

ANNUAL

ESCORTS

BANK

REPORT

2011

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



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Corporate Information

BOARD OF DIRECTORS

Chairman

Bairam Qureishy

President & Chief Executive Officer

Shazia Bashir

Directors

Bairam Qureishy

Mutahir Ahmed

Tajamul Hussain Bokharee

Zulfiqar A. Khan

Company Secretary / Chief Financial Officer

Kamran Hafeez

EXECUTIVE MANAGEMENT

President & Chief Executive Officer

Shazia Bashir

Head of Branch Network

Azmat Baig

Head of Proprietary Investments

Hassan Abid Zaidi

Head of MIS

Kamran Chughtai

AUDIT COMMITTEE

Chairman

Bairam Qureishy

Members

Tajamul Hussain Bokharee

Mutahir Ahmed

Secretary

Kamran Hafeez

Internal Auditors

Nasir Javaid Maqsood Imran Ashfaq
Chartered Accountants

External Auditors

Zahid Jamil & Company
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
Askari Bank Limited
NIB Bank Limited

Financial Statements

30 June 2011

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK LIMITED** will be held on Wednesday November 30, 2011 at 12:00 noon 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, 2011 together with the Directors' and Auditors' report thereon;
2. To appoint External Auditors and fix their remuneration for the year ending June 30th, 2012.

OTHER BUSINESS:

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

By ORDER OF THE BOARD

Kamran Hafeez
Company Secretary

Dated: November 08, 2011

Notes:

1. The share transfer books shall remain closed from November 22, 2011 to November 29, 2011 (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 November 21, 2011 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 review for the year ended June 30, 2011. I took office on April 01, 2010 replacing the out going CEO Mr. Rashid Mansoor. I would wish to update you all on the initiatives taken by me and the results thereof.

When I took over as CEO, the Company was in heavy losses. The total loss for previous two years amounted to Rs. 245.6 million. For the financial years 2009 and 2010 the net loss of the Company was Rs. 166.2 million and Rs. 79.4 million respectively. I realized the gravity of the situation and forthwith carried out a detailed review in order to formulate a plan for Company's strategic re-direction. Without wasting any time, I initiated income diversification and cost rationalization plans simultaneously. I also gave particular attention on not compromising revenues whilst reducing the operating expenses. Tough decisions had to be made and optimum utilization of human and capital resources was sought. I cannot say that everything has been achieved but our hard work, commitment and perseverance have started to payoff albeit not to the full extent of my expectations.

To summarize the performance, the average per year loss of Rs. 166.2 million has reduced to Rs. 31 million in the period under review. The Company incurred a loss of Rs. 21.8 million the first quarter of the year ended June 30, 2011. This was because the revised strategy was only beginning to be implemented and the results of that started to display its positive effects in the subsequent periods. This clearly shows that the plans were not only made, but were also being implemented with strict compliance of benchmarks and timely accomplishment of milestones. The per month loss which was Rs. 13.8 million in financial year ended June 2009 and Rs. 6.5 million in financial year ended June 2010 has reduced to Rs. 1 million in the last nine months of the financial year ended June 2011. This reduction in loss of 92% if compared with 2009 and 84% if compared with 2010 is a success story in itself and unmatched in the industry.

I have not compromised risk whilst embarking on additional revenue generating initiatives. There is no addition in non performing portfolio of the Company and there are no toxic assets on the books of the Company. In addition, certain non-earning assets have been converted into earning assets through effective recovery procedures. The revenue side has shown significant improvement and income from placements and profit form financing have increased by Rs. 72 million (up 1800%) and Rs. 11 million (up 23%) respectively. Similarly fees and commission income which was negligible in the past has shown substantial improvement during the year.

I also would like to highlight that the true financial performance of your Company is comparable to that of any competitor in the marketplace. I believe that the economic conditions would improve going forward and your Company would be in far better a position to reap the benefits of anticipated improvements in the economy. I expect that the return on equity of your Company would be higher than its peers because of highly efficient operating environment.

Lastly I wish to congratulate and 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: November 4, 2011

Director's Report

The Board of Directors of Escorts Investment Bank Limited takes pleasure in presenting before you, the Annual Report 2011 together with the Audited Financial Statements for the year ended June 30, 2011.

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:

	2011 Rupees	2010 Rupees
Loss before provisions and taxation	(34,342,718)	(82,954,713)
Less: Provision for /(reversal) of doubtful finances and receivables	(321,482)	(3,356,546)
Loss before taxation	(34,021,236)	(79,598,167)
Taxation	2,942,978	168,104
Loss after taxation	(31,078,258)	(79,430,063)

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

During the year the Company incurred a loss of Rs. 31.0 million as compared to the loss of Rs. 79.4 million in the corresponding period of the preceding year. This phenomenal reduction of 60% in net loss of the Company displays that the initiatives taken by management have started to translate into financial results.

The total revenue of your Company has increased from Rs. 182.3 million in preceding year to Rs. 239.6 million in the financial year ended June 30, 2011. This 31% increase pertains primarily to increase in return on placements, which has increased from Rs. 4.3 million in the preceding year to Rs. 76.5 million in the period under review. Income from financing has also increased by 23% compared to previous year. The fees and commission income has also started to contribute to the bottom line. It is pertinent to note that revenue has increased without a corresponding increase in the administrative and other expenses which

have shown a decrease of 32%. The administrative and other operating expenses have reduced to Rs. 62 million in the financial year ended June 30, 2011 from Rs. Rs. 92 million in the corresponding period of the preceding year. This reduction in the Company'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 Company going forward.

It is obvious from the above stated facts that the Company is in consolidation phase and the cost rationalization measures have, rather than compromising revenue generation capacity of the Company,. increased total income and resultantly hugely improving operational efficiencies.

Loss Per Share

Loss per share of your Company has been Rs. (0.70) as compared to Rs. Rs. (1.8) last year. Significant increase in revenues and reduction in operating costs have contributed to this 57% in loss per share. It is expected that the anticipated improved revenues, particularly from spread and fee based initiatives, would enable your Company to post profits in the coming years.

Credit Rating

The Pakistan Credit Rating Agency (PACRA) assigned the long-term credit rating of the Company as "A-" and the short-term rating as "A2" dated 18 February 2011.

Subsequent to balance sheet date, the Company entered into negotiations with the investors of its TFCs with a view to improve the liquidity position and to reduce related borrowing cost. We are pleased to report that the Company has successfully rescheduled its TFC obligations, which is expected to result in reduction of the Company's financial cost and translate into improvement in the bottom line of your Company.

Pakistan Credit Rating Agency (PACRA) downgraded the entity ratings of the Company to "BBB-" and "A3" respectively on September 22, 2011 because of the reason that the Company initiated the process of renegotiation of its TFC obligations with the TFC holders.

The Board of Directors is confident that as a result of this successful rescheduling, the Entity Credit Rating of your Company would improve going forward.

Board Meetings

The Board presently comprises of two executive and four non executive directors. Three casual vacancies occurred during the year, which are being 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	1
Ms. Shazia Bashir	4	4
Mr. Tajamal Hussain Bokharee	4	2
Mr. Bairam Qureishy	4	4
Mr. Mutahir Ahmed	4	4
Mr. Zulfiqar Ali Khan	4	4
Mr. Shaharyar Ahmed	4	1

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

Pattern of shareholding

There were 436 shareholders of the Company as at 30 June 2011. 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 Company operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Company 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, 2011 works out to Rs. 8.84 million and cash at bank balances amount to Rs. 1.94 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 2011.

Internal Audit Function

The Company has a very sound Internal Audit Function outsourced to M/s Nasir Javaid Maqsood Imran, Chartered Accountants. The Audit Committee meets on a regular basis to review efficiency and effectiveness of the Internal Audit Function.

Auditors

The Company's external auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants have resigned on August 10, 2011 because of their perceived inability to finish the audit assignment within the targeted time. The Board of Directors appointed M/s Zahid Jamil & Co, Chartered Accountants as auditors of the Company. M/s Zahid Jamil & Co Chartered Accountants retire and 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 and education through its projects including Home Schools Project and Smokeless Stove Project.

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 Company has also established procedures for the occupational safety and health and business ethics and anti corruption measures.

Future Outlook

The Board of Directors is pleased to represent that the revenue and cost structure of the Company is now rationalized to a level where the Company is working at significantly increased efficiency level. With a significant reduction in the administrative cost structure, optimum utilization of resources is being achieved. This structure has now put the Company on track to earn revenues that are relatively less exposed to market risk. The treasury function is expected to continue to contribute significant revenues in coming years. The fee based initiatives including incoming home remittances business and loan restructuring and recovery assignments shall also add to the future profitability of the Company. The Company is also in negotiations with a few organizations for the outsourcing of certain functions of the latter to the former. The Board is hopeful that the subsequent periods would display improved financial position, financial performance and cash flows for the Company.

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 Company for their commitment, hard work and cooperation throughout the year. The Company recognizes and records its gratitude for all their efforts.

For and on behalf of Board

Shazia Bashir
President and Chief Executive Officer

Director

Lahore: November 4, 2011

Financial Highlights

Last Eight Years of Escorts Bank At a Glance

	(Rupees in '000')							
	2011	2010	2009	2008	2007	2006	2005	2004
FINANCIAL DATA								
Share Capital	441,000	441,000	441,000	441,000	441,000	441,000	300,000	300,000
Share Deposit Money	-	-	-	-	-	-	85,795	-
Reserves	45,895	76,973	156,403	410,850	361,233	319,269	154,218	114,816
Shareholders' Equity	486,895	517,973	597,403	851,850	802,233	760,269	540,013	414,816
Deposits	691,974	580,862	413,733	1,327,061	2,081,408	1,480,153	1,099,510	1,129,757
Borrowings from Financial Institutions	809,821	304,763	438,563	2,983,208	2,770,032	2,206,358	2,307,443	1,060,029
Total Liabilities	1,877,980	1,307,045	1,510,240	5,645,060	5,132,427	4,115,488	3,661,020	2,368,842
Tangible Fixed Assets	110,296	122,008	137,981	166,115	159,142	136,629	123,898	23,220
Intangible Fixed Assets	2,311	-	-	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	318,710	250,393	158,915	281,673	351,638	342,733	746,860	481,396
Net Investment in Finance Lease	11,846	21,633	35,451	72,272	64,949	30,948	-	-
Investments & Placements	1,351,149	789,845	1,096,536	4,631,475	4,671,168	3,710,283	2,266,564	1,899,916
Total Assets	2,364,876	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	239,698	182,339	356,524	837,164	841,512	716,284	488,658	239,434
Markup Expense	197,796	159,061	270,646	482,477	472,673	306,870	158,418	85,142
Operating & Other Expenses	75,832	103,498	153,678	251,038	226,953	200,688	149,825	71,678
Provision against Non-Performing Loans	(321)	(3,357)	3,802	9,134	684	10,772	26,345	6,159
(Loss)/profit before Tax	(34,021)	(79,598)	(166,002)	94,512	141,201	197,955	134,071	76,456
(Loss)/profit after Tax	(31,078)	(79,430)	(166,247)	137,817	130,164	186,051	129,401	73,622
Dividend (%)	-	-	-	20.00	20.00	20.00	20	15
FINANCIAL RATIOS								
(Loss)/earnings per Share (Rs.)	(0.70)	(1.80)	(3.77)	3.13	2.95	4.44	3.77	3.05
Net Asset Value per Share (Rs.)	11.04	11.74	13.54	19.32	18.19	17.24	15.14	13.83
Market Value per Share (Rs.)	1.80	2.89	2.40	12.68	16.40	16.00	10.60	14.90
High	3.85	4.30	11.99	20.10	17.40	21.55	21.50	17.20
Low	1.10	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 (%)	(14.19)	(43.65)	(46.63)	11.29	16.78	27.64	27.44	31.93
Revenue to Expenses (Times)	0.87	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	0.10	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)	0.60	1.70	2.33	5.06	6.05	4.85	6.31	5.28
Total Liabilities to Equity (Times)	3.86	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 four 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. Three Casual vacancies occurred in the Board of Directors during the year which were filled.
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 Nasir Javaid Maqsood Imran Ashfaq Chartered Accountants. A team of suitably qualified and experienced personnel who are conversant with the policies 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

Director

Lahore: November 4, 2011

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ESCORTS INVESTMENT BANK LIMITED** to comply with the listing regulation No. 35 of Karachi Stock Exchange and Lahore Stock Exchange where the Company is listed.

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi and Lahore Stock Exchanges require 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 for the year ended June 30, 2011.

Lahore

Date: November 4, 2011

Engagement Partner: Muhammad Amin

Zahid Jamil & Company

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 2011

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: November 4, 2011

Auditors' Report to the Members

We have audited the annexed balance sheet of **ESCORTS INVESTMENT BANK LIMITED** ("the company") as at JUNE 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of 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;
 - 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 JUNE 30, 2011 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.

Without qualifying our opinion, we draw attention to:

- (i.) note # 2.2. to the accompanying financial statements which indicate that the company's equity as at June 30, 2011 has fallen below the minimum equity required under regulation 4 of NBFC and Notified Entities Regulations 2008, and
- (ii.) the fact that comparative financial statements for the year ended June 30, 2010 were audited by another firm of chartered accountants whose report dated October 04, 2010 expressed an unqualified opinion on those financial statements.

Lahore
Date: November 04, 2011
(Engagement Partner: Muhammad Amin)

Zahid Jamil & Company
Chartered Accountants

Balance Sheet

as at 30 June 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non-current Assets			
Fixed assets	6	79,157,239	90,657,797
Cards and rooms	7	33,450,000	33,450,000
Long term investment in subsidiary company	8	175,004,000	175,004,000
Long term investments	9	157,234,280	530,943,335
Long term finances	10	118,675,095	61,397,756
Net investment in lease finance	11	1,087,592	5,777,635
Long term loans and advances	12	892,189	703,438
Long term deposits and prepayments	13	2,827,226	711,200
Deferred tax asset	14	82,481,269	76,475,390
Current Assets			
Current maturities of non-current assets	15	462,878,570	89,738,002
Short term investments	16	32,850,804	54,876,119
Short term finances	17	117,525,245	125,771,994
Short term placements	18	796,533,715	200,000,000
Advances	19	2,628,480	532,085
Short term deposits and prepayments	20	17,379,404	2,389,875
Interest accrued		28,272,191	21,613,647
Other receivables	21	18,612,060	19,611,986
Tax refunds due from government		219,944,925	325,869,609
Cash and bank balances	22	17,441,234	9,493,983
		1,714,066,628	849,897,300
		2,364,875,518	1,825,017,851
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	23	441,000,000	441,000,000
Reserves	24	45,894,888	76,973,146
		486,894,888	517,973,146
(Deficit)/Surplus on revaluation of investment	25	(2,498,330)	6,823,878
Non-Current Liabilities			
Term finance certificates	26	-	163,909,862
Liabilities against assets subject to finance lease	27	-	-
Long term certificates of deposit	28	117,263,665	255,913,312
Long term security deposit	29	539,465	3,917,900
Current Liabilities			
Current maturities of non-current liabilities	30	315,694,798	189,860,548
Short term borrowings	31	809,820,762	304,763,104
Running finance - Secured	32	50,000,600	-
Short term certificates of deposit	33	431,960,826	313,469,222
Accrued markup	34	20,455,206	20,323,778
Trade and other payables	35	102,620,899	18,647,572
Provision for taxation	36	32,122,739	29,415,529
		1,762,675,830	876,479,753
Contingencies and Commitments	37	-	-
		2,364,875,518	1,825,017,851

The annexed notes 1 to 55 form an integral part of these financial statements.

