SECURITY INVESTMENT BANK LIMITED

22nd Annual Report 2013

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.*

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	Haji Jan Muhammad (Chairman) Mr. Muhammad Mehboob Mr. Sheikh Asim Rafiq (NIT Nominee) Mr. Shaikh Abdullah Mr. Muhammad Taufeeq Motiwala Mr. Muhammad Shoaib Mr. Karim Muhammad Munir
PRESIDENT & CHIEF EXECUTIVE	Mr. Muhammad Saleem Rathod
AUDIT COMMITTEE	Mr. Shaikh Abdullah (Chairman) Haji Jan Muhammad Mr. Muhammad Taufeeq Motiwala Mr. Sheikh Asim Rafiq
HUMAN RESOURCE AND REMUNIRATION COMMITTEE	Mr. Muhammad Taufeeq Motiwala (Chairman) Mr. Karim Muhammad Munir (Member) Mr. Muhammad Saleem Rathod (Member)
CHIEF FINANCIAL OFFICER	Mr. Muhammad Amin Khatri
COMPANY SECRETARY	Mr. Muhammad Shahzad
AUDITORS	Muniff Ziauddin & Co. 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 Bank Pakistan Ltd. MCB Bank Limited. Summit Bank Limited.
REGISTERED OFFICE	Suite No. 4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, Islamabad. Tel : (051) 2818107-09 Fax: (051) 2818110 Website : www.sibl.com.pk
KARACHI OFFICE	606, 6th Floor, Unitowers, I.I. Chundrigar Road, Karachi. Tel : (021) 32418410 - 13 Fax : (021) 32418414 E-mail : sibl@sibl.com.pk

NOTICE OF THE TWENTY THIRD ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Third Annual General Meeting of Security Investment Bank Limited (the Company) will be held at the Registered Office of the Company located at Suite Number 4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, Islamabad, on 28 April 2014 at 9:00 a.m. to transact the following business:

ORDINARY BUSINESS

1) To confirm the minutes of the Extra Ordinary General Meeting held on 29 June 2013.

2) To receive and adopt the audited financial statements of the Company for the year ended 31 December 2013 together with the directors' and auditors' reports thereon.

3) To appoint auditors and fix their remuneration for the year ending 31 December 2014. The retiring auditors M/s. Muniff Ziauddin & Co., Chartered Accountants retire and being eligible offer themselves for reappointment to act as the external auditors of the Company for the year ending 31 December 2014.

ANY OTHER BUSINESS

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

BOOK CLOSURE

The share transfer book of the Company will remain closed from 22 April 2014 to 28 April 2014 (both days inclusive). Transfer applications received in order at the office of the Share Registrar of the Company (i.e. C & K Management Associates (Private) Limited, Room number 404, Trade Tower, Abdullah Haroon Road, Karachi) by the close of business on 21 April 2014 will be treated in time for determining the entitlement of members to attend the Annual General Meeting of the Company.

By order of the board

Muhammad Shahzad
Head of Finance and
Company Secretary

Karachi:
25 March 2014

NOTES:

1) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the office of the Share Registrar of the Company duly stamped and signed not less than 48 hours before the meeting. A member may not appoint more than one proxy.

2) Members are requested to promptly communicate to the Share Registrar of the Company any change in their addresses.

3) Members who have not already submitted attested photocopies of their Computerized National Identity Cards (CNICs) are requested to send the same to the Shares Registrar at the earliest.

4) CDC account holders and sub-account holders are required to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan.

a) For attending the meeting.

i) In case of individuals, the account holder or sub-account holder shall bring his or her original CNIC or original passport alongwith Participant ID Number and the Account Number 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 time of 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 (the "Company") are pleased to present the Twenty Second Annual Report along with the Audited Financial Statements and Auditor's Report thereon for the year ended 31 December 2013.

Economic Overview

During the year under review, a new government has bestowed with onerous responsibility of reviving economy by the peoples of Pakistan in May 2013 elections. The challenges were enormous for and required of the team to take radical measure to address the same.

The new government has pledged to address the medium to long-term issues for which it set medium to long term milestones. The government has obtained fresh loan from the International Monetary Fund to address the Balance of Payment issues. The government has also taken measures at various fronts, which, amongst others, are 'direct and indirect taxation', energy tariffs, monetary policy and privatisation.

During the year, considering the overall economic position the monetary policy was timely updated to address the situation in February, April, June, September and November 2013. The State Bank of Pakistan (the "SBP") has maintained the policy rate at 9.5% in the first four monetary policies of 2013 and has increased the policy rate by 0.5% to 10% in the last monetary policy of 2013.

The impact of measures taken by the government during 2013 has been positive on the overall economy, which is evident from the risen of three equity bourses of Pakistan. The Karachi Stock Exchange 100 index increased from 16,095 points as of 1 January 2013 to 25,261 points as of 31 December 2013 registering an increase of 57%.

Operational Performance

During the year, the Company's management continued to operate vigilantly in lines with the Board's policy in consideration of non-availability of clean funds from commercial banks and higher 'minimum capital requirements' prescribed under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003.

The Company's profit after tax increased from Rs. 2.847 million to Rs. 3.416 million a growth of 20%, income decreased from Rs. 85.198 to Rs. 71.551 million a decline of 16% and expenses decreased from Rs. 83.281 million to Rs. 66.472 million a decrease of 20%.

The income is decreased due to the management decision for curtailing of investment in government securities due to low return as compared to high cost of funds. This resulted in increase of operating income and net income of the Company.

The key financial results achieved during the year are as under:

PROFIT AND LOSS ACCOUNT	**2013**	**2012**	**Increase / (decrease)**	**Increase / (decrease)**
	Rs.	Rs.	Rs.	%
Income				
Return on financing and placements	**18,617,008**	26,815,948	(8,198,940)	(31)
Return on securities	**47,173,015**	55,435,123	(8,262,108)	(15)
Gain on sale of investments	**4,188,084**	1,124,156	3,063,928	273
Profit on deposit with banks	**265,765**	619,360	(353,595)	(57)
Other income	**1,306,820**	1,203,513	103,307	9
	71,550,692	85,198,100	(13,647,408)	(16)
Expenditure				
Finance cost	**33,826,671**	54,232,994	(20,406,323)	(38)
Administrative expenses	**32,646,064**	29,048,334	3,597,730	12
	66,472,735	83,281,328	(16,808,593)	(20)
Profit before taxation	**5,077,957**	1,916,772	3,161,185	165
Taxation	**(1,661,627)**	930,961	(2,592,588)	(278)
Profit for the year	**3,416,330**	2,847,733	568,597	20

Voluntary winding up of SIBL Exchange Company (Private) Limited (a wholly owned subsidiary)

In the Twenty Second Annual General meeting of members of the Company, the members have considered and approved the voluntary winding up of the Company's 100% fully owned subsidiary of SIBL Exchange Company (Private) Limited (the "Exchange Company").

The liquidator of Exchange Company has initiated the process of winding up in October 2013. So far, the liquidator has paid all the creditors of the Exchange Company, obtained clearance certificates related to income tax liability from the Commissioner of Income Tax upto tax year 2013, and get released SLR from the SBP.

It is expected that the winding up process would be completed by May 2014.

Corporate Governance

The Board of Directors of the Company (the "Board") regularly reviews the 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 SBP, Securities & Exchange Commission of Pakistan (SECP) and the listing rules of the Stock Exchanges where it is listed.

As required under the Code of Corporate Governance, the Board 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 Financial Reporting 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 the Company are as follows:

	(Rupees in millions)					
Description / Year	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Share capital	**514**	514	514	514	514	514
Shareholder's equity	**506**	503	500	498	488	304
Deposits	**125**	112	110	112	117	220
Borrowings	**177**	360	363	258	368	376
Short term financing	**126**	145	172	40	19	104
Investments	**431**	482	430	423	607	457
Operating profit / (loss)	**5.0**	1.9	0.7	3.4	(24)	27
Net profit / (loss)	**3.4**	2.8	2.6	9.8	(193)	26.8
Total assets	**793**	964	935	836	960	932
Dividend	**-**	-	-	-	-	-
Bonus	**-**	-	-	-	-	-

Value of Provident Fund Investment

As on 31 December 2013 based on the unaudited accounts, the value of investment of Provident Fund is Rs 6.607 million (2012:Rs 6.011 million).

Value of Gratuity Fund Investment

As on 31 December 2013 based on the unaudited accounts, the value of investment of Gratuity Fund is Rs 3.5 million (2012:Rs 3.5 million).

Pattern of Shareholding

The pattern of shareholding as at 31 December 2013 along with the disclosure required under the Code of Corporate Governance, 2012 is annexed to the report.

Directors' Attendance

During the year ended 31 December 2013, four Board of Directors, four Audit Committee and one Human Resources and Remuneration Committee meetings were held. Attendance of each director is as follows:

Name	Board of Directors	Audit Committee	Human Resources and Remuneration Committee
Haji Jan Muhammad	4	4	Not applicable
Muhammad Mehboob	3	Not applicable	Not applicable
Shiekh Asim Rafiq	3	3	Not applicable
Shaikh Abdullah	4	4	Not applicable
Muhammad Taufiq Motiwala	4	4	1
Karim Muhammad Munir	3	Not applicable	1
Muhammad Saleem Rathod (Retired on 29 June 2013)	2	Not applicable	1
Muhammad Shoaib (Elected on 29 June 2013)	2	Not applicable	Not applicable

Leave of absence was granted in case the Directors were not able to attend the meetings.

Trade / dealing in shares of the Company

During the year, the Directors, CEO, CFO, Company Secretary and Head of Internal Audit and their spouses and minor children did not carry out any transaction in shares of the Company.

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.

Directors' Training Program

Previously one Director, who retired on 29 June 2013, attended Director Training Program arranged by Pakistan Institute of Corporate Governance. It is expected that during the year 2014 one of the Directors would complete the Directors Training Program.

Earnings per Share

Earning per share of the Company is Rs 0.07 for the year ended 31 December 2013 (2012:Rs 0.05).

Dividend

No dividend is declared for the year ended 31 December 2013 due to low earnings and higher 'minimum capital requirements'.

Credit Rating

JCR VIS Credit Rating Company Limited has maintained the Company's credit rating of medium to long-term rating of A (Single A) and short-term rating of A-2 (A Two).

Outlook

Aftermath of banking crisis and stock market crash in 2008, the SECP took various measures to overcome the problems of the NBFC sector. Later on, the SECP formed a committee for revival of NBFC sector entailed with the task to come up with its recommendations for promotion and growth of NBFC sector, which report has been published in early 2013. In the report, wholesome changes have been proposed in the NBFC regime, which, amongst others, include rationalising of minimum capital requirements.

During the year 2013, little headway was made in implementation of the reforms suggested in the report. However, we are optimistic and hope that once the said reforms are approved and implemented; would result into the change in NBFC regime.

We hope that during the year 2014, the winding up process of the wholly owned subsidiary Exchange Company would be completed and management would have more time to concentrate its efforts on the core business of the Company.

In consideration of the prevailing conditions of NBFC sector and higher 'minimum capital requirement' for the Company, we would like to continue our policy of doing business vigilantly besides exploring potential business opportunities in the year 2014.

Auditors

The present auditors Muniff Ziauddin & Co., Chartered Accountants retire and being eligible offered themselves for reappointment. The Board endorsed the recommendation of the Audit Committee for the reappointment of Muniff Ziauddin & Co., Chartered Accountants for the year ending 31 December 2014.

Acknowledgement

The Board is grateful to the SECP, SBP, Stock Exchanges and other regulators for their continued cooperation and support. We would also like to acknowledge and thank our shareholders for their continued support and cooperation.

The Board would also like to acknowledge the efforts of management and staff in achieving these results in prevailing conditions.

On behalf of the Board
Haji Jan Muhammad
Chairman

Haji Jan Muhammad

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Date: 2014.04.04 11:01:08 +05'00'

Karachi
25 March 2014

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes:

Category	Name
Non-Executive Directors	Haji Jan Muhammad
Non-Executive Directors	Mr Muhammad Mehboob
Independent Director	Mr Shaikh Abdullah
Independent Director	Mr Sheikh Asim Rafiq
Independent Director	Mr Muhammad Taufique Motiwala
Independent Director	Mr Karim Muhammad Munir
Non-Executive Directors	Mr Muhammad Shoaib

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident 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 an NBFCs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy was occurred during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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, other executive and non-executive directors, have been taken by the board/shareholders.

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 in time.

9. The Directors have been provided with copies of the Listing Regulations of the Stock Exchange; the Company's Memorandum and Articles of Association and the Code of Corporate Governance and are well conversant with their duties and responsibilities. Chief Executive Officer has obtained the required certification of Directors Training Course from Pakistan Institute of Corporate Governance and one more director is in process of acquiring certification.

10. No new appointments have been made during the year of Chief Financial Officer, Company Secretary and Head of Internal Audit.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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, CEO 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 CCG.

15. The board has formed an Audit Committee. It comprises 4 members, all of whom are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is an independent director.

18. 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.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The related party transactions with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

Muhammad Saleem Rathod

Digitally signed by Muhammad Saleem Rathod
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Muhammad Saleem Rathod
Chief Executive

Haji Jan Muhammad

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Haji Jan Muhammad
Chairman

Karachi, 25 March 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Security Investment Bank Limited for the year ended December 31, 2013 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. 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 Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

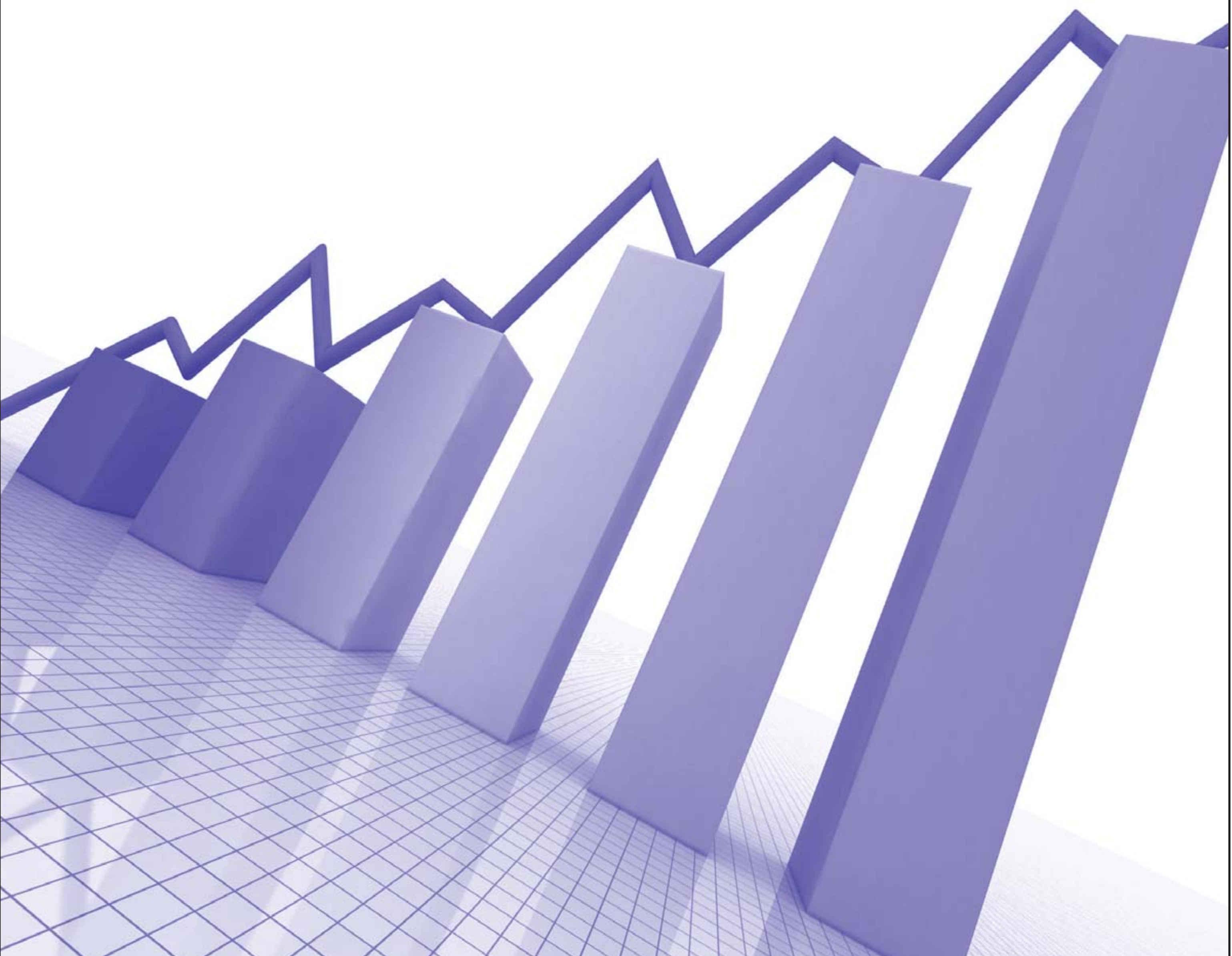
Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the bank for the year ended December 31, 2013.

