered good

Under reverse repurchase agreements of quoted shares - secured

10.1

2,102,017

1,477,892,625

2,102,017

1,477,892,625

10.1 This represents secured placements against shares in Continued Funding System with maturity ranging from overnight to 45 days and carry mark-up ranging from 17% to 23% (2007: 11.14% to 19.79%) per annum. Fair value of the collaterals accepted against the above placement balance as at December 31, 2008 amounted to Rs. 1.193 million (2007: Rs. 1,496.636 million).

11. SHORT TERM INVESTMENTS

Available for Sale

Pakistan Investment Bonds	11.1	298,465,650	379,547,242
Wapda Bonds - 10th issue	11.1	—	50,000,000
Term Finance Certificates	11.1	36,840,143	63,270,922
Quoted shares	11.1	121,462,172	234,588,827
		456,767,965	727,406,991

11.1 Securities given as collateral under repurchase agreements.

Particulars of investments by type	Note	2008			2007		
		Held by SIBL	Repo	Total	Held by SIBL	Repo	Total
		-----Rupees-----			-----Rupees-----		
Pakistan Investment Bonds	11.1.1	—	298,465,650	298,465,650	—	379,547,242	379,547,242
Wapda Bonds - 10th issue		—	—	—	50,000,000	—	50,000,000
Term Finance Certificates	11.1.2	36,840,143	—	36,840,143	63,270,922	—	63,270,922
Quoted shares	11.1.3	20,099,143	101,363,029	121,462,172	234,588,827	—	234,588,827

11.1.1 Pakistan Investment Bonds (PIBs) have face value of Rs. 400,000,000 (2007: Rs. 400,000,000) with income receivable semi annually at 9% to 11% (2007: 9% to 11%) per annum and having maturity period from Three years and two months to sixteen years and six months. They have been placed as collateral against borrowings.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

11.1.2 Particulars of listed Term Finance Certificates (TFC):

			2008		2007	
No. of Certificates			Cost	Market value	Cost	Market value
2008	2007	Issuer of TFC	-----Rupees-----			
–	1,585	Bank Alfalah Limited	–	–	7,924,119	8,003,359
4,958	6,125	Pakistan International Airlines	24,790,675	24,542,768	30,623,775	30,317,537
–	384	Pakistan Services Limited	–	–	1,920,989	1,920,989
2,894	3,644	TeleCard Limited	14,467,500	12,297,375	18,217,900	15,485,215
–	1,494	Union Bank Limited	–	–	7,469,130	7,543,822
			39,258,175	36,840,143	66,155,913	63,270,922

Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption Terms
Pakistan International Airlines	5,000	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling	Semi-annually	Eight years from February 20, 2003
TeleCard Limited	5,000	3.75% over 6 months KIBOR	Semi-annually	Six years from May 27, 2005



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

11.1.3 Quoted shares

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

No. of ordinary shares, certificates/units		2008		2007		
2008	2007	Cost	Market Value	Cost	Market Value	
-----Rupees-----						
Modarabas/Mutual funds						
500	500	Long Term Venture Modaraba	800	225	800	225
15,002	15,002	Pakistan Premium Fund	90,189	30,304	90,189	180,774
4,500	4,500	PICIC Growth Fund	185,013	25,155	185,013	128,250
69,627	69,627	UTP Growth Fund	1,085,040	207,488	1,085,040	891,225
1,389,697	1,389,697	UTP Large Capital Fund	13,896,970	3,196,303	13,896,970	11,256,546
Leasing						
42,370	42,370	Saudi Pak Leasing Company Ltd.	1,450,590	122,874	1,450,590	319,894
Investment Banks / Cos. / Banks						
31,250	–	Arif Habib Limited	9,251,848	2,669,688	–	–
491,525	243,000	Askari Bank Limited	35,663,389	7,161,519	25,540,281	24,239,250
–	10,000	Bank Alfalah Limited	–	–	614,122	537,000
195,000	40,000	Bank of Punjab	14,607,419	2,574,000	4,132,910	3,912,000
85,000	–	MCB Bank Limited	34,635,037	10,693,850	–	–
210,033	177,530	National Bank of Pakistan	47,045,688	10,568,861	47,327,676	41,213,590
6,250	–	United Bank Limited	995,199	230,687	–	–
Insurance						
–	10,000	Adamjee Insurance Company Ltd.	–	–	3,875,738	3,583,500
Synthetic and Rayon						
18,750	18,750	Pakistan Synthetics Limited	688,500	48,750	688,500	120,938
Cement						
150,000	–	D.G. Khan Cement Company Limited	12,053,527	3,190,500	–	–
53,800	53,800	Maple Leaf Cement	1,053,790	258,056	1,053,790	922,800



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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

No. of ordinary shares, certificates/units			2008		2007	
2008	2007		Cost	Market Value	Cost	Market Value
-----Rupees-----						
Fuel and Energy						
60,000	51,000	Attock Refinery Limited	13,050,999	3,593,400	13,698,930	12,816,300
50,000	–	Bosicor Pakistan Limited	1,085,217	233,000	–	–
50,000	50,000	Hub Power Company Limited	1,890,378	704,500	1,890,378	1,525,000
–	12,500	Karachi Electric Supply Corporation	–	–	100,947	66,250
175,000	204,329	Oil and Gas Development Co. Ltd.	24,168,759	8,748,250	25,789,651	24,407,099
211,860	117,250	Pakistan Oilfields Limited	72,825,609	21,713,531	42,310,461	39,208,400
258,445	98,750	Pakistan Petroleum Limited	63,281,098	26,004,736	25,410,455	24,198,688
–	30,000	Pakistan State Oil Company Limited	–	–	13,017,064	12,198,000
7,750	7,750	Sui Nothern Gas Pipelines Limited	672,358	166,315	672,358	508,013
67,000	67,000	Sui Southern Gas Company Limited	2,052,516	704,170	2,052,516	1,752,050
Automobiles and Transport						
45,000	45,000	Pakistan International Airlines Corporation	900,481	157,950	900,481	283,500
Technology and Communication						
649,000	549,000	Pakistan Telecommunication Co. Limited	39,851,503	10,961,610	35,176,418	23,085,450
Fertilizer						
50,000	–	Engro Chemicals Limited	14,851,610	4,823,000	–	–
–	25,586	Fauji Fertilizer Company Limited	–	–	3,322,693	3,038,338
Chemical						
–	20,000	Nimir Limited	–	–	308,561	270,000
255,000	255,000	Pakistan PTA Limited	2,417,742	405,450	2,417,742	1,287,750
Sugar & Allied Industries						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
Textile Composite						
100,000	25,000	Nishat Mills Limited	12,260,365	2,260,000	3,356,920	2,629,997
			422,019,634	121,462,172	270,375,194	234,588,827



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

11.14 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "floor mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150(1)/2009 dated February 13, 2009 allowed that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the year ending December 31, 2009.

