

ESCORTS
BANK



Annual Report
2013



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 Proprietary Investments

Hassan Abid Zaidi

Head of MIS

Kamran Chughtai

AUDIT COMMITTEE

Chairman

Tajamul Hussain Bokharee

Members

Bairam Qureishy

Mutahir Ahmed

Secretary

Muhammad Rasheed Alam

Internal Auditors

Nasir Javaid Maqsood Imran

Chartered Accountants

External Auditors

Zahid Jamil & Company

Chartered Accountants

Legal Advisors

Lexium Attorneys at Law

Tax Consultants

KPMG Taseer Hadi & Co.

Chartered Accountants

Share Registrars

Hameed Majeed Associates (Pvt.) Ltd.

Bankers

Bank Alfalah Limited

Askari Bank Limited

NIB Bank Limited

NETWORK

Head Office & Lahore Branch

Escorts House

26-Davis Road, Lahore

Tel: (042) 3637 1931-34

Fax: (042) 3637 5950

mailmanager@escortsbank.net

www.escortsbank.net

Branch Offices

Karachi Office

Escorts Investment Bank Limited

Room # 631, 632, Stock Exchange Building,

Stock Exchange Road, Karachi

Tel: (021) 3247 1671-5

Fax: (021) 3247 237

karachi@escortsbank.net

www.escortsbank.net

Islamabad Office

Escorts Investment Bank Limited

Shalimar – 5/1, Attaturk Ave, Islamabad

Tel: (051) 227 1762

Fax: (051) 227 1764

islamabad@escortsbank.net

www.escortsbank.net



Financial Statements

30 June 2013

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK LIMITED** will be held on Wednesday October 30, 2013 at 10:00 a.m. at Escorts House, 26 Davis Road, Lahore the registered office of the Company, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Financial Statements for the year ended June 30, 2013 together with the Directors' and Auditors' report thereon;
2. To appoint External Auditors and fix their remuneration for the year ending June 30th, 2014.

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, 2013

Notes:

1. The share transfer books shall remain closed from October 24, 2013 to October 30, 2013 (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 23, 2013 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

These past three years have been very challenging for the management and staff of our Company because of ambitious targets which were difficult to achieve in a slowing economy and less active marketplace. However, these seemingly insurmountable objectives have been accomplished. I took office in April 2010 as the Chief Executive Officer of the Company. In the first two years of my tenor, the Company displayed a consistent growth of more than 60%. The third year has been the year of Turnaround. Our Company has become profitable after four years and for the year ended June 30, 2013 our Company reported an after tax profit of Rs. 20.3 million and total comprehensive profit for the year of Rs. 22.2 million. I congratulate everyone on this remarkable success.

The stock brokerage revenues have significantly improved because of improved service quality rendered to a wide variety of retail and high net worth priority customers and institutions. A bouquet of products is being offered to our customers which includes improved equities and commodities research, efficient trade execution and facility to avail financing against shares, a combination not commonly provided under one roof or at the clients' doorstep. All the share shops opened during the year located at Johar Town - Lahore, Lahore Stock Exchange, Gujranwala, Islamabad and Faisalabad and institutional desk- Karachi are all profitable. Work is underway on the Sialkot Office and that is also expected to be profitable in the second half of the coming year.

We intend to improve footprint in Punjab and Khyber Pakhtoonkhwa (formerly North West Frontier Province) and increase our outreach to retail clients in Southern Sindh. The arbitrage and hedging activities which previously have been the prime contributors towards profitability are slowly being revived. The commodities investments are also expected to generate sizable revenues for the Company. The Deposits of your Company are increasing. With negligible non-performing loans (NPLs) and constantly improving financial results our stakeholders are further reassured of the effectiveness and reliability of our Risk Management Systems.

With the perceived improvement in the economic activity going forward, our Company is ready to capitalize on the opportunities. The Company is expected to improve further during the coming years and generate high quality earnings in order to create value for the stakeholders.

Our Company needs your best wishes and prayers in order to exceed expectations in terms of financial performance, financing positions and establishment of best practices and good governance.

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 30, 2013

The Board of Directors of Escorts Investment Bank Limited takes pleasure in presenting before you, the Annual Report 2013 together with the Audited Financial Statements for the year ended June 30, 2013.

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:

	2013 Rupees	2012 Rupees
Profit/ (Loss) before provisions and taxation	18,637,771	(21,983,850)
Less: Provision for /(reversal) of doubtful finances and receivables	246,507	(49,334)
Profit/ (Loss) before taxation	18,391,264	92,033,184)
Taxation	1,931,616	10,713,170
Profit/(Loss) after taxation	20,322,880	(11,320,014)
Other Comprehensive income- net of tax	1,910,424	-
Total comprehensive Profit/(Loss)- net of tax	22,233,304	(11,320,014)

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

During the year the Company earned a profit after tax of Rs. 20.3 million as against a loss of Rs. 11.32 million in the preceding year. This improvement in earnings of 279% for the current year and 63% for the preceding year shows clearly that the vision of value addition for stakeholders through enhanced business activity is being accomplished. This turnaround of the Company is the evidence of the hard work and commitment of the management and employees of the Company.

The total revenue of your Company has decreased from Rs. 264.1 million in preceding year to Rs. 241.1 million in the financial year ended June 30, 2013. This 8% decrease pertains primarily to decrease in return on investments and placements.

Income from financing has shown an improvement of merely 5% because of full recovery of certain associated party loans during the year. However, towards the end of the year, the activity in capital markets has increased significantly and resultantly the magnitude of Margin Financing increased accordingly. The Company expected to earn sizable revenues from Margin Financing going forward. The quality of this form of earning is excellent because the better quality and liquid-ability of the collateral. The Return on investments has shown decrease because of maturity of Government Securities during the year amounting to Rs. 50.8 million. The other income has increased from Rs. 11.6 million in the previous year to Rs. 49.2 million in the year under consideration. This significant increase mainly pertains to compensation on delayed tax refunds amounting to Rs. 44.9 million.

It is pertinent to note that although the revenue has decreased by around 8% during the year however, the total expenses of the Company have reduced by more than 22%. During the previous year, the total expenses of the Company were Rs. 286 million whereas for the year ended June 30, 2013, the total expenses incurred were Rs. 222.5 million. This has translated into Operating Profit before tax and provision of Rs. 18.6 million as against a loss of Rs. 21.9 million in the corresponding period of the preceding year. It brings us immense pleasure to report that the Company has accomplished profitability after a period of four years. This has been possible only because of consistent compliance of and adherence to the Business Plan envisioned by the New Management that took office in April 2010.

The Company's earnings have shown improvement which is unparalleled in the industry. The current ratio of the Company has increased from 1.03 in 2012 to 1.08 in the year ended June 30, 2013. This shows that the Company has improved not only its profitability but also has improved its short term liquidity and medium to long term solvency.

Earnings/(Loss) Per Share (EPS)

For the first time since 2008 the Company has reported positive EPS. The EPS of the Company for the year ended June 30, 2013 is Rs. 0.46 as against a Loss per Share of Rs. (0.26) for preceding year. Operational efficiencies, better internal controls and diversified income streams have resulted in this turnaround and this trend is expected to further improve the EPS of the Company going forward.

Credit Rating

As an expression of confidence in your Company's performance, The Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Company at "BBB" (Triple B) with "Positive Outlook" as on February 22, 2013. 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.

Board Meetings

The Board presently comprises of one executive and six non executive directors. No casual vacancy occurred during the year.

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	1
Ms. Shazia Bashir	4	4
Mr. Tajamal Hussain Bokharee	4	3
Mr. Mutahir Ahmed	4	3
Mr. Zulfiqar Ali Khan	4	2
Mr. Muhammad Sharif Baqir	4	3
Mr. Agha Mahmood Amjad	4	2

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

Pattern of shareholding

There were 450 shareholders of the Company as at 30 June 2013. 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, 2013 works out to Rs. 4.77 million and cash at bank balances amount to Rs. 0.96 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 2013.

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 and commodities markets are expected to have improved investor confidence resulting in increased activity in market place. With the branch network rollout plan in place, your Company is expected to improve its market share in capital and commodities markets. Better financial and risk management are expected to generate high quality earnings for the Company. A diversified portfolio of products including share and commodities brokerage, market making, commodities, bills discounting, financing against shares (Margin Financing), car finance, advisory, recoveries of NPLs of clients, certificate of deposits, arbitrage, hedging and related activities are all showing exceptional improvement compared with previous periods. This trend is expected to continue and the Company is adequately equipped and rightly positioned in the marketplace to take maximum benefit from these improvements. The future periods are expected to show better profitability for the Company with improved earnings quality and high service levels.

Acknowledgement

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

For and on behalf of Board

Shazia Bashir
President and Chief Executive Officer

Director

Lahore: September 30, 2013

Financial Highlights

Last Eight Years of Escorts Bank At a Glance



	(Rupees in '000')							
	2013	2012	2011	2010	2009	2008	2007	2006
FINANCIAL DATA								
Share Capital	441,000	441,000	441,000	441,000	441,000	441,000	441,000	441,000
Reserves	56,808	34,575	45,895	76,973	156,403	410,850	361,233	319,269
Shareholders' Equity	497,808	475,575	486,895	517,973	597,403	851,850	802,233	760,269
Deposits	758,007	659,261	691,974	580,862	413,733	1,327,061	2,081,408	1,480,153
Borrowings from Financial Institutions	-	599,349	809,821	304,763	438,563	2,983,208	2,770,032	2,206,358
Total Liabilities	1,043,420	1,700,946	1,888,768	1,307,045	1,510,240	5,645,060	5,132,427	4,115,488
Tangible Fixed Assets	128,046	138,188	110,296	122,008	137,981	166,115	159,142	136,629
Intangible Fixed Assets	578	1,444	2,311	-	-	35,917	44,087	45,087
Capital Work in Progress	7,669	-	-	2,100	1,300	1,300	18,036	-
Financing - Net of Provision	336,352	326,872	318,710	250,393	158,915	281,673	351,638	342,733
Net Investment in Finance Lease	3,572	5,431	11,846	21,633	35,451	72,272	64,949	30,948
Investments & Placements	307,547	984,310	1,351,149	789,845	1,096,536	4,631,475	4,671,168	3,710,283
Total Assets	1,541,228	2,176,521	2,375,663	1,825,018	2,107,643	6,496,909	5,934,660	4,875,757
OPERATING RESULTS								
Total Revenue	241,185	264,110	239,698	182,339	356,524	837,164	841,512	716,284
Markup Expense	167,961	218,037	197,796	159,061	270,646	482,477	472,673	306,870
Operating & Other Expenses	54,586	68,057	75,832	103,498	153,678	251,038	226,953	200,688
Provision against Non-Performing Loans	247	49	(321)	(3,357)	3,802	9,134	684	10,772
Profit/(loss) before Tax	18,391	(22,033)	(34,021)	(79,598)	(166,002)	94,512	141,201	197,955
Profit/(loss) after Tax	20,323	(11,320)	(31,078)	(79,430)	(166,247)	137,817	130,164	186,051
Dividend (%)	-	-	-	-	-	20.00	20.00	20.00
FINANCIAL RATIOS								
Earnings/(loss)/ per Share (Rs.)	0.46	(0.26)	(0.70)	(1.80)	(3.77)	3.13	2.95	4.44
Net Asset Value per Share (Rs.)	11.29	10.78	11.04	11.74	13.54	19.32	18.19	17.24
Market Value per Share (Rs.)	3.70	1.95	1.80	2.89	2.40	12.68	16.40	16.00
High	4.98	2.95	3.85	4.30	11.99	20.10	17.40	21.55
Low	1.75	1.10	1.10	1.55	2.40	11.00	13.00	9.85
Price Earning Ratio	8.04	-	-	-	-	4.06	5.56	3.60
Dividend per Share (Rs.)	-	-	-	-	-	2.00	2.00	2.00
Dividend Yield (%)	-	-	-	-	-	15.77	12.20	12.50
Dividend Payout Ratio(%)	-	-	-	-	-	64.00	67.76	45.00
Profit/(loss) Before Tax Ratio (%)	7.63	(8.34)	(14.19)	(43.65)	(46.63)	11.29	16.78	27.64
Revenue to Expenses (Times)	1.08	0.92	0.87	0.70	0.69	1.13	1.20	1.38
Return on Average Assets (%)	1.09	-	-	-	-	2.22	2.41	4.11
Return on Capital Employed (%)	4.18	-	-	-	-	16.66	16.66	28.62
Total Assets Turnover Ratio (Times)	0.16	0.12	0.10	0.10	0.17	0.13	0.16	0.16
Advances to Deposits (Times)	0.44	0.50	0.47	0.35	0.30	0.21	0.17	0.23
Borrowings to Equity (Times)	-	0.79	0.60	1.70	2.33	5.06	6.05	4.85
Total Liabilities to Equity (Times)	2.10	3.58	3.88	2.52	2.52	6.63	6.40	5.41

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Regulation No. 35 (Chapter XI) of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including the Company
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board of Directors during the year.
5. The Company has prepared a ‘Code of Conduct’ (the Code) and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors are exempted from training Program because they fulfill the exemption criteria provided in the proviso of clause 35 (xi) of the Code.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors’ report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

Shazia Bashir
President and Chief Executive Officer

Lahore

Date: September 30, 2013

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

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

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

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

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

Based on our review, except for the matter discuss in paragraph "a to c" below nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the code of Corporate Governance for the year ended June 30, 2013.

- a) The Human Resource and Remuneration committee has not been formed.
- b) Chairman of the audit committee is not an independent director.
- c) Term of reference of the Audit Committee has not been formulated.

Lahore
Date: September 30, 2013
Engagement Partner: Muhammad Amin

Zahid Jamil & Company
Chartered Accountants

Statement of Ethics and Business Practices



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

Business Practices

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

Shareholders

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

Customers

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

Employees

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

Society

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

Business Integrity

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

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

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



Reliability and Reporting

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

Economic Principles

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

Political Activities

The Company believes in staying detached from all political activities.

Health and Safety

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

Statement of Compliance with Best Practices on Transfer Pricing for the Year Ended 30 June 2013



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

For and on behalf of the Board

Shazia Bashir
President and Chief Executive Officer

Lahore
Date: September 30, 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of ESCORTS INVESTMENT BANK LIMITED ("the company") as at JUNE 30, 2013 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, 2013 and of the profit, 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, 2013 has fallen below the minimum equity required under regulation 4 of NBFC and Notified Entities Regulations 2008.