Profit and Loss Account

for the year ended 30 June 2011

	Note	2011 Rupees	2010 Rupees
INCOME			
Profit on financing	38	59,075,321	48,916,006
Mark-up on lease finance		1,041,404	2,910,848
Return on placements	39	76,501,100	4,353,218
Return on investments	40	94,193,245	120,723,419
Fees and commission		4,012,000	6,000
Profit on bank deposits		1,348,623	1,816,812
Other income		3,526,577	3,612,667
		239,698,270	182,338,970
EXPENSES			
Return on certificates of deposit		84,324,847	64,219,351
Return on term finance certificates		37,304,824	62,484,241
Mark-up on short term running finance		1,746,376	91,245
Mark-up on borrowings from financial institutions		74,420,572	32,266,721
Amortization of premium on held to maturity investments		13,204,346	12,218,197
Administrative and other operating expenses	41	62,496,972	91,007,481
Impairment on available for sale investments		412,303	2,733,412
Other financial charges		130,748	273,035
		274,040,988	265,293,683
Operating loss before provisions and taxation		(34,342,718)	(82,954,713)
Provision for doubtful finances		(321,482)	(3,356,546)
Loss before taxation		(34,021,236)	(79,598,167)
Taxation - net	42	2,942,978	168,104
Loss after taxation		(31,078,258)	(79,430,063)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(31,078,258)	(79,430,063)
Loss per share-basic and diluted	43	(0.70)	(1.80)

The annexed notes 1 to 55 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2011

	2011 Rupees	2010 Rupees
Cash flow from operating activities		
Loss before taxation	(34,021,236)	(79,598,167)
Adjustment for non cash expenses and other items:		
Dividend Income	(43,225,584)	(16,978,959)
Depreciation on property and equipment	11,215,195	15,126,779
Amortization on intangible assets	288,860	-
Provision for doubtful finances	(321,482)	(3,356,546)
Amortization of premium on held to maturity investments	13,204,346	12,218,197
Amortization of issuance cost of listed TFCs	1,573,296	1,573,296
Gain on sale of fixed assets	(1,098,093)	(3,300,096)
Impairment loss on available for sale investments	412,303	2,733,412
	(17,951,159)	8,016,083
	(51,972,395)	(71,582,084)
Decrease/ (Increase) in operating assets		
Disbursements of finances - net	(68,055,907)	(88,060,320)
Net investment in lease finance	7,005,096	11,830,145
Placements	(596,533,715)	180,000,000
Investments - net	11,935,111	111,650,371
Long term and short term advances	(2,032,619)	753,965
Interest Accrued	(6,658,544)	(15,417,500)
Other receivables	999,926	16,823,261
Deposits and prepayments	(20,363,566)	7,033,455
	(673,704,218)	224,613,377
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	505,057,658	(133,800,372)
Certificates of deposit	111,111,486	167,129,269
Running finance facilities	50,000,600	-
Accrued markup	131,428	(12,245,587)
Trade and other payables	83,973,595	(10,810,435)
	750,274,767	10,272,875
Net changes in operating assets and liabilities	76,570,549	234,886,252
Net cash generated from operating activities before taxes	24,598,154	163,304,168
Tax refund / paid	105,924,684	19,693,516
Net cash generated from operating activities	130,522,838	182,997,684

	Note	2011 Rupees	2010 Rupees
Cash flow from investing activities			
Fixed capital expenditure incurred		(657,500)	(1,545,132)
Dividend received		43,225,584	16,978,959
Proceeds from sale of fixed assets		1,752,096	5,641,977
Investment in cards and rooms		-	(750,000)
Net cash generated from investing activities		44,320,180	20,325,804
Cash flow from financing activities			
Redemption of term finance certificates		-	(45,796,715)
Redemption of listed term finance certificates		(166,534,000)	(166,534,000)
Dividend paid		(270)	-
Repayment of lease obligation		(361,497)	(977,057)
Net cash used in financing activities		(166,895,767)	(213,307,772)
Net increase / (decrease) in cash and cash equivalents		7,947,251	(9,984,284)
Cash and cash equivalents at the beginning of the year		9,493,983	19,478,267
Cash and cash equivalents at the end of the year		17,441,234	9,493,983

The annexed notes 1 to 55 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Changes in Equity

for the year ended 30 June 2011

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
Balance as at July 01, 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 loss	-	-	-	-
Total comprehensive loss	-	-	(79,430,063)	(79,430,063)
Balance as at June 30, 2010	441,000,000	154,050,085	(77,076,939)	517,973,146
Net loss for the year	-	-	(31,078,258)	(31,078,258)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(31,078,258)	(31,078,258)
Balance as at June 30, 2011	441,000,000	154,050,085	(108,155,197)	486,894,888

The annexed notes 1 to 55 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to the Financial Statements

for the year ended June 30, 2011

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, 2003. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

The Pakistan Credit Rating Agency (PACRA) has assigned the long-term credit rating of the Company as “A-” and the short-term rating as “A2” dated 18 February 2011. Subsequent to balance sheet date, the ratings have been downgraded to “BBB-” and “A3” respectively on September 22, 2011.

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, Escorts 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 shall 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 The financial statements of the company reflect that the equity of the company as at June 30, 2011 is Rs. 486.894 million which is below the minimum capital required under NBFC regulations 2008. The company is taking steps to ensure its compliance; these include working on option of equity injection.

The Company is also taking various initiatives to increase its fee and spread based income. These initiatives have already started to materialize and are expected to substantially contribute to the retained earnings going forward. The Company’s cost rationalization plan is complete, and as a result of that the administrative and other operating expenses have significantly reduced during the year (approximately 31%). The complete impact of this phased cost rationalization plan would be realized in the coming year. The management of the Company has prepared financial projections for a period of five years that envisage future profits.

Based on the above, the Company's management and the Board are confident that this equity shortfall would be fulfilled by future profits and planned equity injection.

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

IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contain a lease

IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited exemption from comparative IFRS 7 disclosure for first time adopters

IFRS 2 Share-based payment - Amendments relating to group cash-settled share-based payment transactions

IFRS 3 Business Combinations - Amendment resulting from improvement to IFRSs

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from improvement to IFRSs

IAS 1 Presentation of Financial Statements - Amendments resulting from improvements to IFRSs

IAS 7 Statement of Cash Flows - Amendments resulting from improvement to IFRSs

IAS 17 Leases - Amendments resulting from improvements to IFRSs

IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from improvements to IFRSs

IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues

IAS 36 Impairment of Assets - Amendments resulting from improvements to IFRSs

IAS 39 Financial Instruments; Recognition and Measurement - Amendments resulting from improvements to IFRSs

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements.

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 %
Free-hold 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 impairments, if any. Amortization is recorded when these assets are available for use using straight line method whereby the cost of an intangible asset is amortised 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 impairments, 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 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, Investments at fair value through profit and loss account and Investments Available for Sale 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 for 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 & 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 recognised 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 unrealised gain or loss from marking the derivatives using prevailing market rates at the balance sheet date. The unrealised gains are included in other assets while unrealised 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 are 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 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 judgements and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgements 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 36 and 14)
- 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)
IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from improvement to IFRSs	01-Jan-2011
IFRS 1 First-time Adoption of International Financial Reporting Standards - Replacement of fixed date for certain exemptions with a date of transition to IFRSs	01-Jul-2011
IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation	01-Jul-2011
IFRS 7 Financial Instruments: Disclosures - Amendments resulting from improvement to IFRSs	01-Jan-2011
IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosure about transfer of financial assets	01-Jul-2011
IFRS 9 Financial Instruments - Classification and Measurement	01-Jan-2013
IFRS 10 Consolidated Financial Statements	01-Jan-2013
IFRS 11 Joint Arrangements	01-Jan-2013
IFRS 12 Disclosure of Interest in Other Entities	01-Jan-2013
IFRS 13 Fair Value Measurement	01-Jan-2013
IAS 1 Presentation of Financial Statements - Amendment resulting from improvement to IFRSs	01-Jan-2011
IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented	01-Jul-2012

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IAS 12 Income taxes - Recovery of underlying assets	01-Jan-2012
IAS 19 Employee Benefits - Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	01-Jan-2013
IAS 24 Related Party Disclosures - Revised definition of related parties	01-Jan-2011
IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	01-Jan-2013
IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	01-Jan-2013
IAS 34 Interim Financial Reporting - Amendments resulting from improvement to IFRSs	01-Jan-2011
IFRIC 13 Customer Loyalty Programmes - Amendments resulting from improvement to IFRSs	01-Jan-2011
IFRIC 14 IAS 19 - The Limits on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (Amendments)	01-Jan-2011

	Note	2011 Rupees	2010 Rupees
6. FIXED ASSETS			
Tangible			
Property and equipment	6.1	76,846,099	88,557,797
Intangible assets	6.2	2,311,140	-
Capital work in progress			
Advance - Intangible	6.3	-	2,100,000
		79,157,239	90,657,797

6.1 Property and equipment

	Cost			Depreciation			Net book value as at 30 June 2011	
	As at 01 July 2010	Additions/ (disposals)	As at 30 June 2011	As at 01 July 2010	For the year	(Disposals)		As at 30 June 2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
Owned								
Free-hold premises	89,692,600	-	89,692,600	22,796,869	4,484,630	-	27,281,499	62,411,101
Lease-hold improvements	17,128,216	-	13,827,516	10,973,696	2,233,172	-	9,906,168	3,921,348
	-	(3,300,700)	-	-	-	(3,300,700)	-	-
Free-hold improvements	6,712,240	-	6,712,240	3,020,508	1,342,448	-	4,362,956	2,349,284
Office furniture and fixtures	5,051,821	-	4,480,617	2,213,102	444,420	-	2,336,631	2,143,986
	-	(571,204)	-	-	-	(320,891)	-	-
Computer equipments	7,294,802	157,500	7,352,802	7,017,698	241,505	-	7,159,703	193,099
	-	(99,500)	-	-	-	(99,500)	-	-
Office equipments	9,064,242	-	9,064,242	3,604,279	861,201	-	4,465,480	4,598,762
Vehicles	14,961,841	-	10,787,093	12,171,428	1,158,204	-	9,558,574	1,228,519
	-	(4,174,748)	-	-	-	(3,771,058)	-	-
	149,905,762	157,500	141,917,110	61,797,580	10,765,580	-	65,071,011	76,846,099
	-	(8,146,152)	-	-	-	(7,492,149)	-	-
Leased								
Vehicles	8,992,300	-	8,992,300	8,542,685	449,615	-	8,992,300	-
2011	158,898,062	(7,988,652)	150,909,410	70,340,265	11,215,195	(7,492,149)	74,063,311	76,846,099

	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	149,905,762	55,250,460	13,328,319	(6,781,199)	61,797,580	88,108,182
		(9,123,080)						
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

6.1.1 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 / (loss) Rupees	Mode of Disposal	Particulars of Purchaser
Vehicles	842,028	(701,690)	140,338	336,811	196,473	Company Policy	Sold to Mr. Muhammad Irfan - Ex FC
Vehicles	1,237,910	(1,237,910)	-	247,591	247,591	Company Policy	Sold to Mr. Arshad I. Khan - Ex EVP
Vehicles	1,161,150	(928,920)	232,230	232,230	-	Company Policy	Sold to Mr. Anum Saleem
Vehicles	933,660	(902,538)	31,122	373,464	342,342	Company Policy	Sold to Mr. Hassan Abid Zaidi
	4,174,748	(3,771,058)	403,690	1,190,096	786,406		
Lease-hold improvements	3,300,700	(3,300,700)	-	-	-	Negotiations	Sold to M/S Maritime Technical & Support Services (Pvt) Limited
Office furniture and fixtures	571,204	(320,891)	250,313	550,000	299,687	Negotiations	Sold to M/S Maritime Technical & Support Services (Pvt) Limited
Computer Equipment	99,500	(99,500)	-	12,000	12,000	Negotiations	Sold to Mr. Muhammad Irfan - Ex FC
	8,146,152	(7,492,149)	654,003	1,752,096	1,098,093		

6.2 Intangible assets

	Cost			Amortization			Net book value as at 30 June 2011
	As at 01 July 2010	Additions/ (disposals)	As at 30 June 2011	As at 01 July 2010	For the year	(Disposals)	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Computer Software 2011	-	2,600,000	2,600,000	-	288,860	288,860	2,311,140

6.3 This has been completed and transferred to intangible assets during the year.

	2011 Rupees	2010 Rupees
7. CARDS AND ROOMS		
Corporate membership of Pakistan Mercantile Exchange Limited (Formerly National Commodity Exchange limited)	750,000	750,000
Rooms	32,700,000	32,700,000
	33,450,000	33,450,000
8. LONG TERM INVESTMENT IN SUBSIDIARY COMPANY		
Escorts Capital Limited - Unlisted 17,500,000 (2010: 17,500,000) ordinary shares of Rs. 10 each Holding 99% (2010: 99%)	175,004,000	175,004,000

8.1 The recoverable amount of the investment in subsidiary is more than the carrying amount based on value in use and market valuations.

	Note	2011 Rupees	2010 Rupees
9. LONG TERM INVESTMENTS			
Held to maturity			
Pakistan Investment Bonds (PIBs)	9.1	511,655,606	524,859,952
Term Finance Certificates - Unlisted	9.2	10,108,833	10,108,833
		521,764,439	534,968,785
Less: Current maturity of Term Finance Certificates	15	6,070,903	4,025,450
Less: Current maturity of Pakistan Investment Bonds	15	358,459,256	-
		157,234,280	530,943,335
9.1 Pakistan Investment Bonds (PIBs)			
Cost		606,221,300	606,221,300
Less: Amortization - Opening		61,361,348	49,143,151
Charged during the year		13,204,346	12,218,197
		531,655,606	544,859,952
Less: Impairment loss		20,000,000	20,000,000
		511,655,606	524,859,952

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having market value of Rs 468.422 million (2010: 474 million). Period to maturity of these investments range from 0.5 years to 13 years and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2010: 10% to 12% per annum). PIBs having face value of Rs. 363 million (2010: Rs. 333 million) are held by other financial institutions as security under repurchase transactions.

9.1.1 Encumbered and un-encumbered - Face value

	2011			2010		
	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	137,000,000	363,000,000	500,000,000	167,000,000	333,000,000	500,000,000
				2011		2010
				Rupees		Rupees

9.2 Term finance certificates-Unlisted			
Secured			
New Khan Transport Company (Private) Limited		10,108,833	10,108,833

This had 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% (2010: 450 bps above 6 months KIBOR with floor of 8.25%). This is a syndicated TFC, led by Faysal bank limited and secured against the mortgage of land and building amounting to Rs 650 million out of which share of the company is Rs 39.39 million.

