



FINANCIAL STATEMENTS

30 June 2010

Vision

Value addition for our stakeholders through enhanced business activity and emphasis on Better Risk Identification and Management as opposed to Risk Avoidance

Mission

To build Escorts Investment Bank Limited into an elite institute comparable with, if not better than, any top quality local or foreign financial institution, in terms of a progressive corporate culture and an autonomous, committed and dedicated Executive Management with
An Eye On The Future



Contents

Corporate Information	04
Financial Statements	05
Notice of Annual General Meeting.....	06
Chief Executive Officer’s Review.....	08
Director’s Report	09
Financial Highlights.....	13
Statement of Compliance with the Code of Corporate Governance	14
Review Report to the Members	16
Statement of Ethics and Business Practices	17
Statement of Compliance with Best Practices on Transfer Pricing.....	19
Auditors’ Report to the Members	20
Balance Sheet	21
Profit and Loss Account	22
Cash Flow Statement	23
Statement of Changes in Equity	25
Notes to the Financial Statements	26
Consolidated Financial Statements	65
Auditors’ Report to the Members	66
Consolidated Balance Sheet	67
Consolidated Profit and Loss Account	68
Consolidated Cash Flow Statement	69
Consolidated Statement of Changes in Equity	71
Notes to the Consolidated Financial Statements	72
Pattern of Shareholding	111
Form of Proxy	

Corporate Information

BOARD OF DIRECTORS

Chairman

Bashir Ahmed

President & Chief Executive Officer

Shazia Bashir

Directors

Bairam Qureishy

Mutahir Ahmed

Tajamul Hussain Bokharee

Sheharyar Ahmed

Zulfiqar A. Khan

Company Secretary

Muhammad Anum Saleem

EXECUTIVE MANAGEMENT

President & Chief Executive Officer

Shazia Bashir

Chief Financial Officer / Head of Advisory Services

Kamran Hafeez

Head of Treasury Division

Arshad I. Khan

Company Secretary / Head of Corporate & Legal Affairs

Muhammad Anum Saleem

Head of Branch Network

Azmat Baig

Head of Proprietary Investments

Hassan Abid Zaidi

Head of MIS & Settlements

Muhammad Irfan

AUDIT COMMITTEE

Chairman

Bashir Ahmed

Members

Tajamul Hussain Bokharee

Bairam Qureishy

Secretary

Muhammad Anum Saleem

Internal Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

External Auditors

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Legal Advisors

Lexium Attorneys at Law

Tax Consultants

KPMG Taseer Hadi & Co.

Chartered Accountants

Share Registrars

Hameed Majeed Associates (Pvt.) Ltd.

Bankers

Bank Alfalah Limited

Bank Al-Habib Limited

MCB Bank Limited

NIB Bank Limited

Financial Statements

30 June 2010

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK LIMITED** will be held on Thursday, October 28, 2010 at 10:00 A.M. at Escorts House, 26 Davis Road, Lahore the registered office of the Company, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Financial Statements for the year ended June 30, 2010 together with the Directors' and Auditors' report thereon;
2. To appoint External Auditors and fix their remuneration for the year ending June 30, 2011.

OTHER BUSINESS:

3. To transact any other business with the permission of the Chair.

By ORDER OF THE BOARD

M. Anum Saleem
Company Secretary

Dated: October 07, 2010

Notes:

1. The share transfer books shall remain closed from October 20, 2010 to October 27, 2010 (both days inclusive). Transfers received at Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore, by the close of the business hours on October 19, 2010 will be treated in time for the purpose of casting of votes at the AGM.
2. A member entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend the meeting, speak and vote on his/her behalf. Form of Proxy is enclosed.
3. The Form of Proxy must be signed across a rupees five revenue stamp and should be received by the Company at its Registered Office at least 48 hours before the meeting.
4. Shareholders are requested to promptly notify the Company of any change in their addresses at the Registered Office of the Company.
5. CDC Account Holders will have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
 - 5.1 For attending the meeting:
 - 5.1.1 In case of individual, the account holder or sub-account holder shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

5.1.2 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall have to be produced at the time of the meeting.

5.2 For appointing proxies:

5.2.1 In case of individual, the account holder or sub-account holder shall submit the proxy form as per the requirements of para 3 above.

5.2.2 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers should be mentioned on the Proxy Form.

5.2.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

5.2.4 The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

5.2.5 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall have to be submitted along with Proxy Form to the Company.

Chief Executive Officer's Review

I am pleased to present my first review as the Chief Executive Officer (CEO) of the Bank. I took office on April 01, 2010 replacing the outgoing CEO Mr. Rashid Mansoor. Immediately after resuming the office, I carried out a detailed review of the Bank's financial position, performance and business processes. This detailed review concluded that the existing business model of the Bank, which primarily included activities like hedging, usual- future arbitrage and CFS, needed to be realigned with the changes in the market place.

The average volumes in the Karachi and Lahore stock exchanges remained low because of challenges faced on the economic front and lack of availability of leverage product. This in turn placed limitations on revenue generated through stock market activities. Hence, earnings diversification and operational efficiencies needed to be created in order to reposition the Bank going forward.

It gives me pleasure to share that in the brief time of a few months, since I was embarked upon the task of leading the Bank, we have implemented the Business Plan 2011 which is adequately and appropriately designed to make the Bank one of the best in the industry in terms of profitability, liquidity and quality of earnings, resultantly increasing the wealth of all the stakeholders.

The Business Plan 2011 focuses primarily on income diversification by way of introduction of core investment banking activities including fee based income, corporate and REITs advisory, technical and fundamental equities and commodities research, mutual funds distribution arrangement, incoming home remittances and efficient treasury function and secondarily on cost restructuring by way of increasingly efficient use of Bank's resources.

Subsequent to the year end, the aforementioned initiatives have started contributing towards the sustainability and growth of the Bank and I expect the same pattern to continue for foreseeable future.

Lastly I wish to thank the staff, the shareholders, our esteemed customers and depositors and the Securities and Exchange Commission of Pakistan for their continuous support and guidance during these difficult times.



Shazia Bashir
President and Chief Executive Officer

Lahore: October 4, 2010

Director's Report

The Board of Directors of Escorts Investment Bank Limited takes pleasure in presenting before you, the Annual Report 2010 together with the Audited Financial Statements for the year ended June 30, 2010.

The Board hereby confirms that:

- a) these 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;
- b) proper books of accounts of the company have been maintained;
- c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- e) the system of internal controls is sound in design and has been effectively implemented and efficiently monitored;
- f) there are no significant doubts upon the company's ability to continue as going concern; and
- g) there is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Financial Results

The financial results for the year under review are summarized as follows:

	2010 Rupees	2009 Rupees
Loss before provisions and taxation	(82,954,713)	(162,199,913)
Provision for /(reversal) of doubtful finances and receivables	3,356,546	(3,802,669)
Loss before taxation	(79,598,167)	(166,002,582)
Taxation	168,104	(244,634)
Loss after taxation	(79,430,063)	(166,247,216)

Key financial data and ratios for the last seven years are attached.

During the year the Bank incurred a loss of Rs. 79.4 million as compared to Rs. 166.2 million in the corresponding period of the preceding year. This 52% reduction of net loss of the Bank displays the efficiencies created by the management in response to reduced activity in the market place.

The administrative and other operating expenses have reduced to Rs. 91 million in the financial year ended June 30, 2010 from Rs. 141.8 million in the corresponding period of the preceding year. This 35% reduction in the Bank's fixed cost is part of Phased Cost Rationalization Plan. After the complete implementation of this plan, the administrative and operating expenses are expected to further reduce, which is expected to ensure sustainability and growth of the Bank going forward. During the year provision of Rs. 3.3 million has been reversed, as against additional provision of Rs. 3.8 million in the preceding year. This shows management's firm commitment and effective recovery procedures.

Loss Per Share

Loss per share of your bank has been Rs. (1.8) as compared to Rs. (3.77) last year.

Credit Rating

As an expression of confidence in your Bank's performance, JCR VIS Credit Rating Agency has maintained its Short Term Rating of "A- 1" (Single A one), while Long Term Credit Rating has been maintained at "A" (Single A), with negative outlook. These rating denote good credit quality, sound liquidity factors and company fundamentals, adequate protection factors and good certainty of timely payments.

Board Meetings

The Board presently comprises of one executive and six non executive directors. Two casual vacancies occurred during the year, which were duly filled.

During the year, four meetings of the Board of Directors were held and following is the detail of attendance by the Directors:

Directors	Meetings Held during tenor	Attended
Mr. Bashir Ahmed	4	3
Mr. Rashid Mansoor	3	3
Ms. Shazia Bashir	4	4
Mr. Tajamal Hussain Bokharee	4	4
Mr. Qaim Mehdi	4	1
Mr. Bairam Qureishy	4	4
Mr. Mutahir Ahmed	4	2
Mr. Zulfiqar Ahmed	1	1

Leave was granted to directors who could not attend some or all of the Board meetings.

Pattern of shareholding

There were 435 shareholders of the Bank as at 30 June 2010. The pattern of shareholding disclosing the aggregate number of shares held by various categories of shareholders appears at the end of this annual report.

Value of Provident Fund Investment

The Bank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund @ 10% of basic salary. Based on latest audited financial statements of the fund the value of its investment as at June 30, 2009 works out to Rs. 20 million.

Changes in Shareholding

There was no purchase and sale of shares of Escorts Investment Bank Limited by the Directors, CEO and CFO in the period under review.

CEO's Review

The Board endorses CEO's review for the year ended 30 June 2010.

Internal Audit Function

The Bank has a very sound Internal Audit Function outsourced to M/s KPMG Taseer Hadi & Co, Chartered Accountants. The Audit Committee meets on a regular basis to review efficiency and effectiveness of the Internal Audit Function.

Auditors

The Bank's external auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board and the Audit Committee recommend their reappointment.

Corporate Social Responsibilities

Escorts Investment Bank Limited provides patronage to its group entity Escorts Foundation (the Foundation), which is an NGO involved in rural development programmes since 1990. Escorts Foundation's major initiatives are in rural development programmes, energy conservation and environment protection measures through its projects including Home Schools Project and Smokeless Stove Project.

Home Schools are small schools operating in a house or courtyard of a resident villager. An educated local girl/lady is trained by The Foundation to teach at the Home School. The Foundation provides all the stationery, study material, books, school bags, benches, teaching aids and fans to the Home School Teacher. A MOTHER COMMITTEE is formed as a support group of HOME SCHOOLS. The Foundation has presently 54 Home Schools and the number of students enrolled is 6,500. The Foundation has constructed a model school covering 3 acres of land in the village of Hanjrai Klan, Tehsil Pattoki, District Kasur. The design of the school has been done by a renowned architect firm and school was opened in April 2010. The school has eight classrooms with a capacity of 250 students.

The second project that The Foundation has successfully completed is **The Smokeless Stove programme**. In the rural areas of Pakistan, wood is used as the main source of heat for cooking food usually using open fire. The open fires result in higher wood consumption, large quantity of smoke emission and risk of burns to women. This results in rapid deforestation, smoke related diseases in women and children, higher emission and excess work in wood collection by women and children.

The Foundation introduced stoves made of mud and straw which reduce wood consumption by 25-60% with a chimney that carries smoke away from the person using the stove. The smokeless stove keeps the women and children safe from the hazards of smoke including eyes irritation, lungs and other respiratory diseases. These smokeless stoves help reduce the number of people dying of open fire diseases. It is estimated that 1.6 million people die every year with these diseases. Escorts Foundation has distributed these stoves as well has had carried out workshops in the villages whereby locals are trained to prepare these stoves thereby empowering them with economical means to reduce their living costs and improve their health. At present, Escorts Foundation has 12,178 direct and 92,484 indirect beneficiaries of the Smokeless Stove Programme.

Escorts Foundation was awarded the Ashden Award for sustainable energy in the year 2004 for its Smokeless Stove Programme and The International Energy Globe Award in 2004.

Escorts Investment Bank Limited commits its full support and cooperation, financial and otherwise to the foundation as part of its CSR activities. In addition, other activities include but are not limited to contributions to national exchequer by way of taxes, timely payments to all its creditors, vendors and depositors. The Bank has also established procedures for the occupational safety and health and business ethics and anti corruption measures.

Future Outlook

Ms Shazia Bashir has been appointed as the new President and Chief Executive Officer of the Bank w.e.f April 01, 2010. The incoming CEO carried out a detailed exercise to assess the financial position and performance of the Bank in order to outline a business plan to timely address the profitability. On the basis of recommendations of this assessment exercise, a detailed Business Plan has been formulated by the CEO and approved by the Board of Directors to provide guidance on policy strategies going forward.

The Business Plan 2011 emphasized on creation of efficiencies in all the existing business processes and income diversification by way of introduction of additional lines of business. The Business Plan 2011 focuses primarily on identification of lines of businesses in addition to ones of the Bank's conventional business model. Major initiatives include but are not limited to increased efficiency of Treasury Function, increase in Advisory Business, development of strategic partnerships and alliances with esteemed public and private sector organizations, increased emphasis on core investment banking activities like fee based transactions, Real Estate Investment Trust (REITs) advisory, Equities and Commodities Research and Cost Rationalization.

We are confident that the Business Plan 2011, when fully implemented, shall make your Bank one of the best in the NBFC sector in terms of profitability, sustainability and growth.

Acknowledgement

The Directors wish to place on record the gratitude to Securities and Exchange Commission of Pakistan for their valued support, assistance and guidance. The Board would like to take this opportunity to express their admiration to the employees of the Bank for their commitment, hard work and cooperation throughout the year. The Bank recognizes and records its gratitude for all their efforts.

For and on behalf of Board



Chief Executive Officer

Lahore: October 4, 2010



Director

Financial Highlights

Last Seven Years of Escorts Bank At a Glance

(Rupees in '000')

	2010	2009	2008	2007	2006	2005	2004
FINANCIAL DATA							
Share Capital	441,000	441,000	441,000	441,000	441,000	300,000	300,000
Share Deposit Money	-	-	-	-	-	85,795	-
Reserves	76,973	156,403	410,850	361,233	319,269	154,218	114,816
Shareholders' Equity	517,973	597,403	851,850	802,233	760,269	540,013	414,816
Deposits	580,862	413,733	1,327,061	2,081,408	1,480,153	1,099,510	1,129,757
Borrowings from Financial Institutions	304,763	438,563	2,983,208	2,770,032	2,206,358	2,307,443	1,060,029
Total Liabilities	1,307,045	1,510,240	5,645,060	5,132,427	4,115,488	3,661,020	2,368,842
Tangible Fixed Assets	122,008	137,981	166,115	159,142	136,629	123,898	23,220
Intangible Fixed Assets	-	-	35,917	44,087	45,087	44,105	42,420
Capital Work in Progress	2,100	1,300	1,300	18,036	-	-	-
Financing - Net of Provision	250,393	158,915	281,673	351,638	342,733	746,860	481,396
Net Investment in Finance Lease	21,633	35,451	72,272	64,949	30,948	-	-
Investments & Placements	789,845	1,096,536	4,631,475	4,671,168	3,710,283	2,266,564	1,899,916
Total Assets	1,825,018	2,107,643	6,496,909	5,934,660	4,875,757	4,177,687	2,742,118
OPERATING RESULTS							
Total Revenue	182,339	356,524	837,164	841,512	716,284	488,658	239,434
Markup Expense	159,061	270,646	482,477	472,673	306,870	158,418	85,142
Operating & Other Expenses	103,498	153,678	251,038	226,953	200,688	149,825	71,678
Provision against Non-Performing Loans	(3,357)	3,802	9,134	684	10,772	26,345	6,159
(Loss)/profit before Tax	(79,598)	(166,002)	94,512	141,201	197,955	134,071	76,456
(Loss)/profit after Tax	(79,430)	(166,247)	137,817	130,164	186,051	129,401	73,622
Dividend (%)	-	-	20.00	20.00	20.00	20.00	15.00
FINANCIAL RATIOS							
(Loss)/earnings per Share (Rs.)	(1.80)	(3.77)	3.13	2.95	4.44	3.77	3.05
Net Asset Value per Share (Rs.)	11.74	13.54	19.32	18.19	17.24	15.14	13.83
Market Value per Share (Rs.)	2.89	2.40	12.68	16.40	16.00	10.60	14.90
High	4.30	11.99	20.10	17.40	21.55	21.50	17.20
Low	1.55	2.40	11.00	13.00	9.85	9.80	9.45
Price Earning Ratio	-	-	4.06	5.56	3.60	2.81	4.89
Dividend per Share (Rs.)	-	-	2.00	2.00	2.00	2.00	1.50
Dividend Yield (%)	-	-	15.77	12.20	12.50	18.87	10.07
Dividend Payout Ratio(%)	-	-	64.00	67.76	45.00	53.05	49.26
(Loss)/profit Before Tax Ratio (%)	(43.65)	(46.63)	11.29	16.78	27.64	27.44	31.93
Revenue to Expenses (Times)	0.70	0.69	1.13	1.20	1.38	1.38	1.47
Return on Average Assets (%)	-	-	2.22	2.41	4.11	3.74	3.09
Return on Capital Employed (%)	-	-	16.66	16.66	28.62	29.78	21.46
Total Assets Turnover Ratio (Times)	0.10	0.17	0.13	0.16	0.16	0.14	0.10
Advances to Deposits (Times)	0.35	0.30	0.21	0.17	0.23	0.68	0.43
Borrowings to Equity (Times)	1.70	2.33	5.06	6.05	4.85	6.31	5.28
Total Liabilities to Equity (Times)	2.52	2.52	6.63	6.40	5.41	6.78	5.71

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of stock exchanges where the Company's shares are listed, 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 Board of Directors of Escorts Investment Bank Limited ("the Company") has adopted and applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non- executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors including three independent directors. The Company has on its Board one director representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including Escorts Investment Bank Limited.
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 NBFC or being a member of stock exchange, has been declared a defaulter by that stock exchange.
4. Two Casual vacancies occurred in the Board of Directors during the year and were filled within two days and one day respectively.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Company has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant polices alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Directors have been taken by the Board.
8. The meetings on 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 alongwith agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. No specific orientation course was held during the year, however, the management continues to apprise and familiarize with changes in law to discharge their duties and responsibilities.
10. The CFO, Company Secretary and head of Internal Audit have executed their responsibilities pursuant to the approved appointment by the Board. Their remuneration and terms and conditions of employment, were determined by the CEO with the approval of the Board.
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 three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company 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 that has been outsourced to M/s KPMG Taseer Hadi & Co. Chartered Accountants. A team of suitably qualified and experienced personnel who are conversant with the polices and procedures of the Company have been deployed on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The related party transactions have been reviewed and approved by the Board of Directors and placed before the Audit Committee in accordance with the listing regulations of stock exchanges.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. All significant issues have been discussed in board meetings as per requirements of code of corporate governance.
22. We confirm that all other material principles contained in the Code have been complied with.



Chief Executive Officer

Lahore: October 4, 2010



Director

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Escorts Investment Bank Limited** (the Company) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi and Lahore Stock Exchanges 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 provisions 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 statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 35 notified by the 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 alternate 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Lahore

Date: October 04, 2010

Engagement Partner: Mohammed Junaid



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Statement of Ethics and Business Practices

The following core values have been incorporated in our system to promote ethical business practices while producing quality services.

Business Practices

Escorts Investment Bank Limited (“the Company”) recognizes responsibilities in the following areas:

Shareholders

To protect shareholders investment and to provide them maximum return on their investment. We focus on maximizing long term shareholders’ value through strong financial performance and returns, disciplined and profitable expansion.

Customers

To provide them with the best investment opportunities and financial products that can cater to changing economic environment. Our focus is on building enduring relationships with our clients to help meet their financial goals, providing friendly, caring, seamless service and excellent value through a wide range of products and services. Prompt, efficient attention to complaints is integral to our client care commitment.

Employees

To provide our employees with a friendly and congenial environment to work in and to provide them an equal opportunity to prosper and grow. There are job opportunities available for the most deserving candidates depending on their professional achievements and skills in their chosen departments. We feel that strong relationship with employees is vital to our future success. Each employee plays an important role in advancing our reputation and is required to be fully familiar with our code of conduct. We are focused on providing leading-edge workplace practices, opportunities for continuous learning, and challenging and satisfying careers to our employees.