Muniff Ziauddin & Co.
Chartered Accountants
Karachi:
Dated: 25 March 2014
Engagement Partner: Muhammad Moin Khan

22nd Annual Report 2013

SECURITY INVESTMENT BANK LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SECURITY INVESTMENT BANK LIMITED (the Bank) as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended 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 Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

(a) in our opinion, proper books of account have been kept by the Bank 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 Bank's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2013 and of the profit, the comprehensive income, 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.

Without qualifying our opinion, we draw attention to note 37 to the accompanying financial statements which shows that the Bank is not meeting the minimum capital requirement under Non-Banking Finance Companies and Notified Entities Regulations, 2008. However, NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for compliance with the enhanced minimum equity requirement of Rs. 600 million may be extended till June 30, 2016.

The Financial statements of the Bank for the year ended December 31, 2012, were audited by another firm of Chartered Accountants, whose reports dated March 28, 2013 expressed an unqualified opinion thereon.

MUNIFF ZIAUDDIN & CO.
Chartered Accountants
Karachi.
Dated: March 25, 2014
Engagement Partner: Mohammad Moin Khan

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	2013 Rupees	2012 Restated Rupees	2011 Restated Rupees
Assets				
Property, plant and equipment	5	**1,207,931**	1,051,882	1,192,020
Intangible assets	6	**10,568,182**	750,000	36,750,000
Long term investments	7	**77,006,414**	186,903,748	150,982,900
Deferred tax asset - net	8	**32,389,507**	29,173,983	35,577,224
Current assets				
Short term financing	9	**125,500,000**	145,266,169	172,441,265
Short term investments	10	**430,858,059**	482,436,968	430,090,148
Loans and advances	11	**87,714,046**	84,195,196	79,533,141
Deposits, prepayments and other receivables	12	**5,504,828**	5,407,133	3,724,733
Accrued interest	13	**13,758,446**	19,873,833	12,145,492
Cash and bank balances	14	**8,619,929**	9,749,494	13,243,835
		671,955,308	746,928,793	711,178,614
		793,127,342	964,808,406	935,680,758
Share capital and liabilities				
Capital and reserves				
Authorized capital				
100,000,000 ordinary shares of Rs.10/- each		**1,000,000,000**	1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	15	**514,335,580**	514,335,580	514,335,583
Accumulated loss		**(151,204,755)**	(153,999,114)	(156,492,571)
Statutory reserves	16	**143,380,640**	142,682,050	142,123,865
		506,511,465	503,018,516	499,966,877
Deficit on revaluation of investments - net of tax	17	**(23,767,322)**	(17,707,987)	(47,431,051)
Current liabilities				
Borrowings	18	**176,766,009**	360,368,326	362,984,857
Short term deposits	19	**124,614,217**	112,047,664	109,848,615
Accrued and other liabilities	20	**9,002,973**	7,081,887	10,311,460
		310,383,199	479,497,877	483,144,932
Contingencies and commitments	21			
		793,127,342	964,808,406	935,680,758

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

Muhammad Saleem Rathod

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Haji Jan Muhammad

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MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD
CHAIRMAN

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Rupees	2012 Restated Rupees
Income			
Return on financing and placements	22	**18,617,008**	26,815,948
Return on securities	23	**47,173,015**	55,435,123
Gain on sale of investments		**4,188,084**	1,124,156
Profit on deposit with banks		**265,765**	619,360
Other income	24	**1,306,820**	1,203,513
		71,550,692	85,198,100
Expenditure			
Finance cost	25	**33,826,671**	54,232,994
Administrative expenses	26	**32,646,064**	29,048,334
		66,472,735	83,281,328
Profit before taxation		**5,077,957**	1,916,772
Taxation	27	**(1,661,627)**	930,961
Profit for the year		**3,416,330**	2,847,733
Earnings per share - basic and diluted	28	**0.066**	0.054

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

Muhammad Saleem Rathod
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MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

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HAJI JAN MUHAMMAD
CHAIRMAN

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	Rupees	Restated Rupees
Profit for the year	**3,416,330**	2,847,733
Other comprehensive Income		
Remeasurement of defined benefit plans	**116,090**	308,948
Deferred tax	**(39,471)**	(105,042)
Remeasurement of defined benefit plans - net of tax	**76,619**	203,906
Total comprehensive income - net of tax	**3,492,949**	3,051,639

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

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HAJI JAN MUHAMMAD
CHAIRMAN

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Rupees	2012 Restated Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**5,077,957**	1,916,772
Adjustment for non cash and other items			
Depreciation		**364,550**	351,189
Gain on disposal of shares		**(4,188,084)**	(1,124,156)
Loss / (gain) on disposal of fixed assets		**1,922**	(275,798)
Provision for gratuity		**723,077**	723,339
		(3,098,535)	(325,426)
Cash flows from operating activities before working capital changes		**1,979,422**	1,591,346
Deccrease / (increase) in operating assets			
Decrease in financing and placements		**19,766,169**	27,175,096
Decrease / (increase) in loans and advances		**162,074**	(456,134)
(Increase) in deposits and prepayments		**(97,695)**	(1,682,400)
Decrease / (increase) in accrued interest		**6,115,387**	(7,728,341)
		25,945,935	17,308,221
Increase / (decrease) in operating liabilities			
Increase in deposits		**12,566,553**	2,199,049
Decrease in borrowings		**(183,602,317)**	(2,616,530)
Increase / (decrease) in accrued and other liabilities		**1,314,099**	(3,007,652)
		(169,721,665)	(3,425,133)
Net change in operating assets and liabilities		**(143,775,730)**	13,883,088
Income tax paid		**(4,509,050)**	(4,205,921)
Gratuity paid		**-**	(612,925)
Dividend paid		**-**	(23,388)
		(4,509,050)	(4,842,234)
Net cash (used in) / generated from operating activities		**(146,305,358)**	10,632,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		**39,600**	275,800
Purchase of fixed assets		**(562,121)**	(211,053)
Sale of investments		**29,848,005**	5,796,858
Purchase / (sale) of securities		**115,850,309**	(19,988,147)
Net cash generated from /(used in) investing activities		**145,175,793**	(14,126,542)
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	-
Net decrease in cash and cash equivalents		**(1,129,565)**	(3,494,341)
Cash and cash equivalents at the beginning of the year		**9,749,494**	13,243,835
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**29**	**8,619,929**	9,749,494

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

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HAJI JAN MUHAMMAD
CHAIRMAN

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital (Note 15)	Statutory Reserve (Note 16)	Accumulated loss	Total
	Rupees	**Rupees**	**Rupees**	**Rupees**
Balance as at 01 January 2012 - as previously reported	**514,335,583**	**142,123,865**	**(156,078,323)**	**500,381,125**
Effect of change in accounting policy due to application of IAS 19 (Revised) note 4.7.3 (net of tax)	-	-	(414,248)	**(414,248)**
Balance as at 01 January 2012 - as restated	**514,335,583**	**142,123,865**	**(156,492,571)**	**499,966,877**
Total comprehensive income for the year			3,051,639	3,051,639
Adjustment	(3)		3	
Statutory reserve	-	558,185	(558,185)	-
Balance as at 31 December 2012 - restated	**514,335,580**	**142,682,050**	**(153,999,114)**	**503,018,516**
Total comprehensive income for the year	-	-	3,492,949	3,492,949
Appropriation :				
Statutory reserve	-	698,590	(698,590)	-
Balance as at 31 December 2013	**514,335,580**	**143,380,640**	**(151,204,755)**	**506,511,465**

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

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HAJI JAN MUHAMMAD
CHAIRMAN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. LEGAL STATUS AND OPERATION

Security Investment Bank Limited (SIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Bank was incorporated in Pakistan on May 23, 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)** and the short-term rating at **'A-2' (A Two).**

These financial statements are the separate financial statements of the Bank. In addition to these financial statements, consolidated financial statements of the Bank and its subsidiary M/s. SIBL Exchange Company (Private) Limited, have also been prepared.

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 21 November 2007, Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards/International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, NBFC Rules or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The SECP has deferred the applicability of International Accounting Standards, IAS-39, 'Financial Instruments: Recognition and measurement' through Circular No. 19 dated August 13, 2003 to NBFCs providing investment finance services, discounting services and housing finance services. The SECP has also deferred the applicability of International Financial Reporting Standard, IFRS-7, 'Financial Instruments: Disclosures' through Circular No. 411(I)/2008 dated April 28, 2008 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

2.2 Functional and presentation currency

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

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

The following new and revised Standards and Interpretations have also been adopted in these financial statements.

IAS 19 Employee Benefits - Amended standard resulting from the Post Employment Benefits and Termination Benefits projects.	effective from accounting period beginning on or after 01 January 2013

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not relevant or do not have a significant effect on the Bank's operations and therefore are not detailed in the financial statements.

2.4 Accounting standards or an interpretations not yet effective

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

IFRS 2 - Share based payment	effective from accounting period beginning on or after 01 July 2014
IFRS 3 Business Combination	effective from accounting period beginning on or after 01 July 2014
IFRS 10 - Consolidated Financial Statements	effective from accounting period beginning on or after 01 January 2014
IAS 19 Employee Benefit (Amendment to clarify requirement relating to contribution)	effective from accounting period beginning on or after 01 July 2014
IAS 32 - Offsetting Financial Assets and Financial Liabilties (Amendments to IAS 32). Ammendment requires certain disclosures of IAS 12 (Income Taxes) relating to equity transaction and equity instrument.	effective from accounting period beginning on or after 01 January 2014
IAS 36 - Impairment of assets. Ammendment requires changes in disclosures relating to recoverable amounts, cash generating units and reversal in impairment loss.	effective from accounting period beginning on or after 01 January 2014
IAS 39 - Financial Instruments. Ammendment provides guidance relating to discountinuation of hedge accounting	effective from accounting period beginning on or after 01 January 2014
IFRIC 21 - Levies . Provides guidence to recognize liability to pay levies.	effective from accounting period beginning on or after 01 January 2014

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS 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 Bank's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

(a) determining the residual values and useful lives of property and equipment (Note 5)
(b) classification of investments (Note 7 and 10)
(c) recognition of taxation and deferred tax (Note 8 and 27) and
(d) accounting for post employment benefits (Note 31)

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 and gratuity which are stated at fair value. In these financial statements, except for the amount reflected in cash flow statements, all the transactions have been accounted for on accrual basis.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to profit and loss account applying the straight line method in accordance with the rate specified in note 5 to these financial statements, 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.

Fully depreciated assets are being kept at token value of Rs. 1/- each.

4.2 Intangible assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

4.2.1 Trading rights and membership card

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

4.3 Impairment

The carrying amount of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.4 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 needs for liquidity or changes to interest rates, exchange rates or equity prices are classified as available-for-sale.

Held-for-trading

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

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

Subsequent to initial recognition, investments available for sale and investments held for trading for which active market exists, are measured at market value using rates quoted on 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, 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 has been charged to the profit and loss account.

4.5 Securities under repurchase / reverse repurchase agreement

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

Repurchase agreements

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

Reverse repurchase agreements

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

4.6 Trade date and settlement date accounting

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

4.7 Staff retirement benefits

4.7.1 Defined contribution plan

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

4.7.2 Defined benefit plan

The Bank operates an approved funded gratuity scheme covering all permanent employees who have completed the qualifying period under the scheme. The scheme is administered by the trustees and contributions therein are made in accordance with the actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 31.

As more fully explained in note 4.7.3, effective from January 1, 2013 all actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortised over the expected average working lives of the employees participating in the plan.

4.7.3 Changes in accounting policies

Adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior periods financial statements have been summarised below:

Impact on balance sheet	December 31, 2012	December 31, 2011
	............Rupees............	
Increase in Deferred tax asset - net	**108,358**	213,400
Increase in Accrued and other liabilities	**261,893**	627,648
Increase in Unappropriated loss	**153,535**	414,248

Impact on profit and loss account	December 31, 2012 Rupees
Decrease in Administrative expenses	(56,807)
Increase in Profit before taxation	56,807
Decrease in Taxation	-
Decrease in Profit for the year	56,807
Increase in Earnings per share - basic and diluted	0.004

4.8 Offsetting of financial assets and financial liabilities

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

4.9 Financial instruments

All financial assets and financial liabilities are recognized at the time when Security Investment Bank Limited becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

4.10 Classification of deposits and financing

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

4.11 Cash and cash equivalents

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

4.12 Provisions

Provisions are recognized when the Bank has legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits 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.

4.13 Revenue

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

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

Income from capital gains is recognized on earned basis.

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

4.14 Finance cost

Finance cost includes return on deposits and borrowings which are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

4.15 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax rebates and credits , if any, or at 1% of turnover whichever is higher.

Deferred

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductable 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 deductable temporary differences and unused tax losses can be utilized.

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 utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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.

