



# SECURITY INVESTMENT BANK LIMITED



The Money Wise Bank

19th Annual Report 2010

## VISION

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

## MISSION

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



# Annual Report 2010



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Haji Jan Muhammad (Chairman)  
 Mr. Muhammad Mehboob  
 Mr. Shaikh Abdullah  
 Mr. Muhammad Taufeeq Motiwala  
 Mr. Sheikh Asim Rafiq (NIT Nominee)  
 Mr. Muhammad Saleem Rathod  
 Mr. Karim Muhammad Munir

### PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Saleem Rathod

### AUDIT COMMITTEE

Mr. Shaikh Abdullah  
 Haji Jan Muhammad  
 Mr. Muhammad Taufeeq Motiwala  
 Mr. Sheikh Asim Rafiq

### CHIEF FINANCIAL OFFICER

Mr. Muhammad Amin Khatri

### COMPANY SECRETARY

Mr. Muhammad Shahzad

### AUDITORS

Avais Hyder Liaquat Nauman  
 Chartered Accountants

### TAX ADVISORS

Anjum Asim Shahid Rahman  
 Chartered Accountants

### LEGAL ADVISORS

Bawaney & Partners  
 Muhammad Tariq Qureshi

### SHARE REGISTRAR

M/s. C&K Management Associates (Pvt) Limited  
 404, Trade Tower, near Hotel Metropole, Karachi.

### BANKERS

Habib Metropolitan Bank Limited.  
 Al-Baraka Islamic Bank B.S.C. (E.C.)  
 MCB Bank Limited.  
 Summit Bank Limited.

### REGISTERED OFFICE

Flat No. 4, 3rd Floor, Al-Baber Centre,  
 Main Markaz, F-8, Islamabad.  
 Tel : (051) 2856978-80  
 Fax: (051) 2856987  
 Website : [www.sibl.com.pk](http://www.sibl.com.pk)

### KARACHI OFFICE

606, 6th Floor, Unitowers,  
 I.I. Chundrigar Road, Karachi.  
 Tel : (021) 32418410 - 13 Fax : (021) 32418414  
 E-mail : [sibl@sibl.com.pk](mailto:sibl@sibl.com.pk)





## NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

Notice is hereby given that the 20<sup>th</sup> annual general meeting of Security Investment Bank Limited will be held on 25 April 2011 at 9:00 a.m. sharp at the Registered Office of the Company located at flat number.4, 3<sup>rd</sup> floor, Al-Baber Centre, Main Markaz, F-8, Islamabad to transact the following business:

### ORDINARY BUSINESS

- 1) To confirm the minutes of 19th annual general meeting held on 28 April 2010.
- 2) To receive and adopt the audited financial statements of the company for the year ended 31 December 2010 together with the Directors' and Auditors' reports thereon.
- 3) To appoint auditors and fix their remuneration for the year ending 31, December 2011. The retiring auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants retire and being eligible, offer themselves for re-appointment to act as the external auditor of the company for the year ending 31, December 2011.

### ANY OTHER BUSINESS

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

### BOOK CLOSURE

- 1) The share transfer books of the company will remain closed from 19, April 2011 to 25, April 2011 (both days inclusive). Transfers received in order at the office of the share registrar of the company by the close of business on 18 April 2011 will be treated in time.

By order of the Board

**Muhammad Shahzad**  
Head of Finance &  
Company Secretary

Karachi.

Date: 18, March 2011

### Notes:

- 1) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, and vote on his/ her behalf. Proxies in order to be effective must be received at the office of the share registrar of the company duly stamped and signed not less than 48 hours before the meeting. A member may not appoint more than one proxy.
- 2) Members are requested to promptly communicate to the share registrar of the Company any change in their addresses.
- 3) Members who have not yet submitted photocopy of their Computerised National Identity Card (CNIC) are requested to send the same to our share registrar at the earliest.
- 4) CDC Account holders and sub-account holders are required to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan.



(a) **For attending the meeting.**

- (i) In case of individuals, the account holder or sub-account holder shall bring his or her original Computerized National Identity Card or original passport at the time of attending meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the meeting.

(b) **For appointing proxies**

- (i) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his or her original CNIC or original passport at the time of meeting.
- (v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted to the company along with proxy form.



## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Security Investment Bank Limited (SIBL) are pleased to present the Nineteenth Annual Report along with the Audited Financial Statements and Auditor's Report thereon for the year ended 31 December 2010.

We regret the demise of Mr Khursheed K Marker, Chairman of the Board of Directors (BOD) who passed away on 11 December 2010. He served as a Chairman of the BOD for more than 15 years and during his visionary leadership, the company has achieved many milestones.

### Economic Outlook

The year under review was very challenging for Pakistan and business were under pressure due to, inter alia, persistent inflation, increase in discount rate by the State Bank of Pakistan (SBP) and increase in fuel, gas and electricity prices. These factors also affected due to damages caused by the last year's flood. However, barometer of economic activities, the KSE 100 index increased from 9,797 to 12,022 registering growth of 23% during the year, mainly due to foreign investment.

### Operational Performance

During the year, the Bank continued to operate vigilantly due to economic conditions and unavailability of clean funds from commercial banks. Our income has increased from Rs 64.288 million to Rs. 83.951 million and expenses have decreased from Rs 88.427 million to Rs 80.556 million. Net profit after taxation stood at Rs 9.806 million as against loss of Rs. 192.693 million of last year.

### Corporate Governance

The Board regularly reviews the company's strategic direction, business plans and performance in the light of the Company's overall objectives. The board is committed to maintain the high standards of good corporate governance. The company is complying with the provisions set out by the State Bank of Pakistan, Securities & Exchange Commission of Pakistan and the listing rules of the Stock Exchanges. We further would like to confirm that:

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of six years of Security Investment Bank Limited are as follows:





(Rupees in millions)

Year	2010	2009	2008	2007	2006	2005
Share Capital	514	514	514	429	429	373
Shareholder's Equity	498	488	681	654	650	602
Deposits	112	117	220	972	976	565
Borrowings	258	368	376	1,195	727	1253
Advances	40	19	104	183	196	171
Investments	423	607	457	728	565	289
Operating Profit/ (Loss)	3	(24)	27	98	105	92
Net Profit / (Loss)	9.8	(193)	26.8	89	86	71
Total Assets	836	960	932	2,802	2,335	2,456
Dividend	-	-	-	-	20%	10%
Bonus	-	-	-	20%	-	15%

#### Value of Provident Fund Investment

As at 31 December 2010 based on the unaudited accounts, the value of investment of Provident Fund is Rs.5.201 million.

#### Value of Gratuity Fund Investment

As at 31 December 2010 based on the unaudited accounts, the value of investment of Gratuity Fund is Rs.2.429 million.

#### Pattern of Shareholding

The pattern of shareholding as at 31 December 2010 along with the disclosure required under the Code of Corporate Governance is annexed to the report.

#### Board Meetings

During the year ended 31 December 2010, the Board of Directors held four meetings. Attendance of each director is as follows:

<u>Name</u>	<u>No. of Meetings Attended</u>
Mr Khursheed K. Marker (passed away on 11 December 2010)	2
Mr Haji Jan Muhammad	4
Mr Muhammad Younus Abdul Aziz Tabba (resigned on 29 August 2010)	-
Mr Muhammad Mehboob	3
Mr Shiekh Asim Rafiq (NIT's nominee)	3
Mr Shaikh Abdullah	4
Mr Muhammad Saleem Rathod (President & CEO)	4

Leave of absence was granted to Directors who could not attend the meetings.



**Trade / dealing in shares of the Company**

During the year, no trade in the shares of the company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

**Statement of Ethics and Business Practices**

The Board of Directors has adopted the required statement of Ethics and Business Practices. All employees are aware of this statement and are requested to observe rules of conduct of business and regulations.

**Earnings per Share**

Earnings per share of your Bank is Rs.0.19 for the year ended 31 December 2010.

**Dividend**

No dividend is declared for the year ended 31 December 2010 because of the low earnings.

**Credit Rating**

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

**Outlook**

The economy would remain under pressure due to volatile political environment, law and order situation, high inflation and high interest rates. The long awaited "leverage product" has just been introduced and we hope that it would have a positive impact on Capital Markets in year 2011. The Company would continue its policy of doing business vigilantly with an aim to increase valued shareholders' wealth on sustainable basis.

**Auditors**

The present auditors Avais Hyder Liaquat Nauman, Chartered Accountants retire and being eligible offered themselves for reappointment. The Board of Directors endorsed the recommendation of the Audit Committee for the reappointment of Avais Hyder Liaquat Nauman, Chartered Accountants for the year ending 31 December 2011.

**Acknowledgement**

The Directors are exceedingly grateful to the SECP, Stock Exchanges and other regulators for their guidance, support and cooperation. We also acknowledge the understanding shown by the shareholders. The management and staff are also worth praising for their efforts in achieving these results.

Karachi;  
18 March 2011

On behalf of the Board  
**Haji Jan Muhammad**  
(Chairman)



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation 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 includes at least six non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred during the year was filled up by the directors within 30 days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which is in the process of signing by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and other Executive, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The members of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, 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 Four (4) members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function/manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The Related Parties transaction have been placed before the Audit Committee and approved by the Board of Directors alongwith pricing methods for such transaction.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

**Muhammad Saleem Rathod**  
Chief Executive

**Haji Jan Muhammad**  
Chairman

Karachi: 18 March 2011



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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2010 prepared by the Board of Directors of SECURITY INVESTMENT BANK LIMITED, to comply with the listing regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited, listing regulation No. 35 chapter XI of Lahore Stock Exchange (Guarantee) Limited and listing regulation No. 35 of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of financial statement we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2010.

**AVAIS HYDER LIAQUAT NAUMAN**

Chartered Accountants

Karachi:

Dated: 18, March 2011

Engagement Partner: Adnan Zaman



**SECURITY INVESTMENT BANK LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**





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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SECURITY INVESTMENT BANK LIMITED as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year ended December 31, 2010 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;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2010 and the profit, the comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**AVAIS HYDER LIAQUAT NAUMAN**

Chartered Accountants

Karachi:

Dated: 18, March 2011

Engagement Partner: Adnan Zaman



**BALANCE SHEET**  
AS AT 31 DECEMBER 2010

	Notes	2010 Rupees	2009 Rupees
<b>Assets</b>			
Property, plant and equipment	5	1,171,193	3,630,213
Stock exchange membership card	6	36,000,000	36,000,000
Long term investments	7	151,062,052	151,141,204
Deferred tax asset	8	42,088,152	30,531,856
<b>Current assets</b>			
Short term financing	9	40,341,265	18,600,000
Short term placements	10	45,000,000	-
Short term investments	11	423,135,838	606,902,164
Loans and advances	12	75,134,754	69,997,072
Deposits, prepayments and other receivables	13	4,769,255	6,333,565
Accrued interest	14	10,212,149	8,245,354
Cash and bank balances	15	6,727,743	28,116,634
		<b>605,321,004</b>	<b>738,194,789</b>
		<b>835,642,401</b>	<b>959,498,062</b>
<b>Share capital and liabilities</b>			
<b>Capital and reserves</b>			
<b>Authorized capital</b>			
100,000,000 ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	16	514,335,583	514,335,583
Statutory reserves	17	141,611,410	139,650,141
Unappropriated loss		(158,128,144)	(165,973,221)
		<b>497,818,849</b>	<b>488,012,503</b>
Deficit on revaluation of investments - net off tax	18	(45,313,177)	(37,333,405)
<b>Liabilities</b>			
Deferred liability	19	-	7,938,830
<b>Current liabilities</b>			
Borrowings	20	257,678,086	368,068,067
Short term deposits	21	112,071,667	117,271,614
Accrued and other liabilities	22	13,386,976	15,540,453
		<b>383,136,729</b>	<b>500,880,134</b>
Contingencies and commitments	23	-	-
		<b>835,642,401</b>	<b>959,498,062</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN



**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 Rupees	2009 Rupees
<b>Income</b>			
Return on financing and placements	24	5,991,623	2,915,246
Return on securities	25	55,289,799	56,608,507
Gain on sale of investments		19,974,708	2,634,910
Profit on deposit with banks		640,485	1,221,138
Other income	26	2,055,046	908,794
		<b>83,951,661</b>	64,288,595
<b>Expenditure</b>			
Finance cost	27	50,392,110	61,028,042
Administrative expenses	28	30,164,626	27,399,426
		<b>80,556,736</b>	88,427,468
<b>Profit / (loss) for the year before taxation</b>		<b>3,394,925</b>	(24,138,873)
<b>Impairment under SECP's SRO 150(1)/2009</b>			
Impairment against investments available for sale		-	(300,557,462)
Adjustment for price movement during the current period		-	121,968,798
		-	(178,588,664)
Profit / (loss) before taxation		<b>3,394,925</b>	(202,727,537)
Taxation	29	6,411,421	10,034,436
<b>Profit / (loss) after taxation</b>		<b>9,806,346</b>	(192,693,101)
<b>Basic earning / (loss) per share</b>	30	<b>0.19</b>	(3.75)

The annexed notes 1 to 43 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
 CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
 CHAIRMAN



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 Rupees	2009 Rupees
Profit / (loss) after taxation	9,806,346	(192,693,101)
<b>Other comprehensive Income</b>		
Other comprehensive income - net of tax	-	-
<b>Total comprehensive income / (loss) - net of tax</b>	<b>9,806,346</b>	<b>(192,693,101)</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
 CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
 CHAIRMAN



## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 Rupees	2009 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit / (loss) before tax		3,394,925	(202,727,537)
<b>Adjustment for non cash and other items</b>			
Depreciation		1,538,643	1,427,633
(Gain) on disposal of shares		(19,974,708)	(2,634,910)
Impairment on available for sale investment		-	178,588,664
(Gain) on disposal of fixed assets		(547,258)	(149,999)
Provision for gratuity		884,475	1,652,545
		<b>(18,098,848)</b>	<b>178,883,933</b>
<b>Cash flows from operating activities before working capital changes</b>		<b>(14,703,923)</b>	<b>(23,843,604)</b>
<b>(Increase) / decrease in operating assets</b>			
(Increase) / decrease in financing and placements		(21,741,265)	87,304,578
(Increase) / decrease in loans and advances		(123,529)	16,570
Decrease in deposits and prepayments		1,564,310	1,403,852
(Increase) / decrease in accrued interest		(1,966,795)	29,691,400
		<b>(22,267,279)</b>	<b>118,416,400</b>
<b>Increase / (decrease) in operating liabilities</b>			
(Decrease) in deposits		(5,199,946)	(103,121,634)
(Decrease) in borrowings		(110,389,981)	(8,358,782)
(Decrease) in accrued and other liabilities		(2,916,344)	(7,777,597)
		<b>(118,506,271)</b>	<b>(119,258,013)</b>
<b>Net change in operating assets and liabilities</b>		<b>(140,773,550)</b>	<b>(841,613)</b>
Income tax paid		(5,662,570)	(5,790,283)
Gratuity paid		(7,938,830)	-
Dividend paid		(121,608)	(695,276)
		<b>(13,723,008)</b>	<b>(6,485,559)</b>
<b>Net cash (used in) operating activities</b>		<b>(169,200,481)</b>	<b>(31,170,776)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of fixed assets		1,939,870	151,600
(Purchase) of fixed assets		(472,235)	(140,500)
Sale / (purchase) investments (shares)		185,713,525	1,730,349
Sale of securities		5,630,430	31,291,111
<b>Net cash generated from investing activities</b>		<b>192,811,590</b>	<b>33,032,560</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase in cash and cash equivalents		23,611,109	1,861,784
<b>Cash and cash equivalents at the beginning of the year</b>		<b>28,116,634</b>	<b>26,254,850</b>
<b>Cash and cash equivalents at the end of the year</b>	31	<b>51,727,743</b>	<b>28,116,634</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN





**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share Capital (Note 16)	Statutory Reserve (Note 17)	Unappropriated (Loss)	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 1 January 2009	514,335,583	139,650,141	26,719,880	680,705,604
(Loss) for the year 2009	-	-	(192,693,101)	(192,693,101)
Other comprehensive income for the year	-	-	-	-
Appropriations :				
Statutory reserve	-	-	-	-
<b>Balance as at December 31, 2009</b>	<b>514,335,583</b>	<b>139,650,141</b>	<b>(165,973,221)</b>	<b>488,012,503</b>
Profit for the year 2010	-	-	9,806,346	9,806,346
Other comprehensive income for the year	-	-	-	-
Appropriation :				
Statutory reserve	-	1,961,269	(1,961,269)	-
<b>Balance as at December 31, 2010</b>	<b>514,335,583</b>	<b>141,611,410</b>	<b>(158,128,144)</b>	<b>497,818,849</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
 CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
 CHAIRMAN



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **1. LEGAL STATUS AND OPERATION**

Security Investment Bank Limited (SIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on May 23rd, 1991 and started its commercial operation on 31 December 1991. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of SIBL is situated at Flat No. 4, 3rd Floor, Al-Baber Centre, Main Markaz, F-8, Islamabad.

SIBL is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation ) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP) as amended through SRO 1131 (I) /2007 dated 21 November 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (previously this was covered under SRO 585(1)/87 dated 13 July 1987, issued by the Ministry of Finance).

JCR - VIS Credit Rating Company Limited has reaffirmed medium to long-term rating of SIBL at 'A' ( **Single A** ) with **stable outlook** and the short-term rating at 'A-2' ( **A Two** ).

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

#### **2. BASIS OF PREPARATION**

##### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 as amended through SRO 1131 (I)/2007 dated 21 November 2007, Non-Banking Finance Companies and Notified Entities Regulations 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards/International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, NBFC Rules or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

##### **2.2 Functional and presentation currency**

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



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2010

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

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements.

IFRS 2 (Amendments) - Share based Payment  
 IFRS 3 (Revised) - Business Combinations  
 IFRS 5 (Amendments) - Non-current Assets Held for Sale and Discontinued Operations  
 IAS 7 (Amendments) - Statement of Cash Flow  
 IAS 17 (Amendments) - Leases  
 IAS 24 (Amendments) - Related Party Disclosures  
 IAS 27 (Amendments) - Consolidated and Separate Financial Statements- Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate  
 IAS 39 (Amendments) - Financial Instruments : Recognition and Measurement - Eligible hedged items  
 IFRIC 17 - Distributions of Non-cash Assets to owners  
 IFRIC 18 - Transfers of Assets from Customers

#### 2.4 Accounting standards or an interpretations not yet effective

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

IAS 1 - Presentation of Financial Statements	effective from accounting period beginning on or after 01 January 2011
IFRS 9 - Financial Instruments	effective from accounting period beginning on or after 01 January 2013
IAS-32 (amendment) Financial Instruments : Presentation- Classification of Right Issues	effective from accounting period beginning on or after 01 February 2010
IAS- 24 (revised) Related Party Disclosures	effective from accounting period beginning on or after 01 January 2011
IAS- 28 Investment in Associates	effective from accounting period beginning on or after 01 July 2010
IAS- 31 Interest in Joint Ventures	effective from accounting period beginning on or after 01 July 2010
IFRIC- 14 - IAS 19 - The Limit on Defined Benefits Assets, Minimum Funding Requirements and their Interaction (Amendments)	effective from accounting period beginning on or after 01 January 2011
IFRIC- 19 Extinguishing Financial Liabilities with Equity Instruments	effective from accounting period beginning on or after 01 July 2010

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

#### 2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

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

- (a) determining the residual values and useful lives of property and equipment (Note 5)
- (b) classification of investments (Note 7 and 11)
- (c) recognition of taxation and deferred tax (Note 8 and 29) and
- (d) accounting for post employment benefits (Note 33)

### **3 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investments and gratuity which are stated at fair value. In these financial statements, except for the amount reflected in cash flow statements, all the transactions have been accounted for on accrual basis.

### **4 SIGNIFICANT ACCOUNTING POLICIES**

#### **4.1 Fixed assets and depreciation**

Operating fixed assets are stated at cost less accumulated depreciation.

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

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

#### **4.2 Stock Exchange membership card**

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

#### **4.3 Impairment**

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

#### **4.4 Investments**

##### **Subsidiary company**

Investment in subsidiary company is measured at cost. However, at subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts are adjusted accordingly. Impairment losses are recognized as expense.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **Held-to-maturity**

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

#### **Available-for-sale**

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

#### **Held-for-trading**

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

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

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

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

#### **4.5 Securities under repurchase / reverse repurchase agreement**

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

##### **Repurchase agreements**

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

##### **Reverse repurchase agreements**

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

#### **4.6 Trade date and settlement date accounting**

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



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **4.7 Staff retirement benefits**

##### **4.7.1 Defined contribution plan**

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

##### **4.7.2 Defined benefit plan**

The Company operates an approved funded gratuity scheme covering all permanent employees who have completed the qualifying period under the scheme. The scheme is administered by the trustees and contributions therein are made in accordance with the actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 33.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous accounting period exceed ten percent of the higher of defined benefit obligation and fair value of the planned assets at that date. These gains or losses are recognized over the expected average working lives of the employees participating in the plan.

The funded gratuity scheme was introduced in the month of July 2010. Before July 2010 the company was maintaining Unfunded Gratuity for its permanent employees.

#### **4.8 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the 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.

#### **4.9 Financial instruments**

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

#### **4.10 Classification of deposits and financing**

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

#### **4.11 Cash and cash equivalents**

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



## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **4.12 Provisions**

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

#### **4.13 Revenue**

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

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

Income from capital gains is recognized on earned basis.

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

#### **4.14 Finance cost**

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

#### **4.15 Taxation**

##### **Current**

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

##### **Deferred**

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

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

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

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



## ***NOTES TO THE FINANCIAL STATEMENTS***

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **4.16 Related party transactions**

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

#### **4.17 Provision for doubtful debts on financing**

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

#### **4.18 Dividend distributions and appropriations**

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 5. PROPERTY, PLANT AND EQUIPMENT

(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, 2010
	As at Jan. 01, 2010	Additions	Deletions	As at Dec. 31, 2010		As at Jan. 01, 2010	Charge for the year	Adjustment	As at Dec. 31, 2010	
Computers and equipments	3,821,123	456,685	(316,965)	3,960,843	20%	3,351,692	246,464	(303,161)	3,294,995	665,848
Furniture and fixtures	3,068,286	15,550	-	3,083,836	10%	2,976,098	14,329	-	2,990,427	93,409
Generator	963,469	-	-	963,469	10%	571,039	54,345	-	625,384	338,085
Sign board	179,000	-	-	179,000	10%	160,498	3,000	-	163,498	15,502
Telephone system	171,496	-	-	171,496	10%	126,832	11,570	-	138,402	33,094
Vehicles	9,361,586	-	(4,952,965)	4,408,621	20%	6,748,587	1,208,935	(3,574,156)	4,383,366	25,255
<b>Rupees 2010</b>	<b>17,564,960</b>	<b>472,235</b>	<b>(5,269,930)</b>	<b>12,767,265</b>		<b>13,934,746</b>	<b>1,538,643</b>	<b>(3,877,317)</b>	<b>11,596,072</b>	<b>1,171,193</b>

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, 2009
	As at Jan. 01, 2009	Additions	Deletions	As at Dec. 31, 2010		As at Jan. 01, 2009	Charge for the year	Adjustment	As at Dec. 31, 2010	
Computers and equipments	3,682,223	140,500	(1,600)	3,821,123	20%	3,200,060	151,632	-	3,351,692	469,431
Furniture and fixtures	3,068,286	-	-	3,068,286	10%	2,961,088	15,010	-	2,976,098	92,188
Generator	963,469	-	-	963,469	10%	518,621	52,418	-	571,039	392,430
Sign board	179,000	-	-	179,000	10%	157,498	3,000	-	160,498	18,502
Telephone system	171,496	-	-	171,496	10%	115,262	11,570	-	126,832	44,664
Vehicles	9,958,636	-	(597,050)	9,361,586	20%	6,151,634	1,194,003	(597,050)	6,748,587	2,612,999
<b>Rupees 2009</b>	<b>18,023,110</b>	<b>140,500</b>	<b>(598,650)</b>	<b>17,564,960</b>		<b>13,104,163</b>	<b>1,427,633</b>	<b>(597,050)</b>	<b>13,934,746</b>	<b>3,630,213</b>

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 9,721,958/- (2009 : Rs.=8,895,306/) in respect of fully depreciated assets still in use.

5.2 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale Proceeds	Gain	Sold to	Mode of disposal
Computers and equipments	222,779	222,775	4	3,200	3,196	Mr. Ali	Negotiation
Computers and equipments	46,000	30,667	15,333	5,500	(9,833)	Power Communication	Negotiation
Computers and equipments	48,186	48,185	1	8,000	7,999	Mr. Khalid Azeem	Negotiation
Vehicle	1,740,530	1,160,353	580,177	638,195	58,018	Mr. M.S. Rathod - CEO	Approved through BOD
Vehicle	3,212,435	2,415,337	797,098	1,284,976	487,878	Haji Jan Muhammad - Director	Approved through BOD
<b>Rupees 2010</b>	<b>5,269,930</b>	<b>3,877,317</b>	<b>1,392,613</b>	<b>1,939,871</b>	<b>547,258</b>		



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
<b>6 STOCK EXCHANGE MEMBERSHIP CARD</b>			
Corporate membership of the Karachi Stock Exchange (Guarantee) Limited		<u>36,000,000</u>	<u>36,000,000</u>
<b>7 LONG TERM INVESTMENTS</b>			
<b>Subsidiary company</b>			
SIBL Exchange Company (Pvt) Ltd. 10,000,000 (2009: 10,000,000) ordinary shares of Rs. 10 each. Wholly Owned Subsidiary- unquoted		<u>100,000,000</u>	100,000,000
Pakistan Investment Bonds - Held to Maturity	7.1	<u>51,062,052</u>	51,141,204
		<u>151,062,052</u>	<u>151,141,204</u>
<b>7.1 Pakistan Investment Bonds</b>			
Cost		<u>51,141,204</u>	51,220,356
Less : Amortization		<u>(79,152)</u>	(79,152)
		<u>51,062,052</u>	<u>51,141,204</u>
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.50,000,000/- (2009: Rs.50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2009 : 10%). Their period to maturity is fourteen and a half years.</p>			
<b>8 DEFERRED TAX ASSET</b>			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		<u>23,883,268</u>	19,386,813
Accelerated depreciation		<u>309,019</u>	410,766
Provision for gratuity		-	578,390
Tax losses		<u>17,895,865</u>	10,155,887
		<u>42,088,152</u>	<u>30,531,856</u>
<b>8.1 Movement in deferred tax asset</b>			
Opening Balance		<u>30,531,856</u>	40,172,105
Provision during the year		<u>11,556,296</u>	(9,640,249)
Closing Balance		<u>42,088,152</u>	<u>30,531,856</u>

8.2 The Company has an aggregate amount of Rs. 51.131 million (2009: Rs. 29.016 million) in respect of unabsorbed tax losses as at December 31, 2010 on which the management has recognized deferred tax asset of Rs. 17.896 million (2009: Rs. 10.155 million). The management of the Company believes that based on the projections of future taxable profit it would be able to realize these tax losses in the future.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 Rupees	2009 Rupees
<b>9</b>			
<b>SHORT TERM FINANCING SECURED AND CONSIDERED GOOD</b>			
Associated companies	9.1	12,841,265	11,200,000
Others	9.2	27,500,000	7,400,000
		<b>40,341,265</b>	<b>18,600,000</b>

9.1 These are secured by hypothecation or a charge on assets of customers, certificates of deposits and pledge of shares. The mark-up rate is 16% per annum (2009: 13% to 16% per annum).

9.2 These are secured by demand promissory notes, hypothecation or a charge on assets of customers and certificates of deposits. The mark-up rate is 16% per annum (2009: 13% to 16% per annum).

### 10 SHORT TERM PLACEMENTS CONSIDERED GOOD

Placement with financial Institution-unsecured	10.1	<b>45,000,000</b>	-
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10.1 This represents placement with financial institution on short term basis upto January 03, 2011 carrying markup @ 12.50% per annum (2009 : NIL)

### 11 SHORT TERM INVESTMENTS

#### Available for sale

Pakistan Investment Bonds	11.1	<b>336,310,158</b>	352,503,456
Term Finance Certificates	11.1	<b>8,792,355</b>	10,224,165
Quoted shares	11.1	<b>78,033,325</b>	244,174,543
		<b>423,135,838</b>	<b>606,902,164</b>

#### 11.1 Securities given as collateral under repurchase agreements.

Note	2010			2009		
	Held by SIBL	Repo Rupees	Total	Held by SIBL	Repo Rupees	Total
Pakistan Investment Bonds 11.1.1	83,640,873	252,669,285	336,310,158	-	352,503,456	352,503,456
Term Finance Certificates 11.1.2	8,792,355	-	8,792,355	10,224,165	-	10,224,165
Quoted Shares 11.1.3	78,033,325	-	78,033,325	26,193,112	217,981,432	244,174,543

11.1.1 This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having face value of Rs.400,000,000 (2009: Rs.400,000,000) with income receivable semi annually. Period to maturity of these investments range from One year and two months to fourteen years and six months and carry mark-up at rates (coupon rate) ranging from 9% to 11% per annum (2009: 9% to 11% per annum). PIBs having market value of Rs. 252.669 million are held by other financial institutions as security under repurchase transactions.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### 11.1.2 Particulars of listed Term Finance Certificates (TFC) :

Issuer of TFC	No. of Certificates		2010		2009	
			Cost	Market Value	Cost	Market value
	2010	2009	Rupees			
Telecard Limited	5,000	5,000	9,187,500	8,792,355	11,392,500	10,224,165
			<u>9,187,500</u>	<u>8,792,355</u>	<u>11,392,500</u>	<u>10,224,165</u>

#### 11.1.2.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
TeleCard Limited	5,000	3.75% over 6 months KIBOR.	Semi-annually	Eight years from May 2005.

