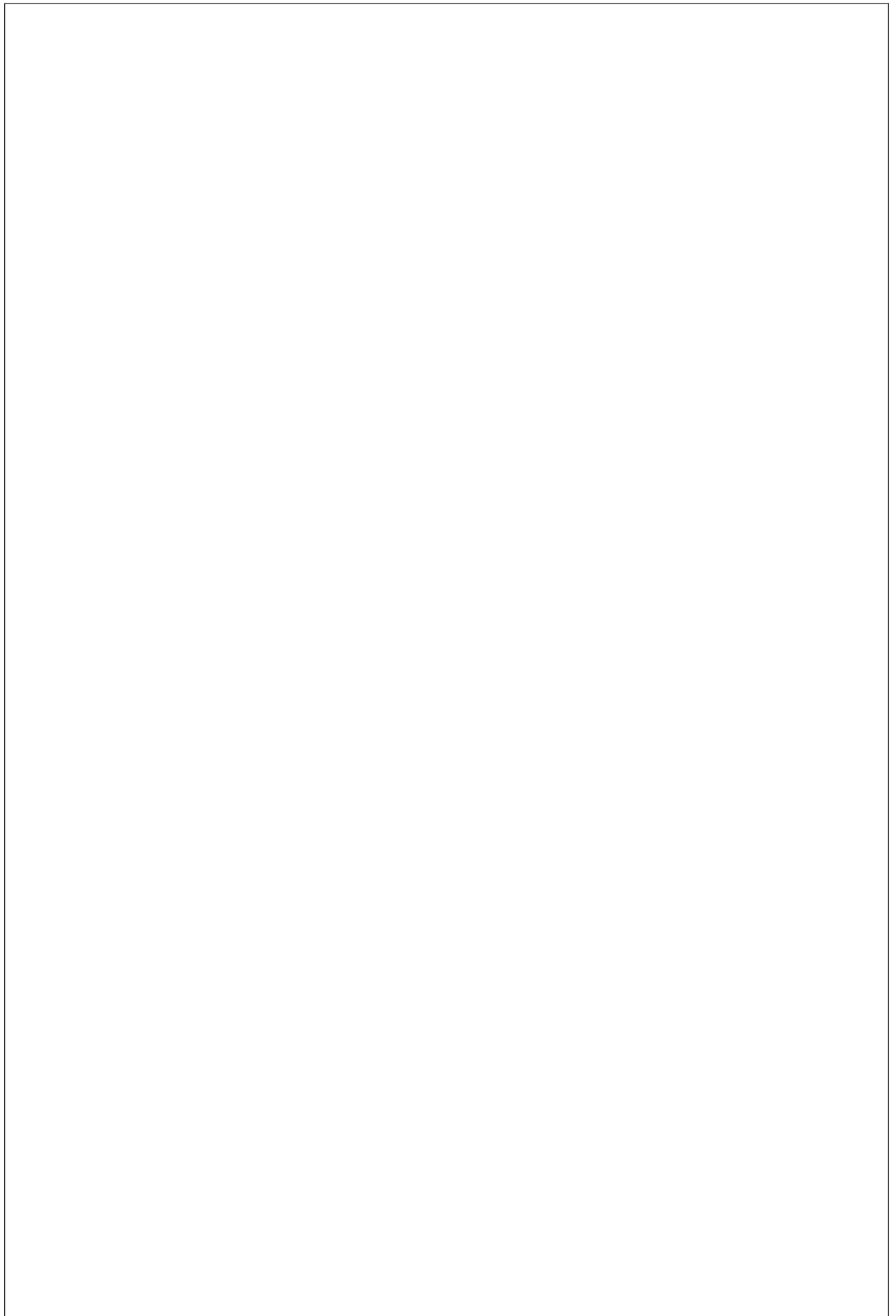




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ESCORTS INVESTMENT BANK LIMITED Quarterly Report - September 2006







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Corporate Information

Board of Directors

Chairman
Bashir Ahmed

President & Chief Executive Officer
Rashid Mansur

Directors
Rais Ahmed (nominee Investment Corporation of Pakistan)
Bairam Qureshy
Mutahir Ahmed
Shazia Bashir
Qaim Mehdi
Tajamul Hussain Bokhari (nominee National Bank of Pakistan)

