

ESCORTS
BANK



Quarterly Report
For the period ended
31 March

2014

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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

Hamid ur Rehman

EXECUTIVE MANAGEMENT

President & Chief Executive Officer

Shazia Bashir

Head of Proprietary Investments

Hassan Abid Zaidi

Head of MIS

Kamran Chughtai

AUDIT COMMITTEE

Chairman

Tajamul Hussain Bokharee

Members

Bairam Qureishy

Mutahir Ahmed

Secretary

Muhammad Rasheed Alam

Internal Auditors

Nasir Javaid Maqsood Imran

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

Askari Bank Limited

NIB Bank Limited

NETWORK

Head Office & Lahore Branch

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www.escortsbank.net

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Directors' Report



The Board of Directors of Escorts Investment Bank Limited (the "Company") is pleased to present before you the un-audited financial statements for the period ended 31 March 2014.

Your Company posted a loss after tax of Rs. 28.50 million for the nine months ended March 31, 2014 reflecting EPS of Rs. (0.68) as compared to a profit of Rs. 22.77 million and EPS of Rs. 0.52 corresponding period of the previous year. The primary reasons for the loss is 87.55% reduction in other income and 58.79% reduction in return on investments and an increase of 22.71% in cost of Certificate of Investments (COIs). Profit on Financing has increased by Rs. 12 million (141 %) due to increase in Short Term Financing. The administrative expenses have increased from Rs. 38.77 million to Rs. 48.59 million as compared to the corresponding period of the previous year owing to increase in salaries and inflation. These increased expenses would be absorbed till the end of current financial year.

The management is investing in high yield portfolios like investment in commodities, margin financing and equities portfolio and is confident that the Company's financial results would be materially improved. Liquidity position is improving further as a result of increase in deposits and realization of tax refunds. The brokerage revenues of Escorts Capital Limited, the wholly owned subsidiary of the Bank have materially improved over the period and are expected to grow further in foreseeable future.

For the shortage in minimum equity requirement the management of your Company has given its view in note No 2.2 of Condensed Interim Notes to the Financial Statements.

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

For and on behalf of the Board

Shazia Bashir

President and Chief Executive Officer

Lahore: April 29, 2014

Condensed Interim Balance Sheet

As at 31 March 2014

	Note	31-Mar-14 Rupees (Un-audited)	30-Jun-13 Rupees (Audited)
ASSETS			
Non-current Assets			
Fixed assets	5	105,760,068	102,843,295
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	100,941,860	100,980,776
Long term finances		44,193,717	179,386,953
Long term loans and advances		51,275,071	51,355,926
Long term deposits and prepayments		2,416,906	3,914,604
Deferred tax asset		102,292,639	100,222,616
		615,334,261	747,158,170
Current Assets			
Current maturities of non-current assets		154,128,386	52,755,719
Short term investments	7	198,347,567	206,566,908
Short term finances		316,033,448	111,373,306
Advances		3,705,770	3,557,292
Short term deposits and prepayments		1,441,612	21,712,413
Interest accrued		67,651,728	54,110,069
Other receivables		49,754,192	54,012,549
Tax refunds due from government		206,108,333	203,900,274
Cash and bank balances		12,020,674	36,080,966
		1,009,191,710	744,069,496
		1,624,525,971	1,491,227,666
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		28,305,345	56,808,178
		469,305,345	497,808,178
Surplus on revaluation of fixed assets		34,865,287	36,298,105
Deficit on Revaluation of Investments	8	(4,835,535)	(5,224,348)
Non-Current Liabilities			
Term finance certificates	9	-	24,641,647
Long term certificates of deposit		337,073,122	249,661,415
Current Liabilities			
Current maturities of non-current liabilities		52,396,955	69,234,530
Short term borrowings		51,905,772	-
Short term certificates of deposit		588,439,248	490,714,262
Accrued markup		9,635,408	17,928,487
Trade and other payables	10	46,505,510	72,946,090
Provision for taxation		39,234,859	37,219,300
		788,117,752	688,042,669
Contingencies and Commitments	11	-	-
		1,624,525,971	1,491,227,666

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

Chief Executive Officer

Director

Condensed Interim Profit and Loss Account

For the period ended 31 March 2014 (Un-audited)