	Note	2011 Rupees	2010 Rupees
10. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	10.1	3,953,942	1,920,427
Subsidiary Company	10.2	100,000,000	50,000,000
Executives	10.3	26,070,823	862,504
		130,024,765	52,782,931
Others - Secured and considered good	10.4	65,770,132	67,341,468
		195,794,897	120,124,399
Considered doubtful			
Others	10.5	38,686,376	38,054,216
Less: Provision for doubtful finances	10.6	33,296,605	33,618,087
		5,389,771	4,436,129
		201,184,668	124,560,528
Less: Current maturity	15	82,509,573	63,162,772
		118,675,095	61,397,756

10.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 2.4 years to 5 years (2010: 3 years to 5 years), carrying mark-up rate ranging from 14% to 18% per annum. (2010: 14% to 18%per annum - restated).

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

Escorts Pakistan Limited	3,617,326	2,090,422
Essem Hotel Limited	336,616	336,616

10.2 These represent finance provided against current and fixed present and future moveable and immoveable assets of the company, Escorts Capital Limited, initially for a period of two years starting from September 2009 and carries markup at the rate of 18% per annum (2010: 18 % per annum). This loan has been rescheduled during the year for further 1 year upto November 2012.

10.3 Executives

This represent finance provided to Executive against lien of assets for a period ranging from 3 years to 5 years and carries mark-up at the rate of 16% p.a. Further, house finance provided to CEO against mortgage of property for a period of 18 years and carries mark-up at the rate of 6% p.a.

	CEO Rupees	Executives Rupees	2011 Rupees	2010 Rupees
Opening Balance	-	862,504	862,504	2,664,433
Disbursements during the year	20,000,000	6,638,400	26,638,400	-
	20,000,000	7,500,904	27,500,904	2,664,433
Less: Transfer from Executive category		-	-	1,446,574
Less: Repayments during the year	366,890	1,063,191	1,430,081	355,355
	19,633,110	6,437,713	26,070,823	862,504
The maximum balance outstanding at the end of any month during the year.			19,948,368	11,109,958

10.4 These finance facilities are secured by hypothecation of or 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 12.50% to 20.86% per annum (2010: 12.50% 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 (2010: 15% to 17% per annum).

	2011 Rupees	2010 Rupees
10.6 Particulars of provision for doubtful finances		
Opening balance	33,618,087	33,868,270
(Reversal) for the year	(321,482)	(250,183)
Closing balance	33,296,605	33,618,087

11. NET INVESTMENT IN LEASE FINANCE

Net investment in lease finance	11.1	11,999,146	21,786,316
Less: Provision for doubtful leases	11.2	153,328	153,328
		11,845,818	21,632,988
Less: Current maturity	15	10,758,226	15,855,353
		1,087,592	5,777,635

11.1 Particulars of net investment in lease finance

	2011			2010
	Not later than one year	Later than one year but not later than five years		Total
		Rupees	Rupees	
Leased rentals receivable	4,207,434	232,567	4,440,001	12,838,851
Add: Residual value	6,979,848	1,021,540	8,001,388	10,783,463
Gross investment in lease finance	11,187,282	1,254,107	12,441,389	23,622,314
Less: Unearned finance income	429,056	13,187	442,243	1,835,998
Net investment in lease finance	10,758,226	1,240,920	11,999,146	21,786,316

11.1.1 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 % (2010: 10% to 50%). Leased assets are insured in favor of the Company. The rate of return range from 13.00% to 18.31 % per annum (2010: 13.00% to 18.31% per annum). Penalty is charged in case of delayed payment. These leases pertain to previous years as the company does not have license for lease now.

11.1.2 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. 2.074 million (2010: 2.248 million- restated) at the end of current year.

		2011	2010
		Rupees	Rupees
11.2	Particulars of provision for doubtful leases		
	Opening balance	153,328	153,328
	Charge for the year	-	-
	Closing balance	153,328	153,328
12.	LONG TERM LOANS AND ADVANCES		
	Loan to staff - Unsecured, considered good		
	Executives - Related parties	12.1	1,278,847
	Other employees		700,114
			1,978,961
	Less: Current maturity	15	1,086,772
			892,189
			703,438

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	2011 Rupees	2010 Rupees
Opening Balance		1,091,541	1,877,093
Add: Transferred to executive category		180,243	-
Add: Disbursements during the year		1,005,288	545,303
		2,277,072	2,422,396
Less: Repayments during the year		998,225	1,330,855
		1,278,847	1,091,541
The maximum balance outstanding from executives at the end any month during the year was:		2,190,623	1,887,939
13. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits		654,950	5,330,500
Prepayments		6,166,116	735,828
		6,821,066	6,066,328
Less: Current maturity	15	3,993,840	5,355,128
		2,827,226	711,200
14. DEFERRED TAX ASSET			
Taxable temporary differences		(13,116,240)	(11,183,395)
Fixed assets			
Deductible temporary differences			
Investments		28,801,874	29,885,379
Finances and receivables		20,836,317	22,178,466
Trade and other payables		368,680	730,429
Finance lease		1,612,193	124,335
Tax losses		43,978,445	34,740,176
		82,481,269	76,475,390
14.1 Movement in deferred tax asset			
Opening balance		76,475,390	75,962,978
Provision during the year		6,005,879	512,412
Closing balance		82,481,269	76,475,390

14.2 The Company has an aggregate amount of Rs.125.653 million in respect of carry forward losses due to unabsorbed tax depreciation as at June 30, 2011 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	2011 Rupees	2010 Rupees
15. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Term finance certificates	9	6,070,903	4,025,450
Pakistan Investment Bonds	9	358,459,256	-
Long term finances	10	82,509,573	63,162,772
Net investment in lease finance	11	10,758,226	15,855,353
Long term loans and advances	12	1,086,772	1,339,299
Long term deposits and prepayments	13	3,993,840	5,355,128
		462,878,570	89,738,002
16. SHORT TERM INVESTMENTS			
Held for Trading			
Listed shares/units	16.1	569,500	-
Available for sale			
Listed Term Finance Certificates	16.2	3,284,736	4,927,104
Listed shares/units	16.3	31,972,101	45,502,856
Impairment loss		(412,303)	(2,733,412)
		35,414,034	47,696,548
(Deficit) / Surplus on revaluation		(2,563,230)	7,179,571
		32,850,804	54,876,119

16.1 Particulars of listed shares / units - Held for Trading

No. of Certificates 2011	2010	N A M E	2011		2010	
			Cost	Market value	Cost	Market value
			Rupees	Rupees	Rupees	Rupees
10,000	-	National Bank of Pakistan Limited	569,500	504,600	-	-
			569,500	504,600	-	-

16.2 Particulars of listed Term Finance Certificates (TFCs)-Available for sale investments

1,316	1,316	Royal Bank of Scotland	3,284,736	3,319,268	4,927,104	4,889,673
			3,284,736	3,319,268	4,927,104	4,889,673

Other particulars of listed TFCs are as follows:

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

16.3 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	2011		2010	
			Carrying value	Market value	Cost	Market value
2011	2010		Rupees	Rupees	Rupees	Rupees
Mutual Fund - Open End						
-	49,907	Askari Asset Allocation Fund	-	-	2,746,313	3,011,910
-	10,483	Atlas Islamic Fund	-	-	4,011,196	5,118,430
-	50,000	HBL Income Fund	-	-	5,000,000	5,048,500
Mutual Fund - Close End						
49	49	Dawood Capital Management Fund	281	75	281	98
10,000	747,500	Pak Premier Fund	41,032	96,700	3,064,782	6,054,750
-	1,008,500	Pakistan Strategic Allocation Fund	-	-	3,620,536	6,908,225
-	21,800	PICIC Growth Fund	-	-	176,632	201,868
-	1,377,000	UTP - Large Capital Fund	-	-	5,714,591	5,852,250
Power Generation and Distribution						
35,000	-	Hub Power Company Limited	1,323,625	1,312,500	-	-
10,000	-	Kot Addu Power Company Limited	430,000	427,900	-	-
Commercial Banks						
10,000	6,862	Bank Alfalah Limited	108,233	95,900	72,394	64,915
31,444	1,151	MCB Bank Limited	6,509,170	6,257,356	161,361	223,513
62,500	65,682	National Bank of Pakistan	3,688,950	3,153,750	4,052,835	4,210,216
15,000	-	United Bank Limited	972,442	930,000	-	-
Insurance						
8,152	8,152	EFU General Insurance Company Limited	400,589	287,766	797,795	400,589
Fertilizer						
10,000	4,787	Engro Corporation Limited	2,008,400	1,632,500	890,402	830,927
Investment Companies						
-	16	Arif Habib Limited	-	-	-	704
-	625	Arif Habib Securities	-	-	17,314	20,756
50,000	178,764	Jahangir Siddique & Company Ltd.	890,815	327,500	4,595,783	2,259,577
Oil and Gas Exploration Companies						
-	2,000	Oil and Gas Development Company Limited	-	-	108,410	283,380
48,000	16,302	Pakistan Petroleum Limited	10,222,622	9,948,000	1,462,482	3,001,524
Cement						
30,000	-	D.G Khan Cement Company Limited	729,690	691,800	-	-
15,582	-	Lucky Cement Company Limited	1,150,885	1,101,650	-	-
-	717	Maple Leaf Cement Company Limited	-	-	1,989	2,230

No. of Certificates		N A M E	2011		2010	
			Carrying value	Market value	Cost	Market value
2011	2010		Rupees	Rupees	Rupees	Rupees
Textile Composite						
-	64	Nishat (Chunian) Limited	-	-	640	1,010
31,001	1,000	Nishat Mills Limited	1,938,977	1,560,900	61,182	43,011
Chemical						
46,000	800,000	Lotee Pakistan PTA Limited	791,990	636,640	8,945,938	6,448,000
Technology & Communication						
-	-	Pak PTA Limited	-	-	-	-
40,000	-	Pakistan Telecommunication Limited	764,400	566,000	-	-
Miscellaneous						
-	9	IBL Healthcare Limited	-	-	-	63
			31,972,101	29,026,937	45,502,856	49,986,446

	Note	2011 Rupees	2010 Rupees
17. SHORT TERM FINANCES			
Secured and considered good			
Associated companies	17.1	73,913,409	73,913,409
Others	17.2	43,611,836	51,858,585
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	17.3	13,767,834	13,767,834
		-	-
		117,525,245	125,771,994

17.1 This is provided to Escorts Pakistan Limited and secured against mortgage of property and has been rescheduled during the year for a further 1 year and markup at the rate of 16% p.a (2010: 16% p.a) 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 (2010: 12% to 18% per annum). These include finances against pledge of listed shares and Company's own Certificates of Deposit amounting to Rs. 22.66 million (2010: Rs. 0.680 million), while Rs. 14.709 million (2010: Rs. 42.406 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

	Note	2011 Rupees	2010 Rupees
17.3 Particulars of provision for doubtful finances:			
Opening balance		13,767,834	16,874,197
Reversal for the year		-	(3,106,363)
Closing balance		13,767,834	13,767,834

18. SHORT TERM PLACEMENTS

Considered good

This represents placements under reverse repurchase agreements with financial institution & other corporate entities and carry mark-up ranging from 12 % to 13.95 % per annum (2010: 12.60% to 12.80% per annum).

19. ADVANCES

Considered good

Advances		2,628,480	532,085
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20. SHORT TERM DEPOSITS AND PREPAYMENTS

Short term deposits	20.1	16,516,736	-
Prepayments	20.2	862,668	2,389,875
		17,379,404	2,389,875

20.1 This represents deposit with Escorts Capital Limited (Subsidiary) against exposure limit.

20.2 Prior year's figure has been reclassified for better presentation. (refer note 55.2)

21. OTHER RECEIVABLES

Receivable from subsidiary Company	21.1	11,385,106	9,139,698
Receivable from associates	21.2	-	7,850,427
Receivable from clients	21.3	2,324,281	2,527,603
Other receivables	21.4	4,902,673	94,258
		18,612,060	19,611,986

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

	Note	2011 Rupees	2010 Rupees
21.2 Receivable from associates			
Escorts Pakistan Limited		-	37,016
Essem Hotels		-	1,160,390
Director		-	6,653,021
		-	7,850,427
21.3 Receivables from clients			
Considered good		2,324,281	2,527,603
Considered doubtful		21,474,235	21,474,235
Less: Provision for doubtful receivables	21.3.1	(21,474,235)	(21,474,235)
		-	-
		2,324,281	2,527,603
21.3.1 Particulars of provision for doubtful receivables			
Opening balance		21,474,235	21,474,235
Charge for the year		-	-
Closing balance		21,474,235	21,474,235
21.4			
Prior year's figure has been reclassified for better presentation (refer note 55.2).			
22. CASH AND BANK BALANCES			
Cash with banks			
Current account with:			
State Bank of Pakistan		872,547	434,050
Others		6,370,389	194,655
		7,242,936	628,705
Saving accounts	22.1	10,198,298	8,865,278
		17,441,234	9,493,983

22.1 Rate of return on these accounts range from 5% to 8% per annum (2010: 5% to 8% per annum).

	Note	2011 Rupees	2010 Rupees
23. SHARE CAPITAL			
Authorized share capital 50,000,000 (2010: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital 42,000,000 (2010: 42,000,000) ordinary shares of Rs. 10 each		420,000,000	420,000,000
Issued as fully paid in cash 2,100,000 (2010: 2,100,000) ordinary shares of Rs. 10 each		21,000,000	21,000,000
Issued as fully paid bonus shares		441,000,000	441,000,000
23.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2010: 39.01%) ordinary shares in the Company.			
24. RESERVES			
Capital reserve			
Statutory reserve	24.1	154,050,085	154,050,085
Revenue reserve			
Accumulated loss		(108,155,197)	(77,076,939)
		45,894,888	76,973,146
24.1 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. However, as the company has incurred loss during the year, no amount has been transferred to the reserve.			
25. (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS			
Available for sale			
Listed term finance certificates		34,532	(37,431)
Listed shares / units		(2,532,862)	7,217,002
		(2,498,330)	7,179,571
Less: Deferred tax		-	(355,693)
		(2,498,330)	6,823,878

	Note	2011 Rupees	2010 Rupees
26. TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		166,934,000	400,000
Redeemed during the year		166,534,000	166,534,000
		333,468,000	166,934,000
Less: Current maturity	30	166,532,000	333,066,000
		166,532,000	166,534,000
		-	166,532,000
Less: Initial transaction cost			
Opening balance		(2,622,138)	(4,195,434)
Amortization for the year	41	1,573,296	1,573,296
		(1,048,842)	(2,622,138)
Less: Current maturity	30	1,048,842	-
		-	163,909,862

These TFCs carry return payable semi annually, 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' (2010: Single A Plus) with negative outlook as at June 30, 2011 in accordance with rating assigned on October 19, 2010. Subsequent to balance sheet date, this rating has been downgraded to BB with rating watch on September 21, 2011.

27. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Obligation under finance lease		-	4,980,797
Less: Current maturity	30	-	4,980,797
		-	-

28. LONG TERM CERTIFICATES OF DEPOSIT

Long term certificates of deposit	28.1	260,013,382	267,393,500
Less: Current maturity	30	142,749,717	11,480,188
		117,263,665	255,913,312

28.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 8.5 % to 16 % per annum (2010: 8.50% to 16% per annum) payable monthly, quarterly, semiannually or on maturity.

	Note	2011 Rupees	2010 Rupees
29. LONG TERM SECURITY DEPOSIT			
Security deposit	29.1	8,001,388	10,783,463
Less: Current maturity	30	7,461,923	6,865,563
		539,465	3,917,900

29.1 These represent interest free security deposits received on lease contracts and are adjustable at the expiry of the lease contracts.

