

ESCORTS  
INVESTMENT  
BANK

Annual Report  
2015



## 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**



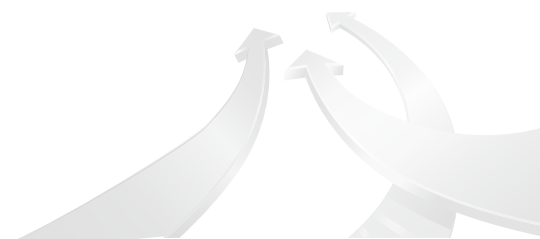


ESCORTS INVESTMENT  
BANK LIMITED



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## Corporate Information

### BOARD OF DIRECTORS

#### Chairman

Bairam Qureishy

#### President & Chief Executive Officer

Shazia Bashir

#### Directors

Bairam Qureishy

Shazia Bashir

Mutahir Ahmed

Tajamul Hussain Bokharee

Zulfiqar A. Khan

Muhammad Ashraf Ali

Muhammad Sharif Baqir

#### Company Secretary / Chief Financial Officer

Hamid ur Rehman

### EXECUTIVE MANAGEMENT

#### President & Chief Executive Officer

Shazia Bashir

#### Head of Proprietary Investments

Hassan Abid Zaidi

#### Head of MIS

Kamran Chughtai

### AUDIT COMMITTEE

#### Chairman

Tajamul Hussain Bokharee

#### Members

Bairam Qureishy

Mutahir Ahmed

#### Secretary

Muhammad Rasheed Alam

#### Internal Auditors

Nasir Javaid Maqsood Imran

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

Askari Bank Limited

NIB Bank Limited

Sind Bank Limited

MCB Bank Limited

### NETWORK

#### Head Office & Lahore Branch

Escorts House

26-Davis Road, Lahore

Tel: (042) 3637 1931-34

Fax: (042) 3637 5950

mailmanager@escortsbank.net

www.escortsbank.net

#### Branch Offices

##### Karachi Office

Escorts Investment Bank Limited

Room # 631, 632, Stock Exchange Building,

Stock Exchange Road, Karachi

Tel: (021) 3247 1671-5

Fax: (021) 3247 237

karachi@escortsbank.net

www.escortsbank.net

##### Islamabad Office

Escorts Investment Bank Limited

Shalimar – 5/1, Attaturk Ave, Islamabad

Tel: (051) 227 1762

Fax: (051) 227 1764

islamabad@escortsbank.net

www.escortsbank.net

## Financial Statements

30 June 2015



## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 20th Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK LIMITED** will be held on Saturday October 31, 2015 at 09:30 a.m. at Escorts House, 26 Davis Road, Lahore the registered office of the Company, to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Annual Audited Financial Statements for the year ended June 30, 2015 together with the Directors' and Auditors' report thereon;
2. To appoint External Auditors and fix their remuneration for the year ending June 30th, 2016.

### **OTHER BUSINESS:**

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

### **By ORDER OF THE BOARD**

**Hamid ur Rehman**  
Company Secretary

Dated: October 10, 2015

### **Notes:**

1. The share transfer books shall remain closed from October 25, 2015 to October 31, 2015 (both days inclusive). Transfers received at Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore, by the close of the business hours on October 24, 2015 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.
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.





## Director's Report

The Board of Directors of Escorts Investment Bank Limited is pleased to present the Annual Report 2015 together with the Audited Financial Statements for the year ended June 30, 2015.

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, comprehensive laws, 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.
- h) information about outstanding taxes and other government levies are given in related note(s) to the accounts.
- i) the statement of Code of Ethics and Business Practices has been developed and acknowledged by the directors and employees of the Company.

### Financial Results

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

	2015 Rupees	2014 Rupees
Loss before provisions and taxation	(53,530,765)	(17,267,171)
Less: reversal of doubtful finances and receivables	725,201	192,224
Loss before taxation	(52,805,564)	(17,074,947)
Taxation – net	31,753,862	-646,532
Loss after taxation	(21,051,702)	(17,721,479)
Other Comprehensive Profit/(Loss)- net of tax	3,455,963	(625,699)
Total comprehensive Loss - net of tax	(17,595,739)	(18,347,178)

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

The fiscal year 2014-2015 has been a challenging year for Pakistan's economy, society and politics due to domestic political instability caused by sit-ins of various political parties. These factors have adversely affected overall economy and particularly the equity market in terms of low market activity. The NBFC sector in Pakistan is continuously facing obstacles in its business activities due to factors such as reluctance of financial institutions/commercial banks to lend borrowings to NBFCs. During the year the Company incurred a loss after tax and comprehensive income of Rs. 17.59 million as against a loss of Rs. 18.34 million in the preceding year.

Major reason for loss is Cost of Deposit which has increased from Rs. 110.99 million to Rs. 146.87 million that is an increase of 32.33%. Return on investments has been decreased from Rs. 58.82 million to Rs. 22.62 million which is decrease of 61.54%. Administrative expenses have been on almost same level..

However, profit on financing has been increased by Rs. 15.44 million from Rs. 77.57 million as at June 2014 to Rs. 93.01 million as at June 30, 2015 representing an increase of 19.90%.

#### Term Finance Certificates (TFCs)

It is worthwhile to mention here that the bank had issued a listed Term Finance Certificates (TFCs) of Rs. 500 million in March, 2007 and it has been fully redeemed in September 2014.

#### Credit Rating

As an expression of confidence in your Company's performance, The Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Company at "BBB" (Triple B) as on March 20, 2015. The Short Term ratings have been maintained at A3 (Single A three).

#### Board Meetings

The Board presently comprises of one executive and six non executive directors. A casual vacancy occurred during the year as Mr. Amjad Mahmood Agha resigned which was duly filled by Mr. Muhammad Ashraf Ali.

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

Directors	Attended
Mr. Bairam Qureishy	2
Ms. Shazia Bashir	4
Mr. Tajamal Hussain Bokharee	3
Mr. Mutahir Ahmed	4
Mr. Zulfiqar Ali Khan	2
Mr. Muhammad Sharif Baqir	-
Mr. Amjad Mahmood Agha	1
Mr. Muhammad Ashraf Ali	-

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



### **Pattern of shareholding**

There were 413 shareholders of the Company as at 30 June 2015. 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 financial statements of the fund the value of its investment as at June 30, 2015 works out to Rs. 5.86 million and cash at bank balances amount to Rs. 2.37 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 year under review.

### **Internal Audit Function**

The Company has outsourced its internal audit function 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' Emphasis on Minimum Capital Requirement**

For the shortage in minimum equity requirement the management of your Company has given its view in note No. 2.2 to the Financial Statements.

### **Auditors**

The Bank's external auditors M/s Zahid Jamil & Co, Chartered Accountants had retired on completion of five years term. The Board and Audit Committee have recommended the appointment of M/s Tariq Abdul Ghani Maqbool & Co., Chartered Accountants and being eligible has offered themselves for appointment.

### **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. Escorts Investment Bank Limited has also contributed materially to help and assist the flood affected people during and after the year end.

### **Future Outlook**

Management is committed to turnaround the bank by exploring new venues and have planned and actively pursuing to get low cost credit lines to invest in high yield products to earn spread. Beside that management is focused on non-funded products and have high future aspirations in this regard. To reduce the non-earning assets management is aggressively pursuing to get the Tax refunds. Further, management has devised a strategy to bring down the cost of deposit by negotiating existing client base and to attract new profit conscious depositors who have invested in commercial banks for peanuts like profits.

There is high anticipation for equity market performance which will result in considerable rise in Margin Financing and Equity Portfolio and hence will generate a remarkable earning in the shape of brokerage commission as well as profit on the margin financing. Further, the management is continuing to attract the potential corporate and retail clients to increase the brokerage revenue and hopes that future periods are expected to show better profitability for the Company with improved earnings quality and high service levels.

### **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: October 10, 2015



## Financial Highlights

### Last Eight Years of Escorts Bank at a Glance

(Rupees in '000')

	2015	2014	2013	2012	2011	2010	2009	2008
<b>FINANCIAL DATA</b>								
Share Capital	441,000	441,000	441,000	441,000	441,000	441,000	441,000	441,000
Share Deposit Money	-	-	-	-	-	-	-	-
Reserves	15,640	33,236	56,808	34,575	45,895	76,973	156,403	410,850
Shareholders' Equity	456,640	474,236	497,808	475,575	486,895	517,973	597,403	851,850
Deposits	1,078,539	1,185,538	758,007	659,261	691,974	580,862	413,733	1,327,061
Borrowings from Financial Institutions	-	44,503	-	599,349	809,821	304,763	438,563	2,983,208
Total Liabilities	1,175,331	1,445,381	993,420	1,700,946	1,888,768	1,307,045	1,510,240	5,645,060
Tangible Fixed Assets	137,143	143,737	128,046	138,188	110,296	122,008	137,981	166,115
Intangible Fixed Assets	257	385	578	1,444	2,311	-	-	35,917
Capital Work in Progress	-	-	7,669	-	-	2,100	1,300	1,300
Financing - Net of Provision	527,798	456,453	336,352	326,872	318,710	250,393	158,915	281,673
Net Investment in Finance Lease	2,980	3,065	3,572	5,431	11,846	21,633	35,451	72,272
Investments & Placements	272,524	569,455	307,547	984,310	1,351,149	789,845	1,096,536	4,631,475
Total Assets	1,631,972	1,919,617	1,491,228	2,176,521	2,375,663	1,825,018	2,107,643	6,496,909
<b>OPERATING RESULTS</b>								
Total Revenue	163,319	164,887	241,185	264,110	239,698	182,339	356,524	837,164
Markup Expense	151,061	118,983	167,961	218,037	197,796	159,061	270,646	482,477
Operating & Other Expenses	65,788	63,171	54,586	68,057	75,832	103,498	153,678	251,038
Provision against Non-Performing Loans	(725)	(192)	247	49	(321)	(3,357)	3,802	9,134
Profit/(loss) before Tax	(52,805)	(17,075)	18,391	(22,033)	(34,021)	(79,598)	(166,002)	94,512
Profit/(loss) after Tax	(21,052)	(17,721)	22,233	(11,320)	(31,078)	(79,430)	(166,247)	137,817
Dividend (%)	-	-	-	-	-	-	-	20.00
<b>FINANCIAL RATIOS</b>								
Earnings/(loss)/ per Share (Rs.)	(0.48)	(0.40)	0.46	(0.26)	(0.70)	(1.80)	(3.77)	3.13
Net Asset Value per Share (Rs.)	10.35	10.75	11.29	10.78	11.04	11.74	13.54	19.32
Market Value per Share (Rs.)	2.50	2.75	3.70	1.95	1.80	2.89	2.40	12.68
High	4.00	2.75	4.98	2.95	3.85	4.30	11.99	20.10
Low	1.63	2.75	1.75	1.10	1.10	1.55	2.40	11.00
Price Earning Ratio	-	-	8.04	-	-	-	-	4.06
Dividend per Share (Rs.)	-	-	-	-	-	-	-	2.00
Dividend Yield (%)	-	-	-	-	-	-	-	15.77
Dividend Payout Ratio(%)	-	-	-	-	-	-	-	64.00
Profit/(loss) Before Tax Ratio (%)	(32.78)	(10.47)	7.63	(8.34)	(14.19)	(43.65)	(46.63)	11.29
Revenue to Expenses (Times)	0.75	0.91	1.08	0.92	0.87	0.70	0.69	1.13
Return on Average Assets (%)	-	-	1.21	-	-	-	-	2.22
Return on Capital Employed (%)	-	-	4.57	-	-	-	-	16.66
Total Assets Turnover Ratio (Times)	0.10	0.09	0.16	0.12	0.10	0.10	0.17	0.13
Advances to Deposits (Times)	0.49	0.39	0.44	0.50	0.47	0.35	0.30	0.21
Borrowings to Equity (Times)	-	0.09	-	0.79	0.60	1.70	2.33	5.06
Total Liabilities to Equity (Times)	2.57	3.05	2.00	3.58	3.88	2.52	2.52	6.63

## 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 Regulation No. 35 (Chapter XI) of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Escorts Investment Bank Limited (“the Company”) has applied the principles contained in the Code in the following manner:

1. The Company encourage representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Muhammad Ashraf Ali Mr. Muhammad Sharif Baqir
Executive Director	Ms. Shazia Bashir
Non-Executive Directors	Mr. Bairam Qureishy Mr. Mutahir Ahmed Mr. Tajamul Hussain Bokharee Mr. Zulfiqar A.Khan Mr. Muhammad Ashraf Ali Mr. Muhammad Sharif Baqir

The independent directors meet the criteria of independence under clause (i) b of the Code.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including the Company
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the board of Directors during the year which was duly filed.
5. The Company has prepared a ‘Code of Conduct’ (the Code) and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors are exempted from training Program because they fulfill the exemption criteria provided in the proviso of clause 35 (xi) of the Code.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.



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 Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than those 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 of three members all of whom are non-executive Directors. The Board shall ensure that the Chairman Audit Committee is an independent director for future compliance.
16. The meetings of the Audit Committee held at least once every quarter prior to approval of interim and final results of the Company as required by the Code.
17. The Board will form an HR and Remuneration Committee. It will comprises three members, of whom one will be an executive director and two directors including chairman of the committee will be non executive Directors.
18. The Board has outsourced its internal audit function to M/S Nasir Javaid Maqsood Imran, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed Period" prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, Employees and Stock Exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)
  - a) Chairman of the Audit Committee is not an independent director.
  - b) Formulation of HR and Remuneration Committee.

**Shazia Bashir**  
**President and Chief Executive Officer**

**Lahore**  
**Date: October 10, 2015**

## 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.

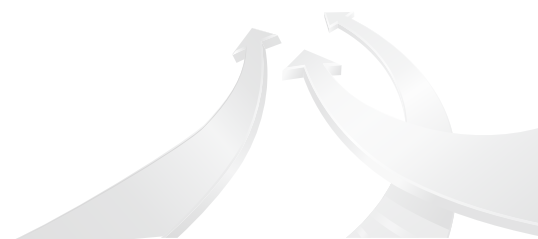
Further, Sub-Regulation (x) of Listing Regulations 35 notified by the Karachi and Lahore Stock Exchanges require the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those 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, except for the matter discuss in paragraph "a & b" below 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, 2015.

- a) The Human Resource and Remuneration committee has not been formed.
- b) Chairman of the audit committee is not an independent director.

**Lahore**  
**Date:** October 10, 2015  
**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**

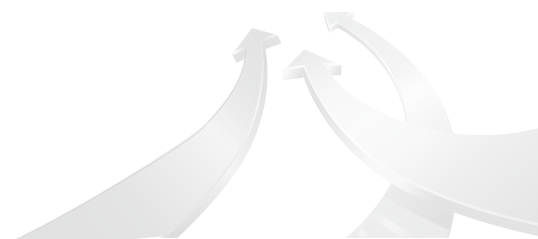
Maximization of Profitability is essential for any financial institution, as this is used as a yardstick to determine efficiency. Also, it is necessary to allocate resources including Capital, Management Time, Human Resources and Information Technology according to a range of factors, such as size and 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 2015

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**  
President and Chief Executive Officer

**Lahore**  
Date: October 10, 2015



## Auditors' Report to the Members

We have audited the annexed balance sheet of ESCORTS INVESTMENT BANK LIMITED ("the company") as at JUNE 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year 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-

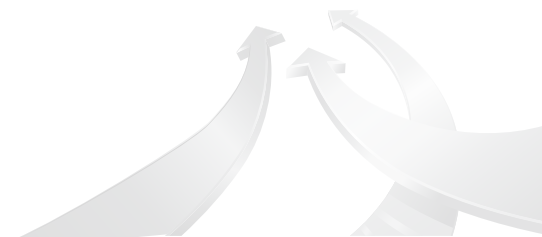
- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
  - i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at JUNE 30, 2015 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 - (XVIII of 1980).

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, 2015 has fallen below the minimum equity required under regulation 4 of NBFC and Notified Entities Regulations 2008.

