



Aiming for continued growth, we will further develop our strengths to seize new opportunities and maintain our steadfast commitment to:

- Meet the challenges of highly competitive market with our expertise, creativity and service.*
- Develop & maintain strong client relationship.*
- Continuously enhance our contributions towards industrial development of the country.*
- Above all, in a tradition of prudent growth, our unwavering determination to strengthen long-term earnings and return on shareholders' equity will endure.*



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. 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

Anjum Asim Shahid Rahman
Chartered Accountants

TAX ADVISORS

Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISORS

Bawaney & Partners
Tasawur Ali Hashmi

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.
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



NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of Security Investment Bank Limited will be held at the Registered Office of the company located at 15, Rehmat Centre, Jinnah Avenue, Blue Area, Islamabad, on Wednesday, April 30, 2003 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of Eleventh Annual General Meeting held on April 29, 2002.
- 2) To receive and adopt the audited accounts of the bank for the year ended December 31, 2002 together with the Directors' and Auditors' report thereon.
- 3) To approve the payment of interim cash dividend of 12.5% per share recommended by the Board as final dividend for the year ended December 31, 2002.
- 4) To appoint Auditors and fix their remuneration.

ANY OTHER BUSINESS

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

BOOK CLOSURE

The Share Transfer Books of the Company will remain closed from 24th day of April, 2003 to 30th day of April, 2003 both days inclusive. Transfer received at our shares department, 606, 6th Floor, Unitowers, I.I. Chundrigar Road, Karachi at the close of business on 23rd day of April, 2003 will be treated in time.

By order of the Board

Syed Farhan Yousuf
Company Secretary

Islamabad.
Date: April 9, 2003

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 Registered Office of the company duly stamped and signed not less than 48 hours before the meeting.
- 2) Members are requested to promptly communicate to the company any change in their addresses.
- 3) Account holders and sub-account holders holding book entry securities of the company in the Central Depository System of Central Depository Company of Pakistan Limited who wish to attend the Annual General Meeting are requested to please bring their original National Identity Card with copies thereof duly attested by their bankers for identification purposes.



BOARD OF DIRECTORS' REPORT

The Directors of Security Investment Bank Limited are pleased to present the 11th annual report of Security Investment Bank Limited for the year ended 31st December 2002.

Comparative Results 2001-2002

Rupees in million

	2002 (12 months)	2001 (annualized)	2001 (18 months)
Operating Income	124.044	116.265	174.397
Expenditure	55.599	73.201	109.802
Profit Before Taxation	68.446	43.063	64.595
Provision for Taxation	17.747	9.987	14.980
Profit After Tax	50.698	33.076	49.614
Earnings per share	2.35	1.64	2.46

OPERATIONAL PERFORMANCE

The bank maintained its cautious approach to its business as it had in previous years. Despite this approach the management of the bank performed satisfactorily and maintained its upward profitability curve.

The operating income during the current year was Rs. 124.044 million as compared to last year's annualized amount of Rs. 116.265 million, thereby showing an increase of 6.69%. During the financial year under review we experienced drastic adjustment in operating income and expenditure due to reduction in lending rates and lower cost of funds. This is mainly because of the policies, our economic managers are persuing to keep interest rate at a lower level. However the reduction in cost of funds was adequate enough to maintain and increase our profit margins. Profit before tax for the current year aggregated to Rs. 68.446 million as compared to Rs. 64.595 million in 2001, whereas its annualized figure stood at Rs. 43.063 million. This shows that profit before tax for the current year is even higher than the eighteen months result of previous year. Similarly, profit after tax for the current year stood at Rs. 50.698 million which is also higher than last year's eighteen months result of Rs. 49.614 million. This reflects that despite high competition in the market we have achieved good results. We were able to achieve these results by reducing our total expenditure by 24% to Rs. 55.599 million from last year's annualized amount of Rs. 73.201 million.

During the current year, we have adopted IAS 39, which has resulted in recognition of investments sold with a simultaneous commitment to repurchase at a specified future date in the balance sheet as assets. Due to the adoption of the said IAS our total assets and liabilities stood at Rs. 1.544 billion.

In line with our regular practice this year also we developed and modified our business strategy according to economic scenario and market conditions. We concentrated more in securities market and other fixed income securities like FIBs, PIBs and TFCs. These are highly liquid securities with good return and can be a source of capital gains for the bank. On the other hand, for resource mobilization we are concentrating more on borrowings, as the cost of borrowing these days is much lower than other sources.



Similarly the bank's management also initiated COT (carry over transactions) business through its newly established brokering division on a limited scale. The strategy was to gradually increase the COT business to optimum level in order to enhance the profitability of the bank.

Furthermore in order to expand the scope of business and venturing into new avenues of income for profit maximization, the management of the bank got the corporate membership of National Commodity Exchange Limited. Once the commodity market is in operation then the membership will be utilized in trading of selective commodities for higher profitability.

CORPORATE GOVERNANCE

The Board regularly reviews the company's strategic direction, business plans and performance in the light of the company's overall objectives. The board is committed to maintain the high standards of good corporate governance. The company has been in compliance with the provisions set out by the State Bank of Pakistan, Securities & Exchange Commission of Pakistan and the listing rules of the Stock Exchanges. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations. We further want 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. Revised IAS-12 relating to income tax and IAS-39 relating to financial instruments have been adopted w.e.f. January 01, 2002.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from 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.
- The Board of Directors has established an Audit Committee, to assist it in discharging its responsibilities for corporate governance, financial reporting and corporate control. The committee consists of three members including the Chairman of the committee who are non-executive directors.
- Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them regularly. There is also an opportunity for individual shareholders to attend and ask questions at the annual general meeting.



- Key operating and financial data of last six years of Security Investment Bank Limited are as follows:

Year ended	Rupees in million					
	December 2002	December 2001	June 2000	June 1999	June 1998	June 1997
	(18 months)					
Share Capital	282	201	165	165	165	110
Shareholder's equity	387	356	232	189	207	146
Deposits	270	254	499	1,043	1,414	1,075
Borrowings	728	948	285	50	60	–
Advances	240	286	311	928	1,244	1,029
Investments	1,125	724	219	132	162	158
Operating Profit	68	65	55	32	16	25
Provisions against non-performing advances	–	–	–	–	4	1
Net Profit after provisions	68	65	55	32	12	24
Total Assets	1,544	1,572	1,046	1,345	1,725	1,396
Dividend/Bonus	12.5%	–	22%(B)	10%	–	15%

- As on December 31, 2002 based on the unaudited accounts, the value of investment of Provident Fund is Rs. 2.175 million.
- The pattern of shareholding as at December 31, 2002 along with the disclosure required under the Code of Corporate Governance is annexed to the report.
- During the year ended December 31, 2002, the Board of Directors held four meetings. Attendance of each director is as follows:

Name	No. of Meetings Attended
Mr. Minocher K. A. Marker (Chairman)	3
Mr. Khursheed K. Marker (Appointed on Oct 26, 2002)	–
Mr. Muhammad Younus Abdul Aziz Tabba	4
Mr. Muhammad Sohail Younus Tabba	2
Mr. Muhammad Ali Tabba	1
Mr. Muhammad Rafiq Abdul Ghaffar Tumbi	3
Mr. Muhammad Kashif (Resigned on Oct 26, 2002)	4
Mr. Maqbool H.H. Rahimtoola (Resigned on Oct 26, 2002)	–
Mr. Ather Husain Medina (Appointed on Oct 26, 2002)	–

Credit Rating

The Credit Rating Agency of the Bank, JCR-VIS Credit Rating Company Limited has reaffirmed the medium to long-term rating of A (Single A) and short-term rating of A-1 (A One) to Security Investment Bank Limited (SIBL).

The rating reaffirmation is based on strong asset quality, high level of liquidity, adequate returns on equity and strong support of sponsors for capital injection.



