Connecting Customers to Opportunities

Annual Reoprt 2017

VISION

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

MISSION

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

An Eye On The Future

ESCORTS INVESTMENT BANK LIMITED

Contents

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
Aleem Ahmed Khan
Qaim Mehdi

Company Secretary / Chief Financial Officer
Muhammad Mukarram

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 Mukarram

Internal Auditors
Nasir Javaid Maqsood Imran
Chartered Accountants

External Auditors
Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

Legal Advisors
Lexium Attorneys at Law

Tax Consultants
KPMG Taseer Hadi & Co.
Chartered Accountants

Share Registrars
Hameed Majeed Associates (Pvt.) Ltd.

Bankers
Bank Alfalah Limited
Askari Bank Limited
NIB Bank Limited
Sind Bank Limited
MCB Bank Limited

NETWORK

Head Office & Lahore Branch
Escorts House
26-Davis Road, Lahore
Tel: (042) 3637 1931-34
Fax: (042) 3637 5950
mailmanager@escortsbank.net
www.escortsbank.net

Branch Offices

Karachi Office
Escorts Investment Bank Limited
Room # 631, 632, Stock Exchange Building,
Stock Exchange Road, Karachi
Tel: (021) 3247 1671-5
Fax: (021) 3247 237
karachi@escortsbank.net
www.escortsbank.net

Islamabad Office
Escorts Investment Bank Limited
Shalimar – 5/1, Attaturk Ave, Islamabad
Tel: (051) 227 1762
Fax: (051) 227 1764
islamabad@escortsbank.net
www.escortsbank.net

Financial Statements

30 June 2017

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK LIMITED** will be held on Tuesday November 28, 2017 at 09:30 a.m.at Escorts House, 26 Davis Road, Lahore the registered office of the Company, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Financial Statements for the year ended June 30, 2017 together with the Directors' and Auditors' report thereon;

2. To appoint External Auditors and fix their remuneration for the year ending June 30th, 2017.

OTHER BUSINESS:

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

By ORDER OF THE BOARD

Muhammad Mukarram
Company Secretary

Dated: November 07, 2017

Notes:

1. The share transfer books shall remain closed from November 22, 2017 to November 28, 2017 (both days inclusive). Transfers received at Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore, by the close of the business hours on November 21, 2017 will be treated in time for the purpose of casting of votes at the AGM.

2. A member entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend the meeting, speak and vote on his/her behalf.

3. The Form of Proxy must be signed across a rupees five revenue stamp and should be received by the Company at its Registered Office at least 48 hours before the meeting.

4. Shareholders are requested to promptly notify the Company of any change in their addresses at the Registered Office of the Company.

5. CDC Account Holders will have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

5.1 <u>For attending the meeting:</u>

5.1.1 In case of individual, the account holder or sub-account holder shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

5.1.2 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall have to be produced at the time of the meeting.

5.2 For appointing proxies:

5.2.1 In case of individual, the account holder or sub-account holder shall submit the proxy form as per the requirements of para 3 above.

5.2.2 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers should be mentioned on the Proxy Form.

5.2.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

5.2.4 The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

5.2.5 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall have to be submitted along with Proxy Form to the Company.

Director's Report

The Board of Directors of Escorts Investment Bank Limited is pleased to present the Annual Report 2017 together with the Audited Financial Statements for the year ended June 30, 2017.

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; except as explained in note No. 2.02.

g) there is no material departure form the best practices of corporate governance, as detailed in the listing regulations.

h) information about outstanding taxes and other government levies are given in related note(s) to the accounts.

i) the statement of Code of Ethics and Business Practices has been developed and acknowledged by the directors and employees of the Company.

Financial Results

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

	2017 Rupees	2016 Rupees
(Loss)/ Profit before provisions and taxation	(94,428,074)	(111,439,411)
Less: (Provision) for / reversal of doubtful finances and receivables	(94,576)	-
(Loss)/ Profit before taxation	(94,333,498)	(111,439,411)
Taxation – net	25,402,625	1,175,089
(Loss)/ Profit after taxation	(119,736,123)	(112,614,500)
Other Comprehensive income- net of tax	-	5,933,325
Total comprehensive (Loss)/ Profit - net of tax	(119,736,123)	(106,681,175)

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

The fiscal year 2016-2017 has been a challenging year for the NBFC sector in Pakistan that has continued to face obstacles in its business activities due to factors such as reluctance of financial institutions/ commercial banks to lend borrowings to NBFCs. During the year the Company incurred a loss after tax of Rs. 119.74 million as against a loss of Rs. 112.61 million in the preceding year.

The total revenue of your Company has decreased from Rs. 73.62 million in preceding year to Rs. 35.56 million in the financial year ended June 30, 2017. This decrease pertains to primarily to a considerable decrease in return on financing and investments.

It is pertinent to note that although the revenue has decreased during the year however, the total expenses of the Company have reduced by more than 29%. During the previous year, the total expenses of the Company were Rs. 185.06 million whereas for the year ended June 30, 2017, the total expenses incurred were Rs.129.99 million.

Credit Rating

Your Company is rated by Pakistan Credit Rating Agency (PACRA). Rating agency has assigned long-term credit rating “BB” (Double B) while Short-Term rating has been assigned B (Single B) as on April 05, 2017.

Board Meetings

The Board presently comprises of one executive and six non- executive directors. Casual vacancy occurred during the year and filled.

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

Directors	Attended
Mr. Bairam Qureishy	4
Ms. Shazia Bashir	4
Mr. Tajamal Hussain Bokharee	4
Mr. Mutahir Ahmed	4
Mr. Zulfiqar Ali Khan	3
Mr. Aleem Ahmed Khan	2
Mr. Qaim Mehdi	2

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

Pattern of shareholding

There were 640 shareholders of the Company as at 30 June 2017. The pattern of shareholding disclosing the aggregate number of shares held by various categories of shareholders appears at the end of this Annual Report.

Value of Provident Fund Investment

The Company operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund @ 10% of basic salary. Based on latest financial statements of the fund the value of its investment as at June 30, 2017 works out to Rs. 4.92 million and cash at bank balances amount to Rs. 0.173 million.

Changes in Shareholding

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

Internal Audit Function

The Company has outsourced its internal audit function to 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.

Auditor's Qualification and Emphasis of matter Paragraphed

Auditors have qualified their opinion with respect to deferred tax and card and rooms, further Auditors have also emphasized over the going concern ability of the Company. The management has given its viewpoint in Note No. 16, 9 and 2.2 respectively in this regard.

Auditors

The Bank's external auditors' M/s Tariq Abdul Ghani Maqbool & 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

Owing to the distress subdued economic situation prevailing in the country and world over, the sponsors have entered into the shares purchase agreement with Bahria Town (Private) Limited to take the challenge to turn around the bank by exploring the new venues. In this regard, the Bahria Town (Private) Limited has a plan to develop and diversified its portfolio of high yield products mainly in House Financing, Micro financing, financing against shares (Margin Financing), Car Finance, Advisory Services and non-fund based products.

Further, Bahria Town (Private) Limited has also plan to separate the brokerage business as its subsidiary of the Bank and anticipates an increased in equity market activity which will result in considerable rise in Margin Financing, Equity Portfolio and hence a remarkable earning in the shape of brokerage commission as well as profit on the said financing. Further, the new management will continuing to attract the potential corporate and retail clients to increase the brokerage revenue and hopes that future periods are expected to show better profitability for the company with improved earnings, quality and high service levels.

Acknowledgement

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

For and on behalf of Board

Shazia Bashir
President and Chief Executive Officer

Director

Lahore: October 31, 2017

ESCORTS INVESTMENT BANK

Financial Highlights

Last Eight Years of Escorts Bank at a Glance

(Rupees in '000')

	2017	2016	2015	2014	2013	2012	2011	2010
FINANCIAL DATA								
Share Capital	441,000	441,000	441,000	441,000	441,000	441,000	441,000	441,000
Share Deposit Money	-	-	-	-	-	-	-	-
Reserves	(207,582)	(89,503)	15,640	33,236	56,808	34,575	45,895	76,973
Shareholders' Equity	233,418	351,598	456,640	474,236	497,808	475,575	486,895	517,973
Deposits	447,726	698,358	1,078,539	1,185,538	758,007	659,261	691,974	580,862
Borrowings from Financial Institutions		-	-	44,503	-	599,349	809,821	304,763
Total Liabilities	763,399	911,032	1,175,331	1,445,381	993,420	1,700,946	1,888,768	1,307,045
Tangible Fixed Assets	119,228	129,324	137,143	143,737	128,046	138,188	110,296	122,008
Intangible Fixed Assets	114	171	257	385	578	1,444	2,311	-
Capital Work in Progress	-	-	-	-	7,669	-	-	2,100
Financing - Net of Provision	126,325	191,807	527,798	456,453	336,352	326,872	318,710	250,393
Net Investment in Finance Lease	2,166	2,241	2,980	3,065	3,572	5,431	11,846	21,633
Investments & Placements	80,575	220,487	272,524	569,455	307,547	984,310	1,351,149	789,845
Total Assets	996,817	1,262,630	1,631,972	1,919,617	1,491,228	2,176,521	2,375,663	1,825,018
OPERATING RESULTS								
Total Revenue	35,564	73,626	163,319	164,887	241,185	264,110	239,698	182,339
Markup Expense	67,672	123,803	151,061	118,983	167,961	218,037	197,796	159,061
Operating & Other Expenses	62,321	61,263	65,788	63,171	54,586	68,057	75,832	103,498
Provision against Non-Performing Loans	-	-	(725)	(192)	247	49	(321)	(3,357)
Profit/(loss) before Tax	(94,333)	(111,439)	(52,805)	(17,075)	18,391	(22,033)	(34,021)	(79,598)
Profit/(loss) after Tax	(119,736)	(112,615)	(21,052)	(17,721)	22,233	(11,320)	(31,078)	(79,430)
Dividend (%)	-	-	-	-	-	-	-	-
FINANCIAL RATIOS								
Earnings/(loss)/ per Share (Rs.)	(2.72)	(2.55)	(0.48)	(0.40)	0.46	(0.26)	(0.70)	(1.80)
Net Asset Value per Share (Rs.)	5.29	7.97	10.35	10.75	11.29	10.78	11.04	11.74
Market Value per Share (Rs.)	15.45	2.50	2.50	2.75	3.70	1.95	1.80	2.89
High	21.99	3.89	4.00	2.75	4.98	2.95	3.85	4.30
Low	2.32	1.41	1.63	2.75	1.75	1.10	1.10	1.55
Price Earning Ratio	-	-	-	-	8.04	-	-	-
Dividend per Share (Rs.)	-	-	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-	-	-
Dividend Payout Ratio(%)	-	-	-	-	-	-	-	-
Profit/(loss) Before Tax Ratio (%)	(265.25)	(151.36)	(32.78)	(10.47)	7.63	(8.34)	(14.19)	(43.65)
Revenue to Expenses (Times)	0.27	0.40	0.75	0.91	1.08	0.92	0.87	0.70
Return on Average Assets (%)	-	-	-	-	1.21	-	-	-
Return on Capital Employed (%)	-	-	-	-	4.57	-	-	-
Total Assets Turnover Ratio (Times)	0.04	0.06	0.10	0.09	0.16	0.12	0.10	0.10
Advances to Deposits (Times)	0.28	0.27	0.49	0.39	0.44	0.50	0.47	0.35
Borrowings to Equity (Times)	-	-	-	0.09	-	0.79	0.60	1.70
Total Liabilities to Equity (Times)	3.27	2.59	2.57	3.05	2.00	3.58	3.88	2.52

Statements of Compliance with the Best Practices of the Code of Corporate Goverance

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 I Investment Bank Limited ("the Company") has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. However, currently Company does not have any independent director. At present the Board includes:

Category	Names
Independent Directors	-
Executive Directors	Ms. Shazia Bashir
Non-Executive Directors	Mr. Bairam Qureishy Mr. Mutahir Ahmed Mr. Tajamul Hussain Bokharee Mr. Zulfiqar A.Khan Mr. Aleem Ahmed Khan Mr. Qaim Mehdi

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

Shazia Bashir
President and Chief Executive Officer

Lahore
Date: October 31, 2017

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Escorts Investment Bank Limited ("the Company") for the year ended 30 June 2017 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange where the Company is listed.

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

As a part of our audit of the 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 are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

Further, we highlight below instances of non-compliance with the requirements of the Code as stated in the Statement of Compliance:

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

We have also expressed a qualified opinion in our audit report to the financial statements for the year ended 30 June 2017.

Lahore
Date: October 31, 2017
Engagement Partner: Shahid Mehmood

Tariq Abdul Ghani Maqbool and 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 2017

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

For and on behalf of the Board

Shazia Bashir
President and Chief Executive Officer

Lahore
Date: October 31, 2017

Auditors' Report to the Members

We have audited the annexed balance sheet of Escorts Investment Bank Limited ('the Company") as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Company's 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 qualified opinion and, after due verification, we report that:

(a) as stated in note No. 16 to the financial statements, deferred tax asset amounting to Rs. 112.88 million (2016: Rs. 136.55 million) has been recognized by the management. However, due to liquidity problems more fully explained in note 2.02 to the financial statements, the future profitability of the Company is uncertain and it is no longer probable that sufficient taxable profits will be available to allow deferred tax asset to be utilized. Further, deferred tax liability on revaluation surplus on property and equipments amounting to Rs. 8.87 million (2016: Rs. 9.65 million) has not been recognized by management. Therefore, whole amount (with effect of said deferred tax liability not recognized) of Rs. 104.01 million (2016: Rs. 126.90 million) should have been written off in accordance with the provisions of IAS 12 "Income taxes". Had a reversal against this balance been provided in these financial statements, non-current assets would have been lower by Rs. 104.01 million (2016: Rs. 126.90 million) and non-current liabilities would have been lower by Rs. 8.87 million (2016: Rs. 9.65 million) with a corresponding increase of Rs. 104.01 million (2016: Rs. 126.90 million) in loss after taxation and accumulated losses. The financial statements, however, do not disclose this fact and any adjustment to that effect;

(b) as mentioned in note No. 9 to the financial statements, management of the Company has not stated the office rooms at lower of its carrying value and recoverable amount and related impairment loss has not been recognized. Had the management recognized the said impairment loss then loss before taxation would have been increased by Rs. 14.70 million with a corresponding decrease in non-current assets and equity by Rs. 14.70 million. The financial statements, however, do not disclose this fact and any adjustment to that effect;

(c) in our opinion, except for the effects of the matters described in paragraph (a) and (b) above, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(d) in our opinion, except for the effects of the matters described in paragraph (a) and (b) above:

    (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 were 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;

(e) in our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in paragraph (a) and (b) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the loss, total comprehensive income, its cash flows and changes in equity for the year then ended;

(f) in our opinion no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 – (XVIII of 1980); and

(g) Notwithstanding our qualified opinion, we draw attention to the following matters;

- during the year ended 30 June 2017, the Company has incurred loss before tax of Rs. 94.33 million (2016: Rs. 111.44 million) and its current liabilities exceed its current assets by Rs. 111.37 million (2016: Rs. 114.33 million), and its accumulated losses stood at Rs. 366.08 million (2016: Rs. 247.90 million). Further, equity of the Company is falling short by Rs. 362.11 million (2016: Rs. 398.40 million) to meet prescribed minimum equity as required under the Non-Banking Finance Companies and Notified Entities Regulation, 2008 for the Companies undertaking business of deposit taking investment finance services. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and it may be unable to realize its assets and discharge its liabilities in the normal course of business. Financial Statements have however been prepared on going concern basis for the reasons more fully explained in note 2.03 to the financial statements. Our opinion is not qualified in respect of this matter; and

- as described in note No. 2.02 to the financial statements, on 28 August 2017 (subsequent to balance sheet date), in an extra ordinary general meeting of members of Escorts Investment Bank Limited ("EIBL"), it was resolved to sell 100% shareholding of the Subsidiary Company to Bahria Town (Private) Limited ("BTPL") for an amount of Rs. 175 million. Legal formalities for the transfer of management control and shareholding of Subsidiary Company is in process. Our opinion is not qualified in respect of this matter.

