

ESCORTS INVESTMENT BANK LIMITED

2009

Prudence Foremost!



26  
Davis Road Lahore

ESCORTS  
BANK

ESCORTS INVESTMENT  
BANK LIMITED



[www.escortsbank.net](http://www.escortsbank.net)

26 - Davis Road, Lahore | Tel: (042) 637 1931 - 34 | Fax: (042) 637 5950 | [info@escortsbank.net](mailto:info@escortsbank.net)



ESCORTS INVESTMENT  
BANK LIMITED

## Prudence Foremost!

In December 2001, after a candid S.W.O.T. Analysis of our Bank and with an eye on the future we adopted an ambitious Business Plan titled "*Escorts Beyond 2001*". Against all odds the plan focused on transforming the Bank from a stagnating low performer to a proactive, progressive and profitable institution. In the years that have followed, the Bank has proceeded relentlessly on a path of consistent Value Creation for its Shareholders. During the five years preceding this financial year Escorts Investment Banks' Return on Average Equity and Average Dividend Payouts have both been around twenty percent per annum.

The Financial Year under review has been a period of unprecedented challenges for the whole Financial Sector, and more so for the Non Banking Finance Companies (NBFCs). Our Bank is no exception. But what distinguishes us from some of the other market players is our Risk Management, which insured that the setback was relatively minimal. Another differentiating feature is the way in which we look at the present scenario. We see it as challenge rather than an impediment. Yes these are testing times but we have responded proactively, swiftly and effectively. We have made appropriate decisions and we remain determined to execute them meticulously.

Value Creation for our shareholders, sure, but Prudence Foremost!

Sincerely,

A handwritten signature in black ink, appearing to read "Rashid Mansur".

Rashid Mansur  
President & CEO

August 26, 2009



## 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

ESCORTS TWENTY 12

## Broad Policy Objectives

- Value Creation for Shareholders on a sustainable basis.
- Realigning ourselves to the new NBFC Structure.
- Maintaining High Asset Quality.
- Good Governance and Best Business Practices.
- High Professional Efficiency and Constant Improvement Policy.

The Operational Strategy of the Business Plan is focused on Enhanced Profitability and Sustainable Growth through a broader range of Products and Services, and Capacity Building in terms of Human Resource, Infrastructure, Systems Support and Risk Management Policies.



ESCORTS INVESTMENT  
BANK LIMITED

## contents of ANNUAL REPORT 2009

<b>6</b>	Corporate Information
<b>7</b>	Financial Statements <small>(For the year ended 30 June 2009)</small>
<b>8</b>	Notice of Annual General Meeting
<b>9</b>	Director's Report
<b>12</b>	Financial Highlights
<b>13</b>	Statement of Compliance with the Code of Corporate Governance
<b>15</b>	Auditors' Review Report to the Members on Statement of Compliance with best Practices of Code of Corporate Governance
<b>16</b>	Statement of Ethics and Business Practices
<b>18</b>	Statement of Compliance with Best Practices on Transfer Pricing
<b>19</b>	Auditors' Report to the Members
<b>20</b>	Balance Sheet
<b>21</b>	Profit & Loss Account
<b>22</b>	Cash Flow Statement
<b>24</b>	Statement of Changes in Equity
<b>25</b>	Notes to the Financial Statements
<b>65</b>	Consolidated Financial Statements <small>(For the year ended 30 June 2009)</small>
<b>66</b>	Auditors' Report to the Members
<b>67</b>	Consolidated Balance Sheet
<b>68</b>	Consolidated Profit & Loss Account
<b>69</b>	Consolidated Cash Flow Statement
<b>71</b>	Consolidated Statement of Changes in Equity
<b>72</b>	Notes to the Consolidated Financial Statements
<b>112</b>	Pattern of Shareholding Form of Proxy



# Corporate Information

## Board of Directors

Chairman  
Bashir Ahmed

President & Chief Executive Officer  
Rashid Mansur

### Directors

Bairam Qureshy  
Mutahir Ahmed  
Shazia Bashir  
Qaim Mehdi  
Tajamul Hussain Bokhari

Company Secretary  
Muhammad Anum Saleem

## Executive Management

President & Chief Executive Officer  
Rashid Mansur

Executive Director / Head of HR & Administration  
Shazia Bashir

Chief Financial Officer / Head of Advisory Services  
Muhammad Kamran Nasir

Head of Treasury Division  
Arshad I. Khan

Company Secretary / Head of Corporate & Legal Affairs  
Muhammad Anum Saleem

Head of Branch Network  
Azmat Baig

Head of Proprietary Investments  
Hassan Abid Zaidi

Head of MIS & Settlements  
Muhammad Irfan

## Audit Committee

Chairman  
Bashir Ahmed

Members  
Tajamul Hussain Bokhari  
Bairam Qureshy

Secretary  
Muhammad Anum Saleem

## Internal Auditors

A. F. Fergusons & Co.  
Chartered Accountants

## External Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Advisors

Lexium Attorneys at Law

## Tax Consultants

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Share Registrars

Hameed Majeed Associates (Pvt.) Ltd.

## Bankers

Bank Alfalah Limited  
Bank Al-Habib Limited  
Habib Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
The Bank of Khyber Limited

# FINANCIAL STATEMENTS

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 14<sup>th</sup> Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK Limited** will be held on Friday, October 30, 2009 at 10:00 A.M. at Escorts House, 26 Davis Road, Lahore, the registered office of the Company, to transact the following business:

### ORDINARY BUSINESS:

- To confirm the minutes of the 13<sup>th</sup> Annual General Meeting held on October 15, 2008.
- To receive, consider and adopt the Annual Audited Financial Statements for the year ended June 30, 2009, together with the Directors' and Auditors' report thereon.
- To appoint auditors and fix their remuneration for the year ending June 30th, 2010. The retiring auditors M/S KPMG Taseer Hadi & Co. Chartered Accountants cannot be reappointed in accordance with code of corporate governance. M/S Ford Rhodes Sidat Hyder & Co. Chartered Accountants offered their consent to act as external auditor of the company in place.

### OTHER BUSINESS:

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

### By ORDER OF THE BOARD

M. Anum Saleem  
Company Secretary

Dated: October 09, 2009

### Notes:

- The share transfer books shall remain closed from October 21, 2009 to October 28, 2009 (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 20, 2009 will be treated in time for the purpose of casting of votes at the Annual General Meeting.
- A member entitled to attend and vote at the meeting may appoint another person as his/her

proxy to attend the meeting, speak and vote on his/her behalf. Form of Proxy is enclosed.

- 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.
- Shareholders are requested to promptly notify the Company of any change in their addresses at the Registered Office of the Company.
- 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 Computerised 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 takes pleasure in presenting before you, the Annual Report 2009 together with the Audited Financial Statements for the year ended June 30, 2009.

The Board hereby confirms that:

- these financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- proper books of accounts of the company have been maintained;
- appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- the system of internal controls is sound in design and has been effectively implemented and efficiently monitored;
- there are no significant doubts upon the company's ability to continue as a going concern; and
- There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

### Financial Results

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

	2009 (Rupees)	2008 (Rupees)
Profit before provisions and taxation	(162,199,913)	103,646,517
Provision for doubtful finances & receivables	(3,802,669)	9,134,544
Profit before taxation	166,002,582	94,511,973
Taxation	(244,634)	43,305,726
Profit after taxation	(166,247,216)	137,817,699

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

The year under review was the most challenging year for the global economy. For Pakistan it meant rampant inflation, increased current account deficit, fast depleting foreign exchange reserves, slow capital flows and a resultant tight monetary stance. The economic crisis was exacerbated by ever worsening law and order situation, political turmoil over a number of national issues which resulted in a loss of focus on economic issues. For the Financial Sector in Pakistan, more than anything else it was a crisis of confidence which manifested itself in a liquidity crunch. The closure of the country's Stock Exchanges for over hundred days set a new negative world record.

At Escorts Investment Bank Limited, prudent Asset Liability Management before and during the liquidity crises ensured that the Bank remained very comfortably insulated from the liquidity crunch which had adversely affected some of our peers in the sector. However the abnormal market conditions did affect the revenue streams of our Bank.

During the year gross revenue of the bank decreased significantly from 837 million to 356 million since for a sizeable part of the financial year the Capital Markets were not functional. Administrative and other operating expenses were reduced to 141 million from 238 million. In addition to the above, impairment of Rs. 94 million against available for sale investment has been transferred from equity to profit and loss account in accordance with IAS -39 despite the fact that the same has been allowed to be taken to Profit & Loss on quarterly basis during the calendar year ending December 2009 by SECP vide SRO NO 150 (I)/2009 dated 13 February 2009.

Had the Management followed the SRO, the loss of the bank would have been reduced by Rs 47 Million. However, the Management was of the firm view that the entire impairment shall be charged to Profit and Loss as per IAS 39.

Further additional provision of Rs. 3.8 million against doubtful finances and receivables was booked during the year. The operating (pre-tax) loss for the year amounts to Rs. 166 million against profit of 94.5 million last year due to above stated reasons.

Total assets as at 30 June 2009 stood at Rs. 2,107 million as against Rs. 6,496 million at the last year end, the asset liability maturity profiles are appreciably matched and the Executive management of your bank is confident of producing better results in the days to come.

### Earnings per Share

Loss per Share of your Bank has been Rs. (3.77) as compared to Earnings per Share of Rs.3.13 last year.

### Credit Rating

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

### Board Meetings

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

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

Directors	Held during Tenure	Attended
Mr. Bashir Ahmed	5	4
Mr. Rashid Mansur	5	5
Ms. Shazia Bashir	5	5
Mr. Tajamul Hussain Bokhari	5	4
Mr. Qaim Mehdi	5	1
Mr. Bairam Qureshy	5	5
Mr. Mutahir Ahmed	5	1

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

### Pattern of Shareholding

There were 474 shareholders of the Bank as at 30 June 2009. The pattern of shareholding disclosing the aggregate number of shares held by various categories of shareholders appears at the end of this annual report.

### Value of Provident Fund Investment

The Bank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund @ 10% of basic salary. Based on latest audited financial statements of the fund the value of its investments as at 30 June 2007 works out to Rs. 17.4 million.

### Changes in Shareholding

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

### Internal Audit Function

The Bank has a very sound Internal Audit Function outsourced to M/s A.F. Fergusons, Chartered Accountants. The Audit Committee meets on a regular basis to review efficiency and effectiveness of the Internal Audit Function.

### Auditors

The retiring auditors M/S KPMG Taseer Hadi & Co. Chartered Accountants cannot be reappointed in accordance with code of corporate governance. M/S Ford Rhodes Sidat Hyder & Co. Chartered Accountants offered their consent to act as external auditor of the company in place.


### Future Outlook

Introduction of a new leverage product in the market, activity in the deliverable future and expected cut in the policy rate are some of the positive indicators.

### Acknowledgement

The Board would like to take this opportunity to express its admiration to the employees of the Bank for their commitment, hard work and co-operation throughout the year. The Bank recognizes and records its gratitude for all their efforts.

For and on behalf of the Board



Rashid Mansur  
Chief Executive Officer

Lahore: 26 August 2009



Shazia Bashir  
Director



## Financial Highlights

Last Six Years of Escorts Bank At A Glance

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

## Statement of Compliance with the Code of Corporate Governance

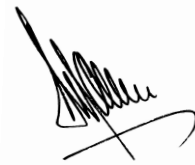
This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of stock exchanges where the Company's shares are listed, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Board of Directors of Escorts Investment Bank Limited ("the Company") has adopted and applied the principles contained in the Code in the following manner:

- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five non-executive directors including one independent directors. The Company has on its Board one director representing minority shareholders.
- The directors have confirmed that none of them is serving as a director in more than ten listed companies, including Escorts Investment Bank Limited.
- All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC or being a member of a stock exchange, has been declared a defaulter by that stock exchange.
- The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decision on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director have been taken by the Board.
- 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 meeting. The minutes of the meetings were appropriately recorded and circulated.
- 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.
- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

11. The Company has complied with all the corporate and financial reporting requirements of the Code.
12. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.
13. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
14. The Board has set up an effective internal audit function that has been outsourced to M/s A. F. Fergusons & Co. Chartered Accountants. A team of suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company have been deployed on a full time basis.
15. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
17. We confirm that all other material principles contained in the Code have been complied with.



Rashid Mansur  
Chief Executive Officer

Lahore: 26 August 2009



Shazia Bashir  
Director

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Escorts Investment Bank Limited** ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2009.

Lahore: 26 August 2009

KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Bilal Ali)

## 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 Bank 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

Escorts Bank believes in the following five principles to be applied in all aspects of their business:

- Personal Responsibility
- Integrity
- Honesty
- Teamwork
- 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. Escorts Bank 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 in a manner that will result in profitability. Escorts Bank allocates 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

Escorts Bank believes in staying detached from all political activities.

### Health and Safety

The maintenance of appropriate health and safety standards throughout Escorts Bank is a key responsibility of all managers. Escorts Bank'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 2009

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



Rashid Mansur  
Chief Executive Officer

Lahore: 26 August 2009

## Auditors' Report to the Members

We have audited the annexed balance sheet of **ESCORTS INVESTMENT BANK LIMITED** ("the Company") as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**KPMG Taseer Hadi & Co.**

Chartered Accountants  
(Bilal Ali)

Lahore: 26 August 2009

## Balance Sheet

As at 30 June 2009

ASSETS			
	Note	2009 Rupees	2008 Rupees
<b>Non-current Assets</b>			
Fixed assets	4	106,581,325	135,382,584
Cards and rooms	5	32,700,000	67,950,000
Long term investment in subsidiary company	6	175,004,000	175,004,000
Long term investments	7	544,937,697	556,374,351
Long term finances	8	35,325,621	21,436,448
Net investment in lease finance	9	21,765,297	55,931,406
Long term loans and advances	10	1,082,328	3,208,457
Long term deposits and prepayments	11	6,041,357	11,215,958
Deferred tax asset	12	75,962,978	75,962,978
<b>Current Assets</b>			
Current maturities of non-current assets	13	82,871,661	96,734,937
Short term investments	14	168,579,417	1,578,486,799
Short term finances	15	62,212,073	193,162,298
Short term placements	16	380,000,000	2,493,281,543
Advances, deposits, prepayments and other receivables	17	395,101,204	852,836,224
Cash and bank balances	18	19,478,267	179,941,667
		<b>1,108,242,621</b>	<b>5,394,443,468</b>
		<b>2,107,643,224</b>	<b>6,496,909,650</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Share capital	19	441,000,000	441,000,000
Reserves	20	156,403,209	410,850,425
		597,403,209	851,850,425
<b>Surplus/(Deficit) on Revaluation of Investments</b>	21	7,269,191	(3,533,300)
<b>Non-Current Liabilities</b>			
Term finance certificates	22	328,870,566	539,627,983
Liabilities against assets subject to finance lease	23	4,981,582	5,940,335
Long term certificates of deposit	24	184,458,629	340,178,159
Long term security deposits		12,771,856	25,789,464
<b>Current Liabilities</b>			
Current maturities of non-current liabilities	25	257,133,160	107,946,750
Short term borrowings	26	438,563,476	2,345,000,000
Running finance - secured	27	-	1,088,962,624
Short term certificates of deposit	28	185,448,651	971,576,855
Trade and other payables	29	62,027,372	194,854,823
Provision for taxation	30	28,715,532	28,715,532
		971,888,191	4,737,056,584
<b>Contingencies and Commitments</b>	31		
		<b>2,107,643,224</b>	<b>6,496,909,650</b>

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

## Profit and Loss Account


For the year ended 30 June 2009

INCOME			
	Note	2009 Rupees	2008 Rupees
Profit on financing	32	26,768,024	49,274,522
Mark-up on lease finance		5,850,715	8,262,052
Return on placements	33	92,000,694	243,046,131
Return on investments	34	186,324,158	425,523,399
Fees and commission	35	2,609,865	102,738,889
Profit on bank deposits		38,869,506	1,834,356
Other income		4,101,256	6,484,359
		<b>356,524,218</b>	<b>837,163,708</b>
<b>EXPENSES</b>			
Return on certificates of deposit		86,349,132	156,781,872
Return on term finance certificates		85,140,247	81,642,925
Mark-up on short term running finance		6,303,610	42,785,795
Mark-up on borrowings from financial institutions		92,853,635	201,266,596
Amortization of premium on held to maturity investments		11,368,020	10,548,036
Administrative and other operating expenses	36	141,832,570	238,195,395
Impairment on available for sale investments		94,399,335	1,561,745
Other financial charges		477,582	734,827
		<b>518,724,131</b>	<b>733,517,191</b>
<b>Operating (loss)/profit before provisions and taxation</b>		<b>(162,199,913)</b>	<b>103,646,517</b>
Provision for doubtful finances		1,728,591	9,134,544
Provision for doubtful leases		153,328	-
Provision for doubtful receivables		1,920,750	-
		<b>3,802,669</b>	<b>9,134,544</b>
<b>(Loss)/Profit before taxation</b>		<b>(166,002,582)</b>	<b>94,511,973</b>
Taxation	37	(244,634)	43,305,726
<b>(Loss)/Profit after taxation</b>		<b>(166,247,216)</b>	<b>137,817,699</b>
(Loss)/Earnings per share-basic and diluted	38	(3.77)	3.13

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

## Cash flow statement

For the year ended 30 June 2009

	2009 Rupees	2008 Rupees
<b>Cash flow from operating activities</b>		
<b>(Loss)/Profit before taxation</b>	(166,002,582)	94,511,973
<b>Adjustment for non cash expenses and other items:</b>		
Dividend income	(15,610,958)	(139,833,798)
Depreciation of tangible assets	19,380,958	18,641,830
Amortization of intangible assets	499,950	999,900
Amortization of discount on Government Treasury Bills	(1,449,662)	-
Provision for doubtful financies	1,728,591	9,134,544
Provision for doubtful receivables	1,920,750	-
Provision for doubtful leases	153,328	-
Amortization of premium on held to maturity investments	11,368,020	10,548,036
Amortization of issuance cost of listed TFCs	1,573,296	1,573,296
(Gain)/Loss on sale of fixed assets	(2,073,096)	3,749
Fixed assets written-off	304,883	-
Gain on sale of cards and rooms	(69,750,000)	-
Impairment on available for sale investments	94,399,335	1,561,744
	42,445,395	(97,370,699)
<b>Loss before working capital changes</b>	(123,557,187)	(2,858,726)
<b>Working capital changes:</b>		
<b>Decrease/(increase) in operating assets</b>		
Repayment of financies - net	121,029,145	60,829,088
Net investment in lease finance	23,144,853	(493,760)
Placements - net	2,113,281,543	296,614,381
Investments - net	1,328,140,352	(268,422,328)
Loans and advances	467,330,770	(319,766,649)
Deposits and prepayments	10,173,654	661,623
	4,063,100,317	(230,577,645)
<b>(Decrease)/increase in operating liabilities</b>		
Borrowings from financial institutions	(1,906,436,524)	600,000,000
Certificates of deposit	(913,327,362)	(754,347,477)
Running finance facilities	(1,088,962,624)	793,105,723
Trade and other payables	(133,249,264)	(40,716,236)
	(4,041,975,774)	598,042,010
<b>Net changes in operating assets and liabilities</b>	21,124,543	367,464,365
<b>Net cash (used in)/generated from operating activities before taxes</b>	(102,432,644)	364,605,639
<b>Taxes paid</b>	(22,398,427)	(104,668,936)
<b>Net cash (used in)/generated from operating activities</b>	(124,831,071)	259,936,703

## Cash flow statement (contd.)

For the year ended 30 June 2009

	Note	2009 Rupees	2008 Rupees
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(2,846,545)	(14,080,282)
Dividend received		28,576,438	143,586,772
Proceeds from sale of fixed assets		13,535,110	1,672,211
Proceeds from sale of cards and rooms		105,000,000	10,155,000
Investment in subsidiary company		-	(175,004,000)
<b>Net cash generated from/(used in) investing activities</b>		144,265,003	(33,670,299)
<b>Cash flow from financing activities</b>			
Dividend paid		(87,273,906)	(87,214,319)
Redemption of listed term finance certificates		(200,000)	(200,000)
Redemption of un-listed term finance certificates		(91,593,312)	(91,593,314)
Repayment of lease obligation		(830,114)	(745,285)
<b>Net cash used in financing activities</b>		(179,897,332)	(179,752,918)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(160,463,400)	46,513,486
<b>Cash and cash equivalents at the beginning of the year</b>		179,941,667	133,428,181
<b>Cash and cash equivalents at the end of the year</b>	18	19,478,267	179,941,667

The annexed notes 1 to 48 form an integral part of these financial statements.

