

QUARTERLY

ESCORTS

BANK

REPORT

30 September **2011**

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Corporate Information

BOARD OF DIRECTORS

Chairman

Bairam Qureishy

President & Chief Executive Officer

Shazia Bashir

Directors

Mutahir Ahmed

Tajamul Hussain Bokharee

Zulfiqar A. Khan

Company Secretary / Chief Financial Officer

Kamran Hafeez

EXECUTIVE MANAGEMENT

President & Chief Executive Officer

Shazia Bashir

Head of Branch Network

Azmat Baig

Head of Proprietary Investments

Hassan Abid Zaidi

Head of MIS

Kamran Chughtai

AUDIT COMMITTEE

Chairman

Bairam Qureishy

Members

Tajamul Hussain Bokharee

Mutahir Ahmed

Secretary

Kamran Hafeez

Internal Auditors

Nasir Javaid Maqsood Imran Ashfaq
Chartered Accountants

External Auditors

Zahid Jamil & Company
Chartered Accountants

Legal Advisors

Lexium Attorneys at Law

Tax Consultants

KPMG Taseer Hadi & Co.
Chartered Accountants

Share Registrars

Hameed Majeed Associates (Pvt.) Ltd.

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Askari Bank Limited
NIB Bank Limited

Directors' Report

The Board of Directors of Escorts Investment Bank Limited (the Company) is pleased to present before you the unaudited financial statements for the quarter ended September 30, 2011.

The business strategy of income diversification and cost rationalization is successfully taking the Company out of the losses and towards profitability. Certain non-earning assets are being converted into earning assets. Cost are kept at reasonable levels resulting in a reduction in after tax loss from Rs. 21.8 million for the quarter ended September 30, 2010 to Rs.2.7 million in the quarter ended September 30, 2011. This shows an improvement of 87.6% which is unmatched in the industry. Your Company's performance has been one of the best in the investment banking sector on the basis of reported earnings, asset quality and growth.

The total income has increased from Rs. 36.9 million in the first quarter of preceding year to Rs. 67.2 million in the same quarter of the current financial year, showing an improvement of Rs. 30.3 million i.e. 82.1%. All streams of income including return on placements, return on investments, fees and commission and other income have shown substantial improvement and the same trend is expected to continue in the future periods.

Expenses have increased from Rs. 58.5 million in the corresponding quarter of preceding year to Rs. 69.3 million in the relevant period of the current year. This is an increase of mere 19.5%. The expenses have only grown by only 19.5% whereas the revenue has increased by a mark 82.1% which has significantly reduced the loss of you Company. The administrative and operating expenses have reduced from Rs. 18.7 million reported in the first quarter of 2010 to Rs. 12.7 million in the same quarter of 2011, showing a decrease of 32%.

The balance sheet size and cash flows have also shown mark improvement. The board believes that the initiatives taken by the new management are contributing towards the top and bottom line of the Company and are expected to translate into profitability for the Company going forward.

