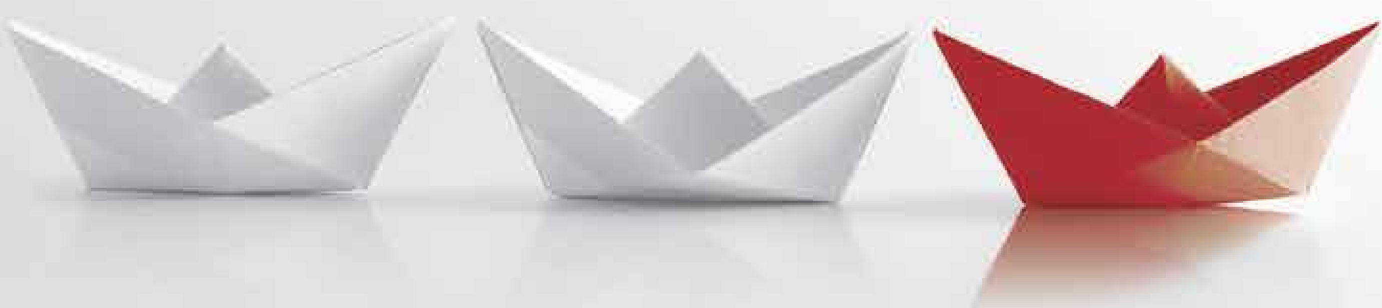
ESCORTS BANK

ESCORTS INVESTMENT BANK LIMITED

Annual Report 2016



WAY TO SUCCESS

VISION

Value addition for our stakeholders through enhanced business activity and emphasis on Better Risk Identification and Management as opposed to Risk Avoidance

MISSION

To build Escorts Investment Bank Limited into an elite institute comparable with, if not better than, any top quality local or foreign financial institution, in terms of a progressive corporate culture and an autonomous, committed and dedicated Executive Management with

An Eye On The Future

ESCORTS INVESTMENT BANK LIMITED

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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

Company Secretary / Chief Financial Officer
Muhammad Irfan

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 Mukarram

Internal Auditors
Nasir Javaid Maqsood Imran
Chartered Accountants

External Auditors
Tariq Abdul Ghani Maqbool & Co.
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
Sind Bank Limited
MCB Bank Limited

NETWORK

Head Office & Lahore Branch
Escorts House
26-Davis Road, Lahore
Tel: (042) 3637 1931-34
Fax: (042) 3637 5950
mailmanager@escortsbank.net
www.escortsbank.net

Branch Offices

Karachi Office
Escorts Investment Bank Limited
Room # 631, 632, Stock Exchange Building,
Stock Exchange Road, Karachi
Tel: (021) 3247 1671-5
Fax: (021) 3247 237
karachi@escortsbank.net
www.escortsbank.net

Islamabad Office
Escorts Investment Bank Limited
Shalimar – 5/1, Attaturk Ave, Islamabad
Tel: (051) 227 1762
Fax: (051) 227 1764
islamabad@escortsbank.net
www.escortsbank.net

Financial Statements

30 June 2016

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK LIMITED** will be held on Saturday October 28, 2016 at 09:30 a.m.at Escorts House, 26 Davis Road, Lahore the registered office of the Company, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Financial Statements for the year ended June 30, 2016 together with the Directors' and Auditors' report thereon;

2. To appoint External Auditors and fix their remuneration for the year ending June 30th, 2017.

OTHER BUSINESS:

3. To transact any other business with the permission of the Chair.

By ORDER OF THE BOARD

Muhammad Irfan
Company Secretary

Dated: October 07, 2016

Notes:

1. The share transfer books shall remain closed from October 21, 2016 to October 28, 2016 (both days inclusive). Transfers received at Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore, by the close of the business hours on October 20, 2016 will be treated in time for the purpose of casting of votes at the AGM.

2. A member entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend the meeting, speak and vote on his/her behalf.

3. The Form of Proxy must be signed across a rupees five revenue stamp and should be received by the Company at its Registered Office at least 48 hours before the meeting.

4. Shareholders are requested to promptly notify the Company of any change in their addresses at the Registered Office of the Company.

5. CDC Account Holders will have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

5.1 For attending the meeting:

5.1.1 In case of individual, the account holder or sub-account holder shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

5.1.2 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall have to be produced at the time of the meeting.

5.2 For appointing proxies:

5.2.1 In case of individual, the account holder or sub-account holder shall submit the proxy form as per the requirements of para 3 above.

5.2.2 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers should be mentioned on the Proxy Form.

5.2.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

5.2.4 The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

5.2.5 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall have to be submitted along with Proxy Form to the Company.

Director's Report

The Board of Directors of Escorts Investment Bank Limited is pleased to present the Annual Report 2016 together with the Audited Financial Statements for the year ended June 30, 2016.

The Board hereby confirms that:

a) these financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;

b) proper books of accounts of the Company have been maintained;

c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;

e) the system of internal controls is sound in design and has been effectively implemented and efficiently monitored;

f) there are no significant doubts upon the Company's ability to continue as going concern; except as explained in note No. 2.02.

g) there is no material departure form the best practices of corporate governance, as detailed in the listing regulations.

h) information about outstanding taxes and other government levies are given in related note(s) to the accounts.

i) the statement of Code of Ethics and Business Practices has been developed and acknowledged by the directors and employees of the Company.

Financial Results

The financial results for the year under review are summarized as follows:

	2016 Rupees	2015 Rupees
(Loss)/ Profit before provisions and taxation	(111,439,411)	(53,530,765)
Less: (Provision) for / reversal of doubtful finances and receivables	-	725,201
(Loss)/ Profit before taxation	(111,439,411)	52,805,564
Taxation – net	1,175,089	31,753,862
(Loss)/ Profit after taxation	(112,614,500)	(21,051,702)
Other Comprehensive income- net of tax	5,933,325	1,731,803
Total comprehensive (Loss)/ Profit - net of tax	(106,681,175)	(19,319,899)

Key financial data and ratios for the last eight years are attached.

The fiscal year 2015-2016 has been a challenging year for the NBFC sector in Pakistan that has continued to face obstacles in its business activities due to factors such as reluctance of financial institutions/commercial banks to lend borrowings to NBFCs. During the year the Company incurred a loss after tax of Rs. 106.68 million as against a loss of Rs. 19.31 million in the preceding year.

The total revenue of your Company has decreased from Rs. 163.31 million in preceding year to Rs. 73.62 million in the financial year ended June 30, 2016. This decrease pertains to primarily to a considerable decrease in Income from Fee and Commission, and decrease in return on financing, investments and placements.

It is pertinent to note that although the revenue has decreased during the year however, the total expenses of the Company have reduced by more than 14%. During the previous year, the total expenses of the Company were Rs. 216.84 million whereas for the year ended June 30, 2016, the total expenses incurred were Rs. 185.06 million.

Credit Rating

As an expression of confidence in your Company's performance, The Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Company at "BBB" (Triple B) as on March 20, 2016. The Short Term ratings have been maintained at A3 (Single A three).

Board Meetings

The Board presently comprises of one executive and six non executive directors. No casual vacancy occurred during the year.

During the year, four meetings of the Board of Directors were held and following is the detail of attendance by the Directors:

Directors	Attended
Mr. Bairam Qureishy	4
Ms. Shazia Bashir	4
Mr. Tajamal Hussain Bokharee	4
Mr. Mutahir Ahmed	4
Mr. Zulfiqar Ali Khan	-
Mr. Muhammad Sharif Baqir	-
Mr. Amjad Mahmood Agha	-
Mr. Muhammad Ashraf Ali	-

Leave was granted to directors who could not attend some or all of the Board meetings.

Pattern of shareholding

There were 399 shareholders of the Company as at 30 June 2016. The pattern of shareholding disclosing the aggregate number of shares held by various categories of shareholders appears at the end of this Annual Report.

Value of Provident Fund Investment

The Company operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund @ 10% of basic salary. Based on latest financial statements of the fund the value of its investment as at June 30, 2016 works out to Rs. 8.75 million and cash at bank balances amount to Rs. 0.191 million.

Changes in Shareholding

There was no purchase and sale of shares of Escorts Investment Bank Limited by the Directors, CEO and CFO in the year under review.

Internal Audit Function

The Company has outsourced its internal audit function to to M/s Nasir Javaid Maqsood Imran, Chartered Accountants. The Audit Committee meets on a regular basis to review efficiency and effectiveness of the Internal Audit Function.

Auditor's Qualification and Emphasis of matter Paragraphed

Auditors have qualified their opinion with respect to deferred tax and impairment of investment in subsidiary, further Auditors have also emphasized over the going concern ability of the Company. The management has given its viewpoint in Note No. 15, 10 and 2.02 respectively in this regard.

Auditors

The Bank's external auditors M/s Tariq Abdul Ghani Maqbool & Co, Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board and Audit Committee recommended their appointment.

Corporate Social Responsibilities

Escorts Investment Bank Limited provides patronage to its group entity Escorts Foundation (the Foundation), which is an NGO involved in rural development programmes since 1990. Escorts Foundation's major initiatives are in rural development programmes, energy conservation and environment protection measures and education through its projects including Home Schools Project and Smokeless Stove Project.

Escorts Investment Bank Limited commits its full support and cooperation, financial and otherwise to the foundation as part of its CSR activities. In addition, other activities include but are not limited to contributions to national exchequer by way of taxes, timely payments to all its creditors, vendors and depositors. The Company has also established procedures for the occupational safety and health and business ethics and anti corruption measures. Escorts Investment Bank Limited has also contributed materially to help and assist the flood affected people during and after the year end.

Future Outlook

Owing to the distress subdued economic situation prevailing in the country and world over, the management has taken the challenge to turnaround the bank by exploring new venues. In this regard the management has developed and diversified its portfolio of high yield products including share and commodities brokerage, commodities, bills discounting, financing against shares (Margin Financing), car finance, advisory services and non-fund based products.

Management further anticipates an increased equity market activity which will result in considerable rise in Margin Financing and Equity Portfolio and hence a remarkable earning in the shape of brokerage commission as well as profit on the said financing. Further, the management is continuing to attract the potential corporate and retail clients to increase the brokerage revenue and hopes that future periods are expected to show better profitability for the Company with improved earnings quality and high service levels.

Acknowledgement

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

For and on behalf of Board

Shazia Bashir
President and Chief Executive Officer | Director

Lahore: October 07, 2016

ESCORTS INVESTMENT BANK

Financial Highlights

Last Eight Years of Escorts Bank at a Glance

(Rupees in '000')

	2016	2015	2014	2013	2012	2011	2010	2009
FINANCIAL DATA								
Share Capital	441,000	441,000	441,000	441,000	441,000	441,000	441,000	441,000
Share Deposit Money	-	-	-	-	-	-	-	-
Reserves	(89,503)	15,640	33,236	56,808	34,575	45,895	76,973	156,403
Shareholders' Equity	351,598	456,640	474,236	497,808	475,575	486,895	517,973	597,403
Deposits	698,358	1,078,539	1,185,538	758,007	659,261	691,974	580,862	413,733
Borrowings from Financial Institutions	-	-	44,503	-	599,349	809,821	304,763	438,563
Total Liabilities	911,032	1,175,331	1,445,381	993,420	1,700,946	1,888,768	1,307,045	1,510,240
Tangible Fixed Assets	129,324	137,143	143,737	128,046	138,188	110,296	122,008	137,981
Intangible Fixed Assets	171	257	385	578	1,444	2,311	-	-
Capital Work in Progress	-	-	-	7,669	-	-	2,100	1,300
Financing - Net of Provision	191,807	527,798	456,453	336,352	326,872	318,710	250,393	158,915
Net Investment in Finance Lease	2,241	2,980	3,065	3,572	5,431	11,846	21,633	35,451
Investments & Placements	220,487	272,524	569,455	307,547	984,310	1,351,149	789,845	1,096,536
Total Assets	1,262,630	1,631,972	1,919,617	1,491,228	2,176,521	2,375,663	1,825,018	2,107,643
OPERATING RESULTS								
Total Revenue	73,626	163,319	164,887	241,185	264,110	239,698	182,339	356,524
Markup Expense	123,803	151,061	118,983	167,961	218,037	197,796	159,061	270,646
Operating & Other Expenses	61,263	65,788	63,171	54,586	68,057	75,832	103,498	153,678
Provision against Non-Performing Loans	-	(725)	(192)	247	49	(321)	(3,357)	3,802
Profit/(loss) before Tax	(111,439)	(52,805)	(17,075)	18,391	(22,033)	(34,021)	(79,598)	(166,002)
Profit/(loss) after Tax	(112,615)	(21,052)	(17,721)	22,233	(11,320)	(31,078)	(79,430)	(166,247)
Dividend (%)	-	-	-	-	-	-	-	-
FINANCIAL RATIOS								
Earnings/(loss)/ per Share (Rs.)	(2.55)	(0.48)	(0.40)	0.46	(0.26)	(0.70)	(1.80)	(3.77)
Net Asset Value per Share (Rs.)	7.97	10.35	10.75	11.29	10.78	11.04	11.74	13.54
Market Value per Share (Rs.)	2.50	2.50	2.75	3.70	1.95	1.80	2.89	2.40
High	3.89	4.00	2.75	4.98	2.95	3.85	4.30	11.99
Low	1.41	1.63	2.75	1.75	1.10	1.10	1.55	2.40
Price Earning Ratio	-	-	-	8.04	-	-	-	-
Dividend per Share (Rs.)	-	-	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-	-	-
Dividend Payout Ratio(%)	-	-	-	-	-	-	-	-
Profit/(loss) Before Tax Ratio (%)	(151.36)	(32.78)	(10.47)	7.63	(8.34)	(14.19)	(43.65)	(46.63)
Revenue to Expenses (Times)	0.40	0.75	0.91	1.08	0.92	0.87	0.70	0.69
Return on Average Assets (%)	-	-	-	1.21	-	-	-	-
Return on Capital Employed (%)	-	-	-	4.57	-	-	-	-
Total Assets Turnover Ratio (Times)	0.06	0.10	0.09	0.16	0.12	0.10	0.10	0.17
Advances to Deposits (Times)	0.27	0.49	0.39	0.44	0.50	0.47	0.35	0.30
Borrowings to Equity (Times)	-	-	0.09	-	0.79	0.60	1.70	2.33
Total Liabilities to Equity (Times)	2.59	2.57	3.05	2.00	3.58	3.88	2.52	2.52

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Regulation No. 35 (Chapter XI) of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.
Escorts I Investment Bank Limited ("the Company") has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors.However,currently The Company does not have any independent director, due to resignation of Mr. Ashraf Ali and sad demise of Mr. Sharif Baqir during the year. At present the Board includes:

Category	Names
Independent Directors	-
Executive Directors	Ms. Shazia Bashir
Non-Executive Directors	Mr. Bairam Qureishy Mr. Mutahir Ahmed Mr. Tajamul Hussain Bokharee Mr. Zulfiqar A.Khan Mr. Amjad Mahmood Agha Muhammad Sharif Baqir

The independent directors will meet the criteria of independence under clause (i) b of the Code.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including the Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred on the board of Directors during the year, which will be filled soon.
5. The Company has prepared a 'Code of Conduct' (the Code) and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated
9. All the directors are exempted from training Program because they fulfill the exemption criteria provided in the proviso of clause 35 (xi) of the Code.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors. The Board shall ensure that the Chairman Audit Committee is an independent director for future compliance.
16. The meetings of the Audit Committee held at least once every quarter prior to approval of interim and final results of the Company as required by the Code.
17. The Board will form an HR and Remuneration Committee. It will comprise three members, of whom one will be an executive director and two directors including chairman of the committee will be non executive Directors.
18. The Board has outsourced its internal audit function to M/S Nasir Javaid Maqsood Imran, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed Period" prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, Employees and Stock Exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)

    a) Chairman of the Audit Committee is not an independent director.
    b) Formulation of HR and Remuneration Committee.
    c) Filling of casual vacancies in the Board.

Shazia Bashir
President and Chief Executive Officer

Lahore
Date: October 07, 2016

Review Report to the Members

On Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Escorts Investment Bank Limited ("the Company") for the year ended 30 June 2016 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2016.

Further, we highlight below instances of non-compliance with the requirements of the Code as stated in the Statement of Compliance:

a) The Human Resource and Remuneration committee has not been formed.
b) Chairman of audit committee is not an independent director.
c) Casual vacancy in the board of directors during the year has not been filled.

The Code of the Company for the year ended 30 June 2015 was reviewed by another firm of Chartered Accountants who vide their review report dated 10 October 2015 had given emphasis of matter paragraph on the matter that the Human Resource and Remuneration committee has not been formed and the chairman of the audit committee was not an independent director.

Lahore
Date: October 07, 2016
Engagement Partner: Shahid Mehmood

Tariq Abdul Ghani Maqbool and Company
Chartered Accountants

Statement of Ethics and Business Practices

The following core values have been incorporated in our system to promote ethical business practices while producing quality services.

Business Practices

Escorts Investment Bank Limited (“the Company”) recognizes responsibilities in the following areas:

Shareholders

To protect shareholders investment and to provide them maximum return on their investment. We focus on maximizing long term shareholders’ value through strong financial performance and returns, disciplined and profitable expansion.

Customers

To provide them with the best investment opportunities and financial products that can cater to changing economic environment. Our focus is on building enduring relationships with our clients to help meet their financial goals, providing friendly, caring, seamless service and excellent value through a wide range of products and services. Prompt, efficient attention to complaints is integral to our client care commitment.

Employees

To provide our employees with a friendly and congenial environment to work in and to provide them an equal opportunity to prosper and grow. There are job opportunities available for the most deserving candidates depending on their professional achievements and skills in their chosen departments. We feel that strong relationship with employees is vital to our future success. Each employee plays an important role in advancing our reputation and is required to be fully familiar with our code of conduct. We are focused on providing leading-edge workplace practices, opportunities for continuous learning, and challenging and satisfying careers to our employees.

Society

To conduct business as a good corporate citizen of the society, while respecting and complying with the prevalent laws as a financial entity.

Business Integrity

The Company believes in the following five principles to be applied in all aspects of their business:

- Personal Responsibility
- Integrity
- Honesty
- Team Work
- Diversity

All business transactions on behalf of Escorts Investment Bank Limited must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and should be subject to audit.

Reliability and Reporting

All transactions and contracts are fully documented and are available for review to the concerned quarters. The Company complies with the International Accounting Standards (as applicable in Pakistan) and all applicable laws and regulations, whereby its financial statements present a true picture of the underlying transactions.

Economic Principles

Maximization of Profitability is essential for any financial institution, as this is used as a yardstick to determine efficiency. Also, it is necessary to allocate resources including Capital, Management Time, Human Resources and Information Technology according to a range of factors, such as size and complexity of the operation, growth prospects and contribution made by each area.

Political Activities

The Company believes in staying detached from all political activities.

Health and Safety

The maintenance of appropriate health and safety standards throughout the Company is a key responsibility of all managers. Company's objective is to identify, remove, reduce or control material risks of fire and of accidents or injuries to employees and Visitors.

Statement of Compliance with Best Practices on Transfer Pricing for the Year Ended 30 June 2016

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of the stock exchanges where the Company's shares are listed.

For and on behalf of the Board

Shazia Bashir
President and Chief Executive Officer

Lahore
Date: October 07, 2016

Auditors' Report to the Members

We have audited the annexed balance sheet of **Escorts Investment Bank Limited** ('the company") as at 30 June 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Company's Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our qualified opinion and, after due verification, we report that:

(a) As stated in note 15 to the financial statements, deferred tax asset amounting to Rs. 136.55 million has been recognized by the management. However, due to liquidity problems more fully explained in note 2.02 to the financial statements, the future profitability of the company is uncertain and it is no longer probable that sufficient taxable profits will be available to allow deferred tax asset to be utilized. Therefore, whole amount of Rs. 136.55 million should have been written off in accordance with the provisions of IAS 12 "Income taxes". Had an reversal against this balance been provided in these financial statements, non-current assets would have been lower by Rs. 136.55 million with a corresponding increase of Rs. 136.55 million in loss after taxation and accumulated losses;

(b) as stated in note 10 to the financial statements, the Company has investment in its wholly owned subsidiary company amounting Rs. 175 million as at 30 June 2016. However, as at year end, the subsidiary company has incurred loss before tax for the year amounting to Rs. 11.80 million, accumulated losses as at year end amounting to Rs. 186.53 million, its equity is negative by Rs. 11.52 million, current liabilities exceeds its current assets by Rs. 26.06 and breakup value of shares is negative by Rs. 0.66. These conditions along with adverse key financial ratios indicate the existence of material uncertainty regarding future operations of the subsidiary Company and the ability of the Company to continue as a going concern. These conditions indicate that the recoverable amount of the investment in subsidiary Company is materially less than its carrying value and an impairment of the whole investment amount should have been recognized in accordance with the provisions of the IAS 36 "Impairment of Assets". Had a reversal against this balance been provided in these financial statements, non-current assets would have been lower by Rs. 175 million with a corresponding increase of Rs. 175 million in loss after taxation and accumulated losses;

In our opinion:

(c) except for the matters discussed in paragraph (a) and (b), proper books of accounts have been kept by the Company as required by the Companies ordinance, 1984;

i. except for the matters discussed in paragraph (a) and (b) above, the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Company's Ordinance, 1984, and in are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Company's business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(d) except for the effects on the financial statements of the matters discussed in paragraphs (a) and (b) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Company's Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Companies affairs as at 30 June 2016 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and

(e) in our opinion no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 – (XVIII of 1980).