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER



## Statement of Changes in Equity

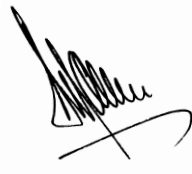
For the year ended 30 June 2009

	Share capital Rupees	Statutory reserve Rupees	Un- appropriated profit Rupees	Total Rupees
<b>Balance as at 01 July 2007</b>	441,000,000	126,486,545	234,746,181	802,232,726
Net profit for the year	-	-	137,817,699	137,817,699
Transfer to statutory reserve	-	-	(27,563,540)	-
Final dividend @ 20% (Rs. 2 per share) for the year ended 30 June 2007	-	-	(88,200,000)	(88,200,000)
<b>Balance as at 30 June 2008</b>	441,000,000	154,050,085	256,800,340	851,850,425
Net loss for the year	-	-	(166,247,216)	(166,247,216)
Final dividend @ 20% (Rs. 2 per share) for the year ended 30 June 2008	-	-	(88,200,000)	(88,200,000)
<b>Balance as at 30 June 2009</b>	441,000,000	154,050,085	2,353,124	597,403,209

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

## Notes to the Financial Statements

For the year ended 30 June 2009

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

JCR VIS Credit Rating Company Limited has reaffirmed the Short Term Credit Rating of the Company at "A-1" (Single A one) while Medium to Long Term Credit Rating has also been reaffirmed at "A" (Single A) with stable outlook.

### 2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984 except for the disclosure requirements of Clause 3C of Part II of the Fourth Schedule to the Companies Ordinance, 1984 in respect of which Securities and Exchange Commission of Pakistan (SECP) has given exemption to all NBFCs wide its Letter No. SC/NBFC/-1/R/2005, dated 29 August 2005, and the approved International Financial Reporting Standards (IFRSs) as applicable in Pakistan. Approved accounting standards comprise of such IFRSs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" through Circular No. 19 dated 13 August 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.

#### Standards, interpretations and amendments to published approved accounting standards that are yet not effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Companies accounting periods beginning on or after their respective effective dates:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all known - owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after 1 July 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset. The application of this standard is not likely to have any effect on the Companies financial statements.

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have any effect on the Companies financial statements.

IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with the requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have any effect on the Companies financial statements.

IFRS 7 - Financial Instruments : Disclosures are applicable to the Companies financial statements covering annual periods, beginning on or after 1 October 2008. It requires disclosures about the significance of financial instruments for the Companies financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks. The adoption of this standard is not likely to have significant impact on Companies financial statements other than increase in disclosure.

**Other standards, interpretations and amendments to published approved accounting standards that are not relevant and not yet effective**

Standards or Interpretations	Effective from
IFRS 2 - Share-based Payments	01 January 2009
IFRS 3 - Business Combinations	01 July 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	01 July 2009
IFRS 8 - Operating Segments	01 January 2009
IAS 29 - Financial Reporting in Hyperinflationary Economies	28 April 2008
IAS 32 (Amendments) - Financial Instruments	01 January 2009
IAS 39 (Amendments) - Financial Instruments	01 July 2009
IAS 41 - Agriculture	01 January 2009
IFRIC 12 - Service Concession Arrangements	01 October 2008
IFRIC 15 - Accounting for Agreements for the Construction of Real Estate	01 October 2009
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	01 October 2008
IFRIC 17 - Distribution of Non cash Assets to Owners	01 July 2009
IFRIC 18 - Transfer of Assets from Customers	01 July 2009
IFRS 4 - Insurance Contracts	01 January 2009
IFRS 7 - Improving disclosures about Financial Instruments	01 January 2009
IAS 39 & IFRIC 9 - Embedded Derivatives	01 January 2009

**2.2 Significant estimates**

The preparation of financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
Useful life of depreciable assets	3.2
Taxation	3.14
Provisions and contingencies	3.10
Impairment	3.16

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Accounting convention**

These financial statements have been prepared under the historical cost convention, except held for trading and available for sale investments, which have been recognized at fair values.

**3.2 Fixed assets**

**Property and equipment**

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

	Rate in %
Building	5
Leasehold improvements	20
Freehold improvements	20
Furniture and fixtures	10
Computer equipments	33.33
Office equipments	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 is 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 impairment, if any. Amortization is recorded when these assets are available for use, using straight line method whereby the cost of an intangible asset is amortized over its estimated useful life at the following rates:

	Rate in %
Computer software	33.33

### 3.3 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 relating to leased assets 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 3.2.

### 3.4 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.

### 3.5 Investments

#### 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 amount of the investment and its recoverability to determine whether there is an indication that such investment 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.

#### Held to maturity

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

#### Available for sale

Investments intended to be held for an un-identified 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.

#### Held for trading

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

All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of circulars issued by State Bank of Pakistan, held for trading and available for sale investments for which active market exists, are measured at their market value while held to maturity investments 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 held for trading investments are charged to income currently, while in case of available for sale investments, the resulting surplus/(deficit) is kept in a separate account and is shown in the balance sheet below the shareholders' equity as surplus/(deficit) on revaluation of investments. At the time of disposal the respective surplus or deficit is transferred to income currently. Amortization cost is charged to the 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.

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 is recorded in the minutes of ALCO meeting. Shifting of securities from one category to another is 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 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.

### 3.6 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.

### 3.7 Net investment in lease finance

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

### 3.8 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.



### 3.9 Financial instruments

#### Financial assets

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

#### 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.

#### Derivatives

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

#### 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 over 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.

#### 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.

### 3.10 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.

### 3.11 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.

#### 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 the rate of 10% of basic salary. The fund is administered by the Trustees.

### 3.12 Revenue recognition

Return on finances provided, leasing, placements, government securities, profit on bank deposits 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 aggregate lease rentals and the residual value over the cost of leased asset, is deferred and taken to income so as to produce a constant periodic rate of return on the outstanding net investment in lease finance. Processing fee, documentation charges and other lease related income are taken to income currently.

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

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

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

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

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

### 3.13 Return on deposits and borrowings

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

### 3.14 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 substantially enacted at the balance sheet date.

### 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. FIXED ASSETS

	Note	2009 Rupees	2008 Rupees
Property and equipment	4.1	105,281,325	133,415,684
Intangible assets	4.2	-	666,900
		105,281,325	134,082,584
Capital work in progress			
Advance - intangible		1,300,000	1,300,000
		106,581,325	135,382,584

### 4.1 Property and equipment

	Cost			Depreciation			Net book Value	
	As at 01 July 2008 Rupees	Additions / (disposals) Rupees	As at 30 June 2009 Rupees	As at 01 July 2008 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2009 Rupees	As at 30 June 2009 Rupees
<b>Owned</b>								
Building	89,692,600	-	89,692,600	13,827,609	4,484,630	-	18,312,239	<b>71,380,361</b>
Lease-hold improvements	20,457,590	(3,390,334)	17,067,256	6,984,084	3,610,187	(2,390,180)	8,204,091	<b>8,863,165</b>
Free-hold improvements	6,712,240	-	6,712,240	335,612	1,342,448	-	1,678,060	<b>5,034,180</b>
Office furniture and fixtures	7,036,665	(1,984,844)	5,051,821	1,816,269	577,645	(663,312)	1,730,602	<b>3,321,219</b>
Computer equipments	16,873,101	653,695	7,372,381	13,439,416	1,675,349	(8,617,860)	6,496,905	<b>875,476</b>
		(10,154,415)						
Office equipments	12,637,050	533,600	8,380,070	3,385,490	989,434	(1,604,589)	2,770,335	<b>5,609,735</b>
Vehicles	31,894,180	1,659,250	24,007,342	16,145,797	4,902,805	(4,990,374)	16,058,228	<b>7,949,114</b>
		(9,546,088)						
	<b>185,303,426</b>	<b>2,846,545</b>	<b>158,283,710</b>	<b>55,934,277</b>	<b>17,582,498</b>	<b>(18,266,315)</b>	<b>55,250,460</b>	<b>103,033,250</b>
		<b>(29,866,261)</b>						
<b>Leased</b>								
Vehicles	8,992,300	-	8,992,300	4,945,765	1,798,460	-	6,744,225	2,248,075
<b>2009</b>	<b>194,295,726</b>	<b>(27,019,716)</b>	<b>167,276,010</b>	<b>60,880,042</b>	<b>19,380,958</b>	<b>(18,266,315)</b>	<b>61,994,685</b>	<b>105,281,325</b>

	Cost			Depreciation			Net book Value
	As at 01 July 2007 Rupees	Additions / (disposals) Rupees	As at 30 June 2008 Rupees	As at 01 July 2007 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2008 Rupees
<b>Owned</b>							
Building	89,692,600	-	89,692,600	9,342,979	4,484,630	-	13,827,609
Lease-hold improvements	8,635,513	11,822,077	20,457,590	4,883,749	2,100,335	-	6,984,084
Free-hold improvements	-	6,712,240	6,712,240	-	335,612	-	335,612
Office furniture and fixtures	4,538,008	2,498,657	7,036,665	1,343,997	472,272	-	1,816,269
Computer equipments	15,042,127	1,830,974	16,873,101	10,039,131	3,400,285	-	13,439,416
Office equipments	11,163,647	1,473,403	12,637,050	2,278,827	1,106,663	-	3,385,490
Vehicles	29,501,717	5,939,418 (3,546,955)	31,894,180	13,073,219	4,943,573	(1,870,995)	16,145,797
	158,573,612	9,243,795 (1,048,298)	185,303,426	40,961,902	16,843,370	(1,870,995)	55,934,277
<b>Leased</b>							
Vehicles	8,992,300	-	8,992,300	3,147,305	1,798,460	-	4,945,765
2008	167,565,912	8,195,497	194,295,726	44,109,207	18,641,830	(1,870,995)	60,880,042

#### 4.2 Intangible assets

	Cost			Amortization			Net book Value
	As at 01 July 2008 Rupees	Additions (disposals) Rupees	As at 30 June 2009 Rupees	As at 01 July 2008 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2009 Rupees
Computer software 2009	3,000,000	(3,000,000)	-	2,333,100	499,950	(2,833,050)	-
Computer software 2008	3,000,000	-	3,000,000	1,333,200	999,900	-	2,333,100

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

	Sold to	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain/(loss) Rupees	Mode of Disposal
Vehicles	Mr. Rashid Mansur (President/ CEO)	1,249,405	(957,877)	291,528	291,528	-	Company Policy
	Mr. Ali-ur-Rehman	1,122,725	(973,028)	149,697	810,000	660,303	Negotiations
	Mr. Afzal Khan	997,560	(917,755)	79,805	770,000	690,195	Negotiations
	Mr. Shakeel	1,084,880	(144,651)	940,229	1,092,000	151,771	Negotiations
	Mr. Nabeel Riaz	1,081,768	(180,295)	901,473	1,157,200	255,727	Negotiations
	Mr. Nabeel Riaz	695,000	(486,500)	208,500	523,600	315,100	Negotiations
		6,231,338	(3,660,106)	2,571,232	4,644,328	2,073,096	
Lease-hold improvements	ECL (wholly owned subsidiary)	798,453	(103,182)	695,271	695,271	-	Negotiations
Office furniture and fixtures	ECL (wholly owned subsidiary)	1,984,844	(663,312)	1,321,532	1,321,532	-	Negotiations
Computer equipments	ECL (wholly owned subsidiary)	10,154,415	(8,617,860)	1,536,555	1,536,555	-	Negotiations
Office equipments	ECL (wholly owned subsidiary)	4,790,580	(1,604,589)	3,185,991	3,185,991	-	Negotiations
Vehicles	ECL (wholly owned subsidiary)	3,314,750	(1,330,267)	1,984,483	1,984,483	-	Negotiations
Computer Software	ECL (wholly owned subsidiary)	3,000,000	(2,833,050)	166,950	166,950	-	Negotiations
Total		30,274,380	(18,812,366)	11,462,014	13,535,110	2,073,096	

During the year disposals amounting to Rs 8,890,782 (2008: Nil) were made to Escorts Capital Limited (wholly owned subsidiary) at written down value.

#### 5. CARDS AND ROOMS

	2009 Rupees	2008 Rupees
Corporate membership of Karachi Stock Exchange Rooms	-	35,250,000
	32,700,000	32,700,000
	32,700,000	67,950,000

#### 6. LONG TERM INVESTMENT SUBSIDIARY COMPANY - UNLISTED ESCORTS CAPITAL LIMITED

	Note	2009 Rupees	2008 Rupees
175,004,000 (2008: 175,004,000) ordinary shares of Rs. 10 each		175,004,000	175,004,000

#### 7. LONG TERM INVESTMENTS

	Note	2009 Rupees	2008 Rupees
<b>Held to maturity</b>			
Pakistan Investment Bonds	7.1	537,078,149	548,446,169
Term finance certificates - unlisted	7.2	10,878,939	11,259,091
		547,957,088	559,705,260
Less: Current maturity of term finance certificates	13	3,019,391	3,330,909
		544,937,697	556,374,351

#### 7.1 Pakistan Investment Bonds

	2009 Rupees	2008 Rupees
Cost	606,221,300	606,221,300
Less: Amortization - opening	37,775,131	27,227,095
- charge for the year	11,368,020	10,548,036
Less: Impairment loss	557,078,149	568,446,169
	20,000,000	20,000,000
	537,078,149	548,446,169

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan. Periods to maturity of these investments range from 2.5 years to 15 years and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2008: 10% to 12% per annum). These investments are held by other financial institutions as security under repurchase transactions.

## 7.2 Term finance certificates-Unlisted

Name	Redemption terms	2009 Rupees	2008 Rupees
New Khan Transport Company (Private) Limited	This has been rescheduled in previous year and is payable in unequal monthly installments ending October 2013 along with mark-up. The rate of return is 450 bps above 6 months KIBOR with floor of 8.25% (2008: 450 bps above 6 months KIBOR with floor of 8.25%).	10,878,939	11,259,091

## 8. LONG TERM FINANCES

	Note	2009 Rupees	2008 Rupees
<b>Related parties-Secured and considered good</b>			
Associated companies	8.1	2,183,889	2,232,740
Executives	8.2	11,109,958	10,632,026
		13,293,847	12,864,766
<b>Others - Secured and considered good</b>			
	8.3	77,662,114	69,898,706
		90,955,961	82,763,472
<b>Considered doubtful</b>			
Others	8.4	39,615,892	37,887,301
Less: Provision for doubtful finances	8.5	33,868,270	32,139,679
		5,747,622	5,747,622
		96,703,583	88,511,094
Less: Current maturity	13	61,377,962	67,074,646
		35,325,621	21,436,448

### 8.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 3 years to 5 years, carrying mark-up rate ranging from 14% to 18% per annum. (2008: 14% to 17% per annum).

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

	2009 Rupees	2008 Rupees
Escorts Pakistan Limited	2,370,951	1,737,351
Essem Hotel Limited	495,389	495,389

### 8.2 Executives

These represent finance provided to the Chief Executive Officer (CEO) and Executives against mortgage of properties and hypothecation of vehicles in accordance with the terms of employment for period ranging from 5 years to 15 years and carry mark-up ranging from 6% to 15.72% (2008: 6% to 17% per annum).

	CEO Rupees	Executives Rupees	2009 Rupees	2008 Rupees
Opening balance	9,035,495	1,596,531	10,632,026	21,829,382
Add: Disbursements during the year	-	1,750,000	1,750,000	-
	9,035,495	3,346,531	12,382,026	21,829,382
Less: Repayments during the year	589,970	682,098	1,272,068	11,197,356
	8,445,525	2,664,433	11,109,958	10,632,026

The finance provided to the CEO represents house finance against mortgage of property with 20% margin. This facility carries mark-up at the rate of 6% per annum, payable on monthly basis. One fourth (25%) of the principal amount is payable at maturity while the remaining balance is payable in unequal monthly installments. The remaining period of this facility is three years and six months (2008: four years and six months)

	2009 Rupees	2008 Rupees
The maximum balance outstanding at the end of any month during the year.	11,357,676	21,817,160

8.3 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 5.5 years. The expected rate of return ranges from 10% to 19% per annum (2008: 9% to 20.15% per annum).