Society

To conduct business as a good corporate citizen of the society, while respecting and complying with the prevalent laws as a financial entity.

Business Integrity

The Company believes in the following five principles to be applied in all aspects of their business:

- Personal Responsibility
- Integrity
- Honesty
- Team Work
- Diversity

All business transactions on behalf of Escorts Investment Bank Limited must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and should be subject to audit.

Reliability and Reporting

All transactions and contracts are fully documented and are available for review to the concerned quarters. The Company complies with the International Accounting Standards (as applicable in Pakistan) and all applicable laws and regulations, whereby its financial statements present a true picture of the underlying transactions.

Economic Principles

Maximization of Profitability is essential for any financial institution, as this is used as a yardstick to determine efficiency. Also, it is necessary to allocate resources including Capital, Management Time, Human Resources and Information Technology according to a range of factors, such as size and complexity of the operation, growth prospects and contribution made by each area.

Political Activities

The Company believes in staying detached from all political activities.

Health and Safety

The maintenance of appropriate health and safety standards throughout the Company is a key responsibility of all managers. Company's objective is to identify, remove, reduce or control material risks of fire and of accidents or injuries to employees and Visitors.

Statement of Compliance with Best Practices on Transfer Pricing for the Year Ended 30 June 2010

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of the stock exchanges where the Company's shares are listed.

For and on behalf of the Board



Shazia Bashir
Chief Executive Officer

Lahore: October 04, 2010

Auditors' Report to the Members


We have audited the annexed balance sheet of **ESCORTS INVESTMENT BANK LIMITED** ("the Company") as at 30 June 2010 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. The financial statements of the Company as of 30 June 2009 were audited by another auditor whose report dated 26 August 2009 expressed an unqualified opinion on those financial statements.

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 accounts have been kept by the Company as required by the companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 2.3 to the accompanying financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, 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, 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 30 June 2010 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore
Date: October 04, 2010
Engagement Partner: Mohammed Junaid


Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Balance Sheet

as at 30 June 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non-current Assets			
Fixed assets	6	90,657,797	106,581,325
Cards and rooms	7	33,450,000	32,700,000
Long term investment in subsidiary company	8	175,004,000	175,004,000
Long term investments	9	530,943,335	544,937,697
Long term finances	10	61,397,756	35,325,621
Net investment in lease finance	11	5,777,635	21,765,297
Long term loans and advances	12	703,438	1,082,328
Long term deposits and prepayments	13	711,200	6,041,357
Deferred tax asset	14	76,475,390	75,962,978
Current Assets			
Current maturities of non-current assets	15	89,738,002	82,871,661
Short term investments	16	54,876,119	168,579,417
Short term finances	17	125,771,994	62,212,073
Short term placements	18	200,000,000	380,000,000
Advances, deposits, prepayments and other receivables	19	370,017,202	395,101,204
Cash and bank balances	20	9,493,983	19,478,267
		849,897,300	1,108,242,621
		1,825,017,851	2,107,643,224
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	21	441,000,000	441,000,000
Reserves	22	76,973,146	156,403,209
		517,973,146	597,403,209
Surplus on revaluation of investment	23	6,823,878	7,269,191
Non-Current Liabilities			
Term finance certificates	24	163,909,862	328,870,566
Liabilities against assets subject to finance lease	25	-	4,981,582
Long term certificates of deposit	26	255,913,312	184,458,629
Long term security deposit	27	3,917,900	12,771,856
Current Liabilities			
Current maturities of non-current liabilities	28	189,860,548	257,133,160
Short term borrowings	29	304,763,104	438,563,476
Running finance - Secured	30	-	-
Short term certificates of deposit	31	313,469,222	185,448,651
Trade and other payables	32	38,971,350	62,027,372
Provision for taxation	33	29,415,529	28,715,532
		876,479,753	971,888,191
Contingencies and Commitments	34	-	-
		1,825,017,851	2,107,643,224

The annexed notes 1 to 53 form an integral part of these financial statements.



Chief Executive Officer



Director

Profit and Loss Account

for the year ended 30 June 2010

	Note	2010 Rupees	2009 Rupees
INCOME			
Profit on financing	35	48,916,006	26,768,024
Mark-up on lease finance		2,910,848	5,850,715
Return on placements	36	4,353,218	92,000,694
Fees and commission	37	6,000	2,609,865
Return on investments	38	120,723,419	186,324,158
Profit on bank deposits		1,816,812	38,869,506
Other income		3,612,667	4,101,256
		182,338,970	356,524,218
EXPENSES			
Return on certificates of deposit		64,219,351	86,349,132
Return on term finance certificates		62,484,241	85,140,247
Mark-up on short term running finance		91,245	6,303,610
Mark-up on borrowings from financial institutions		32,266,721	92,853,635
Amortization of premium on held to maturity investments		12,218,197	11,368,020
Administrative and other operating expenses	39	91,007,481	141,832,570
Impairment on available for sale investments		2,733,412	94,399,335
Other financial charges		273,035	477,582
		265,293,683	518,724,131
Operating loss before provisions and taxation		(82,954,713)	(162,199,913)
Provision for doubtful receivables		-	1,920,750
Provision for doubtful leases		-	153,328
Provision for doubtful finances		(3,356,546)	1,728,591
		(3,356,546)	3,802,669
Loss before taxation		(79,598,167)	(166,002,582)
Taxation	40	168,104	(244,634)
Loss after taxation		(79,430,063)	(166,247,216)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(79,430,063)	(166,247,216)
Loss per share-basic and diluted	41	(1.80)	(3.77)

The annexed notes 1 to 53 form an integral part of these financial statements.



Chief Executive Officer



Director

Cash Flow Statement

for the year ended 30 June 2010

	2010 Rupees	2009 Rupees
Cash flow from operating activities		
Loss before taxation	(79,598,167)	(166,002,582)
Adjustment for non cash expenses and other items:		
Dividend Income	(16,978,959)	(15,610,958)
Depreciation on tangible assets	15,126,779	19,380,958
Amortization on intangible assets	-	499,950
Amortization of discount on Government Treasury Bills	-	(1,449,662)
Provision for doubtful receivables	-	1,920,750
Provision for doubtful leases	-	153,328
Provision for doubtful finances	(3,356,546)	1,728,591
Amortization of premium on held to maturity investments	12,218,197	11,368,020
Amortization of issuance cost of listed TFCs	1,573,296	1,573,296
Gain on sale of fixed assets	(3,300,096)	(2,073,096)
Fixed assets written off	-	304,883
Gain on sale of cards and rooms	-	(69,750,000)
Impairment loss on portfolio shares	2,733,412	94,399,335
	8,016,083	42,445,395
	(71,582,084)	(123,557,187)
Decrease/ (Increase) in operating assets		
(Disbursements)/repayment of finances - net	(88,060,320)	121,029,145
Net investment in lease finance	11,830,145	23,144,853
Placements	180,000,000	2,113,281,543
Investments - net	111,650,371	1,328,140,352
Loans and advances	6,171,362	467,330,770
Deposits and prepayments	3,021,819	10,173,654
	224,613,377	4,063,100,317
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	(133,800,372)	(1,906,436,524)
Certificates of deposit	167,129,269	(913,327,362)
Running finance facilities	-	(1,088,962,624)
Trade and other payables	(23,056,022)	(133,249,264)
	10,272,875	(4,041,975,774)
Net changes in operating assets and liabilities	234,886,252	21,124,543
Net cash generated from/(used in) operating activities before taxes	163,304,168	(102,432,644)
Taxes refund / (paid)	19,693,516	(22,398,427)
Net cash generated from/(used in) operating activities	182,997,684	(124,831,071)

	Note	2010 Rupees	2009 Rupees
Cash flow from investing activities			
Fixed capital expenditure incurred		(1,545,132)	(2,846,545)
Dividend received		16,978,959	28,576,438
Proceeds from sale of fixed assets		5,641,977	13,535,110
Investment in cards and rooms		(750,000)	105,000,000
Net cash generated from investing activities		20,325,804	144,265,003
Cash flow from financing activities			
Redemption of term finance certificates		(45,796,715)	(200,000)
Redemption of listed term finance certificates		(166,534,000)	(91,593,312)
Dividend paid		-	(87,273,906)
Repayment of lease obligation		(977,057)	(830,114)
Net cash used in financing activities		(213,307,772)	(179,897,332)
Net decrease in cash and cash equivalents		(9,984,284)	(160,463,400)
Cash and cash equivalents at the beginning of the year		19,478,267	179,941,667
Cash and cash equivalents at the end of the year	20	9,493,983	19,478,267

The annexed notes 1 to 53 form an integral part of these financial statements.



Chief Executive Officer



Director

Statement of Changes in Equity

for the year ended 30 June 2010

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
Balance as at 01 July 2008	441,000,000	154,050,085	256,800,340	851,850,425
Net loss for the year	-	-	(166,247,216)	(166,247,216)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(166,247,216)	(166,247,216)
Final dividend for 2008 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
Balance as at 30 June 2009	441,000,000	154,050,085	2,353,124	597,403,209
Net loss for the year	-	-	(79,430,063)	(79,430,063)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(79,430,063)	(79,430,063)
Balance as at 30 June 2010	441,000,000	154,050,085	(77,076,939)	517,973,146

The annexed notes 1 to 53 form an integral part of these financial statements.



Chief Executive Officer



Director

Notes to the Financial Statements

for the year ended June 30, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited (“the Company”) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 on 15 May 1995. The Company started its commercial operations on 16 October 1996 and is listed on the Karachi and Lahore stock exchanges. The Company is licensed to carry out investment finance services, as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2008. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

JCR VIS Credit Rating Company Limited has reaffirmed the Short Term Credit Rating of the Company at “A-1” (Single A one) while Medium to Long Term Credit Rating has also been reaffirmed at “A” (Single A) with negative outlook dated 16 March 2010.

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 company, Escort Capital Limited, have also been prepared.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the 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 Standard (IAS) 39, ‘Financial Instruments: Recognition and Measurement’ and International Accounting Standard (IAS) 40, ‘Investment Property’ through Circular No. 19 dated August 13, 2003 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. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, ‘Financial Instruments: Disclosures’ through SRO 411(1) / 2008 on such NBFCs which are engaged in investment finance services, discounting services and housing finance services.

2.2 Standards, interpretations, and amendments to published approved accounting standards that are effective during the year

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 – Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment).

IFRS 3 – Business Combinations (Revised)

IFRS 8 – Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments).

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments).

IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments).

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 – Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the changes discussed in note 2.3 below.

2.3 Change in accounting policy and disclosure

IAS - 1 “Presentation of Financial Statements” (Revised)

The Company has adopted IAS-1 (revised) “Presentation of Financial Statements” which became effective during the year. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.

The Company considers that the above change in the requirements relating to the presentation of the financial statements does not affect the Company’s financial statements for the year due to the fact that currently all items of income and expense are being recognized in the profit and loss account other than surplus / (deficit) arising on revaluation of fixed assets, available-for-sale investments and derivative instruments which, in accordance with the requirements of the Companies Ordinance, 1984 and SBP directives, are reported below equity. Accordingly, the Company does not have any item of other comprehensive income / (loss) to report for the current period and prior year and therefore, total comprehensive income / (loss) is equal to the net profit / (loss) reported for all years presented.

IFRS - 8 “Operating Segments”

IFRS-8 replaced IAS-14 “Segment Reporting” upon its effective date. The Company concluded that the operating segments determined in accordance with IFRS-8 are the same as the business segments previously identified under IAS-14. IFRS-8 disclosures are shown in note 42, including the related revised comparative information.

3. FIXED ASSETS

3.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment, if any, except for Capital Work in Progress which is stated at cost. Depreciation is charged using “straight line method” so as to write off the historical cost of an asset over its estimated useful life at the following rates:

	Rate in %
Freehold premises	5
Leasehold improvements	20
Freehold improvements	20
Furniture and fittings	10
Computer equipment	33.33
Office equipment	10
Vehicles	20

Full month’s depreciation is charged on additions during the month in which asset is available for use, while no depreciation is charged in the month in which asset is disposed off.

Minor repair and renewals are charged to income as and when incurred.

Major renewals and improvements are capitalized.

The gain or loss on disposal or retirement of an asset, represented by the difference between sale proceeds and the carrying amount of the asset, is included in income currently.

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

Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment, if any. Amortization is recorded when these assets are available for use using straight line method whereby the cost of an intangible asset is amortized over its estimated useful life at the following rates:

	Rate in %
Computer software	33.33

3.2 Assets subject to finance lease

The Company accounts for assets acquired under finance lease by recording the assets and related liabilities at the lower of present value of minimum lease payments under the lease agreement and the fair value of leased assets. Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged using “straight line method” at the rates specified in note 3.1.

3.3 Cards and Rooms

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

3.4 Investments

3.4.1 Subsidiary Company

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amounts of the investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in the period in which they incur.

3.4.2 Held to maturity

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

3.4.3 Available for sale

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

3.4.4 Held for trading

Investments that 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 recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of circulars issued by State Bank of Pakistan, Held for Trading and Available for Sale investments for which active market exists, are measured at their market value while Investments Held to Maturity are stated at amortized cost using the effective interest rate method less impairment, if any.

All regular way purchases and sales of listed shares are recognized on the trade date, i.e. the date that the Company commits to purchase/sell the asset.

Any surplus or deficit on revaluation of investments at fair value through profit and loss account is charged to income currently, while in case of available for sale investments, the resulting surplus/ (deficit) is kept in a separate account and is shown in the balance sheet below the shareholders' equity. At the time of disposal the respective surplus or deficit is transferred to income currently.

Amortization cost is charged to profit and loss account.

However, as allowed by the BSD Circular No. 10 dated 13 July 2004, the Company will be free to determine the extent of holding under the above categories taking into consideration various aspects such as trading strategies, intention of acquisition of securities, capital position, expertise available to manage investment portfolio, and the risk management capabilities. Under exceptional circumstances, shifting from one category to another category may be made subject to the following conditions:

- Shifting of investments to/from held to maturity category is allowed once a year only with the approval of the Board of Directors within two months of the commencement of accounting year. Any further shifting to/from this category is not allowed during the remaining part of that accounting year;
- Shifting to/from available for sale category is allowed with the approval of the Assets and Liabilities Committee (ALCO) subject to the condition that the reasons for such shifting will be recorded in writing; and
- Shifting from held to trading category to available for sale or held to maturity categories is generally not be allowed. It is permitted under exceptional circumstances like not being able to sell the securities within the prescribed period of 90 days due to tight liquidity position in market or extreme market volatility with the approval of ALCO. The justification for such exceptional shifting of securities shall be recorded in the minutes of ALCO meeting. Shifting of securities from one category to another shall be done at the lower of the market value or the acquisition cost/book value, and the diminution in value, if any, on such transfer shall be fully provided for.

The surplus/deficit arising as a result of revaluation of held for trading investments is taken to profit and loss account. Furthermore, the surplus/deficit on revaluation of available for sale and held to maturity securities is taken to “Surplus/Deficit on revaluation of Available for Sale Investments” account. However, any permanent diminution in the value of available for sale or held to maturity securities is provided for by charging it to the profit and loss account. The measurement of surplus/deficit is done on portfolio basis for each of the above three categories separately.

3.4.5 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

Repurchase agreements

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

Reverse repurchase agreements

Investments 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 agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

3.4.6 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognized on the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

3.5 Net investment in lease finance

Leases where all the risks and rewards incidental to ownership of the assets are substantially transferred to the lessee are classified as finance leases. Net investment in lease finance is recognized at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

3.6 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 accounts.

3.7 Financial instruments**3.7.1 Financial assets**

Financial assets are cash and bank balances, placements, investments, financing and other receivables. Finances and receivable from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policy.

3.7.2 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include redeemable capital, certificates of deposit, borrowings, trade and other payables. Mark-up based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

3.7.3 Derivatives

Derivative instruments held by the Company comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivatives is equivalent to the unrealized gain or loss from marking the derivatives using prevailing market rates at the balance sheet date. The unrealized gains are included in other assets while unrealized losses are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss.

3.7.4 Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes 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 i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

3.7.5 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 legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.8 Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.9 Redeemable capital - Term finance certificates

Term finance certificates are initially recognised at their fair value less transaction costs that are directly attributable to the issue of term finance certificates. The transaction costs are amortised over the term of term finance certificates.

3.10 Staff retirement benefits

Employees compensated absences

Liability for accumulated compensated absences of employees is accounted for in the period in which these absences are earned on termination basis.

Provident fund

The Company operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by employees and the Company to the fund at 10% of Basic Salary. The fund is administrated by the Trustees.

3.11 Revenue recognition

Return on finances provided, placements, government securities and term finance certificates are recognized on time proportionate basis.

Mark-up on lease finance is recognized using the finance method. Under this method, the unearned lease income i.e. the excess of the aggregate lease rentals and the residual value over the cost of the leased assets, is deferred and taken to income so as to produce a constant periodic rate of return on the outstanding net investment in lease finance. Processing fee, documentation charges and other lease related income are taken to income currently.

Brokerage commission and other advisory fee are recognized when such services are provided.

Guarantee commission is received in advance, and deferred over the guarantee period

Capital gain or loss arising on sale of investments is taken to income in the period in which they arise.

Consultancy and corporate advisory fee income is recognized using percentage of completion method.

Dividend income is recognized when the right to receive payment is established

3.12 Return on deposits and borrowings

Return on Certificates of Deposit (CODs) and borrowings is recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

3.13 Taxation

Current

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

Deferred

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset 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 the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

3.14 Operating segment

The Company has structured its key business areas in two segments in a manner that each segment becomes a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the Company have been categorized into the following classifications of business segments.

Business segments

The Company's activities are broadly categorized into two primary business segments namely financing activities and investment activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Financing activity

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing.

Investment activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Company's liquidity.

3.15 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.

3.16 Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

3.17 Dividend distributions and appropriations

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates 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. However, estimated results may differ from actual. 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 Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- i) Provision for taxation and deferred tax (Notes 14 and 40)
- ii) Classification and valuation of investments (Notes 9, 16 and 18)
- iii) Determination and measurement of useful life and residual value of property and equipment (Note 6)
- iv) Classification and provision of loans and advances, net investment in finance lease and other receivables (Notes 10.6, 11.4, 17.3 and 19.3)
- v) Impairment of investments (Note 9 and 16)

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01-Feb-10
IAS 24 - Related Party Disclosures (Revised)	01-Jan-11
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01-Jan-10
IFRIC 14 - IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01-Jan-11
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01-Jul-10

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its Annual Improvements Project. Such amendments are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application.