#### VALUATION OF CERTIFICATES

Initial Value of certificates	5,000
Redemption upto 31 December 2010	3,162
Balance as at 31 December 2010	<u>1,838</u>

#### 11.1.3 Quoted Shares

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

No. of ordinary shares' Certificates / units			2010		2009	
			Cost	Market Value	Cost	Market value
2010	2009		Rupees			
<b>Modarbas / Mutual funds</b>						
500	500	Long Term Venture Modarba	225	225	225	225
-	15,002	Pakistan Premium Fund	-	-	89,262	89,262
4,500	4,500	PICIC Growth Fund	64,170	59,625	64,170	64,170
69,627	69,627	JS Growth Fund (formerly UTP growth fund)	343,957	386,430	343,957	343,957
-	1,389,697	JS Large Capital Fund (formerly UTP Large capital fund)	-	-	6,392,606	6,392,606
<b>Leasing</b>						
42,370	42,370	Saudi Pak Leasing Company Limited	59,742	23,303	59,742	59,742
<b>Investment banks / Cos. / Banks</b>						
46,874	39,062	Summit Bank Limited	2,361,689	1,219,193	2,361,689	2,361,689
737,287	614,406	Askari Bank Limited	16,773,284	13,042,608	16,773,284	16,773,284
3,825	3,825	Bank Alfalah Limited	52,670	42,878	61,762	52,670
214,700	214,700	Bank of Punjab	4,186,650	2,106,207	4,186,650	4,186,650
-	93,500	MCB Bank Limited	-	-	20,540,080	20,540,080
20,000	252,039	National Bank of Pakistan	1,189,797	1,536,400	18,744,140	18,744,140
-	6,875	United Bank Limited	-	-	401,844	401,844
1,644	1,644	First National Equities Limited	21,684	14,467	77,952	21,684
2,270	2,270	Jahangir Siddiqui & Company Limited	68,259	24,743	127,438	68,259
<b>Synthetic and Rayon</b>						
18,750	18,750	Pakistan Synthetics Limited	164,063	170,625	164,063	164,063





**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

No. of ordinary shares Certificates / units			2010		2009	
			Cost	Market Value	Cost	Market value
2010	2009		Rupees			
<b>Cement</b>						
150,000	150,000	D. G. Khan Cement Company Limited	4,884,000	4,525,500	4,884,000	4,884,000
53,800	53,800	Maple Leaf Cement Limited	212,980	168,986	212,980	212,980
<b>Fuel and energy</b>						
60,000	60,000	Attock Refinery Limited	8,275,800	7,480,800	8,275,800	8,275,800
-	50,000	Byco Petroleum Pakistan ( Formerly Bosicor Pakistan Limited)	-	-	475,000	475,000
-	50,000	Hub Power Company Limited	-	-	1,554,000	1,554,000
-	175,000	Oil and Gas Development Co. Limited	-	-	19,356,750	19,356,750
89,000	211,860	Pakistan Oilfields Limited	20,538,530	26,340,441	48,890,932	48,890,932
-	310,134	Pakistan Petroleum Limited	-	-	58,798,305	58,798,305
-	7,750	Sui Northern Gas Pipelines Limited	-	-	192,200	192,200
-	67,000	Sui Southern Gas Company Limited	-	-	899,810	899,810
<b>Automobiles and Transport</b>						
45,000	45,000	Pakistan International Airlines Corporation	117,450	101,700	117,450	117,450
<b>Technology and Communication</b>						
549,000	649,000	Pakistan Telecommunication Co. Ltd.	9,689,334	10,661,580	11,454,090	11,454,090
<b>Fertilizer</b>						
-	50,000	Engro Chemicals Limited	-	-	9,163,500	9,163,500
<b>Chemical</b>						
-	255,000	Lotte Pakistan PTA (Formerly Pakistan PTA Limited) -	-	-	1,996,650	1,996,650
<b>Sugar &amp; Allied Industries</b>						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
<b>Textile Composite</b>						
157,381	108,539	Nishat Mills Limited	9,540,556	10,099,139	7,586,876	7,586,876
<b>Miscellaneous</b>						
7,500	7,500	Pace Pakistan Limited	43,875	20,475	80,325	43,875
			<b>78,596,715</b>	<b>78,033,325</b>	244,335,532	244,174,543



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 Rupees	2009 Rupees
<b>12. LOANS AND ADVANCES</b>			
<b>Advances -considered good</b>			
For expenses		408,354	284,825
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		72,226,400	67,212,247
		<u>75,134,754</u>	<u>69,997,072</u>
<b>13 DEPOSITS, PREPAYMENTS AND OTHE RECEIVABLES</b>			
Security deposits		2,193,788	2,202,788
KSE exposure limits		1,465,481	2,965,506
Prepayments		979,993	493,074
Other recievables - considered good		129,993	672,197
		<u>4,769,255</u>	<u>6,333,565</u>
<b>14 ACCRUED INTEREST</b>			
Income receivable	14.1	10,021,339	7,736,371
Accrued profit on PLS deposits	14.1.1	190,810	508,983
		<u>10,212,149</u>	<u>8,245,354</u>
<b>14.1 Income receivable</b>			
Considered good			
Not due	14.1.1	<u>10,021,339</u>	<u>7,736,371</u>
<b>14.1.1</b>	This represents income on financing, placements and government securities not matured / due on December 31, 2010.		
<b>15 CASH AND BANK BALANCES</b>			
<b>With state bank of pakistan in</b>			
- Current account		<u>223,092</u>	<u>2,097,912</u>
<b>With other banks in</b>			
- Current accounts		4,038,984	2,099,032
- Deposit accounts	15.1	2,454,134	23,915,075
		6,493,118	26,014,107
Cash in hand		11,533	4,615
		<u>6,727,743</u>	<u>28,116,634</u>

15.1 Rate of return on these deposits accounts range from 5% to 6.47% per annum (2009 : 1.69% to 8.5% per annum)



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 Rupees	2009 Rupees
<b>16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
<b>Number of Shares</b>			
<b>2010</b>	<b>2009</b>		
<b>23,552,000</b>	23,552,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000
			235,520,000
<b>27,881,558</b>	27,881,558	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	278,815,583
<b>51,433,558</b>	51,433,558		278,815,583
			514,335,583
			514,335,583
<b>17 STATUTORY RESERVES</b>			
Capital reserves			
Statutory reserves	17.1	<b>141,611,410</b>	<b>139,650,141</b>
17.1 This reserve is created @ 20% of profit for the year from ordinary activities after taxation in compliance with Regulation No.16 of Part I of Chapter II of SECP's NBFCs and Notified Entities Regulations 2008.			
<b>18 DEFICIT ON REVALUATION OF INVESTMENTS - NET OF TAX</b>			
Government securities		<b>(68,237,909)</b>	(55,390,895)
Term Finance Certificates		<b>(395,145)</b>	(1,168,335)
		<b>(68,633,054)</b>	(56,559,230)
Related deferred tax asset		<b>23,883,268</b>	19,386,813
		<b>(44,749,786)</b>	(37,172,417)
Quoted shares		<b>(563,391)</b>	(160,988)
		<b>(45,313,177)</b>	(37,333,405)
<b>19 DEFERRED LIABILITY</b>			
Gratuity - funded	33.1	-	7,938,830
<b>20 BORROWINGS</b>			
Financial institutions- secured	20.1	<b>250,047,600</b>	358,604,966
<b>Related party - unsecured</b>			
SIBL Provident fund	20.2	<b>5,201,193</b>	9,463,101
SIBL Gratuity fund	20.3	<b>2,429,293</b>	-
		<b>257,678,086</b>	368,068,067



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010	2009
		Rupees	Rupees
20.1	This represents amount borrowed from financial institutions at mark-up rates of 13.50% per annum (2009: 12.25% to 20% per annum) and having maturity on or before January 25, 2011. These are secured against Pakistan Investment Bonds.		
20.2	These carry mark-up of 13% per annum (2009: 12.25% per annum) and having maturity on or before January 03, 2011.		
20.3	These carry mark-up of 13.50% per annum (2009: NIL) and having maturity on or before January 03, 2011.		
<b>21</b>	<b>SHORT TERM DEPOSITS</b>		
	<b>From individuals</b>	11,475,759	17,516,015
	<b>From related parties</b>		
	SIBL Exchange Company (Pvt) Limited	86,699,058	82,456,016
	Associated undertaking	1,999,820	1,819,672
	Others	11,897,030	15,479,911
	21.1	112,071,667	117,271,614
21.1	This represents Certificate of Deposits with maturity ranging from one month to twelve months. The expected rate of return on these deposits range from 8% to 11% per annum (2009: 8% to 11% per annum) payable monthly, quarterly, semi annually or on maturity.		
<b>22</b>	<b>ACCRUED AND OTHER LIABILITIES</b>		
	<b>Accrued expenses</b>		
	From related party- unsecured	124,127	244,550
	Return on deposits from		
	- individuals	741,891	529,528
	- related party	559,257	928,628
		1,301,148	1,458,156
	Return on borrowing from		
	financial institutions- secured	6,288,829	9,452,331
		7,714,104	11,155,037
	<b>Other liabilities</b>		
	Unclaimed dividend	2,155,114	2,276,722
	Others		
	- related party	162,037	156,037
	- others	2,471,246	1,952,657
		2,633,283	2,108,694
	Payable to employees gratuity fund	884,475	-
	33.3	13,386,976	15,540,453



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 Rupees	2009 Rupees
<b>23 CONTINGENCIES AND COMMITMENTS</b>			
<b>Contingencies</b>			
Guarantees issued on behalf of customer:			
- Associated undertaking		13,731,500	13,731,500
- Others		<u>63,919,000</u>	<u>60,887,313</u>
<b>Commitments</b>			
There were no commitment as at the balance sheet date.			
<b>24 RETURN ON FINANCING AND PLACEMENTS</b>			
<b>Financing</b>			
Demand finance		5,008,467	2,904,566
<b>Placements</b>			
With financial Institution - unsecured		983,156	-
Secured against reverse repurchase agreements of quoted shares		-	10,680
		<u>5,991,623</u>	<u>2,915,246</u>
<b>25 RETURN ON SECURITIES</b>			
Return on government securities		41,682,784	42,096,269
Return on TFCs		1,786,380	3,340,662
		43,469,164	45,436,931
Gain on sale of treasury bill		49,400	-
Dividend income		11,771,235	11,171,576
		<u>55,289,799</u>	<u>56,608,507</u>
<b>26 OTHER INCOME</b>			
Gain on sale of fixed assets		547,258	149,999
Commission		710,422	638,545
Miscellaneous		797,366	120,250
		<u>2,055,046</u>	<u>908,794</u>
<b>27 FINANCE COST</b>			
Return on certificate of deposits		7,996,345	8,944,136
Return on clean borrowings		902,252	1,983,313
Return on borrowings under repurchase agreement ( Repo )		41,493,513	50,100,593
		<u>50,392,110</u>	<u>61,028,042</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 Rupees	2009 Rupees
<b>28 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits		15,736,158	13,510,445
Contribution to provident fund	33.8	689,503	792,030
Gratuity scheme expense	33.4	884,475	1,652,545
Rent, rates and taxes		2,149,974	1,925,201
Telephone, telex and fax		827,452	683,402
Electricity, water and gas		929,398	817,985
Printing, postage and stationery		287,696	273,388
Insurance		603,233	747,608
Fees and membership		1,690,984	1,443,142
Brokerage and commission		33,206	89,153
Central Depository Company charges		197,278	271,283
Auditors' remuneration	28.1	340,000	288,650
Legal and professional fees		898,577	800,600
Vehicle running and maintenance		1,075,573	906,401
Repairs and maintenance		596,697	307,522
Advertisement		834,276	418,608
Travelling and entertainment		388,360	374,995
Depreciation	5	1,538,643	1,427,633
Bank charges		22,795	24,998
Old age benefit		83,370	79,500
Books, periodicals & newspapers		41,280	43,454
Other expenses		315,698	520,883
		<b>30,164,626</b>	<b>27,399,426</b>
<b>28.1 Auditors' remuneration</b>			
Statutory audit fee		325,000	275,000
Out of pocket expenses		15,000	13,650
		<b>340,000</b>	<b>288,650</b>
<b>29 TAXATION</b>			
Current			
- for the year	29.1	(648,420)	(64,440)
Deferred			
- opening balance		(11,145,043)	(1,046,167)
- closing balance		18,204,884	11,145,043
		<b>7,059,841</b>	<b>10,098,876</b>
		<b>6,411,421</b>	<b>10,034,436</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Notes	2010 Rupees	2009 Rupees
29.1 The Bank incurred a taxable loss in the current financial year, hence no reconciliation is provided in the current financial statements.		
<p>As the bank has incurred a taxable loss in the current year provision for taxation has been made u/s 113 of Income Tax Ordinance, 2001 (minimum tax) at the tax rate of 1% on turnover.</p> <p>Assessment of tax years 1998-99, 2000-01 and 2007 have been finalized and rectification applications have been filed on rectifiable issues in respect of above mentioned tax years, which is pending for disposal.</p> <p>The declared results for tax year 2008 were modified under section 122(1) of the Income Tax Ordinance, 2001 and demand of Rs. 68 million was raised by the department, against which SIBL has preferred appeal before the Commissioner of Inland Revenue (Appeals) and rectification application has also been filed on rectifiable issues. No provision has been made against this demand as the management is confident that the appeal will be decided in favor of SIBL.</p> <p>The declared results for the tax year 2009 &amp; 2010 are deemed to be assessed in terms of Section 120(1)(b) of the Ordinance.</p>		
<b>30 EARNINGS PER SHARE- BASIC AND DILUTED</b>		
<b>30.1 Basic</b>		
Profit after tax	<u>9,806,346</u>	<u>(192,693,101)</u>
Weighted average number of ordinary shares	<u>51,433,558</u>	<u>51,433,558</u>
Earnings / (loss) per share	<u>0.19</u>	<u>(3.75)</u>
<b>30.2 Diluted</b>		
<p>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.</p>		
<b>31 CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>		
Cash and bank balances	<u>6,727,743</u>	28,116,634
Short term placements	<u>45,000,000</u>	-
	<u>51,727,743</u>	<u>28,116,634</u>
<b>32 STAFF STRENGTH</b>		
Number of employees at end of the year	<u>27</u>	<u>27</u>
<b>33 DEFINED BENEFIT PLAN</b>		
<b>33.1 General description</b>		
<p>The funded gratuity scheme was introduced in the month of July 2010. Before July 2010 the company was maintaining Unfunded Gratuity for its permanent employees. The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited at varying percentages of last drawn salary. The percentage depends on the number of service years with SIBL.</p> <p>Annual provision is based on actuarial valuation, which was carried out as at December 31, 2010 on February 01, 2011 using the Projected Unit Credit Method.</p>		