8.4 These represent finance facilities which have been classified under non-performing status detailed below:

	2009 Rupees	2008 Rupees
Other assets especially mentioned	-	-
Substandard	-	-
Doubtful	-	-
Loss	36,615,792	37,887,301
	36,615,792	37,887,301

### 8.5 Particulars of provision for doubtful finances

	2009 Rupees	2008 Rupees
Opening balance	32,139,679	24,942,298
Charge for the year	1,728,591	7,197,381
Closing balance	33,868,270	32,139,679

## 9 NET INVESTMENT IN LEASE FINANCE

	Note	2009 Rupees	2008 Rupees
Net investment in lease finance	9.1	35,604,853	72,271,597
Less: Provision for doubtful leases	9.4	153,328	-
		35,451,525	72,271,597
Less: Current maturity	13	13,686,228	16,340,191
		21,765,297	55,931,406

### 9.1 Particulars of net investment in lease finance

	2009			2008
	Not later than one year	Later than one year but not later than five years	Total	Total
Leased rentals receivable	15,167,879	12,071,718	27,239,597	60,106,358
Add: Residual value	1,811,555	10,960,301	12,771,856	25,789,465
Gross investment in lease finance	16,979,434	23,032,019	40,011,453	85,895,823
Less: Unearned finance income	3,293,206	1,113,394	4,406,600	13,624,226
Net investment in lease finance	13,686,228	21,918,625	35,604,853	72,271,597

**9.2** The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility ranges from 10% to 61.53% (2008 : 10% to 61.53%). Leased assets are insured in favor of the Company. The rate of return ranges from 11.36% to 17 % per annum (2008 : 11.36% to 17 % per annum). Penalty is charged in case of delayed payments.

**9.3** As per the Prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 2.284 million (2008 : 0.847 million) at the end of current year.

### 9.1 Particulars of provision of doubtful leases

	Note	2009 Rupees	2008 Rupees
Opening balance		-	-
Charge for the period		153,328	-
Closing balance		153,328	-

## 10 LONG TERM LOANS AND ADVANCES

	Note	2009 Rupees	2008 Rupees
<b>Loan to staff-unsecured, considered good</b>			
Executives - related parties	10.1	1,877,093	2,105,599
Other employees		946,524	3,046,205
		2,823,617	5,151,804
Less: Current maturity	13	1,741,289	1,943,347
		1,082,328	3,208,457

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

	2009 Rupees	2008 Rupees
Opening balance	2,105,599	2,500,269
Add: Employees promoted to executive category	55,008	-
Disbursements during the year	961,507	1,671,875
Less: Repayments during the year	1,245,021	2,066,545
Closing balance	1,877,093	2,105,599
The maximum balance outstanding from executives at the end of any month during the year was:	2,102,725	2,443,729

## 11 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2009 Rupees	2008 Rupees
Security deposits		5,305,500	7,448,309
Prepayments		3,782,648	11,813,493
		9,088,148	19,261,802
Less: Current maturity	13	3,046,791	8,045,844
		6,041,357	11,215,958



## 12 DEFERRED TAX ASSET

	2009 Rupees	2008 Rupees
Taxable temporary differences on fixed assets	(20,022,372)	(20,022,372)
Deductible temporary differences on investments	20,221,296	20,221,296
Deductible temporary differences on finances and receivables	23,998,577	23,998,577
Deductible temporary differences on trade and other payables.	2,558,030	2,558,030
Taxable temporary differences on leasing finance	(2,691,409)	(2,691,409)
Deductible temporary differences on tax losses	51,898,856	51,898,856
	75,962,978	75,962,978

### 12.1 Movement in deferred tax asset

	2009 Rupees	2008 Rupees
Opening balance	75,962,978	22,276,280
Provision during the year	-	53,686,698
Closing balance	75,962,978	75,962,978

## 13 CURRENT MATURITIES OF NON-CURRENT ASSETS

	Note	2009 Rupees	2008 Rupees
Term finance certificates	7	3,019,391	3,330,909
Long term finances	8	61,377,962	67,074,646
Net investment in lease finance	9	13,686,228	16,340,191
Long term loans and advances	10	1,741,289	1,943,347
Long term deposits and prepayments	11	3,046,791	8,045,844
		82,871,661	96,734,937

## 14 SHORT TERM INVESTMENTS

	Note	2009 Rupees	2008 Rupees
<b>Held to maturity</b>			
Government treasury bills	14.1	46,265,312	-
<b>Available for sale</b>			
Listed Term Finance Certificates	14.2	8,008,185	17,316,843
Listed shares/units			
Cost		201,258,078	52,158,067
Surplus/(Deficit) on revaluation		7,447,177	(3,692,426)
Impairment loss	14.3.1	(94,399,335)	(1,561,744)
	14.3	114,305,920	46,903,897
<b>Held for trading</b>			
Listed shares	14.4	-	1,514,266,059
		168,579,417	1,578,486,799

**14.1** Government treasury bills of face value of Rs. 50 million have been purchased for Rs 44,815,680 (2008: Nil) at discount.

### 14.2 Particulars of listed Term Finance Certificates (TFCs)

No. of Certificates 2009	2008	Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
		<b>Oil and Gas Exploration Company</b>				
-	2,000	Naimat Basal Oil and Gas Securitization Company	-	-	3,952,160	4,008,281
		<b>Investment Companies and Banks</b>				
1,316	1,316	Royal Bank of Scotland	6,569,472	6,492,049	6,572,104	6,933,642
		<b>Leasing</b>				
-	2,000	AlZamin Leasing Modaraba - I	-	-	3,400,000	3,265,360
951	951	AlZamin Leasing Modaraba - II	1,616,700	1,516,036	3,233,400	3,109,560
			8,186,172	8,008,185	17,157,664	17,316,843

Other particulars of listed TFCs are as follows:

Particulars	Certificate denomination	Profit rate per annum	Profit payments	Maturity date
<b>Investment Company and Banks</b>				
Royal Bank of Scotland	5,000	1.90% over 6 months KIBOR	Semi annually	9 March 2014
<b>Leasing</b>				
AlZamin Leasing Modaraba - II	5,000	Musharika based with minimum expected profit of 9.50% p.a.	Semi annually	1 June 2010

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

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

No. of Shares / Units		Name	2009		2008	
2009	2008		Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
<b>Mutual Fund - Open End</b>						
49,907	49,907	Askari Asset Allocation Fund	5,000,000	2,746,313	5,000,000	4,413,308
10,483	10,298	Atlas Islamic Fund	5,000,000	4,011,005	5,000,000	5,193,759
50,000	50,000	HBL Income Fund	5,000,000	4,802,000	5,000,000	5,122,500
<b>Mutual Fund - Close End</b>						
49	45	Dawood Capital Management Fund	281	293	281	1,256
697	-	JS Value Fund	1,970	3,102	-	-
748,226	747,500	Pak Premier Fund	10,399,926	3,067,727	10,398,622	9,994,075
1,008,500	1,008,500	Pakistan Strategic Allocation Fund	10,143,291	3,620,515	10,143,291	9,288,285
22,211	21,800	PICIC Growth Fund	755,397	186,572	752,500	518,186
1,377,000	1,377,000	UTP - Large Capital Fund	13,509,237	5,714,550	13,509,237	11,580,570
<b>Textile Spinning</b>						
326	326	Dewan Farooq Spinning Mills Limited	3,260	391	3,260	2,833
<b>Power Generation and Distribution</b>						
15,217	-	Hub Power Company Limited	179,254	411,620	-	-
15	-	Kot Addu Power Company Limited	351	632	-	-
147,500	147,500	Southern Electric Power Company Limited	789,125	472,000	2,350,876	789,125

No. of Shares / Units		Name	2009		2008	
2009	2008		Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
<b>Commercial Banks</b>						
27,591	-	Allied Bank Limited	845,373	1,047,906	-	-
14,253	-	Askari Bank Limited	186,120	219,496	-	-
27,740	-	Bank Alfalah Limited	477,157	292,657	-	-
99	-	Bank Al-Habib Limited	1,905	2,525	-	-
2,666	-	Faysal Bank Limited	31,640	25,807	-	-
5,150	-	Habib Bank Limited	345,505	440,325	-	-
802	-	JS Bank Limited	2,878	4,852	-	-
84,847	-	MCB Bank Limited	10,596,050	13,197,951	-	-
117	-	Meezan Bank Limited	2,573	1,287	-	-
46,886	-	National Bank of Pakistan	2,895,817	3,123,076	-	-
74	-	Silk Bank Limited	390	431	-	-
234	-	Soneri Bank Limited	1,640	2,492	-	-
26,668	-	The Bank of Punjab	392,911	292,015	-	-
38	-	United Bank Limited	1,397	1,471	-	-
<b>Insurance</b>						
34,192	-	Adamjee Insurance Company Ltd.	8,386,337	2,858,451	-	-
7,503	-	EFU General Insurance Company Limited	2,706,818	660,264	-	-
92	-	Pak Reinsurance Limited	2,348	3,220	-	-
<b>Fertilizer</b>						
4,352	-	Engro Chemical (Pak) Limited	454,042	557,491	-	-
9,847	-	Fauji Fertilizer Bin Qasim Limited	126,079	174,292	-	-
69,758	-	Fauji Fertilizer Company Ltd.	7,373,967	6,073,131	-	-
<b>Investment Companies</b>						
66	-	Arif Habib Limited	5,225	4,435	-	-
21,159	-	Arif Habib Securities	1,000,712	586,104	-	-
86	-	Dawood Equities Limited	777	323	-	-
13	-	First National Equities limited	617	105	-	-
178,856	-	Jahangir Siddique & Company Ltd.	27,551,955	4,147,671	-	-
30	-	Javed Omer Vohra & Company Limited	347	404	-	-
189	-	JS Investments Limited	7,559	3,196	-	-
42,988	-	Pervaz Ahmad Securities Limited	289,526	231,275	-	-
<b>Oil and Gas Marketing Companies</b>						
125,824	-	Pakistan State Oil Limited	51,757,441	26,926,336	-	-
443	-	Sui-Southern Gas Company Limited	5,217	6,202	-	-

No. of Shares / Units 2009 2008		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
<b>Oil and Gas Exploration Companies</b>						
19,804	-	Oil and Gas Development Company Limited	1,067,344	1,554,614	-	-
47,411	-	Pakistan Oilfields Limited	13,854,314	6,929,118	-	-
81,574	-	Pakistan Petroleum Limited	17,033,533	15,497,429	-	-
<b>Cement</b>						
470	-	Al-Abbas Cement Company	1,353	3,431	-	-
58,277	-	D.G Khan Cement Company Limited	1,306,149	1,723,251	-	-
332	-	Dewan Cement Limited	1,156	913	-	-
77	-	Fauji Cement Company Limited	279	511	-	-
104	-	Lafarge Pakistan Cement	215	281	-	-
85	-	Lucky Cement Company Limited	2,864	4,951	-	-
717	-	Maple Leaf Cement Company Limited	1,989	3,047	-	-
78	-	Pioneer Cement Limited	1,653	1,057	-	-
<b>Textile Composite</b>						
108	-	Azgard Nine Limited	1,604	2,402	-	-
35	-	Dawood Lawrence Pur Limited	1,529	1,225	-	-
129	-	Nishat (Chunian) Limited	949	1,109	-	-
35,512	-	Nishat Mills Limited	782,574	1,331,700	-	-
<b>Refinery</b>						
5,218	-	Attock Refinery Limited	336,113	649,119	-	-
5,395	-	Pakistan Refinery Limited	465,034	486,359	-	-
<b>Chemical</b>						
4	-	BOC Pakistan	480	460	-	-
6	-	ICI Pakistan Limited	443	840	-	-
8,307	-	Sitara Peroxide Limited	134,206	154,926	-	-
<b>Engineering</b>						
110	-	Crescent Steel	1,902	1,980	-	-
194	-	Dost Steel Mills Limited	1,593	1,046	-	-
46	-	Pak Electron Limited	1,125	1,145	-	-
<b>Synthetic &amp; Rayon</b>						
14,144	-	Dewan Salman Fiber Limited	14,111	21,075	-	-

No. of Shares / Units 2009 2008		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
<b>Automobile Assembler</b>						
95	-	Honda Atlas Cars Pakistan Limited	1,285	1,216	-	-
1	-	Indus Motor Company Limited	119	107	-	-
<b>Technology &amp; Communication</b>						
72	-	NetSol Technologies Limited	1,958	1,275	-	-
67	-	Pak PTA Limited	82	189	-	-
65	-	Pakistan Telecommunication Limited	1,195	1,118	-	-
2,285	-	Telecard Limited	3,200	3,885	-	-
217	-	TRG Pakistan Limited	284	291	-	-
5	-	Tri Pak Films Limited	637	500	-	-
<b>Transport</b>						
13	-	Pakistan International Container Terminal Limited	573	696	-	-
<b>Paper &amp; Board</b>						
6	-	Packages Limited	494	945	-	-
<b>Pharmaceutical</b>						
26	-	Searl Pakistan Limited	1,479	1,146	-	-
<b>Miscellaneous</b>						
79	-	D.S.Industries	1,032	243	-	-
74	-	Pace Pakistan Limited	813	412	-	-
			201,258,078	114,305,920	52,158,067	46,903,897

#### 14.3.1 Adjustment arising from measurement at fair value:

	2009 Rupees	
Impairment loss taken to equity as at 31 December 2008	113,448,608	
Price adjustment	(19,767,198)	
Impairment loss recognized in profit and loss	93,681,410	

SECP vide SRO 150(I)/2009 dated 13 February, 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices of 31 December 2008, may be shown under the equity. On 30 June 2009 Group has charged the entire amount of impairment after taking price adjustment during the period to profit and loss account.

#### 14.4 Held for trading

No. of Certificates/units 2009 2008		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
-	7,546	<b>Commercial Banks</b> National Bank of Pakistan	-	-	1,637,580	1,113,035
-	30,000	<b>Insurance</b> Adamjee Insurance Company Limited	-	-	8,154,346	8,121,600
-	7,500	EFU General Insurance Company Limited	-	-	2,568,655	2,706,450
-	55,700	<b>Fertilizer</b> Fauji Fertilizer Company Limited	-	-	7,242,359	7,370,224
-	51,500	<b>Investment Company</b> Jahangir Siddique & Company Limited	-	-	26,852,479	27,302,725
-	100,000	<b>Oil and Gas Marketing Company</b> Pakistan State Oil Limited	-	-	44,399,809	41,724,000
-	27	<b>Oil and Gas Exploration Companies</b> Oil and Gas Development Company Limited	-	-	3,200	3,358
-	37,100	Pakistan Oilfields Limited	-	-	14,176,746	13,535,564
-	44,600	Pakistan Petroleum Limited	-	-	11,460,518	10,971,154
			-	-	116,495,692	112,848,110
		Value of shares sold in Future markets ( Note 14.4.1 )	-	-	1,410,680,217	1,401,417,949
			-	-	1,527,175,909	1,514,266,059

14.4.1 These represent investment in shares sold in futures market with settlement dates subsequent to the year end.

14.4.2 During the year investments classified as held for trading having cost Rs. 116,495,692, market value Rs. 112,848,110 were transferred to investments - Available For Sale as allowed under BSD Circular no. 10 of 2004.

#### 15 SHORT TERM FINANCES

	Note	2009 Rupees	2008 Rupees
<b>Secured and considered good</b>			
Associated companies	15.1	21,464,909	-
Others		24,507,527	176,922,661
<b>Considered doubtful</b>			
Others	15.2	33,113,834	33,113,834
Less: Provision for doubtful finances	15.3	16,874,197	16,874,197
		16,239,637	16,239,637
		62,212,073	193,162,298

15.1 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 ranges from 12% to 19% per annum (2008: 11.5% to 19.65% per annum). These include finances against pledge of listed shares and Group's own Certificates of Deposit amounting to Rs. 15.55 million (2008: Rs. 26.950 million), while Rs. Nil (2008: Rs. 129.618) were disbursed as Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

15.2 These finance facilities include Rs. 33.113 million (2008: Rs. 33.113 million) which have been placed under non-performing status detailed below:

	2009 Rupees	2008 Rupees
Substandard	-	-
Loss	33,113,834	33,113,834
	33,113,834	33,113,834

#### 15.3 Particulars of provision for doubtful finances:

	2009 Rupees	2008 Rupees
Opening balance	16,874,197	14,937,034
Charge for the year	-	1,937,163
Closing balance	16,874,197	16,874,197

#### 16 SHORT TERM PLACEMENTS

	Note	2009 Rupees	2008 Rupees
<b>Considered good</b>			
Unsecured	16.1	380,000,000	318,000,000
Secured under reverse repurchase agreements	16.2	-	2,175,281,543
		380,000,000	2,493,281,543

16.1 This represents term deposit receipts with financial institution and carry mark-up from 13.5% to 14% (2008: 11% per annum).

#### 16.2 Securities held as collateral - Market value

	2009 Rupees	2008 Rupees
Quoted shares	-	2,097,016,739

These placements have been withdrawn during the year.