	Note	Three months ended		Nine months ended	
		31-Mar-14 Rupees	31-Mar-13 Rupees	31-Mar-14 Rupees	31-Mar-13 Rupees
INCOME					
Profit on financing		21,842,254	9,058,417	54,061,740	49,867,582
Mark-up on lease finance		-	-	-	3,040
Return on placements		15,948	3,301,642	413,023	29,129,608
Return on investments	12	6,914,769	36,709,991	29,697,597	72,072,479
Fees and Commission		5,082,071	-	11,553,781	130,392
Profit on bank deposits		530,366	321,961	1,664,883	1,029,156
Other income		3,987,336	44,359,038	5,754,113	46,223,271
		38,372,744	93,751,049	103,145,137	198,455,528
EXPENSES					
Return on certificates of deposit		28,293,375	19,378,331	75,301,927	61,364,220
Return on term finance certificates		914,329	1,916,258	3,326,077	6,326,391
Mark-up on short term running finance		-	75,089	-	567,112
Mark-up on borrowings from financial institutions		4,047,152	26,694,983	5,769,897	66,163,782
Amortization of premium on held to maturity investments		12,972	11,808	38,916	584,438
Administrative and other operating expenses	13	14,724,344	12,538,377	48,596,961	38,779,950
Other financial charges		26,255	32,080	101,474	82,858
		48,018,427	60,646,926	133,135,252	173,868,751
Operating (loss)/ profit before taxation		(9,645,683)	33,104,123	(29,990,115)	24,586,777
Taxation		(1,456,950)	(656,076)	54,464	(1,814,360)
(Loss)/ profit after taxation		(11,102,633)	32,448,047	(29,935,651)	22,772,417
Other comprehensive income - net of tax		477,606	-	1,432,818	-
Total comprehensive (loss)/ profit - net of tax		(10,625,027)	32,448,047	(28,502,833)	22,772,417
(Loss)/ profit per share-basic and diluted		(0.25)	0.74	(0.68)	0.52

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

Chief Executive Officer

Director

Condensed Interim Cash Flow Statement

For the period ended 31 March 2014 (Un-audited)

	31-Mar-14 Rupees	31-Mar-13 Rupees
Cash flow from operating activities		
(Loss)/ profit before taxation	(29,990,115)	24,586,777
Adjustment for non cash expenses and other items:		
Dividend income	(3,136,636)	(52,215,747)
Depreciation on property and equipment	6,472,289	8,154,413
Amortization on intangible assets	433,485	649,935
Incremental depreciation on revaluation of fixed assets	-	(1,432,818)
Amortization of premium on held to maturity investments	38,916	584,438
Amortization of issuance cost of listed TFCs	1,521,676	1,521,675
Fair value loss on held for trading investment	609,179	(37,584)
	5,938,909	(42,775,688)
	(24,051,206)	(18,188,911)
Decrease/(increase) in operating assets		
Disbursements of finances - net	(171,292,261)	26,390,639
Net investment in lease finance	123,680	902,065
Placements	-	665,433,220
Investments - net	7,998,974	22,748,252
Long term and short term advances	(226,307)	(1,448,736)
Interest Accrued	(13,541,659)	(37,036,025)
Other receivables	4,258,357	(44,790,305)
Deposits and prepayments	22,136,391	5,198,963
	(150,542,825)	637,398,073
(Decrease) / Increase in operating liabilities		
Borrowings from financial institutions	51,905,772	(599,348,500)
Certificates of deposit	192,215,195	(14,480,533)
Accrued markup	(8,293,079)	(1,412,668)
Trade and other payables	(26,439,230)	3,126,547
	209,388,658	(612,115,154)
Net changes in operating assets and liabilities	58,845,833	25,282,919
Net cash generated from / (used in) operating activities	34,794,627	7,094,008
Taxation - net	(2,208,059)	(4,360,393)
Net cash generated from / (used in) operating activities	32,586,568	2,733,615
Cash flow from investing activities		
Fixed capital expenditure incurred	(8,175,695)	(117,080)
Capital work in progress	(1,646,851)	-
Dividend received	3,136,636	22,212,658
Net cash (used in) / generated from investing activities	(6,685,910)	22,095,578
Cash flow from financing activities		
Redemption of listed term finance certificates	(49,959,600)	(49,959,600)
Dividend paid	(1,350)	-
Net cash used in financing activities	(49,960,950)	(49,959,600)
Net decrease in cash and cash equivalents	(24,060,292)	(25,130,407)
Cash and cash equivalents at the beginning of the period	36,080,966	35,934,136
Cash and cash equivalents at the end of the period	12,020,674	10,803,729

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

Condensed Interim Statement of Changes in Equity

For the period ended 31 March 2014 (Un-audited)



	Share capital Rupees	Statutory reserve Rupees	Accumulated profit / (loss) Rupees	Total Rupees
Balance as at 01 July 2012	441,000,000	154,050,085	(119,475,211)	475,574,874
Net profit for the period	-	-	22,772,417	22,772,417
Transfer to statutory reserve	-	4,554,483	(4,554,483)	-
Other comprehensive profit	-	-	-	-
Total comprehensive profit	-	4,554,483	18,217,934	22,772,417
Balance as at 31 March 2013	441,000,000	158,604,568	(101,257,277)	498,347,291
Balance as at 01 July 2013	441,000,000	158,496,746	(101,688,568)	497,808,178
Net loss for the period	-	-	(29,935,651)	(29,935,651)
Transfer to statutory reserve	-	-	-	-
Other comprehensive income	-	-	1,432,818	1,432,818
Total comprehensive loss	-	-	(28,502,833)	(28,502,833)
Balance as at 31 March 2014	441,000,000	158,496,746	(130,191,401)	469,305,345

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

Condensed Interim Notes to the Financial Statements

For the period ended 31 March 2014 (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 maintained the long-term credit rating of the Company to “BBB” (Triple B) and also maintained the short-term rating at “A3” (A three) dated 27 March 2014. The ratings denote an adequate capacity of timely payment of financial commitments.

