



ESCORTS INVESTMENT BANK LIMITED

HALF YEARLY REPORT

DECEMBER 2004



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CORPORATE INFORMATION

BOARD OF DIRECTORS

| | |
|--|--|
| Chairman | Bashir Ahmed |
| President & Chief Executive | Rashid Mansur |
| Directors | Abdul Latif Uqaili (nominee Investment Corporation of Pakistan) |
| | Bairam Qureshy |
| | Mutahir Ahmed |
| | Shazia Bashir |
| | Syed Asad Ali Shah |
| | Tajammal Hussain Bokharee (nominee National Bank of Pakistan) |
| Company Secretary | Sadaf Maaz |

AUDIT COMMITTEE

| | |
|------------------|--------------------|
| Chairman | Bashir Ahmed |
| Members | Abdul Latif Uqaili |
| | Syed Asad Ali Shah |
| Secretary | Sadaf Maaz |

EXECUTIVE MANAGEMENT

| | |
|---|-----------------------|
| President & Chief Executive | Rashid Mansur |
| Chief Operating Officer / Head of Marketing & Credits Division | Muhammad Naeem Khan |
| Executive Director | Shazia Bashir |
| Chief Financial Officer / Head of Structured Finance Division | Farooq Hameed Khawaja |
| Head of Capital Markets Division | Azhar A. Batla |
| Head of Treasury Division | Arshad I. Khan |
| Head of Internal Audit Division | Arsalan Baig |

| | |
|-----------------|--|
| AUDITORS | KPMG Taseer Hadi Khalid & Co. Chartered Accountants |
|-----------------|--|



| | |
|--|--|
| LEGAL ADVISORS | Mandviwalla & Zafar Advocates and Legal Consultants |
| TAX CONSULTANTS | KPMG Taseer Hadi Khalid & Co. Chartered Accountants |
| SHARE REGISTRARS | Hameed Majeed Associates (Pvt) Ltd |
| BANKERS | PICIC Commercial Bank Limited Muslim Commercial Bank Limited The Bank of Khyber Limited Bank Alfalah Limited |
| HEAD OFFICE & LAHORE BRANCH | Escorts House 26 – Davis Road, Lahore Tel: (042) 637 1931-34 Fax: (042) 637 5950 Email: mailmanager@escortsbank.net Web site: www.escortsbank.net |
| BRANCH OFFICES | <p>Karachi Office: Ground Floor, Bharia Complex I Moulvi Tamizzudin Khan Road Tel: (021) 561 0448, 561 1221 Fax: (021) 561 0538 Email: karachi@escortsbank.net</p> <p>Islamabad Office: 15 – E, Mezzanine Floor Rehmat Center, Blue Area Tel: (051) 287 4601- 03 Fax: (051) 287 4604 Email: islamabad@escortsbank.net</p> |
| INVESTMENT SERVICES CENTERS (BROKERAGE) | <p>Main - Lahore: Ground Floor State Life Building Davis Road, Lahore Tel: (042) 630 0757 - 630 0758 Fax: (042) 630 7168</p> <p>LSE: Room No. M-3 & M-6, Lahore Stock Exchange Building, 19-Khayaeban-e-Iqbal, Lahore Tel: (042) 630 7163-68 Fax: (042) 630 7168</p> <p>KSE:: Room No. 53 & 53-A, Karachi Stock Exchange Building, Stock Exchange Road, Karachi Tel: (021) 247 2370 - 73 Fax: (021) 247 2374</p> <p>Islamabad: 15 - E, Mezzanine Floor Rehmat Center, Blue Area, Islamabad Tel: (051) 287 4601- 03 Fax: (051) 287 4604</p> |



CHIEF EXECUTIVE'S REVIEW

An Eye On The Future!

Our Strategy Moves On...

I am delighted to update you on the performance of Escorts Investment Bank during the Half-Year July ~ Dec 2004.

It has now become our Bank's tradition, and my cherished privilege, to open, Quarter- after-Quarter, and Year-after-Year, my Reviews with *good news*, follow through with *more good news* and then conclude with a very *Positive Future Outlook*. This Review is no exception.

Breaking News!

Based on the sustained performance of our Bank, JCR-VIS Credit Rating Agency has for the third year in a row, upgraded the Bank's Credit Rating. The Medium to Long Term Rating has been upgraded from A- (Single A minus) to A (Single A) with Stable Outlook while the Short Term Rating has been maintained at A 2 (Single A two).