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 Rupees	2009 Rupees
<b>33.2 Principal actuarial assumptions</b>			
Following principal actuarial assumptions were used for the valuation.			
Estimated rate of increase in salary of the employees		<u>12.00%</u>	<u>10.60%</u>
Discount rate		<u>14.25%</u>	<u>12.70%</u>
Return on Plan Assets		<u>14.25%</u>	<u>0.00%</u>
<b>33.3 Amount recognized in the balance sheet</b>			
Fair value of plan assets	33.3.1	<u>2,527,985</u>	-
Present value of defined benefit obligation	33.3.2	<u>(3,474,958)</u>	<u>(7,813,993)</u>
Funded status		<u>(946,973)</u>	<u>(7,813,993)</u>
Unrecognized net gain / (loss)		<u>62,498</u>	<u>(124,837)</u>
(Liability) / asset		<u>(884,475)</u>	<u>(7,938,830)</u>
<b>33.3.1 Movement in the fair value of plan assets</b>			
Expected return		134,909	-
Contributions		7,938,830	-
Benefits paid		(5,757,183)	-
Actuarial gain		211,429	-
Fair value of plan assets at the end of the year		<u>2,527,985</u>	<u>-</u>
<b>33.3.2 Movement in the defined benefit obligation</b>			
Present value of obligation at the beginning of the year		7,813,993	7,272,874
Service cost		390,462	399,195
Interest cost		640,271	1,163,660
Benefits paid		(5,757,183)	-
Actuarial loss / (gain)		387,415	(1,021,736)
Present value of obligation at the end of the year		<u>3,474,958</u>	<u>7,813,993</u>
<b>33.4 Gratuity scheme (income) / expense recognized in the profit and loss account</b>			
Service cost		390,462	399,195
Interest cost		640,271	1,163,660
Expected return on plan assets		(134,909)	-
Recognition of actuarial (gain) / loss		(11,349)	89,690
Net expense		<u>884,475</u>	<u>1,652,545</u>

The Company amortizes actuarial gains and losses over the expected remaining services of current plan members.

**33.5 Historical experience**

The following table show obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and the proportion resulting from experience gain during the year.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Year	Notes		2010 Rupees		2009 Rupees	
	2010	2009	2008	2007	2006	
.....(Rupees in '000).....						
Defined benefit obligation	3,475	7,814	7,273	5,635	4,348	
Fair value of plan assets	(2,528)	-	-	-	-	
Deficit	947	-	-	-	-	
Loss on obligation ( % )	11%	-13%	8%	8%	-	
Gain on plan assets (%)	8%	-	-	-	-	

33.6 Actual return on plan assets during the year was Rs.0.346 million (2009: Nil ).

33.7 Based on actuarial advice the Bank intends to charge an amount of approximately Rs.0.884 million (Rs.1.653 million) in the financial statements for the year ending December 31, 2010.

### 33.8 Defined contribution plan

An amount of Rs.0.689 million (2009: Rs.0.792 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

## 34 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Director's meeting fees	-	-	170,000	180,000	-	-
Managerial remuneration	4,219,823	3,960,000	-	-	4,572,000	3,684,000
Bonus	165,000	330,000	-	-	381,000	307,000
Medical expenses	593,736	214,798	-	-	374,238	321,795
Provident fund	180,000	360,000	-	-	298,800	245,400
Other benefits	1,165,098	1,147,193	-	-	-	-
Reimbursable expenses	273,600	173,400	-	-	-	-
	<b>6,597,257</b>	<b>6,185,391</b>	<b>170,000</b>	<b>180,000</b>	<b>5,626,038</b>	<b>4,558,195</b>
Number of persons	<b>1</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>

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

## 35 LIQUIDITY RISK

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**36 MATURITIES OF ASSETS AND LIABILITIES**

	2010			
	Total	Within One Year	Over one year to five years	Over five years
-----Rupees-----				
<b>Assets</b>				
Tangible fixed assets	1,171,193	-	-	1,171,193
Membership card - Intangible	36,000,000	-	-	36,000,000
Long term Investment	151,062,052	-	-	151,062,052
Deferred tax asset	42,088,152	42,088,152.15	-	-
Short term financing	40,341,265	40,341,265	-	-
Short term placement	45,000,000	45,000,000	-	-
Short term investments	423,135,838	78,033,325	151,449,405	193,653,108
Loans and advances	75,134,754	75,134,754	-	-
Deposits, prepayments and other receivables	4,769,255	4,769,255	-	-
Accrued interest	10,212,149	10,212,149	-	-
Cash and bank balances	6,727,743	6,727,743	-	-
	<b>835,642,401</b>	<b>302,306,643</b>	<b>151,449,405</b>	<b>381,886,353</b>

**Liabilities**

Borrowings	257,678,086	257,678,086	-	-
Short term deposits	112,071,667	112,071,667	-	-
Accrued expenses and other liabilities	13,386,976	13,386,976	-	-
	<b>383,136,729</b>	<b>383,136,729</b>	-	-

**Net assets**

	<b>452,505,672</b>	<b>(80,830,086)</b>	<b>151,449,405</b>	<b>381,886,353</b>
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**Represented by:**

Share capital	514,335,583
Statutory reserves	141,611,410
Unappropriated loss	(158,128,144)
Deficit on revaluation of investments - net off tax	(45,313,177)
	<b>452,505,672</b>

	2009			
	Total	Within One Year	Over one year to five years	Over five years
-----Rupees-----				
<b>Assets</b>				
Tangible fixed assets	3,630,213	-	-	3,630,213
Membership card - Intangible	36,000,000	-	-	36,000,000
Long Term Investment	151,141,204	-	-	151,141,204
Deferred tax asset	30,531,856	30,531,856.00	-	-
Short term financing	18,600,000	18,600,000	-	-
Short term investments	606,902,164	244,174,543	153,484,565	209,243,056



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Loans and advances	69,997,072	69,997,072	-	-
Deposits, prepayments and other receivables	6,333,565	6,333,565	-	-
Accrued Interest	8,245,354	8,245,354	-	-
Cash and bank balances	28,116,634	28,116,634	-	-
	<b>959,498,062</b>	<b>405,999,024</b>	<b>153,484,565</b>	<b>400,014,473</b>

**Liabilities**

Deferred liabilities	7,938,830	-	-	7,938,830
Borrowings	368,068,067	368,068,067	-	-
Short term deposits	117,271,614	117,271,614	-	-
Accrued expenses and other liabilities	15,540,453	15,540,453	-	-
	<b>508,818,964</b>	<b>500,880,134</b>	<b>-</b>	<b>7,938,830</b>

**Net assets**

	<b>450,679,098</b>	<b>(94,881,110)</b>	<b>153,484,565</b>	<b>392,075,643</b>
--	--------------------	---------------------	--------------------	--------------------

**Represented by:**

Share capital	514,335,583
Statutory reserves	139,650,141
Unappropriated loss	(165,973,221)

Deficit on revaluation of investments - net off tax

(37,333,405)

**450,679,098**

**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.

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

37.1 Finance	2010		2009	
	Rupees	%	Rupees	%
Textile spinning	-	-	2,400,000	12.90
Cables and electric goods	34,250,000	84.90	8,900,000	47.85
Others	6,091,265	15.10	7,300,000	39.25
	<b>40,341,265</b>	<b>100.00</b>	<b>18,600,000</b>	<b>100.00</b>

### 37.2 Geographical Segment

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

## 38 INTEREST RATE RISK

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

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

Description	31 December 2010				
	Exposed to Interest Rate/ Yield Risk				
	Total	Within one year	More than one year and up to five years	above five years	Not Exposed to Interest Rate/ Yield Risk
<b>Financial assets</b>					
Long term investment	100,000,000	-	-	-	100,000,000
Short term financing	40,341,265	40,341,265	-	-	-
Short term placement	45,000,000	45,000,000	-	-	-
Investment in TFCs	8,792,355	8,792,355	-	-	-
Investment in Shares	78,033,325	-	-	-	78,033,325
Investment in Government Bonds	387,372,210	-	142,657,050	244,715,160	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	3,789,262	-	-	-	3,789,262
Accrued interest	10,212,149	-	-	-	10,212,149
Balances with banks and cash in hand	6,727,743	6,493,118	-	-	234,625
<b>Total</b>	<b>682,768,309</b>	<b>100,626,738</b>	<b>142,657,050</b>	<b>244,715,160</b>	<b>194,769,361</b>
<b>Financial liabilities</b>					
Deposits	112,071,667	112,071,667	-	-	-
Borrowings	257,678,086	257,678,086	-	-	-
Profit accrued on deposits and borrowings	7,714,104	-	-	-	7,714,104
Accrued and other liabilities	2,633,283	-	-	-	2,633,283
<b>Total</b>	<b>380,097,140</b>	<b>369,749,753</b>	<b>-</b>	<b>-</b>	<b>10,347,387</b>
Total interest rate sensitivity gap		(269,123,015)	142,657,050	244,715,160	184,421,974
Cumulative interest rate sensitivity gap		(269,123,015)	(126,465,965)	118,249,195	



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Description	31 December 2009				
	Exposed to Interest Rate/ Yield Risk				
	Total	Within one year	More than one year and up to five years	above five years	Not Exposed to Interest Rate/ Yield Risk
<b>Financial assets</b>					
Long term Investment	100,000,000	-	-	-	100,000,000
Short term financing	18,600,000	18,600,000	-	-	-
Short term Placements	-	-	-	-	-
Investment in Government Bonds	403,644,660	-	143,260,700	260,383,960	-
Short term investments in TFC's	10,224,165	10,224,165	-	-	-
Short term investments in Shares - quoted	244,174,543	-	-	-	244,174,543
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	5,840,491	-	-	-	5,840,491
Accrued interest	8,245,354	-	-	-	8,245,354
Balance with bank and cash in hand	28,116,634	26,014,107	-	-	2,102,527
<b>Total</b>	<b>821,345,847</b>	<b>54,838,272</b>	<b>143,260,700</b>	<b>260,383,960</b>	<b>362,862,915</b>
<b>Financial liabilities</b>					
Deposit	117,271,614	117,271,614	-	-	-
Borrowings	368,068,067	368,068,067	-	-	-
Profit accrued on deposits and borrowings	11,155,037	-	-	-	11,155,037
Accrued and other liabilities	4,385,416	-	-	-	4,385,416
<b>Total</b>	<b>500,880,134</b>	<b>485,339,681</b>	<b>-</b>	<b>-</b>	<b>15,540,453</b>
Total interest rate sensitivity gap		(430,501,409)	143,260,700	260,383,960	347,322,462
Cumulative interest rate sensitivity gap		(430,501,409)	(287,240,709)	(26,856,749)	

**39 CAPITAL RISK MANAGEMENT**

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

The Company is exposed to externally imposed capital requirements.

In accordance with the requirement of Non-Banking Finance Companies and Notified Entities Regulations 2008 ( vide SRO No. 764(I)/ 2009 dated September 02, 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the company is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

**40 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**41 TRANSACTIONS WITH RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes subsidiary company, associated companies with or without common directors, directors and major share holders and their close family members, key management personnel and retirement benefit funds. The company has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates. Transactions with related parties during the year, other than Director's remuneration given under note 34 to the financial statements, are as follows;

Note	2010 Rupees	2009 Rupees
<b>Financing</b>		
Balance as at year end		
- Associated undertakings	12,841,265	11,200,000
- Others	27,500,000	7,400,000
Transactions during the year		
- Associated undertakings		
Financing provided	23,641,265	93,527,680
Financing matured	22,000,000	134,259,600
- Others		
Financing provided	61,375,000	295,311,923
Financing matured	41,275,000	339,782,564
<b>Return on financing</b>		
Transactions during the year		
- Associated undertakings	1,468,155	1,486,412
- Others	3,540,312	1,428,884
<b>Short term deposits</b>		
Balance as at year end		
- Subsidiary	86,699,058	82,456,016
- Associated undertakings	1,999,820	1,819,672
- Others	11,897,030	15,479,911
Transactions during the year		
- Subsidiary		
Certificate of deposits issued	1,037,035,426	1,058,062,437
Certificate of deposits matured	1,032,792,384	1,055,082,885
- Associated undertakings		
Certificate of deposits issued	1,999,820	1,819,672
Certificate of deposits matured	1,819,672	-
- Others		
Certificate of deposits issued	27,391,415	23,301,925
Certificate of deposits matured	30,974,296	23,559,748



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Note	2010 Rupees	2009 Rupees
<b>Return on deposits</b>		
Transactions during the year		
- Subsidiary	6,188,871	6,126,045
- Associated undertakings	217,211	188,947
- Others	1,113,043	935,765
<b>Guarantee issued</b>		
Balance as at year end		
- Associated undertakings	13,731,500	13,731,500
<b>Other transactions during the year</b>		
Contribution to staff provident fund	689,503	792,030
Contribution to staff gratuity fund	884,475	-
Sale of cars to directors	1,923,170	-

**42 Date of authorization for issue**

These financial statements were authorized for issue by the Board of Directors on 18 March 2011.

