

QUARTERLY

ESCORTS

BANK

REPORT

31 March **2012**

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Corporate Information

BOARD OF DIRECTORS

Chairman

Bairam Qureishy

President & Chief Executive Officer

Shazia Bashir

Directors

Bairam Qureishy

Shazia Bashir

Mutahir Ahmed

Tajamul Hussain Bokharee

Zulfiqar A. Khan

Amjad Mahmood Agha

Muhammad Sharif Baqir

Company Secretary / Chief Financial Officer

Kamran Hafeez

EXECUTIVE MANAGEMENT

President & Chief Executive Officer

Shazia Bashir

Head of Branch Network

Azmat Baig

Head of Proprietary Investments

Hassan Abid Zaidi

Head of MIS

Kamran Chughtai

AUDIT COMMITTEE

Chairman

Bairam Qureishy

Members

Tajamul Hussain Bokharee

Mutahir Ahmed

Secretary

Kamran Hafeez

Internal Auditors

Nasir Javaid Maqsood Imran Ashfaq

Chartered Accountants

External Auditors

Zahid Jamil & Company

Chartered Accountants

Legal Advisors

Lexium Attorneys at Law

Tax Consultants

KPMG Taseer Hadi & Co.
Chartered Accountants

Share Registrars

Hameed Majeed Associates (Pvt.) Ltd.

Bankers

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

NETWORK

Head Office & Lahore Branch

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26-Davis Road, Lahore
Tel: (042) 3637 1931-34
Fax: (042) 3637 5950
mailmanager@escortsbank.net
www.escortsbank.net

Branch Offices

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Stock Exchange Road, Karachi
Tel: (021) 3247 1671-5
Fax: (021) 3247 237
karachi@escortsbank.net
www.escortsbank.net

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islamabad@escortsbank.net
www.escortsbank.net

Directors' Report

The Board of Directors of Escorts Investment Bank Limited (the "Bank") is pleased to present before you the unaudited condensed interim financial information for the quarter ended March 31, 2012.

The Board wishes to congratulate all the stakeholders of the Bank on accomplishing profitability after two and half years. Your Bank posted a Net Profit of Rs. 1.78 million during the quarter ended March 31, 2012 and an EPS of Rs. 0.04 as against a loss of Rs. 2.28 million and negative EPS of Rs. 0.05. This shows an improvement of 177% which is unprecedented in the Financial Services Sector in general and Investment Banking Industry in particular. Similarly, the nine months results show that your Bank incurred a loss of Rs. 5.7 million for the period ended March 31, 2012 as against a loss of Rs. 24.5 million in the corresponding period of the preceding year, showing a year on year improvement of 75%, again unmatched in the industry. The quarter on quarter comparison shows an improvement of 136%. This has been possible mainly by way of higher spread income, lower borrowing cost, fee based income and income from investments.

This turnaround was possible only by taking difficult decisions at the right time. The new management joined the Bank in April 2010, at which time the Bank was incurring a loss per quarter of more than Rs. 25 million. At that time, to turn this loss into profitability appeared to be an insurmountable task but with faith, hard work, commitment and perseverance, the management accomplished this objective in less than two years. The Board shared the Turn Around strategy with all the stakeholders and is proud in stating that the later have extended their full support, appreciation and confidence in the former. Income diversification, cost rationalization, research based strategic financial management, high levels of employee motivation and leadership of management have all contributed in meeting the end of accomplishing profitability.

The initiatives taken during the past two years are now materializing to their full extent. The improved performance of treasury function, financial advisory, research based investment and disinvestment process, phased rationalization of borrowing and administrative costs, successful renegotiations of contracts with third parties, pursuing receivables through legal course and introduction of fee based income streams with benign credit and financial risk are expected to show increased profitability of your Bank going forward.

Acknowledgement

The Board would like to take this opportunity to express its admiration to the employees of the Bank for their commitment, hard work and co-operation throughout the years. The Board also wishes to place on record its gratitude to Securities and Exchange Commission of Pakistan for their valued support, assistance and guidance.

For and on behalf of the Board

Shazia Bashir

President and Chief Executive Officer

Lahore: April 26, 2012

Condensed Interim Balance Sheet

As at 31 March 2012

	Note	31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
ASSETS			
Non-current Assets			
Fixed assets	5	70,521,457	79,157,239
Cards and rooms		33,450,000	33,450,000
Long term investment in subsidiary company		175,004,000	175,004,000
Long term investments	6	101,038,764	157,234,280
Long term finances		124,725,538	118,675,095
Net investment in lease finance		-	1,087,592
Long term loans and advances		50,942,376	892,189
Long term deposits and prepayments		9,712,619	2,827,226
Deferred tax asset		82,481,269	82,481,269
		647,876,023	650,808,890
Current Assets			
Current maturities of non-current assets		322,330,385	462,878,570
Short term investments	7	58,989,235	32,850,804
Short term finances		85,549,858	117,525,245
Short term placements		194,829,450	796,533,715
Advances		10,540,454	2,628,480
Short term deposits and prepayments		26,391,642	17,379,404
Interest accrued		22,926,645	28,272,191
Other receivables		50,155,939	18,612,060
Tax refunds due from government		225,412,780	219,944,925
Cash and bank balances		14,819,635	17,441,234
		1,011,946,023	1,714,066,628
		1,659,822,046	2,364,875,518
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		40,099,128	45,894,888
		481,099,128	486,894,888
Deficit on Revaluation of Investments	8	(3,254,895)	(2,498,330)
Non-Current Liabilities			
Term finance certificates	9	74,939,400	-
Long term certificates of deposit		144,086,888	117,263,665
Long term security deposit		-	539,465
Current Liabilities			
Current maturities of non-current liabilities		138,250,876	315,694,798
Short term borrowings	10	256,120,000	809,820,762
Running finance - Secured		-	50,000,600
Short term certificates of deposit		427,078,827	431,960,826
Accrued markup		11,768,245	20,455,206
Trade and other payables	11	96,207,583	102,620,899
Provision for taxation		33,525,994	32,122,739
		962,951,525	1,762,675,830
Contingencies and Commitments	12	-	-
		1,659,822,046	2,364,875,518

