

ESCORTS INVESTMENT BANK LIMITED

Half Yearly Report
December 31, 2009

Prudence Foremost!



26

Davis Road Lahore

ESCORTS
BANK

ESCORTS INVESTMENT
BANK LIMITED



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 Branch Network
Azmat Baig

Head of MIS & Settlements
Muhammad Irfan

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

KPMG Taseer Hadi & Co.
Chartered Accountants

External Auditors

Ernst & Young Ford Rhodes Sidat Hyder
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 Bank of Khyber Limited
Allied Bank of Pakistan
NIB Bank Limited

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Escorts Investment Bank Limited (the Company) as at 31 December 2009 and the related condensed interim profit and loss account and condensed interim statements of cash flows and changes in equity, together with the notes forming part thereof (herein-after referred to as "condensed interim financial information") for the six-months' period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The financial statements of the Company as of 31 December 2008 and 30 June 2009 were reviewed and audited by another auditor whose reports dated 28 February 2009 and 26 August 2009 expressed an unqualified conclusion and an unqualified opinion respectively on these financial statements.

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 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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Lahore : 27 February 2010

Condensed Interim Balance Sheet

As at 31 December 2009

ASSETS

	Note	31-Dec-09 Rupees (Un-audited)	30-Jun-09 Rupees (Audited)
Non-current Assets			
Fixed assets		98,206,472	106,581,325
Cards and rooms		33,450,000	32,700,000
Long term investment in subsidiary company		175,004,000	175,004,000
Long term investments	5	537,873,636	544,937,697
Long term finances		83,172,150	35,325,621
Net investment in lease finance		16,519,999	21,765,297
Long term loans and advances		795,966	1,082,328
Long term deposits and prepayments		711,200	6,041,357
Deferred tax asset		75,962,978	75,962,978
		1,021,696,401	999,400,603
Current Assets			
Current maturity of non-current assets		82,188,504	82,871,661
Short term investments	6	136,006,112	168,579,417
Short term finances		101,176,420	62,212,073
Short term placements		-	380,000,000
Advances, deposits, prepayments and other receivables		392,406,513	395,101,204
Cash and bank balances		362,829,620	19,478,267
		1,074,607,169	1,108,242,621
		2,096,303,570	2,107,643,224

EQUITY AND LIABILITIES

Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		144,871,979	156,403,209
		585,871,979	597,403,209
Surplus on revaluation of investments	7	6,127,977	7,269,191
Non-Current Liabilities			
Term finance certificates		246,390,215	328,870,566
Liabilities against assets subject to finance lease		-	4,981,582
Long term certificates of deposit		217,860,748	184,458,629
Long term security deposit		8,829,938	12,771,856
Current Liabilities			
Current maturity of non-current liabilities		211,029,935	257,133,160
Short term borrowings		439,745,750	438,563,476
Short term certificates of deposit		298,933,689	185,448,651
Trade and other payables		52,797,807	62,027,372
Provision for taxation		28,715,532	28,715,532
Contingencies and Commitments	8	-	-
		2,096,303,570	2,107,643,224
		2,096,303,570	2,107,643,224

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Profit and Loss Account (Un-Audited)

For the quarter and half year ended 31 December 2009

INCOME	Note	Quarter ended		Half year ended	
		31-Dec-09 Rupees	31-Dec-08 Rupees	31-Dec-09 Rupees	31-Dec-08 Rupees
Profit on financing		12,426,619	4,839,420	27,855,491	12,969,172
Mark-up on lease finance		220,933	1,322,223	1,404,535	3,066,561
Return on placements		399,760	20,827,434	4,222,927	78,323,892
Return on investments	9	22,453,372	57,266,732	82,659,350	154,017,111
Fees and commission		—	1,379,085	—	5,667,554
Other income		3,157,999	17,727,592	2,931,565	19,146,600
		38,658,683	103,362,486	119,073,868	273,190,890
EXPENSES					
Return on certificates of deposit		16,730,986	19,155,856	30,113,296	55,930,555
Return on term finance certificates		15,993,706	23,068,508	34,816,992	42,657,218
Mark-up on short term running finance		—	395,832	89,090	6,309,662
Mark-up on borrowings from financial institutions		7,267,911	23,290,682	15,185,751	64,855,314
Amortization of premium on held to maturity investments		3,267,094	2,842,005	6,109,099	5,684,010
Administrative and other operating expenses	10	24,319,055	39,877,217	47,490,390	92,420,125
Other financial charges		90,801	113,663	157,026	241,840
		67,669,553	108,743,763	133,961,644	268,098,724
Operating (loss)/profit before Provisions and taxation		(29,010,870)	(5,381,277)	(14,887,776)	5,092,166
Provision for doubtful financing - reversed		3,106,363		3,356,546	
Operating (loss)/profit before taxation		(25,904,507)	(5,381,277)	(11,531,230)	5,092,166
Taxation		—	(2,652)	—	(235,589)
Profit after taxation		(25,904,507)	(5,383,929)	(11,531,230)	4,856,577
Earnings per share-basic and diluted		(0.59)	(0.12)	(0.26)	0.11