4.16 Related party transactions

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

4.17 Provision for doubtful debts on financing

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

4.18 Dividend distributions and appropriations

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

5 Property, plant and equipment

(In Rupees)

PARTICULARS	Cost				Rate	Depreciation				Written down value as at December 31, 2013
	As at January 01, 2013	Additions	(Deletions)	As at December 31, 2013		As at January 01, 2013	Charge for the year	(Adjustment)	As at December 31, 2013	
Computer and equipments	4,349,335	323,405	(28,400)	4,644,340	20%	3,756,910	265,395	(28,399)	3,993,906	650,434
Furniture and fixtures	3,116,836	30,000	-	3,146,836	10%	3,025,915	20,382	-	3,046,297	100,539
Generator	886,321	-	-	886,321	10%	641,500	46,632	-	688,132	198,189
Sign board	238,068	7,716	-	245,784	10%	175,899	9,100	-	184,999	60,785
Telephone system	176,496	1,000	-	177,496	10%	157,486	5,367	-	162,853	14,643
Vehicles	3,138,084	200,000	(42,953)	3,295,131	20%	3,095,548	17,674	(1,432)	3,111,790	183,341
2013	**11,905,140**	**562,121**	**(71,353)**	**12,395,908**		**10,853,258**	**364,550**	**(29,831)**	**11,187,977**	**1,207,931**

PARTICULARS	Cost				Rate	Depreciation				Written down value as at December 31, 2012
	As at January 01, 2012	Additions	(Deletions)	As at December 31, 2012		As at January 01, 2012	Charge for the year	(Adjustment)	As at December 31, 2012	
Computer and equipments	4,241,735	163,100	(55,500)	4,349,335	20%	3,557,659	254,750	(55,499)	3,756,910	592,425
Furniture and fixtures	3,116,836	-	-	3,116,836	10%	3,007,071	18,844	-	3,025,915	90,921
Generator	886,321	-	-	886,321	10%	594,868	46,632	-	641,500	244,821
Sign board	238,068	-	-	238,068	10%	166,992	8,907	-	175,899	62,169
Telephone system	171,496	5,000	-	176,496	10%	148,960	8,526	-	157,486	19,010
Vehicles	4,408,621	42,953	(1,313,490)	3,138,084	20%	4,395,507	13,530	(1,313,489)	3,095,548	42,536
2012	**13,063,077**	**211,053**	**(1,368,990)**	**11,905,140**		**11,871,057**	**351,189**	**(1,368,988)**	**10,853,258**	**1,051,882**

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 10,019,185/- (2012 : Rs. 9,520,496/-) 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 / (Loss)	Sold to	Mode of disposal
Computer and equipments	28,400	28,399	1	4,000	3,999	Powerware Technology	Negotiation
Vehicles	42,953	1,432	41,521	35,600	(5,921)	Adamjee Insurance Compnay Ltd	Insurance claim
	71,353	**29,831**	**41,522**	**39,600**	**(1,922)**		

	Note	2013 Rupees	2012 Rupees
6 Intangible assets			
Trading Right Entitlement Certificate - Karachi Stock Exchange Limited	**6.1**	**9,818,182**	-
Corporate membership of the Pakistan Mercantile Exchange Limited		**750,000**	750,000
		10,568,182	750,000

6.1 These represent Trading Right Entitlement Certificate (TREC) received from Karachi Stock Exchange Limited (KSE) in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act). The Company has also received shares of KSE after completion of the demutualisation process.The TREC have been recorded at 9.8 million. For details, refer to note 7.2.

	Note	2013 Rupees	2012 Rupees
7 Long term investments			
Subsidiary company			
SIBL Exchange Company (Pvt) Ltd. 10,000,000 (2012: 10,000,000) ordinary shares of Rs. 10 each. Wholly Owned Subsidiary-unquoted	**10.1**	**-**	100,000,000
Held to maturity Investment			
Pakistan Investment Bonds	**7.1**	**50,824,596**	50,903,748
Investment - at fair value through other Comprehensive income			
Karachi Stock Exchange Limited - Available For Sale	**7.2**	**26,181,818**	36,000,000
		77,006,414	186,903,748

7.1 Pakistan Investment Bonds

	2013	2012
Cost	**50,903,748**	50,982,900
Less : Amortization	**(79,152)**	(79,152)
	50,824,596	50,903,748

These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.50,000,000/- (2012: Rs.50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2012 : 10% per annum). Their period to maturity is ten and a half years.

7.2 Pursuant to demutualization of the Karachi Stock Exchange Limited (KSE), the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Company received shares and TREC from the KSE against its membership card which was carried at Rs. 36 million in the books of the Company.

The above arrangement has resulted in allocation of 4,007,383 shares at Rs. 10 each with a total face value of Rs. 40 million and TREC to the Company by the KSE. Out of total shares issued by the KSE, the Company has actually received 40% equity shares i.e. 1,602,953 shares.The remaining 60% shares have been transferred to CDC sub-account in the Company's name under the KSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Company.

The Institute of Chartered Accountants of Pakistan in its technical guide dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

The above mentioned face value (Rs.40million) of the shares issued by the KSE to its members including the Company has been determined on the basis of the fair valuation of the underlying assets and liabilities of the KSE in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012. In other words, shares worth Rs. 40 million received by the Company represent its share in the fair value of the net assets of the KSE.Under the current circumstances, where active market is not available for such shares, this net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

Further recently, the KSE has introduced a minimum capital regime for the brokers, and for this purpose has valued TREC at Rs.15million as per the decision of the Board of Directors of the KSE.This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investor’s interest. In the absence of an active market for TREC, this assigned value of Rs. 15 million has been considered as the closest estimate of the fair value of the TREC.

Therefore, based on the above estimates of fair values of KSE shares (Rs. 40 million) and TREC (Rs. 15 million), the Company has allocated its carrying value of the membership card in the ratio of 0.73 to shares and 0.27 to TREC. Consequently, the investments have been recognized at Rs. 26.18 million and TREC at Rs. 9.82 million.

			2013	2012
		Note	Rupees	Restated Rupees
8	**Deferred tax asset - net**			
	Deferred tax assets arising in respect of:			
	Deficit on revaluation of securities		**11,038,611**	6,950,115
	Remeasurement of defined benefit plans - O.C.I component		**68,887**	108,358
	Accelerated depreciation		**2,051**	41,598
	Tax losses		**21,279,958**	22,073,912
		8.1	**32,389,507**	29,173,983

8.1	**Movement in deferred tax asset**		
	Opening balance	**29,173,983**	35,577,224
	Provision /(Reversal) during the year	**3,215,524**	(6,403,241)
	Closing balance	**32,389,507**	29,173,983

8.2 The Bank has an aggregate amount of Rs. 62.588 million (2012: Rs. 63.068 million) in respect of unabsorbed tax losses as at December 31, 2013 on which the management has recognized deferred tax asset of Rs. 21.280 million (2012: Rs. 22.074 million). The management of the Bank believes that based on the projections of future taxable profit it would be able to realize these tax losses in the future.

		Note	2013 Rupees	2012 Rupees
9	**Short term financing - secured and considered good**			
	Associated companies	9.1	**125,500,000**	63,032,571
	Others		**-**	82,233,598
			125,500,000	145,266,169

9.1 These are secured by hypothecation or a charge on assets of customers and certificate of deposits. The mark-up rates are 14% & 16% per annum (2012: 15% per annum).

		Note	2013 Rupees	2012 Rupees
10	**Short term investments**			
	Subsidiary company			
	SIBL Exchange Company (Pvt) Ltd. 10,000,000 (2012: 10,000,000) ordinary shares of Rs. 10 each. Wholly Owned Subsidiary-unquoted	10.1	**100,000,000**	-
	Available for sale			
	Pakistan Investment Bonds	10.2	**318,480,976**	330,919,152
	Term Finance Certificates	10.2	**6,865,348**	6,882,969
	Quoted Shares	10.2	**5,511,735**	28,839,124
	Unquoted shares	10.2	**-**	8,225
	Market Treasury Bills	10.2	**-**	115,787,498
			430,858,059	482,436,968

10.1 State Bank of Pakistan has revoked the license of SIBL Exchange Company (Pvt.) Ltd. from October 01, 2012, through letter dated January 8, 2013, for non-compliance of minimum capital requirement. Winding up of the SIBL Exchange has been started which is in final stage of completion. There is no need for impairment as the net realizable value of the investment is higher than the cost of investment.

10.2 Securities given as collateral under repurchase agreements.

		2013			2012		
	Note	**Held by SIBL**	**Repo**	**Total**	Held by SIBL	Repo	Total
		....	....	....	**Rupees**	....	....
Pakistan Investment Bonds	**10.2.1**	**137,126,690**	**181,354,286**	**318,480,976**	68,596,252	262,322,900	330,919,152
Term Finance Certificates	**10.2.2**	**6,865,348**	**-**	**6,865,348**	6,882,969	-	6,882,969
Quoted Shares	**10.2.3**	**5,511,735**	**-**	**5,511,735**	28,839,124	-	28,839,124
Unquoted Shares	**10.2.4**	**-**		**-**	8,225	-	8,225
Market Treasury Bills		**-**	**-**	**-**	-	115,787,498	115,787,498

10.2.1 This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having face value of Rs.350,000,000 (2012: Rs.350,000,000) with income receivable semi annually. Period to maturity of these investments range from two and half years to ten years and six months and carry mark-up at rates (coupon rate) ranging from 9.6% to 12% per annum (2012: 10% to 12% per annum). PIBs having market value of Rs. 181.354 million (2012 : Rs. 262.323 million) are held by other financial institutions as security under repurchase transactions.

10.2.2 Particulars of listed Term Finance Certificates (TFC) :

Issuer of TFC		No. of Certificates		2013		2012	
		2013	2012	Cost	Market Value	Cost	Market value
				.... Rupees			
Telecard Limited	10.2.2.1	**5,000**	5,000	**8,983,742**	**6,865,348**	9,177,292	6,882,969

10.2.2.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
Telecard Limited	5,000	3.75% over 6 months KIBOR.	Semi-annually	Originally Eight years from May 2005. Rescheduled upto May 27, 2015
Valuation of certificates				
Initial value of	5,000			
Redemption upto December 31, 2013	3,203			
Balance as at December 31, 2013	**1,797**			

10.2.2.2 Telecard has restructured its TFCs redemption schedule on December 30, 2011 relating to the default of payment of redemption due on May 27, 2011, without any consequences or delay penalties after the approval obtained by the Company from the TFC holders upon Company's request. The said restructuring has resulted in lower current maturity. As a result, the last redemption date has been extended to May 27, 2015, instead of the revised final redemption date of November 27, 2013.

The TFCs are secured against a first specific charge over the fixed assets of the company, aggregating to Rs. 800 million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

10.2.3 Quoted Shares

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

2013	2012		2013		2012	
No. of ordinary shares, certificates / units			Cost	Market Value	Cost	Market Value
			---------- Rupees ----------			
		Modarabas / Mutual funds				
4,500	4,500	PICIC Growth Fund	**64,170**	**112,860**	64,170	73,800
-	69,627	JS Growth Fund (formerly UTP growth fund)	**-**	**-**	343,957	607,844
		Leasing				
42,370	42,370	Saudi Pak Leasing Company Limited	**59,742**	**119,483**	59,742	137,703
		Investment banks / Cos. / Banks				
57,290	52,082	Arif Habib Limited	**2,361,689**	**1,834,999**	2,361,689	1,607,251
103,571	932,667	Askari Bank Limited	**1,862,658**	**1,450,122**	16,773,412	16,060,654
3,825	3,825	Bank Alfalah Limited	**52,670**	**103,428**	52,670	64,337
-	214,700	The Bank of Punjab	**-**	**-**	4,186,650	2,297,290
31,625	27,500	National Bank of Pakistan	**1,189,797**	**1,836,148**	1,189,797	1,358,225
1,644	1,644	First National Equities Limited	**21,684**	**5,409**	21,684	6,609
2,270	2,270	Jahangir Siddiqui & Company Limited	**68,259**	**20,861**	68,259	36,638
		Automobiles and Transport				
-	45,000	Pakistan International Airlines Corporation (A)	**-**	**-**	117,450	181,350
		Textile Composite				
-	100,000	Nishat Mills Limited	**-**	**-**	6,062,076	6,385,000
		Miscellaneous				
7,500	7,500	Pace Pakistan Limited	**43,875**	**28,425**	43,875	22,425
			5,724,544	**5,511,735**	31,345,431	28,839,124

10.2.4 Unquoted Shares

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

2013	2012		2013		2012	
No. of ordinary shares, certificates / units			Cost	Market Value	Cost	Market Value
			---------- Rupees ----------			
		Modarabas / Mutual funds				
500	500	Long Term Venture Modaraba	**225**	**-**	225	225
		Sugar & Allied Industries				
100	100	Hamza Sugar	**8,000**	**-**	8,000	8,000
600	600		**8,225**	**-**	8,225	8,225

		Note	2013 Rupees	2012 Rupees
11	**Loans and advances**			
	Advances - considered good			
	For expenses		**692,373**	854,447
	For office premises		**2,500,000**	2,500,000
	Advance income tax less payments and provision for tax		**84,521,673**	80,840,749
			87,714,046	84,195,196
12	**Deposits, prepayments and other receivables**			
	Security deposits		**1,443,788**	1,443,788
	PMEX exposure limits	**12.1**	**1,090,518**	998,123
	KSE exposure limits		**750,000**	750,000
	Prepayments		**1,195,332**	633,611
	Other receivables - considered good		**1,025,190**	1,581,611
			5,504,828	5,407,133

12.1 This represents interest bearing security deposits of Rs. 701,000 (2012: 701,000) which carries markup at the rate of 7% to 9.5% (2012: 6% to 6.05%).

		Note	2013 Rupees	2012 Rupees
13	**Accrued interest**			
	Income receivable	**13.1**	**13,649,907**	19,692,893
	Accrued profit on PLS deposits		**108,539**	180,940
			13,758,446	19,873,833
13.1	**Income receivable**			
	Considered good			
	Not due	**13.1.1**	**13,649,907**	19,692,893

13.1.1 This represents income on financing and government securities not matured / due on December 31, 2013.

		Note	2013 Rupees	2012 Rupees
14	**Cash and bank balances**			
	With State Bank of Pakistan in			
	- Current account		**156,619**	149,312
	With other banks in			
	- Current accounts		**5,935,113**	2,635,833
	- Deposit accounts	**14.1**	**2,517,286**	6,959,285
			8,452,399	9,595,118
	Cash in hand		**10,911**	5,064
			8,619,929	9,749,494

14.1 Rate of return on these deposits accounts range from 7% to 9.5% per annum (2012 : 6% to 6.05% per annum).

				Note	2013 Rupees	2012 Rupees
15	**Issued, subscribed and paid-up capital**					
	Number of shares					
	2013	2012				
	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	27,881,558	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares		**278,815,580**	278,815,580
	51,433,558	51,433,558			**514,335,580**	514,335,580

16 Statutory reserves

	Note	2013 Rupees	2012 Rupees
Capital reserves			
Statutory reserves	**16.1**	**143,380,640**	142,682,050

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.

17 Deficit on revaluation of investments - net of tax

	2013 Rupees	2012 Rupees
Government securities	**(32,466,504)**	(19,857,472)
Term Finance Certificates	**(2,118,394)**	(2,294,323)
	(34,584,898)	(22,151,795)
Related deferred tax asset	**11,038,611**	6,950,115
	(23,546,287)	(15,201,680)
Quoted shares	**(221,035)**	(2,506,307)
	(23,767,322)	(17,707,987)

18 Borrowings

	Note	2013 Rupees	2012 Rupees
Financial institutions - secured	**18.1**	**176,766,009**	360,368,326
		176,766,009	**360,368,326**

18.1 This represents amount borrowed from financial institutions at mark-up rates ranging between 10.80% to 10.85% per annum (2012: 10.30% to 11.25% per annum) and having maturity on or before January 10, 2014. These are secured against Pakistan Investment Bonds.