The upgraded Rating takes into account:

- Strong Sponsor Support
- Continued Commitment to Operational Diversification
- Expansion in Portfolio of Business Activities
- Increase in Resource Base of the Bank
- Good Asset Quality

One of the merits of our Business Plan *Escorts Beyond 2001* is that right from the beginning; it has been well thought, and well documented. The *Vision* and the *Mission* have been clearly defined, the Road Map is laid-out and the Bench-Marking, to Measure Progress vs. Objectives, is Unambiguous.

In Quantitative Terms, the progress made by the Bank is well reflected in the following Financial Highlights:

Financial Highlights (As at December 31, 2004)

Rupees in Million

| Sr.# | Description | July - Dec 2004 | July - Dec 2003 | Growth % |
|------|--------------------------------------|-----------------|-----------------|----------|
| 1 | Profit after Tax | 42 | 42 | - |
| 2 | Shareholder's Equity | 412 | 283 | 46 |
| 3 | Certificates of Investment / Deposit | 1,212 | 876 | 38 |
| 4 | Morabaha Financing | 440 | 390 | 12 |
| 5 | Investment (including placements) | 1,905 | 1,662 | 15 |
| 6 | Total Assets | 3,054 | 2,327 | 31 |



In Qualitative Terms, considerable progress has also been achieved towards:

- Further Strengthening of the Internal Audit Function
- Expansion of Branch Network (Presently six and one more branch at Faisalabad is ready to become operational soon)
- Deployment of state of the art, tailor-made Software Systems for our Brokerage and Investment Banking Operations (New Software System for our Money Market Operations has already been deployed)
- Continued Commitment to Regulatory Compliance

Future Outlook

In the coming months our focus is going to be on the establishment and consolidation of our new areas of operation. As a result of the planned Diversification of Revenue Streams the Fee-Based-Income is expected to show significant increase. Sizeable expansion of Equity and Total Assets is planned through the just announced Right Issue of 40 %. This should also allow the Bank to enter into new activities like Leasing, after completing the necessary formalities and obtaining the required approvals.

Based on the foregoing I can confidently conclude that going forward the outlook for our bank remains very positive.

Each time I share my confidence, regarding the good prospects of our business, with you, I do so with the utmost of humility, as once again I remind myself that I am just one member, of the *Escorts Team*. Put together the relentless efforts of each one of us, make our Business a *Winning Proposition*. To each and every member of this remarkable team I owe my sincere thanks and appreciation.

During the last one year, two of my very dear friends and colleagues left us to join highly coveted positions at other institutions. While it was but reluctantly that we had to let Shauzab Ali and Saqib Ahmed Khan go, albeit, with our best wishes, I take this opportunity to place on record my appreciation for their contribution towards setting up the foundations of new activities, in their respective areas of responsibility. The foregoing review also shows that the Team managed to build upon these foundations and the process of *Value Addition* continued to gain momentum.

Special thanks are also due to the Board of Directors of our Bank for their Guidance and Support, and to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, for providing an Enabling Environment.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rashid Mansur", with a stylized flourish at the end.

Rashid Mansur
President & CEO

February 21, 2005
Lahore.



REVIEW REPORT TO THE MEMBERS

We have reviewed the balance sheet of Escorts Investment Bank Limited (“the Company”) as at 31 December 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “financial statements”) for the half year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standards on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Another firm of auditors have audited and reviewed the financial statements of the Company for the year ended 30 June 2004 and for the half year ended 31 December 2003 respectively, whose audit report dated 27 September 2004 and the review report dated 23 February 2004, were not modified.