The amount taken to equity at December 31, 2008 shall however be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39) is the only standard dealing with impairment of financial instruments and it requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore, recognition of impairment for "Available for Sale" equity securities through Profit and Loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss in accordance with the requirements of IAS-39 would have had the following effect on these financial statements:

	Rupees
Increase in 'impairment loss' in Profit and Loss Account	300,557,462
Decrease in profit for the year	300,557,462
Decrease in earnings per share	5.83
Decrease in deficit on revaluation of available for sale securities	300,557,462
Decrease in unappropriated profit	300,557,462



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

		2008 Rupees	2007 Rupees
12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances-considered good			
For expenses		301,395	244,250
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		61,831,712	47,123,829
		64,633,107	49,868,079
Deposits			
Security		2,201,788	13,183,288
KSE exposure limits		4,454,799	14,701,025
High Court		—	2,566,112
		6,656,587	30,450,425
Prepayments		408,633	425,860
Other receivables			
Income receivable	12.1	20,609,144	22,976,508
Other receivables-considered good		17,999,807	1,777,837
		38,608,951	24,754,345
		110,307,278	105,498,709
12.1 Income receivable			
Considered Good			
Not due	12.1.1	20,609,144	23,384,702
Less: Provision for doubtful debts	12.1.2	—	(408,194)
		20,609,144	22,976,508
12.1.1 This represents income on financing, placements and government securities not matured / due on December 31, 2008.			
12.1.2 Particulars of Provision for doubtful debts			
Opening balance		408,194	408,194
(Less): (Reversal) during the year		(408,194)	—
Closing balance		—	408,194



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
13. CASH AND BANK BALANCES			
With State Bank of Pakistan in:			
Reserve account		–	8,725,000
Current account		2,158,515	1,540,758
		2,158,515	10,265,758
With other banks in:			
Current accounts		3,534,710	8,714,499
Deposit accounts	13.1	20,556,472	83,474,107
		24,091,182	92,188,606
Cash in hand		5,153	5,870
		26,254,850	102,460,234

13.1 Rate of return on these deposits accounts range from 1.69% to 8.5% per annum (2007: 3.5% to 10.4% per annum).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<u>Number of shares</u>				
<u>2008</u>	<u>2007</u>			
23,552,000	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000	235,520,000
27,881,558	19,309,299	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	278,815,583	193,092,993
51,433,558	42,861,299		514,335,583	428,612,993

15. RESERVES

Capital Reserves			
Statutory reserves	15.1	139,650,141	116,477,482
Revenue reserves			
Unappropriated profits		26,719,880	105,474,437
		166,370,021	221,951,919

15.1 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 DECEMBER 31, 2008

		2008 Rupees	2007 Rupees
16. (DEFICIT) ON REVALUATION OF INVESTMENTS - Net of deferred tax			
Government Securities		(112,774,985)	(35,039,677)
Term Finance Certificates		(2,418,032)	(2,884,991)
		(115,193,017)	(37,924,668)
Related deferred tax asset		39,471,245	12,263,887
		(75,721,772)	(25,660,781)
Quoted shares		(300,557,462)	(35,786,367)
		(376,279,234)	(61,447,148)
17. DEFERRED LIABILITY			
Gratuity-unfunded	30	6,286,285	5,176,000
		6,286,285	5,176,000
18. BORROWINGS			
From Financial Institutions			
Secured-under repurchase agreement of Government Securities	18.1	367,000,000	400,000,000
Unsecured from	18.2	9,426,849	795,000,000
		376,426,849	1,195,000,000
18.1	This represents amount borrowed from financial institutions at mark-up rates ranging from 15% to 20% per annum (2007: 9.45% to 9.80% per annum) and having maturities on or before February 11, 2009. These are secured against Pakistan Investment Bonds and quoted shares sold under repurchase agreements.		



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

		2008 Rupees	2007 Rupees
18.2	These carry mark-up of 20% per annum (2007: 9.6% to 10.85% per annum) and having maturity on or before March 16, 2009.		
19.	SHORT TERM DEPOSITS		
	Short term certificate of deposits	19.1 <u>220,393,248</u>	<u>971,844,854</u>
19.1	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 (2007: 8% to 11%) per annum payable monthly, quarterly, semi annually or on maturity.		
20.	ACCRUED AND OTHER LIABILITIES		
	Accrued expenses		
	Return on borrowings - unsecured	230,587	5,583,842
	Return on deposits	10,323,206	23,469,034
	Return on borrowings-secured	8,951,893	1,910,137
	Others	—	632,511
		<u>19,505,686</u>	<u>31,595,524</u>
	Other liabilities		
	Unclaimed dividend	2,971,998	5,726,109
	Others	1,535,642	83,848
		<u>4,507,640</u>	<u>5,809,957</u>
		<u>24,013,326</u>	<u>37,405,481</u>
21.	CONTINGENCIES AND COMMITMENTS		
	Contingencies		
	Guarantees issued on behalf of customer	<u>22,775,324</u>	<u>21,589,400</u>
	Commitments		
	Future sale contract - Shares	<u>—</u>	<u>20,593,000</u>
	Future purchase contract - Shares	<u>—</u>	<u>19,814,000</u>





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 Rupees	2007 Rupees
22. RETURN ON FINANCING AND PLACEMENTS		
Financing		
Demand finance	32,423,383	23,454,062
Placements		
Unsecured	—	382,006
Secured against reverse repurchase agreements of Quoted shares	69,728,165	159,732,101
	<u>102,151,548</u>	<u>183,568,169</u>
23. RETURN ON SECURITIES		
Return on Government Securities	41,638,564	38,562,854
Return on TFCs	8,151,893	14,059,476
	<u>49,790,457</u>	<u>52,622,330</u>
Gain on sale of securities	27,175	—
Dividend income	13,624,883	15,727,520
	<u>63,442,515</u>	<u>68,349,850</u>
24. OTHER INCOME		
(Loss)/Gain on sale of fixed assets	(2,600)	139,798
Commission	183,782	97,323
Miscellaneous	304,498	463,420
	<u>485,680</u>	<u>700,541</u>
25. RETURN ON DEPOSITS AND BORROWINGS		
Return on certificates of deposits	36,593,844	77,310,558
Return on clean borrowings	50,073,031	74,492,088
Return on borrowing under repurchase agreement (Repo)	47,114,685	32,768,187
	<u>133,781,560</u>	<u>184,570,833</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
26. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, wages and other benefits		13,155,822	11,770,092
Contribution to provident fund		884,070	692,083
Gratuity scheme expenses		1,291,885	971,000
Rent, rates and taxes		1,820,789	1,759,558
Telephone, telex and fax		1,011,660	989,952
Electricity, water and gas		705,756	705,775
Printing, postage and stationery		537,765	530,404
Insurance		593,892	616,797
Fees and membership		1,319,927	2,026,175
Brokerage and Commission		3,473,327	6,645,944
Central Depository Company charges		994,257	1,915,989
Auditors' remuneration	26.1	293,850	395,500
Legal and professional fees		855,599	423,000
Vehicle running and maintenance		936,272	823,416
Repairs and maintenance		284,681	387,796
Advertisement		462,379	634,785
Travelling and entertainment		382,792	298,653
Depreciation (refer note 5)		1,437,078	1,380,147
Bank charges		195,490	83,617
Old age benefit		81,320	69,360
Books, periodicals & newspapers		34,055	35,327
Other Expenses		682,709	221,004
		31,435,375	33,376,374
26.1 Auditor's remuneration			
Statutory audit fee		275,000	275,000
Half yearly review and other certificates		—	110,000
Out of pocket		18,850	10,500
		293,850	395,500
27. PROVISION FOR TAXATION			
Current			
- for the year	27.1	592,827	8,941,684
Deferred			
- opening balance		661,926	254,830
- for the year		(1,046,167)	(661,926)
		(384,241)	(407,096)
		208,586	8,534,588

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 Rupees	2007 Rupees
27.1 Relationship between tax expense and accounting profit		
Profit for the year from ordinary activities before taxation	<u>26,827,984</u>	<u>97,778,481</u>
Tax at the applicable rate of 35% (December 31, 2007: 35%)	<u>9,389,794</u>	34,222,468
Tax effect of expenses that are not allowable in determining taxable income	(494,944)	(986,177)
Tax effect of dividend income taxed at a lower rate	(416,036)	(5,504,632)
Tax effect of capital gains-exempt from tax	(8,134,891)	(20,309,513)
Tax effect on gain / (loss) on sale of assets	1,383	(95,941)
Tax payable in respect of receipt/income covered under PTR	<u>247,521</u>	<u>1,615,479</u>
Tax charge	<u>592,827</u>	<u>8,941,684</u>

The provision for taxation for the current year has been made applying rates applicable to Public Companies listed Stock Exchange other than a banking company. In the initial assessment for the assessment year 1993-94 to 2001-02 the department assigned status of banking company to SIBL and applied rate of tax applicable to the banking companies. This issue was settled by the ITAT in favour of SIBL except for the year 2001-02 which was set aside by the ITAT for reconsideration. The departmental appeals for the assessment years 1992-93, 1995-96 and 1996-97 filed before the Honourable High Court are pending. The departmental appeal related to assessment year 2000-2001 filed before the Honourable High Court was decided in favour of SIBL. The department has preferred an appeal before the Honourable Supreme Court against the decision of the High Court which is pending. The declared results for the tax year 2004-2008 are deemed to be assessed in terms of Section 120(1)(b) of the Income Tax Ordinance, 2001.