Lahore  
Date: October 10, 2015  
(Engagement Partner: Muhammad Amin)

Zahid Jamil & Company  
Chartered Accountants



# Balance Sheet

as at 30 June 2015

	Note	2015 Rupees	2014 Rupees
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Fixed assets	6	103,950,542	110,672,527
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	100,838,285	100,895,285
Long term finances	10	148,978,824	42,776,862
Net investment in lease finance	11	-	-
Long term loans and advances	12	2,336,442	1,148,597
Long term deposits and prepayments	13	46,247,634	52,257,093
Deferred tax asset	14	136,551,607	102,292,639
		747,357,334	618,497,003
<b>Current Assets</b>			
Current maturities of non-current assets	15	62,721,039	155,064,767
Short term investments	16	171,686,039	468,559,559
Short term finances	17	322,855,705	265,001,320
Advances	18	3,926,965	2,898,552
Short term deposits and prepayments	19	722,238	969,485
Interest accrued		23,568,869	10,198,315
Other receivables	20	83,457,672	91,768,997
Tax refunds due from the government		210,186,541	255,942,074
Cash and bank balances	21	5,489,402	50,716,737
		884,614,470	1,301,119,806
		1,631,971,804	1,919,616,809
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Share capital	22	441,000,000	441,000,000
Reserves	23	15,640,913	33,236,652
		456,640,913	474,236,652
<b>Surplus on revaluation of fixed assets</b>	24	32,759,040	34,483,200
<b>Non-Current Liabilities</b>			
Term finance certificates	25	-	-
Long term certificates of deposit	26	290,116,323	394,766,083
Long term security deposit	27	-	-
<b>Current Liabilities</b>			
Current maturities of non-current liabilities	28	408,601,310	68,741,337
Short term borrowings	29	-	44,503,605
Short term certificates of deposit	30	382,801,480	749,961,280
Accrued markup	31	9,291,796	9,720,238
Trade and other payables	32	38,035,512	103,268,559
Provision for taxation	33	13,725,430	39,935,855
		852,455,528	1,016,130,874
<b>Contingencies and Commitments</b>	34	-	-
		1,631,971,804	1,919,616,809

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

Chief Executive Officer

Director

## Profit and Loss Account for the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
<b>INCOME</b>			
Profit on financing	35	93,013,936	77,574,805
Return on placements	36	38,287	413,023
Return on investments	37	22,621,074	58,821,556
Fees and commission	38	38,825,142	17,446,897
Profit on bank deposits		4,118,662	3,238,002
Other income	39	4,702,030	7,392,619
		163,319,131	164,886,902
<b>EXPENSES</b>			
Return on certificates of deposit		146,879,995	110,994,096
Return on term finance certificates		413,364	3,824,305
Mark-up on borrowings from financial institutions		3,767,789	4,164,606
Amortization of premium on held to maturity investments		57,000	85,492
Administrative and other operating expenses	40	65,649,371	62,943,841
Other financial charges		82,377	141,733
		216,849,896	182,154,073
<b>Operating loss before provisions and taxation</b>		(53,530,765)	(17,267,171)
Reversal for doubtful finances		725,201	192,224
<b>Loss before taxation</b>		(52,805,564)	(17,074,947)
Taxation-Net	41	31,753,862	(646,532)
<b>Net loss for the year</b>		(21,051,702)	(17,721,479)
Loss per share-basic and diluted	42	(0.48)	(0.40)

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

Chief Executive Officer

Director



## Statement of Comprehensive Income

for the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
<b>Net loss for the year</b>		(21,051,702)	(17,721,479)
<b>Other comprehensive income / (loss)</b>			
<b>Items that will not be subsequently reclassified to profit and loss</b>			
Incremental depreciation on revalued assets for the year	24	1,724,160	1,814,905
<b>Items that may be subsequently reclassified to profit and loss</b>			
Gain / (deficit) on revaluation of investments-available for sale listed shares		1,731,803	(2,440,604)
		3,455,963	(625,699)
<b>Total comprehensive loss for the year</b>		<b>(17,595,739)</b>	<b>(18,347,178)</b>

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

## Cash Flow Statement

for the year ended 30 June 2015

	2015 Rupees	2014 Rupees
<b>Cash flow from operating activities</b>		
<b>Loss before taxation</b>	(52,805,564)	(17,074,947)
<b>Adjustment for non cash expenses and other items:</b>		
Dividend Income	(875,582)	(3,429,634)
Depreciation on property and equipment	9,176,243	6,232,126
Amortization on intangible assets	128,434	192,641
Reversal for doubtful finances	725,201	192,224
Amortization of premium on held to maturity investments	57,000	85,492
Amortization of issuance cost of listed TFCs	338,153	2,028,900
Gain on sale of fixed assets	(1,215,000)	(560,215)
Fair value gain on held for trading investments	-	(19,041)
	8,334,449	4,722,493
	(44,471,115)	(12,352,454)
<b>Decrease / (increase) in operating assets</b>		
Disbursements of finances - net	(72,069,908)	(120,293,627)
Net investment in lease finance	(224,419)	123,680
Investments - net	298,605,323	(264,414,216)
Long term and short term advances	(2,876,324)	765,329
Interest accrued	(13,370,554)	(1,017,895)
Other receivables	8,311,325	(37,756,448)
Deposits and prepayments	6,464,179	22,768,331
	224,839,622	(399,824,846)
<b>Increase / (decrease) in operating liabilities</b>		
Borrowings from financial institutions	(44,503,605)	44,503,605
Certificates of deposit	(106,998,840)	427,531,146
Accrued markup	(428,442)	(8,208,249)
Trade and other payables	(65,233,047)	30,323,819
	(217,163,934)	494,150,321
<b>Net changes in operating assets and liabilities</b>	7,675,688	94,325,475
<b>Cash (used in) / generated from operations</b>	(36,795,427)	81,973,021
Taxation-Net	17,040,002	(7,112,150)
<b>Net cash (used in) / generated from operating activities</b>	(19,755,425)	74,860,871





	2015 Rupees	2014 Rupees
<b>Cash flow from investing activities</b>		
Fixed capital expenditure incurred	(2,582,692)	(14,253,999)
Dividend received	875,582	3,429,634
Proceeds from sale of fixed assets	1,215,000	560,215
<b>Net cash used in investing activities</b>	(492,110)	(10,264,150)
<b>Cash flow from financing activities</b>		
Redemption of listed term finance certificates	(24,979,800)	(49,959,600)
Dividend paid	-	(1,350)
<b>Net cash used in financing activities</b>	(24,979,800)	(49,960,950)
Net (decrease) / increase in cash and cash equivalents	(45,227,335)	14,635,771
Cash and cash equivalents at the beginning of the year	50,716,737	36,080,966
Cash and cash equivalents at the end of the year	5,489,402	50,716,737

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

Chief Executive Officer

Director

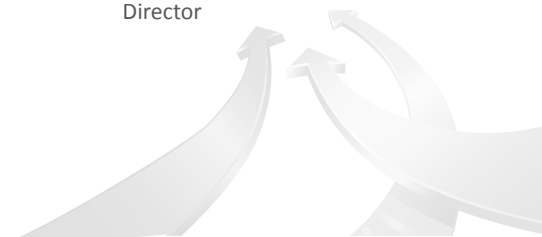
## Statement of Changes in Equity for the year ended 30 June 2015

	Share capital	RESERVES		Revenue Reserve	Total
		Statutory reserve	(Deficit) / gain on revaluation of investments	Accumulated loss	
----- Rupees -----					
<b>Balance as at July 01, 2013</b>	441,000,000	158,496,746	(5,224,348)	(101,688,568)	492,583,830
<b>Net loss for the year</b>	-	-	-	(17,721,479)	(17,721,479)
<b>Other comprehensive income / (loss)</b>					
Incremental depreciation on revalued assets for the year	-	-	-	1,814,905	1,814,905
Gain on revaluation of investments - available for sale listed shares	-	-	(2,440,604)	-	(2,440,604)
<b>Total comprehensive loss</b>	-	-	(2,440,604)	(15,906,574)	(18,347,178)
<b>Balance as at June 30, 2014</b>	441,000,000	158,496,746	(7,664,952)	(117,595,142)	474,236,652
<b>Net Loss for the year</b>	-	-	-	(21,051,702)	(21,051,702)
<b>Other comprehensive income / ( loss)</b>					
Incremental depreciation on revalued assets for the year	-	-	-	1,724,160	1,724,160
Gain on revaluation of investments - available for sale listed shares	-	-	1,731,803	-	1,731,803
<b>Total comprehensive income / (loss)</b>	-	-	1,731,803	(19,327,542)	(17,595,739)
<b>Balance as at June 30, 2015</b>	441,000,000	158,496,746	(5,933,149)	(136,922,684)	456,640,913

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, 2015

### 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 maintained the long-term credit rating of the Company to “BBB” (Triple B) and also maintained the short-term rating at “A3” (A three) dated 20 March 2015. The ratings denotes an adequate capacity of timely payment of financial commitments.

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 IFRSs, 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, 2015 is Rs. 456.641 million which is below the minimum capital required under NBFC regulations 2008. The NBFC Reforms Process initiated by Securities and Exchange Commission of Pakistan is also underway and it is expected that the minimum equity requirement would be revised as a result. The management is confident and committed that the equity requirement would be met through internal resources including retained earnings.

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

- IAS 19 Employee Benefits (Amendment)-Defined Benefit Plans: Employee Contribution
- IAS 32 Financial instruments-Presentation-(Amendment) Offsetting Financial Assets and Financial Liabilities
- IAS 36 Impairment of Assets-(Amendment)-Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 Financial instruments-Recognition and Measurement-(Amendment)-Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 Levies

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

**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 “reducing balance method” at the following rates:

	<b>Rate in %</b>
Free-hold premises	5
Leasehold improvements	20
Freehold improvements	20
Furniture and fittings	10
Computer equipment	33.33
Office equipment	10
Vehicles	20

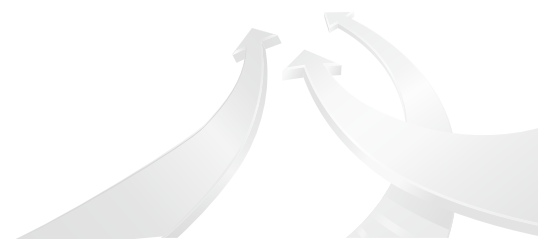
Full month’s depreciation is charged on additions during the month in which asset is available for use, while no depreciation is charged in the month in which asset is disposed off.

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 reducing balance method whereby the cost of an intangible asset is amortised at the following rates:

	<b>Rate in %</b>
Computer software	33.33

**Revaluation surplus**

Amortization of surplus on revaluation of fixed assets is charged to retained earnings through statement of comprehensive income.

**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 capital reserve account. 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.

#### **3.4.7 Commodities**

Commodities are principally acquired with the purpose of selling in near future and generating a profit from fluctuations in price. These inventories are measured at fair value less cost to sell.

#### **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 receivables 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 set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **3.8 Provisions**

Provisions are recorded when the 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 gains or losses 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 Deposits (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 activities

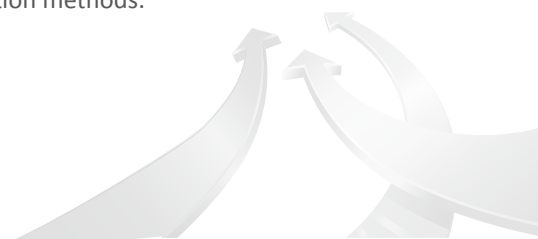
Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing.

#### Investment activities

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

### 3.15 Related party transactions

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



### 3.16 Impairment

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

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

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

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

### 3.17 Dividend distributions and appropriations

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

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, estimated results may differ from actual. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

- i) Provision for taxation and deferred tax (Notes 33 and 14)
- ii) Classification and valuation of investments (Notes 09 and 16)
- iii) Determination and measurement of useful life and residual value of property and equipment (Note 6)
- iv) Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables (Notes 10.6, 11.2, 17.3 and 20.3.1)
- v) Impairment of investments (Note 9.1 and 16).

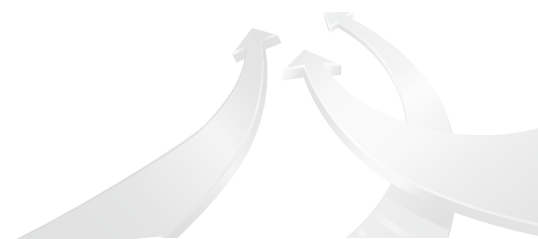
**5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE**

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.

<b>Standard or Interpretation</b>	<b>Accounting periods beginning on or after</b>
IFRS 10, 12 & IAS 27 Investment Entities: Disclosures (Amendment)	1-Jan-15
IFRS 10, 12 & IAS 27 Investment Entities: Applying the Consolidation Exception (Amendment)	1-Jan-16
IFRS 10 & IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	1-Jan-16
IFRS 10 Consolidated financial statements	1-Jan-15
IFRS 11 Joint arrangements	1-Jan-15
IFRS 11 Accounting for Acquisition of Interest in Joint Operation (Amendment)	1-Jan-16
IFRS 12 Disclosure of interest in Other Entities	1-Jan-15
IFRS 13 Fair Value Measurement	1-Jan-15
IAS 1 Disclosure Initiative (Amendment)	1-Jan-16
IAS 16 & 38 Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	1-Jan-16
IAS 16 & 41 Agriculture Bearer Plants (Amendment)	1-Jan-16
IAS 27 Equity method in Separate Financial Statements (Amendment)	1-Jan-16

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However that are not considered relevant to the Company and therefore are not expected to materially affect the financial statements of the Company for accounting periods on dates prescribed therein.

IFRS 9	Financial Instruments: Classification and measurement	1-Jan-18
IFRS 14	Regulatory deferral Accounts	1-Jan-16
IFRS 15	Revenue from contracts with customers	1-Jan-18



			2015 Rupees	2014 Rupees
<b>6. FIXED ASSETS</b>				
<b>Tangible</b>				
Property and equipment	6.1		103,693,637	110,287,188
<b>Intangible assets</b>	6.2		256,905	385,339
			103,950,542	110,672,527

### 6.1 Property, plant and equipment

	Cost			Depreciation			Net book value as at 30 June 2015	RATE %
	As at 01 July 2014	Additions/ (disposals)	As at 30 June 2015	As at 01 July 2014	For the year	As at 30 June 2015		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>Owned</b>								
Free-hold premises	127,901,129	-	127,901,129	42,648,182	4,262,647	-	46,910,829	5
Lease-hold improvements	28,404,408	-	28,404,408	14,170,315	2,846,819	-	17,017,134	20
Free-hold improvements	6,712,240	-	6,712,240	6,712,240	-	-	6,712,240	20
Office furniture and fixtures	4,381,752	-	4,381,752	3,185,525	119,623	-	3,305,148	10
Computer equipments	7,731,002	72,960	7,803,962	7,508,506	94,726	-	7,603,232	33.33
Office equipments	10,040,476	135,732	10,176,208	6,195,208	389,184	-	6,584,392	10
Vehicles	24,667,027	2,374,000	25,355,587	19,130,870	1,463,244	-	18,908,674	20
		(1,685,440)			(1,685,440)			
	209,838,034	2,582,692	210,735,286	99,550,846	9,176,243	-	107,041,649	103,693,637
		(1,685,440)			(1,685,440)			
2015	209,838,034	897,252	210,735,286	99,550,846	9,176,243	(1,685,440)	107,041,649	103,693,637

	Cost			Depreciation			Net book value as at 30 June 2014	RATE %
	As at 01 July 2013	Additions/ (disposals)	As at 30 June 2014	As at 01 July 2013	For the year	As at 30 June 2014		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>Owned</b>								
Free-hold premises	127,901,129	-	127,901,129	38,161,185	4,486,997	-	42,648,182	5
Lease-hold improvements	13,827,516	14,576,892	28,404,408	13,812,277	358,038	-	14,170,315	20
Free-hold improvements	6,712,240	-	6,712,240	6,712,240	-	-	6,712,240	20
Office furniture and fixtures	4,263,252	118,500	4,381,752	3,055,000	130,525	-	3,185,525	10
Computer equipments	7,647,302	83,700	7,731,002	7,405,732	102,774	-	7,508,506	33.33
Office equipments	9,067,800	972,676	10,040,476	5,782,531	412,677	-	6,195,208	10
Vehicles	19,896,473	6,171,092	24,667,027	19,790,293	741,115	-	19,130,870	20
		(1,400,538)			(1,400,538)			
	189,315,712	21,922,860	209,838,034	94,719,258	6,232,126	-	99,550,846	110,287,188
		(1,400,538)			(1,400,538)			
2014	189,315,712	20,522,322	209,838,034	94,719,258	6,232,126	(1,400,538)	99,550,846	110,287,188

**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 Rupees	Mode of Disposal	Particulars of Purchaser
Vehicle	1,685,440	(1,685,440)	-	1,215,000	1,215,000	Negotiation	M. Rasheed Alam - DCFO
	1,685,440	(1,685,440)	-	1,215,000	1,215,000		

**6.2 Intangible assets**

	Cost			Amortization			As at 30 June 2015 Rupees	Net book value as at 30 June 2015 Rupees	Rate %
	As at 01 July 2014 Rupees	Additions/ (disposals) Rupees	As at 30 June 2015 Rupees	As at 01 July 2014 Rupees	For the year Rupees	Adjustment Rupees			
Computer Software									
<b>2015</b>	2,600,000	-	2,600,000	2,214,661	128,434	-	2,343,095	256,905	33.33
2014	2,600,000	-	2,600,000	2,022,020	192,641	-	2,214,661	385,339	33.33

**6.3** Had there been no revaluation, the related figures of free-hold premises as on June 30, 2015 would be as follows;

	Cost Rupees	Accumulated Depreciation Rupees	Net Book Value Rupees
Free hold premises	89,692,600	41,461,340	48,231,260

	2015 Rupees	2014 Rupees
<b>7. CARDS AND ROOMS</b>		
Corporate membership of Pakistan Mercantile Exchange Limited	750,000	750,000
Rooms	32,700,000	32,700,000
	33,450,000	33,450,000
<b>8. LONG TERM INVESTMENT IN SUBSIDIARY COMPANY</b>		
Escorts Capital Limited - Unlisted		
17,500,400 (2014: 17,500,400) ordinary shares of Rs. 10 each holding 100% - Breakup value Rs. 0.18 per share (2014: Rs. 1.07 per share)	175,004,000	175,004,000

**8.1** The Company has carried out an assessment of its investment in subsidiary company namely Escorts Capital Limited (ECL) under the requirements of International Accounting Standard (IAS 36) "Impairment of Assets" using the cash flow projections based on the business plan of ECL which has been approved by the Board of Directors of ECL. The approved business plan of ECL includes major initiatives such as hiring of new teams and opening of new branches in various cities of the Country to improve the future profitability.

The recoverable amount of the investment in ECL has been determined based on value in use calculations, using cash flow projections covering a five year period discounted at the discount rate of 19.44%. The cash flows beyond the five year period are extrapolated using a terminal growth rate. Based on the above assessment, the management has concluded that the recoverable amount of investment in ECL exceeds its carrying amount. Hence, no impairment loss has been recorded in the current year's profit and loss account.