## 17 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2009 Rupees	2008 Rupees
Advances - Considered good		505,172	570,936
Advance income tax		326,118,975	303,965,182
Income tax refundable		19,444,153	19,444,153
Deposits against exposure limits		-	13,296,868
Prepayments		6,401,510	3,856,418
Receivable from subsidiary company		23,410,259	1,911,800
Receivable from National Clearing Company Pakistan Limited (NCCPL) and stock exchanges		-	395,456,699
Accrued mark-up		4,677,981	21,928,841
Dividend receivable		-	12,965,480
Receivable from clients	17.1	1,952,969	75,221,128
Other receivables		12,590,185	4,218,719
		395,101,204	852,836,224

### 17.1 Receivable from clients

	2009 Rupees	2008 Rupees
Considered good	1,952,969	74,682,719
Considered doubtful	21,474,235	20,091,894
Less: Provision for doubtful receivables	21,474,235	19,553,485
	-	538,409
	1,952,969	75,221,128

### 17.2 Particulars of provision for doubtful receivables

	2009 Rupees	2008 Rupees
Opening balance	19,553,485	19,553,485
Add: Charge for the year	1,920,750	-
Closing balance	21,474,235	19,553,485

## 18 CASH AND BANK BALANCES

	Note	2009 Rupees	2008 Rupees
Cash in hand		-	148,245
Cash with banks			
Current account with:			
State Bank of Pakistan		444,665	757,813
Others		2,646,423	2,037,265
		3,091,088	2,795,078
Saving accounts	18.1	16,387,179	176,998,344
		19,478,267	179,941,667

18.1 Rate of return on these accounts ranges from 5% to 12.5% per annum (2008: 0.57% to 6.04% per annum).

## 19 SHARE CAPITAL

	2009 Rupees	2008 Rupees
<b>Authorized share capital</b>		
50,000,000 (2008: 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 (2008: 42,000,000) ordinary shares of Rs. 10 each	420,000,000	420,000,000
2,100,000 (2008: 2,100,000) ordinary shares of Rs. 10 each issued as bonus shares	21,000,000	21,000,000
	441,000,000	441,000,000

19.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2008: 39.01%) ordinary shares in the Company.

## 20 RESERVES

	Note	2008 Rupees	2007 Rupees
Capital reserve			
statutory reserve	20.1	154,050,085	154,050,085
Revenue reserve			
unappropriated profits		2,353,124	256,800,340
		156,403,209	410,850,425

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

## 21 SURPLUS/(DEFICIT) ON REVALUATION OF INVESTMENTS

	2009 Rupees	2008 Rupees
<b>Available for sale</b>		
Listed term finance certificates	(177,986)	159,179
Listed shares/units	7,447,177	(3,692,479)
	7,269,191	(3,533,300)

## 22 TERM FINANCE CERTIFICATES

	Note	2009 Rupees	2008 Rupees
Listed	22.1	328,870,566	493,831,270
Unlisted	22.2	-	45,796,713
		328,870,566	539,627,983

### 22.1 Listed

	Note	2009 Rupees	2008 Rupees
Face value		500,000,000	500,000,000
Less: Redeemed - opening balance		200,000	-
Redeemed during the year		200,000	200,000
		400,000	200,000
		499,600,000	499,800,000
Less: Current maturity	25	166,534,000	200,000
		333,066,000	499,600,000
Less: Initial transaction cost - opening balance		(5,768,730)	(7,342,026)
Amortization for the year	34	1,573,296	1,573,296
		(4,195,434)	(5,768,730)
		328,870,566	493,831,270

These are issued to institutional investors and general public and carry return payable semiannually, at the rate of 6 months KIBOR plus 250 bps per annum with a floor of 8% per annum and ceiling of 17% per annum for the first two years and a ceiling of 18% for the remaining period. A nominal amount i.e. 0.08% of the face value will be redeemed in 4 equal semi annual installments and remaining principal in 6 equal semi annual installments of 16.653% each of the issue amount respectively, commencing from 30th month and carry call option exercisable after 2 years of the issue date. These are secured against hypothecation of Rs. 667 million worth of present and future assets of the Company. These TFCs are listed at Lahore Stock Exchange (Guarantee) Limited (LSE).

JCR VIS Credit Rating Company Limited has assigned rating of 'A+' (Single A Plus) with stable outlook to these TFCs.

### 22.2 Unlisted

	Note	2009 Rupees	2008 Rupees
Face value		275,000,000	275,000,000
Less: Redeemed - opening balance		137,609,973	46,016,657
Redeemed during the year		91,593,312	91,593,316
		229,203,285	137,609,973
		45,796,715	137,390,027
Less: Current maturity	25	45,796,715	91,593,314
		-	45,796,713

These represent unlisted Term Finance Certificates (TFCs) issued to institutional investors carrying a profit rate of 6 months KIBOR plus 275 bps, with a floor of 5% per annum and a ceiling of 10% per annum, payable semi annually. These are redeemable in 6 equal semi annual installments commencing from 30th month and carry a call option exercisable after three years of the issue date. These are secured against hypothecation of Rs 367 million worth of present and future current assets of the Company. Face value of each certificate is Rs. 5,000,000.

## 23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2009 Rupees	2008 Rupees
Obligation under finance lease	23.1	5,957,854	6,787,968
Less: Current maturity	25	976,272	847,633
		4,981,582	5,940,335

### 23.1 Particulars of liabilities against assets subject to finance lease.

	2009			2008
	Not later than one year	Later than one year but not later than five years	Total	Total
Lease rentals payable	1,124,112	374,704	1,498,816	2,537,332
Add: Residual value	-	4,619,300	4,619,300	4,619,300
	1,124,112	4,994,004	6,118,116	7,156,632
Less: Future financial charges	147,840	12,422	160,262	368,664
Present value of minimum lease payments	976,272	4,981,582	5,957,854	6,787,968

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

## 24 LONG TERM CERTIFICATES OF DEPOSIT

	Note	2009 Rupees	2008 Rupees
Long term certificates of deposit	24.1	228,284,802	355,483,960
Less: Current maturity	25	43,826,173	15,305,801
		184,458,629	340,178,159

24.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 7.50% to 16% per annum (2008: 7.50% to 13.50% per annum) payable monthly, quarterly, semiannually or on maturity.

## 25 CURRENT MATURITIES OF NON-CURRENT LIABILITIES

	Note	2009 Rupees	2008 Rupees
Term finance certificates - listed	22.1	166,534,000	200,000
Term finance certificates - unlisted	22.2	45,796,715	91,593,316
Liability against assets subject to finance lease	23	976,272	847,633
Long term certificates of deposit	24	43,826,173	15,305,801
		257,133,160	107,946,750

## 26 SHORT TERM BORROWINGS

	Note	2009 Rupees	2008 Rupees
Financial institutions			
Un-secured	26.1	-	1,890,000,000
Secured	26.2	438,563,476	455,000,000
		438,563,476	2,345,000,000

**26.1** These have been repaid during the year.

**26.2** These include borrowings under repurchase agreements amounting to Rs. 438.563 million (2008: Rs. 455 million) and carry mark-up ranging from 13% to 13.60% per annum (2008: 12.00% to 14.00% per annum) and are for a period ranging from 1 day to 3 months (2008: 2 days to 3 months). These are secured against pledge of PIBs and T-Bills.

## 27 RUNNING FINANCE-SECURED

The aggregate running finance facilities under mark-up arrangements from commercial banks amount to Rs. 1,500 million (2008: 2,175 million). These facilities carry mark-up at rates ranging from 1% to 4% per annum (2008: 1% to 2.50% per annum) with floor ranging from 10% to 10.5% (2008: 7.5% to 12.50% per annum) except for one facility where there is no floor.

## 28 SHORT TERM CERTIFICATES OF DEPOSIT

These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 7.50% to 15% per annum (2008: 6.50% to 16.50% per annum) payable monthly, quarterly, semi-annually or on maturity.

## 29 TRADE AND OTHER PAYABLES

	2009 Rupees	2008 Rupees
Customers' credit balances	15,985,528	80,790,196
Accrued return on certificates of deposit	8,114,707	21,109,745
Accrued return on term finance certificates	23,393,262	22,839,700
Accrued mark-up on unsecured borrowings	-	25,673,733
Accrued mark-up on secured borrowings	1,061,396	21,612,860
Accrued expenses and other payables	6,076,471	10,770,729
Fair value adjustment - derivative financial instrument	-	2,191,690
Provision for compensated absences	4,361,455	7,308,660
Unearned income	647,280	592,050
Advance rent of lease finance	-	504,280
Unclaimed dividend	2,387,274	1,461,180
	62,027,372	194,854,823

## 30 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:

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

Return for tax year 2003 was filed and was selected for total audit. The Income Tax Department after the finalization of total audit for the tax year 2003, issued assessment order dated 29 June 2007. The Company, being aggrieved filed an appeal before CIT (Appeals) against the said assessment order on various disallowances amounting to Rs. 27 million. The appeal was decided in favor of the Company by CIT (Appeals) vide order dated 12 February, 2008.

Return for the Tax Year 2004, 2005 and 2006 were filed and selected for total audit. Return for tax year 2007 was filed declaring taxable loss of Rs. 148 million. Subsequently, assessment was amended by Additional Commissioner, the Company, being aggrieved filed an appeal before Honorable Appellate Tribunal on various disallowances, which is pending hearing..

Return for tax year 2008 was filed declaring taxable loss of 4 million and has been selected for total audit by the CIT. The audit proceedings are under process.

## 31 CONTINGENCIES AND COMMITMENTS

### 31.1 Contingencies

#### Guarantees

Outstanding guarantees as on balance sheet date were Rs. 53.940 million (2008: Rs. 87.940 million).

### 31.2 Commitments

	2009 Rupees	2008 Rupees
Future sale contract - Shares	-	1,504,130,820
Future purchase contract - Shares	-	75,430,895
Capital expenditure	1,300,000	1,300,000

## 32 PROFIT ON FINANCING

	2009 Rupees	2008 Rupees
Long term	19,715,328	15,141,123
Short term	7,052,696	34,133,399
	26,768,024	49,274,522

## 33 RETURN ON PLACEMENTS

	2008 Rupees	2008 Rupees
Clean placements	23,962,113	3,806,330
Placements under reverse repurchase agreements	68,038,581	239,239,801
	92,000,694	243,046,131

### 34 RETURN ON INVESTMENTS

	2009 Rupees	2008 Rupees
<b>Mark-up/return on investments</b>		
Held to maturity investments:		
Government securities	57,420,895	56,028,767
Term finance certificates	371,347	2,349,910
Available for sale investments:		
Term finance certificates	1,433,079	1,775,248
<b>Dividend income</b>		
Available for sale investments:		
Listed shares/units	15,610,958	6,784,404
Held for trading:		
Listed shares	-	133,049,394
<b>Capital gain/(loss) on investments</b>		
Available for sale investments	(302,675)	(44,375)
Held for trading	42,040,554	193,335,051
Gain on sale of cards and rooms	69,750,000	32,245,000
	<b>186,324,158</b>	<b>425,523,399</b>

### 35 FEES AND COMMISSION

	2009 Rupees	2008 Rupees
Consultancy and corporate advisory	-	6,429,500
Consultancy and brokerage commission	1,328,415	95,231,989
Guarantee commission	1,281,450	1,077,400
	<b>2,609,865</b>	<b>102,738,889</b>

### 36 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Note	2009 Rupees	2008 Rupees
Salaries, wages, other benefits and allowances	36.1	60,356,037	81,378,678
Staff training and welfare		371,659	400,272
Advertisement and business promotion		1,009,399	1,807,700
Rent, rates and taxes		9,995,486	17,959,493
Utilities		3,531,048	3,832,146
Communication charges		4,500,535	8,563,784
Traveling and vehicle maintenance		8,419,094	8,029,649
Repair and maintenance		3,353,980	4,292,811
Entertainment		2,264,745	4,081,196
Fee and subscriptions		2,615,309	2,575,482
Legal and professional charges	36.2	6,946,778	6,112,778
Printing and stationery		1,832,054	4,214,914
Fee, brokerage and commission		3,486,231	15,712,822
CDC and clearing charges		7,365,949	53,008,568
Insurance		2,815,931	3,513,376
Amortization of issuance cost of listed TFCs	22.1	1,573,296	1,573,296
Depreciation	4.1	19,380,958	18,641,830
Amortization of intangible assets	4.2	499,950	999,900
Loss on sale of fixed assets	4.3	304,883	3,749
Penalty		-	185,000
Staff motor vehicle contribution and insurance		629,608	1,145,560
Miscellaneous expenses		579,640	162,391
		<b>141,832,570</b>	<b>238,195,395</b>

**36.1** This includes contribution to provident fund amounting to Rs. 2.95 million (2008: Rs. 3.52 million) made by the Company.

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

	2009 Rupees	2008 Rupees
Audit fee	532,000	370,000
Review of half yearly accounts	143,000	130,000
Certification and consultancy charges	20,000	303,500
Tax services	1,960,000	670,000
Out of pocket expenses	81,000	46,000
	<b>2,736,000</b>	<b>1,519,500</b>



### 37 TAXATION

	2009 Rupees	2008 Rupees
Current taxation	244,634	10,380,972
Deferred taxation	-	(53,686,698)
	244,634	(43,305,726)

In view of tax losses, tax charge for the year is based on with-holding tax deducted, which shall be deemed to be the final discharge of tax liability under the presumptive tax regime. Hence, the reconciliation between tax charge and accounting profit has not been given.

### 38 EARNINGS PER SHARE BASIC AND DILUTED

	2009	2008
(Loss)/Profit for the year after taxation - Rupees	(166,247,216)	137,817,699
Number of ordinary shares	44,100,000	44,100,000
(Loss)/Earnings per share - Rupees	(3.77)	3.13

**38.1** No figure for diluted (loss)/earnings per share has been computed as the Company has not issued any instrument which would dilute its (loss)/earnings per share.

### 39 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 terms of employment are as follows:

	2009 Rupees	2008 Rupees
<b>Subsidiary Company:</b>		
<b>Transactions during the year</b>		
Profit paid on certificates of deposit	51,370	-
Sale of membership of KSE	105,000,000	-
Sale of membership of LSE	-	48,400,000
Sale of fixed assets	8,890,782	-
<b>Balance at year end</b>		
Certificates of deposit outstanding	22,346,233	-
Receivable from subsidiary company	23,410,259	1,911,800
<b>Associated companies:</b>		
<b>Transactions during the year</b>		
Return on finances received	1,068,041	551,484
Guarantee commission earned	1,281,450	789,400
Profit paid on certificates of deposit	639,972	1,001,330
Chairman's secretarial expenses	3,600,000	3,600,000
<b>Balance at year end</b>		
Advances outstanding	24,624,931	3,589,346
Letter of guarantee outstanding	53,940,000	78,940,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	3,127,230	801,010
<b>Directors:</b>		
<b>Transactions during the year</b>		
Return on finances received	-	475,736
Profit paid on certificates of deposit	23,955,664	28,360,172
<b>Balance at year end</b>		
Certificates of deposit outstanding	115,650,000	205,650,000
Rent and other receivables	6,668,430	162,980
<b>Executives:</b>		
<b>Transactions during the year</b>		
Return on finances received	571,686	661,707
Profit paid on certificates of deposit	1,596,472	1,216,488
Fixed assets sold	291,528	-
<b>Balance at year end</b>		
Advances outstanding		
Certificates of deposit outstanding	12,319,787	11,038,194
Other receivable	4,282,117	4,840,000
	24,500	-
<b>Others:</b>		
<b>Transactions during the year</b>		
Contribution to staff retirement benefits plan	2,950,077	3,526,927

#### 40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive		Directors		Executives	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees
Managerial remuneration	10,471,406	9,822,474	2,166,996	1,951,128	8,649,814	11,371,150
House rent allowance	-	-	3,096,998	2,686,200	3,459,926	4,548,480
Utilities	235,022	360,000	576,700	555,114	864,996	1,137,131
Bonus/commission	2,067,265	1,952,456	689,088	650,819	2,505,658	2,572,906
Leave encashment	1,799,312	-	-	-	-	222,221
Retirement benefits	1,047,144	982,248	-	-	787,272	981,652
	15,620,149	13,117,178	6,529,782	5,843,261	16,267,666	20,833,540
<b>Number of persons</b>	1	1	1	1	9	11

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

#### 41 LIQUIDITY RISKS

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

Description	As at 30 June 2009			
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
<b>ASSETS</b>				
Fixed capital expenditure	106,581,325	-	26,270,010	80,311,315
Cards and rooms	32,700,000	-	-	32,700,000
Investment in Subsidiary Company	175,004,000	-	-	175,004,000
Deferred tax asset	75,962,978	-	75,962,978	-
Net investment in lease finance	35,451,525	13,686,228	21,765,297	-
Investments	716,536,505	171,598,808	7,859,548	537,078,149
Finances	158,915,656	123,590,035	34,463,117	862,504
Loan, advances, deposits, prepayments and other receivables	407,012,969	399,889,284	6,437,485	686,200
Placements	380,000,000	380,000,000	-	-
Cash and bank balances	19,478,267	19,478,267	-	-
	2,107,643,224	1,108,242,621	172,758,435	826,642,168

Description	As at 30 June 2009			
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
<b>LIABILITIES</b>				
Term finance certificates	541,201,281	212,330,715	328,870,566	-
Obligation under finance lease	5,957,854	976,272	4,981,582	-
Short term borrowings	438,563,476	438,563,476	-	-
Certificates of deposit	413,733,453	229,274,824	184,458,629	-
Long term security deposit	12,771,856	-	12,771,856	-
Trade and other payables	62,027,372	62,027,372	-	-
Provision for taxation	28,715,532	28,715,532	-	-
	1,502,970,824	971,888,191	531,082,633	-
<b>NET ASSETS - 2009</b>	604,672,400	136,354,430	(358,324,198)	826,642,168
<b>Represented by:</b>				
Share capital and reserves	597,403,209			
Deficit on revaluation of investments	7,269,191			
	604,672,400			

Description	As at 30 June 2008			
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
<b>ASSETS</b>				
Fixed capital expenditure	135,382,584	-	45,045,637	90,336,947
Cards and rooms	67,950,000	-	-	67,950,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	75,962,978	-	75,962,978	-
Net investment in lease finance	72,271,597	16,340,191	55,931,406	-
Investments	2,138,192,059	1,581,817,708	455,229,742	101,144,609
Finances	281,673,392	260,236,944	11,362,726	10,073,722
Loan, advances, deposits, prepayments and other receivables	877,249,830	860,882,068	11,595,406	4,772,356
Placements	2,493,281,543	2,493,281,543	-	-
Cash and bank balances	179,941,667	179,941,667	-	-
	6,496,909,650	5,392,500,121	655,127,895	449,281,634
<b>LIABILITIES</b>				
Term finance certificates	631,421,299	91,793,316	539,627,983	-
Obligation under finance lease	6,787,968	847,633	5,940,335	-
Short term borrowings	2,345,000,000	2,345,000,000	-	-
Running finance under mark up arrangements	1,088,962,624	1,088,962,624	-	-
Certificates of deposit	1,327,060,815	986,882,656	340,178,159	-
Long term security deposit	25,789,464	-	25,789,464	-
Trade and other payables	194,854,823	194,854,823	-	-
Provision for taxation	28,715,532	28,715,532	-	-
	5,648,592,525	4,737,056,584	911,535,941	-
<b>NET ASSETS - 2008</b>	848,317,125	655,443,537	(256,408,046)	449,281,634
<b>Represented by:</b>				
Share capital and reserves	851,850,425			
Deficit on revaluation of investments	(3,533,300)			
	848,317,125			

## 42 CREDIT RISK AND CONCENTRATION OF CREDIT RISKS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management attempts to control credit risk through monitoring credit exposures, limiting transactions with specific counterparties, and continuous assessing of the credit worthiness of counterparties.