Lahore
Date: October 31, 2017
(Engagement Partner: Shahid Mehmood)

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

Balance Sheet
as at 30 June 2017

	Note	**2017 Rupees**	2016 Rupees
ASSETS			
Non-current Assets			
Property and equipments	7	85,778,162	95,873,568
Intangible assets	8	114,192	171,279
Cards and rooms	9	33,450,000	33,450,000
Long term investment in subsidiary company	10	175,004,000	175,004,000
Long term investments	11	-	100,775,669
Long term finances	12	71,720,368	120,489,485
Net investment in lease finance	13	-	-
Long term loans and advances	14	67,835,998	69,514,812
Long term deposits and prepayments	15	45,754,950	45,754,950
Deferred tax asset	16	112,878,059	136,551,607
		592,535,729	777,585,370
Current Assets			
Current maturities of non-current assets	17	40,345,684	50,448,299
Short term investments	18	80,575,342	119,711,752
Short term finances	19	16,985,630	24,659,107
Advances	20	33,999	3,662,219
Short term deposits and prepayments	21	261,408	650,695
Interest accrued	22	20,008,812	19,571,208
Other receivables	23	80,587,951	86,042,764
Tax refunds due from the government		157,339,190	176,288,611
Cash and bank balances	24	8,143,505	4,010,051
		404,281,521	485,044,706
		996,817,250	1,262,630,076
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
50,000,000 (2016: 50,000,000) ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital	25	441,000,000	441,000,000
Reserves	26	(207,582,381)	(89,402,310)
		233,417,619	351,597,690
Surplus on revaluation of property and equipments	27	29,565,036	31,121,088
Non-current Liabilities			
Long term finances - subordinated loans	28	154,470,420	-
Long term certificates of deposit	29	63,711,234	280,535,817
Long term security deposit	30	-	-
		218,181,654	280,535,817
Current Liabilities			
Current maturities of non-current liabilities	31	203,243,901	240,671,522
Short term borrowings	32	-	100,000,000
Short term certificates of deposit	33	182,937,197	179,391,224
Accrued markup	34	44,588,787	12,903,683
Trade and other payables	35	71,951,472	54,452,469
Provision for taxation	36	12,931,584	11,956,583
		515,652,941	599,375,481
Contingencies and commitments	37	-	-
		996,817,250	1,262,630,076

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer	Chief Financial Officer	Director

ESCORTS INVESTMENT BANK

Profit and Loss Account

for the year ended 30 June 2017

	Note	**2017 Rupees**	2016 Rupees
INCOME			
Profit on financing	38	13,697,261	74,190,645
Mark-up on lease finance		10,852	-
Return / (loss) on investments	39	18,973,407	(12,598,285)
Income from fee and commission	40	176,494	921,351
Profit on bank deposits		457,824	781,813
Other income	41	2,248,729	10,330,351
		35,564,567	73,625,875
EXPENSES			
Mark-up on certificates of deposit		63,520,059	118,129,013
Mark-up on short term borrowings from financial institutions		4,152,348	5,673,757
Amortization of premium on held to maturity investments		775,668	62,616
Administrative and other operating expenses	42	61,514,237	61,125,688
Finance cost		30,329	74,212
		129,992,641	185,065,286
Operating loss before provisions and taxation		(94,428,074)	(111,439,411)
Reversal of provision for doubtful finances		94,576	-
Loss before taxation		(94,333,498)	(111,439,411)
Taxation	43	25,402,625	1,175,089
Net loss for the year		(119,736,123)	(112,614,500)
Loss per share - basic and diluted	44	(2.72)	(2.55)

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Statement of Comprehensive Income

for the year ended 30 June 2017

	Note	**2017 Rupees**	2016 Rupees
Net loss for the year		(119,736,123)	(112,614,500)
Other comprehensive income:			
Items that will not be subsequently reclassified to profit and loss		-	-
Items that may be subsequently reclassified to profit and loss			
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment		-	5,933,325
Total comprehensive loss for the year		(119,736,123)	(106,681,175)

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Cash Flow Statement

for the year ended 30 June 2017

	2017 Rupees	2016 Rupees
Cash flow from operating activities		
Loss before taxation	(94,333,498)	(111,439,411)
Adjustment for non cash expenses and other items:		
Dividend income	-	(233,374)
Depreciation on property and equipments	6,722,973	8,225,205
Amortization on intangible assets	57,087	85,626
Amortization of premium on held to maturity investments	775,669	62,616
Fair value gain on held for trading investments	-	(78,488)
	7,555,729	8,061,585
	(86,777,769)	(103,377,826)
Decrease / (increase) in operating assets		
Disbursements of finances - net	65,480,672	335,991,374
Investments - net	39,136,410	57,986,100
Long term and short term advances	6,143,592	2,131,273
Interest accrued	(437,604)	3,997,661
Other receivables	5,454,813	(71,038,381)
Deposits and prepayments	542,551	2,200,422
	116,320,434	331,268,449
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	(100,000,000)	100,000,000
Certificates of deposit	(250,631,516)	(380,181,050)
Accrued mark-up	31,685,104	3,611,887
Trade and other payables	17,499,003	16,416,957
	(301,447,409)	(260,152,206)
Net changes in operating assets and liabilities	(185,126,975)	71,116,243
Cash used in operations	(271,904,744)	(32,261,583)
Taxation-net	18,195,345	30,953,994
Net cash used in operating activities	(253,709,399)	(1,307,589)

	2017 Rupees	2016 Rupees
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	-	(405,136)
Dividend received	-	233,374
Proceeds from sale of investment	100,000,000	-
Proceeds from sale of fixed assets	3,372,433	-
Net cash generated from / (used in) investing activities	103,372,433	(171,762)
CASH FLOW FROM FINANCING ACTIVITIES		
Subordinated loans received	154,470,420	-
Net cash generated from financing activities	154,470,420	-
Net increase / (decrease) in cash and cash equivalents	4,133,454	(1,479,351)
Cash and cash equivalents at the beginning of the year	4,010,051	5,489,402
Cash and cash equivalents at the end of the year	8,143,505	4,010,051

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer | Chief Financial Officer | Director

Statement of Changes in Equity

for the year ended 30 June 2017

			Capital Reserves		Revenue Reserve	
	Ordinary Shares fully paid in cash	Ordinary Shares fully paid Bonus Shares	Statutory reserve	(Deficit) / gain on revaluation of investments	Accumulated loss	Total
	---------- Rupees ----------					
Balance as at 30 June 2015	420,000,000	21,000,000	158,496,746	(5,933,149)	(136,922,684)	456,640,913
Total Comprehensive Income for the year						
Net loss for the year	-	-	-	-	(112,614,500)	(112,614,500)
Other comprehensive income :						
Items that not to be reclassified subsequently to profit and loss account						
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment	-	-	-	5,933,325	-	5,933,325
Total comprehensive income	-	-	-	5,933,325	(112,614,500)	(106,681,175)
Transfer from surplus on revaluation of property and equipments on account of - Incremental depreciation on revalued assets for the year	-	-	-	-	1,637,952	1,637,952
Balance as at 30 June 2016	420,000,000	21,000,000	158,496,746	176	(247,899,232)	351,597,690
Total Comprehensive Income for the year						
Net loss for the year	-	-	-	-	(119,736,123)	(119,736,123)
Other comprehensive income :						
Items that not to be reclassified subsequently to profit and loss account						
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(119,736,123)	(119,736,123)
Transfer from surplus on revaluation of property and equipments on account of - Incremental depreciation on revalued assets for the year	-	-	-	-	1,556,052	1,556,052
Balance as at 30 June 2017	420,000,000	21,000,000	158,496,746	176	(366,079,303)	233,417,619

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Financial Statements
for the year ended June 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited ("the Company") is a public limited company incorporated in Pakistan under the provisions of Companies Ordinance, 1984 on 15 May 1995. The Company started its commercial operations on 16 October 1996 and is listed on the Pakistan Stock Exchange Limited. The Company is licensed to carry out investment finance services, as a Non-Banking Finance Company under Section 282-C 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 "BB" (Double B) and also maintained the short-term rating at "B" (B) dated 05 April 2017. 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. BASIS OF PREPARATION

2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated 20 July 2017 communicated that the Commission has decided that companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the provisions of 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 13 August 2003 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. 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 Significant non-adjusting subsequent events

On 28 August 2017 (subsequent to balance sheet date), in an extra ordinary general meeting of members of Escorts Investment Bank Limited ("EIBL"), it was resolved to increase authorized share capital of EIBL from Rs. 500 million to Rs. 2,000 million and it was also resolved to sell 100% shareholding of the subsidiary company to Bahria Town (Private) Limited ("BTPL") for an amount of Rs. 175 million. Legal formalities for the increase in authorized share capital of Escorts Investment Bank Limited and the transfer of management control and shareholding of the subsidiary company are in process.

2.3 Going Concern Assumptions

The Company has incurred loss before tax for the year ended 30 June 2017 amounting to Rs. 94.33 million, accumulated losses of the company amounting to Rs. 366.08 million as at balance sheet date and as of that date its current liabilities exceed its current assets by Rs. 111.37 million. SECP vide SRO No. 1160/(1)/2015 dated 25 November 2015 has made certain amendments in NBFCs & Notified Entities Regulations, 2008 which inter alia also specify the minimum equity requirement for the companies undertaking business of deposit taking investment finance companies as Rs. 750 million and the equity of the Company is short by Rs. 362.11 million. SECP had given time period of one year to the existing lending NBFCs to meet the minimum equity requirement . The period has lapsed during the year i.e. 25 November 2016, but the Company did not meet the minimum equity requirements. These conditions along with adverse key financial ratios indicate the existance of material uncertainty regarding the future operations of the Company which may cast significant doubt about the company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, the management is implementing its multifaceted plan which is expected to result in improvement in the financial and operational conditions of the Company. The management of the Company is curtailing its administrative and other operating expenses to minimum possible level without affecting the operational efficiency of the Company which will result in improving results and equity position of the Comapny. With all these measures in place and expected cash injection from directors / shareholders and financial institutions in coming months, the liquidity position will be strengthened. Based on the above and the financial projections as prepared by the company for future periods, the management is confident that the company shall continue and further improve its business growth during the coming years resulting in improvement of its profitability. Hence, these financial statements have been prepared on going concern basis.

2.4 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

Standards, amendments to published standards and interpretations effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2016:

Improvement to Accounting Standards Issued by the IASB

IAS 7	- Disclosure initiatives
IAS 12	- Recognition of deferred tax asset for unrealized losses
IFRS 12	- Disclosure of interest in other entities

The adoption of the above improvements to accounting standards and interpretations are not likely to have an impact on the Company's financial statements.

Standards, interpretations and amendments to published standards that are effective but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2016 are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations.

Standards, interpretations and amendments to existing standards that are not yet effective

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 2 - Classification and measurement of share based payment transactions	01 January 2018
IFRS 4 - Insurance contracts	01 January 2018
IAS 40 - Investment property	01 January 2018
IFRS 1 - First time adoption of International Financial Reporting Standard	01 January 2018
IAS 28 - Investments in Associated and joint ventures	01 January 2018

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective Date (Annual periods beginning on or after)
IFRS 09	- Financial Instruments: Classification and Measurement	01 July 2018
IFRS 15	- Revenue from Contracts with Customers	01 July 2018
IFRIC 22	- Foreign currency transaction and advance consideration	01 January 2018
IFRIC 23	- Uncertainty over Income Tax treatments	01 January 2019
IFRS 16	- Leases	01 January 2019
IFRS 17	- Insurance contracts	01 January 2021

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of property and equipments, certain financial instruments at fair value and investment on equity basis, certain liabilities at amortized cost and certain other investments at fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

5. JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property and equipment, doubtful receivables and taxation.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which such estimates are revised. Such estimates are:

- Useful life of depreciable assets;
- Provision for doubtful receivables ;
- Provision for current tax and deferred tax;
- Classification and valuation of investment
- Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables.
- Impairment of assets.

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses and fully depreciated assets which are carried at residual value. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to income by applying reducing balance method to write off the cost over estimated remaining useful life of assets at the rates specified in note 7 to the financial statements. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from property and equipments. Depreciation on addition to property and equipment is charged from the month when asset is available for use up to the month of its de-recognition.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains / losses on disposal of property and equipment are included in current year's income.

Subsequent costs are included in the asset's carrying amount are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance cost are charged to the profit and loss account during the year in which these are incurred.

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

Intangible assets

Intangible assets represent computer software and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the reducing balance method so as to write off the cost of an asset over its estimated useful life. Amortization on addition is charged from the date when asset is available for use up to the date of its de-recognition.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Revaluation surplus

Surplus on revaluation of revalued assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property and equipment (net of deferred taxation, if any) is transferred directly to retained earnings/unappropriated profits.

6.2 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.

6.3 Investments

6.3.1 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.

6.3.2 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.

6.3.3 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.

6.3.4 Held for trading

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

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

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

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

Amortization cost is charged to profit and loss account.

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

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

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

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

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

6.3.5 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 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.

6.3.6 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.

6.4 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.

6.5 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.

6.6 Financial instruments

a) Financial assets

Financial assets are 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.

b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include 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.

c) 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.

d) 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.

e) 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.

6.7 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.

6.8 Staff retirement benefits

Employees compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue. As the component of liability involved is not material, the company did not carry out actuarial valuation for the said liability.

6.9 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.

6.10 Revenue recognition

Return on finances provided, placements and government securities 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.

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

6.11 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.

6.12 Taxation

Current

Provision for current taxation is based on applicable current rates of taxation after taking into account tax credits and rebates available, if any, under the provisions of Income Tax Ordinance, 2001.

The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax liability is accounted for in respect of all taxable temporary differences at the balance sheet date arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, provisions and tax credits to that extent it is probable that taxable profit will be available in future against which the deductible temporary differences can be utilized. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax is calculated at the rates that are expected to apply to the period when the asset is to be realized or liability is to be settled.

6.13 Operating segment

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

Business segments

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

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

Financing activities

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

Investment activities

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

6.14 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

6.15 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.

6.16 Dividend distributions and appropriations

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

6.17 Borrowings cost

Finance costs are recognized as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

6.18 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at rates of exchange prevailing at the balance sheet date and in case of forward exchange contracts at the committed rates. Gains or losses on exchange are charged to income.

6.19 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.20 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.21 Contingencies

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

6.22 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

	Note	**2017 Rupees**	2016 Rupees
7. PROPERTY AND EQUIPMENT			
Operating assets	7.1	85,778,162	95,873,568
		85,778,162	95,873,568

7.1 The following is a statement of property and equipment (tangible):

(Rupees)

	Office Premises	**Freehold Improvements**	**Leasehold Improvements**	**Office Furniture & Fixture**	**Computer Equipments**	**Office Equipments**	**Owned Vehicles**	**Total**
At 30 June 2015								
Cost	127,901,129	6,712,240	28,404,408	4,381,752	7,803,962	10,176,208	25,355,587	210,735,286
Accumulated depreciation	(46,910,829)	(6,712,240)	(17,017,134)	(3,305,148)	(7,603,232)	(6,584,392)	(18,908,674)	(107,041,649)
Net book value	80,990,300	-	11,387,274	1,076,604	200,730	3,591,816	6,446,913	103,693,637
Year ended 30 June 2016								
Additions	-	-	-	-	405,136	-	-	405,136
Depreciation charge for the year note 7.2	(4,049,515)	-	(2,277,456)	(107,831)	(141,837)	(359,264)	(1,289,302)	(8,225,205)
Net book value as at 30 June 2016	76,940,785	-	9,109,818	968,773	464,029	3,232,552	5,157,611	95,873,568
Year ended 30 June 2017								
Additions	-	-	-	-	-	-	-	-
DISPOSALS								
Cost	-	-	-	-	-	-	22,111,507	22,111,507
Accumulated depreciation	-	-	-	-	-	-	(18,739,074)	(18,739,074)
Net book value	-	-	-	-	-	-	3,372,433	3,372,433
Depreciation charge for the year note 7.2	(3,855,382)	-	(1,821,972)	(96,648)	(175,501)	(323,064)	(450,406)	(6,722,973)
Net book value as at 30 June 2017	73,085,403	-	7,287,846	872,125	288,528	2,909,488	1,334,772	85,778,162
At 30 June 2016								
Cost	127,901,129	6,712,240	28,404,408	4,381,752	8,209,098	10,176,208	25,355,587	211,140,422
Accumulated depreciation	(50,960,344)	(6,712,240)	(19,294,590)	(3,412,979)	(7,745,069)	(6,943,656)	(20,197,976)	(115,266,854)
Net book value	76,940,785	-	9,109,818	968,773	464,029	3,232,552	5,157,611	95,873,568
Annual rates (%) of depreciation	5.00	20.00	20.00	10.00	33.33	10.00	20.00	
At 30 June 2017								
Cost	127,901,129	6,712,240	28,404,408	4,381,752	8,209,098	10,176,208	3,244,080	189,028,915
Accumulated depreciation	(54,815,726)	(6,712,240)	(21,116,562)	(3,509,627)	(7,920,570)	(7,266,720)	(1,909,308)	(103,250,753)
Net book value	73,085,403	-	7,287,846	872,125	288,528	2,909,488	1,334,772	85,778,162
Annual rates (%) of depreciation	5.00	20.00	20.00	10.00	33.33	10.00	20.00	

	2017 Rupees	2016 Rupees
7.2 Depreciation charge for the year has been allocated as follows:		
Administrative expenses	6,722,973	8,225,205
	6,722,973	8,225,205

7.3 Had there been no revaluation, the related figures of office premises as on 30 June 2017 would be as follows;

Particulars	Cost	Accumulated Depreciation	Rupees Net Book Value
Office premises (2017)	89,692,600	46,163,888	43,528,712
Office premises (2016)	89,692,600	43,872,903	45,819,697

7.4 Disposal of property and equipment

The following operating property and equipment with a net book value exceeding Rs. 50,000 were disposed off during the year:

PARTICULARS	Cost	Accumulated Depreciation	Net Book Value	Sale Proceed	Gain	Mode of Disposal
Rupees 2017	22,111,507	(18,739,074)	3,372,433	3,372,433	-	Negotiation
Rupees 2016	-	-	-	-	-	-

7.5 No impairment relating to operating property and equipment has been recognised in the current year.

	Note	**2017 Rupees**	2016 Rupees
8. INTANGIBLE ASSETS			
Accounting software	8.1	114,192	171,279
		114,192	171,279
8.1 Accounting software			
Net carrying value			
Accounting software		171,279	256,905
Less: Amortization charge		57,087	85,626
Net book value (NBV) as at 30 June		114,192	171,279
Gross carrying value			
Cost		2,600,000	2,600,000
Less: Accumulated amortization		2,485,808	2,428,721
Net book value		114,192	171,279
Amortization rate per annum		33%	33%
9. CARDS AND ROOMS			
Corporate membership of Pakistan Mercantile Exchange Limited		750,000	750,000
Office rooms		32,700,000	32,700,000
		33,450,000	33,450,000
10. LONG TERM INVESTMENT IN SUBSIDIARY			
Escorts Capital Limited - Unlisted			
17,500,400 (2016: 17,500,400) ordinary shares of Rs. 10 each holding 100% - Breakup value Rs. 0.63 (2016: Rs. -0.66) per share		175,004,000	175,004,000

10.1 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 projection 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. 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.

	Note	2017 Rupees	2016 Rupees
11. LONG TERM INVESTMENTS			
Held to maturity			
Pakistan Investment Bonds (PIB's)			
Cost		101,739,700	101,739,700
Less: Amortization - Opening		964,031	901,415
Charged during the year		775,669	62,616
		1,739,700	964,031
		100,000,000	100,775,669
Disposed off during the year		(100,000,000)	-
		-	100,775,669

This represents investment in 20 years bonds issued by the Government of Pakistan having face value NIL (2016: Rs. 100 million). Period to maturity of these investments was 8 years and carry mark-up at the rate (coupon rate) of 10% per annum (2016: 10% per annum). The investment of Rs. 100 million was disposed off during the year.