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 2013.

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. The Company has adopted the revised Code of Corporate Governance, 2012 launched by the Securities and Exchange Commission of Pakistan (SECP) on April 10, 2012.

2.2 The financial statements of the company reflect that the equity of the company as at March 31, 2014 is Rs. 469.305 million which is below the minimum capital required under NBFC regulations 2008. The NBFC Reforms Process initiated by Securities and Exchange Commission of Pakistan is also underway and it is expected that the minimum equity requirement would be revised as a result. The management is confident and committed that the equity requirement would be met through internal resources including retained earnings.

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 2013.

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 2013.

	Note	31-Mar-14 Rupees (Un-audited)	30-Jun-13 Rupees (Audited)
5. FIXED ASSETS			
Property and equipments	5.1	96,299,861	94,596,454
Capital work in progress		9,315,712	7,668,861
Intangible assets		144,495	577,980
		105,760,068	102,843,295
5.1 Property and equipments			
Opening balance written down value.		94,596,454	104,738,257
Additions:			
Leasehold improvements		829,727	-
Office Furniture & fixture		118,500	-
Computer equipment		83,700	103,000
Office Equipment		972,676	531,508
Vehicles		6,171,092	117,080
Less:			
Depreciation for the period / year		6,472,288	10,893,391
Closing written down value		96,299,861	94,596,454
6. LONG TERM INVESTMENTS			
Held to maturity			
Pakistan Investment Bonds		100,941,860	100,980,776
		100,941,860	100,980,776
7. SHORT TERM INVESTMENTS			
Held to maturity			
Treasury Bills		50,819,667	-
Held for Trading			
Shares/ units			
Listed		11,124,512	1,702,418
Others		16,958,362	16,958,362
Investment in Commodities			
Sugar		-	91,200,000
Rice		80,015,379	-
Grams		-	17,012,420
Wheat		2,865,000	-
Available for sale			
Listed Shares / units		42,705,282	85,613,976
		204,488,202	212,487,176
Deficit on revaluation		(6,140,635)	(5,920,268)
		198,347,567	206,566,908

	Note	31-Mar-14 Rupees (Un-audited)	30-Jun-13 Rupees (Audited)
8. DEFICIT ON REVALUATION OF INVESTMENTS			
Available for sale			
Listed shares / units		(4,835,535)	(5,224,348)
		(4,835,535)	(5,224,348)
9. TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		425,060,600	375,101,000
Redeemed during the period		49,959,600	49,959,600
		475,020,200	425,060,600
Less: Current maturity		24,979,800	74,939,400
		24,979,800	49,959,600
Less: Cost on issuance/ rescheduling		-	24,979,800
Opening balance		(2,367,053)	(4,395,953)
Amortization for the period		1,521,676	2,028,900
		(845,377)	(2,367,053)
Less: Current maturity		845,377	2,028,900
		-	(338,153)
		-	24,641,647
10. TRADE AND OTHER PAYABLES			
Customers' credit balances		3,844,222	5,689,188
Accrued expenses and other payables		38,659,791	62,948,059
Provision for compensated absences		1,615,843	1,921,839
Unclaimed dividend		2,385,654	2,387,004
		46,505,510	72,946,090
11. CONTINGENCIES AND COMMITMENTS			
Outstanding guarantees		31,785,393	35,719,022

12. RETURN ON INVESTMENTS

	Note	Three months ended		Nine months ended	
		31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
		Rupees (Un-audited)	Rupees (Un-audited)	Rupees (Un-audited)	Rupees (Un-audited)
Mark-up / return on investments		3,523,865	2,487,934	9,051,176	8,417,455
Dividend income		376,990	30,375,821	3,136,636	52,215,747
Capital gain/(loss) on investments	12.1	3,013,914	3,846,236	17,509,785	11,439,277
		6,914,769	36,709,991	29,697,597	72,072,479

