

The logo for Escorts Bank is centered in the upper right quadrant. It consists of a light gray square with a white border. Inside the square, the word "ESCORTS" is written in white, uppercase, sans-serif font. Below it, the word "BANK" is written in white, uppercase, sans-serif font, set against a horizontal red bar. The entire logo is set against a white background that is part of a larger graphic design with red and gray accents.

ESCORTS
BANK

Annual Report 2012

Vision

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

Mission

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



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Corporate Information

BOARD OF DIRECTORS

Chairman

Bairam Qureishy

President & Chief Executive Officer

Shazia Bashir

Directors

Bairam Qureishy

Shazia Bashir

Mutahir Ahmed

Tajamul Hussain Bokharee

Zulfiqar A. Khan

Amjad Mahmood Agha

Muhammad Sharif Baqir

Company Secretary / Chief Financial Officer

Kamran Hafeez

EXECUTIVE MANAGEMENT

President & Chief Executive Officer

Shazia Bashir

Head of Branch Network

Azmat Baig

Head of Proprietary Investments

Hassan Abid Zaidi

Head of MIS

Kamran Chughtai

AUDIT COMMITTEE

Chairman

Tajamul Hussain Bokharee

Members

Bairam Qureishy

Mutahir Ahmed

Secretary

Kamran Hafeez

Internal Auditors

Nasir Javaid Maqsood Imran Ashfaq

Chartered Accountants

External Auditors

Zahid Jamil & Company

Chartered Accountants

Legal Advisors

Lexium Attorneys at Law

Tax Consultants

KPMG Taseer Hadi & Co.

Chartered Accountants

Share Registrars

Hameed Majeed Associates (Pvt.) Ltd.

Bankers

Bank Alfalah Limited

Bank Al-Habib Limited

Askari Bank Limited

NIB Bank Limited

NETWORK

Head Office & Lahore Branch

Escorts House

26-Davis Road, Lahore

Tel: (042) 3637 1931-34

Fax: (042) 3637 5950

mailmanager@escortsbank.net

www.escortsbank.net

Branch Offices

Karachi Office

Escorts Investment Bank Limited

Room # 631, 632, Stock Exchange Building,

Stock Exchange Road, Karachi

Tel: (021) 3247 1671-5

Fax: (021) 3247 237

karachi@escortsbank.net

www.escortsbank.net

Islamabad Office

Escorts Investment Bank Limited

Shalimar – 5/1, Attaturk Ave, Islamabad

Tel: (051) 227 0079

Fax: (051) 2271 764

islamabad@escortsbank.net

www.escortsbank.net

Financial Statements

30 June 2012

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK LIMITED** will be held on Wednesday October 31, 2012 at 12:00 P.M. at Escorts House, 26 Davis Road, Lahore the registered office of the Company, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Financial Statements for the year ended June 30, 2012 together with the Directors' and Auditors' report thereon;
2. To appoint External Auditors and fix their remuneration for the year ending June 30th, 2013.

OTHER BUSINESS:

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

By ORDER OF THE BOARD

Kamran Hafeez
Company Secretary

Dated: October 09, 2012

Notes:

1. The share transfer books shall remain closed from October 25, 2012 to October 31, 2012 (both days inclusive). Transfers received at Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore, by the close of the business hours on October 24, 2012 will be treated in time for the purpose of casting of votes at the AGM.
2. A member entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend the meeting, speak and vote on his/her behalf. Form of Proxy is enclosed.
3. The Form of Proxy must be signed across a rupees five revenue stamp and should be received by the Company at its Registered Office at least 48 hours before the meeting.
4. Shareholders are requested to promptly notify the Company of any change in their addresses at the Registered Office of the Company.
5. CDC Account Holders will have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
 - 5.1 For attending the meeting:
 - 5.1.1 In case of individual, the account holder or sub-account holder shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

- 5.1.2 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall have to be produced at the time of the meeting.
- 5.2 For appointing proxies:
 - 5.2.1 In case of individual, the account holder or sub-account holder shall submit the proxy form as per the requirements of para 3 above.
 - 5.2.2 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers should be mentioned on the Proxy Form.
 - 5.2.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
 - 5.2.4 The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - 5.2.5 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall have to be submitted along with Proxy Form to the Company.

Chief Executive Officer's Review

I am pleased to present my review for the year ended June 30, 2012. During the two and half years of my tenure with the Company as the CEO, our team's contribution towards improving the financial position, financial performance and cash flows of the Company can be seen from the audited financial statements.

Our Company incurred a combined total loss of Rs. 245 million in the years 2009 and 2010. At the time when I resumed office as CEO in April 2010, the Company was bleeding Rs. 122 million per annum and Rs. 30 million approximately every quarter as net loss. As a result of phased implementation of the Turnaround Strategy formulated by Company's management in 2010, the loss of Rs. 122 million in the previous year is now reduced to a mere Rs. 11 million in the current year. It has been very difficult to improve and to sustain improvement and growth in difficult times as these with inflationary pressures constantly increasing cost to do business. Despite all the difficulties faced, locally and internationally, by the financial services industry our Company managed to book a record earnings growth of more than 60% for two consecutive years now. Our outstanding performance for year has made us leaders in the investment banking sector in terms of earnings, growth, cash flows, operational efficiency, credit ratings, product diversity, liquidity, risk management and innovation.

This phenomenal performance can be attributed to tireless efforts of our team in improving the revenues and controlling costs at reasonable levels. The investments have given a return of Rs. 113 million which is 20% higher than the previous year also substantiating the fact the decision making process and controls in your Company are matchless. The Company has recognized an immaterial provision against doubtful finance during the year amounting to a mere Rs. 0.049 million whereas the Banking industry's non performing loans have exceeded Rs. 600 billion, demonstrating exceedingly effective risk management.

As a result of our persistent and dedicated efforts towards converting our non earning assets into earning, I am pleased to report that significant progress has been made in this direction. Escorts Capital Limited, the brokerage arm of the Bank, and membership in Pakistan Mercantile Exchange have started to trade increased volumes and resultantly recognize improved commissions. Significant progress is made towards realization of tax refunds and I expect these to be converted into cash going forward which would further improve the financial health of your Company.

The recent upgrade in the long term entity ratings of your Company and the change in outlook from Stable to Positive clearly display the confidence of the Rating Agency in your Company and the acknowledgment of improvement in its financial health and credit worthiness. I also congratulate you on the fact that your Company is the only in the Investment Banking Sector whose entity ratings have been Upgraded during the year. Also it's the only Company in the sector that has Positive Outlook evidencing that the risks have been kept at reasonable levels while significantly improving effectiveness of business processes.

I believe that the economic conditions would improve going forward and your Company is rightly organized, adequately equipped and geared up to meet the related challenges and would emerge as the finest institution in the market place.

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

Shazia Bashir
President and Chief Executive Officer

Lahore: September 28, 2012

The Board of Directors of Escorts Investment Bank Limited takes pleasure in presenting before you, the Annual Report 2012 together with the Audited Financial Statements for the year ended June 30, 2012.

The Board hereby confirms that:

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

Financial Results

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

	2012 Rupees	2011 Rupees
Loss before provisions and taxation	(21,983,850)	(34,342,718)
Less: Provision for /(reversal) of doubtful finances and receivables	(49,334)	(321,482)
Loss before taxation	(22,033,184)	(34,021,236)
Taxation	10,713,170	2,942,978
Loss after taxation	(11,320,014)	(31,078,258)

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

During the year the Company incurred a loss of Rs. 11.32 million as compared to the loss of Rs. 31.07 million in the corresponding period of the preceding year. This improvement in earnings of 63% for the current year and 60% for the preceding year shows clearly that the vision of value addition for stakeholders through enhanced business activity is being accomplished. Two consecutive years of more than 60% steep growth are evidence of the hard work and commitment of the management and employees of the Company.

The total revenue of your Company has increased from Rs. 239.6 million in preceding year to Rs. 264.1 million in the financial year ended June 30, 2012. This 10% increase pertains primarily to increase in return on investments, which has increased from Rs. 94.1 million in the preceding year to Rs. 113.4 million in the period under review.

Income from financing has shown a flat trend as a result of not increasing the Company's' exposure in financing. The fees and commission income has shown sizable increase from a mere Rs. 4 million in 2011 to Rs. 12 million in the period under review thereby showing a 200% increase.

It is pertinent to note that revenue has increased without a corresponding increase in the administrative and other expenses which have shown a decrease of 8.6%. The administrative and other operating expenses have reduced to Rs. 57 million in the financial year ended June 30, 2012 from Rs. Rs. 62 million in the corresponding period of the preceding year.

The Company's earnings have shown improvement which is unparalleled in the industry. The current ratio of the bank and short term liquidity and medium to long term solvency has improved during the year. The Company earned a profit after tax and before depreciation and amortization of Rs. 12 million, meaning that cash profitability has been achieved after 3 years of continual losses. The Company presently is making Rs. 3 million average cash profit every quarter.

Loss Per Share

Loss per share of your Company has been Rs. (0.26) as compared to Rs. (0.70) last year. Increase in revenues and reduction in operating costs have contributed to this 62% in loss per share. It is expected that the anticipated improved revenues, particularly from spread and fee based initiatives, would enable your Company to post profits in the coming years.

Credit Rating

As an expression of confidence in your Company's performance, The Pakistan Credit Rating Agency (PACRA) have upgraded the long-term credit rating of the Company from "BBB-" (Triple B Minus) to "BBB" (Triple B) and "Stable Outlook" has been improved to "Positive Outlook" thereby showing an improvement in the Company's capacity for timely payment of financial commitments as on March 14, 2012. The Short Term ratings have been maintained at A-3 (Single A three).

We are pleased to report that your Company is the only one in the investment banking sector that has a positive outlook and whose long term entity ratings have improved during the year.

Board Meetings

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

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

Directors	Meetings Held during tenor	Attended
Mr. Bairam Qureishy	4	3
Ms. Shazia Bashir	4	4
Mr. Tajamal Hussain Bokharee	4	2
Mr. Mutahir Ahmed	4	3
Mr. Zulfiqar Ali Khan	4	4
Mr. Muhammad Sharif Baqir	4	3
Mr. Agha Mahmood Amjad	4	3

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

Pattern of shareholding

There were 497 shareholders of the Company as at 30 June 2012. The pattern of shareholding disclosing the aggregate number of shares held by various categories of shareholders appears at the end of this annual report.

Value of Provident Fund Investment

The Company operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund @ 10% of basic salary. Based on latest audited financial statements of the fund the value of its investment as at June 30, 2012 works out to Rs. 7.18 million and cash at bank balances amount to Rs. 1.15 million.

Changes in Shareholding

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

CEO's Review

The Board endorses CEO's review for the year ended 30 June 2012.

Internal Audit Function

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

Auditors

The Bank's external auditors M/s Zahid Jamil & Co, Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board and Audit Committee recommended their appointment.

Corporate Social Responsibilities

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

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

Future Outlook

The capital markets are expected to improve. The Company is readily equipped to manage higher business volumes in the brokerage business. Many new equity traders have been inducted in the brokerage arm of the group Escorts Capital Limited (ESCAP). The new sales team is increasing the brokerage revenue every month. For the first time in the history of your Company, institutional brokerage clients have been introduced and have started doing sizable business with us. The growth in this line of business is expected to materially contribute to the bottom line of your Company. Market making in Gold contracts in Pakistan Mercantile Exchange is also expected to contribute to the income streams of your Company.

Your Company has accomplished cash profitability and it now is on track to recognize higher profits going forward. The funds management and treasury functions are making higher returns for the Company and are expected to improve significantly in the near future. The financing against shares of your Company and in the capital markets has also increased in volume with improved rates of returns. The Company is expected to earn high yield on its funds placed in financing against shares. Expected tax refunds in the near future would provide liquidity that would be used to improve the net profitability of the Company. The reduction in discount rate has also led us to reduce the borrowing costs which would translate into reduced cost of capital and improve profitability.

Acknowledgement

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

For and on behalf of Board

Shazia Bashir

President and Chief Executive Officer

Director

Lahore: September 28, 2012

Financial Highlights

Last Eight Years of Escorts Bank At a Glance

	(Rupees in '000')							
	2012	2011	2010	2009	2008	2007	2006	2005
FINANCIAL DATA								
Share Capital	441,000	441,000	441,000	441,000	441,000	441,000	441,000	300,000
Share Deposit Money	-	-	-	-	-	-	-	85,795
Reserves	34,575	45,895	76,973	156,403	410,850	361,233	319,269	154,218
Shareholders' Equity	475,575	486,895	517,973	597,403	851,850	802,233	760,269	540,013
Deposits	659,261	691,974	580,862	413,733	1,327,061	2,081,408	1,480,153	1,099,510
Borrowings from Financial Institutions	599,349	809,821	304,763	438,563	2,983,208	2,770,032	2,206,358	2,307,443
Total Liabilities	1,700,946	1,888,768	1,307,045	1,510,240	5,645,060	5,132,427	4,115,488	3,661,020
Tangible Fixed Assets	138,188	110,296	122,008	137,981	166,115	159,142	136,629	123,898
Intangible Fixed Assets	1,444	2,311	-	-	35,917	44,087	45,087	44,105
Capital Work in Progress	-	-	2,100	1,300	1,300	18,036	-	-
Financing - Net of Provision	326,872	318,710	250,393	158,915	281,673	351,638	342,733	746,860
Net Investment in Finance Lease	5,431	11,846	21,633	35,451	72,272	64,949	30,948	-
Investments & Placements	984,310	1,351,149	789,845	1,096,536	4,631,475	4,671,168	3,710,283	2,266,564
Total Assets	2,176,521	2,375,663	1,825,018	2,107,643	6,496,909	5,934,660	4,875,757	4,177,687
OPERATING RESULTS								
Total Revenue	264,110	239,698	182,339	356,524	837,164	841,512	716,284	488,658
Markup Expense	218,037	197,796	159,061	270,646	482,477	472,673	306,870	158,418
Operating & Other Expenses	68,057	75,832	103,498	153,678	251,038	226,953	200,688	149,825
Provision against Non-Performing Loans	49	(321)	(3,357)	3,802	9,134	684	10,772	26,345
(Loss)/profit before Tax	(22,033)	(34,021)	(79,598)	(166,002)	94,512	141,201	197,955	134,071
(Loss)/profit after Tax	(11,320)	(31,078)	(79,430)	(166,247)	137,817	130,164	186,051	129,401
Dividend (%)	-	-	-	-	20.00	20.00	20.00	20
FINANCIAL RATIOS								
(Loss)/earnings per Share (Rs.)	(0.26)	(0.70)	(1.80)	(3.77)	3.13	2.95	4.44	3.77
Net Asset Value per Share (Rs.)	10.78	11.04	11.74	13.54	19.32	18.19	17.24	15.14
Market Value per Share (Rs.)	1.95	1.80	2.89	2.40	12.68	16.40	16.00	10.60
High	2.95	3.85	4.30	11.99	20.10	17.40	21.55	21.50
Low	1.10	1.10	1.55	2.40	11.00	13.00	9.85	9.80
Price Earning Ratio	-	-	-	-	4.06	5.56	3.60	2.81
Dividend per Share (Rs.)	-	-	-	-	2.00	2.00	2.00	2.00
Dividend Yield (%)	-	-	-	-	15.77	12.20	12.50	18.87
Dividend Payout Ratio(%)	-	-	-	-	64.00	67.76	45.00	53.05
(Loss)/profit Before Tax Ratio (%)	(8.34)	(14.19)	(43.65)	(46.63)	11.29	16.78	27.64	27.44
Revenue to Expenses (Times)	0.92	0.87	0.70	0.69	1.13	1.20	1.38	1.38
Return on Average Assets (%)	-	-	-	-	2.22	2.41	4.11	3.74
Return on Capital Employed (%)	-	-	-	-	16.66	16.66	28.62	29.78
Total Assets Turnover Ratio (Times)	0.12	0.10	0.10	0.17	0.13	0.16	0.16	0.14
Advances to Deposits (Times)	0.50	0.47	0.35	0.30	0.21	0.17	0.23	0.68
Borrowings to Equity (Times)	0.79	0.60	1.70	2.33	5.06	6.05	4.85	6.31
Total Liabilities to Equity (Times)	3.58	3.88	2.52	2.52	6.63	6.40	5.41	6.78

Statement of Compliance with the Code of Corporate Governance

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

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

1. The Company encourages representation of independent non- executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors including five independent directors. The Company has on its Board one director representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including Escorts Investment Bank Limited.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC or being a member of stock exchange, has been declared a defaulter by that stock exchange.
4. Two Casual vacancies occurred in the Board of Directors during the year which were filled.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Company has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant polices alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Directors have been taken by the Board.
8. The meetings on the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings alongwith agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. No specific orientation course was held during the year, however, the management continues to apprise and familiarize with changes in law to discharge their duties and responsibilities.
10. The CFO, Company Secretary and head of Internal Audit have executed their responsibilities pursuant to the approved appointment by the Board. Their remuneration and terms and conditions of employment, were determined by the CEO with the approval of the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function that has been outsourced to M/s Nasir Javaid Maqsood Imran Ashfaq Chartered Accountants. A team of suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company have been deployed on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The related party transactions have been reviewed and approved by the Board of Directors and placed before the Audit Committee in accordance with the listing regulations of stock exchanges.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. All significant issues have been discussed in board meetings as per requirements of code of corporate governance.
22. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer

Director

Lahore: September 28, 2012

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

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

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi and Lahore Stock Exchanges require the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the code of Corporate Governance for the year ended June 30, 2012.