	Note	2010 Rupees	2009 Rupees
6. FIXED ASSETS			
Property and equipment	6.1	88,557,797	105,281,325
Capital work-in-progress advance - intangible	6.3	2,100,000	1,300,000
		90,657,797	106,581,325

6.1 Property and equipment

	Cost			Depreciation			Net book value as at 30 June 2010	
	As at 01 July 2009	Additions/ (disposals)	As at 30 June 2010	As at 01 July 2009	For the year	(Disposals)		As at 30 June 2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
Owned								
Free-hold premises	89,692,600	-	89,692,600	18,312,239	4,484,630	-	22,796,869	66,895,731
Lease-hold improvements	17,067,256	60,960	17,128,216	8,204,091	2,769,605	-	10,973,696	6,154,520
Free-hold improvements	6,712,240	-	6,712,240	1,678,060	1,342,448	-	3,020,508	3,691,732
Office furniture and fixtures	5,051,821	-	5,051,821	1,730,602	482,500	-	2,213,102	2,838,719
Computer equipments	7,372,381	(77,579)	7,294,802	6,496,905	578,971	(58,178)	7,017,698	277,104
Office equipments	8,380,070	684,172	9,064,242	2,770,335	833,944	-	3,604,279	5,459,963
Vehicles	24,007,342	(9,045,501)	14,961,841	16,058,228	2,836,221	(6,723,021)	12,171,428	2,790,413
	158,283,710	745,132 (9,123,080)	149,905,762	55,250,460	13,328,319	(6,781,199)	61,797,580	88,108,182
Leased								
Vehicles	8,992,300	-	8,992,300	6,744,225	1,798,460	-	8,542,685	449,615
2010	167,276,010	(8,377,948)	158,898,062	61,994,685	15,126,779	(6,781,199)	70,340,265	88,557,797

	Cost			Depreciation			Net book value as at 30 June 2009	
	As at 01 July 2008	Additions/ (disposals)	As at 30 June 2009	As at 01 July 2008	For the year	(Disposals)		As at 30 June 2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
Owned								
Free-hold premises	89,692,600	-	89,692,600	13,827,609	4,484,630	-	18,312,239	71,380,361
Lease-hold improvements	20,457,590	-	17,067,256	6,984,084	3,610,187	(2,390,180)	8,204,091	8,863,165
Free-hold improvements	6,712,240	-	6,712,240	335,612	1,342,448	-	1,678,060	5,034,180
Office furniture and fixtures	7,036,665	-	5,051,821	1,816,269	577,645	(663,312)	1,730,602	3,321,219
Computer equipments	16,873,101	653,695 (10,154,415)	7,372,381	13,439,416	1,675,349	(8,617,860)	6,496,905	875,476
Office equipments	12,637,050	533,600 (4,790,580)	8,380,070	3,385,490	989,434	(1,604,589)	2,770,335	5,609,735
Vehicles	31,894,180	1,659,250 (9,546,088)	24,007,342	16,145,797	4,902,805	(4,990,374)	16,058,228	7,949,114
	185,303,426	2,846,545 (29,866,261)	158,283,710	55,934,277	17,582,498	(18,266,315)	55,250,460	103,033,250
Leased								
Vehicles	8,992,300	-	8,992,300	4,945,765	1,798,460	-	6,744,225	2,248,075
2009	194,295,726	(27,019,716)	167,276,010	60,880,042	19,380,958	(18,266,315)	61,994,685	105,281,325

6.2 Following assets having book value above Rs. 50,000 disposed off during the year

	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain Rupees	Mode of Disposal	Particulars of Purchaser
Vehicles	1,030,476	(480,889)	549,587	1,080,000	530,413	Negotiations	Sold to Mr. Asad Abbas Shah
Vehicles	939,230	(735,730)	203,500	790,000	586,500	Negotiations	Sold to Mr. Fawad Malik
Vehicles	892,840	(327,375)	565,465	950,000	384,535	Negotiations	Sold to Mr. Shaharyar Mirza
Vehicles	1,058,040	(687,726)	370,314	370,314	-	Company Policy	Sold to Mr. Kamran Nasir (Ex - CFO)
Vehicles	2,549,825	(2,294,842)	254,983	1,019,930	764,947	Company Policy	Sold to Mr. Rashid Mansur(Ex - CEO)
Vehicles	648,200	(648,200)	-	259,280	259,280	Company Policy	Sold to Mr. Rasheed Alam
Vehicles	1,032,630	(653,999)	378,631	413,052	34,421	Company Policy	Sold to Mr. Azmat Baig
Vehicles	894,260	(894,260)	-	740,000	740,000	Negotiations	Sold to Mr. Rana Muzaffar
	9,045,501	(6,723,021)	2,322,480	5,622,576	3,300,096		
Computer Equipment	77,579	(58,178)	19,401	19,401	-	Negotiations	Sold to Mr. Shaharyar Mirza
	9,123,080	(6,781,199)	2,341,881	5,641,977	3,300,096		

6.3 This represents the expenditure incurred on the development of the software, ALMANAC.

	Note	2010 Rupees	2009 Rupees
7 CARDS AND ROOMS			
Corporate membership of National Commodity Exchange Limited		750,000	-
Rooms		32,700,000	32,700,000
		33,450,000	32,700,000
8 LONG TERM INVESTMENT IN SUBSIDIARY COMPANY			
Escorts Capital Limited - Unlisted 17,500,000 (2009: 17,500,000) ordinary shares of Rs. 10 each Holding 99% (2009: 99%)		175,004,000	175,004,000
9 LONG TERM INVESTMENTS			
Held to maturity			
Pakistan Investment Bonds	9.1	524,859,952	537,078,149
Term Finance Certificates - Unlisted	9.2	10,108,833	10,878,939
		534,968,785	547,957,088
Less: Current maturity of Term Finance Certificates	15	4,025,450	3,019,391
		530,943,335	544,937,697

	2010 Rupees	2009 Rupees
9.1 Pakistan Investment Bonds		
Cost	606,221,300	606,221,300
Less: Amortization		
Opening	49,143,151	37,775,131
Charged during the year	12,218,197	11,368,020
	61,361,348	49,143,151
	544,859,952	557,078,149
Less: Impairment loss	20,000,000	20,000,000
	524,859,952	537,078,149

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having market value of Rs 474 million (2009: 481 million). Period to maturity of these investments range from 1.5 years to 14 years and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2009: 10% to 12% per annum). PIBs having face value of Rs. 333 million are held by other financial institutions as security under repurchase transactions.

9.1.1 Encumbered and un-encumbered - Face value

	2010			2009		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	167,000,000	333,000,000	500,000,000	104,000,000	396,000,000	500,000,000
Government Treasury Bills	-	-	-	-	50,000,000	50,000,000
	167,000,000	333,000,000	500,000,000	104,000,000	446,000,000	550,000,000

	2010 Rupees	2009 Rupees
9.2 Term finance certificates-Unlisted		
New Khan Transport Company (Private) Limited	10,108,833	10,878,939

This has been rescheduled in previous year and is payable in unequal monthly installments ending October 2013 along with mark-up. The rate of return is 450 bps above 6 months KIBOR with floor of 8.25% (2009: 450 bps above 6 months KIBOR with floor of 8.25%). This is a syndicated TFC, lead by Faysal bank limited and secured against the mortgage of land and building amounting to Rs 650 million out of which share of the bank is Rs 39.39 million.

	Note	2010 Rupees	2009 Rupees
10 LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	10.1	1,920,427	2,183,889
Subsidiary Company	10.2	50,000,000	-
Executives	10.3	862,504	11,109,958
		52,782,931	13,293,847
Others - Secured and considered good	10.4	67,341,468	77,662,114
		120,124,399	90,955,961
Considered doubtful			
Others	10.5	38,054,216	39,615,892
Less: Provision for doubtful finances	10.6	33,618,087	33,868,270
		4,436,129	5,747,622
		124,560,528	96,703,583
Less: Current maturity	15	63,162,772	61,377,962
		61,397,756	35,325,621

10.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 3 years to 5 years, carrying mark-up rate ranging from 17% to 18% per annum (2009: 14% to 18% per annum).

The maximum balance outstanding at the end of any month during the year was:

	2010 Rupees	2009 Rupees
Escorts Pakistan Limited	2,090,422	2,370,951
Essem Hotel Limited	336,616	495,389

10.2 These represent finance provided against current and fixed present and future moveable and immoveable assets of the company, Escorts Capital Limited, for a period of two years, carrying markup at the rate of 18% per annum.

10.3 Executives

This represent finance provided to Executive against mortgage of property in accordance with the terms of employment for a period of 15 years and carries mark-up at the rate of 7%.

	Note	2010 Rupees	2009 Rupees
Opening Balance	10.3.1	2,664,433	10,632,026
Add: Disbursements during the year		-	1,750,000
		2,664,433	12,382,026
Less: Transfers from Executive category		1,446,574	-
Less: Repayments during the year		355,355	1,272,068
		862,504	11,109,958

10.3.1 Ex-CEO of the company was provided house finance facility against mortgage of property and outstanding balance amounting to Rs 8,445,525 which was fully settled on his resignation.

The maximum balance outstanding at the end of any month during the year.

	11,109,958	11,357,676
--	------------	------------

10.4 These finance facilities are secured by hypothecation, charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 12.5% to 20.86% per annum (2009: 10% to 20.86% per annum).

10.5 These finance facilities are secured by ranking charge on assets and pledge of stocks for a period up to 5 years. The expected rate of return range from 15% to 17% per annum (2009: 15% to 17% per annum).

	Note	2010 Rupees	2009 Rupees
10.6 Particulars of provision for doubtful finances			
Opening balance		33,868,270	32,139,679
(Reversal)/charge for the year		(250,183)	1,728,591
Closing balance		33,618,087	33,868,270
11 NET INVESTMENT IN LEASE FINANCE			
Net investment in lease finance	11.1	21,786,316	35,604,853
Less: Provision for doubtful leases		153,328	153,328
		21,632,988	35,451,525
Less: Current maturity	15	15,855,353	13,686,228
		5,777,635	21,765,297

11.1 Particulars of net investment in lease finance

	2010			2009
	Not later than one year Rupees	Later than one year but not later than five years		Total Rupees
		Later than one year but not later than five years Rupees	Total Rupees	
		Total Rupees		
Leased rentals receivable	10,592,243	2,246,608	12,838,851	27,239,597
Add: Residual value	6,865,563	3,917,900	10,783,463	12,771,856
Gross investment in lease finance	17,457,806	6,164,508	23,622,314	40,011,453
Less: Unearned finance income	1,602,453	233,545	1,835,998	4,406,600
Net investment in lease finance	15,855,353	5,930,963	21,786,316	35,604,853

11.2 The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility range from 10% to 50% (2009: 10% to 50%). Leased assets are insured in favor of the Company. The rate of return range from 13% to 18.31% per annum (2009: 10.00% to 17% per annum). Penalty is charged in case of delayed payment.

11.3 As per the Prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 4.248 million (2009: 2.284 million) at the end of current year.

	Note	2010 Rupees	2009 Rupees
11.4 Particulars of provision for doubtful leases			
Opening balance		153,328	-
Charge for the year		-	153,328
Closing balance		153,328	153,328
12 LONG TERM LOANS AND ADVANCES			
Loan to staff - Unsecured, considered good			
Executives - Related parties	12.1	1,091,541	1,877,093
Other employees		951,196	946,524
		2,042,737	2,823,617
Less: Current maturity	15	1,339,299	1,741,289
		703,438	1,082,328

12.1 These represent interest free loans to staff for a period of 3 years and are repayable in equal monthly installments, in accordance with the Company's Policy for staff loans.

	Note	2010 Rupees	2009 Rupees
Opening Balance		1,877,093	2,105,599
Add: Employees promoted to executive category		-	55,008
Disbursements during the year		545,303	961,507
		2,422,396	3,122,114
Less: Repayments during the year		1,330,855	1,245,021
		1,091,541	1,877,093
The maximum balance outstanding from executives at the end any month during the year was:		1,887,939	2,102,725
13 LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits		5,330,500	5,305,500
Prepayments		735,828	3,782,648
		6,066,328	9,088,148
Less: Current maturity	15	5,355,128	3,046,791
		711,200	6,041,357
14 DEFERRED TAX ASSET			
Taxable temporary differences on fixed assets		(11,183,395)	(20,022,372)
Deductible temporary differences			
Investments		29,885,379	20,221,296
Finances and receivables		22,178,466	23,998,577
Trade and other payables		730,429	2,558,030
Leasing finance		124,335	(2,691,409)
Tax losses		34,740,176	51,898,856
		76,475,390	75,962,978
14.1 Movement in deferred tax asset			
Opening balance		75,962,978	75,962,978
Provision during the year		512,412	-
Closing balance		76,475,390	75,962,978
14.2	The Company has an aggregate amount of Rs.99.257 million in respect of carry forward losses due to unabsorbed tax depreciation as at June 30, 2010 on which the management has recognized deferred tax asset. The management of the Bank believes that based on the projections of future taxable profits, it would be able to realize these tax losses in the future.		

	Note	2010 Rupees	2009 Rupees
15 CURRENT MATURITIES OF NON-CURRENT ASSETS			
Term finance certificates	9	4,025,450	3,019,391
Long term finances	10	63,162,772	61,377,962
Net investment in lease finance	11	15,855,353	13,686,228
Long term loans and advances	12	1,339,299	1,741,289
Long term deposits and prepayments	13	5,355,128	3,046,791
		89,738,002	82,871,661
16 SHORT TERM INVESTMENTS			
Held to Maturity			
Government treasury Bills		-	46,265,312
Available for sale			
Listed Term Finance Certificates	16.1	4,927,104	8,008,185
Listed shares/units	16.2	45,502,856	201,258,078
Impairment loss		(2,733,412)	(94,399,335)
		47,696,548	161,132,240
Surplus on revaluation		7,179,571	7,447,177
		54,876,119	168,579,417

16.1 Particulars of listed Term Finance Certificates (TFCs)

No. of Certificates		N A M E	2010		2009	
2010	2009		Cost Rupees	Market value Rupees	Cost Rupees	Market value Rupees
		Banks				
1,316	1,316	Royal Bank of Scotland	4,927,104	4,889,673	6,569,472	6,492,049
		Leasing				
-	951	AlZamin Leasing Modaraba - II	-	-	1,616,700	1,516,136
			4,927,104	4,889,673	8,186,172	8,008,185

Other particulars of listed TFCs are as follows:

Particulars	Certificate denomination	Profit rate per annum	Profit payments	Maturity date
Banks				
Royal Bank of Scotland	5,000	1.90 % over 6 Months KIBOR	Semi annually	10 Feb. 2013

16.2 Particulars of listed shares / units - Available for sale investments

All shares/units have face value of Rs. 10 each, except for Atlas Islamic Fund (Rs. 500 each), HBL Income Fund and Askari Asset Allocation fund (Rs. 100 each).

No. of Certificates		N A M E	2010		2009	
			Carrying value	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees
Mutual Fund - Open End						
49,907	49,907	Askari Asset Allocation Fund	2,746,313	3,011,910	5,000,000	2,746,313
10,483	10,483	Atlas Islamic Fund	4,011,196	5,118,430	5,000,000	4,011,005
50,000	50,000	HBL Income Fund	5,000,000	5,048,500	5,000,000	4,802,000
Mutual Fund - Close End						
49	49	Dawood Capital Management Fund	281	98	281	293
-	697	JS Value Fund	-	-	1,970	3,102
747,500	748,226	Pak Premier Fund	3,064,782	6,054,750	10,399,926	3,067,727
1,008,500	1,008,500	Pakistan Strategic Allocation Fund	3,620,536	6,908,225	10,143,291	3,620,515
21,800	22,211	PICIC Growth Fund	176,632	201,868	755,397	186,572
1,377,000	1,377,000	UTP - Large Capital Fund	5,714,591	5,852,250	13,509,237	5,714,550
Textile Spinning						
-	326	Dewan Farooq Spinning Mills Limited	-	-	3,260	391
Power Generation and Distribution						
-	15,217	Hub Power Company Limited	-	-	179,254	411,620
-	15	Kot Addu Power Company Limited	-	-	351	632
-	147,500	Southern Electric Power Company Limited	-	-	789,125	472,000
Commercial Banks						
-	27,591	Allied Bank Limited	-	-	845,373	1,047,906
-	14,253	Askari Bank Limited	-	-	186,120	219,496
6,862	27,740	Bank Alfalah Limited	72,394	64,915	477,157	292,657
-	99	Bank Al-Habib Limited	-	-	1,905	2,525
-	2,666	Faysal Bank Limited	-	-	31,640	25,807
-	5,150	Habib Bank Limited	-	-	345,505	440,325
-	802	JS Bank Limited	-	-	2,878	4,852
1,151	84,847	MCB Bank Limited	161,361	223,513	10,596,050	13,197,951
-	117	Meezan Bank Limited	-	-	2,573	1,287
65,682	46,886	National Bank of Pakistan	4,052,835	4,210,216	2,895,817	3,123,076
-	74	Silk Bank Limited	-	-	390	431
-	234	Soneri Bank Limited	-	-	1,640	2,492
-	26,668	The Bank of Punjab	-	-	392,911	292,015
-	38	United Bank Limited	-	-	1,397	1,471
Insurance						
-	34,192	Adamjee Insurance Company Limited	-	-	8,386,337	2,858,451
8,152	7,503	EFU General Insurance Company Limited	797,795	400,589	2,706,818	660,264
-	92	Pak Reinsurance Limited	-	-	2,348	3,220
Fertilizer						
4,787	4,352	Engro Chemical (Pak) Limited	890,402	830,927	454,042	557,491
-	9,847	Fauji Fertilizer Bin Qasim Limited	-	-	126,079	174,292
-	69,758	Fauji Fertilizer Company Limited	-	-	7,373,967	6,073,131

No. of Certificates		N A M E	2010		2009	
			Carrying value	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees
Investment Companies						
16	66	Arif Habib Limited	-	704	5,225	4,435
625	21,159	Arif Habib Securities	17,314	20,756	1,000,712	586,104
-	86	Dawood Equities Limited	-	-	777	323
-	13	First National Equities limited	-	-	617	105
178,764	178,856	Jahangir Siddique & Company Limited	4,595,783	2,259,577	27,551,955	4,147,671
-	30	Javed Omer Vohra & Company Limited	-	-	347	404
-	189	JS Investments Limited	-	-	7,559	3,196
-	42,988	Pervaz Ahmad Securities Limited	-	-	289,526	231,275
Oil and Gas Marketing Companies						
-	125,824	Pakistan State Oil Limited	-	-	51,757,441	26,926,336
-	443	Sui-Southern Gas Company Limited	-	-	5,217	6,202
Oil and Gas Exploration Companies						
2,000	19,804	Oil and Gas Development Company Limited	108,410	283,380	1,067,344	1,554,614
-	47,411	Pakistan Oilfields Limited	-	-	13,854,314	6,929,118
16,302	81,574	Pakistan Petroleum Limited	1,462,482	3,001,524	17,033,533	15,497,429
Cement						
-	470	Al-Abbas Cement Company Limited	-	-	1,353	3,431
-	58,277	D.G Khan Cement Company Limited	-	-	1,306,149	1,723,251
-	332	Dewan Cement Limited	-	-	1,156	913
-	77	Fauji Cement Company Limited	-	-	279	511
-	104	Lafarge Pakistan Cement	-	-	215	281
-	85	Lucky Cement Company Limited	-	-	2,864	4,951
717	717	Maple Leaf Cement Company Limited	1,989	2,230	1,989	3,047
-	78	Pioneer Cement Limited	-	-	1,653	1,057
Textile Composite						
-	108	Azgard Nine Limited	-	-	1,604	2,402
-	35	Dawood Lawrencepur Limited	-	-	1,529	1,225
64	129	Nishat (Chunian) Limited	640	1,010	949	1,109
1,000	35,512	Nishat Mills Limited	61,182	43,011	782,574	1,331,700
Refinery						
-	5,218	Attock Refinery Limited	-	-	336,113	649,119
-	5,395	Pakistan Refinery Limited	-	-	465,034	486,359
Chemical						
-	4	BOC Pakistan	-	-	480	460
-	6	ICI Pakistan Limited	-	-	443	840
-	8,307	Sitara Peroxide Limited	-	-	134,206	154,926
800,000	-	Lotee Pakistan PTA Limited	8,945,938	6,448,000	-	-
Engineering						
-	110	Crescent Steel Mills Limited	-	-	1,902	1,980
-	194	Dost Steel Mills Limited	-	-	1,593	1,046
-	46	Pak Electron Limited	-	-	1,125	1,145
Synthetic & Rayon						
-	14,144	Dewan Salman Fiber Limited	-	-	14,111	21,075

No. of Certificates 2010	2009	N A M E	2010		2009	
			Carrying value	Market value	Cost	Market value
			Rupees	Rupees	Rupees	Rupees
		Automobile Assembler				
-	95	Honda Atlas Cars Pakistan Limited	-	-	1,285	1,216
-	1	Indus Motor Company Limited	-	-	119	107
		Technology & Communication				
-	72	NetSol Technologies Limited	-	-	1,958	1,275
-	67	Pak PTA Limited	-	-	82	189
-	65	Pakistan Telecommunication Limited	-	-	1,195	1,118
-	2,285	Telecard Limited	-	-	3,200	3,885
-	217	TRG Pakistan Limited	-	-	284	291
-	5	Tri Pak Films Limited	-	-	637	500
		Transport				
-	13	Pakistan International Container Terminal Limited	-	-	573	696
		Paper & Board				
-	6	Packages Limited	-	-	494	945
		Pharmaceutical				
-	26	Searl Pakistan Limited	-	-	1,479	1,146
		Miscellaneous				
9	-	IBL Healthcare Limited	-	63	-	-
-	79	D.S.Industries	-	-	1,032	243
-	74	Pace Pakistan Limited	-	-	813	412
			45,502,856	49,986,446	201,258,078	114,305,920

	Note	2010 Rupees	2009 Rupees
17 SHORT TERM FINANCES			
Secured and considered good			
Associated companies	17.1	73,913,409	21,464,909
Others	17.2	51,858,585	24,507,527
Considered doubtful			
Others		13,767,834	33,113,834
Less: Provision for doubtful finances	17.3	13,767,834	16,874,197
		-	16,239,637
		125,771,994	62,212,073

17.1 This is provided to Escorts Pakistan Limited and secured against mortgage of property having a tenor of 1 year and markup at the rate of 16% payable on quarterly basis.