Acknowledgement

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

For and on behalf of the Board

Shazia Bashir

President and Chief Executive Officer
Lahore: December 23, 2011

Director

Condensed Interim Balance Sheet

As at 30 September 2011

	Note	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
ASSETS			
Non-current Assets			
Fixed assets		76,340,827	79,157,239
Cards and rooms		33,450,000	33,450,000
Long term investment in subsidiary company		175,004,000	175,004,000
Long term investments	5	101,026,659	157,234,280
Long term finances		12,987,085	118,675,095
Net investment in lease finance		109,627	1,087,592
Long term loans and advances		810,358	892,189
Long term deposits and prepayments		7,861,252	2,827,226
Deferred tax asset		82,481,269	82,481,269
		490,071,077	650,808,890
Current Assets			
Current maturity of non-current assets		548,986,736	462,878,570
Short term investments	6	31,990,564	32,850,804
Short term finances		151,284,797	117,525,245
Short term placements		741,533,700	796,533,715
Advances		6,745,150	2,628,480
Short term deposits and prepayments		48,633,507	17,379,404
Interest accrued		41,169,400	28,272,191
Other receivables		94,779,642	18,612,060
Tax refunds due from government		221,181,953	219,944,925
Cash and bank balances		13,930,568	17,441,234
		1,900,236,017	1,714,066,628
		2,390,307,094	2,364,875,518
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		43,192,290	45,894,888
Deficit on Revaluation of Investments	7	484,192,290 (4,384,466)	486,894,888 (2,498,330)
Non-Current Liabilities			
Term finance certificates		99,919,200	-
Liabilities against assets subject to finance lease		-	-
Long term certificates of deposit		78,505,793	117,263,665
Long term security deposit		201,250	539,465
Current Liabilities			
Current maturity of non-current liabilities		237,329,735	315,694,798
Short term borrowings	8	891,671,996	809,820,762
Running finance - Secured		-	50,000,600
Short term certificates of deposit		363,443,384	431,960,826
Accrued markup		9,484,912	20,455,206
Trade and other payables	9	197,252,481	102,620,899
Provision for taxation		32,690,519	32,122,739
		1,731,873,027	1,762,675,830
Contingencies and Commitments	10	-	-
		2,390,307,094	2,364,875,518

The annexed notes from 1 to 16 form an integral part of this interim financial information.

Condensed Interim Profit and Loss Account

For the Three Months Ended 30 September 2011 (Un-audited)

	Note	Three months ended 30-Sep-11 Rupees	30-Sep-10 Rupees
INCOME			
Profit on financing		12,939,324	9,700,225
Mark-up on lease finance		74,202	750,780
Return on placements		23,038,480	6,858,275
Return on investments	11	22,983,403	19,085,931
Fees and Commission		1,555,000	-
Profit on bank deposits		188,591	272,942
Other income		6,420,742	246,554
		67,199,742	36,914,707
EXPENSES			
Return on certificates of deposit		20,982,269	13,556,894
Return on term finance certificates		6,090,394	11,729,601
Mark-up on short term running finance		102,994	-
Mark-up on borrowings from financial institutions		25,782,272	11,486,031
Amortization of premium on held to maturity investments		3,462,735	3,054,549
Administrative and other operating expenses	12	12,756,641	18,717,506
Other financial charges		157,255	36,070
		69,334,560	58,580,651
Operating loss before taxation		(2,134,818)	(21,665,944)
Taxation		(567,780)	(175,973)
Loss after taxation		(2,702,598)	(21,841,917)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(2,702,598)	(21,841,917)
Loss per share-basic and diluted		(0.06)	(0.50)

The annexed notes from 1 to 16 form an integral part of this interim financial information.

Condensed Interim Cash Flow Statement

For the Three Months Ended 30 September 2011 (Un-audited)

	Note	30-Sep-11 Rupees (Un-audited)	30-Sep-10 Rupees (Un-Audited)
Cash flow from operating activities			
Loss before taxation		(2,134,818)	(21,665,944)
Adjustment for non cash expenses and other items:			
Dividend income		(7,380,847)	(1,462,785)
Depreciation on property and equipment		2,550,156	3,135,710
Amortization on intangible assets		216,645	-
Amortization of premium on held to maturity investments		3,462,735	3,054,549
Amortization of issuance cost of listed TFCs		393,324	393,324
(Loss)/Gain on sale of fixed assets		29,610	(196,473)
		(728,377)	4,924,325
		(2,863,195)	(16,741,619)
Decrease/(increase) in operating assets			
Disbursements of finances - net		26,442,877	5,195,972
Net investment in lease finance		379,723	1,149,878
Placements		55,000,015	(590,000,000)
Investments - net		9,082,939	(93,361,325)
Long term and short term advances		(3,902,124)	(1,143,902)
Interest Accrued		(12,897,209)	(5,527,369)
Other receivables		(76,167,582)	(3,595,609)
Deposits and prepayments		(34,291,209)	(10,232,206)
		(36,352,570)	(697,514,561)
Increase/ (decrease) in operating liabilities			
Borrowings from financial institutions		81,851,234	535,273,046
Certificates of deposit		(69,317,442)	35,584,813
Running finance facility		(50,000,600)	196,000,336
Accrued markup		(10,970,294)	(12,496,892)
Trade and other payables		94,631,582	41,331,488
		46,194,480	795,692,791
Net changes in operating assets and liabilities		9,841,910	98,178,230
Net cash generated from operating activities		6,978,715	81,436,611
Taxes refund/ paid		(1,237,028)	(403,195)
Net cash generated from operating activities		5,741,687	81,033,416
Cash flow from investing activities			
Dividend received		7,380,847	1,462,785
Proceeds from sale of fixed assets		20,000	336,811
Net cash generated from investing activities		7,400,847	1,799,596
Cash flow from financing activities			
Redemption of listed term finance certificates		(16,653,200)	(83,267,000)
Repayment of lease obligation		-	(269,399)
Net cash used in financing activities		(16,653,200)	(83,536,399)
Net decrease in cash and cash equivalents		(3,510,666)	(703,387)
Cash and cash equivalents at the beginning of the period		17,441,234	9,493,983
Cash and cash equivalents at the end of the period		13,930,568	8,790,596