- Notwithstanding the matters as discussed in paragraphs (a) and (b) above, we draw attention to the matter that during the year ended 30 June 2016, the company has incurred loss before tax of Rs. 111.44 million and its current liabilities exceed its current assets by Rs. 45.88 million, and its accumulated losses stood at Rs. 247.90 million. Further, equity of the Company is falling short by Rs. 398.40 million to meet prescribed minimum equity as required under the Non-Banking Finance Companies and Notified Entities Regulation, 2008 for the Companies undertaking business of deposit taking investment finance services. These conditions indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and it may be unable to realize its assets and discharge its liabilities in the normal course of business. Financial Statements have however been prepared on going concern basis for the reasons more fully explained in note 2.02 to the financial statements. Our opinion is not qualified in respect of this matter.

- The financial statements for the year ended 30 June 2015 were audited by another firm of auditors, whose report dated 10 October 2015 expressed an unqualified opinion on those financial statements.

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

Lahore
Date: October 07, 2016
(Engagement Partner: Shahid Mehmood)

Balance Sheet
as at 30 June 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current Assets			
Fixed assets	7	95,873,568	103,693,637
Intangible assets	8	171,279	256,905
Cards and rooms	9	33,450,000	33,450,000
Long term investment in subsidiary company	10	175,004,000	175,004,000
Long term investments	11	100,775,669	100,838,285
Long term finances	12	120,489,485	148,978,824
Net investment in lease finance	13	-	-
Long term loans and advances	14	1,061,523	2,336,442
Long term deposits and prepayments	15	45,754,950	46,247,634
Deferred tax asset	16	136,551,607	136,551,607
		709,132,081	747,357,334
Current Assets			
Current maturities of non-current assets	17	50,448,299	62,721,039
Short term investments	18	119,711,752	171,686,039
Short term finances	19	24,659,107	322,855,705
Advances	20	3,662,219	3,926,965
Short term deposits and prepayments	21	650,695	722,238
Interest accrued	22	19,571,208	23,568,869
Other receivables	23	154,496,053	83,457,672
Tax refunds due from the government		176,288,611	210,186,541
Cash and bank balances	24	4,010,051	5,489,402
		553,497,995	884,614,470
		1,262,630,076	1,631,971,804
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
50,000,000 (2015: 50,000,000) ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital	25	441,000,000	441,000,000
Reserves	26	(89,402,310)	15,640,913
		351,597,690	456,640,913
Surplus on revaluation of fixed assets	27	31,121,088	32,759,040
Non-Current Liabilities			
Term finance certificates	28	-	-
Long term certificates of deposit	29	280,535,817	290,116,323
Long term security deposit	30	-	-
		280,535,817	290,116,323
Current Liabilities			
Current maturities of non-current liabilities	31	240,671,522	408,601,310
Short term borrowings	32	100,000,000	-
Short term certificates of deposit	33	179,391,224	382,801,480
Accrued mark-up	34	12,903,683	9,291,796
Trade and other payables	35	54,452,469	38,035,512
Provision for taxation	36	11,956,583	13,725,430
		599,375,481	852,455,528
Contingencies and commitments	37	-	-
		1,262,630,076	1,631,971,804

The annexed notes from 1 to 60 form an integral part of these financial statements.

Chief Executive Officer

Director

ESCORTS INVESTMENT BANK

Profit and Loss Account
for the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
INCOME			
Profit on financing	38	74,190,645	93,013,936
Return on placements	39	-	38,287
Return on investments	40	(12,598,285)	22,621,074
Income from fee and commission	41	921,351	38,825,142
Profit on bank deposits		781,813	4,118,662
Other income	42	10,330,351	4,702,030
		73,625,875	163,319,131
EXPENSES:			
Mark-up on certificates of deposit		118,129,013	146,879,995
Mark-up on term finance certificates		-	413,364
Mark-up on short term borrowings from financial institutions		5,673,757	3,767,789
Amortization of premium on held to maturity investments		62,616	57,000
Administrative and other operating expenses	43	61,125,688	65,649,371
Finance cost		74,212	82,377
		185,065,286	216,849,896
Operating loss before provisions and taxation		(111,439,411)	(53,530,765)
Reversal of provision for doubtful finances		-	725,201
Loss before taxation		(111,439,411)	(52,805,564)
Taxation	44	1,175,089	(31,753,862)
Net loss for the year		(112,614,500)	(21,051,702)
Loss per share-basic and diluted	45	(2.55)	(0.48)

The annexed notes from 1 to 60 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Comprehensive Income
for the year ended 30 June 2016

	2016 Rupees	2015 Rupees
Net loss for the year	(112,614,500)	(21,051,702)
Other comprehensive income:		
Items that will not be subsequently reclassified to profit and loss	-	-
Items that may be subsequently reclassified to profit and loss		
- Net fair value gain on available for sale financial assets	-	1,731,803
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment	5,933,325	-
Total comprehensive loss for the year	(106,681,175)	(19,319,899)

The annexed notes from 1 to 60 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2016

	2016 Rupees	2015 Rupees
Cash flow from operating activities		
Loss before taxation	(111,439,411)	(52,805,564)
Adjustment for non cash expenses and other items:		
Dividend Income	(233,374)	(875,582)
Depreciation on property and equipment	8,225,205	9,176,243
Amortization on intangible assets	85,626	128,434
Reversal for doubtful finances	-	725,201
Amortization of premium on held to maturity investments	62,616	57,000
Amortization of issuance cost of listed TFCs	-	338,153
Gain on sale of fixed assets	-	(1,215,000)
Fair value gain on held for trading investments	(78,488)	-
	8,061,585	8,334,449
	(103,377,826)	(44,471,115)
Decrease / (increase) in operating assets		
Disbursements of finances - net	335,991,374	(72,069,908)
Net investment in lease finance	-	(224,419)
Investments - net	57,986,100	298,605,323
Long term and short term advances	2,131,273	(2,876,324)
Interest accrued	3,997,661	(13,370,554)
Other receivables	(71,038,381)	8,311,325
Deposits and prepayments	2,200,422	6,464,179
	331,268,449	224,839,622
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	100,000,000	(44,503,605)
Certificates of deposit	(380,181,050)	(106,998,840)
Accrued mark-up	3,611,887	(428,442)
Trade and other payables	16,416,957	(65,233,047)
	(260,152,206)	(217,163,934)
Net changes in operating assets and liabilities	71,116,243	7,675,688
Cash used in operations	(32,261,583)	(36,795,427)
Taxation-net	30,953,994	17,040,002
Net cash used in operating activities	(1,307,589)	(19,755,425)

	2016 Rupees	2015 Rupees
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(405,136)	(2,582,692)
Dividend received	233,374	875,582
Proceeds from sale of fixed assets	-	1,215,000
Net cash used in investing activities	(171,762)	(492,110)
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of listed term finance certificates	-	(24,979,800)
Net cash used in financing activities	-	(24,979,800)
Net decrease in cash and cash equivalents	(1,479,351)	(45,227,335)
Cash and cash equivalents at the beginning of the year	5,489,402	50,716,737
Cash and cash equivalents at the end of the year	4,010,051	5,489,402

The annexed notes from 1 to 60 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Changes in Equity

for the year ended 30 June 2016

			Capital Reserves		Revenue Reserve	
	Ordinary Shares fully paid in cash	Ordinary Shares fully paid Bonus Shares	Statutory reserve	(Deficit) / gain on revaluation of investments	Accumulated loss	Total
	--- Rupees ---					
Balance as at 30 June 2014	420,000,000	21,000,000	158,496,746	(7,664,952)	(117,595,142)	474,236,652
Total Comprehensive Income for the year						
Net loss for the year	-	-	-	-	(21,051,702)	(21,051,702)
Other comprehensive income :						
Items that may be reclassified subsequently to profit and loss account						-
- Incremental depreciation on revalued assets for the year	-	-	-	-	1,724,160	1,724,160
Items that not to be reclassified subsequently to profit and loss account						
- Unrealized loss on remeasurement of available for sale investments	-	-	-	1,731,803	-	1,731,803
Total Comprehensive Income	-	-	-	1,731,803	(19,327,542)	(17,595,739)
Balance as at 30 June 2015	420,000,000	21,000,000	158,496,746	(5,933,149)	(136,922,684)	456,640,913
Total Comprehensive Income for the year						
Net loss for the year	-	-	-	-	(112,614,500)	(112,614,500)
Other comprehensive income :						
Items that may be reclassified subsequently to profit and loss account						
- Incremental depreciation on revalued assets for the year	-	-	-	-	1,637,952	1,637,952
Items that not to be reclassified subsequently to profit and loss account						
- Unrealized loss on remeasurement of available for sale investments	-	-	-	-	-	-
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment	-	-	-	5,933,325	-	5,933,325
	-		-		-	
Total Comprehensive Income	-	-	-	5,933,325	(110,976,548)	(105,043,223)
Balance as at 30 June 2016	420,000,000	21,000,000	158,496,746	176	(247,899,232)	351,597,690

The annexed notes from 01 to 60 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to the Financial Statements
for the year ended June 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited ("the Company") is a public limited company incorporated in Pakistan under the provisions of Companies Ordinance, 1984 on 15 May 1995. The Company started its commercial operations on 16 October 1996 and is listed on the Pakistan Stock Exchange Limited. The Company is licensed to carry out investment finance services, as a Non-Banking Finance Company under Section 282-C 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 16 March 2016. The ratings denotes an adequate capacity of timely payment of financial commitments.

These financial statements are the separate financial statements of the Company. In addition to these financial statements, consolidated financial statements of the Company and its subsidiary company, Escorts Capital Limited, have also been prepared.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

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 13 August 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 Going Concern Assumptions

The Company has incurred loss before tax for the year ended 30 June 2016 amounting to Rs. 111.44 million, accumulated losses of the company amounting to Rs. 247.90 million as at balance sheet date and as of that date its current liabilities exceeds its current assets by Rs. 45.88 million. SECP vide SRO No. 1160/(1)/2015 dated 25 November 2015 has made certain amendments in NBFCs & Notified Entities Regulations, 2008 which inter alia also specify the minimum equity requirement for the companies undertaking business of deposit taking investment finance companies as Rs. 750 million and the Company is short by Rs. 398.40 million. SECP has given time period of one year to the existing lending NBFCs to meet the minimum equity requirement provided that during the interim period of one year, the total deposits of such NBFCs shall be capped at the existing level i.e. outstanding deposits at the date of coming into force of these regulations i.e. 25 November 2015. These conditions along with adverse key financial ratios indicate the existance of material uncertanity regarding the future operations of the Company which may cast significant doubt about the companies ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, the management implemented its multifaceted plan which resulted in improvement in the financial and operational condition of the Company. The management of the Company is curtailing its administrative and other operating expenses to minimum possible level without affecting the operational efficiency of the Company which will result in improving results and equity position of the Company. With all these measures in place and expected cash injection from directors and financial institutions in coming months, the liquidity position will be strengthened. Based on the above and the financial projections as prepared by the company for future periods, the management is confident that the company shall continue and further improve its business growth during the coming years resulting in improvement of its profitability. Hence, these financial statements have been prepared on going concern basis.

2.3 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- **Standards, amendments to published standards and interpretations effective in current year**

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2015:

New/Revised Standards, Interpretations and Amendments

IFRS 13- Fair Value Measurement. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.

Improvement to Accounting Standards Issued by the IASB

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations- (changes in methods of disposal)

IFRS 7 Financial Instruments: Disclosures- (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements)

IAS 19 Employee Benefits- (discount rate: regional market issue)

IAS 34 Interim Financial Reporting- (disclosure of information 'elsewhere in the interim financial report')

Standards, interpretations and amendments to published standards that are effective but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2015 are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations.

Standards, interpretations and amendments to existing standards that are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates.

IFRS 10 - Consolidated Financial Statements	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2016
IAS 16 and 38 - Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 and 41 - Agriculture: Bearer Plants	01 January 2016

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		**(Annual periods beginning on or after)**
IFRS 09 -	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 -	Regulatory Deferral Accounts	01 January 2016
IFRS 15 -	Revenue from Contracts with Customers	01 January 2018
IFRS 16 -	Leases	01 January 2019

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value, investment on equity basis, certain liabilities at amortized cost and certain other investments at fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

5. JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for staff retirement benefits, doubtful receivables and taxation.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which such estimates are revised. Such estimates are:

- Useful life of depreciable assets;
- Provision for doubtful receivables ;
- Provision for current tax and deferred tax;
- Staff retirement benefits;
- Classification and valuation of investment
- Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables.
- Impairment of assets.

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Property and equipment

Operating fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses and fully depreciated assets which are carried at residual value. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to income by applying reducing balance method to write off the cost over estimated remaining useful life of assets at the rates specified in note 7 to the financial statements. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from property, plant and equipments. Depreciation on addition to property, plant and equipment is charged from the date when asset is available for use up to the date of its de-recognition.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains / losses on disposal of fixed assets are included in current year’s income.

Subsequent costs are included in the asset’s carrying amount are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance cost are charged to the profit and loss account during the year in which these are incurred.

Fully depreciated assets are being kept at a token value of Rs. 1/- each.

Intangible assets

Intangible assets represent computer software and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the reducing balance method so as to write off the cost of an asset over its estimated useful life. Amortization on addition is charged from the date when asset is available for use up to the date of its de-recognition.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Revaluation surplus

Surplus on revaluation of revalued assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation, if any) is transferred directly to retained earnings/unappropriated profits.

6.2 Cards and Rooms

These are stated at cost less impairments, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

6.3 Investments

6.3.1 Subsidiary Company

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amounts of the investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in the period in which they incur.

6.3.2 Held to maturity

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held to maturity.

6.3.3 Available for sale

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

6.3.4 Held for trading

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in price or dealer's margin are classified as held for trading.

All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of circulars issued by State Bank of Pakistan, investments at fair value through profit and loss account and Investments Available for Sale for which active market exists, are measured at their market value while investments held to maturity are stated at amortized cost using the effective interest rate method less impairment, if any.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date that the company commits to purchase/sell the asset.

Any surplus or deficit on revaluation of investments at fair value through profit and loss account is charged to income currently, while in case of available for sale investments, the resulting surplus/(deficit) is kept in a separate capital reserve account. At the time of disposal, the respective surplus or deficit is transferred to income currently.

Amortization cost is charged to profit and loss account.

However, as allowed by the BSD circular no. 10 dated 13 July 2004, the Company will be free to determine the extent of holding under the above categories taking into consideration various aspects such as trading strategies, intention of acquisition of securities, capital position, expertise available to manage investment portfolio, and the risk management capabilities. Under exceptional circumstances, shifting from one category to another category may be made subject to the following conditions:

Shifting of investments to/from held to maturity category is allowed once a year only with the approval of the Board of Directors within two months of the commencement of accounting year. Any further shifting to/from this category is not allowed during the remaining part of that accounting year.

Shifting to/from available for sale category is allowed with the approval of the Assets and Liabilities Committee (ALCO) subject to the condition that the reasons for such shifting will be recorded in writing; and

Shifting from held for trading category to available for sale or held to maturity categories is generally not be allowed. It is permitted under exceptional circumstances like not being able to sell the securities within the prescribed period of 90 days due to tight liquidity position in market or extreme market volatility with the approval of ALCO. The justification for such exceptional shifting of securities shall be recorded in the minutes of ALCO meeting. Shifting of securities from one category to another shall be done at the lower of the market value or the acquisition cost/book value, and the diminution in value, if any, on such transfer shall be fully provided for.

The surplus/deficit arising as a result of revaluation of held for trading investments is taken to profit and loss account. Furthermore, the surplus/deficit on revaluation of available for sale and held to maturity securities is taken to "Surplus/Deficit on revaluation of Available for Sale Investments" account. However, any permanent diminution in the value of available for sale or held to maturity securities is provided for by charging it to the profit and loss account. The measurement of surplus/deficit is done on portfolio basis for each of the above three categories separately.

6.3.5 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

Repurchase agreements

Investments purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

6.3.6 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognized on the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

6.3.7 Commodities

Commodities are principally acquired with the purpose of selling in near future and generating a profit from fluctuations in price. These inventories are measured at fair value less cost to sell.

6.4 Net investment in lease finance

Leases, where all the risks and rewards incidental to ownership of the assets are substantially transferred to the lessee are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

6.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit accounts.

6.6 Financial instruments

a) Financial assets

Financial assets are cash and bank balances, placements, investments, financing and other receivables. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policy.

b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include redeemable capital, certificates of deposit, borrowings, trade and other payables. Mark-up based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

c) Derivatives

Derivative instruments held by the Company comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivatives is equivalent to the unrealised gain or loss from marking the derivatives using prevailing market rates at the balance sheet date. The unrealised gains are included in other assets while unrealised losses are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss.

d) Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

e) Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.7 Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

6.8 Redeemable capital - Term finance certificates

Term finance certificates are initially recognised at their fair value less transaction costs that are directly attributable to the issue of term finance certificates. The transaction costs are amortised over the term of term finance certificates.

6.9 Staff retirement benefits

Employees compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue. As the component of liability involved is not material, the company did not carry out actuarial valuation for the said liability.

6.10 Provident fund

The Company operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by employees and the Company to the fund at 10% of basic salary. The fund is administrated by the Trustees.

6.11 Revenue recognition

Return on finances provided, placements, government securities and term finance certificates are recognized on time proportionate basis.

Mark-up on lease finance is recognized using the finance method. Under this method, the unearned lease income i.e. the excess of the aggregate lease rentals and the residual value over the cost of the leased assets, is deferred and taken to income so as to produce a constant periodic rate of return on the outstanding net investment in lease finance. Processing fee, documentation charges and other lease related income are taken to income currently.

Brokerage commission and other advisory fee are recognized when such services are provided.

Guarantee commission is received in advance, and deferred over the guarantee period.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

Consultancy and corporate advisory fee income is recognized using percentage of completion method.

Dividend income is recognized when the right to receive payment is established.

6.12 Return on deposits and borrowings

Return on Certificates of Deposits (CODs) and borrowings are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

6.13 Taxation

Current

Provision for current taxation is based on applicable current rates of taxation after taking into account tax credits and rebates available, if any, under the provisions of Income Tax Ordinance, 2001. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax liability is accounted for in respect of all taxable temporary differences at the balance sheet date arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, provisions and tax credits to that extent it is probable that taxable profit will be available in future against which the deductible temporary differences can be utilized. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax is calculated at the rates that are expected to apply to the period when the asset is to be realized or liability is to be settled.

6.14 Operating segment

The Company has structured its key business areas in two segments in a manner that each segment becomes a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the Company have been categorized into the following classifications of business segments.

Business segments

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Financing activities

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

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.

6.15 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

6.16 Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where, it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

6.17 Dividend distributions and appropriations

Dividend distribution and appropriations other than statutory appropriations are recorded in the period in which they are approved.

6.18 Borrowings cost

Finance costs are recognized as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

6.19 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at rates of exchange prevailing at the balance sheet date and in case of forward exchange contracts at the committed rates. Gains or losses on exchange are charged to income.