Future Outlook

Pakistan's economy is now back on track and improving day by day. Improvement in trade, increase in inward remittances and rescheduling of foreign debts resulted in sharp increase of foreign exchange reserves. This reserve buildup has provided much comfort not only to local industries but also to potential foreign investors.

The government has increased its reform processes to boost economic activities in the country. The recent reduction in discount & lending rates are the examples, which shows government efforts in rebuilding of our economy. The continued and consistent planned reforms will provide further boost to economic and financial stability of our country.

Securities & Exchange Commission of Pakistan now regulates the investment banks and draft rules for NBFCs are pending for approval with Ministry of Finance. Once these are approved and adopted, we will have access to more products and services that we can offer to our valued clients. The current scenario of low interest rates, sluggish credit demand and excess liquidity is pushing us to consider other lucrative financial products also in addition to play our role in the traditional market. We have already registered ourselves as member of the National Commodity Exchange which promises good earning potential once the National Community Exchange commence its operations. Security Bank will continue to follow the cautious approach in selecting the products and will try its level best to optimize the risk and return and enhance our shareholder's value.

Auditors

The auditors of the bank M/s. Anjum Asim Shahid Rahman, retire and M/s. Muniff Ziauddin & Co. has presented their consent for appointment as our new auditor. The change of auditors is in line with the new requirement of Securities & Exchange Commission of Pakistan.

The Board wishes to place on record its appreciation for the valuable assistance provided by the retiring auditors M/s. Anjum Asim Shahid Rahman.

Acknowledgements

The directors express their deepest gratitude for the continuous support and encouragement extended by State Bank of Pakistan and Securities and Exchange Commission of Paksitan. We also acknowledge the understanding shown by the Shareholders. The management and the staff are also worth praising for their efforts in achieving good results.

On behalf of the Board
Minocher K.A. Marker
(Chairman)

Karachi:

Date: March 31, 2003



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board comprises of seven non-executive directors.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any dues to a banking company, a DFI or NBF1 or stock exchanges.
4. Casual vacancy occurring in the Board was filled up by the directors within 30 days thereof.
5. The Company has prepared and adopted a 'Statement of Ethics and Business Practices', which has been reviewed and signed by all the directors and employees.
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, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The CEO conducted orientation course for the directors during the year on Corporate Governance.
10. Officers having positions of CFO, Company Secretary and Head of Internal Audit were appointed prior to the implementation of the Code of Corporate Governance. Terms of appointment, including remuneration in case of future appointments on these positions will be approved by the Board.
11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.



13. The directors, 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 Code.
15. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the chairman of the committee.
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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

Muhammad Saleem Rathod
President & Chief Executive

Minocher K. A. Marker
Chairman



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Security Investment Bank Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange respectively where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the company with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at December 31, 2002.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

Place: Karachi
Date: March 31, 2003



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SECURITY INVESTMENT BANK LIMITED as at December 31, 2002 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year 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 company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a. in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b. in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in Note 4.2 to the accounts with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, and the expenditure incurred during the year were in accordance with the objects of the company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2002 and of the profit, its cash flow and statement of changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

Place: Karachi
Date: March 31, 2003

**BALANCE SHEET**

AS AT DECEMBER 31, 2002

	Note	2002 Rupees	2001 Rupees
ASSETS			
Tangible fixed assets	5	2,383,234	3,561,588
Membership card - Intangible	6	36,000,000	36,000,000
Long term financing	7	-	125,284,339
Deferred cost	8	297,924	114,603
CURRENT ASSETS			
Short term financing	9	239,945,855	160,578,228
Placements	10	10,000,000	372,000,000
Short term investments	11	1,124,646,430	724,357,597
Advances, deposits, prepayments and other receivables	12	94,708,355	79,299,888
Cash and bank balances	13	36,012,604	71,226,409
		1,505,313,244	1,407,462,122
		1,543,994,402	1,572,422,652
SHARE CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized			
50,000,000 ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital	14	281,820,000	201,300,000
Statutory reserve	15	49,867,944	39,728,309
Unappropriated profit		55,509,276	40,113,237
		387,197,220	281,141,546
Sub-Ordinated debt	16	-	75,000,000
		387,197,220	356,141,546
Surplus/(deficit) on revaluation of investments-net	17	94,643,398	(9,127,566)
LIABILITIES			
Long term deposits	18	-	160,155,925
Deferred liability	19	51,648,582	2,187,888
CURRENT LIABILITIES			
Borrowings	20	727,500,000	948,000,000
Short term deposits	21	270,151,475	93,387,457
Accrued and other liabilities	22	12,853,727	21,677,402
		1,010,505,202	1,063,064,859
Contingencies and commitments	23		
		1,543,994,402	1,572,422,652

The annexed notes form an integral part of these accounts.

(MINOCHER K. A. MARKER)
Chairman(MUHAMMAD SALEEM RATHOD)
Chief Executive



PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	12 Months ended December 31, 2002 Rupees	18 months ended December 31, 2001 Rupees
INCOME			
Return on financing and placements	24	50,899,804	117,251,486
Return on Securities	25	54,533,870	44,430,923
Gain on sale of investments (shares)		12,797,642	6,435,209
Commission	26	-	296,195
Profit on deposit with banks		1,143,246	3,156,890
Other income	27	4,670,326	2,827,157
		124,044,888	174,397,860
EXPENDITURE			
Return on deposits and borrowings	28	31,580,235	83,489,973
Forward cover fee		4,093,976	17,433,571
Operating expenses	29	19,925,093	23,949,776
(Reversal) /Provision for diminution in value of investments		-	(15,070,763)
		55,599,304	109,802,557
PROFIT FOR THE YEAR BEFORE TAXATION		68,445,584	64,595,303
Provision for taxation	30	17,747,410	14,980,389
PROFIT AFTER TAXATION		50,698,174	49,614,914
Unappropriated profit brought forward		40,113,237	421,306
PROFIT AVAILABLE FOR APPROPRIATION		90,811,411	50,036,220
Appropriation			
Transferred to statutory reserve		10,139,635	9,922,983
Interim Dividend (Rs. 1.25 per share)		25,162,500	-
		35,302,135	9,922,983
UNAPPROPRIATED PROFIT CARRIED FORWARD TO BALANCE SHEET		55,509,276	40,113,237
Earnings per share-Basic and diluted	31	2.35	2.46

The annexed notes form an integral part of these accounts.

(MINOCHER K. A. MARKER)
Chairman

(MUHAMMAD SALEEM RATHOD)
Chief Executive



CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2002

	12 Months ended December 31, 2002 Rupees	18 months ended December 31, 2001 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before tax	68,445,584	64,595,303
Less: Dividend Income	(935,212)	(1,201,114)
	67,510,372	63,394,189
Adjustment for non-cash and other items		
Depreciation	1,874,266	2,678,971
Amortization of deferred cost	86,759	342,252
(Gain)/Loss on disposal of shares	(12,797,642)	(8,261,518)
(Gain)/Loss on disposal of fixed assets	(3,139)	(517,923)
(Gain)/Loss on sale of securities	(21,849,922)	(1,041,622)
Provision for gratuity	758,000	550,252
Reversal of diminution in value of investments-shares (net)	-	(15,070,763)
	(31,931,678)	(21,320,351)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	35,578,694	42,073,838
(Increase)/decrease in financing and placements	282,632,373	149,017,422
(Increase)/decrease in advances, deposits, prepayments and other receivables	(29,656,411)	38,388,567
Increase/(decrease) in deposits	176,764,018	(245,833,351)
Increase/(decrease) in borrowings	(220,500,000)	85,000,000
Increase/(decrease) in accrued and other liabilities	(9,901,865)	(6,094,025)
	199,338,115	20,478,613
Income tax paid	(3,499,466)	(9,830,217)
Gratuity paid	(142,000)	(116,100)
Dividend paid	(24,084,310)	(188,032)
	(27,725,776)	(10,134,349)
NET CASH FLOWS FROM OPERATING ACTIVITIES	207,191,033	52,418,102
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Sale of fixed assets	(692,774)	(2,404,417)
(Purchase) of Membership card	-	(14,698,525)
Long term financing	125,284,339	(125,284,339)
Long term deposits	(160,155,925)	-
(Purchase)/Sale of investments (shares)	(348,224,908)	113,406,593
(Purchase)/Sale of securities	135,199,298	(43,372,059)
Dividend income	935,212	1,201,114
Deferred cost incurred during the year	(270,080)	(163,720)
NET CASH USED IN INVESTING ACTIVITIES	(247,924,838)	(71,315,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Sub-Ordinated debt	(75,000,000)	75,000,000
Issue of right shares	80,520,000	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	5,520,000	75,000,000
Net increase/(decrease) in cash and cash equivalents	(35,213,805)	56,102,749
Cash and cash equivalents at the beginning of the year	71,226,409	15,123,660
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	36,012,604	71,226,409