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

### 42.1 Segment Information

Class of business	Finances		Certificates of deposit		Letter of guarantee	
	2009 Percentage	2008 Percentage	2009 Percentage	2008 Percentage	2009 Percentage	2008 Percentage
Chemical and pharmaceuticals	10.10	12.31	-	-	-	-
Agribusiness	8.72	7.77	-	-	-	-
Textile	7.90	8.14	-	-	-	-
Sugar	12.89	13.28	-	-	-	-
Financial Institutions	-	-	5.40	52.83	-	-
Insurance	-	-	0.12	0.98	-	-
Electronics and electrical appliances	12.95	3.84	-	-	85.69	89.77
Individuals	28.42	33.95	90.10	38.54	14.31	10.23
Engineering and construction	15.71	15.31	1.81	-	-	-
Sports	-	-	0.48	0.75	-	-
Communications	2.84	1.82	0.12	-	-	-
Non-Government organizations	-	-	1.47	1.80	-	-
Others	0.47	3.58	0.50	5.10	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

### 42.2 Geographical Segment

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

## 43 INTEREST RATE RISK

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

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

	As at 30 June 2009				
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
<b>FINANCIAL ASSETS</b>					
Investments	716,536,505	11,027,576	7,859,548	537,078,149	160,571,232
Net investment in lease finance	22,679,669	13,686,228	8,993,441	-	-
Finances	158,915,656	123,590,035	34,463,117	862,504	-
Loans, advances, deposits, prepayments and other receivables	22,730,952	4,677,981	-	-	18,052,971
Placements	380,000,000	380,000,000	-	-	-
Cash and bank balances	19,478,267	16,387,179	-	-	3,091,088
	1,320,341,049	549,368,999	51,316,106	537,940,653	181,715,291
<b>FINANCIAL LIABILITIES</b>					
Term finance certificates	541,201,281	212,330,715	328,870,566	-	-
Obligation under finance lease	1,338,554	976,272	362,282	-	-
Short term borrowings	438,563,476	438,563,476	-	-	-
Running finance under					
Certificates of deposit	413,733,453	229,274,824	184,458,629	-	-
Trade and other payables	61,380,092	32,569,365	-	-	28,810,727
	1,456,216,856	913,714,652	513,691,477	-	28,810,727
Total Interest rate sensitivity gap		(364,345,653)	(462,375,371)	537,940,653	
Cumulative interest rate sensitivity gap		(364,345,653)	(826,721,024)	(288,780,371)	

	As at 30 June 2008				
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
<b>FINANCIAL ASSETS</b>					
Investments	2,138,192,060	20,647,753	455,229,742	101,144,609	1,561,169,956
Net investment in lease finance	46,482,133	16,340,191	30,141,942	-	-
Finances	281,673,392	260,236,944	11,362,726	10,073,722	-
Loan, advances, deposits, prepayments and other receivables	531,068,548	21,928,841	-	-	509,139,707
Placements	2,493,281,543	2,493,281,543	-	-	-
Cash and bank balances	179,941,667	176,998,344	-	-	2,943,323
	5,670,639,343	2,989,433,616	496,734,410	111,218,331	2,073,252,986
<b>FINANCIAL LIABILITIES</b>					
Term finance certificates	631,421,299	91,793,316	539,627,983	-	-
Obligation under finance lease	2,168,668	847,633	1,321,035	-	-
Short term borrowings	2,345,000,000	2,345,000,000	-	-	-
Running finance under mark-up arrangements	1,088,962,624	1,088,962,624	-	-	-
Certificates of deposit	1,327,060,815	986,882,656	340,178,159	-	-
Trade and other payables	193,758,493	91,236,038	-	-	102,522,455
	5,588,371,899	4,604,722,267	881,127,177	-	102,522,455
Total Interest rate sensitivity gap		(1,615,288,651)	(384,392,767)	111,218,331	
Cumulative interest rate sensitivity gap		(1,615,288,651)	(1,999,681,418)	(1,888,463,087)	

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

#### 43.1 Capital risk management

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

The Company is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2007. The existing NBFCs have been allowed different time limits for aligning themselves with different Capital requirements. The management of the Company is of the view that it will be able to meet its capital requirement by the end of 30 June, 2010 through its internally generated sources.

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 2009 and at 30 June 2008 were as follows:

	2009 Rupees	2008 Rupees
Total debt	531,082,633	911,535,941
Total equity	604,672,400	848,317,125
Debt-to-equity ratio	0.88	1.07

The decreases in the debt-to-equity ratio during 2009 resulted primarily from repayment of Term Finance Certificates and Certificate of Deposits during the year amounting to Rs. 91.79 million and Rs. 155.72 million.

#### 44 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.

#### 45 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".

#### 46 SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2009, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

#### 47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 August 2009 by the Board of Directors of the Company.

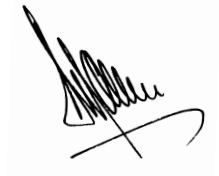
#### 48 GENERAL

- i) Figures have been rounded off to the nearest rupee.
- ii) Previous year's figure for the following has been re-arranged, for the purpose of comparison:

Profit on bank deposits was previously clubbed in "other income", this has now been presented as a separate line item in income statement.



DIRECTOR



CHIEF EXECUTIVE OFFICER



ESCORTS INVESTMENT  
BANK LIMITED

CONSOLIDATED  
FINANCIAL  
STATEMENTS



## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **ESCORTS INVESTMENT BANK LIMITED** ("the Company") and its subsidiary company (Escorts Capital Limited as the "Group") as at 30 June 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial 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.

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 30 June 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Bilal Ali

Lahore: 26 August 2009

## Consolidated Balance Sheet

As at 30 June 2009

ASSETS			
	Note	2009 Rupees	2008 Rupees
<b>Non-current Assets</b>			
Fixed assets	5	113,780,069	135,382,584
Cards and rooms	6	84,105,000	84,105,000
Long term investments	7	544,937,697	556,374,351
Long term finances	8	35,325,621	21,436,448
Net investment in lease finance	9	21,765,297	55,931,406
Long term loans and advances	10	1,082,328	3,208,457
Long term deposits and prepayments	11	9,265,357	11,219,958
Deferred tax asset	12	75,962,978	75,962,978
<b>Current Assets</b>			
Current maturities of non-current assets	13	82,871,661	96,734,937
Short term investments	14	168,579,417	1,578,486,799
Short term finances	15	62,212,073	193,162,298
Short term placements	16	380,000,000	2,493,281,543
Advances, deposits, prepayments and other receivables	17	373,120,833	850,924,424
Cash and bank balances	18	23,220,889	306,541,667
		1,090,004,873	5,519,131,668
		1,976,229,220	6,462,752,850

EQUITY AND LIABILITIES			
<b>Share Capital and Reserves</b>			
Share capital	19	441,000,000	441,000,000
Reserves	20	40,590,738	376,569,625
		481,590,738	817,569,625
<b>Surplus/(deficit) on revaluation of investments</b>	21	7,269,191	(3,533,300)
<b>Non-current liabilities</b>			
Term finance certificates	22	328,870,566	539,627,983
Liabilities against assets subject to finance lease	23	4,981,582	5,940,335
Long term certificates of deposit	24	184,458,629	340,178,159
Long term security deposits		12,771,856	25,789,464
<b>Current liabilities</b>			
Current maturities of non-current liabilities	25	257,133,160	107,946,750
Short term borrowings	26	438,563,476	2,345,000,000
Running finance-secured	27	-	1,088,962,624
Short term certificates of deposit	28	163,102,418	971,576,855
Trade and other payables	29	68,772,072	194,978,823
Provision for taxation	30	28,715,532	28,715,532
		956,286,658	4,737,180,584
<b>Contingencies and commitments</b>	31		
		1,976,229,220	6,462,752,850

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

## Consolidated Profit and Loss Account

For the year ended 30 June 2009

### INCOME

	Note	2009 Rupees	2008 Rupees
Profit on financing	32	26,768,024	49,274,522
Mark-up on lease finance		5,850,715	8,262,052
Return on placements	33	92,000,694	243,046,131
Return on investments	34	119,912,770	393,278,399
Fees and commission	35	4,192,993	102,738,889
Profit on bank deposits		41,138,253	1,834,356
Other income		4,101,256	6,484,359
		293,964,705	804,918,708

### EXPENSES

Return on certificates of deposit		84,206,074	156,781,872
Return on term finance certificates		85,140,247	81,642,925
Mark-up on short term running finance		6,303,610	42,785,795
Mark-up on borrowings from financial institutions		92,853,635	201,266,596
Amortization of premium on held to maturity investments		11,368,020	10,548,036
Administrative and other operating expenses	36	162,125,098	238,319,395
Impairment on available for sale investments		94,399,335	1,561,745
Other financial charges		482,412	2,646,627
		536,878,431	735,552,991
<b>Operating (loss)/profit before provisions and taxation</b>		(242,913,726)	69,365,717
Provision for doubtful finances		1,728,591	9,134,544
Provision for doubtful leases		153,328	-
Provision for doubtful receivables		1,920,750	-
		3,802,669	9,134,544
<b>(Loss)/profit before taxation</b>		(246,716,395)	60,231,173
Taxation	37	(1,062,492)	43,305,726
<b>(Loss)/profit after taxation</b>		(247,778,887)	103,536,899
(Loss)/earnings per share-basic and diluted	38	(5.62)	2.35

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

## Consolidated Cash flow statement

For the year ended 30 June 2009

	2009 Rupees	2008 Rupees
<b>Cash flow from operating activities</b>		
<b>(Loss)/Profit before taxation</b>	(246,716,395)	60,231,173
<b>Adjustment for non cash expenses and other items:</b>		
Dividend income	(15,610,958)	(139,833,798)
Depreciation of tangible assets	20,906,046	18,641,830
Amortization of intangible assets	666,899	999,900
Amortization of discount on Government Treasury Bills	(1,449,662)	-
Provision for doubtful finances	1,728,591	9,134,544
Provision for doubtful receivables	1,920,750	-
Provision for doubtful leases	153,328	-
Amortization of premium on held to maturity investments	11,368,020	10,548,036
Amortization of issuance cost of listed TFCs	1,573,296	1,573,296
(Gain)/Loss on sale of fixed assets	(2,073,096)	3,749
Fixed assets written-off	304,883	-
Impairment on available for sale investments	94,399,335	1,561,744
	113,887,432	(97,370,699)
<b>Loss before working capital changes</b>	(132,828,963)	(37,139,526)
<b>Working capital changes:</b>		
<b>Decrease/(increase) in operating assets</b>		
Repayment of finances - net	121,029,145	60,829,088
Net investment in lease finance	23,144,853	(493,760)
Placements - net	2,113,281,543	296,614,381
Investments - net	1,328,140,352	(268,422,328)
Loans and advances	488,028,195	(317,854,849)
Deposits and prepayments	6,953,654	657,623
	4,080,577,742	(228,669,845)
<b>(Decrease)/increase in operating liabilities</b>		
Borrowings from financial institutions	(1,906,436,524)	600,000,000
Certificates of deposit	(935,673,595)	(754,347,477)
Running finance facilities	(1,088,962,624)	793,105,723
Trade and other payables	(126,628,565)	(40,592,236)
	(4,057,701,308)	598,166,010
<b>Net changes in operating assets and liabilities</b>	22,876,434	369,496,165
<b>Net cash (used in)/generated from operating activities before taxes</b>	(109,952,529)	332,356,639
<b>Taxes paid</b>	(23,845,139)	(104,668,936)
<b>Net cash (used in)/generated from operating activities</b>	(133,797,668)	227,687,703

## Consolidated Cash flow statement (contd.)

For the year ended 30 June 2009

	Note	2009 Rupees	2008 Rupees
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(2,846,545)	(14,080,282)
Dividend received		28,576,438	143,586,772
Proceeds from sale of fixed assets		4,644,329	1,672,211
Investment in cards and rooms		-	(6,000,000)
<b>Net cash generated from investing activities</b>		30,374,222	125,178,701
<b>Cash flow from financing activities</b>			
Dividend paid		(87,273,906)	(87,214,319)
Redemption of listed term finance certificates		(200,000)	(200,000)
Redemption of un-listed term finance certificates		(91,593,312)	(91,593,314)
Repayment of lease obligation		(830,114)	(745,285)
<b>Net cash used in financing activities</b>		(179,897,332)	(179,752,918)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(283,320,778)	173,113,486
<b>Cash and cash equivalents at the beginning of the year</b>		306,541,667	133,428,181
<b>Cash and cash equivalents at the end of the year</b>	18	23,220,889	306,541,667

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR




CHIEF EXECUTIVE OFFICER

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Share capital Rupees	Statutory reserve Rupees	Un- appropriated profit Rupees	Total Rupees
<b>Balance as at 01 July 2007</b>	441,000,000	126,486,545	234,746,181	802,232,726
Net profit for the year	-	-	103,536,899	103,536,899
Transfer to statutory reserve	-	20,707,380	(20,707,380)	-
Final dividend @ 20% (Rs. 2 per share) for the year ended 30 June 2007	-	-	(88,200,000)	(88,200,000)
<b>Balance as at 30 June 2008</b>	441,000,000	147,193,925	229,375,700	817,569,625
Net loss for the year	-	-	(247,778,887)	(247,778,887)
Final dividend @ 20% (Rs. 2 per share) for the year ended 30 June 2008	-	-	(88,200,000)	(88,200,000)
<b>Balance as at 30 June 2009</b>	441,000,000	147,193,925	(106,603,187)	481,590,738

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited and its subsidiary company ("the Group") comprises of holding company Escorts Investment Bank Limited ("EIBL") and a wholly owned subsidiary company Escorts Capital Limited ("ESCAP").

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

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

## 2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

### 2.1 Statement of compliance

These group financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984 except for the disclosure requirements of Clause 3C of Part II of the Fourth Schedule to the Companies Ordinance, 1984 in respect of which Securities and Exchange Commission of Pakistan (SECP) has given exemption to all NBFCs vide their Letter No. SC/NBFC/-1/R/2005, dated 29 August 2005, and the approved International Financial Reporting Standards (IFRSs) as applicable in Pakistan. Approved accounting standards comprise of such IFRSs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" through Circular No. 19 dated 13 August 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.

#### Standards, interpretations and amendments to published approved accounting standards that are yet not effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Companies accounting periods beginning on or after their respective effective dates:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all known - owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after 1 July 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset. The application of this standard is not likely to have any effect on the Group financial statements.

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have any effect on the Group financial statements.

IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with the requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have any effect on the Group financial statements.

IFRS 7 - Financial Instruments : Disclosures are applicable to the Companies financial statements covering annual periods, beginning on or after 1 October 2008. It requires disclosures about the significance of financial instruments for the Companies financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks. The adoption of this standard is not likely to have significant impact on Group financial statements other than increase in disclosure.

#### Other standards, interpretations and amendments to published approved accounting standards that are not relevant and not yet effective

Standards or Interpretations	Effective from
IFRS 2 - Share-based Payments	01 January 2009
IFRS 3 - Business Combinations	01 July 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	01 July 2009
IFRS 8 - Operating Segments	01 January 2009
IAS 29 - Financial Reporting in Hyperinflationary Economies	28 April 2008
IAS 32 (Amendments) - Financial Instruments	01 January 2009
IAS 39 (Amendments) - Financial Instruments	01 July 2009
IAS 41 - Agriculture	01 January 2009
IFRIC 12 - Service Concession Arrangements	01 October 2008
IFRIC 15 - Accounting for Agreements for the Construction of Real Estate	01 October 2009
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	01 October 2008
IFRIC 17 - Distribution of Non cash Assets to Owners	01 July 2009
IFRIC 18 - Transfer of Assets from Customers	01 July 2009
IFRS 4 - Insurance Contracts	01 January 2009
IFRS 7 - Improving disclosures about Financial Instruments	01 January 2009
IAS 39 & IFRIC 9 - Embedded Derivatives	01 January 2009

### 2.2 Significant estimates

The preparation of financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
Useful life of depreciable assets	4.2
Taxation	4.14
Provisions and contingencies	4.10
Impairment	4.16

### 3. BASIS OF CONSOLIDATION

The consolidated financial statements includes the financial statements of "Escorts Investment Bank Limited" and its wholly owned subsidiary "Escorts Capital Limited".

The financial statements of subsidiary company have been consolidated on line by line basis and carrying value of investment held by the parent company is eliminated against the subsidiary's shareholders equity in the consolidated financial statements. Intra-group balances, transactions, income and expenses have also been eliminated. Unrealized gains arising on intra-group transactions recognized in assets are also eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except held for trading and available for sale investments, which have been recognized at fair values.

#### 4.2 Fixed assets

##### Property and equipment

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

	Rate in %
Building	5
Leasehold improvements	20
Freehold improvements	20
Furniture and fixtures	10
Computer equipments	33.33
Office equipments	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 is 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 impairment, if any. Amortization is recorded when these assets are available for use, using straight line method whereby the cost of an intangible asset is amortized over its estimated useful life at the following rates:

	Rate in %
Computer software	33.33

#### 4.3 Assets subject to finance lease

The Group accounts for assets acquired under finance lease by recording the assets and related liabilities at the lower of present value of minimum lease payments under the lease agreement and the fair value of leased assets. Financial charges relating to leased assets 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 4.2.

#### 4.4 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.

#### 4.5 Investments

##### Held to maturity

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

##### Available for sale

Investments intended to be held for an un-identified 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.

##### Held for trading

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

All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of circulars issued by State Bank of Pakistan, held for trading and available for sale investments for which active market exists, are measured at their market value while held to maturity investments are stated at amortized cost using the effective interest rate method less impairment, if any.