28. EARNINGS PER SHARE-BASIC AND DILUTED**28.1 Basic**

Profit after tax	<u>26,619,398</u>	<u>89,243,893</u>
Weighted average number of ordinary shares	<u>51,433,558</u>	<u>42,861,299</u>
Earnings per share	<u>0.52</u>	<u>2.08</u>

28.2 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.

29. STAFF STRENGTH

Number of employees at end of the year	<u>27</u>	<u>30</u>
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

		2008 Rupees	2007 Rupees
30. DEFINED BENEFIT PLAN			
30.1 General description			
<p>The scheme provides for terminal benefits for all permanent employees who completed 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.</p> <p>Annual provision is based on actuarial valuation, which was carried out as at December 31, 2008 using the Projected Unit Credit Method.</p>			
30.2 Principal actuarial assumptions			
<p>Following principal actuarial assumptions were used for the valuation.</p>			
Estimated rate of increase in salary of the employees		13.79%	8.90%
Discount rate		16.00%	11.00%
30.3 Reconciliation of provision for gratuity scheme			
Present value of defined benefit obligation		(7,272,874)	(5,197,000)
Unrecognized transitional liability		986,589	21,000
		<u>(6,286,285)</u>	<u>(5,176,000)</u>
30.4 Gratuity Asset/Liability			
Provision at beginning of year		(5,176,000)	(4,325,000)
Expense	30.4.1	(1,291,885)	(971,000)
Benefits paid		181,600	120,000
		<u>(6,286,285)</u>	<u>(5,176,000)</u>
30.4.1 Gratuity scheme expense			
Current service cost		644,149	497,000
Interest Cost		610,117	472,000
Recognition of loss		37,619	2,000
		<u>1,291,885</u>	<u>971,000</u>

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

30.5 Historical Experience

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

	2008	2007	2006	2005	2004
Obligation (Rs in '000)	7,273	5,635	4,348	4,023	3,738
Loss on obligation(%)	8%	8%	0%	0%	0%





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

31. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors	
	2008	2007	2008	2007
	-----Rupees-----			
Director's fee	—	—	160,000	160,000
Managerial remuneration	3,564,000	3,240,000	—	—
Housing	—	—	—	—
Bonus	330,000	330,000	—	—
Utilities	396,000	320,000	—	—
Other benefits	1,117,247	154,000	—	—
Reimbursable expenses	154,221	131,156	—	—
	5,561,468	4,175,156	160,000	160,000
Number of persons	1	1	6	6

The company provides free use of company maintained cars to its Chief Executive and other Senior Executives.

32. 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.

33. MATURITIES OF ASSETS AND LIABILITIES

DESCRIPTION	2008	2008			
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
	-----Rupees-----				
Assets					
Tangible fixed assets	4,918,947	—	—	—	4,918,947
Membership card	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	—	—
Short term placement	2,102,017	2,102,017	—	—	—
Short term investments	456,767,965	146,004,940	—	141,748,775	169,014,250
Advances and other receivables	110,307,278	48,475,566	61,831,712	—	—
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	24,013,327	24,013,327	—	—	—
	627,119,709	603,301,736	17,531,688	—	6,286,285
Net assets	304,426,370				
Represented by:					
Share capital and reserves	680,705,604				
(Deficit) on revaluation of investments - net	(376,279,234)				
	304,426,370				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

DESCRIPTION	2007	2007			
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
-----Rupees-----					
Assets					
Tangible fixed assets	5,747,315	—	—	—	5,747,315
Membership card - intangible	36,000,000	—	—	—	36,000,000
Long term investment	151,299,508	—	—	—	151,299,508
Deferred tax asset	12,925,813	—	—	—	12,925,813
Short term financing	182,834,198	166,434,198	16,400,000	—	—
Short term placements	1,477,892,625	1,477,892,625	—	—	—
Short term investments	727,406,991	234,591,515	—	216,578,322	276,237,154
Advances, deposits and other receivable	105,498,709	42,625,480	62,873,229	—	—
Cash and bank balances	102,460,234	102,460,234	—	—	—
	2,802,065,393	2,024,004,052	79,273,229	216,578,322	482,209,790
Liabilities					
Deferred liabilities	5,176,000	—	—	—	5,176,000
Borrowings	1,195,000,000	1,195,000,000	—	—	—
Short term deposits	971,844,854	835,102,838	136,742,016	—	—
Accrued expenses and other liabilities	37,405,481	34,229,399	3,176,082	—	—
	2,209,426,335	2,064,332,237	139,918,098	—	5,176,000
Net assets	592,639,058				
Represented by:					
Share capital and reserves	654,086,206				
Deficit on revaluation of investments - net	(61,447,148)				
	592,639,058				



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

34. CREDIT RISK AND CONCENTRATION 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.

Concentrations 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 & 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:

	2008		2007	
	Rupees	%	Rupees	%
FINANCE				
Sugar	—	—	—	—
Textile spinning	2,400,000	2.31	6,400,000	3.43
Cables and electric goods	93,502,561	90.08	166,866,498	89.51
Individuals	—	—	3,148,298	1.69
Others	7,900,000	7.61	10,000,000	5.36
	103,802,561	100.00	186,414,796	100.00



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

35. 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 of 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	December 31, 2008				
	Total	Exposed to Interest Rate /Yield Risk			Not Exposed to Interest Rate/Yield Risk
		Within one year	More than one year & upto five years	Above five years	
		-----Rupees-----			
FINANCIAL ASSETS					
Long term investment	100,000,000	—	—	—	100,000,000
Short term financing	103,802,561	103,802,561	—	—	—
Short term placements	2,102,017	2,102,017	—	—	—
Investment in TFCs	36,840,143	24,542,768	12,297,375	—	—
Investment in shares	121,462,172	—	—	—	121,462,172
Investment in Govt.Bonds	349,686,006	—	129,451,400	220,234,606	—
Advances, deposits and other receivable	47,765,538	—	—	—	47,765,538
Balances with banks and cash in hand	26,254,850	24,097,052	—	—	2,157,798
Total	787,913,287	154,544,398	141,748,775	220,234,606	271,385,508
FINANCIAL LIABILITIES					
Deposits	220,393,248	220,393,248	—	—	—
Borrowings	376,426,849	376,426,849	—	—	—
Profit accrued on deposits & borrowings	19,505,686	—	—	—	19,505,686
Accrued and other liabilities	4,507,640	—	—	—	4,507,640
Total	620,833,423	596,820,097	—	—	24,013,326
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)	—



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Description	December 31, 2007				
	Total	Exposed to Interest Rate /Yield Risk			Not Exposed to Interest Rate/Yield Risk
		Within one year	More than one year & upto five years	Above five years	
		-----Rupees-----			

FINANCIAL ASSETS					
Long term investment	100,000,000	—	—	—	100,000,000
Short term financing	182,834,198	182,834,198	—	—	—
Short term placements	1,477,892,625	1,477,892,625	—	—	—
Investment in Government Securities	430,846,750	—	103,307,400	327,539,350	—
Investment in Wapda Bonds	50,000,000	—	50,000,000	—	—
Short tem investment in TFCs-quoted	63,270,922	—	63,270,922	—	—
Short term investment in shares-quoted	234,591,515	—	—	—	234,591,515
Advances, deposits and other receivable	57,704,770	—	—	—	57,704,770
Balances with banks and cash in hand	102,460,234	92,194,476	—	—	10,265,758
Total	2,699,601,014	1,752,921,299	216,578,322	327,539,350	402,562,043
FINANCIAL LIABILITIES					
Deposits	971,844,854	971,844,854	—	—	—
Borrowings	1,195,000,000	1,195,000,000	—	—	—
Profit accrued on deposits & borrowings	31,595,524	—	—	—	31,595,524
Accrued and other liabilities	5,809,957	—	—	—	5,809,957
Total	2,204,250,335	2,166,844,854	—	—	37,405,481
Total interest rate sensitivity gap		(413,923,555)	216,578,322	327,539,350	365,156,562
Cumulative interest rate sensitivity gap		(413,923,555)	(197,345,233)	130,194,117	495,350,679





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

36. 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.

