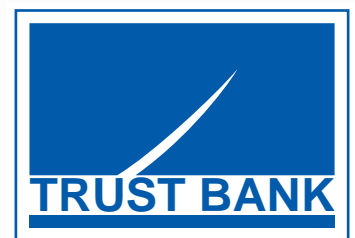


Annual Report 2007



TRUST INVESTMENT BANK LIMITED
(Formerly Trust Leasing & Investment Bank Limited)

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MISSION STATEMENT

Through friendly, highly motivated and qualified team of employees of integrity, we are committed to positioning the Company at the apex of the industry by:

- Delivering safe and highest quality value-added products, business solutions and services to our customers.
- Achieving superior return to our share holders with security of their investment while strengthening relationship with our counterparts in the financial industry.
- Being responsible corporate citizen in the community in which we operate.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Asif Kamal	—	Chairman
Mr. Ali Aslam Malik	—	Director
Mr. Zahid Rafique	—	Director
Mr. Humayun Nabi Jan	—	Director
Mr. Shafiq A. Khan	—	Director
Mr. Hamesh Khan	—	Director
Mr. Javaid Bashir Sheikh	—	Chief Executive Officer

AUDIT COMMITTEE

Mr. Humayun Nabi Jan - Chairman
Mr. Asif Kamal
Mr. Ali Aslam Malik

CHIEF FINANCIAL OFFICER

Mr. Imran Hameed

COMPANY SECRETARY

Mr. Mudassar Kaiser Pal

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

Nawaz Kasuri & Rashdeen Law
Chambers

BANKERS TO THE COMPANY

The Bank of Punjab
Habib Bank Limited
National Bank of Pakistan
Faysal Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Al-Barka Islamic Bank Limited
Allied Bank Limited
Soneri Bank Limited
Askari Bank Limited
Bank Al Habib Limited

REGISTRARS

Vision Consulting Limited
1st Floor, 3-C, LDA Flats,
Lawrence Road, Lahore.
Tel: 042-6375531,6375339
Fax: 042-6374839

REGISTERED & HEAD OFFICE

23-D/1-A, Gulberg - III, Lahore.

Tel: (042) 2404714-19

Fax: (042) 2404720

E. mail: info@trustbank.com.pk

Website: www.trustbank.com.pk

BRANCH NETWORK

Main Branch

35-A/II, Aziz Avenue, Canal Bank,
Lahore. Ph: 042-5710988, 5875412-13
Fax: 042-5713453

Jail Road Lahore Branch

M-I, First Floor, Khaleej Tower,
38/A, Jail Road, Lahore
Ph: 042-7584385

Faisal Town Lahore Branch

753/C, Adjacent Ravi Restaurant,
Faisal Town, Lahore
Ph: 042-5178893

Defence Housing Authority, Branch Lahore

1st Floor, 4-S, DHA,
Lahore Cantt.
Ph: 042-5748029, 5707011 Fax: 5707012

Multan Road Lahore Branch

Office # 101, 1st Floor, Ghulam Plaza,
Opp. Grand Battery,
Multan Road, Lahore.

Gujrat Branch

Ground Floor, Kashmir Plaza,
Ram Talai Road, Gujrat
Ph: 0533-510223, Fax: 0533-535819

Gujranwala Branch

Data Plaza, G. T. Road, Opp.
Trust Plaza, Gujranwala
Ph: 0553-733617, Fax: 0553-733618

Sargodha Branch

60/A, Railway Road, Civil Lines
(Opp. Solo Hotel), Sargodha
Ph: 0483-213836

Mandi Baha-ud-Din Branch

Al Ghani Plaza, Jail Road,
Mandi Baha-ud-Din
Ph: 0546-509568

Multan Branch

1733/B-Ground Floor, LMQ Road
(Central Chungi 8-9 High Way), Multan
Ph: 061-6222008

Karachi Branch

Office # 1006, 10th Floor, Saima Trade
Tower-B, I. I. Chundrigar Road, Karachi
Ph: 021-2272198, 2275002-3
Fax: 021-2272199

Rawalpindi Branch

49/62-Uni Building, 1st Floor,
Bank Road, Rawalpindi Cantt.
Ph: 051-5810149

Sialkot Branch

Kashmir Road,
Near Meezan Bank, Sialkot
Ph: 052-4298350

Jhelum Branch

24-Civil Lines, Near Imam Bargah,
Jhelum Ph: 0544-625961
Fax: 0544- 625972

Peshawar Branch

Commercial Building, Jehangirabad,
University Road, Peshawar.
Ph: 091-5701484 Fax: 091-5846302