The annexed notes from 1 to 18 form an integral part of this interim financial information.

Chief Executive Officer

Director

Condensed Interim Profit and Loss Account

For the Three Months and Nine Months Ended 31 March 2012 (Un-audited)

	Note	Three months ended		Nine months Ended	
		31-Mar-12 Rupees	31-Mar-11 Rupees	31-Mar-12 Rupees	31-Mar-11 Rupees
INCOME					
Profit on financing		12,780,437	18,033,237	41,344,828	47,235,657
Mark-up on lease finance		46,908	191,262	168,047	1,220,321
Return on placements		7,718,755	16,556,526	44,247,076	48,201,314
Return on investments	13	19,685,317	27,142,874	57,810,596	77,060,459
Fees and Commission		207,876	-	6,619,826	4,000,000
Profit on bank deposits		248,860	349,130	823,092	969,465
Other income		3,570,885	605,941	11,533,894	2,582,146
		44,259,038	62,878,970	162,547,359	181,269,362
EXPENSES					
Return on certificates of deposit		19,561,637	22,280,055	60,451,694	62,649,033
Return on term finance certificates		2,918,188	9,138,384	12,030,796	30,557,996
Mark-up on short term running finance		360,396	156,782	779,451	1,684,647
Mark-up on borrowings from financial institutions		4,444,690	15,815,128	47,709,617	49,692,157
Amortization of premium on held to maturity investments		1,576,557	3,301,086	8,502,027	9,903,260
Administrative and other operating expenses	14	13,263,804	13,630,807	37,868,637	48,406,444
Impairment on available for sale investment		-	-	-	412,303
Other financial charges		21,525	35,743	202,821	95,346
		42,146,797	64,357,985	167,545,043	203,401,186
Operating profit / (loss) before provisions and taxation		2,112,241	(1,479,015)	(4,997,684)	(22,131,824)
Provision for doubtful financing - reversed		-	447,914	605,179	447,914
Operating profit / (loss) before taxation		2,112,241	(1,031,101)	(4,392,505)	(21,683,910)
Taxation		(329,753)	(1,255,974)	(1,403,255)	(2,863,459)
Profit / (loss) after taxation		1,782,488	(2,287,075)	(5,795,760)	(24,547,369)
Other comprehensive income - net of tax		-	-	-	-
Total comprehensive profit/ (loss) - net of tax		1,782,488	(2,287,075)	(5,795,760)	(24,547,369)
Earnings/ (loss) per share-basic and diluted		0.04	(0.05)	(0.13)	(0.56)

The annexed notes from 1 to 18 form an integral part of this interim financial information.

Condensed Interim Cash Flow Statement

For the Three Months and Nine Months Ended 31 March 2012 (Un-audited)

	31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-Audited)
Cash flow from operating activities		
Loss before taxation	(4,392,505)	(21,683,910)
Adjustment for non cash expenses and other items:		
Dividend income	(43,229,340)	(41,961,363)
Depreciation on property and equipment	7,660,799	8,599,077
Amortization on intangible assets	649,935	-
Provision for doubtful financing - reversed	(605,179)	(447,914)
Amortization of premium on held to maturity investments	8,502,027	9,903,260
Amortization of issuance cost of listed TFCs	1,048,841	1,179,972
Gain on sale of fixed assets	(295,068)	(1,098,093)
Impairment loss on portfolio shares	-	412,303
	(26,267,985)	(23,412,758)
	(30,660,490)	(45,096,668)
Decrease/(increase) in operating assets		
Disbursements of finances - net	1,955,308	(71,171,814)
Net investment in lease finance	1,955,847	5,237,519
Placements	601,704,265	(578,103,644)
Investments - net	183,213,837	17,016,876
Long term and short term advances	(57,946,985)	(2,095,621)
Interest Accrued	5,345,548	(8,969,443)
Other receivables	(8,399,607)	(2,739,921)
Deposits and prepayments	(14,636,521)	(27,542,069)
	713,191,692	(668,368,117)
(Decrease) / Increase in operating liabilities		
Borrowings from financial institutions	(553,700,762)	521,441,875
Certificates of deposit	(39,955,490)	99,244,079
Running finance facility	(50,000,600)	-
Accrued markup	(8,686,961)	(5,840,846)
Trade and other payables	(6,413,316)	177,986,587
	(658,757,129)	792,831,695
Net changes in operating assets and liabilities	54,434,563	124,463,578
Net cash generated from operating activities	23,774,073	79,366,910
Taxes refund / paid	(5,467,855)	112,075,722
Net cash generated from operating activities	18,306,218	191,442,632
Cash flow from investing activities		
Fixed capital expenditure incurred	-	(657,500)
Dividend received	20,085,068	13,760,117
Proceeds from sale of fixed assets	620,115	1,752,096
Net cash generated from investing activities	20,705,183	14,854,713
Cash flow from financing activities		
Redemption of listed term finance certificates	(41,633,000)	(166,534,000)
Repayment of lease obligation	-	(4,980,797)
Net cash used in financing activities	(41,633,000)	(171,514,797)
Net decrease in cash and cash equivalents	(2,621,599)	34,782,548
Cash and cash equivalents at the beginning of the period	17,441,234	9,493,983
Cash and cash equivalents at the end of the period	14,819,635	44,276,531