Lahore
Date: September 30, 2013
(Engagement Partner: Muhammad Amin)

Zahid Jamil & Company
Chartered Accountants

Balance Sheet

as at 30 June 2013



	Note	2013 Rupees	2012 Rupees
ASSETS			
Non-current Assets			
Fixed assets	6	102,843,295	106,182,817
Cards and rooms	7	33,450,000	33,450,000
Long term investment in subsidiary company	8	175,004,000	175,004,000
Long term investments	9	100,980,776	100,994,410
Long term finances	10	179,386,953	128,631,816
Net investment in lease finance	11	-	-
Long term loans and advances	12	51,355,926	50,877,595
Long term deposits and prepayments	13	3,914,604	9,029,428
Deferred tax asset	14	100,222,616	95,555,063
		747,158,170	699,725,129
Current Assets			
Current maturities of non-current assets	15	52,755,719	110,144,097
Short term investments	16	206,566,908	112,086,491
Short term finances	17	111,373,306	147,963,572
Short term placements		-	720,647,460
Advances	18	3,557,292	3,518,121
Short term deposits and prepayments	19	21,712,413	22,558,586
Interest accrued		54,110,069	24,987,555
Other receivables	20	54,012,549	68,265,935
Tax refunds due from the government		203,900,274	230,689,984
Cash and bank balances	21	36,080,966	35,934,136
		744,069,496	1,476,795,937
		1,491,227,666	2,176,521,066
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	22	441,000,000	441,000,000
Reserves	23	56,808,178	34,574,874
		497,808,178	475,574,874
Surplus on revaluation of fixed assets	24	36,298,105	38,208,529
Deficit on revaluation of investments	25	(5,224,348)	(7,142,277)
Non-Current Liabilities			
Term finance certificates	26	24,641,647	72,572,347
Long term certificates of deposit	27	249,661,415	164,380,933
Long term security deposit	28	-	-
Current Liabilities			
Current maturities of non-current liabilities	29	69,234,530	112,684,208
Short term borrowings		-	599,348,500
Short term certificates of deposit	30	490,714,262	434,629,006
Accrued markup	31	17,928,487	17,221,726
Trade and other payables	32	72,946,090	234,559,857
Provision for taxation	33	37,219,300	34,483,363
		688,042,669	1,432,926,660
Contingencies and Commitments	34	-	-
		1,491,227,666	2,176,521,066

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

Chief Executive Officer

Director

Profit and Loss Account

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
INCOME			
Profit on financing	35	62,784,239	59,766,881
Mark-up on lease finance		3,040	123,889
Return on placements	36	28,372,041	65,940,280
Return on investments	37	96,114,938	113,441,715
Fees and commission		3,211,165	12,020,525
Profit on bank deposits		1,484,491	1,155,739
Other income	38	49,215,319	11,661,177
		241,185,233	264,110,206
EXPENSES			
Return on certificates of deposit		82,170,679	77,389,781
Return on term finance certificates		7,821,073	14,521,932
Mark-up on short term running finance		567,112	1,035,575
Mark-up on borrowings from financial institutions		77,392,312	125,090,417
Amortization of premium on held to maturity investments		596,246	10,078,584
Administrative and other operating expenses	39	53,880,486	57,128,216
Other financial charges		119,554	849,551
		222,547,462	286,094,056
Operating profit/ (loss) before provisions and taxation		18,637,771	(21,983,850)
Provision for doubtful finances		(246,507)	(49,334)
Profit/ (loss) before taxation		18,391,264	(22,033,184)
Taxation-Net	40	1,931,616	10,713,170
Profit / (loss) after taxation		20,322,880	(11,320,014)
Other comprehensive income - net of tax		1,910,424	-
Total comprehensive profit/ (loss) - net of tax		22,233,304	(11,320,014)
Profit/ (loss) per share-basic and diluted	41	0.46	(0.26)

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

Chief Executive Officer

Director

Cash Flow Statement

for the year ended 30 June 2013



	2013 Rupees	2012 Rupees
Cash flow from operating activities		
Profit/(Loss) before taxation	18,391,264	(22,033,184)
Adjustment for non cash expenses and other items:		
Dividend Income	(54,897,099)	(66,338,290)
Depreciation on property and equipment	10,893,393	10,187,074
Amortization on intangible assets	866,580	866,580
Provision for doubtful finances	(246,507)	(49,334)
Amortization of premium on held to maturity investments	596,246	10,078,584
Amortization of issuance cost of listed TFCs	2,028,900	2,739,591
Gain on sale of fixed assets	-	(299,319)
Fair value loss on held for trading investments	(23,061)	718,982
	(40,781,548)	(42,096,132)
	(22,390,284)	(64,129,316)
Decrease / (Increase) in operating assets		
Disbursements of finances - net	(9,233,739)	(8,112,531)
Net investment in lease finance	1,029,255	2,915,914
Placements	720,647,460	75,886,255
Investments - net	(42,539,426)	286,297,559
Long term and short term advances	(623,178)	(50,909,568)
Interest Accrued	(29,122,514)	3,284,636
Other receivables	14,253,386	(49,653,875)
Deposits and prepayments	6,328,909	(10,120,280)
	660,740,153	249,588,110
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	(599,348,500)	(210,472,262)
Certificates of deposit	98,745,710	(32,713,311)
Running finance facilities	-	(50,000,600)
Accrued markup	706,761	(3,233,480)
Trade and other payables	(161,613,767)	121,151,616
	(661,509,796)	(175,268,037)
Net changes in operating assets and liabilities	(769,643)	74,320,073
Net cash (used in) / generated from operating activities before taxes	(23,159,927)	10,190,757
Taxation - net	26,789,707	(10,745,059)
Net cash generated from / (used in) operating activities	3,629,780	(554,302)

	2013 Rupees	2012 Rupees
Cash flow from investing activities		
Fixed capital expenditure incurred	(751,588)	(191,500)
Capital work in progress	(7,668,861)	-
Dividend received	54,897,099	66,338,290
Proceeds from sale of fixed assets	-	620,115
Net cash generated from investing activities	46,476,650	66,766,905
Cash flow from financing activities		
Redemption of listed term finance certificates	(49,959,600)	(47,719,701)
Net cash used in financing activities	(49,959,600)	(47,719,701)
Net increase in cash and cash equivalents	146,830	18,492,902
Cash and cash equivalents at the beginning of the year	35,934,136	17,441,234
Cash and cash equivalents at the end of the year	36,080,966	35,934,136

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

Chief Executive Officer

Director

Statement of Changes in Equity

for the year ended 30 June 2013



	Share capital	RESERVES		Total
		Statutory reserve	Accumulated profit / (loss)	
----- Rupees -----				
Balance as at July 01, 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
Net profit for the year	-	-	20,322,880	20,322,880
Other comprehensive income	-	-	1,910,424	1,910,424
Transfer to statutory reserve	-	4,446,661	(4,446,661)	-
Total comprehensive profit	-	4,446,661	17,786,643	22,233,304
Balance as at June 30, 2013	441,000,000	158,496,746	(101,688,568)	497,808,178

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

Chief Executive Officer

Director

Notes to the Financial Statements

for the year ended June 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Company to “BBB” (Triple B) and also maintained the short-term rating at “A3” (A three) dated 22 February 2013. A “positive Outlook” has been assigned to these ratings. The ratings denotes an adequate capacity of timely payment of financial commitments.

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

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1. Statement of compliance

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

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

- 2.2 The financial statements of the company reflect that the equity of the company as at June 30, 2013 is Rs. 497.808 million which is below the minimum capital required under NBFC regulations 2008. The NBFC Reforms Process initiated by Securities and Exchange Commission of Pakistan is also underway and it is expected that the minimum equity requirement would be revised as a result. The management is confident and committed that the equity requirement would be met through internal resources including retained earnings.

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

IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented

Effective but not relevant

IAS 12 Income taxes: introduces exception of deferred tax on investment property.

3. FIXED ASSETS

3.1 Property, plant 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

Revaluation surplus

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

3.2 Assets subject to finance lease

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

3.3 Cards and Rooms

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

3.4 Investments

3.4.1 Subsidiary Company

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

3.4.2 Held to maturity

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

3.4.3 Available for sale

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

3.4.4 Held for trading

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

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

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

Any surplus or deficit on revaluation of investments at fair value through profit and loss account is charged to income currently, while in case of available for sale investments, the resulting surplus/ (deficit) is kept in a separate 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.

3.4.7 Commodities

Physical commodity positions are held at fair value and reported under the trading portfolio in note no. 16.

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 investing 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.

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.

3.15 Related party transactions

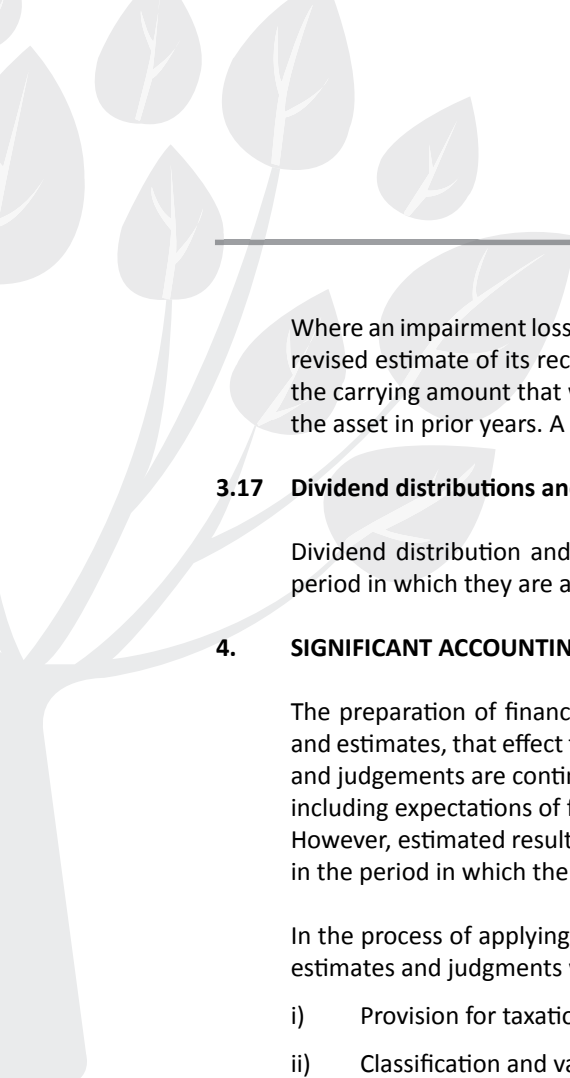
The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

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 33 and 14)
- ii) Classification and valuation of investments (Notes 09 and 16)
- iii) Determination and measurement of useful life and residual value of property and equipment (Note 6)
- iv) Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables (Notes 10.7, 11.2, 17.3 and 20.3.1)
- v) Impairment of investments (Note 9.1 and 16)

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

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

Standard or Interpretation		Effective date (accounting periods beginning on or after)
IFRS 7	Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). New disclosure requirements for financial assets and liabilities	January 1, 2013
IFRS 9	Financial Instruments - Classification and Measurement. Change in recording fair value of financial liabilities	July 1, 2015
IFRS 10	Consolidated Financial Statements. Provides guidance relating to inclusion of an entity in consolidated financial statements of parent.	January 1, 2013
IAS 1	Presentation of Financial statements : ammended to clarify comparative period.	January 1, 2013
IAS 16	Property, Plant and Equipment: . Amended to consider definition of certain assets.	January 1, 2013
IAS 19	Employee Benefits - Corridor method is no more applicable.	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	January 1, 2013
IAS 28	Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	January 1, 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). Ammendment requires certain disclosures of IAS 12 (Income Taxes) relating to equity transaction and equity instrument.	January 1, 2014
IFRS 11	Joint Arrangements. Ammendment disallowed propotional consolidation of joint ventures.	January 1, 2013
IFRS 12	Disclosure of interest in other entities	January 1, 2013
IFRS 13	Fair value measurement: Provides guidance in measurement and disclosure of fair value	January 1, 2013
IFRIC 20	Stripping cost in the production phase of a surface mining. Provides guidance in capitalizing stripping costs in a surface mine.	January 1, 2013
IFRIC 21	Levies: Provides guidance to recognise liability to pay levies.	January 1, 2014
IAS 34	Interim Financial Reporting: Ammendment requires disclosures relating to assets and liabilities of a reportable segment.	January 1, 2013
IAS 36	Impairment of assets: Ammendment requires changes in disclosures relating to recoverable amounts, cash generating units and reversal in impairment loss.	January 1, 2014
IAS 39	Financial instruments: Ammendment provides guidance relating to discontinuation of hedge accounting.	January 1, 2014

		2013 Rupees	2012 Rupees
6. FIXED ASSETS			
Tangible			
Property, plant and equipment	6.1	94,596,454	104,738,257
Capital work in progress	6.2	7,668,861	-
Intangible assets	6.3	577,980	1,444,560
		102,843,295	106,182,817

6.1 Property, plant and equipment

	Cost			Depreciation			Net book value as at 30 June 2013	RATE %
	As at 01 July 2012	Additions/ (disposals)/ adjustments	As at 30 June 2013	As at 01 July 2012	For the year	(Disposals)/ adjustments		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned								
Free-hold premises	127,901,129	-	127,901,129	31,766,129	6,395,056	-	38,161,185	89,739,944 5
Lease-hold improvements	13,827,516	-	13,827,516	12,129,935	1,682,342	-	13,812,277	15,239 20
Free-hold improvements	6,712,240	-	6,712,240	5,705,404	1,006,836	-	6,712,240	- 20
Office furniture and fixtures	4,263,252	-	4,263,252	2,650,552	404,448	-	3,055,000	1,208,252 10
Computer equipments	7,544,302	103,000	7,647,302	7,283,688	122,044	-	7,405,732	241,570 33.33
Office equipments	8,536,292	531,508	9,067,800	4,951,344	831,187	-	5,782,531	3,285,269 10
Vehicles	10,787,093	9,109,380	19,896,473	10,346,515	451,478	8,992,300	19,790,293	106,180 20
	179,571,824	9,743,888	189,315,712	74,833,567	10,893,391	8,992,300	94,719,258	94,596,454
Leased								
Vehicles	8,992,300	-	-	8,992,300	-	-	-	- 20
		(8,992,300)				(8,992,300)		
2013	188,564,124	751,588	189,315,712	83,825,867	10,893,391	-	94,719,258	94,596,454

	Cost			Depreciation			Net book value as at 30 June 2012	RATE %
	As at 01 July 2011	Additions/ Revaluation/ (disposals)	As at 30 June 2012	As at 01 July 2011	For the year	(Disposals)		
	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 5
Lease-hold improvements	13,827,516	-	13,827,516	9,906,168	2,223,767	-	12,129,935	1,697,581 20
Free-hold improvements	6,712,240	-	6,712,240	4,362,956	1,342,448	-	5,705,404	1,006,836 20
Office furniture and fixtures	4,480,617	-	4,263,252	2,336,631	404,453	(90,532)	2,650,552	1,612,700 10
		(217,365)						
Computer equipments	7,352,802	191,500	7,544,302	7,159,703	123,985	-	7,283,688	260,614 33.33
Office equipments	9,064,242	-	8,536,292	4,465,480	819,850	(333,986)	4,951,344	3,584,948 10
		(527,950)						
Vehicles	10,787,093	-	10,787,093	9,558,574	787,941	-	10,346,515	440,578 20
	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	- 20
2012	150,909,410	37,654,714	188,564,174	74,063,311	10,187,074	(424,518)	83,825,867	104,738,257

6.2 This represents amount incurred on opening of a new branch at Johar Town, Lahore. The work is expected to be completed in the financial year 2014, and would be transferred to fixed assets accordingly.

6.3 Intangible assets

	Cost			Amortization			Net book value as at 30 June 2013	Rate %	
	As at 01 July 2012	Additions/ (disposals)	As at 30 June 2013	As at 01 July 2012	For the year	(Disposals)			As at 30 June 2013
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Computer Software									
2013	2,600,000	-	2,600,000	1,155,440	866,580	-	2,022,020	577,980	33.33
2012	2,600,000	-	2,600,000	288,860	866,580	-	1,155,440	1,444,560	33.33

6.4 Had there been no revaluation, the related figures of free-hold premises as on June 30, 2013 would be as follows;

	Cost	Accumulated Depreciation	Net Book Value	Rate
	Rupees	Rupees	Rupees	%
Free hold premises	89,692,600	36,250,761	53,441,839	5
			2013	2012
			Rupees	Rupees
7. 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
8. LONG TERM INVESTMENT IN SUBSIDIARY COMPANY				
Escorts Capital Limited - Unlisted				
17,500,400 (2012: 17,500,400) ordinary shares of Rs. 10 each holding 100% - Breakup value Rs. 2.68 per share (2012 Rs. 4.01 per share)			175,004,000	175,004,000

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

The recoverable amount of the investment in ECL has been determined based on value in use calculations, using cash flow projections covering a five year period discounted at the discount rate of 18.35%. The cash flows beyond the five year period are extrapolated using a terminal growth rate. Based on the above assessment, the management has concluded that the recoverable amount of investment in ECL exceeds its carrying amount. Hence, no impairment loss has been recorded in the current year's profit and loss account.