**43 Figures**

43.1 Figures have been rounded off to the nearest rupee.

43.2 Prior years figures have been reclassified for the purpose of better presentation and comparison.

Reclassification from	Reclassification to	Amount
<b>Current assets</b>		
Deposits and prepayments	Current assets Deposits, prepayments and other receivables	5,661,368
Accrued interest	Other receivables Accrued profit PLS deposits	672,197 508,983
<b>Capital and reserves</b>		
Statutory reserves	Deficit on revaluation of investments net off tax	37,333,405
Reserves	Unappropriated loss	165,973,221



**SECURITY INVESTMENT BANK LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**





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## ***AUDITORS' REPORT TO THE MEMBERS***

We have audited the annexed consolidated financial statements comprising the consolidated balance sheet of Security Investment Bank Limited ("the Parent Company") and its subsidiary company as at December 31, 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, (here-in after referred to as the 'financial statements') for the year then ended. We have expressed separate opinion on the financial statements of Security Investment Bank Limited and SIBL Exchange Company (Private) Limited. The financial statements of the subsidiary company for the period from January 1, 2010 to June 30, 2010 were audited by another auditor whose report dated August 21, 2010, expressed an unqualified opinion with emphasis regarding non-compliance of equity requirement of SBP. The financial statements of the subsidiary company for the period ended January 1, 2009 to June 30, 2009 were audited and condensed interim financial information of the subsidiary company as of December 31, 2009 were reviewed by another auditor whose report dated August 20, 2009 and March 26, 2010 respectively, expressed an un qualified opinion on those financial statements and information.

It is the responsibility of the holding company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 (XL VII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements examined by us, present fairly the financial position of Security Investment Bank Limited and its subsidiary company as at December 31, 2010 and the results of their operations, comprehensive income, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

**AVAIS HYDER LIAQUAT NAUMAN**

Chartered Accountants

Karachi:

Dated: 18, March 2011

Engagement Partner: Adnan Zaman



## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010 Rupees	2009 Rupees
<b>Assets</b>			
Property, plant and equipment	5	1,812,554	4,615,832
Intangible assets	6	36,064,168	36,134,168
Long term investments	7	51,062,052	51,141,204
Deferred tax asset	8	42,088,152	30,531,856
Deferred cost	9	-	-
<b>Current assets</b>			
Short term financing	10	40,341,265	18,600,000
Short term placements	11	45,000,000	-
Short term investments	12	448,135,838	631,902,164
Loans and advances	13	74,715,947	69,768,145
Deposits, prepayments and other receivable	14	6,403,216	8,007,426
Accrued interest	15	10,212,149	8,245,354
Cash and bank balances	16	7,664,111	29,715,075
		632,472,526	766,238,164
		763,499,452	888,661,224
<b>Share capital and liabilities</b>			
<b>Capital and reserves</b>			
<b>Authorized capital</b>			
100,000,000 (2009: 100,000,000) ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	17	514,335,583	514,335,583
Unappropriated loss		(144,017,547)	(155,260,572)
Statutory reserve	18	141,611,410	139,650,141
		511,929,446	498,725,152
Deficit on revaluation of Investment	19	(45,313,177)	(37,333,405)
<b>Liabilities</b>			
Deferred liability	20	-	7,938,830
<b>Current liabilities</b>			
Borrowings	21	257,678,086	368,068,067
Short term deposits	22	25,372,609	34,815,598
Accrued and other liabilities	23	13,832,488	16,446,982
		296,883,183	419,330,647
Contingencies and commitments	24	-	-
		763,499,452	888,661,224

The annexed notes 1 - 45 form an integral part of these financial statements.

MUHAMMAD SALEEM RATHOD  
CHIEF EXECUTIVE

HAJI JAN MUHAMMAD  
CHAIRMAN



**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 Rupees	2009 Rupees
<b>Income</b>			
Return on financing and placements	25	5,991,623	2,915,246
Return on securities	26	59,521,858	59,375,604
Gain on sale of investments		19,974,708	2,634,910
Profit on deposit with banks		640,485	1,221,138
Other income	27	2,057,596	1,083,007
		<b>88,186,270</b>	<b>67,229,905</b>
<b>Expenditure</b>			
Finance cost	28	45,636,920	54,935,658
Administrative expenses	29	33,841,527	31,508,248
		<b>79,478,447</b>	<b>86,443,906</b>
<b>profit / (Loss) before taxation</b>		<b>8,707,823</b>	<b>(19,214,001)</b>
<b>Impairment under SECP's SRO 150(1)/2009</b>			
Impairment against investments in equity securities		-	(300,557,462)
Adjustment for price movement during the current period		-	121,968,798
		-	(178,588,664)
<b>profit / (Loss) before taxation</b>		<b>8,707,823</b>	<b>(197,802,665)</b>
<b>Taxation</b>	30	<b>4,496,471</b>	<b>8,251,008</b>
<b>Net profit / (loss) for the year</b>		<b>13,204,294</b>	<b>(189,551,657)</b>
<b>Basic earning per share</b>	31	<b>0.26</b>	<b>(3.69)</b>

The annexed notes 1 - 45 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 Rupees	2009 Rupees
<b>Other comprehensive Income</b>		
Profit / (loss) after taxation	13,204,294	(189,551,657)
Other comprehensive income for the year - net of tax	-	-
<b>Total comprehensive income / (loss) for the year</b>	<u><u>13,204,294</u></u>	<u><u>(189,551,657)</u></u>

The annexed notes 1 - 45 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN



**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

Note	2010 Rupees	2009 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating profit / loss before tax	8,707,823	(197,802,665)
Adjustment for non cash and other items		
Depreciation	1,702,383	1,775,688
Amortization of deferred cost	35,000	126,205
Impairment on available for sale investment	-	178,588,664
(Gain) on disposal of shares	(19,974,708)	(2,634,910)
(Gain)/loss on disposal of fixed assets	(547,258)	(149,999)
Provision for gratuity	884,475	1,652,545
	<b>(17,900,108)</b>	<b>179,358,193</b>
<b>Cash flows from operating activities before working capital changes</b>	<b>(9,192,285)</b>	<b>(18,444,472)</b>
<b>(Increase) / decrease in operating assets</b>		
(increase) / Decrease in financing and placements	(21,741,285)	87,304,578
(increase) in loans and advances	(141,529)	(41,430)
Decrease in deposits and prepayments	1,022,106	1,400,735
(increase) / Decrease in accrued interest	(1,424,591)	28,066,790
	<b>(22,285,299)</b>	<b>116,730,673</b>
<b>Increase / (decrease) in operating liabilities</b>		
(Decrease) in deposits	(9,442,989)	(106,101,186)
(Decrease) in borrowings	(110,389,981)	(8,358,782)
(Decrease) in accrued and other liabilities	(2,492,888)	(7,197,450)
	<b>(122,325,858)</b>	<b>(121,657,418)</b>
<b>Net changes in operating assets and liabilities</b>	<b>(144,611,157)</b>	<b>(4,926,745)</b>
Income tax paid	(6,309,730)	(7,416,973)
Gratuity paid	(7,938,830)	-
Dividend paid	(121,608)	(695,276)
	<b>(14,370,168)</b>	<b>(8,112,249)</b>
<b>Net cash (used in) operating activities</b>	<b>(168,173,610)</b>	<b>(31,483,466)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Sale) of fixed assets	1,939,870	(86,208)
(Purchase) of fixed asset	(472,235)	-
Sale of investments (shares)	185,713,525	1,730,349
Sale of securities	3,941,466	30,709,123
<b>Net cash generated from investing activities</b>	<b>191,122,626</b>	<b>32,353,264</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net increase in cash and cash equivalents	22,949,016	869,798
<b>Cash and cash equivalents at the beginning of the year</b>	<b>29,715,075</b>	<b>28,845,277</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>52,664,091</b>	<b>29,715,075</b>

43  
The annexed notes 1 - 45 form an integral part of these financial statements

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share Capital (Note 17)	Statutory Reserve (Note 18)	Unappropriated (Loss)	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at January 01, 2009	514,335,583	139,650,141	34,291,085	688,276,809
(Loss) for the year	-	-	(189,551,657)	(189,551,657)
Other comprehensive loss for the year	-	-	-	-
Issuance of bonus share	-	-	-	-
Appropriations :				
Statutory reserve	-	-	-	-
<b>Balance as at December 31, 2009</b>	<b>514,335,583</b>	<b>139,650,141</b>	<b>(155,260,572)</b>	<b>498,725,152</b>
Profit for the year	-	-	13,204,294	13,204,294
Other comprehensive income for the year	-	-	-	-
Appropriation :				
Statutory reserve	-	1,961,269	(1,961,269)	-
<b>Balance as at December 31, 2010</b>	<b>514,335,583</b>	<b>141,611,410</b>	<b>(144,017,547)</b>	<b>511,929,446</b>

The annexed notes 1 - 45 form an integral part of these financial statements.

**MUHAMMAD SALEEM RATHOD**  
CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
CHAIRMAN



# CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2010

### 1. LEGAL STATUS AND OPERATION

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

SIBL ("the company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 23 May 1991 and started its commercial operation on 31 December 1991. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of SIBL is situated at Flat No.4, 3rd floor, AL-Baber Centre, Main Markaz, F-8, Islamabad. SIBL is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP) as amended through SRO 1131(I)/2007 dated November 21, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2007 (previously this was covered under SRO 585(1)/87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan).

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

#### 1.1 BASIS OF CONSOLIDATION

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

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

### 2. BASIS OF PERPARATION

#### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 as amended through SRO 1131 (I)/2007 dated 21 November 2007, Non-Banking Finance Companies and Notified Entities Regulations 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards/International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, NBFC Rules or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

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





**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**2.2 Functional and Presentation Currency**

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

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

The following new and revised Standards and Interpretations have also been adopted in these financial statements. These standards are considered not to be relevant or their adoption has no significant impact on the amounts reported in these financial statements.

- IFRS 2 (Amendments) - Share based Payment
- IFRS 3 (Revised ) - Business Combinations
- IFRS 5 (Amendments) - Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 (amendment) Presentation of Financial Statements
- IAS 7 (Amendments ) - Statement of Cash Flow
- IAS 17 (Amendments) - Leases
- IAS 24 (Amendments) - Related Party Disclosures
- IAS 27 (Amendments) - Consolidated and Separate Financial Statements- Cost of Invtment in a Subsidiary, Jointly Controlled Entity or Associate
- IAS 39 (Amendments) - Financial Instruments : Recognition and Measurement - Eligible hedged items
- IFRIC 17 - Distributions of Non-cash Assets to owners
- IFRIC 18 - Transfers of Assets from Customers

**2.4 Accounting standards or an interpretations not yet effective**

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

IAS 1 - Presentation of Financial Statements	effective from accounting period beginning on or after 01 January 2011
IFRS 9 - Financial Instruments	effective from accounting period beginning on or after 01 January 2013
IAS 32 - (amendment) Financial Instruments : Presentation-Classification of Right Issues	effective from accounting period beginning on or after 01 Febraury 2010
IAS 24 (revised) Related Party Disclosures	effective from accounting period beginning on or after 01 January 2011
IAS 28 - Investment in Associates	effective from accounting period beginning on or after 01 July 2010
IAS 31 - Interest in Joint Ventures	effective from accounting period beginning on or after 01 July 2010
IFRIC-14- IAS 19- The Limit on Defined Benefits Assets, Minimum Funding Requirments and their Interaction (Amendments)	effective from accounting period beginning on or after 01 January 2010
IFRIC - 19 Extinguishing Financial Liabilities with Equity Instruments	effective from accounting period beginning on or after 01 July 2010

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



# **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

## **FOR THE YEAR ENDED 31 DECEMBER 2010**

### **2.5 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES**

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

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

- (a) determining the residual values and useful lives of property and equipment ( note 5)
- (b) classification and valuation of investments (note 12)
- (c) recognition of taxation and deferred tax (note 8 & 30) and
- (d) accounting for post employment benefits (note 33)

### **3 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investment and gratuity which are stated at fair value,. In these financial statements, except for the amount reflected in cash flow statements, all the transactions have been accounted for on accrual basis.

### **4 SIGNIFICANT ACCOUNTING POLICIES**

#### **4.1 Fixed assets and depreciation**

Operating fixed assets are stated at cost less accumulated depreciation.

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

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

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

#### **4.2 Stock Exchange Membership Card**

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

#### **4.3 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.



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### 4.4 Impairment

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

#### 4.5 Investments

##### Held-to-maturity

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

##### Available-for-sale

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

##### Held-for-trading

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

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

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

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

#### 4.6 Securities under repurchase / resale agreement

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

##### Repurchase agreements

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

##### Reverse repurchase agreements

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



## **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **4.7 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 Ltd.** 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.

#### **4.8 Staff retirement benefits**

##### **4.8.1 Defined contribution plan**

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

##### **4.8.2 Defined benefit plan**

The Group operates an Unfunded Gratuity for its permanent employees of SIBL who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 33.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous accounting period exceed ten percent of the higher of defined benefit obligation and fair value of the planned assets at that date. These gains or losses are recognized over the expected average working lives of the employees participating in the plan.

The funded gratuity scheme was introduced in the month of July 2010. Before July 2010 the Group was maintaining Unfunded Gratuity for its permanent employees of SIBL.

#### **4.9 Offsetting of financial assets and financial liabilities**

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

#### **4.10 Financial instruments**

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

#### **4.11 Classification of deposits and financing**

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



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### 4.12 Cash and Cash equivalents

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

#### 4.13 Provisions

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

#### 4.14 Revenue

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

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

Income from capital gains is recognized on earned basis.