Lahore

Date: September 28, 2012

Engagement Partner: Muhammad Amin

Zahid Jamil & Company

Chartered Accountants

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

Business Practices

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

Shareholders

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

Customers

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

Employees

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

Society

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

Business Integrity

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

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

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

Reliability and Reporting

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

Economic Principles

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

Political Activities

The Company believes in staying detached from all political activities.

Health and Safety

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

Statement of Compliance with Best Practices on Transfer Pricing for the Year Ended 30 June 2012



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

For and on behalf of the Board

Shazia Bashir
Chief Executive Officer

Lahore: September 28, 2012

Auditors' Report to the Members

We have audited the annexed balance sheet of ESCORTS INVESTMENT BANK LIMITED ("the company") as at JUNE 30, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at JUNE 30, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII OF 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to:

- (i) note # 2.2. to the accompanying financial statements which indicate that the company's equity as at June 30, 2012 has fallen below the minimum equity required under regulation 4 of NBFC and Notified Entities Regulations 2008.

Lahore
Date: September 28, 2012
(Engagement Partner: Muhammad Amin)

Zahid Jamil & Company
Chartered Accountants

Balance Sheet

as at 30 June 2012

ESCORTS
BANK

	Note	2012 Rupees	2011 Rupees
			Restated
ASSETS			
Non-current Assets			
Fixed assets	7	106,182,817	79,157,239
Cards and rooms	8	33,450,000	33,450,000
Long term investment in subsidiary company	9	175,004,000	175,004,000
Long term investments	10	100,994,410	157,234,280
Long term finances	11	128,631,816	118,675,095
Net investment in lease finance	12	-	1,087,592
Long term loans and advances	13	50,877,595	892,189
Long term deposits and prepayments	14	9,029,428	2,827,226
Deferred tax asset	15	95,555,063	82,481,269
		699,725,129	650,808,890
Current Assets			
Current maturities of non-current assets	16	110,144,097	462,878,570
Short term investments	17	112,086,491	43,638,146
Short term finances	18	147,963,572	117,525,245
Short term placements	19	720,647,460	796,533,715
Advances	20	3,518,121	2,628,480
Short term deposits and prepayments	21	22,558,586	17,379,404
Interest accrued		24,987,555	28,272,191
Other receivables	22	68,265,935	18,612,060
Tax refunds due from the government		230,689,984	219,944,925
Cash and bank balances	23	35,934,136	17,441,234
		1,476,795,937	1,724,853,970
		2,176,521,066	2,375,662,860
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	24	441,000,000	441,000,000
Reserves	25	34,574,874	45,894,888
		475,574,874	486,894,888
Surplus on revaluation of fixed assets	26	38,208,529	-
Deficit on revaluation of investments	27	(7,142,277)	(2,498,330)
Non-Current Liabilities			
Term finance certificates	28	72,572,347	-
Long term certificates of deposit	29	164,380,933	117,263,665
Long term security deposit	30	-	539,465
Current Liabilities			
Current maturities of non-current liabilities	31	112,684,208	315,694,798
Short term borrowings	32	599,348,500	809,820,762
Running finance - Secured	33	-	50,000,600
Short term certificates of deposit	34	434,629,006	431,960,826
Accrued markup	35	17,221,726	20,455,206
Trade and other payables	36	234,559,857	113,408,241
Provision for taxation	37	34,483,363	32,122,739
		1,432,926,660	1,773,463,172
Contingencies and Commitments	38	-	-
		2,176,521,066	2,375,662,860

The annexed notes 1 to 56 form an integral part of these financial statements.

Chief Executive Officer

Director

Profit and Loss Account

for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
INCOME			
Profit on financing	39	59,766,881	59,075,321
Mark-up on lease finance		123,889	1,041,404
Return on placements	40	65,940,280	76,501,100
Return on investments	41	113,441,715	94,193,245
Fees and commission		12,020,525	4,012,000
Profit on bank deposits		1,155,739	1,348,623
Other income		11,661,177	3,526,577
		264,110,206	239,698,270
EXPENSES			
Return on certificates of deposit		77,389,781	84,324,847
Return on term finance certificates		14,521,932	37,304,824
Mark-up on short term running finance		1,035,575	1,746,376
Mark-up on borrowings from financial institutions		125,090,417	74,420,572
Amortization of premium on held to maturity investments		10,078,584	13,204,346
Administrative and other operating expenses	42	57,128,216	62,496,972
Impairment on available for sale investments		-	412,303
Other financial charges		849,551	130,748
		286,094,056	274,040,988
Operating loss before provisions and taxation		(21,983,850)	(34,342,718)
(Provision) / reversal for doubtful finances		(49,334)	321,482
Loss before taxation		(22,033,184)	(34,021,236)
Taxation-Net	43	10,713,170	2,942,978
Loss after taxation		(11,320,014)	(31,078,258)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(11,320,014)	(31,078,258)
Loss per share-basic and diluted	44	(0.26)	(0.70)

The annexed notes 1 to 56 form an integral part of these financial statements.

Chief Executive Officer

Director

Cash Flow Statement

for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
		Restated
Cash flow from operating activities		
Loss before taxation	(22,033,184)	(34,021,236)
Adjustment for non cash expenses and other items:		
Dividend Income	(66,338,290)	(43,225,584)
Depreciation on property and equipment	10,187,074	11,215,195
Amortization on intangible assets	866,580	288,860
Provision for doubtful finances	(49,334)	(321,482)
Amortization of premium on held to maturity investments	10,078,584	13,204,346
Amortization of issuance cost of listed TFCs	2,739,591	1,573,296
Gain on sale of fixed assets	(299,319)	(1,098,093)
Fair value loss on held for trading investments	718,982	64,900
Impairment loss on available for sale investments	-	412,303
	(42,096,132)	(17,886,259)
	(64,129,316)	(51,907,495)
Decrease/ (Increase) in operating assets		
Disbursements of finances - net	(8,112,531)	(68,055,907)
Net investment in lease finance	2,915,914	7,005,096
Placements	75,886,255	(596,533,715)
Investments - net	286,297,559	1,082,869
Long term and short term advances	(50,909,568)	(2,032,619)
Interest Accrued	3,284,636	(6,658,544)
Other receivables	(49,653,875)	999,926
Deposits and prepayments	(10,120,280)	(20,363,566)
	249,588,110	(684,556,460)
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	(210,472,262)	505,057,658
Certificates of deposit	(32,713,311)	111,111,486
Running finance facilities	(50,000,600)	50,000,600
Accrued markup	(3,233,480)	131,428
Trade and other payables	121,151,616	94,760,937
	(175,268,037)	761,062,109
Net changes in operating assets and liabilities	74,320,073	76,505,649
Net cash generated from operating activities before taxes	10,190,757	24,598,154
Tax (paid) / refund	(10,745,059)	105,924,684
Net cash (used in) / generated from operating activities	(554,302)	130,522,838

	2012 Rupees	2011 Rupees
		Restated
Cash flow from investing activities		
Fixed capital expenditure incurred	(191,500)	(657,500)
Dividend received	66,338,290	43,225,584
Proceeds from sale of fixed assets	620,115	1,752,096
Net cash generated from investing activities	66,766,905	44,320,180
Cash flow from financing activities		
Redemption of listed term finance certificates	(47,719,701)	(166,534,000)
Dividend paid	-	(270)
Repayment of lease obligation	-	(361,497)
Net cash used in financing activities	(47,719,701)	(166,895,767)
Net increase in cash and cash equivalents	18,492,902	7,947,251
Cash and cash equivalents at the beginning of the year	17,441,234	9,493,983
Cash and cash equivalents at the end of the year	35,934,136	17,441,234

The annexed notes 1 to 56 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Changes in Equity

for the year ended 30 June 2012

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated loss Rupees	Total Rupees
Balance as at July 01, 2010	441,000,000	154,050,085	(77,076,939)	517,973,146
Net loss for the year	-	-	(31,078,258)	(31,078,258)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(31,078,258)	(31,078,258)
Balance as at June 30, 2011	441,000,000	154,050,085	(108,155,197)	486,894,888
Net loss for the year	-	-	(11,320,014)	(11,320,014)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(11,320,014)	(11,320,014)
Balance as at June 30, 2012	441,000,000	154,050,085	(119,475,211)	475,574,874

The annexed notes 1 to 56 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to the Financial Statements

for the year ended June 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited (“the Company”) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 on 15 May 1995. The Company started its commercial operations on 16 October 1996 and is listed on the Karachi and Lahore stock exchanges. The Company is licensed to carry out investment finance services, as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term credit rating of the Company to “BBB” (Triple B) and maintained the short-term rating at “A3” (A three) dated 14 March 2012. A “positive Outlook” has been assigned to these ratings. The ratings denotes an adequate capacity of timely payment of financial commitments (Previous: BBB-/A3).

These financial statements are the separate financial statements of the Company. In addition to these financial statements, consolidated financial statements of the Company and its subsidiary company, Escorts Capital Limited, have also been prepared.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, ‘Financial Instruments: Recognition and Measurement’ and International Accounting Standard (IAS) 40, ‘Investment Property’ through Circular No. 19 dated August 13, 2003 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, ‘Financial Instruments: Disclosures’ through SRO 411(1) / 2008 on such NBFCs which are engaged in investment finance services, discounting services and housing finance services.

- 2.2 The financial statements of the Company reflect that the equity of the Company as at June 30, 2012 is Rs.475.574 million which is below the minimum capital required under NBFC Regulations 2008. The NBFC Reforms Process initiated by Securities and Exchange Commission of Pakistan is also underway and it is expected that the minimum equity requirement would be revised as a result. The management is confident and committed that the equity requirement would be met through internal resources including retained earnings.

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from improvement to IFRSs
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Replacement of fixed date for certain exemptions with a date of transition to IFRSs
- IFRS 7 Financial Instruments: Disclosures - Amendments resulting from improvement to IFRSs
- IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosure about transfer of financial assets
- IAS 1 Presentation of Financial Statements - Amendment resulting from improvement to IFRSs
- IAS 12 Income taxes - Recovery of underlying assets
- IAS 24 Related Party Disclosures - Revised definition of related parties
- IAS 34 Interim Financial Reporting - Amendments resulting from improvement to IFRSs
- IFRIC 13 Customer Loyalty Programmes - Amendments resulting from improvement to IFRSs
- IFRIC 14 IAS 19 - The Limits on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (Amendments)

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

3. FIXED ASSETS

3.1 Property and equipment

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

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

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

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

Major renewals and improvements are capitalized.

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

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

Intangible assets

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

	Rate in %
Computer software	33.33

3.2 Assets subject to finance lease

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

3.3 Cards and Rooms

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

3.4 Investments

3.4.1 Subsidiary Company

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

3.4.2 Held to maturity

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

3.4.3 Available for sale

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

3.4.4 Held for trading

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

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

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

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

Amortization cost is charged to profit and loss account.

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

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

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

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

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

3.4.5 Securities under repurchase/reverse repurchase agreements

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

Repurchase agreements

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

Reverse repurchase agreements

Investments purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

3.4.6 Trade date accounting

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

3.5 Net investment in lease finance

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

3.6 Cash and cash equivalents

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

3.7 Financial instruments

3.7.1 Financial assets

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

3.7.2 Financial liabilities

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

3.7.3 Derivatives

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

3.7.4 Recognition and derecognition

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

3.7.5 Offsetting of financial assets and financial liabilities

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

3.8 Provisions

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

3.9 Redeemable capital - Term finance certificates

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

3.10 Staff retirement benefits

Employees compensated absences

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

Provident fund

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

3.11 Revenue recognition

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

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

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

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

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

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

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

3.12 Return on deposits and borrowings

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

3.13 Taxation

Current

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

Deferred

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

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

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

3.14 Operating segment

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

Business segments

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

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

Financing activities

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

Investment activities

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

3.15 Related party transactions

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

3.16 Impairment

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

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

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

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

3.17 Dividend distributions and appropriations

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

- i) Provision for taxation and deferred tax (Notes 37 and 15)
- ii) Classification and valuation of investments (Notes 10, 17 and 19)
- iii) Determination and measurement of useful life and residual value of property and equipment (Note 7)
- iv) Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables (Notes 11.6, 12.2, 18.3 and 22.2.1)
- v) Impairment of investments (Note 10.1 and 17)

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

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

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IFRS 7 Offsetting Financial Assets and Financial Liabilities (Ammendments to IFRS 7)	1-Jan-13
IFRS 9 Financial Instruments - Classification and Measurement	1-Jan-15
IFRS 10 Consolidated Financial Statements	1-Jan-13
IFRS 11 Joint Arrangements	1-Jan-13
IFRS 12 Disclosure of Interest in Other Entities	1-Jan-13
IFRS 13 Fair Value Measurement	1-Jan-13
IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented	1-Jul-12
IAS 19 Employee Benefits - Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	1-Jan-13
IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1-Jan-13
IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	1-Jan-13
IAS 32 Offsetting Financial Assets and Financial Liabilitie (Ammendments to IAS 32)	1-Jan-14
IFRIC 20 Stripping cost in the production phase of a surface mining	1-Jan-13

6. RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS

Because of changes in NBFC Regulations in 2008, the Company had to conclude its brokerage business under the Investment Finance Services License. The Company started the process of intimating its brokerage clients to close their accounts with the Company in compliance with these regulations. Most of the account holders have closed their accounts accordingly. Certain accounts could not be transferred/closed because of non receipt of response from the holders despite repeated reminders. The management has decided to record these on balance sheet as an asset and a corresponding liability of the same amount and the financial statements of the year 2011 have been restated to take effect of these. The effect of the restatement on those financial statements is summarised below and there is no effect in the year 2012.

	Note	Effect on 2011 (Rupees)
Increase in short term investments - Held for trading - Others	17.2	10,787,342
Increase in Trade and other payables - Accrued Expenses and Other Payables	36.1	(10,787,342)
		-

	Note	2012 Rupees	2011 Rupees
7. FIXED ASSETS			
Tangible			
Property and equipment	7.1	104,738,257	76,846,099
Intangible assets	7.2	1,444,560	2,311,140
		106,182,817	79,157,239

7.1 Property and equipment

	Cost			Depreciation			Net book value as at 30 June 2012	
	As at 01 July 2011	Additions/ revaluation*/ (disposals)	As at 30 June 2012	As at 01 July 2011	For the year	(Disposals)		As at 30 June 2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned								
Free-hold premises	89,692,600	38,208,529*	127,901,129	27,281,499	4,484,630	-	31,766,129	96,135,000
Lease-hold improvements	13,827,516	-	13,827,516	9,906,168	2,223,767	-	12,129,935	1,697,581
Free-hold improvements	6,712,240	-	6,712,240	4,362,956	1,342,448	-	5,705,404	1,006,836
Office furniture and fixtures	4,480,617	-	4,263,252	2,336,631	404,453	(90,532)	2,650,552	1,612,700
		(217,365)						
Computer equipments	7,352,802	191,500	7,544,302	7,159,703	123,985	-	7,283,688	260,614
Office equipments	9,064,242	-	8,536,292	4,465,480	819,850	(333,986)	4,951,344	3,584,948
		(527,950)						
Vehicles	10,787,093	-	10,787,093	9,558,574	787,941	-	10,346,515	440,578
	141,917,110	38,400,029	179,571,824	65,071,011	10,187,074	(424,518)	74,833,567	104,738,257
		(745,315)				-		
Leased								
Vehicles	8,992,300	-	8,992,300	8,992,300	-	-	8,992,300	-
2012	150,909,410	37,654,714	188,564,124	74,063,311	10,187,074	(424,518)	83,825,867	104,738,257

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

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

	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain / (loss) Rupees	Mode of Disposal	Particulars of Purchaser
Office furniture and fixtures	217,365	(90,532)	126,833	217,365	90,532	Negotiations	Sold to Essem Hotel Limited (Associated Company)
Office Equipments	527,950	(333,987)	193,963	402,750	208,787	Negotiations	Sold to Essem Hotel Limited (Associated Company)
	745,315	(424,519)	320,796	620,115	299,319		

7.2 Intangible assets

	Cost			Amortization			Net book value as at 30 June 2012		
	As at 01 July 2011	Additions/ (disposals)	As at 30 June 2012	As at 01 July 2011	For the year	(Disposals)			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Computer Software									
2012		2,600,000	-	2,600,000	288,860	866,580	-	1,155,440	1,444,560
2011		-	2,600,000	2,600,000	-	288,860	-	288,860	2,311,140

	2012 Rupees	2011 Rupees
8. CARDS AND ROOMS		
Corporate membership of Pakistan Mercantile Exchange Limited	750,000	750,000
Rooms	32,700,000	32,700,000
	33,450,000	33,450,000
9. LONG TERM INVESTMENT IN SUBSIDIARY COMPANY		
Escorts Capital Limited - Unlisted 17,500,000 (2011: 17,500,000) ordinary shares of Rs. 10 each Holding 99% (2011: 99%)	175,004,000	175,004,000

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

		2012 Rupees	2011 Rupees
10.	LONG TERM INVESTMENTS		
	Held to maturity		
	Pakistan Investment Bonds (PIBs)	10.1 151,577,022	511,655,606
	Term Finance Certificates - Unlisted	10.2 -	10,108,833
		151,577,022	521,764,439
	Less: Current maturity of Term Finance Certificates	16 -	6,070,903
	Less: Current maturity of Pakistan Investment Bonds	16 50,582,612	358,459,256
		100,994,410	157,234,280
	10.1 Pakistan Investment Bonds (PIBs)		
	Cost	606,221,300	606,221,300
	Less: Amortization - Opening	74,565,694	61,361,348
	Charged during the year	10,078,584	13,204,346
		521,577,022	531,655,606
	Less: Impairment loss	20,000,000	20,000,000
	Matured/ sold during the year	350,000,000	-
		151,577,022	511,655,606

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having market value of Rs 129.655 million (2011: 468.422 million). Period to maturity of these investments range from 1.5 months to 12 years and carry mark-up at rates (coupon rate) ranging from 10% to 11% per annum (2011: 10% to 12% per annum). PIBs having face value of Rs. 150 million (2011: Rs. 363 million) are held by other financial institutions as security under repurchase transactions.