		Note	2013 Rupees	2012 Rupees
19	**Short term deposits**			
	From individuals		**8,021,659**	9,662,077
	From related parties			
	SIBL Exchange Company (Private) Limited		**94,497,943**	91,734,988
	Associated undertaking		**5,739,342**	2,415,384
	Others		**16,355,273**	8,235,215
		19.1	**124,614,217**	112,047,664

19.1 This represents Certificate of Deposits with maturity ranging from one month to twelve months. The expected rate of return on these deposits range from 7.5% to 10% per annum (2012: 6.5% to 11% per annum) payable monthly, quarterly, semi annually or on maturity.

		Note	2013 Rupees	2012 Rupees
20	**Accrued and other liabilities**			
	Accrued expenses			
	From related party- unsecured		-	45,602
	Return on deposits from			
	- individuals		**191,152**	402,010
	- related party		**2,180,439**	310,976
			2,371,591	712,986
	Return on borrowing from			
	financial institutions- secured		**965,318**	1,071,126
			3,336,909	1,829,714
	Other liabilities			
	Unclaimed dividend		**2,094,583**	2,094,583
	Others			
	- related party		**1,500,000**	103,748
	- others		**422,455**	2,011,803
			1,922,455	2,115,551
	Payable to employees gratuity fund	31.3	**1,649,026**	1,042,039
			9,002,973	7,081,887

21 Contingencies and commitments

21.1 Contingencies

Guarantees issued on behalf of customer:

	2013 Rupees	2012 Rupees
- Associated undertaking	**18,733,000**	22,897,910
- Others	**50,000,000**	55,103,000

21.2 Commitments

There were no commitment as at the balance sheet date.

		Note	2013 Rupees	2012 Rupees
22	**Return on financing and placements**			
	Financing			
	Demand finance		**18,402,997**	26,761,367
	Placements			
	With financial Institution - unsecured		**214,011**	54,581
			18,617,008	26,815,948
23	**Return on securities**			
	Return on government securities		**46,849,358**	52,870,115
	Return on TFCs		**-**	1,503,095
			46,849,358	54,373,210
	(Loss)/gain on sale of government securities		**(604,989)**	113,386
	Dividend income		**928,646**	948,527
			47,173,015	55,435,123
24	**Other income**			
	(Loss) / gain on sale of fixed assets		**(1,922)**	275,798
	Commission		**798,147**	694,435
	Miscellaneous		**510,595**	233,280
			1,306,820	1,203,513
25	**Finance cost**			
	Return on certificate of deposits		**7,286,395**	7,146,199
	Return on clean borrowings		**-**	672,065
	Return on borrowings under repurchase agreement (Repo)		**26,540,276**	46,414,730
			33,826,671	54,232,994

		Note	2013 Rupees	2012 Restated Rupees
26	**Administrative expenses**			
	Salaries, wages and other benefits		**18,630,943**	16,393,421
	Contribution to provident fund	**31.7**	**691,200**	569,225
	Gratuity scheme expense	**31.4**	**723,077**	723,339
	Rent, rates and taxes		**2,482,057**	2,329,516
	Telephone, telex and fax		**710,171**	723,781
	Electricity, water and gas		**1,181,788**	1,018,900
	Printing, postage and stationery		**761,962**	737,941
	Insurance		**568,104**	497,776
	Fees and membership		**1,721,044**	1,538,169
	Brokerage and commission		**43,530**	49,821
	Central Depository Company charges		**59,661**	161,268
	Auditors' remuneration	**26.1**	**352,200**	352,000
	Legal and professional fees		**1,049,520**	680,680
	Vehicle running and maintenance		**1,587,201**	1,557,916
	Repairs and maintenance		**487,415**	464,116
	Advertisement		**269,166**	196,727
	Travelling and entertainment		**643,008**	424,330
	Depreciation	**5**	**364,550**	351,189
	Bank charges		**38,930**	35,555
	Old age benefit		**118,800**	101,544
	Books, periodicals & newspapers		**52,424**	48,214
	Other expenses		**109,313**	92,906
			32,646,064	29,048,334
26.1	**Auditors' remuneration**			
	Statutory audit fee		**325,000**	325,000
	Out of pocket expenses		**27,200**	27,000
			352,200	352,000
27	**Taxation**			
	Current			
	- for the year	**27.1**	**(828,126)**	(503,429)
	Deferred			
	- opening balance		**(22,115,510)**	(20,681,120)
	- closing balance		**21,282,009**	22,115,510
			(833,501)	1,434,390
			(1,661,627)	930,961

27.1 The Bank has incurred a taxable income in the current financial year, however minimum tax is higher than the tax on taxable income and the company incurred taxable loss duriing the previous year, therefore, no reconciliation is provided in the current financial statements.

As the Bank has incurred a taxable income in the current financial year, however minimum tax is higher than the tax on taxable income, however, provision for taxation has been made u/s 113 of Income Tax Ordinance 2001 (minimum tax) at the tax rate of 1% on turnover.

Assessment of tax years 1995-96, 1997-98 to 2001-02, tax year 2003 & 2005, 2006-07 have been finalized and rectification applications have been filed on rectifiable issues in respect of above mentioned tax years, which is pending for disposal.

The declared results for tax year 2008 were modified under section 122(1) of the Income Tax Ordinance, 2001 and demand of Rs. 68 million was raised by the department, against which SIBL has preferred appeal before the Commissioner of the Inland Revenue (Appeals II) which was decided against SIBL. SIBL has contested the aforesaid order before Appellate Tribunal Inland Revenue which is pending for fixation. No provision has been made against this demand as the management is confident that the appeal will be decided in favour of the Bank.

The declared results for the tax year 2009 to 2010 and 2012 to 2013 are deemed to be assessed in terms of Section 120(1)(b) of Income Tax Ordinance 2001.

The return filed for the tax year 2011 was selected for audit under section 177 of the Ordinance. Information document request was served under section 176 of the Ordinance which was dully responded. However, no further information has been taken by the tax authorities.

		Note	2013 Rupees	2012 Restated Rupees
28	**Earnings per share- basic and diluted**			
28.1	**Basic**			
	Profit after tax		**3,416,330**	2,847,733
	Weighted average number of ordinary shares		**51,433,558**	51,433,558
	Earnings per share		**(0.066)**	0.055

28.2 **Diluted**

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

		2013	2012
29	**Cash and bank balances**		
	Cash and bank balances	**8,619,929**	9,749,494
		8,619,929	9,749,494
30	**Staff strength**		
	Number of employees at end of the year	**25**	26
	Average number of employees during the year	**25**	26

31 Defined benefit plan

31.1 General description

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

Annual provision is based on actuarial valuation, which was carried out as at December 31, 2013 using the Projected Unit Credit Method.

	Note	2013 Rupees	2012 Restated Rupees
31.2 Principal actuarial assumptions			
Following principal actuarial assumptions were used for the valuation.			
Estimated rate of increase in salary of the employees		**10.00%**	9.50%
Discount rate		**13.00%**	11.50%
31.3 Net liability (Assets)			
Beginning of the year		**1,042,039**	1,240,573
DB cost		**606,987**	414,391
Less: paid		**-**	(612,925)
End of the year		**1,649,026**	1,042,039
Reconciliation			
Obligation	**31.3.1**	**6,345,926**	5,304,348
Plan assets	**31.3.2**	**(4,696,900)**	(4,262,309)
Net liability (assets)		**1,649,026**	1,042,039
31.3.1 Obligation			
Present value of obligation at beginning of the year		**5,304,348**	4,772,052
Current service cost		**603,243**	601,448
Interest cost		**610,000**	605,873
Remeasurement due to:			
Changes in demographic assumptions		**-**	179,299
Changes in financial assumptions		**(659,001)**	-
Experience		**487,336**	(624,324)
Benefits paid		**-**	(230,000)
Present value of obligation at the end of the year		**6,345,926**	5,304,348

	Note	2013 Rupees	2012 Restated Rupees
31.3.2 Plan assets			
Present value of plan assets at beginning of the year		**4,262,309**	3,531,479
Interest income		**490,166**	483,982
Remeasurement du to:			
Investment return		**(55,575)**	(136,077)
Contributions		**-**	612,925
Benefits paid		**-**	(230,000)
Fair value of plan assets at the end of the year		**4,696,900**	**4,262,309**

31.4 DB cost

	2013	2012
Current service cost	**603,243**	601,448
Interest cost	**119,834**	121,891
	723,077	723,339
Remeasurement due to:		
Changes in demographic assumptions	**-**	179,299
Changes in financial assumptions	**(659,001)**	-
Experience on obligation	**487,336**	(624,324)
Investment return	**55,575**	136,077
	(116,090)	(308,948)
Total DB cost	**606,987**	414,391

31.5 Payments

The company contributes to the gratuity fund on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any surplus or deficit.

Projected Payments	**Rupees**
Contributions 2014	**875,732**
Benefits:	
2014	**476,967**
2015	**263,865**
2016	**1,237,734**
2017	**167,385**
2018	**146,887**
2019-23	**4,659,605**

31.6 Based on actuarial advice the Bank intends to charge an amount of approximately Rs.0.723 million (2012 : Rs.0.723 million) in the financial statements for the year ended December 31, 2013.

31.7 Defined contribution plan

An amount of Rs.0.691 million (2012: Rs.0.569 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

31.8 Disclosure relating to provident fund

The company operates a recognized Provident Fund (the Fund) for its permanent employees

		2013	2012	2013	2012
		-----Percentage-----		-------Rupees-------	
(i)	Size of Fund			**9,884,021**	7,829,579
(ii)	Cost of investments made			**9,363,302**	7,817,981
(iii)	Percentage of investments made			**94.73**	99.85
(iv)	Fair value of investments			**6,606,900**	6,011,935

Break up of the investments is as follows:

	2013	2012	2013	2012
Bank balance	**34.03**	23.22	**3,363,302**	1,817,981
Government serurities	**60.70**	76.63	**6,000,000**	6,000,000

32 Remuneration of chief executive and directors

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	<-------------------------		Rupees		------------------------->	
Director's meeting fees	-	-	**395,000**	210,000		
Managerial remuneration	**4,494,000**	4,494,000	-	-	**7,044,000**	5,496,000
Bonus	**374,500**	-	-	-	**587,000**	458,000
Medical expenses	**122,123**	138,380	-	-	**599,000**	459,000
Provident fund	**-**	-	-	-	**465,600**	360,792
Other benefits	**973,878**	1,058,855	-	-	-	-
Reimbursable expenses	**-**	-	-	-	-	-
	5,964,501	5,691,235	**395,000**	210,000	**8,695,600**	6,773,792
Number of persons	**1**	1	**7**	6	**7**	6

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

33 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Bank has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily cashable marketable securities. The maturity profile is monitored on regular basis at Assets and Liabilities Committee to ensure that adequate liquidity in maintained. The table below summarizes the maturity profile of the Bank's assets and liabilities.

34 Maturities of assets and liabilities

	2013			
	Total	Within One Year	Over one year to five years	Over five years
	----------Rupees----------			
Assets				
Tangible fixed assets	1,207,931	-	-	1,207,931
Intangible assets	10,568,182	-	-	10,568,182
Long term Investment	77,006,414	-	-	77,006,414
Deferred tax asset	32,389,507	32,389,507	-	-
Short term financing	125,500,000	125,500,000	-	-
Short term investments	430,858,059	430,858,059	-	-
Loans and advances	87,714,046	87,714,046	-	-
Deposits, prepayments and other	5,504,828	5,504,828	-	-
Accrued interest	13,758,446	13,758,446	-	-
Cash and bank balances	8,619,929	8,619,929	-	-
	793,127,342	**704,344,815**	**-**	**88,782,527**
Liabilities				
Borrowings	176,766,009	176,766,009	-	-
Short term deposits	124,614,217	124,614,217	-	-
Accrued expenses and other liabilities	9,002,973	9,002,973	-	-
	310,383,199	**310,383,199**	**-**	**-**
Net assets	**482,744,143**	**393,961,616**	**-**	**88,782,527**
Represented by:				
Share capital	514,335,580			
Accumulated loss	(151,204,755)			
Statutory reserves	143,380,640			
Deficit on revaluation of investments - net of tax	(23,767,321)			
	482,744,143			

	2012			
	Total	Within One Year	Over one year to five years	Over five years
	----Rupees----			
Assets				
Tangible fixed assets	1,051,882	-	-	1,051,882
Intangible assets	750,000	-	-	750,000
Long Term Investment	186,903,748	-	-	186,903,748
Deferred tax asset	29,173,983	29,173,983	-	-
Short term financing	145,266,169	145,266,169	-	-
Short term investments	482,436,968	482,436,968	-	-
Loans and advances	84,195,196	84,195,196	-	-
Deposits, prepayments and other	5,407,133	5,407,133	-	-
Accrued Interest	19,873,833	19,873,833	-	-
Cash and bank balances	9,749,494	9,749,494	-	-
	964,808,406	**776,102,776**	**-**	**188,705,630**
Liabilities				
Borrowings	360,368,326	360,368,326	-	-
Short term deposits	112,047,664	112,047,664	-	-
Accrued expenses and other liabilities	7,081,887	7,081,887	-	-
	479,497,877	**479,497,877**	**-**	**-**
Net assets	**485,310,529**	**296,604,899**	**-**	**188,705,630**
Represented by:				
Share capital	514,335,580			
Accumulated loss	(153,999,114)			
Statutory reserves	142,682,050			
Deficit on revaluation of investments - net of tax	(17,707,987)			
	485,310,529			

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 Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the credit worthiness of counter-parties.

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

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

The Bank 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:

		2013		2012	
35.1	**Finance**	**Rupees**	**%**	Rupees	%
	Cables and electric goods	**125,500,000**	**100.00**	140,083,598	96.43
	Others	**-**	**-**	5,182,571	3.57
		125,500,000	**100.00**	145,266,169	100.00

35.2 Geographical Segment

These financial statements represent operations of the Bank in Pakistan only.

36 Market risk

The bank's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the bank's activities include interest rate risk, currency risk and other price risk.