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

#### 4.15 Finance cost

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

#### 4.16 Taxation

##### Current

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

##### Deferred

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

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

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



## **CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

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

#### **4.17 Related party transactions**

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

#### **4.18 Foreign currencies**

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

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

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

#### **4.19 Provision for doubtful debts on financing**

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

#### **4.20 Dividend distributions and appropriations**

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

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 5. PROPERTY, PLANT AND EQUIPMENT

(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, 2010
	As at Jan. 01, 2010	Additions	Deletions	As at Dec. 31, 2010		As at Jan. 01, 2010	Charge for the year	Adjustment	As at Dec. 31, 2010	
Computers and equipments	4,922,656	456,685	(316,965)	5,062,376	20%	4,039,188	424,242	(303,161)	4,160,269	902,107
Furniture and fixtures	3,643,286	15,550	-	3,658,836	10%	3,172,558	71,829	-	3,244,387	414,449
Generator	963,469	-	-	963,469	10%	571,039	54,345	-	625,384	338,085
Sign board	203,800	-	-	203,800	10%	170,762	5,480	-	176,242	27,558
Telephone system	236,496	-	-	236,496	10%	154,995	18,070	-	173,065	63,431
Vehicles	9,861,586	-	(4,952,965)	4,908,621	20%	7,106,918	1,308,935	(3,574,156)	4,841,697	66,924
<b>Rupees 2010</b>	<b>19,831,293</b>	<b>472,235</b>	<b>(5,269,930)</b>	<b>15,033,598</b>		<b>15,215,460</b>	<b>1,882,901</b>	<b>(3,877,317)</b>	<b>13,221,044</b>	<b>1,812,554</b>

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, 2009
	As at Jan. 01, 2009	Additions	Deletions	As at Dec. 31, 2010		As at Jan. 01, 2009	Charge for the year	Adjustment	As at Dec. 31, 2010	
Computers and equipments	4,428,923	237,808	(1,600)	4,665,131	20%	3,100,050	72,508	-	3,172,558	1,492,573
Furniture and fixtures	3,643,286	-	-	3,643,286	10%	3,657,279	333,209	-	3,990,488	(347,202)
Generator	963,469	-	-	963,469	10%	518,621	52,418	-	571,039	392,430
Sign board	461,325	-	-	461,325	10%	214,525	5,478	-	220,003	241,322
Telephone system	236,496	-	-	236,496	10%	136,384	18,070	-	154,454	82,042
Vehicles	10,458,636	-	(597,050)	9,861,586	20%	6,409,963	1,294,005	(597,049)	7,106,919	2,754,667
<b>Rupees 2009</b>	<b>20,192,135</b>	<b>237,808</b>	<b>(598,650)</b>	<b>19,831,293</b>		<b>14,036,822</b>	<b>1,775,688</b>	<b>(597,049)</b>	<b>15,215,461</b>	<b>4,615,832</b>

5.1 Cost and accumulated depreciation as at the end of the year include Rs. 9,721,958/- (2009 : Rs. 8,895,306/-) in respect of fully depreciated assets still in use.

5.2 Schedule of disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale Proceeds	Gain	Sold to	Mode of disposal
Computers and equipments	222,779	222,775	4	3,200	3,196	Mr. Ali	Negotiation
Computers and equipments	46,000	30,667	15,333	5,500	(9,833)	Power Communication	Negotiation
Computers and equipments	48,186	48,185	1	8,000	7,999	Mr. Khalid Azeem	Negotiation
Vehicle	1,740,530	1,160,353	580,177	638,195	58,018	Mr. M.S. Rathod - CEO	Approved through BOD
Vehicle	3,212,435	2,415,337	797,098	1,284,976	487,878	Haji Jan Muhammad Director	Approved through BOD
<b>Rupees 2010</b>	<b>5,269,930</b>	<b>3,877,317</b>	<b>1,392,613</b>	<b>1,939,871</b>	<b>547,258</b>		



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
<b>6 INTANGIBLE ASSETS</b>			
Corporate membership of Karachi Stock Exchange		36,000,000	36,000,000
Computer software less amortization		64,168	134,168
		<u>36,064,168</u>	<u>36,134,168</u>
<b>7 LONG TERM INVESTMENTS</b>			
Pakistan Investment Bonds - Held to maturity	7.1	<u>51,062,052</u>	<u>51,141,204</u>
<b>7.1 Pakistan Investment Bonds</b>			
Cost		51,141,204	51,220,356
Less : Amortization		(79,152)	(79,152)
		<u>51,062,052</u>	<u>51,141,204</u>
<p>These represent investment in 20 year bonds issued by the Government of Pakistan having face value of Rs.50,000,000/- (2009: Rs.50,000,000/-) carrying mark-up rates (coupon rate) of 10% per annum (2009 : 10%). Their period to maturity is fourteen and a half years.</p>			
<b>8 DEFERRED TAX ASSET</b>			
Deferred tax assets arising in respect of			
Deficit on revaluation of securities		23,883,268	19,386,813
Accelerated depreciation		309,019	410,766
Provision for gratuity		-	578,390
Tax losses		17,895,865	10,155,887
		<u>42,088,152</u>	<u>30,531,856</u>
<b>8.1 Movement in deferred tax asset</b>			
Opening Balance		30,531,856	40,172,105
Provision during the year		11,556,296	(9,640,249)
Closing Balance		<u>42,088,152</u>	<u>30,531,856</u>
8.2			
<p>The Company has an aggregate amount of Rs. 51.131 million (2009: Rs. 29.016 million) in respect of unabsorbed tax losses as at December 31, 2010 on which the management has recognized deferred tax asset of Rs. 17.896 million (2009: Rs. 10.155 million). The management of the Company believes that based on the projections of future taxable profit it would be able to realize these tax losses in the future.</p>			
<b>9 DEFERRED COST</b>			
Opening balance		-	56,205
Amortized during the year		-	(56,205)
		<u>-</u>	<u>-</u>
<b>10 SHORT TERM FINANCING</b>			
<b>Secured and considered good</b>			
Associated companies	10.1	12,841,265	11,200,000
Others	10.2	27,500,000	7,400,000
		<u>40,341,265</u>	<u>18,600,000</u>





**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

- 10.1 These are secured by hypothecation or a charge on assets of customers, certificates of deposits and pledge of shares. The mark-up rate is 16% per annum (2009: 13% to 16% per annum).
- 10.2 These are secured by demand promissory notes, hypothecation or a charge on assets of customers and certificates of deposits. The mark-up rate is 16% per annum (2009: 13% to 16% per annum).

**11 SHORT TERM PLACEMENTS - CONSIDERED GOOD**

Placement with financial Institution-unsecured	11.1	<b>45,000,000</b>	-
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- 11.1 This represents placement with financial institution on short term basis upto January 03, 2011 carrying markup @ 12.50% per annum (2009 : NIL)

**12 SHORT TERM INVESTMENTS**

**Available for Sale**

Pakistan Investment Bonds	12.1	<b>336,310,158</b>	352,503,456
Term Finance Certificates	12.1	<b>8,792,355</b>	10,224,165
Quoted shares	12.1	<b>78,033,325</b>	244,174,543
Treasury bills	12.2	<b>25,000,000</b>	25,000,000
		<b>448,135,838</b>	631,902,164

**12.1 Securities given as collateral under repurchase agreements.**

Note	2010			2009		
	Held by SIBL	Repo Rupees	Total	Held by SIBL	Repo Rupees	Total
Pakistan Investment Bonds 12.1.1	83,640,873	252,669,285	336,310,158	-	352,503,456	352,503,456
Term Finance Certificates 12.1.2	8,792,355	-	8,792,355	10,224,165	-	10,224,165
Quoted Shares 12.1.3	78,033,325	-	78,033,325	26,193,112	217,981,432	244,174,543

- 12.1.1 This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having face value of Rs.400,000,000 (2009: Rs.400,000,000) with income receivable semi annually. Period to maturity of these investments range from One year and two months to fourteen years and six months and carry mark-up at rates (coupon rate) ranging from 9% to 11% per annum (2009: 9% to 11% per annum). PIBs having market value of Rs. 252.669 million are held as security under repurchase transactions by other financial institution.

**12.1.2 Particulars of listed Term Finance Certificates (TFC) :**

Issuer of TFC	No. of Certificates	2010		2009	
		Cost	Market Value	Cost	Market value
		Rupees			
		2010	2009		
TeleCard Limited	12.1.2.1	5,000	5,000	9,187,500	8,792,355
				11,392,500	10,224,165
				<b>9,187,500</b>	<b>8,792,355</b>
				<b>11,392,500</b>	<b>10,224,165</b>



# CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2010

### 12.1.2.1 Terms of redemption of listed TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
TeleCard Limited	5,000	3.75% over 6 months KIBOR.	Semi-annually	Eight years from May 2005.

### VALUATION OF CERTIFICATES

Initial Value of certificates	5,000
Redemption upto 31 December 2010	3,162
Balance as at 31 December 2010	<u>1,838</u>

### 12.1.3 Quoted Shares

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

No. of ordinary shares Certificates / units			2010		2009	
			Cost	Market Value	Cost	Market value
2010	2009		Rupees			
<b>Modarbas / Mutual funds</b>						
500	500	Long Term Venture Modarba	225	225	225	225
-	15,002	Pakistan Premium Fund	-	-	89,262	89,262
4,500	4,500	PICIC Growth Fund	64,170	59,625	64,170	64,170
69,627	69,627	JS Growth Fund (formerly UTP growth fund)	343,957	386,430	343,957	343,957
-	1,389,697	JS Large Capital Fund (formerly UTP Large capital fund)	-	-	6,392,606	6,392,606
<b>Leasing</b>						
42,370	42,370	Saudi Pak Leasing Company Limited	59,742	23,303	59,742	59,742
<b>Investment banks / Cos. / Banks</b>						
46,874	39,062	Arif Habib Limited	2,361,689	1,219,193	2,361,689	2,361,689
737,287	614,406	Askari Bank Limited	16,773,284	13,042,608	16,773,284	16,773,284
3,825	3,825	Bank Alfalah Limited	52,670	42,878	61,762	52,670
214,700	214,700	Bank of Punjab	4,186,650	2,106,207	4,186,650	4,186,650
-	93,500	MCB Bank Limited	-	-	20,540,080	20,540,080
20,000	252,039	National Bank of Pakistan	1,189,797	1,536,400	18,744,140	18,744,140
-	6,875	United Bank Limited	0	0	401,844	401,844
1,644	1,644	First National Equities Limited	21,684	14,467	77,952	21,684
2,270	2,270	Jahangir Siddiqui & Company Limited	68,259	24,743	127,438	68,259
<b>Synthetic and Rayon</b>						
18,750	18,750	Pakistan Synthetics Limited	164,063	170,625	164,063	164,063
<b>Cement</b>						
150,000	150,000	D. G. Khan Cement Company Limited	4,884,000	4,525,500	4,884,000	4,884,000
53,800	53,800	Maple Leaf Cement	212,980	168,986	212,980	212,980



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

No. of ordinary shares Certificates / units			2010		2009	
			Cost	Market Value	Cost	Market value
2010	2009		Rupees			
<b>Fuel and energy</b>						
60,000	60,000	Attock Refinery Limited	8,275,800	7,480,800	8,275,800	8,275,800
-	50,000	Byco Petroleum Pakistan formerly Bosicor Pakistan Limited	-	-	475,000	475,000
-	50,000	Hub Power Company Limited	-	-	1,554,000	1,554,000
-	175,000	Oil and Gas Development Co. Limited	-	-	19,356,750	19,356,750
89,000	211,860	Pakistan Oilfields Limited	20,538,530	26,340,441	48,890,932	48,890,932
-	310,134	Pakistan Petroleum Limited	-	-	58,798,305	58,798,305
-	7,750	Sui Northern Gas Pipelines Limited	-	-	192,200	192,200
-	67,000	Sui Southern Gas Company Limited	-	-	899,810	899,810
<b>Automobiles and Transport</b>						
45,000	45,000	Pakistan International Airlines Corp.	117,450	101,700	117,450	117,450
<b>Technology and Communication</b>						
549,000	649,000	Pakistan Telecommunication Co. Ltd.	9,689,334	10,661,580	11,454,090	11,454,090
<b>Fertilizer</b>						
-	50,000	Engro Chemicals Limited	-	-	9,163,500	9,163,500
<b>Chemical</b>						
-	255,000	Lotte Pakistan PTA Formerly Pakistan PTA Limited	-	-	1,996,650	1,996,650
<b>Sugar &amp; Allied Industries</b>						
100	100	Hamza Sugar	8,000	8,000	8,000	8,000
<b>Textile Composite</b>						
157,381	108,539	Nishat Mills Limited	9,540,556	10,099,139	7,586,876	7,586,876
<b>Miscellaneous</b>						
7,500	7,500	Pace Pakistan Limited	43,875	20,475	80,325	43,875
			<b>78,596,715</b>	<b>78,033,325</b>	<b>244,335,532</b>	<b>244,174,543</b>

12.2 There are treasury bills having face value of Rs. 25,000,000/- carrying mark up of 12.27% per annum (2009: 12.30%)



# CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 Rupees	2009 Rupees
<b>13. LOANS AND ADVANCES</b>			
<b>Advances -considered good</b>			
For expenses		484,354	342,825
For office premises		2,500,000	2,500,000
Advance income tax less payments and provision for tax		71,731,593	66,925,320
		<u>74,715,947</u>	<u>69,768,145</u>
<b>14. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES</b>			
Security		2,193,788	2,202,788
KSE exposure limits		1,465,481	2,965,506
Prepayments		989,344	542,325
Other receivables -considered good		1,754,603	2,296,807
		<u>6,403,216</u>	<u>8,007,426</u>
<b>15. ACCRUED INTEREST</b>			
Income receivable	15.1	10,021,339	7,736,371
Profit accrued on PLS deposits		190,810	508,983
		<u>10,212,149</u>	<u>8,245,354</u>
<b>15.1 Income receivable</b>			
Considered Good			
Not due	15.1.1	10,021,339	7,736,371
		<u>10,021,339</u>	<u>7,736,371</u>
15.1.1 This represents income on financing, placements and government securities not matured / due on December 31, 2010.			
<b>16. CASH AND BANK BALANCES</b>			
<b>With State Bank of Pakistan in</b>			
Current account		793,992	3,099,187
<b>With other banks in</b>			
Current accounts	16.1	4,308,604	2,601,261
Deposit accounts		2,454,134	23,915,075
		6,762,738	26,516,336
Cash in hand		107,381	99,552
		<u>7,664,111</u>	<u>29,715,075</u>

16.1 Rate of return on these deposits accounts ranges from 5% to 6.47% per amount (2009: 1.69% to 8.5% per amount)

## 17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of shares			
2010	2009		
235,520,000	235,520,000	Ordinary shares of Rs. 10/- each fully paid in cash	235,520,000
			235,520,000
278,815,583	278,815,583	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	278,815,583
<u>514,335,583</u>	<u>514,335,583</u>		<u>514,335,583</u>