6.20 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.21 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.22 Contingencies

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

6.23 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

	Note	2016 Rupees	2015 Rupees
7. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	7.1	95,873,568	103,693,637
		95,873,568	103,693,637

7.1 The following is a statement of operating fixed assets (tangible):

	Office Premises	Freehold Improvements	Leasehold Improvements	Office Furniture & Fixture	Computers Equipment	Office Equipment	Owned Vehicles	Total
At 30 June 2014								
Cost	127,901,129	6,712,240	28,404,408	4,381,752	7,731,002	10,040,476	24,667,027	209,838,034
Accumulated depreciation	(42,648,182)	(6,712,240)	(14,170,315)	(3,185,525)	(7,508,506)	(6,195,208)	(19,130,870)	(99,550,846)
Net book value	85,252,947	-	14,234,093	1,196,227	222,496	3,845,268	5,536,157	110,287,188
Year ended 30 June 2014								
Additions	-	-	-	-	72,960	135,732	2,374,000	2,582,692
DISPOSALS								
Cost	-	-	-	-	-	-	(1,685,440)	(1,685,440)
Accumulated depreciation	-	-	-	-	-	-	(1,685,440)	(1,685,440)
Net book value	-	-	-	-	-	-	-	-
Depreciation charge for the year	(4,262,647)	-	(2,846,819)	(119,623)	(94,726)	(389,184)	(1,463,244)	(9,176,243)
Net book value as at 30 June 2015	80,990,300	-	11,387,274	1,076,604	200,730	3,591,816	6,446,913	103,693,637
Year ended 30 June 2016								
Additions/transfers	-	-	-	-	405,136	-	-	405,136
Depreciation charge for the year	(4,049,515)	-	(2,277,456)	(107,831)	(141,837)	(359,264)	(1,289,302)	(8,225,205)
Net book value as at 30 June 2016	76,940,785	-	9,109,818	968,773	464,029	3,232,552	5,157,611	95,873,568
At 30 June 2015								
Cost	127,901,129	6,712,240	28,404,408	4,381,752	7,803,962	10,176,208	25,355,587	210,735,286
Accumulated depreciation	(46,910,829)	(6,712,240)	(17,017,134)	(3,305,148)	(7,603,232)	(6,584,392)	(18,908,674)	(107,041,649)
Net book value	80,990,300	-	11,387,274	1,076,604	200,730	3,591,816	6,446,913	103,693,637
Annual rates (%) of depreciation	5.00	20.00	20.00	10.00	33.33	10.00	20.00	
At 30 June 2016								
Cost	127,901,129	6,712,240	28,404,408	4,381,752	8,209,098	10,176,208	25,355,587	211,140,422
Accumulated depreciation	(50,960,344)	(6,712,240)	(19,294,590)	(3,412,979)	(7,745,069)	(6,943,656)	(20,197,976)	(115,266,854)
Net book value	76,940,785	-	9,109,818	968,773	464,029	3,232,552	5,157,611	95,873,568
Annual rates (%) of depreciation	5.00	20.00	20.00	10.00	33.33	10.00	20.00	

		2016 Rupees	2015 Rupees
7.2	**Depreciation charge for the year has been allocated as follows:**		
	Administrative Expenses	8,225,205	9,176,243
		8,225,205	9,176,243

7.3 Had there been no revaluation, the related figures of free-hold premises as on 30 June 2016 would be as follows;

Particulars	Cost	Accumulated Depreciation	Rupees Net Book Value
Free hold premises (2016)	89,692,600	43,872,903	45,819,697
Free hold premises (2015)	89,692,600	41,461,340	48,231,260

7.4 Disposal of property, plant & equipment

The following operating fixed assets with a net book value exceeding Rs. 50,000 were disposed off during the year:

PARTICULARS	Cost	Accumulated Depreciation	Net Book Value	Sale Proceed	Gain	Mode of Disposal
Rupees 2016	-	-	-	-	-	-
Rupees 2015	1,685,440	(1,685,440)	-	1,215,000	1,215,000	Negotiation

7.5 No impairment relating to operating fixed assets has been recognised in the current year.

	Note	2016 Rupees	2015 Rupees
8. INTANGIBLE ASSETS			
Accounting software	8.1	171,279	256,905
		171,279	256,905
8.1 Accounting software			
Net carrying value			
Accounting software		256,905	385,339
Less: Amortization charge		85,626	128,434
Net book value (NBV) as at 30 June		171,279	256,905
Gross carrying value			
Cost		2,600,000	2,600,000
Less: Accumulated amortization		2,428,721	2,343,095
Net book value		171,279	256,905
Amortization rate per annum		33%	33%
9. CARDS AND ROOMS			
Corporate membership of Pakistan Mercantile Exchange Limited		750,000	750,000
Rooms		32,700,000	32,700,000
		33,450,000	33,450,000
10. LONG TERM INVESTMENT IN SUBSIDIARY			
Escort Capital Limited - Unlisted			
17,500,400 (2015: 17,500,400) ordinary shares of Rs. 10 each holding 100% - Breakup value Rs. (0.66) (2015: 0.18) per share		175,004,000	175,004,000

10.1 The Company has carried out an assessment of its investment in subsidiary company namely Escorts Capital Limited (ECL) under the requirements of International Accounting Standard (IAS 36) ''Impairment of Assets'' using the cash flow projection based on the business plan of ECL which has been approved by the management of ECL. The approved business plan of ECL includes major initiatives such as hiring of new teams and opening of new branches in various cities of the Country to improve the future profitability.

The recoverable amount of the investment in ECL has been determined based on value in use calculations, using cash flow projections covering a five year period. The cash flows beyond the five year period are extrapolated using a terminal growth rate. Based on the above assessment, the management has concluded that the recoverable amount of investment in ECL exceeds its carrying amount. Hence, no impairment loss has been recorded in the current year's profit and loss account.

	2016 Rupees	2015 Rupees
11. LONG TERM INVESTMENTS		
Held to maturity		
Pakistan Investment Bonds (PIB's)		
Cost	101,739,700	101,739,700
Less: Amortization - Opening	901,415	844,415
Charged during the year	62,616	57,000
	964,031	901,415
	100,775,669	100,838,285

This represents investment in 20 years bonds issued by the Government of Pakistan having market value of Rs. 115.597 million (2015: Rs. 99.93 million). Period to maturity of these investments is 8 years and carry mark-up at rate (coupon rate) 10% per annum (2015: 10% per annum). PIB's have face value of Rs. 100 million (2015: Rs. 100 million).

11.1 Encumbered and un-encumbered - face value

	2016			2015		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	-	100,000,000	100,000,000	100,000,000	-	100,000,000

	Note	2016 Rupees	2015 Rupees
12. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	12.1	2,480,743	4,339,673
Subsidiary company	12.2	100,000,000	100,000,000
Executives	12.3	2,402,314	42,617,255
		104,883,057	146,956,928
Others - Secured and considered good	12.4	62,264,596	57,985,501
		167,147,653	204,942,429
Considered doubtful			
Others	12.5	32,738,390	32,738,390
Less: Provision for doubtful finances	12.6	32,738,390	32,738,390
		-	-
		167,147,653	204,942,429
Less: Current maturity	17	46,658,168	55,963,605
		120,489,485	148,978,824

12.1 Associated companies

These represent finance provided against hypothecation of vehicles for a period of 5 years (2015: 5 years), carrying mark-up @ 18% per annum (2015: 18% per annum).

The maximum balance outstanding at the end of any month during the year was:

	2016 Rupees	2015 Rupees
Escorts Pakistan Limited	4,339,673	5,793,089

12.2 Subsidiary company

These represent finance provided against current and fixed present and future movable and immovable assets of the Company to Escorts Capital Limited, for a period of 5 years and carries mark up at the rate 16% (2015: 16%) per annum.

12.3 Executives

This represent finance provided to Executives against lien of assets for a period ranging from 3 years to 5 years and carries mark-up at the rate of 16% to 17% (2015: 16% to 17%) per annum. Further, house finance was provided to CEO against mortgage of property for a period of 18 years which carried mark-up at the rate of 6% (2015: 6%) per annum.

	2016				2015
	CEO Rupees	**Director Rupees**	**Others Rupees**	**Total Rupees**	Total Rupees
Opening balance	36,967,088	498,685	5,151,482	42,617,255	42,741,539
Add: Disbursements/transferred during the year	-	-	-	-	3,367,562
	36,967,088	498,685	5,151,482	42,617,255	46,109,101
Less: Repayments/transferred during the year	36,967,088	498,685	2,749,168	40,214,941	3,491,846
	-	-	2,402,314	2,402,314	42,617,255
Maximum balance outstanding at the end of any month during the year				42,617,255	44,865,409

12.4 These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 12 % to 20% (2015: 12% to 20%) per annum.

12.5 These finance facilities are secured by ranking charge on assets and pledge of stocks for a period up to 5 years. The expected rate of return range from 14% to 17% (2015: 14% to 17%) per annum.

	Note	2016 Rupees	2015 Rupees
12.6 Particulars of provision for doubtful finances			
Opening balance		32,738,390	32,738,390
Reversal for the year		-	-
Closing balance		32,738,390	32,738,390
13. NET INVESTMENT IN LEASE FINANCE			
Lease rental receivables	13.1	677,283	677,283
Add: Residual value		2,240,700	2,980,200
		2,917,983	3,657,483
Less: Unearned finance income		53,920	53,920
		2,864,063	3,603,563
Less: Provision for doubtful leases	13.2	623,363	623,363
		2,240,700	2,980,200
Less: Current maturity		2,240,700	2,980,200
		-	-

13.1 Particulars of net investment in lease finance

	2016			2015
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	677,283	-	677,283	677,283
Add: Residual value	2,240,700	-	2,240,700	2,980,200
Gross investment in lease finance	2,917,983	-	2,917,983	3,657,483
Less: Unearned finance income	53,920	-	53,920	53,920
Net investment in lease finance	2,864,063	-	2,864,063	3,603,563

13.1.1 The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility ranges from 11% to 16% (2015: 11% to 16%). Leased assets are insured in favour of the Company. The rate of return ranges from 15% to 17% per annum (2015: 15% to 17% per annum). Penalty is charged in case of delayed payment. These leases pertain to previous years as the company does not have license for lease now.

13.1.2 As per the prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 0.677 million (2015: 0.677 million) at the end of current year.

	Note	2016 Rupees	2015 Rupees
13.2 Particulars of provision for lease losses			
Opening balance		623,363	815,160
Charge for the year		-	211,022
Reversal during the year		-	(402,819)
		-	(191,797)
Closing balance		623,363	623,363

14. LONG TERM LOANS AND ADVANCES

	Note	2016 Rupees	2015 Rupees
Loan to staff - Unsecured, considered good			
Executives -Related parties	14.1	1,980,949	3,844,129
Other employees		476,741	480,088
		2,457,690	4,324,217
Less: Current maturity	17	1,396,167	1,987,775
		1,061,523	2,336,442

14.1 These represent interest free loans to staff for a period of 3 years and are repayable in equal monthly instalments, in accordance with the Company's Policy for staff loans.

	Note	2016 Rupees	2015 Rupees
Opening balance		3,844,129	1,430,103
Add: Disbursements / transferred during the year		721,156	3,752,506
		4,565,285	5,182,609
Less: Repayments during the year		2,584,336	1,338,480
		1,980,949	3,844,129
The maximum balance outstanding from executives at the end of any month during the year		3,273,117	4,591,532

15. LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2016 Rupees	2015 Rupees
Security deposits	15.1	45,754,950	46,094,370
Prepayments		153,264	1,942,723
		45,908,214	48,037,093
Less: current maturity	17	153,264	1,789,459
		45,754,950	46,247,634

15.1 This includes Rs. 45 million (2015: 45.339 million) paid to Escorts Capital Limited (Subsidiary).

	2016 Rupees	2015 Rupees
16. DEFERRED TAX ASSET		
Deferred taxation comprises of the following:		
Deferred tax liability on taxable temporary differences in respect of the following:		
Fixed assets	(9,674,935)	(10,321,964)
Deferred tax asset on deductible temporary differences in respect of the following:		
Investments	34,797,058	34,776,395
Finances and receivables	22,257,527	22,257,527
Trade and other payables	444,698	778,178
Finance lease	205,710	205,710
Tax losses	88,521,549	88,855,761
	146,226,542	146,873,571
	136,551,607	136,551,607
16.1 Movement in deferred tax asset		
Opening balance	136,551,607	102,292,639
Provision during the year	-	34,258,968
Closing balance	136,551,607	136,551,607

16.2 Deductible temporary differences has only been recognized and restricted to the extent of available taxable temporary differences. Further, tax losses are restricted to Rs. 88.52 million in these financial statements due to uncertainty of available taxable profits of the company in foreseeable future.

	Note	2016 Rupees	2015 Rupees
17. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Long term finances	12	46,658,168	55,963,605
Net investment in lease finance	13	2,240,700	2,980,200
Long term loans and advances	14	1,396,167	1,987,775
Long term deposits and prepayments	15	153,264	1,789,459
		50,448,299	62,721,039

	Note	2016 Rupees	2015 Rupees
18. SHORT TERM INVESTMENTS			
Held to Maturity			
Treasury bills	18.1.1	94,331,566	65,861,977
Held for Trading			
Shares / units			
Listed	18.2	15,830,632	-
Others	18.3	9,470,609	11,147,704
Investment in Commodities:			
Rice		-	70,882,683
Available for sale			
Listed shares / units	18.4	281	29,726,824
		119,633,088	177,619,188
Gain/(Deficit) on revaluation of shares / units		78,664	(5,933,149)
		119,711,752	171,686,039

18.1 Encumbered and un-encumbered - Face value

	2016			2015		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Treasury Bills (T-Bills)	98,000,000	-	98,000,000	69,000,000	-	69,000,000

	2016 Rupees	2015 Rupees
18.1.1 Treasury Bills		
Face value	98,000,000	69,000,000
Less: Discount	(3,668,434)	(3,138,023)
	94,331,566	65,861,977

18.2 Particulars of listed shares / units - Held for Trading

No. of Certificates 2016	No. of Certificates 2015	N A M E	2016 Carrying value	2016 Market value	2015 Carrying value	2015 Market value
			Rupees	Rupees	Rupees	Rupees
		Investment Companies				
2,762,000	-	Kohinoor Spinning Mills Limited	15,830,632	15,909,120	-	-

18.3 Shares - Others

This represents investments in various listed companies shares. Because of changes in NBFC Regulations in 2008, the Company had to conclude its brokerage business under the Investment Finance Services License. The Company started the process of intimating its brokerage clients to close their accounts with the Company in compliance with these regulations. Most of the account holders have closed their accounts accordingly. Certain accounts could not be transferred/closed because of non receipt of response from the holders despite repeated reminders. The management has decided to record these on balance sheet as an asset and a corresponding liability of the same amount.

18.4 Particulars of listed shares / units - Available for sale investments

No. of Certificates 2016	No. of Certificates 2015	N A M E	2016 Carrying value	2016 Market value	2015 Carrying value	2015 Market value
			Rupees	Rupees	Rupees	Rupees
		Mutual Fund - close End				
49	49	Dawood Capital Management Fund	281	105	281	105
-	1,778	Pakistan stock Market Fund (Previously: Pakistan Premier Fund)	-	-	41,032	152,037
		Commercial Banks				
-	375,000	The Bank of Punjab	-	-	4,287,119	3,423,750
		Oil and gas				
-	40,000	Pakistan Petroleum Limited	-	-	7,898,195	6,580,000
-	15,000	National Refinery Limited	-	-	4,030,028	3,480,900
		Textile Spinning				
-	221,400	Nishat Chunian Limited	-	-	10,432,208	8,132,023
		Chemical				
-	158,000	Lotee Chemical Pakistan Limited	-	-	1,643,822	1,093,360
-	500	ICI Pakistan Limited	-	-	260,026	214,000
		Technology and Communication				
-	35,000	Pakistan Telecommunication Limited	-	-	1,134,113	717,500
49	846,727		281	105	29,726,824	23,793,675

	Note	2016 Rupees	2015 Rupees
19. SHORT TERM FINANCES			
Secured and considered good			
Executives	19.1	500,000	500,000
Others	19.2	24,159,107	322,355,705
		24,659,107	322,855,705
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	19.3	13,767,834	13,767,834
		-	-
		24,659,107	322,855,705

19.1 This represents finance provided to Executive against Company's own Certificate of Deposits for a period of 1 year and carries mark-up at the rate of 15% (2015: 15%) per annum.

19.2 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return ranges from 13% to 20% per annum (2015: 13% to 33.6% per annum), these include Rs. 7.252 million (2015: Rs. 276.188 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan the rate of return range from 20% to 24% per annum (2015: 20% to 24% per annum).

	2016 Rupees	2015 Rupees
19.3 Particulars of provision for doubtful finances:		
Opening balance	13,767,834	13,767,834
Provision / (Reversal) for the year	-	-
Closing balance	13,767,834	13,767,834
20. ADVANCES		
Considered good:		
Advances against salaries /expenses	3,662,219	3,926,965
21. SHORT TERM DEPOSITS AND PREPAYMENTS		
Prepayments	650,695	722,238

	Note	2016 Rupees	2015 Rupees
22. INTEREST ACCRUED			
Interest from morabaha financing		2,963,560	3,045,245
Interest from term finance		16,002,482	11,942,480
Interest from Pakistan Investment Bonds		575,342	575,342
Interest from Treasury bills		29,824	505,802
Interest on other investment		-	7,500,000
		19,571,208	23,568,869
23. OTHER RECEIVABLES			
Receivable from Subsidiary Company	23.1	68,453,289	15,877,214
Receivable from Associated Company	23.2	26,487,803	28,619,901
Receivable from clients	23.3	47,579,679	6,445,857
Others		11,975,282	32,514,700
		154,496,053	83,457,672

23.1 This represent running account between Escorts Capital Limited (Subsidiary) and the Company, it carries mark up at the rate 13% (2015: 13%) per annum.

23.2 This includes Rs. 16.725 million (2015: 18.856 million) receivable from Essem Hotels Limited and Rs. 9.763 million (2015: 9.763 million) receivable from Escorts Pakistan Limited.

	Note	2016 Rupees	2015 Rupees
23.3 Receivables from clients			
Considered good		47,579,679	6,445,857
Considered doubtful		20,940,831	20,940,831
Less: Provision for doubtful receivables	23.3.1	(20,940,831)	(20,940,831)
		-	-
		47,579,679	6,445,857
23.3.1 Particulars of provision for doubtful receivables			
Opening balance		20,940,831	21,474,235
Reversal for the year		-	(533,404)
Closing balance		20,940,831	20,940,831

	Note	2016 Rupees	2015 Rupees
24. CASH AND BANK BALANCES			
Cash with banks:			
Current accounts with:			
State Bank of Pakistan		574,674	725,905
Others		1,065,393	824,827
		1,640,067	1,550,732
Saving accounts	24.1	2,369,984	3,938,670
		4,010,051	5,489,402

24.1 Rate of return on these accounts range from 6.5% to 11.25% (2015: 6% to 11.25%) per annum.

	2016 Rupees	2015 Rupees
25. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
42,000,000 (2015: 42,000,000) ordinary shares of Rs. 10 each issued as fully paid in cash	420,000,000	420,000,000
2,100,000 (2015: 2,100,000) ordinary shares of Rs. 10 each issued as fully paid in bonus shares	21,000,000	21,000,000
	441,000,000	441,000,000

25.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2015: 39.01%) ordinary shares in the Company.

	Note	2016 Rupees	2015 Rupees
26. RESERVES			
Capital reserve			
Statutory reserve	26.1	158,496,746	158,496,746
Deficit on revaluation of investments available for sale investments	26.2	176	(5,933,149)
Revenue reserve			
Accumulated loss		(247,899,232)	(136,922,684)
		(89,402,310)	15,640,913

26.1 This represents special reserve created in compliance with the Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan.

		Note	2016 Rupees	2015 Rupees
27.	**SURPLUS ON REVALUATION OF FIXED ASSETS**			
	Opening balance		32,759,040	34,483,200
	Less: Incremental depreciation for the year		(1,637,952)	(1,724,160)
	Closing balance	27.1	31,121,088	32,759,040

27.1 The revaluation of building (ground floor) was carried out by an independent valuer ''M/s Maricon Consultants (Private) Limited as at 29 June 2012 on the basis of market and depreciated replacement values and was duly certified by statutory auditors.