The annexed notes from 1 to 16 form an integral part of this interim financial information.

Chief Executive Officer

Director

Condensed Interim Statement of Changes in Equity

For the Three Months Ended 30 September 2011 (Un-audited)

	Share capital Rupees	Statutory reserve Rupees	Accumulated (loss) Rupees	Total Rupees
Balance as at 01 July 2010	441,000,000	154,050,085	(77,076,939)	517,973,146
Net Loss upto 30 September 2010	-	-	(21,841,917)	(21,841,917)
Other comprehensive income				
Total comprehensive loss	-	-	(21,841,917)	(21,841,917)
Balance as at 30 September 2010	441,000,000	154,050,085	(98,918,856)	496,131,229
Balance as at 01 July 2011	441,000,000	154,050,085	(108,155,197)	486,894,888
Net Loss upto 30 September 2011	-	-	(2,702,598)	(2,702,598)
Other comprehensive income				
Total comprehensive loss	-	-	(2,702,598)	(2,702,598)
Balance as at 30 September 2011	441,000,000	154,050,085	(110,857,795)	484,192,290

The annexed notes from 1 to 16 form an integral part of this interim financial information.

 Chief Executive Officer

 Director

Condensed Interim Notes to the Financial Statements

For the Three Months Ended 30 September 2011 (Un-audited)

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 operations 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 as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

The Pakistan Credit Rating Agency (PACRA) has assigned the long-term credit rating of the Company as "BBB-" and the short-term rating as "A3" dated 22 September 2011.

2. BASIS OF PRESENTATION

This interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standards (IAS) -34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provision of or directives issued under Companies Ordinance, 1984 have been followed.

This interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2011.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended 30 June 2011.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information 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 judgments 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 2011.

	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
5. LONG TERM INVESTMENTS		
Held to maturity		
Pakistan Investment Bonds	508,192,871	511,655,606
Term Finance Certificates - Unlisted	-	10,108,833
	508,192,871	521,764,439
Less: Current maturity of Term Finance Certificates	-	6,070,903
Less: Current maturity of Pakistan Investment Bonds	407,166,212	358,459,256
	101,026,659	157,234,280
6. SHORT TERM INVESTMENTS		
Held for Trading		
Listed Shares and units	1,207,122	569,500
Available for sale		
Term Finance Certificates - Listed	3,283,420	3,284,736
Listed Shares and units	31,919,186	31,972,101
Impairment Loss	-	(412,303)
	36,409,728	35,414,034
(Deficit) / Surplus on revaluation	(4,419,164)	(2,563,230)
	31,990,564	32,850,804
7. DEFICIT ON REVALUATION OF INVESTMENTS		
Available for sale		
Listed term finance certificates	26,182	34,532
Listed shares / units	(4,410,648)	(2,532,862)
Less: Deferred tax	-	-
	(4,384,466)	(2,498,330)
8. SHORT TERM BORROWINGS		
8.1 Financial institutions - Secured	891,671,996	809,820,762

These represents borrowings under repurchase agreements and carry mark-up ranging from 13.45% to 13.90% per annum (2011: 13.45% to 14% per annum) and are for a period ranging from 4 days to one month (2011: 6 days to 1 month). These are secured against Pakistan Investment Bonds.