Faisalabad Branch

Ground Floor, Saeed Arcade,
721 Batala Colony, Faisalabad
Ph: 041-8737542, Fax: 041-8737431

Islamabad Branch

Ground Floor, Kashmir Commercial Complex,
54-E, Fazal-e-Haq Road, Blue Area, Islamabad
Ph: 051-2271544, 051-2272330

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 16th Annual General Meeting of the shareholders of Trust Investment Bank Limited will be held on Wednesday, October 31, 2007 at 11 :00 a.m. at head office, 23-D/1A, Gulberg-III, Lahore to transact the following business:-

ORDINARY BUSINESS

- 1 To confirm minutes of 8th Extra Ordinary General Meeting held on June 02, 2007.
- 2 To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2007 together with Directors' and Auditors' Report thereon.
- 3 To approve the payment of cash dividend to the share holders @ Rs.1.50/- per share i.e. 15% and the issue of bonus shares in the proportion of 5 shares for every 20 shares held i.e. 25%.
- 4 To appoint auditors for the year 2007-2008 and fix their remuneration. The present auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
- 5 To transact any other ordinary business which may be placed before the meeting with permission of the Chair.

By order of the Board

Lahore:
October 10, 2007

Mudassar Kaiser Pal
Company Secretary

REGISTERED OFFICE

Trust Investment Bank Limited,
23-D/1-A, Gulberg-III, Lahore.
Tel : (042) 2404714-19
Fax : (042) 2404720
Email : info@trustbank.com.pk

NOTES:

- 1 The Members Register will remain closed from October 24, 2007 to October 31, 2007 (both days inclusive). Transfers received in order at Registrar's Office M/s. Vision Consulting Limited, 1st Floor, 3-C, LOA Flats, Lawrence Road, Lahore by the close of business hours on October 23, 2007 will be treated in time for the entitlement of Cash Dividend and Bonus Shares.
- 2 A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the meeting.
- 3 CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular NO. 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.
 - I) In case of individuals, the account holder or sub-account holder and/or the person whose securities, are in group account; and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participants I.D. numbers and account numbers in CDS.
 - II) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the meeting.
 - III) Shareholders are requested to immediately notify the Registrar of any change in their addresses.

DIRECTORS' REPORT

We are pleased to present 16th annual report of your Company for the year ended June 30, 2007 together with the audited accounts and auditors' report thereon.

ECONOMY

The overall growth momentum of Pakistan economy is seems to be maintained during the fiscal year 2007. The estimated GDP growth is at 7% in comparison of 6.6% of fiscal year 2006 and it is anticipated that growth rate of around 6.5% to 7.0% will be achieved in fiscal year 2008 on more broad basis assumptions i.e as the better performance is expected from agricultural, manufacturing and services sectors are expected to maintain their growth rate. During the year a record foreign investments of USD 8.4 billion was received and foreign exchange reserves have risen to USD 15.6 billion. On the other hand the trade deficit is continued on rising trend and rose to 11.5 % and high inflation rate showed its signs and compelled State Bank of Pakistan for further tightening of monetary policy. Presidential and parliamentary elections are around the corner and the political in-stability caused due to these and tighter monetary policy may cause slow down in growth.

OPERATING RESULTS

Financial results of the Company are as under:-

	2007	2006
	(Rupees in million)	
Revenue	732	733
Operating expenses	165	98
Financial expenses	429	404
Profit before provisions including fair value adjustment of investments held for trading	165	249
Profit before tax	115	221
Profit after tax	103	202
Earnings per Share (Rs.)	2.20	4.96

DIVIDEND

The Directors are pleased to recommend cash dividend of 15% (2006 : 15%) and stock dividend of 25% (2006 : 15%) partly from share premium account and partly from un-appropriated profits.

REVIEW OF OPERATIONS

As envisaged previously that since the change of sponsors in July 2006 the management has embarked upon development & implementation of plan to reorganize the Bank on contemporary professional lines. During the year 2006-07, substantial progress has been made by way of development of a new organizational structure, supplemented through development of systems & procedures. Formal policy documents, procedural manuals, rules & regulation are developed and implemented. New initiatives included introduction of new divisions i.e. Investment Banking, Treasury, Special Assets Management, Credit Administration independent of Credit Marketing, Risk Management etc., with focus on reliable IT infrastructure.

