

Security Investment Bank Limited

DIRECTORS' COMMENTS

The Directors of Security Investment Bank Ltd, are pleased to present the financial statements for the half-year ended June 30, 2003.

During the period under review, the management of your bank has succeeded in maintaining its profitability and further added to the value of our stakeholders. The profit after taxation for the current six months is Rs. 43.581 million, which is 36.78% higher than the corresponding period last year. These results were not possible without adhering to our strategy of keeping operating expenses at the minimum possible level. Earnings per share for this period worked out to be Rs. 1.55, against the restated EPS of Rs. 1.88 as at June 30, 2002. This EPS has been calculated on the revised number of shares, which was resulted due to the last right issue.

The Total Assets figure stands at Rs. 1,764 million and is not only higher than the corresponding period of last year (Rs. 1,544 million) but also posted a modest increase of Rs. 447 million compared with last quarter, i.e., March 31, 2003 (Rs. 1,318 million). This increase shows the enhanced volume of business. The results clearly reflects our policy of concentrating over investment activities rather than traditional financing activities, which not only entails higher returns but also adds more liquidity to the assets mix. Further to this we have been actively utilizing our corporate membership of Karachi Stock Exchange without adding much to the risky assets. As soon as the National Commodity Exchange commences its operations, we will utilize the licence to the best optimum level. We are sure this will further add to our stable earning sources.

The JCR-VIS Credit Rating Company has maintained its rating at A (Single A) for long term to medium term and A-1 (A One) for short term. This reflects the confidence over the stability of performance and earnings.

Securities and Exchange Commission of Pakistan (SEC) now does the regulatory supervision for all the investment banks and this transition also includes the issuance of new licences by the new regulator. By the grace of Allah, we have already acquired licence to conduct investment-banking business from SEC.

We strongly believe in rewarding our valued shareholders in the best possible manner while building capital base. We distributed 15% bonus shares in the first quarter of the current year and now we are recommending a distribution of 10% cash dividend. The dividend will be paid to the shareholders appearing on the company's register on Monday, September 08, 2003.

The Chairman of the board, Mr. Minocher K. A. Marker has tendered his resignation due to his illness and other personal commitment. The board accepted his resignation and would like to put on record its appreciation for his huge contribution in the bank's operation. Mr. Khursheed K. Marker has been appointed as the Chairman of the Board. Further, in order to fill the casual vacancy for the remainder of the term, the board has proposed the name of Haji Jan Mohammad, subject to clearance from SEC, who was on the board of the bank from 1994 till 1998.

The directors thank all the members, Securities and Exchange Commission of Pakistan, State Bank of Pakistan for their valuable support and guidance.

On Behalf of the Board

Chairman

Karachi :
Dated : August 16, 2003

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, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein-after referred to as the "financial statements"), for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

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

Muniff Ziauddin & Co.
Chartered Accountants

Karachi :
Dated : August 16, 2003

Security Investment Bank Limited

PROFIT & LOSS ACCOUNT FOR THE HALF YEAR ENDED JUNE 30, 2003

	<u>Half Year Ended</u>		<u>Quarter Ended</u>	
	June 30, 2003 Rupees	June 30, 2002 Rupees	June 30, 2003 Rupees	June 30, 2002 Rupees
INCOME				
Income on Investments	27,239,620	16,863,131	14,192,076	7,367,682
Income on financing and placements	19,027,312	30,565,086	9,727,091	13,169,270
Gain on sale of investments	20,590,192	17,996,578	17,832,117	6,088,375
Gain on sale of shares	18,123,235	4,442,601	7,109,811	2,536,962
Profit on deposit with banks	4,671	-	-	-
Other Income	485,187	2,273,462	194,036	2,067,060
	85,470,217	72,140,858	49,055,131	31,229,349
EXPENDITURE				
Return on deposits and borrowings	15,029,541	15,870,483	7,830,884	4,326,052
Forward cover fee	-	4,093,976	-	675,210
Operating expenses	11,158,557	9,313,856	6,812,758	5,669,738
	26,188,098	29,278,315	14,643,642	10,671,000
PROFIT BEFORE TAXATION	59,282,119	42,862,543	34,411,489	20,558,349
Provision for taxation	15,700,739	11,000,000	10,844,314	5,300,000
PROFIT AFTER TAXATION	43,581,380	31,862,543	23,567,175	15,258,349
Unappropriated profit brought forward	55,509,276	40,113,237	29,247,640	28,234,092
PROFIT AVAILABLE FOR APPROPRIATION	99,090,656	71,975,780	52,814,815	43,492,441
Appropriations:				
Transferred to statutory reserve	8,716,276	6,372,509	4,713,435	3,051,670
Reserve for issuance of bonus shares	42,273,000	-	-	-
Interim Cash Dividend @ 10%(2002: 12.5%)	32,409,300	25,162,500	32,409,300	-
	83,398,576	31,535,009	37,122,735	3,051,670
UNAPPROPRIATED PROFIT CARRIED FORWARD TO BALANCE SHEET	15,692,080	40,440,771	15,692,080	40,440,771
Earnings per share - Basic and Diluted	1.55	1.88	0.84	0.90

The annexed notes form an integral part of these accounts.