11.1 Encumbered and un-encumbered - face value

	2017			2016		
	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

	Note	2017 Rupees	2016 Rupees
12. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	12.1	2,188,017	2,480,743
Subsidiary company	12.2	50,000,000	100,000,000
Executives	12.3	875,000	2,402,314
		53,063,017	104,883,057
Others - Secured and considered good	12.4	56,277,441	62,264,596
		109,340,458	167,147,653
Considered doubtful			
Others	12.5	32,738,390	32,738,390
Less: Provision for doubtful finances		(32,738,390)	(32,738,390)
		-	-
		109,340,458	167,147,653
Less: Current maturity	17	37,620,090	46,658,168
		71,720,368	120,489,485

12.1 Associated companies

These represent finance provided against hypothecation of vehicles for a period of 5 years (2016: 5 years), carrying mark-up @ 18% per annum (2016: 18% per annum).

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

	2017 Rupees	2016 Rupees
Escorts Pakistan Limited	2,480,743	4,339,673

12.2 Subsidiary company

These represent finance provided against current and fixed present and future movable and immovable assets of the Company to Escorts Capital Limited, for a period of 5 years and carries mark up at the rate of 16% (2016: 16%) per annum. It was adjusted against the Certificate of deposits issued to Escorts Capital Limited, during the year.

12.3 Executives

This represent finance provided to Executives against lien of assets for a period ranging from 3 years to 5 years and carries mark-up at the rate of 16% to 17% (2016: 16% to 17%) per annum.

	Note	**2017 Rupees**	2016 Rupees
Opening balance		2,402,314	42,617,255
Add: Disbursements/transferred during the year		-	-
		2,402,314	42,617,255
Less: Repayments/transferred during the year		1,527,314	40,214,941
		875,000	2,402,314
Maximum balance outstanding at the end of any month during the year		2,402,314	42,617,255

12.4 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% (2016: 12% to 20%) per annum.

12.5 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% (2016: 14% to 17%) per annum.

	Note	2017 Rupees	2016 Rupees
13. NET INVESTMENT IN LEASE FINANCE			
Lease rental receivables	13.1	578,415	677,283
Add: Residual value		2,165,985	2,240,700
		2,744,400	2,917,983
Less: Unearned finance income		49,628	53,920
		2,694,772	2,864,063
Less: Provision for doubtful leases	13.2	528,787	623,363
		2,165,985	2,240,700
Less: Current maturity	17	2,165,985	2,240,700
		-	-

13.1 Particulars of net investment in lease finance

	2017			2016
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	578,415	-	578,415	677,283
Add: Residual value	2,165,985	-	2,165,985	2,240,700
Gross investment in lease finance	2,744,400	-	2,744,400	2,917,983
Less: Unearned finance income	49,628	-	49,628	53,920
Net investment in lease finance	2,694,772	-	2,694,772	2,864,063

13.1.1 The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility ranges from 11% to 16% (2016: 11% to 16%). Leased assets are insured in favour of the Company. The rate of return ranges from 15% to 17% per annum (2016: 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.

13.1.2 As per the prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 0.578 million (2016: Rs. 0.677 million) at the end of current year.

	Note	**2017 Rupees**	2016 Rupees
13.2 Particulars of provision for lease losses			
Opening balance		623,363	623,363
Charge for the year		-	-
Reversal during the year		(94,576)	-
		(94,576)	-
Closing balance		528,787	623,363

14. LONG TERM LOANS AND ADVANCES

	Note	**2017 Rupees**	2016 Rupees
Loan to staff - Unsecured, considered good			
Executives - Related parties	14.1	1,113,868	1,980,949
Receivable from subsidary	14.2	66,951,552	68,453,289
Other employees		330,187	476,741
		68,395,607	70,910,979
Less: Current maturity	17	559,609	1,396,167
		67,835,998	69,514,812

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

	Note	**2017 Rupees**	2016 Rupees
Opening balance		1,980,949	3,844,129
Add: Disbursements / transferred during the year		435,000	721,156
		2,415,949	4,565,285
Less: Repayments during the year		1,302,081	2,584,336
		1,113,868	1,980,949
The maximum balance outstanding from executives at the end of any month during the year		1,980,949	3,273,117

14.2 This represents the subsidiary company balance receivable which has been reclassified into long term due to agreement with subsidiary company to repay the loan within 2 years. It carries markup at the rate of Nil per annum (2016: 13% per annum).

	Note	2017 Rupees	2016 Rupees
15. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits:			
Escorts Capital Limited (Subsidiary)	15.1	45,000,000	45,000,000
Others		754,950	754,950
		45,754,950	45,754,950
Prepayments		-	153,264
		45,754,950	45,908,214
Less: Current maturity	17	-	153,264
		45,754,950	45,754,950

15.1 This includes Rs. 45 million (2016: Rs. 45 million) paid to Escorts Capital Limited (Subsidiary).

	Note	2017 Rupees	2016 Rupees
16. DEFERRED TAX ASSET			
Deferred taxation comprises of the following:			
Deferred tax liability on taxable temporary differences in respect of the following:			
Property and equipment		(8,581,144)	(9,674,935)
Deferred tax asset on deductible temporary differences in respect of the following:			
Long term investments		-	34,797,058
Finances and receivables		20,234,117	22,257,527
Provision for compensated absences		381,637	444,698
Net investment in lease finance		158,636	205,710
Tax losses		100,684,813	88,521,549
		121,459,203	146,226,542
	16.1	112,878,059	136,551,607
16.1 Movement in deferred tax asset			
Opening balance		136,551,607	136,551,607
Deferred tax charged during the year		(23,673,548)	-
Closing balance		112,878,059	136,551,607

	Note	2017 Rupees	2016 Rupees
17. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Long term finances	12 & 17.1	37,620,090	46,658,168
Net investment in lease finance	13	2,165,985	2,240,700
Long term loans and advances	14	559,609	1,396,167
Long term deposits and prepayments	15	-	153,264
		40,345,684	50,448,299

17.1 These include interest receivable from Escorts Capital Limited (Subsidiary Company) amounting Rs. 32.85 million (2016: Rs. 22.85 million).

	Note	2017 Rupees	2016 Rupees
18. SHORT TERM INVESTMENTS			
Held to Maturity			
Treasury bills	18.1.1	70,386,673	94,331,566
Held for Trading			
Shares / units			
Listed	18.2	-	15,830,632
Others	18.3	10,188,212	9,470,609
Available for sale			
Listed shares / units	18.4	281	281
		80,575,166	119,633,088
Gain on revaluation of shares / units		176	78,664
		80,575,342	119,711,752

18.1 Encumbered and un-encumbered - Face value

	2017			2016		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Treasury bills	73,000,000	-	73,000,000	98,000,000	-	98,000,000

	Note	2017 Rupees	2016 Rupees
18.1.1 Treasury Bills			
Face value		73,000,000	98,000,000
Less: Discount		(2,613,327)	(3,668,434)
		70,386,673	94,331,566

18.2 Particulars of listed shares / units - Held for Trading

No. of Certificates 2017	No. of Certificates 2016	N A M E	2017 Carrying value Rupees	2017 Market value Rupees	2016 Carrying value Rupees	2016 Market value Rupees
		Investment Companies				
-	2,762,000	Kohinoor Spinning Mills Limited	-	-	15,830,632	15,909,120

18.3 Shares - Others

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

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

No. of Certificates 2017	No. of Certificates 2016	N A M E	2017 Carrying value Rupees	2017 Market value Rupees	2016 Carrying value Rupees	2016 Market value Rupees
		Mutual Fund - close End				
49	49	Dawood Capital Management Fund	281	105	281	105
49	49		281	105	281	105

	Note	2017 Rupees	2016 Rupees
19. SHORT TERM FINANCES			
Secured and considered good			
Executives		-	500,000
Others	19.1	16,985,630	24,159,107
		16,985,630	24,659,107
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances		13,767,834	13,767,834
		-	-
		16,985,630	24,659,107

19.1 These are secured by hypothecation charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return ranges from 13% to 20% per annum (2016: 13% to 20% per annum), these include Rs. 5.459 million (2016: Rs. 7.252 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan the rate of return range from 20% to 24% per annum (2016: 20% to 24% per annum).

		Note	2017 Rupees	2016 Rupees
20.	**ADVANCES**			
	Considered good:			
	Advances against salaries / expenses		33,999	3,662,219
20.1	**Movement in advances:**			
	Opening balance		3,662,219	3,926,965
	Net disbursments / (payments) during the year		(465,415)	(264,746)
			3,196,804	3,662,219
	Less: Bad debt written off		3,162,805	-
	Closing balance		33,999	3,662,219
21.	**SHORT TERM DEPOSITS AND PREPAYMENTS**			
	Prepayments		261,408	650,695
22.	**INTEREST ACCRUED**			
	Interest from morabaha financing		827,597	2,963,560
	Interest from short term finance		16,947,779	16,002,482
	Interest from Pakistan Investment Bonds		-	575,342
	Interest from Treasury bills		2,233,436	29,824
			20,008,812	19,571,208
23.	**OTHER RECEIVABLES**			
	Receivable from Subsidiary Company	23.1	1,182,681	-
	Receivable from Associated Company	23.2	25,502,505	26,487,803
	Receivable from clients	23.3	47,395,625	47,579,679
	Others	23.4	6,507,140	11,975,282
			80,587,951	86,042,764

23.1 This represent running account between Escorts Capital Limited (Subsidiary) and the Company, it carries mark up at the rate of Nil (2016: 13%) per annum.

23.2 This includes Rs. 15.80 million (2016: Rs. 16.725 million) receivable from Essem Hotels Limited and Rs. 9.763 million (2016: Rs. 9.763 million) receivable from Escorts Pakistan Limited.

	Note	2017 Rupees	2016 Rupees
23.3 Receivable from clients			
Considered good		47,395,625	47,579,679
Considered doubtful		20,940,831	20,940,831
Less: Provision for doubtful receivables		(20,940,831)	(20,940,831)
		-	-
		47,395,625	47,579,679
23.4 Others			
Opening balance		11,975,282	32,514,700
Net disbursments/(payments) during the year		4,693,236	(20,539,418)
Less: Provision for doubtful receivables		(10,161,378)	-
		6,507,140	11,975,282
24. CASH AND BANK BALANCES			
Cash with banks:			
Current accounts with:			
State Bank of Pakistan		338,950	574,674
Others		15,419	1,065,393
		354,369	1,640,067
Saving accounts	24.1	7,789,136	2,369,984
		8,143,505	4,010,051

24.1 Rate of return on these accounts range from 6.5% to 8.5% (2016: 6% to 11.25%) per annum.

	Note	2017 Rupees	2016 Rupees
25. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
42,000,000 (2016: 42,000,000) ordinary shares of Rs. 10/- each issued as fully paid in cash		420,000,000	420,000,000
2,100,000 (2016: 2,100,000) ordinary shares of Rs. 10/- each issued as fully paid in bonus shares		21,000,000	21,000,000
		441,000,000	441,000,000

25.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2016: 39.01%) ordinary shares in the Company.

	Note	**2017 Rupees**	2016 Rupees
26. RESERVES			
Capital reserves			
Statutory reserve	26.1	158,496,746	158,496,746
Gain on revaluation of investments available for sale investments		176	176
Revenue reserve			
Accumulated loss		(366,079,303)	(247,899,232)
		(207,582,381)	(89,402,310)

26.1 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.

	Note	**2017 Rupees**	2016 Rupees
27. SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT			
Opening balance		31,121,088	32,759,040
Less: Incremental depreciation for the year		(1,556,052)	(1,637,952)
Closing balance	27.1	29,565,036	31,121,088

27.1 The revaluation of building (ground floor) was carried out by an independent valuer ''M/s SJZ Associates" as at 14 June 2017 on the basis of market and depreciated replacement values and was duly certified by statutory auditors. However, the impact of current revaluation is ignored being immaterial. Previously, revaluation of building was carried out as at 29 June 2012.

	Note	**2017 Rupees**	2016 Rupees
28. LONG TERM FINANCES - SUBORDINATED LOAN			
Subordinated loans	28.1	154,470,420	-
- **Particulars of loans**	28.1		
From sponsors:			
Shazia Bashir		16,913,371	-
Maryam Bashir		50,000,000	-
		66,913,371	-
Associated undertakings			
Essem Hotel		28,262,046	-
Escorts Foundation		6,095,003	-
Others			
Darakhshan Bashir		53,200,000	-
	28.1	154,470,420	-

28.2 These subordinated loans are from the sponsors and associated undertaking of the Company repayable on demand subject to the prior approval of SECP. These loans carries mark-up at the rate of 10% per annum. These loans are provided by converting Certificates of Deposits (COD) held by sponsors and associated undertaking of the Company.

	Note	2017 Rupees	2016 Rupees
29. LONG TERM CERTIFICATES OF DEPOSIT			
Related parties - Unsecured			
Associated Company	29.1	-	34,357,049
Executives	29.2	-	70,000,000
Others	29.3	-	53,200,000
		-	157,557,049
Others - Unsecured			
Individuals	29.4	239,539,150	336,159,590
Others	29.5	25,250,000	25,250,000
		264,789,150	361,409,590
		264,789,150	518,966,639
Less: Current maturity	31	201,077,916	238,430,822
		63,711,234	280,535,817

29.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates was 10% to 12.5% (2016: 10% to 12.5%) per annum payable monthly. These were converted into sub-ordinated loan during the year.

29.2 These have been issued for a term of 5 years and expected return on these certificates ranges from 13% to 13.5% (2016: 13% to 13.5%) per annum payable on monthly basis. These were converted into sub-ordinated loan during the year.

29.3 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 11.5% to 14% (2016: 11.5% to 14%) per annum payable on monthly basis. These were converted into sub-ordinated loan during the year.

29.4 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 11% to 15% (2016: 11% to 15%) per annum payable on monthly, quarterly, semi-annually or on maturity basis.

29.5 These have been issued for a term of 3 years and expected return on these certificates is 12% (2016: 12%) per annum payable on monthly basis..

	Note	2017 Rupees	2016 Rupees
29.6 Long term certificates of deposit include:			
Corporates		25,250,000	59,607,049
Individuals		239,539,150	459,359,590
		264,789,150	518,966,639

	Note	2017 Rupees	2016 Rupees
30. LONG TERM SECURITY DEPOSITS			
Security deposit	30.1	2,165,985	2,240,700
Less: Current maturity	31	2,165,985	2,240,700
		-	-

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

	Note	2017 Rupees	2016 Rupees
31. CURRENT MATURITIES OF NON-CURRENT LIABILITIES			
Long term certificates of deposit	29	201,077,916	238,430,822
Long term security deposits	30	2,165,985	2,240,700
		203,243,901	240,671,522
32. SHORT TERM BORROWINGS			
Short term Repo Borrowing	32.1	-	100,000,000

32.1 This represent short term repo borrowing obtained against Pakistan Investment Bonds (PIBs) from First Credit Investment Bank Limited carrying mark-up rate of 8.5% (2016: 8.5%) per annum. The loan was settled in full during the year.

	Note	2017 Rupees	2016 Rupees
33. SHORT TERM CERTIFICATES OF DEPOSIT			
Related parties - Unsecured			
Subsidiary company	33.1	-	50,000,000
Executives	33.2	-	3,305,702
		-	53,305,702
Others - Unsecured			
Individuals	33.3	182,937,197	126,085,522
	33.4	182,937,197	179,391,224

33.1 These have been issued for a term of 6 months and expected rate of return on these certificates is 12% (2016: 12%) per annum payable on maturity. These certificate of deposits were adjusted against the long term loan receivable from Escorts Capital Limited. These have been matured during the year.

33.2 These have been issued for a term of 1 year and expected rate of return on these certificates is 11.5% (2016: 11.5%) per anum payable monthly. These have been matured during the year.

33.3 These have been issued for terms ranging from 3 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 14.5% (2016: 6.5% to 14.5%) per annum payable monthly, quarterly, semi-annually or on maturity..

	Note	**2017 Rupees**	2016 Rupees
33.4 Short term certificate of deposit			
Corporates		-	50,000,000
Individuals		182,937,197	129,391,224
		182,937,197	179,391,224
34. ACCRUED MARKUP			
Accrued markup on certificates of deposit	34.1	44,386,366	9,021,810
Accrued markup on secured borrowings		202,421	3,881,873
		44,588,787	12,903,683

34.1 This includes an amount of Rs. Nil (2016: Rs. 0.378 million) payable to Escorts Capital Limited (wholly owned Subsidiary).

	Note	**2017 Rupees**	2016 Rupees
35. TRADE AND OTHER PAYABLES			
Customers' credit balances		16,014,100	17,137,715
Accrued expenses and other payables		52,279,594	33,581,530
Provision for compensated absences		1,272,124	1,347,570
Unclaimed dividend		2,385,654	2,385,654
		71,951,472	54,452,469
36. PROVISION FOR TAXATION			
Opening balance		11,956,583	13,725,430
Add: Taxation - current		1,729,077	1,175,089
		13,685,660	14,900,519
Less: Tax payments / adjustments during the year		754,076	2,943,936
		12,931,584	11,956,583

37. CONTINGENCIES AND COMMITMENTS

37.1 Contingencies

a) The Company's assessments till Assessment Year 2002-03, has been finalized except that the Income Tax department is in appeal before the Honourable 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.

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

c) The Company has filed appeals before Honourable Lahore High Court for Tax Year 2003 to 2006 on various matters. These appeals are pending for hearing. The case is pending for adjudication and the Company expects a favourable outcome in this regard.

d) In respect of tax year 2009, the assessing officer has issued an assessment order under section 122(5A) to amend the deemed assessment for the said tax year as per the income tax return filed by the company. The company has filed an appeal before CIR(A) in this respect which is pending fixation. The case is pending for adjudication and the Company expects a favourable outcome in this regard.

e) For tax year 2009, tax department finalized an order U/S 161/205 of the Income Tax Ordinance, 2001. The Company filed an appeal against the said order in CIR(A) who has directed the assessing officer to look into the matter again. The case is pending for adjudication and the Company expects a favourable outcome in this regard.