17.2 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return range from 12% to 18% per annum (2009: 12% to 19% per annum). These include finances against pledge of listed shares and Bank's own Certificates of Deposit amounting to Rs. 0.680 million (2009: Rs. 15.55 million), while Rs. 42.406 (2009: Rs. Nil) were disbursed as Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

	Note	2010 Rupees	2009 Rupees
17.3 Particulars of provision for doubtful finances:			
Opening balance		16,874,197	16,874,197
Reversal for the year		(3,106,363)	-
Closing balance		13,767,834	16,874,197

18 SHORT TERM PLACEMENTS

Considered good

This represents placement with financial institution and carry mark-up ranging from 12.60% to 12.80% per annum (2009: 13.5% to 14% per annum).

19 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Considered good		532,085	505,172
Advance income tax		309,018,353	326,118,975
Income tax refundable		16,851,256	19,444,153
Prepayments		2,389,875	6,401,510
Receivable from subsidiary Company	19.1	9,139,698	23,410,259
Receivable from associates	19.2	7,850,427	7,573,243
Accrued mark-up		18,511,364	4,677,981
Receivable from clients	19.3	2,527,603	1,952,969
Other receivables		3,196,541	5,016,942
		370,017,202	395,101,204

19.1 This represents running account between Escorts Capital Limited and the Company which is interest free and is in normal course of business.

19.2 Receivable from associates

Escorts Pakistan Limited		37,016	11,610
Essem Hotels		1,160,390	908,612
Director	19.2.1	6,653,021	6,653,021
		7,850,427	7,573,243

19.2.1 This represents payment made on behalf of director. This carries mark-up at the rate of 15% per annum and has been received subsequent to the year end.

	Note	2010 Rupees	2009 Rupees
19.3 Receivable from clients			
Considered good		2,527,603	1,952,969
Considered doubtful		21,474,235	21,474,235
Less: Provision for doubtful receivables	19.3.1	(21,474,235)	(21,474,235)
		-	-
		2,527,603	1,952,969
19.3.1 Particulars of provision for doubtful receivables			
Opening balance		21,474,235	19,553,485
Charge for the year		-	1,920,750
Closing balance		21,474,235	21,474,235
20 CASH AND BANK BALANCES			
Cash in hand		-	-
Cash with banks			
Current account with:			
State Bank of Pakistan		434,050	444,665
Others		194,655	2,646,423
		628,705	3,091,088
Saving accounts	20.1	8,865,278	16,387,179
		9,493,983	19,478,267
20.1	Rate of return on these accounts range from 5% to 8% per annum (2009: 5% to 12.5% per annum).		
21 SHARE CAPITAL			
Authorized share capital			
50,000,000 (2009: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
42,000,000 (2009: 42,000,000) ordinary shares of Rs. 10 each issued as fully paid in cash		420,000,000	420,000,000
2,100,000 (2009: 2,100,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares		21,000,000	21,000,000
		441,000,000	441,000,000
21.1	Essem Power (Private) Limited, an associated company, holds 39.01% (2009: 39.01%) ordinary shares in the Company.		

	Note	2010 Rupees	2009 Rupees
22 RESERVES			
Capital reserve			
Statutory reserve	22.1	154,050,085	154,050,085
Revenue reserve			
(Accumulated loss) / unappropriated profits		(77,076,939)	2,353,124
		76,973,146	156,403,209
22.1	This represents special reserve created in compliance with the Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan.		
23 SURPLUS ON REVALUATION OF INVESTMENTS			
Available for sale			
Listed term finance certificates		(37,431)	(177,986)
listed shares / units		7,217,002	7,447,177
		7,179,571	7,269,191
Less: Deferred tax		(355,693)	-
		6,823,878	7,269,191
24 TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		400,000	200,000
Redeemed during the year		166,534,000	200,000
		166,934,000	400,000
		333,066,000	499,600,000
Less: Current maturity	28	166,534,000	166,534,000
		166,532,000	333,066,000
Less: Initial transaction cost			
Opening balance		(4,195,434)	(5,768,730)
Amortization for the year	39	1,573,296	1,573,296
		(2,622,138)	(4,195,434)
		163,909,862	328,870,566

These TFCs carry return payable semiannually, at the rate of 6 months KIBOR plus 2.5 bps per annum with a floor of 8% per annum and ceiling of 17% per annum for the first two years and a ceiling of 18% for the remaining period. These are redeemable in 6 equal semi annual installments commencing from 30th month and carry call option exercisable after 2 years of the issue date. These are secured against hypothecation of Rs. 667 million worth of present and future assets of the Company. These TFCs are listed at Lahore Stock Exchange (Guarantee) Limited (LSE).

JCR VIS Credit Rating Company Limited has assigned rating of 'A+' (Single A plus) with negative outlook to these TFCs on 16 March 2010.

	Note	2010 Rupees	2009 Rupees
25 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Obligation under finance lease	25.1	4,980,797	5,957,854
Less: Current maturity	28	4,980,797	976,272
		-	4,981,582

25.1 Particulars of obligation under finance lease

	2010			2009
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals payable	373,076	-	373,076	1,498,816
Add: Residual value	4,619,300	-	4,619,300	4,619,300
	4,992,376	-	4,992,376	6,118,116
Less: Future financial charges	11,579	-	11,579	160,262
Present value of minimum lease payments	4,980,797	-	4,980,797	5,957,854

25.2 The obligation represents the unpaid balance of the total minimum lease payments and the residual value payable at the end of the lease period. The facility carries mark-up at the rate of 6 months KIBOR plus 3% with a floor of 13%. Lease rentals are payable monthly. The Company has the option to purchase the asset upon the completion of the lease period and has the intention to exercise this option. There are no financial restrictions imposed by the lessor.

	Note	2010 Rupees	2009 Rupees
26 LONG TERM CERTIFICATES OF DEPOSIT			
Long term certificates of deposit	26.1	267,393,500	228,284,802
Less: Current maturity	28	11,480,188	43,826,173
		255,913,312	184,458,629

26.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 8.50% to 16% per annum (2009: 7.50% to 16% per annum) payable monthly, quarterly, semiannually or on maturity.

	Note	2010 Rupees	2009 Rupees
27 LONG TERM SECURITY DEPOSIT			
Security deposit		10,783,463	12,771,856
Less: Current maturity	28	6,865,563	-
		3,917,900	12,771,856
28 CURRENT MATURITIES OF NON-CURRENT LIABILITIES			
Term finance certificates - listed		166,534,000	166,534,000
Term finance certificates - unlisted		-	45,796,715
Liability against assets subject to finance lease		4,980,797	976,272
Long term Security Deposit		6,865,563	-
Long term certificates of deposit		11,480,188	43,826,173
		189,860,548	257,133,160
29 SHORT TERM BORROWINGS			
Financial institutions - Secured	29.1	304,763,104	438,563,476
		304,763,104	438,563,476

29.1 These represents borrowings under repurchase agreements and carry mark-up ranging from 12.05% to 12.4% per annum (2009: 13.00% to 13.60% per annum) and are for a period ranging from 3 days to one month (2009: 1 days to 3 months). These are secured against pledge of PIBs.

30 RUNNING FINANCE - SECURED

The running finance facility available under mark-up arrangement from commercial bank amounts to Rs. 600 million (2009: 1,500 million). This facility carries mark-up at the rate 3 months KIBOR plus 100 bps per annum with no floor (2009: 1 month to 3 months KIBOR plus 100 bps to 400 bps per annum). This facility is secured against listed shares.

31 SHORT TERM CERTIFICATES OF DEPOSIT

These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 13.75% per annum (2009: 7.5% to 15.00% per annum) payable monthly, quarterly, semi-annually or on maturity.

	2010 Rupees	2009 Rupees
32 TRADE AND OTHER PAYABLES		
Customers' credit balances	4,610,836	15,985,528
Accrued return on certificates of deposit	5,140,442	8,114,707
Accrued return on term finance certificates	14,713,669	23,393,262
Accrued mark-up on secured borrowings	469,667	1,061,396
Accrued expenses and other payables	8,845,190	6,076,470
Provision for compensated absences	2,804,272	4,361,455
Unearned income	-	647,280
Unclaimed dividend	2,387,274	2,387,274
	38,971,350	62,027,372

33 PROVISION FOR TAXATION

The Company's assessments till Tax Year 2003, has been finalized except that the Income Tax department is in appeal before the Honorable Lahore High Court for Assessment Years 1997-98 and 1998-99 on following issues:

- i) status of company as "banking company" rather than "public limited company"; and
- ii) taxability of "dividend income" as separate block of income.

The returns for the Tax Year 2003 to 2009 were filed. The Company has filled appeals against the orders of CIT (A) for Tax Year 2003 to 2007 before the Honorable Appellate Tribunal on various matters. These appeals are pending hearing.

Return for Tax Year 2008 was filed and was selected for total audit. The Company being aggrieved with the order of DCIT has filed an appeal before CIT (A), which is pending hearing.

So far the Company has not received any notice for tax year 2009.

34 CONTINGENCIES AND COMMITMENTS

34.1 Contingencies

Guarantees

Outstanding guarantees as on balance sheet date were Rs. NIL (2009: Rs. 53.94 million).

	2010 Rupees	2009 Rupees
34.2 Commitments		
Capital expenditure - Intangible	500,000	1,300,000

	Note	2010 Rupees	2009 Rupees
35 PROFIT ON FINANCING			
Long term		28,725,596	19,715,328
Short term		20,190,410	7,052,696
		48,916,006	26,768,024
36 RETURN ON PLACEMENTS			
Clean placements		4,158,362	23,962,113
Placements under reverse repurchase agreements		194,856	68,038,581
		4,353,218	92,000,694
37 FEE AND COMMISSION			
Consultancy and brokerage commission		6,000	1,328,415
Guarantee commission		-	1,281,450
		6,000	2,609,865
38 RETURN ON INVESTMENTS			
Mark-up / return on investments			
Held to maturity investments			
Government securities		59,734,688	57,420,895
Term Finance Certificates		777,433	371,347
Available for sale investments			
Term Finance Certificates		1,104,629	1,433,079
Dividend income			
Available for sale investments			
Listed shares/units		16,978,959	15,610,958
Capital gain/(loss) on investments			
Available for sale investments		42,127,710	(302,675)
Held for trading		-	42,040,554
Gain on sale of Card & Rooms		-	69,750,000
		120,723,419	186,324,158

	Note	2010 Rupees	2009 Rupees
39 ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	39.1	34,957,968	60,985,645
Staff Training and Welfare		151,558	371,659
Advertisement and business promotion		277,820	1,009,399
Rent, rates and taxes		11,042,002	9,995,486
Utilities		2,888,209	3,531,048
Communication charges		1,917,551	4,500,535
Traveling and vehicle maintenance		6,330,902	8,419,094
Repair and maintenance		2,059,844	3,353,980
Entertainment		1,548,236	2,264,745
Fee and subscriptions		2,318,978	2,615,309
Legal and professional charges	39.2	6,240,174	6,946,778
Printing and stationery		1,453,747	1,832,054
Fee, brokerage and commission		113,636	3,486,231
CDC and clearing charges		-	7,365,949
Insurance		2,199,720	2,815,931
Amortization of issuance cost of listed TFCs	24	1,573,296	1,573,296
Depreciation	6.1	15,126,779	19,380,958
Amortization of Intangible assets		-	499,950
Fixed assets written off		-	304,883
Penalty		88,000	-
Miscellaneous expenses		719,061	579,640
		91,007,481	141,832,570

39.1 This includes contribution to provident fund amounting to Rs. 1.67 million (2009: Rs. 2.95 million) made by the Company.

39.2 These include remuneration paid to the auditors as detailed below:

	E&Y Ford Rhodes Sidat Hyder	KPMG Taseer Hadi Khalid
Audit fee	532,000	532,000
Review of half yearly accounts	143,000	143,000
Certification and consultancy charges	-	20,000
Tax services	-	1,960,000
Out of pocket expenses	-	81,000
	675,000	2,736,000

	Note	2010 Rupees	2009 Rupees
40 TAXATION			
Current taxation	40.1	700,000	244,634
Deferred taxation		(868,104)	-
		(168,104)	244,634

40.1 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements due to tax loss during the year.

41 LOSS PER SHARE - BASIS AND DILUTED

Loss for the year after taxation (Rupees)	(79,430,063)	(166,247,216)
Number of ordinary shares	44,100,000	44,100,000
Loss per share (Rupees)	(1.80)	(3.77)

41.1 No figure for diluted earnings per share has been computed as the company has not issued any instrument which would dilute its earnings per share.

42 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:

	2010 Rupees	2009 Rupees
Subsidiary Company:		
Transactions during the year		
Profit paid on certificates of deposit	6,563,286	51,370
Return on finances received	4,500,000	-
Sale of membership of KSE	-	105,000,000
Sale of Fixed Assets	-	8,890,782
Profit receivable	2,250,000	-
Balance at year end		
Advances outstanding	50,000,000	-
Certificates of deposit outstanding	22,680,454	22,346,233
Receivable from subsidiary company	9,139,698	23,410,258

	Note	2010 Rupees	2009 Rupees
Associated companies:			
Transactions during the year			
Return on finances received		363,871	1,068,041
Guarantee commission earned		-	1,281,450
Profit paid on certificates of deposit		639,972	639,972
Chairman's secretariat expenses		3,600,000	3,600,000
Balance at year end			
Advances outstanding		76,456,349	24,624,931
Letter of guarantee outstanding		-	53,940,000
Certificates of deposit outstanding		6,095,003	6,095,003
Other receivable		1,871,656	3,127,230
Directors:			
Transactions during the year			
Profit paid on certificates of deposit		15,521,249	23,955,664
Balance at year end			
Certificates of deposit outstanding		116,050,000	115,650,000
Other receivable	17.2.1	6,653,021	6,668,430
Executives:			
Transactions during the year			
Return on finances received		853,804	571,686
Profit paid on certificates of deposit		407,405	1,596,472
Fixed assets sold		1,803,296	291,528
Balance at year end			
Advances outstanding		1,954,046	12,319,787
Certificates of deposit outstanding		2,560,000	4,282,117
Other receivable		78,569	24,500
Others:			
Transactions during the year			
Contribution to staff retirement benefits plan		1,354,070	2,950,077

43 SEGMENTAL ANALYSIS

The Company's activities are broadly categorized into two primary business segments namely financing activities and investment activities within Pakistan:

Financing activities

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing.

Investing activities

Investing activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Bank's liquidity.

	For the year ended 30 June 2010		
	Financing activities	Investing activities	Total
Profit on financing	48,916,006	-	48,916,006
Mark-up on lease finance	2,910,848	-	2,910,848
Return on placements	-	4,353,218	4,353,218
Return on investments	-	120,723,419	120,723,419
Total income for reportable segments	51,826,854	125,076,637	176,903,490
Finance costs	51,060,075	123,226,126	174,286,201
Administrative and other operating expenses	26,662,173	64,345,308	91,007,481
Provision for doubtful financing - reversed	(3,356,546)	-	(3,356,546)
Segment result	(22,538,848)	(62,494,798)	(85,033,646)
Other operating income			5,435,479
Loss before taxation			(79,598,167)
Segment assets	272,668,948	1,002,745,345	1,275,414,293
Unallocated assets			549,603,558
			1,825,017,851
Segment liabilities	136,096,669	399,483,820	535,580,489
Unallocated liabilities			771,464,217
Equity			517,973,146
			1,825,017,851

For the year ended 30 June 2009			
	Financing activities	Investing activities	Total
Profit on financing	26,768,024	-	26,768,024
Mark-up on lease finance	5,850,715	-	5,850,715
Return on placements	-	92,000,694	92,000,694
Return on investments	-	186,324,158	186,324,158
Total income for reportable segments	32,618,739	278,324,852	310,943,591
Finance costs	30,060,858	252,431,368	282,492,226
Administrative and other operating expenses	14,878,582	126,953,988	141,832,570
Provision for doubtful financing - reversed	1,881,919	1,920,750	3,802,669
Impairment against Investment in Equity Securities	-	94,399,335	94,399,335
Segment result	(14,202,619)	(197,380,590)	(211,583,209)
Other operating income			45,580,627
Loss before taxation			(166,002,582)
Segment assets	197,295,657	1,308,918,486	1,506,214,143
Unallocated assets			601,429,081
			2,107,643,224
Segment liabilities	116,891,074	555,831,825	672,722,899
Unallocated liabilities			837,517,116
Equity			597,403,209
			2,107,643,220

44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive			Directors		Executives	
	2010	2009	2010	2009	2010	2009	
	CEO Rupees	Ex-CEO Rupees	Rupees	Rupees	Rupees	Rupees	
Managerial remuneration	1,346,136	6,685,969	10,471,406	1,345,032	2,166,996	7,488,475	8,649,814
House rent allowance	-	-	-	3,232,491	3,096,998	2,995,392	3,459,926
Utilities	-	270,000	235,022	494,505	576,700	748,864	864,996
Bonus/commission	-	-	2,067,265	-	689,088	-	2,505,658
Leave encashment	-	700,552	1,799,312	-	-	529,000	-
Retirement benefits	-	668,595	1,047,144	-	-	685,475	787,272
	1,346,136	8,325,116	15,620,149	5,072,028	6,529,782	12,447,206	16,267,666
Number of persons	1	1	1	1	1	6	9

The Ex-CEO left the company on 31 March 2010.

In addition to above the Chief Executive, Executive Director and Executives were provided with use of Company maintained cars and reimbursement of medical expenses.