30. CURRENT MATURITIES OF NON-CURRENT LIABILITIES

Term finance certificates - listed- net of amortization cost	26	165,483,158	166,534,000
Liability against assets subject to finance lease	27	-	4,980,797
Long term certificates of deposit	28	142,749,717	11,480,188
Long term security deposit	29	7,461,923	6,865,563
		315,694,798	189,860,548

31. SHORT TERM BORROWINGS

Financial institutions - Secured	31.1	809,820,762	304,763,104
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31.1 These represents borrowings under repurchase agreements and carry mark-up ranging from 13.4 % to 14% per annum (2010: 12.05% to 12.40% per annum) and are for a period ranging from 6 days to one month (2010: 3 days to one month). These are secured against pledge of PIBs.

32. RUNNING FINANCE - SECURED

The running finance facility available under mark-up arrangement from commercial bank amounts to Rs. 600 million (2010: Rs. 600 million). This facility carries mark-up at the rate 3 months KIBOR plus 150 bps per annum with no floor (2010: 3 months KIBOR plus 100 bps per annum with no floor). This facility is secured against listed shares.

33. 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 (2010: 6.5% to 13.75% per annum) payable monthly, quarterly, semi-annually or on maturity.

34. ACCRUED MARKUP

Secured

Accrued return on certificates of deposit	34.1	10,650,799	5,140,442
Accrued return on term finance certificates	34.1	7,933,083	14,713,669
Accrued return on secured borrowings	34.1	1,871,324	469,667
		20,455,206	20,323,778

34.1 Prior year's figures have been reclassified for better presentation (Refer note # 55.2)

	Note	2011 Rupees	2010 Rupees
35. TRADE AND OTHER PAYABLES			
Customers' credit balances		7,221,277	4,610,836
Accrued expenses and other payables	35.1	91,802,124	8,845,190
Provision for compensated absences		1,210,494	2,804,272
Unclaimed dividend		2,387,004	2,387,274
		102,620,899	18,647,572

35.1 This includes an amount of Rs. 70,818,296 payable on account of future purchase contracts.

36. 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 2010 were filed. The Company has filled appeals against the orders of CIT (A) for Tax Year 2003 to 2008 before the Honorable Appellate Tribunal on various matters. These appeals are pending hearing.

Additionally, in respect of tax year 2008, the Company being aggrieved with the order of DCIT has filed an appeal before CIR (A), which is pending for fixation.

For tax year 2009, tax department has initiated proceeding under sec 161 of the income tax ordinance. The company has not received any notice for the tax year 2010.

Financial impact of the above have not been acknowledged in these financial statements because of pending litigations.

	2011 Rupees	2010 Rupees
37. CONTINGENCIES AND COMMITMENTS		
Outstanding guarantees	1,500,000	-
Capital expenditure - Intangible	-	500,000
Future purchase contracts- Shares	147,625,200	-
Future sale contracts- Shares	70,280,455	-

	2011 Rupees	2010 Rupees
38. PROFIT ON FINANCING		
Long term	47,199,899	28,725,596
Short term	11,875,422	20,190,410
	59,075,321	48,916,006
39. RETURN ON PLACEMENTS		
Clean placements	994,302	4,158,362
Placements under reverse repurchase agreements	75,506,798	194,856
	76,501,100	4,353,218
40. RETURN ON INVESTMENTS		
Mark-up / return on investments		
Held to maturity investments		
Government securities	56,000,000	59,734,688
Term Finance Certificates	-	777,433
Available for sale investments		
Term Finance Certificates	5,029,013	1,104,629
Dividend income		
Available for sale investments		
Listed shares/units	43,225,584	16,978,959
Fair value loss on held for trading investment	(64,900)	-
Capital (loss) / gain on investments		
Available for sale investments	(10,038,276)	42,127,710
Held for trading	41,824	-
	94,193,245	120,723,419

		2011 Rupees	2010 Rupees
41.	ADMINISTRATIVE AND OTHER OPERATING EXPENSES		
	Salaries, wages, other benefits and allowances	41.1 20,330,412	34,957,968
	Staff Training and Welfare	24,580	151,558
	Advertisement and business promotion	226,882	277,820
	Rent, rates and taxes	8,018,471	11,042,002
	Utilities	2,029,883	2,888,209
	Communication charges	1,574,038	1,917,551
	Traveling and vehicle maintenance	6,829,605	6,330,902
	Repair and maintenance	2,532,130	2,059,844
	Entertainment	1,169,913	1,548,236
	Fee and subscriptions	1,652,118	2,318,978
	Legal and professional charges	41.2 2,412,869	6,240,174
	Printing and stationery	1,284,391	1,453,747
	Fee, brokerage and commission	112,002	113,636
	Insurance	871,170	2,199,720
	Amortization of issuance cost of listed TFC's	26 1,573,296	1,573,296
	Depreciation	6.1 11,215,195	15,126,779
	Amortization of Intangible assets	288,860	-
	Donation	100,170	
	Penalty	60,000	88,000
	Staff Motor Vehicle Contribution & Insurance	86,716	-
	Miscellaneous expenses	104,271	719,061
		62,496,972	91,007,481

41.1 This includes contribution to provident fund amounting to Rs. 0.912 million (2010: Rs. 1.67 million) made by the Company.

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

Audit fee	532,000	532,000
Review of half yearly accounts	143,000	143,000
	675,000	675,000

42. TAXATION - net

Current taxation	42.1 2,707,208	700,000
Deferred taxation	(5,650,186)	(868,104)
	(2,942,978)	(168,104)

42.1 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.

	2011 Rupees	2010 Rupees
43. LOSS PER SHARE - BASIC AND DILUTED		
Loss for the year after taxation (Rupees)	(31,078,258)	(79,430,063)
Number of ordinary shares	44,100,000	44,100,000
Loss per share (Rupees)	(0.70)	(1.80)

43.1 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.

44. 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:

	2011 Rupees	2010 Rupees
Subsidiary Company:		
Transactions during the year		
Profit paid on certificates of deposit	305,100	6,563,286
Return on finances received	-	4,500,000
Profit earned during the year	14,404,891	9,000,000
Return on assets	5,895,001	10,405,151
Balance at year end		
Finances outstanding	100,000,000	50,000,000
Certificates of deposit outstanding	72,955,044	22,680,454
Receivable from subsidiary company	27,901,842	9,139,698
Profit receivable	16,654,891	2,250,000
Markup payable on COD	5,974,573	7,264
Associated companies:		
Transactions during the year		
Return on finances received	9,509,829	363,871
Guarantee commission earned	12,000	-
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	78,048,413	76,456,349
Letter of guarantee outstanding	1,500,000	-
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	4,000,000	1,871,656
Directors:		
Transactions during the year		
Return on finances received	694,534	-
Profit paid on certificates of deposit	6,780,157	15,521,249

	2011 Rupees	2010 Rupees
Balance at year end		
Advances outstanding	20,137,497	-
Certificates of deposit outstanding	50,400,000	116,050,000
Other receivable	-	6,653,021
Executives:		
Transactions during the year		
Return on finances received	231,839	853,804
Profit paid on certificates of deposit	7,577,871	407,405
Fixed assets sold	1,202,096	1,803,296
Balance at year end		
Advances outstanding	7,026,469	1,954,046
Certificates of deposit outstanding	58,568,784	2,560,000
Other receivable	-	78,569
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	912,305	1,354,070

45. 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 Company's liquidity.

	For the year ended 30 June 2011		
	Financing activities	Investing activities	Total
Profit on financing	59,075,321		59,075,321
Mark-up on lease finance	1,041,404		1,041,404
Return on placements		76,501,100	76,501,100
Return on investments	-	94,193,245	94,193,245
Total income for reportable segments	60,116,725	170,694,345	230,811,070
Finance costs	55,098,455	156,445,561	211,544,016
Administrative and other operating expenses	16,277,873	46,219,099	62,496,972
Provision for doubtful financing - reversed	(321,482)	-	(321,482)
Segment result	(10,938,121)	(31,970,315)	(42,908,436)

For the year ended 30 June 2011

	Financing activities	Investing activities	Total
Other operating income			8,887,200
Loss before taxation			(34,021,236)
Segment assets	349,615,695	1,569,707,374	1,919,323,069
Unallocated assets			445,552,449
			2,364,875,518
Segment liabilities	168,461,003	373,937,543	542,298,546
Unallocated liabilities			1,335,582,084
Equity			486,894,888
			2,364,875,518

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	176,903,491
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)	(62,494,797)	(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	535,580,488
Unallocated liabilities			771,464,217
Equity			517,973,146
			1,825,017,851

46. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive/ Directors		Executives	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Managerial remuneration	1,793,376	9,377,137	7,991,868	7,488,475
House rent allowance	717,348	3,232,491	2,949,249	2,995,392
Utilities	179,340	764,505	737,317	748,864
Bonus/commission	-	-	119,244	-
Special allowance	-	-	380,000	-
Leave encashment	-	700,552	667,182	529,000
Retirement benefits	-	668,595	626,487	685,475
	2,690,064	14,743,280	13,471,347	12,447,206
Number of persons	1	2	8	6

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

47. 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 by 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 2011				
ASSETS				
Fixed capital expenditure	79,157,239	-	10,003,390	69,153,849
Cards and rooms	33,450,000	-	-	33,450,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	82,481,269	-	82,481,269	-
Net investment in lease finance	11,845,818	10,758,226	1,087,592	-
Investments	554,615,243	397,380,963	56,196,874	101,037,406
Finances	318,709,913	200,034,818	103,661,959	15,013,136
Advances	4,607,441	3,715,252	892,189	-
Deposits and prepayments	24,200,470	21,373,244	2,172,276	654,950
Interest accrued	28,272,191	28,272,191	-	-
Other receivables	18,612,060	18,612,060	-	-
Tax refunds due from government	219,944,925	219,944,925	-	-
Placements	796,533,715	796,533,715	-	-
Cash and bank balances	17,441,234	17,441,234	-	-
	2,364,875,518	1,714,066,628	256,495,549	394,313,341

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
LIABILITIES				
Term finance certificates	165,483,158	165,483,158	-	-
Obligation under finance lease	-	-	-	-
Short term borrowings	809,820,762	809,820,762	-	-
Running finance under mark up arrangements	50,000,600	50,000,600	-	-
Certificates of deposit	691,974,208	574,710,543	117,263,665	-
Long term security deposit	8,001,388	7,461,923	539,465	-
Accrued markup	20,455,206	20,455,206	-	-
Trade and other payables	102,620,898	102,620,898	-	-
Provision for taxation	32,122,740	32,122,740	-	-
	1,880,478,960	1,762,675,830	117,803,130	-
NET ASSETS	484,396,558	(48,609,202)	138,692,419	394,313,341
Represented by:				
SHARE CAPITAL AND RESERVES	486,894,888			
DEFICIT ON REVALUATION OF INVESTMENTS	(2,498,330)			
	484,396,558			

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	429,866,787	101,076,548
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	588,469,770	386,201,166
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)	164,728,696	386,201,166
Represented by:				
SHARE CAPITAL AND RESERVES	517,973,146			
SURPLUS ON REVALUATION OF INVESTMENTS	6,823,878			
	524,797,024			

48. 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.

The management monitors and limits bank's exposure to credit risk through monitoring of client's credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets diversified in organizations of sound financial standing covering various industrial sectors and segments.

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.

48.1 Segment information

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2011 Percentage	2010 Percentage	2011 Percentage	2010 Percentage	2011 Percentage	2010 Percentage
Chemical and pharmaceuticals	7.27	11.80	-	-	-	-
Agribusiness	4.00	4.57	-	-	-	-
Textile	4.45	5.09	-	-	-	-
Sugar	7.90	8.31	-	-	-	-
Financial Institutions	29.07	29.00	-	3.90	-	-
Insurance	0.00	-	0.07	0.09	-	-
Electronics and electrical appliances	22.54	25.08	-	-	100.00	-
Production and transmission of energy	1.59	-	-	-	-	-
Steel & allied products	0.06	0.39	-	-	-	-
Individuals	18.34	9.60	83.05	91.04	-	-
Engineering and Construction	4.63	5.47	-	0.17	-	-
Sports	-	-	-	0.48	-	-
Communications	-	0.19	-	-	-	-
Non-Government Organizations	-	-	3.45	4.11	-	-
Others	0.14	0.50	13.43	0.35	-	-
	100.00	100.00	100.00	100.00	100.00	-

48.2 Geographical Segment

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

The age of term loan and lease rental receivables and related impairment loss at the balance sheet date was:

	2011 Rupees	2010 Rupees
Aging of term loan and lease rental receivables		
Not past due	269,081,945	186,552,559
Past due 0 - 90 days	7,841,358	25,301,298
Past due 91- 180 days	5,837,183	25,353,955
180 days to 1 year	5,880,357	6,754,915
More than 1 year	81,573,510	66,594,567
	370,214,353	310,557,294

Collaterals held against term financing.

	2011				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid collaterals	
	----- Rupees -----				
Long term finances	234,481,273	-	354,518,010	31,900,000	(151,936,737)
Short term finances	131,293,079	4,675,000	108,050,000	22,660,000	(4,091,921)

49. MARKET RISK

The bank's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the bank's activities include interest rate risk, currency risk and other price risk.

49.1 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 reprise 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	More than	Above	Not exposed
	Rupees	one year	one year and	five years	to interest
		Rupees	upto five years	Rupees	rate risk
			Rupees		Rupees
As at 30 June 2011					
FINANCIAL ASSETS					
Investments	554,615,243	397,380,963	56,196,874	101,037,406	-
Net investment in lease finance	11,845,818	10,758,226	1,087,592	-	-
Finances	318,709,913	200,034,818	103,661,959	15,013,136	-
Advances	4,607,441	-	-	-	4,607,441
Deposits and prepayments	24,200,470	16,516,736	-	-	7,683,734
Placements	796,533,715	796,533,715	-	-	-
Cash and bank balances	17,441,234	10,198,298	-	-	7,242,936
	1,727,953,834	1,431,422,756	160,946,425	116,050,542	19,534,111
FINANCIAL LIABILITIES					
Term finance certificates	165,483,158	165,483,158	-	-	-
Obligation under finance lease	-	-	-	-	-
Short term borrowings	809,820,762	809,820,762	-	-	-
Running finance under mark up arrangements	50,000,600	50,000,600	-	-	-
Certificates of deposit	691,974,208	574,710,543	117,263,665	-	-
Trade and other payables	102,620,899	-	-	-	102,620,899
	1,819,899,627	1,600,015,063	117,263,665	-	102,620,899
Total Interest rate sensitivity gap		(168,592,307)	43,682,760	116,050,542	
Cumulative interest rate sensitivity gap		(168,592,307)	(124,909,547)	(8,859,005)	
As at 30 June 2010					
FINANCIAL ASSETS					
Investments	589,844,904	58,901,569	429,866,787	101,076,548	-
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	-
Advances	2,574,822	-	-	-	2,574,822
Deposits and prepayments	8,456,203	-	-	-	8,456,203
Placements	200,000,000	200,000,000	-	-	-
Cash and bank balances	9,493,983	8,865,278	-	-	628,705
	1,071,551,959	465,691,403	492,359,273	101,841,553	11,659,730
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		(330,916,607)	72,536,099	101,841,553	
Cumulative interest rate sensitivity gap		(330,916,607)	(258,380,508)	(156,538,955)	

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher with all other variables held constant, loss after taxation for the year would have been increased by Rupees 333,771 where loss after taxation for the year ended 30 June 2011 would have been lower by Rupees 333,771 if the interest rate moved in the opposite direction. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

49.2 Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The company is exposed to equity price risk as company hold available for sale and held for trading investments.

