

HALF YEARLY FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2005



SECURITY INVESTMENT
BANK LIMITED

— *the money-wise bank*

Security Investment Bank Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Saleem Rathod

AUDIT COMMITTEE

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

COMPANY SECRETARY

Mr. Muhammad Amin Khatri

AUDITORS

Muniff Ziauddin & Co.
(Chartered Accountants)

TAX ADVISORS

Anjum Asim Shahid Rahman
(Chartered Accountants)

LEGAL ADVISORS

Bawaney & Partners
Muhammad Tariq Qureshi

BANKERS

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

REGISTERED OFFICE

15-E, Rehmat Centre, Jinnah Avenue,
Blue Area, Islamabad.
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Tel : 2418410-13 Fax : 2418414
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Security Investment Bank Limited

DIRECTORS' REPORT

The Board of Directors of Security Investment Bank Ltd. is pleased to present the un-audited financial statements duly reviewed by our auditors for the half year ended June 30, 2005.

During the period under review, Pakistan's economy has achieved a remarkable growth rate of 8.4%, being the highest growth level for the last 13 years. Now the challenge for policy makers is to sustain this growth momentum in the years to come. Another major task in front of the present government is to control the continuous inflationary pressures. Thus the regulators have tilted towards tightening of monetary policy. This fact is evident from the regular hike in treasury bill rates and the recent increase in discount rate by State Bank of Pakistan. The capital market of the country after the march crisis is also going through a difficult phase. These factors have contributed towards limiting business opportunities.

During the current half year we managed to earn profit of Rs. 49.9million as against Rs. 47 million earned during the same period for last year. We are exploring new business avenues for our foreign exchange company which is ready in all respect and we intent to start its operation once we get permission from State Bank of Pakistan.

With the continuous support of our regulators and guidance of our Board of Directors we feel confident to meet the challenges ahead.

On Behalf of the Board

Chairman

Karachi :
Dated : 24th August, 2005

Security Investment Bank Limited

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of SECURITY INVESTMENT BANK LIMITED as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements"), for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

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

Muniff Ziauddin & Co.
Chartered Accountants

Karachi :
Dated : 24th August, 2005

Security Investment Bank Limited

BALANCE SHEET AS AT JUNE 30, 2005 (UNAUDITED)

	Note	June 30, 2005 Rupees	December 31, 2004 Rupees
ASSETS			
Cash and bank balances		68,429,660	65,069,926
Placements		461,847,775	776,105,645
Investments	4	678,323,715	555,803,027
Financing		230,480,892	230,480,892
Advances, deposits, prepayments and other receivables		59,633,189	55,507,174
Deferred Cost		162,637	216,853
Deferred Tax Asset		899,631	3,564,858
Investment in Associated Undertaking	5	100,000,000	-
Stock Exchange Membership Card		36,000,000	36,000,000
Fixed Assets		1,509,864	768,547
		1,637,287,363	1,723,516,922
LIABILITIES			
Borrowings		547,439,865	726,242,575
Deposits		519,705,810	447,525,796
Accrued and other liabilities		10,454,955	14,569,686
Deferred Liabilities		3,695,775	3,718,775
		1,081,296,405	1,192,056,832
NET ASSETS			
		555,990,958	531,460,090
REPRESENTED BY			
Share Capital		372,706,950	372,706,950
Statutory reserve		93,292,071	85,109,274
Unappropriated profit		105,909,531	73,178,344
		571,908,552	530,994,568
Surplus / (deficit) on revaluation of investments - net		(15,917,594)	465,522
		555,990,958	531,460,090
Congingencies & Commitment	6		

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Security Investment Bank Limited

PROFIT & LOSS ACCOUNT FOR THE HALF YEAR ENDED JUNE 30, 2005 (UNAUDITED)

	<u>Half Year Ended</u>		<u>Quarter Ended</u>	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
----- Rupees -----				
INCOME				
Income on financing and placements	49,530,038	11,660,548	16,875,672	4,373,435
Return on Investments	24,956,280	33,918,242	13,688,655	17,520,864
Gain on sale of shares	13,227,386	32,789,678	2,310,000	15,904,879
Profit on deposit with banks	180,823	-	180,823	-
Other Income	304,921	233,966	303,478	230,196
	88,199,448	78,602,434	33,358,628	38,029,374
EXPENDITURE				
Return on deposits and borrowings	27,720,127	19,545,769	13,148,983	9,117,646
Operating expenses	10,565,337	12,033,881	5,625,982	5,789,739
	38,285,464	31,579,650	18,774,965	14,907,385
PROFIT BEFORE TAXATION	49,913,984	47,022,784	14,583,663	23,121,989
Provision for taxation	9,000,000	5,662,000	3,000,000	2,525,655
PROFIT AFTER TAXATION	40,913,984	41,360,784	11,583,663	20,596,334
Unappropriated profit brought forward	73,178,344	67,368,254	96,642,601	35,365,864
PROFIT AVAILABLE FOR APPROPRIATION	114,092,328	108,729,038	108,226,264	55,962,198
Appropriations:				
Transferred to statutory reserve	8,182,797	8,272,157	2,316,733	4,119,267
Interim Dividend: Bonus shares Nil (2004: 15%)	-	48,613,950	-	-
	8,182,797	56,886,107	2,316,733	4,119,267
UNAPPROPRIATED PROFIT CARRIED FORWARD TO BALANCE SHEET	105,909,531	51,842,931	105,909,531	51,842,931
Earnings per share - Basic and Diluted	1.10	1.11	0.31	0.55