Company Secretary
Ahmed Hasan Khan

Executive Management

President & Chief Executive Officer
Rashid Mansur

Chief Operating Officer
Muhammad Naeem Khan

Executive Director / Head of HR & Administration
Shazia Bashir

Chief Financial Officer
Farooq Hameed Khawaja

Company Secretary / Head of Legal & Corporate Affairs
Ahmed Hasan Khan

Head of Treasury Division
Arshad I. Khan

Head of Capital Markets Division
Muhammad Jawad Akhtar

Head of Corporate Finance & Advisory
Muhammad Kamran Nasir

Head of MIS & Settlements
Azmat Baig

Head of Proprietary Investments (Equity & Equity related Products)
Hassan Abid Zaidi



Audit Committee

Chairman
Bashir Ahmed

Members
Rais Ahmed
Bairam Qureshy

Secretary
Ahmed Hasan Khan

Internal Auditors

A. F. Fergusons & Co.
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Zafar, Iqbal & Raja
Advocates and Legal Consultants

International Legal Services
Advocates and Legal Consultants

Tax Consultants

KPMG Taseer Hadi & Co.
Chartered Accountants

Share Registrars

Hameed Majeed Associates (Pvt.) Ltd.

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Habib Bank Limited
Muslim Commercial Bank Limited
PICIC Commercial Bank Limited
The Bank of Khyber Limited



ESCORTS INVESTMENT BANK LIMITED



ESCORTS INVESTMENT BANK LIMITED

Balance Sheet

As at 30 September 2006

ASSETS

	Note	30-Sep-06 Rupees (Un-audited)	30-Jun-06 Rupees (Audited)
Non-current Assets			
Fixed capital expenditure	3	136,048,741	136,310,773
Cards and rooms		78,105,000	45,405,000
Long term investments	4	577,018,150	581,131,615
Long term finances		26,058,299	35,294,935
Net investment in lease finance		39,159,551	26,561,233
Long term loans, deposits and prepayments		8,972,869	9,194,808
Deferred tax asset		15,715,126	15,715,126
Current Assets			
Current maturities of non-current assets		105,564,388	104,516,841
Short term investments	5	942,752,874	848,362,705
Short term finances		266,695,721	223,895,088
Short term placements	6	1,896,078,839	2,270,121,900
Advances, deposits, prepayments and other receivables		738,361,129	409,526,938
Cash and bank balances		66,365,422	169,720,022
		4,015,818,373	4,026,143,494
		4,896,896,109	4,875,756,984

EQUITY AND LIABILITIES

Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		365,270,473	319,269,018
(Deficit)/Surplus on Revaluation of Investments	7	806,270,473 (16,905,058)	760,269,018 (15,402,330)
Non-Current Liabilities			
Term finance certificates		183,186,684	228,983,342
Obligation under finance lease		7,351,932	7,529,374
Long term certificates of deposit		389,235,618	397,315,618
Long term security deposit		11,126,882	9,138,301
Current Liabilities			
Current maturities of non-current liabilities		138,715,251	86,202,070
Short term borrowings		1,350,000,000	1,145,000,000
Running finance under mark up arrangements		464,533,344	778,338,739
Short term certificates of deposit		1,349,085,789	1,043,141,883
Trade and other payables		181,877,418	406,525,439
Provision for taxation		32,417,776	28,715,531
		3,516,629,578	3,487,923,662
Contingencies and Commitments	8	4,896,896,109	4,875,756,984

The annexed notes 1 to 13 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Profit and Loss Account (Un-Audited)

For the period ended 30 September 2006

INCOME

	Note	30-Sep-06 Rupees	30-Sep-05 Rupees
Profit on financing		13,317,917	21,465,727
Mark-up on lease finance		665,766	-
Return on placements with financial institutions		1,095,734	14,167,061
Return on investments	9	182,486,661	93,803,710
Fees and commission		10,956,771	15,291,267
Other income		266,915	1,507,408
		208,789,764	146,235,173

EXPENSES

Return on certificates of deposit		44,866,232	26,134,103
Return on term finance certificates		6,709,153	6,311,097
Mark-up on short term running finance		21,852,412	2,723,984
Mark-up on borrowings from financial institutions		36,593,205	30,538,038
Amortization of premium on held to maturity investments		2,446,815	2,786,898
Administrative and other operating expenses		44,127,990	32,329,634
Other financial charges		192,502	64,410
		156,788,309	100,888,164
Operating profit before provisions and taxation		52,001,455	45,347,009
Taxation		6,000,000	5,500,000
Profit after taxation		46,001,455	39,847,009
Earnings per share-basic and diluted	10	1.04	0.91