Chairman

President & Chief Executive

Security Investment Bank Limited

BALANCE SHEET AS AT JUNE 30, 2003

	Note	June 30, 2003 Rupees	December 31, 2002 Rupees
ASSETS			
Tangible fixed assets		2,342,417	2,383,234
Membership Card-Intangible		36,000,000	36,000,000
Deferred cost		295,454	297,924
CURRENT ASSETS			
Short term financing		280,786,670	239,945,855
Placements	4	162,000,000	10,000,000
Short term investments	5	1,231,330,141	1,124,646,430
Advances, deposits, prepayments and other receivables		36,585,607	94,708,355
Cash and bank balances		14,545,282	36,012,604
		1,725,247,700	1,505,313,244
		1,763,885,571	1,543,994,402
SHARE CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized			
50,000,000 (2001: 50,000,000) ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued subscribed and paid up capital		281,820,000	281,820,000
Reserves	6	116,549,300	105,377,220
		398,369,300	387,197,220
Surplus on revaluation of investments - net		77,630,610	94,643,398
		475,999,910	481,840,618
LIABILITIES			
Deferred liabilities		48,883,223	51,648,582
CURRENT LIABILITIES			
Borrowings		888,983,898	727,500,000
Short term deposits		307,085,556	270,151,475
Accrued and other liabilities		10,523,684	12,853,727
Interim dividend		32,409,300	-
		1,239,002,438	1,010,505,202
Contingencies and commitments	7		
		1,763,885,571	1,543,994,402

The annexed notes form an integral part of these accounts.

Chairman

President & Chief Executive

Security Investment Bank Limited

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2003

	06 months ended June 30, 2003 Rupees	06 months ended June 30, 2002 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before tax	59,282,119	42,862,543
Less: Dividend Income	(276,609)	(108,542)
	59,005,510	42,754,001
Adjustments for non cash & other items		
Depreciation	237,017	924,620
Amortization of deferred cost and PIBs	2,107,411	17,144
(Gain)/Loss on disposal of shares	(18,123,235)	(2,799,736)
(Gain)/Loss on sale of securities	(20,590,192)	-
Provision for gratuity	337,500	-
	(36,031,499)	(1,857,972)
Cash flows from operating activities before working capital changes	22,974,011	40,896,029
(Increase)/decrease in financing and placements	(192,840,815)	293,268,173
(Increase)/decrease in advances, deposits, prepayment and other receivables	46,374,324	20,627,003
Increase/(decrease) in deposits	36,934,081	(107,212,626)
Increase/(decrease) in borrowings	161,483,898	(221,024,180)
Increase/(decrease) in accrued & other liabilities	(2,295,473)	(11,799,558)
	49,656,015	(26,141,188)
Income tax paid	(3,434,298)	(1,719,933)
Gratuity paid	(52,000)	-
Dividend paid	(34,570)	(35,426)
	(3,520,868)	(1,755,359)
Net cash flow from operating activities	69,109,158	12,999,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase fixed assets	(196,199)	(259,805)
(Purchase)/sale of investments (shares)	(22,539,645)	3,727,235
(Purchase)/sale of securities	(68,068,945)	98,514
Dividend income	276,609	108,542
Deferred Cost incurred during the period	(48,300)	(46,216)
Net cash used in investing activities	(90,576,480)	3,628,270
CASH FLOWS FROM FINANCING ACTIVITIES		
Sub-ordinated debt	-	(75,000,000)
Net cash used in financing activities	-	(75,000,000)
Net increase/(decrease) in cash and cash equivalents	(21,467,322)	(58,372,248)
Cash and cash equivalents at the beginning of the period	36,012,604	71,226,409
Cash and cash equivalents at the end of the period	14,545,282	12,854,161