45 LIQUIDITY RISKS

Liquidity risk is the risk that the Company will encounter difficulties 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 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:

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 2010				
ASSETS				
Fixed capital expenditure	90,657,797	449,615	15,013,769	75,194,413
Cards and rooms	33,450,000	-	-	33,450,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	76,475,390	-	76,475,390	-
Net investment in lease finance	21,632,988	15,855,353	5,777,635	-
Investments	589,844,904	58,901,569	530,943,335	-
Finances	250,332,522	188,934,766	60,632,751	765,005
Loan, advances, deposits, prepayments and other receivables	378,126,267	376,711,629	703,438	711,200
Placements	200,000,000	200,000,000	-	-
Cash and bank balances	9,493,983	9,493,983	-	-
	1,825,017,851	850,346,915	689,546,318	285,124,618
LIABILITIES				
Term finance certificates	330,443,862	166,534,000	163,909,862	-
Obligation under finance lease	4,980,797	4,980,797	-	-
Short term borrowings	304,763,104	304,763,104	-	-
Certificates of deposit	580,862,722	324,949,410	255,913,312	-
Long term security deposit	10,783,463	6,865,563	3,917,900	-
Trade and other payables	38,971,350	38,971,350	-	-
Provision for taxation	29,415,529	29,415,529	-	-
	1,300,220,827	876,479,753	423,741,074	-
NET ASSETS	524,797,024	(26,132,838)	265,805,244	285,124,618
Represented by:				
SHARE CAPITAL AND RESERVES	517,973,146			
SURPLUS ON REVALUATION OF INVESTMENTS	6,823,878			
	<u>524,797,024</u>			

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 2009				
ASSETS				
Fixed capital expenditure	106,581,325	-	26,270,010	80,311,315
Cards and rooms	32,700,000	-	-	32,700,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	75,962,978	-	75,962,978	-
Net investment in lease finance	35,451,525	13,686,228	21,765,297	-
Investments	716,536,505	171,598,808	7,859,548	537,078,149
Finances	158,915,656	123,590,035	34,463,117	862,504
Loan, advances, deposits, prepayments and other receivables	407,012,968	399,889,284	6,437,485	686,200
Placements	380,000,000	380,000,000	-	-
Cash and bank balances	19,478,267	19,478,267	-	-
	2,107,643,224	1,108,242,622	172,758,435	826,642,168
LIABILITIES				
Term finance certificates	541,201,281	212,330,715	328,870,566	-
Obligation under finance lease	5,957,854	976,272	4,981,582	-
Short term borrowings	438,563,476	438,563,476	-	-
Certificates of deposit	413,733,453	229,274,824	184,458,629	-
Long term security deposit	12,771,856	-	12,771,856	-
Trade and other payables	62,027,372	62,027,372	-	-
Provision for taxation	28,715,532	28,715,532	-	-
	1,502,970,824	971,888,191	531,082,633	-
NET ASSETS	604,672,400	136,354,431	(358,324,198)	826,642,168
Represented by:				
SHARE CAPITAL AND RESERVES	597,403,209			
SURPLUS ON REVALUATION OF INVESTMENTS	7,269,191			
	<u>604,672,400</u>			

46 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

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 management attempts to control credit risk through monitoring credit exposures, limiting transactions with specific counterparties, and continuous assessing of the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties 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.

46.1 Segment information

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2010	2009	2010	2009	2010	2009
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
Chemical and pharmaceuticals	11.80	10.10	-	-	-	-
Agribusiness	4.57	8.72	-	-	-	-
Textile	5.09	7.90	-	-	-	-
Sugar	8.31	12.89	-	-	-	-
Financial Institutions	29.00	-	3.90	5.40	-	-
Insurance	-	-	0.09	0.12	-	-
Electronics and electrical appliances	25.08	12.95	-	-	-	85.69
Production and transmission of energy	-	-	-	-	-	-
Steel & allied products	0.39	-	-	-	-	-
Individuals	9.60	28.42	91.04	90.10	-	14.31
Engineering and Construction	5.47	15.71	0.17	1.81	-	-
Sports	-	0.34	0.48	-	-	-
Communications	0.19	2.84	-	0.12	-	-
Non-Government Organizations	-	-	4.11	1.47	-	-
Others	0.50	0.47	0.35	0.50	-	-
	100.00	100.00	100.00	100.00	-	100.00

46.2 Geographical Segment

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

47 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest will affect the value of financial instruments. Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities that mature or reprice in a given period.

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

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
As at 30 June 2010					
FINANCIAL ASSETS					
Investments	589,844,904	58,901,569	530,943,335	-	-
Net investment in lease finance	10,849,525	8,989,790	1,859,735	-	-
Finances	250,332,522	188,934,766	60,632,751	765,005	-
Loan, advances, deposits and other receivables	41,225,633	6,653,021	-	-	34,572,612
Placements	200,000,000	200,000,000	-	-	-
Cash and bank balances	9,493,983	8,865,278	-	-	628,705
	1,101,746,567	472,344,424	593,435,821	765,005	35,201,317
FINANCIAL LIABILITIES					
Term finance certificates	330,443,862	166,534,000	163,909,862	-	-
Obligation under finance lease	361,497	361,497	-	-	-
Short term borrowings	304,763,104	304,763,104	-	-	-
Certificates of deposit	580,862,722	324,949,410	255,913,312	-	-
Trade and other payables	38,971,350	-	-	-	38,971,350
	1,255,402,534	796,608,011	419,823,174	-	38,971,350
Total Interest rate sensitivity gap		(324,263,586)	173,612,647	765,005	
Cumulative interest rate sensitivity gap		(324,263,586)	(150,650,939)	(149,885,934)	
As at 30 June 2009					
FINANCIAL ASSETS					
Investments	716,536,505	11,027,576	7,859,548	537,078,149	160,571,232
Net investment in lease finance	22,679,669	13,686,228	8,993,441	-	-
Finances	158,915,656	123,590,035	34,463,117	862,504	-
Loan, advances, deposits and other receivables	22,730,952	4,677,981	-	-	18,052,971
Placements	380,000,000	380,000,000	-	-	-
Cash and bank balances	19,478,267	16,387,179	-	-	3,091,088
	1,320,341,049	549,368,999	51,316,106	537,940,653	181,715,291
FINANCIAL LIABILITIES					
Term finance certificates	541,201,281	212,330,715	328,870,566	-	-
Obligation under finance lease	1,338,554	976,272	362,282	-	-
Short term borrowings	438,563,476	438,563,476	-	-	-
Certificates of deposit	413,733,453	229,274,824	184,458,629	-	-
Trade and other payables	61,380,092	32,569,365	-	-	28,810,727
	1,456,216,856	913,714,652	513,691,477	-	28,810,727
Total Interest rate sensitivity gap		(364,345,653)	(462,375,371)	537,940,653	
Cumulative interest rate sensitivity gap		(364,345,653)	(826,721,024)	(288,780,371)	

Mark-up rates are mentioned in the respective notes to the accounts.

48 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.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2007. The existing minimum capital requirement of RS. 500 million has been extended till 30 June 2011. However, the Company is required to further raise its equity to Rs. 700 million and Rs. 1 billion till 30 June 2012 and 30 June 2013, respectively.

Additionally, the Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio calculated as total debt to equity.

The debt-to-equity ratios at 30 June 2010 and at 30 June 2009 were as follows:

	2010 Rupees	2009 Rupees
Total debt	602,818,159	775,443,937
Total equity	524,797,024	604,672,400
Debt-to-equity ratio	1.15	1.28

The decreases in the debt-to-equity ratio during 2010 resulted primarily from repayment of Term Finance Certificates and Certificate of Deposits during the year amounting to Rs. 91.79 million and Rs. 155.72 million.

49 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.

50 FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES

As no relief was given or loan written off during the year under review, the information for Statements required to be filed under Section 33A of the Banking Companies Ordinance, 1962 is “Nil”.

51 SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2010, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

52 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 October 2010 by the Board of Directors of the Company.

53 GENERAL

- i) Figures have been rounded off to the nearest rupee.



Chief Executive Officer



Director

Consolidated Financial
Statements

30 June 2010

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Escorts Investment Bank Limited (the Company) and its subsidiary company (Escorts Capital Limited) as the Group as at 30 JUNE 2010 and the related consolidated Profit and Loss account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity, together with the forming part thereof, for the year then ended. We also expressed separate opinions on the financial statements of Escorts Investment Bank Limited and its subsidiary company.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of our Company as of 30 June 2009 were audited by another auditor whose report dated 26 August 2009 expressed an unqualified opinion on those financial statements.

Our audit was conducted in accordance with the International Standards on auditing and accordingly included such texts of accounting records and such other auditing procedures as we considered necessary in these circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Escorts Investment Bank Limited and its subsidiary company as at 30 June 2010 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Lahore

Date: October 04, 2010

Engagement Partner: Mohammed Junaid



**Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants**

Consolidated Balance Sheet

as at 30 June 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non-current Assets			
Fixed assets	6	95,376,028	113,780,069
Cards and rooms	7	84,955,000	84,105,000
Long term investments	8	530,943,335	544,937,697
Long term finances	9	11,397,757	35,325,621
Net investment in lease finance	10	5,777,635	21,765,297
Long term loans and advances	11	759,438	1,082,328
Long term deposits and prepayments	12	5,515,200	9,265,357
Deferred tax asset	13	76,475,390	75,962,978
Current Assets			
Current maturities of non-current assets	14	89,916,928	82,871,661
Short term investments	15	54,876,119	168,579,417
Short term finances	16	125,771,994	62,212,073
Short term placements	17	200,000,000	380,000,000
Advances, deposits, prepayments and other receivables	18	361,714,093	373,120,833
Cash and bank balances	19	19,507,754	23,220,889
		851,786,888	1,090,004,873
		1,662,986,671	1,976,229,220
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	20	441,000,000	441,000,000
Reserves	21	(74,707,678)	40,590,738
		366,292,322	481,590,738
Surplus on revaluation of investment-net	22	6,823,878	7,269,191
Non-Current Liabilities			
Term finance certificates	23	163,909,862	328,870,566
Liabilities against assets subject to finance lease	24	-	4,981,582
Long term certificates of deposit	25	255,913,312	184,458,629
Long term security deposit	26	3,917,900	12,771,856
Current Liabilities			
Current maturities of non-current liabilities	27	189,860,548	257,133,160
Short term borrowings	28	304,763,104	438,563,476
Running finance - Secured	29	-	-
Short term certificates of deposit	30	290,788,768	163,102,418
Trade and other payables	31	51,301,448	68,772,072
Provision for taxation	32	29,415,529	28,715,532
		866,129,397	956,286,658
Contingencies and Commitments	33		
		1,662,986,671	1,976,229,220

The annexed notes 1 to 51 form an integral part of these financial statements.



Chief Executive Officer



Director

Consolidated Profit and Loss Account

for the year ended 30 June 2010

	Note	2010 Rupees	2009 Rupees
INCOME			
Profit on financing	34	31,760,855	26,768,024
Mark-up on lease finance		2,910,848	5,850,715
Return on placements	35	4,353,218	92,000,694
Fees and commission	36	1,900,900	4,192,993
Return on investments	37	125,288,269	119,912,770
Profit on bank deposits		2,223,553	41,138,253
Other income		4,546,675	4,101,256
		172,984,318	293,964,705
EXPENSES			
Return on certificates of deposit		59,740,489	84,206,074
Return on term finance certificates		62,484,241	85,140,247
Mark-up on short term running finance		91,245	6,303,610
Mark-up on borrowings from financial institutions		32,266,721	92,853,635
Amortization of premium on held to maturity investments		12,218,197	11,368,020
Administrative and other operating expenses	38	118,352,577	162,125,098
Impairment on available for sale investments		2,733,412	94,399,335
Other financial charges		288,505	482,412
		288,175,387	536,878,431
Operating loss before provisions and taxation		(115,191,069)	(242,913,726)
Provision for doubtful receivables		-	1,728,591
Provision for doubtful leases		-	153,328
Provision for doubtful finances		(3,356,546)	1,920,750
		(3,356,546)	3,802,669
Loss before taxation		(111,834,523)	(246,716,395)
Taxation	39	(3,463,893)	(1,062,492)
Loss after taxation		(115,298,416)	(247,778,887)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(115,298,416)	(247,778,887)
Loss per share-basic and diluted	40	(2.61)	(5.62)

The annexed notes 1 to 51 form an integral part of these financial statements.



Chief Executive Officer



Director

Consolidated Cash Flow Statement

for the year ended 30 June 2010

	2010 Rupees	2009 Rupees
Cash flow from operating activities		
Loss before taxation	(111,834,523)	(246,716,395)
Adjustment for non cash expenses and other items:		
Dividend income	(16,978,959)	(15,610,958)
Depreciation on tangible assets	16,040,132	20,906,046
Amortization on intangible assets	-	666,899
Amortization of discount on Government Treasury Bills	-	(1,449,662)
Provision for doubtful receivables	-	1,728,591
Provision for doubtful leases	-	1,920,750
Provision for doubtful finances	(3,356,546)	153,328
Amortization of premium on held to maturity investments	12,218,197	11,368,020
Amortization of issuance cost of listed TFCs	1,573,296	1,573,296
Gain on sale of fixed assets	(3,300,096)	(2,073,096)
Fixed assets written off	-	304,883
Impairment loss on portfolio shares	2,733,412	94,399,335
	8,929,436	113,887,432
	(102,905,087)	(132,828,963)
Decrease/ (Increase) in operating assets		
(Disbursements)/repayment of finances - net	(37,837,257)	121,029,145
Net investment in lease finance	11,830,145	23,144,853
Placements	180,000,000	2,113,281,543
Investments - net	111,294,678	1,328,140,352
Loans and advances	16,138,613	488,028,195
Deposits and prepayments	1,441,820	6,953,654
	282,867,999	4,080,577,742
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	(133,800,372)	(1,906,436,524)
Certificates of deposit	144,448,815	(935,673,595)
Running finance facilities	-	(1,088,962,624)
Trade and other payables	(17,159,723)	(126,628,565)
	(6,511,280)	(4,057,701,308)
Net changes in operating assets and liabilities	276,356,719	22,876,434
Net cash generated from/(used in) operating activities before taxes	173,451,632	(109,952,529)
Taxes refund / paid	14,791,304	(23,845,139)
Net cash generated from/(used in) operating activities	188,242,936	(133,797,668)

	Note	2010 Rupees	2009 Rupees
Cash flow from investing activities			
Fixed capital expenditure incurred		(1,992,532)	(2,846,545)
Dividend received		16,978,959	28,576,438
Proceeds from sale of fixed assets		5,641,977	4,644,329
Investment in cards and rooms		(850,000)	-
Net cash generated from investing activities		19,778,404	30,374,222
Cash flow from financing activities			
Redemption of term finance certificates		(45,796,714)	(200,000)
Redemption of listed term finance certificates		(164,960,704)	(87,273,906)
Dividend paid		-	(91,593,312)
Repayment of lease obligation		(977,057)	(830,114)
Net cash used in financing activities		(211,734,475)	(179,897,332)
Net decrease in cash and cash equivalents		(3,713,135)	(283,320,778)
Cash and cash equivalents at the beginning of the year		23,220,889	306,541,667
Cash and cash equivalents at the end of the year	19	19,507,754	23,220,889

The annexed notes 1 to 51 form an integral part of these financial statements.



Chief Executive Officer



Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2010

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
Balance as at 01 July 2008	441,000,000	147,193,925	229,375,700	817,569,625
Net loss for the year	-	-	(247,778,887)	(247,778,887)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(247,778,887)	(247,778,887)
Final dividend for 2008 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
Balance as at 30 June 2009	441,000,000	147,193,925	(106,603,187)	481,590,738
Net loss for the year	-	-	(115,298,416)	(115,298,416)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(115,298,416)	(115,298,416)
Balance as at 30 June 2010	441,000,000	147,193,925	(221,901,603)	366,292,322

The annexed notes 1 to 51 form an integral part of these financial statements.



Chief Executive Officer



Director

Notes to the Consolidated Financial Statements

for the year ended June 30, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited and its subsidiary Company (“the Group”) comprise of holding Company Escorts Investment Bank Limited (“EIBL”) and a virtually wholly owned subsidiary Company Escorts Capital Limited (“ESCAP”).

EIBL (“the Group”) is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 15 May 1995 and started its commercial operation on 16 October 1996. The Company is listed on the Karachi and Lahore stock exchanges. The Company is licensed to carry out investment finance services, as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2008. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

ESCAP (“the Subsidiary”) was incorporated as a public limited Company in Pakistan on 05 June 2008 under the Companies Ordinance, 1984 and became a virtually wholly owned subsidiary Company of EIBL in June 2008. . The Subsidiary is principally engaged in brokerage business. The registered office of the Subsidiary is situated at Escorts House, 26-Davis Road, Lahore.

Based on the financial statement of the Company, JCR VIS Credit Rating Company Limited has reaffirmed the Short Term Credit Rating of the Company at “A-1” (Single A one) while Medium to Long Term Credit Rating has also been reaffirmed at “A” (Single A) with negative outlook dated 16 March 2010.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These group financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the 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 Standard (IAS) 39, ‘Financial Instruments: Recognition and Measurement’ and International Accounting Standard (IAS) 40, ‘Investment Property’ through Circular No. 19 dated August 13, 2003 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. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, ‘Financial Instruments: Disclosures’ through SRO 411(1) / 2008 on such NBFCs which are engaged in investment finance services, discounting services and housing finance services.

2.2 Standards, interpretations, and amendments to published approved accounting standards that are effective during the year

The Group has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 – Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment).

IFRS 3 – Business Combinations (Revised)

IFRS 8 – Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments).

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments).

IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments).

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 – Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the changes discussed in note 2.3 below.

2.3 Change in accounting policy and disclosure

IAS - 1 “Presentation of Financial Statements” (Revised)

The Bank has adopted IAS-1 (revised) “Presentation of Financial Statements” which became effective during the year. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Bank has elected to present one statements.

The Bank considers that the above change in the requirements relating to the presentation of the financial statements does not affect the Bank’s financial statements for the year due to the fact that currently all items of income and expense are being recognized in the profit and loss account other than surplus / (deficit) arising on revaluation of fixed assets, held-for-trading, available-for-sale investments and derivative instruments which, in accordance with the requirements of the Companies Ordinance, 1984 and SBP directives, are reported below equity. Accordingly, the Bank does not have any item of other comprehensive income / (loss) to report for the current period and prior year and therefore, total comprehensive income / (loss) is equal to the net profit / (loss) reported for all years presented.

IFRS - 8 “Operating Segments”

IFRS-8 replaced IAS-14 “Segment Reporting” upon its effective date. The Bank concluded that the operating segments determined in accordance with IFRS-8 are the same as the business segments previously identified under IAS-14. IFRS-8 disclosures are shown in note 40, including the related revised comparative information.

3. FIXED ASSETS**3.1 Property and equipment**

These are stated at cost less accumulated depreciation and accumulated impairment, if any, except for Capital Work in Progress which is stated at cost. Depreciation is charged using “straight line method” so as to write off the historical cost of an asset over its estimated useful life at the following rates:

	Rate in %
Freehold premises	5
Leasehold improvements	20
Freehold improvements	20
Furniture and fittings	10
Computer equipment	33.33
Office equipment	10
Vehicles	20

Full month’s depreciation is charged on additions during the month in which asset is available for use, while no depreciation is charged in the month in which asset is disposed off.

Minor repair and renewals are charged to income as and when incurred.

Major renewals and improvements are capitalized.

The gain or loss on disposal or retirement of an asset, represented by the difference between sale proceeds and the carrying amount of the asset, is included in income currently.

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

Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment, if any. Amortization is recorded when these assets are available for use using straight line method whereby the cost of an intangible asset is amortized over its estimated useful life at the following rates:

	Rate in %
Computer software	33.33

3.2 Assets subject to finance lease

The Group accounts for assets acquired under finance lease by recording the assets and related liabilities at the lower of present value of minimum lease payments under the lease agreement and the fair value of leased assets. Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged using “straight line method” at the rates specified in note 3.1

3.3 Cards and Rooms

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

3.4 Investments**3.4.1 Held to maturity**

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

3.4.2 Available for sale

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

3.4.3 Held for trading

Investments that 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 recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of circulars issued by State Bank of Pakistan, Held for trading and Available for Sale Investments for which active market exists, are measured at their market value while Investments Held to Maturity are stated at amortized cost using the effective interest rate method less impairment, if any.

All “regular way” purchases and sales of listed shares are recognized on the trade date, i.e. the date that the Group commits to purchase/sell the asset.

Any surplus or deficit on revaluation of investments at fair value through profit and loss account are charged to income currently, while in case of available for sale investments, the resulting surplus/ (deficit) is kept in a separate account and is shown in the balance sheet below the shareholders’ equity. At the time of disposal the respective surplus or deficit is transferred to income currently.

Amortization cost is charged to profit and loss account

However, as allowed by the BSD circular no. 10 dated 13 July 2004, the Group will be free to determine the extent of holding under the above categories taking into consideration various aspects such as trading strategies, intention of acquisition of securities, capital position, expertise available to manage

investment portfolio, and the risk management capabilities. Under exceptional circumstances, shifting from one category to another category may be made subject to the following conditions.

Shifting of investments to/from held to maturity category is allowed once a year only with the approval of the Board of Directors within two months of the commencement of accounting year. Any further shifting to/from this category is not allowed during the remaining part of that accounting year.

Shifting to/from available for sale category is allowed with the approval of the Assets and Liabilities Committee (ALCO) subject to the condition that the reasons for such shifting will be recorded in writing.