The annexed notes from 1 to 18 form an integral part of this interim financial information.

Chief Executive Officer

Director

Condensed Interim Statement of Changes in Equity

For the Three Months and Nine Months Ended 31 March 2012 (Un-audited)

	Share capital Rupees	Statutory reserve Rupees	Accumulated loss Rupees	Total Rupees
Balance as at 01 July 2010	441,000,000	154,050,085	(77,076,939)	517,973,146
Net Loss upto 31 March 2011	-	-	(24,547,369)	(24,547,369)
Other comprehensive income				
Total comprehensive loss	-	-	(24,547,369)	(24,547,369)
Balance as at 31 March 2011	441,000,000	154,050,085	(101,624,308)	493,425,777
Balance as at 01 July 2011	441,000,000	154,050,085	(108,155,197)	486,894,888
Net Loss upto 31 March 2012	-	-	(5,795,760)	(5,795,760)
Other comprehensive income				
Total comprehensive loss	-	-	(5,795,760)	(5,795,760)
Balance as at 31 March 2012	441,000,000	154,050,085	(113,950,957)	481,099,128

The annexed notes from 1 to 18 form an integral part of this interim financial information.

Chief Executive Officer

Director

Condensed Interim Notes to the Financial Statements

For the Three Months and Nine Months Ended 31 March 2012 (Un-audited)

1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited (“the Company”) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 15 May 1995 and started its commercial operations on 16 October 1996. The Company is listed on the Karachi and Lahore stock exchanges. Escorts Investment Bank Limited is licensed to carry out investment finance services as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term credit rating of the Company to “BBB” (Triple B) and maintained the short-term rating at “A3” (A three) dated 14 March 2012. A “Positive Outlook” has been assigned to these ratings. These ratings denote an adequate capacity of timely payment of financial commitments. (Previous: BBB-/A3).

2. BASIS OF PRESENTATION

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

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

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

2.2 The financial statements of the company reflect that the equity of the company as at March 31, 2012 is Rs. 481.099 million which is below the minimum capital required under NBFC regulations 2008. The company is taking steps to ensure its compliance; these include working on option of equity injection.

The Company is also taking various initiatives to increase its fee and spread based income. These initiatives have already started to materialize and are expected to substantially contribute to the retained earnings going forward. The Company’s cost rationalization plan is complete, and as a result of that the administrative and other operating expenses have significantly reduced during the period. The complete impact of this phased cost rationalization plan would be realized in the coming year. The management of the Company has prepared financial projections for a period of five years that envisage future profits.

Based on the above, the Company’s management and the Board are confident that this equity shortfall would be fulfilled by future profits and planned equity injection.

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 30 June 2011.

		31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
5. FIXED ASSETS			
Property and equipments	5.1	68,860,258	76,846,099
Intangible assets		1,661,199	2,311,140
		70,521,457	79,157,239
5.1 Property and equipments			
Opening balance written down value.		76,846,099	88,557,797
Additions:			
Computer equipment		-	157,500
Less: Disposals written down value			
Office furniture and fixtures		(126,833)	(250,313)
Vehicles		-	(403,690)
Office equipments		(198,215)	-
		(325,048)	(654,003)
Depreciation for the period / year		7,660,793	11,215,195
Closing written down value		68,860,258	76,846,099
6. LONG TERM INVESTMENTS			
Held to maturity			
Pakistan Investment Bonds		303,153,579	511,655,606
Term Finance Certificates - Unlisted		-	10,108,833
		303,153,579	521,764,439
Less: Current maturity of Term Finance Certificates		-	6,070,903
Less: Current maturity of Pakistan Investment Bonds		202,114,815	358,459,256
		101,038,764	157,234,280
7. SHORT TERM INVESTMENTS			
Held for Trading			
Listed Shares and units		6,938,765	569,500
Available for sale			
Term Finance Certificates - Listed		1,642,368	3,284,736
Listed Shares and units		54,118,408	31,972,101
Impairment Loss		-	(412,303)
		62,699,541	35,414,034
Deficit on revaluation		(3,710,306)	(2,563,230)
		58,989,235	32,850,804