12.1 Prior year figure has been reclassified for better presentation. (Refer note # 17.1).

	Note	Three months ended		Nine months ended	
		31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
		Rupees (Un-audited)	Rupees (Un-audited)	Rupees (Un-audited)	Rupees (Un-audited)
13. ADMINISTRATIVE AND OTHER OPERATING EXPENSES					
Salaries, wages, other benefits and allowances		5,558,719	4,099,327	19,207,181	13,069,259
Staff Training and Welfare		5,300	11,362	57,655	66,697
Advertisement and business promotion		120,678	117,500	226,106	269,750
Rent, rates and taxes		1,008,831	482,538	3,266,420	1,579,086
Utilities		706,399	326,094	1,742,969	949,215
Communication charges		427,927	302,339	1,144,215	1,086,114
Traveling and vehicle maintenance		1,376,625	908,178	4,379,335	3,527,445
Repair and maintenance		419,590	400,075	2,129,435	1,249,874
Entertainment		274,566	393,702	936,038	956,973
Fee and subscriptions		707,424	582,538	1,472,612	1,606,847
Legal and professional charges		656,362	709,931	2,169,729	1,769,829
Printing and stationery		262,817	284,408	1,141,270	1,055,418
Fee, brokerage and commission		6,892	10,349	31,138	43,523
CDC and clearing charges		-	743,859	1,564,092	2,170,370
Insurance		188,744	198,641	559,802	485,470
Amortization of issuance cost of listed TFCs		507,226	507,225	1,521,676	1,521,675
Depreciation		2,351,574	2,243,391	6,472,288	6,721,595
Amortization on intangible assets		144,495	216,645	433,485	649,935
Miscellaneous expenses		175	275	141,515	875
		14,724,344	12,538,377	48,596,961	38,779,950

14. 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-14 Rupees (Un-audited)	31-Mar-13 Rupees (Un-audited)
Transactions during the period		
Subsidiary Company:		
Profit paid on certificates of deposit	14,482,192	-
Return on finances received	32,500,000	-
Return on assets	4,409,137	4,486,440
Associated companies:		
Return on finances received	923,982	6,986,566
Profit paid on certificates of deposit	2,885,192	569,843
Chairman's secretariat expenses	2,700,000	2,700,000
Guarantee commission earned	101,859	97,454
Directors:		
Return on finances received	1,698,152	843,473
Profit paid on certificates of deposit	5,818,751	4,912,411
Fixed assets sold	560,215	-
Executives:		
Return on finances received	182,995	182,112
Profit paid on certificates of deposit	5,620,769	5,240,169
Others:		
Contribution to staff retirement benefits plan	602,444	549,154
	31-Mar-14 Rupees (Un-audited)	30-Jun-13 Rupees (Audited)
Balance at the end of the period		
Subsidiary Company:		
Certificates of deposit outstanding	50,000,000	50,000,000
Financing outstanding	100,000,000	100,000,000
Receivable from Subsidiary Company	-	-
Receivable/ (Payable) against purchase of shares	58,336,403	61,895,404
Profit receivable on financing	10,853,521	31,353,521
Markup payable on COD	1,479,452	11,473,973
Associated companies:		
Financing outstanding	5,994,984	7,135,710
Letter of guarantee outstanding	31,785,393	35,719,022
Certificates of deposit outstanding	32,757,049	50,355,086
Other receivable	18,993,588	19,661,484
Markup payable on COD	126,825	224,284
Directors:		
Financing outstanding	42,085,169	27,078,352
Certificates of deposit outstanding	60,692,600	60,692,600
Other receivable	9,700	-
Markup payable on COD	379,133	357,819
Executives:		
Financing outstanding	2,616,723	4,872,376
Certificates of deposit outstanding	59,500,000	58,000,000
Markup payable on COD	351,627	326,473

15. SEGMENTAL ANALYSIS

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

Financing activities

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

Investing activities

Investing 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 2014

	Financing activities	Investing activities	Total
Profit on financing	54,061,740	-	54,061,740
Return on placements	-	413,023	413,023
Return on investments	-	29,697,597	29,697,597
Total income for reportable segments	54,061,740	30,110,620	84,172,360
Finance costs	54,296,768	30,241,523	84,538,291
Administrative and other operating expenses	31,212,577	17,384,384	48,596,961
Segment result	(31,447,605)	(17,515,287)	(48,962,892)
Other operating income			18,972,777
Loss before taxation			(29,990,115)
Segment assets	570,730,247	566,912,945	1,137,643,192
Unallocated assets			486,882,779
			1,624,525,971
Segment liabilities	278,276,391	276,517,580	554,793,969
Unallocated liabilities			600,426,656
Equity			469,305,345
			1,624,525,971

Nine Months ended 31 March 2013

	Financing activities	Investing activities	Total
Profit on financing	49,867,582	-	49,867,582
Mark-up on lease finance	3,040	-	3,040
Return on placements		29,129,608	29,129,608
Return on investments		72,072,479	72,072,479
Total income for reportable segments	49,870,622	101,202,087	151,072,709
Finance costs	44,594,173	90,494,628	135,088,801
Administrative and other operating expenses	12,801,652	25,978,298	38,779,950
Segment result	(7,525,203)	(15,270,839)	(22,796,042)
Other operating income			47,382,819
Profit before taxation			24,586,777
Segment assets	358,514,137	595,792,910	954,307,047
Unallocated assets			586,754,912
			1,541,061,959
Segment liabilities	214,924,181	319,499,107	534,423,288
Unallocated liabilities			508,291,379
Equity			498,347,291
			1,541,061,959

16. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 29th April 2014.