The entire exercise has led to more delegation with clearer scope of work & responsibility at all professional levels, complemented with induction of new professional cadres and market based the salary structure of the Bank. The existing Internal Audit division is re-organized on professional lines and strengthened to improve the system compliance and accountability.

DIRECTORS' REPORT

While qualitative impact of all round reorganization is already visible, the full impact on revenue on account Investment Banking activities, Brokerage will require more time as these divisions have been currently staffed and equipped to the desired levels. During the period under review, although total income of the Bank remains the same as compared to previous year but spreads remained under pressure due to increase in overall interest rates and shift in management's focus from leases of commercial transport sector to a more diverse and quality corporate clientele. However, in the stiff market conditions, newly established Treasury Division has contributed through improved average cost of funds during the period under review.

During the year ended June 30, 2007, contribution of lease income towards revenues decreased whereas other avenues contributed higher thus offsetting the impact. However, significant changes in market dynamics have drastically lowered returns on CFS compared to last year. Operating Profit for the period is lower compared to corresponding period due to prudent policy viz-a-viz lease portfolio by way of additional provisioning amounting to Rs.50 million on account of doubtful receivables and stricter compliance to Prudential Regulations. The management has immediately taken into account the regulatory changes for the commercial transport sector thus making significant allocation of provision discussed above. As a consequence of overall interest rate scenario, the financial cost of the Bank has increased by 6.1% compared to corresponding period.

Administrative expenses increased due to induction of experienced quality staff, payment of severance packages to the outgoing Chief Executive Officer, Chief Operating Officer and former Advisor of the Bank, setting up of new departments, and development of infrastructure essential for future business growth like information technology, renovation of existing branches, relocation of certain branches to new business locations to tap more business, setting up of two new additional branches, and shifting of Head Office to a better location for good business prospects and to accommodate additional staff.

CHANGE OF NAME

The name of your bank has been changed to "Trust Investment Bank Limited" and a new logo is also adopted. These changes have been made in order to enhance the brand equity and image of the Bank as a premier investment bank.

CREDIT RATING

Pakistan Credit Rating Agency Limited (PACRA) maintained the entity ratings of AA- (double A minus) for long term and A1+(A one plus) for short term. PACRA also maintained instrument rating of AA (double A) of listed term finance certificates of the Bank. These ratings indicate high credit quality and strong capacity of the Bank for timely repayment of its obligations.

BRANCH NETWORK

During the year under review, the Bank expanded its branch network by opening two more branches at Faisalabad and Islamabad, raising the total number of branches to 16. Bank has planned to open four more branches during financial year 2008. This expanded branch network would not only provide an increased outreach for business growth but will also play an important role for deposit mobilization as well.

FUNDS MOBILIZATION

The Bank remained successful in raising funds at highly competitive rates during the year. Long term matching credit lines for leasing business were obtained from banks and financial institutions. Further, short term requirements funds were raised from clean money market limits. Due to effective treasury management the average cost of funds was improved significantly. The effective deposit mobilization drive has yielded positive results in raising deposits level. Bank has also been successful in obtaining long term deposits from Financial Institutions to the tune of Rs.1 billion. A new Issue of Term Finance Certificate of Rs.650 million is scheduled for financial year 2008 with arrangements from Pre IPO and IPO firmly in place.

DIRECTORS' REPORT

FUTURE OUTLOOK

The vision of new management is to make the Bank dynamic and modern Investment Bank. Measures and efforts made during the last year for strengthening and reorganization of all the required departments, recruitment of capable and effective human resource, delegation of authority at different levels, prudent approach to book quality lease business, innovative credit products and collaboration with other significant players in the financial sector will definitely result in enhancing profitability of your Bank in coming years. Two more branches of the bank have become operational during the year and by opening four more branches the total number of branches will increase to 20 by the end of financial year 2008 and these will not only add additional lease business volume and deposits but also contribute in profitability.

Equity brokerage services division with only less than a year in operation has shown lot of promise during the year and is expected to continue to contribute more towards the profitability of the Bank. Now fully equipped with human and IT resources, brokerage division is poised to become a choice brokerage house for corporate as well as individual stock market investors.