Lahore

Taseer Hadi Khalid & Co.
Chartered Accountants



BALANCE SHEET AS AT 31 DECEMBER 2004

| | | 31 December 2004 Rupees (Un-audited) | 30 June 2004 Rupees (Audited) |
|---|---|---|--|
| Assets | | | |
| Cash and bank balances | | 231,637,485 | 60,503,764 |
| Placements | 4 | 1,025,003,729 | 1,034,996,129 |
| Investments | 5 | 879,956,086 | 864,920,316 |
| Morabaha financing | | 440,107,755 | 481,396,304 |
| Advances, deposits, prepayments and other receivables | | 401,986,257 | 234,661,158 |
| Membership cards | | 42,420,000 | 42,420,000 |
| Deferred tax assets | | 518,667 | — |
| Fixed assets | 6 | 32,793,403 | 23,220,356 |
| | | 3,054,423,382 | 2,742,118,027 |
| Liabilities | | | |
| Redeemable capital – Term finance certificates | 7 | 275,000,000 | — |
| Borrowings from financial institutions | | 850,000,000 | 1,060,029,319 |
| Certificates of investment / deposit | | 1,212,277,480 | 1,129,757,482 |
| Liabilities against assets subject to finance lease | | 374,040 | 1,032,002 |
| Creditors, accrued and other liabilities | | 275,490,830 | 89,218,606 |
| Provision for taxation | | 39,470,341 | 38,762,083 |
| Dividends | | 990,619 | 45,059,779 |
| Deferred tax liability | | — | 4,982,521 |
| | | 2,653,603,310 | 2,368,841,792 |
| Contingencies and commitments | 8 | — | — |
| Net assets | | 400,820,072 | 373,276,235 |
| Represented by | | | |
| Share capital | | 300,000,000 | 300,000,000 |
| Reserves | | 45,749,696 | 37,363,397 |
| Unappropriated profit | | 65,998,785 | 32,453,589 |
| | | 411,748,481 | 369,816,986 |
| (Deficit)/Surplus on revaluation of securities | 9 | (10,928,409) | 3,459,249 |
| | | 400,820,072 | 373,276,235 |

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

Rashid Mansur
Chief Executive

Shazia Bashir
Director

**PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

| | <i>Note</i> | Quarter Ended | | Half year Ended | |
|---|-------------|----------------------|-------------------|------------------------|--------------------|
| | | 31-Dec-04 | 31-Dec-03 | 31-Dec-04 | 31-Dec-03 |
| | | Rupees | Rupees | Rupees | Rupees |
| Income | | | | | |
| Profit on morabaha financing | | 10,895,836 | 8,830,258 | 22,032,276 | 20,506,158 |
| Profit on clean placements | | 2,698,833 | 3,511,260 | 5,024,706 | 8,892,396 |
| Return on investments | | 28,822,370 | 28,149,821 | 56,969,019 | 50,603,238 |
| Return on repurchase transactions | | 24,533,735 | 1,944,205 | 40,170,281 | 10,138,255 |
| Profit on sale of investments | | 528,615 | 10,027,229 | 2,958,203 | 23,376,456 |
| Profit on bank deposits | | 121,378 | 557,735 | 993,241 | 990,141 |
| Fees and commission | | 15,186,923 | 4,127,192 | 24,540,432 | 8,566,987 |
| Other Income | | 121,964 | 40,670 | 313,720 | 68,669 |
| | | 82,909,654 | 57,188,370 | 153,001,878 | 123,142,300 |
| Expenditure | | | | | |
| Cost/return on deposits, borrowings etc. | | 33,567,077 | 22,067,120 | 59,277,163 | 43,484,786 |
| Administrative and other operating expenses | | 24,482,386 | 16,615,847 | 46,553,916 | 30,305,442 |
| Amortization of premium on held to maturity investments | | 2,784,653 | — | 2,784,653 | — |
| Financial charges | | 72,545 | 101,228 | 137,323 | 247,189 |
| | | 60,906,661 | 38,784,195 | 108,753,055 | 74,037,417 |
| Operating profit before taxation | | 22,002,993 | 18,404,175 | 44,248,823 | 49,104,883 |
| Provision for taxation | | 867,328 | 3,500,000 | 2,317,328 | 7,000,000 |
| Profit after taxation | | 21,135,665 | 14,904,175 | 41,931,495 | 42,104,883 |
| Unappropriated profit brought forward | | 49,090,253 | 40,316,209 | 32,453,589 | 18,555,643 |
| Profit available for appropriation | | 70,225,918 | 55,220,384 | 74,385,084 | 60,660,526 |
| Appropriations | | | | | |
| Transferred to statutory reserve | | 4,227,133 | 2,980,835 | 8,386,299 | 8,420,977 |
| Unappropriated profit Carried forward | | 65,998,785 | 52,239,549 | 65,998,785 | 52,239,549 |
| Basic earnings per share | 10 | 0.705 | 0.696 | 1.398 | 1.965 |

