



ESCORTS INVESTMENT  
BANK LIMITED

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# Corporate Information

## Board of Directors

**Chairman**  
Bashir Ahmed

**President & Chief Executive Officer**  
Rashid Mansur

### Directors

Bairam Qureshy  
Mutahir Ahmed  
Shazia Bashir  
Qaim Mehdi  
Tajamul Hussain Bokhari

**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 MIS & Settlements**  
Azmat Baig

**Head of Information Technology**  
Sheharyar Mirza

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

## Legal Advisors

Lexium - Attorneys at Law  
Advocates and Legal Consultants

## Audit Committee

**Chairman**  
Bashir Ahmed

**Members**  
Tajamul Hussain Bokhari  
Bairam Qureshy

**Secretary**  
Muhammad Anum Saleem

## Internal Auditors

A. F. Ferguson & Co.  
Chartered Accountants

## External Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## 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  
MCB Bank Limited  
The Hong Kong and Shanghai  
Banking Corporation Ltd.  
The Bank of Khyber Limited  
Allied Bank of Pakistan

## Directors' Report

The Board of Directors of Escorts Investment Bank Limited takes pleasure in presenting before you, the un-audited Financial Statements, for the half year ended December 31, 2008 duly reviewed by the external auditors as required by the Code of Corporate Governance.

During the period under review Pakistan passed through its worst economic crisis in decades, with massive trade and budget deficits, plunging foreign currency reserves and flight of capital, making the economy stagnant, and dependent on US aid and International Monetary Fund (IMF) bailout.

In addition, the Financial Sector of the country witnessed a severe liquidity crunch, the record freeze of the Capital Markets for 111 days and a virtual halt in the lending activities by the Commercial Banks. This impacted the earnings potential of all the participants within the financial system including the smaller institutions with NBFCs being no exception. Mutual Funds, Leasing Companies, Investment Banks, some Commercial Banks and Modarabas have all faced liquidity issues, though in varying degrees and borrowings on the Money Market Counter had either not been available or made available at exorbitant rates. The freeze of the Capital Markets had a negative effect on investments, as they could not be liquidated and saw a massive plunge in their values which has to be recognized within the Calendar Year 2009. All of the above contributed to technical defaults by some institutions, at the money market counters and increased financial costs amidst no business activity.

In spite of all this, Escorts Investment Bank was able to demonstrate its resilience in terms of asset quality, highly liquid position and excellent asset liability maturity profile. However, due to immense slowdown in the Economic Activity as stated above, the overall business performance of our Bank remained slow. The Bank has been very proactive during these tough times and acted very cautiously which is evident from the following facts:

- As a matter of prudence in turbulent times, the level of leverage was brought down from 6.05 times of Equity as at June 30' 2008 to 2.25 times of Equity as at December 31' 2008, which is reflected in the reduced size of the Balance Sheet.
- Short term Borrowings were adjusted in accordance with the Management decision to not invest in the short term assets during the current economic crisis
- Investments in Capital Markets related activities were successfully curtailed in anticipation of the worsening Capital Markets situation.
- High liquidity position of the Bank was maintained throughout the period of economic and political turmoil in the country.
- ***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 above measures have translated in the following Operating results for the half year ended December 31, 2008:

	2008	2007
	(Rupees in million)	
Revenue	273	416
Operating Expenses	98	128
Financial Expenses	170	245
Operating profit before provision and taxation	5	43
Operating profit before taxation	5	43
Profit after taxation	5	51
Earnings per Share (Rs)	0.11	1.16

It would be important to note that as explained in Note 7.4 to the Financial Statements, the Management feels that the impairment loss of Rs. 113 Million based on market values of securities as at December 31' 2008 cannot be considered to be a fair reflection of equity values. Therefore, the same has not been charged to the profit and loss account and has been taken to the Equity instead as per permission granted by Securities and Exchange Commission of Pakistan (SECP) vide notification SRO 150 (1)/2009 dated February 13' 2009. However, if the Capital Markets situation does not improve and share prices do not recover, this impairment loss would have to be routed through the profit and loss account during the four quarters of the Calendar Year 2009.

During this period, our Bank has also separated the Brokerage Business by forming a wholly owned company (Escorts Capital Limited) in compliance with the NBFC Regulations with effect from November 21' 2008. The company is now fully operational; systems and processes are in place with regulatory compliance and transparency as its profound objective.