		Note	2016 Rupees	2015 Rupees
28.	**TERM FINANCE CERTIFICATES**			
	Listed:			
	Face value		-	500,000,000
	Less: Redeemed			
	Opening balance		-	475,020,200
	Redeemed during the year		-	24,979,800
			-	500,000,000
			-	-
	Less: Current maturity	31	-	-
			-	-
	Less: Cost of issuance/ rescheduling		-	-
	Opening balance		-	(338,153)
	Amortization for the year	42	-	338,153
			-	-
	Less: Current maturity	31	-	-
			-	-
29.	**LONG TERM CERTIFICATES OF DEPOSIT**			
	Related parties - Unsecured			
	Associated Company	29.1	34,357,049	34,357,049
	Executives	29.2	70,000,000	138,200,000
	Others	29.3	53,200,000	39,461,000
			157,557,049	212,018,049
	Others - Unsecured			
	Individuals	29.4	336,159,590	448,469,384
	Others	29.5	25,250,000	35,250,000
			361,409,590	483,719,384
			518,966,639	695,737,433
	Less: Current maturity	31	238,430,822	405,621,110
			280,535,817	290,116,323

29.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates is 10% to 12.5% (2015: 10% to 12.5%) per annum payable monthly.

29.2 These have been issued for a term of 5 years and expected return on these certificates ranges from 13% to 13.5% (2015: 12% to 13.5%) per annum payable on monthly basis.

29.3 These have been issued to a close family member of a key management personnel for a term of 5 years and expected return on these certificates ranges from 11.5% to 14% (2015: 13% to 14%) per annum payable on monthly basis.

29.4 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 11 % to 15 % (2015: 11.25% to 14.50 %) per annum payable on monthly, quarterly, semi-annually or on maturity basis.

29.5 These have been issued for a term of 3 years and expected return on these certificates is 12% (2015: 12%) per annum payable on monthly basis.

	Note	2016 Rupees	2015 Rupees
29.6 Long term certificates of deposits includes:			
Corporates		59,607,049	69,607,049
Individuals		459,359,590	626,130,384
		518,966,639	695,737,433
30. LONG TERM SECURITY DEPOSIT			
Security deposit	30.1	2,240,700	2,980,200
Less: Current maturity	31	2,240,700	2,980,200
		-	-

30.1 These represent interest free security deposits received on lease contracts and are adjustable at the expiry of the lease contracts.

	Note	2016 Rupees	2015 Rupees
31. CURRENT MATURITIES OF NON-CURRENT LIABILITIES			
Long term certificates of deposit	29	238,430,822	405,621,110
Long term security deposit	30	2,240,700	2,980,200
		240,671,522	408,601,310
32. SHORT TERM BORROWINGS			
Short term Repo Borrowing		100,000,000	-

This represent short term repo borrowing obtained against Pakistan Investment Bonds (PIBs) from First Credit Investment Bank Limited carrying mark-up rate of 8.5% (2015: Nil) per annum.

	Note	2016 Rupees	2015 Rupees
33. SHORT TERM CERTIFICATE OF DEPOSIT			
Related parties - Unsecured			
Subsidiary company	33.1	50,000,000	50,000,000
Executives	33.2	3,305,702	10,692,600
		53,305,702	60,692,600
Others - Unsecured			
Individuals	33.4	126,085,522	322,108,880
Others		-	-
		126,085,522	322,108,880
		179,391,224	382,801,480

33.1 These have been issued for a term of 6 months and expected rate of return on these certificates is 12% (2015: 12%) per annum payable on maturity.

33.2 These have been issued for a term of 1 year and expected rate of return on these certificates is 11.5% (2015: 11.5%) per anum payable monthly.

33.3 These have been issued for terms ranging from 3 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 14.5% (2015: 6.5% to 14%) per annum payable monthly, quarterly, semi-annually or on maturity.

	Note	2016 Rupees	2015 Rupees
33.4 Short term certificate of deposit			
Corporates		50,000,000	50,000,000
Individuals		129,391,224	332,801,480
		179,391,224	382,801,480
34. ACCRUED MARKUP			
Accrued return on certificates of deposit	34.1	9,021,810	9,291,796
Accrued return on secured borrowings		3,881,873	-
		12,903,683	9,291,796

34.1 This includes an amount of Rs. 0.378 million (2015: Rs. 0.148 million) payable to Escorts Capital Limited (wholly owned Subsidiary).

		2016 Rupees	2015 Rupees
35.	**TRADE AND OTHER PAYABLES**		
	Customers' credit balances	17,137,715	8,027,600
	Accrued expenses and other payables	33,581,530	25,264,142
	Provision for compensated absences	1,347,570	2,358,116
	Unclaimed dividend	2,385,654	2,385,654
		54,452,469	38,035,512
36.	**PROVISION FOR TAXATION**		
	Opening balance	13,725,430	39,935,855
	Add: Taxation - current	1,175,089	2,505,106
		14,900,519	42,440,961
	Less: Tax payments /adjustments during the year	2,943,936	28,715,531
		11,956,583	13,725,430

37. CONTINGENCIES AND COMMITMENTS

37.1 Contingencies

a) The Company's assessments till Assessment Year 2002-03, has been finalized except that the Income Tax department is in appeal before the Honourable Lahore High Court for Assessment Years 1997-98 and 1998-99 on following issues:

i) status of company as "banking company" rather than "public limited company"; and

ii) taxability of "dividend income" as separate block of income.

b) In respect of tax year 2008, the appeal was decided in favour of the Company by the Honourable Appellate Tribunal Inland Revenue and original position as mentioned in return by the Company was restored.

c) The Company has filed appeals before Honourable Lahore High Court for Tax Year 2003 to 2006 on various matters. These appeals are pending for hearing. The case is pending for adjudication and the Company expects a favourable outcome in this regard.

d) In respect of tax year 2009, the assessing officer has issued an assessment order under section 122(5A) to amend the deemed assessment for the said tax year as per the income tax return filed by the company. The company has filed an appeal before CIR(A) in this respect which is pending fixation. The case is pending for adjudication and the Company expects a favourable outcome in this regard.

e) For tax year 2009, tax department finalized an order U/S 161/205 of the Income Tax Ordinance, 2001. The Company filed an appeal against the said order in CIR(A) who has directed the assessing officer to look into the matter again. The case is pending for adjudication and the Company expects a favourable outcome in this regard.

		2016 Rupees	2015 Rupees
37.2	**Commitments**		
	Outstanding guarantees	71,823,484	11,668,397

		2016 Rupees	2015 Rupees
38.	**PROFIT ON FINANCING**		
	Long term	24,044,465	25,107,770
	Short term	50,146,180	67,906,166
		74,190,645	93,013,936
39.	**RETURN ON PLACEMENTS**		
	Clean placements	-	38,287
40.	**RETURN ON INVESTMENTS**		
	Mark-up / return on investments		
	Held to maturity investments		
	Government securities	15,286,764	16,129,216
	Dividend income		
	Available for sale investments		
	Listed shares/units	233,374	875,582
	Capital gain / (loss) on investments		
	Available for sale investments	(5,933,325)	5,006,321
	Held for trading	(22,185,098)	609,955
		(28,118,423)	5,616,276
		(12,598,285)	22,621,074
41.	**FEES AND COMMISSION**	921,351	38,825,142

These include Commission of Rs. Nil (2015: Rs. 26.771 million), earned from Escorts Capital Limited (wholly owned Subsidiary Company).

		2016 Rupees	2015 Rupees
42.	**OTHER INCOME**	10,330,351	4,702,030

42.1 These include Compensation on delayed refunds for the year amounting to Rs. 8.117 million (2015: Rs. 0.954 million), under Section 171 - Additional Payment for Delayed Refunds, of the Income Tax Ordinance, 2001. The Company had claimed income tax refunds from Tax Year 2003 to 2008 from the income tax authorities and subsequently these tax refunds were decided in due course by the appropriate income tax authorities and refund orders were issued to the Company accordingly.

	Note	2016 Rupees	2015 Rupees
43. ADMINISTRATIVE AND OTHER OPERATING EXPENSES			
Salaries, wages, other benefits and allowances	43.1	29,223,109	30,611,623
Staff training and welfare		209,663	64,949
Advertisement and business promotion		237,900	152,618
Rent, rates and taxes		5,364,179	4,184,212
Utilities		1,709,601	1,536,372
Communication charges		1,728,888	1,793,299
Traveling and vehicle maintenance		4,229,281	5,394,366
Repair and maintenance		3,416,490	1,893,949
Entertainment		847,946	970,212
Fee and subscriptions		1,304,998	2,117,231
Legal and professional charges		1,598,798	2,073,764
Auditors' remuneration	43.2	1,133,000	930,000
Printing and stationery		943,033	981,734
Fee, brokerage and commission		90,170	2,152,454
Insurance		725,921	863,683
Amortization of issuance cost of listed TFC's	28	-	338,153
Depreciation	7.1	8,225,205	9,176,243
Amortization of intangible assets	8.1	85,626	128,434
Miscellaneous expenses		51,880	286,075
		61,125,688	65,649,371

43.1 This includes contribution to provident fund amounting to Rs. 0.854 million (2015: Rs. 1.121 million) made by the Company.

	Note	2016 Rupees	2015 Rupees
43.2 Auditors' remuneration			
Statutory audit fee		1,027,500	835,000
Certification and consultancy charges		90,000	90,000
Out of pocket expenses		15,500	5,000
		1,133,000	930,000
44. TAXATION-NET			
Taxation			
-Current year	44.1	736,259	2,505,106
-Prior years		438,830	-
		1,175,089	2,505,106
Deferred taxation			
For current year		-	(34,258,968)
		1,175,089	(31,753,862)

- Income tax return has been filed to the income tax authorities up to and including tax year 2015 under the provisions of the Income Tax Ordinance, 2001.

44.1 - Provision for taxation has been made in accordance with section 113 of the Income Tax Ordinance, 2001 ("The Ordinance"). There is no relation between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

		2016	2015
45. LOSS PER SHARE - BASIC AND DILUTED			
Net loss for the year after taxation (Rupees)	Rupees	(112,614,500)	(21,051,702)
Weighted average number of ordinary shares	Number	44,100,000	44,100,000
Loss per share - basic and diluted	Rupees	(2.55)	(0.48)

45.1 No figure for diluted earnings per share has been computed as the company has not issued any instrument which would dilute its earnings per share.

46. 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.

	For the year ended 30 June 2016		
	Financing activities	**Investing activities**	**Total**
Profit on financing	74,190,645	-	74,190,645
Return on investments	-	(12,598,285)	(12,598,285)
Total income for reportable segments	74,190,645	(12,598,285)	61,592,360
Finance costs	98,588,623	25,350,975	123,939,598
Administrative and other operating expenses	48,622,857	12,502,831	61,125,688
Segment result	(73,020,835)	(50,452,091)	(123,472,926)
Other operating income			11,251,702
Loss before taxation			(112,221,224)
Segment assets	199,468,710	445,549,069	645,017,779
Unallocated assets			617,612,297
			1,262,630,076

	For the year ended 30 June 2016		
	Financing activities	Investing activities	Total
Segment liabilities	110,212,948	243,625,442	353,838,390
Unallocated liabilities			557,193,996
Equity			351,597,690
			1,262,630,076

	For the year ended 30 June 2015		
	Financing activities	Investing activities	Total
Profit on financing	93,013,936	-	93,013,936
Return on placements	-	38,287	38,287
Return on investments	-	22,621,074	22,621,074
Total income for reportable segments	93,013,936	22,659,361	115,673,297
Finance costs	121,581,699	29,618,826	151,200,525
Administrative and other operating expenses	52,789,248	12,860,123	65,649,371
Reversal of doubtful financing	(725,201)	-	(725,201)
Segment result	(80,631,810)	(19,819,588)	(100,451,398)
Other operating income			47,645,834
Loss before taxation			(52,805,564)
Segment assets	536,160,021	501,501,948	1,037,661,969
Unallocated assets			594,309,835
			1,631,971,804
Segment liabilities	241,122,138	218,498,975	459,621,113
Unallocated liabilities			715,709,778
Equity			456,640,913
			1,631,971,804

47. TRANSACTIONS WITH RELATED PARTIES

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

	2016 Rupees	2015 Rupees
Subsidiary Company:		
Transactions during the year		
Profit paid on certificates of deposit	5,753,424	5,802,740
Return on finances received	-	12,000,000
Profit earned during the year	16,000,000	16,000,000
Fee / Commission earned during the year	26,771,092	26,771,092
Return on assets	4,251,000	4,251,000
Return on receivables	7,186,482	7,186,482
Balance at year end		
Finances outstanding	100,000,000	100,000,000
Certificates of deposit outstanding	50,000,000	50,000,000
Receivable / (payable) to subsidiary company	113,024,956	57,764,985
Profit receivable	22,853,521	6,853,521
Mark-up payable on COD	378,082	147,945
Associated companies:		
Transactions during the year		
Return on finances received	604,659	866,772
Guarantee commission earned	-	-
Profit paid on certificates of deposit	3,357,879	3,378,414
Fixed assets sold	-	2,300,000
Chairman's secretariat expenses	-	-
Balance at year end		
Advances outstanding	12,480,743	34,339,673
Letter of guarantee outstanding	8,336,373	8,336,373
Certificates of deposit outstanding	34,357,049	34,357,049
Other receivable / (payable)	26,017,604	29,413,353
Mark-up payable on COD	221,924	113,521
Directors:		
Return on finances received	2,516,951	2,366,727
Fixed Assets sold	-	-
Profit paid on certificates of deposit	7,433,254	7,779,649
Balance at year end		
Advances outstanding	635,154	38,437,185
Certificates of deposit outstanding	23,305,702	60,692,600
Mark-up payable on COD	101,608	357,819
Executives:		
Transactions during the year		
Return on finances received	505,717	211,337
Profit paid on certificates of deposit	6,651,454	7,390,005
Balance at year end		
Advances outstanding	2,066,165	4,203,789
Certificates of deposit outstanding	51,500,000	57,000,000
Mark-up payable on COD	300,548	309,754
Fixed assets sold	-	1,215,000
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	853,985	1,121,404

48. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive / Director		Executives	
	2016 Rupees	2015 Rupees	**2016 Rupees**	2015 Rupees
Managerial remuneration	3,586,752	3,586,752	7,332,329	12,720,374
House rent allowance	1,434,696	1,434,696	2,932,916	5,088,089
Utilities	358,680	358,680	733,218	1,272,051
Bonus/commission	-	-	1,503,430	1,762,797
Special allowance	-	-	390,000	540,000
Leave encashment	-	-	-	-
Retirement benefits	-	-	485,420	1,088,678
	5,380,128	5,380,128	13,377,313	22,471,989
Number of persons	1	1	8	11

In addition to above the Chief Executive and two Executives were provided Company maintained cars. Further, the Chief Executive and all the Executives were also reimbursed the medical expenses as per policy.

49. MATURITIES OF ASSETS AND LIABILITIES

Description	Within one year	More than one year and upto five years	Above five years	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2016				
ASSETS				
Fixed capital expenditure	-	14,731,458	81,142,110	95,873,568
Intangible assets	-	171,279	-	171,279
Cards and rooms	-	-	33,450,000	33,450,000
Investment in subsidiary company	-	-	175,004,000	175,004,000
Deferred tax asset	-	136,551,607	-	136,551,607
Net investment in lease finance	2,240,700	-	-	2,240,700
Investments	119,711,752	-	100,775,669	220,487,421
Finances	71,317,275	94,142,541	26,346,944	191,806,760
Advances	5,058,386	1,061,523	-	6,119,909
Deposits and prepayments	803,959	-	45,754,950	46,558,909
Interest accrued	19,571,208	-	-	19,571,208
Other receivables	154,496,053	-	-	154,496,053
Tax refunds due from the government	176,288,611	-	-	176,288,611
Cash and bank balances	4,010,051	-	-	4,010,051
	553,497,995	246,658,408	462,473,673	1,262,630,076
LIABILITIES				
Certificates of deposit	417,822,046	280,535,817	-	698,357,863
Long term security deposit	2,240,700	-	-	2,240,700
Short term borrowings	100,000,000	-	-	100,000,000
Accrued markup	12,903,683	-	-	12,903,683
Trade and other payables	54,452,469	-	-	54,452,469
Provision for taxation	11,956,583	-	-	11,956,583
	599,375,481	280,535,817	-	879,911,298
Net assets	(45,877,486)	(33,877,409)	462,473,673	382,718,778
Represented by:				
Share capital and reserves				351,597,690
Surplus on revaluation of fixed assets				31,121,088
				382,718,778

Description	Within one year	More than one year and upto five years	Above five years	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2015				
ASSETS				
Fixed capital expenditure	-	18,291,822	85,658,720	103,950,542
Cards and rooms	-	-	33,450,000	33,450,000
Investment in subsidiary company	-	-	175,004,000	175,004,000
Deferred tax asset	-	136,551,607	-	136,551,607
Net investment in lease finance	2,980,200	-	-	2,980,200
Investments	171,686,039	-	100,838,285	272,524,324
Finances	378,819,310	122,631,880	26,346,944	527,798,134
Advances	5,914,740	2,336,442	-	8,251,182
Deposits and prepayments	2,511,697	153,264	46,094,370	48,759,331
Interest accrued	23,568,869	-	-	23,568,869
Other receivables	83,457,672	-	-	83,457,672
Tax refunds due from the government	210,186,541	-	-	210,186,541
Cash and bank balances	5,489,402	-	-	5,489,402
	884,614,470	279,965,015	467,392,319	1,631,971,804
LIABILITIES				
Certificates of deposit	788,422,590	290,116,323	-	1,078,538,913
Long term security deposit	2,980,200	-	-	2,980,200
Accrued markup	9,291,796	-	-	9,291,796
Trade and other payables	38,035,512	-	-	38,035,512
Provision for taxation	13,725,430	-	-	13,725,430
	852,455,528	290,116,323	-	1,142,571,851
NET ASSETS	32,158,942	(10,151,308)	467,392,319	489,399,953
Represented by:				
SHARE CAPITAL AND RESERVES				456,640,913
SURPLUS ON REVALUATION OF FIXED ASSETS				32,759,040
				489,399,953

50. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management attempts to control credit risk through monitoring credit exposures, limiting transactions with specific counterparties, and continuous assessing of the credit worthiness of counterparties.

The management monitors and limits bank's exposure to credit risk through monitoring of client's credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets diversified in organizations of sound financial standing covering various industrial sectors and segments.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

50.1 SEGMENT INFORMATION

Class of business	Morabaha financing 2016 Percentage	Morabaha financing 2015 Percentage	Certificates of deposits 2016 Percentage	Certificates of deposits 2015 Percentage	Letter of guarantee 2016 Percentage	Letter of guarantee 2015 Percentage
Agribusiness	5.78	2.40	-	-	-	-
Textile	6.43	2.67	-	-	-	-
Financial institutions	-	-	-	-	-	-
Electronics and electrical appliances	1.04	5.98	-	-	100	100
Individuals	38.02	66.06	84.31	88.91	-	-
Engineering and construction	6.57	2.73	-	-	-	-
Hospitality	-	-	4.05	2.62	-	-
Non-Government organizations	-	-	4.49	2.91	-	-
Others	42.16	20.17	7.16	5.56	-	-
	100.00	100	100.00	100	100.00	100

50.2 Geographical Segment

These financial statements represent operations of the Company in Pakistan only.

The age of term loan and lease rental receivables and related impairment loss at the balance sheet date was:

	2016 Rupees	2015 Rupees
Aging of term loan and lease rental receivables		
Not past due	146,022,997	513,550,689
Past due 0 - 90 days	6,053,846	6,045,320
Past due 91- 180 days	4,633,236	589,722
180 days to 1 year	8,389,992	858,709
More than 1 year	73,890,196	53,937,201
	238,990,267	574,981,641

Collaterals held against term financing.

	2016				
	Gross exposure	Collaterals: Mortgage	Collaterals: Hypothe-cation	Collaterals: Liquid collaterals	Net exposure
	---------- Rupees ----------				
Long term finances	199,886,043	6,335,000	296,286,465	61,758,892	(164,494,314)
Short term finances	38,426,941	-	85,000,000	11,042,665	(57,615,724)

	2015				
		Collaterals			
	Gross exposure	Mortgage	Hypothe-cation	Liquid collaterals	Net exposure
	---------- Rupees ----------				
Long term finances	237,680,819	59,875,000	312,380,912	62,385,488	(196,960,581)
Short term finances	336,623,539	-	105,000,000	624,148,767	(392,525,228)

51. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the bank's reputation. In spite the fact that the bank is in a positive working capital position at the year end, management believes the liquidity risk to be low.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equates to their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 years	Between 1 and 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees
30 June 2016					
Customer's security deposit	2,240,700	-	2,240,700	-	-
Short term borrowings	100,000,000	108,500,000	100,000,000	-	-
Accrued mark-up	12,903,683	-	12,903,683	-	-
Trade and other payables	52,066,815	-	52,066,815	-	-
	167,211,198	108,500,000	167,211,198	-	-
30 June 2015					
Customer's security deposit	2,980,200	-	2,980,200	-	-
Accrued mark-up	9,291,796	-	9,291,796	-	-
Trade and other payables	35,649,858	-	35,649,858	-	-
	47,921,854	-	47,921,854	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2016. The rates of mark up have been disclosed in respective notes to the financial statements.