17. GENERAL

17.1 Following major re-classifications have been made in these financial statements:

Account Head	Current	Previous	Three Months ended Amount Rs.	Nine Months ended Amount Rs.
Return on investments	Capital gain / (loss) on investments - held for trading	Fair value loss on held for trading investments	275,706	37,584

17.2 Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director



Consolidated Financial
Statements - Group

31 March 2014

Director's Report to Un-Audited Condensed Interim Consolidated Financial Statements

The Board of Directors of Escorts Investment Bank Limited and its subsidiary company Escorts Capital Limited (the "Group") is pleased to present before you the un-audited Condensed Interim Consolidated Financial Statements for the period ended 31 March 2014.

Your Group posted a loss after tax of Rs. 43.31 million for the nine months ended March 31, 2014 reflecting EPS of Rs. (1.01) as compared to a profit of Rs. 6.71 million and EPS of Rs. 0.15. The primary reasons for the loss is reduction in other income and reduction in return on investments and an increase in cost of Certificate of Investments (COIs) in case of Parent Company. The administrative expenses have increased owing to increase in salaries and inflation. These increased expenses are expected to be absorbed till the end of current financial year.

The management is investing in high yield portfolios like investment in commodities, margin financing and equities portfolio and is confident that the Group's financial results would be materially improved. Liquidity position is improving further as a result of increase in deposits. The brokerage revenues of Escorts Capital Limited, the wholly owned subsidiary of the Bank have materially improved over the period and are expected to grow further in foreseeable future.

The Board would also like to take this opportunity to express their admiration to the employees of the Group for their commitment and hard work.

For and on behalf of the Board

Shazia Bashir

President and Chief Executive Officer

Lahore: April 29, 2014

Condensed Interim Consolidated Balance Sheet

As at 31 March 2014



	Note	31-Mar-14 Rupees (Un-audited)	30-Jun-13 Rupees (Audited)
ASSETS			
Non-current Assets			
Fixed assets	6	109,532,193	105,878,640
Cards and rooms		84,955,000	84,955,000
Long term investments	7	100,941,860	100,980,776
Long term finances		44,193,717	79,386,953
Long term loans and advances		1,275,071	1,355,926
Long term deposits and prepayments		4,702,406	6,209,604
Deferred tax asset		102,292,639	100,222,616
		447,892,886	478,989,515
Current Assets			
Current maturities of non-current assets		54,128,386	52,755,719
Short term investments	8	198,347,567	206,566,908
Short term finances		316,033,448	111,373,306
Advances		4,554,576	4,110,342
Short term deposits and prepayments		42,991,123	26,351,924
Interest accrued		68,395,623	54,426,432
Other receivables		154,763,879	66,297,042
Tax refunds due from government		211,464,911	207,509,161
Cash and bank balances		38,568,553	49,238,770
		1,089,248,066	778,629,604
		1,537,140,952	1,257,619,119
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital		441,000,000	441,000,000
Reserves		(216,342,166)	(173,023,072)
		224,657,834	267,976,928
Surplus on revaluation of fixed assets		34,865,287	36,298,105
Deficit on Revaluation of Investments	9	(4,835,535)	(5,224,348)
Non-Current Liabilities			
Term finance certificates	10	-	24,641,647
Long term certificates of deposit		337,073,122	249,661,415
Current Liabilities			
Current maturities of non-current liabilities		52,396,955	69,234,530
Short term borrowings		51,905,772	-
Short term certificates of deposit		538,439,248	440,714,262
Accrued markup		8,155,956	6,454,514
Trade and other payables	11	255,247,454	130,642,765
Provision for taxation		39,234,859	37,219,300
		945,380,244	684,265,371
Contingencies and Commitments			
	12	-	-
		1,537,140,952	1,257,619,119

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

Chief Executive Officer

Director

Condensed Interim Consolidated Profit and Loss Account

For the period ended 31 March 2014 (Un-audited)