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



Rashid Mansur
Chief Executive



Shazia Bashir
Director



**CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

| | Half Year Ended | |
|---|-----------------------------|-----------------------------|
| | 31 December 2004 | 31 December 2003 |
| | Rupees | Rupees |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 44,248,823 | 49,104,883 |
| Adjustments for non cash charges | | |
| Depreciation | 2,312,593 | 1,947,110 |
| Amortization of premium on held to maturity investments | 2,784,653 | – |
| Dividend income | (14,165,150) | (7,071,418) |
| Unrealized gain on held for trading investments | (787) | – |
| Gain on sale of fixed assets | (202,034) | – |
| | (9,270,725) | (5,124,308) |
| Decrease/(Increase) in operating assets | | |
| Advances, deposits, prepayments and other receivables | (149,773,178) | (6,743,868) |
| Investments (net) | (36,856,587) | (121,772,826) |
| Morabaha financing | 41,288,549 | (14,184,387) |
| Placements | 9,992,400 | (179,902,705) |
| | (135,348,816) | (322,603,786) |
| (Decrease)/Increase in operating liabilities | | |
| Certificates of investment / deposit | 82,519,998 | 183,607,103 |
| Borrowings from financial institutions | (210,029,319) | 151,100,000 |
| Creditors, accrued and other liabilities | 186,272,224 | 14,684,772 |
| | 58,762,903 | 349,391,875 |
| | (41,607,815) | 70,768,664 |
| Dividend received | 7,028,250 | 6,927,455 |
| Income tax paid | (12,875,986) | (9,429,570) |
| Net cash (used in)/generated from operating activities | (47,455,551) | 68,266,549 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditures | (14,089,664) | (7,243,410) |
| Proceeds from sale of fixed assets | 2,406,058 | – |
| Purchase of membership card | – | (35,100,000) |
| Net cash used in investing activities | (11,683,606) | (42,343,410) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payment of lease obligation under finance leases | (657,962) | (1,065,828) |
| Dividend paid | (44,069,160) | (29,647,893) |
| Proceeds from issuance of Redeemable Capital – TFCs | 275,000,000 | – |
| Net cash generated from/(used in) financing activities | 230,272,878 | (30,713,721) |
| Net increase/(decrease) in cash and cash equivalents | 171,133,721 | (4,790,582) |
| Cash and cash equivalents at the beginning of the period | 60,503,764 | 68,446,192 |
| Cash and cash equivalents at the end of the period | 231,637,485 | 63,655,610 |

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

Rashid Mansur
Chief Executive

Shazia Bashir
Director



**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

| | Share capital | Statutory reserve | Un-appropriated profit | Total |
|---|---------------|-------------------|------------------------|--------------|
| Amounts in Rupees | | | | |
| Balance as on 01 July 2003 | 200,000,000 | 22,638,911 | 18,555,643 | 241,194,554 |
| Profit for the half year ended 31 December 2003 | – | – | 42,104,883 | 42,104,883 |
| Transferred to statutory reserve | – | 8,420,977 | (8,420,977) | – |
| Balance as on 31 December 2003 | 200,000,000 | 31,059,888 | 52,239,549 | 283,299,437 |
| Profit for the half year ended 30 June 2004 | – | – | 31,517,549 | 31,517,549 |
| Right shares issued | 100,000,000 | – | – | 100,000,000 |
| Proposed dividend | – | – | (45,000,000) | (45,000,000) |
| Transferred to statutory reserve | – | 6,303,509 | (6,303,509) | – |
| Balance as on 30 June 2004 | 300,000,000 | 37,363,397 | 32,453,589 | 369,816,986 |
| Profit for the half year ended 31 December 2004 | – | – | 41,931,495 | 41,931,495 |
| Transferred to statutory reserve | – | 8,386,299 | (8,386,299) | – |
| Balance as on 31 December 2004 | 300,000,000 | 45,749,696 | 65,998,785 | 411,748,481 |

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

Rashid Mansur
Chief Executive

Shazia Bashir
Director



NOTES TO THE ACCOUNTS (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2004

1 LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company is listed on the Karachi and Lahore Stock Exchanges. The Company was incorporated in Pakistan on 15 May 1995 and started its commercial operations on 16 October 1996. Escorts Investment Bank Limited is licensed to carry out all investment finance services as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (previously it was licensed to carry out all investment finance activities described under SRO 585(1)/(87) dated 13 July 1987, issued by the Ministry of Finance). The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore. The Company is a member of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited.

Based on the financial results for the year ended 30 June 2004, JCR-VIS Credit Rating Company Limited upgraded the medium to long-term credit rating of Escorts Investment Bank Limited from 'A-' (Single A minus) to 'A' (Single A) with stable outlook. Short-term rating has been maintained at 'A2' (A two).