52. MARKET RISK

The Company's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the Company's activities include interest rate risk, currency risk and other price risk.

52.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest will affect the value of financial instruments. Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities that mature or reprise in a given period.

The Company's exposure to interest rate risk on its financial assets and financial liabilities are summarized as follows:

Description	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2016					
FINANCIAL ASSETS					
Investments	119,711,752	-	100,775,669	-	220,487,421
Net investment in lease finance	2,240,700	-	-		2,240,700
Finances	71,317,275	94,142,541	26,346,944	-	191,806,760
Advances	-	-	-	6,119,909	6,119,909
Deposits and prepayments	803,959	-	-	46,558,909	47,362,868
Cash and bank balances	2,369,984	-	-	1,640,067	4,010,051
	196,443,670	94,142,541	127,122,613	54,318,885	472,027,709
FINANCIAL LIABILITIES					
Certificate of deposit	417,822,046	280,535,817	-	-	698,357,863
Short term borrowings	100,000,000				100,000,000
Trade and other payables	-	-	-	54,452,469	54,452,469
	517,822,046	280,535,817	-	54,452,469	852,810,332
Intrest rate senstivity gap	(321,378,376)	(186,393,276)	127,122,613	-	-
Cumulative intrest rate sensitivity gap	(321,378,376)	(507,771,652)	(380,649,039)	-	-

Description	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2015					
FINANCIAL ASSETS					
Investments	171,686,039	-	100,838,285	-	272,524,324
Net investment in lease finance	2,980,200	-	-	-	2,980,200
Finances	378,819,310	122,631,880	26,346,944	-	527,798,134
Advances	-	-	-	8,251,182	8,251,182
Deposits and prepayments	-	-	-	48,759,331	48,759,331
Cash and bank balances	3,938,670	-	-	1,550,732	5,489,402
	557,424,219	122,631,880	127,185,229	58,561,245	865,802,573
FINANCIAL LIABILITIES					
Certificate of deposit	788,422,590	290,116,323	-	-	1,078,538,913
Trade and other payables	-	-	-	38,035,512	38,035,512
	788,422,590	290,116,323	-	38,035,512	1,116,574,425
Intrest rate senstivity gap	(230,998,371)	(167,484,443)	127,185,229	-	-
Cumulative intrest rate sensitivity gap	(230,998,371)	(398,482,814)	(271,297,585)	-	-

52.2 Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The company is exposed to equity price risk as company hold available for sale and held for trading investments.

		Changes in KSE all Index	Effects on Profit/(loss) Before Tax	Effects on Equity
			(Rupees)	
Available for sale investments	2016	+10%	-	11
		-10%	-	(11)
	2015	+10%	-	2,379,368
		-10%	-	(2,379,368)
Held for trading investments	2016	+10%	1,590,912	-
		-10%	(1,590,912)	-
	2015	+10%	-	-
		-10%	-	-

52.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk arising from currency exposure as it is not involved in foreign currency transactions.

53. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total capital employed. The board of directors also monitors the level of dividends to ordinary shareholders.

The Company is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2008. The existing minimum equity requirement is Rs. 750 million.

Additionally, the Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio calculated as total debt to equity.

The debt-to-equity ratios at 30 June 2016 and at 30 June 2015 were as follows:

	Note	2016 Rupees	2015 Rupees
Debt		380,535,817	290,116,323
Cash and bank balances		4,010,051	5,489,402
Net debt		376,525,766	284,626,921
Total equity		351,597,690	456,640,913
Total capital employed		728,123,456	741,267,834
Gearing ratio (%)		51.71%	38.40%

54. PROVIDENT FUND

The following information is based on the latest un-audited financial statement of the trust:

	Note	2016 Rupees	2015 Rupees
Size of the fund - Total assets		8,945,477	8,483,470
Cost of investments made	54.1	8,754,210	5,864,742
Percentage of investments made		97.86%	69.13%
Fair value of investments		8,754,210	5,864,742

54.1 The break-up of fair value of investments is:

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Government securities	8,754,210	100.00%	5,864,742	100.00%
	8,754,210	100.00%	5,864,742	100.00%

55. FAIR VALUES OF FINANCIAL INSTRUMENTS

- Fair value is the price that would be received so sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirements to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

- The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

55.1 Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Financial asset				
Short term investments	15,909,577	-	-	15,909,577
Total non-financial assets	15,909,577	-	-	15,909,577

As at 30 June 2015	Level 1	Level 2	Level 3	Total
Financial asset				
Short term investments	23,793,675	-	-	23,793,675
Total non-financial assets	23,793,675	-	-	23,793,675

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There was no transfer in and out of level 1 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

55.2 Recognized fair value measurements - non-financial assets

Fair value hierarchy

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
- Office premises	-	76,940,785	-	76,940,785
Total non-financial assets	-	76,940,785	-	76,940,785

As at 30 June 2015	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
- Office premises	-	80,990,300	-	80,990,300
Total non-financial assets	-	80,990,300	-	80,990,300

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for the items of property, plant and equipment carried at revalued amounts every five years. The management updates the assessment of the fair value of each item of property, plant and equipment carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of items of property, plant and equipment carried at revalued amounts within a range of reasonable fair value estimates. The best evidence of fair value of freehold office premises is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same freehold office premises.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's items of property, plant and equipment carried at revalued amounts at the end of every five years.

Changes in fair values are analysed between the chief financial officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

56. FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES

As no relief was given or loan written off during the year under review, the information for Statements required to be filed under Section 33A of the Banking Companies Ordinance, 1962 is "Nil".

57. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2016, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

58. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2016 were 22 (June 30, 2015: 33) and the average number of employees during the year were 28 (June 30, 2015: 33).

59. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 October 2016 by the Board of Directors of the Company.

60. GENERAL

- Figures have been rounded off to the nearest rupee, unless otherwise stated.

- Corresponding figures have been rearranged/reclassified, wherever necessary, to facilitate comparison.

Chief Executive Officer | Director

Informational Message on Jamapunji

Consolidated Financial Statements

30 June 2016

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising of consolidated balance sheet of Escorts Investment Bank Limited ("the company") and its subsidiary as at 30 June 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Escorts Investment Bank Limited and its subsidiary.

These financial statements are the responsibility of the Holding company's management. Our responsibility is to express our opinion on the financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on auditing and accordingly included such test of accounting records and such other auditing procedures as we considered necessary in the circumstances.

a) As stated in note 15 to the financial statements, deferred tax asset amounting to Rs. 136.55 million has been recognized by the management. However, due to liquidity problems more fully explained in note 2.03 to the financial statements, the future profitability of the Group is uncertain and it is no longer probable that sufficient taxable profits will be available to allow deferred tax asset to be utilized. Therefore, whole amount of Rs. 136.55 million should have been written off in accordance with the provisions of IAS 12 "Income taxes". Had a reversal against this balance been provided in these financial statements, non-current assets would have been lower by Rs. 136.55 million with a corresponding increase of Rs. 136.55 million in loss after taxation and accumulated losses;

except for the effects on the consolidated financial statements of the matter discussed in paragraph (a) above, in our opinion, the consolidated financial statements present fairly, the financial position of Escorts Investment Bank Limited and its Subsidiary company as at 30 June 2016 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Notwithstanding the matters as discussed in paragraph (a) above, we draw attention to the matter that during the year ended 30 June 2016, the Group has incurred loss before tax of Rs. 123.21 million and its current liabilities exceed its current assets by Rs. 72.51 million, and its accumulated losses stood at Rs. 536.74 million. Further, equity of the stand-alone financial statements of Escort Investment Bank Limited is falling short by Rs. 398.40 million to meet prescribed minimum equity as required under the Non-Banking Finance Companies and Notified Entities Regulation, 2008 for the Companies undertaking business of deposit taking investment finance services. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and it may be unable to realize its assets and discharge its liabilities in the normal course of business. Financial Statements have however been prepared on going concern basis for the reasons more fully explained in note 2.03 to the financial statements.

The consolidated financial statements for the year ended 30 June 2015 were audited by another firm of auditors, whose report dated 10 October 2015 expressed an unqualified opinion on those financial statements.

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

Lahore
Date: October 07, 2016
(Engagement Partner: Shahid Mehmood)

Consolidated Balance Sheet

as at 30 June 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current Assets			
Fixed assets	7	98,564,132	106,881,695
Intangible assets	8	387,467	487,574
Cards and rooms	9	36,441,420	36,441,420
Long term investments	10	149,289,249	149,351,865
Long term finances	11	20,489,485	48,978,824
Net investment in lease finance	12	-	-
Long term loans and advances	13	1,061,523	2,336,442
Long term deposits and prepayments	14	4,133,609	2,993,714
Deferred tax asset	15	136,551,607	136,551,607
		446,918,492	484,023,141
Current Assets			
Current maturities of non-current assets	16	50,448,299	62,721,039
Short term investments	17	119,711,752	171,686,039
Short term finances	18	24,659,107	322,855,705
Advances	19	5,043,259	5,234,905
Short term deposits and prepayments	20	7,786,695	78,762,238
Interest accrued	21	19,571,208	24,312,774
Other receivables	22	96,729,274	152,014,901
Tax refunds due from the government		186,226,341	216,869,505
Cash and bank balances	23	8,232,696	29,359,455
		518,408,631	1,063,816,561
		965,327,123	1,547,839,702
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 50,000,000 (2015: 50,000,000) ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital	24	441,000,000	441,000,000
Reserves	25	(378,246,524)	(258,048,604)
		62,753,476	182,951,396
Surplus on revaluation of fixed assets	26	31,121,088	32,759,040
Non-Current Liabilities			
Term finance certificates	27	-	-
Long term certificates of deposit	28	280,535,817	290,116,323
Long term security deposit	29	-	-
		280,535,817	290,116,323
Current Liabilities			
Current maturities of non-current liabilities	30	240,671,522	408,601,310
Short term borrowings	31	100,000,000	-
Short term certificates of deposit	32	129,391,226	332,801,480
Accrued mark-up	33	35,379,122	15,997,372
Trade and other payables	34	70,137,527	270,887,351
Provision for taxation	35	15,337,345	13,725,430
		590,916,742	1,042,012,943
Contingencies and commitments	36	-	-
		965,327,123	1,547,839,702

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Director

Consolidated Profit and Loss Account

for the year ended 30 June 2016

	Note	**2016 Rupees**	2015 Rupees
INCOME			
Profit on financing	37	49,148,249	65,576,454
Return on placements	38	-	38,287
Return on investments	39	(10,570,448)	24,388,752
Income from fee and commission	40	48,343,331	110,365,620
Profit on bank deposits		2,441,730	9,756,662
Other income	41	10,806,618	7,861,789
		100,169,480	217,987,564
EXPENSES:			
Mark-up on certificates of deposit		112,507,075	140,945,749
Mark-up on term finance certificates		-	413,364
Mark-up on short term borrowings from financial institutions		5,673,757	3,767,789
Amortization of premium on held to maturity investments		62,616	57,000
Administrative and other operating expenses	42	105,026,725	134,988,880
Finance cost		112,653	144,110
		223,382,826	280,316,892
Operating loss before provisions and taxation		(123,213,346)	(62,329,328)
Reversal of provision for doubtful finances		-	725,201
Loss before taxation		(123,213,346)	(61,604,127)
Taxation	43	4,555,851	(24,950,555)
Net loss for the year		(127,769,197)	(36,653,572)
Loss per share-basic and diluted	44	(2.90)	(0.83)

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Director

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	2016 Rupees	2015 Rupees
Net loss for the year	(127,769,197)	(36,653,572)
Other comprehensive income:		
Items that will not be subsequently reclassified to profit and loss	-	-
Items that may be subsequently reclassified to profit and loss		
- Net fair value gain on available for sale financial assets	-	1,731,803
- Gain during the year transferred to profit and loss account on derecognition of available for sale investment	5,933,325	-
	5,933,325	1,731,803
Total comprehensive loss for the ye ar	(121,835,872)	(34,921,769)

The annexed notes from 01 to 59 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30 June 2016

	2016 Rupees	2015 Rupees
Cash flow from operating activities		
Loss before taxation	(123,213,346)	(61,604,127)
Adjustment for non cash expenses and other items:		
Dividend Income	(2,261,211)	(2,643,260)
Depreciation on property and equipment	8,739,699	9,823,599
Amortization on intangible assets	193,707	226,204
Reversal for doubtful finances	-	725,201
Amortization of premium on held to maturity investments	62,616	57,000
Amortization of issuance cost of listed TFCs	-	338,153
Gain on sale of fixed assets	-	(1,215,000)
Fair value gain on held for trading investments	(78,488)	-
	6,656,323	7,311,897
	(116,557,023)	(54,292,230)
Decrease / (increase) in operating assets		
Disbursements of finances - net	335,991,374	(72,069,908)
Net investment in lease finance	-	(224,419)
Investments - net	57,986,100	298,605,323
Long term and short term advances	2,058,173	(3,451,594)
Interest accrued	4,741,566	(7,260,938)
Other receivables	55,285,627	(32,413,586)
Deposits and prepayments	71,471,843	(14,927,815)
	527,534,683	168,257,063
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	100,000,000	(44,503,605)
Certificates of deposit	(380,181,048)	(106,998,840)
Accrued mark-up	19,381,750	2,349,640
Trade and other payables	(200,749,824)	26,593,176
	(461,549,122)	(122,559,629)
Net changes in operating assets and liabilities	65,985,561	45,697,434
Cash used in operations	(50,571,462)	(8,594,796)
Taxation-net	27,699,228	9,010,866
Net cash used in operating activities	(22,872,234)	416,070

	2016 Rupees	2015 Rupees
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(515,736)	(3,160,272)
Dividend received	2,261,211	2,643,260
Proceeds from sale of fixed assets	-	1,215,000
Net cash used in investing activities	1,745,475	697,988
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of listed term finance certificates	-	(24,979,800)
Net cash used in financing activities	-	(24,979,800)
Net decrease in cash and cash equivalents	(21,126,759)	(23,865,742)
Cash and cash equivalents at the beginning of the year	29,359,455	53,225,197
Cash and cash equivalents at the end of the year	8,232,696	29,359,455

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Director

Consolidated Statement of Changes in Equity
for the year ended 30 June 2016

			Capital Reserves		Revenue Reserve	
	Ordinary Shares fully paid in cash	Ordinary Shares fully paid Bonus Shares	Statutory reserve	(Deficit) / gain on revaluation of investments	Accumulated loss	Total
	---------- Rupees ----------					
Balance as at 30 June 2014	420,000,000	21,000,000	158,496,746	(7,664,952)	(375,682,789)	216,149,005
Total Comprehensive Income for the year						
Net loss for the year	-	-	-	-	(36,653,572)	(36,653,572)
Other comprehensive income :						
Items that may be reclassified subsequently to profit and loss account						-
- Incremental depreciation on revalued assets for the year	-	-	-	-	1,724,160	1,724,160
Items not to be reclassified subsequently to profit and loss account						-
- Unrealized loss on remeasurement of available for sale investments	-	-	-	1,731,803	-	1,731,803
Total Comprehensive Income	-	-	-	1,731,803	(34,929,412)	(33,197,609)
Balance as at 30 June 2015	420,000,000	21,000,000	158,496,746	(5,933,149)	(410,612,201)	182,951,396
Total Comprehensive Income for the year						
Net loss for the year	-	-	-	-	(127,769,197)	(127,769,197)
Other comprehensive income :						
Items that may be reclassified subsequently to profit and loss account						
- Incremental depreciation on revalued assets for the year	-	-	-	-	1,637,952	1,637,952
Items not to be reclassified subsequently to profit and loss account						
- Unrealized gain on remeasurement of available for sale investments	-	-	-	5,933,325	-	5,933,325
Total Comprehensive Income	-	-	-	5,933,325	(126,131,245)	(120,197,920)
Balance as at 30 June 2016	420,000,000	21,000,000	158,496,746	176	(536,743,446)	62,753,476

The annexed notes from 01 to 59 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to the Consolidated Financial Statements
for the year ended June 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited and its subsidiary company ("the Group") comprise of holding company Escorts Investment Bank Limited ("EIBL") and a wholly owned subsidiary company Escorts Capital Limited ("ESCAP").

Escorts Investment Bank Limited ("the Holding Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 on 15 May 1995. The Company started its commercial operations on 16 October 1996 and is listed on the Pakistan Stock Exchange Limited. The Company is licensed to carry out investment finance services, as a Non-Banking Finance Company under Section 282-C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2008. The registered office of the Company is situated at Escorts House, 26-Davis Road, Lahore.

Escorts Capital Limited ("the Subsidiary Company") was incorporated as a public limited company in Pakistan on 05 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 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 16 March 2016. The ratings denotes an adequate capacity of timely payment of financial commitments.

2. BASIS OF PREPARATION

2.1 Consolidated financial statements

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies, here-in-after referred to as "the Group".

A subsidiary is an entity in which the Parent Company directly or indirectly controls, beneficially owns or holds more than fifty percent of the voting securities or otherwise has the power to elect and/or appoint more than fifty percent of its directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment is eliminated against the Parent Company's share in the net assets of the Subsidiary Company.

Inter-company transactions, balances and unrealized gains/losses on transactions between the Parent and Subsidiary have been eliminated. Accounting policies of the Subsidiary Company are same as those of the Parent Company to ensure consistency in accounting treatments of like transactions.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

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.

2.3 Going Concern Assumptions

The Group has incurred loss before tax for the year ended 30 June 2016 amounting to Rs. 123.21 million, accumulated losses of the Group amounting to Rs. 536.74 million as at balance sheet date and as of that date its current liabilities exceed its current assets by Rs. 72.51 million. SECP vide SRO No. 1160/(1)/2015 dated November 25, 2015 has made certain amendments in NBFCs & Notified Entities Regulations, 2008 which inter alia also specify the minimum equity requirement for the companies undertaking business of deposit taking investment finance companies as Rs. 750 million and the equity of seperate financial statements of the Company is short by Rs. 398.40 million. SECP has given time period of one year to the existing lending NBFCs to meet the minimum equity requirement provided that during the interim period of one year, the total deposits of such NBFCs shall be capped at the existing level i.e. outstanding deposits at the date of coming into force of these regulations i.e. November 25, 2015. These conditions along with adverse key financial ratios indicate the existance of material uncertainty regarding the future operations of the Group which may cast significant doubt about the Group's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, the management implemented its multifaceted plan which resulted in improvement in the financial and operational condition of the Group including the curtailment of its administrative and other operating expenses to minimum possible level without affecting the operational efficiency of the roup which will result in improving results and equity position of the Group. With all these measures in place and expected cash injection from directors and financial institutions in coming months, the liquidity position will be strengthened. Based on the above and the financial projections as prepared by the Group for future periods, the management is confident that the Group shall continue and further improve its business growth during the coming years resulting in improvement of its profitability. Hence, these financial statements have been prepared on going concern basis.

2.4 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- **Standards, amendments to published standards and interpretations effective in current year**

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2015:

New/Revised Standards, Interpretations and Amendments

IFRS 13- Fair Value Measurement. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.

Improvement to Accounting Standards Issued by the IASB

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations- (changes in methods of disposal)
IFRS 7	Financial Instruments: Disclosures- (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements)
IAS 19	Employee Benefits- (discount rate: regional market issue)
IAS 34	Interim Financial Reporting- (disclosure of information 'elsewhere in the interim financial report')

The adoption of the above improvements to accounting standards and interpretations are not likely to have an impact on the Company's financial statements.

Standards, interpretations and amendments to published standards that are effective but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2015 are considered not to be relevant or to have any significant impact on the Group's financial reporting and operations.

Standards, interpretations and amendments to existing standards that are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates.