(MINOCHER K. A. MARKER)
Chairman

(MUHAMMAD SALEEM RATHOD)
Chief Executive



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002

	Share Capital (Note 15)	Statutory Reserve (Note 16)	Reserve for Bonus Share	Subordinated Debt (Note 17)	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2000	165,000,000	29,805,326	36,300,000	-	421,306	231,526,632
Net profit for the period	-	-	-	-	49,614,914	49,614,914
Sub-ordinated debt received during the period	-	-	-	75,000,000	-	75,000,000
Appropriations						
Statutory Reserve	-	9,922,983	-	-	(9,922,983)	-
Reserve for proposed issuance of bonus shares	36,300,000	-	(36,300,000)	-	-	-
Balance as at Dec. 31, 2001	201,300,000	39,728,309	-	75,000,000	40,113,237	356,141,546
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)
Balance as at Dec. 31, 2002	281,820,000	49,867,944	-	-	55,509,276	387,197,220

The annexed notes form an integral part of these accounts.

(MINOCHER K. A. MARKER)
 Chairman

(MUHAMMAD SALEEM RATHOD)
 Chief Executive



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

1 STATUS AND PRINCIPAL ACTIVITIES

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 was listed on the stock exchanges of the country on January 06, 1992.

The company 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 STATEMENT

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3 MINIMUM CAPITAL REQUIREMENT

State Bank of Pakistan vide BSD Circular No. 23 dated June 01, 2001 required all investment banks to raise their minimum paid-up capital including unencumbered general reserves to Rs. 300 million by January 01, 2002 and Rs. 500 million by January 01, 2003. Security Investment Bank Limited has been in compliance with the January 01, 2002 requirement. However, prior to the deadline to enhance the capital to Rs. 500 million, investment banks were brought under the regulatory purview of the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 15 dated December 02, 2002. SEC is in the process of finalizing rules for all non-banking finance companies (NBFCs) including investment banks, which may prescribe a different requirement for minimum paid-up capital. After the new rules are effected by SEC, Security Investment Bank Limited will take necessary steps to comply with the same.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting Convention

These financial statements have been prepared under the historical cost convention, as modified for certain investments, which are stated on mark to market basis.

4.2 Change in Accounting Policies

Security Investment Bank Limited has adopted IAS-39 "Financial Instruments: Recognition and Measurement" during the year ended December 31, 2002. This has resulted in changes in the accounting policies of the bank in respect of recognition and measurement of financial instruments. The major effects of changes are as follows:

4.2.1 Investments

As a consequence of adoption of IAS-39, Security Investment Bank Limited has made classification of investments into "held-for-trading", "held-to-maturity" and "available-for-sale" financial assets. The investments are initially recognized at cost. Subsequent to initial recognition, the investments under above classifications are re-measured to fair value or are continued to be carried at cost due to non-availability of any revaluation model. Investments classified as "held-to-maturity" are carried at amortized cost.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

In accordance with IAS-39, the re-measurement effect of certain classifications should be carried to income statement currently. However, to comply with the requirements of SEB's BSD circular No. 20 dated August 04, 2000, the resultant surplus/(deficit) arising due to re-measurement is shown as "surplus / (deficit) on revaluation of investments" below shareholder's equity. On sale the surplus / (deficit) is recycled through income statement.

4.2.2 **Securities under repurchase and resale agreements (repo / reverse repo)**

Securities sold with a simultaneous commitment to repurchase (repo) at a specified future date are now retained in the financial statements as investments and the counter liability for the amount received under these arrangements is included in borrowings.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized as investments and are rather included in placements with financial institutions.

Until last year, Security Investment Bank Limited deleted securities sold under sale and repurchase agreements and reinstated them upon repurchase. Similarly, securities acquired under purchase and resale agreements were recorded as investments and deleted on resale. Subsequent to adoption of IAS 39, Security Investment Bank Limited follows the accounting policies as described in notes 4.6 and 4.7 to these financial statements.

Had there been no change in the accounting policy, the short-term borrowings and short-term investments would have been lower by Rs. 420 million and Rs. 536.36 million respectively.

4.2.3 **Transitional provision**

In accordance with the transitional provisions of IAS 39, Security Investment Bank Limited has accounted for the change in accounting policy prospectively and corresponding figures have not been re-measured. Corresponding figures have been reclassified in respect of securities' repurchased/resale transactions for the purpose of comparability and the same has been elaborated in the respective notes.

4.3 **Fixed Assets and Depreciation**

Operating fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to income applying the straight line method, whereby the cost of an asset is written off over its estimated useful life.

Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed off during the year.

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

4.4 **Intangible**

This is stated at acquisition cost. Provisions are made for permanent diminution in value of this asset, if any.

4.5 **Deferred Cost**

Deferred cost comprising formation and preliminary expenses, share issue expenses, pre-operating expenses and office renovation expenses are amortized over a period of five years.

4.6 **Investments**

The management of Security Investment Bank Limited determines the appropriate classification of its investments at the time of purchase and classifies these investments as held-for-trading, held-to-maturity or available-for-sale.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

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.

Held-to-maturity

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

Available-for-sale

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

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

Subsequent to initial recognition, investments are marked at market in accordance with the guidelines contained in the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, using stock exchange rates and brokers average rates. 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.

4.7 **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.

The securities sold with a simultaneous commitment to repurchase at a specified future date (repo) 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 amortized as expense over the life of the repo agreement.

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.

4.8 **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.

4.9 **Staff retirement benefits**

4.9.1 **Defined contribution plan**

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



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

4.9.2 **Defined benefit plan**

The company operates an Unfunded Gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 33. Actuarial gains/losses in excess of 10% of the actuarial liabilities or plan assets are recognized over the average lives of the employees.

4.10 **Offsetting of financial assets and financial liabilities**

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

4.11 **Financial instruments**

All financial assets and financial liabilities are recognized at the time when Security Investment Bank Limited becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

4.12 **Classification of deposits and financing**

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

4.13 **Revenue**

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

Dividends on equity investments are recognized as income if declared on or before the balance sheet date.

Income from capital gains is recognized on earned basis.

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

4.14 **Taxation**

Current

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

Deferred

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

The revised international Accounting Standard 12 "Income Taxes" became applicable during the current year on financial statements covering periods beginning on or after January 01, 2002. As a result the company has recognized deferred tax liability on surplus on revaluation of securities. The effect of change in accounting policy has been recognized in current year and proforma information is not presented as the change does not affect opening balance of retained earnings. Had the change not been made the surplus on revaluation of securities would have been higher by Rs. 49.85 million with consequent effect on deferred tax with no change in profit for the year.

4.15 Foreign currencies

Assets and liabilities in foreign currencies are translated into Pak. Rupees at the exchange rates prevailing on the balance sheet date. However liabilities, representing deposits in foreign currencies and the return on these deposits are converted at the rate prevailing on the date of deposits, where the option of exchange risk cover has been exercised.

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

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

4.16 Provision for doubtful debts - financing

Provision is made against doubtful receivables in pursuance of State Bank of Pakistan Rules of Business for Non Banking Financial Institutions (NBFI's).