		2015 Rupees	2014 Rupees
<b>9.</b>	<b>LONG TERM INVESTMENTS</b>		
	<b>Held to maturity</b>		
	Pakistan Investment Bonds (PIBs)	9.1 100,838,285	100,895,285
<b>9.1</b>	<b>Pakistan Investment Bonds (PIBs)</b>		
	Cost	101,739,700	101,739,700
	Less: Amortization - Opening	844,415	758,923
	Charged during the year	57,000	85,492
		100,838,285	100,895,285

This represents investment in 20 years bonds issued by the Government of Pakistan having market value of Rs 99.93 million (2014: 83.357 million). Period to maturity of these investments are 9 years and carry mark-up at rates (coupon rate) 10% per annum (2014: 10% per annum). PIBs having face value of Rs. 100 million (2014: Rs. 100 million).

#### 9.1.1 Encumbered and un-encumbered - Face value

	2015			2014		
	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	100,000,000	-	100,000,000	100,000,000	-	100,000,000

		Note	2015 Rupees	2014 Rupees
<b>10.</b>	<b>LONG TERM FINANCES</b>			
	<b>Related parties-Secured and considered good</b>			
	Associated companies	10.1	4,339,673	5,793,089
	Subsidiary Company	10.2	100,000,000	100,000,000
	Executives	10.3	42,617,255	42,741,539
	Others		-	301,774
			146,956,928	148,836,402
	<b>Others - Secured and considered good</b>	10.4	57,985,501	42,615,705
			204,942,429	191,452,107

		2015 Rupees	2014 Rupees
<b>Considered doubtful</b>			
Others	10.5	32,738,390	32,738,390
Less: Provision for doubtful finances	10.6	32,738,390	32,738,390
		204,942,429	191,452,107
<b>Less: Current maturity</b>	15	55,963,605	148,675,245
		148,978,824	42,776,862

### 10.1 Associated companies

These represent finance provided against hypothecation of vehicles for a period of 5 years (2014: 5 years), carrying mark-up @ 18% per annum. (2014: 18% per annum).

	2015 Rupees	2014 Rupees
The maximum balance outstanding at the end of any month during the year was:		
Escorts Pakistan Limited	5,793,089	7,135,710

### 10.2 Subsidiary company

These represent finance provided against current and fixed present and future moveable and immovable assets of the company to Escorts Capital Limited, for a period of 5 years and carries markup at the rate of 16% per annum (2014: 16 % per annum).

### 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%-17% 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	Director Rupees	Others Rupees	2015 Rupees	2014 Rupees
Opening Balance	38,484,150	1,841,787	2,415,602	42,741,539	29,236,659
Add: Disbursements / transferred during the year	-	-	3,367,562	3,367,562	16,903,646
	38,484,150	1,841,787	5,783,164	46,109,101	46,140,305
Less: Repayments / transferred during the year	1,517,062	1,343,102	631,682	3,491,846	3,398,766
	36,967,088	498,685	5,151,482	42,617,255	42,741,539
The maximum balance outstanding at the end of any month during the year.				44,865,409	43,517,909



- 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 % to 20% per annum (2014: 12% to 20% 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 14% to 17% per annum (2014: 14% to 17% per annum).

	Note	2015 Rupees	2014 Rupees
<b>10.6 Particulars of provision for doubtful finances</b>			
Opening balance		32,738,390	32,930,614
Reversal for the year		-	(192,224)
Closing balance		32,738,390	32,738,390
<b>11. NET INVESTMENT IN LEASE FINANCE</b>			
Net investment in lease finance	11.1	3,603,563	3,880,041
Less: Provision for doubtful leases	11.2	623,363	815,160
		2,980,200	3,064,881
Less: Current maturity	15	2,980,200	3,064,881
		-	-

**11.1 Particulars of net investment in lease finance**

	2015			2014
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	677,283	-	677,283	912,854
Add: Residual value	2,980,200	-	2,980,200	3,289,300
Gross investment in lease finance	3,657,483	-	3,657,483	4,202,154
Less: Unearned finance income	53,920	-	53,920	322,113
Net investment in lease finance	3,603,563	-	3,603,563	3,880,041

**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 11% to 45% (2014: 11% to 45%). Leased assets are insured in favor of the Company. The rate of return range from 15% to 17 % per annum (2014: 15% to 17% 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. 0.677 million (2014: 0.912 million) at the end of current year.

	Note	2015 Rupees	2014 Rupees
<b>11.2 Particulars of provision for doubtful leases</b>			
Opening balance		815,160	815,160
Charge for the year		211,022	-
Reversal for the year		(402,819)	-
Closing balance		623,363	815,160
<b>12. LONG TERM LOANS AND ADVANCES</b>			
<b>Loan to staff - Unsecured, considered good</b>			
Executives -Related parties	12.1	3,844,129	1,430,103
Other employees		480,088	1,046,203
		4,324,217	2,476,306
Less: Current maturity	15	1,987,775	1,327,709
		2,336,442	1,148,597

**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	2015 Rupees	2014 Rupees
Opening Balance		1,430,103	1,714,069
Add: Disbursements / transfered during the year		3,752,506	1,046,407
		5,182,609	2,760,476
Less: Repayments during the year		1,338,480	1,330,373
		3,844,129	1,430,103
The maximum balance outstanding from executives at the end of any month during the year was:		4,591,532	1,671,837
<b>13. LONG TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposits	13.1 & 13.2	46,094,370	51,094,370
Prepayments		1,942,723	3,159,655
		48,037,039	54,254,025
Less: Current maturity	15	1,789,459	1,996,932
		46,247,634	52,257,093

**13.1** This includes Rs. 45.339 million (2014: Rs. 50.339 million) paid to Escorts Capital Limited (Subsidiary).

**13.2** Prior year figures have been reclassified for better presentation (referred note # 55.1)



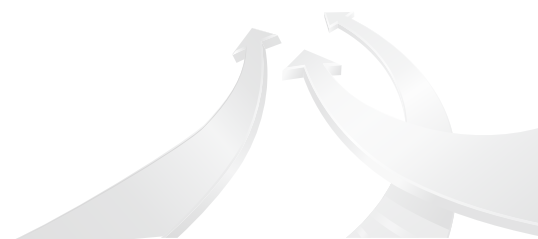
	Note	2015 Rupees	2014 Rupees
<b>14. DEFERRED TAX ASSET</b>			
Taxable temporary differences			
Fixed assets		(10,321,964)	(9,202,837)
Deductible temporary differences			
Investments		34,776,395	33,550,022
Finances and receivables		22,257,527	15,073,517
Trade and other payables		778,178	612,173
Finance lease		205,710	259,657
Tax losses		88,855,761	62,000,107
		136,551,607	102,292,639
<b>14.1 Movement in deferred tax asset</b>			
Opening balance		102,292,639	100,222,616
Provision during the year		34,258,968	2,070,023
Closing balance		136,551,607	102,292,639
<b>14.2</b>	The Company recognized deferred tax asset in respect of carry forward losses and unabsorbed tax depreciation. The management of the company believes that based on the projections of future taxable profits, it would be able to realize these tax losses in the future.		
	Note	2015 Rupees	2014 Rupees
<b>15. CURRENT MATURITIES OF NON-CURRENT ASSETS</b>			
Long term finances	10	55,963,605	148,675,245
Net investment in lease finance	11	2,980,200	3,064,881
Long term loans and advances	12	1,987,775	1,327,709
Long term deposits and prepayments	13	1,789,459	1,996,932
		62,721,039	155,064,767

	Note	2015 Rupees	2014 Rupees
<b>16. SHORT TERM INVESTMENTS</b>			
<b>Held to Maturity</b>			
Treasury Bills	16.1.1	65,861,977	64,855,608
<b>Held for Trading</b>			
Shares / units			
Listed	16.2	-	2,990,040
Others	16.3	11,147,704	21,488,699
<b>Investment in Commodities:</b>			
Rice		70,882,683	78,538,116
Wheat		-	241,559,197
<b>Available for sale</b>			
Listed shares / units	16.4	29,726,824	67,469,731
Impairment loss		-	-
		177,619,188	476,901,391
Deficit on revaluation of shares / units		(5,933,149)	(8,341,832)
		171,686,039	468,559,559

**16.1 Encumbered and un-encumbered - Face value**

	2015			2014		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Treasury Bills (T-Bills)	69,000,000	-	69,000,000	21,000,000	45,000,000	66,000,000

	2015 Rupees	2014 Rupees
<b>16.1.1 Treasury Bills</b>		
Face value	69,000,000	66,000,000
Less: Discount	(3,138,023)	(1,144,392)
Book value	65,861,977	64,855,608



**16.2 Particulars of listed shares / units - Held for Trading**

No. of Certificates		N A M E	2015		2014	
			2015	2014	Carrying value	Market value
			Rupees	Rupees	Rupees	Rupees
		<b>Investment Companies</b>				
-	64,000	Jahangir Siddique & Company Ltd.	-	-	1,178,608	668,160
		<b>Financial Services</b>				
-	25,000	JS Investment Limited	-	-	377,000	292,750
		<b>Chemicals</b>				
-	45,000	Maple Leaf Cement Factory Limited	-	-	1,434,432	1,352,250
-	134,000		-	-	2,990,040	2,313,160

**16.3 Shares - Others**

This represents investments in various listed companies shares. Because of changes in NBFC Regulations in 2008, the Company had to conclude its brokerage business under the Investment Finance Services License. The Company started the process of intimating its brokerage clients to close their accounts with the Company in compliance with these regulations. Most of the account holders have closed their accounts accordingly. Certain accounts could not be transferred/closed because of non receipt of response from the holders despite repeated reminders. The management has decided to record these on balance sheet as an asset and a corresponding liability of the same amount.

**16.4 Particulars of listed shares / units - Available for sale investments**

All shares / units have face value of Rs. 10 each.

No. of Certificates		N A M E	2015		2014	
			2015	2014	Carrying value	Market value
			Rupees	Rupees	Rupees	Rupees
		<b>Mutual Fund - Close End</b>				
49	49	Dawood Capital Management Fund	281	105	281	98
1,778	1,778	Pakistan Stock Market Fund (previously: Pakistan Premier Fund)	41,032	152,037	41,032	114,308
-	30,000	PICIC Islamic Income Fund	-	-	3,000,000	3,002,418
		<b>Commercial Banks</b>				
-	2,000	National Bank of Pakistan	-	-	118,192	124,460
-	100,000	JS Bank Limited	-	-	708,000	544,000
375,000	375,000	The Bank of Punjab	4,287,119	3,423,750	4,287,119	3,412,720
		<b>Non Life Insurance</b>				
-	52,500	Adamjee Insurance Company Limited	-	-	2,554,213	2,402,925

No. of Certificates 2015      2014		N A M E	2015		2014	
			Cost	Market value	Cost	Market value
			Rupees	Rupees	Rupees	Rupees
		<b>Investment Companies</b>				
-	25,000	Jahangir Siddique & Company Ltd.	-	-	568,500	261,000
		<b>Oil and Gas</b>				
40,000	7,500	Pakistan Petroleum Limited	7,898,195	6,580,000	1,637,574	1,682,550
15,000	15,000	National Refinery Limited	4,030,028	3,480,900	4,030,028	3,230,550
-	6,500	Oil & Gas Development Company Limited	-	-	1,688,591	1,698,320
		<b>Textile Composite</b>				
-	150,000	Nishat Mills Limited	-	-	17,378,248	16,788,000
		<b>Textile Spinning</b>				
221,400	350,000	Nishat Chunian Limited	10,432,208	8,132,023	18,040,453	14,836,500
		<b>Chemical</b>				
-	45,500	Fauji Fertilizer Company Limited	-	-	5,305,473	5,107,375
158,000	321,000	Lotee Chemical Pakistan Limited	1,643,822	1,093,360	3,340,652	2,285,520
-	76,000	Maple Leaf Cement Factory Limited	-	-	2,337,737	2,283,800
500	-	ICI Pakistan Limited	260,026	214,000	-	-
		<b>Technology &amp; Communication</b>				
35,000	35,000	Pakistan Telecommunication Limited	1,134,113	717,500	1,134,113	891,450
		<b>Food</b>				
-	9,500	Engro Foods Limited	-	-	1,000,245	974,035
		<b>Transport</b>				
-	25,000	Pakistan International Airline Limited	-	-	299,280	164,750
846,227	1,627,327		29,726,824	23,793,675	67,469,731	59,804,779



	Note	2015 Rupees	2014 Rupees
<b>17. SHORT TERM FINANCES</b>			
<b>Secured and considered good</b>			
Executives	17.1	500,000	500,000
Others	17.2	322,355,705	264,501,320
<b>Considered doubtful</b>			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	17.3	13,767,834	13,767,834
		-	-
		322,855,705	265,001,320

**17.1** This represent finance provided to Executive against Company's own Certificate of Deposits for a period of 1 year and carries mark-up at the rate of 15% (2014: 15% per annum).

**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 13% to 33.6% per annum (2014: 15.25% to 20% per annum), these include Rs. 276.188 million (2014: Rs. 253.042 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan the rate of return range from 20% to 24% per annum (2014: 18% to 20% per annum).

	Note	2015 Rupees	2014 Rupees
<b>17.3 Particulars of provision for doubtful finances:</b>			
Opening balance		13,767,834	13,767,834
Provision / (Reversal) for the year		-	-
Closing balance		13,767,834	13,767,834
<b>18. ADVANCES</b>			
<b>Considered good</b>			
Advances against salaries / expenses		3,926,965	2,898,552
<b>19. SHORT TERM DEPOSITS AND PREPAYMENTS</b>			
Prepayments		722,238	969,485
		722,238	969,485

	Note	2015 Rupees	2014 Rupees
<b>20. OTHER RECEIVABLES</b>			
Receivable from subsidiary Company	20.1	15,877,214	65,727,549
Receivable from associated Company	20.2	28,619,901	17,818,382
Receivable from clients	20.3	6,445,857	6,559,138
Others		32,514,700	1,663,928
		83,457,672	91,768,997

**20.1** This represents running account between Escorts Capital Limited (Subsidiary) and the Company, it carries mark up @ 13% per annum (2014: Nil) .

**20.2** This includes Rs. 18.856 million (2014: 7.819 million) receivable from Essem Hotels Limited and Rs. 9.763 million (2014: 9.998 million) receivable from Escorts Pakistan Limited.

	Note	2015 Rupees	2014 Rupees
<b>20.3 Receivables from clients</b>			
Considered good		6,445,857	6,559,138
Considered doubtful		20,940,831	21,474,235
Less: Provision for doubtful receivables	20.3.1	(20,940,831)	(21,474,235)
		-	-
		6,445,857	6,559,138

**20.3.1 Particulars of provision for doubtful receivables**

Opening balance		21,474,235	21,474,235
Reversal for the year		(533,404)	-
Closing balance		20,940,831	21,474,235

**21. CASH AND BANK BALANCES**

Cash in hand		-	-
Cash with banks			
Current accounts with:			
State Bank of Pakistan		725,905	502,563
Others		824,827	1,003,300
		1,550,732	1,505,863
Saving accounts	21.1	3,938,670	49,210,874
		5,489,402	50,716,737

**21.1** Rate of return on these accounts range from 6.5% to 11.25% per annum (2014: 6% to 11.50% per annum).





	2015 Rupees	2014 Rupees
<b>22. SHARE CAPITAL</b>		
<b>Authorized share capital</b>		
50,000,000 (2014: 50,000,000) ordinary shares of Rs. 10 each	500,000,000	500,000,000
<b>Issued, subscribed and paid-up capital</b>		
42,000,000 (2014: 42,000,000) ordinary shares of Rs. 10 each Issued as fully paid in cash	420,000,000	420,000,000
2,100,000 (2014: 2,100,000) ordinary shares of Rs. 10 each Issued as fully paid bonus shares	21,000,000	21,000,000
	441,000,000	441,000,000

**22.1** Essem Power (Private) Limited, an associated company, holds 39.01% (2014: 39.01%) ordinary shares in the Company.

	Note	2015 Rupees	2014 Rupees
<b>23. RESERVES</b>			
Capital reserve			
Statutory reserve	23.1	158,496,746	158,496,746
Deficit on revaluation of investments-available for sale listed shares	23.2	(5,933,149)	(7,664,952)
Revenue reserve			
Accumulated loss		(136,922,684)	(117,595,142)
		15,640,913	33,236,652

**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.

**23.2** Prior year figures have been reclassified for better presentation (Refer note # 55.1).

	Note	2015 Rupees	2014 Rupees
<b>24. SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Opening balance		34,483,200	36,298,105
Less: Incremental depreciation for the year		(1,724,160)	(1,814,905)
Closing balance	24.1	32,759,040	34,483,200

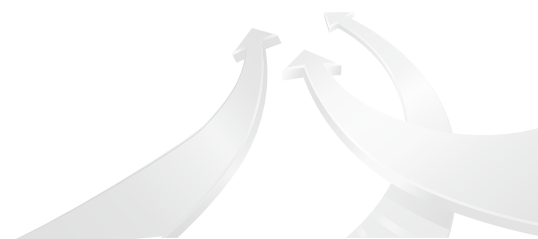
**24.1** This represents surplus raised on revaluation of building (ground floor) carried out by Maricon Consultants (Pvt) Limited dated June 29, 2012. The revalued amount is based on market values prevailing at the time of revaluation.

	Note	2015 Rupees	2014 Rupees
<b>25. TERM FINANCE CERTIFICATES</b>			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		475,020,200	425,060,600
Redeemed during the year		24,979,800	49,959,600
		500,000,000	475,020,200
Less: Current maturity	28	-	24,979,800
		-	24,979,800
Less: Cost on issuance/ rescheduling			
Opening balance		(338,153)	(2,367,053)
Amortization for the year	40	338,153	2,028,900
Less: Current maturity	28	-	(338,153)
		-	338,153
		-	-

These TFCs carry return payable semi annually, at the rate of 8% per annum and are redeemable in equal semi-annually installment of Rs. 24,979,800/- starting from 15 March 2012 and latest by 15 sep 2014. Last installment of these TFCs were fully paid during the year.