2 STATEMENT OF COMPLIANCE

These financial statements are un-audited but subject to limited scope review by the auditors as required by Code of Corporate Governance under listing regulations of the Stock Exchanges and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These financial statements have been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan.

3 ACCOUNTING POLICIES

- 3.1 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 2004 except for the change in accounting policy regarding valuation of Held to Maturity Investments.

In accordance with the BSD Circular No 10 of 2004 dated 13 July 2004 issued by State Bank of Pakistan, as clarified and amended vide Circulars 11 and 14 of 2004, investments classified as Held to Maturity have been stated at amortized cost with effect from 30 September 2004, previously these were being stated at their fair values in accordance with the requirements of now superseded BSD Circular 20 dated 04 August 2000. The amortization for the quarter ended 31 December 2004 has been charged to the profit and loss account.

- 3.2 Provision for taxation is based on estimate and final liability will be determined on the basis of annual results.

- 3.3 Change in Accounting Estimate

During the period, the Company has changed its accounting estimate for charging depreciation on fixed assets from reducing balance method to straight line method. Full month depreciation is charged in the month of addition and no depreciation is charged in the month of disposal. Previously full year's depreciation was charged in the year of addition and no depreciation was charged in the year of disposal. Had this change in accounting estimate not been made, the depreciation charge for the period would have been higher by Rs. 294,656.



| | | 31 December 2004 | 30 June 2004 |
|---|------|----------------------|----------------------|
| | Note | Rupees | Rupees |
| 4 PLACEMENTS | | | |
| Considered good | | | |
| Unsecured | 4.1 | 164,093,424 | 234,093,424 |
| Secured under resale agreements | 4.2 | 860,910,305 | 800,902,705 |
| | | <u>1,025,003,729</u> | <u>1,034,996,129</u> |
| 4.1 These represent clean placements with financial institutions. | | | |
| 4.2 Securities held as collateral | | | |
| Pakistan Investment Bonds | | – | 500,000,000 |
| Quoted shares | | 860,910,305 | 300,902,705 |
| | | <u>860,910,305</u> | <u>800,902,705</u> |

5 INVESTMENTS

Held to maturity

| | | | | | | | | |
|---------------------------|---|-------------|---|-------------|---|---|---|---|
| Pakistan Investment Bonds | – | 603,436,649 | – | 603,436,649 | – | – | – | – |
|---------------------------|---|-------------|---|-------------|---|---|---|---|

Available for Sale

| | | | | | | | | |
|----------------------------------|----------------------|----------|----------------------|--------------------|--------------------|----------------------|----------------------|--------------------|
| Pakistan Investment Bonds | – | – | – | – | – | 977,925,000 | (500,000,000) | 477,925,000 |
| Term Finance Certificates | 165,928,636 | – | – | 165,928,636 | 151,299,493 | – | – | 151,299,493 |
| Listed shares/certificates/units | 968,838,105 | – | (860,910,305) | 107,927,800 | 481,598,528 | 35,000,000 | (300,902,705) | 215,695,823 |
| Unlisted Units | – | – | – | – | 20,000,000 | – | – | 20,000,000 |
| | <u>1,134,766,741</u> | <u>–</u> | <u>(860,910,305)</u> | <u>273,856,436</u> | <u>652,898,021</u> | <u>1,012,925,000</u> | <u>(800,902,705)</u> | <u>864,920,316</u> |

Held for Trading

| | | | | | | | | |
|----------------------------------|----------------------|--------------------|----------------------|--------------------|--------------------|----------------------|----------------------|--------------------|
| Listed shares/certificates/units | 2,663,001 | – | – | 2,663,001 | – | – | – | – |
| | <u>1,137,429,742</u> | <u>603,436,649</u> | <u>(860,910,305)</u> | <u>879,956,086</u> | <u>652,898,021</u> | <u>1,012,925,000</u> | <u>(800,902,705)</u> | <u>864,920,316</u> |

- 5.1 An amount of Rs. 265,902,705 representing quoted-equity securities held by the Company under reverse repurchase agreements as at 30 June 2004, previously included in available for sale investments, has been re-classified as Placements.