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

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

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

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

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

Shifting from held 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 is recorded in the minutes of ALCO meeting. Shifting of securities from one category to another is 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 Investments" account. However, any permanent diminution in the value of available for sale or held to maturity securities is provided for by charging it to the profit and loss account. The measurement of surplus/deficit is done on portfolio basis for each of the above three categories separately.

#### 4.6 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 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.

#### 4.7 Net investment in lease finance

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

#### 4.8 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.

#### 4.9 Financial instruments

##### Financial assets

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

##### 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.

##### Derivatives

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

##### Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control over 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.

##### Offsetting of financial assets and financial liabilities

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

#### 4.10 Provisions

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

#### 4.11 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.

##### Provident fund

The Group operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by employees and the Group to the fund at the rate of 10% of basic salary. The fund is administered by the Trustees.

#### 4.12 Revenue recognition

Return on finances provided, leasing, placements, government securities, profit on bank deposits 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 aggregate lease rentals and the residual value over the cost of leased asset, is deferred and taken to income so as to produce a constant periodic rate of return on the outstanding net investment in lease finance. Processing fee, documentation charges and other lease related income are taken to income currently.

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

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

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

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

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

#### 4.13 Return on deposits and borrowings

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

#### 4.14 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 substantially enacted at the balance sheet date.

#### 4.15 Related party transactions

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

#### 4.16 Impairment

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

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

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

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

#### 4.17 Dividend distributions and appropriations

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

## 5. FIXED ASSETS

	Note	2009 Rupees	2008 Rupees
Property and equipment	5.1	112,480,068	133,415,684
Intangible assets	5.2	1	666,900
		112,480,069	134,082,584
Capital work in progress			
Advance - Intangible		1,300,000	1,300,000
		113,780,069	135,382,584

### 5.1 Property and equipment

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

	Cost			Depreciation			Net book Value	
	As at 01 July 2007 Rupees	Additions / (disposals) Rupees	As at 30 June 2008 Rupees	As at 01 July 2007 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2008 Rupees	As at 30 June 2007 Rupees
<b>Owned</b>								
Building	89,692,600	-	89,692,600	9,342,979	4,484,630	-	13,827,609	75,864,991
Lease-hold improvements	8,635,513	11,822,077	20,457,590	4,883,749	2,100,335	-	6,984,084	13,473,506
Free-hold improvements	-	6,712,240	6,712,240	-	335,612	-	335,612	6,376,628
Furniture and fixtures	4,538,008	2,498,657	7,036,665	1,343,997	472,272	-	1,816,269	5,220,396
Computer equipments	15,042,127	1,830,974	16,873,101	10,039,131	3,400,285	-	13,439,416	3,433,685
Office equipments	11,163,647	1,473,403	12,637,050	2,278,827	1,106,663	-	3,385,490	9,251,560
Vehicles	29,501,717	5,939,418 (3,546,955)	31,894,180	13,073,219	4,943,573	(1,870,995)	16,145,797	15,748,383
	158,573,612	30,276,769 (3,546,955)	185,303,426	40,961,902	16,843,370	(1,870,995)	55,934,277	129,369,149
<b>Leased</b>								
Vehicles	8,992,300	-	8,992,300	3,147,305	1,798,460	-	4,945,765	4,046,535
<b>2008</b>	167,565,912	26,729,814	194,295,726	44,109,207	18,641,830	(1,870,995)	60,880,042	133,415,684

### 5.2 Intangible assets

	Cost			Amortization			Net book Value	
	As at 01 July 2008 Rupees	Additions (disposals) Rupees	As at 30 June 2009 Rupees	As at 01 July 2008 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2009 Rupees	As at 30 June 2008 Rupees
Computer software 2009	3,000,000	-	3,000,000	2,333,100	666,899	-	2,999,999	1
Computer software 2008	3,000,000	-	3,000,000	1,333,200	999,900	-	2,333,100	666,900

### 5.3 Following assets having net book value above Rs. 50,000 were disposed off during the year:

	Sold to	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain/(loss) Rupees	Mode of Disposal
Vehicles	Mr. Rashid Mansur (President/ CEO)	1,249,405	(957,877)	291,528	291,528	-	Group Policy
	Mr. Ali-ur-Rehman	1,122,725	(973,028)	149,697	810,000	660,303	Negotiations
	Mr. Afzal Khan	997,560	(917,755)	79,805	770,000	690,195	Negotiations
	Mr. Shakeel	1,084,880	(144,651)	940,229	1,092,000	151,771	Negotiations
	Mr. Nabeel Riaz	1,081,768	(180,295)	901,473	1,157,200	255,727	Negotiations
	Mr. Nabeel Riaz	695,000	(486,500)	208,500	523,600	315,100	Negotiations
		6,231,338	(3,660,106)	2,571,232	4,644,328	2,073,096	

## 6. CARDS AND ROOMS

	2009 Rupees	2008 Rupees
Corporate membership of Karachi stock exchange	35,250,000	35,250,000
Corporate membership of Lahore stock exchange	16,155,000	16,155,000
Rooms	32,700,000	32,700,000
	84,105,000	84,105,000

## 7. LONG TERM INVESTMENTS

	Note	2009 Rupees	2008 Rupees
<b>Held to maturity</b>			
Pakistan Investment Bonds	7.1	537,078,149	548,446,169
Term finance certificates - unlisted	7.2	10,878,939	11,259,091
		547,957,088	559,705,260
Less: Current maturity of term finance certificates	13	3,019,391	3,330,909
		544,937,697	556,374,351

### 7.1 Pakistan Investment Bonds

	2009 Rupees	2008 Rupees
Cost	606,221,300	606,221,300
Less: Amortization - opening	37,775,131	27,227,095
Charge for the year	11,368,020	10,548,036
	557,078,149	568,446,169
Less: Impairment loss	20,000,000	20,000,000
	537,078,149	548,446,169

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan. Periods to maturity of these investments range from 2.5 years to 15 years and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2008: 10% to 12% per annum). These investments are held by other financial institutions as security under repurchase transactions.

### 7.2 Term finance certificates-Unlisted

Name	Redemption terms	2009 Rupees	2008 Rupees
New Khan Transport Company (Private) Limited	This has been rescheduled in previous year and is payable in unequal monthly installments ending October 2013 along with mark-up. The rate of return is 450 bps above 6 months KIBOR with floor of 8.25% (2008: 450 bps above 6 months KIBOR with floor of 8.25%)	10,878,939	11,259,091

## 8. LONG TERM FINANCES

	Note	2009 Rupees	2008 Rupees
<b>Related parties-Secured and considered good</b>			
Associated companies	8.1	2,183,889	2,232,740
Executives	8.2	11,109,958	10,632,026
	8.3	13,293,847	12,864,766
		77,662,114	69,898,706
<b>Others - Secured and considered good</b>		90,955,961	82,763,472
<b>Considered doubtful</b>			
Others	8.4	39,615,892	37,887,301
	8.5	33,868,270	32,139,679
Less: Provision for doubtful finances		5,747,622	5,747,622
		96,703,583	88,511,094
	13	61,377,962	67,074,646
Less: Current maturity		35,325,621	21,436,448

### 8.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 3 years to 5 years, carrying mark-up rate ranging from 14% to 18% per annum. (2008: 14% to 17% per annum).

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

	2009 Rupees	2008 Rupees
Escorts Pakistan Limited	2,370,951	1,737,351
Essem Hotel Limited	495,389	495,389

## 8.2 Executives

These represent finance provided to the Chief Executive Officer (CEO) and Executives of EIBL against mortgage of properties and hypothecation of vehicles in accordance with the terms of employment for period ranging from 5 years to 15 years and carry mark-up ranging from 6% to 15.72% (2008: 6% to 17% per annum).

	CEO Rupee	Executives Rupee	2009 Rupees	2008 Rupees
Opening balance	9,035,495	1,596,531	10,632,026	21,829,382
Add: Disbursements during the year	-	1,750,000	1,750,000	-
	9,035,495	3,346,531	12,382,026	21,829,382
Less: Repayments during the year	589,970	682,098	1,272,068	11,197,356
	8,445,525	2,664,433	11,109,958	10,632,026

The finance provided to the CEO represents house finance against mortgage of property with 20% margin. This facility carries mark-up at the rate of 6% per annum, payable on monthly basis. One fourth (25%) of the principal amount is payable at maturity while the remaining balance is payable in unequal monthly installments. The remaining period of this facility is three years and six months (2008: four years and six months)

	2009 Rupees	2008 Rupees
The maximum balance outstanding at the end of any month during the year.	11,357,676	21,817,160

8.3 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 5.5 years. The expected rate of return ranges from 10% to 19% per annum (2008: 9% to 20.15% per annum).

8.4 These represent finance facilities which have been classified under non-performing status detailed below:

	2008 Rupees	2007 Rupees
Other assets especially mentioned	-	-
Substandard	-	-
Doubtful	-	-
Loss	39,615,892	37,887,301
	39,615,892	37,887,301

## 8.5 Particulars of provision for doubtful finances

	2009 Rupees	2008 Rupees
Opening balance	32,139,679	24,942,298
Charge for the year	1,728,591	7,197,381
Closing balance	33,868,270	32,139,679

## 9 NET INVESTMENT IN LEASE FINANCE

	Note	2009 Rupees	2008 Rupees
Net investment in lease finance	9.1	35,604,853	72,271,597
Less: Provision for doubtful leases	9.4	153,328	-
		35,451,525	72,271,597
Less: Current maturity	13	13,686,228	16,340,191
		21,765,297	55,931,406

### 9.1 Particulars of net investment in lease finance

	2009			2008
	Not later than one year	Later than one year but not later than five years	Total	Total
Leased rentals receivable	15,167,879	12,071,718	27,239,597	60,106,358
Add: residual value	1,811,555	10,960,301	12,771,856	25,789,465
Gross investment in lease finance	16,979,434	23,032,019	40,011,453	85,895,823
Less: unearned finance income	3,293,206	1,113,394	4,406,600	13,624,226
Net investment in lease finance	13,686,228	21,918,625	35,604,853	72,271,597

9.2 The leases made by the Group are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility ranges from 10% to 61.53% (2008 : 10% to 61.53%). Leased assets are insured in favor of the Group. The rate of return ranges from 11.36% to 17 % per annum (2008 : 11.36% to 17 % per annum). Penalty is charged in case of delayed payments.

9.3 As per the Prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 2.284 million (2008 : 0.847 million) at the end of current year.

### 9.4 Particulars of provision of doubtful leases

	Note	2009 Rupees	2008 Rupees
Opening balance		-	-
Charge for the period		153,328	-
Closing balance		153,328	-



## 10 LONG TERM LOANS AND ADVANCES

	Note	2009 Rupees	2008 Rupees
<b>Loan to staff-unsecured, considered good</b>			
Executives - related parties	10.1	1,877,093	2,105,599
Other employees		946,524	3,046,205
		2,823,617	5,151,804
Less: Current maturity	13	1,741,289	1,943,347
		1,082,328	3,208,457

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

	2009 Rupees	2008 Rupees
Opening balance	2,105,599	2,500,269
Add: Employees promoted to executive category	55,008	-
Disbursements during the year	961,507	1,671,875
Less: Repayments during the year	1,245,021	2,066,545
Closing balance	1,877,093	2,105,599
The maximum balance outstanding from executives at the end of any month during the year was	2,102,725	2,443,729

## 11 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2009 Rupees	2008 Rupees
Security deposits		8,529,500	7,452,309
Prepayments		3,782,648	11,813,493
		12,312,148	19,265,802
Less: Current maturity	13	3,046,791	8,045,844
		9,265,357	11,219,958

## 12 DEFERRED TAX ASSET

	2009 Rupees	2008 Rupees
Taxable temporary differences on fixed assets	(20,022,372)	(20,022,372)
Deductible temporary differences on investments	20,221,296	20,221,296
Deductible temporary differences on finances and receivables	23,998,577	23,998,577
Deductible temporary differences on trade and other payables	2,558,030	2,558,030
Taxable temporary differences on leasing finance	(2,691,409)	(2,691,409)
Deductible temporary differences on tax losses	51,898,856	51,898,856
	75,962,978	75,962,978

### 12.1 Movement in deferred tax asset

	2009 Rupees	2008 Rupees
Opening balance	75,962,978	22,276,280
Provision during the year	-	53,686,698
Closing balance	75,962,978	75,962,978

## 13. CURRENT MATURITIES OF NON CURRENT ASSETS

	Note	2009 Rupees	2008 Rupees
Term finance certificates	7	3,019,391	3,330,909
Long term finances	8	61,377,962	67,074,646
Net investment in lease finance	9	13,686,228	16,340,191
Long term loans and advances	10	1,741,289	1,943,347
Long term deposits and prepayments	11	3,046,791	8,045,844
		82,871,661	96,734,937

## 14 SHORT TERM INVESTMENTS

	Note	2009 Rupees	2008 Rupees
<b>Held to maturity</b>			
Government treasury bills	14.1	46,265,312	-
<b>Available for sale</b>			
Listed Term Finance Certificates	14.2	8,008,185	17,316,843
Listed shares/units			
Cost		201,258,078	52,158,067
Surplus/(Deficit) on revaluation		7,447,177	(3,692,426)
Impairment loss	14.3.1	(94,399,335)	(1,561,744)
	14.3	114,305,920	46,903,897
<b>Held for trading</b>			
Listed shares	14.4	-	1,514,266,059
		168,579,417	1,578,486,799

14.1 Government treasury bill of face value of Rs. 50 million has been purchased for Rs 44,815,680 (2008: Nil) at discount.

### 14.2 Particulars of listed Term Finance Certificates (TFCs)

No. of Certificates 2009 2008		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
-	2,000	<b>Oil and Gas Exploration Company</b> Naimat Basal Oil and Gas Securitization Company	-	-	3,952,160	4,008,281
1,316	1,316	<b>Investment Companies and Banks</b> Royal Bank of Scotland	6,569,472	6,492,049	6,572,104	6,933,642
-	2,000	<b>Leasing</b> AlZamin Leasing Modaraba - I	-	-	3,400,000	3,265,360
951	951	AlZamin Leasing Modaraba - II	1,616,700	1,516,136	3,233,400	3,109,560
			8,186,172	8,008,185	17,157,664	17,316,843

Other particulars of listed TFCs are as follows:

Particulars	Certificate denomination	Profit rate per annum	Profit payments	Maturity date
<b>Investment Company and Banks</b>				
Royal Bank of Scotland	5,000	1.90 % over 6 Months KIBOR	Semi annually	9 March 2014
<b>Leasing</b>				
AlZamin Leasing Modaraba - II	5,000	Musharika based with minimum expected profit of 9.50% p.a.	Semi annually	1 June 2010

### 14.3 Particulars of listed shares / units - Available for sale investments

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

No. of Certificates/units 2009 2008		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
49,907	49,907	<b>Mutual Fund - Open End</b> Askari Asset Allocation Fund	5,000,000	2,746,313	5,000,000	4,413,308
10,483	10,298	Atlas Islamic Fund	5,000,000	4,011,005	5,000,000	5,193,759
50,000	50,000	HBL Income Fund	5,000,000	4,802,000	5,000,000	5,122,500
49	45	<b>Mutual Fund - Close End</b> Dawood Capital Management Fund	281	293	281	1,256
697	-	JS Value Fund	1,970	3,102	-	-
748,226	747,500	Pak Premier Fund	10,399,926	3,067,727	10,398,622	9,994,075
1,008,500	1,008,500	Pakistan Strategic Allocation Fund	10,143,291	3,620,515	10,143,291	9,288,285
22,211	21,800	PICIC Growth Fund	755,397	186,572	752,500	518,186
1,377,000	1,377,000	UTP - Large Capital Fund	13,509,237	5,714,550	13,509,237	11,580,570

No. of Shares 2009 2008		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
326	326	<b>Textile Spinning</b> Dewan Farooq Spinning Mills Limited	3,260	391	3,260	2,833
15,217	-	<b>Power Generation and Distribution</b> Hub Power Company Limited	179,254	411,620	-	-
15	-	Kot Addu Power Company Limited	351	632	-	-
147,500	147,500	Southern Electric Power Company Limited	789,125	472,000	2,350,876	789,125

No. of Shares		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
27,591	-	<b>Commercial Banks</b>				
		Allied Bank Limited	845,373	1,047,906	-	-
14,253	-	Askari Bank Limited	186,120	219,496	-	-
27,740	-	Bank Alfalah Limited	477,157	292,657	-	-
99	-	Bank Al-Habib Limited	1,905	2,525	-	-
2,666	-	Faysal Bank Limited	31,640	25,807	-	-
5,150	-	Habib Bank Limited	345,505	440,325	-	-
802	-	JS Bank Limited	2,878	4,852	-	-
84,847	-	MCB Bank Limited	10,596,050	13,197,951	-	-
117	-	Meezan Bank Limited	2,573	1,287	-	-
46,886	-	National Bank of Pakistan	2,895,817	3,123,076	-	-
74	-	Silk Bank Limited	390	431	-	-
234	-	Soneri Bank Limited	1,640	2,492	-	-
26,668	-	The Bank of Punjab	392,911	292,015	-	-
38	-	United Bank Limited	1,397	1,471	-	-
		<b>Insurance</b>				
34,192	-	Adamjee Insurance Company Ltd.	8,386,337	2,858,451	-	-
7,503	-	EFU General Insurance Company Limited	2,706,818	660,264	-	-
92	-	Pak Reinsurance Limited	2,348	3,220	-	-
		<b>Fertilizer</b>				
4,352	-	Engro Chemical (Pak) Limited	454,042	557,491	-	-
9,847	-	Fauji Fertilizer Bin Qasim Limited	126,079	174,292	-	-
69,758	-	Fauji Fertilizer Company Ltd.	7,373,967	6,073,131	-	-
		<b>Investment Companies</b>				
66	-	Arif Habib Limited	5,225	4,435	-	-
21,159	-	Arif Habib Securities	1,000,712	586,104	-	-
86	-	Dawood Equities Limited	777	323	-	-
13	-	First National Equities limited	617	105	-	-
178,856	-	Jahangir Siddique & Company Ltd.	27,551,955	4,147,671	-	-
30	-	Javed Omer Vohra & Company Limited	347	404	-	-
189	-	JS Investments Limited	7,559	3,196	-	-
42,988	-	Pervaz Ahmad Securities Limited	289,526	231,275	-	-
		<b>Oil and Gas Marketing Companies</b>				
125,824	-	Pakistan State Oil Limited	51,757,441	26,926,336	-	-
443	-	Sui-Southern Gas Company Limited	5,217	6,202	-	-
		<b>Oil and Gas Exploration Companies</b>				
19,804	-	Oil and Gas Development Company Limited	1,067,344	1,554,614	-	-
47,411	-	Pakistan Oilfields Limited	13,854,314	6,929,118	-	-
81,574	-	Pakistan Petroleum Limited	17,033,533	15,497,429	-	-