The Investment Banking division of the Bank is now fully functional offering a range of investment banking services in addition to customized solution to customer needs. A new department under the name & style of Real Estate Advisory Management – REAM is also established as part of Investment Banking division to capitalize on opportunities in real estate sector. REAM is expected to cater to the needs of this growing sector through high quality sector specific professional skills, and contribute to the profitability of the Bank.

HOUSING FINANCE SERVICES

The Securities and Exchange Commission of Pakistan has allowed the Bank to under take Housing Finance activities under the Non Banking Finance Companies Rules, 2003. This will give an additional dimension to the Bank's area of operations.

The management also plans to seek permission from the Securities & Exchange Commission of Pakistan to undertake other activities permissible under the Non Banking Finance Companies Rules, 2003 i.e. Venture Capital Investments, Investment Advisory Services, and Asset Management Services.

AUDIT COMMITTEE

Audit Committee comprises of the following members:

- | | | | |
|----|----------------------|---|----------|
| 1- | Mr. Humayun Nabi Jan | - | Chairman |
| 2- | Mr. Asif Kamal | - | Member |
| 3- | Mr. Ali Aslam Malik | - | Member |

CODE OF CORPORATE GOVERNANCE

It is confirmed on behalf of the directors that the Company has complied with all stipulations listed under clause (xix) of the Code of Corporate Governance:

- The financial statements, prepared by the management fairly present Company's state of affairs, the results of its operations, Cash flows and changes in equity.
- Proper books of accounts have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any other departure from these has been adequately disclosed.

DIRECTORS' REPORT

- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. During the year Seven Board meetings were held. Attendance by each director was as under:-

Name of the Director	Designation	Meetings Attended
Mr. Asif Kamal	Chairman	5
Mr. Zahid Rafique	Director	2
Mr. Humayun Nabi Jan	Director	6
Mr. Hamesh Khan	Director	3
Mr. Ali Aslam Malik	Director	6
Mr. Shafiq A. Khan	Director	4
Mr. Javaid Bashir Sheikh	Chief Executive Officer	7
Mr. Rashid Ahmed	Retired C.E.O	3
Mr. Tajammal Hussain	Retired Director	2
Mr. Ahmed Saeed Chaudhary	Retired Chairman	1
Mr. S. Amjad Ali	Retired Director	1
Mr. Imtiaz Ahmed Pervez	Retired Director	1
Mian Ahmed Hussain	Retired Director	2

- i. During the year, no trading in the shares of the Company was carried out by the directors, chief executive officer, chief financial officer, company secretary or their spouses and minor children.
- j. Key operating and financial data of last six years is annexed as annexure-A
- k. Pattern of shareholding as at June 30, 2007 is annexed as annexure-B

AUDITORS

The present auditors, M/s KPMG Taseer Hadi & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ending June 30, 2008.

ACKNOWLEDGMENT

The Directors wish to place on record their gratitude for the guidance and support extended by the regulatory authorities, shareholders, valued customers and the financial institutions. We also take this opportunity to thank the Company's executives and staff for their hard work and commitment.

For and on Behalf of the Board

Javaid Bashir Sheikh
Chief Executive Officer

SIX YEAR FINANCIAL SUMMARY
(RUPEES IN MILLION)

	2007	2006	2005	2004	2003	2002
Operational Result						
Total lease Business	1,063	1,727	2,106	1,064	409	195
Revenues	732	733	420	229	157	98
Financial expenses	429	404	150	61	43	40
Total expenses	607	511	204	96	67	63
Profit before provisions	115	221	216	133	90	37
Profit after tax	103	202	225	120	48	10
Balance sheet						
Total assets	6,444	6,162	4,116	2,165	1,113	683
Paid-up-capital	468	407	339	309	224	203
Reserves	548	567	466	272	206	178
Total equity	1,023	978	806	580	430	381
Earning per share	2.20	4.96	5.53	4.38	1.75	0.38
Book value per share	25.10	24.02	23.74	18.8	19.21	18.77
Dividend	15% Cash Dividend 25% Stock Dividend	15% Cash Dividend 15% Stock Dividend	10% Cash Dividend 20% Stock Dividend	15% Cash Dividend 10% Stock Dividend	- 15% Stock Dividend	- 10% Stock Dividend