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



 Chief Executive



 Director

Condensed Interim Cash Flow Statement (Un-Audited)

For the half year ended 31 December 2009

	31-Dec-09 Rupees	31-Dec-08 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(11,531,230)	5,092,166
Adjustment for non cash expenses and other items:		
Dividend income	(3,692,328)	(13,093,020)
Depreciation on tangible assets	7,757,023	10,483,177
Amortization on intangible assets	—	500,175
Provision for doubtful financing - reversed	(3,356,546)	—
Amortization of discount on Government Treasury Bills	(2,646,566)	—
Amortization of premium on held to maturity investments	6,109,099	5,684,010
Amortization of issuance cost of listed TFCs	786,648	786,648
Gain on sale of fixed assets	(1,501,448)	(660,303)
Gain on sale of cards and rooms	—	(69,750,000)
	3,455,882	(66,049,313)
Decrease /(increase) in operating assets	(8,075,348)	(60,957,147)
(Disbursements) / repayment of finances - net	(80,202,518)	126,417,965
Net investment in lease finance	6,410,029	8,811,589
Investment in placements - net	380,000,000	2,302,467,415
Investments - net	34,245,741	1,370,239,058
Loans and advances	(21,572,642)	371,077,006
Deposits and prepayments	1,550,206	4,524,932
	320,430,817	4,183,537,965
Increase /(decrease) in operating liabilities		
Borrowings from financial institutions	1,182,274	(1,773,000,000)
Receipts from / (repayments of) certificates of deposit	138,743,039	(751,302,807)
Running finance facilities	—	(1,088,681,795)
Trade and other payables	(9,229,559)	(115,794,939)
	130,695,754	(3,728,779,541)
Net changes in operating assets and liabilities	451,126,570	454,758,424
Net cash generated from operating activities	443,051,222	393,801,277
Taxes refunded/paid	24,770,955	(15,960,518)
	467,822,177	377,840,759
Net cash generated from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(720,132)	(2,039,850)
Dividend received	3,692,328	25,653,500
Proceeds from sale of fixed assets	2,839,406	1,101,528
Investment in cards and rooms	(750,000)	105,000,000
Net cash generated from investing activities	5,061,596	129,715,178
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of privately placed term finance certificates	(45,796,715)	(45,796,657)
Redemption of listed term finance certificates	(83,267,000)	(100,000)
Dividend paid	—	(87,151,603)
Repayment of lease obligation	(468,705)	(403,352)
Net cash used in financing activities	(129,532,420)	(133,451,612)
Net increase in cash and cash equivalents	343,351,353	374,104,325
Cash and cash equivalents at the beginning of the period	19,478,267	179,941,667
Cash and cash equivalents at the end of the period	362,829,620	554,045,992

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive



Director

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

For the half year ended 31 December 2009

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
Balance as at 01 July 2008	441,000,000	154,050,085	256,800,340	851,850,425
Net profit for the period ended 31 December 2008	—	—	4,856,577	4,856,577
Transfer to statutory reserve	—	971,315	(971,315)	—
Final dividend for 2007 paid @ 20% (Rs. 2 per share)	—	—	(88,200,000)	(88,200,000)
Balance as at 31 December 2008	441,000,000	155,021,400	172,485,602	768,507,002
Net loss for the period ended 30 June 2009	—	—	(171,103,793)	(171,103,793)
Transfer to statutory reserve	—	(971,315)	971,315	—
Balance as at 30 June 2009	441,000,000	154,050,085	2,353,124	597,403,209
Net loss for the period ended 31 December 2009	—	—	(11,531,230)	(11,531,230)
Balance as at 31 December 2009	441,000,000	154,050,085	(9,178,106)	585,871,979

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive



Director

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

For the half year ended 31 December 2009

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 and 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.

2 BASIS OF PREPARATION AND MEASUREMENT

2.1 This condensed interim financial information has been prepared in accordance with International Accounting Standards (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan.