		31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
8 .	DEFICIT ON REVALUATION OF INVESTMENTS		
	Available for sale		
	Listed term finance certificates	11,114	34,532
	Listed shares / units	(3,266,009)	(2,532,862)
		(3,254,895)	(2,498,330)
9 .	TERM FINANCE CERTIFICATES		
	Opening balance	166,532,000	333,066,000
	Redeemed / amortized during the period / year	41,633,000	166,534,000
		124,899,000	166,532,000
	Less: Current maturity	(49,959,600)	(166,532,000)
		74,939,400	-
9.1	These TFCs have been rescheduled for a period of three years. Principal redemption shall be made on half yearly basis starting from March 15, 2012 and carry return payable at rate of 8% per annum.		
		31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
10 .	SHORT TERM BORROWINGS		
	Financial institutions - Secured	256,120,000	809,820,762
10.1	These represents borrowings under repurchase agreements and carry mark-up at the rate of 12.40% to 12.50% per annum (2011: 13.45% to 14% per annum) and are for a period ranging from 7 days to 1 month (2011: 6 days to 1 month). These are secured against Pakistan Investment Bonds.		
		31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
11.	TRADE AND OTHER PAYABLES		
	Customers' credit balances	9,770,406	7,221,277
	Accrued expenses and other payables	82,981,646	91,802,124
	Provision for compensated absences	1,068,527	1,210,494
	Unclaimed dividend	2,387,004	2,387,004
		96,207,583	102,620,899
12.	CONTINGENCIES AND COMMITMENTS		
	Outstanding guarantees	47,701,020	1,500,000
	Future purchase contract - Shares	187,096,510	147,625,200
	Future sale contract - Shares	49,629,400	70,280,455

	Three months ended		Nine months ended	
	31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-audited)	31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-audited)
13. RETURN ON INVESTMENTS				
Mark-up / return on investments	8,034,839	15,239,712	35,979,214	46,891,261
Dividend income	24,452,765	38,553,804	43,229,340	41,961,363
Fair value loss on held for trading investment	(133,257)	-	(390,511)	-
Capital gain/(loss) on investments	(12,669,030)	(26,650,642)	(21,007,447)	(11,792,165)
	19,685,317	27,142,874	57,810,596	77,060,459
14 ADMINISTRATIVE AND OTHER OPERATING EXPENSES				
Salaries, wages, other benefits and allowances	3,674,128	4,666,978	11,587,754	16,640,374
Staff Training and Welfare	7,366	1,062	29,656	25,067
Advertisement and business promotion	29,140	40,900	113,400	148,251
Donation	-	-	-	100,170
Rent, rates and taxes	914,789	1,700,301	3,453,657	6,332,805
Utilities	395,480	438,349	1,004,642	1,474,991
Communication charges	336,195	440,933	1,045,639	1,213,933
Traveling and vehicle maintenance	1,360,671	1,029,357	3,526,425	5,195,322
Repair and maintenance	284,785	509,335	958,823	1,994,766
Entertainment	289,576	304,467	772,865	947,427
Fee and subscriptions	913,806	370,733	1,347,243	1,229,421
Legal and professional charges	687,042	412,233	1,720,004	1,397,322
Printing and stationery	357,088	314,265	960,859	921,199
Fee, brokerage and commission	13,175	32,008	48,783	73,403
CDC and clearing charges	814,021	-	1,387,903	-
Insurance	114,337	210,479	380,412	710,074
Amortization of issuance cost of listed TFCs	262,193	393,324	1,048,841	1,179,972
Depreciation	2,553,597	2,746,511	7,660,793	8,599,077
Amortization on intangible assets	216,645	-	649,935	-
Penalty	-	-	-	60,000
Staff motor vehicle contribution and insurance	19,533	19,533	58,599	58,599
Miscellaneous expenses	20,237	39	112,404	104,271
	13,263,804	13,630,807	37,868,637	48,406,444

15. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, subsidiary company, local associated companies, staff retirement funds, directors and other key management personnel. Material transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:

	31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-audited)
Transactions during the period		
Subsidiary Company:		
Profit paid on certificates of deposit	6,750,024	305,100
Return on finances received	18,000,000	-
Return on assets	4,441,438	4,457,589

	31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-audited)
Associated companies:		
Return on finances received	6,347,114	3,338,806
Profit paid on certificates of deposit	480,417	478,664
Advisory fee	6,000,000	4,000,000
Fixed assets sold	600,115	-
Chairman's secretariat expenses	2,700,000	2,700,000
Guarantee commission earned	619,826	-
Directors:		
Return on finances received	777,764	-
Profit paid on certificates of deposit	5,047,298	5,068,700
Executives:		
Return on finances received	903,434	181,881
Profit paid on certificates of deposit	5,636,177	5,712,661
Fixed assets sold	-	1,202,096
Others:		
Contribution to staff retirement benefits plan	456,909	715,462
	31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
Balance at the end of the period		
Subsidiary Company:		
Certificates of deposit outstanding	100,000,000	72,955,044
Financing outstanding	100,000,000	100,000,000
Receivable from Subsidiary Company	88,258,239	27,901,842
Payable against purchase of shares	47,114,778	70,818,296
Profit receivable on financing	3,154,891	16,654,891
Markup payable on COD	4,324,658	5,974,573
Associated companies:		
Financing outstanding	78,486,107	78,048,413
Letter of guarantee outstanding	47,701,020	1,500,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	10,711,849	4,000,000
Directors:		
Financing outstanding	19,843,869	20,137,497
Certificates of deposit outstanding	60,692,600	50,400,000
Executives:		
Financing outstanding	3,536,322	7,026,469
Certificates of deposit outstanding	56,375,645	58,568,784

16. SEGMENTAL ANALYSIS

The Company's activities are broadly categorized into two primary business segments namely financing activities and investment activities within Pakistan:

Financing activities

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers.