36.1 Interest rate risk

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

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

Description	Total	31 December 2013 Exposed to Interest Rate/ Yield Risk Within one year	More than one year and up to five years	Above five years	Not Exposed to Interest Rate/ Yield Risk
Financial assets					
Long term investment	26,181,818	-	-	-	26,181,818
Short term financing	125,500,000	125,500,000	-	-	-
Investment in subsidiary company	100,000,000	-	-	-	100,000,000
Investment in TFCs	6,865,348	6,865,348	-	-	-
Short term investments in Quoted Shares	5,511,735	-	-	-	5,511,735
Short term investments in Unquoted Shares	-	-	-	-	-
Investment in Government Bonds	369,305,572	318,480,976	-	50,824,596	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	4,309,496	-	-	-	4,309,496
Accrued interest	13,758,446	-	-	-	13,758,446
Balances with banks and cash in hand	8,619,929	2,517,286	-	-	6,102,643
Total	**662,552,344**	**453,363,610**	**-**	**50,824,596**	**158,364,138**
Financial liabilities					
Deposits	124,614,217	124,614,217	-	-	-
Borrowings	176,766,009	176,766,009	-	-	-
Profit accrued on deposits and borrowings	3,336,909	-	-	-	3,336,909
Accrued and other liabilities	4,017,038	-	-	-	4,017,038
Total	**308,734,173**	**301,380,226**	**-**	**-**	**7,353,947**
Total interest rate sensitivity gap		151,983,384	-	50,824,596	151,010,191
Cumulative interest rate sensitivity gap		151,983,384	151,983,384	202,807,980	

Description	Total	31 December 2012 Exposed to Interest Rate/ Yield Risk Within one year	More than one year and up to five years	Above five years	Not Exposed to Interest Rate/ Yield Risk
Financial assets					
Long term Investment	136,000,000	-	-	-	136,000,000
Short term financing	145,266,169	145,266,169	-	-	-
Short term Placements	-	-	-	-	-
Investment in Government Bonds	497,610,398	446,706,650	-	50,903,748	-
Short term investments in TFC's	6,882,969	6,882,969	-	-	-
Short term investments in Quoted Shares	28,839,124	-	-	-	28,839,124
Short term investments in Unquoted Shares	8,225	-	-	-	8,225
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	4,773,522	-	-	-	4,773,522
Accrued interest	19,873,833	-	-	-	19,873,833
Balance with bank and cash in hand	9,749,494	6,959,285	-	-	2,790,209
Total	**851,503,734**	**605,815,073**	**-**	**50,903,748**	**194,784,913**
Financial liabilities					
Deposit	112,047,664	112,047,664	-	-	-
Borrowings	360,368,326	360,368,326	-	-	-
Profit accrued on deposits and borrowings	1,829,714	-	-	-	1,829,714
Accrued and other liabilities	4,210,134	-	-	-	4,210,134
Total	**478,455,838**	**472,415,990**	**-**	**-**	**6,039,848**
Total interest rate sensitivity gap		133,399,083	-	50,903,748	188,745,065
Cumulative interest rate sensitivity gap		133,399,083	133,399,083	184,302,831	

Mark-up rates are mentioned in the respective notes to these financial statements.

36.2 Equity price risk

The bank's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Bank manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the bank's senior management on a regular basis. The bank's Board of Directors reviews and approves all equity investment decisions.

36.3 Currency risk

"Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Bank is not exposed to currency risk arising from currency exposure as it is not involved in foreign currency transactions."

37 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 Bank defines as net operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Bank 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. 764(I)/ 2009 dated September 02, 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the Bank is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for complaince with the enhanced minimum equity requirement of Rs.600 million may be extended till June 30, 2016.

38 Fair value of financial instruments

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

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

39 Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes subsidiary company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel and retirement benefit funds. The Bank 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 33 to the financial statements, are as follows;

	Note	2013 Rupees	2012 Rupees
Financing			
Balance as at year end			
- Associated undertakings		**125,500,000**	63,032,571
- Others		**-**	82,233,598
Return on financing			
Transactions during the year			
- Associated undertakings		**18,402,997**	14,285,072
- Others		**-**	12,812,416
Short term deposits			
Balance as at year end			
- Subsidiary		**94,497,943**	91,734,988
- Associated undertakings		**5,739,342**	2,415,384
- Others		**16,355,273**	8,235,215
Return on deposits			
Transactions during the year			
- Subsidiary		**5,554,289**	6,411,706
- Associated undertakings		**254,029**	263,075
- Others		**1,281,087**	564,338
Property, plant and equipment			
Additions			
- Subsidiary		**294,216**	-
Guarantee issued			
Balance as at year end			
- Associated undertakings		**18,733,000**	22,897,910
Other transactions during the year			
Contribution to staff provident fund		**691,200**	569,225
Contribution to staff gratuity fund		**-**	612,925

40 Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors on 25 March 2014.

41 Figures

41.1 Figures have been rounded off to the nearest rupee.

41.2 Comparative information has been re-classified or re-arranged, wherever necessary, for the purpose of better presentation.

Muhammad Saleem Rathod

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MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

Haji Jan Muhammad

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HAJI JAN MUHAMMAD
CHAIRMAN

22nd Annual Report 2013

SECURITY INVESTMENT BANK LTD

CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **SECURITY INVESTMENT BANK LIMITED** ("the Bank or the Holding Company") and its subsidiary company ("SIBL Exchange Company (Private) Limited") as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion / conclusion on the financial statements of the Bank and its subsidiary company, except for the financial statements of the subsidiary company as at June 30, 2013 which was audited by another firm of auditors whose report has been furnished to us and our opinion, in sofar as it relates to the amounts included for such company, is based solely on the report of such auditors.

These financial statements are the responsibility of the Bank's management. 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 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.

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary company as at December 31, 2013, and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to;

(i) note 1 to the consolidated financial statements whereof the State Bank of Pakistan has revoked the license of SIBL Exchange Company (Private) Limited from October 01, 2012, through letter dated January 8, 2013, for non-compliance of minimum capital requirement. Winding up of the SIBL Exchange Company (Private) Limited has been started which is in final stage of completion.

(ii) note 38 to the consolidated financial statements which shows that the Bank is not meeting the minimum capital requirement under Non-Banking Finance Companies and Notified Entities Regulations 2008. However, NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for compliance with the enhanced minimum equity requirement of Rs. 600 million may be extended till June 30, 2016.

The consolidated financial statements of the Bank for the year ended December 31, 2012, were audited by another firm of Chartered Accountants, whose reports dated March 28, 2013 expressed an unqualified opinion thereon.

MUNIFF ZIAUDDIN & CO.
Chartered Accountants
Karachi.
Dated: March 25, 2014
Engagement Partner: Mohammad Moin Khan

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	2013 Rupees	2012 Restated Rupees	2011 Restated Rupees
Assets				
Property, plant and equipment	5	**1,207,931**	1,496,250	1,748,597
Intangible assets	6	**10,568,182**	750,000	36,750,000
Long term investments	7	**77,006,414**	86,903,748	50,982,900
Deferred tax asset	8	**32,389,507**	29,173,983	35,577,224
Current assets				
Short term financing	9	**125,500,000**	145,266,169	172,441,265
Short term investments	10	**330,858,059**	482,436,968	454,994,790
Loans and advances	11	**88,467,607**	86,663,246	79,523,626
Deposits, prepayments and other receivable	12	**5,403,096**	7,039,993	5,356,530
Accrued interest	13	**13,758,446**	19,873,833	12,145,492
Cash and bank balances	14	**34,272,402**	35,530,059	14,179,789
		598,259,610	776,810,268	738,641,492
		719,431,644	895,134,249	863,700,213
Share capital and liabilities				
Capital and reserves				
Authorized capital				
100,000,000 ordinary shares of Rs.10/- each		**1,000,000,000**	1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	15	**514,335,580**	514,335,580	514,335,583
Accumulated loss		**(130,177,536)**	(134,891,976)	(138,850,822)
Statutory reserve	16	**143,380,640**	142,682,050	142,123,865
		527,538,684	522,125,654	517,608,626
Deficit on revaluation of Investment	17	**(23,767,322)**	(17,707,987)	(47,431,051)
Current liabilities				
Borrowings	18	**176,766,009**	360,368,326	362,984,857
Short term deposits	19	**30,116,274**	20,312,676	20,189,203
Accrued and other liabilities	20	**8,777,999**	10,035,580	10,348,578
		215,660,283	390,716,582	393,522,638
Contingencies and commitments	21			
		719,431,644	895,134,249	863,700,213

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

Muhammad Saleem Rathod

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MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

Haji Jan Muhammad

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HAJI JAN MUHAMMAD
CHAIRMAN

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Rupees	2012 Restated Rupees
Income			
Return on financing and placements	**22**	**18,617,008**	26,815,948
Return on securities	**23**	**47,173,015**	55,530,481
Gain on sale of investments		**4,188,084**	1,124,156
Profit on deposit with banks		**265,765**	619,360
Other income	**24**	**2,377,643**	1,188,759
		72,621,515	85,278,704
Expenditure			
Finance cost	**25**	**29,398,969**	48,097,072
Administrative expenses	**26**	**35,935,828**	32,852,976
		65,334,797	80,950,048
Profit for the year before taxation		**7,286,718**	4,328,656
Taxation	**27**	**(1,950,307)**	(15,534)
Profit after taxation		**5,336,411**	4,313,122
Basic earning per share - basic and diluted	**28**	**0.104**	0.084

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

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HAJI JAN MUHAMMAD
CHAIRMAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Rupees	2012 Restated Rupees
Profit after taxation		**5,336,411**	4,313,122
Other comprehensive income			
Remeasurement of defined benefit plans		**116,090**	308,948
Deferred tax		**(39,471)**	(105,042)
Remeasurement of defined benefit plans - net of tax		**76,619**	203,906
Total comprehensive income - net of tax		**5,413,030**	4,517,028

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

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HAJI JAN MUHAMMAD
CHAIRMAN

CONSOLIDTED CAHSF FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit before tax		7,286,718	4,328,656
Adjustment for non cash and other items			
Depreciation		364,550	508,474
(Gain) on disposal of shares		(4,188,084)	(1,124,156)
(Gain)/loss on disposal of fixed assets		1,922	(275,798)
Exchange loss		171,175	-
Impairment on fixed assets		149,879	-
Provision for gratuity		723,077	723,339
		(2,777,481)	(168,141)
Cash flows from operating activities before working capital changes		(4,509,237)	4,160,515
(Increase) / decrease in operating assets			
Decrease / (increase) in financing and placements		19,766,169	27,175,096
Decrease / (increase) in loans and advances		162,074	(410,050)
Decrease / (increase) in deposits and prepayments		1,636,897	(1,683,463)
Decrease / (increase) in accrued interest		6,115,387	(7,728,341)
		27,680,527	17,353,242
Increase / (decrease) in operating liabilities			
(Decrease) in deposits		9,803,598	123,473
(Decrease)/ increase in borrowings		(183,602,317)	(2,616,531)
(Decrease) / increase in accrued and other liabilities		165,729	52,757
		(173,632,990)	(2,440,301)
Net changes in operating assets and liabilities		(145,952,463)	14,912,941
Income tax paid		(4,990,225)	(6,729,570)
Gratuity paid		-	(612,925)
Dividend paid		-	(23,388)
		(4,990,225)	(7,365,883)
Net cash (used in) operating activities		(146,433,451)	11,707,573
CASH FLOW FROM INVESTING ACTIVITIES			
(Purchase) of fixed assets net of proceeds from disposal		(522,521)	(14,244)
Sale of Investment (Shares)		29,848,005	5,796,858
Sale / (purchase) of securities		115,850,309	3,860,083
Net cash generated from investing activities		145,175,793	9,642,697
CASH FLOW FROM FINANCING ACTIVITES		-	-
Net (decrease) in cash and cash equivalents		(1,257,657)	21,350,270
Cash and cash equivalents at the beginning of the year		35,530,059	14,179,789
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	34,272,402	35,530,059

The annexed notes form an integral part of these financial statements

Muhammad Saleem Rathod

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CHIEF EXECUTIVE

Haji Jan Muhammad

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HAJI JAN MUHAMMAD
CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital (Note 15)	Statutory Reserve (Note 16)	Accumulated Loss	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2012 - as previously reported	**514,335,583**	**142,123,865**	**(138,436,574)**	**518,022,874**
Effect of change in accounting policy due to application of IAS 19 (Revised) note 4.7.3 (net of tax)	-	-	(414,248)	**(414,248)**
Balance as at 01 January 2012 - as restated	**514,335,583**	**142,123,865**	**(138,850,822)**	**517,608,626**
Total comprehensive income for the year	-	-	4,517,028	**4,517,028**
Adjustment	(3)	-	3	-
Appropriation :				
Statutory reserve	-	558,185	(558,185)	-
Balance as at 31 December 2012 - restated	**514,335,580**	**142,682,050**	**(134,891,976)**	**522,125,654**
Total comprehensive income for the year	-	-	5,413,030	5,413,030
Appropriation :				
Statutory reserve	-	698,590	(698,590)	-
Balance as at 31 December 2013	**514,335,580**	**143,380,640**	**(130,177,536)**	**527,538,684**

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

Muhammad Saleem Rathod
Digitally signed by Muhammad Saleem Rathod
DN: cn=Muhammad Saleem Rathod, c=PK, o=SIBL, ou=Bank, email=sibl@sibl.com.pk
Date: 2014.04.04 10:28:19 +05'00'

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

Haji Jan Muhammad
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Date: 2014.04.04 10:21:55 +05'00'

HAJI JAN MUHAMMAD
CHAIRMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. LEGAL STATUS AND OPERATION

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

SIBL ("the bank") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984.The Bank was incorporated in Pakistan on 23 May 1991 and started its commercial operation on 31 December 1991. Its shares are quoted on 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, 2007 (previously this was covered under SRO 585(1)/87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan).

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

State Bank of Pakistan has revoked the license of SIBL Exchange Company (Pvt.) Ltd. from October 01, 2012, through letter dated January 8, 2013, for non-compliance of minimum capital requirement. Winding up of the SIBL Exchange has been started which is in final stage of completion. Due to the reason, the subsidiary company is not considered as a going concern, therefore, the condensed interim financial statements of subsidiary as at December 31, 2013 have been prepared on a basis other than going concern.

1.1 BASIS OF CONSOLIDATION

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

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

2. BASIS OF 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 21 November 2007, Non-Banking Finance Companies and Notified Entities Regulations 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards/International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, NBFC 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.

The SECP has deferred the applicability of International Accounting Standards, IAS-39, ‘Financial Instruments: Recognition and measurement’ through Circular No. 19 dated August 13, 2003 to NBFCs providing investment finance services, discounting services and housing finance services. The SECP has also deferred the applicability of International Financial Reporting Standard, IFRS-7, ‘Financial Instruments: Disclosures’ through Circular No. 411(I)/2008 dated April 28, 2008 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

2.2 Functional and Presentation Currency

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

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

The following new and revised Standards and Interpretations have also been adopted in these financial statements.

IAS 19 Employee Benefits - Amended standard resulting from the Post Employment Benefits and Termination Benefits projects.	effective from accounting period beginning on or after 01 January 2013

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not relevant or do not have a significant effect on the Bank's operations and therefore are not detailed in the financial statements.