		2013 Rupees	2012 Rupees
9.	LONG TERM INVESTMENTS		
	Held to maturity		
	Pakistan Investment Bonds (PIBs)	9.1 100,980,776	151,577,022
	Less: Current maturity of Pakistan Investment Bonds	15 -	50,582,612
		100,980,776	100,994,410
9.1	Pakistan Investment Bonds (PIBs)		
	Cost	166,539,200	606,221,300
	Less: Amortization - Opening	10,305,204	74,565,694
	Charged during the year	596,246	10,078,584
		155,637,750	521,577,022
	Less: Impairment loss	4,656,974	20,000,000
	Matured/ sold during the year	50,000,000	350,000,000
		100,980,776	151,577,022

This represents investment in 20 years bonds issued by the Government of Pakistan having market value of Rs 90.379 million (2012: 129.655 million). Period to maturity of these investments are 11 years and carry mark-up at rate (coupon rate) 10% per annum (2012: 10% to 11% per annum). PIBs having face value of Rs. 100 million (2012: Rs. 150 million).

9.1.1 Encumbered and un-encumbered - Face value

	2013			2012		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	100,000,000	-	100,000,000	-	150,000,000	150,000,000

		Note	2013 Rupees	2012 Rupees
10.	LONG TERM FINANCES			
	Related parties-Secured and considered good			
	Associated companies	10.1	7,135,710	4,411,803
	Subsidiary Company	10.2	100,000,000	100,000,000
	Executives	10.3	29,236,659	21,658,626
	Others	10.4	1,120,783	1,500,000
			137,493,152	127,570,429
	Others - Secured and considered good	10.5	87,485,566	45,622,471
			224,978,718	173,192,900

	Note	2013 Rupees	2012 Rupees
Considered doubtful			
Others	10.6	32,930,614	38,406,732
Less: Provision for doubtful finances	10.7	32,930,614	32,691,426
		-	5,715,306
		224,978,718	178,908,206
Less: Current maturity	15	45,591,765	50,276,390
		179,386,953	128,631,816

10.1 Associated companies

These represent finance provided against hypothecation of vehicles for period of 5 years (2012: 2.4 years to 5 years), carrying mark-up rate at 18% per annum. (2012: 14% to 18% per annum).

	2013 Rupees	2012 Rupees
The maximum balance outstanding at the end of any month during the year was:		
Escorts Pakistan Limited	7,411,241	4,509,111
Essem Hotel Limited	336,616	336,616

10.2 Subsidiary company

These represent finance provided against current and fixed present and future moveable and immovable assets of the company to Escorts Capital Limited, for a period of 3 years and carries markup at the rate of 16% per annum (2012: 16% per annum).

10.3 Executives

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

	CEO Rupees	Director Rupees	Others Rupees	2013 Rupees	2012 Rupees
Opening Balance	18,973,571	-	2,685,055	21,658,626	26,070,823
Disbursements during the year	7,455,400	854,500	613,000	8,922,900	-
	26,428,971	854,500	3,298,055	30,581,526	26,070,823
Less: Repayments during the year	700,217	133,828	510,822	1,344,867	4,412,197
	25,728,754	720,672	2,787,233	29,236,659	21,658,626
The maximum balance outstanding at the end of any month during the year.				29,236,659	19,633,110

- 10.4** These finance facility issued to a close family member of a key management personnel and is secured against lien over Company's own Certificates of Deposit for a period up to 1.5 years. The expected rate of return is 15.25% per annum (2012: 15.25% per annum).
- 10.5** These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 12% to 20% per annum (2012: 14% to 20.86% per annum).
- 10.6** 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 (2012: 14% to 17% per annum).

	Note	2013 Rupees	2012 Rupees
10.7 Particulars of provision for doubtful finances			
Opening balance		32,691,426	33,296,605
Provision / (Reversal) for the year		239,188	(605,179)
Closing balance		32,930,614	32,691,426
11. NET INVESTMENT IN LEASE FINANCE			
Net investment in lease finance	11.1	4,387,321	6,238,907
Less: Provision for doubtful leases	11.2	815,160	807,841
		3,572,161	5,431,066
Less: Current maturity	15	3,572,161	5,431,066
		-	-

11.1 Particulars of net investment in lease finance

	2013			2012
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	1,036,534	-	1,036,534	2,062,484
Add: Residual value	3,672,900	-	3,672,900	4,502,550
Gross investment in lease finance	4,709,434	-	4,709,434	6,565,034
Less: Unearned finance income	322,113	-	322,113	326,127
Net investment in lease finance	4,387,321	-	4,387,321	6,238,907

11.1.1 The leases made by the Company are for a period ranging from 3 to 5 years. Security deposits obtained at the time of disbursement of lease facility range from 11% to 45% (2012: 10% to 45%). Leased assets are insured in favor of the Company. The rate of return range from 15% to 17 % per annum (2012: 15% to 17% per annum). Penalty is charged in case of delayed payment. These leases pertain to previous years as the company does not have license for lease now.

11.1.2 As per the prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 1.036 million (2012: 0.945 million) at the end of current year.

	Note	2013 Rupees	2012 Rupees
11.2 Particulars of provision for doubtful leases			
Opening balance		807,841	153,328
Charge for the year		7,319	654,513
Closing balance		815,160	807,841
12. LONG TERM LOANS AND ADVANCES			
Loan to staff - Considered good			
Unsecured			
Executives - Related parties	12.1	1,714,069	1,323,332
Other employees		868,826	675,556
		2,582,895	1,998,888
Less: Current maturity	15	1,226,969	1,121,293
		1,355,926	877,595
Advances - Considered good			
Margin / price difference on ready futures		50,000,000	50,000,000
		51,355,926	50,877,595
12.1 These represent interest free loans to staff for a period of 3 years and are repayable in equal monthly installments, in accordance with the Company's Policy for staff loans.			
	Note	2013 Rupees	2012 Rupees
Opening Balance		1,323,332	1,278,847
Add: Disbursements during the year		886,381	562,063
		2,209,713	1,840,910
Less: Repayments during the year		495,644	517,578
		1,714,069	1,323,332
The maximum balance outstanding from executives at the end of any month during the year was:		1,772,678	1,342,600
13. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits		754,950	3,504,950
Prepayments		5,524,478	8,257,214
		6,279,428	11,762,164
Less: Current maturity	15	2,364,824	2,732,736
		3,914,604	9,029,428

	2013 Rupees	2012 Rupees
14. DEFERRED TAX ASSET		
Taxable temporary differences		
Fixed assets	(8,572,123)	(12,384,191)
Deductible temporary differences		
Investments	33,522,790	37,507,487
Finances and receivables	21,715,385	23,396,254
Trade and other payables	612,173	(387,796)
Finance lease	259,657	301,419
Tax losses	52,684,734	47,121,890
	100,222,616	95,555,063

14.1 Movement in deferred tax asset

Opening balance	95,555,063	82,481,269
Provision during the year	4,667,553	13,073,794
Closing balance	100,222,616	95,555,063

14.2 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.

	Note	2013 Rupees	2012 Rupees
15. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Pakistan Investment Bonds	9	-	50,582,612
Long term finances	10	45,591,765	50,276,390
Net investment in lease finance	11	3,572,161	5,431,066
Long term loans and advances	12	1,226,969	1,121,293
Long term deposits and prepayments	13	2,364,824	2,732,736
		52,755,719	110,144,097

16. SHORT TERM INVESTMENTS

Held for Trading			
Shares / units			
Listed	16.1	1,702,418	6,876,527
Others	16.2	16,958,362	12,113,531
Investment in Commodities:			
Gold		-	13,912,413
Sugar		91,200,000	-
Grams		17,012,420	-
Available for sale			
Listed Term Finance Certificates	16.3	-	1,642,368
Listed shares / units	16.4	85,613,976	85,402,911
		212,487,176	119,947,750
Deficit on revaluation		(5,920,268)	(7,861,259)
		206,566,908	112,086,491

16.1 Particulars of listed shares / units - Held for Trading

No. of Certificates		N A M E	2013		2012	
			Carrying value	Market value	Carrying value	Market value
2013	2012		Rupees	Rupees	Rupees	Rupees
		Investment Companies				
64,000	-	Jahangir Siddique & Company Ltd.	1,178,608	739,840	-	-
		Commercial Banks				
-	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	25,000	JS Investment Limited	377,000	171,250	377,000	182,750
		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	15,001	Azgard Nine Limited	146,810	95,406	146,810	96,006
		Chemicals				
-	15,000	Engro Polymer & Chemicals Limited	-	-	193,400	147,750
104,001	262,799		1,702,418	1,006,496	6,876,527	6,157,544

16.2 Shares - Others

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

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

No. of Certificates		N A M E	2013		2012	
			Cost	Market value	Cost	Market value
2013	2012		Rupees	Rupees	Rupees	Rupees
-	1,316	Faysal Bank Limited (RBS)	-	-	1,642,368	1,651,196
-	1,316		-	-	1,642,368	1,651,196

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	2013		2012	
			Carrying value	Market value	Carrying value	Market value
2013	2012		Rupees	Rupees	Rupees	Rupees
Mutual Fund - Close End						
49	49	Dawood Capital Management Fund	281	174	281	66
10,000	10,000	Pakistan Premier Fund	41,032	145,900	41,032	97,500
Power Generation and Distribution						
-	10,000	Kot Addu Power Company Limited	-	-	430,000	450,000
-	45,000	Hub Power Company Limited	-	-	1,799,025	1,885,050
Commercial Banks						
50,000	150,000	Bank Alfalah Limited	898,285	911,000	2,494,653	2,565,000
2,500	36,000	MCB Bank Limited	631,001	606,475	6,750,739	5,984,640
400,035	217,531	National Bank of Pakistan	17,345,746	16,449,439	10,383,353	9,471,300
225,000	-	NIB Bank Limited	588,809	522,000	-	-
76,000	343,000	Askari Bank Limited	1,275,768	1,156,720	5,253,401	4,654,510
-	38,500	Habib Bank Limited	-	-	4,243,499	4,344,340
100,000	100,000	JS Bank Limited	708,000	435,000	708,000	510,000
100,000	560,000	Samba Bank Limited	295,047	257,000	1,505,685	1,288,000
325,000	50,000	Silk Bank Limited	821,569	734,500	134,000	105,500
-	144,686	Soneri Bank Limited	-	-	1,214,245	1,069,230
Non Life Insurance						
5,000	-	Adamjee Insurance Company Limited	429,543	380,400	-	-
25,000	-	Pakistan Reinsurance Company Limited	556,806	590,750	-	-
Life Insurance						
-	2,000	EFU Life Assurance Limited	-	-	168,633	152,620
Fertilizer						
-	22,900	Engro Corporation Limited	-	-	2,505,718	2,332,136
Investment Companies						
25,000	25,000	Jahangir Siddique & Company Ltd.	568,500	289,000	568,500	310,250
Oil and Gas						
70,000	67,990	Pakistan Petroleum Limited	14,907,042	14,810,600	13,091,243	12,801,837
13,500	35,000	Pakistan Oilfields Limited	6,925,051	6,714,495	13,444,122	12,842,900
60,000	-	Byco Petroleum Pakistan Limited	719,412	626,400	-	-
15,000	-	Pakistan State Oil Company Limited	4,993,570	4,805,700	-	-

No. of Shares/Units 2013	2012	N A M E	2013		2012	
			Carrying value Rupees	Market value Rupees	Carrying value Rupees	Market value Rupees
		Construction and Materials (Cement)				
83,000	200,000	D.G Khan Cement Company Limited	7,013,459	6,946,270	9,140,639	7,876,000
75,000	72,999	Fauji Cement Company Limited	1,001,892	996,750	481,254	410,984
250,000	100,000	Lafarge Pakistan Cement Limited	2,315,942	2,122,500	544,500	432,000
200,000	-	Dewan Cement Company Limited	1,682,288	1,372,000	-	-
		Textile Composite				
-	86,001	Nishat Mills Limited	-	-	4,874,236	4,091,928
		Chemical				
2,500	103,000	Fatima Fertilizer Company Limited	62,520	62,075	2,758,111	2,541,010
59,000	7,500	Fauji Fertilizer Company Limited	6,879,708	6,338,370	872,625	832,875
321,000	171,000	Lotee Chemical Pakistan Limited	3,340,652	2,446,020	1,995,417	1,202,130
51,000	-	Arif Habib Corporation Limited	1,315,346	1,130,160	-	-
100,000	-	Maple Leaf Cement Factory Limited	2,298,523	2,193,000	-	-
315,500	-	Engro Polymer & Chemicals Limited	4,236,176	3,836,480	-	-
		Industrial Metals and Mining				
5,000	-	Crescent Steel and Allied Products	234,405	224,950	-	-
		Electricity				
50,000	-	Nishat Power Limited	1,785,178	1,674,500	-	-
		Multiutilities (Gas and Water)				
25,000	-	Sui Northern Gas Pipelines Limited	566,307	501,500	-	-
		Technology & Communication				
50,000	-	Pakistan Telecommunication Limited	1,176,118	1,109,500	-	-
3,089,084	2,598,156		85,613,976	80,389,628	85,402,911	78,251,806

	Note	2013 Rupees	2012 Rupees
17. SHORT TERM FINANCES			
Related parties-Secured and considered good			
Associated companies		-	73,913,410
Executives	17.1	1,000,000	-
		1,000,000	73,913,410
Others - Secured and considered good	17.2	110,373,306	74,050,162
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	17.3	13,767,834	13,767,834
		-	-
		111,373,306	147,963,572

17.1 This represent finance provided to Executive against Company's own Certificate of Deposits for a period of 1 year and carries mark-up at the rate of 12.75% p.a.

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 (2012: 12% to 18% per annum). These include finances against pledge of listed shares and Company's own Certificates of Deposit amounting to Rs. 3.370 million (2012: Rs. 2.423 million), while Rs.108.857 million (2012: Rs. 23.742 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan the rate of return range from 16% to 18% per annum (2012: 18% per annum).

	Note	2013 Rupees	2012 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. ADVANCES			
Considered good			
Advances		3,557,292	3,518,121
19. SHORT TERM DEPOSITS AND PREPAYMENTS			
Short term deposits	19.1	21,339,420	21,989,420
Prepayments		372,993	569,166
		21,712,413	22,558,586

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

	Note	2013 Rupees	2012 Rupees
20. OTHER RECEIVABLES			
Considered good			
Receivable from subsidiary Company	20.1	18,233,550	36,326,087
Receivable from associated Company	20.2	19,661,484	10,964,630
Receivable from clients	20.3	15,159,653	20,312,512
Others		957,862	662,706
		54,012,549	68,265,935

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

20.2 This includes Rs. 10.227 million receivable from Essem Hotels Limited and Rs. 9.433 million receivable from Escorts Pakistan Limited.

	Note	2013 Rupees	2012 Rupees
20.3 Receivables from clients			
Considered good		15,159,653	20,312,512
Considered doubtful		21,474,235	21,474,235
Less: Provision for doubtful receivables	20.3.1	(21,474,235)	(21,474,235)
		-	-
		15,159,653	20,312,512

20.3.1. Particulars of provision for doubtful receivables

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

21. CASH AND BANK BALANCES

Cash in hand		86,611	-
Cash with banks			
Current accounts with:			
State Bank of Pakistan		727,428	539,523
Others		576,904	983,706
		1,304,332	1,523,229
Saving accounts	21.1	34,690,023	34,410,907
		36,080,966	35,934,136

21.1 Rate of return on these accounts range from 5% to 9% per annum (2012: 5% to 8% per annum).

		2013 Rupees	2012 Rupees
22. SHARE CAPITAL			
Authorized share capital			
50,000,000 (2012: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
42,000,000 (2012: 42,000,000) ordinary shares of Rs. 10 each		420,000,000	420,000,000
Issued as fully paid in cash			
2,100,000 (2012: 2,100,000) ordinary shares of Rs. 10 each		21,000,000	21,000,000
Issued as fully paid bonus shares			
		441,000,000	441,000,000

22.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2012: 39.01%) ordinary shares in the Company.