		Changes in KSE all Index	Effects on Profit Before Tax	Effects on Equity
		(Rupees)		
Available-for-sale investments	2011	+10%	-	3,234,621
		-10%	-	(3,234,621)
	2010	+10%	-	4,998,644
		-10%	-	(4,998,644)
Held-for-trading investments	2011	+10%	50,460	-
		-10%	(50,460)	-

49.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk arising from currency exposure as it is not involved in foreign currency transactions.

50. 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 2008. The existing minimum capital requirement of Rs. 500 million has been extended to June 30, 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 2011 and at 30 June 2010 were as follows:

	2011 Rupees	2010 Rupees
Total debt	117,803,130	602,818,159
Total equity	484,386,558	524,797,024
Debt-to-equity ratio	0.24	1.15

The decreases in the debt-to-equity ratio during 2011 resulted primarily from net repayment of Term Finance Certificates and Long Term Certificate of Deposits during the year amounting to Rs. 166.534 million and Rs. 138.649 million.

51. 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.

52. 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".

53. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2011, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

54. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on November 04, 2011 by the Board of Directors of the Company.

55. GENERAL

55.1 Figures have been rounded off to the nearest rupee.

55.2 Following major re-classifications have been made in these accounts.

Account Head	Previous classification	Current classification	Amount (Rs.)
Accrued return on certificates of deposit	Trade and other payables	Accrued Markup	5,140,442
Accrued return on term finance certificates	Trade and other payables	Accrued Markup	14,713,669
Accrued mark-up on secured borrowings	Trade and other payables	Accrued Markup	469,667
Prepayments	Advances, deposits, prepayments and other receivables	Short term deposits and prepayments	2,389,875
Receivable from subsidiary Company	Advances, deposits, prepayments and other receivables	Other receivable	9,139,698
Receivable from associates	Advances, deposits, prepayments and other receivables	Other receivable	7,850,427
Receivable from clients	Advances, deposits, prepayments and other receivables	Other receivable	2,527,603
Other receivables	Advances, deposits, prepayments and other receivables	Other receivable	94,258
Other receivables	Advances, deposits, prepayments and other receivables	Accrued markup	3,102,283
Advance income tax	Advances, deposits, prepayments and other receivables	Tax refunds due from government	309,018,353
Income tax refundable	Advances, deposits, prepayments and other receivables	Tax refunds due from government	16,851,256

55.3 Nomenclature of the following accounts has been changed in these accounts

Previous nomenclature	Current nomenclature
Advances, deposits, prepayments and other receivables	Advances

Chief Executive Officer

Director



Consolidated Financial
Statements

30 June 2011

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising of consolidated balance sheet of ESCORTS INVESTMENT BANK LIMITED ("the company") and its subsidiary as at JUNE 30, 2011 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Escorts Investment Bank Limited and its subsidiary.

These financial statements are the responsibility of the Holding company's management. Our responsibility is to express our opinion on the financial statements based on our audit.

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

- a) in our opinion the consolidated financial statements present fairly, the financial position of Escorts Investment Bank and its Subsidiary company as at June 30, 2011 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to:

- i. note # 2.2. to the accompanying financial statements which indicate that the parent company's equity as at June 30, 2011 has fallen below the minimum equity required under regulation 4 of NBFC and Notified Entities Regulations 2008, and
- ii. the fact that consolidated financial statements for the year ended June 30, 2010 were audited by another firm of chartered accountants whose report dated October 04, 2010 expressed an unqualified opinion on those financial statements.

Lahore
Date: November 04, 2011
(Engagement Partner: Muhammad Amin)

Zahid Jamil & Company
Chartered Accountants

Consolidated Balance Sheet

as at 30 June 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non-current Assets			
Fixed assets	6	82,738,987	95,376,028
Cards and rooms	7	84,955,000	84,955,000
Long term investments	8	157,234,280	530,943,335
Long term finances	9	18,675,095	11,397,757
Net investment in lease finance	10	1,087,592	5,777,635
Long term loans and advances	11	892,189	759,438
Long term deposits and prepayments	12	5,056,226	5,515,200
Deferred tax asset	13	82,481,269	76,475,390
Current Assets			
Current maturities of non-current assets	14	462,878,570	89,916,928
Short term investments	15	32,850,804	54,876,119
Short term finances	16	117,525,246	125,771,994
Short term placements	17	796,533,715	200,000,000
Advances	18	2,996,240	532,085
Short term deposits and prepayments	19	22,762,668	2,635,089
Interest accrued	20	11,390,102	16,307,143
Other receivables	20	16,884,011	14,471,099
Tax refunds due from the government	21	222,140,459	327,768,677
Cash and bank balances	21	26,434,601	19,507,754
		1,712,396,416	851,786,888
		2,145,517,054	1,662,986,671
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	22	441,000,000	441,000,000
Reserves	23	(136,892,948)	(74,707,678)
		304,107,052	366,292,322
(Deficit)/Surplus on revaluation of investment	24	(2,498,330)	6,823,878
Non-Current Liabilities			
Term finance certificates	25	-	163,909,862
Liabilities against assets subject to finance lease	26	-	-
Long term certificates of deposit	27	117,263,665	255,913,312
Long term security deposit	28	539,465	3,917,900
Current Liabilities			
Current maturities of non-current liabilities	29	315,694,798	189,860,548
Short term borrowings	30	809,820,762	304,763,104
Running finance - Secured	31	50,000,600	-
Short term certificates of deposit	32	359,005,782	290,788,768
Accrued markup	33	14,480,633	20,323,781
Trade and other payables	34	144,905,250	30,977,667
Provision for taxation	35	32,197,377	29,415,529
		1,726,105,202	866,129,397
Contingencies and commitments	36	-	-
		2,145,517,054	1,662,986,671

The annexed notes 1 to 54 form an integral part of these financial statements.

Consolidated Profit and Loss Account

for the year ended 30 June 2011

	Note	2011 Rupees	2010 Rupees
INCOME			
Profit on financing	37	38,775,429	31,760,855
Mark-up on lease finance		1,041,404	2,910,848
Return on placements	38	76,501,100	4,353,218
Return on investments	39	94,193,245	125,288,269
Fees and commission		10,315,157	1,900,900
Profit on bank deposits		2,061,741	2,223,553
Other income		3,876,572	4,546,675
		226,764,648	172,984,318
EXPENSES			
Return on certificates of deposit		78,350,274	59,740,489
Return on term finance certificates		37,304,824	62,484,241
Mark-up on short term running finance		1,746,376	91,245
Mark-up on borrowings from financial institutions		74,420,572	32,266,721
Amortization of premium on held to maturity investments		13,204,346	12,218,197
Administrative and other operating expenses	40	85,904,502	118,352,577
Impairment on available for sale investments		412,303	2,733,412
Other financial charges		153,094	288,505
		291,496,291	288,175,387
Operating loss before provisions and taxation		(64,731,643)	(115,191,069)
Provision for doubtful finances		(321,482)	(3,356,546)
Loss before taxation		(64,410,161)	(111,834,523)
Taxation-net	41	2,224,891	(3,463,893)
Loss after taxation		(62,185,270)	(115,298,416)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(62,185,270)	(115,298,416)
Loss per share-basic and diluted	42	(1.41)	(2.61)

The annexed notes 1 to 54 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30 June 2011

	2011 Rupees	2010 Rupees
Cash flow from operating activities		
Loss before taxation	(64,410,161)	(111,834,523)
Adjustment for non cash expenses and other items:		
Dividend Income	(43,225,584)	(16,978,959)
Depreciation on property and equipment	12,188,458	16,040,132
Amortization on intangible assets	288,860	-
Provision for doubtful finances	(321,482)	(3,356,546)
Amortization of premium on held to maturity investments	13,204,346	12,218,197
Amortization of issuance cost of listed TFCs	1,573,296	1,573,296
Gain on sale of fixed assets	(984,873)	(3,300,096)
Impairment loss on available for sale investments	412,303	2,733,412
	(16,864,676)	8,929,436
	(81,274,837)	(102,905,087)
Decrease/ (Increase) in operating assets		
Disbursements of finances - net	(18,055,909)	(37,837,257)
Net investment in lease finance	7,005,096	11,830,145
Placements	(596,533,715)	180,000,000
Investments - net	11,935,111	111,294,678
Long term and short term advances	(2,165,453)	1,256,491
Short term prepayments	(18,307,316)	(1,193,270)
Interest Accrued	4,917,041	(11,629,162)
Other receivables	(2,412,912)	7,111,043
	(613,618,057)	260,832,668
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	505,057,664	(133,800,372)
Certificates of deposit	60,836,896	166,795,048
Running finance	50,000,600	-
Accrued markup	(5,843,148)	(10,153,896)
Trade and other payables	113,927,844	(7,316,729)
	723,979,856	15,524,051
Net changes in operating assets and liabilities	110,361,799	276,356,719
Net cash generated from operating activities before taxes	29,086,962	173,451,632
Tax refund / paid	104,984,772	14,791,304
Net cash generated from operating activities	134,071,734	188,242,936

	2011 Rupees	2010 Rupees
Cash flow from investing activities		
Fixed capital expenditure incurred	(657,500)	(1,992,532)
Dividend received	43,225,584	16,978,959
Proceeds from sale of fixed assets	1,802,096	5,641,977
Investment in cards and rooms	-	(850,000)
Net cash generated from investing activities	44,370,180	19,778,404
Cash flow from financing activities		
Redemption of listed term finance certificates	(166,534,000)	(45,796,714)
Dividend paid	(270)	(164,960,704)
Repayment of lease obligation	(4,980,797)	(977,057)
Net cash used in financing activities	(171,515,067)	(211,734,475)
Net increase / (decrease) in cash and cash equivalents	6,926,847	(3,713,135)
Cash and cash equivalents at the beginning of the year	19,507,754	23,220,889
Cash and cash equivalents at the end of the year	26,434,601	19,507,754

The annexed notes 1 to 54 form an integral part of these financial statements.

Chief Executive Officer

Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

	Share capital Rupees	Statutory reserve (Restated) Rupees	Accumulated Loss (Restated) Rupees	Total Rupees
Balance as at July 01, 2009	441,000,000	154,050,085	(113,459,347)	481,590,738
Net loss for the year	-	-	(115,298,416)	(115,298,416)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(115,298,416)	(115,298,416)
Balance as at June 30, 2010	441,000,000	154,050,085	(228,757,763)	366,292,322
Net loss for the year	-	-	(62,185,270)	(62,185,270)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(62,185,270)	(62,185,270)
Balance as at June 30, 2011	441,000,000	154,050,085	(290,943,033)	304,107,052

The annexed notes 1 to 54 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to the Consolidated Financial Statements

for the year ended June 30, 2011

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 owned subsidiary company Escorts Capital Limited (“ESCAP”).

Escorts Investment Bank Limited (“the Holding 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.

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

Based on the financial statement of the company, the Pakistan Credit Rating Agency (PACRA) has reaffirmed the Short Term Credit Rating of the Company at “A 2 “ (Single A two) while Long Term Credit Rating has also been reaffirmed at “A -” (Single A negative) with negative outlook dated February 18, 2011. Subsequent to balance sheet date, the ratings have been downgraded to “BBB-” and “A3” respectively on September 22, 2011.

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** The separate financial statements of the company reflect that the equity of the company as at June 30, 2011 is Rs. 486.894 million which is below the minimum capital required under NBFC regulations 2008. The company is taking steps to ensure its compliance; these include working on option of equity injection.

The Company is also taking various initiatives to increase its fee and spread based income. These initiatives have already started to materialize and are expected to substantially contribute to the retained earnings going forward. The Company's cost rationalization plan is complete, and as a result of that the administrative and other operating expenses have significantly reduced during the year (approximately 31%). The complete impact of this phased cost rationalization plan would be realized in the coming year. The management of the Company has prepared financial projections for a period of five years that envisage future profits.

Based on the above, the Company's management and the Board are confident that this equity shortfall would be fulfilled by future profits and planned equity injection.

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contain a lease
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited exemption from comparative IFRS 7 disclosure for first time adopters
- IFRS 2 Share-based payment - Amendments relating to group cash-settled share-based payment transactions
- IFRS 3 Business Combinations - Amendment resulting from improvement to IFRSs
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from improvement to IFRSs
- IAS 1 Presentation of Financial Statements - Amendments resulting from improvements to IFRSs
- IAS 7 Statement of Cash Flows - Amendments resulting from improvement to IFRSs
- IAS 17 Leases - Amendments resulting from improvements to IFRSs
- IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from improvements to IFRSs
- IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues
- IAS 36 Impairment of Assets - Amendments resulting from improvements to IFRSs
- IAS 39 Financial Instruments; Recognition and Measurement - Amendments resulting from improvements to IFRSs
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements.

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 %
Free-hold 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 impairments, if any. Amortization is recorded when these assets are available for use using straight line method whereby the cost of an intangible asset is amortised 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 impairments, 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, Investments at Fair Value Through Profit and Loss account and Investments Available for Sale 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 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 July 13, 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; and

Shifting from held for 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 & loss account. The measurement of surplus/deficit is done on portfolio basis for each of the above three categories separately.

3.4.4 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.