Chairman

Chief Executive

Security Investment Bank Limited

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2005 (UNAUDITED)

	06 months ended June 30, 2005 Rupees	06 months ended June 30, 2004 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before tax	49,913,984	47,022,784
Adjustments for non cash & other items		
Depreciation	461,505	637,481
Amortization of deferred cost	54,216	71,418
(Gain) on disposal of shares	(13,227,386)	(31,166,895)
	(12,711,665)	(30,457,996)
Cash flows from operating activities before working capital changes	37,202,319	16,564,788
Decrease/(Increase) in financing & placements (Increase)/Decrease in advances, deposits & prepayments and other receive	314,257,870	(64,566,787)
Increase in deposits	(4,594,674)	605,495
(Decrease)/Increase in borrowings	72,180,014	3,179,519
(Decrease) in accrued & other liabilities	(178,802,710)	212,959,686
	(3,550,654)	(914,131)
	199,489,846	151,263,782
Income tax paid	(8,531,341)	(9,844,747)
Gratuity paid	(23,000)	-
Dividend paid	(564,077)	(437,864)
	(9,118,418)	(10,282,611)
Net cash generated from operating activities	227,573,747	157,545,959
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of fixed assets	(1,202,822)	(80,936)
(Purchase) of investments (shares)	(109,204,086)	(23,957,390)
(Purchase) of securities	(113,807,105)	(183,601,689)
Net cash used in investing activities	(224,214,013)	(207,640,015)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(decrease) in cash and cash equivalents	-	-
	3,359,734	(50,094,056)
Cash and cash equivalents at the beginning of the period	65,069,926	96,473,094
Cash and cash equivalents at the end of the period	68,429,660	46,379,038

Chairman

Chief Executive

Security Investment Bank Limited

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED JUNE 30, 2005 (UNAUDITED)

	Share Capital Rupees	Statutory Reserve Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at January 01, 2004	324,093,000	71,503,263	67,368,254	462,964,517
Net profit for the year	-	-	68,030,051	68,030,051
Bonus shares issued during the year	48,613,950	-	(48,613,950)	-
Appropriations: Statutory reserve	-	13,606,011	(13,606,011)	-
Balance as at December 31, 2004	372,706,950	85,109,274	73,178,344	530,994,568
Net profit for the half year	-	-	40,913,984	40,913,984
Appropriations: Statutory reserve	-	8,182,797	(8,182,797)	-
Balance as at June 30, 2005	372,706,950	93,292,071	105,909,531	571,908,552

Chairman

Chief Executive

Security Investment Bank Limited

NOTES TO THE ACCOUNTS FOR THE HALF YEAR ENDED JUNE 30, 2005

1. STATUS AND PRINCIPAL ACTIVITIES

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

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

Based on financial results for the year ended December 31, 2004, the JCR-VIS Credit Rating Company Limited reaffirmed the medium to long term rating of SIBL at 'A' (Single A) with stable outlook and the short-term rating at 'A-1' (A one).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparation of the financial statements for the year ended December 31, 2004 except for the change in accounting policy regarding valuation of Held to Maturity Investments.

In accordance with the BSD Circular No. 10 of 2004 dated 13 July, 2004 issued by State Bank of Pakistan, as clarified and amended vide Circular 11 and 14 of 2004, investments classified as Held to Maturity have been stated at amortized cost. Previously these were being stated at their fair values in accordance with the requirements of now superseded BSD Circular 20 dated August 04, 2000. Had the change in accounting policy not been made, the amount of Surplus/(deficit) on revaluation of investments would have been higher by Rs. 32,931,844/-.

	June 30, 2005 Rupees	December 31, 2004 Rupees
4. SHORT TERM INVESTMENTS		
Held to maturity		
Pakistan Investment Bonds	378,127,344	-
Available-for-sale		
Pakistan Investment Bonds	-	372,394,850
Wapda Bonds - 10th issue	50,000,000	50,000,000
Term Finance Certificates	108,217,091	94,385,167
Quoted Shares	131,521,330	25,015,185
Mutual Fund units	10,457,950	14,007,825
	<u>678,323,715</u>	<u>555,803,027</u>
5. INVESTMENT IN ASSOCIATED UNDERTAKING		
SIBL Exchange Company (Pvt) Ltd.	100,000,000	-
	<u>100,000,000</u>	<u>-</u>
	June 30, 2005 Rupees	June 30, 2004 Rupees
6. CONTINGENCIES AND COMMITMENTS		
Guarantees issued	7,100,000	-
	<u>7,100,000</u>	<u>-</u>
7. TRANSACTIONS WITH RELATED PARTIES		
Financing		
- Associated undertakings	94,195,857	90,195,857
- Others	105,317,335	109,221,081
Return on financing		
- Associated undertakings	1,802,801	3,357,932
- Others	1,774,570	4,204,638
Deposit	131,548,520	154,123,060
Return on deposits	2,499,467	2,949,119
Transactions with associated undertakings/related parties i.e. shareholder, directors and their related concerns are accounted for in accordance with comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates.		
8. GENERAL		
These financial statements were authorised for issue by the Board of Directors on August 24th, 2005.		
Figures have been rearranged and adjusted for the purposes of comparison, wherever necessary.		
Figures have been rounded off to the nearest rupee.		

Chairman

Chief Executive

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