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

5 TANGIBLE FIXED ASSETS

(In Rupees)

PARTICULARS	C O S T				RATE %	D E P R E C I A T I O N				Written down Value as at Dec. 31, 2002
	As at Jan. 01, 2002	Additions	Deletions	As at Dec. 31, 2002		As at Jan. 01, 2002	Charge for the year	Adjustment	As at Dec. 31, 2002	
Furniture & fixtures	2,928,400	-	-	2,928,400	10	2,384,051	292,840	-	2,676,891	251,509
Computers and equipments	2,025,852	651,924	-	2,677,776	20	1,459,974	535,555	-	1,995,529	682,247
Telephone system	158,350	18,800	-	177,150	10	143,071	17,715	-	160,786	16,364
Vehicles	5,037,602	597,050	816,945	4,817,707	20	2,803,247	963,541	245,084	3,521,704	1,296,003
Generator	497,148	-	-	497,148	10	347,572	49,715	-	397,287	99,861
Sign board	149,000	-	-	149,000	10	96,850	14,900	-	111,750	37,250
Rupees 2002	10,796,352	1,267,774	816,945	11,247,181		7,234,765	1,874,266	245,084	8,863,947	2,383,234
Rupees 2001	8,691,760	2,926,542	821,950	10,796,352		5,373,541	2,678,971	817,748	7,234,764	3,561,588

5.1 SCHEDULE OF DISPOSAL OF FIXED ASSETS

PARTICULARS	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain	Sold to	Address	Mode of Disposal
Vehicle	816,945	245,084	571,861	575,000	3,139	Mr. Zubair Mahmood	New Enterprises Six 3, Maniya C.H.S., Opposite Medicare Hospital, Shaheed-e- Millat Road, Karachi	Negotiation
Rupees 2002	816,945	245,084	571,861	575,000	3,139			
Rupees 2001	821,950	817,748	4,202	522,125	517,923			



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	2002 Rupees	2001 Rupees
6 MEMBERSHIP CARD			
Karachi Stock Exchange		<u>36,000,000</u>	<u>36,000,000</u>
7 LONG TERM FINANCING - Secured Considered Good			
Demand finance	71	-	125,284,339
		<u>-</u>	<u>125,284,339</u>
71	These were secured against demand promissory notes, agreement of financing, letter of lien and certificates of long term deposits. The mark-up rates is NIL (2001: 16% to 20% per annum).		
8 DEFERRED COST			
Opening balance		114,603	293,135
Incurred during the year		<u>270,000</u>	<u>163,720</u>
		384,683	456,855
Amortized during the year	81	<u>(86,759)</u>	<u>(342,252)</u>
		<u>297,924</u>	<u>114,603</u>
81	Deferred cost represents expenses incurred on issue of shares.		
9 SHORT TERM FINANCING - secured			
Demand finance	91	218,526,453	139,158,826
Provision for non-performing loans	92	<u>3,580,598</u>	<u>3,580,598</u>
		214,945,855	135,578,228
Musharika finance		<u>25,000,000</u>	<u>25,000,000</u>
		<u>239,945,855</u>	<u>160,578,228</u>
91	These are secured by demand promissory notes, hypothecation or a charge on assets of customers and certificates of deposits. The mark-up rates range from 11% to 20% per annum (2001: 11% to 22% per annum).		
92	Particulars of provision against non-performing loans		
Opening balance		3,580,598	3,580,598
(Reversal) or write-off during the year		-	-
Closing balance		<u>3,580,598</u>	<u>3,580,598</u>



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

10. PLACEMENTS

10.1 10,000,000 372,000,000

10.1 This represent placements with Non-Banking Financial Institutions on short term basis at mark-up rate of 15% per annum (2001: 8.55% to 22% per annum).

11. SHORT TERM INVESTMENTS

Available-for-sale	Note	202			201		
		Held by SIBL	Repo	Total	Held by SIBL	Repo	Total
		Rupees			Rupees		
Federal Investment Bonds		-	-	-	78,524,606	400,000,000	478,524,606
Pakistan Investment Bonds	11.1	70,712,975	544,027,425	614,740,400	-	150,000,000	150,000,000
Term Finance Certificates	11.2	104,510,754	21,990,000	126,500,754	62,279,416	28,000,000	90,279,416
Quoted shares	11.3	383,405,276	-	383,405,276	5,553,575	-	5,553,575
		558,629,005	566,017,425	1,124,646,430	146,357,597	578,000,000	724,357,597

11.1 Pakistan Investment Bonds (PIBs) have face value of Rs. 450,000,000 (2001: Rs. 150,000,000) with income receivable semi-annually at 9% to 12% (2001: 10% - 14%) per annum and having maturity period from 5 to 10 years.

11.2 Particulars of listed Term Finance Certificates (TFC):

Issuer of TFC	No. of Certificates		Cost	202		201	
	2002	2001		Market value	Cost	Market value	
		Rupees					
National Development Leasing Corp. Limited	100	100	6,661,340	7,494,008	9,992,000	10,491,600	
Trust Investment Bank Limited	3,187	3,187	15,919,065	17,590,567	15,922,250	15,922,250	
Paramount Leasing Corporation Limited	4,010	4,010	14,636,500	15,825,716	18,646,500	19,019,430	
Atlas Investment Bank Limited	3,300	3,300	16,486,800	18,428,120	16,493,400	16,502,136	
Al-Noor Sugar Mills Limited	4,000	4,000	14,997,000	16,196,760	19,995,000	19,995,000	
Orix Leasing Pakistan Limited	1,000	1,000	4,997,000	5,682,338	4,999,000	4,999,000	
Engro Chemicals Limited	670	670	3,348,660	3,792,357	3,350,000	3,350,000	
Shakarganj Sugar Mills Limited	2,022	-	10,110,000	10,880,888	-	-	
Bank Al-Falah Limited	1,588	-	7,940,000	7,940,000	-	-	
Union Bank Limited	4,534	-	22,670,000	22,670,000	-	-	
		117,766,365	126,500,754	89,398,150	90,279,416		



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

11.2.1 Terms of redemption of listed TFC are as follows:

Particulars	Certificates denomination	Profit rate	Profit payment	Redemption
National Development Leasing Corp. Limited	100,000	17.00%	Semi-annually	Five years from December 01, 1999
Trust Investment Bank Limited	5,000	18.00%	Semi-annually	Five years from December 21, 1999
Paramount Leasing Corporation Limited	5,000	16.25%	Semi-annually	Four years from June 28, 2000
Atlas Investment Bank Ltd.	5,000	15.00%	Semi-annually	Five years from September 27, 2000
Al-Noor Sugar Mills Ltd.	5,000	2.5% over SEP discount rate with 16.5% per annum as floor and 18.5% per annum as ceiling.	Semi-annually	Five years from November 01, 2000
Orix Leasing Pakistan Ltd.	5,000	14.00%	Semi-annually	Four years from March 22, 2001
Engro Chemicals Limited	5,000	1.15% over the weighted average rate of the last three cut-off yields of five years Pakistan Investment Bonds with 13.00% as floor and 17.00% as ceiling	Semi-annually	Five years from November 27, 2001 with embedded call option exercisable at par 3 years from issue date with a 3 months notice period
Shakarganj Sugar Mills Ltd.	5,000	2.00% over SEP discount rate with 12.25% per annum as floor and 15.75% per annum as ceiling	Semi-annually	Four years from September 27, 2002
Bank Al-Falah Limited	5,000	1.35% over last auction of five years Pakistan Investment Bonds yield with 10.00% per annum as floor and 15% as ceiling	Semi-annually	Six years from December 19, 2002
Union Bank Limited	5,000	2.25% over last auction of five years Pakistan Investment Bonds yield with 11.00% per annum as floor and 15.50% per annum as ceiling	Semi-annually	Five and half year from December 22, 2002