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
<b>18 RESERVES</b>			
Capital Reserves			
Statutory reserves	18.1	<b>141,611,410</b>	<b>139,650,141</b>
18.1	This reserve is created @ 20% of profit for the year from ordinary activities after taxation in compliance with Regulation No.16 of Part I of Chapter II of SECP's NBFCs and Notified Entities Regulations 2008.		
<b>19 (DEFICIT) ON REVALUATION OF INVESTMENTS - NET OF DEFERRED TAX</b>			
Government securities		<b>(68,237,909)</b>	(55,390,895)
Term Finance Certificates		<b>(395,145)</b>	(1,168,335)
		<b>(68,633,054)</b>	(56,559,230)
Related deferred tax asset		<b>23,883,268</b>	19,386,813
		<b>(44,749,786)</b>	(37,172,417)
Quoted shares		<b>(563,391)</b>	(160,988)
		<b>(45,313,177)</b>	(37,333,405)
<b>20 DEFERRED LIABILITY</b>			
Gratuity	33.1	-	7,938,830
<b>21 BORROWINGS</b>			
Financial institutions- secured	21.1	<b>250,047,600</b>	358,604,966
<b>Related party - unsecured</b>			
SIBL Provident fund	21.2	<b>5,201,193</b>	9,463,101
SIBL Gratuity fund	21.3	<b>2,429,293</b>	-
		<b>257,678,086</b>	368,068,067
21.1	This represents amount borrowed from financial institutions at mark-up rates of 13.50% per annum (2009: 12.25% to 20% per annum) and having maturity on or before January 25, 2011. These are secured against Pakistan Investment Bonds.		
21.2	These carry mark-up of 13% per annum (2009: 12.25% per annum) and having maturity on or before January 03, 2011.		
21.3	These carry mark-up of 13.50% per annum (2009: NIL) and having maturity on or before January 03, 2011.		
<b>22 SHORT TERM DEPOSITS</b>			
<b>From individuals</b>		<b>11,475,759</b>	17,516,015
<b>From related parties</b>			
Associated under taking		<b>1,999,820</b>	1,819,672
Others		<b>11,897,030</b>	15,479,911
		<b>25,372,609</b>	<b>34,815,598</b>



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
<b>23 ACCRUED AND OTHER LIABILITIES</b>			
<b>Accrued expenses</b>			
From related party- unsecured		124,127	244,550
Return on deposits from			
- individuals		399,847	529,528
- related party		559,257	928,628
		959,104	1,458,156
Return on borrowing from financial institutions- secured		6,288,829	9,452,331
		7,372,060	11,155,037
<b>Other liabilities</b>			
Unclaimed dividend		2,155,114	2,276,722
Others			
- related party		124,835	156,037
- others		3,296,004	2,859,186
		3,420,839	3,015,223
Payable to employee gratuity fund	33.4	884,475	-
		13,832,488	16,446,982
<b>24 CONTINGENCIES AND COMMITMENTS</b>			
<b>Contingencies</b>			
Guarantees issued on behalf of customer:			
- Associated undertaking		13,731,500	13,731,500
- Others		63,919,000	60,887,313
		77,650,500	74,618,813
<b>Commitments</b>			
There were no commitments at the balance sheet date			
<b>25 RETURN ON FINANCING AND PLACEMENTS</b>			
<b>Financing</b>			
Demand finance		5,008,467	2,904,566
<b>Placements</b>			
With financial Institution - unsecured		983,156	-
Secured against reverse repurchase agreements of quoted shares		-	10,680
		5,991,623	2,915,246
<b>26 RETURN ON SECURITIES</b>			
Return on government securities		45,914,843	44,863,366
Return on TFCs		1,786,380	3,340,662
		47,701,223	48,204,028
Gain on sale of Treasury bill		49,400	-
Dividend income		11,771,235	11,171,576
		59,521,858	59,375,604



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
<b>27 OTHER INCOME</b>			
Gain on sale of fixed assets		547,258	149,999
Commission		710,422	747,758
Miscellaneous		799,916	185,250
		<u>2,057,596</u>	<u>1,083,007</u>
<b>28 FINANCIAL COST</b>			
Return on certificate of deposits		3,241,155	2,851,752
Return on clean borrowings		902,252	1,983,313
Return on borrowings under repurchase agreement ( Repo )		41,493,513	50,100,593
		<u>45,636,920</u>	<u>54,935,658</u>
<b>29 ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, wages and other benefits		17,140,042	14,981,355
Contribution to provident fund	33.8	689,503	792,030
Gratuity scheme expenses	33.4	884,475	1,652,545
Rent, rates and taxes		2,149,974	1,925,201
Telephone, telex and fax		1,139,148	683,402
Electricity, water and gas		1,108,848	983,515
Printing, postage and stationery		481,558	422,069
Insurance		664,598	1,020,695
Fees and membership		1,703,984	1,443,337
Brokerage and commission		33,206	374,581
Central Depository Company charges		197,278	271,283
Auditors' remuneration	29.1	458,750	358,650
Legal and professional fees		912,977	1,029,752
Vehicle running and maintenance		1,413,870	1,213,938
Repairs and maintenance		762,194	550,424
Advertisement		834,276	418,608
Travelling and entertainment		523,570	403,675
Depreciation	5	1,882,901	1,775,688
Amortization of deferred cost		-	56,205
Amortization of Software	9	70,000	70,000
Bank charges		22,795	24,998
Old age benefit		83,370	79,500
Books, periodicals & newspapers		41,280	43,454
Other expenses		642,930	933,343
		<u>33,841,527</u>	<u>31,508,248</u>
<b>29.1 Auditors' remuneration</b>			
Statutory audit fee		443,750	345,000
Out of pocket		15,000	13,650
		<u>458,750</u>	<u>358,650</u>



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
<b>30 PROVISION FOR TAXATION</b>			
Current			
- for the year	30.1	(2,563,370)	(1,847,868)
Deferred			
- opening balance		(11,145,043)	(661,926)
- closing balance		18,204,884	11,145,043
		7,059,841	10,483,117
		<u>4,496,471</u>	<u>8,635,249</u>

30.1 There is taxable loss in the current financial year, hence no reconciliation is provided in the current financial statements.

There is a taxable loss in the current year provision for taxation has been made u/s 113 of Income Tax Ordinance 2001 (minimum tax) at the tax rate of 1% on turnover. Assessment of tax years 1998-99, 2000-01 and 2007 have been finalized and rectification applications have been filed on rectifiable issues in respect of above mentioned tax years, which is pending for disposal.

The declared results for tax year 2008 were modified under section 122(1) of the Income Tax Ordinance, 2001 and demand of Rs. 68 million was raised by the department, against which SIBL has preferred appeal before the Commissioner of the Inland Revenue (Appeals) and rectification application has also been filed on rectifiable issues. No provision has been made against this demand as the management is confident that the appeal will be decided in favor of SIBL.

The declared results for the tax year 2009 & 2010 are deemed to be assessed in terms of Section 120(1)(b) of the Ordinance.

**31 EARNINGS PER SHARE- BASIC AND DILUTED**

**31.1 Basic**

Profit after tax	13,204,294	(189,551,657)
Weighted average number of ordinary shares	51,433,558	51,433,558
Earnings per share	0.26	(3.69)

**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	33	33
--	----	----

**33 DEFINED BENEFIT PLAN**

**33.1 General description**

The funded gratuity scheme was introduced in the month of July 2010. Before of SIBL July 2010 the company was maintaining Unfunded Gratuity for its permanent employees of SIBL. The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with Security Investment Bank Limited at varying percentages of last drawn salary. The percentage depends on the number of service years with SIBL.





**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
Annual provision is based on actuarial valuation, which was carried out as at December 31, 2010 on February 01, 2011 using the Projected Unit Credit Method.			
<b>33.2</b>	<b>Principal actuarial assumptions</b>		
Following principal actuarial assumptions were used for the valuation.			
	Estimated rate of increase in salary of the employees	12.00%	10.60%
	Discount rate	14.25%	12.70%
	Return on Plan Assets	14.25%	0.00%
<b>33.3</b>	<b>Amount recognized in the balance sheet</b>		
	Fair value of plan assets 33.3.1	2,527,985	-
	Present value of defined benefit obligation 33.3.2	(3,474,958)	(7,813,993)
	Funded status	(946,973)	(7,813,993)
	Unrecognized net gain (Loss)	62,498	(124,837)
	Asset (Liability)	(884,475)	(7,938,830)
<b>33.3.1</b>	<b>Movement in the fair value of plan assets</b>		
	Fair value at beginning of year	-	-
	Expected return	134,909	-
	Contributions	7,938,830	-
	Benefits paid	(5,757,183)	-
	Actuarial gain (Loss)	211,429	-
	Fair value of plan assets at the end of the year	2,527,985	-
<b>33.3.2</b>	<b>Movement in the defined benefit obligation</b>		
	Present value of obligation at the beginning of the year	7,813,993	7,272,874
	Service cost	390,462	399,195
	Interest cost	640,271	1,163,660
	Benefits paid	(5,757,183)	-
	Actuarial loss (gain)	387,415	(1,021,736)
	Present value of obligation at the end of the year	3,474,958	7,813,993



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
<b>33.4</b>	<b>Gratuity scheme (income) / expense recognized in the profit and loss account</b>		
	Service cost	390,462	399,195
	Interest cost	640,271	1,163,660
	Expected return on plan assets	(134,909)	-
	Recognition of actuarial (gain) / loss	(11,349)	89,690
	Net expense	<u>884,475</u>	<u>1,652,545</u>

The Company amortizes actuarial gains and losses over the expected remaining services of current plan members.

**33.5 Historical experience**

The following table show obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and the proportion resulting from experience gain during the year.

Year	2010	2009	2008	2007	2006
	.....(Rupees in '000).....				
Defined benefit obligation	3,475	7,814	7,273	5,635	4,348
Fair value of plan assets	(2,528)	-	-	-	-
Deficit	947	-	-	-	-
Loss on obligation ( % )	11%	-13%	8%	8%	0%
Gain on plan assets (%)	8%	0%	0%	0%	0%

33.6 Actual return on plan assets during the year was Rs.0.346 million (2009: Nil ).

33.7 Based on actuarial advice the Bank intends to charge an amount of approximately Rs.0.884 million (Rs.1.653 million) in the financial statements for the year ending December 31, 2010.

**33.8 Defined contribution plan**

An amount of Rs.0.689 million (2009: Rs.0.792 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

**34 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Director's meeting fees	-	-	170,000	180,000	-	-
Managerial remuneration	4,843,823	4,584,000	-	-	4,572,000	3,684,000
Bonus	165,000	330,000	-	-	381,000	307,000
Medical expenses	593,736	214,798	-	-	374,238	321,795
Provident fund	180,000	360,000	-	-	298,800	245,400
Other benefits	1,165,098	1,147,193	-	-	-	-
Reimbursable expenses	273,600	173,400	-	-	-	-
	<u>7,221,257</u>	<u>6,809,391</u>	<u>170,000</u>	<u>180,000</u>	<u>5,626,038</u>	<u>4,558,195</u>
Number of persons	<u>2</u>	<u>2</u>	<u>7</u>	<u>6</u>	<u>6</u>	<u>6</u>

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



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### 35. SEGMENT INFORMATION

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

##### Investment Banking Activities

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

##### Exchange Companies Activities

Exchange Companies Activities includes all those activities carried out by SIBL Exchange Company (Pvt) Limited

	December 31, 2010		
	Investment Banking Activities	Exchange Company Activities	Total
Return on financing and placements	5,991,623	-	5,991,623
Return on securities	55,289,799	4,232,059	59,521,858
Gain on sale of investments	19,974,708	-	19,974,708
Profit on deposits with banks	640,485	-	640,485
Other income	2,055,046	2,550	2,057,596
<b>Total income for reportable segments</b>	<b>83,951,661</b>	<b>4,234,609</b>	<b>88,186,270</b>
Financial cost	45,636,920	-	45,636,920
Administrative and Operating expenses	30,164,626	3,676,901	33,841,527
<b>Segment result</b>	<b>8,150,115</b>	<b>557,708</b>	<b>8,707,823</b>
Impairment on equity securities	-	-	-
<b>Profit before taxation</b>	<b>8,150,115</b>	<b>557,708</b>	<b>8,707,823</b>
<b>Segment Assets</b>	734,646,876	28,852,576	763,499,452
<b>Segment Liabilities and Equity</b>	749,388,855	14,110,597	763,499,452
	<b>December 31, 2009</b>		
	Investment Banking Activities	Exchange Company	Total
Return on financing and placements	2,915,246	-	2,915,246
Return on securities	56,608,507	2,767,097	59,375,604
Gain on sale of investments	2,634,910	-	2,634,910
Profit on deposits with banks	1,221,138	-	1,221,138
Other income	908,794	174,213	1,083,007
<b>Total income for reportable segments</b>	<b>64,288,595</b>	<b>2,941,310</b>	<b>67,229,905</b>
Return on deposits and borrowings	54,935,658	-	54,935,658
Administrative and Operating expenses	27,399,426	4,108,822	31,508,248
<b>Segment result</b>	<b>(18,046,489)</b>	<b>(1,167,512)</b>	<b>(19,214,001)</b>
Impairment on equity securities	(178,588,664)	-	(178,588,664)
<b>Loss before taxation</b>	<b>(196,635,153)</b>	<b>(1,167,512)</b>	<b>(197,802,665)</b>
<b>Segment Assets</b>	859,498,062	29,163,162	888,661,224
<b>Segment Liabilities and Equity</b>	876,879,394	11,781,830	888,661,224



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**36 LIQUIDITY RISK**

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

**37 MATURITIES OF ASSETS AND LIABILITIES**

	2010			
	Total	Within One Year	to five years	Over five years
	Rupees			
<b>Assets</b>				
Tangible fixed assets	1,812,554	-	-	1,812,554
Membership card	36,064,168	-	-	36,064,168
Long term Investment	51,062,052	-	-	51,062,052
Deferred tax asset	42,088,152	42,088,152.00	-	-
Short term financing	40,341,265	40,341,265	-	-
Short term placements	45,000,000	45,000,000	-	-
Short term investments	448,135,838	103,033,325	151,449,405	193,653,108
Loans and advances	74,715,947	74,715,947	-	-
Deposits and prepayments	6,403,216	6,403,216	-	-
Accrued interest	10,212,149	10,212,149	-	-
Cash and bank balances	7,664,111	7,664,111	-	-
	<b>763,499,452</b>	<b>329,458,165</b>	<b>151,449,405</b>	<b>282,591,882</b>
<b>Liabilities</b>				
Deferred liabilities	-	-	-	-
Borrowings	257,678,086	257,678,086	-	-
Short term deposits	25,372,609	25,372,609	-	-
Accrued expenses and other liabilities	13,832,488	13,832,488	-	-
	<b>296,883,183</b>	<b>296,883,183</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>466,616,269</b>			
<b>Represented by:</b>				
Share capital	514,335,583			
Statutory reserve	141,611,410			
Unappropriated loss	(144,017,547)			
Deficit on revaluation of Investment - net of tax	(45,313,177)			
	<b>466,616,269</b>			
	2009			
	Total	Within One Year	Over one year to five years	Over five years
	Rupees			
<b>Assets</b>				
Tangible fixed assets	4,615,832	-	-	4,615,832
Membership card - Intangible	36,134,168	-	-	36,134,168
Long Term Investment	51,141,204	-	-	51,141,204
Deferred tax asset	30,531,856	30,531,856	-	-
Short term financing	18,600,000	18,600,000	-	-
Short term investments	631,902,164	244,174,543	178,484,865	209,242,756



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

Loans and advances	69,768,145	69,768,145	-	-
Deposits and prepayments	8,007,426	8,007,426	-	-
Accrued interest	8,245,354	8,245,354	-	-
Cash and bank balances	29,715,075	29,715,075	-	-
	<b>888,661,224</b>	<b>409,042,399</b>	<b>178,484,865</b>	<b>301,133,960</b>

**Liabilities**

Deferred liabilities	7,938,830	-	-	7,938,830
Borrowings	368,068,067	368,068,067	-	-
Short term deposits	34,815,598	34,815,598	-	-
Accrued expenses and other liabilities	16,446,982	16,446,982	-	-
	<b>427,269,477</b>	<b>419,330,647</b>	<b>-</b>	<b>7,938,830</b>

**Net assets**

	<b>461,391,747</b>
<b>Represented by:</b>	
Share capital	514,335,583
Statutory reserve	139,650,141
Unappropriated loss	(155,260,572)
Deficit on revaluation of Investment - net of tax	(37,333,405)
	<b>461,391,747</b>

**38 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.

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

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

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

38.1 Finance	2010		2009	
	Rupees	%	Rupees	%
Textile spinning	-	-	2,400,000	12.90
Cables and electric goods	<b>34,250,000</b>	<b>84.90</b>	8,900,000	47.85
Others	<b>6,091,265</b>	<b>15.10</b>	7,300,000	39.25
	<b>40,341,265</b>	<b>100.00</b>	18,600,000	100.00

**38.2 Geographical Segment**

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



# CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2010

### 39 CAPITAL RISK MANAGEMENT

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

The Company is exposed to externally imposed capital requirements.