	Note	2013 Rupees	2012 Rupees
23. RESERVES			
Capital reserve			
Statutory reserve	23.1	158,496,746	154,050,085
Revenue reserve			
Accumulated loss		(101,688,568)	(119,475,211)
		56,808,178	34,574,874

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

	2013 Rupees	2012 Rupees
24. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance	38,208,529	-
Add: Created during the year	-	38,208,529
Less: Incremental depreciation for the year	(1,910,424)	-
Closing balance	36,298,105	38,208,529

24.1 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.

	2013 Rupees	2012 Rupees
25. DEFICIT ON REVALUATION OF INVESTMENTS		
Available for sale		
Listed term finance certificates	-	8,828
Listed shares / units	(5,224,348)	(7,151,105)
	(5,224,348)	(7,142,277)

	Note	2013 Rupees	2012 Rupees
26. TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		375,101,000	333,468,000
Redeemed during the year		49,959,600	41,633,000
		425,060,600	375,101,000
		74,939,400	124,899,000
Less: Current maturity	29	49,959,600	49,959,600
		24,979,800	74,939,400
Less: Cost on issuance/ rescheduling			
Opening balance		(4,395,953)	(1,048,842)
Rescheduling cost incurred during the year		-	(6,086,702)
Amortization for the year	39	2,028,900	2,739,591
		(2,367,053)	(4,395,953)
Less: Current maturity	29	2,028,900	2,028,900
		(338,153)	(2,367,053)
		24,641,647	72,572,347

These TFCs were rescheduled during the last year for further 3 years, carry return payable semi annually, at the rate of 8% per annum. These are secured against hypothecation of Rs. 667 million (2012: 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 maintained the 1st TFC issue rating at BB (Double B) dated March 13, 2013. A "Negative Outlook" has been assigned to this rating.

	Note	2013 Rupees	2012 Rupees
27. LONG TERM CERTIFICATES OF DEPOSIT			
Related parties - Unsecured			
Associated Company	27.1	6,095,003	6,095,003
Executives	27.2	100,000,000	100,400,000
Others	27.3	30,000,000	31,000,000
		136,095,003	137,495,003
Others - Unsecured			
Individuals	27.4	110,947,342	68,886,888
Others	27.5	20,250,000	18,250,000
		131,197,342	87,136,888
Less: Current maturity	29	17,630,930	60,250,958
		249,661,415	164,380,933

- 27.1** These have been issued for a term of 5 years and expected return on these certificates are 12.5% per annum (2012: 12.5% per annum) payable monthly.
- 27.2** These have been issued for term of 5 years and expected return on these certificates ranges from 13% to 13.5% per annum (2012: 13% to 13.5% per annum) payable monthly.
- 27.3** These have been issued to a close family member of a key management personnel for a term of 5 years and expected return on these certificates ranges from 13% to 14% per annum (2012: 13% to 14% per annum) payable monthly.
- 27.4** These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 10.25% to 14% per annum (2012: 10% to 14% per annum) payable monthly, quarterly, semi-annually or on maturity.
- 27.5** These have been issued for term ranging from 3 years to 5 years and expected return on these certificates ranges from 12% to 13% per annum (2012: 12% to 13% per annum) payable monthly.

	Note	2013 Rupees	2012 Rupees
27.6 Long term certificates of deposits includes:			
Financial institutions		-	-
Corporates		-	-
Individuals		267,292,345	224,631,891
		267,292,345	224,631,891

28. LONG TERM SECURITY DEPOSIT

Security deposit	28.1	3,672,900	4,502,550
Less: Current maturity	29	3,672,900	4,502,550
		-	-

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

	Note	2013 Rupees	2012 Rupees
29. CURRENT MATURITIES OF NON-CURRENT LIABILITIES			
Term finance certificates - listed- net of amortization cost	26	47,930,700	47,930,700
Long term certificates of deposit	27	17,630,930	60,250,958
Long term security deposit	28	3,672,900	4,502,550
		69,234,530	112,684,208

	Note	2013 Rupees	2012 Rupees
30. SHORT TERM CERTIFICATES OF DEPOSIT			
Related parties - Unsecured			
Associated Company	30.1	44,260,083	-
Subsidiary Company	30.2	50,000,000	100,000,000
Executives	30.3	18,692,600	16,769,161
		112,952,683	116,769,161
Others - Unsecured			
Individuals	30.4	357,261,579	297,859,845
Others	30.5	20,500,000	20,000,000
		377,761,579	317,859,845
		490,714,262	434,629,006

30.1 These have been issued for a terms of 1 month and expected rate of return on these certificates are 9.75% per annum (2012: nil) payable monthly.

30.2 These have been issued for a terms of 6 months and expected rate of return on these certificates are 12% per annum (2012: 12% per annum) payable on maturity.

30.3 These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 10.75% to 11.5% per annum (2012: 12.5% to 12.75% per annum) payable monthly.

30.4 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 13.25% per annum (2012: 6.5% to 13.25% per annum) payable monthly, quarterly, semi-annually or on maturity.

30.5 These have been issued for terms ranging from 6 months to 1 year and expected rate of return on these certificates ranges from 10.75% to 12% per annum (2012: 13.25% per annum) payable monthly & semi-annually.

	2013 Rupees	2012 Rupees
30.6 Short term certificates of deposits includes:		
Financial institutions	-	-
Corporates	-	-
Individuals	490,714,262	434,629,006
	490,714,262	434,629,006

	Note	2013 Rupees	2012 Rupees
31. ACCRUED MARKUP			
Secured			
Accrued return on certificates of deposit	31.1	16,171,004	9,887,790
Accrued return on term finance certificates		1,757,483	2,929,138
Accrued return on secured borrowings		-	4,404,798
		17,928,487	17,221,726

31.1 This includes an amount of Rs. 11.473 million (2012: Rs. 5.490 million) payable to Escorts Capital Limited (wholly owned subsidiary)

	Note	2013 Rupees	2012 Rupees
32. TRADE AND OTHER PAYABLES			
Customers' credit balances		5,689,188	4,856,469
Accrued expenses and other payables	32.1	62,948,059	226,190,377
Provision for compensated absences		1,921,839	1,126,007
Unclaimed dividend		2,387,004	2,387,004
		72,946,090	234,559,857

32.1 This includes net amount of Rs. 5.371 million (2012: Rs. 89.486 million) payable on account of future contracts against shares.

33. PROVISION FOR TAXATION

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

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

The returns for the Tax Year 2003 to 2012 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 2012.

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

	Note	2013 Rupees	2012 Rupees
34. CONTINGENCIES AND COMMITMENTS			
Contingencies			
There exists no known contingencies as at balance sheet date			
Commitments			
Outstanding guarantees		35,719,022	40,301,020
Future purchase contracts- Shares		-	173,150,679
Future sale contracts- Shares		-	68,852,695
35. PROFIT ON FINANCING			
Long term		44,883,633	43,265,690
Short term		17,900,606	16,501,191
		62,784,239	59,766,881
36. RETURN ON PLACEMENTS			
Clean placements		1,827,282	1,110,174
Placements under reverse repurchase agreements		26,544,759	64,830,106
		28,372,041	65,940,280

	Note	2013 Rupees	2012 Rupees
37. RETURN ON INVESTMENTS			
Mark-up / return on investments			
Held to maturity investments Government securities		10,773,847	42,439,838
Available for sale investments Term Finance Certificates		136,758	409,050
		10,910,605	42,848,888
Dividend income			
Available for sale investments Listed shares/units		54,794,099	66,047,288
Held for Trading Listed shares/units		103,000	291,002
		54,897,099	66,338,290
Capital gain / (loss) on investment			
Available for sale investments		19,098,651	3,594,987
Held for trading	37.1	11,208,583	659,550
		30,307,234	4,254,537
		96,114,938	113,441,715

37.1 Prior year figure has been reclassified for better presentation. (Refer note # 53.1)

38. OTHER INCOME

These include Compensation on delayed refunds amounting to Rs. 44.9 million, under Section 171 - Additional Payment for Delayed Refunds, of the Income Tax Ordinance, 2001. The Company had claimed income tax refunds from Tax Year 2003 to 2008 from the income tax authorities and subsequently these tax refunds were decided in due course by the appropriate income tax authorities and refund orders were issued to the Company accordingly.

	Note	2013 Rupees	2012 Rupees
39. ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	39.1	15,168,898	16,098,628
Staff Training and Welfare		67,400	29,940
Advertisement and business promotion		282,600	257,600
Rent, rates and taxes		3,460,408	4,314,906
Utilities		1,239,306	1,326,223
Communication charges		1,415,878	1,346,768
Traveling and vehicle maintenance		5,287,809	5,265,006
Repair and maintenance		1,776,634	3,586,370
Entertainment		1,321,117	1,086,898
Fee and subscriptions		2,171,878	2,065,711
Legal and professional charges	39.2	3,332,872	2,423,020
Printing and stationery		1,336,596	1,324,799
Fee, brokerage & commission		2,587,766	3,545,086
Insurance		631,261	492,714
Amortization of issuance cost of listed TFC's	26	2,028,900	2,739,591
Depreciation	6.1	10,893,391	10,187,074
Amortization of Intangible assets		866,580	866,580
Penalty		10,000	-
Staff Motor Vehicle Contribution & Insurance		-	58,599
Miscellaneous expenses		1,192	112,703
		53,880,486	57,128,216

39.1. This includes contribution to provident fund amounting to Rs. 0.775 million (2012: Rs. 0.636 million) made by the Company.

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

	Note	2013 Rupees	2012 Rupees
Audit fee		532,000	532,000
Review of half yearly accounts		143,000	143,000
Certification and consultancy charges		50,000	50,000
Out of pocket expenses		7,000	37,500
		732,000	762,500

40. TAXATION-NET

Current taxation	40.1	2,735,937	2,360,624
Deferred taxation		(4,667,553)	(13,073,794)
		(1,931,616)	(10,713,170)

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

	2013 Rupees	2012 Rupees
41. PROFIT/(LOSS) PER SHARE - BASIC AND DILUTED		
Profit/(Loss) for the year after taxation (Rupees)	20,322,880	(11,320,014)
Number of ordinary shares	44,100,000	44,100,000
Profit/(Loss) per share (Rupees)	0.46	(0.26)

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

42. 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 2013			
	Financing activities	Investing activities	Total
Profit on financing	62,784,239	-	62,784,239
Mark-up on lease finance	3,040	-	3,040
Return on placements	-	28,372,041	28,372,041
Return on investments	-	96,114,938	96,114,938
Total income for reportable segments	62,787,279	124,486,979	187,274,258
Finance costs	56,552,184	112,124,792	168,676,976
Administrative and other operating expenses	18,061,111	35,809,375	53,870,486
Provision for doubtful financing	246,507	-	246,507
Segment result	(12,072,524)	(23,447,187)	(35,519,711)
Other operating income			53,910,975
Profit before taxation			18,391,264
Segment assets	394,470,935	566,920,929	961,391,864
Unallocated assets			529,835,802
			1,491,227,666
Segment liabilities	197,084,433	299,172,297	496,256,730
Unallocated liabilities			497,162,758
Equity			497,808,178
			1,491,227,666

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

43. TRANSACTIONS WITH RELATED PARTIES

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

	2013 Rupees	2012 Rupees
Subsidiary Company:		
Transactions during the year		
Profit paid on certificates of deposit	6,000,000	6,561,043
Return on finances received	-	18,000,000
Profit earned during the year	16,000,000	16,698,630
Return on assets	5,895,001	5,936,794
Balance at year end		
Finances outstanding	100,000,000	100,000,000
Certificates of deposit outstanding	50,000,000	100,000,000
Receivable/ (Payable) to subsidiary company	61,895,404	(73,349,918)
Profit receivable	31,353,521	15,353,521
Markup payable on COD	11,473,973	5,490,714
Associated companies:		
Transactions during the year		
Return on finances received	-	6,471,867
Guarantee commission earned	97,454	830,749
Profit paid on certificates of deposit	1,076,271	662,098
Fixed assets sold	-	600,115
Chairman's secretariat expenses	3,600,000	3,600,000

	2013 Rupees	2012 Rupees
Balance at year end		
Advances outstanding	7,135,710	78,325,213
Letter of guarantee outstanding	35,719,022	40,301,020
Certificates of deposit outstanding	50,355,086	6,095,003
Other receivable	19,661,484	10,956,463
Markup payable on COD	224,284	43,834
Directors:		
Return on finances received	1,232,109	1,160,045
Transactions during the year		
Profit paid on certificates of deposit	8,174,063	6,708,339
Balance at year end		
Advances outstanding	27,078,352	19,540,227
Certificates of deposit outstanding	60,692,600	60,692,600
Markup payable on COD	357,819	766,049
Executives:		
Transactions during the year		
Return on finances received	256,096	1,496,524
Profit paid on certificates of deposit	6,958,870	7,479,607
Balance at year end		
Advances outstanding	4,872,376	3,441,731
Certificates of deposit outstanding	58,000,000	56,476,561
Markup payable on COD	326,473	379,088
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	775,009	636,429

44. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive / Director		Executives	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
Managerial remuneration	1,793,376	1,793,376	5,492,080	4,629,412
House rent allowance	717,348	717,348	2,196,836	1,851,768
Utilities	179,340	179,340	549,200	462,936
Bonus/commission	-	-	-	5,049,851
Special allowance	-	-	260,000	180,000
Leave encashment	-	-	58,500	-
Retirement benefits	-	-	525,448	399,584
	2,690,064	2,690,064	9,082,064	12,573,551
Number of persons	1	1	6	5

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

45. LIQUIDITY RISKS

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

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 2013				
ASSETS				
Fixed capital expenditure	102,843,295	-	10,520,254	92,323,041
Cards and rooms	33,450,000	-	-	33,450,000
Investment in subsidiary company	175,004,000	-	-	175,004,000
Deferred tax asset	100,222,616	-	100,222,616	-
Net investment in lease finance	3,572,161	3,572,161	-	-
Investments	307,547,684	206,566,908	-	100,980,776
Finances	336,352,024	156,965,071	165,318,306	14,068,647
Advances	56,140,187	4,784,261	51,355,926	-
Deposits and prepayments	27,991,841	24,077,237	3,159,654	754,950
Interest accrued	54,110,069	54,110,069	-	-
Other receivables	54,012,549	54,012,549	-	-
Tax refunds due from the government	203,900,274	203,900,274	-	-
Placements	-	-	-	-
Cash and bank balances	36,080,966	36,080,966	-	-
	1,491,227,666	744,069,496	330,576,756	416,581,414
LIABILITIES				
Term finance certificates	72,572,347	47,930,700	24,641,647	-
Certificates of deposit	758,006,607	508,345,192	249,661,415	-
Long term security deposit	3,672,900	3,672,900	-	-
Accrued markup	17,928,487	17,928,487	-	-
Trade and other payables	72,946,090	72,946,090	-	-
Provision for taxation	37,219,300	37,219,300	-	-
	962,345,731	688,042,669	274,303,062	-
NET ASSETS	528,881,935	56,026,827	56,273,694	416,581,414
Represented by:				
SHARE CAPITAL AND RESERVES	497,808,178			
SURPLUS ON REVALUATION OF FIXED ASSETS	36,298,105			
DEFICIT ON REVALUATION OF INVESTMENTS	(5,224,348)			
	<u>528,881,935</u>			

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 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
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)
	<u>506,641,126</u>

46. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

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

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.