#### Future Outlook

Our Bank, while remaining cautious and prudent during the prevailing economic and political meltdown, is focused on capitalizing on every opportunity that may arise as a result of any ease in the current situation that would add value for all our stakeholders. Our Bank has been continuously fine-tuning its business model to adjust itself to extremely volatile and negative trends in the market. However, relying on our prudent and proactive risk management that has always helped us maintain our best position in the NBFC Sector, we are hopeful of weathering the storm during 2009, which we believe is going to be the most challenging Calendar Year for the entire Financial Sector particularly for the NBFCs.

#### Acknowledgement

The Board of Directors would like to take this opportunity to express their appreciation for the employees of the Bank, for their commitment, hard work and cooperation throughout these testing times. The Bank recognizes and records its gratitude for all their efforts.

For and on behalf of the Board



Rashid Mansur  
**President & CEO/Director**

Lahore: 28 February 2009

# Independent Report on Review of Condensed Interim Financial Information to the members of Escorts Investment Bank Limited

## *Introduction*

We have reviewed the accompanying condensed interim balance sheet of **Escorts Investment Bank Limited** as at 31 December 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period then ended (condensed interim financial information). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial information based on our review.

## *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended 31 December, 2008 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

Lahore:  
28 February 2009

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**KPMG Taseer Hadi & Co.**  
Chartered Accountants

## Condensed Interim Balance Sheet

As at 31 December 2008

### ASSETS

	Note	31-Dec-08 Rupees (Un-audited)	30-Jun-08 Rupees (Audited)
<b>Non-current Assets</b>			
Fixed assets	5	125,997,856	135,382,584
Cards and rooms		32,700,000	67,950,000
Long term investment in subsidiary company		175,004,000	175,004,000
Long term investments	6	551,451,857	556,374,351
Long term finances		23,200,397	21,436,448
Net investment in lease finance		39,828,899	55,931,406
Long term loans and advances		1,213,319	3,208,457
Long term deposits and prepayments		9,792,941	11,215,958
Deferred tax asset		75,962,978	75,962,978
<b>Current Assets</b>			
Current maturities of non-current assets		87,726,266	96,734,937
Short term investments	7	96,858,120	1,578,486,799
Short term finances		69,416,393	193,162,298
Short term placements	8	190,814,128	2,493,281,543
Advances, deposits, prepayments and other receivables		487,166,299	852,836,224
Cash and bank balances		554,045,992	179,941,667
		1,486,027,198	5,394,443,468
		2,521,179,445	6,496,909,650

### EQUITY AND LIABILITIES

<b>Share Capital and Reserves</b>			
Share capital		441,000,000	441,000,000
Reserves		327,507,002	410,850,425
		768,507,002	851,850,425
Deficit on Revaluation of Investments	7.3	(115,242,617)	(3,533,300)
<b>Non-Current Liabilities</b>			
Term finance certificates	9	411,350,919	539,627,983
Liabilities against assets subject to finance lease		5,494,659	5,940,335
Long term certificates of deposit		288,042,287	340,178,159
Long term security deposit		18,481,725	25,789,464
<b>Current Liabilities</b>			
Current maturities of non-current liabilities		211,260,249	107,946,750
Short term borrowings		572,000,000	2,345,000,000
Running finance - Secured		280,829	1,088,962,624
Short term certificates of deposit		252,305,802	971,576,855
Trade and other payables		79,983,059	194,854,823
Provision for taxation		28,715,531	28,715,532
		1,144,545,470	4,737,056,584
Contingencies and Commitments	10	-	-
		2,521,179,445	6,496,909,650

The annexed notes 1 to 14 form an integral part of this condensed interim financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 7.4.