	Note	2015 Rupees	2014 Rupees
<b>26. LONG TERM CERTIFICATES OF DEPOSIT</b>			
<b>Related parties - Unsecured</b>			
Associated Company	26.1	34,357,049	6,095,003
Executives	26.2	138,200,000	123,300,000
Others	26.3	39,461,000	30,000,000
		212,018,049	159,395,003
<b>Others - Unsecured</b>			
Individuals	26.4	448,469,384	260,681,470
Others	26.5	35,250,000	15,500,000
		483,719,384	276,181,470
Less: Current maturity	28	405,621,110	40,810,390
		290,116,323	394,766,083

**26.1** These have been issued for a term of 5 years and expected return on these certificates are 10% to 12.5% per annum (2014: 12.5% per annum) payable monthly.



- 26.2** These have been issued for term of 5 years and expected return on these certificates ranges from 12% to 13.5% per annum (2014: 12% to 13.5% per annum) payable monthly.
- 26.3** These have been issued to a close family member of a key management personnel for a term of 5 years and expected return on these certificates ranges from 13% to 14% per annum (2014: 13% to 14% per annum) payable monthly.
- 26.4** These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 11.25% to 14.50% per annum (2014: 10.25% to 14.50% per annum) payable monthly, quarterly, semi-annually or on maturity.
- 26.5** These have been issued for term ranging from 1 year 1 month to 3 years and expected return on these certificates are 12% per annum (2014: 12% per annum) payable monthly.

	Note	2015 Rupees	2014 Rupees
<b>26.6 Long term certificates of deposits includes:</b>			
Corporates		69,607,049	21,595,003
Individuals		626,130,384	413,981,470
		695,737,433	435,576,473

**27. LONG TERM SECURITY DEPOSIT**

Security deposit	27.1	2,980,200	3,289,300
Less: Current maturity	28	2,980,200	3,289,300
		-	-

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

	Note	2015 Rupees	2014 Rupees
<b>28. CURRENT MATURITIES OF NON-CURRENT LIABILITIES</b>			
Term finance certificates - listed- net of amortization cost	25	-	24,641,647
Long term certificates of deposit	26	405,621,110	40,810,390
Long term security deposit	27	2,980,200	3,289,300
		408,601,310	68,741,337

**29. SHORT TERM BORROWINGS**

Financial institutions - Secured		-	44,503,605
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	Note	2015 Rupees	2014 Rupees
<b>30. SHORT TERM CERTIFICATES OF DEPOSIT</b>			
<b>Related parties - Unsecured</b>			
Subsidiary Company	30.1	50,000,000	50,000,000
Executives	30.2	10,692,600	25,592,600
		60,692,600	75,592,600
<b>Unsecured</b>			
Individuals	30.3	322,108,880	323,311,831
Others		-	351,056,849
		322,108,880	674,368,680
		382,801,480	749,961,280

**30.1** These have been issued for a terms of 6 months and expected rate of return on these certificates are 12% per annum (2014: 12% per annum) payable on maturity.

**30.2** These have been issued for a term of 1 year and expected rate of return on these certificates are 11.5% per annum (2014: 11.25% to 12% per annum) payable monthly.

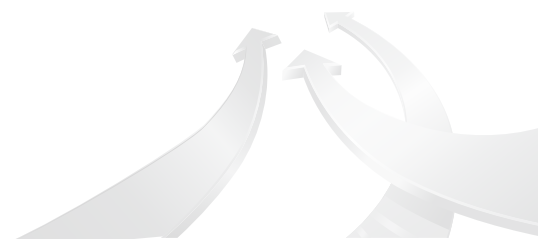
**30.3** These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 14.5% per annum (2014: 6.5% to 14% per annum) payable monthly, quarterly, semi-annually or on maturity.

	Note	2015 Rupees	2014 Rupees
<b>30.4 Short term certificates of deposits includes:</b>			
Financial institutions		-	340,306,849
Corporates		50,000,000	60,750,000
Individuals		332,801,480	348,904,431
		382,801,480	749,961,280

**31. ACCRUED MARKUP**

	Note	2015 Rupees	2014 Rupees
<b>Secured</b>			
Accrued return on certificates of deposit	31.1	9,291,796	9,080,762
Accrued return on term finance certificates		-	585,828
Accrued return on secured borrowings		-	53,648
		9,291,796	9,720,238

**31.1** This includes an amount of Rs. 0.148 million (2014: 2.635 million) payable to Escorts Capital Limited (wholly owned subsidiary)



	Note	2015 Rupees	2014 Rupees
<b>32. TRADE AND OTHER PAYABLES</b>			
Customers' credit balances	32.1	8,027,600	61,973,001
Accrued expenses and other payables		25,264,142	37,099,776
Provision for compensated absences		2,358,116	1,810,128
Unclaimed dividend		2,385,654	2,385,654
		38,035,512	103,268,559

**32.1** This includes an amount of Rs. Nil (2014: Rs. 26.739 million) payable to Essem Hotel Limited (Associated Company).

### 33. PROVISION FOR TAXATION

The Company's assessments till Assessment Year 2002-03, 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 2014 have been filed. The Company has filed appeals before Honorable Lahore High Court for Tax Year 2003 to 2006 on various matters. These appeals are pending hearing.

In respect of tax year 2008, the appeal was decided in favor of the Company by the Honorable Appellate Tribunal Inland Revenue and original position as mentioned in return by the Company was restored.

In respect of tax year 2009, the assessing officer has issued an assessment order under section 122(5A) to amend the deemed assessment for the said Tax Year as per the income tax return filed by the Company. The Company has filed an appeal before CIR(A) in this respect which is pending fixation.

For tax year 2009, tax department finalized an order under sec 161 of the Income Tax Ordinance. The Company filed an appeal against the said order in CIR(A) who has directed the assessing officer to look into the matter again. The Company has not received any notice for the tax year 2010 to 2014.

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

	Note	2015 Rupees	2014 Rupees
<b>34. CONTINGENCIES AND COMMITMENTS</b>			
<b>34.1 Contingencies</b>			
There exist no known contingencies as at balance sheet date.			
<b>34.2 Commitments</b>			
Outstanding guarantees		11,668,397	10,338,873
<b>35. PROFIT ON FINANCING</b>			
Long term		25,107,770	28,512,530
Short term		67,906,166	49,062,275
		93,013,936	77,574,805
<b>36. RETURN ON PLACEMENTS</b>			
Clean placements		38,287	413,023
<b>37. RETURN ON INVESTMENTS</b>			
<b>Mark-up / return on investments</b>			
Held to maturity investments Government securities		16,129,216	12,991,886
<b>Dividend income</b>			
Available for sale investments Listed shares/units		875,582	3,346,134
Held for Trading Listed shares/units		-	83,500
		875,582	3,429,634
<b>Capital gain / (loss) on investments</b>			
Available for sale investments		5,006,321	15,395,096
Held for trading		609,955	27,004,940
		5,616,276	42,400,036
		22,621,074	58,821,556

**38. FEES AND COMMISSION**

These include Commission of Rs. 26.771 million (2014: Rs. 17.163 million), earned from Escorts Capital Limited (wholly owned subsidiary Company).



**39. OTHER INCOME**

These include Compensation on delayed refunds for the year amounting to Rs. 0.954 million ( 2014: Rs. 3.96 million), under Section 171 - Additional Payment for Delayed Refunds, of the Income Tax Ordinance, 2001. The Company had claimed income tax refunds from Tax Year 2003 to 2008 from the income tax authorities and subsequently these tax refunds were decided in due course by the appropriate income tax authorities and refund orders were issued to the Company accordingly.

	Note	2015 Rupees	2014 Rupees
<b>40. ADMINISTRATIVE AND OTHER OPERATING EXPENSES</b>			
Salaries, wages, other benefits and allowances	40.1	30,611,623	25,896,970
Staff Training and Welfare		64,949	60,155
Advertisement and business promotion		152,618	298,645
Rent, rates and taxes		4,184,212	4,225,031
Utilities		1,536,372	2,474,833
Communication charges		1,793,299	1,654,802
Traveling and vehicle maintenance		5,394,366	6,500,299
Repair and maintenance		1,893,949	3,033,834
Entertainment		970,212	1,199,080
Fee and subscriptions		2,117,231	1,533,867
Legal and professional charges	40.2	3,003,764	3,397,055
Printing and stationery		981,734	1,531,131
Fee, brokerage & commission		2,152,454	1,602,625
Insurance		863,683	940,332
Amortization of issuance cost of listed TFC's	25	338,153	2,028,900
Depreciation	6.1	9,176,243	6,232,126
Amortization of Intangible assets	6.2	128,434	192,641
Miscellaneous expenses		286,075	141,515
		65,649,371	62,943,841

**40.1** This includes contribution to provident fund amounting to Rs. 1.121 million (2014: Rs. 0.940 million) made by the Company.

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

	2015 Rupees	2014 Rupees
Audit fee	835,000	750,000
Certification and consultancy charges	90,000	40,000
Out of pocket expenses	5,000	15,000
	930,000	805,000

	Note	2015 Rupees	2014 Rupees
<b>41. TAXATION-NET</b>			
Current taxation	41.1	2,505,106	2,716,555
Deferred taxation		(34,258,968)	(2,070,023)
		(31,753,862)	646,532

**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.

	2015	2014
<b>42. LOSS PER SHARE - BASIC AND DILUTED</b>		
Net loss for the year after taxation (Rupees)	(21,051,702)	(17,721,479)
Number of ordinary shares	44,100,000	44,100,000
Loss per share (Rupees)	(0.48)	(0.40)

**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. 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.

##### 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 2015		
	Financing activities	Investing activities	Total
Profit on financing	93,013,936	-	93,013,936
Return on placements	-	38,287	38,287
Return on investments	-	22,621,074	22,621,074
<b>Total income for reportable segments</b>	93,013,936	22,659,361	115,673,297
Finance costs	121,581,699	29,618,826	151,200,525
Administrative and other operating expenses	52,789,248	12,860,123	65,649,371
Reversal of doubtful financing	(725,201)	-	(725,201)
<b>Segment result</b>	<b>(80,631,810)</b>	<b>(19,819,588)</b>	<b>(100,451,398)</b>



## For the year ended 30 June 2015

	Financing activities	Investing activities	Total
Other operating income			47,645,834
Loss before taxation			(52,805,564)
<b>Segment assets</b>	536,160,021	501,501,948	1,037,661,969
Unallocated assets			594,309,835
			1,631,971,804
<b>Segment liabilities</b>	241,122,138	218,498,975	459,621,113
Unallocated liabilities			715,709,778
Equity			456,640,913
			1,631,971,804

## For the year ended 30 June 2014

	Financing activities	Investing activities	Total
Profit on financing	77,574,805	-	77,574,805
Return on placements	-	413,023	413,023
Return on investments	-	58,821,556	58,821,556
<b>Total income for reportable segments</b>	77,574,805	59,234,579	136,809,384
Finance costs	67,595,586	51,614,646	119,210,232
Administrative and other operating expenses	35,690,945	27,252,896	62,943,841
Provision for doubtful financing	(192,224)	-	(192,224)
<b>Segment result</b>	(25,519,502)	(19,632,963)	(45,152,465)
Other operating income			28,077,518
Loss before taxation			(17,074,947)
<b>Segment assets</b>	463,646,510	785,127,554	1,248,774,064
Unallocated assets			670,842,745
			1,919,616,809
<b>Segment liabilities</b>	177,324,369	300,201,583	477,525,952
Unallocated liabilities			967,854,205
Equity			474,236,652
			1,919,616,809

**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:

	2015 Rupees	2014 Rupees
<b>Subsidiary Company:</b>		
<b>Transactions during the year</b>		
Profit paid on certificates of deposit	5,802,740	14,482,192
Return on finances received	12,000,000	44,500,000
Profit earned during the year	16,000,000	16,000,000
Fee / Commission earned during the year	26,771,092	17,163,388
Return on assets	4,251,000	5,878,849
Return on receivables	7,186,482	-
<b>Balance at year end</b>		
Finances outstanding	100,000,000	100,000,000
Certificates of deposit outstanding	50,000,000	50,000,000
Receivable/ (Payable) to subsidiary company	57,764,985	116,066,967
Profit receivable	6,853,521	2,853,521
Markup payable on COD	147,945	2,635,068
<b>Associated companies:</b>		
<b>Transactions during the year</b>		
Return on finances received	866,772	1,063,070
Guarantee commission earned	-	233,509
Profit paid on certificates of deposit	3,378,414	3,548,305
Fixed assets sold	2,300,000	-
Chairman's secretariat expenses	-	3,300,000
<b>Balance at year end</b>		
Advances outstanding	34,339,673	5,793,089
Letter of guarantee outstanding	8,336,373	10,338,873
Certificates of deposit outstanding	34,357,049	6,095,003
Other receivable/ (Payable)	29,413,353	(8,062,420)
Markup payable on COD	113,521	43,834
<b>Directors:</b>		
<b>Transactions during the year</b>		
Return on finances received	2,366,727	2,259,459
Fixed Assets sold	-	560,215
Profit paid on certificates of deposit	7,779,649	7,779,649
<b>Balance at year end</b>		
Advances outstanding	38,437,185	41,409,435
Certificates of deposit outstanding	60,692,600	60,692,600
Markup payable on COD	357,819	357,819
<b>Executives:</b>		
<b>Transactions during the year</b>		
Return on finances received	211,337	213,599
Profit paid on certificates of deposit	7,390,005	11,058,334
<b>Balance at year end</b>		
Advances outstanding	4,203,789	2,762,207
Certificates of deposit outstanding	57,000,000	88,200,000
Markup payable on COD	309,754	510,782
Fixed assets sold	1,215,000	-
<b>Others:</b>		
<b>Transactions during the year</b>		
Contribution to staff retirement benefits plan	1,121,404	940,263

## 45. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive / Director		Executives	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Managerial remuneration	3,586,752	3,586,752	11,120,374	10,415,988
House rent allowance	1,434,696	1,434,696	4,448,089	4,166,348
Utilities	358,680	358,680	1,112,051	1,041,597
Bonus/commission	-	-	1,762,797	1,871,710
Special allowance	-	-	540,000	515,000
Leave encashment	-	-	-	570,000
Retirement benefits	-	-	928,678	663,740
	5,380,128	5,380,128	19,911,989	19,244,383
<b>Number of persons</b>	1	1	11	10

In addition to above the Chief Executive and a Executive were provided Company maintained cars. Further, the Chief Executive and all the Executives were also reimbursed the medical expenses as per policy.

## 46. MATURITIES OF ASSETS AND LIABILITIES

Description	Total Rupees	Within	More than	Above
		one year Rupees	one year and upto five years Rupees	five years Rupees
<b>As at 30 June 2015</b>				
<b>ASSETS</b>				
Fixed capital expenditure	103,950,542	-	18,291,822	85,658,720
Cards and rooms	33,450,000	-	-	33,450,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	136,551,607	-	136,551,607	-
Net investment in lease finance	2,980,200	2,980,200	-	-
Investments	272,524,324	171,686,039	-	100,838,285
Finances	527,798,134	378,819,310	122,631,880	26,346,944
Advances	8,251,182	5,914,740	2,336,442	-
Deposits and prepayments	48,759,331	2,511,697	153,264	46,094,370
Interest accrued	23,568,869	23,568,869	-	-
Other receivables	83,457,672	83,457,672	-	-
Tax refunds due from the government	210,186,541	210,186,541	-	-
Cash and bank balances	5,489,402	5,489,402	-	-
	1,631,971,804	884,614,470	279,965,015	467,392,319
<b>LIABILITIES</b>				
Certificates of deposit	1,078,538,913	788,422,590	290,116,323	-
Long term security deposit	2,980,200	2,980,200	-	-
Accrued markup	9,291,796	9,291,796	-	-
Trade and other payables	38,035,512	38,035,512	-	-
Provision for taxation	13,725,430	13,725,430	-	-
	1,142,571,851	852,455,528	290,116,323	-
<b>NET ASSETS</b>	489,399,953	32,158,942	(10,151,308)	467,392,319
<b>Represented by:</b>				
SHARE CAPITAL AND RESERVES	456,640,913			
SURPLUS ON REVALUATION OF FIXED ASSETS	32,759,040			
	489,399,953			

Description	Total	Within one year	More than one year and upto five years	Above five years
	Rupees	Rupees	Rupees	Rupees
<b>As at 30 June 2014</b>				
<b>ASSETS</b>				
Fixed capital expenditure	110,672,527	-	20,378,085	90,294,442
Cards and rooms	33,450,000	-	-	33,450,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	102,292,639	-	102,292,639	-
Net investment in lease finance	3,064,881	3,064,881	-	-
Investments	569,454,844	468,559,559	-	100,895,285
Finances	456,453,427	413,676,565	14,092,766	28,684,096
Advances	5,374,858	4,226,261	1,148,597	-
Deposits and prepayments	55,223,510	2,966,417	1,162,723	51,094,370
Interest accrued	10,198,315	10,198,315	-	-
Other receivables	91,768,997	91,768,997	-	-
Tax refunds due from the government	255,942,074	255,942,074	-	-
Cash and bank balances	50,716,737	50,716,737	-	-
	1,919,616,809	1,301,119,806	139,074,810	479,422,193
<b>LIABILITIES</b>				
Term finance certificates	24,641,647	24,641,647	-	-
Short term borrowings	44,503,605	44,503,605	-	-
Certificates of deposit	1,185,537,753	790,771,670	394,766,083	-
Long term security deposit	3,289,300	3,289,300	-	-
Accrued markup	9,720,238	9,720,238	-	-
Trade and other payables	103,268,559	103,268,559	-	-
Provision for taxation	39,935,855	39,935,855	-	-
	1,410,896,957	1,016,130,874	394,766,083	-
<b>NET ASSETS</b>	<b>508,719,852</b>	<b>284,988,932</b>	<b>(255,691,273)</b>	<b>479,422,193</b>
<b>Represented by:</b>				
SHARE CAPITAL AND RESERVES	474,236,652			
SURPLUS ON REVALUATION OF FIXED ASSETS	34,483,200			
	<u>508,719,852</u>			

#### 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	
	2015 Percentage	2014 Percentage	2015 Percentage	2014 Percentage	2015 Percentage	2014 Percentage
Agribusiness	2.40	3.14	-	-	-	-
Textile	2.67	3.49	-	-	-	-
Financial institutions	-	-	-	28.70	-	-
Electronics and electrical appliances	5.98	1.32	-	-	100.00	100.00
Individuals	66.06	52.99	88.91	64.35	-	-
Engineering and construction	2.73	3.55	-	-	-	-
Hospitality	-	-	2.62	-	-	-
Non-Government organizations	-	-	2.91	2.64	-	-
Others	20.17	35.51	5.56	4.30	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

## 47.2 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:

	2015 Rupees	2014 Rupees
<b>Aging of term loan and lease rental receivables</b>		
Not past due	513,550,689	448,905,220
Past due 0 - 90 days	6,045,320	1,234,857
Past due 91- 180 days	589,722	2,553
180 days to 1 year	858,709	4,046,282
More than 1 year	53,937,201	49,683,593
	574,981,641	503,872,505

## Collaterals held against term financing.

	2015				Net exposure
	Collaterals			Liquid collaterals	
Gross exposure	Mortgage	Hypothecation			
----- Rupees -----					
Long term finances	237,680,819	59,875,000	312,380,912	62,385,488	(196,960,581)
Short term finances	336,623,539	-	105,000,000	624,148,767	(392,525,228)

	2014				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid collaterals	
----- Rupees -----					
Long term finances	224,190,497	59,875,000	329,989,390	30,004,620	(195,678,513)
Short term finances	278,769,154	1,000,000	75,000,000	333,000,000	(130,230,846)

#### 48. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the bank's reputation. In spite the fact that the bank is in a positive working capital position at the year end, management believes the liquidity risk to be low.