	Note	**2017 Rupees**	2016 Rupees
37.2 Commitments			
Outstanding guarantees		6,300,000	71,823,484
38. PROFIT ON FINANCING			
Long term		12,114,405	24,044,465
Short term		1,582,856	50,146,180
		13,697,261	74,190,645

	Note	2017 Rupees	2016 Rupees
39. RETURN ON INVESTMENTS			
Mark-up / return on investments			
Held to maturity investments			
Government securities		9,290,444	15,286,764
Dividend income			
Available for sale investments			
Listed shares/units		-	233,374
Capital gain / (loss) on investments			
Available for sale investments		10,351,763	(5,933,325)
Held for trading		(668,800)	(22,185,098)
		9,682,963	(28,118,423)
		18,973,407	(12,598,285)
40. FEES AND COMMISSION		176,494	921,351
41. OTHER INCOME		2,248,729	10,330,351

41.1 These include Compensation on delayed refunds for the year amounting to Rs. Nil (2016: Rs. 8.117 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	2017 Rupees	2016 Rupees
42. ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	42.1	21,427,134	29,223,109
Staff training and welfare		104,896	209,663
Advertisement and business promotion		97,250	237,900
Rent, rates and taxes		3,004,817	5,364,179
Utilities		1,973,887	1,709,601
Communication charges		1,357,811	1,728,888
Traveling and vehicle maintenance		1,671,360	4,229,281
Repair and maintenance		1,467,473	3,416,490
Entertainment		794,051	847,946
Fee and subscriptions		2,861,443	1,304,998
Legal and professional charges		4,347,426	1,598,798
Auditors' remuneration	42.2	1,133,000	1,133,000
Printing and stationery		644,925	943,033
Fee, brokerage and commission		38,825	90,170
Insurance		294,862	725,921
Provision for doubtful debts		10,161,378	-
Bad debt writtten off		3,162,805	-
Donations	42.3	180,000	-
Depreciation	7.2	6,722,973	8,225,205
Amortization of intangible assets	8.1	57,087	85,626
Miscellaneous expenses		10,834	51,880
		61,514,237	61,125,688

42.1 This includes contribution to provident fund amounting to Rs. 0.670 million (2016: Rs. 0.854 million) made by the Company.

	Note	2017 Rupees	2016 Rupees
42.2 Auditors' remuneration			
Statutory audit fee		1,027,500	1,027,500
Certification and consultancy charges		90,000	90,000
Out of pocket expenses		15,500	15,500
		1,133,000	1,133,000

42.3 This donation is made to Escorts Foundation (Associated undertaking).

	Note	2017 Rupees	2016 Rupees
43. TAXATION-NET			
Taxation			
-Current year	43.1	1,711,260	736,259
-Prior years		17,817	438,830
		1,729,077	1,175,089
Deferred taxation			
-For current year		23,673,548	-
		25,402,625	1,175,089

43.1 - Income tax return has been filed to the income tax authorities up to and including tax year 2016 under the provisions of the Income Tax Ordinance, 2001.

- Provision for taxation has been made in accordance with section 113 of the Income Tax Ordinance, 2001 ("The Ordinance"). There is no relation between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

			2017	2016
44.	**LOSS PER SHARE - BASIC AND DILUTED**			
	Net loss for the year after taxation	Rupees	(119,736,123)	(112,614,500)
	Weighted average number of ordinary shares	Number	44,100,000	44,100,000
	Loss per share - basic and diluted	Rupees	(2.72)	(2.55)

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

45. SEGMENTAL ANALYSIS

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

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

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 2017		
	Financing activities	**Investing activities**	**Total**
Profit on financing	13,708,113	-	13,708,113
Return on investments	-	18,973,407	18,973,407
Total income for reportable segments	13,708,113	18,973,407	32,681,520
Finance cost	28,722,951	39,755,453	68,478,404
Administrative and other operating expenses	25,801,863	35,712,374	61,514,237
Segment result	(40,816,701)	(56,494,420)	(97,311,121)
Other operating income			2,977,623
Loss before taxation			(94,333,498)
Segment assets	197,715,277	308,210,557	505,925,834
Unallocated assets			490,891,416
			996,817,250

	For the year ended 30 June 2017		
	Financing activities	Investing activities	Total
Segment liabilities	164,692,658	256,732,897	421,425,555
Unallocated liabilities			341,974,076
Equity			233,417,619
			996,817,250

	For the year ended 30 June 2016		
	Financing activities	Investing activities	Total
Profit on financing	74,190,645	-	74,190,645
Return on investments	-	(12,598,285)	(12,598,285)
Total income for reportable segments	74,190,645	(12,598,285)	61,592,360
Finance cost	98,588,623	25,350,975	123,939,598
Administrative and other operating expenses	48,622,857	12,502,831	61,125,688
Segment result	(73,020,835)	(50,452,091)	(123,472,926)
Other operating income			12,033,515
Loss before taxation			(111,439,411)
Segment assets	199,468,710	445,549,069	645,017,779
Unallocated assets			617,612,297
			1,262,630,076
Segment liabilities	110,212,948	243,625,442	353,838,390
Unallocated liabilities			557,193,996
Equity			351,597,690
			1,262,630,076

46. TRANSACTIONS WITH RELATED PARTIES

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

	2017 **Rupees**	2016 Rupees
Subsidiary Company:		
Transactions during the year		
Profit paid on certificates of deposit	1,413,699	5,753,424
Profit earned during the year	10,000,000	16,000,000
Fee / Commission earned during the year	-	26,771,092
Return on assets	-	4,251,000
Return on receivables	-	7,186,482
Balance at year end		
Finances outstanding	50,000,000	100,000,000
Certificates of deposit outstanding	-	50,000,000
Receivable / (payable) to subsidiary company	112,705,900	113,024,956
Profit receivable	32,853,521	22,853,521
Mark-up payable on COD	-	378,082
Associated companies:		
Transactions during the year		
Return on finances received	-	604,659
Profit paid on certificates of deposit	1,504,046	3,357,879
Donations	180,000	-
Balance at year end		
Long term financing - Subordinates loans	34,357,049	-
Advances outstanding	12,188,017	12,480,743
Letter of guarantee outstanding	-	8,336,373
Certificates of deposit outstanding	-	34,357,049
Other receivable / (payable)	25,408,723	26,017,604
Mark-up payable on COD	-	221,924
Directors:		
Transactions during the year		
Return on finances received	436,822	2,516,951
Profit paid on certificates of deposit	328,219	7,433,254
Balance at year end		
Long term financing - Subordinates loans	16,913,371	-
Advances outstanding	-	635,154
Certificates of deposit outstanding	-	23,305,702
Mark-up payable on COD	-	101,608
Executives:		
Transactions during the year		
Return on finances received	73,506	505,717
Profit paid on certificates of deposit	979,999	6,651,454
Balance at year end		
Long term financing - Subordinates loans	50,000,000	-
Advances outstanding	1,457,667	2,066,165
Certificates of deposit outstanding	-	51,500,000
Mark-up payable on COD	-	300,548
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	670,497	853,985
Balance at year end		
Long term financing - Subordinates loans	53,200,000	-

47. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive / Director		Executives	
	2017	2016	**2017**	2016
	Rupees	Rupees	**Rupees**	Rupees
Managerial remuneration	3,586,752	3,586,752	5,928,212	7,332,329
House rent allowance	1,434,696	1,434,696	2,371,277	2,932,916
Utilities	358,680	358,680	592,794	733,218
Bonus/commission	-	-	-	1,503,430
Special allowance	-	-	80,000	390,000
Leave encashment	-	-	-	-
Retirement benefits	-	-	-	485,420
	5,380,128	5,380,128	8,972,283	13,377,313
Number of persons	1	1	5	8

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

48. MATURITIES OF ASSETS AND LIABILITIES

Description	Within one year	More than one year and upto five years	Above five years	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2017				
ASSETS				
Property and equipments	-	8,911,146	76,867,016	85,778,162
Intangible assets	-	114,192	-	114,192
Cards and rooms	-	-	33,450,000	33,450,000
Investment in subsidiary company	-	-	175,004,000	175,004,000
Deferred tax asset	-	112,878,059	-	112,878,059
Net investment in lease finance	2,165,985	-	-	2,165,985
Investments	80,575,342	-	-	80,575,342
Finances	54,605,720	71,720,368	-	126,326,088
Advances	593,608	67,835,998	-	68,429,606
Deposits and prepayments	261,408	-	45,754,950	46,016,358
Interest accrued	20,008,812	-	-	20,008,812
Other receivables	80,587,951	-	-	80,587,951
Tax refunds due from the government	157,339,190	-	-	157,339,190
Cash and bank balances	8,143,505	-	-	8,143,505
	404,281,521	261,459,763	331,075,966	996,817,250
LIABILITIES				
Subordinated loans	-	-	154,470,420	154,470,420
Certificates of deposit	384,015,113	63,711,234	-	447,726,347
Long term security deposits	2,165,985	-	-	2,165,985
Short term borrowings	-	-	-	-
Accrued markup	44,588,787	-	-	44,588,787
Trade and other payables	71,951,472	-	-	71,951,472
Provision for taxation	12,931,584	-	-	12,931,584
	515,652,941	63,711,234	154,470,420	733,834,595
Net assets	(111,371,420)	197,748,529	176,605,546	262,982,655
Represented by:				
Share capital and reserves				233,417,619
Surplus on revaluation of property and equipments				29,565,036
				262,982,655

Description	Within one year	More than one year and upto five years	Above five years	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2016				
ASSETS				
Property and equipments	-	14,731,458	81,142,110	95,873,568
Intangible assets	-	171,279	-	171,279
Cards and rooms	-	-	33,450,000	33,450,000
Investment in subsidiary company	-	-	175,004,000	175,004,000
Deferred tax asset	-	136,551,607	-	136,551,607
Net investment in lease finance	2,240,700	-	-	2,240,700
Investments	119,711,752	-	100,775,669	220,487,421
Finances	71,317,275	94,142,541	26,346,944	191,806,760
Advances	5,058,386	1,061,523	-	6,119,909
Deposits and prepayments	803,959	-	45,754,950	46,558,909
Interest accrued	19,571,208	-	-	19,571,208
Other receivables	154,496,053	-	-	154,496,053
Tax refunds due from the government	176,288,611	-	-	176,288,611
Cash and bank balances	4,010,051	-	-	4,010,051
	553,497,995	246,658,408	462,473,673	1,262,630,076
LIABILITIES				
Subordinated loans	-	-	-	
Certificates of deposit	417,822,046	280,535,817	-	698,357,863
Long term security deposit	2,240,700	-	-	2,240,700
Short term borrowings	100,000,000	-	-	100,000,000
Accrued markup	12,903,683	-	-	12,903,683
Trade and other payables	54,452,469	-	-	54,452,469
Provision for taxation	11,956,583	-	-	11,956,583
	599,375,481	280,535,817	-	879,911,298
Net assets	(45,877,486)	(33,877,409)	462,473,673	382,718,778

Represented by:

Share capital and reserves	351,597,690
Surplus on revaluation of property and equipment	31,121,088
	382,718,778

49. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

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

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

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

49.1 SEGMENT INFORMATION

Class of business	Morabaha financing		Certificates of deposits		Letter of guarantee	
	2017 Percentage	2016 Percentage	**2017 Percentage**	2016 Percentage	**2017 Percentage**	2016 Percentage
Agribusiness	13.01	5.78	-	-	-	-
Textile	14.48	6.43	-	-	-	-
Financial institutions	-	-	-	-	-	-
Electronics and electrical appliances	2.07	1.04	-	-	100.00	100.00
Individuals	8.38	38.02	84.31	84.31	-	-
Engineering and construction	14.80	6.57	-	-	-	-
Hospitality	-	-	4.05	4.05	-	-
Non-Government organizations	-	-	4.48	4.49	-	-
Others	47.26	42.16	7.16	7.16	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

49.2 Geographical Segment

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

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

	2017 Rupees	2016 Rupees
Aging of term loan and lease rental receivables		
Not past due	110,783,951	146,022,997
Past due 0 - 90 days	4,027,191	6,053,846
Past due 91- 180 days	6,361,864	4,633,236
180 days to 1 year	5,207,756	8,389,992
More than 1 year	47,029,965	73,890,196
	173,410,727	238,990,267

Collaterals held against term financing.

	2017				
	Gross exposure	Collaterals			Net exposure
		Mortgage	Hypothe-cation	Liquid collaterals	
	------------ Rupees ------------				
Long term finances	76,602,068	6,335,000	267,565,218	3,950,660	(201,248,810)
Short term finances	30,753,464	-	85,000,000	5,788,871	(60,035,407)

	2016				
	Gross exposure	Collaterals: Mortgage	Collaterals: Hypothe-cation	Collaterals: Liquid collaterals	Net exposure
	---------- Rupees ----------				
Long term finances	134,409,263	6,335,000	296,286,465	61,758,892	(229,971,094)
Short term finances	38,426,941	-	85,000,000	11,042,665	(57,615,724)

50. LIQUIDITY RISK

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

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

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

	Carrying amount	Contractual cash flows	Less than 1 years	Between 1 and 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees
30 June 2017					
Customer's security deposit	2,165,985	2,165,985	2,165,985	-	-
Short term borrowings	-	-	-	-	-
Accrued mark-up	44,588,787	44,588,787	44,588,787	-	-
Trade and other payables	69,565,818	69,565,818	69,565,818	-	-
	116,320,590	116,320,590	116,320,590	-	-
30 June 2016					
Customer's security deposit	2,240,700	2,240,700	2,240,700	-	-
Short term borrowings	100,000,000	108,500,000	108,500,000	-	-
Accrued mark-up	12,903,683	12,903,683	12,903,683	-	-
Trade and other payables	52,066,815	52,066,815	52,066,815	-	-
	167,211,198	175,711,198	175,711,198	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2017. The rates of mark up have been disclosed in respective notes to the financial statements.

51. MARKET RISK

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

51.1 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	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2017					
FINANCIAL ASSETS					
Investments	80,575,342	-	-	-	80,575,342
Net investment in lease finance	2,165,985	-	-	-	2,165,985
Finances	54,605,720	71,720,368	-	-	126,326,088
Advances	-	-	-	68,429,606	68,429,606
Deposits and prepayments	261,408	-	-	46,016,358	46,277,766
Bank balances	7,789,136	-	-	354,369	8,143,505
	145,397,591	71,720,368	-	114,800,333	331,918,292
FINANCIAL LIABILITIES					
Certificate of deposit	384,015,113	63,711,234	-	-	447,726,347
Short term borrowings	-	-	-	-	-
Trade and other payables	-	-	-	71,951,472	71,951,472
	384,015,113	63,711,234	-	71,951,472	519,677,819
Intrest rate senstivity gap	(238,617,522)	8,009,134	-	-	-
Cumulative intrest rate sensitivity gap	(238,617,522)	(230,608,388)	(230,608,388)	-	-

Description	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2016					
FINANCIAL ASSETS					
Investments	119,711,752	-	100,775,669	-	220,487,421
Net investment in lease finance	2,240,700	-	-		2,240,700
Finances	71,317,275	94,142,541	26,346,944	-	191,806,760
Advances	-	-	-	6,119,909	6,119,909
Deposits and prepayments	803,959	-	-	46,558,909	47,362,868
Bank balances	2,369,984	-	-	1,640,067	4,010,051
	196,443,670	94,142,541	127,122,613	54,318,885	472,027,709
FINANCIAL LIABILITIES					
Certificate of deposit	417,822,046	280,535,817	-	-	698,357,863
Short term borrowings	100,000,000				100,000,000
Trade and other payables	-	-	-	54,452,469	54,452,469
	517,822,046	280,535,817	-	54,452,469	852,810,332
Intrest rate senstivity gap	(321,378,376)	(186,393,276)	127,122,613	-	-
Cumulative intrest rate sensitivity gap	(321,378,376)	(507,771,652)	(380,649,039)	-	-

51.2 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 PSX all Index	Effects on Profit/(loss) Before Tax	Effects on Equity
			(Rupees)	
Available for sale investments	2017	+10%	-	11
		-10%	-	(11)
	2016	+10%	-	11
		-10%	-	(11)
Held for trading investments	2017	+10%	-	-
		-10%	-	-
	2016	+10%	1,590,912	-
		-10%	(1,590,912)	-

51.3 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.

52. 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.

SECP vide SRO No. 1160/(1)/2015 dated 25 November 2015 has made certain amendments in NBFCs & Notified Entities Regulations, 2008. The existing minimum equity requirement is Rs. 750 million.

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 2017 and at 30 June 2016 were as follows:

	Note	**2017 Rupees**	2016 Rupees
Debt		604,362,752	800,598,563
Cash and bank balances		8,143,505	4,010,051
Net debt		296,219,247	796,588,512
Total equity		233,417,619	351,597,690
Total capital employed		829,636,866	1,148,186,202
Gearing ratio (%)		71.87%	69.38%

53. PROVIDENT FUND

The following information is based on the latest audited financial statement of the trust:

	Note	2017	2016
Size of the fund - Total assets		5,000,000	8,945,477
Cost of investments made	53.1	4,927,825	8,754,210
Percentage of investments made		98.56%	97.86%
Fair value of investments		4,927,825	8,754,210

53.1 The break-up of fair value of investments is:

	2017		**2016**	
	Rupees	**Percentage**	**Rupees**	**Percentage**
Government securities	4,927,825	100.00%	8,754,210	100.00%
	4,927,825	100.00%	8,754,210	100.00%

54. FAIR VALUES OF FINANCIAL INSTRUMENTS

- Fair value is the price that would be received so sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirements to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

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

54.1 Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

As at 30 June 2017	Level 1	Level 2	Level 3	Total
Financial asset				
Short term investments	457	-	-	457
Total non-financial assets	457	-	-	1457

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Financial asset				
Short term investments	15,909,577	-	-	15,909,577
Total non-financial assets	15,909,577	-	-	15,909,577

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There was no transfer in and out of level 1 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

54.2 Recognized fair value measurements - non-financial assets

Fair value hierarchy

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

As at 30 June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Property and equipment:				
- Office premises	-	73,085,403	-	73,085,403
Total non-financial assets	-	73,085,403	-	73,085,403

As at 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Property and equipment:				
- Office premises	-	76,940,785	-	76,940,785
Total non-financial assets	-	76,940,785	-	76,940,785

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for the items of property and equipment carried at revalued amounts every five years. The management updates the assessment of the fair value of each item of property and equipment carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of items of property and equipment carried at revalued amounts within a range of reasonable fair value estimates. The best evidence of fair value of freehold office premises is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same freehold office premises.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's items of property and equipment carried at revalued amounts at the end of every five years.

Changes in fair values are analysed between the chief financial officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

55. 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" (2016: Nil).

56. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2017, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

57. NUMBER OF EMPLOYEES

The total number of employees as at 30 June 2017 were 20 (2016: 22) and the average number of employees during the year were 22 (2016: 28).

58. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 October 2017 by the Board of Directors of the Company.

59. GENERAL

- Figures have been rounded off to the nearest rupee, unless otherwise stated.

- Corresponding figures have been rearranged/reclassified, wherever necessary, to facilitate comparison.

Chief Executive Officer	Chief Financial Officer	Director

Consolidated Financial Statements

30 June 2017

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising of consolidated balance sheet of Escorts Investment Bank Limited ("the Holding Company") and its Subsidiary Company, Escorts Capital Limited (together referred to as Group) as at 30 June 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate qualified opinions on the financial statements of the Escorts Investment Bank Limited and its Subsidiary Company.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these 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. We believe that our audit provides a reasonable basis for our qualified opinion and, after due verification, we report that:-

a) as stated in note No. 15 to the financial statements, deferred tax asset amounting to Rs. 112.88 million (2016: Rs. 136.55 million) has been recognized by the management. However, due to liquidity problems more fully explained in note 2.04 to the financial statements, the future profitability of the Group is uncertain and it is no longer probable that sufficient taxable profits will be available to allow deferred tax asset to be utilized. Further, deferred tax liability on revaluation surplus on property and equipments amounting to Rs. 8.87 million (2016: Rs. 9.65 million) has not been recognized by management. Therefore, whole amount (with effect of said deferred tax liability not recognized) of Rs. 104.01 million (2016: Rs. 126.90 million) should have been written off in accordance with the provisions of IAS 12 "Income taxes". Had a reversal against this balance been provided in these financial statements, non-current assets would have been lower by Rs. 104.01 million (2016: Rs. 126.90 million) and non-current liabilities would have been lower by Rs. 8.87 million (2016: Rs. 9.65 million) with a corresponding increase of Rs. 104.01 million (2016: Rs. 126.90 million) in loss after taxation and accumulated losses. The financial statements, however, do not disclose this fact and any adjustment to that effect; and

b) as mentioned in note No. 9 to the financial statements, management of the Company has not stated the TRE Certificate of Pakistan Stock Exchange Limited and office rooms at lower of its carrying value and recoverable amount and related impairment loss has not been recognized. Had the management recognized the said impairment loss then loss before taxation would have been increased by Rs. 81.03 million with a corresponding decrease in non-current assets and equity by Rs. 81.03 million. The financial statements, however, do not disclose this fact and any adjustment to that effect;

In our opinion, except for the effects of the matters as discussed in paragraph '(a)' and '(b)' above, the consolidated financial statements present fairly the financial position of Escorts Investment Bank Limited ("the Holding Company") and its Subsidiary Company as at 30 June 2017 and the results of their operations for the year then ended.

Emphasis of Matter
Notwithstanding the matters as discussed in paragraph (a) and (b) above, we draw attention to the following matters:

- during the year ended 30 June 2017, the Group has incurred loss before tax of Rs. 96.90 million (2016: Rs. 123.21 million) and its current liabilities exceed its current assets by Rs. 69.52 million (2016: Rs. 72.51 million), and its accumulated losses stood at Rs. 657.47 million (2016: Rs. 536.74 million). Further, equity of the stand-alone financial statements of Escort Investment Bank Limited is falling short by Rs. 362.11 million (2016: Rs. 398.40 million) to meet prescribed minimum equity as required under the Non-Banking Finance Companies and Notified Entities Regulation, 2008 for the Companies undertaking business of deposit taking investment finance services. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and it may be unable to realize its assets and discharge its liabilities in the normal course of business. Financial Statements have however been prepared on going concern basis for the reasons more fully explained in note 2.04 to the financial statements. Our opinion is not modified in respect of this matter; and
- as described in note No. 2.03 to the financial statements, on 28 August 2017 (subsequent to balance sheet date), in an extra ordinary general meeting of members of Escorts Investment Bank Limited ('the Holding Company'), it was resolved to sell 100% shareholding of the Subsidiary Company to Bahria Town (Private) Limited ("BTPL") for an amount of Rs. 175 million. Legal formalities for the transfer of management control and shareholding is in process. Our opinion is not modified in respect of this matter.

Lahore
Date: October 31, 2017
(Engagement Partner: Shahid Mehmood)

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

Consolidated Balance Sheet
as at 30 June 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non-current Assets			
Property and equipments	7	88,063,878	98,564,132
Intangible assets	8	258,327	387,467
Cards and rooms	9	6,881,170	36,441,420
Long term investments	10	49,603,583	149,289,249
Long term finances	11	21,720,368	20,489,485
Net investment in lease finance	12	-	-
Long term loans and advances	13	884,446	1,061,523
Long term deposits and prepayments	14	4,133,609	4,133,609
Deferred tax asset	15	112,878,059	136,551,607
		284,423,440	446,918,492
Current Assets			
Current maturities of non-current assets	16	7,492,163	27,594,778
Trade debtors	17	10,974,234	9,184,671
Short term investments	18	80,575,342	119,711,752
Short term finances	19	16,985,631	24,659,107
Advances	20	33,999	5,043,259
Short term deposits and prepayments	21	2,401,408	7,786,695
Interest accrued	22	20,008,812	19,571,208
Other receivables	23	83,893,546	87,544,603
Tax refunds due from the government		167,502,739	186,226,341
Cash and bank balances	24	71,421,858	8,232,696
		461,289,732	495,555,110
		745,713,172	942,473,602
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
50,000,000 (2016: 50,000,000) ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital	25	441,000,000	441,000,000
Reserves	26	(473,856,762)	(378,246,524)
		(32,856,762)	62,753,476
Surplus on revaluation of property and equipments	27	29,565,036	31,121,088
Non-Current Liabilities			
Long term finances - subordinated loans	28	154,470,420	-
Long term certificates of deposits	29	63,711,234	280,535,817
Long term security deposits	30	-	-
		218,181,654	280,535,817
Current Liabilities			
Current maturities of non-current liabilities	31	203,243,901	240,671,522
Short term borrowings	32	-	100,000,000
Short term certificates of deposit	33	182,937,197	129,391,226
Accrued mark-up	34	44,588,787	12,525,601
Trade and other payables	35	83,741,013	70,137,527
Provision for taxation	36	16,312,346	15,337,345
		530,823,244	568,063,221
Contingencies and commitments	37	-	-
		745,713,172	942,473,602

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer | Chief Financial Officer | Director

Consolidated Profit and Loss Account

for the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
INCOME			
Profit on financing	38	3,697,261	49,148,249
Return / (loss) on investments	39	62,358,334	(10,570,448)
Income from fee and commission	40	372,580	48,343,331
Mark-up on lease finance		10,852	-
Profit on bank deposits		835,502	2,441,730
Other income	41	2,809,582	10,806,618
		70,084,111	100,169,480
EXPENSES			
Mark-up on certificates of deposits		62,484,463	112,507,075
Mark-up on short term borrowings from financial institutions		4,152,348	5,673,757
Amortization of premium on held to maturity investments		775,668	62,616
Administrative and other operating expenses	42	99,619,310	105,026,725
Finance cost		44,866	112,653
		167,076,655	223,382,826
Operating loss before provisions and taxation		(96,992,544)	(123,213,346)
Reversal of provision of doubtful finances		94,576	-
Loss before taxation		(96,897,968)	(123,213,346)
Taxation	43	25,402,625	4,555,851
Net loss for the year		(122,300,593)	(127,769,197)
Loss per share basic and diluted	44	(2.77)	(2.90)

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer　　Chief Financial Officer　　Director

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2017

	Note	**2017 Rupees**	2016 Rupees
Net loss for the year		(122,300,593)	(127,769,197)
Other comprehensive income:			
Items that will not be subsequently reclassified to profit and loss		-	-
Items that may be subsequently reclassified to profit and loss			
- Net fair value gain on available for sale financial assets		-	-
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment		-	5,933,325
- Unrealized gain on remeasurement of available for sale investments		25,134,303	-
		25,134,303	5,933,325
Total comprehensive loss for the year		(97,166,290)	(121,835,872)

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Cash Flow Statement

for the year ended 30 June 2017

	2017 Rupees	2016 Rupees
Cash flow from operating activities		
Loss before taxation	(96,897,968)	(123,213,346)
Adjustment for non cash expenses and other items:		
Dividend Income	(105,194)	(2,261,211)
Depreciation on property and equipments	7,127,821	8,739,699
Amortization on intangible assets	129,140	193,707
Amortization of premium on held to maturity investments	775,669	62,616
Impairment of cards and rooms	29,560,250	-
Fair value gain on held for trading investments	-	(78,488)
	37,487,686	6,656,323
	(59,410,282)	(116,557,023)
Decrease / (increase) in operating assets		
Disbursements of finances - net	25,480,671	351,991,374
Investments - net	63,180,710	57,986,100
Long term and short term advances	6,022,895	2,058,173
Interest accrued	(437,604)	4,741,566
Other receivables	1,861,494	55,285,627
Deposits and prepayments	5,538,551	71,471,843
	101,646,717	543,534,683
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	(100,000,000)	100,000,000
Certificates of deposit	(200,631,518)	(380,181,048)
Accrued mark-up	32,063,186	3,381,750
Trade and other payables	13,603,486	(200,749,824)
	(254,964,846)	(477,549,122)
Net changes in operating assets and liabilities	(153,318,129)	65,985,561
Cash used in operations	(212,728,411)	(50,571,462)
Taxation-net	17,969,526	27,699,228
Net cash used in operating activities	(194,758,885)	(22,872,234)

	2017 Rupees	2016 Rupees
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	-	(515,736)
Dividend received	105,194	2,261,211
Proceeds from sale of investment	100,000,000	-
Proceeds from sale of property and equipments	3,372,433	-
Net cash generated from investing activities	103,477,627	1,745,475
CASH FLOW FROM FINANCING ACTIVITIES		
Subordinated loan received	154,470,420	-
Net cash generated from financing activities	154,470,420	-
Net increase/(decrease) in cash and cash equivalents	63,189,162	(21,126,759)
Cash and cash equivalents at the beginning of the year	8,232,696	29,359,455
Cash and cash equivalents at the end of the year	71,421,858	8,232,696

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Ordinary Shares fully paid in cash	Ordinary Shares fully paid Bonus Shares	Capital Reserves		Revenue Reserve	Total
			Statutory reserve	(Deficit) / gain on revaluation of investments	Accumulated loss	
	--- Rupees ---					
Balance as at 30 June 2015	420,000,000	21,000,000	158,496,746	(5,933,149)	(410,612,201)	182,951,396
Total Comprehensive Income for the year						
Net loss for the year	-	-	-	-	(127,769,197)	(127,769,197)
Other comprehensive income :						
Items not to be reclassified subsequently to profit and loss account						
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment	-	-	-	5,933,325	-	5,933,325
- Unrealized gain on remeasurement of available for sale investments	-	-	-	-	-	-
	-		-		-	
Total Comprehensive Income	-	-	-	5,933,325	(127,769,197)	(121,835,872)
Transfer from surplus on revaluation of property and equipments on account of - Incremental depreciation on revalued assets for the year	-	-	-	-	1,637,952	1,637,952
Balance as at 30 June 2016	420,000,000	21,000,000	158,496,746	176	(536,743,446)	62,753,476
Total Comprehensive Income for the year						
Net loss for the year	-	-	-	-	(122,300,593)	(122,300,593)
Other comprehensive income :						
Items not to be reclassified subsequently to profit and loss account						
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment	-	-	-	-	-	-
- Unrealized gain on remeasurement of available for sale investments	-	-	-	25,134,303	-	25,134,303
Total Comprehensive Income	-	-	-	25,134,303	(122,300,593)	(97,166,290)
Transfer from surplus on revaluation of property and equipments on account of - Incremental depreciation on revalued assets for the year	-	-	-	-	1,556,052	1,556,052
Balance as at 30 June 2017	420,000,000	21,000,000	158,496,746	25,134,479	(657,487,987)	(32,856,762)

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer	Chief Financial Officer	Director

Notes to the Consolidated Financial Statements
for the year ended June 30, 2017

1. LEGAL STATUS AND ITS 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 provisions of Companies Ordinance, 1984 on 15 May 1995. The Company started its commercial operations on 16 October 1996 and is listed on the Pakistan Stock Exchange Limited. The Company is licensed to carry out investment finance services, as a Non-Banking Finance Company under Section 282-C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2008. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

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

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Company to "BB" (Double B) and also maintained the short-term rating at "B" (B) dated 05 April 2017. The ratings denotes an adequate capacity of timely payment of financial commitments.

2. BASIS OF PREPARATION

2.1 Consolidated financial statements

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary company, here-in-after referred to as "the Group".

A subsidiary is an entity in which the parent company directly or indirectly controls, beneficially owns or holds more than fifty percent of the voting securities or otherwise has the power to elect and/or appoint more than fifty percent of its directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment is eliminated against the Parent Company's share in the net assets of the Subsidiary Company.

Inter-company transactions, balances and unrealized gains/losses on transactions between the Parent and Subsidiary have been eliminated. Accounting policies of the Subsidiary Company are same as those of the Parent Company to ensure consistency in accounting treatments of like transactions.

2.2 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated 20 July 2017 communicated that the Commission has decided that companies whose financial year closes on or before 30 June

2017 shall prepare their financial statements in accordance with the provisions of the Companies Ordinance, 1984. Accordingly, 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 (IASB) 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 13 August 2003 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. 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.

2.3 Significant non-adjusting subsequent events

On 28 August 2017 (subsequent to balance sheet date), in an Extra Ordinary General Meeting of members of Escorts Investment Bank Limited (Holding Company), it was resolved to increase authorized share capital of EIBL from Rs. 500 million to Rs. 2,000 million and it was also resolved to sell 100% shareholding of the subsidiary company to Bahria Town (Private) Limited ("BTPL") for an amount of Rs. 175 million. Legal formalities for the increase in authorized share capital of EIBL and the transfer of management control and shareholding of the subsidiary company is in process. Further, BTPL has made funding commitments to inject equity or sponsor's loan as per requirement of funds by the Company.

2.4 Going Concern Assumptions

The Group has incurred loss before tax for the year ended 30 June 2017 amounting to Rs. 96.90 million, accumulated losses of the Group amounting to Rs. 657.48 million as at balance sheet date and as of that date its current liabilities exceed its current assets by Rs. 69.53 million. SECP vide SRO No. 1160/(1)/2015 dated November 25, 2015 has made certain amendments in NBFCs & Notified Entities Regulations, 2008 which inter alia also specify the minimum equity requirement for the companies undertaking business of deposit taking investment finance companies as Rs. 750 million and the equity of seperate financial statements of the Company is short by Rs. 362.11 million. SECP had given time period of one year to the existing lending NBFCs to meet the minimum equity requirement provided. The period has lapsed during the year i.e. 25 November 2016, but the company did not meet the minimum equity requirement. These conditions along with adverse key financial ratios indicate the existence of material uncertainty regarding the future operations of the Company which may cast significant doubt about the company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, the management is implementing its multifaceted plan which is expected to result in improvement in the financial and operational conditions of the Company. The management of the Company is curtailing its administrative and other operating expenses to minimum possible level without affecting the operational efficiency of the Company which will result in improving results and equity position of the Company. With all these measures in place and expected cash injection from directors / shareholders and financial institutions in coming months, the liquidity position will be strengthened. Based on the above and the financial projections as prepared by the company for future periods, the management is confident that the company shall continue and further improve its business growth during the coming years resulting in improvement of its profitability. Hence, these financial statements have been prepared on going concern basis.

2.5 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

Standards, amendments to published standards and interpretations effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2016:

Improvement to Accounting Standards Issued by the IASB

IAS 7 - Disclosure initiatives
IAS 12 - Recognition of deferred tax asset for unrealized losses
IFRS 12 - Disclosure of interest in other entities

The adoption of the above improvements to accounting standards and interpretations are not likely to have an impact on the Company's financial statements.

Standards, interpretations and amendments to published standards that are effective but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2016 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

Standards, interpretations and amendments to existing standards that are not yet effective

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

Standard or Interpretation	**Effective Date (Annual periods beginning on or after)**
IFRS 2 - Classification and measurement of share based payment transactions	01 January 2018
IFRS 4 - Insurance contracts	01 January 2018
IAS 40 - Investment property	01 January 2018
IFRS 1 - First time adoption of International Financial Reporting Standard	01 January 2018
IAS 28 - Investments in Associated and joint ventures	01 January 2018

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective Date (Annual periods beginning on or after)
IFRS 09	- Financial Instruments: Classification and Measurement	01 July 2018
IFRS 15	- Revenue from Contracts with Customers	01 July 2018
IFRIC 22	- Foreign currency transaction and advance consideration	01 January 2018
IFRIC 23	- Uncertainty over Income Tax treatments	01 January 2019
IFRS 16	- Leases	01 January 2019
IFRS 17	- Insurance contracts	01 January 2021

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and investment on equity basis, certain liabilities at amortized cost and certain other investments at fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

5. JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with approved accounting standards which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property and equipment, doubtful receivables and taxation.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which such estimates are revised. Such estimates are:

- Useful life of depreciable assets;
- Provision for doubtful receivables ;
- Provision for current tax and deferred tax;
- Classification and valuation of investment
- Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables.
- Impairment of assets.

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Property and equipment

Property and equipments are stated at cost less accumulated depreciation and any accumulated impairment losses and fully depreciated assets which are carried at residual value. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to income by applying reducing balance method to write off the cost over estimated remaining useful life of assets at the rates specified in note 7 to the financial statements. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from property and equipment's. Depreciation on addition to property and equipment is charged from the date when asset is available for use up to the date of its de-recognition.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains / losses on disposal of property and equipments are included in current year's income.

Subsequent costs are included in the asset's carrying amount and recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance cost are charged to the profit and loss account during the year in which these are incurred.

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

Intangible assets

Intangible assets represent computer software and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the reducing balance method so as to write off the cost of an asset over its estimated useful life. Amortization on addition is charged from the date when asset is available for use up to the date of its de-recognition.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Revaluation surplus

Surplus on revaluation of revalued assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property and equipment (net of deferred taxation, if any) is transferred directly to retained earnings/unappropriated profits.

6.2 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.

6.3 Investments

6.3.1 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.