  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director


## Condensed Interim Profit and Loss Account (Un-Audited)

For the quarter and half year ended 31 December 2008

INCOME		Quarter ended		Half year ended	
	Note	31-Dec-08 Rupees	31-Dec-07 Rupees	31-Dec-08 Rupees	31-Dec-07 Rupees
Profit on financing		4,839,420	12,233,856	12,969,172	23,149,372
Mark-up on lease finance		1,322,223	2,137,249	3,066,561	4,437,000
Return on placements		20,827,434	70,924,171	78,323,892	152,734,970
Return on investments	11	57,266,732	77,689,120	154,017,111	164,919,031
Fees and commission		1,379,085	34,266,461	5,667,554	66,773,219
Other income		17,727,592	2,320,180	19,146,600	4,404,575
		<b>103,362,486</b>	<b>199,571,037</b>	<b>273,190,890</b>	<b>416,418,167</b>
<b>EXPENSES</b>					
Return on certificates of deposit		19,155,856	38,286,202	55,930,555	87,274,607
Return on term finance certificates		23,068,508	20,650,471	42,657,218	41,756,236
Mark-up on short term running finance		395,832	11,148,477	6,309,662	15,762,970
Mark-up on borrowings from financial institutions		23,290,682	56,529,814	64,855,314	99,898,039
Amortization of premium on held to maturity investments		2,842,005	2,637,009	5,684,010	5,274,018
Administrative and other operating expenses		39,877,217	62,351,122	92,420,125	123,127,642
Other financial charges		113,663	253,674	241,840	446,500
		<b>108,743,763</b>	<b>191,856,769</b>	<b>268,098,724</b>	<b>373,540,012</b>
<b>Profit before taxation</b>		<b>(5,381,277)</b>	<b>7,714,268</b>	<b>5,092,166</b>	<b>42,878,155</b>
Taxation		(2,652)	11,533,250	(235,589)	8,274,415
<b>Profit after taxation</b>		<b>(5,383,929)</b>	<b>19,247,518</b>	<b>4,856,577</b>	<b>51,152,570</b>
(Loss)/Earnings per share-basic and diluted		(0.12)	0.44	0.11	1.16

The annexed notes 1 to 14 form an integral part of this condensed interim financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 7.4.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director



## Condensed Interim Cash Flow Statement (Un-Audited)

For the half year ended 31 December 2008

	31-Dec-08 Rupees	31-Dec-07 Rupees
<b>Cash flow from operating activities</b>		
<b>Profit before taxation</b>	5,092,166	42,878,155
<b>Adjustment for non cash expenses and other items:</b>		
Dividend income	(13,093,020)	(49,564,437)
Depreciation on tangible assets	10,483,177	8,674,521
Amortization on intangible assets	500,175	500,028
Amortization of premium on held to maturity investments	5,684,010	5,274,018
Amortization of issuance cost of listed TFCs	786,648	786,648
(Gain)/Loss on sale of fixed assets	(660,303)	3,749
Gain on sale of cards and rooms	(69,750,000)	-
	(66,049,313)	(34,325,473)
	(60,957,147)	8,552,682
<b>Decrease/(increase) in operating assets</b>		
Repayment / (disbursements) of finances - net	126,417,965	(58,200,503)
Net investment in lease finance	8,811,589	(7,636,820)
Investment in placements - net	2,302,467,415	1,054,812,081
Investments - net	1,370,239,058	168,577,686
Loans and advances	371,077,006	(1,096,721,117)
Deposits and prepayments	4,524,632	590,533
	4,183,537,965	61,421,860
<b>Increase/ (decrease) in operating liabilities</b>		
Borrowings from financial institutions	(1,773,000,000)	245,000,000
(Repayments of) / receipts from certificates of deposit	(751,302,807)	(683,920,006)
Running finance facilities	(1,088,681,795)	464,725,203
Trade and other payables	(115,794,939)	(44,077,580)
	(3,728,779,541)	(18,272,383)
<b>Net changes in operating assets and liabilities</b>	454,758,424	43,149,477
<b>Net cash generated from / (used in) operating activities before taxes</b>	393,801,277	51,702,159
<b>Taxes paid</b>	(15,960,518)	(54,524,095)
<b>Net cash generated from/ (used in) operating activities</b>	377,840,759	(2,821,936)
<b>Cash flow from investing activities</b>		
Fixed capital expenditure incurred	(2,039,850)	(7,569,427)
Dividend received	25,653,500	54,342,391
Proceeds from sale of fixed assets	1,101,528	1,258,794
Cards and rooms	105,000,000	(6,000,000)
<b>Net cash generated from investing activities</b>	129,715,178	42,031,758
<b>Cash flow from financing activities</b>		
Redemption of privately placed term finance certificates	(45,796,657)	(45,796,657)
Redemption of listed term finance certificates	(100,000)	(100,000)
Dividend paid	(87,151,603)	(86,706,360)
Repayment of lease obligation	(403,352)	(360,503)
<b>Net cash used in financing activities</b>	(133,451,612)	(132,963,520)
<b>Net increase / (decrease) in cash and cash equivalents</b>	374,104,325	(93,753,698)
<b>Cash and cash equivalents at the beginning of the period</b>	179,941,667	133,428,181
<b>Cash and cash equivalents at the end of the period</b>	554,045,992	39,674,485