	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
9. TRADE AND OTHER PAYABLES		
Customers' credit balances	9,627,441	7,221,277
Accrued expenses and other payables	184,280,542	91,802,124
Provision for compensated absences	957,494	1,210,494
Unclaimed dividend	2,387,004	2,387,004
	197,252,481	102,620,899
10. CONTINGENCIES AND COMMITMENTS		
Outstanding guarantees	-	1,500,000
Future sale contract - Purchase	155,334,983	147,625,200
Future sale contract - Shares	48,448,018	70,280,455
	Three months ended 30-Sep-11 Rupees (Un-audited)	30-Sep-10 Rupees (Un-audited)
11. RETURN ON INVESTMENTS		
Mark-up / return on investments	14,281,211	15,903,069
Dividend income	7,380,847	1,462,785
Fair value loss on held for trading investment	30,202	-
Capital gain/(loss) on investments	1,291,143	1,720,077
	22,983,403	19,085,931
12. ADMINISTRATIVE AND OTHER OPERATING EXPENSES		
Salaries, wages, other benefits and allowances	3,988,633	8,327,770
Staff Training and Welfare	2,048	4,895
Advertisement and business promotion	18,410	31,601
Donation	-	100,170
Rent, rates and taxes	1,673,770	2,272,982
Utilities	244,409	584,623
Communication charges	357,493	338,793
Traveling and vehicle maintenance	1,090,717	1,103,217
Repair and maintenance	311,077	381,447
Entertainment	233,314	317,083
Fee and subscriptions	175,233	719,428
Legal and professional charges	353,805	496,538
Printing and stationery	257,738	222,921
Fee, brokerage and commission	27,419	30,571
CDC and clearing charges	573,882	-
Insurance	150,291	231,092
Amortization of issuance cost of listed TFCs	393,324	393,324
Depreciation	2,550,150	3,135,697
Amortization on intangible assets	216,645	-
Loss on sale of fixed assets	29,610	-
Staff motor vehicle contribution and insurance	19,533	19,533
Miscellaneous expenses	89,140	5,821
	12,756,641	18,717,506

13. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, subsidiary company, local associated companies, staff retirement funds, directors and other key management personnel. Material 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-11 Rupees (Un-audited)	30-Sep-10 Rupees (Un-audited)
Transactions during the period		
Subsidiary Company:		
Profit paid on certificates of deposit	6,718,114	305,100
Return on finances received	18,000,000	-
Return on assets	1,485,863	1,485,863
Associated companies:		
Return on finances received	-	134,431
Profit paid on certificates of deposit	161,308	161,308
Chairman's secretariat expenses	900,000	900,000
Directors:		
Return on finances received	293,694	-
Profit paid on certificates of deposit	1,711,457	3,925,890
Executives:		
Return on finances received	326,197	53,228
Profit paid on certificates of deposit	2,012,337	144,423
Fixed assets sold	-	336,811
Others:		
Contribution to staff retirement benefits plan	160,411	268,780
	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
Balance at the end of the period		
Subsidiary Company:		
Certificates of deposit outstanding	72,955,044	72,955,044
Financing outstanding	100,000,000	100,000,000
Receivable from Subsidiary Company	131,552,234	27,901,842
Profit receivable on financing	-	16,654,891
Markup payable on COD	1,415,128	5,974,573
Associated companies:		
Financing outstanding	78,048,413	78,048,413
Letter of guarantee outstanding	-	1,500,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	5,636,867	4,000,000
Directors:		
Financing outstanding	19,938,933	20,137,497
Certificates of deposit outstanding	50,400,000	50,400,000
Executives:		
Financing outstanding	4,568,812	7,026,469
Certificates of deposit outstanding	58,701,663	58,568,784

14. 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.

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.