37. 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 value as reflected in the financial statements.

38. 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 holder and their close family members, key management personnel and retirement benefit funds. The company has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates. Transactions with related parties during the year, other than Director's remuneration given under note 31 to the financial statements, are as follows:

	2008 Rupees	2007 Rupees
Financing		
- Associated undertakings	51,931,920	121,395,857
- Others	49,470,641	55,470,641
Return on Financing		
- Associated undertakings	20,292,131	14,877,694
- Others	12,300,979	6,755,216
Deposits	179,256,633	178,512,284
Return on deposits	19,312,966	16,352,395

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on 31 March 2009.

40. FIGURES

- have been re-arranged by purposes of comparison wherever necessary.
- have been rounded off to the nearest rupee.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



**SECURITY INVESTMENT BANK LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**



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AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising the consolidated balance sheet of **Security Investment Bank Limited** and its subsidiary company as at **December 31, 2008** and the related consolidated profit and loss account, 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, 2008 have also been reviewed by us in accordance with the International Standard on Review Engagements 2410.

It is 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, 2008 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Karachi;
March 31, 2009

AVAIS HYDER LIAQUAT NAUMAN
Chartered Accountants



CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
ASSETS			
Tangible fixed assets	5	6,155,313	7,256,220
Intangible assets	6	36,204,168	36,274,170
Long term investments	7	51,220,356	51,299,508
Deferred tax asset	8	40,172,105	12,925,813
Deferred cost	9	56,205	168,615
CURRENT ASSETS			
Short term financing	10	103,802,561	182,834,198
Short term placements	11	2,102,017	1,477,892,625
Short term investments	12	481,767,965	752,406,991
Advances, deposits, prepayments and other receivables	13	109,641,234	105,479,982
Cash and bank balances	14	28,845,277	110,406,415
		726,159,054	2,629,020,211
		859,967,201	2,736,944,537
SHARE CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised Capital			
100,000,000 (2007: 100,000,000) ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital			
Issued, subscribed and paid up capital	15	514,335,583	428,612,993
Statutory reserve	16	173,941,226	229,823,914
		688,276,809	658,436,907
Surplus on revaluation of investments - net	17	(376,279,234)	(61,447,148)
LIABILITIES			
Deferred liability	18	6,286,285	5,176,000
CURRENT LIABILITIES			
Borrowings	19	376,426,849	1,195,000,000
Short term deposits	20	140,916,784	902,642,700
Accrued and other liabilities	21	24,339,708	37,136,078
		541,683,341	2,134,778,778
Contingencies and Commitments	22	—	—
		859,967,201	2,736,944,537

The annexed notes form 1-40 an integral part of these financial statements. The detail of valuation of investments, impairment and impact on profit and loss account are given in note 12.1.4.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
INCOME			
Return on financing and placements	23	102,151,548	183,568,169
Return on securities	24	65,648,997	70,378,957
Gain on sale of investments		23,242,547	58,282,479
Profit on deposit with banks		2,722,629	4,824,649
Other income	25	1,804,178	1,071,197
		195,569,899	318,125,451
EXPENDITURE			
Return on deposits and borrowings	26	128,597,145	178,899,627
Administrative and Operating expenses	27	35,117,448	37,093,394
		163,714,593	215,993,021
PROFIT BEFORE TAXATION		31,855,306	102,132,430
Provision for taxation	28	2,015,404	10,308,304
NET PROFIT FOR THE YEAR		29,839,902	91,824,127
BASIC EARNINGS PER SHARE		0.58	2.14

The annexed notes form 1-40 an integral part of these financial statements. The detail of valuation of investments, impairment and impact on profit and loss account are given in note 12.1.4.



MUHAMMAD SALEEM RATHOD
 Chief Executive

KHURSHEED K. MARKER
 Chairman



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before tax		31,855,306	102,132,430
Adjustment for non-cash and other items			
Depreciation		1,769,217	1,714,191
Amortization of deferred cost		182,412	182,403
(Gain) on disposal of shares		(23,242,547)	(58,282,479)
Loss/(Gain) on disposal of fixed assets		2,600	(139,798)
(Gain) on sale of securities		(27,175)	—
Provision for gratuity		1,291,885	971,000
		(20,023,608)	(55,554,683)
Cash Flows From Operating Activities Before Working Capital Changes		11,831,698	46,577,747
(Increase)/decrease in operating assets		1,554,822,245	(553,239,330)
(Increase)/decrease in financing and placements		10,242,909	(16,836,050)
Decrease/(increase) in advances, deposits, prepayments and other receivables		1,565,065,154	(570,075,380)
Increase/(decrease) in operating Liabilities			
Decrease in deposits		(761,725,916)	(1,552,264)
Increase/(decrease) in borrowings		(818,573,151)	467,500,000
increase/(decrease) in accrued and other liabilities		(10,042,259)	15,334,345
		(1,590,341,326)	481,282,081
Net Change in operating assets and liabilities		(25,276,172)	(88,793,299)
Income tax paid		(16,494,709)	(35,353,056)
Gratuity paid		(181,600)	(120,000)
Dividend paid		(2,754,111)	(75,656,707)
		(19,430,420)	(111,129,763)
NET CASH (USED IN) OPERATING ACTIVITIES		(32,874,894)	(153,345,315)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of fixed assets		(670,910)	(5,236,432)
(Purchase) of investments (shares)		(128,401,893)	(54,806,350)
(Purchase)/Sale of securities		80,386,559	(70,638,763)
NET CASH USED IN INVESTING ACTIVITIES		(48,686,244)	(130,681,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) in cash and cash equivalents		(81,561,138)	(284,026,860)
Cash and cash equivalents at the beginning of the year		110,406,415	394,433,275
Cash and cash equivalents at the end of the year	14	28,845,277	110,406,415

The annexed notes 1-40 form an integral part of these financial statements.

MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHED K. MARKER
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	Share Capital (Note 15) Rupees	Statutory Reserve (Note 16) Rupees	Unappropriated Profit (Note 16) Rupees	Total Rupees
Balance as at January 01, 2007	428,612,993	116,831,575	106,890,812	652,335,380
Net profit for the year	–	–	91,824,126	91,824,126
Issuance of bonus shares 2005	–	–	–	–
Dividend paid for the year 2006	–	–	(85,722,599)	(85,722,599)
Appropriations:				
Statutory reserve	–	17,494,686	(17,494,686)	–
Balance as at December 31, 2007	428,612,993	134,326,261	95,497,653	658,436,907
Net profit for the year	–	–	29,839,902	29,839,902
Issuance of bonus shares	85,722,590	–	(85,722,590)	–
Appropriation:				
Statutory reserve	–	5,323,880	(5,323,880)	–
Balance as at December 31, 2008	514,335,583	139,650,141	34,291,085	88,276,809

The annexed notes 1-40 form an integral part of these financial statements.



MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHED K. MARKER
Chairman

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 December 31, 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).

1.1 BASIS OF CONSOLIDATION

The Consolidated financial statements include the Financial Statements of Parent Company and Subsidiary Company. The Financial Statements of Subsidiary are included in the consolidated financial statements from the date of its incorporation. The financial statements of subsidiary has been consolidated on a line by line basis. All intercompany balances, transactions and resulting profit / (losses) have been eliminated.

2. BASIS OF PREPARATION

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 November 21, 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 Rules 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.

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 Accounting standards 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 (Revised) Presentation of Financial Statements	effective from accounting period beginning on or after January 01, 2009
IAS-23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS-27 (amended) Consolidated and Separate Financial Statements	effective from accounting period beginning on or after July 01, 2009



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

IAS-29 Financial Reporting in Hyperinflationary Economies	effective from accounting period beginning on or after April 28, 2008
IAS-32 (amendment) Financial Instruments: Presentation and IAS-1 Presentation of Financial Statements	effective from accounting period beginning on or after January 01, 2009
IFRS-2 (amendment) Share based Payment- Vesting Conditions and Cancellations	effective from accounting period beginning on or after January 01, 2009
IFRS-3 (amendment) Business Combinations	effective from accounting period beginning on or after July 01, 2009
IFRS-7 Financial Instruments: Disclosures	effective from accounting period beginning on or after April 28, 2008
IFRS-8 Operating Segments	effective from accounting period beginning on or after January 01, 2009
IFRIC-13 Customer Loyalty Programmes	effective from accounting period beginning on or after July 01, 2008
IFRIC-15 Agreement for the Construction of Real Estate	effective from accounting period beginning on or after October 01, 2009
IFRIC-16 Hedge of Net Investment in a Foreign Operation	effective from accounting period beginning on or after October 01, 2008

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.

24 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.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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.

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 each reporting date, 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.

Available-for-sale

Investments intended to be held for an indefinite period of time which may be sold in response to need 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 realized 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 is charged to the profit and loss account.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 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.

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 within the 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.

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.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 of 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 and advances is 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 if declared on or before the balance sheet date.

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.

4.13 Revenue

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

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.

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.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 are 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 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.

4.16 Provision for doubtful debts - on financing

Provision is made against doubtful receivable in pursuance of Securities & Exchange Commission of Pakistan's Prudential Regulations for Non Banking Financial Institutions (NBFIs).

4.17 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 DECEMBER 31, 2008

5. TANGIBLE FIXED ASSETS

(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, 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
Rupees 2008	19,529,225	674,711	(11,801)	20,192,135		12,273,005	1,769,217	(5,400)	14,036,822	6,155,313

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, 2007
	As at Jan. 01, 2007	Additions	Deletions	As at Dec. 31, 2007		As at Jan. 01, 2007	Charge for the year	Adjustment	As at Dec. 31, 2007	
Furniture & fixtures	3,643,286	–	–	3,643,286	10	2,941,180	79,437	–	3,020,617	622,669
Computers and equipments	3,988,071	304,753	–	4,292,824	20	2,961,594	331,010	–	3,292,604	1,000,220
Telephone system	290,496	31,000	(85,000)	236,496	10	185,239	18,074	(84,999)	118,314	118,182
Vehicles	6,051,395	4,952,966	(606,215)	10,398,146	20	4,520,376	1,242,330	(606,214)	5,156,492	5,241,654
Generator	497,148	–	–	497,148	10	468,217	7,716	–	475,933	21,215
Sign board	373,812	87,513	–	461,325	10	173,421	35,624	–	209,045	252,280
Rupees 2007	14,844,208	5,376,232	(691,215)	19,529,225		11,250,027	1,714,191	(691,213)	12,273,005	7,256,220

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 8,897,107 (2007: Rs.9,586,322/-) 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
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Computer and equipments

Peripherals	1,801	1,800	1	1,801	1,800	Dilshad	Negotiation
Batteries	10,000	3,600	6,400	2,000	(4,400)	Aftab	Negotiation

Rupees-2008	11,801	5,400	6,401	3,801	(2,600)		
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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
6. STOCKEXCHANGEMEMBERSHIPCARD-Intangible			
Corporate membership of Karachi Stock Exchange		36,000,000	36,000,000
Computer Software less amortisation		204,168	274,170
		<u>36,204,168</u>	<u>36,274,170</u>
7. LONG TERM INVESTMENTS			
Pakistan Investment Bonds - Held to Maturity	7.1	51,220,356	51,299,508
		<u>51,220,356</u>	<u>51,299,508</u>
7.1 Pakistan Investment Bonds			
Cost		51,299,508	51,378,660
Less: Amortization		(79,152)	(79,152)
		<u>51,220,356</u>	<u>51,299,508</u>
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs. 50,000,000 (2007: Rs. 50,000,000) carrying mark-up rates (coupon rate) of 10% per annum (2007: 10%). Their period to maturity is sixteen and a half year.</p>			
8. DEFERRED TAX ASSET			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		39,471,245	12,263,887
Accelerated depreciation		312,260	364,076
Provision for gratuity		388,600	297,850
		<u>40,172,105</u>	<u>12,925,813</u>
9. DEFERRED COST			
Opening balance		168,615	281,024
Amortized during the year		(112,410)	(112,409)
		<u>56,205</u>	<u>168,615</u>
10. SHORT TERM FINANCING-secured considered goods			
Demand finance	10.1	103,802,561	186,414,796
Provision for non-performing loans	10.2	—	(3,580,598)
		<u>103,802,561</u>	<u>182,834,198</u>

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 12% to 15% per annum (2007: 12% to 18% per annum).



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
10.2	Particulars of provision against non-performing loans		
	Opening balance	3,580,598	3,580,598
	(Reversal) during the year	(3,580,598)	—
	Closing balance	—	3,580,598

11. SHORT TERM PLACEMENTS - considered good

Under reverse repurchase agreements of quoted shares - secured	11.1	2,102,017	1,477,892,625
		2,102,017	1,477,892,625

11.1 This represents secured placements against shares in Continued Funding System with maturity ranging from overnight to 45 days and carry mark-up ranging from 17% to 23% (2007: 11.14% to 19.79%) per annum. Fair value of the collaterals accepted against the above placement balance as at 31 December 2008 amounted to Rs.1.193 million (2007: Rs.1,496.636 million)

12. SHORT TERM INVESTMENTS

Available for Sale

Pakistan Investment Bonds	12.1	298,465,650	379,547,242
Wapda Bonds - 10th issue	12.1	—	50,000,000
Term Finance Certificates	12.1	36,840,143	63,270,922
Quoted shares	12.1	121,462,172	234,588,827
Treasury bills	12.2	25,000,000	25,000,000
		481,767,965	752,406,994
		481,767,965	752,406,991

12.1 Securities given as collateral under repurchase agreements.

Particulars of investments by type	Note	2008			2007		
		Held by SIBL	Repo	Total	Held by SIBL	Repo	Total
		-----Rupees-----			-----Rupees-----		
Pakistan Investment Bonds	12.1.1	—	298,465,650	298,465,650	—	379,547,242	379,547,242
Wapda Bonds - 10th issue		—	—	—	50,000,000	—	50,000,000
Term Finance Certificates	12.1.2	36,840,143	—	36,840,143	63,270,922	—	63,270,922
Quoted shares	12.1.3	20,099,143	101,363,029	121,462,172	234,588,827	—	234,588,827

12.1.1 Pakistan Investment Bonds (PIBs) have face value of Rs. 400,000,000 (2007: Rs. 400,000,000) with income receivable semi annually at 9% to 11% (2007: 9% to 11%) per annum and having maturity period from three years and two months to sixteen years and six months. They have been placed as collateral against borrowings.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