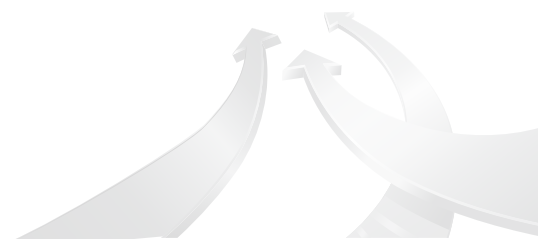
The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equates to their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 years	Between 1 and 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>30 June 2015</b>					
Customers' security deposits	2,980,200	-	2,980,200	-	-
Trade and other payables	35,649,858	-	35,649,858	-	-
	38,630,058	-	38,630,058	-	-
<b>30 June 2014</b>					
Customers' security deposits	3,289,300	-	3,289,300	-	-
Trade and other payables	100,882,905	-	100,882,905	-	-
	104,172,205	-	104,172,205	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2015. The rates of mark up have been disclosed in respective notes to the financial statements.

#### 49. MARKET RISK

The Company's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the Company'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 reprice in a given period.

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

Description	Total	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>As at 30 June 2015</b>					
<b>FINANCIAL ASSETS</b>					
Investments	272,524,324	171,686,039	-	100,838,285	-
Net investment in lease finance	2,980,200	2,980,200	-	-	-
Finances	527,798,134	378,819,310	122,631,880	26,346,944	-
Advances	8,251,182	-	-	-	8,251,182
Deposits and prepayments	48,759,331	-	-	-	48,759,331
Cash and bank balances	5,489,402	3,938,670	-	-	1,550,732
	865,802,573	557,424,219	122,631,880	127,185,229	58,561,245
<b>FINANCIAL LIABILITIES</b>					
Certificates of deposit	1,078,538,913	788,422,590	290,116,323	-	-
Trade and other payables	38,035,512	-	-	-	38,035,512
	1,116,574,425	788,422,590	290,116,323	-	38,035,512
Total Interest rate sensitivity gap		(230,998,371)	(167,484,443)	127,185,229	
Cumulative interest rate sensitivity gap		(230,998,371)	(398,482,814)	(271,297,585)	
<b>As at 30 June 2014</b>					
<b>FINANCIAL ASSETS</b>					
Investments	569,454,844	468,559,559	-	100,895,285	-
Net investment in lease finance	3,064,881	3,064,881	-	-	-
Finances	456,453,427	413,676,565	14,092,766	28,684,096	-
Advances	5,374,858	-	-	-	5,374,858
Deposits and prepayments	55,223,510	339,420	-	-	54,884,090
Cash and bank balances	50,716,737	49,210,874	-	-	1,505,863
	1,140,288,257	934,851,299	14,092,766	129,579,381	61,764,811
<b>FINANCIAL LIABILITIES</b>					
Term finance certificates	24,641,647	24,641,647	-	-	-
Short term borrowings	44,503,605	44,503,605	-	-	-
Certificates of deposit	1,185,537,753	790,771,670	394,766,083	-	-
Trade and other payables	103,268,559	-	-	-	103,268,559
	1,357,951,564	859,916,922	394,766,083	-	103,268,559
Total Interest rate sensitivity gap		74,934,377	(380,673,317)	129,579,381	
Cumulative interest rate sensitivity gap		74,934,377	(305,738,940)	(176,159,559)	

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

#### 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/(loss) Before Tax	Effects on Equity
(Rupees)				
<b>Available-for-sale investments</b>	2015	+10%	-	2,379,368
		-10%	-	(2,379,368)
	2014	+10%	-	5,980,456
		-10%	-	(5,980,456)
<b>Held-for-trading investments</b>	2015	+10%	-	-
		-10%	-	-
	2014	+10%	231,316	
		-10%	(231,316)	

#### 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.

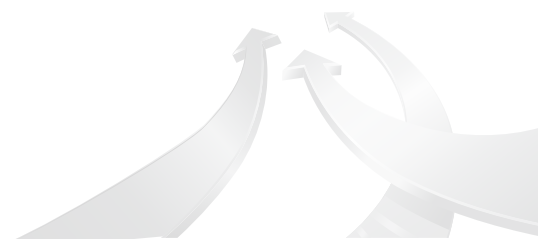
### 50. CAPITAL RISK MANAGEMENT

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 equity requirement is Rs. 1 billion.

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 2015 and at 30 June 2014 were as follows:

	2015 Rupees	2014 Rupees
Total debt	290,116,323	394,766,083
Total equity	489,399,953	508,719,852
Debt-to-equity ratio	0.59	0.78

The decrease in the debt-to-equity ratio during 2015 resulted primarily from decrease in Long Term Certificate of Deposits during the year amounting to Rs. 104.65 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 2015, 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 as on 10 October 2015 by the Board of Directors of the Company.

#### 55. GENERAL

##### 55.1 Following major re-classifications have been made in these financial statements.

Account Head	Current	Previous
Deficit on revaluation of investments-available for sale listed shares	Balance sheet face-line item	Capital Reserves (7,664,952)
Deposits and prepayments	Short term deposits and prepayments short term deposits	Long term deposits and prepayments security deposit (Rs.339,420/-)

**55.2** Nomenclature of the following account heads have been changed in these financial statements.

**Previous**

**Current**

Advances

Advances against salaries / expenses

**55.3** The total number of employees as at June 30, 2015 was 33 (June 30, 2014: 31) and the average number of employees during the year was 34 (June 30, 2014: 29).

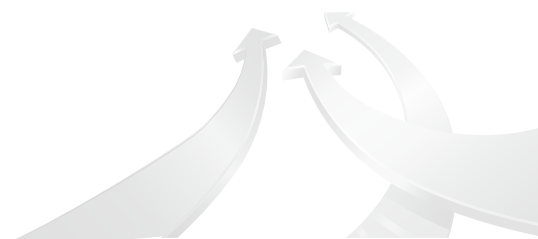
**55.4** Figures have been rounded off to the nearest rupee.

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Chief Executive Officer

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Director





# Consolidated Financial Statements

30 June 2015



## 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, 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, 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, 2015 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 company's equity as at June 30, 2015 has fallen below the minimum equity required under regulation 4 of NBFC and Notified Entities Regulations 2008.

**Lahore**  
**Date: October 10, 2015**  
**(Engagement Partner: Muhammad Amin)**

**Zahid Jamil & Company**  
**Chartered Accountants**

## Consolidated Balance Sheet as at 30 June 2015

	Note	2015 Rupees	2014 Rupees
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Fixed assets	6	107,369,269	114,258,800
Cards and rooms	7	36,441,420	36,441,420
Long term investments	8	149,351,865	149,408,865
Long term finances	9	48,978,824	42,776,862
Net investment in lease finance	10	-	-
Long term loans and advances	11	2,336,442	1,148,597
Long term deposits and prepayments	12	2,993,714	5,003,173
Deferred tax asset	13	136,551,607	102,292,639
		484,023,141	451,330,356
<b>Current Assets</b>			
Current maturities of non-current assets	14	62,721,039	55,064,767
Short term investments	15	171,686,039	468,559,559
Short term finances	16	322,855,705	265,001,320
Advances	17	5,234,905	3,631,222
Short term deposits and prepayments	18	78,762,238	61,617,491
Interest accrued		17,459,253	10,198,315
Other receivables	19	152,014,901	119,601,315
Tax refunds due from the government		216,869,505	261,399,209
Cash and bank balances	20	29,359,455	53,225,197
		1,056,963,040	1,298,298,395
		1,540,986,181	1,749,628,751
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Share capital	21	441,000,000	441,000,000
Reserves	22	(258,048,604)	(224,850,995)
		182,951,396	216,149,005
<b>Surplus on revaluation of fixed assets</b>	23	32,759,040	34,483,200
<b>Non-Current Liabilities</b>			
Term finance certificates	24	-	-
Long term certificates of deposit	25	290,116,323	394,766,083
Long term security deposit	26	-	-
<b>Current Liabilities</b>			
Current maturities of non-current liabilities	27	408,601,310	68,741,337
Short term borrowings		-	44,503,605
Short term certificates of deposit	28	332,801,480	699,961,280
Accrued markup	29	9,143,851	6,794,211
Trade and other payables	30	270,887,351	244,294,175
Provision for taxation	31	13,725,430	39,935,855
		1,035,159,422	1,104,230,463
<b>Contingencies and Commitments</b>			
	32	-	-
		1,540,986,181	1,749,628,751

The annexed notes 1 to 52 form an integral part of these financial statements.

## Consolidated Profit and Loss Account

for the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
<b>INCOME</b>			
Profit on financing	33	65,576,454	55,695,956
Return on placements	34	38,287	413,023
Return on investments	35	24,388,752	58,821,556
Fees and commission		110,365,620	59,475,393
Profit on bank deposits		9,756,662	5,192,029
Other income	36	7,861,789	11,235,200
		217,987,564	190,833,157
<b>EXPENSES</b>			
Return on certificates of deposit		140,945,749	105,059,850
Return on term finance certificates		413,364	3,824,305
Mark-up on borrowings from financial institutions		3,767,789	4,164,606
Amortization of premium on held to maturity investments		57,000	85,492
Administrative and other operating expenses	37	134,988,880	117,898,560
Other financial charges		144,110	205,649
		280,316,892	231,238,462
<b>Operating loss before provisions and taxation</b>		(62,329,328)	(40,405,305)
Reversal for doubtful finances		725,201	192,224
<b>Loss before taxation</b>		(61,604,127)	(40,213,081)
Taxation-Net	38	24,950,555	(5,764,795)
<b>Net loss after taxation</b>		(36,653,572)	(45,977,876)
Loss per share-basic and diluted	39	(0.83)	(1.04)

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive Officer

Director

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
<b>Loss after taxation for the year</b>		(36,653,572)	(45,977,876)
<b>Other comprehensive income / (loss)</b>			
<b>Items that will not be subsequently reclassified to profit and loss</b>			
Incremental depreciation on revalued assets for the year	23	1,724,160	1,814,905
<b>Items that may be subsequently reclassified to profit and loss</b>			
Surplus / (deficit) on revaluation of investments-available for sale listed shares		1,731,803	(2,440,604)
		3,455,963	(625,699)
<b>Total comprehensive loss for the year</b>		<b>(33,197,609)</b>	<b>(46,603,575)</b>

The annexed notes 1 to 52 form an integral part of these financial statements.



## Consolidated Cash Flow Statement

for the year ended 30 June 2015

	2015 Rupees	2014 Rupees
<b>Loss before taxation</b>	(61,604,127)	(40,213,081)
<b>Cash flow from operating activities</b>		
<b>Adjustment for non cash expenses and other items:</b>		
Dividend Income	(2,643,260)	(3,429,634)
Depreciation on property and equipment	9,823,599	6,876,636
Amortization on intangible assets	226,204	271,703
Reversal for doubtful finances	725,201	192,224
Amortization of premium on held to maturity investments	57,000	85,492
Amortization of issuance cost of listed TFCs	338,153	2,028,900
Gain on sale of fixed assets	(1,215,000)	(560,215)
Fair value gain on held for trading investments	-	(19,041)
	7,311,897	5,446,065
	(54,292,230)	(34,767,016)
<b>Decrease / (increase) in operating assets</b>		
Disbursements of finances - net	(72,069,908)	(120,293,627)
Net investment in lease finance	(224,419)	123,680
Investments - net	298,605,323	(264,414,216)
Long term and short term advances	(3,451,594)	585,709
Interest accrued	(7,260,938)	(701,532)
Other receivables	(32,413,586)	(53,304,273)
Deposits and prepayments	(14,927,815)	(33,691,244)
<b>Increase / (decrease) in operating liabilities</b>		
Borrowings from financial institutions	(44,503,605)	44,503,605
Certificates of deposit	(106,998,840)	427,531,146
Accrued markup	2,349,640	339,697
Trade and other payables	26,593,176	113,652,760
<b>Net changes in operating assets and liabilities</b>	45,697,434	114,331,705
<b>Cash (used in) / generated from operations</b>	(8,594,796)	79,564,689
Taxation-Net	9,010,866	(14,078,662)
<b>Net cash generated from operating activities</b>	416,070	65,486,027

	2015 Rupees	2014 Rupees
<b>Cash flow from investing activities</b>		
Fixed capital expenditure incurred	(3,160,272)	(15,528,499)
Dividend received	2,643,260	3,429,634
Proceeds from sale of fixed assets	1,215,000	560,215
Net cash generated from / (used in) investing activities	697,988	(11,538,650)
<b>Cash flow from financing activities</b>		
Redemption of listed term finance certificates	(24,979,800)	(49,959,600)
Dividend paid	-	(1,350)
<b>Net cash used in financing activities</b>	(24,979,800)	(49,960,950)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(23,865,742)	3,986,427
<b>Cash and cash equivalents at the beginning of the year</b>	53,225,197	49,238,770
<b>Cash and cash equivalents at the end of the year</b>	29,359,455	53,225,197

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive Officer

Director

## Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

	Share capital	RESERVES		Revenue Reserve	Total
		Statutory reserve	(Deficit) / gain on revaluation of investments	Accumulated loss	
----- Rupees -----					
<b>Balances as at July 01, 2013</b>	441,000,000	158,496,746	(5,224,348)	(331,519,818)	262,752,580
Net loss for the year	-	-	-	(45,977,876)	(45,977,876)
<b>Other comprehensive income / (loss)</b>					
Incremental depreciation on revalued assets for the year	-	-	-	1,814,905	1,814,905
Deficit on revaluation of investments - available for sale listed shares	-	-	(2,440,604)	-	(2,440,604)
<b>Total comprehensive loss</b>	-	-	(2,440,604)	(44,162,971)	(46,603,575)
<b>Balance as at June 30, 2014</b>	441,000,000	158,496,746	(7,664,952)	(375,682,789)	216,149,005
Net loss for the year	-	-	-	(36,653,572)	(36,653,572)
<b>Other comprehensive income / ( loss)</b>					
Incremental depreciation on revalued assets for the year	-	-	-	1,724,160	1,724,160
Surplus on revaluation of investments - available for sale listed shares	-	-	1,731,803	-	1,731,803
<b>Total comprehensive income / (loss)</b>	-	-	1,731,803	(34,929,412)	(33,197,609)
<b>Balances as at June 30, 2015</b>	441,000,000	158,496,746	(5,933,149)	(410,612,201)	182,951,396

The annexed notes 1 to 52 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

# Notes to the Consolidated Financial Statements

## for the year ended June 30, 2015

### 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 wholly 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 wholly 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.

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Company to “BBB” (Triple B) and also maintained the short-term rating at “A3” (A three) dated 20 March 2015. The ratings denotes an adequate capacity of timely payment of financial commitments.

### 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 IFRSs, 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 separate financial statements of the company reflect that the equity of the company as at June 30, 2015 is Rs. 456.641 million which is below the minimum capital required under NBFC regulations 2008. The NBFC Reforms Process initiated by Securities and Exchange Commission of Pakistan is also underway and it is expected that the minimum equity requirement would be revised as a result. The management is confident and committed that the equity requirement would be met through internal resources including retained earnings.

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

IAS 19	Employee Benefits (Amendment)-Defined Benefit Plans: Employee Contribution
IAS 32	Financial instruments-Presentation-(Amendment) Offsetting Financial Assets and Financial Liabilities
IAS 36	Impairment of Assets-(Amendment)-Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Financial instruments-Recognition and Measurement-(Amendment)-Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

## 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 “reducing balance method” 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 reducing balance method whereby the cost of an intangible asset is amortised at the following rates:

	Rate in %
Computer software	33.33

### Revaluation surplus

Amortization of surplus on revaluation of fixed assets is charged to retained earnings through statement of comprehensive income.