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

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

**Condensed Interim  
Statement of Changes in Equity  
(Un-Audited)**

For the half year ended 31 December 2008

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
<b>Balance as at 01 July 2007</b>	441,000,000	126,486,545	234,746,181	802,232,726
Net profit upto 31 December 2007	-	-	51,152,570	51,152,570
Transfer to statutory reserve	-	10,230,514	(10,230,514)	-
Final dividend for 2007 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
<b>Balance as at 31 December 2007</b>	441,000,000	136,717,059	187,468,237	765,185,296
Net profit upto 30 June 2008	-	-	86,665,129	86,665,129
Transfer to statutory reserve	-	17,333,026	(17,333,026)	-
<b>Balance as at 30 June 2008</b>	441,000,000	154,050,085	256,800,340	851,850,425
Net profit upto 31 December 2008	-	-	4,856,577	4,856,577
Transfer to statutory reserve	-	971,315	(971,315)	-
Final dividend for 2008 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
<b>Balance as at 31 December 2008</b>	441,000,000	155,021,400	172,485,602	768,507,002

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

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

# Condensed Interim Notes to the Financial Statements (Un-Audited)

For the half year ended 31 December 2008

## 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 as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2008. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

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.

## 2 BASIS OF PREPARATION

This condensed interim financial information is un-audited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of the approved Accounting Standards as applicable in Pakistan relating to interim Financial Reporting. This condensed interim financial information does not include all 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 2008.

This condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

## 3 ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 30 June 2008.

## 4 ESTIMATES

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 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 2008.

## 5. FIXED ASSETS

	31 December 2008	
	Additions Cost Rupees Un-audited	Disposals Book Value Rupees Un-audited
The following additions and disposals were made during the half year:		
Computer equipments	357,000	—
Office Equipment	23,600	—
Vehicles - Owned	1,659,250	441,225
	2,039,850	441,225

## 6 LONG TERM INVESTMENTS

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Held to maturity</b>		
Pakistan Investment Bonds	542,762,159	548,446,169
Term Finance Certificates - Unlisted	10,939,394	11,259,091
	553,701,553	559,705,260
Less: Current maturity of Term Finance Certificates	2,249,696	3,330,909
	551,451,857	556,374,351

## 7 SHORT TERM INVESTMENTS

	Note	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Held by bank</b>			
<b>Available for sale</b>			
Listed Term Finance Certificates		10,047,334	17,316,843
Listed shares and units		86,810,786	46,903,897
		96,858,120	64,220,740
<b>Held for trading</b>			
Listed shares	7.1 & 7.2	—	1,514,266,059
		96,858,120	1,578,486,799

7.1 These include Rs. Nil (30 June 2008 Rs. 1,401,417,949) investment in shares sold in future market with settlement dates subsequent to period end.

7.2 During the period the Company has reclassified its investment portfolio of listed securities as at 01 July 2008 valuing Rs 112.848 million from "Held for Trading" to "Available for sale" category.

### 7.3 SURPLUS/(DEFICIT) ON REVALUATION OF INVESTMENTS

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Available for sale</b>		
Listed Term Finance Certificates	83,967	159,179
Listed shares and units	(115,326,584)	(3,692,479)
	(115,242,617)	(3,533,300)

7.4 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008.

Furthermore, Securities and Exchange Commission of Pakistan ("SECP") vide notification SRO 150 (1)/2009 dated 13 February 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending 31 December 2009. The amount taken to equity at 31 December 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The impairment loss based on market values as at 31 December 2008 has been determined at Rs 113.449 million. In view of the "Floor Mechanism" as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss based on market values as at 31 December 2008 would have had the following effect on these condensed interim financial information:

	2008 (Rupees)
Effect of Impairment Loss in Profit and Loss Account	113,448,607
Effect on Tax charge for the period	Nil
Decrease in profit for the period	113,448,607
Decrease in deficit on revaluation of Available for Sale securities	113,448,607
Decrease in Un-appropriated profit	113,448,607
Decrease in earning per share	2.57

## 8 SHORT TERM PLACEMENTS

	Note	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Considered good</b>			
Unsecured	8.1	166,000,000	318,000,000
Secured under reverse repurchase agreements	8.2	24,814,128	2,175,281,543
		190,814,128	2,493,281,543

**8.1** This represents clean placements with financial institution and carries mark-up 18.5% per annum (2008: 11% per annum).

### 8.2 Securities held as collateral - Market Value

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
Quoted shares	12,112,156	2,097,016,739

These represent secured placements for a maximum period of upto 70 working days and carry mark-up ranging from 17% to 20 per annum (2008: 10.20% to 17.19%)

## 9 TERM FINANCE CERTIFICATES

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
Listed	411,350,919	493,831,270
Unlisted	–	45,796,713
	411,350,919	539,627,983

## 10 CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

There is no material change in the status since the last audited published financial statements for the year ended 30 June 2008.