The annexed notes 1 to 13 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Cash flow statement (Un-Audited)

For the period ended 30 September 2006

	30-Sep-06 Rupees	30-Sep-05 Rupees
Cash flow from operating activities		
Profit before taxation	52,001,455	45,347,009
Adjustment for non cash expenses and other items:		
Depreciation on tangible assets	4,474,718	3,195,126
Amortization on intangible assets	249,975	-
Amortization of premium on held to maturity investments	2,446,815	2,786,898
Mark-up/return income	(32,129,175)	(53,406,667)
Dividend income	(20,597,375)	(44,390,718)
Return on deposits and borrowings	110,021,002	135,898,150
	64,465,960	44,082,789
	116,467,415	89,429,798
(Increase)/decrease in operating assets		
Repayment / (Disbursements) of finances - net	(33,845,302)	203,482,324
Net investment in lease finance	(12,341,989)	-
Investment in/(divestment from) placements - net	374,043,061	(761,750,371)
Investments - net	(94,226,247)	45,494,521
Loans, advances, deposits and prepayments	(285,758,998)	(83,006,215)
	(52,129,475)	(595,779,741)
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	205,000,000	325,000,000
Receipts from/ (Repayments of) certificates of deposit	304,613,906	(72,588,525)
Running finance facilities	(313,805,395)	(126,928,619)
Trade and other payables	(239,018,978)	74,294,319
	(43,210,467)	199,777,175
Net changes in operating assets and liabilities	(95,339,942)	(396,002,566)
Mark-up/return received	16,340,411	40,189,278
Return on deposits and borrowings paid	(95,650,044)	(70,190,928)
Dividend received	15,307,800	21,441,999
Net cash used in operating activities before taxes	(42,874,360)	(315,132,419)
Taxes paid	(23,106,660)	(8,773,803)
Net cash used in operating activities	(65,981,020)	(323,906,222)
Cash flow from investing activities		
Fixed capital expenditure incurred	(5,124,119)	(7,386,422)
Proceeds from sale of fixed assets	661,458	703,091
Investment in cards and rooms	(32,700,000)	-
Net cash used in investing activities	(37,162,661)	(6,683,331)
Cash flow from financing activities		
Proceeds against Right issue	-	34,205,010
Dividend paid	-	(310,469)
Term Finance Certificates	(55,000)	(55,000)
Repayment of lease obligation	(155,919)	-
Net cash (used) /generated in financing activities	(210,919)	33,839,541
Net decrease in cash and cash equivalents	(103,354,600)	(296,750,012)
Cash and cash equivalents at the beginning of the year	169,720,022	671,204,063
Cash and cash equivalents at the end of the period	66,365,422	374,454,051

The annexed notes 1 to 13 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Statement of Changes in Equity (Un-Audited)

For the period ended 30 September 2006

	Share Capital Rupees	Share deposit money Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total
Balance as at 01 July 2005	300,000,000	85,794,990	63,243,628	90,974,515	540,013,133
Received against 40% right issue	-	34,205,010	-	-	34,205,010
Right share issued (40%)	120,000,000	(120,000,000)	-	-	-
Net profit upto 30 September 2005	-	-	-	39,847,009	39,847,009
Transfer to statutory reserve	-	-	7,969,402	(7,969,402)	-
Balance as at 30 September 2005	420,000,000	-	71,213,030	122,852,122	614,065,152
Bonus shares @ 5% issued	21,000,000	-	-	(21,000,000)	-
Net profit upto 30 September 2005	-	-	-	146,203,866	146,203,866
Transfer to statutory reserve	-	-	29,240,773	(29,240,773)	-
Balance as at 30 June 2006	441,000,000	-	100,453,803	218,815,215	760,269,018
Net profit upto 30 September 2006	-	-	-	46,001,455	46,001,455
Transfer to statutory reserve	-	-	9,200,291	(9,200,291)	-
Balance as at 30 September 2006	441,000,000	-	109,654,094	255,616,379	806,270,473

The annexed notes 1 to 13 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Notes to the Financial Statements

For the period ended 30 September 2006

1. LEGAL STATUS AND NATURE OF BUSINESS

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

JCR VIS Credit Rating Company Limited has upgraded the Short Term Credit Rating of the Bank to "A-1" (Single A one) from "A-2" (Single A two), while Long Term Credit Rating has been maintained at "A" (Single A) with stable outlook.