2.2 This condensed interim financial information does not include all the information and the disclosures required in the annual financial information and should be read with in conjunction with financial statements of the Company for the year ended 30 June 2009.

2.3 This condensed interim financial information is un-audited but subject to limited scope review by the auditors. Quarterly figures were not subject to limited scope review by the auditors as the scope of the review covered only the cumulative figures for the six months period ended 31 December 2009.

2.4 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 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. 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 Non-Banking Finance Companies which are engaged in investment finance services, discounting services and housing finance services.

2.5 International Accounting Standards (IAS 1) (Revised), "Presentation of Financial Statements" (effective from 01 January 2009), was issued in September 2007. According to revised standard, those items of income and expense that are not recognized in the profit or loss, and non-owner changes in equity should be recognized through Statement of comprehensive income. The revised standard requires an entity to opt for presenting such items of income and expense in (a) single statement of comprehensive income' or (b) two statements (a separate 'income statement') and a ('statement of comprehensive income'). The Company has adopted the single statement approach. It has no further effect on presentation.

2.6 International Financial Reporting Standards (IFRS-8) " Operating Segment " (effective from 01 January 2009). This standard requires disclosure of information about the company's operating segment and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the company. Adoption of this standard did not have any effect on the financial position or performance of the company except for the additional disclosure.

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 2009 except for IAS - 1 and IFRS - 8.

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 2009.

5 LONG TERM INVESTMENTS

	31-Dec-09 Rupees Un-audited	30-Jun-09 Rupees Audited
Held to maturity		
Pakistan Investment Bonds	530,969,050	537,078,149
Term Finance Certificates - Unlisted	10,711,855	10,878,939
	541,680,905	547,957,088
Less: Current maturity of Term Finance Certificates	3,807,269	3,019,391
	537,873,636	544,937,697

6 SHORT TERM INVESTMENTS

	31-Dec-09 Rupees Un-audited	30-Jun-09 Rupees Audited
Held to maturity		
Government treasury bills	48,911,878	46,265,312
Available for sale		
Term Finance Certificates – Listed	8,068,526	8,008,185
Shares and units – Listed	79,025,708	114,305,920
	136,006,112	168,579,417

7 SURPLUS ON REVALUATION OF INVESTMENTS

	31-Dec-09 Rupees Un-audited	30-Jun-09 Rupees Audited
Available for sale		
Term finance certificates - Listed	(116,330)	(177,986)
Shares and units – Listed	6,244,307	7,447,177
	6,127,977	7,269,191

8 CONTINGENCIES AND COMMITMENTS

8.1 CONTINGENCIES

There is no material change in the status since last audited published financial statements for the year ended 30 June 2009.

8.2 COMMITMENTS

	31-Dec-09 Rupees Un-audited	30-Jun-09 Rupees Audited
Future sale contract - Shares	48,431,172	–
Capital expenditure	1,300,000	1,300,000

9 RETURN ON INVESTMENTS

	Quarter ended		Half year ended	
	31-Dec-09 Rupees	31-Dec-08 Rupees	31-Dec-09 Rupees	31-Dec-08 Rupees
Mark-up / return on investments	15,746,981	14,325,012	31,633,472	29,272,826
Dividend income	2,769,933	2,459,244	3,692,328	13,093,020
Capital gain on investments	3,936,458	40,482,476	47,333,550	41,901,265
Gain on sale of Corporate Membership of KSE	–	–	–	69,750,000
	22,453,372	57,266,732	82,659,350	154,017,111

10 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Quarter ended		Half year ended	
	31-Dec-09 Rupees	31-Dec-08 Rupees	31-Dec-09 Rupees	31-Dec-08 Rupees
Salaries, wages, other benefits and allowances	10,190,471	17,266,823	19,543,964	39,340,485
Staff Training and Welfare	18,808	85,956	53,416	311,341
Advertisement and business promotion	136,507	374,854	265,087	541,679
Rent, rates and taxes	2,677,072	3,392,103	4,919,899	7,447,555
Utilities	683,232	1,164,383	1,632,700	2,386,850
Communication charges	412,029	1,215,770	944,266	3,228,276
Traveling and vehicle maintenance	1,361,778	2,587,343	2,984,270	5,116,253
Repair and maintenance	426,767	1,055,763	970,148	2,108,480
Entertainment	349,988	685,321	708,279	1,311,930
Fee and subscriptions	387,924	634,800	798,873	1,241,314
Legal and professional charges	1,893,288	2,521,365	2,846,995	4,326,456
Printing and stationery	551,708	439,026	726,324	1,173,848
Fee, brokerage and commission	26,667	1,363,138	58,054	4,463,634
CDC and clearing charges	–	555,257	–	6,048,704
Insurance	505,901	642,633	1,360,250	1,598,481
Amortization of issuance cost of listed TFCs	393,324	393,324	786,648	786,648
Depreciation	3,834,890	5,499,187	7,757,023	10,983,349
Penalty	88,000	–	88,000	–
Staff motor vehicle contribution and insurance	19,533	–	63,699	–
Miscellaneous expenses	361,168	171	982,495	4,842
	24,319,055	39,877,217	47,490,390	92,420,125