6.3.2 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.

6.3.3 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.

6.3.4 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, while in case of available for sale investments, the resulting surplus/ (deficit) is kept in a separate capital reserve account. At the time of disposal, the respective surplus or deficit is transferred to income currently.

Amortization cost is charged to profit and loss account.

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

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

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

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

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

6.3.5 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 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.

6.3.6 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.

6.4 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.

6.5 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.

6.6 Financial instruments

Financial assets

Financial assets are 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.

Financial liabilities

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

Derivatives

Derivative instruments held by the Company comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivatives is equivalent to the 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.

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.

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.

6.7 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.

6.8 Staff retirement benefits

Employees compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue. As the component of liability involved is not material, the company did not carry out actuarial valuation for the said liability.

6.9 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.

6.10 Revenue recognition

Return on finances provided, placements and government securities 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.

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

6.11 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.

6.12 Taxation

Current

Provision for current taxation is based on applicable current rates of taxation after taking into account tax credits and rebates available, if any, under the provisions of Income Tax Ordinance, 2001. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax liability is accounted for in respect of all taxable temporary differences at the balance sheet date arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, provisions and tax credits to that extent it is probable that taxable profit will be available in future against which the deductible temporary differences can be utilized. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax is calculated at the rates that are expected to apply to the period when the asset is to be realized or liability is to be settled.

6.13 Operating segment

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

Business segments

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

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

Financing activities

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

Investment activities

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

6.14 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

6.15 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.

6.16 Dividend distributions and appropriations

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

6.17 Borrowing cost

Finance costs are recognized as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

6.18 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at rates of exchange prevailing at the balance sheet date and in case of forward exchange contracts at the committed rates. Gains or losses on exchange are charged to income.

6.19 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.20 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.21 Contingencies

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

6.22 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

	Note	2017 Rupees	2016 Rupees
7. PROPERTY AND EQUIPMENT			
Operating assets	7.1	88,063,878	98,564,132
		88,063,878	98,564,132

7.1 The following is a statement of operating fixed assets (tangible):

(Rupees)

	Office Premises	Freehold Improvements	Leasehold Improvements	Office Furniture & FixtureS	Computer EquipmentS	Office EquipmentS	Owned Vehicles	Total
Cost	127,901,129	6,712,240	29,202,861	6,375,784	20,073,055	14,998,452	26,685,854	231,949,375
Accumulated depreciation	(46,910,829)	(6,712,240)	(17,677,425)	(4,661,381)	(19,091,343)	(9,775,520)	(20,238,942)	(125,067,680)
Net book value	80,990,300	-	11,525,436	1,714,403	981,712	5,222,932	6,446,912	106,881,695
Year ended 30 June 2016								
Additions	-	-	-	-	419,136	3,000	-	422,136
Depreciation charge for the year note 7.2	(4,049,515)	-	(2,305,088)	(171,271)	(402,149)	(522,375)	(1,289,301)	(8,739,699)
Net book value as at 30 June 2016	76,940,785	-	9,220,348	1,543,132	998,699	4,703,557	5,157,611	98,564,132
Year ended 30 June 2017								
Additions	-	-	-	-	-	-	-	-
DISPOSALS								
Cost	-	-	-	-	-	-	22,111,507	22,111,507
Accumulated depreciation	-	-	-	-	-	-	18,739,074	18,739,074
Net book value	-	-	-	-	-	-	3,372,433	3,372,433
Depreciation charge for the year note 7.2	(3,855,382)	-	(1,844,078)	(154,084)	(353,706)	(470,165)	(450,406)	(7,127,821)
Net book value as at 30 June 2017	73,085,403	-	7,376,270	1,389,048	644,993	4,233,392	1,334,772	88,063,878
At 30 June 2016								
Cost	127,901,129	6,712,240	29,202,861	6,375,784	20,492,191	15,001,452	26,685,854	232,371,511
Accumulated depreciation	(50,960,344)	(6,712,240)	(19,982,513)	(4,832,652)	(19,493,492)	(10,297,895)	(21,528,243)	(133,807,379)
Net book value	76,940,785	-	9,220,348	1,543,132	998,699	4,703,557	5,157,611	98,564,132
Annual rates (%) of depreciation	5.00	20.00	20.00	10.00	33.33	10.00	20.00	
At 30 June 2017								
Cost	127,901,129	6,712,240	29,202,861	6,375,784	20,492,191	15,001,452	23,313,421	228,999,078
Accumulated depreciation	(54,815,726)	(6,712,240)	(21,826,591)	(4,986,736)	(19,847,198)	(10,768,060)	(21,978,649)	(140,935,200)
Net book value	73,085,403	-	7,376,270	1,389,048	644,993	4,233,392	1,334,772	88,063,878
Annual rates (%) of depreciation	5.00	20.00	20.00	10.00	33.33	10.00	20.00	

	Note	2017 Rupees	2016 Rupees
7.2 Depreciation charge for the year has been allocated as follows:			
Administrative expenses	42	7,127,821	8,739,699
		7,127,821	8,739,699

7.3 Had there been no revaluation, the related figures of office premises as on 30 June 2017 would be as follows;

Particulars	Cost	Accumulated Depreciation	Net Book Value (Rupees)
Office premises (2017)	89,692,600	46,163,888	43,528,712
Office premises (2016)	89,692,600	43,872,903	45,819,697

7.4 Disposal of property and equipment

The following property and equipment with a net book value exceeding Rs. 50,000 were disposed off during the year:

PARTICULARS	Cost	Accumulated Depreciation	Net Book Value	Sale Proceed	Gain	Mode of Disposal
Rupees 2017	22,111,507	(18,739,074)	3,372,433	3,372,433	-	Negotiation
Rupees 2016	-	-	-	-	-	-

7.5 No impairment relating to operating property and equipment has been recognised in the current year.

		Note	2017 Rupees	2016 Rupees
8.	**INTANGIBLE ASSETS**			
	Accounting software	8.1	258,327	387,467
			258,327	387,467
8.1	**Accounting software**			
	Net carrying value			
	Accounting software		387,467	581,174
	Less: Amortization charge		129,140	193,707
	Net book value (NBV) as at 30 June		258,327	387,467
	Gross carrying value			
	Cost		6,101,100	6,101,100
	Less: Accumulated amortization		5,842,773	5,713,633
	Net book value		258,327	387,467
	Amortization rate per annum		33%	33%
9.	**CARDS AND ROOMS**			
	Corporate membership of Pakistan Mercantile Exchange Limited		750,000	750,000
	Office rooms		6,131,170	35,691,420
			6,881,170	36,441,420
9.1	**Impairment of office rooms**			
	Opening balance		35,691,420	35,691,420
	Impairment during the year		(29,560,250)	-
	Closing net book value		6,131,170	35,691,420

Pursuant to Memorandum of Understanding signed between Karachi Stock Exchange Limited (KSE), Lahore Stock Exchange Limited (LSE) and Islamabad Stock Exchange Limited (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the Stock Exchanges (Corporation, Demutualization and Integration) Act 2012 (XV of 2012) [the Act], the company has been issued two TREC's of Pakistan Stock Exchange Limited, in lieu of TREC of KSE and LSE previously issued. These have been carried at cost less impairment.

		Note	2017 Rupees	2016 Rupees
10.	**LONG TERM INVESTMENT**			
	Investment in financial instruments	10.1	-	100,775,669
	Investment in unquoted companies	10.2	49,603,583	48,513,580
			49,603,583	149,289,249

	Note	2017 Rupees	2016 Rupees
10.1 Investment in financial instruments			
Held to maturity			
Pakistan Investment Bonds (PIB's)			
Cost		101,739,700	101,739,700
Less: Amortization - opening		964,031	901,415
Charged during the year		775,669	62,616
		1,739,700	964,031
		100,000,000	100,775,669
Disposed off during the year		(100,000,000)	-
		-	100,775,669

This represents investment in 20 years bonds issued by the Government of Pakistan having face value of Nil (2016: Rs. 100 million). Period to maturity of these investments was 8 years and carry mark-up at rate (coupon rate) 10% per annum (2016: 10% per annum). The investment of Rs. 100 million was disposed off during the year.

10.1.1 Encumbered and un-encumbered - face value

	2017			2016		
	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

	Note	2017 Rupees	2016 Rupees
10.2 Investment in unquoted companies			
Pakistan Stock Exchange Limited (PSX)			
No. of shares 1,602,953 (2016: 4,007,383)	10.2.1	41,163,833	40,073,830
LSE Financial Services Limited	10.2.2	8,439,750	8,439,750
		49,603,583	48,513,580
10.2.1 Movement in investments during the year			
Opening		40,073,830	40,073,830
Sold during the year		(24,044,300)	-
		16,029,530	-
Fair value gain on remeasurement through other comprehensive income		25,134,303	-
Closing		41,163,833	40,073,830

This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by the company in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the company were 4,007,383 out of which 60% shares were held in a separate blocked account in the Central Depository Company of Pakistan Limited (CDC) to restrict the sale of such shares by the members of PSX.

During the current year, PSX sold 40% shares of its shares held by the Company (previously held in a separate blocked account in CDC) at an offer price of Rs. 28 per ordinary share. Further, 20% shares were also disposed off at the same rate. Now the company holds 1,602,953 shares which were revalued at the rate of Rs. 25.68 per ordinary share. The revaluation gain was transferred to the equity through Other Comprehensive Income (OCI).

10.2.2 This represents the investment in 843,975 unquoted ordinary shares of M/s. LSE Financial Services Limited. These shares of LSE Financial Services Limited re taken at the cost.

10.3 There were no securities pledged with financial institutions as at 30 June 2017.

	Note	**2017 Rupees**	2016 Rupees
11. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	11.1	2,188,017	2,480,743
Executives	11.2	875,000	2,402,314
		3,063,017	4,883,057
Others - Secured and considered good	11.3	23,423,920	39,411,075
		26,486,937	44,294,132
Considered doubtful			
Others	11.4	32,738,390	32,738,390
Less: Provision for doubtful finances	11.5	(32,738,390)	(32,738,390)
		-	-
		26,486,937	44,294,132
Less: Current maturity	16	4,766,569	23,804,647
		21,720,368	20,489,485

11.1 Associated companies

These represent finance provided against hypothecation of vehicles for a period of 5 years (2016: 5 years), carrying mark-up @ 18% per annum (2016: 18% per annum).

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

	2017 Rupees	2016 Rupees
Escorts Pakistan Limited	2,480,743	4,339,673

11.2 Executives

This represent finance provided to Executives against lien of assets for a period ranging from 3 years to 5 years and carries mark-up at the rate of 16% to 17% (2016: 16% to 17%) per annum.

	Note	**2017 Rupees**	2016 Rupees
Opening balance		2,402,314	42,617,255
Add: Disbursements/transferred during the year		-	-
		2,402,314	42,617,255
Less: Repayments/transferred during the year		1,527,314	40,214,941
		875,000	2,402,314
Maximum balance outstanding at the end of any month during the year		2,402,314	42,617,255

11.3 These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 12 % to 20% (2016: 12% to 20%) per annum.

11.4 These finance facilities are secured by ranking charge on assets and pledge of stocks for a period up to 5 years. The expected rate of return range from 14% to 17% (2016: 14% to 17%) per annum.

	Note	2017 Rupees	2016 Rupees
12. NET INVESTMENT IN LEASE FINANCE			
Lease rental receivables	12.1	578,415	677,283
Add: Residual value		2,165,985	2,240,700
		2,744,400	2,917,983
Less: Unearned finance income		49,628	53,920
		2,694,772	2,864,063
Less: Provision for doubtful leases	12.2	528,787	623,363
		2,165,985	2,240,700
Less: Current maturity	16	2,165,985	2,240,700
		-	-

12.1 Particulars of net investment in lease finance

	2017			2016
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	578,415	-	578,415	677,283
Add: Residual value	2,165,985	-	2,165,985	2,240,700
Gross investment in lease finance	2,744,400	-	2,744,400	2,917,983
Less: Unearned finance income	49,628	-	49,628	53,920
Net investment in lease finance	2,694,772	-	2,694,772	2,864,063

12.1.1 The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility ranges from 11% to 16% (2016: 11% to 16%). Leased assets are insured in favour of the Company. The rate of return ranges from 15% to 17% per annum (2016: 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.

12.1.2 As per the prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 0.578 million (2016: Rs. 0.677 million) at the end of current year.

	Note	2017 Rupees	2016 Rupees
12.2 Particulars of provision for lease losses			
Opening balance		623,363	623,363
Charge for the year		-	-
Reversal during the year		(94,576)	-
		(94,576)	-
Closing balance		528,787	623,363

13. LONG TERM LOANS AND ADVANCES

	Note	2017 Rupees	2016 Rupees
Loan to staff - Unsecured, considered good			
Executives - Related parties	13.1	1,113,868	1,980,949
Other employees		330,187	476,741
		1,444,055	2,457,690
Less: Current maturity	16	559,609	1,396,167
		884,446	1,061,523

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

	Note	2017 Rupees	2016 Rupees
Opening balance		1,980,949	3,844,129
Add: Disbursements / transferred during the year		435,000	721,156
		2,415,949	4,565,285
Less: Repayments during the year		1,302,081	2,584,336
		1,113,868	1,980,949
The maximum balance outstanding from executives at the end of any month during the year		1,980,949	3,273,117

14. LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2017 Rupees	2016 Rupees
Security deposits		4,133,609	4,133,609
Prepayments		-	153,264
		4,133,609	4,286,873
Less: current maturity	16	-	153,264
		4,133,609	4,133,609

	Note	**2017 Rupees**	2016 Rupees
15. DEFERRED TAX ASSET			
Deferred taxation comprises of the following:			
Deferred tax liability on taxable temporary differences in respect of the following:			
Property and equipments		(8,581,144)	(9,674,935)
Deferred tax asset on deductible temporary differences in respect of the following:			
Long term investments		-	34,797,058
Finances and receivables		20,234,117	22,257,527
Provision for compensated absences		381,637	444,698
Net investment in lease finance		158,636	205,710
Tax losses		100,684,813	88,521,549
		121,459,203	146,226,542
	15.1	112,878,059	136,551,607
15.1 Movement in deferred tax asset			
Opening balance		136,551,607	136,551,607
Deferred tax charged during the year		(23,673,548)	-
Closing balance		112,878,059	136,551,607
16. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Long term finances	11	4,766,569	23,804,647
Net investment in lease finance	12	2,165,985	2,240,700
Long term loans and advances	13	559,609	1,396,167
Long term deposits and prepayments	14	-	153,264
		7,492,163	27,594,778
17. TRADE DEBTORS			
Receivable from clients		10,974,234	9,184,671

	Note	2017 Rupees	2016 Rupees
18. SHORT TERM INVESTMENTS			
Held to Maturity			
Treasury bills	18.1.1	70,386,673	94,331,566
Held for Trading			
Shares / units			
Listed	18.2	-	15,830,632
Others	18.3	10,188,212	9,470,609
Available for sale			
Listed shares / units	18.4	281	281
		80,575,166	119,633,088
Gain / deficit on revaluation of shares / units		176	78,664
		80,575,342	119,711,752

18.1 Encumbered and un-encumbered - Face value

	2017			2016		
	Held by the Bank	**Given as a collateral**	**Total**	Held by the Bank	Given as a collateral	Total
	Rupees	**Rupees**	**Rupees**	Rupees	Rupees	Rupees
Treasury bills	73,000,000	-	73,000,000	98,000,000	-	98,000,000

	Note	2017 Rupees	2016 Rupees
18.1.1 Treasury Bills			
Face value		73,000,000	98,000,000
Less: Discount		(2,613,327)	(3,668,434)
		70,386,673	94,331,566

18.2 Particulars of listed shares / units - Held for Trading

No. of Certificates 2017	No. of Certificates 2016	N A M E	2017 Carrying value Rupees	2017 Market value Rupees	2016 Carrying value Rupees	2016 Market value Rupees
		Investment Companies				
-	2,762,000	Kohinoor Spinning Mills Limited	-	-	15,830,632	15,909,120

18.3 Shares - Others

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

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

No. of Certificates 2017	No. of Certificates 2016	N A M E	2017 Carrying value Rupees	2017 Market value Rupees	2016 Carrying value Rupees	2016 Market value Rupees
		Mutual Fund - close End				
49	49	Dawood Capital Management Fund	281	105	281	105
49	49		281	105	281	105

	Note	2017 Rupees	2016 Rupees
19. SHORT TERM FINANCES			
Secured and considered good			
Executives		-	500,000
Others	19.1	16,985,631	24,159,107
		16,985,631	24,659,107
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances		13,767,834	13,767,834
		-	-
		16,985,631	24,659,107

19.1 These are secured by hypothecation charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return ranges from 13% to 20% per annum (2016: 13% to 20% per annum), these include Rs. 5.459 million (2016: Rs. 7.252 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan the rate of return range from 20% to 24% per annum (2016: 20% to 24% per annum).

		Note	2017 Rupees	2016 Rupees
20.	**ADVANCES**			
	Considered good:			
	Advances against salaries /expenses	20.1	33,999	5,043,259
20.1	**Movement in advances:**			
	Opening balance		5,043,259	5,234,905
	Net disbursements / (payments) during the year		(1,179,015)	(191,646)
			3,864,244	5,043,259
	Less: Bad debt write off		3,830,245	-
	Closing balance		33,999	5,043,259
21.	**SHORT TERM DEPOSITS AND PREPAYMENTS**			
	Prepayments		261,408	650,695
	Deposit against exposure:			
	Pakistan Stock Exchange Limited (PSX)		2,140,000	7,136,000
			2,401,408	7,786,695
22.	**INTEREST ACCRUED**			
	Interest from morabaha financing		827,597	2,963,560
	Interest from short term finance		16,947,779	16,002,482
	Interest from Pakistan Investment Bonds		-	575,342
	Interest from Treasury bills		2,233,436	29,824
			20,008,812	19,571,208
23.	**OTHER RECEIVABLES**			
	Receivable from Associated Company	23.1	25,502,505	27,989,542
	Receivable from clients	23.2	47,395,623	47,579,679
	PSX receivable against shares		4,488,278	-
	Others		6,507,140	11,975,382
			83,893,546	87,544,603

23.1 This includes Rs. 15.80 million (2016: Rs. 16.725 million) receivable from Essem Hotels Limited and Rs. 9.763 million (2016: Rs. 9.763 million) receivable from Escorts Pakistan Limited.