10.1.1 Encumbered and un-encumbered - Face value

	2012			2011		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	-	150,000,000	150,000,000	137,000,000	363,000,000	500,000,000

		2012 Rupees	2011 Rupees
10.2	Term finance certificates-Unlisted		
	Secured		
	New Khan Transport Company (Private) Limited	-	10,108,833

	Note	2012 Rupees	2011 Rupees
11. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	11.1	4,411,803	3,953,942
Subsidiary Company	11.2	100,000,000	100,000,000
Executives	11.3	21,658,626	26,070,823
		126,070,429	130,024,765
Others - Secured and considered good	11.4	47,122,471	65,770,132
		173,192,900	195,794,897
Considered doubtful			
Others	11.5	38,406,732	38,686,376
Less: Provision for doubtful finances	11.6	32,691,426	33,296,605
		5,715,306	5,389,771
		178,908,206	201,184,668
Less: Current maturity	16	50,276,390	82,509,573
		128,631,816	118,675,095

11.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 2.4 years to 5 years (2011: 2.4 years to 5 years), carrying mark-up rate ranging from 14% to 18% per annum. (2011: 14% to 18% per annum).

	2012 Rupees	2011 Rupees
The maximum balance outstanding at the end of any month during the year was:		
Escorts Pakistan Limited	4,509,111	3,617,326
Essem Hotel Limited	336,616	336,616

11.2 Subsidiary company

These represent finance provided against current and fixed present and future moveable and immoveable assets of the Company to Escorts Capital Limited, for a period of 3 years and carries markup at the rate of 16% per annum (2011: 18 % per annum).

11.3 Executives

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

	CEO Rupees	Executives Rupees	2012 Rupees	2011 Rupees
Opening Balance	19,633,110	6,437,713	26,070,823	862,504
Disbursements during the year	-	-	-	26,638,400
	19,633,110	6,437,713	26,070,823	27,500,904
Less: Repayments during the year	659,539	3,752,658	4,412,197	1,430,081
	18,973,571	2,685,055	21,658,626	26,070,823
The maximum balance outstanding at the end of any month during the year.			19,633,110	19,948,368

11.4 These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 14% to 20.86% per annum (2011: 12.50% to 20.86% per annum).

11.5 These finance facilities are secured by ranking charge on assets and pledge of stocks for a period up to 5 years. The expected rate of return range from 14% to 17% per annum (2011: 15% to 17% per annum).

		2012 Rupees	2011 Rupees
11.6 Particulars of provision for doubtful finances			
Opening balance		33,296,605	33,618,087
Reversal for the year		(605,179)	(321,482)
Closing balance		32,691,426	33,296,605
12. NET INVESTMENT IN LEASE FINANCE			
Net investment in lease finance	12.1	6,238,907	11,999,146
Less: Provision for doubtful leases	12.2	807,841	153,328
		5,431,066	11,845,818
Less: Current maturity	16	5,431,066	10,758,226
		-	1,087,592

12.1. Particulars of net investment in lease finance

	2012			2011
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	2,062,484	-	2,062,484	4,440,001
Add: Residual value	4,502,550	-	4,502,550	8,001,388
Gross investment in lease finance	6,565,034	-	6,565,034	12,441,389
Less: Unearned finance income	326,127	-	326,127	442,243
Net investment in lease finance	6,238,907	-	6,238,907	11,999,146

12.1.1 The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility range from 10% to 45% (2011: 10% to 50%). Leased assets are insured in favor of the Company. The rate of return range from 15% to 17 % per annum (2011: 13.00% to 18.31% per annum). Penalty is charged in case of delayed payment. These leases pertain to previous years as the company does not have license for lease now.

12.1.2 As per the prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 0.945 million (2011: 2.074 million) at the end of current year.

		2012 Rupees	2011 Rupees
12.2 Particulars of provision for doubtful leases			
		153,328	153,328
		654,513	-
		807,841	153,328
13. LONG TERM LOANS AND ADVANCES			
Loan to staff - Unsecured, considered good			
Executives - Related parties	13.1	1,323,332	1,278,847
Other employees		675,556	700,114
		1,998,888	1,978,961
Less: Current maturity	16	1,121,293	1,086,772
		877,595	892,189
Advances			
Margin / price difference on ready futures		50,000,000	-
		50,877,595	892,189

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

	2012	2011
	Rupees	Rupees
Opening Balance	1,278,847	1,091,541
Add: Transferred to executive category	-	180,243
Add: Disbursements during the year	562,063	1,005,288
	1,840,910	2,277,072
Less: Repayments during the year	517,578	998,225
	1,323,332	1,278,847
The maximum balance outstanding from executives at the end of any month during the year:	1,342,600	2,190,623
14. LONG TERM DEPOSITS AND PREPAYMENTS		
Security deposits	3,504,950	654,950
Prepayments	8,257,214	6,166,116
	11,762,164	6,821,066
Less: Current maturity	16 2,732,736	3,993,840
	9,029,428	2,827,226
15. DEFERRED TAX ASSET		
Taxable temporary differences		
Fixed assets	(12,384,191)	(13,116,240)
Deductible temporary differences		
Investments	37,507,487	28,801,874
Finances and receivables	23,396,254	20,836,317
Trade and other payables	(387,796)	368,680
Finance lease	301,419	1,612,193
Tax losses	47,121,890	43,978,445
	95,555,063	82,481,269
15.1 Movement in deferred tax asse		
Opening balance	82,481,269	76,475,390
Provision during the year	13,073,794	6,005,879
Closing balance	95,555,063	82,481,269

15.2 The Company recognized deferred tax asset in respect of carry forward losses and unabsorbed tax depreciation. The management of the company believes that based on the projections of future taxable profits, it would be able to realize these tax losses in the future.

		2012 Rupees	2011 Rupees
16. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Term finance certificates	10	-	6,070,903
Pakistan Investment Bonds	10	50,582,612	358,459,256
Long term finances	11	50,276,390	82,509,573
Net investment in lease finance	12	5,431,066	10,758,226
Long term loans and advances	13	1,121,293	1,086,772
Long term deposits and prepayments	14	2,732,736	3,993,840
		110,144,097	462,878,570

		2012 Rupees	2011 Rupees
17. SHORT TERM INVESTMENTS			Restated
Held for Trading			
Listed shares / units	17.1	6,876,527	569,500
Commodities - Gold		13,912,413	-
Others	17.2	12,113,531	10,787,342
Available for sale			
Listed Term Finance Certificates	17.3	1,642,368	3,284,736
Listed shares / units	17.4	85,402,911	31,972,101
Impairment loss		-	(412,303)
		119,947,750	46,201,376
Deficit on revaluation		(7,861,259)	(2,563,230)
		112,086,491	43,638,146

17.1 Particulars of listed shares / units - Held for Trading

No. of Certificates		N A M E	2012		2011	
			Carrying value	Market value	Carrying value	Market value
2012	2011		Rupees	Rupees	Rupees	Rupees
Commercial Banks						
-	10,000	National Bank of Pakistan Limited	-	-	569,500	504,600
5,830		- Askari Bank Limited	78,767	79,113	-	-
50,000		- JS Bank Limited	346,500	255,000	-	-
Non Life Insurance						
46,268		- Pakistan Reinsurance Company Limited	815,380	791,645	-	-
Fertilizer						
2,500		- Engro Corporation Limited	261,901	254,600	-	-
5,200		- Fauji Fertilizer Company Limited	605,341	577,460	-	-
Financial Services						
25,000		- JS Investment Limited	377,000	182,750	-	-

No. of Certificates 2012		N A M E	2012		2011	
			Carrying value Rupees	Market value Rupees	Carrying value Rupees	Market value Rupees
		Oil and Gas				
18,000		- Pakistan Petroleum Limited	3,516,378	3,389,220	-	-
		Construction and Materials (Cement)				
80,000		- Al- Abbas Cement Industries Limited	535,050	384,000	-	-
		Personal Goods (Textile)				
15,001		- Azgard Nine Limited	146,810	96,006	-	-
		Chemicals				
15,000		- Engro Polymer & Chemicals Limited	193,400	147,750	-	-
262,799	10,000		6,876,527	6,157,544	569,500	504,600

17.2. Others

This represents investments in various listed companies shares. (Refer note # 6)

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

No. of Certificates 2012		N A M E	2012		2011	
			Cost Rupees	Market value Rupees	Cost Rupees	Market value Rupees
1,316	1,316	Faysal Bank Limited (RBS)	1,642,368	1,651,196	3,284,736	3,319,268
1,316	1,316		1,642,368	1,651,196	3,284,736	3,319,268

Other particulars of listed TFCs are as follows:

Particulars	Certificate denomination	Profit rate per annum	Profit payments	Maturity date
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Commercial Banks

Faysal Bank Limited	5,000	1.90 % over 6 Months KIBOR	Semi annually	10 February 2013
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17.4 Particulars of listed shares / units - Available for sale investments

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

No. of Shares/Units		N A M E	2012		2011	
			Carrying value	Market value	Carrying value	Market value
2012	2011		Rupees	Rupees	Rupees	Rupees
Mutual Fund - Open End						
49	49	Dawood Capital Management Fund	281	66	281	75
10,000	10,000	Pakistan Premier Fund	41,032	97,500	41,032	96,700
Power Generation and Distribution						
10,000	10,000	Kot Addu Power Company Limited	430,000	450,000	430,000	427,900
45,000	35,000	Hub Power Company Limited	1,799,025	1,885,050	1,323,625	1,312,500
Commercial Banks						
150,000	10,000	Bank Alfalah Limited	2,494,653	2,565,000	108,233	95,900
36,000	31,444	MCB Bank Limited	6,750,739	5,984,640	6,509,170	6,257,356
217,531	62,500	National Bank of Pakistan	10,383,353	9,471,300	3,688,950	3,153,750
-	15,000	United Bank Limited	-	-	972,442	930,000
343,000	-	Askari Bank Limited	5,253,401	4,654,510	-	-
38,500	-	Habib Bank Limited	4,243,499	4,344,340	-	-
100,000	-	JS Bank Limited	708,000	510,000	-	-
560,000	-	Samba Bank Limited	1,505,685	1,288,000	-	-
50,000	-	Silk Bank Limited	134,000	105,500	-	-
144,686	-	Soneri Bank Limited	1,214,245	1,069,230	-	-
Non Life Insurance						
-	8,152	EFU General Insurance Company Limited	-	-	400,589	287,766
Life Insurance						
2,000	-	EFU Life Assurance Limited	168,633	152,620	-	-
Fertilizer						
22,900	10,000	Engro Corporation Limited	2,505,718	2,332,136	2,008,400	1,632,500
Investment Companies						
25,000	50,000	Jahangir Siddique & Company Ltd.	568,500	310,250	890,815	327,500
Oil and Gas Exploration Companies						
67,990	48,000	Pakistan Petroleum Limited	13,091,243	12,801,837	10,222,622	9,948,000
35,000	-	Pakistan Oilfields Limited	13,444,122	12,842,900	-	-
Cement						
200,000	30,000	D.G Khan Cement Company Limited	9,140,639	7,876,000	729,690	691,800
-	15,582	Lucky Cement Company Limited	-	-	1,150,885	1,101,650
72,999	-	Fauji Cement Company Limited	481,254	410,984	-	-
100,000	-	Lafarge Pakistan Cement Limited	544,500	432,000	-	-
Textile Composite						
86,001	31,001	Nishat Mills Limited	4,874,236	4,091,928	1,938,977	1,560,900

No. of Shares/Units	N A M E	2012		2011	
		Carrying value	Market value	Carrying value	Market value
2012	2011	Rupees	Rupees	Rupees	Rupees
	Chemical				
103,000	- Fatima Fertilizer Company Limited	2,758,111	2,541,010	-	-
7,500	- Fauji Fertilizer Company Limited	872,625	832,875	-	-
171,000	46,000 Lotee Pakistan PTA Limited	1,995,417	1,202,130	791,990	636,640
	Technology & Communication				
-	40,000 Pakistan Telecommunication Limited	-	-	764,400	566,000
2,598,156	452,728	85,402,911	78,251,806	31,972,101	29,026,937

	Note	2012 Rupees	2011 Rupees
18. SHORT TERM FINANCES			
Secured and considered good			
Associated companies	18.1	73,913,410	73,913,409
Others	18.2	74,050,162	43,611,836
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	18.3	13,767,834	13,767,834
		-	-
		147,963,572	117,525,245

18.1 This is provided to Escorts Pakistan Limited and secured against mortgage of property, carry markup at the rate of 16% p.a (2011: 16% p.a) payable on quarterly basis.

18.2 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return range from 12% to 18% per annum (2011: 12% to 18% per annum). These include finances against pledge of listed shares and Company's own Certificates of Deposit amounting to Rs. 2.423 million (2011: Rs. 22.66 million), while Rs. 23.742 million (2011: Rs. 14.709 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

	2012 Rupees	2011 Rupees
18.3 Particulars of provision for doubtful finances:		
Opening balance	13,767,834	13,767,834
Provision/(Reversal) for the year	-	-
Closing balance	13,767,834	13,767,834

19. SHORT TERM PLACEMENTS

Considered good

This represents placements under reverse repurchase agreements with financial institutions & other corporate entities and carry mark-up ranging from 12% to 13.50% per annum (2011: 12% to 13.95% per annum).

	Note	2012 Rupees	2011 Rupees
20. ADVANCES			
Considered good			
Advances		3,518,121	2,628,480
21. SHORT TERM DEPOSITS AND PREPAYMENTS			
Short term deposits	21.1	21,989,420	16,516,736
Prepayments		569,166	862,668
		22,558,586	17,379,404

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

22. OTHER RECEIVABLES

Receivable from subsidiary Company	22.1	36,326,087	11,385,106
Receivable from clients	22.2	20,312,512	2,324,281
Other receivables		11,627,336	4,902,673
		68,265,935	18,612,060

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

22.2 Receivables from clients

Considered good		20,312,512	2,324,281
Considered doubtful		21,474,235	21,474,235
Less: Provision for doubtful receivables	22.2.1	(21,474,235)	(21,474,235)
		-	-
		20,312,512	2,324,281

22.2.1 Particulars of provision for doubtful receivables

Opening balance		21,474,235	21,474,235
Charge for the year		-	-
Closing balance		21,474,235	21,474,235

	Note	2012 Rupees	2011 Rupees
23. CASH AND BANK BALANCES			
Cash with banks		-	-
Current accounts with:			
State Bank of Pakistan		539,523	872,547
Others		983,706	6,370,389
		1,523,229	7,242,936
Saving accounts	23.1	34,410,907	10,198,298
		35,934,136	17,441,234
23.1	Rate of return on these accounts range from 5% to 8% per annum (2011: 5% to 8% per annum).		
24. SHARE CAPITAL			
Authorized share capital 50,000,000 (2011: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital 42,000,000 (2011: 42,000,000) ordinary shares of Rs. 10 each		420,000,000	420,000,000
Issued as fully paid in cash 2,100,000 (2011: 2,100,000) ordinary shares of Rs. 10 each		21,000,000	21,000,000
Issued as fully paid bonus shares		21,000,000	21,000,000
		441,000,000	441,000,000
24.1	Essem Power (Private) Limited, an associated company, holds 39.01% (2011: 39.01%) ordinary shares in the Company.		
25. RESERVES			
Capital reserve			
Statutory reserve	25.1	154,050,085	154,050,085
Revenue reserve			
Accumulated loss		(119,475,211)	(108,155,197)
		34,574,874	45,894,888

25.1 This represents special reserve created in compliance with the Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan. However, as the Company has incurred loss during the year, no amount has been transferred to the reserve.