2.4 Accounting standards or an interpretations not yet effective

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

IFRS 9 - Financial Instruments	effective from accounting period beginning on or after 01 January 2017
IFRS 10 - Consolidated Financial Statements	effective from accounting period beginning on or after 01 January 2013
IFRS 11 - Joint Arrangements	effective from accounting period beginning on or after 01 January 2013
IFRS 12 - Disclosure of Interest in other entities	effective from accounting period beginning on or after 01 January 2013
IFRS 13 - Fair Value Measurement	effective from accounting period beginning on or after 01 January 2013
IAS 1 - Presentation of Financial Statements -Amendments to revise the way other comprehensive income is presented.	effective from accounting period beginning on or after 01 July 2012
IAS 12 - Income Taxes - Recovery of underlying assets.	effective from accounting period beginning on or after 01 January 2012
IAS 19 Employee Benefits - Amended standard resulting from the Post Employment Benefits and Termination Benefits projects.	effective from accounting period beginning on or after 01 January 2013

IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011).	effective from accounting period beginning on or after 01 January 2013
IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	effective from accounting period beginning on or after 01 January 2013
IAS 32 Offsetting of financial assets and financial liabilities (Amendments)	effective from accounting period beginning on or after 01 January 2014

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

2.5 SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

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

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

(a) determining the residual values and useful lives of property and equipment (note 5)
(b) classification of investments (note 7 and 10)
(c) recognition of taxation and deferred tax (note 8 and 27) and
(d) accounting for post employment benefits (note 31)

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 profit and loss account applying the straight line method in accordance with the rate specified in note 5 to these financial statements, whereby the cost of an asset is written off over its estimated useful life. Full month's depreciation is charged on additions during the month in which asset is acquired, while no depreciation is charged in the month of disposal.

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

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

4.2 Intangible assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

4.2.1 Trading rights and membership card

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

4.3 Impairment

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.4 Investments

Held-to-maturity

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

Available-for-sale

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

Held-for-trading

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

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

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

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

4.5 Securities under repurchase / resale agreement

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

Repurchase agreements

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

Reverse repurchase agreements

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

4.6 Trade date and Settlement date accounting

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

4.7 Staff retirement benefits

4.7.1 Defined contribution plan

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

4.7.2 Defined benefit plan

The Group operates an Unfunded Gratuity for its permanent employees of SIBL 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.

As more fully explained in note 4.7.3, effective from January 1, 2013 all actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortised over the expected average working lives of the employees participating in the plan.

4.7.3 Changes in accounting policies

Adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior periods financial statements have been summarised below:

	December 31, 2012	December 31, 2011
	…………Rupees…………	
Impact on balance sheet		
Increase in Deferred tax asset - net	108,358	213,400
Increase in Accrued and other liabilities	261,893	627,648
Increase in Accumulated loss	153,535	414,248

	December 31, 2012
	Rupees
Impact on profit and loss account	
Decrease in Administrative expenses	(56,807)
Increase in Profit before taxation	56,807
Decrease in Taxation	-
Decrease in Profit for the year	56,807
Increase in Earnings per share - basic and diluted	0.001

4.8 Offsetting of financial assets and financial liabilities

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

4.9 Financial instruments

All financial assets and financial liabilities are recognized at the time when group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

4.10 Classification of deposits and financing

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

4.11 Cash and Cash equivalents

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

4.12 Provisions

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

4.13 Revenue

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

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

Income from capital gains is recognized on earned basis.

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

4.14 Finance cost

Finance cost includes return on deposits and borrowings that are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

4.15 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax rebates and credits , if any, or at 1% of turnover whichever is higher.

Deferred

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductable 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 deductable temporary differences and unused tax losses can be utilised.

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

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

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

4.16 Related party transactions

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

4.17 Foreign currencies

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

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

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

4.18 Provision for doubtful debts on financing

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

4.19 Dividend distributions and appropriations

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

5. Property, plant and equipment

(In Rupees)

PARTICULARS	Cost: As at January 01, 2013	Additions	Deletions	As at December 31, 2013	Rate	Depreciation: As at January 01, 2013	Charge for the year	Adjustment	As at December 31, 2013	Written down value as at December 31, 2013
Computers and equipments	5,696,173	323,405	(1,375,238)	4,644,340	20%	4,948,141	265,395	(1,219,630)	3,993,906	650,434
Furniture and fixtures	3,691,836	30,000	(575,000)	3,146,836	10%	3,380,500	20,382	(354,585)	3,046,297	100,539
Generator	886,321	-	-	886,321	10%	641,500	46,632	-	688,132	198,189
Sign board	262,868	7,716	(24,800)	245,784	10%	192,983	9,100	(24,084)	177,999	67,785
Telephone system	241,496	1,000	(65,000)	177,496	10%	203,524	5,367	(46,038)	162,853	14,643
Vehicles	3,688,084	200,000	(592,953)	3,295,131	20%	3,603,880	17,674	(502,764)	3,118,790	176,341
2013	**14,466,778**	***562,121**	****(2,632,991)**	**12,395,908**		**12,970,528**	**364,550**	**(2,147,101)**	**11,187,977**	**1,207,931**

PARTICULARS	Cost: As at January 01, 2012	Additions	Deletions	As at December 31, 2012	Rate	Depreciation: As at January 01, 2012	Charge for the year	Adjustment	As at December 31, 2012	Written down value as at December 31, 2012
Computers and equipments	5,509,582	242,091	(55,500)	5,696,173	20%	4,615,050	388,590	(55,499)	4,948,141	748,032
Furniture and fixtures	3,691,836	-	-	3,691,836	10%	3,318,531	61,969	-	3,380,500	311,336
Generator	886,321	-	-	886,321	10%	594,868	46,632	-	641,500	244,821
Sign board	262,868	-	-	262,868	10%	182,216	10,767	-	192,983	69,885
Telephone system	236,496	5,000	-	241,496	10%	190,123	13,401	-	203,524	37,972
Vehicles	4,958,621	42,953	(1,313,490)	3,688,084	20%	4,896,339	21,030	(1,313,489)	3,603,880	84,204
2012	**15,545,724**	**290,044**	**(1,368,990)**	**14,466,778**		**13,797,127**	**542,389**	**(1,368,988)**	**12,970,528**	**1,496,250**

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 11,466,634/- (2012 : Rs.11,965,624/-) in respect of fully depreciated assets still in use.

5.2 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale Proceeds	Gain	Sold to	Mode of disposal
Computer and equipments	28,400	28,399	1	4,000	3,999	Powerware Technology	Negotiation
Vehicles	42,953	1,432	41,521	35,600	(5,921)	Adamjee Insurance Compnay Ltd.	Insurance claim
2013	71,353	29,831	41,522	39,600	(1,922)		

* This includes assets transferred from SIBLE To SIBL at written down value of Rs. 294,216/-.
** This includes assets transferred from SIBL To SIBLE.

		Note	2013 Rupees	2012 Rupees
6.	**Intangible assets**			
	Trading Right Entitlement Certificate - Karachi Stock Exchange Limited	6.1	**9,818,182**	-
	Corporate membership of the Pakistan Mercantile Exchange Limited		**750,000**	750,000
			10,568,182	750,000

6.1 These represent Trading Right Entitlement Certificate (TREC) received from Karachi Stock Exchange Limited (KSE) in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act). The Company has also received shares of KSE after completion of the demutualisation process.The TREC have been recorded at 9.8 million. For details, refer to note 7.2.

		Note	2013 Rupees	2012 Rupees
7.	**Long term investments**			
	Held to maturity Investment			
	Pakistan Investment Bonds - Held to maturity	7.1	**50,824,596**	50,903,748
	Investment - at fair value through other Comprehensive income			
	The Karachi Stock Exchange Ltd- 4,007,383 ordinary shares of Rs. 10/- each	7.2	**26,181,818**	36,000,000
			77,006,414	86,903,748
7.1	**Pakistan Investment Bonds**			
	Cost		**50,903,748**	50,982,900
	Less : Amortization		**(79,152)**	(79,152)
			50,824,596	50,903,748

These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.50,000,000/- (2012: Rs.50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2012 : 10% per annum). Their period to maturity is ten and a half years.

7.2 Pursuant to demutualization of the Karachi Stock Exchange Limited (KSE), the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Company received shares and TREC from the KSE against its membership card which was carried at Rs. 36 million in the books of the Company.

The above arrangement has resulted in allocation of 4,007,383 shares at Rs. 10 each with a total face value of Rs. 40 million and TREC to the Company by the KSE. Out of total shares issued by the KSE, the Company has actually received 40% equity shares i.e. 1,602,953 shares.The remaining 60% shares have been transferred to CDC sub-account in the Company's name under the KSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Company.

The Institute of Chartered Accountants of Pakistan in its technical guide dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of them embership card between the two distinct assets on a reasonable basis.

The abovementioned face value (Rs.40million) of the shares issued by the KSE to its members including the Company has been determined on the basis of the fair valuation of the underlying assets and liabilities of the KSE in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012. In other words, shares worth Rs. 40 million received by the Company represent its share in the fair value of the net assets of the KSE.Under the current circumstances, where active market is not available for such shares, this net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

Further recently, the KSE has introduced a minimum capital regime for the brokers, and for this purpose has valued TREC at Rs.15million as per the decision of the Board of Directors of the KSE.This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investor's interest. In the absence of an active market for TREC, this assigned value of Rs. 15 million has been considered as the closest estimate of the fair value of the TREC.

Therefore, based on the above estimates of fair values of KSE shares (Rs. 40 million) and TREC (Rs. 15 million), the Company has allocated its carrying value of the membership card in the ratio of 0.73 to shares and 0.27 to TREC. Consequently, the investments have been recognized at Rs. 26.18 million and TREC at Rs. 9.8 million.

	Note	2013 Rupees	2012 Rupees
8. Deferred tax asset			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		**11,038,611**	6,950,115
Remeasurement of defined benefit plans - O.C.I component		**68,887**	108,358
Accelerated depreciation		**2,051**	41,598
Tax losses		**21,279,958**	22,073,912
		32,389,507	29,173,983
8.1 Movement in deferred tax asset			
Opening Balance		**29,173,983**	35,577,224
Provision /(Reversal) during the year		**3,165,952**	(6,403,241)
Closing Balance		**32,389,507**	29,173,983

8.2 The Bank has an aggregate amount of Rs. 62.588 million (2012: Rs. 63.068 million) in respect of unabsorbed tax losses as at December 31, 2013 on which the management has recognized deferred tax asset of Rs. 21.280 million (2012: Rs. 22.074 million). The management of the Bank believes that based on the projections of future taxable profit it would be able to realize these tax losses in the future.

	Note	2013 Rupees	2012 Rupees
9. Short term financing - secured and considered good			
Associated companies	**9.1**	**125,500,000**	63,032,571
Others		**-**	82,233,598
		125,500,000	145,266,169

9.1 These are secured by hypothecation or a charge on assets of customers and certificate of deposits. The mark-up rate are 14 & 16% per annum (2012: 15% per annum).

	Note	2013 Rupees	2012 Rupees
10. Short term investments - available for Sale			
Pakistan Investment Bonds	**10.1**	**318,480,976**	330,919,152
Term Finance Certificates	**10.1**	**6,865,348**	6,882,969
Quoted shares	**10.1**	**5,511,735**	28,839,124
Unquoted shares	**10.1**	**-**	8,225
Treasury bills	**10.1**	**-**	115,787,498
		330,858,059	482,436,968

10.1 Securities given as collateral under repurchase agreements.

	Note	2013 Held by SIBL	2013 Repo	2013 Total	2012 Held by SIBL	2012 Repo	2012 Total
		Rupees					
Pakistan Investment Bonds	**10.1.1**	**137,126,690**	**181,354,286**	**318,480,976**	68,596,252	262,322,900	330,919,152
Term Finance Certificates	**10.1.2**	**6,865,348**	**-**	**6,865,348**	6,882,969	-	6,882,969
Quoted Shares	**10.1.3**	**5,511,735**	**-**	**5,511,735**	28,839,124	-	28,839,124
Unquoted Shares	**10.1.4**	**-**	**-**	**-**	8,225	-	8,225
Market Treasury Bills		**-**	**-**	**-**	-	115,787,498	115,787,498

10.1.1 This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having face value of Rs.350,000,000 (2012: Rs.350,000,000) with income receivable semi annually. Period to maturity of these investments range from two and half years to ten years and six months and carry mark-up at rates (coupon rate) ranging from 9.6% to 12% per annum (2012: 10% to 12% per annum). PIBs having market value of Rs. 181.354 million (2012 : Rs. 262.323 million) are held by other financial institutions as security under repurchase transactions.

10.1.2 Particulars of listed Term Finance Certificates (TFC) :

Issuer of TFC		No. of Certificates 2013	No. of Certificates 2012	2013 Cost	2013 Market Value	2012 Cost	2012 Market value
				Rupees			
Telecard Limited	**10.1.2.1**	**5,000**	5,000	**8,983,742**	**6,865,348**	9,177,292	6,882,969

10.1.2.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
Telecard Limited	5,000	3.75% over 6 months KIBOR.	Semi-annually	Originally Eight years from May 2005. Rescheduled upto May 27,
Valuation of certificates				
Initial value of certificates	5,000			
Redemption upto December 31, 2013	3,203			
Balance as at December 31, 2013	**1,797**			

Telecard has restructured its TFCs redemption schedule on December 30, 2011 relating to the default of payment of redemption due on May 27, 2011, without any consequences or delay penalties after the approval obtained by the Company from the TFC holders upon Company's request. The said restructuring has resulted in lower current maturity. As a result, the last redemption date has been extended to May 27, 2015, instead of the revised final redemption date of November 27, 2013.

The TFCs are secured against a first specific charge over the fixed assets of the company, aggregating to Rs. 800 million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

10.1.3 Quoted Shares

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

2013	2012		**2013**		2012	
No. of ordinary shares, certificates / units			**Cost**	**Market Value**	Cost	Market Value
			---------------------------- **Rupees**		--------------------------	
		Modarabas / Mutual funds				
4,500	4,500	PICIC Growth Fund	**64,170**	**112,860**	64,170	73,800
-	69,627	JS Growth Fund (formerly UTP growth fund)	**-**	**-**	343,957	607,844
		Leasing				
42,370	42,370	Saudi Pak Leasing Company Limited	**59,742**	**119,483**	59,742	137,703
		Investment banks / Cos. / Banks				
57,290	52,082	Arif Habib Limited	**2,361,689**	**1,834,999**	2,361,689	1,607,251
103,571	932,667	Askari Bank Limited	**1,862,658**	**1,450,122**	16,773,412	16,060,654
3,825	3,825	Bank Alfalah Limited	**52,670**	**103,428**	52,670	64,337
-	214,700	The Bank of Punjab	**-**	**-**	4,186,650	2,297,290
31,625	27,500	National Bank of Pakistan	**1,189,797**	**1,836,148**	1,189,797	1,358,225
1,644	1,644	First National Equities Limited	**21,684**	**5,409**	21,684	6,609
2,270	2,270	Jahangir Siddiqui & Company Limited	**68,259**	**20,861**	68,259	36,638
		Automobiles and Transport				
-	45,000	Pakistan International Airlines Corporation (A)	**-**	**-**	117,450	181,350
		Textile Composite				
-	100,000	Nishat Mills Limited	**-**	**-**	6,062,076	6,385,000
		Miscellaneous				
7,500	7,500	Pace Pakistan Limited	**43,875**	**28,425**	43,875	22,425
			5,724,544	**5,511,735**	31,345,431	28,839,124

10.1.4 Unquoted Shares

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

2013	2012		2013		2012	
No. of ordinary shares, certificates / units			Cost	Market Value	Cost	Market Value
			---------- Rupees ----------			
		Modarabas / Mutual funds				
500	500	Long Term Venture Modaraba	**225**	**-**	225	225
		Sugar & Allied Industries				
100	100	Hamza Sugar	**8,000**	**-**	8,000	8,000
600	600		**8,225**	**-**	8,225	8,225

	Note	2013 Rupees	2012 Rupees
11. Loans and advances			
Advances -considered good			
For expenses		**692,373**	854,447
For office premises		**2,500,000**	2,500,000
Advance income tax less payments and provision for tax		**85,275,234**	83,308,799
		88,467,607	86,663,246
12. Deposits, prepayment and other receivables			
Security		**1,443,788**	1,443,788
PMEX exposure limits	**12.1**	**1,090,518**	998,123
KSE exposure limits		**750,000**	750,000
Prepayments		**1,195,332**	633,611
Other receivables - considered good		**923,458**	3,214,471
		5,403,096	7,039,993

12.1 This represents interest bearing security deposits of Rs. 701,000 (2012: 701,000) which carries markup at the rate of 7% to 9.5% (2012: 6% to 6.05%).