46.1 SEGMENT INFORMATION

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2013	2012	2013	2012	2013	2012
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
Chemical and pharmaceuticals	-	4.60	-	-	-	-
Agribusiness	6.37	4.70	-	-	-	-
Textile	8.42	5.23	-	-	-	-
Sugar	10.06	9.11	-	-	-	-
Financial institutions	51.73	34.12	6.60	-	-	-
Insurance	-	-	0.07	0.08	-	-
Electronics and electrical appliances	2.90	26.61	-	-	100.00	100.00
Production and transmission of energy	-	1.07	-	-	-	-
Steel & allied products	-	-	-	-	-	-
Individuals	11.93	9.13	81.38	78.00	-	-
Engineering and construction	8.57	5.32	-	-	-	-
Communications	-	-	2.64	3.03	-	-
Non-Government organizations	-	-	0.80	3.61	-	-
Others	-	0.11	8.51	15.29	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

46.2 Geographical Segment

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

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

	2013 Rupees	2012 Rupees
Aging of term loan and lease rental receivables		
Not past due	289,775,145	283,331,033
Past due 0 - 90 days	6,023,293	8,977,900
Past due 91- 180 days	4,428,376	4,711,700
180 days to 1 year	8,536,781	8,667,843
More than 1 year	75,323,411	69,705,046
	384,087,006	375,393,522

Collaterals held against term financing.

	2013				Net exposure
	Gross exposure	Collaterals			
	Mortgage	Hypothecation	Liquid collaterals		
----- Rupees -----					
Long term finances	257,909,332	29,675,000	330,200,439	36,050,000	(138,016,107)
Short term finances	125,141,140	3,400,000	165,000,000	172,056,000	(215,314,860)

	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)

47. 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.

47.1 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 2013					
FINANCIAL ASSETS					
Investments	307,547,684	206,566,908	-	100,980,776	-
Net investment in lease finance	3,572,161	3,572,161	-	-	-
Finances	336,352,024	156,965,071	165,318,306	14,068,647	-
Advances	56,140,187	-	-	-	56,140,187
Deposits and prepayments	27,991,841	21,339,420	-	-	6,652,421
Cash and bank balances	36,080,966	34,690,023	-	-	1,390,943
	767,684,863	423,133,583	165,318,306	115,049,423	64,183,551

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 2013					
FINANCIAL LIABILITIES					
Term finance certificates	72,572,347	47,930,700	24,641,647	-	-
Certificates of deposit	758,006,607	508,345,192	249,661,415	-	-
Trade and other payables	72,946,090	-	-	-	72,946,090
	903,525,044	556,275,892	274,303,062	-	72,946,090
Total Interest rate sensitivity gap		(133,142,309)	(108,984,756)	115,049,423	
Cumulative interest rate sensitivity gap		(133,142,309)	(242,127,065)	(127,077,642)	

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)	

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

47.2 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	2013	+10%	-	8,038,963
		-10%	-	(8,038,963)
	2012	+10%	-	7,990,300
		-10%	-	(7,990,300)
Held-for-trading investments	2013	+10%	1,006,496	-
		-10%	(1,006,496)	-
	2012	+10%	615,754	-
		-10%	(615,754)	-

47.3 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.

48. CAPITAL RISK MANAGEMENT

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

The Company is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2008. The existing minimum capital requirement of Rs. 1 billion upto June 30, 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 2013 and at 30 June 2012 were as follows:

	2013 Rupees	2012 Rupees
Total debt	274,303,062	236,953,280
Total equity	528,881,935	506,641,126
Debt-to-equity ratio	0.52	0.47

The increase in the debt-to-equity ratio during 2013 resulted primarily from increase in Long Term Certificate of Deposits during the year amounting to Rs. 85.280 million.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

50. FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES

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

51. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2013, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

52. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue as on September 30, 2013 by the Board of Directors of the Company.

53. GENERAL

53.1 Following major re-classifications have been made in these financial statements:

Account Head	Current	Previous	Amount (Rs.)
Return on investments	Capital gain / (loss) on investments - held for trading	Fair value loss on held for trading investments	(718,982)

53.2 Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director



Consolidated Financial
Statements

30 June 2013

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, 2013 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, 2013 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to:

- (i.) note # 2.2. to the accompanying financial statements which indicate that the company's equity as at June 30, 2013 has fallen below the minimum equity required under regulation 4 of NBFC and Notified Entities Regulations 2008.

Lahore
Date: September 30, 2013
(Engagement Partner: Muhammad Amin)

Zahid Jamil & Company
Chartered Accountants

Consolidated Balance Sheet

as at 30 June 2013



	Note	2013 Rupees	2012 Rupees
ASSETS			
Non-current Assets			
Fixed assets	6	105,878,640	109,504,081
Cards and rooms	7	84,955,000	84,955,000
Long term investments	8	100,980,776	100,994,410
Long term finances	9	79,386,953	28,631,816
Net investment in lease finance	10	-	-
Long term loans and advances	11	1,355,926	877,595
Long term deposits and prepayments	12	6,209,604	11,253,428
Deferred tax asset	13	100,222,616	95,555,063
		478,989,515	431,771,393
Current Assets			
Current maturities of non-current assets	14	52,755,719	110,144,097
Short term investments	15	206,566,908	112,086,491
Short term finances	16	111,373,306	147,963,572
Short term placements		-	720,647,460
Advances	17	4,110,342	3,727,813
Short term deposits and prepayments	18	26,351,924	32,198,097
Interest accrued		54,426,432	10,464,699
Other receivables	19	66,297,042	148,124,722
Tax refunds due from the government		207,509,161	234,011,965
Cash and bank balances	20	49,238,770	48,388,873
		778,629,604	1,567,757,789
		1,257,619,119	1,999,529,182
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	21	441,000,000	441,000,000
Reserves	22	(173,023,072)	(172,296,751)
		267,976,928	268,703,249
Surplus on revaluation of fixed assets	23	36,298,105	38,208,529
Deficit on revaluation of investments	24	(5,224,348)	(7,142,277)
Non-Current Liabilities			
Term finance certificates	25	24,641,647	72,572,347
Long term certificates of deposit	26	249,661,415	164,380,933
Long term security deposit	27	-	-
Current Liabilities			
Current maturities of non-current liabilities	28	69,234,530	112,684,208
Short term borrowings		-	599,348,500
Short term certificates of deposit	29	440,714,262	334,629,006
Accrued markup	30	6,454,514	11,731,012
Trade and other payables	31	130,642,765	369,930,312
Provision for taxation	32	37,219,300	34,483,363
		684,265,371	1,462,806,401
Contingencies and Commitments	33	-	-
		1,257,619,119	1,999,529,182

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

Chief Executive Officer

Director

Consolidated Profit and Loss Account

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
INCOME			
Profit on financing	34	40,889,238	37,131,457
Mark-up on lease finance		3,040	123,889
Return on placements	35	28,372,041	65,940,280
Return on investments	36	96,114,938	113,441,715
Fees and commission		19,558,853	18,587,108
Profit on bank deposits		2,522,570	2,301,742
Other income	37	52,248,367	11,927,961
		239,709,047	249,454,152
EXPENSES			
Return on certificates of deposit		76,170,679	70,763,022
Return on term finance certificates		7,821,073	14,521,932
Mark-up on short term running finance		567,112	1,035,575
Mark-up on borrowings from financial institutions		77,392,312	125,090,417
Amortization of premium on held to maturity investments		596,246	10,078,584
Administrative and other operating expenses	38	78,681,945	71,409,656
Other financial charges		143,362	864,835
		241,372,729	293,764,021
Operating loss before provisions and taxation		(1,663,682)	(44,309,869)
Provision for doubtful finances		246,507	49,334
Loss before taxation		(1,910,189)	(44,359,203)
Taxation-net	39	(726,556)	8,955,400
Loss after taxation		(2,636,745)	(35,403,803)
Other comprehensive income/(loss) - net of tax		1,910,424	-
Total comprehensive loss - net of tax		(726,321)	(35,403,803)
Loss per share-basic and diluted	40	(0.02)	(0.80)

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

Chief Executive Officer

Director

Consolidated Cash Flow Statement

for the year ended 30 June 2013



	2013 Rupees	2012 Rupees
Cash flow from operating activities		
Loss before taxation	(1,910,189)	(44,359,203)
Adjustment for non cash expenses and other items:		
Dividend Income	(54,897,099)	(66,338,290)
Depreciation on property and equipment	11,398,424	10,724,009
Amortization on intangible assets	866,580	866,580
Provision for doubtful finances	246,507	(49,334)
Amortization of premium on held to maturity investments	596,246	10,078,584
Amortization of issuance cost of listed TFCs	2,028,900	2,739,591
Gain on sale of fixed assets	-	(299,319)
Fair value loss on held for trading investments	(23,061)	718,982
	(39,783,503)	(41,559,197)
	(41,693,692)	(85,918,400)
Decrease/ (Increase) in operating assets		
Disbursements of finances - net	(9,726,753)	(8,112,531)
Net investment in lease finance	1,029,255	2,915,914
Placements	720,647,460	75,886,255
Investments - net	(42,539,426)	286,297,559
Long term and short term advances	(966,536)	(751,500)
Interest Accrued	(43,961,733)	925,403
Other receivables	81,827,680	(131,240,711)
Deposits and prepayments	11,257,909	(14,371,527)
	717,567,856	211,548,862
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	(599,348,500)	(210,472,262)
Certificates of deposit	148,745,710	(59,758,267)
Running finance facilities	-	(50,000,600)
Accrued markup	(5,276,498)	(2,749,621)
Trade and other payables	(239,287,549)	214,237,720
	(695,166,837)	(108,743,030)
Net changes in operating assets and liabilities	22,401,019	102,805,832
Net cash (used in)/ generated from operating activities before taxes	(19,292,672)	16,887,432
Taxation - net	23,844,617	(13,703,914)
Net cash generated from operating activities	4,551,945	3,183,518

	2013 Rupees	2012 Rupees
Cash flow from investing activities		
Fixed capital expenditure incurred	(970,686)	(467,950)
Capital work in progress	(7,668,861)	-
Dividend received	54,897,099	66,338,290
Proceeds from sale of fixed assets	-	620,115
Net cash generated from investing activities	46,257,552	66,490,455
Cash flow from financing activities		
Redemption of listed term finance certificates	(49,959,600)	(47,719,701)
Net cash used in financing activities	(49,959,600)	(47,719,701)
Net increase in cash and cash equivalents	849,897	21,954,272
Cash and cash equivalents at the beginning of the year	48,388,873	26,434,601
Cash and cash equivalents at the end of the year	49,238,770	48,388,873

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

Chief Executive Officer

Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013



	Share capital	Reserves		Total
		Statutory reserve	Accumulated loss	
----- Rupees -----				
Balance as at July 01, 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
Net loss for the year	-	-	(2,636,745)	(2,636,745)
Other comprehensive income	-	-	1,910,424	1,910,424
Transfer to statutory reserve		4,446,661	(4,446,661)	-
Total comprehensive loss	-	4,446,661	(5,172,982)	(726,321)
Balance as at June 30, 2013	441,000,000	158,496,746	(331,519,818)	267,976,928

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

Chief Executive Officer

Director

Notes to the Consolidated Financial Statements

for the year ended June 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

Escorts Capital Limited (“the Subsidiary Company”) was incorporated as a public limited company in Pakistan on 05 June 2008 under the Companies Ordinance, 1984 and became a 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 maintained the long-term credit rating of the Company to “BBB” (Triple B) and also maintained the short-term rating at “A3” (A three) dated 22 February 2013. A “positive Outlook” has been assigned to these ratings. The ratings denotes an adequate capacity of timely payment of financial commitments.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

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

- 2.2 The separate financial statements of the company reflect that the equity of the company as at June 30, 2013 is Rs.497.808 million which is below the minimum capital required under NBFC regulations 2008. The NBFC Reforms Process initiated by Securities and Exchange Commission of Pakistan is also underway and it is expected that the minimum equity requirement would be revised as a result. The management is confident and committed that the equity requirement would be met through internal resources including retained earnings.

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

IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented

Effective but not relevant

IAS 12 Income taxes: introduces exception of deferred tax on investment property.

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

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

3.2 Assets subject to finance lease

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

3.3 Cards and Rooms

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

3.4 Investments

3.4.1 Subsidiary Company

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

3.4.2 Held to maturity

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

3.4.3 Available for sale

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

3.4.4 Held for trading

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

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

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

Any surplus or deficit on revaluation of investments at fair value through profit and loss account is charged to income currently, while in case of available for sale investments, the resulting surplus/ (deficit) is kept in a separate 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.

3.4.7 Commodities

Physical commodity positions are held at fair value and reported under the trading portfolio in note no. 15.

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 investing 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.

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.

3.15 Related party transactions

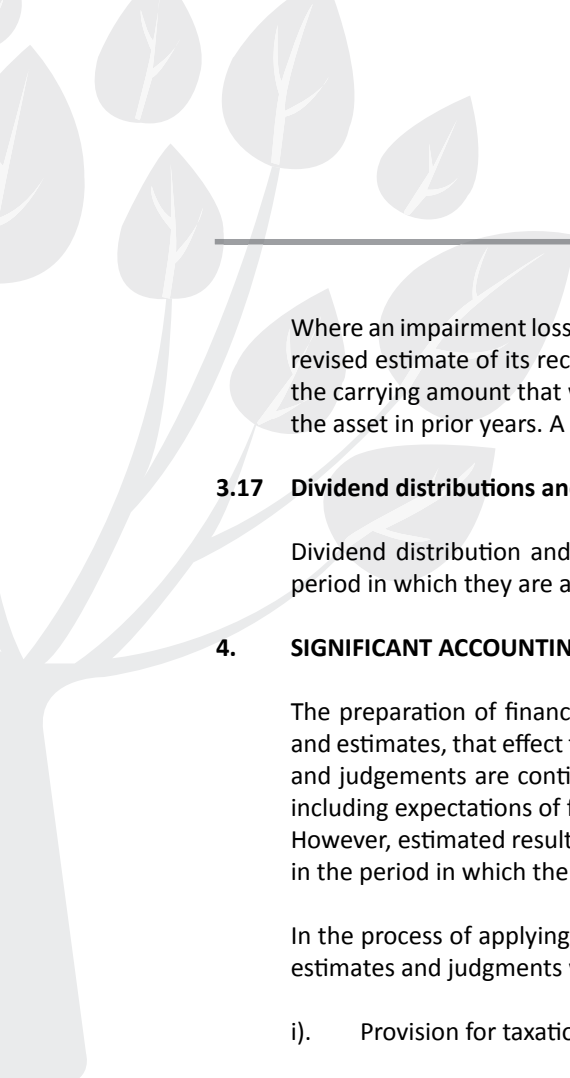
The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

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 32 and 13)
- ii). Classification and valuation of investments (Notes 8 and 15)
- iii). Determination and measurement of useful life and residual value of property and equipment (Note 6)
- iv). Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables (Notes 9.6, 10.2, 16.3 and 19.3)
- v). Impairment of investments (Note 8.1 and 15)

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

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

Standard or Interpretation		Effective date (accounting periods beginning on or after)
IFRS 7	Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). New disclosure requirements for financial assets and liabilities	January 1, 2013
IFRS 9	Financial Instruments - Classification and Measurement. Change in recording fair value of financial liabilities	July 1, 2015
IFRS 10	Consolidated Financial Statements. Provides guidance relating to inclusion of an entity in consolidated financial statements of parent.	January 1, 2013
IAS 1	Presentation of Financial statements : ammended to clarify comparative period.	January 1, 2013
IAS 16	Property, Plant and Equipment: . Amended to consider definition of certain assets.	January 1, 2013
IAS 19	Employee Benefits - Corridor method is no more applicable.	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	January 1, 2013
IAS 28	Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	January 1, 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). Ammendment requires certain disclosures of IAS 12 (Income Taxes) relating to equity transaction and equity instrument.	January 1, 2014
IFRS 11	Joint Arrangements. Ammendment disallowed propotional consolidation of joint ventures.	January 1, 2013
IFRS 12	Disclosure of interest in other entities	January 1, 2013
IFRS 13	Fair value measurement: Provides guidance in measurement and disclosure of fair value	January 1, 2013
IFRIC 20	Stripping cost in the production phase of a surface mining. Provides guidance in capitalizing stripping costs in a surface mine.	January 1, 2013
IFRIC 21	Levies: Provides guidance to recognise liability to pay levies.	January 1, 2014
IAS 34	Interim Financial Reporting: Ammendment requires disclosures relating to assets and liabilities of a reportable segment.	January 1, 2013
IAS 36	Impairment of assets: Ammendment requires changes in disclosures relating to recoverable amounts, cash generating units and reversal in impairment loss.	January 1, 2014
IAS 39	Financial instruments: Ammendment provides guidance relating to discontinuation of hedge accounting.	January 1, 2014