11 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. Transactions with related parties and associated undertakings other than remuneration. The Company in the normal course of business carries out transactions with various related parties. Material transactions with the related parties during the period are given below:

	31-Dec-09 Rupees Un-audited	31-Dec-08 Rupees Un-audited	
Transactions during the period			
Subsidiary Company:			
Profit paid on certificates of deposit	2,481,982	51,370	
Sale of membership of KSE	—	105,000,000	
Return on running account	7,486,341	—	
Financing facility availed	50,000,000	—	
Certificate of deposit issued	74,580,017	149,646,233	
Certificate of deposit matured	22,346,233	127,300,000	
Associated companies:			
Return on finances received	213,983	529,180	
Guarantee commission earned	—	749,930	
Profit paid on certificates of deposit	320,862	320,862	
Chairman's secretariat expenses	1,800,000	1,800,000	
Financing facility availed	53,073,931	40,633,600	
Financing facility repaid	532,518	37,284,702	
Letter of guarantee called	53,940,000	—	
Directors:			
Profit paid on certificates of deposit	7,748,019	13,846,735	
Certificates of deposits issued	400,000	—	
Executives:			
Return on finances received	450,915	214,122	
Profit paid on certificates of deposit	244,113	441,211	
Fixed assets sold	—	291,528	
Certificate of deposit issued	13,075,535	40,209,054	
Certificate of deposit matured	13,704,117	24,560,000	
Financing facility availed	539,000	—	
Financing facility repaid	1,501,668	420,828	
Others:			
Contribution to staff retirement benefits plan	786,654	1,793,714	
	Note	31-Dec-09 Rupees Un-audited	30-Jun-09 Rupees Audited
Balance at the end of the period			
Subsidiary Company:			
Investment in Subsidiary Company		175,004,000	175,004,000
Certificates of deposit outstanding		74,580,017	22,346,233
Advances outstanding		50,000,000	—
Receivable from Subsidiary Company		32,125,968	23,410,259
Associated companies:			
Advances outstanding		77,181,762	24,624,931
Letter of guarantee outstanding		—	53,940,000
Certificates of deposit outstanding		6,095,003	6,095,003
Other receivable		1,772,198	3,127,230
Directors:			
Certificates of deposit outstanding		116,050,000	115,650,000
Other receivable	11.1	6,653,021	6,668,430
Executives:			
Advances outstanding		11,818,453	12,319,787
Certificates of deposit outstanding		3,653,535	4,282,117
Other receivable		—	24,500

11.1 This includes the payment made on behalf of Mr. Bashir Ahmed (Chairman) to The Bank of Punjab.

12 SEGMENT

The Bank'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 including lease financing.

Investing activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Bank's liquidity.

	Half year ended 31 December 2009		
	Financing activities	Investing activities	Total
Profit on financing	27,855,491		27,855,491
Mark-up on lease finance	1,404,535		1,404,535
Return on placements		4,222,927	4,222,927
Return on investments		82,659,350	82,659,350
Fees and commission	—	—	—
Total income for reportable segments	29,260,026	86,882,277	116,142,303
Finance costs	21,784,922	64,686,332	86,471,254
Administrative and other operating expenses	11,964,375	35,526,015	47,490,390
Provision for doubtful financing - reversed	(3,356,546)	—	(3,356,546)
Segment result	(1,132,725)	(13,330,070)	(14,462,795)
Other operating income			2,931,565
Loss before taxation			(11,531,230)
Segment assets			
Unallocated assets	276,693,938	894,988,892	1,171,682,830
			924,620,740
			2,096,303,570
Segment liabilities			
unallocated liabilities	482,639,434	1,578,767,560	2,061,406,995
			34,896,575
			2,096,303,570