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2007**

ANNEXURE B

Number of Shareholders	Shareholding		Total Number of Shares Held	Percentage
	From	To		
462	1	100	19,601	0.04
768	101	500	192,040	0.41
328	501	1,000	228,962	0.49
645	1,001	5,000	1,325,123	2.83
46	5,001	10,000	309,921	0.66
26	10,001	15,000	317,556	0.68
12	15,001	20,000	211,218	0.45
12	20,001	25,000	263,084	0.56
5	25,001	30,000	136,241	0.29
2	30,001	35,000	64,908	0.14
2	35,001	40,000	76,533	0.16
2	40,001	45,000	83,642	0.18
1	45,001	50,000	46,185	0.10
4	55,001	60,000	227,222	0.49
1	65,001	70,000	66,420	0.14
1	85,001	90,000	89,778	0.19
1	105,001	110,000	106,740	0.23
1	170,001	175,000	171,958	0.37
1	195,001	200,000	200,000	0.43
1	220,001	225,000	222,500	0.47
1	275,001	280,000	276,500	0.59
1	340,001	345,000	345,000	0.74
1	530,001	535,000	535,000	1.14
1	1,935,001	1,940,000	1,935,867	4.13
1	2,050,001	2,060,000	2,053,794	4.38
1	2,210,001	2,220,000	2,211,389	4.72
1	3,105,001	3,110,000	3,106,389	6.63
1	3,450,001	3,460,000	3,450,500	7.37
1	3,480,001	3,490,000	3,483,681	7.44
1	4,560,001	4,565,000	4,561,925	9.74
1	5,340,001	5,350,000	5,340,241	11.40
1	5,410,001	5,415,000	5,414,584	11.56
1	9,765,001	9,770,000	9,767,794	20.85
2,334			46,842,296	100.00

**CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2007**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive & their spouse		
Mr. Asif Kamal	345,000	0.74
Mr. Ali Aslam Malik	5,414,584	11.56
Mr. Zahid Rafique	4,561,925	9.74
Mr. Humayun Nabi Jan	575	0.00
Mr. Shafiq A. Khan	1,555	0.00
Mr. Hamesh Khan	575	0.00
Mr. Javaid B. Sheikh	575	0.00
Mrs. Adeela Ali W/o Ali Aslam Malik	3,450,500	7.37
Associated Companies & related parties		
Genesis Securities (Pvt.) Limited	9,767,794	20.85
Newage (Pvt.) Limited	5,340,241	11.40
First Pakistan Securities Limited	535,000	1.14
MCD Pakistan Limited	1,935,867	4.13
Switch Securities (Pvt.) Limited	3,483,681	7.44
First Florance Developers (Pvt.) Limited	2,211,389	4.72
Banks & Financial Institutions	3,133,369	6.69
Insurance Companies	2,055,150	4.39
Modarabas	64,174	0.14
General Public	4,196,902	8.96
IDBP (ICP Unit)	3,280	0.01
Others (Joint Stock & Investment Companies)	340,160	0.73
Total	46,842,296	100.00

SHARE-HOLDERS HOLDING TEN PERCENT OR MORE

Total Paid up capital of the Company	46,842,296	Shares
10% of the paid up capital of the Company	4,684,230	Shares

Name of Shareholders	Shares Held	Percentage
Genesis Securities (Pvt.) Limited	9,767,794	20.85%
Mr. Ali Aslam Malik	5,414,584	11.56%
Newage (Pvt.) Limited	5,340,241	11.40%
Total	20,522,619	43.81%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance for the purpose of establishing a framework of good governance, whereby a listed company is managed with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

- 1 The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 2 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 DFI or an NBFC or, being a member of a stock Exchange, has been declared as a defaulter by that stock exchange.
- 3 The Company has prepared a statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 4 The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.
- 5 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 CEO and other executive directors, have been taken by the Board.
- 6 The Meeting 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 a 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 meeting were appropriately recorded and circulated.
- 7 The Board has arranged orientation courses wherever possible for its directors to apprise them of their duties and responsibilities.
- 8 The Directors' report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
- 9 The Financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
- 10 The directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 11 The Company has complied with all the corporate and financial reporting requirements of the Code.
- 12 The Board has formed an audit committee. It comprises for members who all are nonexecutive directors including the chairman of the committee.
- 13 The meetings of audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
- 14 The Board has set-up and effective internal audit function.
- 15 The statutory auditors of the Company have confirmed that then have been given a satisfactory rating under the Quality Control Review program of the Institute of the Chartered Accountants of Pakistan, that they have or any of the partner 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.
- 16 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.