	Note	Three months ended		Nine months ended	
		31-Mar-14 Rupees	31-Mar-13 Rupees	31-Mar-14 Rupees	31-Mar-13 Rupees
INCOME					
Profit on financing		16,388,692	3,604,858	37,652,603	33,442,297
Mark-up on lease finance		-	-	-	3,040
Return on placements		15,948	3,301,642	413,023	29,129,608
Return on investments	13	6,914,769	36,709,991	29,697,597	72,072,479
Fees and Commission		22,454,983	5,108,705	43,971,215	9,422,091
Profit on bank deposits		791,844	318,462	3,040,354	2,140,564
Other income		5,698,719	44,109,324	9,097,267	48,354,209
		52,264,955	93,152,982	123,872,059	194,564,288
EXPENSES					
Return on certificates of deposit		26,818,033	17,898,879	70,814,256	56,876,852
Return on term finance certificates		914,329	1,916,258	3,326,077	6,326,391
Mark-up on short term running finance		-	75,089	-	567,112
Mark-up on borrowings from financial institutions		4,047,152	26,694,983	5,769,897	66,163,782
Amortization of premium on held to maturity investments		12,972	11,808	38,916	584,438
Administrative and other operating expenses	14	28,624,707	18,811,534	85,034,419	53,803,725
Other financial charges		48,528	35,119	144,923	94,305
		60,465,721	65,443,670	165,128,488	184,416,605
Operating (loss)/ profit before taxation		(8,200,766)	27,709,312	(41,256,429)	10,147,683
Taxation		(2,777,995)	(1,287,756)	(3,495,483)	(3,435,079)
(Loss)/ profit after taxation		(10,978,761)	26,421,556	(44,751,912)	6,712,604
Other comprehensive income - net of tax		477,606	-	1,432,818	-
Total comprehensive (loss)/ profit - net of tax		(10,501,155)	26,421,556	(43,319,094)	6,712,604
(Loss)/ profit per share-basic and diluted		(0.25)	0.60	(1.01)	0.15

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

Condensed Interim Consolidated Cash Flow Statement

For the period ended 31 March 2014 (Un-audited)



	31-Mar-14 Rupees	31-Mar-13 Rupees
Cash flow from operating activities		
(Loss)/ profit before taxation	(41,256,429)	10,147,683
Adjustment for non cash expenses and other items:		
Dividend income	(3,136,636)	(52,215,747)
Depreciation on property and equipment	6,940,900	8,498,354
Amortization on intangible assets	490,293	649,935
Incremental depreciation on revaluation of fixed assets	-	(1,432,818)
Amortization of premium on held to maturity investments	38,916	584,438
Amortization of issuance cost of listed TFCs	1,521,676	1,521,675
Fair value loss on held for trading investment	609,179	(37,584)
	6,464,328	(42,431,747)
	(34,792,101)	(32,284,064)
Decrease/(increase) in operating assets		
Disbursements of finances - net	(171,292,261)	26,390,639
Net investment in lease finance	123,680	902,065
Placements	-	665,433,220
Investments - net	7,998,974	22,748,252
Long term and short term advances	(522,063)	(1,621,036)
Interest Accrued	(13,969,191)	(52,134,938)
Other receivables	(88,466,837)	1,001,226
Deposits and prepayments	(14,764,109)	5,177,963
	(280,891,807)	667,897,391
(Decrease) / Increase in operating liabilities		
Borrowings from financial institutions	51,905,772	(599,348,500)
Certificates of deposit	192,215,195	(14,480,533)
Accrued markup	1,701,442	(5,900,036)
Trade and other payables	124,606,021	(13,780,199)
	370,428,430	(633,509,268)
Net changes in operating assets and liabilities	89,536,623	34,388,123
Net cash generated from / (used in) operating activities	54,744,522	2,104,059
Taxation - net	(7,505,679)	(6,184,303)
Net cash generated from / (used in) operating activities	47,238,843	(4,080,244)
Cash flow from investing activities		
Fixed capital expenditure incurred	(9,437,895)	(203,328)
Capital work in progress	(1,646,851)	-
Dividend received	3,136,636	22,212,658
Net cash (used in) / generated from investing activities	(7,948,110)	22,009,330
Cash flow from financing activities		
Redemption of listed term finance certificates	(49,959,600)	(49,959,600)
Dividend paid	(1,350)	-
Net cash used in financing activities	(49,960,950)	(49,959,600)
Net decrease in cash and cash equivalents	(10,670,217)	(32,030,514)
Cash and cash equivalents at the beginning of the period	49,238,770	48,388,873
Cash and cash equivalents at the end of the period	38,568,553	16,358,359

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

Chief Executive Officer

Director

Condensed Interim Consolidated Statement of Changes in Equity

For the period ended 31 March 2014 (Un-audited)

	Share capital Rupees	Statutory reserve Rupees	Accumulated profit / (loss) Rupees	Total Rupees
Balance as at 01 July 2012	441,000,000	154,050,085	(326,346,836)	268,703,249
Net profit for the period	-	-	6,712,604	6,712,604
Transfer to statutory reserve	-	4,554,483	(4,554,483)	-
Other comprehensive profit	-	-	-	-
Total comprehensive profit	-	4,554,483	2,158,121	6,712,604
Balance as at 31 March 2013	441,000,000	158,604,568	(324,188,715)	275,415,853
Balance as at 01 July 2013	441,000,000	158,496,746	(331,519,818)	267,976,928
Net loss for the period	-	-	(44,751,912)	(44,751,912)
Transfer to statutory reserve	-	-	-	-
Other comprehensive income	-	-	1,432,818	1,432,818
Total comprehensive loss	-	-	(43,319,094)	(43,319,094)
Balance as at 31 March 2014	441,000,000	158,496,746	(374,838,912)	224,657,834

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

Condensed Interim Consolidated Notes to the Financial Statements

For the period ended 31 March 2014 (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").