### 10.2 Commitments

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
Future sale contract - Shares	–	1,504,130,820
Future purchase contract - Shares	–	75,430,895
Capital expenditure	1,300,000	1,300,000

## 11 RETURN ON INVESTMENTS

	Quarter Ended		Half Year Ended	
	31-Dec-08 Rupees Un-audited	31-Dec-07 Rupees Un-audited	31-Dec-08 Rupees Un-audited	31-Dec-07 Rupees Un-audited
Mark-up / return on investments	14,325,012	15,426,008	29,272,826	30,677,270
Dividend income	2,459,244	29,560,443	13,093,020	49,564,437
Capital gain on investments	40,482,476	32,702,669	41,901,265	84,677,324
Gain on sale of Corporate Membership of KSE	-	-	69,750,000	-
	57,266,732	77,689,120	154,017,111	164,919,031

## 12 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, subsidiary company, 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:

	31-Dec-08 Rupees Un-audited	31-Dec-07 Rupees Audited
<b>Transactions during the period</b>		
<b>Subsidiary Company:</b>		
Expenses paid on behalf of subsidiary company	2,452,167	–
Profit paid on certificates of deposit	51,370	–
Sale of membership of KSE	105,000,000	–
<b>Associated companies:</b>		
Return on finances received	529,180	399,348
Guarantee commission earned	749,930	394,700
Profit paid on certificates of deposit	320,862	536,700
Chairman's secretariat expenses	1,800,000	1,800,000
<b>Directors:</b>		
Return on finances received	–	78,031
Profit paid on certificates of deposit	13,846,735	14,069,148
<b>Executives:</b>		
Return on finances received	214,122	301,842
Profit paid on certificates of deposit	441,211	377,303
Fixed assets sold	291,528	–
<b>Others:</b>		
Contribution to staff retirement benefits plan	1,793,714	1,634,038

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Balance at the end of the period</b>		
<b>Subsidiary Company:</b>		
Investment in Subsidiary Company	175,004,000	175,004,000
Certificates of deposit outstanding	22,346,233	–
Receivable from Subsidiary Company	2,452,167	1,911,800
<b>Associated companies:</b>		
Advances outstanding	6,938,244	3,589,346
Letter of guarantee outstanding	78,940,000	78,940,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	1,863,250	801,010
<b>Directors:</b>		
Certificates of deposit outstanding	205,650,000	205,650,000
Other receivable	149,320	162,980
<b>Executives:</b>		
Advances outstanding	11,353,366	11,038,194
Certificates of deposit outstanding	20,489,054	4,840,000
Other receivable	142,175	–

**13 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim information was authorized for issue on 28th February 2009 by the Board of Directors of the Company.

**14 GENERAL**

Figures have been rounded off to the nearest rupee.



Chief Executive



Director





ESCORTS  
CONSOLIDATED  
REPORT

## Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 31 December 2008

### ASSETS

	Note	31-Dec-08 Rupees (Un-audited)	30-Jun-08 Rupees (Audited)
<b>Non-current Assets</b>			
Fixed assets	6	125,997,856	135,382,584
Cards and rooms		84,105,000	84,105,000
Long term investments	7	551,451,857	556,374,351
Long term finances		23,200,397	21,436,448
Net investment in lease finance		39,828,899	55,931,406
Long term loans and advances		1,213,319	3,208,457
Long term deposits and prepayments		10,292,941	11,219,958
Deferred tax asset		75,962,978	75,962,978
<b>Current Assets</b>			
Current maturities of non-current assets		87,726,266	96,734,937
Short term investments	8	96,858,120	1,578,486,799
Short term finances		69,416,393	193,162,298
Short term placements	9	190,814,128	2,493,281,543
Advances, deposits, prepayments and other receivables		484,931,985	850,924,424
Cash and bank balances		554,130,059	306,541,667
		1,483,876,951	5,519,131,668
		2,395,930,198	6,462,752,850

### EQUITY AND LIABILITIES

<b>Share Capital and Reserves</b>			
Share capital		441,000,000	441,000,000
Reserves		225,310,516	376,569,625
		666,310,516	817,569,625
Deficit on Revaluation of Investments	8.3	(115,242,617)	(3,533,300)
<b>Non-Current Liabilities</b>			
Term finance certificates	10	411,350,919	539,627,983
Liabilities against assets subject to finance lease		5,494,659	5,940,335
Long term certificates of deposit		288,042,287	340,178,159
Long term security deposit		18,481,725	25,789,464
<b>Current Liabilities</b>			
Current maturities of non-current liabilities		211,260,249	107,946,750
Short term borrowings		572,000,000	2,345,000,000
Running finance - Secured		280,829	1,088,962,624
Short term certificates of deposit		229,959,569	971,576,855
Trade and other payables		79,276,531	194,978,823
Provision for taxation		28,715,531	28,715,532
		1,121,492,709	4,737,180,584
Contingencies and Commitments	11	—	—
		2,395,930,198	6,462,752,850

The annexed notes 1 to 15 form an integral part of this condensed interim consolidated financial information. The details of valuation of investment, impairment and impact on profit and loss account are given in note 8.4.