For and on Behalf of the Board

*Javaid Bashir Sheikh
Chief Executive Officer*

***REVIEW REPORT TO THE MEMBER'S
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES
OF CODE OF CORPORATE GOVERNANCE***

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Trust Investment Bank Limited (“the Company”) (Formerly Trust Leasing & Investment Bank Limited) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the’ audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

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 of Corporate Governance.

Lahore: October 08, 2007

KPMG Taseer Hadi & Co
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Trust Investment Bank Limited** (“the Company”) (Formerly Trust Leasing & Investment Bank Limited) as at 30 June 2007 and the related profit and loss account, 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 QUI' 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 statements in conformity with the approved accounting standards and the requirements of the Companies 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 opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and 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;
- c) 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore: October 08, 2007

KPMG Taseer Hadi & Co
Chartered Accountants

Balance Sheet

As at 30 June 2007

	Note	2007 Rupees	2006 Rupees
Non - current assets			
Fixed assets			
Property and equipment	4	108,061,123	45,243,974
Intangible asset	4	30,955,585	30,100,000
		139,016,708	75,343,974
Net investment in lease finance			
Long term finances	5	3,017,606,748	2,763,532,300
Long term investments	6	42,912,864	36,842,368
Long term deposits	7	527,614	63,638
Long term advances	8	3,965,828	2,662,528
		38,025,000	-
		3,103,038,054	2,803,100,834
		3,242,054,762	2,878,444,808
Current assets			
Current maturities of non - current assets			
Short term finances	9	972,804,725	1,135,376,448
Short term placements	10	39,190,979	18,350,000
Short term investments	11	633,577,736	1,056,769,714
Taxation - net	12	770,405,616	364,417,113
Markup accrued	13	27,529,228	24,869,223
Advances, prepayments and other receivables	14	17,544,269	15,152,007
Cash and bank balances	15	539,624,140	519,116,022
		200,947,091	149,085,804
		3,201,623,784	3,283,136,331
		6,443,678,546	6,161,581,139
Equity and Liabilities			
Share capital			
Reserves	16	468,422,983	407,324,333
	17	547,640,945	566,790,693
		1,016,063,928	974,115,026
Surplus on revaluation of investments	18	6,594,532	4,318,268
		1,022,658,460	978,433,294
Non - current liabilities			
Term finance certificates	19	291,899,573	579,035,916
Long term certificates of investment	20	1,132,432,940	24,812,940
Long term borrowings	21	249,973,660	396,068,014
Long term deposits	22	933,431,375	930,775,452
Deferred taxation		25,036,526	15,036,526
Staff service costs	23	4,019,593	5,580,463
		2,636,793,667	1,951,309,311
Current liabilities			
Current maturities of long term liabilities	24	794,041,048	566,459,496
Short term certificates of investment	25	331,874,225	705,855,800
Short term borrowings	26	1,373,653,324	1,826,738,265
Markup accrued	27	54,181,534	57,592,455
Trade and other payables	28	230,476,288	75,192,518
		2,784,226,419	3,231,838,534
		5,421,020,086	5,183,147,845
Contingencies and commitments	29		
		6,443,678,546	6,161,581,139

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Profit and Loss Account

For the year ended 30 June 2007

	Note	2007 Rupees	2006 Rupees
Revenue			
Income from lease operations	30	355,345,037	464,328,969
Income from investments	31	324,956,798	246,805,096
Income from brokerage		28,183,755	2,261,775
Other income	32	23,917,045	19,358,577
		732,402,635	732,754,417
Expenditure			
Finance cost	33	428,761,623	404,423,322
Administrative and operating expenses	34	165,414,703	98,399,487
Depreciation and amortization	4.1	12,340,222	7,045,348
Other charges	35	25,545	1,553,559
		606,542,093	511,421,716
Operating profit before provisions and taxation		125,860,542	221,332,701
Provision for potential lease losses	5.3 & 14.4	(50,087,348)	(26,419,310)
Provision for appreciation/(diminution) in the value of investments	7.1.1.1	463,976	(1,176,983)
Surplus on revaluation of held for trading investments		39,310,382	27,396,664
		(10,312,990)	(199,629)
Profit before taxation		115,547,552	221,133,072
Provision for taxation	36	(12,500,000)	(19,036,526)
Profit after taxation		103,047,552	202,096,546
Earnings per share - basic	37	2.20	4.31