## 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 capital reserve account. 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.

### 3.4.7 Commodities

Commodities are principally acquired with the purpose of selling in near future and generating a profit from fluctuations in price. These inventories are measured at fair value less cost to sell.

### 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 receivables 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 set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **3.8 Provisions**

Provisions are recorded when the 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 gains or losses 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 Deposits (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 activities

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

#### Investment activities

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

### 3.15 Related party transactions

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

### 3.16 Impairment

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

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

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

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

### 3.17 Dividend distributions and appropriations

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

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, estimated results may differ from actual. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

- i) Provision for taxation and deferred tax (Notes 31 and 13)
- ii) Classification and valuation of investments (Notes 08 and 15)
- iii) Determination and measurement of useful life and residual value of property and equipment (Note 6)
- iv) Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables (Notes 9.5, 10.2, 16.3 and 19.2.1)
- v) Impairment of investments (Note 8.1 and 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	Accounting periods beginning on or after
IFRS 10, 12 & IAS 27 Investment Entities: Disclosures (Amendment)	1-Jan-15
IFRS 10, 12 & IAS 27 Investment Entities: Applying the Consolidation Exception (Amendment)	1-Jan-16
IFRS 10 & IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	1-Jan-16
IFRS 10 Consolidated financial statements	1-Jan-15
IFRS 11 Joint arrangements	1-Jan-15
IFRS 11 Accounting for Acquisition of Interest in Joint Operation (Amendment)	1-Jan-16
IFRS 12 Disclosure of interest in Other Entities	1-Jan-15
IFRS 13 Fair Value Measurement	1-Jan-15
IAS 1 Disclosure Initiative (Amendment)	1-Jan-16
IAS 16 & 38 Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	1-Jan-16
IAS 16 & 41 Agriculture Bearer Plants (Amendment)	1-Jan-16
IAS 27 Equity method in Separate Financial Statements (Amendment)	1-Jan-16

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However that are not considered relevant to the Company and therefore are not expected to materially affect the financial statements of the Company for accounting periods on dates prescribed therein.

IFRS 9	Financial Instruments: Classification and measurement	1-Jan-18
IFRS 14	Regulatory deferral Accounts	1-Jan-16
IFRS 15	Revenue from contracts with customers	1-Jan-18

			2015 Rupees	2014 Rupees
<b>6. FIXED ASSETS</b>				
<b>Tangible</b>				
Property and equipment	6.1		106,881,695	113,685,422
<b>Intangible assets</b>	6.2		487,574	573,378
			107,369,269	114,258,800

**6.1 Property, plant and equipment**

	Cost			Depreciation			Net book value as at 30 June 2015	RATE %
	As at 01 July 2014	Additions/ (disposals)	As at 30 June 2015	As at 01 July 2014	For the year	As at 30 June 2015		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>Owned</b>								
Free-hold premises	127,901,129	-	127,901,129	42,648,182	4,262,647	-	46,910,829	5
Lease-hold improvements	29,202,861	-	29,202,861	14,796,063	2,881,362	-	17,677,425	20
Free-hold improvements	6,712,240	-	6,712,240	6,712,240	-	-	6,712,240	20
Office furniture and fixtures	6,375,784	-	6,375,784	4,470,472	190,909	-	4,661,381	10
Computer equipments	19,716,215	356,840	20,073,055	18,631,975	459,368	-	19,091,343	33.33
Office equipments	14,709,420	289,032	14,998,452	9,209,451	566,069	-	9,775,520	10
Vehicles	25,997,294	2,374,000	26,685,854	20,461,138	1,463,244	-	20,238,942	20
		(1,685,440)				(1,685,440)		
	230,614,943	3,019,872	231,949,375	116,929,521	9,823,599	-	125,067,680	106,881,695
		(1,685,440)				(1,685,440)		
<b>2015</b>	230,614,943	1,334,432	231,949,375	116,929,521	9,823,599	(1,685,440)	125,067,680	106,881,695

	Cost			Depreciation			Net book value as at 30 June 2014	RATE %
	As at 01 July 2013	Additions/ (disposals)/ adjustments	As at 30 June 2014	As at 01 July 2013	For the year	(Disposals)/ adjustments		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>Owned</b>								
Free-hold premises	127,901,129	-	127,901,129	38,161,185	4,486,997	-	42,648,182	85,252,947
Lease-hold improvements	14,625,969	14,576,892	29,202,861	14,394,849	401,214	-	14,796,063	14,406,798
Free-hold improvements	6,712,240	-	6,712,240	6,712,240	-	-	6,712,240	-
Office furniture and fixtures	6,257,284	118,500	6,375,784	4,261,160	209,312	-	4,470,472	1,905,312
Computer equipments	18,718,665	997,550	19,716,215	18,188,670	443,305	-	18,631,975	1,084,240
Office equipments	13,643,194	1,066,226	14,709,420	8,614,758	594,693	-	9,209,451	5,499,969
Vehicles	21,226,740	6,171,092	25,997,294	21,120,561	741,115	-	20,461,138	5,536,156
		(1,400,538)				(1,400,538)		
	209,085,221	22,930,260	230,614,943	111,453,423	6,876,636	-	116,929,521	113,685,422
		(1,400,538)				(1,400,538)		
<b>2014</b>	209,085,221	21,529,722	230,614,943	111,453,423	6,876,636	(1,400,538)	116,929,521	113,685,422

### 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 Rupees	Mode of Disposal	Particulars of Purchaser
Vehicle	1,685,440	(1,685,440)	-	1,215,000	1,215,000	Negotiation	M. Rasheed Alam - DCFO
	1,685,440	(1,685,440)	-	1,215,000	1,215,000		

### 6.2 Intangible assets

	Cost			Amortization			Net book value as at 30 June 2015	Rate %	
	As at 01 July 2014 Rupees	Additions/ (disposals) Rupees	As at 30 June 2015 Rupees	As at 01 July 2014 Rupees	For the year Rupees	Adjustment Rupees			As at 30 June 2015 Rupees
Computer Software									
2015	5,867,100	140,400	6,007,500	5,293,722	226,204	-	5,519,926	487,574	33.33
2014	5,600,000	267,100	5,867,100	5,022,019	271,703	-	5,293,722	573,378	33.33

### 6.3 Had there been no revaluation, the related figures of free-hold premises as on June 30, 2015 would be as follows;

	Cost Rupees	Accumulated Depreciation Rupees	Net Book Value Rupees
Free hold premises	89,692,600	41,461,340	48,231,260

7. This includes TRECs of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited.

7.1 Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualisation and Integration) Act, 2012 (the Act), the ownership in a stock exchange has been segregated from the right to trade on the exchange due to which the membership cards of the Karachi Stock (KSE) and Lahore Stock Exchange (LSE) have now been replaced with (a) shares in the exchanges and (b) Trading Rights Entitlement Certificate (TREC).

Escorts Capital Limited's entitlement in respect of KSE and LSE shares is determined on the basis of valuation of KSE and LSE as approved by the SECP, whereas ESCAP has been allotted 4,007,383 and 843,975 shares of Rs. 10 each against the membership of KSE and LSE, respectively, 40% of the allotted shares have been transferred in the house account - CDC and the remaining 60% have been deposited in a sub-account in Company's name under KSE's and LSE's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions. Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account and disposed off with the blocked shares. Right to vote against blocked shares shall be suspended till the time of sale.

The shares of KSE and LSE shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSE and LSE.

The accounting treatment for the exchange of membership card with TRECs and shares of stock exchanges has been determined on the basis of the guidance provided by the Institute of Chartered Accountants of Pakistan (the ICAP) on queries raised by certain members of stock exchanges. According to ICAP's guidance, the cost of assets received shall be measured at the carrying amount of the asset given up, and no gain / loss shall arise on the exchange. The carrying value of Stock Exchanges Membership cards has been apportioned between shares and TREC Certificates. The value of shares received by the Company has been recognized as available for sale investment under the guidance of ICAP and the excess of value of shares over the carrying value of membership card in KSE and LSE is recognized as trading right. The management concludes that keeping in view the above scenario there is no impairment.

		2015 Rupees	2014 Rupees
<b>8.</b>	<b>LONG TERM INVESTMENTS</b>		
	<b>Held to maturity</b>		
	Pakistan Investment Bonds (PIBs) 8.1	100,838,285	100,895,285
	<b>Available for sale - at cost</b>		
	Investment in unquoted Companies 8.2 & 8.3	48,513,580	48,513,580
		149,351,865	149,408,865
<b>8.1</b>	<b>Pakistan Investment Bonds (PIBs)</b>		
	Cost	101,739,700	101,739,700
	Less: Amortization - Opening	844,415	758,923
	Charged during the year	57,000	85,492
		100,838,285	100,895,285

This represents investment in 20 years bonds issued by the Government of Pakistan having market value of Rs 99.93 million (2014: Rs. 83.357 million). Period to maturity of these investments are 9 years and carry mark-up at rates (coupon rate) 10% per annum (2014: 10% per annum). PIBs having face value of Rs. 100 million (2014: Rs. 100 million).

**8.1.1 Encumbered and un-encumbered - Face value**

	2015			2014		
	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	100,000,000	-	100,000,000	100,000,000	-	100,000,000



	Note	2015 Rupees	2014 Rupees
<b>8.2 Investment in Unquoted Companies</b>			
Karachi Stock Exchange Limited (KSE)	8.2.1	40,073,830	40,073,830
Lahore Stock Exchange Limited (LSE)	8.2.2	8,439,750	8,439,750
		48,513,580	48,513,580

**8.2.1** It represents 4,007,383 ordinary shares of Rs. 10 each. Equity held 0.5% (2014: 0.5%). Break up value of each ordinary share is Rs. 10.17 per share as per audited accounts of the exchange as at June 30, 2015.

**8.2.2** It represents 843,975 ordinary shares of Rs. 10 each. Equity held 0.66% (2014: 0.66%). Break up value of each ordinary share is Rs. 11.17 per share as per audited accounts of the exchange as at June 30, 2014.

**8.3** Prior year figures have been reclassified for better presentation (Refer note # 52.1).

	Note	2015 Rupees	2014 Rupees
<b>9. LONG TERM FINANCES</b>			
<b>Related parties-Secured and considered good</b>			
Associated companies	9.1	4,339,673	5,793,089
Executives	9.2	42,617,255	42,741,539
Others		-	301,774
		46,956,928	148,836,402
<b>Others - Secured and considered good</b>	9.3	57,985,501	42,615,705
		104,942,429	191,452,107
<b>Considered doubtful</b>			
Others	9.4	32,738,390	32,738,390
Less: Provision for doubtful finances	9.5	32,738,390	32,738,390
		-	-
		104,942,429	191,452,107
Less: Current maturity	14	55,963,605	148,675,245
		48,978,824	42,776,862

### 9.1 Associated companies

These represent finance provided against hypothecation of vehicles for a period of 5 years (2014: 5 years), carrying mark-up @ 18% per annum. (2014: 18% per annum).

	2015 Rupees	2014 Rupees
The maximum balance outstanding at the end of any month during the year was:		
Escorts Pakistan Limited	5,793,089	7,135,710

### 9.2 Executives

This represent finance provided to Executives 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	Director Rupees	Others Rupees	2015 Rupees	2014 Rupees
Opening Balance	38,484,150	1,841,787	2,415,602	42,741,539	29,236,659
Add: Disbursements / transferred during the year	-	-	3,367,562	3,367,562	16,903,646
	38,484,150	1,841,787	5,783,164	46,109,101	46,140,305
Less: Repayments / transferred during the year	1,517,062	1,343,102	631,682	3,491,846	3,398,766
	36,967,088	498,685	5,151,482	42,617,255	42,741,539
The maximum balance outstanding at the end of any month during the year.				44,865,409	43,517,909

**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 % to 20% per annum (2014: 12% to 20% 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 14% to 17% per annum (2014: 14% to 17% per annum).

	2015 Rupees	2014 Rupees
<b>9.5 Particulars of provision for doubtful finances</b>		
Opening balance	32,738,390	32,930,614
Reversal for the year	-	(192,224)
Closing balance	32,738,390	32,738,390

	Note	2015 Rupees	2014 Rupees
<b>10. NET INVESTMENT IN LEASE FINANCE</b>			
Net investment in lease finance	10.1	3,603,563	3,880,041
Less: Provision for doubtful leases	10.2	623,363	815,160
		2,980,200	3,064,881
Less: Current maturity	14	2,980,200	3,064,881
		-	-

**10.1 Particulars of net investment in lease finance**

	2015			2014
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	677,283	-	677,283	912,854
Add: Residual value	2,980,200	-	2,980,200	3,289,300
Gross investment in lease finance	3,657,483	-	3,657,483	4,202,154
Less: Unearned finance income	53,920	-	53,920	322,113
Net investment in lease finance	3,603,563	-	3,603,563	3,880,041

**10.1.1** 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 ranges from 11% to 45% (2014: 11% to 45%). Leased assets are insured in favor of the Company. The rate of return ranges from 15% to 17 % per annum (2014: 15% to 17% 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.

**10.1.2** 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. 0.677 million (2014: 0.912 million) at the end of current year.

	2015 Rupees	2014 Rupees
<b>10.2 Particulars of provision for doubtful leases</b>		
Opening balance	815,160	815,160
Charge for the year	211,022	-
Reversal for the year	(402,819)	-
Closing balance	623,363	815,160

	Note	2015 Rupees	2014 Rupees
<b>11. LONG TERM LOANS AND ADVANCES</b>			
<b>Loan to staff - Unsecured, considered good</b>			
Executives -Related parties	11.1	3,844,129	1,430,103
Other employees		480,088	1,046,203
		4,324,217	2,476,306
Less: Current maturity	14	1,987,775	1,327,709
		2,336,442	1,148,597

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

	Note	2015 Rupees	2014 Rupees
Opening Balance		1,430,103	1,714,069
Add: Disbursements / transfered during the year		3,752,506	1,046,407
		5,182,609	2,760,476
Less: Repayments during the year		1,338,480	1,330,373
		3,844,129	1,430,103
The maximum balance outstanding from executives at the end of any month during the year was:		4,591,532	1,671,837
<b>12. LONG TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposits		2,840,450	3,840,450
Prepayments		1,942,723	3,159,655
		4,783,173	7,000,105
Less: Current maturity	14	1,789,459	1,996,932
		2,993,714	5,003,173

	Note	2015 Rupees	2014 Rupees
<b>13. DEFERRED TAX ASSET</b>			
Taxable temporary differences			
Fixed assets		(10,321,964)	(9,202,837)
Deductible temporary differences			
Investments		34,776,395	33,550,022
Finances and receivables		22,257,527	15,073,517
Trade and other payables		778,178	612,173
Finance lease		205,710	259,657
Tax losses		88,855,761	62,000,107
		136,551,607	102,292,639
<b>13.1 Movement in deferred tax asset</b>			
Opening balance		102,292,639	100,222,616
Provision during the year		34,258,968	2,070,023
Closing balance		136,551,607	102,292,639
<b>13.2</b>	The Company recognized deferred tax asset in respect of carry forward losses and unabsorbed tax depreciation. The management of the company believes that based on the projections of future taxable profits, it would be able to realize these tax losses in the future.		
	Note	2015 Rupees	2014 Rupees
<b>14. CURRENT MATURITIES OF NON-CURRENT ASSETS</b>			
Long term finances	9	55,963,605	148,675,245
Net investment in lease finance	10	2,980,200	3,064,881
Long term loans and advances	11	1,987,775	1,327,709
Long term deposits and prepayments	12	1,789,459	1,996,932
		62,721,039	155,064,767

	Note	2015 Rupees	2014 Rupees
<b>15. SHORT TERM INVESTMENTS</b>			
<b>Held to Maturity</b>			
Treasury Bills	15.1.1	65,861,977	64,855,608
<b>Held for Trading</b>			
Shares / units			
Listed	15.2	-	2,990,040
Others	15.3	11,147,704	21,488,699
<b>Investment in Commodities:</b>			
Rice		70,882,683	78,538,116
Wheat		-	241,559,197
<b>Available for sale</b>			
Listed shares / units	15.4	29,726,824	67,469,731
		177,619,188	476,901,391
Deficit on revaluation of shares / units		(5,933,149)	(8,341,832)
		171,686,039	468,559,559

**15.1 Encumbered and un-encumbered - Face value**

	2015			2014		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Treasury Bills (T-Bills)	69,000,000	-	69,000,000	21,000,000	45,000,000	66,000,000

	2015 Rupees	2014 Rupees
<b>15.1.1 Treasury Bills</b>		
Face value	69,000,000	66,000,000
Less: Discount	(3,138,023)	(1,144,392)
Book value	65,861,977	64,855,608

**15.2 Particulars of listed shares / units - Held for Trading**

No. of Certificates		N A M E	2015		2014	
			Carrying value	Market value	Carrying value	Market value
2015	2014		Rupees	Rupees	Rupees	Rupees
		<b>Investment Companies</b>				
-	64,000	Jahangir Siddique & Company Ltd.	-	-	1,178,608	668,160
		<b>Financial Services</b>				
-	25,000	JS Investment Limited	-	-	377,000	292,750
		<b>Chemicals</b>				
-	45,000	Maple Leaf Cement Factory Limited	-	-	1,434,432	1,352,250
-	134,000		-	-	2,990,040	2,313,160

**15.3 Shares - Others**

This represents investments in various listed companies shares. Because of changes in NBFC Regulations in 2008, the Company had to conclude its brokerage business under the Investment Finance Services License. The Company started the process of intimating its brokerage clients to close their accounts with the Company in compliance with these regulations. Most of the account holders have closed their accounts accordingly. Certain accounts could not be transferred/closed because of non receipt of response from the holders despite repeated reminders. The management has decided to record these on balance sheet date as an asset and a corresponding liability of the same amount.