Chief Executive



Director

## Condensed Interim Consolidated Profit and Loss Account (Un-Audited)

For the quarter and half year ended 31 December 2008

INCOME		Quarter ended		Half year ended	
	Note	31-Dec-08 Rupees	31-Dec-07 Rupees	31-Dec-08 Rupees	31-Dec-07 Rupees
Profit on financing		4,839,420	12,233,856	12,969,172	23,149,372
Mark-up on lease finance		1,322,223	2,137,249	3,066,561	4,437,000
Return on placements		20,827,434	70,924,171	78,323,892	152,734,970
Return on investments	12	57,266,732	77,689,120	84,267,111	164,919,031
Fees and commission		1,379,085	34,266,461	5,667,554	66,773,219
Other income		17,828,858	2,320,180	21,273,837	4,404,575
		<b>103,463,752</b>	<b>199,571,037</b>	<b>205,568,127</b>	<b>416,418,167</b>
<b>EXPENSES</b>					
Return on certificates of deposit		18,445,903	38,286,202	55,172,657	87,274,607
Return on term finance certificates		23,068,508	20,650,471	42,657,218	41,756,236
Mark-up on short term running finance		395,832	11,148,477	6,309,662	15,762,970
Mark-up on borrowings from financial institutions		23,290,682	56,529,814	64,855,314	99,898,039
Amortization of premium on held to maturity investments		2,842,005	2,637,009	5,684,010	5,274,018
Administrative and other operating expenses		39,994,663	62,351,122	93,470,946	123,127,642
Other financial charges		113,663	253,674	241,840	446,500
		<b>108,151,256</b>	<b>191,856,769</b>	<b>268,391,647</b>	<b>373,540,012</b>
<b>Profit before taxation</b>		<b>(4,687,504)</b>	<b>7,714,268</b>	<b>(62,823,520)</b>	<b>42,878,155</b>
Taxation		(235,589)	11,533,250	(235,589)	8,274,415
<b>Profit after taxation</b>		<b>(4,923,093)</b>	<b>19,247,518</b>	<b>(63,059,109)</b>	<b>51,152,570</b>
(Loss)/Earnings per share-basic and diluted		(0.11)	0.44	(1.43)	1.16

The annexed notes 1 to 15 form an integral part of this condensed interim consolidated financial information. The details of valuation of investment, impairment and impact on profit and loss account are give in note 8.4.

  
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Chief Executive

  
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Director

## Condensed Interim Consolidated Cash flow statement (Un-Audited)

For the half year ended 31 December 2008

	31-Dec-08 Rupees	31-Dec-07 Rupees
<b>Cash flow from operating activities</b>		
<b>Profit before taxation</b>	(62,823,520)	42,878,155
<b>Adjustment for non cash expenses and other items:</b>		
Dividend income	(13,093,020)	(49,564,437)
Depreciation on tangible assets	10,483,177	8,674,521
Amortization on intangible assets	500,175	500,028
Amortization of premium on held to maturity investments	5,684,010	5,274,018
Amortization of issuance cost of listed TFCs	786,648	786,648
(Gain)/Loss on sale of fixed assets	(660,303)	
	3,700,687	(34,325,473)
	(59,122,833)	8,552,682
<b>Decrease/(increase) in operating assets</b>		
Repayment / (disbursements) of finances - net	126,417,965	(58,200,503)
Net investment in lease finance	8,811,589	(7,636,820)
Investment in placements - net	2,302,467,415	1,054,812,081
Investments - net	1,370,239,058	168,577,686
Loans and advances	371,617,373	(1,096,721,117)
Deposits and prepayments	4,028,932	590,533
	4,183,582,332	61,421,860
<b>Increase/ (decrease) in operating liabilities</b>		
Borrowings from financial institutions	(1,773,000,000)	245,000,000
(Repayments of) / receipts from certificates of deposit	(773,649,040)	(683,920,006)
Running finance facilities	(1,088,681,795)	464,725,203
Trade and other payables	(116,625,467)	(44,077,580)
	(3,751,956,302)	(18,272,383)
<b>Net changes in operating assets and liabilities</b>	431,626,030	43,149,477
<b>Net cash generated from / (used in) operating activities before taxes</b>	372,503,199	51,702,159
<b>Taxes paid</b>	(16,178,371)	(54,524,095)
<b>Net cash generated from/ (used in) operating activities</b>	356,324,826	(2,821,936)
<b>Cash flow from investing activities</b>		
Fixed capital expenditure incurred	(2,039,850)	(7,569,427)
Dividend received	25,653,500	54,342,391
Proceeds from sale of fixed assets	1,101,528	1,258,794
Investment in cards and rooms	-	(6,000,000)
<b>Net cash generated from investing activities</b>	24,715,178	42,031,758
<b>Cash flow from financing activities</b>		
Redemption of privately placed term finance certificates	(45,796,657)	(45,796,657)
Redemption of listed term finance certificates	(100,000)	(100,000)
Dividend paid	(87,151,603)	(86,706,360)
Repayment of lease obligation	(403,352)	(360,503)
<b>Net cash used in financing activities</b>	(133,451,612)	(132,963,520)
<b>Net increase / (decrease) in cash and cash equivalents</b>	247,588,392	(93,753,698)
<b>Cash and cash equivalents at the beginning of the period</b>	306,541,667	133,428,181
<b>Cash and cash equivalents at the end of the period</b>	554,130,059	39,674,485