The Company is a member of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The Company has undertaken to contribute to the assets of the Karachi and Lahore Stock Exchanges, an amount not exceeding one thousand rupees each, in the event of their winding up, in accordance with their Memorandums of Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Statement of compliance

These Un-audited financial statements are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984, and have been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan.

2.3 Accounting Policies

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended 30 June 2006.

3. FIXED CAPITAL EXPENDITURE

	30 September 2006	
	Additions Cost Rupees (Un-Audited)	Disposals Book Value Rupees (Un-Audited)
The following additions and disposals were made during the quarter.		
Building	-	-
Improvement on leasehold premises	29,500	-
Office furniture & fixture	72,110	-
Computer equipments	1,227,199	-
Office equipments	494,955	-
Vehicles - Owned	1,312,855	661,458
Capital work in progress	1,987,500	-
	5,124,119	661,458

4. LONG TERM INVESTMENTS

	30-Sep-06 Rupees (Un-Audited)	30-Jun-06 Rupees (Audited)
Held to maturity		
Pakistan Investment Bonds	566,334,650	568,781,465
Term Finance Certificates - Unlisted	21,350,100	23,016,750
	587,684,750	591,798,215
Less: Current maturity of Term Finance Certificates	10,666,600	10,666,600
	577,018,150	581,131,615

5 SHORT TERM INVESTMENTS

	Note	30-Sep-06 (Un-Audited)				30-Jun-06 (Audited)			
		Held by Bank Rupees	Repo Rupees	Reverse repo Rupees	Total Rupees	Held by Bank Rupees	Repo Rupees	Reverse repo Rupees	Total Rupees
Available for sale									
Pakistan Investment Bonds		-	-	-	-	-	-	-	-
Listed Term Finance Certificates		69,473,382	-	-	69,473,382	79,944,972	-	-	79,944,972
Listed shares/ units		52,400,005	-	-	52,400,005	54,014,038	-	-	54,014,038
Held for trading		121,873,387	-	-	121,873,387	133,959,010	-	-	133,959,010
Listed shares	5.1	820,879,487	-	-	820,879,487	714,403,695	-	-	714,403,695
		942,752,874	-	-	942,752,874	848,362,705	-	-	848,362,705

5.1

These include Rs. 804,600,871 (30 June 2006: Rs.688,677,661) investment in shares purchased and simultaneously sold in future market with settlement dates subsequent to the period under review.

6 SHORT TERM PLACEMENTS

	30-Sep-06 Rupees (Un-audited)	30-Jun-06 Rupees (Audited)
Considered good		
Unsecured	36,250,000	36,250,000
Secured under resale agreements	1,859,828,839	2,233,871,900
	<u>1,896,078,839</u>	<u>2,270,121,900</u>

7 (DEFICIT)/SURPLUS ON REVALUATION OF INVESTMENTS

	30-Sep-06 Rupees (Un-audited)	30-Jun-06 Rupees (Audited)
Available for sale		
Listed term finance certificates	(963,404)	(1,074,710)
Listed shares / Units	(15,941,654)	(14,327,620)
	<u>(16,905,058)</u>	<u>(15,402,330)</u>

8 CONTINGENCIES AND COMMITMENTS

Contingencies

a) Taxation

There is no material changes in the status of outstanding litigations since the last audited published financial statements.

b) Guarantees

Outstanding guarantees as at balance sheet date were Rs. 145.440 million (2006: Rs. 189.422 million).

Commitments

	30-Sep-06 Rupees (Un-audited)	30-Jun-06 Rupees (Audited)
Future sale contract - Shares	839,718,240	825,636,590
Future purchase contract - Shares	36,774,325	84,651,900
Capital expenditure	11,262,500	-

9 RETURN ON INVESTMENTS

	30-Sep-06 Rupees (Un-Audited)	30-Sep-05 Rupees (Un-audited)
Mark-up / return on investments	17,049,758	17,773,879
Dividend income	20,597,375	19,318,280
Capital gain/(loss) on investments / reverse repurchase transactions	144,839,528	56,711,551
	182,486,661	93,803,710

10 EARNINGS PER SHARE BASIC AND DILUTED

	30-Sep-06 (Un-Audited)	30-Sep-05 (Un-Audited)
Profit for the period after taxation (Rupees)	46,001,455	39,847,009
Weighted average number of ordinary shares	44,100,000	43,949,091
Earnings per share (Rupees)	1.04	0.91

- 10.1 No figure for diluted earnings per share has been computed as the company has not issued any instrument which would have an impact on its earnings per share.