	Note	2012 Rupees	2011 Rupees
26. SURPLUS ON REVALUATION OF FIXED ASSETS			
Building	26.1	38,208,529	-
26.1 This represents surplus arised on revaluation of building (ground floor) carried out by Maricon Consultants (Pvt) Limited dated June 29, 2012. The revalued amount is based on market values prevailing at the time of revaluation.			
27. DEFICIT ON REVALUATION OF INVESTMENTS			
Available for sale			
Listed term finance certificates		8,828	34,532
Listed shares / units		(7,151,105)	(2,532,862)
		(7,142,277)	(2,498,330)
28. TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		333,468,000	166,934,000
Redeemed during the year		41,633,000	166,534,000
		375,101,000	333,468,000
		124,899,000	166,532,000
Less: Current maturity	31	49,959,600	166,532,000
		74,939,400	-
Less: Cost on issuance/ rescheduling			
Opening balance		(1,048,842)	(2,622,138)
Rescheduling cost incurred during the year		(6,086,702)	-
Amortization for the year	42	2,739,591	1,573,296
		(4,395,953)	(1,048,842)
Less: Current maturity	31	2,028,900	1,048,842
		(2,367,053)	-
		72,572,347	-

These TFCs are rescheduled during the year for further 3 years, carry return payable semi annually, at the rate of 8% per annum (Previously 6 months KIBOR plus 2.5 bps per annum with a floor of 8% per annum and ceiling of 17% per annum for the first two years and a ceiling of 18% for the remaining period). These are secured against hypothecation of Rs. 667 million (2011: 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 revised the rating on September 21, 2011. The rating has been downgraded to 'BB' (2011: Single A) with 'Rating Watch - Developing' status.

	Note	2012 Rupees	2011 Rupees
29. LONG TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Financial institutions		-	-
Individuals		200,286,888	235,668,379
Others	29.1	24,345,003	24,345,003
	29.2	224,631,891	260,013,382
Less: Current maturity	31	60,250,958	142,749,717
		164,380,933	117,263,665

29.1 Included herein is a sum of Rs. 6.095 million (2011: Rs. 6.095 million) representing amount payable to related parties.

29.2 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 10% to 14% per annum (2011: 8.50% to 16% per annum) payable monthly, quarterly, semi-annually or on maturity.

30. LONG TERM SECURITY DEPOSIT

Security deposit	30.1	4,502,550	8,001,388
Less: Current maturity	31	4,502,550	7,461,923
		-	539,465

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

31. CURRENT MATURITIES OF NON-CURRENT LIABILITIES

Term finance certificates - listed- net of amortization cost	28	47,930,700	165,483,158
Long term certificates of deposit	29	60,250,958	142,749,717
Long term security deposit	30	4,502,550	7,461,923
		112,684,208	315,694,798

32. SHORT TERM BORROWINGS

Financial institutions - Secured	32.1	599,348,500	809,820,762
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32.1 These represents borrowings under repurchase agreements and carry mark-up ranging from 12% to 12.50% per annum (2011: 13.40% to 14% per annum) and are for a period ranging from 6 days to 33 days (2011: 6 days to one month). These are secured against pledge of PIBs.

33. RUNNING FINANCE - SECURED

The running finance facility available under mark-up arrangement from commercial bank amounts to Rs. 300 million (2011: Rs. 600 million). This facility carries mark-up at the rate 3 months KIBOR plus 150 bps per annum with no floor (2011: 3 months KIBOR plus 150 bps per annum with no floor). This facility is secured against listed shares.

	Note	2012 Rupees	2011 Rupees
34. SHORT TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Financial institutions	34.1	100,000,000	72,955,044
Individuals		314,629,006	339,005,782
Others		20,000,000	20,000,000
	34.2	434,629,006	431,960,826

34.1 This represents the certificate of deposits issued to Escorts Capital Limited (Subsidiary).

34.2 These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 13.5% per annum (2011: 6.5% to 13.75% per annum) payable monthly, quarterly, semi-annually or on maturity.

35. ACCRUED MARKUP

Secured			
Accrued return on certificates of deposit		9,887,790	10,650,799
Accrued return on term finance certificates		2,929,138	7,933,083
Accrued return on secured borrowings		4,404,798	1,871,324
		17,221,726	20,455,206

	Note	2012 Rupees	2011 Rupees
36. TRADE AND OTHER PAYABLES			Restated
Customers' credit balances		4,856,469	7,221,277
Accrued expenses and other payables	36.1 & 6	226,190,377	102,589,466
Provision for compensated absences		1,126,007	1,210,494
Unclaimed dividend		2,387,004	2,387,004
		234,559,857	113,408,241

36.1 This includes an amount of Rs. 89.486 million (2011: Rs. 70.818 million) payable on account of future purchase contracts.

37. PROVISION FOR TAXATION

The Company's assessments till Assessment Year 2002-03, has been finalized except that the Income Tax department is in appeal before the Honorable Lahore High Court for Assessment Years 1997-98 and 1998-99 on following issues:

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

The returns for the Tax Year 2003 to 2011 were filed. The Company has filed appeals before honorable High Court for Tax Year 2003 to 2006 on various matters. These appeals are pending hearing.

For tax year 2007, the honorable Appellate Tribunal Inland Revenue vacated the orders of CIR(A) and assessing officer and directed the assessing office to look into the matter again. The assessing officer issued a notice for set-aside proceeding which is still pending fixation.

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

For tax year 2009, tax department has initiated proceeding under sec 161 of the income tax ordinance. The company has not received any notice for the tax year 2010 and 2011.

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

	Note	2012 Rupees	2011 Rupees
38. CONTINGENCIES AND COMMITMENTS			
Outstanding guarantees		40,301,020	1,500,000
Future purchase contracts- Shares		173,150,679	147,625,200
Future sale contracts- Shares		68,852,695	70,280,455
39. PROFIT ON FINANCING			
Long term		43,265,690	47,199,899
Short term		16,501,191	11,875,422
		59,766,881	59,075,321
40. RETURN ON PLACEMENTS			
Clean placements		1,110,174	994,302
Placements under reverse repurchase agreements		64,830,106	75,506,798
		65,940,280	76,501,100
41. RETURN ON INVESTMENTS			
Mark-up / return on investments			
Held to maturity investments			
Government securities		42,439,838	56,000,000
Available for sale investments			
Term Finance Certificates		409,050	5,029,013
Dividend income			
Available for sale investments			
Listed shares/units		66,047,288	43,225,584
Held for Trading			
Listed shares/units		291,002	-
Fair value loss on held for trading investment		(718,982)	(64,900)
Capital gain / (loss) on investments			
Available for sale investments		3,594,987	(10,038,276)
Held for trading		1,378,532	41,824
		113,441,715	94,193,245

	Note	2012 Rupees	2011 Rupees
42. ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	42.1	16,098,628	20,330,412
Staff Training and Welfare		29,940	24,580
Advertisement and business promotion		257,600	226,882
Rent, rates and taxes		4,314,906	8,018,471
Utilities		1,326,223	2,029,883
Communication charges		1,346,768	1,574,038
Traveling and vehicle maintenance		5,265,006	6,829,605
Repair and maintenance		3,586,370	2,532,130
Entertainment		1,086,898	1,169,913
Fee and subscriptions		2,065,711	1,652,118
Legal and professional charges	42.2	2,423,020	2,412,869
Printing and stationery		1,324,799	1,284,391
Fee, brokerage & commission		3,545,086	112,002
Insurance		492,714	871,170
Amortization of issuance cost of listed TFC's	28	2,739,591	1,573,296
Depreciation	7.1	10,187,074	11,215,195
Amortization of Intangible assets		866,580	288,860
Donation		-	100,170
Penalty		-	60,000
Staff Motor Vehicle Contribution & Insurance		58,599	86,716
Miscellaneous expenses		112,703	104,271
		57,128,216	62,496,972

42.1 This includes contribution to provident fund amounting to Rs. 0.636 million (2011: Rs. 0.912 million) made by the Company.

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

Audit fee	532,000	532,000
Review of half yearly accounts	143,000	143,000
Certification and consultancy charges	50,000	-
Out of pocket expenses	37,500	-
	762,500	675,000

	Note	2012 Rupees	2011 Rupees
43. TAXATION-NET			
Current taxation	43.1	2,360,624	2,707,208
Deferred taxation		(13,073,794)	(5,650,186)
		(10,713,170)	(2,942,978)

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

44. LOSS PER SHARE - BASIC AND DILUTED			
Loss for the year after taxation (Rupees)		(11,320,014)	(31,078,258)
Number of ordinary shares		44,100,000	44,100,000
Loss per share (Rupees)		(0.26)	(0.70)

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

45. SEGMENTAL ANALYSIS

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

Financing activities

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

Investing activities

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

	For the year ended 30 June 2012		
	Financing activities	Investing activities	Total
Profit on financing	59,766,881	-	59,766,881
Mark-up on lease finance	123,889	-	123,889
Return on placements	-	65,940,280	65,940,280
Return on investments	-	113,441,715	113,441,715
Total income for reportable segments	59,890,770	179,381,995	239,272,765
Finance costs	57,310,912	171,654,928	228,965,840
Administrative and other operating expenses	14,299,383	42,828,833	57,128,216
Provision for doubtful financing	49,334	-	49,334
Segment result	(11,768,859)	(35,101,766)	(46,870,625)

For the year ended 30 June 2012			
	Financing activities	Investing activities	Total
Other operating income			24,837,441
Loss before taxation			(22,033,184)
Segment assets	389,243,016	1,211,689,951	1,600,932,967
Unallocated assets			575,588,099
			2,176,521,066
Segment liabilities	268,867,602	370,981,552	639,849,154
Unallocated liabilities			1,061,097,038
Equity			475,574,874
			2,176,521,066

For the year ended 30 June 2011			
	Financing activities	Investing activities	Total
Profit on financing	59,075,321		59,075,321
Mark-up on lease finance	1,041,404		1,041,404
Return on placements		76,501,100	76,501,100
Return on investments	-	94,193,245	94,193,245
Total income for reportable segments	60,116,725	170,694,345	230,811,070
Finance costs	55,098,455	156,445,561	211,544,016
Administrative and other operating expenses	16,277,873	46,219,099	62,496,972
Provision for doubtful financing - reversed	(321,482)	-	(321,482)
Segment result	(10,938,121)	(31,970,315)	(42,908,436)
Other operating income			8,887,200
Loss before taxation			(34,021,236)
Segment assets	349,615,695	1,580,494,716	1,930,110,411
Unallocated assets			445,552,449
			2,375,662,860
Segment liabilities	171,811,393	381,374,495	553,185,888
Unallocated liabilities			1,335,582,084
Equity			486,894,888
			2,375,662,860

46. TRANSACTIONS WITH RELATED PARTIES

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

	2012 Rupees	2011 Rupees
Subsidiary Company:		
Transactions during the year		
Profit paid on certificates of deposit	6,561,043	305,100
Return on finances received	18,000,000	-
Profit earned during the year	16,698,630	14,404,891
Return on assets	5,936,794	5,895,001
Balance at year end		
Finances outstanding	100,000,000	100,000,000
Certificates of deposit outstanding	100,000,000	72,955,044
Payable to subsidiary company	73,349,918	27,901,842
Profit receivable	15,353,521	16,654,891
Markup payable on COD	5,490,714	5,974,573
Associated companies:		
Transactions during the year		
Return on finances received	6,471,867	9,509,829
Guarantee commission earned	830,749	12,000
Profit paid on certificates of deposit	662,098	639,972
Fixed assets sold	600,115	1,202,096
Chairman's secretariat expenses	3,600,000	3,600,000
Balance at year end		
Advances outstanding	78,325,213	78,048,413
Letter of guarantee outstanding	40,301,020	1,500,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	10,956,463	4,000,000
Directors:		
Return on finances received		
	1,160,045	694,534
Transactions during the year		
Profit paid on certificates of deposit	6,708,339	6,780,157
Balance at year end		
Advances outstanding	19,540,227	20,137,497
Certificates of deposit outstanding	60,692,600	50,400,000
Executives:		
Transactions during the year		
Return on finances received	1,496,524	231,839
Profit paid on certificates of deposit	7,479,607	7,577,871
Balance at year end		
Advances outstanding	3,441,731	7,026,469
Certificates of deposit outstanding	56,476,561	58,568,784
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	636,429	912,305

47. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive/ Directors		Executives	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
Managerial remuneration	1,793,376	1,793,376	4,629,412	7,991,868
House rent allowance	717,348	717,348	1,851,768	2,949,249
Utilities	179,340	179,340	462,936	737,317
Bonus/commission	-	-	5,049,851	119,244
Special allowance	-	-	180,000	380,000
Leave encashment	-	-	-	667,182
Retirement benefits	-	-	399,584	626,487
	2,690,064	2,690,064	12,573,551	13,471,347
Number of persons	1	1	5	8

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

48. LIQUIDITY RISKS

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

Description	Total	Within one year	More than one year and upto five years	Above five years
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2012				
ASSETS				
Fixed capital expenditure	106,182,817	-	4,850,169	101,332,648
Cards and rooms	33,450,000	-	-	33,450,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	95,555,063	-	95,555,063	-
Net investment in lease finance	5,431,066	5,431,066	-	-
Investments	263,663,513	162,669,103	-	100,994,410
Finances	326,871,778	198,239,962	113,618,680	15,013,136
Advances	55,517,009	4,639,414	50,877,595	-
Deposits and prepayments	34,320,750	25,291,322	5,524,478	3,504,950
Interest accrued	24,987,555	24,987,555	-	-
Other receivables	68,265,935	68,265,935	-	-
Tax refunds due from the government	230,689,984	230,689,984	-	-
Placements	720,647,460	720,647,460	-	-
Cash and bank balances	35,934,136	35,934,136	-	-
	2,176,521,066	1,476,795,937	270,425,985	429,299,144

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
LIABILITIES				
Term finance certificates	120,503,047	47,930,700	72,572,347	-
Short term borrowings	599,348,500	599,348,500	-	-
Certificates of deposit	659,260,897	494,879,964	164,380,933	-
Long term security deposit	4,502,550	4,502,550	-	-
Accrued markup	17,221,726	17,221,726	-	-
Trade and other payables	234,559,857	234,559,857	-	-
Provision for taxation	34,483,363	34,483,363	-	-
	1,669,879,940	1,432,926,660	236,953,280	-
NET ASSETS	506,641,126	43,869,277	33,472,705	429,299,144
Represented by:				
SHARE CAPITAL AND RESERVES	475,574,874			
SURPLUS ON REVALUATION OF FIXED ASSETS	38,208,529			
DEFICIT ON REVALUATION OF INVESTMENTS	(7,142,277)			
	506,641,126			

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 2011				
ASSETS				
Fixed capital expenditure	79,157,239	-	10,003,390	69,153,849
Cards and rooms	33,450,000	-	-	33,450,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	82,481,269	-	82,481,269	-
Net investment in lease finance	11,845,818	10,758,226	1,087,592	-
Investments	565,402,585	408,168,305	56,196,874	101,037,406
Finances	318,709,913	200,034,818	103,661,959	15,013,136
Advances	4,607,441	3,715,252	892,189	-
Deposits and prepayments	24,200,470	21,373,244	2,172,276	654,950
Interest accrued	28,272,191	28,272,191	-	-
Other receivables	18,612,060	18,612,060	-	-
Tax refunds due from government	219,944,925	219,944,925	-	-
Placements	796,533,715	796,533,715	-	-
Cash and bank balances	17,441,234	17,441,234	-	-
	2,375,662,860	1,724,853,970	256,495,549	394,313,341
LIABILITIES				
Term finance certificates	165,483,158	165,483,158	-	-
Short term borrowings	809,820,762	809,820,762	-	-
Running finance under mark up arrangements	50,000,600	50,000,600	-	-
Certificates of deposit	691,974,208	574,710,543	117,263,665	-
Long term security deposit	8,001,388	7,461,923	539,465	-
Accrued markup	20,455,206	20,455,206	-	-
Trade and other payables	113,408,240	113,408,240	-	-
Provision for taxation	32,122,740	32,122,740	-	-
	1,891,266,302	1,773,463,172	117,803,130	-
NET ASSETS	484,396,558	(48,609,202)	138,692,419	394,313,341
Represented by:				
SHARE CAPITAL AND RESERVES	486,894,888			
DEFICIT ON REVALUATION OF INVESTMENTS	(2,498,330)			
	484,396,558			

49. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

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

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

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

49.1 Segment information

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2012	2011	2012	2011	2012	2011
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
Chemical and pharmaceuticals	4.60	7.27	-	-	-	-
Agribusiness	4.70	4.00	-	-	-	-
Textile	5.23	4.45	-	-	-	-
Sugar	9.11	7.90	-	-	-	-
Financial institutions	34.12	29.07	-	-	-	-
Insurance	-	-	0.08	0.07	-	-
Electronics and electrical appliances	26.61	22.54	-	-	100.00	100.00
Production and transmission of energy	1.07	1.59	-	-	-	-
Steel & allied products	-	0.06	-	-	-	-
Individuals	9.13	18.34	78.00	83.05	-	-
Engineering and construction	5.32	4.63	-	-	-	-
Communications	-	-	3.03	-	-	-
Non-Government organizations	-	-	3.61	3.45	-	-
Others	0.11	0.14	15.29	13.43	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

49.2 Geographical Segment

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

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

	2012 Rupees	2011 Rupees
Aging of term loan and lease rental receivables		
Not past due	283,331,033	269,081,945
Past due 0 - 90 days	8,977,900	7,841,358
Past due 91- 180 days	4,711,700	5,837,183
180 days to 1 year	8,667,843	5,880,357
More than 1 year	69,705,046	81,573,510
	375,393,522	370,214,353

Collaterals held against term financing.