The annexed notes 1 to 15 form an integral part of these condensed interim consolidated financial information.

  
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Chief Executive

  
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Director

## Condensed Interim Consolidated Statement of Changes in Equity (Un-Audited)

For the half year ended 31 December 2008

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
<b>Balance as at 01 July 2007</b>	441,000,000	126,486,545	234,746,181	802,232,726
Net profit upto 31 December 2007	-	-	51,152,570	51,152,570
Transfer to statutory reserve	-	10,230,514	(10,230,514)	-
Final dividend for 2007 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
<b>Balance as at 31 December 2007</b>	441,000,000	136,717,059	187,468,237	765,185,296
Net profit upto 30 June 2008	-	-	52,384,329	52,384,329
Transfer to statutory reserve	-	10,476,866	(10,476,866)	-
<b>Balance as at 30 June 2008</b>	441,000,000	147,193,925	229,375,700	817,569,625
Net profit upto 31 December 2008	-	-	(63,059,109)	(63,059,109)
Transfer to statutory reserve	-	971,315	(971,315)	-
Final dividend for 2008 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
<b>Balance as at 31 December 2008</b>	441,000,000	148,165,240	77,145,276	666,310,516

The annexed notes 1 to 15 form an integral part of these condensed interim consolidate financial information.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

# Condensed Interim Consolidated Notes to the Financial Statements (Un-audited)

For the half year ended 31 December 2008

## 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, 2008. The registered office of the Company is situated at Escort 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 PREPARATION

This condensed interim consolidated financial information of the Group ("financial statements") is un-audited and have been prepared in accordance with the requirements of the approved Accounting Standards as applicable in Pakistan relating to interim Financial Reporting. These financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 30 June 2008.

## 3 ACCOUNTING POLICIES

The accounting policies applied for the preparation of these financial statements are the same as those applied in preparation of the annual audited consolidated financial statements of the Group for the year ended 30 June 2008.

## 4 ESTIMATES

The preparation of 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 of the group for the year ended 30 June 2008.

## 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 2008.

## 6. FIXED ASSETS

	31 December 2008	
	Additions Cost Rupees Un-audited	Disposals Book Value Rupees Un-audited
The following additions and disposals were made during the half year:		
Computer equipments	357,000	–
Office Equipment	23,600	–
Vehicles - Owned	1,659,250	441,225
	2,039,850	441,225

## 7 LONG TERM INVESTMENTS

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Held to maturity</b>		
Pakistan Investment Bonds	542,762,159	548,446,169
Term Finance Certificates - Unlisted	10,939,394	11,259,091
	553,701,553	559,705,260
Less: Current maturity of Term Finance Certificates	2,249,696	3,330,909
	551,451,857	556,374,351

## 8 SHORT TERM INVESTMENTS

	Note	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Held by bank</b>			
<b>Available for sale</b>			
Listed Term Finance Certificates		10,047,334	17,316,843
Listed shares and units		86,810,785	46,903,897
		96,858,119	64,220,740
<b>Held for trading</b>			
Listed shares	8.1 & 8.2	–	1,514,266,059
		96,858,120	1,578,486,799

**8.1** These include Rs. Nil (30 June 2008 Rs. 1,401,417,949) investment in shares sold in future market with settlement dates subsequent to period end.