In accordance with the requirement of Non-Banking Finance Companies and Notified Entities Regulations 2008 ( vide SRO No. 764(I)/ 2009 dated September 02, 2009), the Securities and Exchange Commission of Pakistan has allowed different time limits for aligning existing NBFCs with different Capital requirements. The management of the company is confident of either getting extension for meeting the capital requirement, in case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

### 40 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

### 41 INTEREST RATE RISK

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

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

Description	31 December 2010				
	Exposed to Interest Rate/ Yield Risk				
	Total	Within one year	More than one year and up to five years	above five years	Not Exposed to Interest Rate/ Yield Risk
<b>Financial assets</b>					
Long term investment	100,000,000	-	-	-	100,000,000
Short term financing	40,341,265	40,341,265	-	-	-
Short term placement	45,000,000	45,000,000	-	-	-
Investment in TFCs	8,792,355	8,792,355	-	-	-
Investment in Shares	78,033,325	-	-	-	78,033,325
Investment in Government Bonds	412,372,210	-	167,657,050	244,715,160	-
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	5,413,872	-	-	-	5,413,872
Accrued interest	10,212,149				10,212,149



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Balances with banks and cash in hand	7,664,111	7,429,486	-	-	234,625
<b>Total</b>	<b>710,329,287</b>	<b>101,563,106</b>	<b>167,657,050</b>	<b>244,715,160</b>	<b>196,393,971</b>
<b>Financial liabilities</b>					
Deposits	25,372,609	25,372,609	-	-	-
Borrowings	257,678,086	257,678,086	-	-	-
Profit accrued on deposits and borrowings	7,372,060	-	-	-	7,372,060
Accrued and other liabilities	3,420,839	-	-	-	3,420,839
<b>Total</b>	<b>293,843,594</b>	<b>283,050,695</b>	<b>-</b>	<b>-</b>	<b>10,792,899</b>
Total interest rate sensitivity gap		(181,487,589)	167,657,050	244,715,160	185,601,072
Cumulative interest rate sensitivity gap		(181,487,589)	(13,830,539)	230,884,621	

**31 December 2009**

**Exposed to Interest Rate/ Yield Risk**

Description	Total	Within one year	More than one year and up to five years	above five years	Not Exposed to Interest Rate/ Yield Risk
<b>Financial assets</b>					
Long term Investment	100,000,000	-	-	-	100,000,000
Short term financing	18,600,000	18,600,000	-	-	-
Short term Placements	-	-	168,260,700.00	-	-
Investment in Government Bonds	428,644,660	-	168,260,700	260,383,960	-
Short term investments in TFC's	10,224,165	10,224,165	-	-	-
Short term investments in Shares - quoted	244,174,544	-	-	-	244,174,544
Loans and advances	2,500,000	-	-	-	2,500,000
Deposits and other receivables	7,465,101	-	-	-	7,465,101
Accrued interest	8,245,354	-	-	-	8,245,354
Balance with bank and cash in hand	29,715,075	27,113,814	-	-	2,601,261
<b>Total</b>	<b>849,568,899</b>	<b>55,937,979</b>	<b>336,521,400</b>	<b>260,383,960</b>	<b>364,986,260</b>
<b>Financial liabilities</b>					
Deposit	34,815,598	34,815,598	-	-	-
Borrowings	368,068,067	368,068,067	-	-	-
Profit accrued on deposits and borrowings	11,155,037	-	-	-	11,155,037
Accrued and other liabilities	3,015,223	-	-	-	3,015,223
<b>Total</b>	<b>417,053,925</b>	<b>402,883,665</b>	<b>-</b>	<b>-</b>	<b>14,170,260</b>
Total interest rate sensitivity gap		(346,945,686)	336,521,400	260,383,960	350,816,000
Cumulative interest rate sensitivity gap		(346,945,686)	(10,424,286)	249,959,674	



**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**42 TRANSACTIONS WITH RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes subsidiary company, associated companies with or without common directors, directors and major share holders and their close family members, key management personnel and retirement benefit funds. The company has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates. Transactions with related parties during the year, other than Director's remuneration given under note 34 to the financial statements, are as follows;

<b>Financing</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>Rupees</b>	<b>Rupees</b>
Balance as at year end			
- Associated undertakings		12,841,265	11,200,000
- Others		27,500,000	7,400,000
Transactions during the year			
- Associated undertakings			
Financing provided		23,641,265	93,527,680
Financing matured		22,000,000	134,259,600
- Others			
Financing provided		61,375,000	295,311,923
Financing matured		41,275,000	339,782,564
<b>Return on financing</b>			
Transactions during the year			
- Associated undertakings		1,468,155	1,486,412
- Others		3,540,312	1,428,884
<b>Short term deposits</b>			
Balance as at year end			
- Associated undertakings		1,999,820	1,819,672
- Others		11,897,030	15,479,911
Transactions during the year			
- Associated undertakings			
Certificate of deposits issued		1,999,820	1,819,672
Certificate of deposits matured		1,819,672	-
- Others			
Certificate of deposits issued		27,391,415	23,301,925
Certificate of deposits matured		30,974,296	23,559,748
<b>Return on deposits</b>			
Transactions during the year			
- Associated undertakings		217,211	188,947
- Others		1,113,043	935,765





**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
<b>Guarantee issued</b>			
Balance as at year end			
		13,731,500	13,731,500
<b>Other transactions during the year</b>			
		689,503	792,030
		884,475	-
		1,923,170	-
<b>43</b>	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	Cash and bank balances	<b>7,664,111</b>	28,116,634.00
	Short term placements	<b>45,000,000</b>	-
		<u>52,664,111</u>	<u>29,715,075</u>

**44 Date of authorization of issue**

These financial statements were authorized for issue by the Board of Directors on 18 March 2011.

**45 Figures**

45.1 Figures have been rounded off to the nearest rupee.

45.2 Prior years figures have been reclassified for the purpose of better presentation and comparison. Changes made during the year are as follows:

Reclassification from	Reclassification to	Amount
Current assets	Current assets	
	Deposits, prepayments and other receivables	5,661,368
Deposits and prepayments	Other receivables	672,197
Accrued interest	Accrued profit PLS deposits	508,983
Capital and reserves	Capital and reserves	
Reserves	Unappropriated loss	155,260,572
Reserves	Deficit on revaluation of investment - net of tax	37,333,405

**MUHAMMAD SALEEM RATHOD**  
 CHIEF EXECUTIVE

**HAJI JAN MUHAMMAD**  
 CHAIRMAN



## PATTERN OF SHAREHOLDING

AS AT DECEMBER 2010

Number of Shareholders	Shareholding		Total number of shares held	Percentage %
	From	To		
766	1	100	29,701	0.06
596	101	500	145,096	0.28
196	501	1,000	145,129	0.28
658	1,001	5,000	1,141,279	2.22
68	5,001	10,000	477,640	0.93
26	10,001	15,000	310,763	0.60
15	15,001	20,000	273,307	0.53
10	20,001	25,000	226,688	0.44
4	25,001	30,000	113,310	0.22
4	30,001	35,000	135,972	0.26
2	35,001	40,000	75,130	0.15
1	40,001	45,000	43,635	0.08
2	45,001	50,000	92,920	0.18
3	50,001	55,000	156,727	0.30
3	55,001	60,000	174,055	0.34
1	65,001	70,000	68,575	0.13
1	70,001	75,000	72,960	0.14
1	75,001	80,000	79,627	0.15
1	80,001	85,000	85,000	0.17
2	90,001	95,000	182,768	0.36
1	100,001	105,000	100,712	0.20
1	125,001	130,000	126,796	0.25
2	135,001	140,000	139,200	0.27
1	160,001	165,000	649,920	1.26
2	185,001	190,000	186,855	0.36
1	230,001	235,000	464,234	0.90
1	275,001	280,000	275,209	0.54
1	335,001	340,000	337,648	0.66
1	340,001	345,000	344,000	0.67
1	355,001	360,000	356,110	0.69
1	360,001	365,000	362,487	0.70
1	375,001	380,000	375,463	0.73
1	450,001	455,000	454,999	0.88
1	490,001	495,000	495,000	0.96
1	705,001	710,000	706,977	1.37
1	915,001	920,000	917,841	1.78
1	1,085,001	1,090,000	1,089,900	2.12
1	1,110,001	1,115,000	1,114,392	2.17
1	1,175,001	1,180,000	1,178,581	2.29
1	1,375,001	1,380,000	1,377,526	2.68
1	1,570,001	1,575,000	1,573,550	3.06
1	1,825,001	1,830,000	1,825,050	3.55
1	2,225,001	2,230,000	4,453,120	8.66
1	2,230,001	2,235,000	2,232,482	4.34
1	2,275,001	2,280,000	2,277,698	4.43
1	2,370,001	2,375,000	2,371,947	4.61
1	2,795,001	2,800,000	2,796,114	5.44
1	2,920,001	2,925,000	2,923,849	5.68
1	3,650,001	3,655,000	3,650,100	7.10
1	4,945,001	4,950,000	4,945,316	9.61
1	7,300,001	7,305,000	7,300,200	14.19
<b>2393</b>			<b>51,433,558</b>	<b>100.00</b>

Categories of Shareholders	Shares		
	Number	Held	Percentage
INDIVIDUALS	2393	43,793,940	85.15
INVESTMENT COMPANIES	6	3,849	0.01
INSURANCE COMPANIES	3	376,202	0.73
JOINT STOCK COMPANIES	35	3,399,624	6.61
FINANCIAL INSTITUTIONS	6	1,452,580	2.82
MODARABA COMPANIES	1	889	0.00
COOPERATIVE SOCIETIES	1	1,980	0.00
EMPLOYEE PROVIDENT FUND	1	126,796	0.25
MUTUAL FUND	1	2,277,698	4.43
<b>2393</b>		<b>51,433,558</b>	<b>100.00</b>



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

Categories of Shareholders	Shares Held
<b>Individuals</b>	16,685,543
<b>Investment Companies except ICP</b>	2144
<b>Public/Private Sector Companies and Corporations</b>	-
<b>Directors, Chief Executive Officer and their spouse and minor children</b>	
1) Haji Jan Muhammad	1,221
2) Mr. Sheikh Asim Rafiq (NIT) National Bank of Pakistan, Trustee Department	3,713,879
3) Mr Muhammad Mehboob	2,760
4) Mr. Shaikh Abdullah	1,000
5) Mr. Muhammad Saleem Rathod	2,335
<b>Investment Corporation of Pakistan</b>	1,705
<b>Associated Companies, Undertakings and Related Parties</b>	
Mr. Muhammad Iqbal	2,923,849
Mrs. Zarina Iqbal	2,796,114
Mrs. Shahnaz Javed	3,650,100
Mr. Muhammad Hanif	2,226,560
Mrs. Fouzia Bano	1,825,050
Mrs. Yasmeen	2,226,560
Mrs. Mariam Bai	1,178,581
<b>Banks, DFIs, NBFCs, Insurance Companies, Modarabas and Mutual Funds except National Bank of Pakistan, Trustee Deptt.</b>	377,091
<b>Shareholders holding ten percent or more voting interest</b>	
H.A.R	6,518,866
Amina Bano	7,300,200

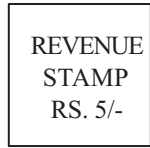


**TWENTIETH ANNUAL GENERAL MEETING**

I/We .....  
of .....  
a member / members of SECURITY INVESTMENT BANK LIMITED and holding .....  
ordinary shares, as per Register Folio/CDC A/c or sub account no. ....  
do hereby appoint .....  
of .....  
to vote for me/us and on my/our behalf at the Twentieth Annual General Meeting of the Company to be held on April 25, 2011 and at any adjournment thereof.

As Witness my/our hand this ..... day of .....2011

Folio No. \_\_\_\_\_



Witness:

1. Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_

SIGNATURE OF MEMBER(S)

2. Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_

**IMPORTANT:**

1. Signature of Member(s) should agree with specimen registered with the Company.
2. A member entitled to attend Twentieth Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him.
3. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If the member is a corporation its common seal (if any) should be affixed on the instrument.
4. The proxies shall be deposited at the Share registrar's office of the Company not less than 48 hours before the time of the meeting.



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# Annual Report 2010



**ISLAMABAD OFFICE**

GPO Box No. 2967, Suit # 4, 3rd Floor,  
Al-Babar Centre, Main Markaz F-8 v.  
Ph: (051) 2856978-80 Fax: (051) 2856987

**KARACHI OFFICE**

606, 6th Floor, Unitowers,  
I.I. Chundrigar Road, Karachi-74000.  
Tel: (021) 32418410-13 Fax: (021) 32418414