	Half year ended 31 December 2008		
	Financing activities	Investing activities	Total
Profit on financing	12,969,172	-	12,969,172
Mark-up on lease finance	3,066,561	-	3,066,561
Return on placements	-	94,605,610	94,605,610
Return on investments	-	154,017,111	154,017,111
Fees and commission	-	5,667,554	5,667,554
Total income for reportable segments	16,035,733	254,290,275	270,326,008
Finance costs	10,611,733	165,066,866	175,678,599
Administrative and other operating expenses	5,482,360	86,937,765	92,420,125
Provision for doubtful financing - reversed			
Segment result	(58,360)	2,285,644	2,227,284
Other operating income			2,864,882
Profit before taxation			5,092,166
Segment assets			
Unallocated assets	215,624,345	1,060,984,392	1,276,608,737
			1,244,570,708
			2,521,179,445
Segment liabilities			
unallocated liabilities	487,320,949	1,979,576,720	2,466,897,669
			54,281,776
			2,521,179,445

13 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 27 February 2010.

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 2009

ASSETS

	Note	31-Dec-09 Rupees (Un-audited)	30-Jun-09 Rupees (Audited)
Non-current Assets			
Fixed assets		102,479,050	113,780,069
Cards and rooms		84,855,000	84,105,000
Long term investment in subsidiary company		-	-
Long term investments	6	537,873,636	544,937,697
Long term finances		33,172,150	35,325,621
Net investment in lease finance		16,519,999	21,765,297
Long term loans and advances		795,966	1,082,328
Long term deposits and prepayments		4,511,517	9,265,357
Deferred tax asset		75,962,978	75,962,978
Current Assets			
Current maturity of non-current assets		82,188,504	82,871,661
Short term investments	7	136,006,112	168,579,417
Short term finances		101,176,420	62,212,073
Short term placements		-	380,000,000
Advances, deposits, prepayments and other receivables		362,183,650	373,120,833
Cash and bank balances		363,930,062	23,220,889
		<u>1,045,484,748</u>	<u>1,090,004,872</u>
		1,901,655,044	1,976,229,219

EQUITY AND LIABILITIES

Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		12,568,384	40,590,738
		<u>453,568,384</u>	<u>481,590,738</u>
Surplus on revaluation of investments	8	6,127,977	7,269,191
Non-Current Liabilities			
Term finance certificates		246,390,215	328,870,566
Liabilities against assets subject to finance lease		-	4,981,582
Long term certificates of deposit		217,860,748	184,458,629
Long term security deposit		8,829,938	12,771,856
Current Liabilities			
Current maturity of non-current liabilities		211,029,935	257,133,160
Short term borrowings		439,745,750	438,563,476
Short term certificates of deposit		224,353,672	163,102,418
Trade and other payables		65,032,893	68,772,072
Provision for taxation		28,715,532	28,715,532
		<u>968,877,782</u>	<u>956,286,658</u>
Contingencies and Commitments	9	-	-
		1,901,655,044	1,976,229,220

The annexed notes 1 to 15 form an integral part of these financial statements.



 Chief Executive



 Director

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

for the quarter and half year ended 31 December 2009

INCOME	Note	Quarter ended		Half year ended	
		31-Dec-09 Rupees	31-Dec-08 Rupees	31-Dec-09 Rupees	31-Dec-08 Rupees
Profit on financing	10	10,176,619	4,839,420	18,119,150	12,969,172
Mark-up on lease finance		220,933	1,322,223	1,404,535	3,066,561
Return on placements		399,760	20,827,434	4,222,927	78,323,892
Return on investments		22,453,372	57,266,732	86,767,524	84,267,111
Fees and commission		355,422	1,379,085	825,960	5,667,554
Other income		1,596,711	17,828,858	3,880,821	21,273,837
		35,202,817	103,463,752	115,220,917	205,568,127
EXPENSES					
Return on certificates of deposit	11	14,593,143	18,445,903	27,526,650	55,172,657
Return on term finance certificates		15,993,706	23,068,508	34,816,992	42,657,218
Mark-up on short term running finance		—	395,832	89,090	6,309,662
Mark-up on borrowings from financial institutions		7,267,911	23,290,682	15,185,751	64,855,314
Amortization of premium on held to maturity investments		3,267,094	2,842,005	6,109,099	5,684,010
Administrative and other operating expenses		29,860,954	39,994,663	60,670,111	93,470,946
Other financial charges		96,926	113,663	165,532	241,840
		71,079,734	108,151,256	144,563,225	268,391,647
Operating loss before Provisions and taxation		(35,876,917)	(4,687,504)	(29,342,308)	(62,823,520)
Provision for doubtful financing - reversed		3,106,363	—	3,356,546	—
Operating loss before taxation	(32,770,554)	(4,687,504)	(25,985,762)	(62,823,520)	
Taxation	(1,142,527)	(235,589)	(2,036,592)	(235,589)	
Loss after taxation	(33,913,081)	(4,923,093)	(28,022,354)	(63,059,109)	
(Loss)/Earnings per share-basic and diluted	(0.77)	(0.11)	(0.64)	(1.43)	

The annexed notes 1 to 15 form an integral part of these financial statements.