	Note	2013 Rupees	2012 Rupees
13. Accrued Interest			
Income receivable	**13.1**	**13,649,907**	19,692,893
Accrued profit on PLS deposits		**108,539**	180,940
		13,758,446	19,873,833

	Note	2013 Rupees	2012 Rupees
13.1 Income receivable			
Considered Good			
Not due 2013.	**13.1.1**	**13,758,446**	19,873,833

13.1.1 This represents income on financing and government securities not matured / due on December 31, 2013.

14. Cash and bank balances

	Note	2013 Rupees	2012 Rupees
With State Bank of Pakistan in			
Current account		**25,465,669**	25,458,362
With other banks in			
Current accounts		**6,137,156**	2,847,742
Deposit accounts	**14.1**	**2,532,411**	6,959,285
		8,669,567	9,807,027
Cash in hand		**137,166**	264,670
		34,272,402	35,530,059

14.1 Rate of return on these deposits accounts range from 6% to 6.05% per annum (2012 : 6% to 6.05% per annum).

15. Issued, subscribed and paid-up capital

Number of shares 2013	Number of shares 2012		2013 Rupees	2012 Rupees
23,552,000	23552,000	Ordinary shares of Rs. 10/- each fully paid in cash	**235,520,000**	235,520,000
27,881,558	27,881,558	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	**278,815,580**	278,815,580
51,433,558	51,433,558		**514,335,580**	514,335,580

16. Reserves

	Note	2013 Rupees	2012 Rupees
Capital Reserves			
Statutory reserves	**16.1**	**143,380,640**	142,682,050

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.

	Note	2013 Rupees	2012 Rupees
17. (Deficit) on revaluation of investments - net of deferred tax			
Government securities		**(32,466,504)**	(19,857,472)
Term Finance Certificates		**(2,118,394)**	(2,294,323)
		(34,584,898)	(22,151,795)
Related deferred tax asset		**11,038,611**	6,950,115
		(23,546,287)	(15,201,680)
Quoted shares		**(221,035)**	(2,506,307)
		(23,767,322)	(17,707,987)

18. Borrowings

	Note	2013 Rupees	2012 Rupees
Financial institutions - secured	18.1	**176,766,009**	360,368,326

18.1 This represents amount borrowed from financial institutions at mark-up rates ranging between 10.80% to 10.85% per annum (2012: 10.30% to 11.25% per annum) and having maturity on or before January 10, 2014. These are secured against Pakistan Investment Bonds.

19. Short term deposits

	Note	2013 Rupees	2012 Rupees
From individuals		**8,021,659**	9,662,077
From related parties			
Associated undertaking		**5,739,342**	2,415,384
Others		**16,355,273**	8,235,215
	19.1	**30,116,274**	20,312,676

19.1 This represents Certificate of Deposits with maturity ranging from one month to twelve months. The expected rate of return on these deposits range from 7.5% to 10% per annum (2012: 6.5% to 11% per annum) payable monthly, quarterly, semi annually or on maturity.

20. Accrued and other liabilities

	2013 Rupees	2012 Rupees
Accrued expenses		
Return on borrowing From related party- unsecured	**-**	45,602
Return on deposits from		
- individuals	**191,152**	712,986
- related party	**1,955,466**	-
	2,146,618	712,986
Return on borrowing from financial institutions- secured	**965,318**	1,071,126
	3,111,936	1,829,714

	Note	2013 Rupees	2012 Rupees
Other liabilities			
Unclaimed dividend		**2,094,583**	2,094,583
Others			
- related party		**1,500,000**	-
- others		**422,454**	5,069,244
		1,922,454	5,069,244
Payable to employee gratuity fund	31	**1,649,026**	1,042,039
		8,777,999	10,035,580

21. Contingencies and commitments

Contingencies

Guarantees issued on behalf of customer:

	2013 Rupees	2012 Rupees
- Associated undertaking	**18,733,000**	22,897,910
- Others	**50,000,000**	55,103,000

Commitments

There were no commitments at the balance sheet date

22. Return on financing and placements

	2013 Rupees	2012 Rupees
Financing		
Demand finance	**18,402,997**	26,761,367
Placements		
With financial Institution - unsecured	**214,011**	54,581
	18,617,008	26,815,948

23. Return on securities

		2013 Rupees	2012 Rupees
Return on government securities		**46,849,358**	52,965,473
Return on TFCs		**-**	1,503,095
		46,849,358	54,468,568
(Loss)/gain on sale of government securities		**(604,989)**	113,386
Dividend income	.	**928,646**	948,527
		47,173,015	55,530,481

24. Other income

	2013 Rupees	2012 Rupees
(Loss) / gain on sale of fixed assets	**(1,922)**	275,798
Commission	**798,147**	694,435
Miscellaneous	**1,581,418**	218,526
	2,377,643	1,188,759

		Note	2013 Rupees	2012 Rupees
25.	**Finance cost**			
	Return on certificate of deposits		**2,858,693**	1,010,277
	Return on clean borrowings		**-**	672,065
	Return on borrowings under repurchase agreement (Repo)		**26,540,276**	46,414,730
			29,398,969	48,097,072
26.	**Administrative expenses**			
	Salaries, wages and other benefits		**19,046,943**	17,819,726
	Contribution to provident fund	**31.7**	**691,200**	569,225
	Gratuity scheme expenses	**31.4**	**723,077**	723,339
	Rent, rates and taxes		**2,482,057**	2,329,516
	Telephone, telex and fax		**748,387**	751,639
	Electricity, water and gas		**1,239,032**	1,237,668
	Printing, postage and stationery		**927,527**	764,793
	Insurance		**577,349**	529,713
	Fees and membership		**1,724,094**	1,542,669
	Brokerage and commission		**43,530**	49,821
	Central Depository Company charges		**59,661**	161,268
	Auditors' remuneration	**26.1**	**452,200**	477,000
	Legal and professional fees		**1,477,920**	705,280
	Vehicle running and maintenance		**1,689,986**	1,995,029
	Repairs and maintenance		**479,342**	629,838
	Advertisement		**269,166**	196,727
	Travelling and entertainment		**644,104**	532,278
	Depreciation	**5**	**364,550**	542,389
	Bank charges		**38,930**	35,555
	Old age benefit		**118,800**	101,544
	Books, periodicals & newspapers		**52,424**	48,214
	Other expenses		**2,085,549**	1,109,745
			35,935,828	32,852,976

		Note	2013 Rupees	2012 Rupees
26.1	**Auditors' remuneration**			
	Statutory audit fee		**325,000**	450,000
	Out of pocket		**27,200**	27,000
			352,200	477,000

		Note	2013 Rupees	2012 Rupees
27.	**Taxation**			
	Current			
	- for the year	**27.1**	**(1,116,806)**	(1,449,924)
	Deferred			
	- opening balance		**(22,115,510)**	(20,681,120)
	- closing balance		**21,282,009**	22,115,510
			(833,501)	1,434,390
			(1,950,307)	(15,534)

27.1 The Group has incurred a taxable income in the current financial year, however minimum tax is higher than the tax on taxable income and the company incurred taxable loss during the previous year, therefore, no reconciliation is provided in the current financial statements.

Assessment of tax years 1995-96, 1997-98 to 2001-02, tax year 2003 & 2005, 2006-07 have been finalized and rectification applications have been filed on rectifiable issues in respect of above mentioned tax years, which is pending for disposal.

The declared results for tax year 2008 were modified under section 122(1) of the Income Tax Ordinance, 2001 and demand of Rs. 68 million was raised by the department, against which SIBL has preferred appeal before the Commissioner of the Inland Revenue (Appeals II) which was decided against SIBL. SIBL has contested the aforesaid order before Appellate Tribunal Inland Revenue which is pending for fixation. No provision has been made against this demand as the management is confident that the appeal will be decided in favor of the Group.

The declared results for the tax year 2009 to 2010 and 2012 to 2013 are deemed to be assessed in terms of Section 120(1)(b) of Income Tax Ordinance 2001.

The return filed for the tax year 2011 was selected for audit under section 177 of the Ordinance. Information document request was served under section 176 of the Ordinance which was dully responded. However, no further information has been taken by the tax authorities.

28. Earnings per share- basic and diluted

		2013	2012
28.1	**Basic**		
	Profit after tax	**5,336,411**	4,313,122
	Weighted average number of ordinary shares	**51,433,558**	51,433,558
	Earnings per share	**0.104**	0.084

28.2 Diluted

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

	Note	2013 Rupees	2012 Restated Rupees
29. Cash and bank balances			
Cash and bank balances		**34,272,402**	35,530,059
30. Staff strength			
Number of employees at end of the year		27	32
Average number of employees during the year		30	26

31. Defined benefit plan

31.1 General description

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

Annual provision is based on actuarial valuation, which was carried out as at December 31, 2013 using the Projected Unit Credit Method.

31.2 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation.

Estimated rate of increase in salary of the		**10.00%**	9.50%
Discount rate		**13.00%**	11.50%

31.3 Net liability (Assets)

Beginning of the year		**1,042,039**	1,240,573
DB cost		**606,987**	414,391
Less: paid		**-**	(612,925)
End of the year		**1,649,026**	1,042,039
Reconciliation			
Obligation	**31.3.1**	**6,345,926**	5,304,348
Plan assets	**31.3.2**	**(4,696,900)**	(4,262,309)
Unrecognized net loss		**-**	-
Net liability (assets)		**1,649,026**	1,042,039

		2013 Rupees	2012 Restated Rupees
31.3.1	**Obligation**		
	Present value of obligation at beginning of the year	**5,304,348**	4,772,052
	Current service cost	**603,243**	601,448
	Interest cost	**610,000**	605,873
	Remeasurement du to:		
	Changes in demographic assumptions	**-**	179,299
	Changes in financial assumptions	**(659,001)**	-
	Experience	**487,336**	(624,324)
	Benefits paid	**-**	(230,000)
	Present value of obligation at the end of the year	**6,345,926**	5,304,348
31.3.2	**Plan assets**		
	Present value of plan assets at beginning of the year	**4,262,309**	3,531,479
	Interest income	**490,166**	483,982
	Remeasurement due to:		
	Investment return	**(55,575)**	(136,077)
	Contributions	**-**	612,925
	Benefits paid	**-**	(230,000)
	Fair value of plan assets at the end of the year	**4,696,900**	**4,262,309**

		2013 Rupees	2012 Restated Rupees
31.4	**DB cost**		
	Current service cost	**603,243**	601,448
	Interest cost	**119,834**	121,891
		723,077	723,339
	Remeasurement due to:		
	Changes in demographic assumptions	**-**	179,299
	Changes in financial assumptions	**(659,001)**	**-**
	Experience on obligation	**487,336**	(624,324)
	Investment return	**55,575**	136,077
		(116,090)	(308,948)
	Total DB cost	**606,987**	414,391

31.5 Payments

The Bank contributes to the gratuity fund on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any surplus or deficit.

Projected Payments	**Rupees**
Contributions 2014	875,732
Benefits:	
2014	476,967
2015	263,865
2016	1,237,734
2017	167,385
2018	146,887
2019-23	4,659,605

31.6 Based on actuarial advice the Bank intends to charge an amount of approximately Rs.0.723 million (2012 : Rs.0.723 million) in the financial statements for the year ending December 31, 2013.

31.7 Defined contribution plan

An amount of Rs.0.691 million (2012: Rs.0.569 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

31.8 Disclosure relating to provident fund

The Bank operates a recognized Provident Fund (the Fund) for its permanent employees.

	2013	**2012**	**2013**	**2012**
	Percentage		**Rupees**	
(i) Size of Fund			9,884,021	7,829,579
(ii) Cost of investments made			9,363,302	7,817,981
(iii) Percentage of investments made			94.73	99.85
(iv) Fair value of investments			6,606,900	6,011,935
Break up of the investments is as follows:				
Bank balance	34.03	23.22	3,363,302	1,817,981
Government securities	60.70	76.63	6,000,000	6,000,000

32. Remuneration of chief executive and directors

	Chief Executive		Directors		Executives	
	2013	2012	**2013**	2012	**2013**	2012
Director's meeting fees	-	-	**395,000**	210,000		
Managerial remuneration	**4,494,000**	5,118,000	-	-	**7,044,000**	5,496,000
Bonus	**374,500**	-	-	-	**587,000**	458,000
Medical expenses	**122,123**	138,380	-	-	**599,000**	459,000
Provident fund	**-**	-	-	-	**465,600**	360,792
Other benefits	**973,878**	1,058,855	-	-	-	-
Reimbursable expenses	**-**	-	-	-	**-**	-
	5,964,501	6,315,235	**395,000**	210,000	**8,695,600**	6,773,792
Number of persons	**2**	2	**7**	6	**7**	6

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

33. SEGMENT

The group's activities are broadly categorized into two primary business segments namely Investment Banking activities and Exchange Company activities within Pakistan.

Investment Banking Activities

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

Exchange Companies Activities

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

	December 31, 2013		
	Investement Banking Activities	Exchange Company Activities	Total
	-----------Rupees--------		
Return on financing and placements	18,617,008	-	18,617,008
Return on securities	47,173,015	-	47,173,015
Gain on sale of investments	4,188,084	-	4,188,084
Profit on deposits with banks	265,765	-	265,765
Other income	1,306,820	1,070,823	2,377,643
Total income for reportable segments	**71,550,692**	**1,070,823**	**72,621,515**
Finance cost	29,398,969	-	29,398,969
Administrative and Operating expenses	32,646,064	3,289,764	35,935,828
Segment result	**9,505,659**	**(2,218,941)**	**7,286,718**
Impairment on equity securities	-	-	-
Profit / (loss) before taxation	**9,505,659**	**(2,218,941)**	**7,286,718**
Segment Assets	693,025,610	26,406,034	719,431,644
Segment Liabilities and Equity	698,277,693	21,153,951	719,431,644

	December 31, 2012		
	Investement Banking Activities	Exchange Company Activities	Total
	-----------Rupees--------		
Return on financing and placements	26,815,948	-	26,815,948
Return on securities	55,435,123	95,358	55,530,481
Gain on sale of investments	1,124,156	-	1,124,156
Profit on deposits with banks	619,360	-	
Other income	1,203,513	(14,754)	1,188,759
Total income for reportable segments	**85,198,100**	**80,604**	**85,278,704**
Finance cost	48,097,072	-	48,097,072
Administrative and Operating expenses	29,048,334	3,804,642	32,852,976
Segment result	**8,052,694**	**(3,724,038)**	**4,328,656**
Impairment on equity securities	-	-	-
Profit / (loss) before taxation	**8,052,694**	**(3,724,038)**	**4,328,656**
Segment Assets	862,659,158	32,475,091	895,134,249
Segment Liabilities and Equity	870,924,170	24,210,079	895,134,249

34. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Bank has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily cashable marketable securities. The maturity profile is monitored on regular basis at Assets and Liabilities Committee to ensure that adequate liquidity in maintained. The table below summarizes the maturity profile of the Bank's assets and liabilities.