		2013 Rupees	2012 Rupees
6. FIXED ASSETS			
Tangible			
Property plant and equipment	6.1	97,631,798	108,059,520
Capital work in progress	6.2	7,668,861	-
Intangible assets	6.3	577,981	1,444,561
		105,878,640	109,504,081

6.1 Property, plant and equipment

	Cost			Depreciation			Net book value as at 30 June 2013	Rate %
	As at 01 July 2012	Additions/ (disposals)/ adjustments	As at 30 June 2013	As at 01 July 2012	For the year	(Disposals)/ adjustments		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned								
Free-hold premises	127,901,129	-	127,901,129	31,766,129	6,395,056	-	38,161,185	89,739,944 5
Lease-hold improvements	14,625,969	-	14,625,969	12,658,537	1,736,312	-	14,394,849	231,120 20
Free-hold improvements	6,712,240	-	6,712,240	5,705,404	1,006,836	-	6,712,240	- 20
Office furniture and fixtures	6,246,284	11,000	6,257,284	3,769,069	492,091	-	4,261,160	1,996,124 10
Computer equipments	18,422,567	296,098	18,718,665	17,897,143	291,527	-	18,188,670	529,995 33.33
Office equipments	13,096,686	546,508	13,643,194	7,589,650	1,025,108	-	8,614,758	5,028,436 10
Vehicles	12,117,360	9,109,380	21,226,740	11,676,783	451,478	8,992,300	21,120,561	106,179 20
	199,122,235	9,962,986	209,085,221	91,062,715	11,398,408	8,992,300	111,453,423	97,631,798
Leased								
Vehicles	8,992,300	-	-	8,992,300	-	-	-	- 20
		(8,992,300)				(8,992,300)		
2013	208,114,535	970,686	209,085,221	100,055,015	11,398,408	-	111,453,423	97,631,798

	Cost			Depreciation			Net book value as at 30 June 2012	Rate %
	As at 01 July 2011	Additions/ Revaluation/ (disposals)	As at 30 June 2012	As at 01 July 2011	For the year	(Disposals)		
	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 5
Lease-hold improvements	14,625,969	-	14,625,969	10,367,307	2,291,230	-	12,658,537	1,967,432 20
Free-hold improvements	6,712,240	-	6,712,240	4,362,956	1,342,448	-	5,705,404	1,006,836 20
Office furniture and fixtures	6,463,649	-	6,246,284	3,359,091	500,510	-	3,769,069	2,477,215 10
	-	(217,365)	-	-	-	(90,532)	-	-
Computer equipments	17,954,617	467,950	18,422,567	17,613,309	283,835	-	17,897,144	525,423 33.33
Office equipments	13,624,636	-	13,096,686	6,890,221	1,033,415	-	7,589,649	5,507,037 10
	-	(527,950)	-	-	-	(333,987)	-	-
Vehicles	12,117,360	-	12,117,360	10,888,842	787,941	-	11,676,783	440,577 20
	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	- 20
2012	170,183,371	37,931,164	208,114,535	89,755,525	10,724,009	(424,519)	100,055,015	108,059,520

6.2 This represents amount incurred on opening of a new branch at Johar Town, Lahore. The work is expected to be completed in the financial year 2014, and would be transferred to fixed assets accordingly.

6.3 Intangible assets

	Cost			Amortization			Net book value as at 30 June 2013	Rate %	
	As at 01 July 2012	Additions/ (disposals)	As at 30 June 2013	As at 01 July 2012	For the year	(Disposals)			As at 30 June 2013
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees			Rupees
Computer Software									
2013	5,600,000	-	5,600,000	4,155,439	866,580	-	5,022,019	577,981	33.33
2012	5,600,000	-	5,600,000	3,288,859	866,580	-	4,155,439	1,444,561	33.33

6.4 Had there been no revaluation, the related figures of free-hold premises as on June 30, 2013 would be as follows;

	Cost	Accumulated Depreciation	Net Book Value	Rate
	Rupees	Rupees	Rupees	%
Free hold premises	89,692,600	36,250,761	53,441,839	5
			2013	2012
			Rupees	Rupees
7. 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
			2013	2012
			Rupees	Rupees
8. LONG TERM INVESTMENTS				
Held to maturity				
Pakistan Investment Bonds (PIBs)	8.1	100,980,776	151,577,022	
Less: Current maturity of Pakistan Investment Bonds	14	-	50,582,612	
		100,980,776	100,994,410	

	Note	2013 Rupees	2012 Rupees
8.1 Pakistan Investment Bonds (PIBs)			
Cost		166,539,200	606,221,300
Less: Amortization - Opening		10,305,204	74,565,694
Charged during the year		596,246	10,078,584
		155,637,750	521,577,022
Less: Impairment loss		4,656,974	20,000,000
Matured/ sold during the year		50,000,000	350,000,000
		100,980,776	151,577,022

This represents investment in 20 years bonds issued by the Government of Pakistan having market value of Rs 90.379 million (2012: 129.655 million). Period to maturity of these investments are 11 years and carry mark-up at rates (coupon rate) 10% per annum (2012: 10% to 11% per annum). PIBs having face value of Rs. 100 million (2012: Rs. 150 million).

8.1.1 Encumbered and un-encumbered - Face value

	2013			2012		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	100,000,000	-	100,000,000	-	150,000,000	150,000,000

	Note	2013 Rupees	2012 Rupees
9. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	9.1	7,135,710	4,411,803
Executives	9.2	29,236,659	21,658,626
Others	9.3	1,120,783	1,500,000
		37,493,152	27,570,429
Others - Secured and considered good	9.4	87,485,566	45,622,471
		124,978,718	73,192,900
Considered doubtful			
Others	9.5	32,930,614	38,406,732
Less: Provision for doubtful finances	9.6	32,930,614	32,691,426
		-	5,715,306
		124,978,718	78,908,206
Less: Current maturity	14	45,591,765	50,276,390
		79,386,953	28,631,816

9.1 Associated companies

These represent finance provided against hypothecation of vehicles for period of 5 years (2012: 2.4 years to 5 years), carrying mark-up rate at 18% per annum. (2012: 14% to 18% per annum).

	2013 Rupees	2012 Rupees
The maximum balance outstanding at the end of any month during the year was:		
Escorts Pakistan Limited	7,411,241	4,509,111
Essem Hotel Limited	336,616	336,616

9.2 Executives

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

	CEO Rupees	Director Rupees	Others Rupees	2013 Rupees	2012 Rupees
Opening Balance	18,973,571	-	2,685,055	21,658,626	26,070,823
Disbursements during the year	7,455,400	854,500	613,000	8,922,900	-
	26,428,971	854,500	3,298,055	30,581,526	26,070,823
Less: Repayments during the year	700,217	133,828	510,822	1,344,867	4,412,197
	25,728,754	720,672	2,787,233	29,236,659	21,658,626
The maximum balance outstanding at the end of any month during the year.				29,236,659	19,633,110

9.3 These finance facility issued to a close family member of a key management personnel and is secured against lien over Company's own Certificates of Deposit for a period up to 1.5 years. The expected rate of return is 15.25% per annum (2012: 15.25% per annum).

9.4 These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 12% to 20% per annum (2012: 14% to 20.86% per annum).

9.5 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 (2012: 14% to 17% per annum).

	Note	2013 Rupees	2012 Rupees
9.6 Particulars of provision for doubtful finances			
Opening balance		32,691,426	33,296,605
Provision / (Reversal) for the year		239,188	(605,179)
Closing balance		32,930,614	32,691,426
10. NET INVESTMENT IN LEASE FINANCE			
Net investment in lease finance	10.1	4,387,321	6,238,907
Less: Provision for doubtful leases	10.2	815,160	807,841
		3,572,161	5,431,066
Less: Current maturity	14	3,572,161	5,431,066
		-	-

10.1 Particulars of net investment in lease finance

	2013			2012
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	1,036,534	-	1,036,534	2,062,484
Add: Residual value	3,672,900	-	3,672,900	4,502,550
Gross investment in lease finance	4,709,434	-	4,709,434	6,565,034
Less: Unearned finance income	322,113	-	322,113	326,127
Net investment in lease finance	4,387,321	-	4,387,321	6,238,907

10.1.1 The leases made by the Company are for a period ranging from 3 to 5 years. Security deposits obtained at the time of disbursement of lease facility range from 11% to 45% (2012: 10% to 45%). Leased assets are insured in favor of the Company. The rate of return range from 15% to 17 % per annum (2012: 15% to 17% per annum). Penalty is charged in case of delayed payment. These leases pertain to previous years as the company does not have license for lease now.

10.1.2 As per the prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 1.036 million (2012: 0.945 million) at the end of current year.

	Note	2013 Rupees	2012 Rupees
10.2 Particulars of provision for doubtful leases			
Opening balance		807,841	153,328
Charge for the year		7,319	654,513
Closing balance		815,160	807,841
11. LONG TERM LOANS AND ADVANCES			
Loan to staff - Considered good			
Unsecured			
Executives - Related parties	11.1	1,714,069	1,323,332
Other employees		868,826	675,556
		2,582,895	1,998,888
Current maturity	14	1,226,969	1,121,293
		1,355,926	877,595

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

	Note	2013 Rupees	2012 Rupees
Opening Balance		1,323,332	1,278,847
Add: Disbursements during the year		886,381	562,063
		2,209,713	1,840,910
Less: Repayments during the year		495,644	517,578
		1,714,069	1,323,332
The maximum balance outstanding from executives at the end of any month during the year was:		1,772,678	1,342,600
12. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits		3,049,950	5,728,950
Prepayments		5,524,478	8,257,214
		8,574,428	13,986,164
Less: Current maturity	14	2,364,824	2,732,736
		6,209,604	11,253,428

	2013 Rupees	2012 Rupees
13. DEFERRED TAX ASSET		
Taxable temporary differences		
Fixed assets	(8,572,123)	(12,384,191)
Deductible temporary differences		
Investments	33,522,790	37,507,487
Finances and receivables	21,715,385	23,396,254
Trade and other payables	612,173	(387,796)
Finance lease	259,657	301,419
Tax losses	52,684,734	47,121,890
	100,222,616	95,555,063

13.1 Movement in deferred tax asset

Opening balance	95,555,063	82,481,269
Provision during the year	4,667,553	13,073,794
Closing balance	100,222,616	95,555,063

13.2 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.

	Note	2013 Rupees	2012 Rupees
14. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Pakistan Investment Bonds	8	-	50,582,612
Long term finances	9	45,591,765	50,276,390
Net investment in lease finance	10	3,572,161	5,431,066
Long term loans and advances	11	1,226,969	1,121,293
Long term deposits and prepayments	12	2,364,824	2,732,736
		52,755,719	110,144,097

15. SHORT TERM INVESTMENTS

Held for Trading			
Shares / units			
Listed	15.1	1,702,418	6,876,527
Others	15.2	16,958,362	12,113,531
Investment in Commodities:			
Gold		-	13,912,413
Sugar		91,200,000	-
Grams		17,012,420	-
Available for sale			
Listed Term Finance Certificates	15.3	-	1,642,368
Listed shares / units	15.4	85,613,976	85,402,911
		212,487,176	119,947,750
Deficit on revaluation		(5,920,268)	(7,861,259)
		206,566,908	112,086,491

15.1 Particulars of listed shares / units - Held for Trading

No. of Certificates		N A M E	2013		2012	
			Carrying value	Market value	Carrying value	Market value
2013	2012		Rupees	Rupees	Rupees	Rupees
		Investment Companies				
64,000	-	Jahangir Siddique & Company Ltd.	1,178,608	739,840	-	-
		Commercial Banks				
-	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	25,000	JS Investment Limited	377,000	171,250	377,000	182,750
		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	15,001	Azgard Nine Limited	146,810	95,406	146,810	96,006
		Chemicals				
-	15,000	Engro Polymer & Chemicals Limited	-	-	193,400	147,750
104,001	262,799		1,702,418	1,006,496	6,876,527	6,157,544

15.2 Shares - Others

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

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

No. of Certificates		N A M E	2013		2012	
			Cost	Market value	Cost	Market value
2013	2012		Rupees	Rupees	Rupees	Rupees
-	1,316	Faysal Bank Limited (RBS)	-	-	1,642,368	1,651,196
-	1,316		-	-	1,642,368	1,651,196

15.4 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	2013		2012	
			Carrying value	Market value	Carrying value	Market value
2013	2012		Rupees	Rupees	Rupees	Rupees
Mutual Fund - Close End						
49	49	Dawood Capital Management Fund	281	174	281	66
10,000	10,000	Pakistan Premier Fund	41,032	145,900	41,032	97,500
Power Generation and Distribution						
-	10,000	Kot Addu Power Company Limited	-	-	430,000	450,000
-	45,000	Hub Power Company Limited	-	-	1,799,025	1,885,050
Commercial Banks						
50,000	150,000	Bank Alfalah Limited	898,285	911,000	2,494,653	2,565,000
2,500	36,000	MCB Bank Limited	631,001	606,475	6,750,739	5,984,640
400,035	217,531	National Bank of Pakistan	17,345,746	16,449,439	10,383,353	9,471,300
225,000	-	NIB Bank Limited	588,809	522,000	-	-
76,000	343,000	Askari Bank Limited	1,275,768	1,156,720	5,253,401	4,654,510
-	38,500	Habib Bank Limited	-	-	4,243,499	4,344,340
100,000	100,000	JS Bank Limited	708,000	435,000	708,000	510,000
100,000	560,000	Samba Bank Limited	295,047	257,000	1,505,685	1,288,000
325,000	50,000	Silk Bank Limited	821,569	734,500	134,000	105,500
-	144,686	Soneri Bank Limited	-	-	1,214,245	1,069,230
Non Life Insurance						
5,000	-	Adamjee Insurance Company Limited	429,543	380,400	-	-
25,000	-	Pakistan Reinsurance Company Limited	556,806	590,750	-	-
Life Insurance						
-	2,000	EFU Life Assurance Limited	-	-	168,633	152,620
Fertilizer						
-	22,900	Engro Corporation Limited	-	-	2,505,718	2,332,136
Investment Companies						
25,000	25,000	Jahangir Siddique & Company Ltd.	568,500	289,000	568,500	310,250
Oil and Gas						
70,000	67,990	Pakistan Petroleum Limited	14,907,042	14,810,600	13,091,243	12,801,837
13,500	35,000	Pakistan Oilfields Limited	6,925,051	6,714,495	13,444,122	12,842,900
60,000	-	Byco Petroleum Pakistan Limited	719,412	626,400	-	-
15,000	-	Pakistan State Oil Company Limited	4,993,570	4,805,700	-	-

No. of Shares/Units		N A M E	2013		2012	
			Carrying value	Market value	Carrying value	Market value
2013	2012		Rupees	Rupees	Rupees	Rupees
Construction and Materials (Cement)						
83,000	200,000	D.G Khan Cement Company Limited	7,013,459	6,946,270	9,140,639	7,876,000
75,000	72,999	Fauji Cement Company Limited	1,001,892	996,750	481,254	410,984
250,000	100,000	Lafarge Pakistan Cement Limited	2,315,942	2,122,500	544,500	432,000
200,000	-	Dewan Cement Company Limited	1,682,288	1,372,000	-	-
Textile Composite						
-	86,001	Nishat Mills Limited	-	-	4,874,236	4,091,928
Chemical						
2,500	103,000	Fatima Fertilizer Company Limited	62,520	62,075	2,758,111	2,541,010
59,000	7,500	Fauji Fertilizer Company Limited	6,879,708	6,338,370	872,625	832,875
321,000	171,000	Lotee Chemical Pakistan Limited	3,340,652	2,446,020	1,995,417	1,202,130
51,000	-	Arif Habib Corporation Limited	1,315,346	1,130,160	-	-
100,000	-	Maple Leaf Cement Factory Limited	2,298,523	2,193,000	-	-
315,500	-	Engro Polymer & Chemicals Limited	4,236,176	3,836,480	-	-
Industrial Metals and Mining						
5,000	-	Crescent Steel and Allied Products	234,405	224,950	-	-
Electricity						
50,000	-	Nishat Power Limited	1,785,178	1,674,500	-	-
Multiutilities (Gas and Water)						
25,000	-	Sui Northern Gas Pipelines Limited	566,307	501,500	-	-
Technology & Communication						
50,000	-	Pakistan Telecommunication Limited	1,176,118	1,109,500	-	-
3,089,084	2,598,156		85,613,976	80,389,628	85,402,911	78,251,806

		Note	2013 Rupees	2012 Rupees
16.	SHORT TERM FINANCES			
	Related parties-Secured and considered good			
	Associated companies		-	73,913,410
	Executives	16.1	1,000,000	-
			1,000,000	73,913,410
	Others - Secured and considered good	16.2	110,373,306	74,050,162
	Considered doubtful			
	Others		13,767,834	13,767,834
	Less: Provision for doubtful finances	16.3	13,767,834	13,767,834
			-	-
			111,373,306	147,963,572

16.1 This represent finance provided to Executive against Company's own Certificate of Deposits for a period of 1 year and carries mark-up at the rate of 12.75% p.a.