Chief Executive



Director

Condensed Interim Consolidated Cash flow statement (Un-Audited)

For the half year ended 31 December 2009

	31-Dec-09 Rupees	31-Dec-08 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(25,985,762)	(62,823,520)
Adjustment for non cash expenses and other items:		
Dividend income	(3,692,328)	(13,093,020)
Depreciation on tangible assets	9,097,740	10,483,177
Amortization on intangible assets	—	500,175
Provision for doubtful financing - reversed	(3,356,546)	—
Amortization of discount on Government Treasury Bills	(2,646,566)	—
Amortization of premium on held to maturity investments	6,109,099	5,684,010
Amortization of issuance cost of listed TFCs	786,648	786,648
(Gain)/Loss on sale of fixed assets	(2,251,998)	(660,303)
	4,046,049	3,700,687
	(21,939,713)	(59,122,833)
Decrease/(increase) in operating assets		
Repayment / (disbursements) of finances - net	(30,202,518)	126,417,965
Net investment in lease finance	6,410,029	8,811,589
Investment in placements - net	380,000,000	2,302,467,415
Investments - net	34,245,740	1,370,239,058
Loans and advances	(12,384,074)	371,617,373
Deposits and prepayments	973,889	4,028,932
	379,043,066	4,183,582,332
Increase/ (decrease) in operating liabilities		
Borrowings from financial institutions	1,182,274	(1,773,000,000)
(Repayments of) / receipts from certificates of deposit	86,509,255	(773,649,040)
Running finance facilities	—	(1,088,681,795)
Trade and other payables	(3,739,173)	(116,625,467)
	83,952,356	(3,751,956,302)
Net changes in operating assets and liabilities	462,995,422	431,626,030
Net cash generated from operating activities before taxes	441,055,709	372,503,197
Taxes refunded/ paid	21,788,287	(16,178,371)
Net cash generated from operating activities	462,843,996	356,324,826
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(720,132)	(2,039,850)
Dividend received	3,692,328	25,653,500
Proceeds from sale of fixed assets	5,175,401	1,101,528
Investment in Cards and rooms	(750,000)	—
Net cash generated from investing activities	7,397,597	24,715,178
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of privately placed term finance certificates	(45,796,715)	(45,796,657)
Redemption of listed term finance certificates	(83,267,000)	(100,000)
Dividend paid	—	(87,151,603)
Repayment of lease obligation	(468,705)	(403,352)
Net cash used in financing activities	(129,532,420)	(133,451,612)
Net increase in cash and cash equivalents	340,709,173	247,588,392
Cash and cash equivalents at the beginning of the period	23,220,889	306,541,667
Cash and cash equivalents at the end of the period	363,930,062	554,130,059

The annexed notes 1 to 15 form an integral part of these financial statements.



Chief Executive



Director

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

For the half year ended 31 December 2009

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
Balance as at 01 July 2008	441,000,000	147,193,925	229,375,700	817,569,625
Net loss upto 31 December 2008	—	—	(63,059,109)	(63,059,109)
Transfer to statutory reserve	—	971,315	(971,315)	—
Final dividend for 2007 paid @ 20% (Rs. 2 per share)	—	—	(88,200,000)	(88,200,000)
Balance as at 31 December 2008	441,000,000	148,165,240	77,145,276	666,310,516
Net loss upto 30 June 2009	—	—	(184,719,778)	(184,719,778)
Transfer to statutory reserve	—	(971,315)	971,315	—
Balance as at 30 June 2009	441,000,000	147,193,925	(106,603,187)	481,590,738
Net loss upto 31 December 2009	—	—	(28,022,354)	(28,022,354)
Transfer to statutory reserve	—	—	—	—
Balance as at 31 December 2009	441,000,000	147,193,925	(134,625,541)	453,568,384

The annexed notes 1 to 15 form an integral part of these financial statements.



Chief Executive



Director

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

For the half year ended 31 December 2009

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 AND MEASUREMENT

This condensed interim consolidated 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 consolidated 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 Group for the year ended 30 June 2009.