Shifting from held to trading category to available for sale or held to maturity categories is generally not be allowed. It is permitted under exceptional circumstances like not being able to sell the securities within the prescribed period of 90 days due to tight liquidity position in market or extreme market volatility with the approval of ALCO. The justification for such exceptional shifting of securities shall be recorded in the minutes of ALCO meeting. Shifting of securities from one category to another shall be done at the lower of the market value or the acquisition cost/book value, and the diminution in value, if any, on such transfer shall be fully provided for.

The surplus/deficit arising as a result of revaluation of held for trading investments is taken to profit and loss account. Furthermore, the surplus/deficit on revaluation of available for sale and held to maturity securities is taken to "Surplus/Deficit on revaluation of Available for Sale Investments" account. However, any permanent diminution in the value of available for sale or held to maturity securities is provided for by charging it to the profit and loss account. The measurement of surplus/deficit is done on portfolio basis for each of the above three categories separately.

3.4.5 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

Repurchase agreements

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

Reverse repurchase agreements

Investments 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 agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

3.4.6 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognized on the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

3.5 Net investment in lease finance

Leases where all the risks and rewards incidental to ownership of the assets are substantially transferred to the lessee are classified as finance leases. Net investment in lease finance is recognized at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

3.6 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 accounts.

3.7 Financial instruments**3.7.1 Financial assets**

Financial assets are cash and bank balances, placements, investments, financing and other receivables. Finances and receivable from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policy.

3.7.2 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include redeemable capital, certificates of deposit, borrowings, trade and other payables. Mark-up based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

3.7.3 Derivatives

Derivative instruments held by the Group comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivatives is equivalent to the unrealized gain or loss from marking the derivatives using prevailing market rates at the balance sheet date. The unrealized gains are included in other assets while unrealized losses are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss.

3.7.4 Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

3.7.5 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 legally enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.8 Provisions

Provisions are recorded when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.9 Redeemable capital - Term finance certificates

Term finance certificates are initially recognised at their fair value less transaction costs that are directly attributable to the issue of term finance certificates. The transaction costs are amortised over the term of term finance certificates.

3.10 Staff retirement benefits

Employees compensated absences

Liability for accumulated compensated absences of employees is accounted for in the period in which these absences are earned on termination basis.

Provident fund

The Group operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by employees and the Company to the fund at 10% of Basic Salary. The fund is administrated by the Trustees.

3.11 Revenue recognition

Return on finances provided, placements, government securities and term finance certificates are recognized on time proportionate basis.

Mark-up on lease finance is recognized using the finance method. Under this method, the unearned lease income i.e. the excess of the aggregate lease rentals and the residual value over the cost of the leased assets, is deferred and taken to income so as to produce a constant periodic rate of return on the outstanding net investment in lease finance. Processing fee, documentation charges and other lease related income are taken to income currently.

Brokerage commission and other advisory fee are recognized when such services are provided.

Guarantee commission is received in advance, and deferred over the guarantee period

Capital gain or loss arising on sale of investments is taken to income in the period in which they arise.

Consultancy and corporate advisory fee income is recognized using percentage of completion method.

Dividend income is recognized when the right to receive payment is established.

3.12 Return on deposits and borrowings

Return on Certificates of Deposit (CODs) and borrowings are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

3.13 Taxation**Current**

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

Deferred

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset 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 the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

3.14 Operating segment

The Group has structured its key business areas in two segments in a manner that each segment becomes a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the Bank have been categorized into the following classifications of business segments.

Business segments

The Group's activities are broadly categorized into two primary business segments namely financing activities and investment activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Financing

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing.

Investment activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Bank's liquidity.

3.15 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

3.16 Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

3.17 Dividend distributions and appropriations

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates 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. However, estimated results may differ from actual. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

- i) Provision for taxation and deferred tax (Notes 13 and 39)
- ii) Classification and valuation of investments (Notes 8, 14 and 15)
- iii) Determination and measurement of useful life and residual value of property and equipment (Note 6)
- iv) Classification and provision of loans and advances, net investment in finance lease and other receivables (Notes 9.5, 10.4 and 18.2)
- v) Impairment of investments (Note 15)

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01-Feb-10
IAS 24 - Related Party Disclosures (Revised)	01-Jan-11
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01-Jan-10
IFRIC 14 - IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01-Jan-11
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01-Jul-10

	Note	2010 Rupees	2009 Rupees
6. FIXED ASSETS			
Property and equipment	6.1	93,276,027	112,480,068
Intangible assets	6.2	1	1
Capital work in progress Advance – Intangible	6.4	2,100,000	1,300,000
		95,376,028	113,780,069

6.1 Property and equipment

	Cost			Depreciation			Net book value as at 30 June 2010	
	As at 01 July 2009	Additions/ (disposals)	As at 30 June 2010	As at 01 July 2009	For the year	(Disposals)		As at 30 June 2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
Owned								
Free-hold premises	89,692,600	-	89,692,600	18,312,239	4,484,630	-	22,796,869	66,895,731
Lease-hold improvements	17,865,709	60,960	17,926,669	8,387,118	2,908,661	-	11,295,779	6,630,890
Free-hold improvements	6,712,240	-	6,712,240	1,678,060	1,342,448	-	3,020,508	3,691,732
Office furniture and fixtures	7,036,665	(1,812)	7,034,853	2,489,059	614,622	(241)	3,103,440	3,931,413
Computer equipments	17,526,796	447,400	17,896,617	15,897,505	1,105,474	(58,178)	16,944,801	951,816
		(77,579)						
Office equipments	13,170,650	684,172	13,826,557	4,610,807	1,152,073	(3,768)	5,759,112	8,067,445
		(28,265)						
Vehicles	27,322,092	(11,029,984)	16,292,108	17,719,971	2,889,778	(6,975,026)	13,634,723	2,657,385
	179,326,752	1,192,532	169,381,644	69,094,759	14,497,686	(7,037,213)	76,555,232	92,826,412
		(11,137,640)						
Leased								
Vehicles	8,992,300	-	8,992,300	6,744,225	1,798,460	-	8,542,685	449,615
2010	188,319,052	(9,945,108)	178,373,944	75,838,984	16,296,146	(7,037,213)	85,097,917	93,276,027

	Cost			Depreciation			Net book value as at 30 June 2009	
	As at 01 July 2008	Additions/ (disposals)	As at 30 June 2009	As at 01 July 2008	For the year	(Disposals)		As at 30 June 2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
Owned								
Free-hold premises	89,692,600	-	89,692,600	13,827,609	4,484,630	-	18,312,239	71,380,361
Lease-hold improvements	20,457,590	(2,591,881)	17,865,709	6,984,084	3,690,032	(2,286,998)	8,387,118	9,478,591
Free-hold improvements	6,712,240	-	6,712,240	335,612	1,342,448	-	1,678,060	5,034,180
Office furniture and fixtures	7,036,665	-	7,036,665	1,816,269	672,790	-	2,489,059	4,547,606
Computer equipments	16,873,101	653,695	17,526,796	13,439,416	2,458,089	-	15,897,505	1,629,291
Office equipments	12,637,050	533,600	13,170,650	3,385,490	1,225,317	-	4,610,807	8,559,843
Vehicles	31,894,180	1,659,250	27,322,092	16,145,797	5,234,280	(3,660,106)	17,719,971	9,602,121
		(6,231,338)						
	185,303,426	2,846,545	179,326,752	55,934,277	19,107,586	(5,947,104)	69,094,759	110,231,993
		(8,823,219)						
Leased								
Vehicles	8,992,300	-	8,992,300	4,945,765	1,798,460	-	6,744,225	2,248,075
2009	194,295,726	(5,976,674)	188,319,052	60,880,042	20,906,046	(5,947,104)	75,838,984	112,480,068

6.2 Intangible assets

	Cost			Amortization			Net book value as at 30 June 2009	
	As at 01 July 2008	Additions/ (disposals)	As at 30 June 2009	As at 01 July 2008	For the year	(Disposals)		As at 30 June 2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
Computer software 2010	3,000,000	-	3,000,000	2,999,999	-	-	2,999,999	1
Computer software 2009	3,000,000	-	3,000,000	2,333,100	666,899	-	2,999,999	1

6.3 Following assets having book value above Rs. 50,000 disposed off during the year

	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain Rupees	Mode of Disposal	Particulars of Purchaser
Vehicles	1,030,476	(480,889)	549,587	1,080,000	530,413	Negotiations	Sold to Mr. Asad Abbas Shah
Vehicles	939,230	(735,730)	203,500	790,000	586,500	Negotiations	Sold to Mr. Fawad Malik
Vehicles	892,840	(327,375)	565,465	950,000	384,535	Negotiations	Sold to Mr. Shaharyar Mirza
Vehicles	1,058,040	(687,726)	370,314	370,314	-	Company Policy	Sold to Mr. Kamran Nasir (Ex - CFO)
Vehicles	2,549,825	(2,294,842)	254,983	1,019,930	764,947	Company Policy	Sold to Mr. Rashid Mansur (Ex - CEO)
Vehicles	648,200	(648,200)	-	259,280	259,280	Company Policy	Sold to Mr. Rasheed Alam
Vehicles	1,032,630	(653,999)	378,631	413,052	34,421	Company Policy	Sold to Mr. Azmat Baig
Vehicles	894,260	(894,260)	-	740,000	740,000	Negotiations	Sold to Mr. Rana Muzaffar
	9,045,501	(6,723,021)	2,322,480	5,622,576	3,300,096		
Computer Equipment	77,579	(58,178)	19,401	19,401	-	Negotiations	Sold to Mr. Shaharyar Mirza
	9,123,080	(6,781,199)	2,341,881	5,641,977	3,300,096		

6.4 This represents the expenditure incurred on the development of the software, ALMANAC.

	Note	2010 Rupees	2009 Rupees
7 CARDS AND ROOMS			
Corporate membership;			
National Commodity Exchange Limited		850,000	-
Karachi Stock Exchange		35,250,000	35,250,000
Lahore Stock Exchange		16,155,000	16,155,000
Rooms		32,700,000	32,700,000
		84,955,000	84,105,000
8 LONG TERM INVESTMENTS			
Held to maturity			
Pakistan Investment Bonds	8.1	524,859,952	537,078,149
Term Finance Certificates - Unlisted	8.2	10,108,833	10,878,939
		534,968,785	547,957,088
Less: Current maturity of Term Finance Certificates	14	4,025,450	3,019,391
		530,943,335	544,937,697

	2010 Rupees	2009 Rupees
8.1 Pakistan Investment Bonds		
Cost	606,221,300	606,221,300
Less: Amortization		
Opening	49,143,151	37,775,131
Charged during the year	12,218,197	11,368,020
	61,361,348	49,143,151
	544,859,952	557,078,149
Less: Impairment loss	20,000,000	20,000,000
	524,859,952	537,078,149

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having market value of Rs 474 million (2009: 481 million). Period to maturity of these investments range from 1.5 years to 14 years and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2009: 10% to 12% per annum). PIBs having face value of Rs. 333 million are held by other financial institutions as security under repurchase transactions.

8.1.1 Encumbered and un-encumbered - Face value

	2010			2009		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	167,000,000	333,000,000	500,000,000	104,000,000	396,000,000	500,000,000
Government Treasury Bills	-	-	-	-	50,000,000	50,000,000
	167,000,000	333,000,000	500,000,000	104,000,000	446,000,000	550,000,000

	2010 Rupees	2009 Rupees
8.2 Term finance certificates-Unlisted		
New Khan Transport Company (Private) Limited	10,108,833	10,878,939

This has been rescheduled in previous year and is payable in unequal monthly installments ending October 2013 along with mark-up. The rate of return is 450 bps above 6 months KIBOR with floor of 8.25% (2009: 450 bps above 6 months KIBOR with floor of 8.25%). This is a syndicated TFC, lead by Faysal bank limited and secured against the mortgage of land and building amounting to Rs 650 million out of which share of the bank is Rs 39.39 million.

	Note	2010 Rupees	2009 Rupees
9 LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	9.1	1,920,427	2,183,889
Executives	9.2	862,504	11,109,958
		2,782,931	13,293,847
Others - Secured and considered good	9.3	67,341,469	77,662,114
		70,124,400	90,955,961
Considered doubtful			
Others	9.4	38,054,216	39,615,892
Less: Provision for doubtful finances	9.5	33,618,087	33,868,270
		4,436,129	5,747,622
Less: Current maturity	14	74,560,529 63,162,772	96,703,583 61,377,962
		11,397,757	35,325,621

9.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 3 years to 5 years, carrying mark-up rate ranging from 17% to 18% per annum. (2009: 14% to 18% per annum).

The maximum balance outstanding at the end of any month during the year was:

	2010 Rupees	2009 Rupees
Escorts Pakistan Limited	2,090,422	2,370,951
Essem Hotel Limited	336,616	495,389

9.2 Executives

This represent finance provided to Executive against mortgage of property in accordance with the terms of employment for a period of 15 years and carries mark-up at the rate of 7%.

	Note	2010 Rupees	2009 Rupees
Opening Balance	10.3.1	2,664,433	10,632,026
Add: Disbursements during the year		-	1,750,000
		2,664,433	12,382,026
Less: Transfers from Executive category		1,446,574	-
Less: Repayments during the year		355,355	1,272,068
		862,504	11,109,958

9.2.1 Ex-CEO of the company was provided house finance facility against mortgage of property and outstanding balance amounting to Rs 8,445,525 which was fully settled on his resignation.

The maximum balance outstanding at the end of any month during the year.

11,109,958	11,357,676
------------	------------

9.3 These finance facilities are secured by hypothecation, charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 12.5% to 20.86% per annum (2009: 10% to 20.86% per annum).

9.4 These finance facilities are secured by ranking charge on assets and pledge of stocks for a period up to 5 years. The expected rate of return range from 15% to 17% per annum (2009: 15% to 17% per annum).

	Note	2010 Rupees	2009 Rupees
9.5 Particulars of provision for doubtful finances			
Opening balance		33,868,270	32,139,679
(Reversal)/charge for the year		(250,183)	1,728,591
Closing balance		33,618,087	33,868,270

10 NET INVESTMENT IN LEASE FINANCE

Net investment in lease finance	10.1	21,786,316	35,604,853
Less: Provision for doubtful leases		153,328	153,328
		21,632,988	35,451,525
Less: Current maturity	14	15,855,353	13,686,228
		5,777,635	21,765,297

10.1 Particulars of net investment in lease finance

	2010			2009
	Not later than one year	Later than one year but not later than five years		Total
		Total		
		Rupees	Rupees	
Leased rentals receivable	10,592,243	2,246,608	12,838,851	27,239,597
Add: Residual value	6,865,563	3,917,900	10,783,463	12,771,856
Gross investment in lease finance	17,457,806	6,164,508	23,622,314	40,011,453
Less: Unearned finance income	1,602,453	233,545	1,835,998	4,406,600
Net investment in lease finance	15,855,353	5,930,963	21,786,316	35,604,853

10.2 The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility range from 10% to 50% (2009: 10% to 50%). Leased assets are insured in favor of the Company. The rate of return range from 13% to 18.31% per annum (2009: 10.00% to 17% per annum). Penalty is charged in case of delayed payment.

10.3 As per the Prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 4.248 million (2009: 2.284 million) at the end of current year.

	Note	2010 Rupees	2009 Rupees
10.4 Particulars of provision for doubtful leases			
Opening balance		153,328	-
Charge for the year		-	153,328
Closing balance		153,328	153,328
11 LONG TERM LOANS AND ADVANCES			
Loan to staff - Unsecured, considered good			
Executives - Related parties	11.1	1,091,541	1,877,093
Other employees		1,186,122	946,524
		2,277,663	2,823,617
Less: Current maturity	14	1,518,225	1,741,289
		759,438	1,082,328

11.1 These represent interest free loans to staff for a period of 3 years and are repayable in equal monthly installments, in accordance with the Company's Policy for staff loans.

	Note	2010 Rupees	2009 Rupees
Opening Balance		1,877,093	2,105,599
Add: Employees promoted to executive category		-	55,008
Disbursements during the year		545,303	961,507
		2,422,396	3,122,114
Less: Repayments during the year		1,330,855	1,245,021
		1,091,541	1,877,093
The maximum balance outstanding from executives at the end any month during the year was:		1,887,939	2,102,725
12 LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits		10,134,500	8,529,500
Prepayments		735,828	3,782,648
		10,870,328	12,312,148
Less: Current maturity	14	5,355,128	3,046,791
		5,515,200	9,265,357
13 DEFERRED TAX ASSET			
Taxable temporary differences on fixed assets		(11,183,395)	(20,022,372)
Deductible temporary differences			
Investments		29,885,379	20,221,296
Finances and receivables		22,178,466	23,998,577
Trade and other payables		730,429	2,558,030
Leasing finance		124,335	(2,691,409)
Tax losses		34,740,176	51,898,856
		76,475,390	75,962,978
13.1 Movement in deferred tax asset			
Opening balance		75,962,978	75,962,978
Provision during the year		512,412	-
Closing balance		76,475,390	75,962,978
13.2			
The Company has an aggregate amount of Rs.99.257 million in respect of carry forward of losses due to unabsorbed tax depreciation as at June 30, 2010 on which the management has recognised deferred tax asset. 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.			

	Note	2010 Rupees	2009 Rupees
14 CURRENT MATURITIES OF NON-CURRENT ASSETS			
Term finance certificates	8	4,025,450	3,019,391
Long term finances	9	63,162,772	61,377,962
Net investment in lease finance	10	15,855,353	13,686,228
Long term loans and advances	11	1,518,225	1,741,289
Long term deposits and prepayments	12	5,355,128	3,046,791
		89,916,928	82,871,661
15 SHORT TERM INVESTMENTS			
Held to Maturity			
Government treasury Bills		-	46,265,312
Available for sale			
Listed Term Finance Certificates	15.1	4,927,104	8,008,185
Listed shares/units	15.2	45,502,856	201,258,078
Impairment loss		(2,733,412)	(94,399,335)
		47,696,548	161,132,240
Surplus on revaluation		7,179,571	7,447,177
		54,876,119	168,579,417

15.1 Particulars of listed Term Finance Certificates (TFCs)

No. of Certificates 2010	2009	N A M E	2010		2009	
			Cost Rupees	Market value Rupees	Cost Rupees	Market value Rupees
		Banks				
1,316	1,316	Royal Bank of Scotland	4,927,104	4,889,673	6,569,472	6,492,049
		Leasing				
-	951	AlZamin Leasing Modaraba - II	-	-	1,616,700	1,516,136
			4,927,104	4,889,673	8,186,172	8,008,185

Other particulars of listed TFCs are as follows:

Particulars	Certificate denomination	Profit rate per annum	Profit payments	Maturity date
Banks				
Royal Bank of Scotland	5,000	1.90 % over 6 Months KIBOR	Semi annually	10 Feb. 2013

15.2 Particulars of listed shares / units - Available for sale investments

All shares/units have face value of Rs. 10 each, except for Atlas Islamic Fund (Rs. 500 each), HBL Income Fund and Askari Asset Allocation fund (Rs. 100 each).