**8.2** During the period the Company has reclassified its investment portfolio of listed securities as at 01 July 2008 valuing Rs 112.848 million from "Held for Trading" to "Available for sale" category.

### 8.3 SURPLUS/(DEFICIT) ON REVALUATION OF INVESTMENTS

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
Listed Term Finance Certificates	83,967	159,179
Listed shares and units	(115,326,584)	(3,692,479)
	(115,242,617)	(3,533,300)

**8.4** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008.

Furthermore, Securities and Exchange Commission of Pakistan ("SECP") vide notification SRO 150 (1)/2009 dated 13 February 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending 31 December 2009. The amount taken to equity at 31 December 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The impairment loss based on market values as at 31 December 2008 has been determined at Rs 113.449 million. In view of the "Floor Mechanism" as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss based on market values as at 31 December 2008 would have had the following effect on these condensed interim financial information:

	2008 Rupees
Effect of Impairment Loss in Profit and Loss Account	113,448,607
Effect on Tax charge for the period	Nil
Decrease in profit for the period	113,448,607
Decrease in deficit on revaluation of Available for Sale securities	113,448,607
Decrease in Un-appropriated profit	113,448,607
Decrease in earning per share	2.57

## 9 SHORT TERM PLACEMENTS

	Note	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Considered good</b>			
Unsecured	9.1	166,000,000	318,000,000
Secured under reverse repurchase agreements	9.2	24,814,128	2,175,281,543
		190,814,128	2,493,281,543

**9.1** This represents clean placements with financial institution and carries mark-up 18.5% per annum (2008: 11% per annum).

### 9.2 Securities held as collateral - Market Value

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
Quoted shares	12,112,156	2,097,016,739

These represent secured placements for a maximum period of upto 70 working days and carry mark-up ranging from 17% to 20% per annum (2008: 10.20% to 17.19%)



## 10 TERM FINANCE CERTIFICATES

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Un-audited
Listed	411,350,919	493,831,270
Unlisted	–	45,796,713
	411,350,919	539,627,983

## 11 CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

There is no material change in the status since the last audited published financial statements of the group for the year ended 30 June 2008.

### 11.2 Commitments

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
Future sale contract - Shares	-	1,504,130,820
Future purchase contract - Shares	-	75,430,895
Capital expenditure	1,300,000	1,300,000

## 12 RETURN ON INVESTMENTS

	Quarter ended		Half year ended	
	31-Dec-08 Rupees	31-Dec-07 Rupees	31-Dec-08 Rupees	31-Dec-07 Rupees
Mark-up / return on investments	14,325,012	15,426,008	29,272,826	30,677,270
Dividend income	2,459,244	29,560,443	13,093,020	49,564,437
Capital gain on investments	40,482,476	32,702,669	41,901,265	84,677,324
	57,266,732	77,689,120	84,267,111	164,919,031

### 13 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:

	31-Dec-08 Rupees Un-audited	31-Dec-07 Rupees Un-audited
<b>Transactions during the period</b>		
<b>Associated companies:</b>		
Return on finances received	529,180	399,348
Guarantee commission earned	749,930	394,700
Profit paid on certificates of deposit	320,862	536,700
Chairman's secretariat expenses	1,800,000	1,800,000
<b>Directors:</b>		
Return on finances received	—	78,031
Profit paid on certificates of deposit	13,846,735	14,069,148
<b>Executives:</b>		
Return on finances received	214,122	301,842
Profit paid on certificates of deposit	441,211	377,303
Fixed assets sold	291,528	—
<b>Others:</b>		
Contribution to staff retirement benefits plan	1,793,714	1,634,038

	31-Dec-08 Rupees Un-audited	30-Jun-08 Rupees Audited
<b>Balance at the end of the period</b>		
<b>Associated companies:</b>		
Advances outstanding	6,938,244	3,589,346
Letter of guarantee outstanding	78,940,000	78,940,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	1,863,250	801,010
<b>Directors:</b>		
Certificates of deposit outstanding	205,650,000	205,650,000
Other receivable	149,320	162,980
<b>Executives:</b>		
Advances outstanding	11,353,366	11,038,194
Certificates of deposit outstanding	20,489,054	4,840,000
Other receivable	142,175	—

**14. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim consolidated financial information was authorized for issue on 28th February 2009 by the Board of Directors of the Group.

**15. GENERAL**

Figures have been rounded off to the nearest rupee.

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Chief Executive

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Director

## Network



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info@escortsbank.net  
www.escortsbank.net

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