

ESCORTS
BANK

ESCORTS INVESTMENT
BANK LIMITED

Ever-changing ~ for the better



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

ESCORTS
BANK

SEPTEMBER
2007



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**Quarterly Report
2007**



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Corporate
Information

Board of Directors

Chairman
Bashir Ahmed

President & Chief Executive Officer
Rashid Mansur

Directors

Zaigham Mahmood Rizvi
Bairam Qureshy
Mutahir Ahmed
Shazia Bashir
Qaim Mehdi
Tajamul Hussain Bokhari (nominee National Bank of Pakistan)

Company Secretary
Muhammad Anum Saleem

Executive Management

President & Chief Executive Officer
Rashid Mansur

Executive Director / Head of HR & Administration
Shazia Bashir

Chief Financial Officer / Head of Advisory Services
Muhammad Kamran Nasir

Head of Treasury Division
Arshad I. Khan

Head of Capital Markets Division
Muhammad Jawad Akhtar

Head of MIS & Settlements
Azmat Baig

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

Head of Branch Network
Salman Arshad

Head of Information Technology
Sheharyar Mirza

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



Audit Committee

Chairman
Bashir Ahmed

Members
Tajamul Hussain Bokhari
Bairam Qureshy

Secretary
Muhammad Anum Saleem

Internal Auditors

A. F. Fergusons & Co.
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

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

Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Habib Bank Limited
MCB Bank Limited
PICIC Commercial Bank Limited
The Bank of Khyber Limited



President & CEO's Strategic Review

Quarter Ended September 30, 2007

Ever-changing ~ for the better

I am delighted to update you on the performance of Escorts Investment Bank during the Quarter, July ~ September 2007.

The Quarter under review has been, more than anything else, an extension of the Quarter 3 and Quarter 4 of the last Financial Year. This implied continued pressure on spreads in the NBFC Sector in general, and the Investment Banks and Leasing Companies in particular. At Escorts Bank we were able to absorb some of the negative impact, by enhancing the turnover and the average Asset Base. Nevertheless a fall in Net Interest Margin became inevitable and is reflected in the Profitability of the Quarter under review when compared to the corresponding Quarter of the last Financial Year. What is a source of comfort though is the fact that the Escorts Team, through its relentless efforts, has been able to maintain the Average Quarterly Profit at approximately the preceding Financial Year's level. This translates into a reasonable Return on Capital Employed of 15.60 % P.A. and three months' Earnings per Share of Rs.0.72 (basic and diluted), which I reckon would again be among the highest in the sector.



Again on a positive note, I am very pleased to report overall increase (though in varying degrees) under the following heads:

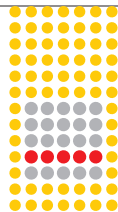
- Gross Revenues
- Investments and Placements
- Total Assets
- Shareholders Equity
- Net Asset Value per Share



Other Highlights

Ongoing progress continues towards the following objectives of our new Five-Year Business Plan, *Escorts Twenty 12*:

- Aligning ourselves to the spirit and functionality of the new NBFC Structure, in a comprehensive manner, taking full advantage of the Enabling Regulatory Environment;
- Placing our Products and Services upfront at new fully equipped Branch Premises, at competitive locations, in all the major cities of Pakistan;
- Building Franchise and Brand Promotion;
- Corporate and Consumer Leasing in custom tailored packages.
- Supplementing our Institutional and Retail Brokerage Services with Margin Finance with the aim of Taking Capital Markets to the People and serving as a Role Model for Corporate Brokerage Businesses, in terms of a transparent and responsible culture of regulatory compliance;



- Introducing Housing Finance Services, under our newly acquired License;
- Launching an Asset Management Company as a Subsidiary of Escorts Investment Bank;
- Offering at least two Country Specific Corporate Advisory Services, namely,
 - Merhaba Turkiye ~ Business Forum and;
 - Bonjour France ~ Forum d'affaires

While concluding I would like to place on record my sincere gratitude to the Board of Directors for their guidance; to all the members of my team for their dedication and high level of professionalism; to our customers for their loyalty and support and finally the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan for their commitment to the process of Financial Sector and Capital Markets Reforms.