3.4.5 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 recognised 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 unrealised gain or loss from marking the derivatives using prevailing market rates at the balance sheet date. The unrealised gains are included in other assets while unrealised 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 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 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 Group 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 are 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 Group 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 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 Group'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 judgements 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 35 and 13)
- 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, 20.2.1 and 19.3)
- 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)
IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from improvement to IFRSs	01-Jan-2011
IFRS 1 First-time Adoption of International Financial Reporting Standards - Replacement of fixed date for certain exemptions with a date of transition to IFRSs	01-Jul-2011
IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation	01-Jul-2011
IFRS 7 Financial Instruments: Disclosures - Amendments resulting from improvement to IFRSs	01-Jan-2011
IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosure about transfer of financial assets	01-Jul-2011
IFRS 9 Financial Instruments - Classification and Measurement	01-Jan-2013
IFRS 10 Consolidated Financial Statements	01-Jan-2013
IFRS 11 Joint Arrangements	01-Jan-2013
IFRS 12 Disclosure of Interest in Other Entities	01-Jan-2013
IFRS 13 Fair Value Measurement	01-Jan-2013
IAS 1 Presentation of Financial Statements - Amendment resulting from improvement to IFRSs	01-Jan-2011
IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented	01-Jul-2012
IAS 12 Income taxes - Recovery of underlying assets	01-Jan-2012
IAS 19 Employee Benefits - Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	01-Jan-2013
IAS 24 Related Party Disclosures - Revised definition of related parties	01-Jan-2011
IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	01-Jan-2013

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	01-Jan-2013
IAS 34 Interim Financial Reporting - Amendments resulting from improvement to IFRSs	01-Jan-2011
IFRIC 13 Customer Loyalty Programmes - Amendments resulting from improvement to IFRSs	01-Jan-2011
IFRIC 14 IAS 19 - The Limits on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (Amendments)	01-Jan-2011

	Note	2011 Rupees	2010 Rupees
6. FIXED ASSETS			
Tangible			
Property and equipment	6.1	80,427,846	93,276,027
Intangible assets	6.2	2,311,141	1
Capital work in progress			
Advance - Intangible	6.3	-	2,100,000
		82,738,987	95,376,028

6.1 Property and equipment

	Cost			Depreciation			Net book value as at 30 June 2011
	As at 01 July 2010	Additions/ (disposals)	As at 30 June 2011	As at 01 July 2010	For the year	(Disposals)	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned							
Free-hold premises	89,692,600		89,692,600	22,796,869	4,484,630		62,411,101
Lease-hold improvements	17,926,669		14,625,969	11,295,779	2,372,228		4,258,662
		(3,300,700)				(3,300,700)	
Free-hold improvements	6,712,240		6,712,240	3,020,508	1,342,448		2,349,284
Office furniture and fixtures	7,034,853		6,463,649	3,103,440	576,542		3,104,558
		(571,204)				(320,891)	
Computer equipments	17,896,617	157,500	17,954,617	16,944,801	768,008	(99,500)	341,308
		(99,500)					
Office equipments	13,826,557		13,624,636	5,759,112	1,169,810		6,734,415
		(201,921)				(38,701)	
Vehicles	16,292,108		12,117,360	13,634,723	1,025,177		1,228,518
		(4,174,748)				(3,771,058)	
	169,381,644	157,500	161,191,071	76,555,232	11,738,843	(7,530,850)	80,427,846
		(8,348,073)					
Leased							
Vehicles	8,992,300	-	8,992,300	8,542,685	449,615	-	-
2011	178,373,944	(8,190,573)	170,183,371	85,097,917	12,188,458	(7,530,850)	80,427,846

	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		7,034,853	2,489,059	614,622		3,103,440	3,931,413
		(1,812)				(241)		
Computer equipments	17,526,796	447,400	17,896,617	15,897,505	1,105,474		16,944,801	951,816
		(77,579)				(58,178)		
Office equipments	13,170,650	684,172	13,826,557	4,610,807	1,152,073		5,759,112	8,067,445
		(28,265)				(3,768)		
Vehicles	27,322,092		16,292,108	17,719,971	2,889,778		13,634,723	2,657,385
		(11,029,984)				(6,975,026)		
	179,326,752	1,192,532	169,381,644	69,094,759	14,497,686	-	76,555,232	92,826,412
		(11,137,640)				(7,037,213)		
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

6.2 Intangible assets

	Cost			Amortization			Net book value as at 30 June 2011	
	As at 01 July 2010	Additions/ (disposals)	As at 30 June 2011	As at 01 July 2010	For the year	(Disposals)		As at 30 June 2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
Computer Software 2011	3,000,000	2,600,000	5,600,000	2,999,999	288,860	-	3,288,859	2,311,141
	Cost			Amortization			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		
Computer Software 2010	3,000,000	-	3,000,000	2,999,999	-	-	2,999,999	1

6.3 This has been completed and transferred to intangible assets during the year.

6.4 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 / (loss) Rupees	Mode of Disposal	Particulars of Purchaser
Vehicles	842,028	(701,690)	140,338	336,811	196,473	Company Policy	Sold to Mr. Muhammad Irfan - Ex FC
Vehicles	1,237,910	(1,237,910)	-	247,591	247,591	Company Policy	Sold to Mr. Arshad I. Khan - Ex EVP
Vehicles	1,161,150	(928,920)	232,230	232,230	-	Company Policy	Sold to Mr. Anum Saleem
Vehicles	933,660	(902,538)	31,122	373,464	342,342	Company Policy	Sold to Mr. Hassan Abid Zaidi
	4,174,748	(3,771,058)	403,690	1,190,096	786,406		
Lease-hold improvements	3,300,700	(3,300,700)	-	-	-	Negotiations	Sold to M/S Maritime Technical & Support Services (Pvt) Limited
Office furniture and fixtures	571,204	(320,891)	250,313	550,000	299,687	Negotiations	Sold to M/S Maritime Technical & Support Services (Pvt) Limited
Computer equipment	99,500	(99,500)	-	12,000	12,000	Negotiations	Sold to Mr. Muhammad Irfan - Ex FC
Office equipment	201,921	(38,701)	163,220	50,000	(113,220)	Negotiations	Sold to M/S Maritime Technical & Support Services (Pvt) Limited
	8,348,073	(7,530,850)	817,223	1,802,096	984,873		

	2011 Rupees	2010 Rupees
7. CARDS AND ROOMS		
Corporate membership of Pakistan Mercantile Exchange Limited (Formerly National Commodity Exchange limited)	850,000	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	84,955,000
8. LONG TERM INVESTMENTS		
Held to maturity		
Pakistan Investment Bonds (PIBs)	8.1 511,655,606	524,859,952
Term Finance Certificates - Unlisted	8.2 10,108,833	10,108,833
	521,764,439	534,968,785
Less: Current maturity of Term Finance Certificates	14 6,070,903	4,025,450
Less: Current maturity of Pakistan Investment Bonds	14 358,459,256	-
	157,234,280	530,943,335

	2011 Rupees	2010 Rupees
8.1 Pakistan Investment Bonds (PIBs)		
Cost	606,221,300	606,221,300
Less: Amortization - Opening	61,361,348	49,143,151
Charged during the year	13,204,346	12,218,197
	531,655,606	544,859,952
Less: Impairment loss	20,000,000	20,000,000
	511,655,606	524,859,952

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having market value of Rs 468.422 million (2010: 474 million). Period to maturity of these investments range from 0.5 years to 13 years and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2010: 10% to 12% per annum). PIBs having face value of Rs. 363 million (2010: Rs. 333 million) are held by other financial institutions as security under repurchase transactions.

8.1.1 Encumbered and un-encumbered - Face value

	2011			2010		
	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	137,000,000	363,000,000	500,000,000	167,000,000	333,000,000	500,000,000

	2011 Rupees	2010 Rupees
8.2 Term finance certificates-Unlisted		
Secured		
New Khan Transport Company (Private) Limited	10,108,833	10,108,833

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% (2010: 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 company is Rs. 39.39 million.

	Note	2011 Rupees	2010 Rupees
9. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	9.1	3,953,942	1,920,427
Executives	9.2	26,070,823	862,504
		30,024,765	2,782,931
Others - Secured and considered good	9.3	65,770,132	67,341,469
		95,794,897	70,124,400
Considered doubtful			
Others	9.4	38,686,376	38,054,216
Less: Provision for doubtful finances	9.5	33,296,605	33,618,087
		5,389,771	4,436,129
Less: Current maturity	14	101,184,668	74,560,529
		82,509,573	63,162,772
		18,675,095	11,397,757

9.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 2.4 years to 5 years (2010: 3 years to 5 years), carrying mark-up rate ranging from 14% to 18% per annum. (2010: 14% to 18%per annum ; restated).

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

Escorts Pakistan Limited	3,617,326	2,090,422
Essem Hotel Limited	336,616	336,616

9.2 Executives

This represent finance provided to Executive against lien of assets for a period ranging from 3 years to 5 years and carries mark-up at the rate of 16% p.a. Further, house finance provided to CEO against mortgage of property for a period of 18 years and carries mark-up at the rate of 6% p.a.

	CEO Rupees	Executives Rupees	2011 Rupees	2010 Rupees
Opening Balance	-	862,504	862,504	2,664,433
Add: Disbursements during the year	20,000,000	6,638,400	26,638,400	-
	20,000,000	7,500,904	27,500,904	2,664,433
Less: Transfer from Executive category		-	-	1,446,574
Less: Repayments during the year	366,890	1,063,191	1,430,081	355,355
	19,633,110	6,437,713	26,070,823	862,504
The maximum balance outstanding at the end of any month during the year.			19,948,368	11,109,958

9.3 These finance facilities are secured by hypothecation of or 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 12.50% to 20.86% per annum (2010: 12.50% 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 (2010: 15% to 17% per annum).

	2011 Rupees	2010 Rupees
9.5 Particulars of provision for doubtful finances		
Opening balance	33,618,087	33,868,270
Reversal for the year	(321,482)	(250,183)
Closing balance	33,296,605	33,618,087

10. NET INVESTMENT IN LEASE FINANCE

Net investment in lease finance	10.1	11,999,146	21,786,316
Less: Provision for doubtful leases	10.4	153,328	153,328
		11,845,818	21,632,988
Less: Current maturity	14	10,758,226	15,855,353
		1,087,592	5,777,635

10.1 Particulars of net investment in lease finance

	2011			2010	
	Not later than one year	Later than one year but not later than five years		Total	
		Rupees	Rupees		Rupees
Leased rentals receivable	4,207,434	232,567	4,440,001	12,838,851	
Add: Residual value	6,979,848	1,021,540	8,001,388	10,783,463	
Gross investment in lease finance	11,187,282	1,254,107	12,441,389	23,622,314	
Less: Unearned finance income	429,056	13,187	442,243	1,835,998	
Net investment in lease finance	10,758,226	1,240,920	11,999,146	21,786,316	

10.2 The leases made by the Group 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 % (2010: 10% to 50%). Leased assets are insured in favor of the Group. The rate of return range from 13.00% to 18.31 % per annum (2010: 13.00% to 18.31% per annum). Penalty is charged in case of delayed payment. These lease pertain to previous years as the company does not have license for lease now.

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. 2.074 million (2010: Rs.2.248 million ; restated) at the end of current year.

		2011	2010
		Rupees	Rupees
10.4	Particulars of provision for doubtful leases		
	Opening balance	153,328	153,328
	Charge for the year	-	-
	Closing balance	153,328	153,328
11.	LONG TERM LOANS AND ADVANCES		
	Loan to staff - Unsecured, considered good		
	Executives - Related parties	1,278,847	1,091,541
	Other employees	700,114	1,186,122
		1,978,961	2,277,663
	Less: Current maturity	1,086,772	1,518,225
		892,189	759,438

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 Group's Policy for staff loans.

	Note	2011 Rupees	2010 Rupees
Opening Balance		1,091,541	1,877,093
Add: Transferred to executive category		180,243	-
Add: Disbursements during the year		1,005,288	545,303
		2,277,072	2,422,396
Less: Repayments during the year		998,225	1,330,855
		1,278,847	1,091,541
The maximum balance outstanding from executives at the end any month during the year was:		2,190,623	1,887,939

12. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits		2,883,950	10,134,500
Prepayments		6,166,116	735,828
		9,050,066	10,870,328
Less: Current maturity	14	3,993,840	5,355,128
		5,056,226	5,515,200

13. DEFERRED TAX ASSET

Taxable temporary differences		(13,116,240)	(11,183,395)
Fixed assets			
Deductible temporary differences			
Investments		28,801,874	29,885,379
Finances and receivables		20,836,317	22,178,466
Trade and other payables		368,680	730,429
Finance lease		1,612,193	124,335
Tax losses		43,978,445	34,740,176
		82,481,269	76,475,390

13.1 Movement in deferred tax asset

Opening balance		76,475,390	75,962,978
Provision during the year		6,005,879	512,412
Closing balance		82,481,269	76,475,390

13.2 The Group has an aggregate amount of Rs.125.653 million in respect of carry forward losses due to unabsorbed tax depreciation as at June 30, 2011 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	2011 Rupees	2010 Rupees
14. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Term finance certificates	8	6,070,903	4,025,450
Pakistan Investment Bonds	8	358,459,256	-
Long term finances	9	82,509,573	63,162,772
Net investment in lease finance	10	10,758,226	15,855,353
Long term loans and advances	11	1,086,772	1,518,225
Long term deposits and prepayments	12	3,993,840	5,355,128
		462,878,570	89,916,928
15. SHORT TERM INVESTMENTS			
Held for Trading			
Listed shares/units	15.1	569,500	-
Available for sale			
Listed Term Finance Certificates	15.2	3,284,736	4,927,104
Listed shares/units	15.3	31,972,101	45,502,856
Impairment loss		(412,303)	(2,733,412)
		35,414,034	47,696,548
(Deficit) / Surplus on revaluation		(2,563,230)	7,179,571
		32,850,804	54,876,119

15.1 Particulars of listed shares / units - Held for Trading

No. of Certificates/Shares	N A M E	2011		2010	
		2011	2010	Cost	Market value
				Rupees	Rupees
10,000	- National Bank of Pakistan Limited			-	-
		569,500	504,600	-	-

15.2 Particulars of listed Term Finance Certificates (TFCs)-Available for sale investments

1,316	1,316	Royal Bank of Scotland	3,284,736	3,319,268	4,927,104	4,889,673
			3,284,736	3,319,268	4,927,104	4,889,673

Other particulars of listed TFCs are as follows:

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

15.3 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 Shares/Units		N A M E	2011		2010	
			Cost	Market value	Cost	Market value
2011	2010		Rupees	Rupees	Rupees	Rupees
Mutual Fund - Open End						
-	49,907	Askari Asset Allocation Fund	-	-	2,746,313	3,011,910
-	10,483	Atlas Islamic Fund	-	-	4,011,196	5,118,430
-	50,000	HBL Income Fund	-	-	5,000,000	5,048,500
Mutual Fund - Close End						
49	49	Dawood Capital Management Fund	281	75	281	98
10,000	747,500	Pak Premier Fund	41,032	96,700	3,064,782	6,054,750
-	1,008,500	Pakistan Strategic Allocation Fund	-	-	3,620,536	6,908,225
-	21,800	PICIC Growth Fund	-	-	176,632	201,868
-	1,377,000	UTP - Large Capital Fund	-	-	5,714,591	5,852,250
Power Generation and Distribution						
35,000	-	Hub Power Company Limited	1,323,625	1,312,500	-	-
10,000	-	Kot Addu Power Company Limited	430,000	427,900	-	-
Commercial Banks						
10,000	6,862	Bank Alfalah Limited	108,233	95,900	72,394	64,915
31,444	1,151	MCB Bank Limited	6,509,170	6,257,356	161,361	223,513
62,500	65,682	National Bank of Pakistan	3,688,950	3,153,750	4,052,835	4,210,216
15,000	-	United Bank Limited	972,442	930,000	-	-
Insurance						
8,152	8,152	EFU General Insurance Company Limited	400,589	287,766	797,795	400,589
Fertilizer						
10,000	4,787	Engro Corporation Limited	2,008,400	1,632,500	890,402	830,927
Investment Companies						
-	16	Arif Habib Limited	-	-	-	704
-	625	Arif Habib Securities	-	-	17,314	20,756
50,000	178,764	Jahangir Siddique & Company Ltd.	890,815	327,500	4,595,783	2,259,577
Oil and Gas Exploration Companies						
-	2,000	Oil and Gas Development Company Limited	-	-	108,410	283,380
48,000	16,302	Pakistan Petroleum Limited	10,222,622	9,948,000	1,462,482	3,001,524
Cement						
30,000	-	D.G Khan Cement Company Limited	729,690	691,800	-	-
15,582	-	Lucky Cement Company Limited	1,150,885	1,101,650	-	-
-	717	Maple Leaf Cement Company Limited	-	-	1,989	2,230

No. of Certificates		N A M E	2011		2010	
			Carrying value	Market value	Cost	Market value
2011	2010		Rupees	Rupees	Rupees	Rupees
Textile Composite						
-	64	Nishat (Chunian) Limited	-	-	640	1,010
31,001	1,000	Nishat Mills Limited	1,938,977	1,560,900	61,182	43,011
Chemical						
46,000	800,000	Lotee Pakistan PTA Limited	791,990	636,640	8,945,938	6,448,000
Technology & Communication						
-	-	Pak PTA Limited	-	-	-	-
40,000	-	Pakistan Telecommunication Limited	764,400	566,000	-	-
Miscellaneous						
-	9	IBL Healthcare Limited	-	-	-	63
			31,972,101	29,026,937	45,502,856	49,986,446

	Note	2011 Rupees	2010 Rupees
16. SHORT TERM FINANCES			
Secured and considered good			
Associated companies	16.1	73,913,409	73,913,409
Others	16.2	43,611,836	51,858,585
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	16.3	13,767,834	13,767,834
		-	-
		117,525,245	125,771,994

16.1 This is provided to Escorts Pakistan Limited and secured against mortgage of property and has been rescheduled during the year for a further 1 year and markup at the rate of 16% p.a (2010: 16% p.a) 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 (2010: 12% to 18% per annum). These include finances against pledge of listed shares and Company's own Certificates of Deposit amounting to Rs. 22.66 million (2010: Rs. 0.680 million), while Rs. 14.709 million (2010: Rs. 42.406 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

	Note	2011 Rupees	2010 Rupees
16.3 Particulars of provision for doubtful finances:			
Opening balance		13,767,834	16,874,197
Reversal for the year		-	(3,106,363)
Closing balance		13,767,834	13,767,834

17. SHORT TERM PLACEMENTS

Considered good

This represents placements under reverse repurchase agreements with financial institution & other corporate entities and carry mark-up ranging from 12 % to 13.95 % per annum (2010: 12.60% to 12.80% per annum).