	2012				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid collaterals	
	----- Rupees -----				
Long term finances	211,599,632	29,675,000	334,200,439	31,900,000	(184,175,807)
Short term finances	161,731,406	20,900,000	165,000,000	46,750,000	(70,918,594)
	----- Rupees -----				
	2011				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid collaterals	
	----- Rupees -----				
Long term finances	234,481,273	-	354,518,010	31,900,000	(151,936,737)
Short term finances	131,293,079	4,675,000	108,050,000	22,660,000	(4,091,921)

50. MARKET RISK

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

50.1 Interest rate risk

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

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

Description	Total	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2012					
FINANCIAL ASSETS					
Investments	263,663,513	162,669,103	-	100,994,410	-
Net investment in lease finance	5,431,066	5,431,066	-	-	-
Finances	326,871,778	198,239,962	113,618,680	15,013,136	-
Advances	55,517,009	-	-	-	55,517,009
Deposits and prepayments	34,320,750	21,989,420	-	-	12,331,330
Placements	720,647,460	720,647,460	-	-	-
Cash and bank balances	35,934,136	34,410,907	-	-	1,523,229
	1,442,385,712	1,143,387,918	113,618,680	116,007,546	69,371,568
FINANCIAL LIABILITIES					
Term finance certificates	120,503,047	47,930,700	72,572,347	-	-
Short term borrowings	599,348,500	599,348,500	-	-	-
Certificates of deposit	659,260,897	494,879,964	164,380,933	-	-
Trade and other payables	234,559,857	-	-	-	234,559,857
	1,613,672,301	1,142,159,164	236,953,280	-	234,559,857
Total Interest rate sensitivity gap		1,228,754	(123,334,600)	116,007,546	
Cumulative interest rate sensitivity gap		1,228,754	(122,105,846)	(6,098,300)	
As at 30 June 2011					
FINANCIAL ASSETS					
Investments	565,402,585	408,168,305	56,196,874	101,037,406	-
Net investment in lease finance	11,845,818	10,758,226	1,087,592	-	-
Finances	318,709,913	200,034,818	103,661,959	15,013,136	-
Advances	4,607,441	-	-	-	4,607,441
Deposits and prepayments	24,200,470	16,516,736	-	-	7,683,734
Placements	796,533,715	796,533,715	-	-	-
Cash and bank balances	17,441,234	10,198,298	-	-	7,242,936
	1,738,741,176	1,442,210,098	160,946,425	116,050,542	19,534,111
FINANCIAL LIABILITIES					
Term finance certificates	165,483,158	165,483,158	-	-	-
Obligation under finance lease	-	-	-	-	-
Short term borrowings	809,820,762	809,820,762	-	-	-
Running finance under mark up arrangements	50,000,600	50,000,600	-	-	-
Certificates of deposit	691,974,208	574,710,543	117,263,665	-	-
Trade and other payables	113,408,241	-	-	-	113,408,241
	1,830,686,968	1,600,015,063	117,263,665	-	113,408,241
Total Interest rate sensitivity gap		(157,804,965)	43,682,760	116,050,542	
Cumulative interest rate sensitivity gap		(157,804,965)	(114,122,205)	1,928,337	

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

50.2 Equity price risk

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

		Changes in KSE all Index	Effects on Profit Before Tax (Rupees)	Effects on Equity
Available-for-sale investments	2012	+10%	-	7,990,300
		-10%	-	(7,990,300)
	2011	+10%	-	3,234,621
		-10%	-	(3,234,621)
Held-for-trading investments	2012	+10%	615,754	-
		-10%	(615,754)	-
	2011	+10%	50,460	-
		-10%	(50,460)	-

50.3 Currency risk

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

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

51. CAPITAL RISK MANAGEMENT

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

The Company is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2008. The existing minimum capital requirement of Rs. 700 million has been extended to June 30, 2012. However, the Company is required to further raise its equity to Rs. 1 billion till 30 June 2013.

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 2012 and at 30 June 2011 were as follows:

	2012 Rupees	2011 Rupees
Total debt	236,953,280	117,803,130
Total equity	506,641,126	484,386,558
Debt-to-equity ratio	0.47	0.24

The increase in the debt-to-equity ratio during 2012 resulted primarily from reshuffling of Term Finance Certificates amounting to Rs. 166.534 million and increase in Long Term Certificate of Deposits during the year amounting to Rs. 47.117 million.

52. 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.

53. 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".

54. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2012, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

55. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue as on September 28, 2012 by the Board of Directors of the Company.

56. GENERAL

56.1 Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

Consolidated Financial Statements

30 June 2012

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising of consolidated balance sheet of ESCORTS INVESTMENT BANK LIMITED ("the company") and its subsidiary as at JUNE 30, 2012 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Escorts Investment Bank Limited and its subsidiary.

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

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

- a) in our opinion the consolidated financial statements present fairly, the financial position of Escorts Investment Bank and its Subsidiary company as at June 30, 2012 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to:

- i. note # 2.2. to the accompanying financial statements which indicate that the parent company's equity as at June 30, 2012 has fallen below the minimum equity required under regulation 4 of NBFC and Notified Entities Regulations 2008.

Lahore
Date: September 28, 2012
(Engagement Partner: Muhammad Amin)

Zahid Jamil & Company
Chartered Accountants

Consolidated Balance Sheet

as at 30 June 2012

ESCORTS
BANK

	Note	2012 Rupees	2011 Rupees
			Restated
ASSETS			
Non-current Assets			
Fixed assets	7	109,504,081	82,738,987
Cards and rooms	8	84,955,000	84,955,000
Long term investments	9	100,994,410	157,234,280
Long term finances	10	28,631,816	18,675,095
Net investment in lease finance	11	-	1,087,592
Long term loans and advances	12	877,595	892,189
Long term deposits and prepayments	13	11,253,428	5,056,226
Deferred tax asset	14	95,555,063	82,481,269
Current Assets			
Current maturities of non-current assets	15	110,144,097	462,878,570
Short term investments	16	112,086,491	43,638,146
Short term finances	17	147,963,572	117,525,246
Short term placements	18	720,647,460	796,533,715
Advances	19	3,727,813	2,996,240
Short term deposits and prepayments	20	32,198,097	22,762,668
Interest accrued		10,464,699	11,390,102
Other receivables	21	148,124,722	16,884,011
Tax refunds due from Government		234,011,965	222,140,459
Cash and bank balances	22	48,388,873	26,434,601
		1,567,757,789	1,723,183,758
		1,999,529,182	2,156,304,396
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	23	441,000,000	441,000,000
Reserves	24	(172,296,751)	(136,892,948)
		268,703,249	304,107,052
Surplus on revaluation of fixed assets	25	38,208,529	-
Deficit on revaluation of investments	26	(7,142,277)	(2,498,330)
Non-Current Liabilities			
Term finance certificates	27	72,572,347	-
Long term certificates of deposit	28	164,380,933	117,263,665
Long term security deposit	29	-	539,465
Current Liabilities			
Current maturities of non-current liabilities	30	112,684,208	315,694,798
Short term borrowings	31	599,348,500	809,820,762
Running finance - Secured	32	-	50,000,600
Short term certificates of deposit	33	334,629,006	359,005,782
Accrued markup	34	11,731,012	14,480,633
Trade and other payables	35	369,930,312	155,692,592
Provision for taxation	36	34,483,363	32,197,377
		1,462,806,401	1,736,892,544
Contingencies and Commitments	37	-	-
		1,999,529,182	2,156,304,396

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

Chief Executive Officer

Director

Consolidated Profit and Loss Account

for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
INCOME			
Profit on financing	38	37,131,457	38,775,429
Mark-up on lease finance		123,889	1,041,404
Return on placements	39	65,940,280	76,501,100
Return on investments	40	113,441,715	94,193,245
Fees and commission		18,587,108	10,315,157
Profit on bank deposits		2,301,742	2,061,741
Other income		11,927,961	3,876,572
		249,454,152	226,764,648
EXPENSES			
Return on certificates of deposit		70,763,022	78,350,274
Return on term finance certificates		14,521,932	37,304,824
Mark-up on short term running finance		1,035,575	1,746,376
Mark-up on borrowings from financial institutions		125,090,417	74,420,572
Amortization of premium on held to maturity investments		10,078,584	13,204,346
Administrative and other operating expenses	41	71,409,656	85,904,502
Impairment on available for sale investments		-	412,303
Other financial charges		864,835	153,094
		293,764,021	291,496,291
Operating loss before provisions and taxation		(44,309,869)	(64,731,643)
(Provision) / reversal for doubtful finances		(49,334)	321,482
Loss before taxation		(44,359,203)	(64,410,161)
Taxation-Net	42	8,955,400	2,224,891
Loss after taxation		(35,403,803)	(62,185,270)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(35,403,803)	(62,185,270)
Loss per share-basic and diluted	43	(0.80)	(1.41)

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

Chief Executive Officer

Director

Consolidated Cash Flow Statement

for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
		Restated
Cash flow from operating activities		
Loss before taxation	(44,359,203)	(64,410,161)
Adjustment for non cash expenses and other items:		
Dividend Income	(66,338,290)	(43,225,584)
Depreciation on property and equipment	10,724,009	12,188,458
Amortization on intangible assets	866,580	288,860
Provision for doubtful finances	(49,334)	(321,482)
Amortization of premium on held to maturity investments	10,078,584	13,204,346
Amortization of issuance cost of listed TFCs	2,739,591	1,573,296
Gain on sale of fixed assets	(299,319)	(984,873)
Fair value loss on held for trading investments	718,982	64,900
Impairment loss on available for sale investments	-	412,303
	(41,559,197)	(16,799,776)
	(85,918,400)	(81,209,937)
Decrease/ (Increase) in operating assets		
Disbursements of finances - net	(8,112,531)	(18,055,909)
Net investment in lease finance	2,915,914	7,005,096
Placements	75,886,255	(596,533,715)
Investments - net	286,297,559	1,082,869
Long term and short term advances	(751,500)	(2,165,453)
Interest Accrued	925,403	4,917,041
Other receivables	(131,240,711)	(2,412,912)
Short term deposits and prepayments	(14,371,527)	(18,307,316)
	211,548,862	(624,470,299)
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	(210,472,262)	505,057,664
Certificates of deposit	(59,758,267)	60,836,896
Running finance - Secured	(50,000,600)	50,000,600
Accrued markup	(2,749,621)	(5,843,148)
Trade and other payables	214,237,720	124,715,186
	(108,743,030)	734,767,198
Net changes in operating assets and liabilities	102,805,832	110,296,899
Net cash generated from operating activities before taxes	16,887,432	29,086,962
Tax (paid) / refund	(13,703,914)	104,984,772
Net cash generated from operating activities	3,183,518	134,071,734

	2012 Rupees	2011 Rupees
		Restated
Cash flow from investing activities		
Fixed capital expenditure incurred	(467,950)	(657,500)
Dividend received	66,338,290	43,225,584
Proceeds from sale of fixed assets	620,115	1,802,096
Net cash generated from investing activities	66,490,455	44,370,180
Cash flow from financing activities		
Redemption of listed term finance certificates	(47,719,701)	(166,534,000)
Dividend paid	-	(270)
Repayment of lease obligation	-	(4,980,797)
Net cash used in financing activities	(47,719,701)	(171,515,067)
Net increase in cash and cash equivalents	21,954,272	6,926,847
Cash and cash equivalents at the beginning of the year	26,434,601	19,507,754
Cash and cash equivalents at the end of the year	48,388,873	26,434,601

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

Chief Executive Officer

Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated loss Rupees	Total Rupees
Balance as at July 01, 2010	441,000,000	154,050,085	(228,757,763)	366,292,322
Net loss for the year	-	-	(62,185,270)	(62,185,270)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(62,185,270)	(62,185,270)
Balance as at June 30, 2011	441,000,000	154,050,085	(290,943,033)	304,107,052
Net loss for the year	-	-	(35,403,803)	(35,403,803)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(35,403,803)	(35,403,803)
Balance as at June 30, 2012	441,000,000	154,050,085	(326,346,836)	268,703,249

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

Chief Executive Officer

Director

Notes to the Consolidated Financial Statements

for the year ended June 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term credit rating of the Company to “BBB” (Triple B) and maintained the short-term rating at “A3” (A three) dated 14 March 2012. A “positive Outlook” has been assigned to these ratings. The ratings denotes an adequate capacity of timely payment of financial commitments (Previous: BBB-/A3).

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1. Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, ‘Financial Instruments: Recognition and Measurement’ and International Accounting Standard (IAS) 40, ‘Investment Property’ through Circular No. 19 dated August 13, 2003 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, ‘Financial Instruments: Disclosures’ through SRO 411(1) / 2008 on such NBFCs which are engaged in investment finance services, discounting services and housing finance services.

- 2.2 The separate financial statements of the Company reflect that the equity of the Company as at June 30, 2012 is Rs.475.574 million which is below the minimum capital required under NBFC Regulations 2008. The NBFC Reforms Process initiated by Securities and Exchange Commission of Pakistan is also underway and it is expected that the minimum equity requirement would be revised as a result. The management is confident and committed that the equity requirement would be met through internal resources including retained earnings.

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from improvement to IFRSs
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Replacement of fixed date for certain exemptions with a date of transition to IFRSs
- IFRS 7 Financial Instruments: Disclosures - Amendments resulting from improvement to IFRSs
- IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosure about transfer of financial assets
- IAS 1 Presentation of Financial Statements - Amendment resulting from improvement to IFRSs
- IAS 12 Income taxes - Recovery of underlying assets
- IAS 24 Related Party Disclosures - Revised definition of related parties
- IAS 34 Interim Financial Reporting - Amendments resulting from improvement to IFRSs
- IFRIC 13 Customer Loyalty Programmes - Amendments resulting from improvement to IFRSs
- IFRIC 14 IAS 19 - The Limits on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (Amendments)

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

3. FIXED ASSETS

3.1 Property and equipment

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

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

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

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

Major renewals and improvements are capitalized.

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

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

Intangible assets

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

	Rate in %
Computer software	33.33

3.2 Assets subject to finance lease

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

3.3 Cards and Rooms

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

3.4 Investments

3.4.1 Subsidiary Company

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

3.4.2 Held to maturity

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

3.4.3 Available for sale

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

3.4.4 Held for trading

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

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

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

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

Amortization cost is charged to profit and loss account.