	Three Months ended 30 September 2011		
	Financing activities	Investing activities	Total
Profit on financing	12,939,324		12,939,324
Mark-up on lease finance	74,202		74,202
Return on placements		23,038,480	23,038,480
Return on investments	-	22,983,403	22,983,403
Fee and commission		1,555,000	1,555,000
Total income for reportable segments	13,013,526	47,576,883	60,590,409
Finance costs	12,151,729	44,426,190	56,577,919
Administrative and other operating expenses	2,739,854	10,016,787	12,756,641
Segment result	(1,878,057)	(6,866,094)	(8,744,151)
Other operating income			6,609,333
Loss before taxation			(2,134,818)
Segment assets	319,326,265	1,516,075,684	1,835,401,949
Unallocated assets			554,905,145
			2,390,307,094
Segment liabilities	140,492,524	346,834,613	487,327,137
unallocated liabilities			1,418,787,667
Equity			484,192,290
			2,390,307,094

Three Months ended 30 September 2010

	Financing activities	Investing activities	Total
Profit on financing	9,700,225	-	9,700,225
Mark-up on lease finance	750,780	-	750,780
Return on placements		6,858,275	6,858,275
Return on investments		19,085,931	19,085,931
Total income for reportable segments	10,451,005	25,944,206	36,395,211
Finance costs	11,446,834	28,416,311	39,863,145
Administrative and other operating expenses	5,374,794	13,342,712	18,717,506
Segment result	(6,370,622)	(15,814,818)	(22,185,440)
Other operating income			519,496
Loss before taxation			(21,665,944)
Segment assets	266,584,051	1,699,927,913	1,966,511,964
Unallocated assets			547,837,982
			2,514,349,946
Segment liabilities	162,980,085	545,207,138	708,187,223
unallocated liabilities			1,310,031,494
Equity			496,131,229
			2,514,349,946

15. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 23rd December 2011.

16. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

Consolidated Financial Statements

30 September 2011



Condensed Interim Consolidated Balance Sheet

As at 30 September 2011

	Note	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
ASSETS			
Non-current Assets			
Fixed assets		79,815,942	82,738,987
Cards and rooms		84,955,000	84,955,000
Long term investments	6	101,026,659	157,234,280
Long term finances		12,987,085	18,675,095
Net investment in lease finance		109,627	1,087,592
Long term loans and advances		810,358	892,189
Long term deposits and prepayments		10,090,252	5,056,226
Deferred tax asset		82,481,269	82,481,269
		372,276,192	433,120,638
Current Assets			
Current maturity of non-current assets		448,986,736	462,878,570
Short term investments	7	31,990,564	32,850,804
Short term finances		151,284,797	117,525,246
Short term placements		741,533,700	796,533,715
Advances		6,950,883	2,996,240
Short term deposits and prepayments		82,071,130	22,762,668
Interest accrued		20,014,509	11,390,102
Other receivables		178,008,856	16,884,011
Tax refunds due from government		224,091,873	222,140,459
Cash and bank balances		24,937,841	26,434,601
		1,909,870,889	1,712,396,416
		2,282,147,081	2,145,517,054
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		(145,963,205)	(136,892,948)
Deficit on Revaluation of Investments	8	295,036,795 (4,384,466)	304,107,052 (2,498,330)
Non-Current Liabilities			
Term finance certificates		99,919,200	-
Long term certificates of deposit		78,505,793	117,263,665
Long term security deposit		201,250	539,465
Current Liabilities			
Current maturity of non-current liabilities		237,329,735	315,694,798
Short term borrowings	9	891,671,996	809,820,762
Running finance - Secured		-	50,000,600
Short term certificates of deposit		290,488,340	359,005,782
Accrued markup		8,622,788	14,480,633
Trade and other payables	10	352,065,131	144,905,250
Provision for taxation		32,690,519	32,197,377
		1,812,868,509	1,726,105,202
Contingencies and Commitments	11	-	-
		2,282,147,081	2,145,517,054

The annexed notes from 1 to 17 form an integral part of this interim financial information.