**15.4 Particulars of listed shares / units - Available for sale investments**

All shares / units have face value of Rs. 10 each.

No. of Certificates		N A M E	2015		2014	
			Carrying value	Market value	Carrying value	Market value
2015	2014		Rupees	Rupees	Rupees	Rupees
		<b>Mutual Fund - Close End</b>				
49	49	Dawood Capital Management Fund	281	105	281	98
1,778	1,778	Pakistan Stock Market Fund (previously: Pakistan Premier Fund)	41,032	152,037	41,032	114,308
-	30,000	PICIC Islamic Income Fund	-	-	3,000,000	3,002,418
		<b>Commercial Banks</b>				
-	2,000	National Bank of Pakistan	-	-	118,192	124,460
-	100,000	JS Bank Limited	-	-	708,000	544,000
375,000	375,000	The Bank of Punjab	4,287,119	3,423,750	4,287,119	3,412,720
		<b>Non Life Insurance</b>				
-	52,500	Adamjee Insurance Company Limited	-	-	2,554,213	2,402,925

No. of Certificates		N A M E	2015		2014	
			Cost	Market value	Cost	Market value
2015	2014		Rupees	Rupees	Rupees	Rupees
		<b>Investment Companies</b>				
-	25,000	Jahangir Siddique & Company Ltd.	-	-	568,500	261,000
		<b>Oil and Gas</b>				
40,000	7,500	Pakistan Petroleum Limited	7,898,195	6,580,000	1,637,574	1,682,550
15,000	15,000	National Refinery Limited	4,030,028	3,480,900	4,030,028	3,230,550
-	6,500	Oil & Gas Development Company Limited	-	-	1,688,591	1,698,320
		<b>Textile Composite</b>				
-	150,000	Nishat Mills Limited	-	-	17,378,248	16,788,000
		<b>Textile Spinning</b>				
221,400	350,000	Nishat Chunian Limited	10,432,208	8,132,023	18,040,453	14,836,500
		<b>Chemical</b>				
-	45,500	Fauji Fertilizer Company Limited	-	-	5,305,473	5,107,375
158,000	321,000	Lotee Chemical Pakistan Limited	1,643,822	1,093,360	3,340,652	2,285,520
-	76,000	Maple Leaf Cement Factory Limited	-	-	2,337,737	2,283,800
500	-	ICI Pakistan Limited	260,026	214,000	-	-
		<b>Technology &amp; Communication</b>				
35,000	35,000	Pakistan Telecommunication Limited	1,134,113	717,500	1,134,113	891,450
		<b>Food</b>				
-	9,500	Engro Foods Limited	-	-	1,000,245	974,035
		<b>Transport</b>				
-	25,000	Pakistan International Airline Limited	-	-	299,280	164,750
846,227	1,627,327		29,726,824	23,793,675	67,469,731	59,804,779



	Note	2015 Rupees	2014 Rupees
<b>16. SHORT TERM FINANCES</b>			
<b>Secured and considered good</b>			
Executives	16.1	500,000	500,000
Others	16.2	322,355,705	264,501,320
<b>Considered doubtful</b>			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	16.3	13,767,834	13,767,834
		-	-
		322,855,705	265,001,320

**16.1** This represent finance provided to Executive against Company's own Certificate of Deposits for a period of 1 year and carries mark-up at the rate of 15% per annum (2014: 15% per annum).

**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 13% to 33.6% per annum (2014: 15.25% to 20% per annum). , these include Rs. 276.188 million (2014: Rs. 253.042 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan the rate of return ranges from 20% to 24% per annum (2014: 18% to 20% per annum).

	2015 Rupees	2014 Rupees
<b>16.3 Particulars of provision for doubtful finances:</b>		
Opening balance	13,767,834	13,767,834
Provision / (Reversal) for the year	-	-
Closing balance	13,767,834	13,767,834
<b>17. ADVANCES</b>		
<b>Considered good</b>		
Advances against salaries / expenses	5,234,905	3,631,222
<b>18. SHORT TERM DEPOSITS AND PREPAYMENTS</b>		
Short term deposits	78,040,000	60,648,006
Prepayments	722,238	969,485
	78,762,238	61,617,491

	Note	2015 Rupees	2014 Rupees
<b>19. OTHER RECEIVABLES</b>			
Receivable from associated company	19.1	28,619,901	17,818,382
Receivable from clients	19.2	90,880,300	100,119,005
Others		32,514,700	1,663,928
		152,014,901	119,601,315

**19.1** This includes Rs. 18.856 million (2014: Rs. 7.819 million) receivable from Essem Hotels Limited and Rs. 9.763 million (2014: Rs. 9.998 million) receivable from Escorts Pakistan Limited.

	Note	2015 Rupees	2014 Rupees
<b>19.2 Receivables from clients</b>			
Considered good		90,880,300	100,119,005
Considered doubtful		20,940,831	21,474,235
Less: Provision for doubtful receivables	19.2.1	(20,940,831)	(21,474,235)
		-	-
		90,880,300	100,119,005

**19.2.1 Particulars of provision for doubtful receivables**

Opening balance		21,474,235	21,474,235
Reversal for the year		(533,404)	-
Closing balance		20,940,831	21,474,235

**20. CASH AND BANK BALANCES**

Cash in hand		-	10,996
Cash with banks			
Current accounts with:			
State Bank of Pakistan		725,905	502,563
Others		4,436,512	1,784,817
		5,162,417	2,287,380
Saving accounts	20.1	24,197,038	50,926,821
		29,359,455	53,225,197

**20.1** Rate of return on these accounts range from 6% to 11.25% per annum (2014: 6% to 11.50% per annum).

	2015 Rupees	2014 Rupees
<b>21. SHARE CAPITAL</b>		
<b>Authorized share capital</b>		
50,000,000 (2014: 50,000,000) ordinary shares of Rs. 10 each	500,000,000	500,000,000
<b>Issued, subscribed and paid-up capital</b>		
42,000,000 (2014: 42,000,000) ordinary shares of Rs. 10 each Issued as fully paid in cash	420,000,000	420,000,000
2,100,000 (2014: 2,100,000) ordinary shares of Rs. 10 each Issued as fully paid bonus shares	21,000,000	21,000,000
	441,000,000	441,000,000

**21.1** Essem Power (Private) Limited, an associated company, holds 39.01% (2014: 39.01%) ordinary shares in the Company.

	Note	2015 Rupees	2014 Rupees
<b>22. RESERVES</b>			
Capital reserve			
Statutory reserve	22.1	158,496,746	158,496,746
Deficit on revaluation of investments-available for sale listed shares	22.2	(5,933,149)	(7,664,952)
Revenue reserve			
Accumulated loss		(410,612,201)	(375,682,789)
		(258,048,604)	(224,850,995)

**22.1** This represents special reserve created in compliance with the Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan.

**22.2** Prior year figures have been reclassified for better presentation (Refer note # 52.1).

	Note	2015 Rupees	2014 Rupees
<b>23. SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Opening balance		34,483,200	36,298,105
Less: Incremental depreciation for the year		(1,724,160)	(1,814,905)
Closing balance	23.1	32,759,040	34,483,200

**23.1** This represents surplus raised on revaluation of building (ground floor) carried out by Maricon Consultants (Pvt) Limited dated June 29, 2012. The revalued amount is based on market values prevailing at the time of revaluation.

	Note	2015 Rupees	2014 Rupees
<b>24. TERM FINANCE CERTIFICATES</b>			
<b>Listed:</b>			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		475,020,200	425,060,600
Redeemed during the year		24,979,800	49,959,600
		500,000,000	475,020,200
Less: Current maturity	27	-	24,979,800
		-	24,979,800
		-	-
Less: Cost on issuance/ rescheduling			
Opening balance		(338,153)	(2,367,053)
Amortization for the year	37	338,153	2,028,900
Less: Current maturity	27	-	(338,153)
		-	338,153
		-	-

These TFCs carry return payable semi annually, at the rate of 8% per annum and are redeemable in equal semi-annually installments of Rs.24,979,800/- starting from 15 March 2012 and latest by 15 sep 2014. Last installment of these TFCs was fully paid during the year.

	Note	2015 Rupees	2014 Rupees
<b>25. LONG TERM CERTIFICATES OF DEPOSIT</b>			
<b>Related parties - Unsecured</b>			
Associated Company	25.1	34,357,049	6,095,003
Executives	25.2	138,200,000	123,300,000
Others	25.3	39,461,000	30,000,000
		212,018,049	159,395,003
<b>Others - Unsecured</b>			
Individuals	25.4	448,469,384	260,681,470
Others	25.5	35,250,000	15,500,000
		483,719,384	276,181,470
Less: Current maturity	27	405,621,110	40,810,390
		290,116,323	394,766,083

**25.1** These have been issued for a term of 5 years and expected return on these certificates ranges from 10% to 12.5% per annum (2014: 12.5% per annum) payable monthly.

- 25.2** These have been issued for term of 5 years and expected return on these certificates ranges from 12% to 13.5% per annum (2014: 12% to 13.5% per annum) payable monthly.
- 25.3** These have been issued to a close family member of a key management personnel for a term of 5 years and expected return on these certificates ranges from 13% to 14% per annum (2014: 13% to 14% per annum) payable monthly.
- 25.4** These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 11.25% to 14.50% per annum (2014: 10.25% to 14.5% per annum) payable monthly, quarterly, semi-annually or on maturity.
- 25.5** These have been issued for term ranging from 1 year 1 month to 3 years and expected return on these certificates ranges from 12% per annum (2014: 12% per annum) payable monthly.

	Note	2015 Rupees	2014 Rupees
<b>25.6 Long term certificates of deposits includes:</b>			
Corporates		69,607,049	21,595,003
Individuals		626,130,384	413,981,470
		695,737,433	435,576,473
<b>26. LONG TERM SECURITY DEPOSIT</b>			
Security deposit	26.1	2,980,200	3,289,300
Less: Current maturity	27	2,980,200	3,289,300
		-	-

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

	Note	2015 Rupees	2014 Rupees
<b>27. CURRENT MATURITIES OF NON-CURRENT LIABILITIES</b>			
Term finance certificates - listed- net of amortization cost	24	-	24,641,647
Long term certificates of deposit	25	405,621,110	40,810,390
Long term security deposit	26	2,980,200	3,289,300
		408,601,310	68,741,337

	Note	2015 Rupees	2014 Rupees
<b>28. SHORT TERM CERTIFICATES OF DEPOSIT</b>			
<b>Related parties - Unsecured</b>			
Executives	28.1	10,692,600	25,592,600
<b>Others - Unsecured</b>			
Individuals	28.2	322,108,880	323,311,831
Others		-	351,056,849
		322,108,880	674,368,680
		332,801,480	699,961,280

**28.1** These have been issued for a term of 1 year and expected rate of return on these certificates are 11.5% per annum (2014: 11.25% to 12% per annum) payable monthly.

**28.2** 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 14.5% per annum (2014: 6.5% to 14% per annum) payable monthly, quarterly, semi-annually or on maturity.

	Note	2015 Rupees	2014 Rupees
<b>28.3 Short term certificates of deposits includes:</b>			
Financial institutions		-	340,306,849
Corporates		-	10,750,000
Individuals		332,801,480	348,904,431
		332,801,480	699,961,280

<b>29. ACCRUED MARKUP</b>			
<b>Secured</b>			
Accrued return on certificates of deposit		9,143,851	6,154,735
Accrued return on term finance certificates		-	585,828
Accrued return on secured borrowings		-	53,648
		9,143,851	6,794,211

	Note	2015 Rupees	2014 Rupees
<b>30. TRADE AND OTHER PAYABLES</b>			
Customers' credit balances	30.1	232,030,400	194,141,425
Accrued expenses and other payables		34,113,181	45,956,968
Provision for compensated absences		2,358,116	1,810,128
Unclaimed dividend		2,385,654	2,385,654
		270,887,351	244,294,175

**30.1** This includes an amount of Rs. Nil (2014: Rs. 26.739 million) payable to Essem Hotel Limited (Associated Company).

### 31. PROVISION FOR TAXATION

The Company's assessments till Assessment Year 2002-03, have 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 2014 have been filed. The Company has filed appeals before Honorable Lahore High Court for the Tax Years 2003 to 2006 on various matters. These appeals are pending hearing.

In respect of tax year 2008, the appeal was decided in favor of the company by the Honorable Appellate Tribunal Inland Revenue and original position as mentioned in return by the company was restored.

In respect of tax year 2009, the assessing officer has issued an assessment order under Section 122(5A) to amend the deemed assessment for the said Tax Year as per the income tax return filed by the company. The company has filed an appeal before CIR(A) in this respect which is pending fixation.

For tax year 2009, tax department finalized an order under Sec 161 of the Income Tax Ordinance. The company filed an appeal against the said order in CIR(A) who has directed the assessing officer to look into the matter again. The company has not received any notice for the tax years 2010 to 2014.

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

	Note	2015 Rupees	2014 Rupees
<b>32. CONTINGENCIES AND COMMITMENTS</b>			
<b>32.1 Contingencies</b>			
There exist no known contingencies as at balance sheet date.			
<b>32.2 Commitments</b>			
Outstanding guarantees		11,668,397	10,338,873
<b>33. PROFIT ON FINANCING</b>			
Long term		9,107,770	12,512,530
Short term		56,468,684	43,183,426
		65,576,454	55,695,956
<b>34. RETURN ON PLACEMENTS</b>			
Clean placements		38,287	413,023
<b>35. RETURN ON INVESTMENTS</b>			
<b>Mark-up / return on investments</b>			
Held to maturity investments			
Government securities		16,129,216	12,991,886
<b>Dividend income</b>			
Available for sale investments			
Listed shares/units		2,643,260	3,346,134
Held for Trading			
Listed shares/units		-	83,500
		2,643,260	3,429,634
<b>Capital gain on investments</b>			
Available for sale investments		5,006,321	15,395,096
Held for trading		609,955	27,004,940
		5,616,276	42,400,036
		24,388,752	58,821,556



**36. OTHER INCOME**

These include Compensation on delayed refunds for the year amounting to Rs. 0.954 million (2014: Rs. 3.96 million), under Section 171 - Additional Payment for Delayed Refunds, of the Income Tax Ordinance, 2001. The Company had claimed income tax refunds from Tax Year 2003 to 2008 from the income tax authorities and subsequently these tax refunds were decided in due course by the appropriate income tax authorities and refund orders were issued to the Company accordingly.

	Note	2015 Rupees	2014 Rupees
<b>37. ADMINISTRATIVE AND OTHER OPERATING EXPENSES</b>			
Salaries, wages, other benefits and allowances	37.1	46,616,828	42,877,006
Commission paid to traders		35,950,015	21,773,359
Staff training and welfare		64,949	60,155
Advertisement and business promotion		152,618	298,645
Rent, rates and taxes		7,193,920	7,061,777
Utilities		2,234,161	3,197,932
Communication charges		4,127,079	3,788,042
Traveling and vehicle maintenance		5,959,685	7,224,195
Repair and maintenance		2,476,270	3,499,703
Entertainment		1,262,009	1,451,062
Fee and subscriptions		2,827,581	2,822,377
Legal and professional charges	37.2	3,636,514	4,494,111
Printing and stationery		1,387,699	1,990,178
Fee, brokerage & commission		9,232,297	6,769,270
Insurance		1,161,328	940,332
Amortization of issuance cost of listed TFC's	24	338,153	2,028,900
Depreciation	6.1	9,823,599	6,876,636
Amortization of Intangible assets		226,204	271,703
Miscellaneous expenses		317,971	473,177
		134,988,880	117,898,560

**37.1** This includes contribution to provident fund amounting to Rs. 1.545 million (2014: Rs. 1.567 million) made by the Company.