12.1.2 Particulars of listed Term Finance Certificates (TFC):

			2008		2007	
No. of Certificates			Cost	Market value	Cost	Market value
2008	2007	Issuer of TFC	-----Rupees-----			
–	1,585	Bank Alfalah Limited	–	–	7,924,119	8,003,359
4,958	6,125	Pakistan International Airlines	24,790,675	24,542,768	30,623,775	30,317,537
–	384	Pakistan Services Limited	–	–	1,920,989	1,920,989
2,894	3,644	TeleCard Limited	14,467,500	12,297,375	18,217,900	15,485,215
–	1,494	Union Bank Limited	–	–	7,469,130	7,543,822
			39,258,175	36,840,143	66,155,913	63,270,922

Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption Terms
Pakistan International Airlines	5,000	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling	Semi-annually	Eight years from February 20, 2003
TeleCard Limited	5,000	3.75% over 6 months KIBOR	Semi-annually	Six years from May 27, 2005



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

12.1.3 Quoted shares

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

No. of ordinary shares, certificates/units			2008		2007	
2008	2007		Cost	Market Value	Cost	Market Value
-----Rupees-----						
Modarabas/Mutual funds						
500	500	Long Term Venture Modaraba	800	225	800	225
15,002	15,002	Pakistan Premium Fund	90,189	30,304	90,189	180,774
4,500	4,500	PICIC Growth Fund	185,013	25,155	185,013	128,250
69,627	69,627	UTP Growth Fund	1,085,040	207,488	1,085,040	891,225
1,389,697	1,389,697	UTP Large Capital Fund	13,896,970	3,196,303	13,896,970	11,256,546
Leasing						
42,370	42,370	Saudi Pak Leasing Company Limited	1,450,590	122,874	1,450,590	319,894
Investment Banks / Cos. / Banks						
31,250	–	ArifHabib Limited	9,251,848	2,669,688	–	–
491,525	243,000	Askari Bank Limited	35,663,389	7,161,519	25,540,281	24,239,250
–	10,000	Bank Alfalah Limited	–	–	614,122	537,000
195,000	40,000	Bank of Punjab	14,607,419	2,574,000	4,132,910	3,912,000
85,000	–	MCB Bank Limited	34,635,037	10,693,850	–	–
210,033	177,530	National Bank of Pakistan	47,045,688	10,568,861	47,327,676	41,213,590
6,250	–	United Bank Limited	995,199	230,687	–	–
Insurance						
–	10,000	Adamjee Insurance Company Limited	–	–	3,875,738	3,583,500
Synthetic and Rayon						
18,750	18,750	Pakistan Synthetics Limited	688,500	48,750	688,500	120,938
Cement						
150,000	–	D.G. Khan Cement Company Limited	12,053,527	3,190,500	–	–
53,800	53,800	Maple Leaf Cement	1,053,790	258,056	1,053,790	922,800



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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

No. of ordinary shares, certificates/units			2008		2007	
2008	2007		Cost	Market Value	Cost	Market Value
-----Rupees-----						
Fuel and Energy						
60,000	51,000	Attock Refinery Limited	13,050,999	3,593,400	13,698,930	12,816,300
50,000	–	Biscor Pakistan Limited	1,085,217	233,000	–	–
50,000	50,000	Hub Power Company Limited	1,890,378	704,500	1,890,378	1,525,000
–	12,500	Karachi Electric Supply Corporation	–	–	100,947	66,250
175,000	204,329	Oil and Gas Development Co. Ltd.	24,168,759	8,748,250	25,789,651	24,407,099
211,860	117,250	Pakistan Oilfields Limited	72,825,609	21,713,531	42,310,461	39,208,400
258,445	98,750	Pakistan Petroleum Limited	63,281,098	26,004,736	25,410,455	24,198,688
–	30,000	Pakistan State Oil Company Limited	–	–	13,017,064	12,198,000
7,750	7,750	Sui Nothern Gas Pipelines Limited	672,358	166,315	672,358	508,013
67,000	67,000	Sui Southern Gas Company Limited	2,052,516	704,170	2,052,516	1,752,050
Automobiles and Transport						
45,000	45,000	Pakistan International Airlines Corporation	900,481	157,950	900,481	283,500
Technology and Communication						
649,000	549,000	Pakistan Telecommunication Company Limited	39,851,503	10,961,610	35,176,418	23,085,450
Fertilizer						
50,000	–	Engro Chemicals Limited	14,851,610	4,823,000	–	–
–	25,586	Fauji Fertilizer Company Limited	–	–	3,322,693	3,038,338
Chemical						
–	20,000	Nimir Limited	–	–	308,561	270,000
255,000	255,000	Pakistan PTA Limited	2,417,742	405,450	2,417,742	1,287,750
Sugar & Allied Industries						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
Textile Composite						
100,000	25,000	Nishat Mills Limited	12,260,365	2,260,000	3,356,920	2,629,997
			422,019,634	121,462,172	270,375,194	234,588,827



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

- 12.1.4 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "floor mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150(1)/2009 dated February 13, 2009 allowed that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the year ending December 31, 2009.

The amount taken to equity at December 31, 2008 shall however be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39) is the only standard dealing with impairment of financial instruments and it requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore, recognition of impairment for "Available for Sale" equity securities through Profit and Loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss in accordance with the requirements of IAS-39 would have had the following effect on these financial statements:

	Rupees
Increase in 'impairment loss' in Profit and Loss Account	300,557,462
Decrease in profit for the year	300,557,462
Decrease in earnings per share	5.83
Decrease in deficit on revaluation of available for sale securities	300,557,462
Decrease in unappropriated profit	300,557,462

- 12.2 These are treasury bills having face value of Rs. 25,000,000/- carrying markup of 12.30% per annum (2007: 8.81%).



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances-considerd good			
For expenses		301,395	244,250
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		61,119,534	46,715,373
		63,920,929	49,459,623
Deposits			
Security		2,201,788	13,183,288
KSE exposure limits		4,454,799	14,701,025
High Court		—	2,566,112
		6,656,587	30,450,425
Prepayments		454,767	471,458
Other receivables			
Income receivable	13.1	20,609,144	22,976,508
Other receivables-considered good		17,999,807	2,121,968
		38,608,951	25,098,476
		109,641,234	105,479,982
13.1 Income receivable			
Considered good			
Not due	13.1.1	20,609,144	23,384,702
Less: Provision for doubtful debts	13.1.2	—	(408,194)
		20,609,144	22,976,508
13.1.1 This represents income on financing, placements and government securities not matured/due on December 31, 2008.			
13.1.2 Particulars of Provision for doubtful debts			
Opening balance		408,194	408,194
Less: (Reversal) during the year		(408,194)	—
Closing balance		—	408,194





CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
14. CASH AND BANK BALANCES			
With State Bank of Pakistan in:			
Reserve account		–	8,725,000
Current account		2,297,690	5,125,108
		2,297,690	13,850,108
With other banks in:			
Current accounts		4,302,109	9,605,261
Deposit accounts	14.1	20,556,472	83,474,107
		24,858,581	93,079,368
Cash in hand		1,689,006	3,476,939
		28,845,277	110,406,415

14.1 Rate of return on these deposits accounts range from 1.69% to 8.5% per annum (2007: 3.50% to 10.4% per annum).

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<u>Number of shares</u>				
<u>2008</u>	<u>2007</u>			
23,552,000	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000	235,520,000
27,881,558	19,309,299	Ordinary shares of Rs. 10/- each issued as fully paid	278,815,583	193,092,993
51,433,558	42,861,299		514,335,583	428,612,993

16. RESERVES

Capital Reserves			
Statutory reserves	16.1	139,650,141	134,326,261
Revenue			
Unappropriated profits		34,291,085	95,497,653
		173,941,226	229,823,914