IFRS 10 - Consolidated Financial Statements	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2016
IAS 16 and 38 - Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 and 41 - Agriculture: Bearer Plants	01 January 2016

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		**Effective Date (Annual periods beginning on or after)**
IFRS 09 -	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 -	Regulatory Deferral Accounts	01 January 2016
IFRS 15 -	Revenue from Contracts with Customers	01 January 2018
IFRS 16 -	Leases	01 January 2019

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value, investment on equity basis, certain liabilities at amortized cost and certain other investments at fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

5. JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for staff retirement benefits, doubtful receivables and taxation.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which such estimates are revised. Such estimates are:

- Useful life of depreciable assets;
- Provision for doubtful receivables ;
- Provision for current tax and deferred tax;
- Staff retirement benefits;
- Classification and valuation of investment
- Classification and provision of long term finances, net investment in finance lease, short term finances and other receivables.
- Impairment of assets.

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Property and equipment

Operating fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses and fully depreciated assets which are carried at residual value. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to income by applying reducing balance method to write off the cost over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from property, plant and equipments. Depreciation on addition to property, plant and equipment is charged from the date when asset is available for use up to the date of its de-recognition.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains / losses on disposal of fixed assets are included in current year's income.

Subsequent costs are included in the asset's carrying amount are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance cost are charged to the profit and loss account during the year in which these are incurred.

Fully depreciated assets are being kept at a token value of Rs. 1/- each.

Intangible assets

Intangible assets represent computer software and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the reducing balance method so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Revaluation surplus

Surplus on revaluation of revalued assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation, if any) is transferred directly to retained earnings/unappropriated profits.

6.2 Cards and Rooms

These are stated at cost less impairments, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

6.3 Investments

6.3.1 Subsidiary Company

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amounts of the investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in the period in which they incur.

6.3.2 Held to maturity

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held to maturity.

6.3.3 Available for sale

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

6.3.4 Held for trading

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in price or dealer's margin are classified as held for trading.

All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of circulars issued by State Bank of Pakistan, investments at fair value through profit and loss account and Investments Available for Sale for which active market exists, are measured at their market value while investments held to maturity are stated at amortized cost using the effective interest rate method less impairment, if any.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date that the company commits to purchase/sell the asset.

Any surplus or deficit on revaluation of investments at fair value through profit and loss account is charged to income currently, while in case of available for sale investments, the resulting surplus or deficit is kept in a separate capital reserve account. At the time of disposal, the respective surplus or deficit is transferred to income currently.

Amortization cost is charged to profit and loss account.

However, as allowed by the BSD circular no. 10 dated 13 July 2004, the Company will be free to determine the extent of holding under the above categories taking into consideration various aspects such as trading strategies, intention of acquisition of securities, capital position, expertise available to manage investment portfolio, and the risk management capabilities. Under exceptional circumstances, shifting from one category to another category may be made subject to the following conditions:

Shifting of investments to/from held to maturity category is allowed once a year only with the approval of the Board of Directors within two months of the commencement of accounting year. Any further shifting to/from this category is not allowed during the remaining part of that accounting year.

Shifting to/from available for sale category is allowed with the approval of the Assets and Liabilities Committee (ALCO) subject to the condition that the reasons for such shifting will be recorded in writing; and

Shifting from held for trading category to available for sale or held to maturity categories is generally not be allowed. It is permitted under exceptional circumstances like not being able to sell the securities within the prescribed period of 90 days due to tight liquidity position in market or extreme market volatility with the approval of ALCO. The justification for such exceptional shifting of securities shall be recorded in the minutes of ALCO meeting. Shifting of securities from one category to another shall be done at the lower of the market value or the acquisition cost/book value, and the diminution in value, if any, on such transfer shall be fully provided for.

The surplus/deficit arising as a result of revaluation of held for trading investments is taken to profit and loss account. Furthermore, the surplus/deficit on revaluation of available for sale and held to maturity securities is taken to "Surplus/Deficit on revaluation of Available for Sale Investments" account. However, any permanent diminution in the value of available for sale or held to maturity securities is provided for by charging it to the profit and loss account. The measurement of surplus/deficit is done on portfolio basis for each of the above three categories separately.

6.3.5 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

Repurchase agreements

Investments purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

6.3.6 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognized on the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

6.3.7 Commodities

Commodities are principally acquired with the purpose of selling in near future and generating a profit from fluctuations in price. These inventories are measured at fair value less cost to sell.

6.4 Net investment in lease finance

Leases, where all the risks and rewards incidental to ownership of the assets are substantially transferred to the lessee are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

6.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit accounts.

6.6 Financial instruments

a) Financial assets

Financial assets are cash and bank balances, placements, investments, financing and other receivables. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policy.

b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include redeemable capital, certificates of deposit, borrowings, trade and other payables. Mark-up based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

c) Derivatives

Derivative instruments held by the Company comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivatives is equivalent to the unrealised gain or loss from marking the derivatives using prevailing market rates at the balance sheet date. The unrealised gains are included in other assets while unrealised losses are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss.

d) Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

e) Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.7 Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

6.8 Redeemable capital - Term finance certificates

Term finance certificates are initially recognised at their fair value less transaction costs that are directly attributable to the issue of term finance certificates. The transaction costs are amortised over the term of term finance certificates.

6.09 Staff retirement benefits

Employees compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue. As the component of liability involved is not material, the company did not carry out actuarial valuation for the said liability.

6.10 Provident fund

The Company operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by employees and the Company to the fund at 10% of basic salary. The fund is administrated by the Trustees.

6.11 Revenue recognition

Return on finances provided, placements, government securities and term finance certificates are recognized on time proportionate basis.

Mark-up on lease finance is recognized using the finance method. Under this method, the unearned lease income i.e. the excess of the aggregate lease rentals and the residual value over the cost of the leased assets, is deferred and taken to income so as to produce a constant periodic rate of return on the outstanding net investment in lease finance. Processing fee, documentation charges and other lease related income are taken to income currently.

Brokerage commission and other advisory fee are recognized when such services are provided.

Guarantee commission is received in advance, and deferred over the guarantee period.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

Consultancy and corporate advisory fee income is recognized using percentage of completion method.

Dividend income is recognized when the right to receive payment is established.

6.12 Return on deposits and borrowings

Return on Certificates of Deposits (CODs) and borrowings are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

6.13 Taxation

Current

Provision for current taxation is based on applicable current rates of taxation after taking into account tax credits and rebates available, if any, under the provisions of Income Tax Ordinance, 2001. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax liability is accounted for in respect of all taxable temporary differences at the balance sheet date arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, provisions and tax credits to that extent it is probable that taxable profit will be available in future against which the deductible temporary differences can be utilized. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax is calculated at the rates that are expected to apply to the period when the asset is to be realized or liability is to be settled.

6.14 Operating segment

The Company has structured its key business areas in two segments in a manner that each segment becomes a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the Company have been categorized into the following classifications of business segments.

Business segments

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Financing activities

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

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.

6.15 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

6.16 Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where, it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

6.17 Dividend distributions and appropriations

Dividend distribution and appropriations other than statutory appropriations are recorded in the period in which they are approved.

6.18 Borrowings cost

Finance costs are recognized as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

6.19 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at rates of exchange prevailing at the balance sheet date and in case of forward exchange contracts at the committed rates. Gains or losses on exchange are charged to income.

6.20 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.21 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.22 Contingencies

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

6.23 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

	Note	2016 Rupees	2015 Rupees
7. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	7.1	98,564,132	106,881,695
		98,564,132	106,881,695

7.1 The following is a statement of operating fixed assets (tangible):

	Office Premises	Freehold Improvements	Leasehold Improvements	Office Furniture & Fixture	Computers Equipment	Office Equipment	Owned Vehicles	Total
At 30 June 2014								
Cost	127,901,129	6,712,240	29,202,861	6,375,784	19,716,215	14,709,420	25,997,294	230,614,943
Accumulated depreciation	(42,648,182)	(6,712,240)	(14,796,063)	(4,470,472)	(18,631,975)	(9,209,451)	(20,461,138)	(116,929,521)
Net book value	85,252,947	-	14,406,798	1,905,312	1,084,240	5,499,969	5,536,156	113,685,422
Year ended 30 June 2014								
Additions	-	-	-	-	356,840	289,032	2,374,000	3,019,872
DISPOSALS								
Cost	-	-	-	-	-	-	(1,685,440)	(1,685,440)
Accumulated depreciation	-	-	-	-	-	-	(1,685,440)	(1,685,440)
Net book value	-	-	-	-	-	-	-	-
Depreciation charge for the year	(4,262,647)	-	(2,881,362)	(190,909)	(459,368)	(566,069)	(1,463,244)	(9,823,599)
Net book value as at 30 June 2015	80,990,300	-	11,525,436	1,714,403	981,712	5,222,932	6,446,912	106,881,695
Year ended 30 June 2016								
Additions/transfers	-	-	-	-	419,136	3,000	-	422,136
Depreciation charge for the year	(4,049,515)	-	(2,305,088)	(171,271)	(402,149)	(522,375)	(1,289,301)	(8,739,699)
Net book value as at 30 June 2016	76,940,785	-	9,220,348	1,543,132	998,699	4,703,557	5,157,611	98,564,132
At 30 June 2015								
Cost	127,901,129	6,712,240	29,202,861	6,375,784	20,073,055	14,998,452	26,685,854	231,949,375
Accumulated depreciation	(46,910,829)	(6,712,240)	(17,677,425)	(4,661,381)	(19,091,343)	(9,775,520)	(20,238,942)	(125,067,680)
Net book value	80,990,300	-	11,525,436	1,714,403	981,712	5,222,932	6,446,912	106,881,695
Annual rates (%) of depreciation	5.00	20.00	20.00	10.00	33.33	10.00	20.00	
At 30 June 2016								
Cost	127,901,129	6,712,240	29,202,861	6,375,784	20,492,191	15,001,452	26,685,854	232,371,511
Accumulated depreciation	(50,960,344)	(6,712,240)	(19,982,513)	(4,832,652)	(19,493,492)	(10,297,895)	(21,528,243)	(133,807,379)
Net book value	76,940,785	-	9,220,348	1,543,132	998,699	4,703,557	5,157,611	98,564,132
Annual rates (%) of depreciation	5.00	20.00	20.00	10.00	33.33	10.00	20.00	

		2016 Rupees	2015 Rupees
7.2	**Depreciation charge for the year has been allocated as follows:**		
	Administrative Expenses	8,739,699	9,823,599
		8,739,699	9,823,599

7.3 Had there been no revaluation, the related figures of free-hold premises as on June 30, 2016 would be as follows;

	Cost	Accumulated Depreciation	Rupees Net Book Value
Free hold premises (2016)	89,692,600	43,872,903	45,819,697
Free hold premises (2015)	89,692,600	41,461,340	48,231,260

7.4 Disposal of property, plant & equipment

The following operating fixed assets with a net book value exceeding Rs. 50,000 were disposed off during the year:

PARTICULARS	Cost	Accumulated Depreciation	Net Book Value	Sale Proceed	Gain	Mode of Disposal
Rupees 2016	-	-	-	-	-	-
Rupees 2015	1,685,440	(1,685,440)	-	1,215,000	1,215,000	Negotiation

7.5 No impairment relating to operating fixed assets has been recognised in the current year.

	Note	2016 Rupees	2015 Rupees
8. INTANGIBLE ASSETS			
Accounting software	8.1	387,467	487,574
		387,467	487,574
8.1 Accounting software			
Net carrying value			
Accounting software		581,174	713,778
Less: Amortization charge		193,707	226,204
Net book value (NBV) as at 30 June		387,467	487,574
Gross carrying value			
Cost		6,101,100	6,007,500
Less: Accumulated amortization		5,713,633	5,519,926
Net book value		387,467	487,574
Amortization rate per annum		33%	33%
9. CARDS AND ROOMS		36,441,420	36,441,420

This includes TRECs of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited.

Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualisation and Integration) Act, 2012 (the Act), the ownership in a stock exchange has been segregated from the right to trade on the exchange due to which the membership cards of the Karachi Stock (KSE) and Lahore Stock Exchange (LSE) have now been replaced with (a) shares in the exchanges and (b) Trading Rights Entitlement Certificate (TREC).

Escorts Capital Limited's entitlement in respect of KSE and LSE shares is determined on the basis of valuation of KSE and LSE as approved by the SECP, whereas ESCAP has been allotted 4,007,383 and 843,975 shares of Rs. 10 each against the membership of KSE and LSE, respectively, 40% of the allotted shares have been transferred in the house account - CDC and the remaining 60% have been deposited in a sub-account in Company's name under KSE's and LSE's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions. Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account and disposed off with the blocked shares. Right to vote against blocked shares shall be suspended till the time of sale.

The shares of KSE and LSE shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSE and LSE.

The accounting treatment for the exchange of membership card with TRECs and shares of stock exchanges has been determined on the basis of the guidance provided by the Institute of Chartered Accountants of Pakistan (the ICAP) on queries raised by certain members of stock exchanges. According to ICAP's guidance, the cost of assets received shall be measured at the carrying amount of the asset given up, and no gain / loss shall arise on the exchange. The carrying value of Stock Exchanges Membership cards has been apportioned between shares and TREC Certificates. The value of shares received by the Company has been recognized as available for sale investment under the guidance of ICAP and the excess of value of shares over the carrying value of membership card in KSE and LSE is recognized as trading right. The management concludes that keeping in view the above scenario there is no impairment.

	Note	**2016 Rupees**	2015 Rupees
10. LONG TERM INVESTMENTS			
Investment in financial instruments	10.1	100,775,669	100,838,285
Investment in unquoted companies	10.2	48,513,580	48,513,580
		149,289,249	149,351,865

		2016 Rupees	2015 Rupees
10.1 Investment in financial instruments			
Held to maturity			
Pakistan Investment Bonds (PIBs)			
Cost		101,739,700	101,739,700
Less: Amortization - Opening		901,415	844,415
Charged during the year		62,616	57,000
		964,031	901,415
		100,775,669	100,838,285

This represents investment in 20 years bonds issued by the Government of Pakistan having market value of Rs 115.597 million (2015: Rs. 99.93 million). Period to maturity of these investments is 8 years and carry mark-up at rate (coupon rate) 10% per annum (2015: 10% per annum). PIBs have face value of Rs. 100 million (2015: Rs. 100 million).

10.1.1 Encumbered and un-encumbered - face value

	2016			2015		
	Held by the Bank	**Given as a collateral**	**Total**	Held by the Bank	Given as a collateral	Total
	Rupees	**Rupees**	**Rupees**	Rupees	Rupees	Rupees
Pakistan Investment Bonds	-	100,000,000	100,000,000	100,000,000	-	100,000,000

	Note	2016 Rupees	2015 Rupees
10.2 Investment in unquoted companies			
Karachi Stock Exchange Limited (KSE)	10.2.1	40,073,830	40,073,830
Lahore Stock Exchange Limited (LSE)	10.2.2	8,439,750	8,439,750
		48,513,580	48,513,580

10.2.1 It represents 4,007,383 ordinary shares of Rs. 10 each. Equity held 0.5% (2015: 0.5%). Break up value of each ordinary share is Rs. 9.98 per share as per audited accounts of the exchange as at June 30, 2016.

10.2.2 It represents 843,975 ordinary shares of Rs. 10 each. Equity held 0.66% (2015: 0.66%). Break up value of each ordinary share is Rs. 11.17 per share as per audited accounts of the exchange as at June 30, 2016.

	Note	2016 Rupees	2015 Rupees
11. LONG TERM FINANCES			
Related parties-Secured and considered good			
Associated companies	11.1	2,480,743	4,339,673
Executives	11.2	2,402,314	42,617,255
Others		-	-
		4,883,057	46,956,928
Others - Secured and considered good	11.3	62,264,596	57,985,501
		67,147,653	104,942,429
Considered doubtful			
Others	11.4	32,738,390	32,738,390
Less: Provision for doubtful finances	11.5	32,738,390	32,738,390
		-	-
		67,147,653	104,942,429
Less: Current maturity	16	46,658,168	55,963,605
		20,489,485	48,978,824

11.1 Associated companies

These represent finance provided against hypothecation of vehicles for a period of 5 years (2015: 5 years), carrying mark-up @ 18% per annum (2015: 18% per annum).

The maximum balance outstanding at the end of any month during the year was:

	2016 Rupees	2015 Rupees
Escorts Pakistan Limited	4,339,673	5,793,089

11.2 Executives

This represent finance provided to Executives against lien of assets for a period ranging from 3 years to 5 years and carries mark-up at the rate of 16% to 17% (2015: 16% to 17%) per annum. Further, house finance was provided to CEO against mortgage of property for a period of 18 years which carried mark-up at the rate of 6% per annum.

	2016				2015
	CEO Rupees	**Director Rupees**	**Others Rupees**	**Total Rupees**	Total Rupees
Opening balance	36,967,088	498,685	5,151,482	42,617,255	42,741,539
Add: Disbursements/transferred during the year	-	-	-	-	3,367,562
	36,967,088	498,685	5,151,482	42,617,255	46,109,101
Less: Repayments/transferred during the year	36,967,088	498,685	2,749,168	40,214,941	3,491,846
	-	-	2,402,314	2,402,314	42,617,255
Maximum balance outstanding at the end of any month during the year				42,617,255	44,865,409

11.3 These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5 years. The expected rate of return range from 12 % to 20% (2015: 12% to 20%) per annum.

12.5 These finance facilities are secured by ranking charge on assets and pledge of stocks for a period up to 5 years. The expected rate of return range from 14% to 17% (2015: 14% to 17%) per annum.

	Note	2016 Rupees	2015 Rupees
12.5 Particulars of provision for doubtful finances			
Opening balance		32,738,390	32,738,390
Reversal for the year		-	-
Closing balance		32,738,390	32,738,390
12. NET INVESTMENT IN LEASE FINANCE			
Lease rental receivables	12.1	677,283	3,603,563
Add: Residual value		2,240,700	-
		2,917,983	3,603,563
Less: Unearned finance income		53,920	-
		2,864,063	3,603,563
Less: Provision for doubtful leases	12.2	623,363	623,363
		2,240,700	2,980,200
Less: Current maturity		2,240,700	2,980,200
		-	-

12.1 Particulars of net investment in lease finance

	2016			2015
	Not later than one year Rupees	Later than one year but not later than five years Rupees	Total Rupees	Total Rupees
Leased rentals receivable	677,283	-	677,283	677,283
Add: Residual value	2,240,700	-	2,240,700	2,980,200
Gross investment in lease finance	2,917,983	-	2,917,983	3,657,483
Less: Unearned finance income	53,920	-	53,920	53,920
Net investment in lease finance	2,864,063	-	2,864,063	3,603,563

12.1.1 The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility ranges from 11% to 16% (2015: 11% to 16%). Leased assets are insured in favour of the Company. The rate of return ranges from 15% to 17% per annum (2015: 15% to 17% per annum). Penalty is charged in case of delayed payment. These leases pertain to previous years as the company does not have license for lease now.

12.1.2 As per the prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounted to Rs. 0.677 million (2015: 0.677 million) at the end of current year.

	Note	**2016 Rupees**	2015 Rupees
12.2 Particulars of provision for lease losses			
Opening balance		623,363	815,160
Charge for the year		-	211,022
Reversal during the year		-	(402,819)
		-	(191,797)
Closing balance		623,363	623,363

13. LONG TERM LOANS AND ADVANCES

	Note	**2016 Rupees**	2015 Rupees
Loan to staff - Unsecured, considered good			
Executives -Related parties	13.1	1,980,949	3,844,129
Other employees		476,741	480,088
		2,457,690	4,324,217
Less: Current maturity	16	1,396,167	1,987,775
		1,061,523	2,336,442

13.1 These represent interest free loans to staff for a period of 3 years and are repayable in equal monthly instalments, in accordance with the Company's Policy for staff loans.