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

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

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

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

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

3.4.5 Securities under repurchase/reverse repurchase agreements

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

Repurchase agreements

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

Reverse repurchase agreements

Investments purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

3.4.6 Trade date accounting

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

3.5 Net investment in lease finance

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

3.6 Cash and cash equivalents

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

3.7 Financial instruments

3.7.1 Financial assets

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

3.7.2 Financial liabilities

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

3.7.3 Derivatives

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

3.7.4 Recognition and derecognition

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

3.7.5 Offsetting of financial assets and financial liabilities

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

3.8 Provisions

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

3.9 Redeemable capital - Term finance certificates

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

3.10 Staff retirement benefits

Employees compensated absences

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

Provident fund

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

3.11 Revenue recognition

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

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

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

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

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

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

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

3.12 Return on deposits and borrowings

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

3.13 Taxation

Current

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

Deferred

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

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

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

3.14 Operating segment

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

Business segments

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

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

Financing activities

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

Investment activities

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

3.15 Related party transactions

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

3.16 Impairment

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

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

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

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

3.17 Dividend distributions and appropriations

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

- i) Provision for taxation and deferred tax (Notes 36 and 14)
- ii) Classification and valuation of investments (Notes 9, 16 and 18)
- iii) Determination and measurement of useful life and residual value of property and equipment (Note 7)
- iv) Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables (Notes 10.5, 11.2, 17.3 and 21.1.1)
- v) Impairment of investments (Note 9 and 16)

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

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

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IFRS 7 Offsetting Financial Assets and Financial Liabilities (Ammendments to IFRS 7)	1-Jan-13
IFRS 9 Financial Instruments - Classification and Measurement	1-Jan-15
IFRS 10 Consolidated Financial Statements	1-Jan-13
IFRS 11 Joint Arrangements	1-Jan-13
IFRS 12 Disclosure of Interest in Other Entities	1-Jan-13
IFRS 13 Fair Value Measurement	1-Jan-13
IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented	1-Jul-12
IAS 19 Employee Benefits - Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	1-Jan-13
IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1-Jan-13
IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	1-Jan-13
IAS 32 Offsetting Financial Assets and Financial Liabilitie (Ammendments to IAS 32)	1-Jan-14
IFRIC 20 Stripping cost in the production phase of a surface mining	1-Jan-13

6. RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS

Because of changes in NBFC Regulations in 2008, the parent company had to conclude its brokerage business under the Investment Finance Services Licence. The parent company started the process of intimating its brokerage clients to close their accounts with the parent company in compliance with these regulations. Most of the account holders have closed their accounts accordingly. Certain accounts could not be transferred/closed because of non receipt of response from the holders despite repeated reminders. The management has decided to record these on balance sheet as an asset and a corresponding liability of the same amount and the financial statements of the year 2011 have been restated to take effect of these. The effect of the restatement on those financial statements is summarised below and there is no effect in the year 2012.

	Note	Effect on 2011 (Rupees)
Increase in short term investments - Held for trading - Others	16.2	10,787,342
Increase in Trade and other payables - Accrued Expenses and Other Payables	35.1	(10,787,342)
		-

	Note	2012 Rupees	2011 Rupees
7. FIXED ASSETS			
Tangible			
Property and equipment	7.1	108,059,520	80,427,846
Intangible assets	7.2	1,444,561	2,311,141
		109,504,081	82,738,987

7.1 Property and equipment

	Cost			Depreciation			Net book value as at 30 June 2012	
	As at 01 July 2011	Additions/ revaluation*/ (disposals)	As at 30 June 2012	As at 01 July 2011	For the year	(Disposals)		As at 30 June 2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned								
Free-hold premises	89,692,600	38,208,529*	127,901,129	27,281,499	4,484,630	-	31,766,129	96,135,000
Lease-hold improvements	14,625,969	-	14,625,969	10,367,307	2,291,230	-	12,658,537	1,967,432
Free-hold improvements	6,712,240	-	6,712,240	4,362,956	1,342,448	-	5,705,404	1,006,836
Office furniture and fixtures	6,463,649	-	6,246,284	3,359,091	500,510	-	3,769,069	2,477,215
	-	(217,365)	-	-	-	(90,532)	-	-
Computer equipments	17,954,617	467,950	18,422,567	17,613,309	283,835	-	17,897,144	525,423
Office equipments	13,624,636	-	13,096,686	6,890,221	1,033,415	-	7,589,649	5,507,037
	-	(527,950)	-	-	-	(333,987)	-	-
Vehicles	12,117,360	-	12,117,360	10,888,842	787,941	-	11,676,783	440,577
	161,191,071	38,676,479	199,122,235	80,763,225	10,724,009	-	91,062,715	108,059,520
	-	(745,315)	-	-	-	(424,519)	-	-
Leased								
Vehicles	8,992,300	-	8,992,300	8,992,300	-	-	8,992,300	-
2012	170,183,371	37,931,164	208,114,535	89,755,525	10,724,009	(424,519)	100,055,015	108,059,520
	Cost			Depreciation			Net book value as at 30 June 2011	
	As at 01 July 2010	Additions/ (disposals)	As at 30 June 2011	As at 01 July 2010	For the year	(Disposals)		As at 30 June 2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned								
Free-hold premises	89,692,600	-	89,692,600	22,796,869	4,484,630	-	27,281,499	62,411,101
Lease-hold improvements	17,926,669	-	14,625,969	11,295,779	2,372,228	-	10,367,307	4,258,662
	-	(3,300,700)	-	-	-	(3,300,700)	-	-
Free-hold improvements	6,712,240	-	6,712,240	3,020,508	1,342,448	-	4,362,956	2,349,284
Office furniture and fixtures	7,034,853	-	6,463,649	3,103,440	576,542	-	3,359,091	3,104,558
	-	(571,204)	-	-	-	(320,891)	-	-
Computer equipments	17,896,617	157,500	17,954,617	16,944,801	768,008	-	17,613,309	341,308
	-	(99,500)	-	-	-	(99,500)	-	-
Office equipments	13,826,557	-	13,624,636	5,759,112	1,169,810	-	6,890,221	6,734,415
	-	(201,921)	-	-	-	(38,701)	-	-
Vehicles	16,292,108	-	12,117,360	13,634,723	1,025,177	-	10,888,842	1,228,518
	-	(4,174,748)	-	-	-	(3,771,058)	-	-
	169,381,644	157,500	161,191,071	76,555,232	11,738,843	-	80,763,225	80,427,846
	-	(8,348,073)	-	-	-	(7,530,850)	-	-
Leased								
Vehicles	8,992,300	-	8,992,300	8,542,685	449,615	-	8,992,300	-
2011	178,373,944	(8,190,573)	170,183,371	85,097,917	12,188,458	(7,530,850)	89,755,525	80,427,846

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

	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain / (loss) Rupees	Mode of Disposal	Particulars of Purchaser
Office furniture and fixtures	217,365	(90,532)	126,833	217,365	90,532	Negotiations	Sold to Essem Hotel Limited (Associated Company)
Office Equipments	527,950	(333,987)	193,963	402,750	208,787	Negotiations	Sold to Essem Hotel Limited (Associated Company)
	745,315	(424,519)	320,796	620,115	299,319		

7.2 Intangible assets

	Cost			Amortization			Net book value as at 30 June 2012
	As at 01 July 2011	Additions/ (disposals)	As at 30 June 2012	As at 01 July 2011	For the year	(Disposals)	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Computer Software							
2012	5,600,000	-	5,600,000	3,288,859	866,580	-	4,155,439
2011	3,000,000	2,600,000	5,600,000	2,999,999	288,860	-	3,288,859

	2012 Rupees	2011 Rupees
8. CARDS AND ROOMS		
Corporate membership of Pakistan Mercantile Exchange Limited	850,000	850,000
Karachi Stock Exchange	35,250,000	35,250,000
Lahore Stock Exchange	16,155,000	16,155,000
Rooms	32,700,000	32,700,000
	84,955,000	84,955,000

		2012 Rupees	2011 Rupees
9.	LONG TERM INVESTMENTS		
	Held to maturity		
	Pakistan Investment Bonds (PIBs)	9.1 151,577,022	511,655,606
	Term Finance Certificates - Unlisted	9.2 -	10,108,833
		151,577,022	521,764,439
	Less: Current maturity of Term Finance Certificates	15 -	6,070,903
	Less: Current maturity of Pakistan Investment Bonds	15 50,582,612	358,459,256
		100,994,410	157,234,280
9.1	Pakistan Investment Bonds (PIBs)		
	Cost	606,221,300	606,221,300
	Less: Amortization - Opening	74,565,694	61,361,348
	Charged during the year	10,078,584	13,204,346
		521,577,022	531,655,606
	Less: Impairment loss	20,000,000	20,000,000
	Matured / sold during the year	350,000,000	-
		151,577,022	511,655,606

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan having market value of Rs 129.655 million (2011: 468.422 million). Period to maturity of these investments range from 1.5 months to 12 years and carry mark-up at rates (coupon rate) ranging from 10% to 11% per annum (2011: 10% to 12% per annum). PIBs having face value of Rs. 150 million (2011: Rs. 363 million) are held by other financial institutions as security under repurchase transactions.

9.1.1 Encumbered and un-encumbered - Face value

	2012			2011		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	-	150,000,000	150,000,000	137,000,000	363,000,000	500,000,000

		2012 Rupees	2011 Rupees
9.2	Term finance certificates-Unlisted		
	Secured		
	New Khan Transport Company (Private) Limited	-	10,108,833

	Note	2012 Rupees	2011 Rupees
10. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	10.1	4,411,803	3,953,942
Executives	10.2	21,658,626	26,070,823
		26,070,429	30,024,765
Others - Secured and considered good	10.3	47,122,471	65,770,132
		73,192,900	95,794,897
Considered doubtful			
Others	10.4	38,406,732	38,686,376
Less: Provision for doubtful finances	10.5	32,691,426	33,296,605
		5,715,306	5,389,771
Less: Current maturity	15	78,908,206	101,184,668
		50,276,390	82,509,573
		28,631,816	18,675,095

10.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 2.4 years to 5 years (2011: 2.4 years to 5 years), carrying mark-up rate ranging from 14% to 18% per annum. (2011: 14% to 18% per annum).

	2012 Rupees	2011 Rupees
The maximum balance outstanding at the end of any month during the year was:		
Escorts Pakistan Limited	4,509,111	3,617,326
Essem Hotel Limited	336,616	336,616

10.2 Executives

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

	CEO Rupees	Executives Rupees	2012 Rupees	2011 Rupees
Opening Balance	19,633,110	6,437,713	26,070,823	862,504
Add: Disbursements during the year	-	-	-	26,638,400
	19,633,110	6,437,713	26,070,823	27,500,904
Less: Repayments during the year	659,539	3,752,658	4,412,197	1,430,081
	18,973,571	2,685,055	21,658,626	26,070,823
The maximum balance outstanding at the end of any month during the year.			19,633,110	19,948,368

10.3 These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 14% to 20.86% per annum (2011: 12.50% to 20.86% per annum).

10.4 These finance facilities are secured by ranking charge on assets and pledge of stocks for a period up to 5 years. The expected rate of return range from 14% to 17% per annum (2011: 15% to 17% per annum).

		2012 Rupees	2011 Rupees
10.5 Particulars of provision for doubtful finances			
Opening balance		33,296,605	33,618,087
Reversal for the year		(605,179)	(321,482)
Closing balance		32,691,426	33,296,605
11. NET INVESTMENT IN LEASE FINANCE			
Net investment in lease finance	11.1	6,238,907	11,999,146
Less: Provision for doubtful leases	11.2	807,841	153,328
		5,431,066	11,845,818
Less: Current maturity	15	5,431,066	10,758,226
		-	1,087,592

11.1 Particulars of net investment in lease finance

	2012			2011
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	2,062,484	-	2,062,484	4,440,001
Add: Residual value	4,502,550	-	4,502,550	8,001,388
Gross investment in lease finance	6,565,034	-	6,565,034	12,441,389
Less: Unearned finance income	326,127	-	326,127	442,243
Net investment in lease finance	6,238,907	-	6,238,907	11,999,146

11.1.1 The leases made by the Group are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility range from 10% to 45% (2011: 10% to 50%). Leased assets are insured in favor of the Group. The rate of return range from 15% to 17 % per annum (2011: 13.00% to 18.31% per annum). Penalty is charged in case of delayed payment. These leases pertain to previous years as the company does not have license for lease now.

11.1.2 As per the prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 0.945 million (2011: 2.074 million) at the end of current year.

		2012 Rupees	2011 Rupees
11.2 Particulars of provision for doubtful leases			
		153,328	153,328
		654,513	-
		807,841	153,328
12. LONG TERM LOANS AND ADVANCES			
Loan to staff - Unsecured, considered good			
Executives - Related parties	12.1	1,323,332	1,278,847
Other employees		675,556	700,114
		1,998,888	1,978,961
Less: Current maturity	15	1,121,293	1,086,772
		877,595	892,189

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

	2012 Rupees	2011 Rupees
Opening Balance	1,278,847	1,091,541
Add: Transferred to executive category	-	180,243
Add: Disbursements during the year	562,063	1,005,288
	1,840,910	2,277,072
Less: Repayments during the year	517,578	998,225
	1,323,332	1,278,847
The maximum balance outstanding from executives at the end of any month during the year:	1,342,600	2,190,623
13. LONG TERM DEPOSITS AND PREPAYMENTS		
Security deposits	5,728,950	2,883,950
Prepayments	8,257,214	6,166,116
	13,986,164	9,050,066
Less: Current maturity	15 2,732,736	3,993,840
	11,253,428	5,056,226
14. DEFERRED TAX ASSET		
Taxable temporary differences		
Fixed assets	(12,384,191)	(13,116,240)
Deductible temporary differences		
Investments	37,507,487	28,801,874
Finances and receivables	23,396,254	20,836,317
Trade and other payables	(387,796)	368,680
Finance lease	301,419	1,612,193
Tax losses	47,121,890	43,978,445
	95,555,063	82,481,269
14.1 Movement in deferred tax asse		
Opening balance	82,481,269	76,475,390
Provision during the year	13,073,794	6,005,879
Closing balance	95,555,063	82,481,269

14.2 The Group recognized deferred tax asset in respect of carry forward losses and unabsorbed tax depreciation. The management of the company believes that based on the projections of future taxable profits, it would be able to realize these tax losses in the future.

		2012 Rupees	2011 Rupees
15. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Term finance certificates	9	-	6,070,903
Pakistan Investment Bonds	9	50,582,612	358,459,256
Long term finances	10	50,276,390	82,509,573
Net investment in lease finance	11	5,431,066	10,758,226
Long term loans and advances	12	1,121,293	1,086,772
Long term deposits and prepayments	13	2,732,736	3,993,840
		110,144,097	462,878,570

		2012 Rupees	2011 Rupees
16. SHORT TERM INVESTMENTS			Restated
Held for Trading			
Listed shares / units	16.1	6,876,527	569,500
Commodities - Gold		13,912,413	-
Others	16.2	12,113,531	10,787,342
Available for sale			
Listed Term Finance Certificates	16.3	1,642,368	3,284,736
Listed shares / units	16.4	85,402,911	31,972,101
Impairment loss		-	(412,303)
		119,947,750	46,201,376
Deficit on revaluation		(7,861,259)	(2,563,230)
		112,086,491	43,638,146

16.1 Particulars of listed shares / units - Held for Trading

No. of Certificates	N A M E	2012		2011	
		Carrying value	Market value	Carrying value	Market value
2012	2011	Rupees	Rupees	Rupees	Rupees
	Commercial Banks				
-	10,000 National Bank of Pakistan Limited	-	-	569,500	504,600
5,830	- Askari Bank Limited	78,767	79,113	-	-
50,000	- JS Bank Limited	346,500	255,000	-	-
	Non Life Insurance				
46,268	- Pakistan Reinsurance Company Limited	815,380	791,645	-	-
	Fertilizer				
2,500	- Engro Corporation Limited	261,901	254,600	-	-
5,200	- Fauji Fertilizer Company Limited	605,341	577,460	-	-
	Financial Services				
25,000	- JS Investment Limited	377,000	182,750	-	-

No. of Certificates 2012		N A M E	2012		2011	
			Carrying value Rupees	Market value Rupees	Carrying value Rupees	Market value Rupees
		Oil and Gas				
18,000		- Pakistan Petroleum Limited	3,516,378	3,389,220	-	-
		Construction and Materials (Cement)				
80,000		- Al- Abbas Cement Industries Limited	535,050	384,000	-	-
		Personal Goods (Textile)				
15,001		- Azgard Nine Limited	146,810	96,006	-	-
		Chemicals				
15,000		- Engro Polymer & Chemicals Limited	193,400	147,750	-	-
262,799	10,000		6,876,527	6,157,544	569,500	504,600

16.2 Others

This represents investments in various listed companies shares. (Refer note # 6)

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

No. of Certificates 2012		N A M E	2012		2011	
			Cost Rupees	Market value Rupees	Cost Rupees	Market value Rupees
1,316	1,316	Faysal Bank Limited (Formerly RBS)	1,642,368	1,651,196	3,284,736	3,319,268
1,316	1,316		1,642,368	1,651,196	3,284,736	3,319,268