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

11.3 Quoted shares	2002		2001
	Cost	Market Value	Market Value
<i>Khadim Ali Shah Bukhari Premier Fund Limited</i> 483,000 (2001: 500,000) ordinary shares of Rs. 10/- each	5,858,790	4,298,700	1,600,000
<i>Saudi Pak Leasing Company Limited</i> 31,900 (2001: 31,900) ordinary shares of Rs. 10/- each	1,450,590	178,640	247,225
<i>Bankers Equity Limited</i> 1,438 (2001: 1,438) ordinary shares of Rs. 10/- each	37,500	-	-
<i>National Bank of Pakistan</i> 402,550 (2001: Nil) ordinary shares of Rs. 10/- each	11,417,840	11,372,038	-
<i>Pakistan Synthetics Limited</i> 18,750 (2001: 18,750) ordinary shares of Rs. 10/- each	688,500	243,750	181,875
<i>D.G.Khan Cement Company Limited</i> 17,765 (2001: 16,650) ordinary shares of Rs. 10/- each	1,095,132	248,710	93,240
<i>Fauji Cement Company Limited</i> 100 (2001: 100) ordinary shares of Rs. 10/- each	1,000	365	215
<i>23rd ICP Mutual Fund</i> 190,000 (2001: 190,000) ordinary shares of Rs. 10/- each	1,900,000	1,092,500	180,500
<i>Cherat Cement Company Limited</i> 49,500 (2001: 49,500) ordinary shares of Rs. 10/- each	4,024,900	1,237,500	866,250
<i>Fauji Fertilizer Company Limited</i> 214,900 (2001: 40,000) ordinary shares of Rs. 10/- each	15,890,405	15,709,190	1,634,000
<i>Maple Leaf Cement Factory Limited</i> 36,000 (2001: 36,000) ordinary shares of Rs. 10/- each	1,120,000	315,000	142,200
<i>Sui Northern Gas Pipeline Limited</i> 1,039,523 (2001: 1,523) ordinary shares of Rs. 10/- each	25,253,821	25,676,218	12,945
<i>Pakistan Telecommunication Company Limited</i> 584,500 (2001: Nil) ordinary shares of Rs. 10/- each	14,333,850	15,197,000	-
<i>Pakistan State Oil Company Limited</i> 315,100 (2001: Nil) ordinary shares of Rs. 10/- each	61,744,437	66,643,650	-



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

	2002		2001
	Cost	Market Value	Market Value
Engro Chemicals Pakistan Limited			
249,700 (2001: 11,500) ordinary shares of Rs. 10/- each	23,634,545	22,984,885	595,125
The Hub Power Company Limited			
1,697,500 (2001: Nil) ordinary shares of Rs. 10/- each	61,955,750	68,069,750	-
ICI Pakistan Limited			
263,000 (2001: Nil) ordinary shares of Rs. 10/- each	13,745,600	14,188,850	-
FFC Jordan Fertilizer Company Limited			
2,030,000 (2001: Nil) ordinary shares of Rs. 10/- each	19,377,610	19,386,500	-
Dewan Salman Fiber Limited			
435,000 (2001: Nil) ordinary shares of Rs. 10/- each	6,558,750	6,438,000	-
Nishat Mills Limited			
747,000 (2001: Nil) ordinary shares of Rs. 10/- each	14,336,250	13,595,400	-
Adamjee Insurance Company Limited			
567,150 (2001: Nil) ordinary shares of Rs. 10/- each	34,966,012	34,766,295	-
Lucky Cement Limited			
508,500 (2001: Nil) ordinary shares of Rs. 10/- each	5,590,525	5,695,200	-
Telecard Limited			
827,700 (2001: Nil) ordinary shares of Rs. 10/- each	13,418,890	13,077,660	-
The Bank of Punjab			
762,000 (2001: Nil) ordinary shares of Rs. 10/- each	12,284,400	12,039,600	-
Southern Electric Power Company Limited			
215,500 (2001: Nil) ordinary shares of Rs. 10/- each	3,185,000	3,232,500	-
Muslim Commercial Bank Limited			
340,500 (2001: Nil) ordinary shares of Rs. 10/- each	11,504,300	11,355,675	-
ICP S.E.M.F.			
203,000 (2001: Nil) ordinary shares of Rs. 10/- each	6,992,475	7,206,500	-
Pakistan PTA Limited			
1,124,000 (2001: Nil) ordinary shares of Rs. 10/- each	7,754,958	7,924,200	-
Karachi Electric Supply Corporation			
5,000 (2001: Nil) ordinary shares of Rs. 10/- each	25,000	24,500	-
Ibrahim Fibres Limited			
63,500 (2001: Nil) ordinary shares of Rs. 10/- each	1,194,175	1,206,500	-
	381,341,005	383,405,276	5,553,575



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

		2002	2001
		Rupees	Rupees
12.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances		
	For expenses	49,519	3,500
	Suppliers & Others	185,000	143,000
	Income tax	12,563,805	27,817,352
		12,798,324	27,963,852
	Deposits		
	Security	1,911,088	856,288
	High Court	2,566,112	2,566,112
		4,477,200	3,422,400
	Prepayments		
	Forward cover fee	-	10,223,849
	Others	1,356,160	292,266
		1,356,160	10,516,115
	Other receivables		
	Income receivable	21,249,721	35,347,123
	Other receivables	54,826,950	2,050,398
		76,076,671	37,397,521
		94,708,355	79,299,888

12.1 This represents the amount of foreign currency deposits adjusted against financing to a customer. This amount was subsequently deposited with the High Court in pursuance of a High Court order dated January 12, 1998 as the subject settlement by the company has been challenged by the customer in the High Court.

12.2 Income receivable

Not due	12.2.1	21,657,915	35,755,317
Provision for doubtful debts		(408,194)	(408,194)
		21,249,721	35,347,123

12.2.1 This represents income on financing, placements and Government Securities not matured/due on December 31, 2002.

12.2.3 This include an amount of Rs. 52,330,000 being balance amount out of Rs. 75,000,000 paid to Union Bank Limited as subscription of Term Finance Certificates (TFCs). Union Bank Limited issued TFCs amounting to Rs. 22,670,000, which have been classified under investments in TFCs. The balance amount of Rs. 52,330,000 has been returned and received on January 02, 2003.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

		2002	2001
		Rupees	Rupees
13. CASH AND BANK BALANCES			
With State Bank of Pakistan in			
Reserve account	13.1	4,725,000	5,725,000
Current account		610,065	1,074,694
		5,335,065	6,799,694
With other banks in			
Current account		6,472,534	2,198,548
Deposit account		24,193,154	62,221,451
		36,000,753	71,219,693
Cash in hand		11,851	6,716
		36,012,604	71,226,409

13.1 This represents statutory reserve account maintained with State Bank of Pakistan in accordance with rule 6(3) of Rules of Business for NBFI's.

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<u>Number of shares</u>				
<u>2002</u>	<u>2001</u>			
23,552,000	15,500,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000	155,000,000
4,630,000	4,630,000	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	46,300,000	46,300,000
<u>28,182,000</u>	<u>20,130,000</u>		<u>281,820,000</u>	<u>201,300,000</u>

15. STATUTORY RESERVE

This reserve has been created to meet the State Bank of Pakistan's requirement for Non-Banking Financial Institutions and represents 20% of the after tax profit for the year.