18. ADVANCES

Considered good

Advances		2,996,240	532,085
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18.1 Nomenclature of the abovementioned head has been changed (Ref note # 54.3).

19. SHORT TERM DEPOSITS AND PREPAYMENTS

Short term deposits	19.1	21,900,000	-
Prepayments	19.2	862,668	2,635,089
		22,762,668	2,635,089

19.1 This represents deposit with KSE against exposure limit for future transaction.

19.2 Prior year's figure has been reclassified for better presentation. (refer note 54.2).

20. OTHER RECEIVABLES

Receivable from associates	20.1 , 20.3	-	7,850,427
Receivable from clients	20.2 , 20.3	7,194,575	3,309,050
Other receivables	20.3	9,689,436	3,311,622
		16,884,011	14,471,099

20.1 Receivable from associates

Escorts Pakistan Limited		-	37,016
Essem Hotels		-	1,160,390
Director		-	6,653,021
		-	7,850,427

	Note	2011 Rupees	2010 Rupees
20.2 Receivables from clients			
Considered good		7,194,575	3,309,050
Considered doubtful		21,474,235	21,474,235
Less: Provision for doubtful receivables	20.2.1	21,474,235	21,474,235
		-	-
		7,194,575	3,309,050
20.2.1 Particulars of provision for doubtful receivables			
Opening balance		21,474,235	21,474,235
Charge for the year		-	-
Closing balance		21,474,235	21,474,235

20.3 Prior year account has been reclassified for better presentation (Ref note # 54.2).

21. CASH AND BANK BALANCES

Cash in hand		26,365	966
Cash with banks			
Current account with:			
State Bank of Pakistan		872,547	434,050
Others		7,585,466	293,411
Saving accounts	21.1	8,458,013 17,950,223	727,461 18,779,327
		26,434,601	19,507,754

21.1 Rate of return on these accounts range from 5% to 8% per annum (2010: 5% to 8% per annum).

	Note	2011 Rupees	2010 Rupees
22. SHARE CAPITAL			
Authorized share capital 50,000,000 (2010: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital 42,000,000 (2010: 42,000,000) ordinary shares of Rs. 10 each		420,000,000	420,000,000
Issued as fully paid in cash 2,100,000 (2010: 2,100,000) ordinary shares of Rs. 10 each		21,000,000	21,000,000
Issued as fully paid bonus shares		441,000,000	441,000,000
22.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2010: 39.01%) ordinary shares in the parent company.			
23. RESERVES			
Capital reserve			
Statutory reserve	23.1	154,050,085	154,050,085
Revenue reserve			
Accumulated loss		(290,943,833)	(228,757,763)
		(136,892,948)	(74,707,678)
23.1 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. However, as the company has incurred loss during the year, no amount has been transferred to the reserve.			
24. (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS			
Available for sale			
Listed term finance certificates		34,532	(37,431)
Listed shares / units		(2,532,862)	7,217,002
		(2,498,330)	7,179,571
Less: Deferred tax		-	(355,693)
		(2,498,330)	6,823,878

	Note	2011 Rupees	2010 Rupees
25. TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		166,934,000	400,000
Redeemed during the year		166,534,000	166,534,000
		333,468,000	166,934,000
		166,532,000	333,066,000
Less: Current maturity	29	166,532,000	166,534,000
		-	166,532,000
Less: Initial transaction cost			
Opening balance		(2,622,138)	(4,195,434)
Amortization for the year	40	1,573,296	1,573,296
		(1,048,842)	(2,622,138)
Less: Current maturity	29	1,048,842	-
		-	163,909,862

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' (2010: Single A Plus) with negative outlook as at June 30, 2011 in accordance with rating assigned on October 19, 2010. Subsequent to balance sheet date, this rating has been downgraded to BB with rating watch on September 21, 2011.

26. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Obligation under finance lease		-	4,980,797
Less: Current maturity	29	-	4,980,797
		-	-

27. LONG TERM CERTIFICATES OF DEPOSIT

Long term certificates of deposit	27.1	260,013,382	267,393,500
Less: Current maturity	29	142,749,717	11,480,188
		117,263,665	255,913,312

27.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 8.5 % to 16 % per annum (2010: 8.50% to 16% per annum) payable monthly, quarterly, semiannually or on maturity.

	Note	2011 Rupees	2010 Rupees
28. LONG TERM SECURITY DEPOSIT			
Security deposit	28.1	8,001,388	10,783,463
Less: Current maturity	29	7,461,923	6,865,563
		539,465	3,917,900

28.1 These represent interest free security deposits received on lease contracts and are adjustable at the expiry of the lease contracts.

29. CURRENT MATURITIES OF NON-CURRENT LIABILITIES

Term finance certificates - listed- net of amortization cost	25	165,483,158	166,534,000
Liability against assets subject to finance lease	26	-	4,980,797
Long term certificates of deposit	27	142,749,717	11,480,188
Long term security deposit	28	7,461,923	6,865,563
		315,694,798	189,860,548

30. SHORT TERM BORROWINGS

Financial institutions - Secured	30.1	809,820,762	304,763,104
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30.1 These represents borrowings under repurchase agreements and carry mark-up ranging from 13.4 % to 14% per annum (2010: 12.05% to 12.40% per annum) and are for a period ranging from 6 days to one month (2010: 3 days to one months). These are secured against pledge of PIBs.

31. RUNNING FINANCE - SECURED

The running finance facility available under mark-up arrangement from commercial bank amounts to Rs. 600 million (2010: Rs. 600 million). This facility carries mark-up at the rate 3 months KIBOR plus 150 bps per annum with no floor (2010: 3 months KIBOR plus 100 bps per annum with no floor.). This facility is secured against listed shares.

32. 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 (2010: 6.5% to 13.75% per annum) payable monthly, quarterly, semi-annually or on maturity.

33. ACCRUED MARKUP

Secured			
Accrued return on certificates of deposit	33.1	4,676,226	5,140,445
Accrued return on term finance certificates	33.1	7,933,083	14,713,669
Accrued mark-up on secured borrowings	33.1	1,871,324	469,667
		14,480,633	20,323,781

33.1 Prior year's figures have been reclassified for better presentation (Refer note # 54.2)

	2011 Rupees	2010 Rupees
34. TRADE AND OTHER PAYABLES		
Customers' credit balances	45,813,809	4,610,836
Accrued expenses and other payables	95,493,943	21,175,287
Provision for compensated absences	1,210,494	2,804,272
Unclaimed dividend	2,387,004	2,387,274
	144,905,250	30,977,667 4

34.1 Prior year figures have been reclassified for better presentation.(Ref note # 54.2).

35. 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 2010 were filed. The Company has filled appeals against the orders of CIT (A) for Tax Year 2003 to 2008 before the Honorable Appellate Tribunal on various matters. These appeals are pending hearing.

Additionally, in respect of tax year 2008, the Company being aggrieved with the order of DCIT has filed an appeal before CIR (A), which is pending for fixation.

For tax year 2009, tax department has initiated proceeding under sec 161 of the income tax ordinance. The company has not received any notice for the tax year 2010.

Financial impact of the above have not been acknowledged in these financial statements because of pending litigations.

	2011 Rupees	2010 Rupees
36. CONTINGENCIES AND COMMITMENTS		
Outstanding guarantees	1,500,000	-
Capital expenditure - Intangible	-	500,000
Future purchase contracts- Shares	147,625,200	-
Future sale contracts- Shares	70,280,455	-

	2011 Rupees	2010 Rupees
37. PROFIT ON FINANCING		
Long term	32,334,448	11,570,445
Short term	6,440,981	20,190,410
	38,775,429	31,760,855
38. RETURN ON PLACEMENTS		
Clean placements	994,302	4,158,362
Placements under reverse repurchase agreements	75,506,798	194,856
	76,501,100	4,353,218
39. RETURN ON INVESTMENTS		
Mark-up / return on investments		
Held to maturity investments		
Government securities	56,000,000	59,734,688
Term Finance Certificates	-	777,433
Available for sale investments		
Term Finance Certificates	5,029,013	1,104,628
Dividend income		
Available for sale investments		
Listed shares/units	43,225,584	16,978,959
Fair value loss on held for trading investment	(64,900)	-
Capital (loss) / gain on investments		
Available for sale investments	(10,038,276)	42,127,710
Held for trading	41,824	4,564,850
	94,193,245	125,288,269

		2011 Rupees	2010 Rupees
40. ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	40.1	30,749,810	48,238,162
Staff training and welfare		24,580	151,558
Advertisement and business promotion		226,882	294,290
Rent, rates and taxes		11,243,467	14,746,573
Utilities		2,587,623	4,007,994
Communication charges		2,789,073	4,470,523
Traveling and vehicle maintenance		7,173,406	6,401,199
Repair and maintenance		3,010,928	2,541,061
Entertainment		1,366,411	1,809,444
Fee and subscriptions		2,613,749	3,630,809
Legal and professional charges	40.2	2,757,769	7,082,374
Printing and stationery		1,506,041	1,687,436
Fee, brokerage and commission		112,002	113,636
CDC and clearing charges		4,388,038	2,115,984
Insurance		876,384	2,222,506
Amortization of issuance cost of listed TFCs	25	1,573,296	1,573,296
Depreciation	6.1	12,188,458	16,296,146
Amortization of intangible assets	6.2	288,860	-
Donation		100,170	-
Penalty		60,000	88,000
Staff motor vehicle contribution & insurance		86,715	-
Miscellaneous expenses		180,840	881,586
		85,904,502	118,352,577

40.1 This includes contribution to provident fund amounting to Rs. 1.198 million (2010: Rs. 1.643 million) made by the Company.

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

Audit fee	707,000	707,000
Review of half yearly accounts	143,000	143,000
	850,000	850,000

41. TAXATION - net

Current taxation	41.1	3,425,295	4,331,997
Deferred taxation		(5,650,186)	(868,104)
		(2,224,891)	3,463,893

41.1 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.

	2011 Rupees	2010 Rupees
42. LOSS PER SHARE - BASIC AND DILUTED		
Loss for the year after taxation (Rupees)	(62,185,270)	(115,298,416)
Number of ordinary shares	44,100,000	44,100,000
Loss per share (Rupees)	(1.41)	(2.61)

42.1 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.

43. 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:

	2011 Rupees	2010 Rupees
Associated Company:		
Transactions during the year		
Return on finances received	9,509,829	363,871
Guarantee commission earned	12,000	-
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	78,048,413	76,456,349
Certificates of deposit outstanding	6,095,003	6,095,003
Letter of guarantee outstanding	1,500,000	-
Other receivable	4,000,000	1,871,656
Directors:		
Transactions during the year		
Return on finances received	694,534	-
Profit paid on certificates of deposit	6,780,157	15,521,249
Balance at year end		
Advances outstanding	20,137,497	-
Certificates of deposit outstanding	50,400,000	116,050,000
Other receivable	-	6,653,021

	2011 Rupees	2010 Rupees
Executives:		
Transactions during the year		
Return on finances received	231,839	853,804
Profit paid on certificates of deposit	7,577,871	407,405
Fixed assets sold	1,202,096	1,803,296
Balance at year end		
Advances outstanding	7,026,469	1,954,046
Certificates of deposit outstanding	58,568,784	2,560,000
Other receivable	-	78,569
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	1,198,082	1,643,663

44. SEGMENTAL ANALYSIS

The Group'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 Group's liquidity.

	For the year ended 30 June 2011		
	Financing activities	Investing activities	Total
Profit on financing	38,775,429		38,775,429
Mark-up on lease finance	1,041,404		1,041,404
Return on placements		76,501,100	76,501,100
Return on investments	-	94,193,245	94,193,245
Total income for reportable segments	39,816,833	170,694,345	210,511,178
Finance costs	38,886,362	166,705,427	205,591,789
Administrative and other operating expenses	16,248,283	69,656,219	85,904,502
Provision for doubtful financing - reversed	(321,482)	-	(321,482)
Segment result	(14,996,330)	(65,667,301)	(80,663,631)

For the year ended 30 June 2011

	Financing activities	Investing activities	Total
Other operating income			16,253,470
Loss before taxation			(64,410,161)
Segment assets	237,520,370	1,446,208,374	1,683,728,744
Unallocated assets			461,788,310
			2,145,517,054
Segment liabilities	99,238,700	260,372,010	359,610,710
Unallocated liabilities			1,481,799,292
Equity			304,107,052
			2,145,517,054

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			561,744,815
			1,662,956,671
Segment liabilities	97,552,966	286,346,697	383,899,663
Unallocated liabilities			912,794,686
Equity			366,292,322
			1,662,956,671

45. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive/ Directors		Executives	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Managerial remuneration	1,793,376	9,377,137	7,991,868	8,831,805
House rent allowance	717,348	3,232,491	2,949,249	3,532,723
Utilities	179,340	764,505	737,317	883,197
Bonus/commission	-	-	119,244	-
Special allowance	-	-	380,000	-
Leave encashment	-	700,552	667,182	529,000
Retirement benefits	-	668,595	626,487	819,808
	2,690,064	14,743,280	13,471,347	14,596,533
Number of persons	1	2	8	8

In addition to above the Chief Executive/Directors and Executives were provided with use of Group maintained cars and reimbursement of medical expenses.