No. of Shares		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
		<b>Cement</b>				
470	-	Al-Abbas Cement Company	1,353	3,431	-	-
58,277	-	D.G Khan Cement Company Limited	1,306,149	1,723,251	-	-
332	-	Dewan Cement Limited	1,156	913	-	-
77	-	Fauji Cement Company Limited	279	511	-	-
104	-	Lafarge Pakistan Cement	215	281	-	-
85	-	Lucky Cement Company Limited	2,864	4,951	-	-
717	-	Maple Leaf Cement Company Limited	1,989	3,047	-	-
78	-	Pioneer Cement Limited	1,653	1,057	-	-
		<b>Textile Composite</b>				
108	-	Azgard Nine Limited	1,604	2,402	-	-
35	-	Dawood Lawrence Pur Limited	1,529	1,225	-	-
129	-	Nishat (Chunian) Limited	949	1,109	-	-
35,512	-	Nishat Mills Limited	782,574	1,331,700	-	-
		<b>Refinery</b>				
5,218	-	Attock Refinery Limited	336,113	649,119	-	-
5,395	-	Pakistan Refinery Limited	465,034	486,359	-	-
		<b>Chemical</b>				
4	-	BOC Pakistan	480	460	-	-
6	-	ICI Pakistan Limited	443	840	-	-
8,307	-	Sitara Peroxide Limited	134,206	154,926	-	-
		<b>Engineering</b>				
			1,902	1,980		
110	-	Crescent Steel	1,593	1,046	-	-
194	-	Dost Steel Mills Limited	1,125	1,145	-	-
46	-	Pak Electron Limited			-	-
		<b>Synthetic &amp; Rayon</b>				
14,144	-	Dewan Salman Fiber Limited	14,111	21,075	-	-
		<b>Automobile Assembler</b>				
95	-	Honda Atlas Cars Pakistan Limited	1,285	1,216	-	-
1	-	Indus Motor Company Limited	119	107	-	-

No. of Shares		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
72	-	<b>Technology &amp; Communication</b>				
		NetSol Technologies Limited	1,958	1,275	-	-
67	-	Pak PTA Limited	82	189	-	-
65	-	Pakistan Telecommunication Limited	1,195	1,118	-	-
2,285	-	Telecard Limited	3,200	3,885	-	-
217	-	TRG Pakistan Limited	284	291	-	-
5	-	Tri Pak Films Limited	637	500	-	-
		<b>Transport</b>				
13	-	Pakistan International Container Terminal Limited	573	696	-	-
		<b>Paper &amp; Board</b>				
6	-	Packages Limited	494	945	-	-
		<b>Pharmaceutical</b>				
26	-	Searl Pakistan Limited	1,479	1,146	-	-
		<b>Miscellaneous</b>				
79	-	D.S.Industries	1,032	243	-	-
74	-	Pace Pakistan Limited	813	412	-	-
			201,258,078	114,305,920	52,158,920	46,903,897

#### 14.3.1 Adjustment arising from measurement at fair value:

	2009 Rupees	
Impairment loss taken to equity as at 31 December 2008	113,448,608	
Price adjustment	(19,767,198)	
Impairment loss recognized in profit and loss	93,681,410	

SECP vide SRO 150(I)/2009 dated 13 February, 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices of 31 December 2008, may be shown under the equity. On 30 June 2009 Group has charged the entire amount of impairment after taking price adjustment during the period to profit and loss account.

#### 14.4 Held for trading

No. of Certificates/units		Name	2009		2008	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
-	7,546	<b>Commercial Banks</b>				
		National Bank of Pakistan	-	-	1,637,580	1,113,035
		<b>Insurance</b>				
-	30,000	Adamjee Insurance Company Limited	-	-	8,154,346	8,121,600
-	7,500	EFU General Insurance Company Limited	-	-	2,568,655	2,706,450
		<b>Fertilizer</b>				
-	55,700	Fauji Fertilizer Company Limited	-	-	7,242,359	7,370,224
		<b>Investment Company</b>				
-	51,500	Jahangir Siddique & Company Limited	-	-	26,852,479	27,302,725
		<b>Oil and Gas Marketing Company</b>				
-	100,000	Pakistan State Oil Limited	-	-	44,399,809	41,724,000
		<b>Oil and Gas Exploration Companies</b>				
		Oil and Gas Development				
-	27	Company Limited	-	-	3,200	3,358
-	37,100	Pakistan Oilfields Limited	-	-	14,176,746	13,535,564
-	44,600	Pakistan Petroleum Limited	-	-	11,460,518	10,971,154
			-	-	116,495,692	112,848,110
		Value of shares sold in	-	-	1,410,680,217	1,401,417,949
		Future markets ( Note 14.4.1 )	-	-	1,527,175,909	1,514,266,059

14.4.1 These represent investment in shares sold in futures market with settlement dates subsequent to the year end.

14.4.2 During the year investments classified as held for trading having cost Rs. 116,495,692, market value Rs. 112,848,110 were transferred to investments - Available For Sale as allowed under BSD Circular no. 10 of 2004.

## 15 SHORT TERM FINANCES

	Note	2009 Rupees	2008 Rupees
<b>Secured and considered good</b>			
Associated companies	15.1	21,464,909	-
Others		24,507,527	176,922,661
<b>Considered doubtful</b>			
Others	15.2	33,113,834	33,113,834
Less: Provision for doubtful finances	15.3	16,874,197	16,874,197
		16,239,637	16,239,637
		62,212,073	193,162,298

**15.1** 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 ranges from 12% to 19% per annum (2008: 11.5% to 19.65% per annum). These include finances against pledge of listed shares and Group's own Certificates of Deposit amounting to Rs. 15.55 million (2008: Rs. 26.950 million), while Rs. Nil (2008: Rs. 129.618) were disbursed as Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

**15.2** These finance facilities include Rs. 33.113 million (2008: Rs. 33.113 million) which have been placed under non-performing status detailed below:

	2009 Rupees	2008 Rupees
Substandard	-	-
Loss	33,113,834	33,113,834
	33,113,834	33,113,834

**15.3** Particulars of provision for doubtful finances:

	2009 Rupees	2008 Rupees
Opening balance	16,874,197	14,937,034
Charge for the year	-	1,937,163
Closing balance	16,874,197	16,874,197

## 16 SHORT TERM PLACEMENTS

	Note	2009 Rupees	2008 Rupees
<b>Considered good</b>			
Unsecured	16.1	380,000,000	318,000,000
Secured under reverse repurchase agreements	16.2	-	2,175,281,543
		380,000,000	2,493,281,543

**16.1** This represents term deposit receipts with financial institution and carry mark-up from 13.5% to 14% (2008: 11% per annum).

### 16.2 Securities held as collateral - Market value

	2009 Rupees	2008 Rupees
Quoted shares	-	2,097,016,739

These placements have been withdrawn during the year.

## 17 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2009 Rupees	2008 Rupees
Advances - considered good		68,728	570,936
Advance income tax		326,747,829	303,965,182
Income tax refundable		19,444,153	19,444,153
Deposits against exposure limits		-	13,296,868
Prepayments		-	-
Receivable from National Clearing Company Pakistan Limited (NCCPL) and stock exchanges		7,019,270	3,856,418
Accrued mark-up		-	395,456,699
Dividend receivable		4,677,981	21,928,841
Receivable from clients	17.1	-	12,965,480
Other receivables		1,972,687	75,221,128
		12,590,185	4,218,719
		373,120,833	850,924,424



### 17.1 Receivable from clients

	Note	2009 Rupees	2008 Rupees
Considered good		1,972,687	74,682,719
Considered doubtful		21,474,235	20,091,894
Less: Provision for doubtful receivables	17.2	21,474,235	19,553,485
		-	538,409
		1,972,687	75,221,128

### 17.2 Particulars of provision for doubtful receivables

	2009 Rupees	2008 Rupees
Opening balance	19,553,485	19,553,485
Add: Charge for the year	1,920,750	-
Closing balance	21,474,235	19,553,485

### 18 CASH AND BANK BALANCES

	Note	2009 Rupees	2008 Rupees
Cash in hand		-	148,245
Cash with banks			
Current account with:			
State Bank of Pakistan		444,665	757,813
Others		2,787,462	128,637,265
		3,232,127	129,395,078
Saving accounts	18.1	19,988,762	176,998,344
		23,220,889	306,541,667

18.1 Rate of return on these accounts range from 5% to 12.5% per annum (2008: 0.57% to 6.04% per annum).

### 19 SHARE CAPITAL

	2009 Rupees	2008 Rupees
<b>Authorized share capital</b>		
50,000,000 (2008: 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 (2008: 42,000,000) ordinary shares of Rs. 10 each	420,000,000	420,000,000
2,100,000 (2008: 2,100,000) ordinary shares of Rs. 10 each issued as bonus shares	21,000,000	21,000,000
	441,000,000	441,000,000

19.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2008: 39.01%) ordinary shares in the Company.

### 20 RESERVES

	Note	2009 Rupees	2008 Rupees
Capital reserve			
statutory reserve	20.1	147,193,925	147,193,925
Revenue reserve			
unappropriated profits		(106,603,187)	229,375,700
		40,590,738	376,569,625

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

### 21 SURPLUS/(DEFICIT) ON REVALUATION OF INVESTMENTS

	2009 Rupees	2008 Rupees
<b>Available for sale</b>		
Listed term finance certificates	(177,986)	159,179
Listed shares/units	7,447,177	(3,692,479)
	7,269,191	(3,533,300)

### 22 TERM FINANCE CERTIFICATES

	Note	2009 Rupees	2008 Rupees
Listed	22.1	328,870,566	493,831,270
Unlisted	22.2	-	45,796,713
		328,870,566	539,627,983

## 22.1 Listed

	Note	2009 Rupees	2008 Rupees
Face value		500,000,000	500,000,000
Less: Redeemed - opening balance		200,000	-
Redeemed during the year		200,000	200,000
		400,000	200,000
		499,600,000	499,800,000
Less: Current maturity	25	166,534,000	200,000
		333,066,000	499,600,000
Less: Initial transaction cost - opening balance		(5,768,730)	(7,342,026)
Amortization for the year	34	1,573,296	1,573,296
		(4,195,434)	(5,768,730)
		328,870,566	493,831,270

These are issued to institutional investors and general public and carry return payable semiannually, at the rate of 6 months KIBOR plus 250 bps per annum with a floor of 8% per annum and ceiling of 17% per annum for the first two years and a ceiling of 18% for the remaining period. A nominal amount i.e. 0.08% of the face value will be redeemed in 4 equal semi annual installments and remaining principal in 6 equal semi annual installments of 16.653% each of the issue amount respectively, commencing from 30th month and carry call option exercisable after 2 years of the issue date. These are secured against hypothecation of Rs. 667 million worth of present and future assets of the Company. These TFCs are listed at Lahore Stock Exchange (Guarantee) Limited (LSE).

JCR VIS Credit Rating Company Limited has assigned rating of 'A+' (Single A Plus) with stable outlook to these TFCs.

## 22.2 Unlisted

	Note	2009 Rupees	2008 Rupees
Face value		275,000,000	275,000,000
Less: Redeemed - opening balance		137,609,973	46,016,657
Redeemed during the year		91,593,312	91,593,316
		229,203,285	137,609,973
		45,796,715	137,390,027
Less: Current maturity	25	45,796,715	91,593,314
		-	45,796,713

These represent unlisted Term Finance Certificates (TFCs) issued to institutional investors carrying a profit rate of 6 months KIBOR plus 275 bps, with a floor of 5% per annum and a ceiling of 10% per annum, payable semi annually. These are redeemable in 6 equal semi annual installments commencing from 30th month and carry a call option exercisable after three years of the issue date. These are secured against hypothecation of Rs 367 million worth of present and future current assets of the Company. Face value of each certificate is Rs. 5,000,000.

## 23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2009 Rupees	2008 Rupees
Obligation under finance lease	23.1	5,957,854	6,787,968
Less: Current maturity	25	976,272	847,633
		4,981,582	5,940,335

## 23.1 Particulars of liabilities against assets subject to finance lease.

	2009			2008
	Not later than one year	Later than one year but not later than five years	Total	Total
Lease rentals payable	1,124,112	374,704	1,498,816	2,537,332
Add: Residual value	-	4,619,300	4,619,300	4,619,300
	1,124,112	4,994,004	6,118,116	7,156,632
Less: Future financial charges	147,840	12,422	160,262	368,664
Present value of minimum lease payments	976,272	4,981,582	5,957,854	6,787,968

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

## 24 LONG TERM CERTIFICATES OF DEPOSIT

	Note	2009 Rupees	2008 Rupees
Long term certificates of deposit	24.1	228,284,802	355,483,960
Less: Current maturity	25	43,826,173	15,305,801
		184,458,629	340,178,159

**24.1** These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 7.50% to 16% per annum (2008: 7.50% to 13.50% per annum) payable monthly, quarterly, semiannually or on maturity.

## 25 CURRENT MATURITIES OF NON-CURRENT LIABILITIES

	Note	2009 Rupees	2008 Rupees
Term finance certificates - listed	22.1	166,534,000	200,000
Term finance certificates - unlisted	22.2	45,796,715	91,593,316
Liability against assets subject to finance lease	23	976,272	847,633
Long term certificates of deposit	24	43,826,173	15,305,801
		257,133,160	107,946,750

## 26 SHORT TERM BORROWINGS

	Note	2009 Rupees	2008 Rupees
Financial institutions			
Un-secured	26.1	-	1,890,000,000
Secured	26.2	438,563,476	455,000,000
		438,563,476	2,345,000,000

26.1 These have been repaid during the year.

26.2 These include borrowings under repurchase agreements amounting to Rs. 438.563 million (2008: Rs. 455 million) and carry mark-up ranging from 13% to 13.60% per annum (2008: 12.00% to 14.00% per annum) and are for a period ranging from 1 day to 3 months (2008: 2 days to 3 months). These are secured against pledge of PIBs and T-Bills.

## 27 RUNNING FINANCE-SECURED

The aggregate running finance facilities under mark-up arrangements from commercial banks amount to Rs. 1,500 million (2008: 2,175 million). These facilities carry mark-up at rates ranging from 1% to 4% per annum (2008: 1% to 2.50% per annum) with floor ranging from 10% to 10.5% (2008: 7.5% to 12.50% per annum) except for one facility where there is no floor.

## 28 SHORT TERM CERTIFICATES OF DEPOSIT

These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 7.50% to 15% per annum (2008: 6.50% to 16.50% per annum) payable monthly, quarterly, semi-annually or on maturity.

## 29 TRADE AND OTHER PAYABLES

	2009 Rupees	2008 Rupees
Customers' credit balances	23,018,873	80,790,196
Accrued return on certificates of deposit	6,023,019	21,109,745
Accrued return on term finance certificates	23,393,262	22,839,700
Accrued mark-up on unsecured borrowings	-	25,673,733
Accrued mark-up on secured borrowings	1,061,396	21,612,860
Accrued expenses and other payables	7,879,513	10,770,729
Fair value adjustment - derivative financial instrument	-	2,191,690
Provision for compensated absences	4,361,455	7,308,660
Unearned income	647,280	592,050
Advance rent of lease finance	-	504,280
Unclaimed dividend	2,387,274	1,461,180
	68,772,072	194,854,823

## 30 PROVISION FOR TAXATION

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

Return for tax year 2003 was filed and was selected for total audit. The Income Tax Department after the finalization of total audit for the tax year 2003, issued assessment order dated 29 June 2007. EIBL, being aggrieved filed an appeal before CIT (Appeals) against the said assessment order on various disallowances amounting to Rs. 27 million. The appeal was decided in favor of the Company by CIT (Appeals) vide order dated 12 February, 2008.

Return for the Tax Year 2004, 2005 and 2006 were filed and selected for total audit. Return for tax year 2007 was filed declaring taxable loss of Rs. 148 million. Subsequently, assessment was amended by Additional Commissioner, EIBL, being aggrieved filed an appeal before Honorable Appellate Tribunal on various disallowances, which is pending hearing..

Return for tax year 2008 was filed declaring taxable loss of 4 million and has been selected for total audit by the CIT. The audit proceedings are under process.

## 31 CONTINGENCIES AND COMMITMENTS

### 31.1 Contingencies

#### Guarantees

Outstanding guarantees as on balance sheet date were Rs. 53.940 million (2008: Rs. 87.940 million).