Condensed Interim Consolidated Profit and Loss Account

For the Three Months Ended 30 September 2011 (Un-audited)

	Note	Three months ended	
		30-Sep-11 Rupees	30-Sep-10 Rupees
INCOME			
Profit on financing		6,953,461	9,700,225
Mark-up on lease finance		74,202	750,780
Return on placements		23,038,480	6,858,275
Return on investments	12	22,983,403	19,085,931
Fees and Commission		2,516,034	880,470
Profit on bank deposits		857,453	664,090
Other income		6,430,095	264,481
		62,853,128	38,204,252
EXPENSES			
Return on certificates of deposit		19,567,141	12,904,638
Return on term finance certificates		6,090,394	11,729,601
Mark-up on short term running finance		102,994	-
Mark-up on borrowings from financial institutions		25,782,272	11,486,031
Amortization of premium on held to maturity investments		3,462,735	3,054,549
Administrative and other operating expenses	13	15,711,185	22,152,770
Other financial charges		161,558	41,814
		70,878,279	61,369,403
Operating loss before taxation		(8,025,151)	(23,165,151)
Taxation		(1,045,106)	(271,838)
Loss after taxation		(9,070,257)	(23,436,989)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(9,070,257)	(23,436,989)
Loss per share-basic and diluted		(0.21)	(0.53)

The annexed notes from 1 to 17 form an integral part of this interim financial information.

Condensed Interim Consolidated Cash Flow Statement

For the Three Months Ended 30 September 2011 (Un-audited)

Note	30-Sep-11 Rupees (Un-audited)	30-Sep-10 Rupees (Un-Audited)
Cash flow from operating activities		
Loss before taxation	(8,025,151)	(23,165,151)
Adjustment for non cash expenses and other items:		
Dividend income	(7,380,847)	(1,462,785)
Depreciation on property and equipment	2,656,789	3,281,649
Amortization on intangible assets	216,645	-
Amortization of premium on held to maturity investments	3,462,735	3,054,549
Amortization of issuance cost of listed TFCs	393,324	393,324
(Gain)/Loss on sale of fixed assets	29,610	(196,473)
	(621,744)	5,070,264
	(8,646,895)	(18,094,887)
Decrease/(increase) in operating assets		
Disbursements of finances - net	26,442,878	15,195,971
Net investment in lease finance	379,723	1,149,878
Placements	55,000,015	(590,000,000)
Investments - net	9,082,939	(93,361,325)
Long term and short term advances	(3,740,097)	(1,265,266)
Interest Accrued	(8,624,407)	(5,927,295)
Other receivables	(161,124,845)	(36,827,380)
Deposits and prepayments	(62,345,568)	(18,586,992)
	(144,929,362)	(729,622,409)
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	81,851,234	535,273,046
Certificates of deposit	(69,317,442)	35,310,223
Running finance facility	(50,000,600)	196,000,336
Accrued markup	(5,857,845)	(12,496,892)
Trade and other payables	207,159,881	73,479,420
	163,835,228	827,566,133
Net changes in operating assets and liabilities	18,905,866	97,943,724
Net cash generated from operating activities	10,258,971	79,848,837
Taxes refund/ paid	(2,503,378)	(583,005)
Net cash generated from operating activities	7,755,593	79,265,832
Cash flow from investing activities		
Dividend received	7,380,847	1,462,785
Proceeds from sale of fixed assets	20,000	336,811
Investment in Cards and rooms	-	(52,892)
Net cash generated from investing activities	7,400,847	1,746,704
Cash flow from financing activities		
Redemption of listed term finance certificates	(16,653,200)	(83,267,000)
Repayment of lease obligation	-	(269,399)
Net cash used in financing activities	(16,653,200)	(83,536,399)
Net increase / (decrease) in cash and cash equivalents	(1,496,760)	(2,523,863)
Cash and cash equivalents at the beginning of the period	26,434,601	19,507,754
Cash and cash equivalents at the end of the period	24,937,841	16,983,891

The annexed notes from 1 to 17 form an integral part of this interim financial information.

Condensed Interim Consolidated Statement of Changes in Equity

For the Three Months Ended 30 September 2011 (Un-audited)

	Share capital Rupees	Statutory reserve Rupees	Accumulated (loss) Rupees	Total Rupees
Balance as at 01 July 2010	441,000,000	154,050,085	(228,757,763)	366,292,322
Net Loss upto 30 September 2010	-	-	(23,436,989)	(23,436,989)
Other comprehensive income				
Total comprehensive loss	-	-	(23,436,989)	(23,436,989)
Balance as at 30 September 2010	441,000,000	154,050,085	(252,194,752)	342,855,330
Balance as at 01 July 2011	441,000,000	154,050,085	(290,943,033)	304,107,052
Net Loss upto 30 September 2011	-	-	(9,070,257)	(9,070,257)
Other comprehensive income				
Total comprehensive loss	-	-	(9,070,257)	(9,070,257)
Balance as at 30 September 2011	441,000,000	154,050,085	(300,013,290)	295,036,795

The annexed notes from 1 to 17 form an integral part of this interim financial information.