No. of Certificates		N A M E	2010		2009	
			Carrying value	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees
Mutual Fund - Open End						
49,907	49,907	Askari Asset Allocation Fund	2,746,313	3,011,910	5,000,000	2,746,313
10,483	10,483	Atlas Islamic Fund	4,011,196	5,118,430	5,000,000	4,011,005
50,000	50,000	HBL Income Fund	5,000,000	5,048,500	5,000,000	4,802,000
Mutual Fund - Close End						
49	49	Dawood Capital Management Fund	281	98	281	293
-	697	JS Value Fund	-	-	1,970	3,102
747,500	748,226	Pak Premier Fund	3,064,782	6,054,750	10,399,926	3,067,727
1,008,500	1,008,500	Pakistan Strategic Allocation Fund	3,620,536	6,908,225	10,143,291	3,620,515
21,800	22,211	PICIC Growth Fund	176,632	201,868	755,397	186,572
1,377,000	1,377,000	UTP - Large Capital Fund	5,714,591	5,852,250	13,509,237	5,714,550
Textile Spinning						
-	326	Dewan Farooq Spinning Mills Limited	-	-	3,260	391
Power Generation and Distribution						
-	15,217	Hub Power Company Limited	-	-	179,254	411,620
-	15	Kot Addu Power Company Limited	-	-	351	632
-	147,500	Southern Electric Power Company Limited	-	-	789,125	472,000
Commercial Banks						
-	27,591	Allied Bank Limited	-	-	845,373	1,047,906
-	14,253	Askari Bank Limited	-	-	186,120	219,496
6,862	27,740	Bank Alfalah Limited	72,394	64,915	477,157	292,657
-	99	Bank Al-Habib Limited	-	-	1,905	2,525
-	2,666	Faysal Bank Limited	-	-	31,640	25,807
-	5,150	Habib Bank Limited	-	-	345,505	440,325
-	802	JS Bank Limited	-	-	2,878	4,852
1,151	84,847	MCB Bank Limited	161,361	223,513	10,596,050	13,197,951
-	117	Meezan Bank Limited	-	-	2,573	1,287
65,682	46,886	National Bank of Pakistan	4,052,835	4,210,216	2,895,817	3,123,076
-	74	Silk Bank Limited	-	-	390	431
-	234	Soneri Bank Limited	-	-	1,640	2,492
-	26,668	The Bank of Punjab	-	-	392,911	292,015
-	38	United Bank Limited	-	-	1,397	1,471
Insurance						
-	34,192	Adamjee Insurance Company Limited	-	-	8,386,337	2,858,451
8,152	7,503	EFU General Insurance Company Limited	797,795	400,589	2,706,818	660,264
-	92	Pak Reinsurance Limited	-	-	2,348	3,220
Fertilizer						
4,787	4,352	Engro Chemical (Pak) Limited	890,402	830,927	454,042	557,491
-	9,847	Fauji Fertilizer Bin Qasim Limited	-	-	126,079	174,292
-	69,758	Fauji Fertilizer Company Limited	-	-	7,373,967	6,073,131

No. of Certificates		N A M E	2010		2009	
			Carrying value	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees
Investment Companies						
16	66	Arif Habib Limited	-	704	5,225	4,435
625	21,159	Arif Habib Securities	17,314	20,756	1,000,712	586,104
-	86	Dawood Equities Limited	-	-	777	323
-	13	First National Equities limited	-	-	617	105
178,764	178,856	Jahangir Siddique & Company Limited	4,595,783	2,259,577	27,551,955	4,147,671
-	30	Javed Omer Vohra & Company Limited	-	-	347	404
-	189	JS Investments Limited	-	-	7,559	3,196
-	42,988	Pervaz Ahmad Securities Limited	-	-	289,526	231,275
Oil and Gas Marketing Companies						
-	125,824	Pakistan State Oil Limited	-	-	51,757,441	26,926,336
-	443	Sui-Southern Gas Company Limited	-	-	5,217	6,202
Oil and Gas Exploration Companies						
2,000	19,804	Oil and Gas Development Company Limited	108,410	283,380	1,067,344	1,554,614
-	47,411	Pakistan Oilfields Limited	-	-	13,854,314	6,929,118
16,302	81,574	Pakistan Petroleum Limited	1,462,482	3,001,524	17,033,533	15,497,429
Cement						
-	470	Al-Abbas Cement Company Limited	-	-	1,353	3,431
-	58,277	D.G Khan Cement Company Limited	-	-	1,306,149	1,723,251
-	332	Dewan Cement Limited	-	-	1,156	913
-	77	Fauji Cement Company Limited	-	-	279	511
-	104	Lafarge Pakistan Cement	-	-	215	281
-	85	Lucky Cement Company Limited	-	-	2,864	4,951
717	717	Maple Leaf Cement Company Limited	1,989	2,230	1,989	3,047
-	78	Pioneer Cement Limited	-	-	1,653	1,057
Textile Composite						
-	108	Azgard Nine Limited	-	-	1,604	2,402
-	35	Dawood Lawrencepur Limited	-	-	1,529	1,225
64	129	Nishat (Chunian) Limited	640	1,010	949	1,109
1,000	35,512	Nishat Mills Limited	61,182	43,011	782,574	1,331,700
Refinery						
-	5,218	Attock Refinery Limited	-	-	336,113	649,119
-	5,395	Pakistan Refinery Limited	-	-	465,034	486,359
Chemical						
-	4	BOC Pakistan	-	-	480	460
-	6	ICI Pakistan Limited	-	-	443	840
-	8,307	Sitara Peroxide Limited	-	-	134,206	154,926
800,000	-	Lotee Pakistan PTA Limited	8,945,938	6,448,000	-	-
Engineering						
-	110	Crescent Steel Mills Limited	-	-	1,902	1,980
-	194	Dost Steel Mills Limited	-	-	1,593	1,046
-	46	Pak Electron Limited	-	-	1,125	1,145
Synthetic & Rayon						
-	14,144	Dewan Salman Fiber Limited	-	-	14,111	21,075

No. of Certificates 2010	2009	N A M E	2010		2009	
			Carrying value	Market value	Cost	Market value
			Rupees	Rupees	Rupees	Rupees
		Automobile Assembler				
-	95	Honda Atlas Cars Pakistan Limited	-	-	1,285	1,216
-	1	Indus Motor Company Limited	-	-	119	107
		Technology & Communication				
-	72	NetSol Technologies Limited	-	-	1,958	1,275
-	67	Pak PTA Limited	-	-	82	189
-	65	Pakistan Telecommunication Limited	-	-	1,195	1,118
-	2,285	Telecard Limited	-	-	3,200	3,885
-	217	TRG Pakistan Limited	-	-	284	291
-	5	Tri Pak Films Limited	-	-	637	500
		Transport				
-	13	Pakistan International Container Terminal Limited	-	-	573	696
		Paper & Board				
-	6	Packages Limited	-	-	494	945
		Pharmaceutical				
-	26	Searl Pakistan Limited	-	-	1,479	1,146
		Miscellaneous				
9	-	IBL Healthcare Limited	-	63	-	-
-	79	D.S.Industries	-	-	1,032	243
-	74	Pace Pakistan Limited	-	-	813	412
			45,502,856	49,986,446	201,258,078	114,305,920

	Note	2010 Rupees	2009 Rupees
16 SHORT TERM FINANCES			
Secured and considered good			
Associated companies	16.1	73,913,409	21,464,909
Others	16.2	51,858,585	24,507,527
Considered doubtful			
Others		13,767,834	33,113,834
Less: Provision for doubtful finances	16.3	13,767,834	16,874,197
		-	16,239,637
		125,771,994	62,212,073

16.1 This is provided to Escorts Pakistan Limited and secured against mortgage of property having a tenor of 1 year and markup at the rate of 16% payable on quarterly basis.

16.2 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return range from 12% to 18% per annum (2009: 12% to 19% per annum). These include finances against pledge of listed shares and Bank's own Certificates of Deposit amounting to Rs. 0.680 million (2009: Rs. 15.55 million), while Rs. 42.406 (2009: Rs. Nil) were disbursed as Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

	Note	2010 Rupees	2009 Rupees
16.3 Particulars of provision for doubtful finances:			
Opening balance		16,874,197	16,874,197
Reversal for the year		(3,106,363)	-
Closing balance		13,767,834	16,874,197

17 SHORT TERM PLACEMENTS

Considered good

This represents clean placement with financial institution and carry mark-up ranging from 12.60% to 12.80% per annum (2009: 13.5% to 14% per annum).

18 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Considered good		532,085	68,728
Advance income tax		310,917,421	326,747,829
Income tax refundable		16,851,256	19,444,153
Prepayments		2,635,089	-
Receivable from NCCPL and stock exchanges		-	7,019,270
Receivable from associates	18.1	7,850,427	4,677,981
Accrued mark-up		16,307,143	-
Receivable from clients	18.2	3,309,050	1,972,687
Other receivables		3,311,622	12,590,185
		361,714,093	372,520,833

18.1 Receivable from associates

Escorts Pakistan Limited		37,016	11,610
Essem Hotels		1,160,390	908,612
Director	18.1.1	6,653,021	6,653,021
		7,850,427	7,573,243

18.1.1 This represents payment made on behalf of director. This carries mark-up at the rate of 15% per annum and has been received subsequent to the year end.

	Note	2010 Rupees	2009 Rupees
18.2 Receivable from clients			
Considered good		2,527,603	1,972,687
Considered doubtful		21,474,235	21,474,235
Less: Provision for doubtful receivables	18.2.1	(21,474,235)	(21,474,235)
		-	-
		2,527,603	1,972,687
18.2.1 Particulars of provision for doubtful receivables			
Opening balance		21,474,235	19,553,485
Charge for the year		-	1,920,750
Closing balance		21,474,235	21,474,235
19 CASH AND BANK BALANCES			
Cash in hand		966	-
Cash with banks			
Current account with:			
State Bank of Pakistan		434,050	444,665
Others		293,411	2,787,462
		727,461	3,232,127
Saving accounts	19.1	18,779,327	19,988,762
		19,507,754	23,220,889
19.1	Rate of return on these accounts range from 5% to 8% per annum (2009: 5% to 12.5% per annum).		
20 SHARE CAPITAL			
Authorized share capital			
50,000,000 (2009: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
42,000,000 (2009: 42,000,000) ordinary shares of Rs. 10 each issued as fully paid in cash		420,000,000	420,000,000
2,100,000 (2009: 2,100,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares		21,000,000	21,000,000
		441,000,000	441,000,000
20.1	Essem Power (Private) Limited, an associated company, holds 39.01% (2009: 39.01%) ordinary shares in the Group.		

	Note	2010 Rupees	2009 Rupees
21 RESERVES			
Capital reserve			
Statutory reserve	21.1	147,193,925	147,193,925
Revenue reserve			
Accumulated loss		(221,901,603)	(106,603,187)
		(74,707,678)	40,590,738
21.1	This represents special reserve created in compliance with the Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan.		
22 SURPLUS ON REVALUATION OF INVESTMENTS - net			
Available for sale			
Listed term finance certificates		(37,431)	(177,986)
listed shares / units		7,217,002	7,447,177
		7,179,571	7,269,191
Less: Deferred tax		(355,693)	-
		6,823,878	7,269,191
23 TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		400,000	200,000
Redeemed during the year		166,534,000	200,000
		166,934,000	400,000
		333,066,000	499,600,000
Less: Current maturity	27	166,534,000	166,534,000
		166,532,000	333,066,000
Less: Initial transaction cost			
Opening balance		(4,195,434)	(5,768,730)
Amortization for the year	38	1,573,296	1,573,296
		(2,622,138)	(4,195,434)
		163,909,862	328,870,566
23.1	These TFCs carry return payable semiannually, at the rate of 6 months KIBOR plus 2.5 bps per annum with a floor of 8% per annum and ceiling of 17% per annum for the first two years and a ceiling of 18% for the remaining period. These are redeemable in 6 equal semi annual installments commencing from 30th month and carry call option exercisable after 2 years of the issue date. These are secured against hypothecation of Rs. 667 million worth of present and future assets of the Company. These TFCs are listed at Lahore Stock Exchange (Guarantee) Limited (LSE).		

JCR VIS Credit Rating Company Limited has assigned rating of 'A+' (Single A plus) with negative outlook to these TFCs on 16 March 2010.

	Note	2010 Rupees	2009 Rupees
24 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Obligation under finance lease	24.1	4,980,797	5,957,854
Less: Current maturity	27	4,980,797	976,272
		-	4,981,582

24.1 Particulars of obligation under finance lease

	2010			2009
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals payable	373,076	-	373,076	1,498,816
Add: Residual value	4,619,300	-	4,619,300	4,619,300
	4,992,376	-	4,992,376	6,118,116
Less: Future financial charges	11,579	-	11,579	160,262
Present value of minimum lease payments	4,980,797	-	4,980,797	5,957,854

24.2 The obligation represents the unpaid balance of the total minimum lease payments and the residual value payable at the end of the lease period. The facility carries mark-up at the rate of 6 months KIBOR plus 3% with a floor of 13%. Lease rentals are payable monthly. The Company has the option to purchase the asset upon the completion of the lease period and has the intention to exercise this option. There are no financial restrictions imposed by the lessor.

	Note	2010 Rupees	2009 Rupees
25 LONG TERM CERTIFICATES OF DEPOSIT			
Long term certificates of deposit	25.1	267,393,500	228,284,802
Less: Current maturity	27	11,480,188	43,826,173
		255,913,312	184,458,629

25.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 8.50% to 16% per annum (2009: 7.50% to 16% per annum) payable monthly, quarterly, semiannually or on maturity.

	Note	2010 Rupees	2009 Rupees
26 LONG TERM SECURITY DEPOSIT			
Security deposit		10,783,463	12,771,856
Less: Current maturity	27	6,865,563	-
		3,917,900	12,771,856
27 CURRENT MATURITIES OF NON-CURRENT LIABILITIES			
Term finance certificates - listed		166,534,000	166,534,000
Term finance certificates - unlisted		-	45,796,715
Liability against assets subject to finance lease		4,980,797	976,272
Long term Security Deposit		6,865,563	-
Long term certificates of deposit		11,480,188	43,826,173
		189,860,548	257,133,160
28 SHORT TERM BORROWINGS			
Financial institutions - Secured	28.1	304,763,104	438,563,476
		304,763,104	438,563,476
28.1	These represents borrowings under repurchase agreements and carry mark-up ranging from 12.05% to 12.4% per annum (2009: 13.00% to 13.60% per annum) and are for a period ranging from 3 days to 1 month (2009: 1 days to 3 months). These are secured against pledge of PIBs.		
29 RUNNING FINANCE - SECURED			
	The running finance facility available under mark-up arrangement from commercial bank amounts to Rs. 600 million (2009: 1,500 million). This facility carries mark-up at the rate 3 months KIBOR plus 100 basis point per annum with no floor (2009: 1 month to 3 months KIBOR plus 100 bps to 400 bps per annum).		
30 SHORT TERM CERTIFICATES OF DEPOSIT			
	These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 13.75% per annum (2009: 7.5% to 15.00% per annum) payable monthly, quarterly, semi-annually or on maturity.		

	2010 Rupees	2009 Rupees
31 TRADE AND OTHER PAYABLES		
Customers' credit balances	4,610,836	23,018,873
Accrued return on certificates of deposit	5,140,445	6,023,019
Accrued return on term finance certificates	14,713,669	23,393,262
Accrued mark-up on secured borrowings	469,667	1,061,396
Accrued expenses and other payables	21,175,287	7,879,513
Provision for compensated absences	2,804,272	4,361,455
Unearned income	-	647,280
Unclaimed dividend	2,387,274	2,387,274
	51,301,448	68,772,072

32 PROVISION FOR TAXATION

The Company's assessments till Tax Year 2003, has been finalized except that the Income Tax department is in appeal before the Honorable Lahore High Court for Assessment Years 1997-98 and 1998-99 on following issues:

- i) status of company as "banking company" rather than "public limited company"; and
- ii) taxability of "dividend income" as separate block of income.

The returns for the Tax Year 2003 to 2009 were filed. The Company has filled appeals against the orders of CIT (A) for Tax Year 2003 to 2007 before the Honorable Appellate Tribunal on various matters. These appeals are pending hearing.

Return for Tax Year 2008 was filed and was selected for total audit. The Company being aggrieved with the order of DCIT has filed an appeal before CIT (A), which is pending hearing.

So far the Company has not received any notice for tax year 2009.

33 CONTINGENCIES AND COMMITMENTS**33.1 Contingencies****Guarantees**

Outstanding guarantees as on balance sheet date were Rs. NIL (2009: Rs. 53.94 million).

	Note	2010 Rupees	2009 Rupees
33.2 Commitments			
Capital expenditure - Intangible		500,000	1,300,000
34 PROFIT ON FINANCING			
Long term		11,570,445	19,715,328
Short term		20,190,410	7,052,696
		31,760,855	26,768,024
35 RETURN ON PLACEMENTS			
Clean placements		4,158,362	23,962,113
Placements under reverse repurchase agreements		194,856	68,038,581
		4,353,218	92,000,694
36 FEE AND COMMISSION			
Consultancy and brokerage commission		1,894,900	2,911,543
Guarantee commission		6,000	1,281,450
		1,900,900	4,192,993
37 RETURN ON INVESTMENTS			
Mark-up / return on investments			
Held to maturity investments			
Government securities		59,734,688	57,420,895
Term Finance Certificates		777,433	371,347
Available for sale investments			
Term Finance Certificates		1,104,628	1,433,079
Dividend income			
Available for sale investments			
Listed shares/units		16,978,959	15,610,958
Held for trading			
Listed shares / units		-	3,338,612
Capital gain/(loss) on investments			
Available for sale investments		42,127,711	(302,675)
Held for trading		4,564,850	42,040,554
		125,288,269	119,912,770

	Note	2010 Rupees	2009 Rupees
38 ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	38.1	48,238,162	68,794,064
Staff Training and Welfare		151,558	371,659
Advertisement and business promotion		294,290	1,009,399
Rent, rates and taxes		14,746,573	13,864,015
Utilities		4,007,994	3,946,885
Communication charges		4,470,523	5,311,499
Traveling and vehicle maintenance		6,401,199	8,493,856
Repair and maintenance		2,541,061	3,906,781
Entertainment		1,809,444	2,460,705
Fee and subscriptions		3,630,809	2,627,768
Legal and professional charges	38.2	7,082,374	9,461,249
Printing and stationery		1,687,436	1,975,589
Fee, brokerage and commission		113,636	3,629,031
CDC and clearing charges		2,115,984	8,742,587
Insurance		2,222,506	2,815,931
Amortization of issuance cost of listed TFCs	23	1,573,296	1,573,296
Depreciation	6.1	16,296,146	20,906,046
Amortization of Intangible assets		-	666,899
Loss on sale of fixed assets		-	304,883
Penalty		-	25,000
Staff motor vehicle contribution and insurance		88,000	629,608
Miscellaneous expenses		881,586	608,348
		118,352,577	162,125,098

38.1 This includes contribution to provident fund amounting to Rs. 1.35 million (2009: Rs. 2.95 million) made by the Group.

38.2 These include remuneration paid to the auditors as detailed below:

	E&Y Ford Rhodes Sidat Hyder	KPMG Taseer Hadi Khalid
Audit fee	707,000	707,000
Review of half yearly accounts	143,000	143,000
Certification and consultancy charges	-	105,000
Tax services	-	1,960,000
Out of pocket expenses	-	144,000
	850,000	3,059,000

	Note	2010 Rupees	2009 Rupees
39 TAXATION			
Current taxation	39.1	4,331,997	1,062,492
Deferred taxation		(868,104)	-
		3,463,893	1,062,492
39.1	In view of tax losses, tax charge for the year is based on with-holding tax deduction , which is deemed to be the final discharge of tax liability under the presumptive tax regime. Hence the reconciliation between tax charge and accounting profit has not been given.		
40 LOSS PER SHARE - BASIS AND DILUTED			
Loss for the year after taxation (Rupees)		(115,298,416)	(247,778,887)
Number of ordinary shares		44,100,000	44,100,000
Loss per share (Rupees)		(2.61)	(5.62)
40.1	No figure for diluted earnings per share has been computed as the Company has not issued any instrument which would dilute its earnings per share.		
41 TRANSACTIONS WITH RELATED PARTIES			
The related parties and associated undertakings comprise, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:			
		2010 Rupees	2009 Rupees
Associated companies:			
Transactions during the year			
Return on finances received		363,871	1,068,041
Guarantee commission earned		-	1,281,450
Profit paid on certificates of deposit		639,972	639,972
Chairman's secretariat expenses		3,600,000	3,600,000
Balance at year end			
Advances outstanding		76,456,349	24,624,931
Letter of guarantee outstanding		-	53,940,000
Certificates of deposit outstanding		6,095,003	6,095,003
Other receivable		1,871,656	3,127,230
Directors:			
Transactions during the year			
Profit paid on certificates of deposit		15,521,249	23,955,664

	Note	2010 Rupees	2009 Rupees
Balance at year end			
Certificates of deposit outstanding		116,050,000	115,650,000
Other receivable	18.1.1	6,653,021	6,668,430
Executives:			
Transactions during the year			
Return on finances received		853,804	571,686
Profit paid on certificates of deposit		407,405	1,596,472
Fixed assets sold		1,803,296	291,528
Balance at year end			
Advances outstanding		1,954,046	12,319,787
Certificates of deposit outstanding		2,560,000	4,282,117
Other receivable		78,569	24,500
Others:			
Transactions during the year			
Contribution to staff retirement benefits plan		1,643,663	3,142,759

42 SEGMENTAL ANALYSIS

The Bank's activities are broadly categorized into two primary business segments namely financing activities and investment activities within Pakistan:

Financing activities

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing.