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.

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 2013.

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, 2014 is Rs. 469.305 million which is below the minimum capital required under NBFC regulations 2008. The NBFC Reforms Process initiated by Securities and Exchange Commission of Pakistan is also underway and it is expected that the minimum equity requirement would be revised as a result. The management is confident and committed that the equity requirement would be met through internal resources including retained earnings.

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 financial statements for the year ended 30 June 2013.

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 2013.

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 2013.

	Note	31-Mar-14 Rupees (Un-audited)	30-Jun-13 Rupees (Audited)
6. FIXED ASSETS			
Property and equipments	6.1	99,861,693	97,631,798
Capital work in progress		9,315,712	7,668,861
Intangible assets		354,788	577,981
		109,532,193	105,878,640
6.1 Property and equipments			
Opening balance written down value.		97,631,798	108,059,520
Additions:			
Leasehold improvements		829,727	-
Office Furniture & fixture		118,500	11,000
Computer equipment		985,250	296,098
Office Equipment		1,066,226	546,508
Vehicles		6,171,092	117,080
Less:			
Depreciation for the period / year		6,940,900	11,398,408
Closing written down value		99,861,693	97,631,798
7. LONG TERM INVESTMENTS			
Held to maturity			
Pakistan Investment Bonds		100,941,860	100,980,776
		100,941,860	100,980,776
8. SHORT TERM INVESTMENTS			
Held to maturity			
Treasury Bills		50,819,667	-
Held for Trading			
Shares/ units			
Listed		11,124,512	1,702,418
Others		16,958,362	16,958,362
Investment in Commodities			
Sugar		-	91,200,000
Rice		80,015,379	-
Grams		-	17,012,420
Wheat		2,865,000	-
Available for sale			
Listed Shares / units		42,705,282	85,613,976
		204,488,202	212,487,176
Deficit on revaluation		(6,140,635)	(5,920,268)
		198,347,567	206,566,908

	Note	31-Mar-14 Rupees (Un-audited)	30-Jun-13 Rupees (Audited)
9. DEFICIT ON REVALUATION OF INVESTMENTS			
Available for sale			
Listed shares / units		(4,835,535)	(5,224,348)
		(4,835,535)	(5,224,348)
10. TERM FINANCE CERTIFICATES			
Listed:			
Face value		500,000,000	500,000,000
Less: Redeemed			
Opening balance		425,060,600	375,101,000
Redeemed during the period		49,959,600	49,959,600
		475,020,200	425,060,600
Less: Current maturity		24,979,800	74,939,400
		24,979,800	49,959,600
		-	24,979,800
Less: Cost on issuance/ rescheduling			
Opening balance		(2,367,053)	(4,395,953)
Amortization for the period		1,521,676	2,028,900
		(845,377)	(2,367,053)
Less: Current maturity		845,377	2,028,900
		-	(338,153)
		-	24,641,647
11. TRADE AND OTHER PAYABLES			
Customers' credit balances		196,025,640	28,084,198
Accrued expenses and other payables		55,220,317	98,249,724
Provision for compensated absences		1,615,843	1,921,839
Unclaimed dividend		2,385,654	2,387,004
		255,247,454	130,642,765
12. CONTINGENCIES AND COMMITMENTS			
Outstanding guarantees		31,785,393	35,719,022

13. RETURN ON INVESTMENTS

	Note	Three months ended		Nine months ended	
		31-Mar-14 Rupees (Un-audited)	31-Mar-13 Rupees (Un-audited)	31-Mar-14 Rupees (Un-audited)	31-Mar-13 Rupees (Un-audited)
Mark-up / return on investments		3,523,865	2,487,934	9,051,176	8,417,455
Dividend income		376,990	30,375,821	3,136,636	52,215,747
Capital gain/(loss) on investments	13.1	3,013,914	3,846,236	17,509,785	11,439,277
		6,914,769	36,709,991	29,697,597	72,072,479