	Note	**2016 Rupees**	2015 Rupees
Opening balance		3,844,129	1,430,103
Add: Disbursements / transferred during the year		721,156	3,752,506
		4,565,285	5,182,609
Less: Repayments during the year		2,584,336	1,338,480
		1,980,949	3,844,129
The maximum balance outstanding from executives at the end of any month during the year		3,273,117	4,591,532

14. LONG TERM DEPOSITS AND PREPAYMENTS

	Note	**2016 Rupees**	2015 Rupees
Security deposits	14.01	4,133,609	2,840,450
Prepayments		153,264	1,942,723
		4,286,873	4,783,173
Less: current maturity	16	153,264	1,789,459
		4,133,609	2,993,714

14.1 This includes Rs. 45.00 million (2015: 45.339 million) paid to Escorts Capital Limited (Subsidiary).

	Note	**2016 Rupees**	2015 Rupees
15. DEFERRED TAX ASSET			
Deferred taxation comprises of the following:			
Deferred tax liability on taxable temporary differences in respect of the following:			
Fixed assets		(9,674,935)	(10,321,964)
Deferred tax asset on deductible temporary differences in respect of the following:			
Investments		34,797,058	34,776,395
Finances and receivables		22,257,527	22,257,527
Trade and other payables		444,698	778,178
Finance lease		205,710	205,710
Tax losses		88,521,549	88,855,761
		146,226,542	146,873,571
		136,551,607	136,551,607
16.1 Movement in deferred tax asset			
Opening balance		136,551,607	102,292,639
Provision during the year		-	34,258,968
Closing balance		136,551,607	136,551,607

15.2 Deductible temporary differences has only been recognized and restricted to the extent of available taxable temporary differences. Further, tax losses are restricted to Rs. 88.52 million in these financial statements due to uncertaininity of available taxable profits of the company in foreseeable future.

	Note	**2016 Rupees**	2015 Rupees
16. CURRENT MATURITIES OF NON-CURRENT ASSETS			
Long term finances	11	46,658,168	55,963,605
Net investment in lease finance	12	2,240,700	2,980,200
Long term loans and advances	13	1,396,167	1,987,775
Long term deposits and prepayments	14	153,264	1,789,459
		50,448,299	62,721,039

	Note	2016 Rupees	2015 Rupees
17. SHORT TERM INVESTMENTS			
Held to Maturity			
Treasury bills	17.1.1	94,331,566	65,861,977
Held for Trading			
Shares / units			
Listed	17.2	15,830,632	-
Others	17.3	9,470,609	11,147,704
Investment in Commodities:			
Rice		-	70,882,683
Available for sale			
Listed shares / units	17.4	281	29,726,824
		119,633,088	177,619,188
Gain/(Deficit) on revaluation of shares / units		78,664	(5,933,149)
		119,711,752	171,686,039

17.1 Encumbered and un-encumbered - Face value

	2016			2015		
	Held by the Bank	Given as a collateral	Total	Held by the Bank	Given as a collateral	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Treasury Bills (T-Bills)	98,000,000	-	98,000,000	69,000,000	-	69,000,000

	2016 Rupees	2015 Rupees
17.1.1 Treasury Bills		
Face value	98,000,000	69,000,000
Less: Discount	(3,668,434)	(3,138,023)
	94,331,566	65,861,977

17.2 Particulars of listed shares / units - Held for Trading

No. of Certificates 2016	No. of Certificates 2015	NAME	2016 Carrying value Rupees	2016 Market value Rupees	2015 Carrying value Rupees	2015 Market value Rupees
		Investment Companies				
2,762,000	-	Kohinoor Spinning Mills Limited	15,830,632	15,909,120	-	-

17.3 Shares - Others

This represents investments in various listed companies shares. Because of changes in NBFC Regulations in 2008, the Company had to conclude its brokerage business under the Investment Finance Services License. The Company started the process of intimating its brokerage clients to close their accounts with the Company in compliance with these regulations. Most of the account holders have closed their accounts accordingly. Certain accounts could not be transferred/closed because of non receipt of response from the holders despite repeated reminders. The management has decided to record these on balance sheet as an asset and a corresponding liability of the same amount.

17.4 Particulars of listed shares / units - Available for sale investments

No. of Certificates 2016	No. of Certificates 2015	NAME	2016 Carrying value Rupees	2016 Market value Rupees	2015 Carrying value Rupees	2015 Market value Rupees
		Mutual Fund - close End				
49	49	Dawood Capital Management Fund	281	105	281	105
-	1,778	Pakistan stock Market Fund (Previously: Pakistan Premier Fund)	-	-	41,032	152,037
		Commercial Banks				
-	375,000	The Bank of Punjab	-	-	4,287,119	3,423,750
		Oil and gas				
-	40,000	Pakistan Petroleum Limited	-	-	7,898,195	6,580,000
-	15,000	National Refinery Limited	-	-	4,030,028	3,480,900
		Textile Spinning				
-	221,400	Nishat Chunian Limited	-	-	10,432,208	8,132,023
		Chemical				
-	158,000	Lotee Chemical Pakistan Limited	-	-	1,643,822	1,093,360
-	500	ICI Pakistan Limited	-	-	260,026	214,000
		Technology and Communication				
-	35,000	Pakistan Telecommunication Limited	-	-	1,134,113	717,500
49	846,727		281	105	29,726,824	23,793,675

	Note	2016 Rupees	2015 Rupees
18. SHORT TERM FINANCES			
Secured and considered good			
Executives	18.1	500,000	500,000
Others	18.2	24,159,107	322,355,705
		24,659,107	322,855,705
Considered doubtful			
Others		13,767,834	13,767,834
Less: Provision for doubtful finances	18.3	13,767,834	13,767,834
		-	-
		24,659,107	322,855,705

18.1 This represents finance provided to Executives against Company's own Certificate of Deposits for a period of 1 year and carries mark-up at the rate of 15% (2015: 15% per annum).

18.2 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return ranges from 13% to 20% per annum (2015: 13% to 33.6% per annum), these include Rs. 7.252 million (2015: Rs. 276.188 million) relate to Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan the rate of return range from 20% to 24% per annum (2015: 20% to 24% per annum).

	2016 Rupees	2015 Rupees
18.3 Particulars of provision for doubtful finances:		
Opening balance	13,767,834	13,767,834
Provision / (Reversal) for the year	-	-
Closing balance	13,767,834	13,767,834
19. ADVANCES		
Considered good		
Advances against salaries /expenses	3,662,219	3,926,965
Subsidiary	1,381,040	1,307,940
	5,043,259	5,234,905
20. SHORT TERM DEPOSITS AND PREPAYMENTS		
Prepayments	650,695	722,238
Subsidiary	7,136,000	78,040,000
	7,786,695	78,762,238

	Note	2016 Rupees	2015 Rupees
21. INTEREST ACCRUED			
Interest from morabaha financing		2,963,560	3,045,245
Interest from term finance		16,002,482	11,942,480
Interest from Pakistan investment bonds		575,342	575,342
Interest from Treasury bills		29,824	505,802
Interest on other investment		-	8,243,905
		19,571,208	24,312,774
22. OTHER RECEIVABLES			
Receivable from Associated Company	22.2	27,989,542	28,619,901
Receivable from clients	22.3	56,764,350	90,880,300
Others		11,975,382	32,514,700
		96,729,274	152,014,901

22.1 This represent running account between Escorts Capital Limited (Subsidiary) and the Company, it carries mark up at the rate 13% (2015: 13%) per annum.

22.2 This includes Rs. 16.725 million (2015: 18.856 million) receivable from Essem Hotels Limited and Rs. 9.763 million (2015: 9.763 million) receivable from Escorts Pakistan Limited.

	2016 Rupees	2015 Rupees
22.3 Receivables from clients		
Considered good	47,579,679	6,445,857
Subsidiary	9,184,671	84,434,443
Considered doubtful	20,940,831	20,940,831
Less: Provision for doubtful receivables	(20,940,831)	(20,940,831)
	-	-
	56,764,350	90,880,300
Particulars of provision for doubtful receivables		
Opening balance	20,940,831	21,474,235
Reversal for the year	-	(533,404)
Closing balance	20,940,831	20,940,831

	Note	2016 Rupees	2015 Rupees
23. CASH AND BANK BALANCES			
Cash in hand		1,174	-
Cash with banks:			
Current accounts with:			
State Bank of Pakistan		574,674	725,905
Others		3,300,454	4,436,512
		3,875,128	5,162,417
Saving accounts	23.1	4,356,394	24,197,038
		8,232,696	29,359,455

23.1 Rate of return on these accounts range from 6.5% to 11.25% per annum (2015: 6% to 11.25% per annum).

	2016 Rupees	2015 Rupees
24. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
42,000,000 (2015: 42,000,000) ordinary shares of Rs. 10 each issued as fully paid in cash	420,000,000	420,000,000
2,100,000 (2015: 2,100,000) ordinary shares of Rs. 10 each issued as fully paid in bonus shares	21,000,000	21,000,000
	441,000,000	441,000,000

24.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2015: 39.01%) ordinary shares in the Company.

	Note	2016 Rupees	2015 Rupees
25. RESERVES			
Capital reserve			
Statutory reserve	25.1	158,496,746	158,496,746
Deficit on revaluation of investments available for sale investments	25.2	176	(5,933,149)
Revenue reserve			
Accumulated loss		(536,743,446)	(410,612,201)
		(378,246,524)	(258,048,604)

25.1 This represents special reserve created in compliance with the Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan.

		Note	2016 Rupees	2015 Rupees
26.	**SURPLUS ON REVALUATION OF FIXED ASSETS**			
	Opening balance		32,759,040	34,483,200
	Less: Incremental depreciation for the year		(1,637,952)	(1,724,160)
	Closing balance	26.1	31,121,088	32,759,040

26.1 The revaluation of building (ground floor) was carried out by an independent valuer ''M/s Maricon Consultants (Private) Limited" as at 29 June 2012 on the basis of market and depreciated replacement values and was duly certified by statutory auditors.

		Note	2016 Rupees	2015 Rupees
27.	**TERM FINANCE CERTIFICATES**			
	Listed:			
	Face value		-	500,000,000
	Less: Redeemed			
	Opening balance		-	475,020,200
	Redeemed during the year		-	24,979,800
			-	500,000,000
			-	-
	Less: Current maturity	30	-	-
			-	-
	Less: Cost of issuance/ rescheduling		-	-
	Opening balance		-	(338,153)
	Amortization for the year	41	-	338,153
			-	-
	Less: Current maturity	30	-	-
			-	-
28.	**LONG TERM CERTIFICATES OF DEPOSIT**			
	Related parties - Unsecured			
	Associated Company	28.1	34,357,049	34,357,049
	Executives	28.2	70,000,000	138,200,000
	Others	28.3	53,200,000	39,461,000
			157,557,049	212,018,049
	Others - Unsecured			
	Individuals	28.4	336,159,590	448,469,384
	Others	28.5	25,250,000	35,250,000
			361,409,590	483,719,384
			518,966,639	695,737,433
	Less: Current maturity	30	238,430,822	405,621,110
			280,535,817	290,116,323

28.1 These have been issued for a term of 5 years and expected return on these certificates is 10% to 12.5% (2015: 10% to 12.5%) per annum payable monthly.

28.2 These have been issued for term of 5 years and expected return on these certificates ranges from 12% to 13.5% (2015: 12% to 13.5%) per annum payable monthly.

28.3 These have been issued to a close family member of a key management personnel for a term of 5 years and expected return on these certificates ranges from 13% to 14% (2015: 13% to 14%) per annum payable monthly.

28.4 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 11.25% to 14.50% (2015: 11.25% to 14.50%) per annum payable monthly, quarterly, semi-annually or on maturity

28.5 These have been issued for term ranging from 1 year, 1 month to 3 years and expected return on these certificates is 12% (2015: 12%) per annum payable monthly.

		Note	2016 Rupees	2015 Rupees
28.6	**Long term certificates of deposits includes:**			
	Corporates		59,607,049	69,607,049
	Individuals		459,359,590	626,130,384
			518,966,639	695,737,433
29.	**LONG TERM SECURITY DEPOSIT**			
	Security deposit	29.1	2,240,700	2,980,200
	Less: Current maturity	30	2,240,700	2,980,200
			-	-

29.1 These represent interest free security deposits received on lease contracts and are adjustable at the expiry of the lease contracts.

		Note	2016 Rupees	2015 Rupees
30.	**CURRENT MATURITIES OF NON-CURRENT LIABILITIES**			
	Long term certificates of deposit	28	238,430,822	405,621,110
	Long term security deposit	29	2,240,700	2,980,200
			240,671,522	408,601,310
31.	**SHORT TERM BORROWINGS**			
	Financial institutions - Secured		100,000,000	-

This represent short term repo borrowing obtained against Pakistan Investment Bonds (PIBs) from First Credit Investment Bank Limited carrying mark-up rate of 8.5% (2015: Nil) per annum.

	Note	2016 Rupees	2015 Rupees
32. SHORT TERM CERTIFICATE OF DEPOSIT			
Related parties - Unsecured			
Executives	32.01	3,305,702	10,692,600
		3,305,702	10,692,600
Others - Unsecured			
Individuals	32.03	126,085,524	322,108,880
Others		-	-
		126,085,524	322,108,880
		129,391,226	332,801,480

32.1 These have been issued for a term of 1 year and expected rate of return on these certificates is 11.5% (2015: 11.5%) per anum payable on monthly basis.

32.2 These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.5% to 14.5% (2015: 6.5% to 14%) per annum payable on monthly, quarterly, semi-annually or on maturity basis.

	2016 Rupees	2015 Rupees
32.3 Short term certificate of deposit		
Corporates	-	-
Individuals	129,391,224	332,801,480
	129,391,224	382,801,480
33. ACCRUED MARKUP		
Accrued return on certificates of deposit	8,643,728	9,143,851
Subsidiary	22,853,521	6,853,521
Accrued return on secured borrowings	3,881,873	-
	35,379,122	15,997,372

		2016 Rupees	2015 Rupees
34.	**TRADE AND OTHER PAYABLES**		
	Customers' credit balances	24,766,781	232,030,400
	Accrued expenses and other payables	41,637,522	34,113,181
	Provision for compensated absences	1,347,570	2,358,116
	Unclaimed dividend	2,385,654	2,385,654
		70,137,527	270,887,351
35.	**PROVISION FOR TAXATION**		
	Opening balance	13,725,430	39,935,855
	Add: Taxation - current	4,555,851	9,308,413
		18,281,281	49,244,268
	Less: Tax payments /adjustments during the year	2,943,936	35,518,838
		15,337,345	13,725,430

36. CONTINGENCIES AND COMMITMENTS

36.1 Contingencies

a) The Company's assessments till Assessment Year 2002-03, has been finalized except that the Income Tax department is in appeal before the Honorable Lahore High Court for Assessment Years 1997-98 and 1998-99 on following issues:

i) status of company as "banking company" rather than "public limited company"; and

ii) taxability of "dividend income" as separate block of income.

b) In respect of tax year 2008, the appeal was decided in favour of the Company by the Honourable Appellate Tribunal Inland Revenue and original position as mentioned in return by the Company was restored.

c) The Company has filed appeals before Honourable Lahore High Court for Tax Year 2003 to 2006 on various matters. These appeals are pending in hearing. The case is pending adjudication and the Company expects a favourable outcome in this regard.

d) In respect of tax year 2009, the assessing officer has issued an assessment order under section 122(5A) to amend the deemed assessment for the said tax year as per the income tax return filed by the company. The company has filed an appeal before CIR(A) in this respect which is pending fixation. The case is pending adjudication and the Company expects a favourable outcome in this regard.

e) For tax year 2009, tax department finalized an order U/S 161 of the Income Tax Ordinance, 2001. The Company filed an appeal against the said order in CIR(A) who has directed the assessing officer to look into the matter again. The case is pending adjudication and the Company expects a favourable outcome in this regard.

		2016 Rupees	2015 Rupees
36.2	**Commitments**		
	Outstanding guarantees	71,823,484	11,668,397

		2016 Rupees	2015 Rupees
37.	**PROFIT ON FINANCING**		
	Long term	8,044,465	9,107,770
	Short term	41,103,784	56,468,684
		49,148,249	65,576,454
38.	**RETURN ON PLACEMENTS**		
	Clean placements	-	38,287
39.	**RETURN ON INVESTMENTS**		
	Mark-up / return on investments		
	Held to maturity investments		
	Government securities	15,286,764	16,129,216
	Dividend income		
	Available for sale investments		
	Listed shares/units	2,261,211	2,643,260
	Capital gain / (loss) on investments		
	Available for sale investments	(5,933,325)	5,006,321
	Held for trading	(22,185,098)	609,955
		(28,118,423)	5,616,276
		(10,570,448)	24,388,752
40.	**FEES AND COMMISSION**		
	Guarantee commission	921,351	38,825,142
	Subsidiary	47,421,980	71,540,478
		48,343,331	110,365,620

These include Commission of Rs. Nil (2015: Rs. 26.771 million), earned from Escorts Capital Limited (wholly owned Subsidiary Company).

		2016 Rupees	2015 Rupees
41.	**OTHER INCOME**	10,806,618	7,861,789

41.1 These include Compensation on delayed refunds for the year amounting to Rs. 8.117 million (2015: Rs. 0.954 million), under Section 171 - Additional Payment for Delayed Refunds, of the Income Tax Ordinance, 2001. The Company had claimed income tax refunds from Tax Year 2003 to 2008 from the income tax authorities and subsequently these tax refunds were decided in due course by the appropriate income tax authorities and refund orders were issued to the Company accordingly.

		Note	2016 Rupees	2015 Rupees
42.	**ADMINISTRATIVE AND OTHER OPERATING EXPENSES**			
	Salaries, wages, other benefits and allowances	42.1	38,329,998	46,616,828
	Commission expense		21,131,210	35,950,015
	Staff training and welfare		209,663	64,949
	Advertisement and business promotion		237,900	152,618
	Rent, rates and taxes		5,801,044	7,193,920
	Utilities		2,510,806	2,234,161
	Communication charges		4,273,797	4,127,079
	Traveling and vehicle maintenance		4,612,876	5,959,685
	Repair and maintenance		4,223,420	2,476,270
	Entertainment		1,188,892	1,262,009
	Fee and subscriptions		2,043,298	2,827,581
	Legal and professional charges		3,102,148	2,503,514
	Auditors' remuneration	42.2	1,555,938	1,133,000
	Printing and stationery		1,116,176	1,387,699
	Fee, brokerage and commission		4,335,078	9,232,297
	Insurance		1,127,446	1,161,328
	Amortization of issuance cost of listed TFC's	27	-	338,153
	Depreciation	7.1	8,739,699	9,823,599
	Amortization of intangible assets	8.1	193,701	226,204
	Miscellaneous expenses		293,635	317,971
			105,026,725	134,988,880

42.1 This includes contribution to provident fund amounting to Rs. 1.222 million (2015: Rs. 1.545 million) made by the Company.

		Note	2016 Rupees	2015 Rupees
42.2	**Auditors' remuneration**			
	Statutory audit fee		1,385,850	1,027,500
	Certification and consultancy charges		90,000	90,000
	Out of pocket expenses		80,088	15,500
			1,555,938	1,133,000
43.	**TAXATION-NET**			
	-Current year	43.1	4,117,021	9,308,413
	-Prior years		438,830	-
			4,555,851	9,308,413
	Deferred taxation		-	(34,258,968)
			4,555,851	(24,950,555)

- Income tax return has been filed to the income tax authorities up to and including tax year 2015 under the provisions of the Income Tax Ordinance, 2001.

43.1 - Provision for taxation has been made in accordance with section 113 of the Income Tax Ordinance, 2001 ("The Ordinance"). There is no relation between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

		2016	2015
44. LOSS PER SHARE - BASIC AND DILUTED			
Net loss for the year after taxation (Rupees)	Rupees	(127,769,197)	(36,653,572)
Weighted average number of ordinary shares	Number	44,100,000	44,100,000
Loss per share - basic and diluted	Rupees	(2.90)	(0.83)

44.1 No figure for diluted earnings per share has been computed as the company has not issued any instrument which would dilute its earnings per share.

45. 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.