Condensed Interim Consolidated Notes to the Financial Statements

For the Three Months Ended 30 September 2011 (Un-audited)

1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited and its subsidiary Company (“The Group”) comprises of holding Company Escorts Investment Bank Limited (EIBL) and a wholly owned Subsidiary Company Escorts Capital Limited (“ESCAP”).

EIBL (“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 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.

ESCAP (“the Subsidiary”) was incorporated as a public Limited company in Pakistan on 5 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 subsidiary is situated at Escorts House, 26 Davis Road, Lahore.

2. BASIS OF PRESENTATION

This interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standards (IAS) -34 “Interim Financial Reporting” and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provision of or directives issued under Companies Ordinance, 1984 have been followed.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the Group financial statements for the year ended 30 June 2011.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim consolidated financial information 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 judgments made by management in applying the Group’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 2011.

5. BASIS OF CONSOLIDATION

The basis of consolidation for the preparation of this financial statements are the same as those followed in preparation of the annual audited consolidated financial statements of the Group for the year ended 30 June 2011.

	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
6. LONG TERM INVESTMENTS		
Held to maturity		
Pakistan Investment Bonds	508,192,871	511,655,606
Term Finance Certificates - Unlisted	-	10,108,833
	508,192,871	521,764,439
Less: Current maturity of Term Finance Certificates	-	6,070,903
Less: Current maturity of Pakistan Investment Bonds	407,166,212	358,459,256
	101,026,659	157,234,280
7. SHORT TERM INVESTMENTS		
Held for Trading		
Listed Shares and units	1,207,122	569,500
Available for sale		
Term Finance Certificates - Listed	3,283,420	3,284,736
Listed Shares and units	31,919,186	31,972,101
Impairment Loss	-	(412,303)
	36,409,728	35,414,034
(Deficit) / Surplus on revaluation	(4,419,164)	(2,563,230)
	31,990,564	32,850,804
8. DEFICIT ON REVALUATION OF INVESTMENTS		
Available for sale		
Listed term finance certificates	26,182	34,532
Listed shares / units	(4,410,648)	(2,532,862)
	(4,384,466)	(2,498,330)

	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
9. SHORT TERM BORROWINGS		
9.1 Financial institutions - Secured	891,671,996	809,820,762

These represents borrowings under repurchase agreements and carry mark-up ranging from 13.45% to 13.90% per annum (2011: 13.45% to 14% per annum) and are for a period ranging from 4 days to one month (2011: 6 days to 1 month). These are secured against Pakistan Investment Bonds.

	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
10. TRADE AND OTHER PAYABLES		
Customers' credit balances	162,011,545	45,813,809
Accrued expenses and other payables	186,709,088	95,493,943
Provision for compensated absences	957,494	1,210,494
Unclaimed dividend	2,387,004	2,387,004
	352,065,131	144,905,250

11. CONTINGENCIES AND COMMITMENTS		
Outstanding guarantees	-	1,500,000
Future sale contract - Purchase	155,334,983	147,625,200
Future sale contract - Shares	48,448,018	70,280,455

	Three months ended 30-Sep-11 Rupees (Un-audited)	30-Sep-10 Rupees (Un-audited)
12. RETURN ON INVESTMENTS		
Mark-up / return on investments	14,281,211	15,903,069
Dividend income	7,380,847	1,462,785
Fair value loss on held for trading investment	30,202	-
Capital gain/(loss) on investments	1,291,143	1,720,077
	22,983,403	19,085,931