13.1 Prior year figure has been reclassified for better presentation. (Refer note # 18.1).

	Three months ended		Nine months ended	
	31-Mar-14 Rupees (Un-audited)	31-Mar-13 Rupees (Un-audited)	31-Mar-14 Rupees (Un-audited)	31-Mar-13 Rupees (Un-audited)
14. ADMINISTRATIVE AND OTHER OPERATING EXPENSES				
Salaries, wages, other benefits and allowances	15,322,422	7,837,810	43,728,318	21,792,876
Staff Training and Welfare	5,300	11,362	57,655	66,697
Advertisement and business promotion	120,678	117,500	226,106	269,750
Rent, rates and taxes	1,608,831	1,089,538	5,344,926	3,386,982
Utilities	794,127	326,094	2,250,901	949,215
Communication charges	1,149,091	620,779	2,658,848	1,742,207
Traveling and vehicle maintenance	1,541,854	1,029,213	4,883,000	3,908,616
Repair and maintenance	520,024	452,022	2,476,128	1,516,007
Entertainment	356,876	395,492	1,153,100	982,210
Fee and subscriptions	1,097,995	684,538	2,334,220	1,793,847
Legal and professional charges	721,362	1,095,791	3,064,285	2,307,069
Printing and stationery	317,579	358,383	1,434,109	1,206,503
Fee, brokerage and commission	6,892	176,949	31,138	257,223
CDC and clearing charges	1,431,934	1,247,997	5,058,017	3,540,158
Insurance	259,414	275,111	879,705	811,553
Amortization of issuance cost of listed TFCs	507,226	507,225	1,521,676	1,521,675
Depreciation	2,526,573	2,367,950	6,940,900	7,065,533
Amortization on intangible assets	166,764	216,645	490,293	649,935
Penalty	120,500	-	120,500	-
Miscellaneous expenses	49,265	1,135	380,594	35,669
	28,624,707	18,811,534	85,034,419	53,803,725

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-14 Rupees (Un-audited)	31-Mar-13 Rupees (Un-audited)
Transactions during the period		
Associated companies:		
Return on finances received	923,982	6,986,566
Profit paid on certificates of deposit	2,885,192	569,843
Chairman's secretariat expenses	2,700,000	2,700,000
Guarantee commission earned	101,859	97,454
Directors:		
Return on finances received	1,698,152	843,473
Profit paid on certificates of deposit	5,818,751	4,912,411
Fixed assets sold	560,215	-
Executives:		
Return on finances received	182,995	182,112
Profit paid on certificates of deposit	5,620,769	5,240,169
Others:		
Contribution to staff retirement benefits plan	854,263	682,735
	31-Mar-14 Rupees (Un-audited)	30-Jun-13 Rupees (Audited)
Balance at the end of the period		
Associated companies:		
Financing outstanding	5,994,984	7,135,710
Letter of guarantee outstanding	31,785,393	35,719,022
Certificates of deposit outstanding	32,757,049	50,355,086
Other receivable	18,993,588	19,661,484
Markup payable on COD	126,825	224,284
Directors:		
Financing outstanding	42,085,169	27,078,352
Certificates of deposit outstanding	60,692,600	60,692,600
Other receivable	9,700	-
Markup payable on COD	379,133	357,819
Executives:		
Financing outstanding	2,616,723	4,872,376
Certificates of deposit outstanding	59,500,000	58,000,000
Markup payable on COD	351,627	326,473

16. SEGMENTAL ANALYSIS

The Group'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.

Investing activities

Investing 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 2014

	Financing activities	Investing activities	Total
Profit on financing	37,652,603	-	37,652,603
Return on placements	-	413,023	413,023
Return on investments	-	29,697,597	29,697,597
Total income for reportable segments	37,652,603	30,110,620	67,763,223
Finance costs	44,504,232	35,589,837	80,094,069
Administrative and other operating expenses	47,249,335	37,785,084	85,034,419
Segment result	(54,100,964)	(43,264,301)	(97,365,265)
Other operating income			56,108,836
Loss before taxation			(41,256,429)
Segment assets	420,730,247	444,157,840	864,888,087
Unallocated assets			672,252,865
			1,537,140,952
Segment liabilities	160,285,491	149,860,968	310,146,458
Unallocated liabilities			1,002,336,660
Equity			224,657,834
			1,537,140,952

Nine Months ended 31 March 2013

	Financing activities	Investing activities	Total
Profit on financing	33,442,297	-	33,442,297
Mark-up on lease finance	3,040	-	3,040
Return on placements		29,129,608	29,129,608
Return on investments		72,072,479	72,072,479
Total income for reportable segments	33,445,337	101,202,087	134,647,424
Finance costs	32,443,189	98,169,691	130,612,880
Administrative and other operating expenses	13,364,412	40,439,313	53,803,725
Segment result	(12,362,264)	(37,406,917)	(49,769,181)
Other operating income			59,916,864
Profit before taxation			10,147,683
Segment assets	208,514,137	472,869,967	681,384,104
Unallocated assets			645,232,046
			1,326,616,150
Segment liabilities	119,349,040	192,142,810	311,491,850
Unallocated liabilities			739,708,447
Equity			275,415,853
			1,326,616,150

17. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 29th April 2014.

18. GENERAL

18.1 Following major re-classifications have been made in these financial statements:

Account Head	Current	Previous	Three Months ended Amount Rs.	Nine Months ended Amount Rs.
Return on investments	Capital gain / (loss) on investments - held for trading	Fair value loss on held for trading investments	275,706	37,584

18.2 Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director





ESCORTS INVESTMENT BANK LIMITED

Escorts House, 26-Davis Road, Lahore
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