Investment activities

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

Nine Months ended 31 March 2012

	Financing activities	Investing activities	Total
Profit on financing	41,344,828		41,344,828
Mark-up on lease finance	168,047		168,047
Return on placements		44,247,076	44,247,076
Return on investments	-	57,810,596	57,810,596
Fee and commission		6,619,826	6,619,826
Total income for reportable segments	41,512,875	108,677,498	150,190,373
Finance costs	35,842,780	93,833,626	129,676,406
Administrative and other operating expenses	10,466,956	27,401,681	37,868,637
Provision for doubtful financing - reversed	(605,179)		(605,179)
Segment result	(4,191,681)	(12,557,810)	(16,749,491)
Other operating income			12,356,986
Loss before taxation			(4,392,505)
Segment assets	387,185,055	778,796,870	1,165,981,925
Unallocated assets			493,840,121
			1,659,822,046
Segment liabilities	176,683,645	308,598,861	485,282,506
Unallocated liabilities			693,440,412
Equity			481,099,128
			1,659,822,046

Nine Months ended 31 March 2011

	Financing activities	Investing activities	Total
Profit on financing	47,235,657	-	47,235,657
Mark-up on lease finance	1,220,321	-	1,220,321
Return on placements		48,201,314	48,201,314
Return on investments		77,060,459	77,060,459
Total income for reportable segments	48,455,978	125,261,773	173,717,751
Finance costs	43,233,474	111,761,268	154,994,742
Administrative and other operating expenses	13,502,256	34,904,188	48,406,444
Provision for doubtful financing - reversed	(447,914)		(447,914)
Segment result	(7,831,838)	(21,403,683)	(29,235,521)
Other operating income			7,551,611
Loss before taxation			(21,683,910)
Segment assets	338,298,717	1,561,639,149	1,899,937,866
Unallocated assets			516,886,699
			2,416,824,565
Segment liabilities	153,743,249	348,283,621	502,026,870
Unallocated liabilities			1,421,371,918
Equity			493,425,777
			2,416,824,565

17. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 26th April 2012.

18. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

Consolidated Financial Statements

31 March 2012

Condensed Interim Consolidated Balance Sheet

As at 31 March 2012

	Note	31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
ASSETS			
Non-current Assets			
Fixed assets	6	73,783,345	82,738,987
Cards and rooms		84,955,000	84,955,000
Long term investments	7	101,038,764	157,234,280
Long term finances		24,725,538	18,675,095
Net investment in lease finance		-	1,087,592
Long term loans and advances		942,376	892,189
Long term deposits and prepayments		11,936,619	5,056,226
Deferred tax asset		82,481,269	82,481,269
		379,862,911	433,120,638
Current Assets			
Current maturities of non-current assets		322,330,385	462,878,570
Short term investments	8	58,989,235	32,850,804
Short term finances		85,549,858	117,525,246
Short term placements		194,829,450	796,533,715
Advances		10,701,503	2,996,240
Short term deposits and prepayments		27,561,153	22,762,668
Interest accrued		19,771,754	11,390,102
Other receivables		110,731,474	16,884,011
Tax refunds due from government		228,566,611	222,140,459
Cash and bank balances		18,259,310	26,434,601
		1,077,290,733	1,712,396,416
		1,457,153,644	2,145,517,054
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		(157,361,940)	(136,892,948)
Deficit on Revaluation of Investments	9	283,638,060 (3,254,895)	304,107,052 (2,498,330)
Non-Current Liabilities			
Term finance certificates	10	74,939,400	-
Long term certificates of deposit		144,086,888	117,263,665
Long term security deposit		-	539,465
Current Liabilities			
Current maturities of non-current liabilities		138,250,876	315,694,798
Short term borrowings	11	256,120,000	809,820,762
Running finance - Secured		-	50,000,600
Short term certificates of deposit		327,078,827	359,005,782
Accrued markup		7,056,371	14,480,633
Trade and other payables	12	195,712,123	144,905,250
Provision for taxation		33,525,994	32,197,377
Contingencies and Commitments	13	957,744,191	1,726,105,202
		-	-
		1,457,153,644	2,145,517,054

The annexed notes from 1 to 19 form an integral part of this interim financial information.

Condensed Interim Consolidated Profit and Loss Account

For the Three Months and Nine Months Ended 31 March 2012 (Un-audited)