	Three months ended	
	30-Sep-11	30-Sep-10
	Rupees	Rupees
	(Un-audited)	(Un-audited)
13. ADMINISTRATIVE AND OTHER OPERATING EXPENSES		
Salaries, wages, other benefits and allowances	5,966,006	10,181,320
Staff Training and Welfare	2,048	4,895
Advertisement and business promotion	18,410	31,601
Donation	-	100,170
Rent, rates and taxes	2,323,578	2,580,083
Utilities	319,094	814,379
Communication charges	559,817	650,056
Traveling and vehicle maintenance	1,156,595	1,202,954
Repair and maintenance	411,118	455,871
Entertainment	260,552	346,204
Fee and subscriptions	236,459	778,001
Legal and professional charges	428,805	571,538
Printing and stationery	270,098	250,458
Fee, brokerage and commission	27,419	30,571
CDC and clearing charges	171,341	171,726
Insurance	150,291	236,306
Amortization of issuance cost of listed TFCs	393,324	393,324
Depreciation	2,656,782	3,281,637
Amortization on intangible assets	216,645	-
Loss on sale of fixed assets	29,610	-
Staff motor vehicle contribution and insurance	19,533	19,533
Miscellaneous expenses	93,660	52,143
	15,711,185	22,152,770

14. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, local associated companies, staff retirement funds, directors and other key management personnel. Material 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-11 Rupees (Un-audited)	30-Sep-10 Rupees (Un-audited)
Transactions during the period		
Associated companies:		
Return on finances received	-	134,431
Profit paid on certificates of deposit	161,308	161,308
Chairman's secretariat expenses	900,000	900,000
Directors:		
Return on finances received	293,694	-
Profit paid on certificates of deposit	1,711,457	3,925,890
Executives:		
Return on finances received	326,197	53,228
Profit paid on certificates of deposit	2,012,337	144,423
Fixed assets sold	-	336,811
Others:		
Contribution to staff retirement benefits plan	160,411	268,780
	30-Sep-11 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
Balance at the end of the period		
Associated companies:		
Financing outstanding	78,048,413	78,048,413
Letter of guarantee outstanding	-	1,500,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	5,636,867	4,000,000
Directors:		
Financing outstanding	19,938,933	20,137,497
Certificates of deposit outstanding	50,400,000	50,400,000
Executives:		
Financing outstanding	4,568,812	7,026,469
Certificates of deposit outstanding	58,701,663	58,568,784

15. 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.

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.

	Three Months ended 30 September 2011		
	Financing activities	Investing activities	Total
Profit on financing	6,953,461		6,953,461
Mark-up on lease finance	74,202		74,202
Return on placements		23,038,480	23,038,480
Return on investments	-	22,983,403	22,983,403
Fee and commission		2,516,034	2,516,034
Total income for reportable segments	7,027,663	48,537,917	55,565,580
Finance costs	6,977,264	48,189,830	55,167,094
Administrative and other operating expenses	1,987,074	13,724,111	15,711,185
Segment result	(1,936,675)	(13,376,024)	(15,312,699)
Other operating income			7,287,548
Loss before taxation			(8,025,151)
Segment assets	198,171,374	1,392,576,684	1,590,748,058
Unallocated assets			691,399,023
			2,282,147,081
Segment liabilities	73,158,462	225,013,180	298,171,642
unallocated liabilities			1,688,938,644
Equity			295,036,795
			2,282,147,081

Three Months ended 30 September 2010

	Financing activities	Investing activities	Total
Profit on financing	9,700,225	-	9,700,225
Mark-up on lease finance	750,780	-	750,780
Return on placements		6,858,275	6,858,275
Return on investments		19,085,931	19,085,931
Fee and commission		880,470	880,470
Total income for reportable segments	10,451,005	26,824,676	37,275,681
Finance costs	10,995,191	28,221,442	39,216,633
Administrative and other operating expenses	6,210,985	15,941,785	22,152,770
Provision for doubtful financing - reversed	-	-	-
Segment result	(6,755,171)	(17,338,551)	(24,093,722)
Other operating income			928,571
Loss before taxation			(23,165,151)
Segment assets	206,584,051	1,576,927,510	1,783,511,561
Unallocated assets			599,085,473
			2,382,597,034
Segment liabilities	117,524,761	437,386,566	554,911,327
unallocated liabilities			1,484,830,374
Equity			342,855,333
			2,382,597,034

16. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 23rd December 2011.

17. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director



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