11 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:

	30-Sep-06 Rupees (Un-Audited)	30-Sep-05 Rupees (Un-Audited)
Transactions during the period		
Associated companies:		
Return on finances received	333,907	294,652
Guarantee commission earned	197,350	197,350
Profit paid on certificates of deposit	1,310,520	1,221,691
Chairman's secretariat expenses	600,000	600,000
Directors:		
Return on finances received	71,342	46,027
Profit paid on certificates of deposit	3,375,494	3,337,845
Executives:		
Return on finances received	272,588	169,629
Profit paid on certificates of deposit	651,720	433,502
Fixed assets sold	513,618	-
Others:		
Contribution to staff retirement benefits plan	633,484	565,803

	30-Sep-06 Rupees (Un-Audited)	30-Jun-06 Rupees (Audited)
Balance at the end of the period		
Associated companies:		
Advances outstanding	14,705,349	13,162,451
Letters of guarantee outstanding	78,940,000	78,940,000
Certificates of deposit outstanding	49,053,675	49,036,189
Directors:		
Advances outstanding	2,000,000	2,000,000
Certificates of deposit outstanding	122,000,000	122,000,000
Rent & other receivable	2,366,568	2,366,568
Executives:		
Advances outstanding	15,872,761	17,549,592
Certificates of deposit outstanding	7,946,821	16,985,504



12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 October 2006 by the Board of Directors of the Company.

13 GENERAL

- i) Provision for taxation is based on estimate and final liability will be determined on the basis of annual results.
- ii) Figures have been rounded off to the nearest rupee.

A handwritten signature in black ink, appearing to be "M. Sharma", written over a horizontal line.

DIRECTOR

A handwritten signature in black ink, appearing to be "A. K. Singh", written over a horizontal line.

CHIEF EXECUTIVE OFFICER

Our Network

Head Office & Lahore Branch

Escorts House
26 – Davis Road, Lahore
Tel: (042) 637 1931 – 34
Fax: (042) 637 5950
info@escortsbank.net
www.escortsbank.net

Branch Offices

Karachi Office
Ground Floor, Bahria Complex I,
Moulvi Tamizzudin Khan Road, Karachi
Tel: (021) 563 6061 - 66
Fax: (021) 563 6075
Email: karachi@escortsbank.net

Islamabad Office
15 – E, Mezzanine Floor,
Rehmat Center, Blue Area, Islamabad
Tel: (051) 287 4601 – 03
Fax: (051) 287 4604
Email: islamabad@escortsbank.net

Investment Services Centers (Brokerage)

Main - Lahore
Ground Floor,
State Life Building,
Davis Road, Lahore
Tel: (042) 630 0757 – 58
Fax: (042) 630 0816

Lahore Stock Exchange Building
Room No. M-3 & M-6,
Lahore Stock Exchange Building,
19-Khayaeban-e-Iqbal, Lahore
Tel: (042) 630 7163 – 68
Fax: (042) 630 7168

Karachi Stock Exchange Building
Room No. 53 & 53A,
Karachi Stock Exchange Building,
Stock Exchange Road, Karachi
Tel: (021) 247 1671 – 74 &
Tel: (021) 247 2370 – 73
Fax: (021) 247 2374

Karachi
Ground Floor, Bahria Complex I,
Moulvi Tamizzudin Khan Road,
Karachi
Tel: (021) 563 6061 - 66
Fax: (021) 563 6075

Islamabad
15 – E, Mezzanine Floor,
Rehmat Center, Blue Area,
Islamabad
Tel: (051) 287 4601 – 03
Fax: (051) 287 4604

Faisalabad
Room No. 519, 5th Floor,
State Life Building No. 2,
2 Liaqat Road, Faisalbad
Tel: (041) 2624797 – 2624908 – 2617345
Fax: (041) 2625179

Saikkot
Room No. 226, 2nd Floor, Cantt Plaza,
Saikkot Cantonment, Saikkot
Tel: 052 – 6634320 – 4
Fax: 052 – 4595097

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ESCORTS INVESTMENT BANK LIMITED

Escorts House, 26-Davis Road, Lahore.