### 31.2 Commitments

	2009 Rupees	2008 Rupees
Future sale contract - Shares	-	1,504,130,820
Future purchase contract - Shares	-	75,430,895
Capital expenditure	1,300,000	1,300,000

## 32 PROFIT ON FINANCING

	2009 Rupees	2008 Rupees
Long term	19,715,328	15,141,123
Short term	7,052,696	34,133,399
	26,768,024	49,274,522

## 33 RETURN ON PLACEMENTS

	2008 Rupees	2008 Rupees
Clean placements	23,962,113	3,806,330
Placements under reverse repurchase agreements	68,038,581	239,239,801
	92,000,694	243,046,131

### 34 RETURN ON INVESTMENTS

	2009 Rupees	2008 Rupees
<b>Mark-up/return on investments</b>		
Held to maturity investments:		
Government securities	57,420,895	56,028,767
Term finance certificates	371,347	2,349,910
Available for sale investments:		
Term finance certificates	1,433,079	1,775,248
<b>Dividend income</b>		
Available for sale investments:		
Listed shares/units	15,610,958	6,784,404
Held for trading:		
Listed shares	-	133,049,394
<b>Capital gain/(loss) on investments</b>		
Available for sale investments	(302,675)	(44,375)
Held for trading	42,040,554	193,335,051
	<b>119,912,770</b>	<b>393,278,399</b>

### 35 FEES AND COMMISSION

	2009 Rupees	2008 Rupees
Consultancy and corporate advisory	-	6,429,500
Consultancy and brokerage commission	2,911,543	95,231,989
Guarantee commission	1,281,450	1,077,400
	<b>4,192,993</b>	<b>102,738,889</b>

### 36 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Note	2009 Rupees	2008 Rupees
Salaries, wages, other benefits and allowances	36.1	68,794,064	81,378,678
Staff training and welfare		371,659	400,272
Advertisement and business promotion		1,009,399	1,807,700
Rent, rates and taxes		13,864,015	17,959,493
Utilities		3,946,885	3,832,146
Communication charges		5,311,499	8,563,784
Traveling and vehicle maintenance		8,493,856	8,029,649
Repair and maintenance		3,906,781	4,292,811
Entertainment		2,460,705	4,081,196
Fee and subscriptions		2,627,768	2,575,482
Legal and professional charges	36.2	9,461,249	6,236,778
Printing and stationery		1,975,589	4,214,914
Fee, brokerage and commission		3,629,031	15,712,822
CDC and clearing charges		8,742,587	53,008,568
Insurance		2,815,931	3,513,376
Amortization of issuance cost of listed TFCs	22.1	1,573,296	1,573,296
Depreciation	5.1	20,906,046	18,641,830
Amortization of intangible assets	5.2	666,899	999,900
Loss on sale of fixed assets	5.3	304,883	3,749
Penalty		25,000	185,000
Staff motor vehicle contribution and insurance		629,608	1,145,560
Miscellaneous expenses		608,348	162,391
		<b>162,125,098</b>	<b>238,319,395</b>

**36.1** This includes contribution to provident fund amounting to Rs. 2.95 million (2008: Rs. 3.52 million) made by the Group.

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

	2009 Rupees	2008 Rupees
Audit fee	707,000	495,000
Review of half yearly accounts	143,000	130,000
Certification and consultancy charges	105,000	303,500
Tax services	1,960,000	670,000
Out of pocket expenses	144,000	51,000
	<b>3,059,000</b>	<b>1,649,500</b>

### 37 TAXATION

	2009 Rupees	2008 Rupees
Current taxation	1,062,492	10,380,972
Deferred taxation	-	(53,686,698)
	1,062,492	(43,305,726)

In view of tax losses, tax charge for the year is based on with-holding tax deducted, which shall be deemed to be the final discharge of tax liability under the presumptive tax regime. Hence, the reconciliation between tax charge and accounting profit has not been given.

### 38 EARNINGS PER SHARE BASIC AND DILUTED

	2009	2008
(Loss)/Profit for the year after taxation - Rupees	(247,778,887)	103,536,899
Number of ordinary shares	44,100,000	44,100,000
(Loss)/Earnings per share - Rupees	(5.62)	2.35

**38.1** No figure for diluted (loss)/earnings per share has been computed as the Company has not issued any instrument which would dilute its (loss)/earnings per share.

### 39 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 terms of employment are as follows:

	2009 Rupees	2008 Rupees
<b>Associated companies:</b>		
<b>Transactions during the year</b>		
Return on finances received	1,068,041	551,484
Guarantee commission earned	1,281,450	789,400
Profit paid on certificates of deposit	639,972	1,001,330
Chairman's secretarial expenses	3,600,000	3,600,000
<b>Balance at year end</b>		
Advances outstanding	24,624,931	3,589,346
Letter of guarantee outstanding	53,940,000	78,940,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	3,127,230	801,010
<b>Directors:</b>		
<b>Transactions during the year</b>		
Return on finances received	-	475,736
Profit paid on certificates of deposit	23,955,664	28,360,172
<b>Balance at year end</b>		
Certificates of deposit outstanding	115,650,000	205,650,000
Rent and other receivables	6,668,430	162,980
<b>Executives:</b>		
<b>Transactions during the year</b>		
Return on finances received	571,686	661,707
Profit paid on certificates of deposit	1,596,472	1,216,488
Fixed assets sold	291,528	-
<b>Balance at year end</b>		
Advances outstanding	12,319,787	11,038,194
Certificates of deposit outstanding	4,282,117	4,840,000
Other receivable	24,500	-
<b>Others:</b>		
<b>Transactions during the year</b>		
Contribution to staff retirement benefits plan	3,142,759	3,526,927



#### 40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive		Directors		Executives	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees
Managerial remuneration	10,471,406	9,822,474	2,166,996	1,951,128	10,326,786	11,371,150
House rent allowance	-	-	3,096,998	2,686,200	4,130,714	4,548,480
Utilities	235,022	360,000	576,700	555,114	1,032,693	1,137,131
Bonus/commission	2,067,265	1,952,456	689,088	650,819	2,505,658	2,572,906
Leave encashment	1,799,312	-	-	-	-	222,221
Retirement benefits	1,047,144	982,248	-	-	904,147	981,652
	15,620,149	13,117,178	6,529,782	5,843,261	18,899,998	20,833,540
<b>Number of persons</b>	1	1	1	1	10	11

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

#### 41 LIQUIDITY RISKS

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

Description	As at 30 June 2009			
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
<b>ASSETS</b>				
Fixed capital expenditure	113,780,069	-	29,292,259	84,487,810
Cards and rooms	84,105,000	-	-	84,105,000
Deferred tax asset	75,962,978	-	75,962,978	-
Net investment in lease finance	35,451,525	13,686,228	21,765,297	-
Investments	716,536,505	171,598,808	7,859,548	537,078,149
Finances	158,915,656	123,590,035	34,463,117	862,504
Loan, advances, deposits, prepayments and other receivables	388,256,598	377,908,913	6,437,485	3,910,200
Placements	380,000,000	380,000,000	-	-
Cash and bank balances	23,220,889	23,220,889	-	-
	1,976,299,220	1,090,004,873	175,780,684	710,443,663

Description	As at 30 June 2009			
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
<b>LIABILITIES</b>				
Term finance certificates	541,201,281	212,330,715	328,870,566	-
Obligation under finance lease	5,957,854	976,272	4,981,582	-
Short term borrowings	438,563,476	438,563,476	-	-
Certificates of deposit	391,387,220	206,928,591	184,458,629	-
Long term security deposit	12,771,856	-	12,771,856	-
Trade and other payables	68,762,072	68,762,072	-	-
Provision for taxation	28,715,532	28,715,532	-	-
	1,487,359,291	956,276,658	531,082,633	-
<b>NET ASSETS - 2009</b>	488,859,929	133,718,215	(355,301,949)	710,443,663
<b>Represented by:</b>				
Share capital and reserves	481,590,738			
Deficit on revaluation of investments	7,269,191			
	488,859,929			

Description	As at 30 June 2008			
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
<b>ASSETS</b>				
Fixed capital expenditure	135,382,584	-	45,045,637	90,336,947
Cards and rooms	67,950,000	-	-	67,950,000
Deferred tax asset	75,962,978	-	75,962,978	-
Net investment in lease finance	72,271,597	16,340,191	55,931,406	-
Investments	2,138,192,059	1,581,817,708	455,229,742	101,144,609
Finances	281,673,392	260,236,944	11,362,726	10,073,722
Loan, advances, deposits, prepayments and other receivables	877,249,830	860,882,068	11,595,406	4,772,356
Placements	2,493,281,543	2,493,281,543	-	-
Cash and bank balances	179,941,667	179,941,667	-	-
	6,321,905,650	5,392,500,121	655,127,895	274,277,634
<b>LIABILITIES</b>				
Term finance certificates	631,421,299	91,793,316	539,627,983	-
Obligation under finance lease	6,787,968	847,633	5,940,335	-
Short term borrowings	2,345,000,000	2,345,000,000	-	-
Running finance under mark up arrangements	1,088,962,624	1,088,962,624	-	-
Certificates of deposit	1,327,060,815	986,882,656	340,178,159	-
Long term security deposit	25,789,464	-	25,789,464	-
Trade and other payables	194,854,823	194,854,823	-	-
Provision for taxation	28,715,532	28,715,532	-	-
	5,648,592,525	4,737,056,584	911,535,941	-
	673,313,125	655,443,537	(256,408,046)	274,277,634
<b>NET ASSETS - 2008</b>				
<b>Represented by:</b>				
Share capital and reserves	817,569,625			
Deficit on revaluation of investments	(3,533,300)			
	814,036,325			

## 42 CREDIT RISK AND CONCENTRATION OF CREDIT RISKS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management attempts to control credit risk through monitoring credit exposures, limiting transactions with specific counterparties, and continuous assessing of the credit worthiness of counterparties.

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

### 42.1 Segment Information

Class of business	Finances		Certificates of deposit		Letter of guarantee	
	2009 Percentage	2008 Percentage	2009 Percentage	2008 Percentage	2009 Percentage	2008 Percentage
Chemical and pharmaceuticals	10.10	12.31	-	-	-	-
Agribusiness	8.72	7.77	-	-	-	-
Textile	7.90	8.14	-	-	-	-
Sugar	12.89	13.28	-	-	-	-
Financial Institutions	-	-	5.40	52.83	-	-
Insurance	-	-	0.12	0.98	-	-
Electronics and electrical appliances	12.95	3.84	-	-	85.69	89.77
Production and transmission of energy	-	-	-	-	-	-
Individuals	28.42	33.95	90.10	38.54	14.31	10.23
Engineering and construction	15.71	15.31	1.81	-	-	-
Sports	-	-	0.48	0.75	-	-
Communications	2.84	1.82	0.12	-	-	-
Non-Government organizations	-	-	1.47	1.80	-	-
Others	0.47	3.58	0.50	5.10	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

### 42.2 Geographical Segment

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

## 43 INTEREST RATE RISK

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

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

	As at 30 June 2009				
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
<b>FINANCIAL ASSETS</b>					
Investments	716,536,505	11,027,576	7,859,548	537,078,149	160,571,232
Net investment in lease finance	22,679,669	13,686,228	8,993,441	-	-
Finances	158,915,656	123,590,035	34,463,117	862,504	-
Loans, advances, deposits, prepayments and other receivables	25,974,670	4,677,981	-	-	21,296,689
Placements	380,000,000	380,000,000	-	-	-
Cash and bank balances	23,220,889	19,988,762	-	-	3,232,127
	1,327,327,389	552,970,582	51,316,106	537,940,653	185,100,048
<b>FINANCIAL LIABILITIES</b>					
Term finance certificates	541,201,281	212,330,715	328,870,566	-	-
Obligation under finance lease	1,338,554	976,272	362,282	-	-
Short term borrowings	438,563,476	438,563,476	-	-	-
Certificates of deposit	391,387,220	206,928,591	184,458,629	-	-
Trade and other payables	68,124,792	30,477,677	-	-	37,647,115
	1,440,615,323	889,276,731	513,691,477	-	37,647,115
Total Interest rate sensitivity gap		(336,306,149)	(462,375,371)	537,940,653	
Cumulative interest rate sensitivity gap		(336,306,149)	(798,681,520)	(260,740,867)	

	As at 30 June 2008				
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
<b>FINANCIAL ASSETS</b>					
Investments	2,138,192,060	20,647,753	455,229,742	101,144,609	1,561,169,956
Net investment in lease finance	46,482,133	16,340,191	30,141,942	-	-
Finances	281,673,392	260,236,944	11,362,726	10,073,722	-
Loan, advances, deposits, prepayments and other receivables	531,068,548	21,928,841	-	-	509,139,707
Placements	2,493,281,543	2,493,281,543	-	-	-
Cash and bank balances	179,941,667	176,998,344	-	-	2,943,323
	5,670,639,343	2,989,433,616	496,734,410	111,218,331	2,073,252,986
<b>FINANCIAL LIABILITIES</b>					
Term finance certificates	631,421,299	91,793,316	539,627,983	-	-
Obligation under finance lease	2,168,668	847,633	1,321,035	-	-
Short term borrowings	2,345,000,000	2,345,000,000	-	-	-
Running finance under mark-up arrangements	1,088,962,624	1,088,962,624	-	-	-
Certificates of deposit	1,327,060,815	986,882,656	340,178,159	-	-
Trade and other payables	193,758,493	91,236,038	-	-	102,522,455
	5,588,371,899	4,604,722,267	881,127,177	-	102,522,455
Total Interest rate sensitivity gap		(1,615,288,651)	(384,392,767)	111,218,331	
Cumulative interest rate sensitivity gap		(1,615,288,651)	(1,999,681,418)	(1,888,463,087)	

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

#### 43.1 Capital risk management

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

The Group is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2007. The existing NBFCs have been allowed different time limits for aligning themselves with different Capital requirements. The management of the Company is of the view that it will be able to meet its capital requirement by the end of 30 June, 2010 through its internally generated sources.

Additionally, the Group 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 Group monitors capital on the basis of the debt-to-equity ratio calculated as total debt to equity.

The debt-to-equity ratios at 30 June 2009 and at 30 June 2008 were as follows:

	2009 Rupees	2008 Rupees
Total debt	531,082,633	911,535,941
Total equity	488,859,929	848,317,125
Debt-to-equity ratio	1.09	1.07

The decreases in the debt-to-equity ratio during 2009 resulted primarily from repayment of Term Finance Certificates and Certificate of Deposits during the year amounting to Rs. 91.79 million and Rs. 155.72 million.

#### 44 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 Group financial statements.

#### 45 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".

#### 46 SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2009, which may require an adjustment to the Group financial statements or additional disclosure and have not already been disclosed in these Group financial statements.

#### 47 DATE OF AUTHORIZATION FOR ISSUE

These Group financial statements were authorized for issue on 26 August 2009 by the Board of Directors of the Group.

#### 48 GENERAL


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

ii) Previous year's figure for the following has been re-arranged, for the purpose of comparison:

Profit on bank deposits was previously clubbed in "other income", this has now been presented as a separate line item in income statement.



DIRECTOR



CHIEF EXECUTIVE OFFICER

## Pattern of Share Holding

As on 30 June 2009

Number of Shareholders	Shareholdings		Total Shares Held	Percentage of Total Capital
	From	To		
54	1	100	2,236	0.01
73	101	500	28,426	0.06
83	501	1000	76,557	0.17
141	1001	5000	385,050	0.87
42	5001	10000	331,729	0.75
15	10001	15000	188,782	0.43
10	15001	20000	189,066	0.43
8	20001	25000	186,462	0.42
2	25001	30000	55,575	0.13
3	30001	35000	101,025	0.23
2	35001	40000	72,975	0.17
3	40001	45000	130,000	0.29
4	45001	50000	198,000	0.45
5	55001	60000	297,000	0.67
1	65001	70000	68,000	0.15
1	70001	75000	75,000	0.17
1	75001	80000	77,490	0.18
3	95001	100000	298,661	0.68
1	105001	110000	109,515	0.25
1	115001	120000	117,500	0.27
1	140001	145000	142,500	0.32
1	145001	150000	150,000	0.34
1	160001	165000	160,500	0.36
2	195001	200000	396,500	0.90
1	290001	295000	291,500	0.66
1	295001	300000	299,750	0.68
1	345001	350000	346,500	0.79
1	450001	455000	452,500	1.03
1	465001	470000	467,775	1.06
1	605001	610000	607,000	1.38
1	660001	665000	663,500	1.50
1	750001	755000	754,325	1.71
1	805001	810000	806,500	1.83
1	1180001	1185000	1,184,092	2.69
1	2515001	2520000	2,518,110	5.71
1	3270001	3275000	3,274,000	7.42
1	3295001	3300000	3,299,145	7.48
1	3380001	3385000	3,383,467	7.67
1	4705001	4710000	4,709,947	10.68
1	17200001	17205000	17,203,340	39.01
<b>474</b>			<b>44,100,000</b>	<b>100.00</b>

There are no shareholdings in the slabs not included above.

Categories of Shareholdings	Number of Shareholdings	Share held	Percentage
Individuals	443	20,897,674	47.39
Joint Stock Companies	23	20,794,446	47.15
Financial Institutions	4	1,254,044	2.84
Insurance Companies	3	546,836	1.24
Modarbas and Mutual Funds	1	607,000	1.38
	<b>474</b>	<b>44,100,000</b>	<b>100.00</b>

## Pattern of Share Holding (contd.)

AS ON 30 JUNE 2009

INFORMATION AS REQUIRED BY CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Share held	Percentage
<b>Directors, Chief Executive Officer, and their spouse and minor children</b>			
MR BAIRAM QURESHI	1	1,102	0.0025
MR QAIM MEHDI	1	1,102	0.0025
MR. BASHIR AHMED	1	4,709,947	10.6802
MR MUTAHIR AHMED	1	160,500	0.3639
MS. SHAZIA BASHIR	1	3,383,467	7.6723
MR. TAJAMMUL HUSSAIN BUKHARI	1	500	0.0011
MRS. DARAKSHAN BASHIR	1	2,518,110	5.7100
<b>Associated Companies, Undertakings and Related Parties</b>			
M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>	4	1,254,044	2.8436
<b>Insurance Companies</b>	3	546,836	1.2400
<b>Modarbas and Mutual Funds</b>	1	607,000	1.3764
<b>General Public (Local)</b>	436	10,122,946	22.9545
<b>Others</b>	22	3,591,106	8.1431
<b>Total</b>	<b>474</b>	<b>44,100,000</b>	<b>100</b>

### SHARE HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST

Categories of Shareholders	Number of Shareholders	Share held	Percentage
M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
MR. BASHIR AHMED	1	4,709,947	10.6802

# Form of Proxy

I/We, \_\_\_\_\_

of \_\_\_\_\_

Escorts Investment Bank Limited appoint Mr./Mrs./Ms. \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

as my proxy to vote for me/us and on my / our behalf at the Annual General Meeting to be held on Wednesday, 30<sup>th</sup> day of October 2009 at 10:00 a.m. and at any adjournment thereof.

As witnessed under my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009. \_\_\_\_\_

Signed by \_\_\_\_\_ in presence of \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Signature and address of the witness

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Signature and address of the witness

\_\_\_\_\_

Signature of member

Please affix  
revenue  
stamp



Affix  
correct  
postage

The Company Secretary  
**ESCORTS INVESTMENT BANK LIMITED**  
Escorts House, 26-Davis Road,  
Lahore.



ESCORTS INVESTMENT  
BANK LIMITED