I look forward to sharing with you, many more positive reviews for the periods to come.

With warm regards,

Sincerely,

Rashid Mansur
President & CEO

October 30, 2007



Balance Sheet



As at 30 September 2007

ASSETS

	Note	30-Sep-07 Rupees (Un-audited)	30-Jun-07 Rupees (Audited)
Non-current Assets			
Fixed capital expenditure	3	141,792,334	143,159,956
Cards and rooms		84,105,000	78,105,000
Long term investments	4	564,828,415	569,162,392
Long term finances		25,157,081	39,451,792
Net investment in lease finance		66,444,857	53,761,296
Long term loans, deposits and prepayments		15,898,747	15,582,224
Deferred tax asset		22,983,032	22,276,280
Current Assets			
Current maturities of non-current assets		97,606,134	95,684,515
Short term investments	5	1,671,447,976	1,307,019,474
Short term finances		152,256,576	241,978,657
Short term placements	6	2,467,897,362	2,789,895,924
Advances, deposits, prepayments and other receivables		667,785,881	445,154,268
Cash and bank balances		74,138,180	133,428,181
		5,131,132,109	5,013,161,019
		6,052,341,575	5,934,659,959

EQUITY AND LIABILITIES

Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		393,137,777	361,232,726
		834,137,777	802,232,726
Deficit on Revaluation of Investments			
	7	(5,871,783)	(4,140,041)
Non-Current Liabilities			
Term finance certificates	8	584,344,670	629,848,001
Obligation under finance lease		6,646,272	6,788,534
Long term certificates of deposit		302,864,289	312,894,289
Long term security deposit		24,923,951	18,473,051
Current Liabilities			
Current maturities of non-current liabilities		128,105,513	142,300,687
Short term borrowings		2,015,000,000	1,745,000,000
Running finance under mark up arrangements - Secured		313,071,527	295,856,901
Short term certificates of deposit		1,098,409,187	1,718,751,351
Trade and other payables		719,669,294	235,613,582
Provision for taxation		31,040,878	31,040,878
		4,305,296,399	4,168,563,399
Contingencies and Commitments			
	9		
		6,052,341,575	5,934,659,959

The annexed notes 1 to 14 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE OFFICER



Profit and Loss Account (Un-Audited)

For the period ended 30 September 2007

INCOME

	Note	30-Sep-07 Rupees	30-Sep-06 Rupees
Profit on financing		10,915,516	13,317,917
Mark-up on lease finance		2,299,751	665,766
Return on placements		81,810,799	96,162,958
Return on investments	10	87,229,911	87,419,437
Fees and commission		32,506,758	10,956,771
Other income		2,084,395	266,915
		216,847,130	208,789,764

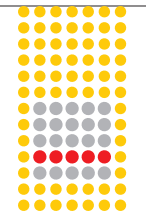
EXPENSES

Return on certificates of deposit		48,988,405	44,866,232
Return on term finance certificates		21,105,765	6,709,153
Mark-up on short term running finance		4,614,493	21,852,412
Mark-up on borrowings from financial institutions		43,368,225	36,593,205
Amortization of premium on held to maturity investments		2,637,009	2,446,815
Administrative and other operating expenses		60,776,521	44,127,990
Other financial charges		192,826	192,502
		181,683,244	156,788,309
Operating profit before taxation		35,163,886	52,001,455
Taxation		3,258,835	6,000,000
Profit after taxation		31,905,051	46,001,455
Earnings per share-basic and diluted	11	0.72	1.04

The annexed notes 1 to 14 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE OFFICER



Cash Flow statement (Un-Audited)