	Note	Three months ended		Nine months Ended	
		31-Mar-12 Rupees	31-Mar-11 Rupees	31-Mar-12 Rupees	31-Mar-11 Rupees
INCOME					
Profit on financing		6,810,725	12,079,675	27,903,390	32,898,040
Mark-up on lease finance		46,908	191,262	168,047	1,220,321
Return on placements		7,718,755	16,556,526	44,247,076	48,201,314
Return on investments	14	19,685,317	27,142,874	57,810,596	77,060,459
Fees and Commission		801,205	2,899,926	8,284,574	10,965,595
Profit on bank deposits		717,708	393,183	2,632,122	1,636,256
Other income		3,574,875	571,679	11,601,189	2,503,174
		39,355,493	59,835,125	152,646,994	174,485,159
EXPENSES					
Return on certificates of deposit		18,036,261	17,797,726	55,430,692	55,683,760
Return on term finance certificates		2,918,188	9,138,384	12,030,796	30,557,996
Mark-up on short term running finance		360,396	156,782	779,451	1,684,647
Mark-up on borrowings from financial institutions		4,444,690	15,815,128	47,709,617	49,692,157
Amortization of premium on held to maturity investments		1,576,557	3,301,086	8,502,027	9,903,260
Administrative and other operating expenses	15	15,627,538	19,039,160	46,432,311	64,195,610
Impairment on available for sale investment		-	-	-	412,303
Other financial charges		25,475	41,389	213,223	111,506
		42,989,105	65,289,655	171,098,117	212,241,239
Operating loss before provisions and taxation		(3,633,612)	(5,454,530)	(18,451,123)	(37,756,080)
Provision for doubtful financing - reversed		-	447,914	605,179	447,914
Operating loss before taxation		(3,633,612)	(5,006,616)	(17,845,944)	(37,308,166)
Taxation		(711,994)	(2,669,249)	(2,623,048)	(5,213,570)
Loss after taxation		(4,345,606)	(7,675,865)	(20,468,992)	(42,521,736)
Other comprehensive income - net of tax		-	-	-	-
Total comprehensive loss - net of tax		(4,345,606)	(7,675,865)	(20,468,992)	(42,521,736)
Loss per share-basic and diluted		(0.10)	(0.17)	(0.46)	(0.96)

The annexed notes from 1 to 19 form an integral part of this interim financial information.

Condensed Interim Consolidated Cash Flow Statement

For the Three Months and Nine Months Ended 31 March 2012 (Un-audited)

	31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-Audited)
Cash flow from operating activities		
Loss before taxation	(17,845,944)	(37,308,166)
Adjustment for non cash expenses and other items:		
Dividend income	(43,229,340)	(41,961,363)
Depreciation on property and equipment	7,980,659	9,297,472
Amortization on intangible assets	649,935	-
Provision for doubtful financing - reversed	(605,179)	(447,914)
Amortization of premium on held to maturity investments	8,502,027	9,903,260
Amortization of issuance cost of listed TFCs	1,048,841	1,179,972
Gain on sale of fixed assets	(295,068)	(984,873)
Impairment loss on portfolio shares	-	412,303
	(25,948,125)	(22,601,143)
	(43,794,069)	(59,909,309)
Decrease/(increase) in operating assets		
Disbursements of finances - net	1,955,309	(21,171,815)
Net investment in lease finance	1,955,847	5,237,519
Placements	601,704,265	(578,103,644)
Investments - net	183,213,837	17,016,876
Long term and short term advances	(7,740,274)	(2,220,632)
Interest Accrued	(8,381,650)	(931,529)
Other receivables	(70,703,191)	(70,974,868)
Deposits and prepayments	(10,417,768)	(30,721,124)
	691,586,375	(681,869,217)
(Decrease) / Increase in operating liabilities		
Borrowings from financial institutions	(553,700,762)	521,441,875
Certificates of deposit	(67,000,446)	48,969,489
Running finance facility	(50,000,600)	-
Accrued markup	(7,424,262)	(12,806,119)
Trade and other payables	50,806,873	271,690,651
	(627,319,197)	829,295,896
Net changes in operating assets and liabilities	64,267,178	147,426,679
Net cash generated from operating activities	20,473,109	87,517,370
Taxes refund/ paid	(7,720,583)	109,571,097
Net cash generated from operating activities	12,752,526	197,088,467
Cash flow from investing activities		
Fixed capital expenditure incurred	-	(657,500)
Dividend received	20,085,068	13,760,117
Proceeds from sale of fixed assets	620,115	1,802,096
Net cash generated from investing activities	20,705,183	14,904,713
Cash flow from financing activities		
Redemption of listed term finance certificates	(41,633,000)	(166,534,000)
Repayment of lease obligation	-	(4,980,797)
Net cash used in financing activities	(41,633,000)	(171,514,797)
Net decrease in cash and cash equivalents	(8,175,291)	40,478,383
Cash and cash equivalents at the beginning of the period	26,434,601	19,507,754
Cash and cash equivalents at the end of the period	18,259,310	59,986,137

The annexed notes from 1 to 19 form an integral part of this interim financial information.

Chief Executive Officer

Director

Condensed Interim Consolidated Statement of Changes in Equity

For the Three Months and Nine Months Ended 31 March 2012 (Un-audited)

	Share capital Rupees	Statutory reserve Rupees	Accumulated loss Rupees	Total Rupees
Balance as at 01 July 2010	441,000,000	154,050,085	(228,757,763)	366,292,322
Net Loss upto 31 March 2011	-	-	(42,521,736)	(42,521,736)
Other comprehensive income				
Total comprehensive loss	-	-	(42,521,736)	(42,521,736)
Balance as at 31 March 2011	441,000,000	154,050,085	(271,279,499)	323,770,586
Balance as at 01 July 2011	441,000,000	154,050,085	(290,943,033)	304,107,052
Net Loss upto 31 March 2012	-	-	(20,468,992)	(20,468,992)
Other comprehensive income				
Total comprehensive loss	-	-	(20,468,992)	(20,468,992)
Balance as at 31 March 2012	441,000,000	154,050,085	(311,412,025)	283,638,060

The annexed notes from 1 to 19 form an integral part of this interim financial information.