		Note	2017 Rupees	2016 Rupees
23.2	**Receivables from clients**			
	Considered good		47,395,623	47,579,679
	Considered doubtful		20,940,831	20,940,831
	Less: Provision for doubtful receivables	23.2.1	(20,940,831)	(20,940,831)
			-	-
			47,395,623	47,579,679

		Note	2017 Rupees	2016 Rupees
24.	**CASH AND BANK BALANCES**			
	Cash in hand		2,545	1,174
	Cash with banks:			
	Current accounts with:			
	State Bank of Pakistan		338,950	574,674
	Others		22,442,601	3,300,454
			22,781,551	3,875,128
	Saving accounts	24.1	48,637,762	4,356,394
			71,421,858	8,232,696

24.1 Rate of return on these accounts range from 3% to 8.5% (2016: 6% to 11.25%) per annum.

		Note	2017 Rupees	2016 Rupees
25.	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	42,000,000 (2016: 42,000,000) ordinary shares of Rs. 10/- each issued as fully paid in cash		420,000,000	420,000,000
	2,100,000 (2016: 2,100,000) ordinary shares of Rs. 10/- each issued as fully paid in bonus shares		21,000,000	21,000,000
			441,000,000	441,000,000

25.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2016: 39.01%) ordinary shares in the Company.

	Note	2017 Rupees	2016 Rupees
26. RESERVES			
Capital reserves			
Statutory reserve	26.1	158,496,746	158,496,746
Deficit on revaluation of investments available for sale investments		25,134,479	176
Revenue reserve			
Accumulated loss		(657,487,987)	(536,743,446)
		(473,856,762)	(378,246,524)

26.1 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.

	Note	2017 Rupees	2016 Rupees
27. SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance		31,121,088	32,759,040
Less: Incremental depreciation for the year		(1,556,052)	(1,637,952)
Closing balance	27.1	29,565,036	31,121,088

27.1 The revaluation of building (ground floor) was carried out by an independent valuer ‘’M/s SJZ Associates” as at 14 June 2017 on the basis of market and depreciated replacement values and was duly certified by statutory auditors. However, the impact of current revaluation is ignored being immaterial. Previously, revaluation of building was carried out as at 29 June 2012.

	Note	2017 Rupees	2016 Rupees
28. LONG TERM FINANCES - SUBORDINATED LOAN			
Subordinated loans	28.1	154,470,420	-
28.1 Particulars of loans			
From sponsors:			
Shazia Bashir		16,913,371	-
Maryam Bashir		50,000,000	-
		66,913,371	-
From associated undertakings:			
Essem Hotel		28,262,046	-
Escorts Foundation		6,095,003	-
		34,357,049	-
From other:			
Darakhshan Bashir		53,200,000	-
	28.2	154,470,420	-

28.2 These subordinated loans are from the sponsors, associated undertakings and other related parties of the Group repayable on demand subject to the prior approval of SECP. These loans carries mark-up at the rate of 10% per annum. These loans are provided by converting Certificates of Deposits (COD) held by sponsors of the Company.

	Note	2017 Rupees	2016 Rupees
29. LONG TERM CERTIFICATES OF DEPOSIT			
Related parties - Unsecured			
Associated Company	29.1	-	34,357,049
Executives	29.2	-	70,000,000
Others	29.3	-	53,200,000
		-	157,557,049
Others - Unsecured			
Individuals	29.4	239,539,150	336,159,590
Others	29.5	25,250,000	25,250,000
		264,789,150	361,409,590
		264,789,150	518,966,639
Less: Current maturity	31	201,077,916	238,430,822
		63,711,234	280,535,817

29.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates is 10% to 12.5% (2016: 10% to 12.5%) per annum payable monthly. These were converted into sub-ordinated loan during the year.

29.2 These have been issued for a term of 5 years and expected return on these certificates ranges from 12% to 13.5% (2016: 12% to 13.5%) per annum payable on monthly basis. These were converted into sub-ordinated loan during the year.

29.3 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% (2016: 13% to 14%) per annum payable on monthly basis. These were converted into sub-ordinated loan during the year.

29.4 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 11 % to 15 % (2016: 11 % to 15 %) per annum payable on monthly, quarterly, semi-annually or on maturity basis.

29.5 These have been issued for a term of 3 years and expected return on these certificates is 12% (2016: 12%) per annum payable on monthly basis.

	Note	2017 Rupees	2016 Rupees
29.6 Long term certificates of deposit include:			
Corporates		25,250,000	59,607,049
Individuals		239,539,150	459,359,590
		264,789,150	518,966,639

	Note	2017 Rupees	2016 Rupees
30. LONG TERM SECURITY DEPOSIT			
Security deposit	30.1	2,165,985	2,240,700
Less: Current maturity	31	2,165,985	2,240,700
		-	-

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

	Note	2017 Rupees	2016 Rupees
31. CURRENT MATURITIES OF NON-CURRENT LIABILITIES			
Long term certificates of deposit	29	201,077,916	238,430,822
Long term security deposit	30	2,165,985	2,240,700
		203,243,901	240,671,522
32. SHORT TERM BORROWINGS			
Short term Repo Borrowing	32.1	-	100,000,000

32.1 This represent short term repo borrowing obtained against Pakistan Investment Bonds (PIBs) from First Credit Investment Bank Limited carrying mark-up rate of 8.5% (2016: 8.5%) per annum. The loan was settled in full during the year.

	Note	2017 Rupees	2016 Rupees
33. SHORT TERM CERTIFICATE OF DEPOSIT			
Related parties - Unsecured			
Executives	33.1	-	3,305,702
		-	3,305,702
Others - Unsecured			
Individuals	33.2	182,937,197	126,085,522
	33.3	182,937,197	129,391,226

33.1 These have been issued for a term of 1 year and expected rate of return on these certificates is 11.5% (2016: 11.5%) per anum payable monthly. These have been matured during the year.

33.2 These have been issued for terms ranging from 3 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 14.5% (2016: 6.5% to 14.5%) per annum payable monthly, quarterly, semi-annually or on maturity.

		Note	**2017 Rupees**	2016 Rupees
33.3	**Short term certificates of deposit**			
	Corporates		-	-
	Individuals		182,937,197	129,391,224
			182,937,197	129,391,224
34.	**ACCRUED MARKUP**			
	Accrued return on certificates of deposit		44,386,366	8,643,728
	Accrued return on secured borrowings		202,421	3,881,873
			44,588,787	12,525,601
35.	**TRADE AND OTHER PAYABLES**			
	Customers' credit balances		18,176,543	24,766,681
	Accrued expenses and other payables		61,906,692	41,637,622
	Provision for compensated absences		1,272,124	1,347,570
	Unclaimed dividend		2,385,654	2,385,654
			83,741,013	70,137,527
36.	**PROVISION FOR TAXATION**			
	Opening balance		15,337,345	13,725,430
	Add: Taxation - current		1,729,077	4,555,851
			17,066,422	18,281,281
	Less: Tax payments / adjustments during the year		754,076	2,943,936
			16,312,346	15,337,345

37. CONTINGENCIES AND COMMITMENTS

37.1 Contingencies

a) The Holding company's assessments till Assessment Year 2002-03, has been finalized except that the Income Tax department is in appeal before the Honourable 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.

b) In respect of tax year 2008, the appeal was decided in favour of the Holding company by the Honourable Appellate Tribunal Inland Revenue and original position as mentioned in return by the Holding company was restored.

c) The Holding company has filed appeals before Honourable Lahore High Court for Tax Year 2003 to 2006 on various matters. These appeals are pending for hearing. The case is pending for adjudication and the Holding company expects a favourable outcome in this regard.

d) In respect of tax year 2009, the assessing officer has issued an assessment order under section 122(5A) to amend the deemed assessment for the said tax year as per the income tax return filed by the Holding company. The Holding company has filed an appeal before CIR(A) in this respect which is pending fixation. The case is pending for adjudication and the Holding company expects a favourable outcome in this regard.

e) For tax year 2009, tax department finalized an order U/S 161/205 of the Income Tax Ordinance, 2001. The Holding company filed an appeal against the said order in CIR(A) who has directed the assessing officer to look into the matter again. The case is pending for adjudication and the Holding company expects a favourable outcome in this regard.

f) Subsequent to the reporting date, the subsidiary company received a notice from Sindh Revenue Board dated 19 September 2017 under various sections of the Sindh Sales Tax on Services Act, 2011. Sindh Revenue Board assessed the income of the subsidiary company and calculated the Sindh Sales Tax payable amounting to Rs. 27,421,980 out of which Rs. 25,154,494 is short paid. The management of the subsidiary company is in the process of reply of aforesaid notice. No provision has been made in these financial statements for the said amount as management is confident that no unfavourable outcome is expected.

		Note	**2017** **Rupees**	2016 Rupees
37.2	**Commitments**			
	Outstanding guarantees		6,300,000	71,823,484
38.	**PROFIT ON FINANCING**			
	Long term		2,114,405	8,044,465
	Short term		1,582,856	41,103,784
			3,697,261	49,148,249

	Note	2017 Rupees	2016 Rupees
39. RETURN ON INVESTMENTS			
Mark-up / return on investments			
Held to maturity investments			
Government securities		9,290,444	15,286,764
Dividend income			
Available for sale investments			
Listed shares/units		105,194	2,261,211
Capital gain / (loss) on investments			
Available for sale investments		10,351,763	(5,933,325)
Gain on Sale of share of PSX		43,279,733	-
Held for trading		(668,800)	(22,185,098)
		52,962,696	(28,118,423)
		62,358,334	(10,570,448)
40. FEES AND COMMISSION		372,580	48,343,331
41. OTHER INCOME	41.1	2,809,582	10,806,618

41.1 These include Compensation on delayed refunds for the year amounting to Rs. Nil (2016: Rs. 8.117 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	2017 Rupees	2016 Rupees
42. ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	42.1	24,464,296	38,329,998
Commission expenses		-	21,131,210
Staff training and welfare		104,896	209,663
Advertisement and business promotion		97,250	237,900
Rent, rates and taxes		3,042,517	5,801,044
Utilities		2,358,212	2,510,806
Communication charges		2,296,425	4,273,797
Traveling and vehicle maintenance		1,688,260	4,612,876
Repair and maintenance		2,058,628	4,223,420
Entertainment		833,534	1,188,892
Fee and subscriptions		3,422,438	2,043,298
Legal and professional charges		4,468,726	3,102,148
Auditors' remuneration	42.2	1,848,232	1,555,938
Printing and stationery		665,218	1,116,176
Fee, brokerage and commission		766,740	4,335,078
Insurance		294,862	1,127,446
Depreciation	7.2	7,127,821	8,739,699
Impairment of office rooms		29,560,250	-
Bad debts written off		3,830,245	
Amortization of Intangible assets	8.1	129,140	193,701
Donation	42.3	180,000	-
Provision for doubtful debts		10,161,378	-
Miscellaneous expenses		220,242	293,635
		99,619,310	105,026,725

42.1 This includes contribution to provident fund amounting to Rs. 0.670 million (2016: Rs. 0.854 million) made by the Company.

	Note	2017 Rupees	2016 Rupees
42.2 Auditors' remuneration			
Statutory audit fee		1,421,685	1,385,850
Certification and consultancy charges		340,000	90,000
Out of pocket expenses		86,547	80,088
		1,848,232	1,555,938

42.3 This donation is made to Escorts Foundation (Associated undertaking).

	Note	2017 Rupees	2016 Rupees
43. TAXATION-NET			
Taxation			
-Current year	43.1	1,711,260	4,117,021
-Prior years		17,817	438,830
		1,729,077	4,555,851
Deferred taxation			
For current year		23,673,548	-
		25,402,625	4,555,851

43.1 Income tax return has been filed to the income tax authorities up to and including tax year 2016 under the provisions of the Income Tax Ordinance, 2001.

Provision for taxation has been made in accordance with section 113 of the Income Tax Ordinance, 2001 ("The Ordinance"). There is no relation between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

			2017	2016
44.	**LOSS PER SHARE - BASIC AND DILUTED**			
	Net loss for the year after taxation	Rupees	(122,300,593)	(127,769,197)
	Weighted average number of ordinary shares	Number	44,100,000	44,100,000
	Loss per share - basic and diluted	Rupees	(2.77)	(2.90)

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

45. 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.

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 2017		
	Financing activities	**Investing activities**	**Total**
Profit on financing	3,697,261	-	3,697,261
Return on investments	-	62,358,334	62,358,334
Total income for reportable segments	3,697,261	62,358,334	66,055,595
Finance cost	3,775,720	63,681,625	67,457,345
Administrative and other operating expenses	5,575,888	94,043,422	99,619,310
Segment result	(5,654,347)	(95,366,713)	(101,021,060)
Other operating income			4,028,516
Loss before taxation			(96,992,544)
Segment assets	47,910,205	156,241,310	204,151,515
Unallocated assets			541,561,657
			745,713,172

	For the year ended 30 June 2017		
	Financing activities	Investing activities	Total
Segment liabilities	98,900,000	322,525,555	421,425,555
Unallocated liabilities			357,144,379
Equity			(32,856,762)
			745,713,172

	For the year ended 30 June 2016		
	Financing activities	Investing activities	Total
Profit on financing	49,148,249	-	49,148,249
Return on placements	-	-	-
Return on investments	-	(10,570,448)	(10,570,448)
Total income for reportable segments	49,148,249	(10,570,448)	38,577,801
Finance costs	85,926,129	32,429,972	118,356,101
Administrative and other operating expenses	76,249,047	28,777,678	105,026,725
Segment result	(113,026,927)	(71,778,098)	(184,805,025)
Other operating income			61,591,679
Loss before taxation			(123,213,346)
Segment assets	99,468,710	322,050,069	421,518,779
Unallocated assets			543,808,344
			965,327,123
Segment liabilities	15,300,856	49,693,320	64,994,176
Unallocated liabilities			837,579,471
Equity			62,753,476
			965,327,123

46. TRANSACTIONS WITH RELATED PARTIES

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

	2017 Rupees	2016 Rupees
Associated companies:		
Transactions during the year		
Return on finances received	-	604,659
Profit paid on certificates of deposit	1,504,046	3,357,879
Balance at year end		
Long term financing - Subordinated loans	34,357,049	-
Advances outstanding	12,188,017	12,480,743
Letter of guarantee outstanding	-	8,336,373
Certificates of deposit outstanding	-	34,357,049
Other receivable / (payable)	25,408,723	26,017,604
Mark-up payable on COD	-	221,924
Directors:		
Transactions during the year		
Return on finances received	436,822	2,516,951
Profit paid on certificates of deposit	328,219	7,433,254
Balance at year end		
Long term financing - Subordinated loans	16,913,371	-
Advances outstanding	-	635,154
Certificates of deposit outstanding	-	23,305,702
Mark-up payable on COD	-	101,608
Executives:		
Transactions during the year		
Return on finances received	73,506	505,717
Profit paid on certificates of deposit	979,999	6,651,454
Balance at year end		
Long term financing - Subordinated loans	50,000,000	-
Advances outstanding	1,457,667	2,066,165
Certificates of deposit outstanding	-	51,500,000
Mark-up payable on COD	-	300,548
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	670,497	853,985
Balance at year end		
Long term financing - Subordinated loans	53,200,000	-

47. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive / Director		Executives	
	2017 Rupees	2016 Rupees	**2017 Rupees**	2016 Rupees
Managerial remuneration	4,786,752	4,786,752	5,928,212	7,332,329
House rent allowance	1,914,696	1,914,696	2,371,277	2,932,916
Utilities	370,680	370,680	592,794	733,218
Bonus/commission	-	-	-	1,503,430
Special allowance	-	-	80,000	390,000
Leave encashment	-	-	-	-
Retirement benefits	-	-	-	485,420
	7,072,128	7,072,128	8,972,283	13,377,313
Number of persons	2	2	5	8

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

48. MATURITIES OF ASSETS AND LIABILITIES

Description	Within one year	More than one year and upto five years	Above five years	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2017				
ASSETS				
Property and equipment	-	10,145,539	77,918,339	88,063,878
Intangible assets	-	258,327	-	258,327
Cards and rooms	-	-	6,881,170	6,881,170
Deferred tax asset	-	112,878,059	-	112,878,059
Net investment in lease finance	2,165,985	-	-	2,165,985
Investments	80,575,342	1,090,003	48,513,580	130,178,925
Finances	21,752,200	21,720,368	-	43,472,568
Advances	1,478,054	-	-	1,478,054
Deposits and prepayments	2,401,408	-	4,133,609	6,535,017
Interest accrued	20,008,812	-	-	20,008,812
Other receivables	94,867,780	-	-	94,867,780
Tax refunds due from the government	167,502,739	-	-	167,502,739
Cash and bank balances	71,421,858	-	-	71,421,858
	462,174,178	146,092,296	137,446,698	745,713,172
LIABILITIES				
Subordinated loans	-	-	154,470,420	154,470,420
Certificates of deposit	384,015,113	63,711,234	-	447,726,347
Long term security deposits	2,165,985	-	-	2,165,985
Short term borrowings	-	-	-	-
Accrued markup	44,588,787	-	-	44,588,787
Trade and other payables	83,741,013	-	-	83,741,013
Provision for taxation	16,312,346	-	-	16,312,346
	530,823,244	63,711,234	154,470,420	749,004,898
Net assets	(68,649,066)	82,381,062	(17,023,722)	(3,291,726)
Represented by:				
Share capital and reserves				(32,856,762)
Surplus on revaluation of property and equipments				29,565,036
				(3,291,726)

Description	Within one year	More than one year and upto five years	Above five years	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2016				
ASSETS				
Property and equipment	-	15,376,658	83,187,474	98,564,132
Intangible assets	-	387,467	-	387,467
Cards and rooms	-	-	36,441,420	36,441,420
Deferred tax asset	-	136,551,607	-	136,551,607
Net investment in lease finance	2,240,700	-	-	2,240,700
Investments	119,711,752	48,513,580	100,775,669	269,001,001
Finances	71,317,275	4,142,541	16,346,944	91,806,760
Advances	6,439,426	1,061,523	-	7,500,949
Deposits and prepayments	7,939,959	-	4,133,609	12,073,568
Interest accrued	19,571,208	-	-	19,571,208
Other receivables	96,729,274	-	-	96,729,274
Tax refunds due from the government	186,226,341	-	-	186,226,341
Cash and bank balances	8,232,696	-	-	8,232,696
	518,408,631	206,033,376	240,885,116	965,327,123
LIABILITIES				
Subordinated loans	-	-	-	-
Certificates of deposit	367,822,048	280,535,817	-	648,357,865
Long term security deposits	2,240,700	-	-	2,240,700
Short term borrowings	100,000,000	-	-	100,000,000
Accrued markup	35,379,122	-	-	35,379,122
Trade and other payables	70,137,527	-	-	70,137,527
Provision for taxation	15,337,345	-	-	15,337,345
	590,916,742	280,535,817	-	871,452,559
Net assets	(72,508,111)	(74,502,441)	240,885,116	93,874,564
Represented by:				
Share capital and reserves				62,753,476
Surplus on revaluation of property and equipments				31,121,088
				93,874,564

49. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

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

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

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

49.1 SEGMENT INFORMATION

Class of business	Morabaha Financing 2017 Percentage	Morabaha Financing 2016 Percentage	Certificates of Deposits 2017 Percentage	Certificates of Deposits 2016 Percentage	Letter of Guarantee 2017 Percentage	Letter of Guarantee 2016 Percentage
Agribusiness	13.01	5.78	-	-	-	-
Textile	14.48	6.43	-	-	-	-
Financial institutions	-	-	-	-	-	-
Electronics and electrical appliances	2.07	1.04	-	-	100	100
Individuals	8.38	38.02	84.31	90.81	-	-
Engineering and construction	14.80	6.57	-	-	-	-
Hospitality	-	-	4.05	4.36	-	-
Non-Government organizations	-	-	4.48	4.83	-	-
Others	47.26	42.16	7.16	-	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

49.2 Geographical Segment

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

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

	2017 Rupees	2016 Rupees
Aging of term loan and lease rental receivables		
Not past due	27,930,431	46,022,997
Past due 0 - 90 days	4,027,191	6,053,846
Past due 91- 180 days	6,361,864	4,633,236
180 days to 1 year	5,207,756	8,389,992
More than 1 year	47,029,965	73,890,196
	90,557,207	138,990,267

Collaterals held against term financing.