35. Maturities of assets and liabilities

	2013			
	Total	Within One Year	Over one year to five years	Over five years
	--------------------------Rupees--------------------------			
Assets				
Tangible fixed assets	1,207,931	-	-	1,207,931
Intangible assets	10,568,182	-	-	10,568,182
Long term Investment	77,006,414	-	-	77,006,414
Deferred tax asset	32,389,507	32,389,507	-	-
Short term financing	125,500,000	125,500,000	-	-
Short term investments	330,858,059	330,858,059	-	-
Loans and advances	88,467,607	88,467,607	-	-
Deposits, prepayments and other receivables	5,403,096	5,403,096	-	-
Accrued interest	13,758,446	13,758,446	-	-
Cash and bank balances	34,272,402	34,272,402	-	-
	719,431,644	**630,649,117**	**-**	**88,782,527**
Liabilities				
Borrowings	176,766,009	176,766,009	-	-
Short term deposits	30,116,274	30,116,274	-	-
Accrued expenses and other liabilities	8,778,000	8,778,000	-	-
	215,660,283	**215,660,283**	**-**	**-**
Net assets	**503,771,361**	**414,988,834**	**-**	**88,782,527**
Represented by:				
Share capital	514,335,580			
Accumulated loss	(130,177,536)			
Statutory reserves	143,380,640			
Deficit on revaluation of investments - net of tax	(23,767,323)			
	503,771,361			

	2012			
	Total	Within One Year	Over one year to five years	Over five years
	------------------------------------Rupees------------------------------------			
Assets				
Tangible fixed assets	1,496,250	-	-	1,496,250
Intangible assets	750,000	-	-	750,000
Long Term Investment	86,903,748	-	-	86,903,748
Deferred tax asset	29,173,983	-	-	29,173,983
Short term financing	145,266,169	145,266,169	-	-
Short term investments	482,436,968	482,436,968	-	-
Loans and advances	86,663,246	86,663,246	-	-
Deposits, prepayments and other receivables	7,039,993	7,039,993	-	-
Accrued Interest	19,873,833	19,873,833	-	-
Cash and bank balances	35,530,059	35,530,059	-	-
	895,134,249	**776,810,268**	**-**	**118,323,981**
Liabilities				
Borrowings	360,368,326	360,368,326	-	-
Short term deposits	20,312,676	20,312,676	-	-
Accrued expenses and other liabilities	10,035,580	10,035,580	-	-
	390,716,582	**390,716,582**	**-**	**-**
Net assets	**504,417,667**	**386,093,686**	**-**	**118,323,981**
Represented by:				
Share capital	514,335,580			
Accumulated loss	(134,891,976)			
Statutory reserves	142,682,050			
Deficit on revaluation of investments - net of tax	(17,707,987)			
	504,417,667			

36. 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 Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the credit worthiness of counter-parties.

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

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

The Group 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:

36.1 Finance	**2013**		2012	
	Rupees	**%**	Rupees	%
Cables and electric goods	**125,500,000**	**100.00**	140,083,598	96.43
Others	**-**	**-**	5,182,571	3.57
	125,500,000	**100.00**	145,266,169	100.00

36.2 Geographical Segment

These financial statements represent operations of the Bank in Pakistan only.

37. Market risk

The Group's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the Group's activities include interest rate risk, currency risk and other price risk.

37.1 Interest rate risk

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

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

		31 December 2013			
		Exposed to Interest Rate/ Yield Risk			
Description	**Total**	**Within one year**	**More than one year and up to five years**	**Above five years**	**Not Exposed to Interest Rate/ Yield Risk**
Financial assets					
Long term investment	26,181,818	-	-	-	26,181,818
Short term financing	125,500,000	125,500,000	-	-	-
Investment in TFCs	6,865,348	6,865,348	-	-	-
Short term investments in Quoted Shares	5,511,735	-	-	-	5,511,735
Short term investments in Unquoted Shares	-	-	-	-	-
Investment in Government Bonds	369,305,572	318,480,976	-	50,824,596	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	4,207,764	-	-	-	4,207,764
Accrued interest	13,758,446	-	-	-	13,758,446
Balances with banks and cash in hand	34,272,402	2,517,286	-	-	31,755,116
Total	**588,103,085**	**453,363,610**	**-**	**50,824,596**	**83,914,879**
Financial liabilities					
Deposits	30,116,274	30,116,274	-	-	-
Borrowings	176,766,009	176,766,009	-	-	-
Profit accrued on deposits and borrowings	3,336,909	-	-	-	3,336,909
Accrued and other liabilities	3,792,065	-	-	-	3,792,065
Total	**214,011,257**	**206,882,283**	**-**	**-**	**7,128,974**
Total interest rate sensitivity gap		246,481,327	-	50,824,596	76,785,905
Cumulative interest rate sensitivity gap		246,481,327	246,481,327	297,305,923	

Description	Total	31 December 2012 Exposed to Interest Rate/ Yield Risk: Within one year	More than one year and up to five years	Above five years	Not Exposed to Interest Rate/ Yield Risk
Financial assets					
Long term Investment	36,000,000	-	-	-	36,000,000
Short term financing	145,266,169	145,266,169	-	-	-
Short term Placements	-	-	-	-	-
Investment in Government Bonds	497,610,398	446,706,650	-	50,903,748	-
Short term investments in TFC's	6,882,969	6,882,969	-	-	-
Short term investments in Quoted Shares	28,839,124	-	-	-	28,839,124
Short term investments in Unquoted Shares	8,225	-	-	-	8,225
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	6,303,941	-	-	-	6,303,941
Accrued interest	19,873,833	-	-	-	19,873,833
Balance with bank and cash in hand	35,530,059	6,959,285	-	-	28,570,774
Total	**778,814,718**	**605,815,073**	**-**	**50,903,748**	**122,095,897**
Financial liabilities					
Deposit	112,047,664	112,047,664	-	-	-
Borrowings	360,368,326	360,368,326	-	-	-
Profit accrued on deposits and borrowings	1,829,714	-	-	-	1,829,714
Accrued and other liabilities	7,163,827	-	-	-	7,163,827
Total	**481,409,531**	**472,415,990**	**-**	**-**	**8,993,541**
Total interest rate sensitivity gap		133,399,083	-	50,903,748	113,102,356
Cumulative interest rate sensitivity gap		133,399,083	133,399,083	184,302,831	

Mark-up rates are mentioned in the respective notes to these financial statements.

37.2 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

37.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

38 Capital risk management

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

The Group 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. 764(I)/ 2009 dated September 02, 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the Group is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

NBFC Sector Reform Committee Report issued by the Reform Committee of SECP suggests that the time for complaince with the enhanced minimum equity requirement of Rs.600 million may be extended till June 30, 2016.

39 Fair value of financial instruments

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

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

40 Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes subsidiary company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel and retirement benefit funds. The Group 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 33 to the financial statements, are as follows;

	2013	2012
	Rupees	Rupees
Financing		
Balance as at year end		
- Associated undertakings	**125,500,000**	63,032,571
- Others	**-**	82,233,598
Return on financing		
Transactions during the year		
- Associated undertakings	**18,402,997**	14,285,072
- Others	**-**	12,812,416
Short term deposits		
Balance as at year end		
- Associated undertakings	**5,739,342**	2,415,384
- Others	**16,355,273**	8,235,215
Return on deposits		
Transactions during the year		
- Associated undertakings	**254,029**	263,075
- Others	**1,281,087**	564,338
Guarantee issued		
Balance as at year end		
- Associated undertakings	**18,733,000**	22,897,910
Other transactions during the year		
Contribution to staff provident fund	**691,200**	569,225
Contribution to staff gratuity fund	**-**	612,925

41 Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors on 25 March 2014.

42 Figures

42.1 Figures have been rounded off to the nearest rupee.

42.2 Comparative information has been re-classified or re-arranged, wherever necessary, for the purpose of better presentation.

Muhammad Saleem Rathod

Digitally signed by Muhammad Saleem Rathod
DN: cn=Muhammad Saleem Rathod, c=PK, o=SIBL, ou=Bank, email=sibl@sibl.com.pk
Date: 2014.04.04 10:29:30 +05'00'

MUHAMMAD SALEEM RATHOD
CHIEF EXECUTIVE

Haji Jan Muhammad

Digitally signed by Haji Jan Muhammad
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Date: 2014.04.04 10:22:50 +05'00'

HAJI JAN MUHAMMAD
CHAIRMAN

PATTERN OF SHAREHOLDING
AS AT 31 DECEMBER 2013

Number of Shareholders	Shareholding From	Shareholding To	Total number of shares held	Percentage %
815	1	100	30,586	0.06%
505	101	500	122,304	0.24%
244	501	1000	192,829	0.37%
525	1001	5000	922,831	1.79%
63	5001	10000	453,551	0.88%
25	10001	15000	308,033	0.60%
12	15001	20000	214,861	0.42%
15	20001	25000	344,882	0.67%
2	25001	30000	56,100	0.11%
3	30001	35000	98,622	0.19%
2	35001	40000	73,944	0.14%
5	40001	45000	212,293	0.41%
3	45001	50000	135,765	0.26%
3	50001	55000	156,727	0.30%
2	55001	60000	111,400	0.22%
1	65001	70000	68,575	0.13%
1	75001	80000	79,627	0.15%
1	85001	90000	88,002	0.17%
1	90001	95000	92,423	0.18%
1	135001	140000	139,200	0.27%
4	160001	165000	649,920	1.26%
1	175001	180000	180,000	0.35%
1	185001	190000	186,855	0.36%
1	205001	210000	208,236	0.40%
2	230001	235000	466,758	0.91%
1	285001	290000	286,000	0.56%
1	375001	380000	375,463	0.73%
1	395001	400000	398,717	0.78%
1	405001	410000	410,000	0.80%
1	425001	430000	430,000	0.84%
1	490001	495000	495,000	0.96%
1	705001	710000	706,977	1.37%
1	915001	920000	917,841	1.78%
1	925001	930000	926,234	1.80%
1	1085001	1090000	1,089,900	2.12%
1	1110001	1115000	1,114,392	2.17%
1	1160001	1165000	1,160,703	2.26%
1	1175001	1180000	1,178,581	2.29%
1	1570001	1575000	1,573,550	3.06%
1	1825001	1830000	1,825,050	3.55%
2	2225001	2230000	4,453,120	8.66%
1	2230001	2235000	2,232,482	4.34%
1	2275001	2280000	2,277,698	4.43%
1	2370001	2375000	2,371,947	4.61%
1	2795001	2800000	2,796,114	5.44%
1	2920001	2925000	2,923,849	5.68%
1	3650001	3655000	3,650,100	7.10%
1	4945001	4950000	4,945,316	9.61%
1	7300001	7305000	7,300,200	14.19%
2,263			**51,433,558**	

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	2,212	44,066,701	85.68%
Investment companies	6	3,849	0.01%
Insurance companies	3	376,202	0.73%
Joint stock companies	32	3,093,094	6.01%
Financial institutions	3	2,599	0.01%
Modaraba companies	1	889	0.00%
Mututal fund	3	3,439,681	6.69%
Others	3	450,543	0.88%
	2,263	**51,433,558**	

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

Categories of Shareholders	Shares Held
Individual	13,411,394
Investment companies except ICP	2,144
Public / Private Sector Companies and Corporations	3,543,637
Directors, Chief Executive Officer and their spouse and minor children	
Haji Jan Muhammad	1,221
Karim Muhammad Munir	500
Mohammad Shoaib	1,111
Muhammad Mehboob	2,760
Muhammad Saleem Rathod	2,335
Muhammad Taufique Motiwala	500
Shaikh Abdullah	1000
Sheikh Asim Rafiq (NIT) National Bank of Pakistan, Trustee Department	3,440,647
Investment Corporation of Pakistan	1,705
Associated companies, undertakings and related parties	
Fouzia Bano	1,825,050
Maryiam Bai	1,178,581
Muhammad Hanif	2,226,560
Muhammad Iqbal	2,923,849
Shahnaz Javed	3,650,100
Yasmin Bano	2,226,560
Zarina Iqbal	2,796,114
Banks, DFIs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Department	378,724
Shareholders holding ten percent or more voting interest	
Amina Bano	7,300,200
HAR	6,518,866
Grand Total	**51,433,558**

Dividend Mandate

Dear Shareholder,

Dividend Mandate: (Optional)

Security Investment Bank Limited wishes to inform its Shareholders that under the Law (Section 250 of the Companies Ordinance, 1984) they are entitled (if they so opt) to receive their cash dividend directly in their designated bank accounts instead of receiving it through dividend warrants. This will not only be convenient but will also save considerable time as funds will be credited directly into the bank account.

Shareholders either desiring to execise this option or wanting to update the Bank Mandate information already provided should subit the following information to Security Investment Bank Limited Share Registrar at the address noted herein:

S.No	Shareholder/Member Details	
1	Shareholder Name	
2	Father's/ Husband's Name	
3	Folio Number	
4	Name of Bank and Branch	
5	Title of Bank Account	
6	Bank Account Number	
7	Cell Number	
8	Telephone Number (if any)	
9	CNIC Number (attach copy)	
10	NTN (in case of corporate entity, attach copy)	
11	Passport No. (in case of foreign shareholder)	

Signature of Member/Shareholder

Please note that this dividend mandate is OPTIONAL and NOT COMPULSORY, in case you do not wish your dividend to be directly credited into your bank account then the same shall be paid to you through the dividend warrants.

CNIC Submission (Mandatory):

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, you are therefore requested to submit a copy of your valid CNIC. In case of non-receipt of the copy of valid CNIC, Security Investment Bank Limited (the Company) would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and therefore may be constrained under Section 251(2) (a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders in future.

Security Investment Bank Limited Share Registrar

C & K Management Associates (Pvt) Limited
404, Trade Tower, Near Hotel Metropolitan, Karachi.

***Note:** The Shareholders who hold shares in Central Depository Company are requested to submit the duly filled in Dividend Mandate Form to their Participants/Investor Account Services.

Yours faithfully,
Muhammad Shahzad
Head of Finance and Company Secretary
Security Investment Bank Limited

FORM OF PROXY

TWENTY THIRD 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 Twenty Second Annual General Meeting of the Company to be held on 28th April 2014 and at any adjournment thereof.

As Witness my/our hand this .... day of ....2014.

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 Twenty Third 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.

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