Chief Executive Officer

Director

Condensed Interim Consolidated Notes to the Financial Statements

For the Three Months and Nine Months Ended 31 March 2012 (Un-audited)

1. LEGAL STATUS AND NATURE OF BUSINESS

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

EIBL ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 15 May 1995 and started its commercial operation on 16 October 1996. The Company is listed on the Karachi and Lahore stock exchanges. Escorts Investment Bank Limited is licensed to carry out investment finance services as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

ESCAP ("the Subsidiary") was incorporated as a public Limited company in Pakistan on 5 June 2008 under the Companies Ordinance, 1984 and became a wholly owned subsidiary Company of EIBL in June 2008. The Subsidiary is principally engaged in brokerage business. The registered office of the subsidiary is situated at Escorts House, 26 Davis Road, Lahore.

2. BASIS OF PRESENTATION

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

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

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

- 2.2 The separate financial statements of the company reflect that the equity of the company as at March 31, 2012 is Rs. 481.099 million which is below the minimum capital required under NBFC regulations 2008. The company is taking steps to ensure its compliance; these include working on option of equity injection.

The Company is also taking various initiatives to increase its fee and spread based income. These initiatives have already started to materialize and are expected to substantially contribute to the retained earnings going forward. The Company's cost rationalization plan is complete, and as a result of that the administrative and other operating expenses have significantly reduced during the period. The complete impact of this phased cost rationalization plan would be realized in the coming year. The management of the Company has prepared financial projections for a period of five years that envisage future profits.

Based on the above, the Company's management and the Board are confident that this equity shortfall would be fulfilled by future profits and planned equity injection.

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 30 June 2011.

5. BASIS OF CONSOLIDATION

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

		31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
6. FIXED ASSETS			
Property and equipments	6.1	72,122,146	80,427,846
Intangible assets		1,661,199	2,311,141
		73,783,345	82,738,987
6.1 Property and equipments			
Opening balance written down value.		80,427,846	93,276,027
Additions:			
Computer equipment		-	157,500
Less: Disposals written down value			
Office furniture and fixtures		(126,833)	(250,313)
Vehicles		-	(403,690)
Office equipments		(198,215)	(163,220)
		(325,048)	(817,223)
Depreciation for the period / year		7,980,652	12,188,458
Closing written down value		72,122,146	80,427,846
7. LONG TERM INVESTMENTS			
Held to maturity			
Pakistan Investment Bonds		303,153,579	511,655,606
Term Finance Certificates - Unlisted		-	10,108,833
		303,153,579	521,764,439
Less: Current maturity of Term Finance Certificates		-	6,070,903
Less: Current maturity of Pakistan Investment Bonds		202,114,815	358,459,256
		101,038,764	157,234,280

		31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
8. SHORT TERM INVESTMENTS			
	Held for Trading		
	Listed Shares and units	6,938,765	569,500
	Available for sale		
	Term Finance Certificates - Listed	1,642,368	3,284,736
	Listed Shares and units	54,118,408	31,972,101
	Impairment Loss	-	(412,303)
		62,699,541	35,414,034
	Deficit on revaluation	(3,710,306)	(2,563,230)
		58,989,235	32,850,804
9. DEFICIT ON REVALUATION OF INVESTMENTS			
	Available for sale		
	Listed term finance certificates	11,114	34,532
	Listed shares / units	(3,266,009)	(2,532,862)
		(3,254,895)	(2,498,330)
10. TERM FINANCE CERTIFICATES			
	Opening balance	166,532,000	333,066,000
	Redeemed / amortized during the period / year	41,633,000	166,534,000
		124,899,000	166,532,000
	Less: Current maturity	(49,959,600)	(166,532,000)
		74,939,400	-
10.1	These TFCs have been rescheduled for a period of three years. Principal redemption shall be made on half yearly basis starting from March 15, 2012 and carry return payable at rate of 8% per annum.		
		31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
11. SHORT TERM BORROWINGS			
	Financial institutions - Secured	256,120,000	809,820,762
11.1	These represents borrowings under repurchase agreements and carry mark-up at the rate of 12.40% to 12.50% per annum (2011: 13.45% to 14% per annum) and are for a period ranging from 7 days to 1 month (2011: 6 days to 1 month). These are secured against Pakistan Investment Bonds.		
12. TRADE AND OTHER PAYABLES			
	Customers' credit balances	53,866,016	45,813,809
	Accrued expenses and other payables	138,390,576	95,493,943
	Provision for compensated absences	1,068,527	1,210,494
	Unclaimed dividend	2,387,004	2,387,004
		195,712,123	144,905,250