- 2.1 This condensed interim consolidated financial information has been prepared in accordance with International Accounting Standards (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan.
- 2.2 This condensed interim consolidated financial information does not include all the information and the disclosures required in the annual financial information and should be read with in conjunction with financial statements of the Group for the year ended 30 June 2009.
- 2.3 This condensed interim consolidated financial information is un-audited but subject to limited scope review by the auditors. Quarterly figures were not subject to limited scope review by the auditors as the scope of the review covered only the cumulative figures for the six months period ended 31 December 2009.
- 2.4 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 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. 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 Non-Banking Finance Companies which are engaged in investment finance services, discounting services and housing finance services.
- 2.5 International Accounting Standards (IAS 1) (Revised), "Presentation of Financial Statements" (effective from 01 January 2009), was issued in September 2007. According to revised standard, those items of income and expenses that are not recognized in the profit or loss, and non-owner changes in equity should be recognized through Statement of comprehensive income. The revised standard requires an entity to opt for presenting such items of income expenses in (a) single statement of comprehensive income' or (b) two statements (a separate 'income statement') and a ('statement of comprehensive income'). The Group has adopted the single statement approach. It has no further effect on presentation.
- 2.6 International Financial Reporting Standards (IFRS-8) " Operating Segment " (effective from 01 January 2009). This standard requires disclosure of information about the group's operating segment and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the group. Adoption of this standard did not have any effect on the financial position or performance of the group except for the additional disclosure.

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 2009 except for IAS - 1 and IFRS - 8.

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 2009.

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 2009.

6 LONG TERM INVESTMENTS

	31-Dec-09 Rupees Un-audited	30-Jun-08 Rupees Audited
Held to maturity		
Pakistan Investment Bonds	530,969,050	537,078,149
Term Finance Certificates - Unlisted	10,711,855	10,878,939
	541,680,905	547,957,088
Less: Current maturity of Term Finance Certificates	3,807,269	3,019,391
	537,873,636	544,937,697

7 SHORT TERM INVESTMENTS

	31-Dec-09 Rupees Un-audited	30-Jun-09 Rupees Audited
Held to maturity		
Government treasury bills	48,311,878	46,265,312
Available for sale		
Term Finance Certificates – Listed	8,068,526	8,008,185
Shares and units – Listed	79,025,708	114,305,920
	136,006,112	168,579,417

8 SURPLUS ON REVALUATION OF INVESTMENTS

	31-Dec-09 Rupees Un-audited	30-Jun-09 Rupees Audited
Available for sale		
Term finance certificates – Listed	(116,330)	(177,986)
Shares and units – Listed	6,244,307	7,447,177
	6,127,377	7,269,191

9 CONTINGENCIES AND COMMITMENTS

9.1 CONTINGENCIES

There is no material change in the status since the last audited published financial statements for the year ended 30 June 2009.

9.2 COMMITMENTS

	31-Dec-09 Rupees Un-audited	30-Jun-09 Rupees Audited
Future sale contract - Shares	48,431,173	—
Capital expenditure	1,300,000	1,300,000

10 RETURN ON INVESTMENTS

	Quarter ended		Half year ended	
	31-Dec-09 Rupees	31-Dec-08 Rupees	31-Dec-09 Rupees	31-Dec-08 Rupees
Mark-up / return on investments	15,823,774	14,325,012	31,633,472	29,272,826
Dividend income	2,769,933	2,459,244	3,692,328	13,093,020
Capital gain on investments	3,859,665	40,482,476	51,441,724	41,901,265
	22,453,372	57,266,732	86,767,524	84,267,111

11 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Quarter ended		Half year ended	
	31-Dec-09 Rupees	31-Dec-08 Rupees	31-Dec-09 Rupees	31-Dec-08 Rupees
Salaries, wages, other benefits and allowances	11,190,447	17,266,823	24,321,362	39,340,485
Staff Training and Welfare	18,808	85,956	53,416	311,341
Advertisement and business promotion	136,507	374,854	265,087	541,679
Rent, rates and taxes	3,377,629	3,392,103	6,426,376	7,447,555
Utilities	883,615	1,164,383	2,048,282	2,386,850
Communication charges	872,758	1,215,770	1,919,463	3,228,276
Traveling and vehicle maintenance	1,519,322	2,587,343	3,296,525	5,116,253
Repair and maintenance	520,424	1,055,763	1,175,128	2,108,480
Entertainment	410,413	685,321	822,914	1,311,930
Fee and subscriptions	416,229	634,800	864,703	1,241,314
Legal and professional charges	1,930,288	2,638,811	2,954,695	5,377,277
Printing and stationery	575,647	439,026	794,280	1,173,848
Fee, brokerage and commission	26,667	1,363,138	289,382	4,463,634
CDC and clearing charges	1,051,549	555,257	1,506,028	6,048,704
Insurance	512,900	642,633	1,369,038	1,598,481
Amortization of issuance cost of listed TFCs	393,324	393,324	786,648	786,648
Depreciation	4,327,152	5,499,187	9,097,739	10,983,349
Penalty	88,000	-	88,000	-
Staff motor vehicle contribution and insurance	19,533	-	63,699	-
Miscellaneous expenses	1,589,742	171	2,527,346	4,842
	29,860,954	39,994,663	60,670,111	93,470,946