	2017				
		Collaterals			
	Gross exposure	**Mortgage**	**Hypothe-cation**	**Liquid collaterals**	**Net exposure**
	----------	----------	**Rupees**	----------	----------
Long term finances	59,225,327	6,335,000	267,565,218	3,950,660	(201,248,810)
Short term finances	30,753,465	-	85,000,000	5,788,871	(60,035,407)

	2016				
	Gross exposure	Collaterals: Mortgage	Collaterals: Hypothe-cation	Collaterals: Liquid collaterals	Net exposure
	------------- Rupees -------------				
Long term finances	99,886,043	6,335,000	296,286,465	61,758,892	(264,494,314)
Short term finances	38,426,941	-	85,000,000	11,042,665	(57,615,724)

50. LIQUIDITY RISK

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

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

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

Description	Carrying amount	Contractual cash flows	Less than 1 years	Between 1 and 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees
30 June 2017					
Customer's security deposit	2,165,985	2,165,985	2,165,985	-	-
Trade and other payables	81,355,359	81,355,359	81,355,359	-	-
	83,521,344	83,521,344	83,521,344	-	-
30 June 2016					
Customer's security deposit	2,240,700	2,240,700	2,240,700	-	-
Trade and other payables	67,751,873	67,751,873	67,751,873	-	-
	69,992,573	69,992,573	69,992,573	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / profit rates effective as at 30 June 2017. The rates of mark up have been disclosed in respective notes to the financial statements.

51. MARKET RISK

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

51.1 Interest rate risk

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

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

Description	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2017					
FINANCIAL ASSETS					
Investments	80,575,342	1,090,003	48,513,580	-	130,178,925
Net investment in lease finance	2,165,985	-	-		2,165,985
Finances	26,486,937	4,142,541	16,346,944	-	46,976,422
Advances	1,478,054	-	-	-	1,478,054
Deposits and prepayments	2,401,408	-	-	4,133,609	6,535,017
Bank balances	48,637,732	-	-	22,781,551	71,421,858
	161,745,458	5,232,544	64,860,524	26,915,160	258,756,261
FINANCIAL LIABILITIES					
Certificates of deposit	384,015,113	63,711,234	-	-	447,726,347
Short term borrowings	-	-	-	-	-
Trade and other payables	-	-	-	83,741,013	83,741,013
	384,015,113	63,711,234	-	83,741,013	531,467,360
Interest rate senstivity gap	(222,269,655)	(58,478,690)	64,860,524	-	-
Cumulative interest rate sensitivity gap	(222,269,655)	(280,748,345)	(215,887,821)	-	-

Description	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2016					
FINANCIAL ASSETS					
Investments	119,711,752	48,513,580	100,775,669	-	269,001,001
Net investment in lease finance	2,240,700	-	-		2,240,700
Finances	71,317,275	4,142,541	16,346,944	-	91,806,760
Advances	-	-	-	7,500,949	7,500,949
Deposits and prepayments	7,939,959	-	-	4,133,609	12,073,568
Bank balances	4,356,394	-	-	3,876,302	8,232,696
	205,566,080	52,656,121	117,122,613	15,510,860	390,855,674
FINANCIAL LIABILITIES					
Certificates of deposit	367,822,048	280,535,817	-	-	648,357,865
Short term borrowings	100,000,000	-	-	-	100,000,000
Trade and other payables	-	-	-	70,137,527	70,137,527
	467,822,048	280,535,817	-	70,137,527	818,495,392
Interest rate senstivity gap	(262,255,968)	(227,879,696)	117,122,613	-	-
Cumulative interest rate sensitivity gap	(262,255,968)	(490,135,664)	(373,013,051)	-	-

51.2 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 Group is exposed to equity price risk as Group hold available for sale and held for trading investments.

		Changes in PSX all Index	Effects on Profit/(loss) Before Tax	Effects on Equity
			(Rupees)	
Available for sale investments	2017	+10% -10%	- -	11 (11)
	2016	+10% -10%	- -	11 (11)
Held for trading investments	2017	+10% -10%	1,590,912 (1,590,912)	- -
	2016	+10% -10%	1,590,912 (1,590,912)	- -

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

52. 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 Group defines as net operating income divided by total capital employed. The board of directors also monitors the level of dividends to ordinary shareholders.

The Group is exposed to externally imposed capital requirements.

SECP vide SRO No. 1160/(1)/2015 dated 25 November 2015 has made certain amendments in NBFCs & Notified Entities Regulations, 2008. The existing minimum equity requirement is Rs. 750 million.

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

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

The debt-to-equity ratios at 30 June 2017 and at 30 June 2016 were as follows:

	Note	2017 Rupees	2016 Rupees
Debt		604,362,752	750,598,565
Cash and bank balances		71,421,858	8,232,696
Net debt		532,940,894	742,365,869
Total equity		(32,856,762)	62,753,476
Total capital employed		500,084,032	805,119,345
Gearing ratio (%)		106.57%	92.21%

53. PROVIDENT FUND

The following information is based on the latest audited financial statement of the trust of Holding Company:

	Note	2017	2016
Size of the fund - Total assets (Rupees)		5,000,000	8,945,477
Cost of investments made (Rupees)	53.1	4,927,825	8,754,210
Percentage of investments made		98.56%	97.86%
Fair value of investments (Rupees)		4,927,825	8,754,210

53.1 The break-up of fair value of investments is:

	2017		2016	
	Rupees	Percentage	Rupees	Percentage
Government securities	4,927,825	100.00%	8,754,210	100.00%
	4,927,825	100.00%	8,754,210	100.00%

54. FAIR VALUES OF FINANCIAL INSTRUMENTS

- Fair value is the price that would be received so sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirements to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

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

54.1 Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

As at 30 June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset				
Short term investments	457	-	-	457
Long term investments	41,163,833	-	-	41,163,833
Total non-financial assets	41,164,290	-	-	41,164,290

As at 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset				
Short term investments	15,909,577	-	-	15,909,577
Long term investments	-	40,073,830	-	40,073,830
Total non-financial assets	15,909,577	40,073,830	-	55,983,407

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There was transfer of long term investments in to Level 1 out of level 2 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

54.2 Recognized fair value measurements - non-financial assets

Fair value hierarchy

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

As at 30 June 2017	Level 1	Level 2	Level 3	Total
Property and equipment:				
- Office premises	-	73,085,403	-	73,085,403
Total non-financial assets	-	73,085,403	-	73,085,403

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Property and equipment:				
- Office premises	-	76,940,785	-	76,940,785
Total non-financial assets	-	76,940,785	-	76,940,785

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for the items of property and equipment carried at revalued amounts every five years. The management updates the assessment of the fair value of each item of property and equipment carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of items of property and equipment carried at revalued amounts within a range of reasonable fair value estimates. The best evidence of fair value of freehold office premises is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same freehold office premises.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's items of property and equipment carried at revalued amounts at the end of every five years.

Changes in fair values are analysed between the chief financial officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

55. 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” (2016: Nil).

56. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2017, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

57. NUMBER OF EMPLOYEES

The total number of employees as at 30 June 2017 were 22 (2016: 37) and the average number of employees during the year were 30 (2016: 36).

58. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 October 2017 by the Board of Directors of the Company.

59. GENERAL

- Figures have been rounded off to the nearest rupee, unless otherwise stated.

- Corresponding figures have been rearranged/reclassified, wherever necessary, to facilitate comparison.

Chief Executive Officer	Chief Financial Officer	Director

Pattern of Shareholding as at June 30, 2017

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		SHAREHOLDING TO	TOTAL NUMBER OF SHARES HELD	Percentage of Total Capital
100	1	-	100	2,147	0.00
109	101	-	500	47,446	0.11
98	501	-	1000	94,054	0.21
162	1001	-	5000	469,891	1.07
53	5001	-	10000	441,754	1.00
22	10001	-	15000	280,540	0.64
17	15001	-	20000	314,346	0.71
12	20001	-	25000	270,314	0.61
6	25001	-	30000	160,962	0.36
3	30001	-	35000	105,000	0.24
4	35001	-	40000	150,000	0.34
5	40001	-	45000	209,568	0.48
7	45001	-	50000	349,700	0.79
2	50001	-	55000	105,500	0.24
2	55001	-	60000	120,000	0.27
1	60001	-	65000	65,000	0.15
1	65001	-	70000	70,000	0.16
1	70001	-	75000	73,000	0.17
1	75001	-	80000	77,490	0.18
1	85001	-	90000	90,000	0.20
1	90001	-	95000	92,000	0.21
6	95001	-	100000	598,161	1.36
2	100001	-	105000	208,003	0.47
3	105001	-	110000	322,015	0.73
1	115001	-	120000	120,000	0.27
1	125001	-	130000	129,000	0.29
1	160001	-	165000	160,500	0.36
1	180001	-	185000	183,500	0.42
1	205001	-	210000	210,000	0.48
1	260001	-	265000	265,000	0.60
2	440001	-	445000	885,621	2.01
1	520001	-	525000	522,500	1.18
1	535001	-	540000	539,500	1.22
1	545001	-	550000	546,500	1.24
1	660001	-	665000	663,500	1.50
2	695001	-	700000	1,400,000	3.17
1	920001	-	925000	925,000	2.10
1	1545001	-	1550000	1,545,670	3.50
1	2160001	-	2165000	2,160,100	4.90
1	2910001	-	2915000	2,910,105	6.60
1	3690001	-	3695000	3,691,641	8.37
1	5321001	-	5325000	5,321,632	12.07
1	17200001	-	17205000	17,203,340	39.01
640				**44,100,000**	**100.00**

Categories of Shareholders

Categories of Shareholders		Shares Held	Percentage of Holding
Associated Companies, Undertakings and Related Parties			
1	M/S ESSEM POWER (PVT) LIMITED	17,203,340	39.0098
	Running Total:	17,203,340	39.0098
Directors and their spouse(s) and minor children;			
1	BAIRAM QURESHI	1,102	0.0025
2	ZULFIQAR ALI KHAN	500	0.0011
3	ALEEM AHMAD KHAN	500	0.0011
4	SHAZIA BASHIR	5,321,632	12.0672
5	TAJAMMUL HUSSAIN BUKHARI(21020)	500	0.0011
6	MR QAIM MEHDI	1,102	0.0025
7	MUTAHIR AHMED	160,500	0.3639
	Running Total:	5,485,836	12.4395
Executives;		Nil	Nil
Public sector companies and corporations:		Nil	Nil
Banks, Development Finance institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:			
1	Escorts Investment Bank Limited	1,000	0.0023
2	PAKISTAN REINSURANCE COMPANY LIMITED	16,846	0.0382
3	STATE LIFE INSURANCE CORP. OF PAKISTAN	77,490	0.1757
	Running Total:	95,336	0.2162
Others:			
1	Crescent Standard Business Management (Pvt) Limite	1	0.0000
2	TRUSTEES AZIZ LATIF JAMAL TRUST	21,000	0.0476
3	TRUST IQBAL ADAMJEE	35,000	0.0794
4	KRONOSWISS (PRIVATE) LIMITED	10,000	0.0227
5	UHF CONSULTING (PRIVATE) LIMITED	210,000	0.4762
6	UHF CONSULTING (PRIVATE) LIMITED	90,000	0.2041
7	DIN CAPITAL LTD. - MF	11,500	0.0261
8	INTERMARKET SECURITIES LIMITED - MF	1,000	0.0023
9	MRA SECURITIES LIMITED - MF	92,000	0.2086
10	MANAGEMENT AND EDUCATIONAL SERVICES (PRIVATE) LIMITED	105,000	0.2381
11	PEARL SECURITIES LIMITED - MF	107,000	0.2426
12	RAO SYSTEMS (PVT.) LTD.	17,500	0.0397
13	AZEE SECURITIES (PVT.) LTD	210	0.0005
14	MEGA SECURITIES (PVT) LTD	60	0.0001
15	NH SECURITIES (PVT) LIMITED.	5,000	0.0113
16	FIKREE'S (SMC-PVT) LTD.	43,568	0.0988
17	DARSON SECURITIES (PVT) LIMITED	99,500	0.2256
	Running Total:	848,339	1.9237
Shareholders holding 5% or more voting rights:			
	M/S ESSEM POWER (PVT) LIMITED	17,203,340	39.0098
	SHAZIA BASHIR	5,321,632	12.0672
	MARYAM BASHIR	3,691,641	8.3711
	DARAKSHAN BASHIR	2,910,105	6.5989
	Total:	29,126,718	66.0470

Categories of Shareholders

Sr. #	Categories	No. of Shareholders	Shares Held	Percentage of Holding
	Directors, Chief Executive Officer, and their spouse and minor children	7	5,485,836	12.4395
	Associated Companies, Undertakings and Related Parties	1	17,203,340	39.0098
	Banks, Development Financial Institutions, Non Banking Financial Institutions	1	1,000	0.0023
	Insurance Companies	2	94,336	0.2139
	General Public (Local)	612	20,467,149	46.4108
	Others	4	66,001	0.1497
	Joint Stock Companies	13	782,338	1.7740
	TOTAL:	640	44,100,000	100.0000

DETAILED CATEGORIES OF SHAREHOLDERS

Sr.	Name		Shares Held	Percentage
	Directors, Chief Executive Officer, and their spouse and minor children			
1	BAIRAM QURESHI		1,102	0.0025
2	ZULFIQAR ALI KHAN		500	0.0011
3	ALEEM AHMAD KHAN		500	0.0011
4	SHAZIA BASHIR		5,321,632	12.0672
5	TAJAMMUL HUSSAIN BUKHARI(21020)		500	0.0011
6	MR QAIM MEHDI		1,102	0.0025
7	MUTAHIR AHMED		160,500	0.3639
		Running Total:	5,485,836	12.4395
	Associated Companies, Undertakings and Related Parties			
1	M/S ESSEM POWER (PVT) LIMITED		17,203,340	39.0098
		Running Total:	17,203,340	39.0098
	Banks, Development Financial Institutions, Non Banking Financial Institutions			
1	Escorts Investment Bank Limited		1,000	0.0023
		Running Total:	1,000	0.0023
	Insurance Companies			
1	PAKISTAN REINSURANCE COMPANY LIMITED		16,846	0.0382
2	STATE LIFE INSURANCE CORP. OF PAKISTAN		77,490	0.1757
		Running Total:	94,336	0.2139
	General Public (Local)			
		Running Total:	20,467,149	46.4108
	Others			
1	Crescent Standard Business Management (Pvt) Limite		1	0.0000
2	TRUSTEES AZIZ LATIF JAMAL TRUST		21,000	0.0476
3	TRUST IQBAL ADAMJEE		35,000	0.0794
4	KRONOSWISS (PRIVATE) LIMITED		10,000	0.0227
		Running Total:	66,001	0.1497
	Joint Stock Companies			
1	UHF CONSULTING (PRIVATE) LIMITED		210,000	0.4762
2	UHF CONSULTING (PRIVATE) LIMITED		90,000	0.2041
3	DIN CAPITAL LTD. - MF		11,500	0.0261
4	INTERMARKET SECURITIES LIMITED - MF		1,000	0.0023
5	MRA SECURITIES LIMITED - MF		92,000	0.2086
6	MANAGEMENT AND EDUCATIONAL SERVICES (PRIVATE) LIMI		105,000	0.2381
7	PEARL SECURITIES LIMITED - MF		107,000	0.2426
8	RAO SYSTEMS (PVT.) LTD.		17,500	0.0397
9	AZEE SECURITIES (PVT.) LTD		210	0.0005
10	MEGA SECURITIES (PVT) LTD		60	0.0001
11	NH SECURITIES (PVT) LIMITED.		5,000	0.0113
12	FIKREE'S (SMC-PVT) LTD.		43,568	0.0988
13	DARSON SECURITIES (PVT) LIMITED		99,500	0.2256
		Running Total:	782,338	1.7740
	Grand Total:		44,100,000	100.0000

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 28th day of November 2017 at 09:30 a.m. and at any adjournment thereof.

As witnessed under my/our hand this ____________ day of __________ 2017.

__________________ 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