46. LIQUIDITY RISKS

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Group 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 by Assets and Liabilities Committee to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Group'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 2011				
ASSETS				
Fixed capital expenditure	82,738,987	-	10,488,913	72,250,074
Cards and rooms	84,955,000	-	-	84,955,000
Deferred tax asset	82,481,269	-	82,481,269	-
Net investment in lease finance	11,845,818	10,758,226	1,087,592	-
Investments	554,615,243	397,380,963	56,196,874	101,037,406
Finances	218,709,914	200,034,819	3,661,959	15,013,136
Advances	4,975,201	4,083,012	892,189	-
Deposits and prepayments	31,812,734	26,756,508	2,172,276	2,883,950
Accrued markup	11,390,102	11,390,102	-	-
Other receivables	16,884,011	16,884,011	-	-
Tax refunds due from government	222,140,459	222,140,459	-	-
Placements	796,533,715	796,533,715	-	-
Cash and bank balances	26,434,601	26,434,601	-	-
	2,145,517,054	1,712,396,416	156,981,072	276,139,566

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
LIABILITIES				
Term finance certificates	165,483,158	165,483,158	-	-
Obligation under finance lease	-	-	-	-
Short term borrowings	809,820,762	809,820,762	-	-
Running finance under mark up arrangements	50,000,600	50,000,600	-	-
Certificates of deposit	619,019,164	501,755,499	117,263,665	-
Long term security deposit	8,001,388	7,461,923	539,465	-
Accrued markup	14,480,633	14,480,633	-	-
Trade and other payables	144,905,250	144,905,250	-	-
Provision for taxation	32,197,377	32,197,377	-	-
	1,843,908,332	1,726,105,202	117,803,130	-
NET ASSETS	301,608,722	(13,708,786)	39,177,942	276,139,566
Represented by:				
SHARE CAPITAL AND RESERVES	304,107,052			
DEFICIT ON REVALUATION OF INVESTMENTS	(2,498,330)			
	301,608,722			

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	429,866,787	101,076,548
Finances	200,332,523	188,934,766	10,632,752	765,005
Advances	2,809,748	2,050,310	759,438	-
Deposits and prepayments	13,505,417	7,990,217	-	5,515,200
Accrued markup	16,307,143	16,307,142	-	-
Other receivables	14,471,099	14,471,099	-	-
Tax refunds due from government	327,768,677	327,768,677	-	-
Placements	200,000,000	200,000,000	-	-
Cash and bank balances	19,507,754	19,507,754	-	-
	1,662,986,671	852,236,503	539,543,826	271,206,342
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	-
Accrued markup	20,323,781	20,323,781	-	-
Trade and other payables	30,977,667	30,977,667	-	-
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)	115,802,752	271,206,342
Represented by:				
SHARE CAPITAL AND RESERVES	366,392,322			
DEFICIT ON REVALUATION OF INVESTMENTS	6,823,878			
	373,116,200			

47. 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.

The management monitors and limits bank's exposure to credit risk through monitoring of client's credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets diversified in organizations of sound financial standing covering various industrial sectors and segments.

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.

47.1 Segment information

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2011 Percentage	2010 Percentage	2011 Percentage	2010 Percentage	2011 Percentage	2010 Percentage
Chemical and pharmaceuticals	10.26	11.80		-		-
Agribusiness	5.64	4.57		-		-
Textile	6.28	5.09		-		-
Sugar	11.13	8.31		-		-
Financial Institutions	0.00	29.00		3.90		-
Insurance	0.00	-	0.07	0.09		-
Electronics and electrical appliances	31.78	25.08		-	100.00	-
Production and transmission of energy	2.25	-		-		-
Steel & allied products	0.09	0.39		-		-
Individuals	25.85	9.60	83.05	91.04	-	-
Engineering and Construction	6.53	5.47	0.00	0.17		-
Sports	-	0.00	0.00	0.48		-
Communications	-	0.19		-		-
Non-Government Organizations	-	-	3.45	4.11		-
Others	0.20	0.50	13.43	0.35		-
	100.00	100.00	100.00	100.00	100.00	-

47.2 Geographical Segment

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

The age of term loan and lease rental receivables and related impairment loss at the balance sheet date was:

	2011 Rupees	2010 Rupees
Aging of term loan and lease rental receivables		
Not past due	169,081,946	136,552,560
Past due 0 - 180 days	7,841,358	25,301,298
Past due 181 - 365 days	5,837,183	25,353,955
1 - 2 years	5,880,357	6,754,915
More than 2 years	81,573,510	66,594,567
	270,214,354	260,557,295

Collaterals held against term financing and lease rentals receivables

	2011				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid collaterals	
	----- Rupees -----				
Long term finances	134,481,273	-	176,128,969	31,900,000	(73,547,696)
Short term finances	131,293,080	4,675,000	108,050,000	22,660,000	583,080

48. MARKET RISK

The bank's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the bank's activities include interest rate risk, currency risk and other price risk.

48.1 Interest rate risk

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

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

	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 2011					
FINANCIAL ASSETS					
Investments	554,615,243	397,380,963	56,196,874	101,037,406	-
Net investment in lease finance	3,844,430	3,296,303	548,127	-	-
Finances	218,709,914	200,034,819	3,661,959	15,013,136	-
Advances	4,975,201	-	-	-	4,975,201
Deposits and prepayments	31,812,734	21,900,000	-	-	9,912,734
Placements	796,533,715	796,533,715	-	-	-
Cash and bank balances	26,434,601	17,950,223	-	-	8,458,013
	1,636,925,838	1,437,096,023	60,406,960	116,050,542	23,345,948
FINANCIAL LIABILITIES					
Term finance certificates	165,483,158	165,483,158	-	-	-
Obligation under finance lease	-	-	-	-	-
Short term borrowings	809,820,762	809,820,762	-	-	-
Running finance under mark up arrangements	50,000,600	50,000,600	-	-	-
Certificates of deposit	619,019,164	501,755,499	117,263,665	-	-
Accrued markup	14,480,633	-	-	-	-
Trade and other payables	144,905,250	-	-	-	144,905,250
	1,803,709,567	1,527,060,019	117,263,665	-	144,905,250
Total Interest rate sensitivity gap		(89,963,996)	(56,856,705)	116,050,542	
Cumulative interest rate sensitivity gap		(89,963,996)	(146,820,701)	(30,770,159)	
As at 30 June 2010					
FINANCIAL ASSETS					
Investments	589,844,904	58,901,569	429,866,787	101,076,548	-
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	-
Advances	2,809,748	-	-	-	2,809,748
Deposits and prepayments	13,505,417	13,505,417	-	-	-
Accrued markup	16,307,143	16,307,143	-	-	-
Other receivables	14,471,099	14,471,099	-	-	-
Placements	200,000,000	200,000,000	-	-	-
Cash and bank balances	19,507,754	18,752,961	-	-	754,793
	1,067,628,113	519,862,745	442,359,274	101,841,553	3,564,541
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	-	-
Accrued markup	20,323,781	20,323,781	-	-	-
Trade and other payables	30,977,667	-	-	-	30,977,667
	1,245,052,179	794,251,338	419,823,174	-	30,977,667
Total Interest rate sensitivity gap		(274,388,593)	22,536,100	101,841,553	
Cumulative interest rate sensitivity gap		(274,388,593)	(251,852,493)	(150,010,940)	

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher with all other variables held constant, loss after taxation for the year would have been increased by Rupees 306,437 where loss after taxation for the year ended 30 June 2011 would have been lower by Rupees 306,437 if the interest rate moved in the opposite direction. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

48.2 Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The company is exposed to equity price risk as company hold available for sale and held for trading investments.

		Changes in KSE all Index	Effects on Profit Before Tax (Rupees)	Effects on Equity
Available-for-sale investments	2011	+10%	-	3,234,621
		-10%	-	(3,234,621)
	2010	+10%	-	4,998,644
		-10%	-	(4,998,644)
Held-for-trading investments	2011	+10%	50,460	-
		-10%	(50,460)	-

48.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk arising from currency exposure as it is not involved in foreign currency transactions.

49. 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 2008. The existing minimum capital requirement of Rs. 500 million has been extended 30 June 2011. However, the Group 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 Group sets the amount of capital in proportion to risk. The Group 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 Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group 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 2011 and at 30 June 2010 were as follows:

	2011 Rupees	2010 Rupees
Total debt	117,803,130	602,818,159
Total equity	301,608,722	373,116,200
Debt-to-equity ratio	0.39	1.62

The decreases in the debt-to-equity ratio during 2011 resulted primarily from net repayment of Term Finance Certificates and Long Term Certificate of Deposits during the year amounting to Rs. 166.534 million and Rs. 138.649 million.

50. 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.

51. 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".

52. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2011, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

53. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue as on November 04, 2011 by the Board of Directors of the Group.

54. GENERAL

54.1 Figures have been rounded off to the nearest rupee.

54.2 Following major re-classifications have been made in these accounts

Account Head	Previous classification	Current classification	Amount (Rs.)
Prepayments	Advances, deposits, prepayments and other receivables	Short term deposits and prepayments	2,635,089
Accrued markup	Advances, deposits, prepayments and other receivables	Interest accrued	16,307,143
Receivable from associates	Advances, deposits, prepayments and other receivables	Other receivables	7,850,427
Receivable from clients	Advances, deposits, prepayments and other receivables	Other receivables	3,309,050
Other receivables	Advances, deposits, prepayments and other receivables	Other receivables	3,311,622
Advance income tax	Advances, deposits, prepayments and other receivables the Government	Tax refunds due from	310,917,421
Income tax refundable	Advances, deposits, prepayments and other receivables the Government	Tax refunds due from	16,851,256
Accrued return on certificates of deposit	Trade and other payables	Accrued Markup	5,140,445
Accrued return on term finance certificates	Trade and other payables	Accrued Markup	14,713,669
Accrued mark-up on secured borrowings	Trade and other payables	Accrued Markup	469,667

54.3 Nomenclature of the following accounts has been changed in these accounts

Previous nomenclature	Current nomenclature
Advances, deposits, prepayments and other receivables	Advances

Chief Executive Officer

Director

Pattern of Shareholding as at June 30, 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES HELD	Percentage of Total Capital
	FROM	TO		
67	1 -	100	1,937	0.00
65	101 -	500	26,276	0.06
75	501 -	1000	68,556	0.16
122	1001 -	5000	340,618	0.77
31	5001 -	10000	241,188	0.55
15	10001 -	15000	189,925	0.43
9	15001 -	20000	171,166	0.39
7	20001 -	25000	164,006	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
3	45001 -	50000	147,700	0.33
1	50001 -	55000	55,000	0.12
1	60001 -	65000	62,150	0.14
1	65001 -	70000	68,000	0.15
3	75001 -	80000	229,114	0.52
2	85001 -	90000	180,000	0.41
5	95001 -	100000	498,661	1.13
1	105001 -	110000	109,515	0.25
1	130001 -	135000	130,500	0.30
2	145001 -	150000	297,000	0.67
1	160001 -	165000	160,500	0.36
1	170001 -	175000	175,000	0.40
1	195001 -	200000	200,000	0.45
1	265001 -	270000	270,000	0.61
1	295001 -	300000	299,750	0.68
1	300001 -	305000	304,000	0.69
1	465001 -	470000	467,775	1.06
1	495001 -	500000	500,000	1.13
1	650001 -	655000	654,000	1.48
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	2910001 -	2915000	2,910,105	6.60
1	3270001 -	3275000	3,274,000	7.42
1	3530001 -	3535000	3,532,961	8.01
1	3690001 -	3695000	3,691,641	8.37
1	3775001 -	3780000	3,775,962	8.56
1	17200001 -	17205000	17,203,340	39.01
436			44,100,000	100.00

**CATEGORIES OF SHAREHOLDERS
 AS ON JUNE 30, 2011**

Categories	No. of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	6	6,848,669	15.5299
Associated Companies, Undertakings and Related Parties	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	2	137,260	0.3112
General Public (Local)	409	15,076,392	34.1868
Others	4	209,501	0.4751
Joint Stock Companies	8	3,294,958	7.4716
	436	44,100,000	100

AS ON JUNE 30, 2011
INFORMATION AS REQUIRED BY CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children			
MUTAHIR AHMED	1	160,500	0.3639
BAIRAM QURESHI	1	1,102	0.0025
ZULFIQAR ALI KHAN	1	500	0.0011
TAJAMMUL HUSSAIN BUKHARI(21020)	1	500	0.0011
DARAKSHAN BASHIR	1	2,910,105	6.5989
SHAZIA BASHIR	1	3,775,962	8.5623
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			
	2	137,260	0.3112
General Public (Local)			
	409	15,076,392	34.1868
Others			
	4	209,501	0.4751
Joint Stock Companies			
	8	3,294,958	7.4716
	436	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

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 30th day of November 2011 at 12:00 noon and at any adjournment thereof.

As witnessed under my/our hand this _____ day of _____ 2011.

_____ signed by _____

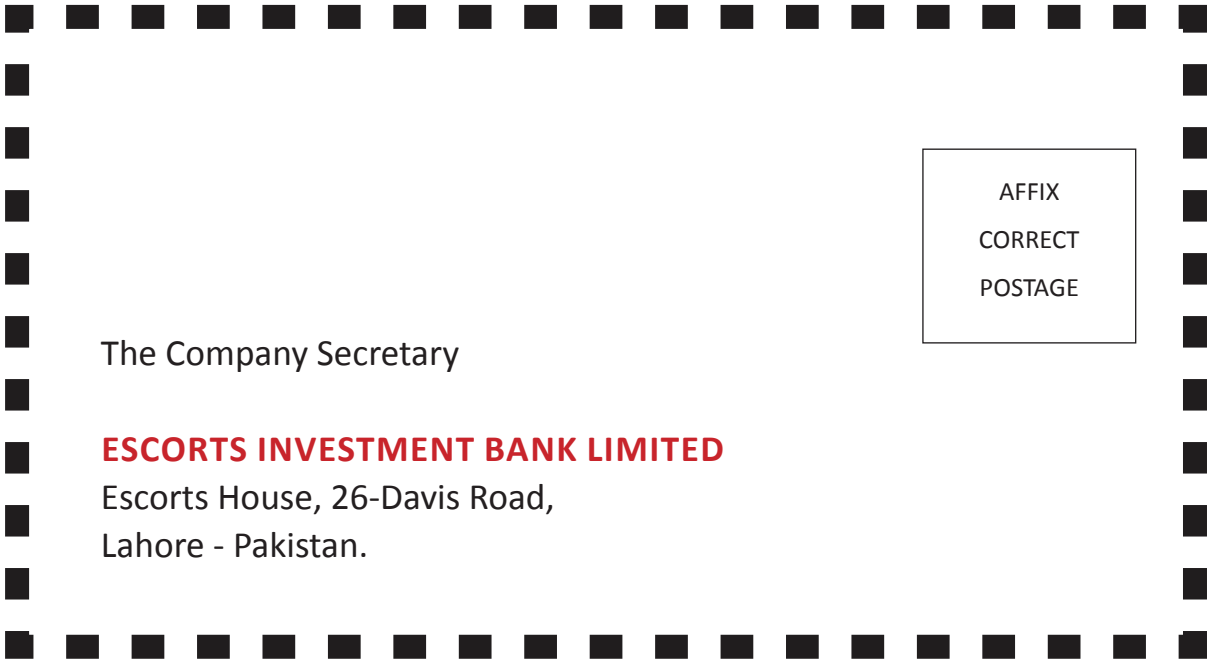
in presence of _____

Signature and address of the witness

Signature and address of the witness

Please affix
Revenue
Stamp

Signature of member



AFFIX
CORRECT
POSTAGE

The Company Secretary

ESCORTS INVESTMENT BANK LIMITED

Escorts House, 26-Davis Road,
Lahore - Pakistan.