Chairman

President & Chief Executive

Security Investment Bank Limited

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED JUNE 30, 2003

	Share Capital	Statutory Reserve	Reserve for Bonus Share	Surplus on Revaluation of Investments	Subordinated Debt	Unappropriated Profit	Total
	R u p e e s						
Balance as at January 01, 2002	201,300,000	39,728,309	-	(9,127,566)	75,000,000	40,113,237	347,013,980
Net profit for the year	-	-	-	-	-	50,698,174	50,698,174
Amount received against right issue	80,520,000	-	-	-	-	-	80,520,000
Amount transferred to deposits	-	-	-	-	(75,000,000)	-	(75,000,000)
Appropriations: Statutory reserve	-	10,139,635	-	-	-	(10,139,635)	-
Interim dividend	-	-	-	-	-	(25,162,500)	(25,162,500)
Surplus/(Deficit) on revaluation - net	-	-	-	103,770,964	-	-	103,770,964
Balance as at December 31, 2002	281,820,000	49,867,944	-	94,643,398	-	55,509,276	481,840,618
Net profit for the half year	-	-	-	-	-	43,581,380	43,581,380
Surplus/(Deficit) on revaluation - net	-	-	-	(17,012,788)	-	-	(17,012,788)
Appropriations: Statutory reserve	-	8,716,276	-	-	-	(8,716,276)	-
Interim cash dividend	-	-	-	-	-	(32,409,300)	(32,409,300)
Reserve for issuance of bonus shares	-	-	42,273,000	-	-	(42,273,000)	-
Balance as at June 30, 2003	281,820,000	58,584,220	42,273,000	77,630,610	-	15,692,080	475,999,910

Chairman

President & Chief Executive

Security Investment Bank Limited

NOTES TO THE ACCOUNTS FOR THE HALF YEAR ENDED JUNE 30, 2003

1. STATUS AND PRINCIPAL ACTIVITIES

1.1 Security Investment Bank Limited was incorporated as an Investment Finance Company on May 23, 1991 in pursuance of the permission granted by the Federal Government in terms of SRO 585(1)/87 dated July 30, 1987. The company was incorporated in Pakistan as a public limited company, and has been listed on the stock exchanges of the country since January 06, 1992.

SIBL is engaged in providing investment, finance and related banking services in accordance with the objects and functions specified in the said SRO, and in line with the regulations of the State Bank of Pakistan (SBP).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended December 31, 2002.

	June 30, 2003 Rupees	December 31 2002 Rupees
4. PLACEMENTS		
Saudi Pak Industrial & Agricultural Company (Private) Limited	100,000,000	10,000,000
Atlas Investment Bank Limited	12,000,000	-
Escort Investment Bank	50,000,000	-
	162,000,000	10,000,000

These placements are for short term period ranging from 2 days to 7 days.

5. SHORT TERM INVESTMENTS

Available-for-sale:		
Pakistan Investment Bonds	610,151,101	614,740,400
Term Finance Certificates	207,495,757	126,500,754
Quoted Shares	413,683,283	383,405,276
	1,231,330,141	1,124,646,430

6. RESERVES

Statutory Reserve	58,584,220	49,867,944
Reserve for Bonus Shares	42,273,000	-
Un-appropriated Profit	15,692,080	55,509,276
	116,549,300	105,377,220

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies:

Guarantees issued	-	17,455,125
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8. GENERAL

8.1 These financial statements were authorised for issue by the Board of Directors on August 16, 2003.

8.2 Figures have been rearranged and adjusted for the purposes of comparison, wherever necessary.

8.3 Figures have been rounded off to the nearest rupee.

Chairman

President & Chief Executive

Security Investment Bank Limited

CORPORATE INFORMATION AS AT JUNE 30, 2003

BOARD OF DIRECTORS

Mr. Minocher K. A. Marker (Chairman)
Mr. Khursheed K. Marker
Mr. Muhammad Younus Abdul Aziz Tabba
Mr. Muhammad Sohail Younus Tabba
Mr. Muhammad Ali Tabba
Mr. Muhammad Rafiq Abdul Ghaffar Tumbi
Mr. Ather Hussain Medina

PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Saleem Rathod

AUDIT COMMITTEE

Mr. Minocher K.A. Marker
Mr. Khursheed K. Marker
Mr. Muhammad Rafiq Abdul Ghaffar Tumbi

COMPANY SECRETARY

Syed Farhan Yousuf

AUDITORS

Muniff Ziauddin & Co.
(Chartered Accountants)

TAX ADVISORS

Anjum Asim Shahid Rahman
(Chartered Accountants)

LEGAL ADVISORS

Bawaney & Partners
Muhammad Tariq Qureshi

BANKERS

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

REGISTERED OFFICE

15-E, Rehmat Centre, Jinnah Avenue,
Blue Area, Islamabad.
Tel : (051) 2822504, 2822505 & 2277494
Fax: (051) 2826488 Telex : 54649 SIBL PK

KARACHI OFFICE

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

BOOK POST



ISLAMABAD

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

KARACHI

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

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