16. SUB-ORDINATED DEBT

In order to meet the minimum capital requirement of Rs. 300 million as required by State Bank of Pakistan's BSD circular No. 23 dated June 01, 2001, the sponsors injected Rs. 75 million in the shape of sub-ordinated debt. This debt was available to the company as interest free until the capital of the company was increased and was repayable after the prior approval of the State Bank of Pakistan (SBP), in accordance with the approval of SBP, the company transferred the sub-ordinated debt to deposit accounts.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

		2002 Rupees	2001 Rupees
17. SURPLUS/(DEFICIT) ON REVALUATION OF INVESTMENTS - Net			
Government Securities		133,695,037	4,756,048
Term Finance Certificates		8,734,389	881,266
		<u>142,429,426</u>	<u>5,637,314</u>
Related deferred tax liability	30.2	(49,850,299)	-
		<u>92,579,127</u>	<u>5,637,314</u>
Quoted shares		<u>2,064,271</u>	(14,764,880)
		<u>94,643,398</u>	<u>(9,127,566)</u>
18. LONG TERM DEPOSITS			
Foreign currency	18.1	-	<u>160,155,925</u>
18.1 These included deposits with maturity of more than twelve months. The rate of return on these deposits is 2.853% to 3.965% (2001: 8.075% to 8.345%) per annum.			
19. DEFERRED LIABILITY			
Gratuity-unfunded		2,803,888	2,187,888
Deferred tax liability-net	30.2	48,844,694	-
		<u>51,648,582</u>	<u>2,187,888</u>
20. BORROWINGS - Unsecured			
Non-Banking Financial Institutions		-	125,000,000
Commercial Banks	20.1	520,000,000	728,000,000
Cash Management Accounts	20.2	207,500,000	95,000,000
		<u>727,500,000</u>	<u>948,000,000</u>
20.1 This represents borrowings from commercial banks and carries mark-up at rates ranging from 3% to 9% per annum (2001: 8% to 9%) per annum.			
20.2 This represents borrowings from cash management account holders and carries mark-up rate of 11% per annum (2001: 11%) per annum.			
21. SHORT TERM DEPOSITS			
Local currency	21.1	<u>270,151,475</u>	<u>93,387,457</u>
21.1 These include deposits with maturity ranging from one month to twelve months. The rate of return on these deposits range from 5.5% to 13% (2001: 10% to 13%) per annum.			



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

	2002 Rupees	2001 Rupees
2. ACCRUED AND OTHER LIABILITIES		
Accrued expenses		
Return on borrowings - unsecured	3,410,545	2,914,124
Return on deposits	4,135,410	5,206,195
Profit accrued on special US\$ bonds	414,317	360,148
Mark-up on Repo against FIBs/TFCs	1,251,541	10,565,799
Others	586,448	712,903
	9,798,261	19,759,169
Other liabilities		
Unclaimed dividend	2,729,061	1,650,871
Unearned guarantee commission	24,699	24,699
Others	301,706	242,663
	3,055,466	1,918,233
	12,853,727	21,677,402
23. CONTINGENCIES AND COMMITMENTS		
23.1 Contingencies		
Guarantees issued	17,455,125	19,664,792
23.2 Commitments		
Commitment for purchase of Pakistan Investment Bonds	-	205,485,934
Commitment for sale of Federal Investment Bonds	-	405,084,115
	-	610,570,049
	17,455,125	630,234,841



NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2002

	12 Months ended December 31, 2002 Rupees	18 Months ended December 31, 2001 Rupees
24. RETURN ON FINANCING AND PLACEMENTS		
Financing		
Demand finance	38,585,906	68,414,814
Musharika finance	5,000,000	6,445,210
	43,585,906	74,860,024
 Placements	 7,313,898	 42,391,462
	50,899,804	117,251,486
25. RETURN ON SECURITIES		
Return on Government Securities	44,771,384	97,596,199
Return on TFCs	14,459,115	19,383,326
Mark up on Government Securities and TFCs - repo	(26,973,361)	(73,590,224)
	32,257,138	43,389,301
 Gain / (loss) on sale of Government Securities and TFCs		
Federal Investment Bonds	10,187,436	(6,666,833)
Pakistan Investment Bonds	11,662,486	7,165,000
Treasury Bills	426,810	-
Term Finance Certificates	-	543,455
	22,276,732	1,041,622
	54,533,870	44,430,923
26. COMMISSION		
On Guarantee	-	296,195
27. OTHER INCOME		
Dividend	935,212	1,201,114
Gain on sale of fixed assets	3,139	517,923
Miscellaneous	3,731,975	1,108,120
	4,670,326	2,827,157
28. RETURN ON DEPOSITS AND BORROWINGS		
Return on deposits	15,167,665	44,042,521
Return on borrowings	16,412,570	39,447,452
	31,580,235	83,489,973



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

		12 Months ended December 31, 2002 Rupees	18 Months ended December 31, 2001 Rupees	
29. OPERATING EXPENSES				
	Salaries, wages and other benefits	29.1	9,542,437	11,821,069
	Gratuity		758,000	550,252
	Office stationery		358,418	461,993
	Communication		607,049	690,331
	Utilities		621,809	1,111,760
	Advertising		241,022	257,539
	Travelling and conveyance		35,228	110,528
	Insurance		368,286	482,716
	Office repairs		161,625	257,243
	Legal and professional		188,900	271,600
	Auditors' remuneration	29.2	388,722	242,100
	Rent, rates and taxes		1,650,330	2,178,612
	Bank charges		113,317	211,310
	Books and periodicals		24,349	34,902
	Office expenses		45,500	44,870
	Fees and membership		1,827,731	1,168,007
	Miscellaneous		315,135	113,432
	Amortization of deferred cost (refer note 8)		86,759	342,252
	Depreciation (refer note 5)		1,874,266	2,678,971
	Old age benefit		52,350	86,771
	Vehicle running and maintenance		655,301	818,038
	Generator expenses		8,559	15,480
			19,925,093	23,949,776
29.1 These include retirement benefits of Rs. 507,830/- (2001: Rs. 674,725/-) in respect of provident fund of the employees.				
29.2 Auditor's remuneration				
	Statutory audit fee		125,000	125,000
	Taxation and other services		259,630	109,000
	Out of pocket expenses		4,092	8,100
			388,722	242,100
30. PROVISION FOR TAXATION				
	Current			
	- for the year	30.1	18,753,015	14,980,389
	Deferred		(1,005,605)	-
			17,747,410	14,980,389



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

	12 Months ended December 31, 2002 Rupees	18 Months ended December 31, 2001 Rupees
30.1 Relationship between tax expense and accounting profit		
Profit for the year from ordinary activities before taxation	<u>68,445,584</u>	<u>64,595,303</u>
Tax at the applicable rate of 35% (December 31, 2001: 34.65%)	23,955,954	22,382,272
Tax effect of expenses that are not allowable in determining taxable income	476,793	(4,554,549)
Tax effect of dividend income taxed at a lower rate	(280,564)	(353,128)
Tax effect of capital gains exempt from tax	(4,479,175)	(2,418,107)
Tax effect on gain / (loss) on sale of assets	(28,593)	(76,100)
Tax effect of gain on sale of FIBs held for one year or more exempt from tax	(891,401)	-
Tax charge	<u>18,753,015</u>	<u>14,980,389</u>

The provision for taxation has been computed at the rate applicable to a public company.

Income tax assessment of the company has been finalized upto the assessment year 2000-2001.

In the original assessments made by the Deputy Commissioner of Income tax (DCIT), the rate for the assessment years 1992-1993 to 1994-1995 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments, the full bench of ITAT, in its decision on the issue of application of banking company tax rate held that investment banks are not banking companies and therefore the rate of tax applicable to a public company should be applied. However, the tax authorities have filed appeals before the Honourable High Court regarding determination of status of the investment banks.