			31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)	
13. CONTINGENCIES AND COMMITMENTS					
Outstanding guarantees			47,701,020	1,500,000	
Future purchase contract - Shares			187,096,510	147,625,200	
Future sale contract - Shares			49,629,400	70,280,455	
		Three months ended	Nine months ended		
		31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-audited)	31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-audited)
14. RETURN ON INVESTMENTS					
Mark-up / return on investments	8,034,839	15,239,712	35,979,214	46,891,261	
Dividend income	24,452,765	38,553,804	43,229,340	41,961,363	
Fair value loss on held for trading investment	(133,257)	-	(390,511)	-	
Capital gain/(loss) on investments	(12,669,030)	(26,650,642)	(21,007,447)	(11,792,165)	
	19,685,317	27,142,874	57,810,596	77,060,459	
15. ADMINISTRATIVE AND OTHER OPERATING EXPENSES					
Salaries, wages, other benefits and allowances	5,114,791	7,143,989	16,473,953	24,667,066	
Staff Training and Welfare	7,366	1,062	29,656	25,067	
Advertisement and business promotion	29,140	40,900	113,400	148,251	
Donation	-	-	-	100,170	
Rent, rates and taxes	1,530,789	2,634,288	5,351,465	8,866,481	
Utilities	467,117	528,549	1,307,421	1,915,966	
Communication charges	611,643	774,248	1,665,544	2,174,267	
Traveling and vehicle maintenance	1,431,686	1,459,931	3,730,041	5,774,137	
Repair and maintenance	329,158	341,030	1,156,981	1,994,766	
Entertainment	292,283	351,261	807,175	1,078,192	
Fee and subscriptions	1,129,806	727,777	1,705,729	1,878,097	
Legal and professional charges	687,042	266,633	1,874,004	1,567,222	
Printing and stationery	385,908	341,741	1,010,619	1,000,957	
Fee, brokerage and commission	13,175	32,008	48,783	73,403	
CDC and clearing charges	300,172	746,974	908,792	1,451,042	
Insurance	114,337	210,479	380,412	715,288	
Amortization of issuance cost of listed TFCs	262,193	393,324	1,048,841	1,179,972	
Depreciation	2,660,210	3,021,384	7,980,652	9,297,468	
Amortization on intangible assets	216,645	-	649,935	-	
Penalty	-	-	-	60,000	
Staff motor vehicle contribution and insurance	19,533	19,533	58,599	58,599	
Miscellaneous expenses	24,544	4,049	130,309	169,199	
	15,627,538	19,039,160	46,432,311	64,195,610	

16. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, local associated companies, staff retirement funds, directors and other key management personnel. Material transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:

	31-Mar-12 Rupees (Un-audited)	31-Mar-11 Rupees (Un-audited)
Transactions during the period		
Associated companies:		
Return on finances received	6,347,114	3,338,806
Profit paid on certificates of deposit	480,417	478,664
Advisory fee	6,000,000	4,000,000
Fixed assets sold	600,115	-
Chairman's secretariat expenses	2,700,000	2,700,000
Guarantee commission earned	619,826	-
Directors:		
Return on finances received	777,764	-
Profit paid on certificates of deposit	5,047,298	5,068,700
Executives:		
Return on finances received	903,434	181,881
Profit paid on certificates of deposit	5,636,177	5,712,661
Fixed assets sold	-	1,202,096
Others:		
Contribution to staff retirement benefits plan	579,636	715,462
	31-Mar-12 Rupees (Un-audited)	30-Jun-11 Rupees (Audited)
Balance at the end of the period		
Associated companies:		
Financing outstanding	78,486,107	78,048,413
Letter of guarantee outstanding	47,701,020	1,500,000
Certificates of deposit outstanding	6,095,003	6,095,003
Other receivable	10,711,849	4,000,000
Directors:		
Financing outstanding	19,843,869	20,137,497
Certificates of deposit outstanding	60,692,600	50,400,000
Executives:		
Financing outstanding	3,536,322	7,026,469
Certificates of deposit outstanding	56,375,645	58,568,784

17. SEGMENTAL ANALYSIS

The Company's activities are broadly categorized into two primary business segments namely financing activities and investment activities within Pakistan:

Financing activities

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers.

Investment activities

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

Nine Months ended 31 March 2012			
	Financing activities	Investing activities	Total
Profit on financing	27,903,390	-	27,903,390
Mark-up on lease finance	168,047	-	168,047
Return on placements	-	44,247,076	44,247,076
Return on investments	-	57,810,596	57,810,596
Fee and commission	-	8,284,574	8,284,574
Total income for reportable segments	28,071,437	110,342,246	138,413,683
Finance costs	25,283,254	99,382,552	124,665,806
Administrative and other operating expenses	9,416,856	37,015,455	46,432,311
Provision for doubtful financing - reversed	(605,179)	-	(605,179)
Segment result	(6,023,494)	(26,055,761)	(32,079,255)
Other operating income			14,233,311
Loss before taxation			(17,845,944)
Segment assets	234,030,164	655,297,870	889,328,034
Unallocated assets			567,825,610
			1,457,153,644
Segment liabilities	96,834,046	190,987,392	287,821,438
Unallocated liabilities			885,694,146
Equity			283,638,060
			1,457,153,644

Nine Months ended 31 March 2011

	Financing activities	Investing activities	Total
Profit on financing	32,898,040	-	32,898,040
Mark-up on lease finance	1,220,321	-	1,220,321
Return on placements		48,201,314	48,201,314
Return on investments		77,060,459	77,060,459
Total income for reportable segments	34,118,361	125,261,773	159,380,134
Finance costs	31,691,994	116,353,635	148,045,629
Administrative and other operating expenses	13,742,296	50,453,314	64,195,610
Provision for doubtful financing - reversed	(447,914)		(447,914)
Segment result	(10,868,015)	(41,545,176)	(52,413,191)
Other operating income			15,105,025
Loss before taxation			(37,308,166)
Segment assets	238,298,717	1,440,060,343	1,678,359,060
Unallocated assets			594,924,156
			2,273,283,216
Segment liabilities	89,825,818	242,545,861	332,371,679
Unallocated liabilities			1,617,140,951
Equity			323,770,586
			2,273,283,216

18. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 26th April 2012.

19. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director



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