Other particulars of listed TFCs are as follows:

P a r t i c u l a r s	Certificate denomination	Profit rate per annum	Profit payments	Maturity date
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Commercial Banks

Faysal Bank Limited (Formerly Royal Bank of Scotland)	5,000	1.90 % over 6 Months KIBOR	Semi annually	10 February 2013
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16.4 Particulars of listed shares / units - Available for sale investments

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

No. of Shares/Units		N A M E	2012		2011	
			Carrying value	Market value	Carrying value	Market value
2012	2011		Rupees	Rupees	Rupees	Rupees
Mutual Fund - Open End						
49	49	Dawood Capital Management Fund	281	66	281	75
10,000	10,000	Pakistan Premier Fund	41,032	97,500	41,032	96,700
Power Generation and Distribution						
10,000	10,000	Kot Addu Power Company Limited	430,000	450,000	430,000	427,900
45,000	35,000	Hub Power Company Limited	1,799,025	1,885,050	1,323,625	1,312,500
Commercial Banks						
150,000	10,000	Bank Alfalah Limited	2,494,653	2,565,000	108,233	95,900
36,000	31,444	MCB Bank Limited	6,750,739	5,984,640	6,509,170	6,257,356
217,531	62,500	National Bank of Pakistan	10,383,353	9,471,300	3,688,950	3,153,750
-	15,000	United Bank Limited	-	-	972,442	930,000
343,000	-	Askari Bank Limited	5,253,401	4,654,510	-	-
38,500	-	Habib Bank Limited	4,243,499	4,344,340	-	-
100,000	-	JS Bank Limited	708,000	510,000	-	-
560,000	-	Samba Bank Limited	1,505,685	1,288,000	-	-
50,000	-	Silk Bank Limited	134,000	105,500	-	-
144,686	-	Soneri Bank Limited	1,214,245	1,069,230	-	-
Non Life Insurance						
-	8,152	EFU General Insurance Company Limited	-	-	400,589	287,766
Life Insurance						
2,000	-	EFU Life Assurance Limited	168,633	152,620	-	-
Fertilizer						
22,900	10,000	Engro Corporation Limited	2,505,718	2,332,136	2,008,400	1,632,500
Investment Companies						
25,000	50,000	Jahangir Siddique & Company Ltd.	568,500	310,250	890,815	327,500
Oil and Gas Exploration Companies						
67,990	48,000	Pakistan Petroleum Limited	13,091,243	12,801,837	10,222,622	9,948,000
35,000	-	Pakistan Oilfields Limited	13,444,122	12,842,900	-	-
Cement						
200,000	30,000	D.G Khan Cement Company Limited	9,140,639	7,876,000	729,690	691,800
-	15,582	Lucky Cement Company Limited	-	-	1,150,885	1,101,650
72,999	-	Fauji Cement Company Limited	481,254	410,984	-	-
100,000	-	Lafarge Pakistan Cement Limited	544,500	432,000	-	-
Textile Composite						
86,001	31,001	Nishat Mills Limited	4,874,236	4,091,928	1,938,977	1,560,900

No. of Shares/Units	N A M E	2012		2011	
		Carrying value	Market value	Carrying value	Market value
2012	2011	Rupees	Rupees	Rupees	Rupees
	Chemical				
103,000	- Fatima Fertilizer Company Limited	2,758,111	2,541,010	-	-
7,500	- Fauji Fertilizer Company Limited	872,625	832,875	-	-
171,000	46,000 Lotee Pakistan PTA Limited	1,995,417	1,202,130	791,990	636,640
	Technology & Communication				
-	40,000 Pakistan Telecommunication Limited	-	-	764,400	566,000
2,598,156	452,728	85,402,911	78,251,806	31,972,101	29,026,937

	Note	2012 Rupees	2011 Rupees
17. SHORT TERM FINANCES			
Secured and considered good			
Associated companies	17.1	73,913,410	73,913,410
Others	17.2	74,050,162	43,611,836
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	17.3	13,767,834	13,767,834
		-	-
		147,963,572	117,525,246

17.1 This is provided to Escorts Pakistan Limited and secured against mortgage of property, carry markup at the rate of 16% p.a (2011: 16% p.a) payable on quarterly basis.

17.2 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return range from 12% to 18% per annum (2011: 12% to 18% per annum). These include finances against pledge of listed shares and Company's own Certificates of Deposit amounting to Rs.2.423 million (2011: Rs. 22.66 million), while Rs. 23.742 million (2011: Rs. 14.709 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

	2012 Rupees	2011 Rupees
17.3 Particulars of provision for doubtful finances:		
Opening balance	13,767,834	13,767,834
Provision/(Reversal) for the year	-	-
Closing balance	13,767,834	13,767,834

18. SHORT TERM PLACEMENTS

Considered good

This represents placements under reverse repurchase agreements with financial institutions & other corporate entities and carry mark-up ranging from 12% to 13.50% per annum (2011: 12% to 13.95% per annum).

	Note	2012 Rupees	2011 Rupees
19. ADVANCES			
Considered good			
Advances		3,727,813	2,996,240
20. SHORT TERM DEPOSITS AND PREPAYMENTS			
Short term deposits	20.1	31,628,931	21,900,000
Prepayments		569,166	862,668
		32,198,097	22,762,668

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

21. OTHER RECEIVABLES

Receivable from clients	21.1	136,497,386	7,194,575
Other receivables		11,627,336	9,689,436
		148,124,722	16,884,011
21.1 Receivables from clients			
Considered good		136,497,386	7,194,575
Considered doubtful		21,474,235	21,474,235
Less: Provision for doubtful receivables	21.1.1	(21,474,235)	(21,474,235)
		-	-
		136,497,386	7,194,575
21.1.1 Particulars of provision for doubtful receivables			
Opening balance		21,474,235	21,474,235
Charge for the year		-	-
Closing balance		21,474,235	21,474,235

	Note	2012 Rupees	2011 Rupees
22. CASH AND BANK BALANCES			
Cash in hand		-	26,365
Cash with banks			
Current accounts with:			
State Bank of Pakistan		539,523	872,547
Others		10,540,508	7,585,466
Saving accounts	22.1	11,080,031 37,308,842	8,458,013 17,950,223
		48,388,873	26,434,601

22.1 Rate of return on these accounts range from 5% to 8% per annum (2011: 5% to 8% per annum).

23. SHARE CAPITAL

Authorized share capital 50,000,000 (2011: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital 42,000,000 (2011: 42,000,000) ordinary shares of Rs. 10 each		420,000,000	420,000,000
Issued as fully paid in cash 2,100,000 (2011: 2,100,000) ordinary shares of Rs. 10 each			
Issued as fully paid bonus shares		21,000,000	21,000,000
		441,000,000	441,000,000

23.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2011: 39.01%) ordinary shares in the Company.

24. RESERVES

Capital reserve			
Statutory reserve	24.1	154,050,085	154,050,085
Revenue reserve			
Accumulated loss		(326,346,836)	(290,943,833)
		(172,296,751)	(136,892,948)

24.1 This represents special reserve created in compliance with the Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan. However, as the company has incurred loss during the year, no amount has been transferred to the reserve.

	Note	2012 Rupees	2011 Rupees
25. SURPLUS ON REVALUATION OF FIXED ASSETS			
Building	25.1	38,208,529	-
25.1 This represents surplus arised on revaluation of building (ground floor) carried out by Maricon Consultants (Pvt) Limited dated June 29, 2012. The revalued amount is based on market values prevailing at the time of revaluation.			
26. DEFICIT ON REVALUATION OF INVESTMENTS			
Available for sale			
Listed term finance certificates		8,828	34,532
Listed shares / units		(7,151,105)	(2,532,862)
		(7,142,277)	(2,498,330)
27. TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		333,468,000	166,934,000
Redeemed during the year		41,633,000	166,534,000
		375,101,000	333,468,000
		124,899,000	166,532,000
Less: Current maturity	30	49,959,600	166,532,000
		74,939,400	-
Less: Cost on issuance/ rescheduling			
Opening balance		(1,048,842)	(2,622,138)
Rescheduling cost incurred during the year		(6,086,702)	-
Amortization for the year	41	2,739,591	1,573,296
		(4,395,953)	(1,048,842)
Less: Current maturity	30	2,028,900	1,048,842
		(2,367,053)	-
		72,572,347	-

These TFCs are rescheduled during the year for further 3 years carry return payable semi annually, at the rate of 8% per annum. (Previously 6 months KIBOR plus 2.5 bps per annum with a floor of 8% per annum and ceiling of 17% per annum for the first two years and a ceiling of 18% for the remaining period). These are secured against hypothecation of Rs. 667 million (2011: 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 revised the rating on September 21, 2011. The rating has been downgraded to 'BB' (2011: Single A) with 'Rating Watch - Developing' status.

	Note	2012 Rupees	2011 Rupees
28. LONG TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Individuals		200,286,888	235,668,379
Others	28.1	24,345,003	24,345,003
	28.2	224,631,891	260,013,382
Less: Current maturity	30	60,250,958	142,749,717
		164,380,933	117,263,665

28.1 Included herein is a sum of Rs. 6.095 million (2011: Rs. 6.095 million) representing amount payable to related parties.

28.2 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 10% to 14% per annum (2011: 8.50% to 16% per annum) payable monthly, quarterly, semi-annually or on maturity.

29. LONG TERM SECURITY DEPOSIT

Security deposit	29.1	4,502,550	8,001,388
Less: Current maturity	30	4,502,550	7,461,923
		-	539,465

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

30. CURRENT MATURITIES OF NON-CURRENT LIABILITIES

Term finance certificates - listed- net of amortization cost	27	47,930,700	165,483,158
Long term certificates of deposit	28	60,250,958	142,749,717
Long term security deposit	29	4,502,550	7,461,923
		112,684,208	315,694,798

31. SHORT TERM BORROWINGS

Financial institutions - Secured	31.1	599,348,500	809,820,762
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31.1 These represents borrowings under repurchase agreements and carry mark-up ranging from 12% to 12.50% per annum (2011: 13.40% to 14% per annum) and are for a period ranging from 6 days to 33 days (2011: 6 days to one month). These are secured against pledge of PIBs.

32. RUNNING FINANCE - SECURED

The running finance facility available under mark-up arrangement from commercial bank amounts to Rs. 300 million (2011: Rs. 600 million). This facility carries mark-up at the rate 3 months KIBOR plus 150 bps per annum with no floor (2011: 3 months KIBOR plus 150 bps per annum with no floor). This facility is secured against listed shares.

	Note	2012 Rupees	2011 Rupees
33. SHORT TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Individuals		314,629,006	339,005,782
Others		20,000,000	20,000,000
	33.1	334,629,006	359,005,782

33.1 These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 13.5% per annum (2011: 6.5% to 13.75% per annum) payable monthly, quarterly, semi-annually or on maturity.

34. ACCRUED MARKUP

Secured			
Accrued return on certificates of deposit		4,397,076	4,676,226
Accrued return on term finance certificates		2,929,138	7,933,083
Accrued return on secured borrowings		4,404,798	1,871,324
		11,731,012	14,480,633

	Note	2012 Rupees	2011 Rupees
35. TRADE AND OTHER PAYABLES			Restated
Customers' credit balances		123,721,973	45,813,809
Accrued expenses and other payables	35.1 & 6	242,695,328	106,281,285
Provision for compensated absences		1,126,007	1,210,494
Unclaimed dividend		2,387,004	2,387,004
		369,930,312	155,692,592

35.1 This includes an amount of Rs. 89.486 million (2011: Rs. 70.818 million) payable on account of future purchase contracts.

36. PROVISION FOR TAXATION

The Company's assessments till Assessment Year 2002-03, has been finalized except that the Income Tax department is in appeal before the Honorable Lahore High Court for Assessment Years 1997-98 and 1998-99 on following issues:

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

The returns for the Tax Year 2003 to 2011 were filed. The Company has filed appeals before honorable High Court for Tax Year 2003 to 2006 on various matters. These appeals are pending hearing.

For tax year 2007, the honorable Appellate Tribunal Inland Revenue vacated the orders of CIR(A) and assessing officer and directed the assessing office to look into the matter again. The assessing officer issued a notice for set-aside proceeding which is still pending fixation.

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

For tax year 2009, tax department has initiated proceeding under sec 161 of the income tax ordinance. The company has not received any notice for the tax year 2010 and 2011.

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

	2012 Rupees	2011 Rupees
37. CONTINGENCIES AND COMMITMENTS		
Outstanding guarantees	40,301,020	1,500,000
Future purchase contracts- Shares	173,150,679	147,625,200
Future sale contracts- Shares	68,852,695	70,280,455
38. PROFIT ON FINANCING		
Long term	26,823,886	32,334,448
Short term	10,307,571	6,440,981
	37,131,457	38,775,429
39. RETURN ON PLACEMENTS		
Clean placements	1,110,174	994,302
Placements under reverse repurchase agreements	64,830,106	75,506,798
	65,940,280	76,501,100
40. RETURN ON INVESTMENTS		
Mark-up / return on investments		
Held to maturity investments Government securities	42,439,838	56,000,000
Available for sale investments Term Finance Certificates	409,050	5,029,013
Dividend income		
Available for sale investments Listed shares/units	66,047,288	43,225,584
Held for Trading Listed shares/units	291,002	-
Fair value loss on held for trading investment	(718,982)	(64,900)
Capital gain / (loss) on investments		
Available for sale investments	3,594,987	(10,038,276)
Held for trading	1,378,532	41,824
	113,441,715	94,193,245

	Note	2012 Rupees	2011 Rupees
41. ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	41.1	22,835,804	30,749,810
Staff Training and Welfare		29,940	24,580
Advertisement and business promotion		257,600	226,882
Rent, rates and taxes		6,812,714	11,243,467
Utilities		1,721,746	2,587,623
Communication charges		2,108,086	2,789,073
Traveling and vehicle maintenance		5,560,680	7,173,406
Repair and maintenance		3,835,497	3,010,928
Entertainment		1,129,379	1,366,411
Fee and subscriptions		2,565,197	2,613,749
Legal and professional charges	41.2	3,127,020	2,757,769
Printing and stationery		1,453,469	1,506,041
Fee, brokerage & commission		3,545,086	112,002
CDC and clearing charges		1,404,921	4,388,038
Insurance		492,714	876,384
Amortization of issuance cost of listed TFC's	27	2,739,591	1,573,296
Depreciation	7.1	10,724,009	12,188,458
Amortization of Intangible assets		866,580	288,860
Donation		-	100,170
Penalty		-	60,000
Staff Motor Vehicle Contribution & Insurance		58,599	86,715
Miscellaneous expenses		141,024	180,840
		71,409,656	85,904,502

41.1 This includes contribution to provident fund amounting to Rs. 0.636 million (2011: Rs. 1.198 million) made by the Group.