16.1 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		2008 Rupees	2007 Rupees
17. DEFICIT ON REVALUATION OF INVESTMENTS - Net of deferred tax			
Government Securities		(112,774,985)	(35,039,677)
Term Finance Certificates		(2,418,032)	(2,884,991)
		(115,193,017)	(37,924,668)
Related deferred tax asset		39,471,245	12,263,887
		(75,721,772)	(25,660,781)
Quoted shares		(300,557,462)	(35,786,367)
		(376,279,234)	(61,447,148)
18. DEFERRED LIABILITY			
Gratuity-unfunded	31	6,286,285	5,176,000
		6,286,285	5,176,000
19. BORROWINGS			
From Financial Institutions			
Secured	19.1	367,000,000	400,000,000
Unsecured	19.2	9,426,849	795,000,000
		376,426,849	1,195,000,000
19.1	This represents amount borrowed from financial institutions at mark-up rates ranging from 15% to 20% per annum (2007: 9.45% to 9.80% per annum) and having maturities on or before 11 February 2009. These are secured against Pakistan Investment Bonds and quoted shares sold under repurchase agreements.		
19.2	These carry mark-up of 20% per annum (2007: 9.6% to 10.85% per annum) and having maturity on or before 16 March 2009.		



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

		2008 Rupees	2007 Rupees
20. SHORT TERM DEPOSITS			
Short term certificate of deposits	20.1	<u>140,916,784</u>	<u>902,642,700</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% (2007: 8% to 11%) per annum, payable monthly, quarterly, semi annually or on maturity.		
21. ACCRUED AND OTHER LIABILITIES			
Accrued expenses			
Return on borrowings - unsecured		230,587	5,583,842
Return on deposits		10,323,206	23,114,144
Return on borrowings-secured		8,951,893	1,910,137
Others		—	701,365
		<u>19,505,686</u>	<u>31,309,488</u>
Other liabilities			
Unclaimed dividend		2,971,998	5,726,109
Others		1,862,024	100,481
		<u>4,834,022</u>	<u>5,826,590</u>
		<u>24,339,708</u>	<u>37,136,078</u>
22. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued on behalf of customer		<u>22,775,324</u>	<u>21,589,400</u>
Commitments			
Future sale contract - Shares		<u>—</u>	<u>20,593,000</u>
Future purchase contract - Shares		<u>—</u>	<u>19,814,000</u>



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 Rupees	2007 Rupees
23. RETURN ON FINANCING AND PLACEMENTS		
Financing		
Demand finance	32,423,383	23,454,062
Placements		
Unsecured	–	382,006
Secured against reverse repurchase agreements of Quoted shares	69,728,165	159,732,101
	<u>102,151,548</u>	<u>183,568,169</u>
24. RETURN ON SECURITIES		
Return on Government Securities	43,845,046	40,591,961
Return on TFCs	8,151,893	14,059,476
	51,996,939	54,651,437
Gain on sale of securities	27,175	–
Dividend income	13,624,883	15,727,520
	<u>65,648,997</u>	<u>70,378,957</u>
25. OTHER INCOME		
(Loss)/Gain on sale of fixed assets	(2,600)	139,798
Commission	1,502,280	467,979
Miscellaneous	304,498	463,420
	<u>1,804,178</u>	<u>1,071,197</u>
26. RETURN ON DEPOSITS AND BORROWINGS		
Return on certificates of deposits	31,409,429	71,639,352
Return on clean borrowings	50,073,031	74,492,088
Return on borrowing under repurchase agreement (Repo)	47,114,685	32,768,187
	<u>128,597,145</u>	<u>178,899,627</u>



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 Rupees	2007 Rupees
27. OPERATING EXPENSES			
Salaries, wages and other benefits		14,645,693	13,498,092
Contribution to provident fund		884,070	692,083
Gratuity scheme expenses		1,291,885	971,000
Rent, rates and taxes		1,820,789	1,759,558
Telephone, telex and fax		1,283,463	1,250,405
Electricity, water and gas		855,976	867,216
Printing, postage and stationery		666,401	560,977
Insurance		855,344	877,587
Fees and membership		1,327,602	2,031,796
Brokerage and Commission		3,473,327	6,645,944
Central Depository Company charges		994,257	1,915,989
Auditors' remuneration	27.1	368,850	455,500
Legal and professional fees		854,999	441,000
Vehicle running and maintenance		1,248,561	1,078,411
Repairs and maintenance		426,399	485,117
Advertisement		462,379	634,785
Travelling and entertainment		398,237	373,098
Depreciation	5	1,769,217	1,714,191
Amortization of deferred cost (refer note 9)		182,412	182,403
Bank charges		195,490	83,617
Old age benefit		81,320	69,360
Books, periodicals & newspapers		34,055	35,327
Other Expenses		996,722	469,938
		35,117,448	37,093,394
27.1 Auditor's remuneration			
Statutory audit fee		320,000	320,000
Half yearly review and other certificates		30,000	125,000
Out of pocket		18,850	10,500
		368,850	455,500
28. PROVISION FOR TAXATION			
Current			
- for the year	28.1	2,399,645	10,715,400
Deferred			
- opening balance		661,926	254,830
- for the year		(1,046,167)	(661,926)
		(384,241)	(407,096)
		2,015,404	10,308,304



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 Rupees	2007 Rupees
28.1 Relationship between tax expense and accounting profit		
Profit for the year from ordinary activities before taxation	<u>31,855,306</u>	<u>102,132,430</u>
Tax at the applicable rate of 35% (December 31, 2007: 35%)	<u>11,196,612</u>	<u>35,746,351</u>
Tax effect of expenses that are not allowable in determining taxable income	(494,944)	(736,344)
Tax effect of dividend income taxed at a lower rate	(416,036)	(5,504,632)
Tax effect of capital gains-exempt from tax	(8,134,891)	(20,309,513)
Tax effect on gain / (loss) on sale of assets	1,383	(95,941)
Tax payable in respect of receipt/income covered under PTR	<u>247,521</u>	<u>1,615,479</u>
Tax charge	<u>2,399,645</u>	<u>10,715,400</u>

The provision for taxation for the current year has been made applying rates applicable to Public Companies listed Stock Exchange other than a banking company. In the initial assessment for the assessment year 1993-94 to 2001-02 the department assigned status of banking company to SIBL and applied rate of tax applicable to the banking companies. The issue was settled by the ITAT in favour of SIBL except for the year 2001-02 which set aside by the ITAT for reconsideration. The departmental appeals for the assessment years 1992-93, 1995-96 and 1996-97 filed before the Honourable High Court are pending. The departmental appeal related to assessment year 2000-2001 filed before the Honourable High Court was decided in favour of SIBL. The department has preferred an appeal before the Honourable Supreme Court against the decision of the High Court which is pending. The declared results for the tax year 2004-2008 are deemed to be assessed in terms for Section 120(1)(b) of the Income Tax Ordinance, 2001.