16.2 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return range from 12% to 18% per annum (2012: 12% to 18% per annum). These include finances against pledge of listed shares and Company's own Certificates of Deposit amounting to Rs. 3.370 million (2012: Rs. 2.423 million), while Rs.106.185 million (2012: Rs. 23.742 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan the rate of return range from 16% to 18% per annum (2012: 18% per annum).

	Note	2013 Rupees	2012 Rupees
16.3 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

17. ADVANCES

Considered good

Advances		4,110,342	3,727,813
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18. SHORT TERM DEPOSITS AND PREPAYMENTS

Short term deposits	18.1	25,978,931	31,628,931
Prepayments		372,993	569,166
		26,351,924	32,198,097

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

	Note	2013 Rupees	2012 Rupees
19. OTHER RECEIVABLES			
Receivable from associated Company	19.1	19,661,484	10,964,630
Receivable from clients	19.2	45,677,696	136,497,386
Others		957,862	662,706
		66,297,042	148,124,722

19.1 This includes Rs. 10.227 million receivable from Essem Hotels Limited and Rs. 9.433 million receivable from Escorts Pakistan Limited.

	Note	2013 Rupees	2012 Rupees
19.2 Receivables from clients			
Considered good		45,677,696	136,497,386
Considered doubtful		21,474,235	21,474,235
Less: Provision for doubtful receivables	19.3	(21,474,235)	(21,474,235)
		-	-
		45,677,696	136,497,386
19.3 Particulars of provision for doubtful receivables			
Opening balance		21,474,235	21,474,235
Charge for the year		-	-
Closing balance		21,474,235	21,474,235
20. CASH AND BANK BALANCES			
Cash in hand		86,611	-
Cash with banks			
Current accounts with:			
State Bank of Pakistan		727,428	539,523
Others		830,372	10,540,508
		1,557,800	11,080,031
Saving accounts	20.1	47,594,359	37,308,842
		49,238,770	48,388,873

20.1 Rate of return on these accounts range from 5% to 9% per annum (2012: 5% to 8% per annum).

		2013 Rupees	2012 Rupees
21. SHARE CAPITAL			
Authorized share capital 50,000,000 (2012: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital 42,000,000 (2012: 42,000,000) ordinary shares of Rs. 10 each		420,000,000	420,000,000
Issued as fully paid in cash 2,100,000 (2012: 2,100,000) ordinary shares of Rs. 10 each		21,000,000	21,000,000
Issued as fully paid bonus shares			
		441,000,000	441,000,000

21.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2012: 39.01%) ordinary shares in the Company.

	Note	2013 Rupees	2012 Rupees
22. RESERVES			
Capital reserve			
Statutory reserve	22.1	158,496,746	154,050,085
Revenue reserve			
Accumulated loss		(331,519,816)	(326,346,836)
		(173,023,072)	(172,296,751)

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

	2013 Rupees	2012 Rupees
23. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance	38,208,529	-
Add: Created during the year	-	38,208,529
Less: Incremental depreciation for the year	(1,910,424)	-
Closing balance	36,298,105	38,208,529

23.1 This represents surplus arising 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.

	2013 Rupees	2012 Rupees
24. DEFICIT ON REVALUATION OF INVESTMENTS		
Available for sale		
Listed term finance certificates	-	8,828
Listed shares / units	(5,224,348)	(7,151,105)
	(5,224,348)	(7,142,277)

	Note	2013 Rupees	2012 Rupees
25. TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		375,101,000	333,468,000
Redeemed during the year		49,959,600	41,633,000
		425,060,600	375,101,000
		74,939,400	124,899,000
Less: Current maturity	28	49,959,600	49,959,600
		24,979,800	74,939,400
Less: Cost on issuance/ rescheduling			
Opening balance		(4,395,953)	(1,048,842)
Rescheduling cost incurred during the year		-	(6,086,702)
Amortization for the year	38	2,028,900	2,739,591
		(2,367,053)	(4,395,953)
Less: Current maturity	28	2,028,900	2,028,900
		(338,153)	(2,367,053)
		24,641,647	72,572,347

These TFCs were rescheduled during the last year for further 3 years, carry return payable semi annually, at the rate of 8% per annum. These are secured against hypothecation of Rs. 667 million (2012: 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 maintained the 1st TFC issue rating at BB (Double B) dated March 13, 2013. A "Negative Outlook" has been assigned to this rating.

	Note	2013 Rupees	2012 Rupees
26. LONG TERM CERTIFICATES OF DEPOSIT			
Related parties - Unsecured			
Associated Company	26.1	6,095,003	6,095,003
Executives	26.2	100,000,000	100,400,000
Others	26.3	30,000,000	31,000,000
		136,095,003	137,495,003
Unsecured			
Individuals	26.4	110,947,342	68,886,888
Others	26.5	20,250,000	18,250,000
		131,197,342	87,136,888
Less: Current maturity	28	17,630,930	60,250,958
		249,661,415	164,380,933

- 26.1** These have been issued for a term of 5 years and expected return on these certificates are 12.5% per annum (2012: 12.5% per annum) payable monthly.
- 26.2** These have been issued for term of 5 years and expected return on these certificates ranges from 13% to 13.5% per annum (2012: 13% to 13.5% per annum) payable monthly.
- 26.3** These have been issued to a relative for a term of 5 years and expected return on these certificates ranges from 13% to 14% per annum (2012: 13% to 14% per annum) payable monthly.
- 26.4** These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 10.25% to 14% per annum (2012: 10% to 14% per annum) payable monthly, quarterly, semi-annually or on maturity.
- 26.5** These have been issued for term ranging from 3 year to 5 years and expected return on these certificates ranges from 12% to 13% per annum (2012: 12% to 13% per annum) payable monthly.

	Note	2013 Rupees	2012 Rupees
26.6 Long term certificates of deposits includes:			
Financial institutions		-	-
Corporates		-	-
Individuals		224,631,891	224,631,891
		224,631,891	224,631,891

27. LONG TERM SECURITY DEPOSIT

Security deposit	27.1	3,672,900	4,502,550
Less: Current maturity	28	3,672,900	4,502,550
		-	-

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

	Note	2013 Rupees	2012 Rupees
28. CURRENT MATURITIES OF NON-CURRENT LIABILITIES			
Term finance certificates - listed- net of amortization cost	25	47,930,700	47,930,700
Long term certificates of deposit	26	17,630,930	60,250,958
Long term security deposit	27	3,672,900	4,502,550
		69,234,530	112,684,208

	Note	2013 Rupees	2012 Rupees
29. SHORT TERM CERTIFICATES OF DEPOSIT			
Related parties - Unsecured			
Associated Company	29.1	44,260,083	-
Executives	29.2	18,692,600	16,769,161
		62,952,683	16,769,161
Unsecured			
Individuals	29.3	357,261,579	297,859,845
Others	29.4	20,500,000	20,000,000
		377,761,579	317,859,845
		440,714,262	334,629,006

29.1 These have been issued for a terms of 1 month and expected rate of return on these certificates are 9.75% per annum (2012: nil) payable monthly.

29.2 These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 10.75% to 11.5% per annum (2012: 12.5% to 12.75% per annum) payable monthly.

29.3 These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 13.25% per annum (2012: 6.5% to 13.5% per annum) payable monthly, quarterly, semi-annually or on maturity.

29.4 These have been issued for terms ranging from 6 months to 1 year and expected rate of return on these certificates ranges from 10.75% to 12% per annum (2012: 13.25% per annum) payable monthly & semi-annually.

	2013 Rupees	2012 Rupees
29.5 Short term certificates of deposits includes:		
Financial institutions	-	-
Corporates	-	-
Individuals	317,859,845	334,629,006
	317,859,845	334,629,006

	Note	2013 Rupees	2012 Rupees
30. ACCRUED MARKUP			
Secured			
Accrued return on certificates of deposit		4,697,031	4,397,076
Accrued return on term finance certificates		1,757,483	2,929,138
Accrued return on secured borrowings		-	4,404,798
		6,454,514	11,731,012
31. TRADE AND OTHER PAYABLES			
Customers' credit balances		28,084,198	123,721,973
Accrued expenses and other payables	31.1	98,249,724	242,695,328
Provision for compensated absences		1,921,839	1,126,007
Unclaimed dividend		2,387,004	2,387,004
		130,642,765	369,930,312

31.1 This includes an amount of Rs. 5.371 million (2012: Rs. 89.486 million) payable on account of future purchase contracts.

32. PROVISION FOR TAXATION

The Company's assessments till Assesment 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 2012 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 Apellate 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 2012.

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

	Note	2013 Rupees	2012 Rupees
33. CONTINGENCIES AND COMMITMENTS			
Contingencies			
There exists no known contingencies as at balance sheet date			
Commitments			
Outstanding guarantees		35,719,022	40,301,020
Future purchase contracts- Shares		-	173,150,679
Future sale contracts- Shares		-	68,852,695
34. PROFIT ON FINANCING			
Long term		28,883,633	26,823,886
Short term		12,005,605	10,307,571
		40,889,238	37,131,457
35. RETURN ON PLACEMENTS			
Clean placements		1,827,282	1,110,174
Placements under reverse repurchase agreements		26,544,759	64,830,106
		28,372,041	65,940,280
36. RETURN ON INVESTMENTS			
Mark-up / return on investments			
Held to maturity investments			
Government securities		10,773,847	42,439,838
Available for sale investments			
Term Finance Certificates		136,758	409,050
		10,910,605	42,848,888
Dividend income			
Available for sale investments			
Listed shares/units		54,794,099	66,047,288
Held for Trading			
Listed shares/units		103,000	291,002
		54,897,099	66,338,290
Capital gain / (loss) on investment			
Available for sale investments		19,098,651	3,594,987
Held for trading	36.1	11,208,583	659,550
		30,307,234	4,254,537
		96,114,938	113,441,715

36.1 Prior year figure has been reclassified for better presentation. (Refer note # 52.1)

37. OTHER INCOME

These include Compensation on delayed refunds amounting to Rs. 44.9 million, under Section 171 - Additional Payment for Delayed Refunds, of the Income Tax Ordinance, 2001. The Company had claimed income tax refunds from Tax Year 2003 to 2008 from the income tax authorities and subsequently these tax refunds were decided in due course by the appropriate income tax authorities and refund orders were issued to the Company accordingly.

	Note	2013 Rupees	2012 Rupees
38. ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	38.1	29,962,317	22,835,804
Staff Training and Welfare		67,400	29,940
Advertisement and business promotion		282,600	257,600
Rent, rates and taxes		5,931,985	6,812,714
Utilities		1,675,458	1,721,746
Communication charges		2,122,770	2,108,086
Traveling and vehicle maintenance		5,796,106	5,560,680
Repair and maintenance		2,171,053	3,835,497
Entertainment		1,358,259	1,129,379
Fee and subscriptions		2,460,878	2,565,197
Legal and professional charges	38.2	4,515,367	3,127,020
Printing and stationery		1,656,046	1,453,469
Fee, brokerage & commission		5,440,315	3,545,086
CDC and clearing charges			1,404,921
Insurance		631,261	492,714
Amortization of issuance cost of listed TFC's	25	2,028,900	2,739,591
Depreciation	6.1	11,398,408	10,724,009
Amortization of Intangible assets		866,580	866,580
Penalty		10,000	-
Staff Motor Vehicle Contribution & Insurance		-	58,599
Miscellaneous expenses		306,242	141,024
		78,681,945	71,409,656

38.1 This includes contribution to provident fund amounting to Rs. 0.954 million (2012: Rs. 0.794 million) made by the Group.

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

	Note	2013 Rupees	2012 Rupees
Audit fee		707,000	707,000
Review of half yearly accounts		143,000	143,000
Certification and consultancy charges		50,000	50,000
Out of pocket expenses		7,000	37,500
		907,000	937,500
39. TAXATION-NET			
Current taxation	39.1	5,394,110	4,118,394
Deferred taxation		(4,667,554)	(13,073,794)
		726,556	(8,955,400)

39.1 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.