30.2 Deferred

Deferred tax comprises of:

Deferred tax assets arising in respect of

Accelerated depreciation

Provision for gratuity

(818,656)	-
(215,600)	-
(1,034,256)	-

Deferred tax liabilities arising due to:

Surplus / (deficit) on revaluation of securities

Deferred cost

49,850,299	-
28,651	-
<u>49,878,950</u>	-
<u>48,844,694</u>	-



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

	12 Months ended December 31, 2002 Rupees	18 Months ended December 31, 2001 Rupees
31. EARNINGS PER SHARE- BASIC AND DILUTED		
31.1 Basic		
Profit after Tax	50,698,174	49,614,914
Weighted average number of ordinary shares	21,606,200	20,130,000
Earning per share	2.35	2.46
31.2 Diluted		
No figure for diluted earnings per share has been presented as Security Investment Bank Limited has not issued any instrument which would have an impact on its earnings exercised.		
32. STAFF STRENGTH		
Number of employees at end of the year	30	31
33. DEFINED BENEFIT PLAN		
33.1 General description		
The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited at varying percentages of last drawn salary. The percentage depends on the number of service years with the company.		
From the current year, annual provision is based on actuarial valuation. This was carried out as at December 31, 2002 using the Projected Unit Credit Method.		
33.2 Principal actuarial assumptions		
Following principal actuarial assumptions were used for the valuation.		
Estimated rate of increase in salary of the employees	6.00%	
Discount rate	8.00%	
33.3 Reconciliation of provision for gratuity scheme		
Present value of defined benefit obligation	(2,803,888)	
Unrecognized transitional liability	-	
	(2,803,888)	
33.4 Gratuity Asset/(Liability)		
Provision at beginning of year	(2,187,888)	
Expense	(758,000)	
Contributions	142,000	
	(2,803,888)	
33.4.1 Gratuity scheme expense		
Current service cost	432,000	
Interest Cost	181,000	
Transitional surplus	145,000	
	758,000	

The company accounted for the scheme using full termination basis previously, hence no comparatives have been disclosed.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

34. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executive		Total	
	2002	2001	2002	2001	2002	2001
	Rupees					
Managerial remuneration	2,388,360	2,978,190	1,296,000	1,862,882	3,684,360	4,841,072
Housing	-	-	520,800	748,979	520,800	748,979
Bonus	210,000	-	162,200	230,150	372,200	230,150
Utilities	235,640	297,810	129,600	186,288	365,240	484,098
Other benefits	100,000	64,640	59,535	60,120	159,535	124,760
Reimbursable expenses	125,583	97,319	171,215	232,048	296,798	329,367
	3,059,583	3,437,959	2,339,350	3,320,467	5,398,933	6,758,426
Number of persons	1	1	6	5	7	6

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

35. MATURITIES OF ASSETS AND LIABILITIES

As at December 31, 2002

Assets	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
Tangible fixed assets	2,383,234	-	-	-	2,383,234
Membership card	36,000,000	-	-	-	36,000,000
Deferred cost	297,924	-	-	297,924	-
Short term financing	239,945,855	104,844,599	135,101,256	-	-
Placements	10,000,000	10,000,000	-	-	-
Short term investments	1,124,646,430	383,405,276	741,241,154	-	-
Advances and other receivables	94,708,355	234,519	81,910,031	12,563,805	-
Cash and bank balances	36,012,604	36,012,604	-	-	-
	1,543,994,402	534,496,998	958,252,441	12,861,729	38,383,234
Liabilities					
Deferred liabilities	51,648,582	-	-	-	51,648,582
Borrowings	727,500,000	520,000,000	207,500,000	-	-
Short term deposits	270,151,475	260,430,752	9,720,723	-	-
Accrued expenses and other liabilities	12,853,727	-	12,853,727	-	-
	1,062,153,784	780,430,752	230,074,450	-	51,648,582
Net assets	481,840,618				
Represented by:					
Share capital and reserves	387,197,220				
Surplus on revaluation of investments	94,643,398				
	481,840,618				



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

As at December 31, 2001

Assets	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
Tangible fixed assets	3,561,588	-	-	-	3,561,588
Membership card	36,000,000	-	-	-	36,000,000
Long term financing	125,284,339	-	-	125,284,339	-
Deferred cost	114,603	-	-	114,603	-
Short term financing	160,578,228	112,446,694	48,131,534	-	-
Placements	372,000,000	372,000,000	-	-	-
Short term investments	724,357,597	5,553,575	718,804,022	-	-
Advances and other receivables	79,299,888	146,500	51,336,036	27,817,352	-
Cash and bank balances	71,226,409	71,226,409	-	-	-
	1,572,422,652	561,373,178	818,271,592	153,216,294	39,561,588
Liabilities					
Long term deposits	160,155,925	-	-	160,155,925	-
Deferred liabilities	2,187,888	-	-	-	2,187,888
Borrowings	948,000,000	853,000,000	95,000,000	-	-
Short term deposits	93,387,457	80,687,290	12,700,167	-	-
Accrued expenses and other liabilities	21,677,402	-	21,677,402	-	-
	1,225,408,672	933,687,290	129,377,569	160,155,925	2,187,888
Net assets	347,013,980	(372,314,112)	688,894,023	(6,939,631)	37,373,700
Represented by:					
Share capital and reserves	356,141,546				
Deficit on revaluation of investments-net	(9,127,566)				
	347,013,980				

35.1 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Assets and Liability Management Committee manages the company's liquidity position. The Committee monitors the maintenance of balance sheet liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingencies plan.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

3. INTEREST RATE RISK

Interest rate risk and sensitivity of Company's financial liabilities and financial assets can be evaluated from the following:

As at December 31, 2002

Description	Total	Exposed to Interest Rate /Yield Risk			Not Exposed to Interest Rate/Yield Risk
		Within one year	More than one year & upto five years	Above five years	
Rupees					
ASSETS					
Tangible fixed assets	2,383,234	-	-	-	2,383,234
Membership card	36,000,000	-	-	-	36,000,000
Deferred cost	297,924	-	-	-	297,924
Short term financing	239,945,855	239,945,855	-	-	-
Placements	10,000,000	10,000,000	-	-	-
Short term investments in government securities	614,740,400	614,740,400	-	-	-
Short term investments in TFCs-quoted	126,500,754	126,500,754	-	-	-
Short term investments in shares - quoted	383,405,276	-	-	-	383,405,276
Advances, deposits and other receivable	59,538,669	-	-	-	59,538,669
Prepayments	1,356,160	-	-	-	1,356,160
Income tax recoverable	12,563,805	-	-	-	12,563,805
Income receivable	21,249,721	-	-	-	21,249,721
Balance with banks & Cash in hand	36,012,604	24,193,154	-	-	11,819,450
Total	1,543,994,402	1,015,380,163	-	-	528,614,239
SHARE CAPITAL AND RESERVES					
	387,197,220	-	-	-	387,197,220
Surplus on revaluation of investments-net	94,643,398	-	-	-	94,643,398
LIABILITIES					
Deposits	270,151,475	270,151,475	-	-	-
Deferred liabilities	51,648,582	-	-	-	51,648,582
Borrowings	727,500,000	727,500,000	-	-	-
Profit accrued on deposits & borrowings	9,383,944	-	-	-	9,383,944
Accrued and other liabilities	3,469,783	-	-	-	3,469,783
Total	1,543,994,402	997,651,475	-	-	546,342,927
Total interest rate sensitivity gap		17,728,688	-	-	(17,728,688)
Cumulative interest rate sensitivity gap		17,728,688	17,728,688	17,728,688	-



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

As at December 31, 2001

Description	Total	Exposed to Interest Rate /Yield Risk			Not Exposed to Interest Rate/Yield Risk
		Within one year	More than one year & upto five years	Above five years	
Rupees					
ASSETS					
Tangible fixed assets	3,561,588	-	-	-	3,561,588
Membership card	36,000,000	-	-	-	36,000,000
Long term financing	125,284,339	-	-	-	125,284,339
Short term investments in government securities	614,740,400	5,000,000	73,524,606	-	-
Long term investments in TFCs	62,279,416	-	62,279,416	-	-
Deferred cost	114,603	-	-	-	114,603
Financing	160,578,228	160,578,228	-	-	-
Placements	372,000,000	372,000,000	-	-	-
Short term investments in shares - quoted	5,553,575	-	-	-	5,553,575
Advances, and other receivable	5,619,298	-	-	-	5,619,298
Prepayments	10,516,115	-	-	-	10,516,115
Income tax recoverable	27,817,352	-	-	-	27,817,352
Income receivable	35,347,123	-	-	-	35,347,123
Balance with banks & Cash in hand	71,226,409	62,221,451	-	-	9,004,958
Total	994,422,652	599,799,679	135,804,022	-	258,818,951
SHARE CAPITAL AND RESERVES					
356,141,546	356,141,546	-	-	-	356,141,546
Deficit on revaluation of Investments - Net	(9,127,566)	-	-	-	(9,127,566)
LIABILITIES					
Deposits of Fixed maturities	253,543,382	93,387,457	160,155,925	-	-
Deferred liabilities	2,187,888	-	-	-	2,187,888
Borrowings	370,000,000	370,000,000	-	-	-
Profit accrued on deposits & borrowings	19,399,021	-	-	-	19,399,021
Accrued and other liabilities	2,278,381	-	-	-	2,278,381
Total	994,422,652	463,387,457	160,155,925	-	370,879,270
Total interest rate sensitivity gap		136,412,222	(24,351,903)	-	(112,060,319)
Cumulative interest rate sensitivity gap		136,412,222	112,060,319	112,060,319	-

The company's financial assets and financial liabilities are not exposed to interest rate cash flow risk.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

37. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the credit worthiness of counter-parties.