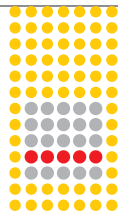
For the period ended 30 September 2007

	30-Sep-07 Rupees	30-Sep-06 Rupees
Cash flow from operating activities		
Profit before taxation	35,163,886	52,001,455
Adjustment for non cash expenses and other items:		
Depreciation on tangible assets	4,291,369	4,474,718
Amortization on intangible assets	249,975	249,975
Amortization of premium on held to maturity investments	2,637,009	2,446,815
Amortization of issuance cost of listed TFCs	393,324	-
Loss on sale of fixed assets	3,749	-
Mark-up/return income	(110,952,952)	(32,129,175)
Dividend income	(20,003,994)	(20,597,375)
Return on deposits and borrowings	118,076,888	110,021,002
	(5,304,632)	64,465,960
	29,859,254	116,467,415
(Increase)/decrease in operating assets		
Repayment / (disbursements) of finances - net	106,794,298	(33,845,302)
Net investment in lease finance	(10,393,448)	(12,341,989)
Investment in placements - net	321,998,562	374,043,061
Investments - net	(365,978,426)	(94,226,247)
Loans, advances, deposits and prepayments	(189,370,555)	(285,758,998)
	(136,949,569)	(52,129,475)
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	270,000,000	205,000,000
(Repayments of) / receipts from certificates of deposit	(644,592,164)	304,613,906
Running finance facilities	17,214,626	(313,805,395)
Trade and other payables	511,648,791	(239,018,978)
	154,271,253	(43,210,467)
Net changes in operating assets and liabilities	17,321,684	(95,339,942)
Mark-up/return received	96,488,701	16,340,411
Return on deposits and borrowings paid	(143,896,121)	(95,650,044)
Dividend received	21,221,503	15,307,800
Net cash generated from / (used in) operating activities before taxes	20,995,021	(42,874,360)
Taxes paid	(24,941,840)	(23,106,660)
Net cash used in operating activities	(3,946,819)	(65,981,020)
Cash flow from investing activities		
Fixed capital expenditure incurred	(4,587,883)	(5,124,119)
Proceeds from sale of fixed assets	1,258,794	661,458
Investment in cards and rooms	(6,000,000)	(32,700,000)
Net cash used in investing activities	(9,329,089)	(37,162,661)
Cash flow from financing activities		
Redemption of privately placed term finance certificates	(45,796,657)	(55,000)
Redemption of listed term finance certificates	(100,000)	-
Repayment of lease obligation	(117,436)	(155,919)
Net cash used in financing activities	(46,014,093)	(210,919)
Net decrease in cash and cash equivalents	(59,290,001)	(103,354,600)
Cash and cash equivalents at the beginning of the year	133,428,181	169,720,022
Cash and cash equivalents at the end of the period	74,138,180	66,365,422

The annexed notes 1 to 14 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 2007

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
Balance as at 01 July 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
Net profit upto 30 June 2006	-	-	84,162,253	84,162,253
Transfer to statutory reserve	-	16,832,451	(16,832,451)	-
Final dividend for 2006 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
Balance as at 30 June 2007	441,000,000	126,486,545	234,746,181	802,232,726
Net profit upto 30 September 2007	-	-	31,905,051	31,905,051
Transfer to statutory reserve	-	6,381,010	(6,381,010)	-
Balance as at 30 September 2007	441,000,000	132,867,555	260,270,222	834,137,777

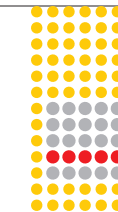
The annexed notes 1 to 14 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER



Notes to the Financial Statements

For the period ended 30 September 2007

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 Escorts House, 26 Davis Road, Lahore.

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

The Company is a member of Karachi Stock Exchange (Guarantee) Limited (KSE) and Lahore Stock Exchange (Guarantee) Limited (LSE). The Company has undertaken to contribute to the assets of the Karachi and Lahore Stock Exchanges, an amount not exceeding one thousand rupee 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 Basis of presentation

These condensed unaudited interim financial statements have been presented in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan. These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2007. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

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 2007.