Investment activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Bank's liquidity.

For the year ended 30 June 2010			
	Financing activities	Investing activities	Total
Profit on financing	31,760,855	-	31,760,855
Mark-up on lease finance	2,910,848	-	2,910,848
Return on placements	-	4,353,218	4,353,218
Return on investments	-	125,288,269	125,288,269
Fee and commission	-	1,900,900	1,900,900
Total income for reportable segments	34,671,703	131,542,387	166,214,089
Finance costs	35,424,470	134,398,340	169,822,810
Administrative and other operating expenses	24,687,951	93,664,626	118,352,577
Provision for doubtful financing - reversed	(3,356,546)	-	(3,356,546)
Segment result	(22,084,172)	(96,520,579)	(118,604,752)
Other operating income			6,770,229
Loss before taxation			(111,834,523)
Segment assets	221,965,511	879,246,345	1,101,211,856
Unallocated assets			561,774,815
			1,662,986,671
Segment liabilities	97,552,966	286,346,697	383,899,664
Unallocated liabilities			912,794,686
Equity			366,292,322
			1,662,986,671

For the year ended 30 June 2009			
	Financing activities	Investing activities	Total
Profit on financing	26,768,024	-	26,768,024
Mark-up on lease finance	5,850,715	-	5,850,715
Return on placements	-	92,000,694	92,000,694
Return on investments	-	119,912,770	119,912,770
Fee and commission	-	4,192,993	4,192,993
Total income for reportable segments	32,618,739	216,106,457	248,725,196
Finance costs	37,430,936	242,923,062	280,353,998
Administrative and other operating expenses	21,261,683	140,863,415	162,125,098
Impairment against Investment in Equity Securities	-	94,399,335	94,399,335
Provision for doubtful financing	3,802,669	-	3,802,669
Segment result	(29,876,548)	(262,079,356)	(291,955,904)
Other operating income			45,239,509
Loss before taxation			(246,716,395)

As at 30 June 2009			
	Financing activities	Investing activities	Total
Segment assets	196,213,329	1,185,319,486	1,381,532,815
Unallocated assets			594,696,405
			<u>1,976,229,220</u>
Segment assets	94,056,822	447,252,073	541,308,895
Unallocated liabilities			953,329,587
Equity			481,590,738
			<u>1,976,229,220</u>

43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits, to the executives of its subsidiary amounting to Rs. 2,149,327 are as follows:

	Chief Executive			Directors		Executives	
	2010	2009	2010	2009	2010	2009	
	CEO Rupees	Ex-CEO Rupees	Rupees	Rupees	Rupees	Rupees	
Managerial remuneration	1,346,136	6,685,969	10,471,406	1,345,032	2,166,996	8,831,805	10,326,786
House rent allowance	-	-	-	3,232,491	3,096,998	3,532,723	4,130,714
Utilities	-	270,000	235,022	494,505	576,700	883,197	1,032,693
Bonus/commission	-	-	2,067,265	-	689,088	-	2,505,658
Leave encashment	-	700,552	1,799,312	-	-	529,000	-
Retirement benefits	-	668,595	1,047,144	-	-	819,808	904,17
	<u>1,346,136</u>	<u>8,325,116</u>	<u>15,620,149</u>	<u>5,072,028</u>	<u>6,529,782</u>	<u>14,596,533</u>	<u>18,899,998</u>
Number of persons	1	1	1	1	1	8	10

The Ex-CEO left the company on 31 March 2010.

In addition to above the Chief Executive, Executive Director and Executives were provided with use of Company maintained cars and reimbursement of medical expenses.

44 LIQUIDITY RISKS

Liquidity risk is the risk that the Company will encounter difficulties 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 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:

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 2010				
ASSETS				
Fixed capital expenditure	95,376,028	449,615	16,031,824	78,894,589
Cards and rooms	84,955,000	-	-	84,955,000
Deferred tax asset	76,475,390	-	76,475,390	-
Net investment in lease finance	21,632,988	15,855,353	5,777,635	-
Investments	589,844,904	58,901,569	530,943,335	-
Finances	200,332,523	188,934,766	10,632,752	765,005
Loan, advances, deposits, prepayments and other receivables	374,862,084	368,587,446	759,438	5,515,200
Placements	200,000,000	200,000,000	-	-
Cash and bank balances	19,507,754	19,507,754	-	-
	1,662,986,671	852,236,503	640,620,374	170,129,794
LIABILITIES				
Term finance certificates	330,443,862	166,534,000	163,909,862	-
Obligation under finance lease	4,980,797	4,980,797	-	-
Short term borrowings	304,763,104	304,763,104	-	-
Certificates of deposit	558,182,268	302,268,956	255,913,312	-
Long term security deposit	10,783,463	6,865,563	3,917,900	-
Trade and other payables	51,301,448	51,301,448	-	-
Provision for taxation	29,415,529	29,415,529	-	-
	1,289,870,471	866,129,397	423,741,074	-
NET ASSETS	373,116,200	(13,892,894)	216,879,300	170,129,794
Represented by:				
SHARE CAPITAL AND RESERVES	366,292,322			
SURPLUS ON REVALUATION OF INVESTMENTS	6,823,878			
	<u>373,116,200</u>			

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 2009				
ASSETS				
Fixed capital expenditure	113,780,069	-	29,292,259	84,487,810
Cards and rooms	84,105,000	-	-	84,105,000
Deferred tax asset	75,962,978	-	75,962,978	-
Net investment in lease finance	35,451,525	13,686,228	21,765,297	-
Investments	716,536,505	171,598,808	7,859,548	537,078,149
Finances	158,915,656	123,590,035	34,463,117	862,504
Loan, advances, deposits, prepayments and other receivables	-	-	-	-
	388,256,598	377,908,913	6,437,485	3,910,200
Placements	380,000,000	380,000,000	-	-
Cash and Bank Balances	23,220,889	23,220,889	-	-
	1,976,229,220	1,090,004,873	175,780,684	710,443,663
LIABILITIES				
Term finance certificates	541,201,281	212,330,715	328,870,566	-
Obligation under finance lease	5,957,854	976,272	4,981,582	-
Short term borrowings	438,563,476	438,563,476	-	-
Certificates of deposit	391,387,220	206,928,591	184,458,629	-
Long term security deposit	12,771,856	-	12,771,856	-
Trade and other payables	68,762,072	68,762,072	-	-
Provision for taxation	28,715,532	28,715,532	-	-
	1,487,359,291	956,276,658	531,082,633	-
NET ASSETS	488,869,929	133,728,215	(355,301,949)	710,443,663
Represented by:				
SHARE CAPITAL AND RESERVES	481,590,738			
SURPLUS ON REVALUATION OF INVESTMENTS	7,269,191			
	488,859,929			

45 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

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 management attempts to control credit risk through monitoring credit exposures, limiting transactions with specific counterparties, and continuous assessing of the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties 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.

45.1 Segment information

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2010	2009	2010	2009	2010	2009
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
Chemical and pharmaceuticals	11.80	10.10	-	-	-	-
Agribusiness	4.57	8.72	-	-	-	-
Textile	5.09	7.90	-	-	-	-
Sugar	8.31	12.89	-	-	-	-
Financial Institutions	29.00	-	3.90	5.40	-	-
Insurance	-	-	0.09	0.12	-	-
Electronics and electrical appliances	25.08	12.95	-	-	-	85.69
Steel & allied products	0.39	-	-	-	-	-
Individuals	9.60	28.42	91.04	90.10	-	14.31
Engineering and Construction	5.47	15.71	0.17	1.81	-	-
Sports	-	0.34	0.48	-	-	-
Communications	0.19	2.84	-	0.12	-	-
Non-Government Organizations	-	-	4.11	1.47	-	-
Others	0.50	0.47	0.35	0.50	-	-
	100.00	100.00	100.00	100.00	-	100.00

45.2 Geographical Segment

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

46 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest will affect the value of financial instruments. Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities that mature or reprice in a given period.

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

Description	Total	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2010					
FINANCIAL ASSETS					
Investments	589,844,904	58,901,569	530,943,335	-	-
Net investment in lease finance	10,849,525	8,989,790	1,859,735	-	-
Finances	200,332,523	188,934,766	10,632,752	765,005	-
Loan, advances, deposits and other receivables	35,259,483	16,307,143	-	-	18,952,340
Placements	200,000,000	200,000,000	-	-	-
Cash and bank balances	19,507,754	18,779,327	-	-	728,428
	1,055,794,189	491,912,595	543,435,822	765,005	19,680,768
FINANCIAL LIABILITIES					
Term finance certificates	330,443,862	166,534,000	163,909,862	-	-
Obligation under finance lease	361,497	361,497	-	-	-
Short term borrowings	304,763,104	304,763,104	-	-	-
Certificates of deposit	558,182,268	302,268,956	255,913,312	-	-
Trade and other payables	51,301,448	20,323,781	-	-	30,977,667
	1,245,052,179	794,251,338	419,823,174	-	30,977,667
Total Interest rate sensitivity gap		(302,338,743)	123,612,648	765,005	
Cumulative interest rate sensitivity gap		(302,338,743)	(178,726,095)	(177,961,090)	
As at 30 June 2009					
FINANCIAL ASSETS					
Investments	716,536,505	11,027,576	7,859,548	537,078,149	160,571,232
Net investment in lease finance	22,679,669	13,686,228	8,993,441	-	-
Finances	158,915,656	123,590,035	34,463,117	862,504	-
Loan, advances, deposits and other receivables	25,974,670	4,677,981	-	-	21,296,689
Placements	380,000,000	380,000,000	-	-	-
Cash and bank balances	23,220,889	19,988,762	-	-	3,232,127
	1,327,327,389	552,970,582	51,316,106	537,940,653	185,100,048
FINANCIAL LIABILITIES					
Term finance certificates	541,201,281	212,330,715	328,870,566	-	-
Obligation under finance lease	1,338,554	976,272	362,282	-	-
Short term borrowings	438,563,476	438,563,476	-	-	-
Certificates of deposit	391,387,220	206,928,591	184,458,629	-	-
Trade and other payables	68,124,792	30,477,677	-	-	37,647,115
	1,440,615,323	889,276,731	513,691,477	-	37,647,115
Total Interest rate sensitivity gap		(336,306,149)	(462,375,371)	537,940,653	
Cumulative interest rate sensitivity gap		(336,306,149)	(798,681,520)	(260,740,867)	

Mark-up rates are mentioned in the respective notes to the accounts.

46.1 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 Group is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2007. The existing minimum capital requirements of Rs. 500 million has been extended till 30 June 2011. However, the Group is required to raise further raise its equity to Rs. 700 million and Rs. 1 billion till 30 June 2011 and 30 June 2013 respectively..

Additionally, the Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio calculated as total debt to equity.

The debt-to-equity ratios at 30 June 2010 and at 30 June 2009 were as follows:

	2010 Rupees	2009 Rupees
Total debt	602,818,159	531,082,633
Total equity	373,116,200	488,859,929
Debt-to-equity ratio	1.62	1.09

The decreases in the debt-to-equity ratio during 2010 resulted primarily from repayment of Term Finance Certificates and Certificate of Deposits during the year amounting to Rs. 91.79 million and Rs. 155.72 million.

47 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.

48 FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES

As no relief was given or loan written off during the year under review, the information for Statements required to be filed under Section 33A of the Banking Companies Ordinance, 1962 is "Nil".

49 SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2010, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 October 2010 by the Board of Directors of the Company.

51 GENERAL

- i) Figures have been rounded off to the nearest rupee.



Chief Executive Officer



Director

Pattern of Shareholding

as at June 30, 2010

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD	PERCENTAGE OF TOTAL CAPITAL	
	FROM	TO			
57	1	-	100	1,997	0.00
66	101	-	500	26,512	0.06
73	501	-	1000	66,842	0.15
131	1001	-	5000	361,546	0.82
32	5001	-	10000	245,767	0.56
14	10001	-	15000	180,741	0.41
9	15001	-	20000	170,546	0.39
7	20001	-	25000	165,000	0.37
1	25001	-	30000	25,462	0.06
1	30001	-	35000	31,025	0.07
1	35001	-	40000	36,975	0.08
3	40001	-	45000	129,075	0.29
4	45001	-	50000	197,700	0.45
1	50001	-	55000	55,000	0.12
3	55001	-	60000	180,000	0.41
1	60001	-	65000	62,150	0.14
1	65001	-	70000	68,000	0.15
3	75001	-	80000	229,114	0.52
5	95001	-	100000	498,661	1.13
1	105001	-	110000	109,515	0.25
1	135001	-	140000	135,718	0.31
2	145001	-	150000	297,000	0.67
1	160001	-	165000	160,500	0.36
1	195001	-	200000	200,000	0.45
1	270001	-	275000	272,000	0.62
1	295001	-	300000	299,750	0.68
1	300001	-	305000	302,500	0.69
1	465001	-	470000	467,775	1.06
1	610001	-	615000	610,973	1.39
1	645001	-	650000	647,030	1.47
1	660001	-	665000	663,500	1.50
1	800001	-	805000	804,525	1.82
1	820001	-	825000	825,000	1.87
1	1180001	-	1185000	1,184,092	2.69
1	2515001	-	2520000	2,518,110	5.71
1	3270001	-	3275000	3,274,000	7.42
1	3295001	-	3300000	3,299,145	7.48
1	3380001	-	3385000	3,383,467	7.67
1	4705001	-	4710000	4,709,947	10.68
1	17200001	-	17205000	17,203,340	39.01
435				44,100,000	100.00

Categories	No. of Shareholders	Shares Held	Percentage
Individuals	409	21,292,803	48.28
Joint stock Companies	17	20,729,084	47.00
Financial Institutions	4	1,235,544	2.80
Insurance Companies	2	94,336	0.21
Modarabas and Mutual Funds	3	748,233	1.70
	435	44,100,000	100

Information as Required by Code of Corporate Governance as at June 30, 2010

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children			
Bashir Ahmed	1	4,709,947	10.6802
Shazia Bashir	1	3,383,467	7.6723
Darakshan Bashir	1	2,518,110	5.7100
Mutahir Ahmed	1	160,500	0.3639
Bairam Qureshi	1	1,102	0.0025
Zulfiqar Ali Khan	1	500	0.0011
Tajamul Hussain Bokharee	1	500	0.0011
Associated Companies, Undertakings and Related Parties			
M/s Essem Power (Pvt) Limited	1	17,203,340	39.0098
Banks, Development Financial Institutions, Non Banking Financial Institutions			
	4	1,235,544	2.8017
Insurance Companies			
	2	94,336	0.2139
Modarbas and Mutual Funds			
	3	748,233	1.6967
General Public (Local)			
	402	10,518,677	23.8519
Others			
	4	209,001	0.4739
Joint Stock Companies			
	12	3,316,743	7.5210
	435	44,100,000	100

SHAREHOLDERS HAVING MORE THAN 10% VOTING RIGHTS

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
BASHIR AHMED	1	4,709,947	10.6802

Form of Proxy

I/We, _____

of _____

Escorts Investment Bank Limited appoint

Mr./Mrs./Ms. _____

_____ of _____

as my proxy to vote for me/us and on my / our behalf at the Annual General Meeting to be held on 28th day of October 2010 at 10:00 a.m. and at any adjournment thereof.

As witnessed under my/our hand this _____ day of _____ 2010.

_____ signed by _____

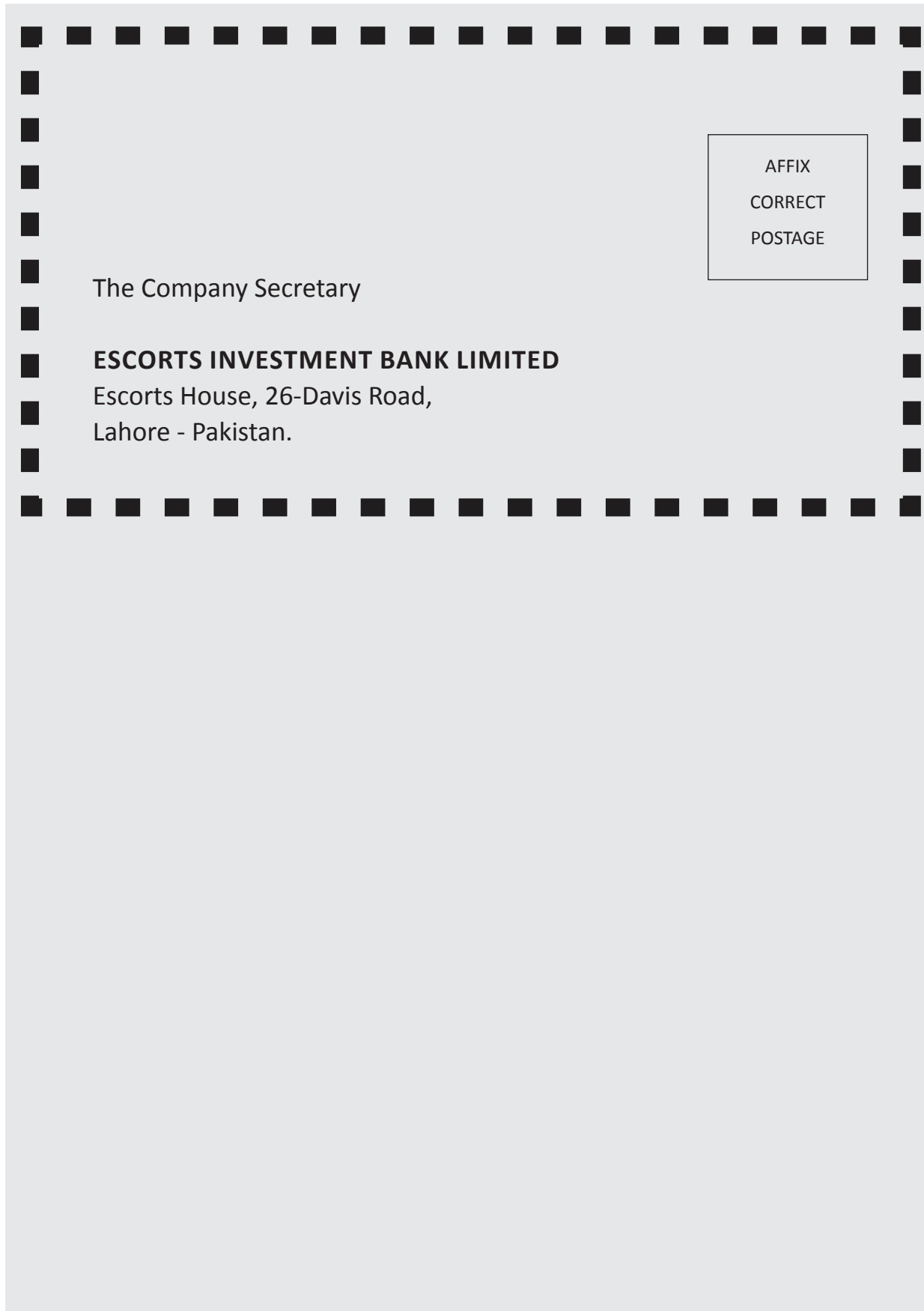
in presence of _____

Signature and address of the witness

Signature and address of the witness

Please affix
Revenue
Stamp

Signature of member



The Company Secretary

ESCORTS INVESTMENT BANK LIMITED
Escorts House, 26-Davis Road,
Lahore - Pakistan.

AFFIX
CORRECT
POSTAGE