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

Audit fee		707,000	707,000
Review of half yearly accounts		143,000	143,000
Certification and consultancy charges		50,000	-
Out of pocket expenses		37,500	-
		937,500	850,000

42. TAXATION-NET

Current taxation	42.1	4,118,394	3,425,295
Deferred taxation		(13,073,794)	(5,650,186)
		(8,955,400)	(2,224,891)

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

	2012 Rupees	2011 Rupees
43. LOSS PER SHARE - BASIC AND DILUTED		
Loss for the year after taxation (Rupees)	(35,403,803)	(62,185,270)
Number of ordinary shares	44,100,000	44,100,000
Loss per share (Rupees)	(0.80)	(1.41)

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

44. SEGMENTAL ANALYSIS

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

Financing activities

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

Investing activities

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

	For the year ended 30 June 2012		
	Financing activities	Investing activities	Total
Profit on financing	37,131,457	-	37,131,457
Mark-up on lease finance	123,889	-	123,889
Return on placements	-	65,940,280	65,940,280
Return on investments	-	113,441,715	113,441,715
Total income for reportable segments	37,255,346	179,381,995	216,637,341
Finance costs	38,238,508	184,115,857	222,354,365
Administrative and other operating expenses	12,280,392	59,129,264	71,409,656
Provision for doubtful financing	49,334	-	49,334
Segment result	(13,312,888)	(63,863,126)	(77,176,014)
Other operating income			32,816,811
Loss before taxation			(44,359,203)
Segment assets	239,243,016	1,073,668,095	1,312,911,111
Unallocated assets			686,618,071
			1,999,529,182
Segment liabilities	124,472,520	179,799,531	304,272,051
Unallocated liabilities			1,426,553,882
Equity			268,703,249
			1,999,529,182

For the year ended 30 June 2011

	Financing activities	Investing activities	Total
Profit on financing	38,775,429	-	38,775,429
Mark-up on lease finance	1,041,404	-	1,041,404
Return on placements	-	76,501,100	76,501,100
Return on investments	-	94,193,245	94,193,245
Total income for reportable segments	39,816,833	170,694,345	210,511,178
Finance costs	38,886,362	166,705,427	205,591,789
Administrative and other operating expenses	16,248,283	69,656,219	85,904,502
Provision for doubtful financing - reversed	(321,482)		(321,482)
Segment result	(14,996,330)	(65,667,301)	(80,663,631)
Other operating income			16,253,470
Loss before taxation			(64,410,161)
Segment assets	237,520,370	1,456,995,716	1,694,516,086
Unallocated assets			461,788,310
			<u>2,156,304,396</u>
Segment liabilities	99,238,700	260,372,010	359,610,710
Unallocated liabilities			1,492,586,634
Equity			304,107,052
			<u>2,156,304,396</u>

45. TRANSACTIONS WITH RELATED PARTIES

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

	2012 Rupees	2011 Rupees
Associated companies:		
Transactions during the year		
Return on finances received	6,471,867	9,509,829
Guarantee commission earned	830,749	12,000
Profit paid on certificates of deposit	662,098	639,972
Chairman's secretariat expenses	3,600,000	3,600,000
Fixed assets sold	600,115	1,202,096
Balance at year end		
Advances outstanding	78,325,212	78,048,413
Letter of guarantee outstanding	40,301,020	1,500,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	10,956,463	4,000,000
Directors:		
Transactions during the year		
Return on finances received	1,160,045	694,534
Profit paid on certificates of deposit	6,708,339	6,780,157
Balance at year end		
Advances outstanding	19,540,227	20,137,497
Certificates of deposit outstanding	60,692,600	50,400,000
Executives:		
Transactions during the year		
Return on finances received	1,496,524	231,839
Profit paid on certificates of deposit	7,479,607	7,577,871
Balance at year end		
Advances outstanding	3,441,731	7,026,469
Certificates of deposit outstanding	56,476,561	58,568,784
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	794,403	1,198,082

46. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive/ Directors		Executives	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
Managerial remuneration	1,793,376	1,793,376	5,276,080	7,991,868
House rent allowance	717,348	717,348	2,110,434	2,949,249
Utilities	179,340	179,340	527,602	737,317
Bonus/commission	-	-	5,049,851	119,244
Special allowance	-	-	180,000	380,000
Leave encashment	-	-	-	667,182
Retirement benefits	-	-	464,250	626,487
	2,690,064	2,690,064	13,608,217	13,471,347
Number of persons	1	1	6	8

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

47. LIQUIDITY RISKS

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

Description	Total	Within one year	More than one year and upto five years	Above five years
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2012				
ASSETS				
Fixed capital expenditure	109,504,081	-	5,384,829	104,119,252
Cards and rooms	84,955,000	-	-	84,955,000
Deferred tax asset	95,555,063	-	95,555,063	-
Net investment in lease finance	5,431,066	5,431,066	-	-
Investments	263,663,513	162,669,103	-	100,994,410
Finances	226,871,778	198,239,962	13,618,680	15,013,136
Advances	5,726,701	4,849,106	877,595	-
Deposits and prepayments	46,184,261	34,930,833	5,524,478	5,728,950
Interest accrued	10,464,699	10,464,699	-	-
Other receivables	148,124,722	148,124,722	-	-
Tax refunds due from Government	234,011,965	234,011,965	-	-
Placements	720,647,460	720,647,460	-	-
Cash and bank balances	48,388,873	48,388,873	-	-
	1,999,529,182	1,567,757,789	120,960,645	310,810,748

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
LIABILITIES				
Term finance certificates	120,503,047	47,930,700	72,572,347	-
Short term borrowings	599,348,500	599,348,500	-	-
Certificates of deposit	559,260,897	394,879,964	164,380,933	-
Long term security deposit	4,502,550	4,502,550	-	-
Accrued markup	11,731,012	11,731,012	-	-
Trade and other payables	369,930,312	369,930,312	-	-
Provision for taxation	34,483,363	34,483,363	-	-
	1,699,759,681	1,462,806,401	236,953,280	-
NET ASSETS	299,769,501	104,951,388	(115,992,635)	310,810,748
Represented by:				
SHARE CAPITAL AND RESERVES	268,703,249			
SURPLUS ON REVALUATION OF FIXED ASSETS	38,208,529			
DEFICIT ON REVALUATION OF INVESTMENTS	(7,142,277)			
	299,769,501			

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 2011				
ASSETS				
Fixed capital expenditure	82,738,987	-	10,488,913	72,250,074
Cards and rooms	84,955,000	-	-	84,955,000
Deferred tax asset	82,481,269	-	82,481,269	-
Net investment in lease finance	11,845,818	10,758,226	1,087,592	-
Investments	565,402,585	408,168,305	56,196,874	101,037,406
Finances	218,709,914	200,034,819	3,661,959	15,013,136
Advances	4,975,201	4,083,012	892,189	-
Deposits and prepayments	31,812,734	26,756,508	2,172,276	2,883,950
Interest accrued	11,390,102	11,390,102	-	-
Other receivables	16,884,011	16,884,011	-	-
Tax refunds due from government	222,140,459	222,140,459	-	-
Placements	796,533,715	796,533,715	-	-
Cash and bank balances	26,434,601	26,434,601	-	-
	2,156,304,396	1,723,183,758	156,981,072	276,139,566
LIABILITIES				
Term finance certificates	165,483,158	165,483,158	-	-
Short term borrowings	809,820,762	809,820,762	-	-
Running finance under mark up arrangements	50,000,600	50,000,600	-	-
Certificates of deposit	619,019,164	501,755,499	117,263,665	-
Long term security deposit	8,001,388	7,461,923	539,465	-
Accrued markup	14,480,633	14,480,633	-	-
Trade and other payables	155,692,592	155,692,592	-	-
Provision for taxation	32,197,377	32,197,377	-	-
	1,854,695,674	1,736,892,544	117,803,130	-
NET ASSETS	301,608,722	(13,708,786)	39,177,942	276,139,566
Represented by:				
SHARE CAPITAL AND RESERVES	304,107,052			
SURPLUS ON REVALUATION OF INVESTMENTS	(2,498,330)			
	301,608,722			

48. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

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

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

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

48.1 Segment information

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2012	2011	2012	2011	2012	2011
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
Chemical and pharmaceuticals	6.99	10.26	-	-	-	-
Agribusiness	7.13	5.64	-	-	-	-
Textile	7.94	6.28	-	-	-	-
Sugar	13.83	11.13	-	-	-	-
Financial Institutions	-	-	-	-	-	-
Insurance	-	-	0.09	0.07	-	-
Electronics and electrical appliances	40.39	31.78	-	-	100.00	100.00
Production and transmission of energy	1.62	2.25	-	-	-	-
Steel & allied products	-	0.09	-	-	-	-
Individuals	13.85	25.85	92.07	83.05	-	-
Engineering and Construction	8.07	6.53	-	-	-	-
Communications	-	-	3.58	-	-	-
Non-Government Organizations	-	-	4.26	3.45	-	-
Others	0.17	0.20	0.00	13.43	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

48.2 Geographical Segment

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

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

	2012 Rupees	2011 Rupees
Aging of term loan and lease rental receivables		
Not past due	195,831,033	169,081,946
Past due 0 - 90 days	4,977,900	7,841,358
Past due 91- 180 days	711,700	5,837,183
180 days to 1 year	4,167,843	5,880,357
More than 1 year	69,705,046	81,573,510
	275,393,522	270,214,353

Collaterals held against term financing.

	2012				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid collaterals	
	----- Rupees -----				
Long term finances	111,599,632	29,675,000	155,811,398	31,900,000	(105,786,766)
Short term finances	161,731,406	20,900,000	165,000,000	46,750,000	(70,918,594)
	2011				Net exposure
	Gross exposure	Collaterals			
		Mortgage	Hypothecation	Liquid collaterals	
	----- Rupees -----				
Long term finances	134,481,273	-	176,128,969	31,900,000	(73,547,696)
Short term finances	131,293,079	4,675,000	108,050,000	22,660,000	583,080

49. MARKET RISK

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

49.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest will affect the value of financial instruments. 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 reprice in a given period.

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

Description	Total	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2012					
FINANCIAL ASSETS					
Investments	263,663,513	162,669,103	-	100,994,410	-
Net investment in lease finance	5,431,066	5,431,066	-	-	-
Finances	226,871,778	198,239,962	13,618,680	15,013,136	-
Advances	5,726,701	-	-	-	5,726,701
Deposits and prepayments	46,184,261	31,628,931	-	-	14,555,330
Placements	720,647,460	720,647,460	-	-	-
Cash and bank balances	48,388,873	37,308,842	-	-	11,080,031
	1,316,913,652	1,155,925,364	13,618,680	116,007,546	31,362,062
FINANCIAL LIABILITIES					
Term finance certificates	120,503,047	47,930,700	72,572,347	-	-
Short term borrowings	599,348,500	599,348,500	-	-	-
Certificates of deposit	559,260,897	394,879,964	164,380,933	-	-
Accrued Markup	11,731,012	-	-	-	11,731,012
Trade and other payables	369,930,312	-	-	-	369,930,312
	1,660,773,768	1,042,159,164	236,953,280	-	381,661,324
Total Interest rate sensitivity gap		113,766,200	(223,334,600)	116,007,546	
Cumulative interest rate sensitivity gap		113,766,200	(109,568,400)	6,439,146	
As at 30 June 2011					
FINANCIAL ASSETS					
Investments	565,402,585	408,168,305	56,196,874	101,037,406	-
Net investment in lease finance	3,844,430	3,296,303	548,127	-	-
Finances	218,709,914	200,034,819	3,661,959	15,013,136	-
Advances	4,975,201	-	-	-	4,975,201
Deposits and prepayments	31,812,734	21,900,000	-	-	9,912,734
Placements	796,533,715	796,533,715	-	-	-
Cash and bank balances	26,434,601	17,950,223	-	-	8,484,378
	1,647,713,180	1,447,883,365	60,406,960	116,050,542	23,372,313
FINANCIAL LIABILITIES					
Term finance certificates	165,483,158	165,483,158	-	-	-
Obligation under finance lease	-	-	-	-	-
Short term borrowings	809,820,762	809,820,762	-	-	-
Running finance under mark up arrangements	50,000,600	50,000,600	-	-	-
Certificates of deposit	619,019,164	501,755,499	117,263,665	-	-
Markup Accrued	14,480,633	-	-	-	14,480,633
Trade and other payables	155,692,592	-	-	-	155,692,592
	1,814,496,909	1,527,060,019	117,263,665	-	170,173,225
Total Interest rate sensitivity gap		(79,176,654)	(56,856,705)	116,050,542	
Cumulative interest rate sensitivity gap		(79,176,654)	(136,033,359)	(19,982,817)	

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

49.2 Equity price risk

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

		Changes in KSE all Index	Effects on Profit Before Tax (Rupees)	Effects on Equity
Available-for-sale investments	2012	+10%	-	7,990,300
		-10%	-	(7,990,300)
	2011	+10%	-	3,234,621
		-10%	-	(3,234,621)
Held-for-trading investments	2012	+10%	615,754	-
		-10%	(615,754)	-
	2011	+10%	50,460	-
		-10%	(50,460)	-

49.3 Currency risk

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

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

50. CAPITAL RISK MANAGEMENT

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

The Company is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2008. The existing minimum capital requirement of Rs. 700 million has been extended to June 30, 2012. However, the Company is required to further raise its equity to Rs. 1 billion till 30 June 2013.

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

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

The debt-to-equity ratios at 30 June 2012 and at 30 June 2011 were as follows:

	2012 Rupees	2011 Rupees
Total debt	236,953,280	117,803,130
Total equity	299,769,501	301,608,722
Debt-to-equity ratio	0.79	0.39

The increase in the debt-to-equity ratio during 2012 resulted primarily from resheduling of Term Finance Certificates amounting to Rs. 166.534 million and increase in Long Term Certificate of Deposits during the year amounting to Rs. 47.117 million.

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

52. FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES

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

53. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2012, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

54. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 28, 2012 by the Board of Directors of the Group.

55. GENERAL

55.1 Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

Pattern of Shareholding as at June 30, 2012

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES HELD	Percentage of Total Capital
	FROM	TO		
88	1 -	100	2,360	0.01
67	101 -	500	26,918	0.06
69	501 -	1000	63,507	0.14
137	1001 -	5000	406,901	0.92
45	5001 -	10000	361,571	0.82
18	10001 -	15000	227,716	0.52
13	15001 -	20000	244,243	0.55
4	20001 -	25000	94,102	0.21
3	25001 -	30000	79,100	0.18
2	30001 -	35000	66,068	0.15
3	35001 -	40000	116,068	0.26
4	40001 -	45000	174,327	0.40
9	45001 -	50000	449,697	1.02
1	50001 -	55000	50,500	0.11
1	65001 -	70000	68,000	0.15
2	75001 -	80000	157,490	0.36
1	85001 -	90000	90,000	0.20
6	95001 -	100000	597,386	1.35
1	100001 -	105000	103,003	0.23
2	105001 -	110000	219,515	0.50
1	115001 -	120000	120,000	0.27
1	135001 -	140000	139,998	0.32
1	160001 -	165000	160,500	0.36
1	180001 -	185000	180,700	0.41
1	195001 -	200000	200,000	0.45
1	220001 -	225000	222,000	0.50
1	305001 -	310000	306,200	0.69
1	310001 -	315000	314,800	0.71
1	465001 -	470000	467,775	1.06
1	660001 -	665000	663,500	1.50
1	800001 -	805000	804,525	1.82
1	820001 -	825000	825,000	1.87
1	930001 -	935000	932,000	2.11
1	1180001 -	1185000	1,184,092	2.69
1	1195001 -	1200000	1,197,971	2.72
1	1665001 -	1670000	1,668,458	3.78
1	2910001 -	2915000	2,910,105	6.60
1	3530001 -	3535000	3,532,961	8.01
1	3690001 -	3695000	3,691,641	8.37
1	3775001 -	3780000	3,775,962	8.56
1	17200001 -	17205000	17,203,340	39.01
497			44,100,000	100.00

Pattern of Share Holding as Required by the Code of Corporate Governanc

Sr. #	Name	No. of Shareholders	No. of Shares Held	%age of Holding
1	Associated Companies M/S ESSEM POWER (PVT) LIMITED	1	17,203,340 17,203,340	39.0098 39.0098
2	Directors, CEO, Spouse(s) and Minor Children MR. MUTAHIR AHMED MR. BAIRAM QURESHI MR. ZULFIQAR ALI KHAN MR. TAJAMMUL HUSSAIN BUKHARI(21020) MS. SHAZIA BASHIR AMJAD MAHMOOD AGHA MUHAMMAD SHARIF BAQIR DARAKSHAN BASHIR	8	6,849,669 160,500 1,102 500 500 3,775,962 500 500 2,910,105	15.5321 0.3639 0.0025 0.0011 0.0011 8.5623 0.0011 0.0011 6.5989
3	Public sector companies and corporations INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN	1	13,477 13,477	0.0306 0.0306
4	Banks, Development Finance institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds NATIONAL BANK OF PAKISTAN PAKISTAN REINSURANCE COMPANY LIMITED STATE LIFE INSURANCE CORP. OF PAKISTAN	4	1,315,403 1,221,067 16,846 77,490	2.9828 2.7689 0.0382 0.1757
5	Others	11	321,297	0.7286
6	General Public (Local)	472	18,396,814	41.7161
	Total	497	44,100,000	100.0000

Pattern of Share Holding as Required by the Code of Corporate Governanc

Categories of Shareholders

Sr. #	Categories	No. of Shareholders	Shares Held	Percentage %
1	Directors, Chief Executive Officer, and their spouse and minor children	8	6,849,669	15.5321
2	Associated Companies, Undertakings and Related Parties	1	17,203,340	39.0098
3	Banks, Development Financial Institutions, Non Banking Financial Institutions	3	1,234,544	2.7994
4	Insurance Companies	2	94,336	0.2139
5	General Public (Local)	472	18,396,814	41.7161
6	Others	4	209,501	0.4751
7	Joint Stock Companies	7	111,796	0.2535
TOTAL:		497	44,100,000	100.0000

Shareholders Having more than 5% Holdings

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



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 31th day of October 2012 at 12:00 noon and at any adjournment thereof.

As witnessed under my/our hand this _____ day of _____ 2012.

_____ signed by _____

in presence of _____

Signature and address of the witness

Signature and address of the witness

Please affix
Revenue
Stamp

Signature of member



The Company Secretary

ESCORTS INVESTMENT BANK LIMITED

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

AFFIX
CORRECT
POSTAGE



ESCORTS INVESTMENT BANK LIMITED

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Email: mailmanager@escortsbank.net
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