		2013 Rupees	2012 Rupees
40. PROFIT/(LOSS) PER SHARE - BASIC AND DILUTED			
Loss for the year after taxation (Rupees)		(726,321)	(35,403,803)
Number of ordinary shares		44,100,000	44,100,000
Loss per share (Rupees)		(0.02)	(0.80)

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

41. 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 2013			
	Financing activities	Investing activities	Total
Profit on financing	40,889,238	-	40,889,238
Mark-up on lease finance	3,040	-	3,040
Return on placements	-	28,372,041	28,372,041
Return on investments	-	96,114,938	96,114,938
Total income for reportable segments	40,892,278	124,486,979	165,379,257
Finance costs	59,682,701	181,690,028	241,372,729
Administrative and other operating expenses	19,452,712	59,219,233	78,671,945
Provision for doubtful financing	246,507	-	246,507
Segment result	(38,489,642)	(116,422,282)	(154,911,924)
Other operating income			74,329,790
Loss before taxation			(80,582,134)
Segment assets	244,470,935	443,738,292	688,209,227
Unallocated assets			569,409,892
			1,257,619,119
Segment liabilities	101,074,004	165,351,476	266,425,480
Unallocated liabilities			723,216,711
Equity			267,976,928
			1,257,619,119

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)

For the year ended 30 June 2012			
	Financing activities	Investing activities	Total
Segment assets	239,243,016	1,073,668,095	1,312,911,111
Unallocated assets			686,618,071
			<u>1,999,529,182</u>
Segment liabilities	124,472,520	179,799,531	304,272,051
Unallocated liabilities			1,426,553,882
Equity			268,703,249
			<u>1,999,529,182</u>

42. TRANSACTIONS WITH RELATED PARTIES

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

	2013 Rupees	2012 Rupees
Associated companies:		
Transactions during the year		
Return on finances received	-	6,471,867
Guarantee commission earned	97,454	830,749
Profit paid on certificates of deposit	1,076,271	662,098
Fixed assets sold	-	600,115
Chairman's secretariat expenses	3,600,000	3,600,000
Balance at year end		
Advances outstanding	7,135,710	78,325,213
Letter of guarantee outstanding	35,719,022	40,301,020
Certificates of deposit outstanding	50,355,086	6,095,003
Other receivable	27,330,345	10,956,463
Markup payable on COD	224,284	43,834
Directors:		
Transactions during the year		
Return on finances received	1,232,109	1,160,045
Profit paid on certificates of deposit	8,174,063	6,708,339
Balance at year end		
Advances outstanding	27,078,352	19,540,227
Certificates of deposit outstanding	60,692,600	60,692,600
Markup payable on COD	357,819	766,049

	2013 Rupees	2012 Rupees
Executives:		
Transactions during the year		
Return on finances received	256,096	1,496,524
Profit paid on certificates of deposit	6,958,870	7,479,607
Balance at year end		
Advances outstanding	4,872,376	3,441,731
Certificates of deposit outstanding	58,000,000	56,476,561
Markup payable on COD	326,473	379,088
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	954,275	794,403

43. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive / Director		Executives	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
Managerial remuneration	1,793,376	1,793,376	6,192,080	5,276,080
House rent allowance	717,348	717,348	2,476,836	2,110,434
Utilities	179,340	179,340	619,200	527,602
Bonus/commission	-	-	-	5,049,851
Special allowance	-	-	260,000	180,000
Leave encashment	-	-	58,500	-
Retirement benefits	-	-	595,450	464,250
	2,690,064	2,690,064	10,202,066	13,608,217
Number of persons	1	1	7	6

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

44. LIQUIDITY RISKS

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

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
As at 30 June 2013				
ASSETS				
Fixed capital expenditure	105,878,640	-	11,024,560	94,854,080
Cards and rooms	84,955,000	-	-	84,955,000
Deferred tax asset	100,222,616	-	100,222,616	-
Net investment in lease finance	3,572,161	3,572,161	-	-
Investments	307,547,684	206,566,908	-	100,980,776
Finances	236,352,024	156,965,071	65,318,306	14,068,647
Advances	6,693,237	5,337,311	1,355,926	-
Deposits and prepayments	34,926,352	28,716,748	3,159,654	3,049,950
Interest accrued	54,426,432	54,426,432	-	-
Other receivables	66,297,042	66,297,042	-	-
Tax refunds due from the government	207,509,161	207,509,161	-	-
Cash and bank balances	49,238,770	49,238,770	-	-
	1,257,619,119	778,629,604	181,081,062	297,908,453
LIABILITIES				
Term finance certificates	72,572,347	47,930,700	24,641,647	-
Certificates of deposit	708,006,607	458,345,192	249,661,415	-
Long term security deposit	3,672,900	3,672,900	-	-
Accrued markup	6,454,514	6,454,514	-	-
Trade and other payables	130,642,765	130,642,765	-	-
Provision for taxation	37,219,300	37,219,300	-	-
	958,568,434	684,265,371	274,303,062	-
NET ASSETS	299,050,685	94,364,233	(93,222,000)	297,908,453
Represented by:				
SHARE CAPITAL AND RESERVES	267,976,928			
SURPLUS ON REVALUATION OF FIXED ASSETS	36,298,105			
	304,275,033			
DEFICIT ON REVALUATION OF INVESTMENTS	(5,224,348)			
	299,050,685			

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years 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
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)			
	<u>299,769,501</u>			

45. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

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

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.

45.1 SEGMENT INFORMATION

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2013	2012	2013	2012	2013	2012
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
Chemical and pharmaceuticals	0.00	6.99	-	-	-	-
Agribusiness	13.20	7.13	-	-	-	-
Textile	17.45	7.94	-	-	-	-
Sugar	20.85	13.83	-	-	-	-
Financial institutions	0.00	0.00	0.00	-	-	-
Insurance	-	-	0.09	0.08	-	-
Electronics and electrical appliances	6.02	40.39	-	-	100.00	100.00
Production and transmission of energy	0.00	1.62	-	-	-	-
Steel & allied products	-	0.00	-	-	-	-
Individuals	24.72	13.85	92.07	78.00	-	-
Engineering and construction	17.76	8.07	-	-	-	-
Communications	-	-	3.58	3.03	-	-
Non-Government organizations	-	-	4.26	3.61	-	-
Others	0.00	0.17	0.00	15.29	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

45.2 Geographical Segment

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

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

	2013 Rupees	2012 Rupees
Aging of term loan and lease rental receivables		
Not past due	218,275,145	195,831,033
Past due 0 - 90 days	2,023,293	4,977,900
Past due 91- 180 days	428,376	711,700
180 days to 1 year	536,781	4,167,843
More than 1 year	62,823,411	69,705,046
	284,087,006	275,393,522

Collaterals held against term financing.

	2013				Net exposure
	Collaterals				
	Mortgage	Hypothecation	Liquid collaterals		
	----- Rupees -----				
Long term finances	157,909,332	29,675,000	151,811,398	36,050,000	(59,627,066)
Short term finances	125,141,140	3,400,000	165,000,000	172,056,000	(215,314,860)

	2012				Net 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)

46. 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.

46.1 Interest rate risk

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

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

Description	Total	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2013					
FINANCIAL ASSETS					
Investments	307,547,684	206,566,908	-	100,980,776	-
Net investment in lease finance	3,572,161	3,572,161	-	-	-
Finances	236,352,024	156,965,071	65,318,306	14,068,647	-
Advances	6,693,237	-	-	-	6,693,237
Deposits and prepayments	34,926,352	25,978,931	-	-	8,947,421
Cash and bank balances	49,238,770	47,594,359	-	-	1,644,411
	638,330,228	440,677,430	65,318,306	115,049,423	17,285,069

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
As at 30 June 2013					
FINANCIAL LIABILITIES					
Term finance certificates	72,572,347	47,930,700	24,641,647	-	-
Certificates of deposit	708,006,607	458,345,192	249,661,415	-	-
Trade and other payables	130,642,765	-	-	-	130,642,765
	911,221,720	506,275,892	274,303,062	-	130,642,765
Total Interest rate sensitivity gap		(65,598,462)	(208,984,756)	115,049,423	
Cumulative interest rate sensitivity gap		(65,598,462)	(274,583,218)	(159,533,795)	

Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
As at 30 June 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	

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

46.2 Equity price risk

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

		Changes in KSE all Index	Effects on Profit Before Tax (Rupees)	Effects on Equity
Available-for-sale investments	2013	+10%	-	8,038,963
		-10%	-	(8,038,963)
	2012	+10%	-	7,990,300
		-10%	-	(7,990,300)
Held-for-trading investments	2013	+10%	1,006,496	-
		-10%	(1,006,496)	-
	2012	+10%	615,754	-
		-10%	(615,754)	-

46.3 Currency risk

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

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

47. CAPITAL RISK MANAGEMENT

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

The Company is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2008. The existing minimum capital requirement of Rs. 1 billion upto June 30, 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 2013 and at 30 June 2012 were as follows:

	2013 Rupees	2012 Rupees
Total debt	274,303,062	236,953,280
Total equity	299,050,685	299,769,501
Debt-to-equity ratio	0.92	0.79

The increase in the debt-to-equity ratio during 2013 resulted primarily from increase in Long Term Certificate of Deposits during the year amounting to Rs. 85.280 million.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

49. FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES

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

50. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2013, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

51. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue as on September 30, 2013 by the Board of Directors of the Company.

52. GENERAL

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

Account Head	Current	Previous	Amount (Rs.)
Return on investments	Capital gain / (loss) on investments - held for trading	Fair value loss on held for trading investments	(718,982)

52.2 Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

Pattern of Shareholding as at June 30, 2013

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES HELD	Percentage of Total Capital
	FROM	TO		
94	1 -	100	2,208	0.01
60	101 -	500	24,964	0.06
61	501 -	1000	55,807	0.13
124	1001 -	5000	361,846	0.82
36	5001 -	10000	288,440	0.65
13	10001 -	15000	163,500	0.37
12	15001 -	20000	219,044	0.50
3	20001 -	25000	69,000	0.16
4	25001 -	30000	110,378	0.25
1	30001 -	35000	31,000	0.07
3	35001 -	40000	112,975	0.26
2	40001 -	45000	84,068	0.19
2	45001 -	50000	99,700	0.23
1	50001 -	55000	51,000	0.12
1	55001 -	60000	56,000	0.13
1	65001 -	70000	68,000	0.15
1	75001 -	80000	77,490	0.18
1	85001 -	90000	90,000	0.20
6	95001 -	100000	598,661	1.36
1	100001 -	105000	103,003	0.23
1	105001 -	110000	109,515	0.25
1	135001 -	140000	140,000	0.32
1	145001 -	150000	147,500	0.33
1	150001 -	155000	154,000	0.35
1	160001 -	165000	160,500	0.36
1	180001 -	185000	182,500	0.41
1	195001 -	200000	200,000	0.45
1	245001 -	250000	248,500	0.56
2	300001 -	305000	606,000	1.37
1	345001 -	350000	350,000	0.79
1	660001 -	665000	663,500	1.50
1	730001 -	735000	732,000	1.66
1	800001 -	805000	804,525	1.82
1	820001 -	825000	825,000	1.87
1	1080001 -	1085000	1,082,275	2.45
1	1180001 -	1185000	1,184,092	2.69
1	2725001 -	2730000	2,729,000	6.19
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
450			44,100,000	100.00

Information as Required by Code of Corporate Governance



Sr. #	Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage of Holding
1.	Associated Companies, Undertakings and Related Parties			
	M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
			17,203,340	39.0098
2.	Directors and their spouse and minor children	8	6,849,669	15.5321
	MUTAHIR AHMED		160,500	0.3639
	BAIRAM QURESHI		1,102	0.0025
	ZULFIQAR ALI KHAN		500	0.0011
	TAJAMMUL HUSSAIN BUKHARI		500	0.0011
	SHAZIA BASHIR		3,775,962	8.5623
	AMJAD MAHMOOD AGHA		500	0.0011
	MUHAMMAD SHARIF BAQIR		500	0.0011
	DARAKSHAN BASHIR		2,910,105	6.5989
3.	Executives	-	-	0.0000
4.	Public sector Companies and Corporations	-	-	0.0000
5.	Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies Takaful, Modarabas and Pension Funds	5	1,315,404	2.9828
	NATIONAL BANK OF PAKISTAN		1,184,092	2.6850
	NATIONAL BANK OF PAKISTAN		36,975	0.0839
	PAKISTAN REINSURANCE COMPANY LIMITED		16,846	0.0382
	STATE LIFE INSURANCE CORP. OF PAKISTAN		77,490	0.1757
	CRESCENT STANDARD BUSINESS MANAGEMENT (PVT) LTD.		1	0.0000
6.	Others	13	567,364	1.2865
7.	General Public (Local)	423	18,164,223	41.1887
	Total	450	44,100,000	100.0000

Categories of Shareholders

Sr. #	Categories	No. of Shareholders	Shares Held	Percentage of Holding
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	2	1,221,067	2.7689
4	Insurance Companies	2	94,336	0.2139
5	Modarbas and Mutual Funds	1	1	0.0000
6	General Public (Local)	423	18,164,223	41.1887
7	Others	2	200,000	0.4535
8	Joint Stock Companies	11	367,364	0.8330
TOTAL:		450	44,100,000	100.0000

Shareholders Having more than 5% Holdings

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage of Holding
M/S Essem Power (Pvt) Limited	1	17,203,340	39.0098
Ms. Shazia Bashir	1	3,775,962	8.5623
Ms. Maryam Bashir	1	3,691,641	8.3711
Mr. Bashir Ahmed and Family	1	3,532,961	8.0112
Mrs. Darakshan Bashir	1	2,910,105	6.5989
Mr. Kamran Rashid	1	2,729,000	6.1882

Form of Proxy



I/We, _____

of _____

Escorts Investment Bank Limited appoint

Mr./Mrs./Ms. _____

_____ of _____

as my proxy to vote for me/us and on my / our behalf at the Annual General Meeting to be held on 30th day of October 2013 at 10:00 a.m. and at any adjournment thereof.

As witnessed under my/our hand this _____ day of _____ 2013.

_____ signed by _____

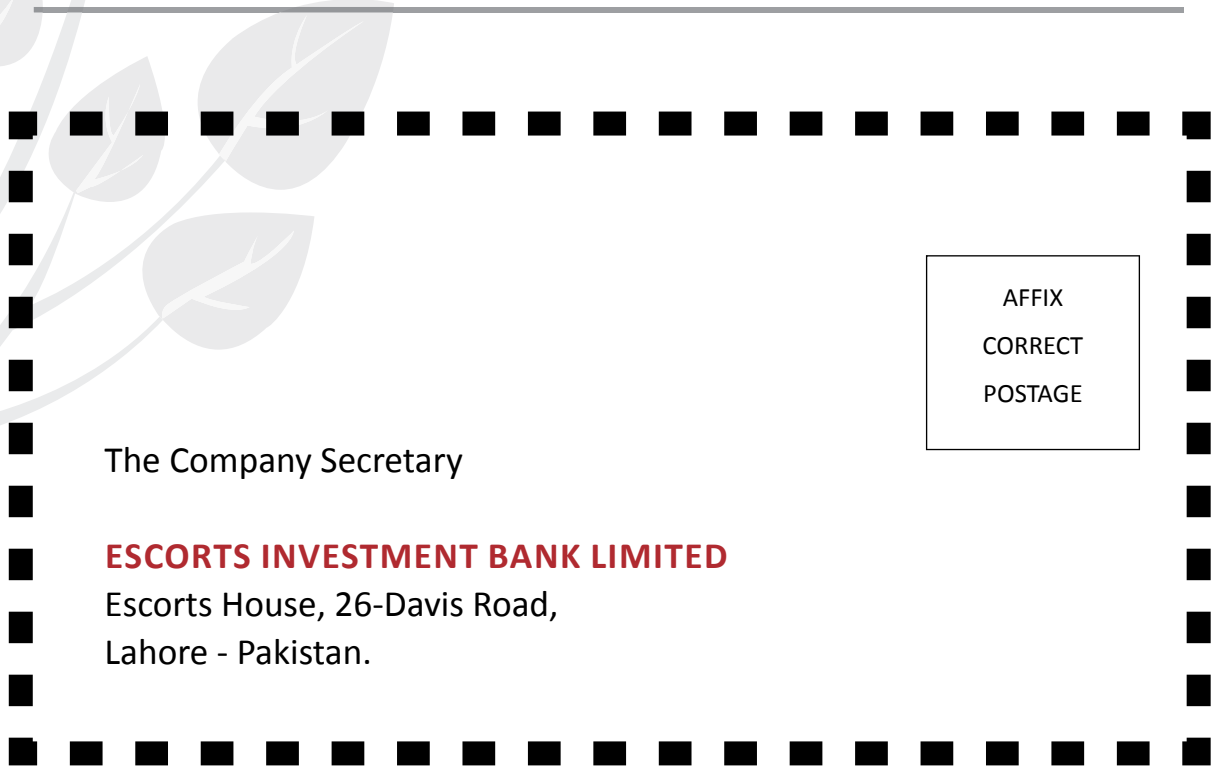
in presence of _____

Signature and address of the witness

Signature and address of the witness

Please affix
Revenue
Stamp

Signature of member



AFFIX
CORRECT
POSTAGE

The Company Secretary

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



ESCORTS INVESTMENT BANK LIMITED

Escorts House, 26-Davis Road, Lahore

Tel: 042-36371931-34 Fax: 042-36375950

Email: mailmanager@escortsbank.net

www.escortsbank.net