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

For the year ended 30 June 2007

	2007	2006
Note	Rupees	Rupees
Cash flows from operating activities		
Profit before taxation	115,547,552	221,133,072
Adjustments for non cash items:		
Depreciation	12,340,222	7,045,348
Amortization of transaction costs of term finance certificates	3,238,657	2,882,041
Provision for staff service costs	8,096,406	3,249,063
Provision for doubtful receivables	50,087,348	26,419,310
Lease receivables written off	23,877	17,243
Finance cost	428,761,623	404,423,322
Loss on sale of property and equipment	1,668	1,270,911
Profit on sale of property and equipment	(199,163)	(423,350)
Surplus on revaluation of held for trading investments	(39,310,382)	(27,396,664)
Provision for (appreciation)/diminution in the value of investments	(463,976)	1,176,983
(Gain) / loss on sale of investments available for sale	(3,685,066)	1,623,099
	458,891,214	420,287,306
Operating profit before working capital changes	574,438,766	641,420,378
Changes in operating assets and liabilities		
(Increase) / decrease in:		
Long term and short term investments	(288,223,569)	(295,093,475)
Short term placements	423,191,978	(941,769,714)
Markup accrued	(2,392,262)	(8,554,995)
Advances, prepayments and other receivables	(63,804,604)	135,075,313
Long term and short term finances	(26,911,475)	(54,557,305)
Net investment in lease finance	(100,142,206)	(961,847,094)
Purchase of investments available for sale	(96,178,288)	(10,000,000)
Certificates of investment	734,128,425	423,914,740
Long term deposits	82,211,944	343,487,962
	661,879,943	(1,369,344,568)
Increase in trade and other payables	154,023,020	35,615,828
	815,902,963	(1,333,728,740)
Cash utilized in operations	1,390,341,729	(692,308,362)
Financial charges paid	(432,172,544)	(383,325,966)
Taxes paid	(5,160,005)	(14,912,621)
Staff service costs paid	(9,657,276)	(285,432)
	(446,989,825)	(398,524,019)
Net cash used in operating activities	943,351,904	(1,090,832,381)

Cash Flow Statement

For the year ended 30 June 2007

	2007	2006
<i>Note</i>	Rupees	Rupees
Cash flows from investing activities		
Purchase of property and equipment	(76,547,811)	(22,263,466)
Purchase of Intangible assets	(950,650)	-
Purchase of LSE membership card	-	(15,000,000)
Long term advances	(38,025,000)	-
Long term deposits	(1,303,300)	(322,975)
Sale proceeds of investments	25,685,066	3,376,901
Sale proceeds of fixed assets	1,683,000	5,309,873
Net cash used in investing activities	(89,458,695)	(28,899,667)
Cash flows from financing activities		
Long and short term borrowings	(573,933,823)	968,521,655
Issue of term finance certificates	-	375,000,000
Redemption of term finance certificates	(212,500,000)	(150,011,179)
Dividends paid	(60,013,158)	(34,224,480)
Net cash generated from financing activities	(846,446,981)	1,159,285,996
Net increase in cash and cash equivalents	7,446,228	39,553,948
Cash and cash equivalents at the beginning of the year	(17,652,461)	(57,206,409)
Cash and cash equivalents at the end of the year	(10,206,233)	(17,652,461)

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity
For the year ended 30 June 2007