29. EARNINGS PER SHARE-BASIC AND DILUTED

29.1 Basic		
Profit after tax	<u>29,839,902</u>	<u>91,824,127</u>
Weighted average number of ordinary shares	<u>51,433,558</u>	<u>42,861,299</u>
Earnings per share	<u>0.58</u>	<u>2.14</u>

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	<u>33</u>	<u>30</u>
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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

		2008 Rupees	2007 Rupees
31. DEFINED BENEFIT PLAN			
31.1 General description			
<p>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.</p> <p>Annual provision is based on actuarial valuation, which was carried out as at December 31, 2008 using the Projected Unit Credit Method.</p>			
31.2 Principal actuarial assumptions			
<p>Following principal actuarial assumptions were used for the valuation.</p>			
Estimated rate of increase in salary of the employees		13.79%	8.90%
Discount rate		16.00%	11.00%
31.3 Reconciliation of provision for gratuity scheme			
Present value of defined benefit obligation		(7,272,874)	(5,197,000)
Unrecognized transitional liability		986,589	21,000
		<u>(6,286,285)</u>	<u>(5,176,000)</u>
31.4 Gratuity Asset/Liability			
Provision at beginning of year		(5,176,414)	(4,325,414)
Expense	31.4.1	(1,291,885)	(971,000)
Benefits paid		181,600	120,000
		<u>(6,286,699)</u>	<u>(5,176,414)</u>
31.4.1 Gratuity scheme expense			
Current service cost		644,149	497,000
Interest Cost		610,117	472,000
Recognition of loss		37,619	2,000
		<u>1,291,885</u>	<u>971,000</u>

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

31.5 Historical Experience

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

	2008	2007	2006	2005	2004
Obligation (Rs. in '000)	7,273	5,635	4,348	4,023	3,788
Loss on obligation(%)	8%	8%	0%	0%	0%



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

32. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors	
	2008	2007	2008	2007
	-----Rupees-----			
Director's fee	–	–	160,000	120,000
Managerial remuneration	3,979,200	3,655,200	–	–
Housing	167,280	167,280	–	–
Bonus	330,000	330,000	–	–
Utilities	437,520	361,520	–	–
Other benefits	1,117,247	154,000	–	–
Reimbursable expenses	154,221	131,156	–	–
	6,185,468	4,799,156	160,000	120,000
Number of persons	2	2	6	6

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.

34. MATURITIES OF ASSETS AND LIABILITIES

DESCRIPTION	2008				
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
	-----Rupees-----				
Assets					
Tangible fixed assets	6,155,313	–	–	–	6,155,313
Membership card	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	–	–
Short term placement	2,102,017	2,102,017	–	–	–
Short term investments	481,767,965	171,004,940	–	141,748,775	169,014,250
Advances and other receivables	109,641,234	47,809,522	61,831,712	–	–
Cash and bank balances	28,845,277	28,845,277	–	–	–
	859,967,201	347,064,317	108,560,022	141,748,775	262,594,087
Liabilities					
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	–	–	–
	547,969,626	524,151,653	17,531,688	–	6,286,285
Net assets	311,997,575				
Represented by:					
Share capital and reserves	688,276,809				
Surplus on revaluation of investments - net	(376,279,234)				
	311,997,575				



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

DESCRIPTION	2007				
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
	-----Rupees-----				
Assets					
Tangible fixed assets	7,256,220	—	—	—	7,256,220
Membership card - intangible	36,274,170	—	—	—	36,274,170
Long term investment	51,299,508	—	—	—	51,299,508
Deferred tax asset	12,925,813	—	—	—	12,925,813
Deferred cost	168,615	—	—	168,615	—
Short term financing	182,834,198	166,434,198	16,400,000	—	—
Placements	1,477,892,625	1,477,892,625	—	—	—
Short term investments	752,406,991	234,591,515	25,000,000	216,578,322	276,237,154
Advances, deposits and other receivable	105,479,982	43,015,209	62,464,773	—	—
Cash and bank balances	110,406,415	110,406,415	—	—	—
	2,736,944,537	2,032,339,962	103,864,773	216,746,937	383,992,865
Liabilities					
Deferred liabilities	5,176,000	—	—	—	5,176,000
Borrowings	1,195,000,000	1,195,000,000	—	—	—
Short term deposits	902,642,700	835,102,838	67,539,862	—	—
Accrued expenses and other liabilities	37,136,078	33,959,996	3,176,082	—	—
	2,139,954,778	2,064,062,834	70,715,944	—	5,176,000
Net assets	596,989,759				
Represented by:					
Share capital and reserves	658,436,907				
Surplus on revaluation of investments	(61,447,148)				
	596,989,759				



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

35. CREDIT RISK AND CONCENTRATION 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.

Concentrations 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 & 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:

	2008		2007	
FINANCE	Rupees	%	Rupees	%
Textile spinning	2,400,000	2.31	6,400,000	3.43
Cables and electric goods	93,502,561	90.08	166,866,498	89.51
Individuals	—	—	3,148,298	1.69
Others	7,900,000	7.61	10,000,000	5.36
	103,802,561	100.00	186,414,796	100.00

36. 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.

37. 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 value as reflected in the financial statements.



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

38. 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 holder and their close family members, key management personnel and retirement benefit funds. The company has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates. Transactions with related parties during the year, other than Director's remuneration given under note 32 to the financial statements, are as follows:

	2008	2007
	Rupees	Rupees
Financing		
- Associated undertakings	51,931,920	121,395,757
- Others	49,470,641	55,470,641
Return on financing		
- Associated undertakings	20,292,131	14,877,694
- Others	12,300,979	6,755,216
Deposits	99,780,169	109,310,130
Return on deposits	14,055,323	10,671,636

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.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on March 31, 2009.

40. FIGURES

- have been rounded off to the nearest rupee.



MUHAMMAD SALEEM RATHOD
Chief Executive

KHURSHEED K. MARKER
Chairman



PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2008

Number of Shareholders	Shareholding From	To	Total number of shares held	Percentage %
778	1	100	31,483	0.06
661	101	500	163,189	0.32
219	501	1,000	160,058	0.31
688	1,001	5,000	1,198,340	2.33
71	5,001	10,000	493,916	0.96
25	10,001	15,000	304,706	0.59
13	15,001	20,000	230,317	0.45
13	20,001	25,000	300,139	0.58
3	25,001	30,000	114,282	0.22
3	30,001	35,000	101,470	0.20
2	35,001	45,000	75,130	0.15
2	40,001	45,000	82,973	0.16
1	45,001	50,000	45,420	0.09
4	50,001	55,000	210,127	0.41
2	55,001	60,000	119,753	0.23
2	65,001	70,000	137,798	0.27
2	75,001	80,000	157,587	0.31
3	135,001	140,000	413,659	0.80
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	109,000	1,089,900	2.12
1	1,110,001	1,115,000	1,114,392	2.17
1	1,180,001	1,180,000	1,178,581	2.29
1	11,825,001	1,830,000	1,825,050	3.55
1	1,885,001	1,890,000	1,888,260	3.67
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	4,630,001	4,635,000	4,630,606	9.00
1	7,300,001	7,305,000	7,300,200	14.19
2,523			51,433,558	100.00

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	2,455	43,188,660	83.97%
INVESTMENT COMPANIES	4	2,029	0.00%
INSURANCE COMPANIES	3	376,140	0.73%
JOINT STOCK COMPANIES	49	3,180,699	6.18%
FINANCIAL INSTITUTIONS	9	4,642,263	9.03%
MODARABA COMPANIES	2	41,787	0.08%
COOPERATIVE SOCIETIES	1	1,980	0.00%
2,523		51,433,558	100.00%

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

Categories of Shareholders	Shares Held
Individuals	14,615,598
Investment Companies except ICP	324
Public/Private Sector Companies and Corporations	–
Directors, Chief Executive Officer and their spouse and minor children	
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. Maqbool H. Rahimtoola (NIT)	1,880
National Bank of Pakistan, Trustee Department	4,623,918
5) Mr Muhammad Mehboob	2,760
6) Mr. Shaikh Abdullah	1,000
7) Mr. Muhammad Saleem Rathod	2,335
Investment Corporation of Pakistan	1,705
Associated Companies, Undertakings and Related Parties	
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
Banks, DFIs, NBFCs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Deptt.	419,907
Shareholders holding ten percent or more voting interest	
H.A.R	6,518,866
Amina Bano	7,300,200



FORM OF PROXY

EIGHTEENTH 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 Eighteenth Annual General Meeting of the Company to be held on April 29, 2009 and at any adjournment thereof.

As Witness my/our hand this day of2009

Folio No. _____

REVENUE
STAMP
RS. 5/-

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 Eighteenth 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.





SECURITY INVESTMENT BANK LIMITED

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