| | | 31 December 2004 | |
|----------|--|-------------------------------|-----------------------------------|
| | | Additions Costs Rupees | Disposals Book Value Rupees |
| 6 | FIXED ASSETS | | |
| | The following additions & disposals were made during the quarter | | |
| | Improvements on leasehold premises | 1,137,907 | — |
| | Office furniture and fixture | 1,014,619 | — |
| | Computer equipment | 853,325 | — |
| | Office equipment | 476,850 | — |
| | Vehicle | 5,733,300 | 2,204,024 |
| | Capital Work in Progress-Improvements on leasehold premises | 2,797,415 | — |
| | | <u>12,013,416</u> | <u>2,204,024</u> |
| | | 31 December 2004 | 30 June 2004 |
| | <i>Note</i> | Rupees | Rupees |
| 7 | REDEEMABLE CAPITAL-SECURED | | |
| | Term finance certificates | <i>7.1</i> <u>275,000,000</u> | <u>—</u> |
| 7.1 | During the period, the Company issued unlisted Term Finance Certificates (TFCs) of Rs. 275 million to institutional investors carrying a profit rate of KIBOR plus 275 bps provided that the applicable rate shall not be less than 5% per annum and will not exceed 10% per annum, payable semi annually. These are redeemable in 6 equal semi annual installments commencing from 30th month and carry call option exercisable after three years of the issue date. These are secured against hypothecation of Rs. 367 million on all present and future current assets of the Company. Aggregate face value of each certificate is Rs. 5,000,000. | | |
| 8 | CONTINGENCIES AND COMMITMENTS | | |
| 8.1 | Contingencies | | |
| | a) There is no material change in the status of outstanding litigations since the last audited published financial statements. | | |
| | b) Outstanding guarantees as on balance sheet date were Rs. 269.249 million. (30 June 2004: Rs. 203.767 million). | | |
| | | 31 December 2004 | 30 June 2004 |
| | | Rupees | Rupees |
| 8.2 | Commitments | | |
| | Forward sale contracts – Government securities | <u>—</u> | <u>50,000,000</u> |
| | Forward purchase contracts – Government securities | <u>—</u> | <u>250,000,000</u> |
| | Capital expenditure | <u>1,773,686</u> | <u>1,554,421</u> |
| 9 | (DEFICIT)/SURPLUS ON REVALUATION OF INVESTMENTS | | |
| | Government securities | <u>—</u> | <u>13,283,700</u> |
| | Other securities | <u>1,733,466</u> | <u>3,585,919</u> |
| | Shares of listed companies | <u>(12,661,875)</u> | <u>(8,761,075)</u> |
| | | <u>(10,928,409)</u> | <u>8,108,544</u> |
| | Related deferred tax liability | <u>—</u> | <u>(4,649,295)</u> |
| | | <u>(10,928,409)</u> | <u>3,459,249</u> |



| | 01 Jul 04 to 31 Dec 04 Rupees | 01 Jul 03 to 31 Dec 03 Rupees |
|---|--|--|
| 10 EARNINGS PER SHARE | | |
| Profit for the period after taxation (Rupees) | <u>41,931,495</u> | <u>42,104,883</u> |
| Weighted average number of ordinary shares | <u>30,000,000</u> | <u>21,428,571</u> |
| Earnings per share (Rupees) | <u>1.398</u> | <u>1.965</u> |

10.1 Earnings per share for the comparative period has been adjusted for bonus element on right issue.

11 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise, 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 terms of employment are as follows:

| | 01 Jul 04 to 31 Dec 04 Rupees | 01 Jul 03 to 31 Dec 03 Rupees |
|---|--|--|
| 11.1 Transactions during the period | | |
| Return on morabaha financing received | 178,580 | 812,117 |
| Guarantee commission earned | 584,850 | 353,100 |
| Profit paid on certificates of investment / deposit | 1,986,178 | 3,569,815 |
| Markup on subordinated debt | – | 4,806,985 |
| Contribution to staff retirement benefits plan | 777,560 | 591,155 |
| Club membership fee | 1,350,000 | – |
| Office rent paid | 7,063,662 | – |
| | 31 December 2004 Rupees | 30 June 2004 Rupees |
| 11.2 Balance at period end | | |
| Advances | 20,539,172 | 8,037,310 |
| Letters of guarantee | 168,940,000 | 78,964,000 |
| Certificates of investment / deposit | 179,552,750 | 91,414,796 |
| Subordinated debt | – | 84,030,171 |

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 21 February 2005 by the Board of Directors of the Company.

13 GENERAL

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

Rashid Mansur
Chief Executive

Shazia Bashir
Director



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