**37.2** These include remuneration paid to the auditors as detailed below:

	2015 Rupees	2014 Rupees
Audit fee	1,027,500	942,500
Certification and consultancy charges	90,000	40,000
Out of pocket expenses	15,500	25,000
	1,133,000	1,007,500

	Note	2015 Rupees	2014 Rupees
<b>38. TAXATION-NET</b>			
Current taxation	38.1	9,308,413	7,834,818
Deferred taxation		(34,258,968)	(2,070,023)
		(24,950,555)	5,764,795

**38.1** 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.

	2015	2014
<b>39. LOSS PER SHARE - BASIC AND DILUTED</b>		
Net loss for the year after taxation (Rupees)	(36,653,572)	(45,977,876)
Number of ordinary shares	44,100,000	44,100,000
Loss per share (Rupees)	(0.83)	(1.04)

**39.1** 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.

#### 40. 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.

##### 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 2015		
	Financing activities	Investing activities	Total
Profit on financing	65,576,454	-	65,576,454
Return on placements	-	38,287	38,287
Return on investments	-	24,388,752	24,388,752
<b>Total income for reportable segments</b>	65,576,454	24,427,039	90,003,493
Finance costs	105,885,843	39,442,169	145,328,012
Administrative and other operating expenses	98,352,761	36,636,119	134,988,880
Reversal for doubtful finances	(725,201)	-	(725,201)
<b>Segment result</b>	<b>(137,936,949)</b>	<b>(51,651,249)</b>	<b>(189,588,198)</b>

## For the year ended 30 June 2015

	Financing activities	Investing activities	Total
Other operating income			127,984,071
Loss before taxation			(61,604,127)
Segment assets	436,160,021	371,893,332	808,053,353
Unallocated assets			732,932,828
			1,540,986,181
Segment liabilities	101,610,562	84,321,034	185,931,596
Unallocated liabilities			1,172,103,189
Equity			182,951,396
			1,540,986,181

## For the year ended 30 June 2014

	Financing activities	Investing activities	Total
Profit on financing	55,695,956	-	55,695,956
Return on placements	-	413,023	413,023
Return on investments	-	58,821,556	58,821,556
<b>Total income for reportable segments</b>	55,695,956	59,234,579	114,930,535
Finance costs	54,925,127	58,414,775	113,339,902
Administrative and other operating expenses	57,134,277	60,764,283	117,898,560
Provision for doubtful financing	(192,224)	-	(192,224)
<b>Segment result</b>	(56,171,224)	(59,944,479)	(116,115,703)
Other operating income			75,902,622
Loss before taxation			(40,213,081)
<b>Segment assets</b>	363,646,510	661,628,554	1,025,275,064
Unallocated assets			724,353,687
			1,749,628,751
<b>Segment liabilities</b>	77,808,374	141,629,931	219,438,305
Unallocated liabilities			1,314,041,441
Equity			216,149,005
			1,749,628,751

#### 41. TRANSACTIONS WITH RELATED PARTIES

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

	2015 Rupees	2014 Rupees
<b>Associated companies:</b>		
<b>Transactions during the year</b>		
Return on finances received	866,772	1,063,070
Guarantee commission earned	-	233,509
Profit paid on certificates of deposit	3,378,414	3,548,305
Fixed assets sold	2,300,000	-
Chairman's secretariat expenses	-	3,300,000
<b>Balance at year end</b>		
Advances outstanding	34,339,673	5,793,089
Letter of guarantee outstanding	8,336,373	10,338,873
Certificates of deposit outstanding	34,357,049	6,095,003
Other receivable / (Payable)	29,413,353	(8,062,420)
Markup payable on COD	113,521	43,834
<b>Directors:</b>		
<b>Transactions during the year</b>		
Return on finances received	2,366,727	2,259,459
Fixed assets sold	-	560,215
Profit paid on certificates of deposit	7,779,649	7,779,649
<b>Balance at year end</b>		
Advances outstanding	38,437,185	41,409,435
Certificates of deposit outstanding	60,692,600	60,692,600
Markup payable on COD	357,819	357,819
<b>Executives:</b>		
<b>Transactions during the year</b>		
Return on finances received	211,337	213,599
Profit paid on certificates of deposit	7,390,005	11,058,334
<b>Balance at year end</b>		
Advances outstanding	4,203,789	2,762,207
Certificates of deposit outstanding	57,000,000	88,200,000
Markup payable on COD	309,754	510,782
Fixed assets sold	1,215,000	-
<b>Others:</b>		
<b>Transactions during the year</b>		
Contribution to staff retirement benefits plan	1,545,793	1,567,287

**42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES**

	Chief Executive / Director		Executives	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Managerial remuneration	3,586,752	3,586,752	12,720,374	12,015,988
House rent allowance	1,434,696	1,434,696	5,088,089	4,806,348
Utilities	358,680	358,680	1,272,051	1,201,597
Bonus/commission	-	-	1,762,797	1,871,710
Special allowance	-	-	540,000	515,000
Leave encashment	-	-	-	570,000
Retirement benefits	-	-	1,088,678	823,740
	<b>5,380,128</b>	<b>5,380,128</b>	<b>22,471,989</b>	<b>21,804,383</b>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>12</b>	<b>11</b>

In addition to above the Chief Executive and a Executive were provided Company maintained cars. Further, the Chief Executive and all the Executives were also reimbursed the medical expenses as per policy.

**43. MATURITIES OF ASSETS AND LIABILITIES**

Description	Total Rupees	Within one year	More than one year and upto five years	Above five years
		Rupees	Rupees	Rupees
<b>As at 30 June 2015</b>				
<b>ASSETS</b>				
Fixed capital expenditure	107,369,269	-	19,441,634	87,927,635
Cards and rooms	36,441,420	-	-	36,441,420
Deferred tax asset	136,551,607	-	136,551,607	-
Net investment in lease finance	2,980,200	2,980,200	-	-
Investments	321,037,904	171,686,039	48,513,580	100,838,285
Finances	427,798,134	378,819,310	22,631,880	26,346,944
Advances	9,559,122	7,222,680	2,336,442	-
Deposits and prepayments	83,545,411	80,551,697	153,264	2,840,450
Interest accrued	17,459,253	17,459,253	-	-
Other receivables	152,014,901	152,014,901	-	-
Tax refunds due from the government	216,869,505	216,869,505	-	-
Cash and bank balances	29,359,455	29,359,455	-	-
	<b>1,540,986,181</b>	<b>1,056,963,040</b>	<b>229,628,407</b>	<b>254,394,734</b>
<b>LIABILITIES</b>				
Certificates of deposit	1,028,538,913	738,422,590	290,116,323	-
Long term security deposit	2,980,200	2,980,200	-	-
Accrued markup	9,143,851	9,143,851	-	-
Trade and other payables	270,887,351	270,887,351	-	-
Provision for taxation	13,725,430	13,725,430	-	-
	<b>1,325,275,745</b>	<b>1,035,159,422</b>	<b>290,116,323</b>	<b>-</b>
<b>NET ASSETS</b>	<b>215,710,436</b>	<b>21,803,618</b>	<b>(60,487,916)</b>	<b>254,394,734</b>
<b>Represented by:</b>				
<b>SHARE CAPITAL AND RESERVES</b>	182,951,396			
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	32,759,040			
	<b>215,710,436</b>			

Description	Total	Within one year	More than one year and upto five years	Above five years
	Rupees	Rupees	Rupees	Rupees
<b>As at 30 June 2014</b>				
<b>ASSETS</b>				
Fixed capital expenditure	114,258,800	-	21,600,572	92,658,228
Cards and rooms	52,550,000	-	-	52,550,000
Deferred tax asset	102,292,639	-	102,292,639	-
Net investment in lease finance	3,064,881	3,064,881	-	-
Investments	601,859,844	468,559,559	32,405,000	100,895,285
Finances	356,453,427	313,676,565	14,092,766	28,684,096
Advances	6,107,528	4,958,931	1,148,597	-
Deposits and prepayments	68,617,596	63,614,423	1,162,723	3,840,450
Interest accrued	10,198,315	10,198,315	-	-
Other receivables	119,601,315	119,601,315	-	-
Tax refunds due from the government	261,399,209	261,399,209	-	-
Cash and bank balances	53,225,197	53,225,197	-	-
	1,749,628,751	1,298,298,395	172,702,297	278,628,059
<b>LIABILITIES</b>				
Term finance certificates	24,641,647	24,641,647	-	-
Short term borrowings	44,503,605	44,503,605	-	-
Certificates of deposit	1,135,537,753	740,771,670	394,766,083	-
Long term security deposit	3,289,300	3,289,300	-	-
Accrued markup	6,794,211	6,794,211	-	-
Trade and other payables	244,294,175	244,294,175	-	-
Provision for taxation	39,935,855	39,935,855	-	-
	1,498,996,546	1,104,230,463	394,766,083	-
<b>NET ASSETS</b>	<b>250,632,205</b>	<b>194,067,932</b>	<b>(222,063,786)</b>	<b>278,628,059</b>
<b>Represented by:</b>				
<b>SHARE CAPITAL AND RESERVES</b>	216,149,005			
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	34,483,200			
	<u>250,632,205</u>			

#### 44. 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.

## 44.1 SEGMENT INFORMATION

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2015	2014	2015	2014	2015	2014
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
Agribusiness	2.90	4.06	-	-	-	-
Textile	3.23	4.52	-	-	-	-
Financial institutions	-	-	-	29.97	-	-
Electronics and electrical appliances	7.24	1.71	-	-	100.00	100.00
Individuals	79.98	68.62	93.23	67.18	-	-
Engineering and construction	3.30	4.60	-	-	-	-
Hospitality	-	-	2.75	-	-	-
Non-Government organizations	-	-	3.05	2.76	-	-
Others	3.34	16.49	0.97	0.09	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

## 44.2 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:

	2015 Rupees	2014 Rupees
<b>Aging of term loan and lease rental receivables</b>		
Not past due	413,550,689	348,905,220
Past due 0 - 90 days	6,045,320	1,234,857
Past due 91- 180 days	589,722	2,553
180 days to 1 year	858,709	4,046,282
More than 1 year	53,937,201	49,683,593
	474,981,641	403,872,505

### Collaterals held against term financing.

	2015				Net exposure
	Collaterals				
	Mortgage	Hypothecation	Liquid collaterals		
	----- Rupees -----				
Long term finances	137,680,819	59,875,000	133,991,871	62,385,488	(118,571,540)
Short term finances	336,623,539	-	105,000,000	624,148,767	(392,525,228)

	2014				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid collaterals	
----- Rupees -----					
Long term finances	124,190,497	59,875,000	151,600,349	30,004,620	(117,289,472)
Short term finances	278,769,154	1,000,000	75,000,000	333,000,000	(130,230,846)

#### 45. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the bank's reputation. In spite the fact that the bank is in a positive working capital position at the year end, management believes the liquidity risk to be low.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equates to their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 years	Between 1 and 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>30 June 2015</b>					
Customers' security deposits	2,980,200	-	2,980,200	-	-
Trade and other payables	268,501,697	-	268,501,697	-	-
	271,481,897	-	271,481,897	-	-
<b>30 June 2014</b>					
Customers' security deposits	3,289,300	-	3,289,300	-	-
Trade and other payables	241,908,521	-	241,908,521	-	-
	245,197,821	-	245,197,821	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2015. The rates of mark up have been disclosed in respective notes to the financial statements.

#### 46. MARKET RISK

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



#### 46.1 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 reprice in a given period.

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

Description	Total	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>As at 30 June 2015</b>					
<b>FINANCIAL ASSETS</b>					
Investments	321,037,904	171,686,039	48,513,580	100,838,285	-
Net investment in lease finance	2,980,200	2,980,200	-	-	-
Finances	427,798,134	378,819,310	22,631,880	26,346,944	-
Advances	9,559,122	-	-	-	9,559,122
Deposits and prepayments	83,545,411	78,040,000	-	-	5,505,411
Cash and bank balances	29,359,455	24,197,038	-	-	5,162,417
	874,280,226	655,722,587	71,145,460	127,185,229	20,226,950
<b>FINANCIAL LIABILITIES</b>					
Certificates of deposit	1,028,538,913	738,422,590	290,116,323	-	-
Trade and other payables	270,887,351	-	-	-	270,887,351
	1,299,426,264	738,422,590	290,116,323	-	270,887,351
Total Interest rate sensitivity gap		(82,700,003)	(218,970,863)	127,185,229	
Cumulative interest rate sensitivity gap		(82,700,003)	(301,670,866)	(174,485,637)	
<b>As at 30 June 2014</b>					
<b>FINANCIAL ASSETS</b>					
Investments	601,859,844	468,559,559	32,405,000	100,895,285	-
Net investment in lease finance	3,064,881	3,064,881	-	-	-
Finances	356,453,427	313,676,565	14,092,766	28,684,096	-
Advances	6,107,528	-	-	-	6,107,528
Deposits and prepayments	68,617,596	60,648,006	-	-	7,969,590
Cash and bank balances	53,225,197	50,926,821	-	-	2,298,376
	1,089,328,473	896,875,832	46,497,766	129,579,381	16,375,494
<b>FINANCIAL LIABILITIES</b>					
Term finance certificates	24,641,647	24,641,647	-	-	-
Short term borrowings	44,503,605	44,503,605	-	-	-
Certificates of deposit	1,135,537,753	740,771,670	394,766,083	-	-
Trade and other payables	244,294,175	-	-	-	244,294,175
	1,448,977,180	809,916,922	394,766,083	-	244,294,175
Total Interest rate sensitivity gap		86,958,910	(348,268,317)	129,579,381	
Cumulative interest rate sensitivity gap		86,958,910	(261,309,407)	(131,730,026)	

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

#### 46.2 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/(loss) Before Tax	Effects on Equity
(Rupees)				
<b>Available-for-sale investments</b>	2015	+10%	-	2,379,368
		-10%	-	(2,379,368)
	2014	+10%	-	5,980,456
		-10%	-	(5,980,456)
<b>Held-for-trading investments</b>	2015	+10%	-	-
		-10%	-	-
	2014	+10%	231,316	
		-10%	(231,316)	

#### 46.3 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.

#### 47. 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 equity requirement is Rs. 1 billion.

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 2015 and at 30 June 2014 were as follows:

	2015 Rupees	2014 Rupees
Total debt	290,116,323	394,766,083
Total equity	215,710,436	250,632,205
Debt-to-equity ratio	1.34	1.58

The decrease in the debt-to-equity ratio during 2015 resulted primarily from decrease in Long Term Certificate of Deposits during the year amounting to Rs. 104.65 million.

#### 48. 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.

#### 49. 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".

#### 50. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2015, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

#### 51. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue as on 10 October 2015 by the Board of Directors of the Company.

#### 52. GENERAL

##### 52.1 Following major re-classifications have been made in these financial statements.

Account Head	Current	Previous
Deficit on revaluation of investments- available for sale listed shares	Balance sheet face- line item	Capital Reserves (Rs. 7,664,952)
Cards	Investment in unquoted companies	Cards & rooms (Rs.16,108,580/-)

**52.2** Nomenclature of the following account heads have been changed in these financial statements.

**Previous**

**Current**

Advances

Advances against salaries / expenses

**52.3** The total number of employees as at June 30, 2015 was 56 (June 30, 2014: 54) and the average number of employees during the year was 50 (June 30, 2014: 45).

**52.4** Figures have been rounded off to the nearest rupee.

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Chief Executive Officer

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Director

## Pattern of Shareholding as at June 30, 2015

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES HELD	Percentage of Total Capital
	FROM	TO		
84	1 -	100	1,963	0.00
60	101 -	500	24,642	0.06
55	501 -	1000	50,535	0.11
113	1001 -	5000	323,366	0.73
31	5001 -	10000	246,329	0.56
11	10001 -	15000	143,000	0.32
9	15001 -	20000	160,846	0.36
4	20001 -	25000	89,405	0.20
6	25001 -	30000	166,064	0.38
2	30001 -	35000	67,500	0.15
3	35001 -	40000	111,198	0.25
2	40001 -	45000	84,068	0.19
3	45001 -	50000	149,014	0.34
2	65001 -	70000	137,000	0.31
1	75001 -	80000	77,490	0.18
1	85001 -	90000	90,000	0.20
5	95001 -	100000	498,661	1.13
1	100001 -	105000	103,003	0.23
1	105001 -	110000	109,515	0.25
1	140001 -	145000	142,500	0.32
1	145001 -	150000	147,500	0.33
1	160001 -	165000	160,500	0.36
1	195001 -	200000	200,000	0.45
1	300001 -	305000	304,000	0.69
1	325001 -	330000	329,000	0.75
1	565001 -	570000	570,000	1.29
1	660001 -	665000	663,500	1.50
1	820001 -	825000	825,000	1.87
1	1070001 -	1075000	1,074,000	2.44
2	1105001 -	1110000	2,215,225	5.02
1	1220001 -	1225000	1,221,067	2.77
1	2500001 -	2505000	2,500,100	5.67
1	2910001 -	2915000	2,910,105	6.60
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
413			44,100,000	100.00

## Information as Required by Code of Corporate Governance

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage of Holding
<b>Associated Companies, Undertakings and Related Parties</b>			
M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
<b>Directors and their spouse and minor children</b>			
MUTAHIR AHMED	1	160,500	0.3639
BAIRAM QURESHI	1	1,102	0.0025
ZULFIQAR ALI KHAN	1	500	0.0011
TAJAMMUL HUSSAIN BUKHARI	1	500	0.0011
SHAZIA BASHIR	1	3,775,962	8.5623
MUHAMMAD ASHRAF ALI	1	500	0.0011
MUHAMMAD SHARIF BAQIR	1	500	0.0011
DARAKSHAN BASHIR	1	2,910,105	6.5989
<b>Executives</b>	-	-	0.0000
<b>Public sector Companies and Corporations</b>	-	-	0.0000
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies Takaful, Modarabas and Pension Funds</b>			
NATIONAL BANK OF PAKISTAN	1	1,221,067	2.7689
PAKISTAN REINSURANCE COMPANY LIMITED	1	16,846	0.0382
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	77,490	0.1757
<b>Others</b>	11	411,364	0.9328
General Public (Local)	390	18,320,224	41.5425
<b>Total</b>	<b>413</b>	<b>44,100,000</b>	<b>100.0000</b>

## Categories of Shareholders

Sr. #	Categories	No. of Shareholders	Shares Held	Percentage of Holding
	Directors, Chief Executive Officer, and their spouse and minor children	8	6,849,669	15.5321
	Associated Companies, Undertakings and Related Parties	1	17,203,340	39.0098
	Banks, Development Financial and Non Banking Financial Institutions	1	1,221,067	2.7689
	Insurance Companies	2	94,336	0.2139
	General Public (Local)	390	18,320,224	41.5425
	Others	3	200,001	0.4535
	Joint Stock Companies	8	211,363	0.4793
	<b>TOTAL:</b>	<b>413</b>	<b>44,100,000</b>	<b>100.0000</b>

### Shareholders Having 5% or More Voting Rights

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage of Holding
M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
SHAZIA BASHIR	1	3,775,962	8.5623
MARYAM BASHIR	1	3,691,641	8.3711
BASHIR AHMED AND FAMILY	1	3,532,961	8.0112
DARAKSHAN BASHIR	1	2,910,105	6.5989
KAMRAN RASHID	1	2,829,100	6.4152

# 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 31st day of October 2015 at 09:30 a.m. and at any adjournment thereof.

As witnessed under my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

\_\_\_\_\_ 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.





**ESCORTS INVESTMENT BANK LIMITED**

Escorts House, 26-Davis Road, Lahore

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