2.4 Estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 30 June 2007.

3. FIXED CAPITAL EXPENDITURE

	30 September 2007	
	Additions Cost Rupees (Un-Audited)	Disposals Book Value Rupees (Un-Audited)
The following additions and disposals were made during the quarter:		
Computer equipments	889,609	-
Office equipments	144,700	-
Vehicles - Owned	-	1,262,543
	1,034,309	1,262,543
Capital work in progress	3,401,957	-
	4,436,266	1,262,543

4 LONG TERM INVESTMENTS

	30-Sep-07 Rupees (Un-Audited)	30-Jun-07 Rupees Audited
Held to maturity		
Pakistan Investment Bonds	556,357,196	558,994,205
Term Finance Certificates - Unlisted	15,077,273	15,259,091
	571,434,469	574,253,296
Less: Current maturity of Term Finance Certificates	6,606,054	5,090,904
	564,828,415	569,162,392

5 SHORT TERM INVESTMENTS

	30-Sep-07 (Un-Audited)				30-Jun-07 (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								
Listed Term Finance Certificates	28,331,416	-	-	28,331,416	28,257,500	-	-	28,257,500
Listed shares/units	46,862,217	-	-	46,862,217	31,284,203	-	-	31,284,203
Held for trading								
Listed shares	75,193,633	-	-	75,193,633	59,541,703	-	-	59,541,703
	1,596,254,343	-	-	1,596,254,343	1,247,477,771	-	-	1,247,477,771
	1,671,447,976	-	-	1,671,447,976	1,307,019,474	-	-	1,307,019,474
Note								
	5.1							

5.1

These include Rs. 1,529,650,843 (30 June 2007: Rs. 1,210,636,900) investment in shares sold in future market with settlement dates subsequent to the period under review.

6. SHORT TERM PLACEMENTS

	30-Sep-07 Rupees (Un-Audited)	30-Jun-07 Rupees (Audited)
Considered good		
Unsecured	145,000,000	20,000,000
Secured under reverse repurchase agreements	2,322,897,362	2,769,895,924
	2,467,897,362	2,789,895,924

6.1 This represents clean placement with financial institution and carry mark-up ranging from 9.30% to 11% per annum (2007: 11% per annum).

7 DEFICIT ON REVALUATION OF INVESTMENTS

	30-Sep-07 Rupees (Un-Audited)	30-Jun-07 Rupees (Audited)
Avialable for sale		
Listed term finance certificates	(552,379)	(1,423,089)
Listed shares / Units	(5,319,404)	(2,716,952)
	(5,871,783)	(4,140,041)

8 TERM FINANCE CERTIFICATES

	30-Sep-07 Rupees (Un-Audited)	30-Jun-07 Rupees (Audited)
Listed	499,700,000	492,457,974
Unlisted	84,644,670	137,390,027
	584,344,670	629,848,001

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

a) Guarantees

Outstanding guarantees as on balance sheet date were Rs. 111.940 million (2007: Rs. 111.940 million).

b) Taxation

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

9.2 Commitments

	30-Sep-07 Rupees (Un-Audited)	30-Jun-07 Rupees (Audited)
Future sale contract - Shares	1,712,809,960	1,347,984,510
Future purchase contract - Shares	209,753,955	108,829,800
Capital expenditure	1,300,000	1,300,000

10. RETURN ON INVESTMENTS

	30-Sep-07 Rupees (Un-Audited)	30-Sep-06 Rupees (Un-Audited)
Mark-up / return on investments	15,251,262	17,049,758
Dividend income	20,003,994	20,597,375
Capital gain/(loss) on investments	51,974,655	49,772,304
	87,229,911	87,419,437

11. EARNINGS PER SHARE BASIS AND DILUTED

	30-Sep-07 Rupees (Un-Audited)	30-Sep-06 Rupees (Un-Audited)
Profit for the period after taxation (Rupees)	31,905,051	46,001,455
Number of ordinary shares	44,100,000	44,100,000
Earnings per share (Rupees)	0.72	1.04

11.1 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.