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

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

The company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of risks with individuals or groups of customers in specific locations or business. It also obtains security when appropriate. Details of finance portfolio is given below:

Finance	2002		2001	
	Rupees	%	Rupees	%
Sugar	100,000,000	41.06	—	—
Textile spinning	6,400,000	2.63	6,400,000	2.21
Textile composite	10,000,000	4.11	10,000,000	3.45
Cables and electric goods	84,831,461	34.83	91,900,000	31.75
Leasing	25,000,000	10.27	25,000,000	8.64
Synthetic and rayon	—	—	130,912,675	45.23
Individuals	3,148,298	1.29	11,083,796	3.83
Others	14,146,694	5.81	14,146,694	4.89
	243,526,453	100	289,443,165	100

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.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINANCIAL ASSETS	2002		2001	
	Book value	Fair value	Book value	Fair value
	Rupees			
Long term financing	-	-	125,284,339	125,284,339
Financing	239,945,855	239,945,855	160,578,228	160,578,228
Placements	10,000,000	10,000,000	372,000,000	372,000,000
Short term investments	1,124,646,430	1,124,646,430	724,357,597	724,357,597
Advances and other receivables	82,144,550	82,144,550	51,482,536	51,482,536
Cash and bank balances	36,012,604	36,012,604	71,226,409	71,226,409
	<u>1,492,749,439</u>	<u>1,492,749,439</u>	<u>1,504,929,109</u>	<u>1,504,929,109</u>
FINANCIAL LIABILITIES				
Long term deposits	-	-	160,155,925	160,155,925
Deferred liabilities	2,853,417	2,853,417	2,187,888	2,187,888
Borrowings	727,500,000	727,500,000	948,000,000	948,000,000
Short term deposits	270,151,475	270,151,475	93,387,457	93,387,457
Accrued expenses and other liabilities	12,853,727	12,853,727	21,677,402	21,677,402
	<u>1,013,358,619</u>	<u>1,013,358,619</u>	<u>1,225,408,672</u>	<u>1,225,408,672</u>

As at December 31, 2002, the fair value of all financial instruments is based on the valuation methodology outlined below:

a) **Finances and certificate of deposits**

For all finances and deposits, the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and reprising profiles of similar advances and deposits.

b) **Investments**

The fair value of quoted investments is based on quoted market prices or average of quotations received from brokers. Unquoted investments are stated at cost which approximates to their fair value in the absence of an active market.

c) **Other financial instruments**

The fair values of all other financial instruments are considered approximate to their book values as they are short term in nature.

3. CASH MANAGEMENT SCHEME

The company has an amount of Rs. 207.5 million (2001: Rs. 95 million) as at December 31, 2002, under its Cash Management Scheme, offered to its customers. These funds are invested in various alternatives depending on customer's authority and without any liability on the part of the company.



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

	12 Months ended December 31, 2002 Rupees	18 Months ended December 31, 2001 Rupees
4. TRANSACTIONS WITH RELATED PARTIES		
Financing	76,987,852	84,146,694
Return on financing	9,344,127	8,588,719
Deposits	52,572,066	52,284,717
Return on deposits	5,763,578	6,915,839

4. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on March 31, 2003.

4. FIGURES

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

(MINOCHER K. A. MARKER)
Chairman

(MUHAMMAD SALEEM RATHOD)
Chief Executive



PATTERN OF SHAREHOLDING

HELD BY THE SHAREHOLDERS AS AT DECEMBER 31, 2002

Number of Shareholders	Shareholding From	To	Total number of shares held	Percentage %
480	1	100	20,669	0.073
347	101	500	72,484	0.257
657	501	1,000	439,199	1.558
255	1,001	5,000	477,200	1.693
36	5,001	10,000	243,928	0.866
13	10,001	15,000	159,949	0.568
4	15,001	20,000	76,832	0.273
5	20,001	25,000	107,371	0.381
3	25,001	30,000	83,814	0.297
1	30,001	35,000	33,550	0.119
1	35,001	40,000	37,576	0.133
1	40,001	45,000	42,670	0.151
1	65,001	70,000	67,100	0.238
1	75,001	80,000	75,823	0.269
1	90,001	95,000	93,000	0.330
1	155,001	160,000	155,250	0.551
4	195,001	200,000	780,800	2.771
1	500,001	505,000	502,914	1.785
1	595,001	600,000	597,190	2.119
2	610,001	615,000	1,221,220	4.333
1	645,001	650,000	645,781	2.291
1	995,001	1,000,000	1,000,000	3.548
2	1,215,001	1,220,000	2,440,000	8.658
1	1,220,001	1,225,000	1,224,001	4.343
1	1,530,001	1,535,000	1,532,076	5.436
1	1,995,001	2,000,000	2,000,000	7.097
1	3,570,001	3,575,000	3,571,885	12.674
1	3,995,001	4,000,000	4,000,000	14.193
447	6,475,001	6,480,000	6,479,718	22.992
2,271			28,182,000	100

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	2,256	25,598,271	90.83%
INVESTMENT COMPANIES	6	2,541,824	9.02%
INSURANCE COMPANIES	1	6,039	0.02%
JOINT STOCK COMPANIES	3	11,146	0.04%
FINANCIAL INSTITUTIONS	3	1,821	0.01%
MODARABA COMPANIES	2	22,899	0.08%
	2,271	28,182,000	100.00%



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

Categories of Shareholders	Shares Held
Individuals	17,288,924
Investment Companies except ICP	2,117
Public/Private Sector Companies and Corporations	—
Directors, Chief Executive Officer and their spouse and minor children	
1) Minocher K.A. Marker	1,400
2) Khursheed K. Marker	1,281
3) Muhammad Younus Abdul Aziz Tabba	610,610
4) Muhammad Sohail Tabba	28,182
5) Muhammad Ali Tabba	93,000
6) Muhammad Rafiq Abdul Ghaffar Tumbi	1,708
7) Muhammad Saleem Rathod	1,281
8) Ather Hussain Medina (NIT) National Bank of Pakistan, Trustee Deptt.	2,534,116
Investment Corporation of Pakistan	5,591
Associated Companies, Undertakings and Related Parties	—
Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Deptt.	41,905
Shareholders holding ten percent or more voting interest	
H.A.R	3,571,885
Amina Bano	4,000,000



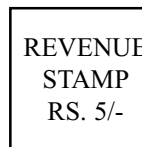
FORM OF PROXY

TWELFTH ANNUAL GENERAL MEETING

I/We
of
a member / members of SECURITY INVESTMENT BANK LIMITED and holding
ordinary shares, as per Register Folio
do hereby appoint
of
to vote for me/us and on my/our behalf at the Twelfth Annual General Meeting of the Company to be held on April 30, 2003 and at any adjournment thereof.

As Witness my/our hand this day of2003

Folio No.



SIGNATURE OF MEMBER(S)

IMPORTANT:

1. Signature of Member(s) should agree with specimen registered with the Company.
2. A member entitled to attend Twelfth 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 Registered Office of the Company not less than 48 hours before the time of the meeting.