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-09 Rupees Un-audited	31-Dec-08 Rupees Un-audited
Transactions during the period		
Associated companies:		
Return on finances received	213,983	529,180
Guarantee commission earned	–	749,930
Profit paid on certificates of deposit	320,862	320,862
Chairman's secretariat expenses	1,800,000	1,800,000
Financing facility availed	53,073,931	40,633,600
Financing facility repaid	532,518	37,284,702
Letter of guarantee called	53,940,000	–
Directors:		
Profit paid on certificates of deposit	7,748,019	13,846,735
Certificates of deposit issued	400,000	–
Executives:		
Return on finances received	450,915	214,122
Profit paid on certificates of deposit	244,113	441,211
Fixed assets sold	–	291,528
Certificate of Deposit issued	13,075,535	40,209,054
Certificate of Deposit matured	13,704,117	24,560,000
Financing facility availed	539,000	–
Financing facility repaid	1,501,668	420,828
Others:		
Contribution to staff retirement benefits plan	826,656	1,793,714

	Note	31-Dec-09 Rupees Un-audited	30-Jun-08 Rupees Audited
Balance at the end of the period			
Associated companies:			
Advances outstanding		77,181,762	24,624,931
Letter of guarantee outstanding		–	53,940,000
Certificates of deposit outstanding		6,095,003	6,095,003
Other receivable		1,772,198	3,127,230
Directors:			
Certificates of deposit outstanding		116,050,000	115,650,000
Other receivable	12.1	6,653,021	6,668,430
Executives:			
Advances outstanding		11,818,453	4,282,117
Certificates of deposit outstanding		3,653,535	12,319,787
Other receivable		–	24,500

12.1 This includes the payment made on behalf of Mr. Bashir Ahmed (Chairman) to The Bank of Punjab.

13 SEGMENT ANALYSIS

The Bank'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 including lease financing.

investing activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Bank's liquidity.

	Half year ended 31 December 2009		
	Financing activities	Investing activities	Total
Profit on financing	18,119,150		18,119,150
Mark-up on lease finance	1,404,535		1,404,535
Return on placements		4,222,927	4,222,927
Return on investments		86,767,524	86,767,524
Fees and commission		825,960	825,960
Total income for reportable segments	19,523,685	91,816,411	111,340,096
Finance costs	14,820,753	69,072,361	83,893,114
Administrative and other operating expenses	10,638,612	50,031,499	60,670,111
Provision for doubtful financing - reversed	(3,356,546)	-	(3,356,546)
Segment result	(2,579,135)	(27,287,448)	(29,866,583)
Other operating income			3,880,821
Loss before taxation			(25,985,762)
Segment assets	230,501,208	767,582,623	998,083,831
Unallocated assets			903,571,212
			1,901,655,043
Segment liabilities	346,344,390	1,517,089,349	1,863,433,739
Unallocated liabilities			38,221,304
			1,901,655,043

	Half year ended 31 December 2008		
	Financing activities	Investing activities	Total
Profit on financing	12,969,172		12,969,172
Mark-up on lease finance	3,066,561		3,066,561
Return on placements		96,732,847	96,732,847
Return on investments		84,267,111	84,267,111
Fees and commission		5,667,554	5,667,554
Total income for reportable segments	16,035,733	186,667,512	202,703,245
Finance costs	14,177,253	160,743,448	174,920,701
Administrative and general expenses	7,394,431	86,076,515	93,470,946
Provision for doubtful financing - reversed			
Segment result	(5,535,951)	(60,152,451)	(65,688,402)
Other operating income			2,864,882
Loss before taxation			(62,823,520)
Segment assets	211,510,630	1,039,166,924	1,250,677,554
Unallocated assets			1,145,252,644
			2,395,930,198
Segment liabilities	439,813,486	1,926,511,223	2,366,324,709
Unallocated Liabilities			29,605,489
			2,395,930,198

14 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 27 February 2010.

15 GENERAL

Figures have been rounded off to the nearest rupee.



Chief Executive



Director

Network



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