12 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-07 Rupees (Un-Audited)	30-Sep-06 Rupees (Un-Audited)
Transactions during the period		
Associated companies:		
Return on finances received	222,294	333,907
Guarantee commission earned	197,350	197,350
Profit paid on certificates of deposit	260,007	1,310,520
Chairman's secretariat expenses	900,000	600,000
Directors:		
Return on finances received	-	71,342
Profit paid on certificates of deposit	7,078,599	3,375,494
Executives:		
Return on finances received	88,721	272,588
Profit paid on certificates of deposit	157,092	651,720
Fixed assets sold	-	513,618
Others:		
Contribution to staff retirement benefits plan	836,240	633,484

	30-Sep-07 Rupees (Un-Audited)	30-Jun-07 Rupees (Audited)
Balance at the end of the period		
Associated companies:		
Advances outstanding	3,212,592	3,560,139
Letter of guarantee outstanding	78,940,000	78,940,000
Certificates of deposit outstanding	10,195,003	10,195,003
Other receivable	696,152	83,825
Directors:		
Advances outstanding	7,500,000	-
Certificates of deposit outstanding	210,550,000	200,550,000
Other receivable	149,320	159,320
Executives:		
Advances outstanding	11,893,945	23,816,100
Certificates of deposit outstanding	4,890,000	6,452,251
Other receivable	52,513	-

13 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 October 2007 by the Board of Directors of the Company.

14 GENERAL

- i Figures have been rounded off to the nearest rupee.
- ii Previous year's figure for following has been rearranged, for the purpose of comparison:
 - a) An amount of Rs.95,067,224 previously shown in "Return on Investments - Gain on Reverse Repurchase Transactions has been shown under "Return on Placements - Placements under Reverse Repurchase Arrangements for better presentation and better understanding of the users of the financial statements.


DIRECTOR


CHIEF EXECUTIVE OFFICER



Network

Head Office & Lahore Branch

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Fax: (042) 637 5950
info@escortsbank.net
www.escortsbank.net

Branch Offices

Karachi Office
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Tel: (021) 563 6061 - 66
Fax: (021) 563 6075
Email: karachi@escortsbank.net

Islamabad Office
32 - West Sohrab Plaza, Jinnah Avenue
Blue Area, Islamabad
Tel: (051) 287 4601 - 03
Fax: (051) 287 4604
Email: islamabad@escortsbank.net

Investment Services Centers (Brokerage)

Main - Lahore
Ground Floor, Escorts House
26 - Davis Road, Lahore
Tel: (042) 630 0757 - 58
Fax: (042) 630 0816

**Lahore Stock Exchange
Building**
Room No. M-3, M-6, G-2 & 419
Lahore Stock Exchange Building,
19-Khayaban-e-Iqbal, Lahore
Tel: (042) 630 7163 - 68
Fax: (042) 630 7168

**Karachi Stock Exchange
Building**
Room No. 53, 53A & 632
Karachi Stock Exchange Building,
Stock Exchange Road, Karachi
Tel: (021) 247 1671 - 74 &
Tel: (021) 247 2370 - 73
Fax: (021) 247 2374

Islamabad
32 - West Sohrab Plaza, Jinnah Avenue
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, Faisalabad
Tel: (041) 262 4797 - 262 4908 - 261 7345
Fax: (041) 262 5179

Sailkot
Room No. 226, 2nd Floor, Cantt Plaza,
Saikot Cantonment, Saikot
Tel: (052) 663 4320-4
Fax: (052) 459 5097



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DAVIS ROAD, LAHORE

ESCORTS
BANK

ESCORTS INVESTMENT
BANK LIMITED