	For the year ended 30 June 2016		
	Financing activities	**Investing activities**	**Total**
Profit on financing	49,148,249	-	49,148,249
Return on placements	-	-	-
Return on investments	-	(10,570,448)	(10,570,448)
Total income for reportable segments	49,148,249	(10,570,448)	38,577,801
Finance costs	85,926,129	32,429,972	118,356,101
Administrative and other operating expenses	76,249,047	28,777,678	105,026,725
Reversal of doubtful financing	-	-	-
Segment result	(113,026,927)	(71,778,098)	(184,805,025)
Other operating income			61,591,679
Loss before taxation			(123,213,346)
Segment assets	99,468,710	322,050,069	421,518,779
Unallocated assets			543,808,344
			965,327,123

	For the year ended 30 June 2016		
	Financing activities	Investing activities	Total
Segment liabilities	15,300,856	49,693,320	64,994,176
Unallocated liabilities			837,579,471
Equity			62,753,476
			965,327,123

	For the year ended 30 June 2015		
	Financing activities	Investing activities	Total
Profit on financing	65,576,454	-	65,576,454
Return on placements	-	38,287	38,287
Return on investments	-	24,388,752	24,388,752
Total income for reportable segments	65,576,454	24,427,039	90,003,493
Finance costs	105,885,843	39,442,169	145,328,012
Administrative and other operating expenses	98,352,761	36,636,119	134,988,880
Reversal for doubtful finances	(725,201)	-	(725,201)
Segment result	(137,936,949)	(51,651,249)	(189,588,198)
Other operating income			127,984,071
Loss before taxation			(61,604,127)
Segment assets	436,160,021	371,893,332	808,053,353
Unallocated assets			732,932,828
			1,540,986,181
Segment liabilities	101,610,562	84,321,034	185,931,596
Unallocated liabilities			1,172,103,189
Equity			182,951,396
			1,540,986,181

46. TRANSACTIONS WITH RELATED PARTIES

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

	2016 Rupees	2015 Rupees
Associated companies:		
Transactions during the year		
Return on finances received	604,659	866,772
Guarantee commission earned	-	-
Profit paid on certificates of deposit	3,357,879	3,378,414
Fixed assets sold	-	2,300,000
Chairman's secretariat expenses	-	-
Balance at year end		
Advances outstanding	12,480,743	34,339,673
Letter of guarantee outstanding	8,336,373	8,336,373
Certificates of deposit outstanding	34,357,049	34,357,049
Other receivable / (payable)	26,017,604	29,413,353
Mark-up payable on COD	221,924	113,521
Directors:		
Return on finances received	2,516,951	2,366,727
Profit paid on certificates of deposit	7,433,254	7,779,649
Balance at year end		
Advances outstanding	635,154	38,437,185
Certificates of deposit outstanding	23,305,702	60,692,600
Mark-up payable on COD	101,608	357,819
Executives:		
Transactions during the year		
Return on finances received	505,717	211,337
Profit paid on certificates of deposit	6,651,454	7,390,005
Balance at year end		
Advances outstanding	2,066,165	4,203,789
Certificates of deposit outstanding	51,500,000	57,000,000
Mark-up payable on COD	300,548	309,754
Fixed assets sold	-	1,215,000
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	1,221,977	1,567,287

47. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive / Director		Executives	
	2016	2015	**2016**	2015
	Rupees	Rupees	**Rupees**	Rupees
Managerial remuneration	3,586,752	3,586,752	11,120,374	12,720,374
House rent allowance	1,434,696	1,434,696	4,448,089	5,088,089
Utilities	358,680	358,680	1,112,051	1,272,051
Bonus/commission	-	-	1,762,797	1,762,797
Special allowance	-	-	540,000	540,000
Leave encashment	-	-	-	-
Retirement benefits	-	-	928,678	1,088,678
	5,380,128	5,380,128	19,911,989	22,471,989
Number of persons	1	1	10	12

In addition to above the Chief Executive and two Executives were provided Company maintained cars. Further, the Chief Executive and all the Executives were also reimbursed the medical expenses as per policy.

48. MATURITIES OF ASSETS AND LIABILITIES

Description	Within one year	More than one year and upto five years	Above five years	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2016				
ASSETS				
Fixed capital expenditure	-	15,376,658	83,187,474	98,564,132
Intangible assets	-	387,467	-	387,467
Cards and rooms	-	-	36,441,420	36,441,420
Deferred tax asset	-	136,551,607	-	136,551,607
Net investment in lease finance	2,240,700	-	-	2,240,700
Investments	119,711,752	48,513,580	100,775,669	269,001,001
Finances	71,317,275	4,142,541	16,346,944	91,806,760
Advances	6,439,426	1,061,523	-	7,500,949
Deposits and prepayments	7,939,959	-	4,133,609	12,073,568
Interest accrued	19,571,208	-	-	19,571,208
Other receivables	96,729,274	-	-	96,729,274
Tax refunds due from the government	186,226,341	-	-	186,226,341
Cash and bank balances	8,232,696	-	-	8,232,696
	518,408,631	196,033,376	250,885,116	965,327,123
LIABILITIES				
Certificates of deposit	367,822,048	280,535,817	-	648,357,865
Long term security deposit	2,240,700	-	-	2,240,700
Short term borrowings	100,000,000	-	-	100,000,000
Accrued markup	35,379,122	-	-	35,379,122
Trade and other payables	70,137,527	-	-	70,137,527
Provision for taxation	15,337,345	-	-	15,337,345
	590,916,742	280,535,817	-	871,452,559
Net assets	(72,508,111)	(84,502,441)	250,885,116	93,874,564
Represented by:				
Share capital and reserves				62,753,476
Surplus on revaluation of fixed assets				31,121,088
				93,874,564

Description	Within one year	More than one year and upto five years	Above five years	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2015				
ASSETS				
Fixed capital expenditure	-	19,441,634	87,927,635	107,369,269
Cards and rooms	-	-	36,441,420	36,441,420
Deferred tax asset	-	136,551,607	-	136,551,607
Net investment in lease finance	2,980,200	-	-	2,980,200
Investments	171,686,039	48,513,580	100,838,285	321,037,904
Finances	378,819,310	22,631,880	26,346,944	427,798,134
Advances	7,222,680	2,336,442	-	9,559,122
Deposits and prepayments	80,551,697	153,264	2,840,450	83,545,411
Interest accrued	17,459,253	-	-	17,459,253
Other receivables	152,014,901	-	-	152,014,901
Tax refunds due from the government	216,869,505	-	-	216,869,505
Cash and bank balances	29,359,455	-	-	29,359,455
	1,056,963,040	229,628,407	254,394,734	1,540,986,181
LIABILITIES				
Certificates of deposit	738,422,590	290,116,323	-	1,028,538,913
Long term security deposit	2,980,200	-	-	2,980,200
Accrued markup	9,143,851	-	-	9,143,851
Trade and other payables	270,887,351	-	-	270,887,351
Provision for taxation	13,725,430	-	-	13,725,430
	1,035,159,422	290,116,323	-	1,325,275,745
NET ASSETS	21,803,618	(60,487,916)	254,394,734	215,710,436
Represented by:				
SHARE CAPITAL AND RESERVES				182,951,396
SURPLUS ON REVALUATION OF FIXED ASSETS				32,759,040
				215,710,436

49. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISKS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management attempts to control credit risk through monitoring credit exposures, limiting transactions with specific counterparties, and continuous assessing of the credit worthiness of counterparties.

The management monitors and limits bank's exposure to credit risk through monitoring of client's credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets diversified in organizations of sound financial standing covering various industrial sectors and segments.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

49.1 SEGMENT INFORMATION

Class of business	Morabaha financing 2016 Percentage	Morabaha financing 2015 Percentage	Certificates of deposits 2016 Percentage	Certificates of deposits 2015 Percentage	Letter of guarantee 2016 Percentage	Letter of guarantee 2015 Percentage
Agribusiness	9.95	2.90	-	-	-	-
Textile	11.08	3.23	-	-	-	-
Financial institutions	-	-	-	-	-	-
Electronics and electrical appliances	1.79	7.24	-	-	100	100
Individuals	65.52	79.98	90.81	93.23	-	-
Engineering and construction	11.32	3.30	-	-	-	-
Hospitality	-	-	4.36	2.75	-	-
Non-Government organizations	-	-	4.83	3.05	-	-
Others	0.34	3.34	-	0.97	-	-
	100.00	100	100.00	100	100.00	100

49.2 Geographical Segment

These financial statements represent operations of the Company in Pakistan only.

The age of term loan and lease rental receivables and related impairment loss at the balance sheet date was:

	2016 Rupees	2015 Rupees
Aging of term loan and lease rental receivables		
Not past due	46,022,997	513,550,689
Past due 0 - 90 days	6,053,846	6,045,320
Past due 91- 180 days	4,633,236	589,722
180 days to 1 year	8,389,992	858,709
More than 1 year	73,890,196	53,937,201
	138,990,267	574,981,641

Collaterals held against term financing.

	2016				
	Gross exposure	Collaterals			Net exposure
		Mortgage	Hypothe-cation	Liquid collaterals	
	---------- Rupees ----------				
Long term finances	99,886,043	6,335,000	296,286,465	61,758,892	(264,494,314)
Short term finances	38,426,941	-	85,000,000	11,042,665	(57,615,724)

	2015				
		Collaterals			
	Gross exposure	Mortgage	Hypothe-cation	Liquid collaterals	Net exposure
	------ Rupees ------				
Long term finances	137,680,819	59,875,000	133,991,871	62,385,488	(118,571,540)
Short term finances	336,623,539	-	105,000,000	624,148,767	(392,525,228)

50. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the bank's reputation. In spite the fact that the bank is in a positive working capital position at the year end, management believes the liquidity risk to be low.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equates to their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 years	Between 1 and 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees
30 June 2016					
Customer's security deposit	2,240,700	-	2,240,700	-	-
Trade and other payables	67,751,873	-	67,751,873	-	-
	69,992,573	-	69,992,573	-	-
30 June 2015					
Customer's security deposit	2,980,200	-	2,980,200	-	-
Trade and other payables	268,501,697	-	268,501,697	-	-
	271,481,897	-	271,481,897	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / profit rates effective as at 30 June 2016. The rates of mark up have been disclosed in respective notes to the financial statements.

51. MARKET RISK

The Company's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the Company's activities include interest rate risk, currency risk and other price risk.

51.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest will affect the value of financial instruments. Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities that mature or reprise in a given period.

The Company's exposure to interest rate risk on its financial assets and financial liabilities are summarized as follows:

Description	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2016					
FINANCIAL ASSETS					
Investments	119,711,752	48,513,580	100,775,669	-	269,001,001
Net investment in lease finance	2,240,700	-	-		2,240,700
Finances	71,317,275	4,142,541	16,346,944	-	91,806,760
Advances	-	-	-	7,500,949	7,500,949
Deposits and prepayments	7,939,959	-	-	4,133,609	12,073,568
Cash and bank balances	4,356,394	-	-	3,876,302	8,232,696
	205,566,080	42,656,121	127,122,613	15,510,860	390,855,674
FINANCIAL LIABILITIES					
Certificate of deposit	367,822,048	280,535,817	-	-	648,357,865
Short term borrowings	100,000,000	-	-	-	100,000,000
Trade and other payables	-	-	-	70,137,527	70,137,527
	467,822,048	280,535,817	-	70,137,527	818,495,392
Intrest rate senstivity gap	(262,255,968)	(237,879,696)	127,122,613	-	-
Cumulative intrest rate sensitivity gap	(262,255,968)	(500,135,664)	(373,013,051)	-	-

Description	Within one year	More than one year and upto five years	Above five years	Not exposed to interest rate risk	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2015					
FINANCIAL ASSETS					
Investments	171,686,039	48,513,580	100,838,285	-	321,037,904
Net investment in lease finance	2,980,200	-	-	-	2,980,200
Finances	378,819,310	22,631,880	26,346,944	-	427,798,134
Advances	-	-	-	9,559,122	9,559,122
Deposits and prepayments	78,040,000	-	-	5,505,411	83,545,411
Cash and bank balances	24,197,038	-	-	5,162,417	29,359,455
	655,722,587	71,145,460	127,185,229	20,226,950	874,280,226
FINANCIAL LIABILITIES					
Certificate of deposit	738,422,590	290,116,323	-	-	1,028,538,913
Trade and other payables	-	-	-	270,887,351	270,887,351
	738,422,590	290,116,323	-	270,887,351	1,299,426,264
Intrest rate senstivity gap	(82,700,003)	(218,970,863)	127,185,229	-	-
Cumulative intrest rate sensitivity gap	(82,700,003)	(301,670,866)	(174,485,637)	-	-

51.2 Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The company is exposed to equity price risk as company hold available for sale and held for trading investments.

		Changes in KSE all Index	Effects on Profit/(loss) Before Tax	Effects on Equity
			(Rupees)	
Available for sale investments	2016	+10%	-	11
		-10%	-	(11)
	2015	+10%	-	2,379,368
		-10%	-	(2,379,368)
Held for trading investments	2016	+10%	1,590,912	-
		-10%	(1,590,912)	-
	2015	+10%	-	-
		-10%	-	-

51.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk arising from currency exposure as it is not involved in foreign currency transactions.

52. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total capital employed. The board of directors also monitors the level of dividends to ordinary shareholders.

Additionally, the Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio calculated as total debt to equity.

The debt-to-equity ratios at 30 June 2016 and at 30 June 2015 were as follows:

	Note	2016 Rupees	2015 Rupees
Debt		380,535,817	290,116,323
Cash and bank balances		8,232,696	29,359,455
Net debt		372,303,121	260,756,868
Total equity		62,753,476	182,951,396
Total capital employed		435,056,597	443,708,264
Gearing ratio (%)		85.58%	58.77%

53. PROVIDENT FUND

The following information is based on the latest un-audited financial statement of the trust:

	Note	2016 Rupees	2015 Rupees
Size of the fund - Total assets		11,824,893	11,011,190
Cost of investments made	53.1	11,633,626	8,392,462
Percentage of investments made		98.38%	80.00%
Fair value of investments		11,633,626	61,257

53.1 The break-up of fair value of investments is:

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Government securities	8,754,210	75.25%	5,864,742	69.88%
Bank balances	2,879,416	24.75%	2,527,720	30.12%
	11,633,626	100%	8,392,462	100%

54. FAIR VALUES OF FINANCIAL INSTRUMENTS

- Fair value is the price that would be received so sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirements to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

- The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

54.1 Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Financial asset				
Short term investments	15,909,577	-	-	15,909,577
Total non-financial assets	15,909,577	-	-	15,909,577

As at 30 June 2015	Level 1	Level 2	Level 3	Total
Financial asset				
Short term investments	23,793,675	-	-	23,793,675
Total non-financial assets	23,793,675	-	-	23,793,675

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There was no transfer in and out of level 1 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

54.2 Recognized fair value measurements - non-financial assets

Fair value hierarchy

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
- Office premises	-	76,940,785	-	76,940,785
Total non-financial assets	-	76,940,785	-	76,940,785

As at 30 June 2015	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
- Office premises	-	80,990,300	-	80,990,300
Total non-financial assets	-	80,990,300	-	80,990,300

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for the items of property, plant and equipment carried at revalued amounts every five years. The management updates the assessment of the fair value of each item of property, plant and equipment carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of items of property, plant and equipment carried at revalued amounts within a range of reasonable fair value estimates. The best evidence of fair value of freehold office premises is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same freehold office premises.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's items of property, plant and equipment carried at revalued amounts at the end of every five years.

Changes in fair values are analysed between the chief financial officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

55. FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES

As no relief was given or loan written off during the year under review, the information for Statements required to be filed under Section 33A of the Banking Companies Ordinance, 1962 is “Nil”.

56. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2016, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

57. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2016 were 37 (June 30, 2015: 56) and the average number of employees during the year were 36 (June 30, 2015: 50).

58. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue as on 07 October 2016 by the Board of Directors of the Group.

59 GENERAL

- Figures have been rounded off to the nearest rupee, unless otherwise stated.

- Corresponding figures have been rearranged/reclassified, wherever necessary, to facilitate comparison.

Chief Executive Officer

Director

Pattern of Shareholding as at June 30, 2016

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		SHAREHOLDING TO	TOTAL NUMBER OF SHARES HELD	Percentage of Total Capital
83	1	-	100	1,774	0.00
58	101	-	500	23,555	0.05
54	501	-	1000	49,441	0.11
101	1001	-	5000	280,736	0.64
31	5001	-	10000	240,329	0.54
11	10001	-	15000	143,000	0.32
8	15001	-	20000	145,346	0.33
7	20001	-	25000	156,905	0.36
3	25001	-	30000	80,564	0.18
3	30001	-	35000	102,500	0.23
3	35001	-	40000	108,198	0.25
2	40001	-	45000	84,068	0.19
3	45001	-	50000	145,700	0.33
1	50001	-	55000	53,314	0.12
2	65001	-	70000	137,000	0.31
2	75001	-	80000	156,490	0.35
1	85001	-	90000	90,000	0.20
5	95001	-	100000	498,661	1.13
1	100001	-	105000	103,003	0.23
1	105001	-	110000	109,515	0.25
1	145001	-	150000	147,500	0.33
1	150001	-	155000	155,000	0.35
1	160001	-	165000	160,500	0.36
1	195001	-	200000	200,000	0.45
1	300001	-	305000	304,000	0.69
1	325001	-	330000	329,000	0.75
1	565001	-	570000	570,000	1.29
1	660001	-	665000	663,500	1.50
1	820001	-	825000	825,000	1.87
1	1020001	-	1025000	1,020,500	2.31
1	1070001	-	1075000	1,074,000	2.44
1	1105001	-	1110000	1,105,725	2.51
1	1220001	-	1225000	1,221,067	2.77
1	2500001	-	2505000	2,500,100	5.67
1	2910001	-	2915000	2,910,105	6.60
1	3530001	-	3535000	3,532,961	8.01
1	3690001	-	3695000	3,691,641	8.37
1	3775001	-	3780000	3,775,962	8.56
1	17200001	-	17205000	17,203,340	39.01
399				**44,100,000**	**100.00**

Information as Required by Code of Corporate Governance

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage of Holding
Associated Companies, Undertakings and Related Parties			
M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
Directors and their spouse and minor children			
MUTAHIR AHMED	1	160,500	0.3639
BAIRAM QURESHI	1	1,102	0.0025
ZULFIQAR ALI KHAN	1	500	0.0011
TAJAMMUL HUSSAIN BUKHARI	1	500	0.0011
SHAZIA BASHIR	1	3,775,962	8.5623
MUHAMMAD ASHRAF ALI	1	500	0.0011
MUHAMMAD SHARIF BAQIR	1	500	0.0011
DARAKSHAN BASHIR	1	2,910,105	6.5989
Executives	-	-	0.0000
Public sector Companies and Corporations	-	-	0.0000
Banks, Development Finance Instituations, Non Banking Finance Companies, Insurance Companies Takaful, Modarabas and Pension Funds			
NATIONAL BANK OF PAKISTAN	1	1,221,067	2.7689
PAKISTAN REINSURANCE COMPANY LIMITED	1	16,846	0.0382
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	77,490	0.1757
Others	12	412,364	0.9351
General Public (Local)	375	18,319,224	41.5402
Total	**399**	**44,100,000**	**100.0000**

Categories of Shareholders

Sr. # Categories	No. of Shareholders	Shares Held	Percentage of Holding
Directors, Chief Executive Officer, and their spouse and minor children	8	3,939,564	8.9333
Associated Companies, Undertakings and Related Parties	1	17,203,340	39.0098
Banks, Development Financial and Non Banking Financial Institutations	1	1,221,067	2.7689
Insurance Companies	2	94,336	0.2139
General Public (Local)	375	21,229,329	48.1391
Others	3	200,001	0.4535
Joint Stock Companies	9	212,363	0.4815
TOTAL:	399	44,100,000	100.0000

Shareholders Having 5% or More Voting Rights

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage of Holding
M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
SHAZIA BASHIR	1	3,775,962	8.5623
MARYAM BASHIR	1	3,691,641	8.3711
BASHIR AHMED AND FAMILY	1	3,532,961	8.0112
DARAKSHAN BASHIR	1	2,910,105	6.5989
KAMRAN RASHID	1	2,500,100	5.6692

Form of Proxy

I/We, ____

of ____

Escorts Investment Bank Limited appoint

Mr./Mrs./Ms.____

___________________________ of ____

as my proxy to vote for me/us and on my / our behalf at the Annual General Meeting to be held on 28th day of October 2016 at 09:30 a.m. and at any adjournment thereof.

As witnessed under my/our hand this ___________ day of _________ 2016.

_________________ signed by ____

in presence of ____

___________________________	___________________________
___________________________	___________________________
___________________________	___________________________
Signature and address of the witness	Signature and address of the witness

Please affix
Revenue
Stamp

____

Signature of member

AFFIX

CORRECT

POSTAGE

The Company Secretary

ESCORTS INVESTMENT BANK LIMITED
Escorts House, 26-Davis Road,
Lahore - Pakistan.

ESCORTS INVESTMENT BANK LIMITED
Escorts House, 26-Davis Road, Lahore
Tel: 042-36371931-34   Fax: 042-36375950
Email: mailmanager@escortsbank.net
www.escortsbank.net