	Share capital	Share premium	Statutory reserve	General reserve	Un-appropriated profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2005	339,436,944	70,714,920	115,772,912	61,000,000	219,037,398	805,962,174
Final dividend for 2005 paid @ 10% (Rs 1 per share)	-	-	-	-	(33,943,694)	(33,943,694)
Bonus shares issued for 2005 @ 20%	67,887,389	-	-	-	(67,887,389)	-
Net profit for the year ended 30 June 2006	-	-	-	-	202,096,546	202,096,546
Transfer to statutory reserve	-	-	40,419,309	-	(40,419,309)	-
Balance as at 30 June 2006	407,324,333	70,714,920	156,192,221	61,000,000	278,883,552	974,115,026
Final dividend for 2006 paid @ 15% (Rs 1.5 per share)	-	-	-	-	(61,098,650)	(61,098,650)
Bonus shares issued for 2006 @ 15%	61,098,650	-	-	-	(61,098,650)	-
Net profit for the year ended 30 June 2007	-	-	-	-	103,047,552	103,047,552
Transfer to statutory reserve	-	-	20,609,510	-	(20,609,510)	-
Balance as at 30 June 2007	468,422,983	70,714,920	176,801,731	61,000,000	239,124,294	1,016,063,928

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Notes to the Financial Statements

For the year ended 30 June 2007

1 The Company's operations and registered office

Trust Investment Bank Limited (“the Company”) (Formerly Trust Leasing & Investment Bank Limited) was incorporated in 1992 as a public limited Company under the Companies Ordinance, 1984 and is listed on Lahore, Karachi and Islamabad Stock Exchanges. The registered office of the Company is situated at 23-D/1-A, Gulberg III, Lahore. The Company is mainly engaged in the business of leasing & investment banking. It is classified as a Non-Banking Finance Company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan (SECP). The Company is a member of Lahore Stock Exchange (Guarantee) Limited.

Pakistan Credit Rating Agency Limited has maintained the long term credit rating of the Company at “AA-”(double A minus), while short term credit rating has also been maintained at “A1+ ” (A one plus) with stable outlook. Rating of all categories of term finance certificates has been maintained at “AA”(double A).

2 Statement of compliance

These accounts have been prepared in accordance with the approved International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standards Interpretations Committee of the IASC, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003, the Prudential Regulations for NBFCs, along with the requirements of the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Companies Ordinance, 1984, the Rules, the Regulations or the directives issued by the SECP differ with the requirements of these IAS, the requirements of the Ordinance, the Rules, the Regulations or the requirements of the said directives take precedence.

3 Significant accounting policies

3.1 Accounting convention

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at their fair value or amortized cost as applicable.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statement in subsequent years are discussed in note 42.

3.2 New Accounting Standards and IRFIC interpretations that are not yet effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 01 July 2007. However, management believes that these standards and IFRICs either do not have any impact on the present transactions of the Company or the Company would be able to comply with these standards, IFRICs and amendments when applicable:

IAS 1	Presentation of Financial Statements - Amendments Relating to Capital Disclosures.
IAS 23	Borrowing Costs (as revised).
IAS 41	Agriculture.

Notes to the Financial Statements

For the year ended 30 June 2007

IFRS 2	Share-based Payments.
IFRS 3	Business Combinations.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations.
IFRS 6	Exploration for and Evaluation of Mineral Resources.
IFRS 10	Interim Financial Reporting and Impairment.
IFRS 11	Group and Treasury Share Transactions.
IFRS 12	Service Concession Arrangements.
IFRS 13	Customer Loyalty Programmes.
IFRS 14	The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

3.3 Taxation

Current

The charge for current taxation is based on taxable income at current rate of taxation of the Income Tax Ordinance, 2001 after taking into account applicable tax credits and rebates, if any.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which deductible difference, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is calculated at the rates that are expected to apply to the period when differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited to income statement, except in case of items credited or charged to equity, in which case it is included in equity.

3.4 Property and Equipment

These are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the diminishing balance method, except vehicles for which straight line method is used, at the rates specified in the fixed assets schedule, which are considered appropriate to write off the cost of the assets over their estimated useful lives.

Depreciation is charged from the month when assets are available for use upto the month in which the assets are disposed off.

Normal repairs and maintenance are charged to revenue as and when incurred. Renewals and replacements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the items can be reliably measured, and assets so replaced, if any, are retired.

Gains and losses on disposal of property and equipment are recognized in the profit and loss account in the year of disposal.

Notes to the Financial Statements

For the year ended 30 June 2007

3.5 Intangible Assets

This is stated at cost less impairment losses, 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.

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight-line method over a period of 10 years.

Full year amortization is charged from the year when assets are available for use and no amortization will be charged in the year in which the assets are disposed off.

3.6 Financial Instruments

Financial assets

Significant financial assets include short and long term finances, short and long term investments, short term placements, net investment in leases, advances and receivables, long term deposits and cash and bank balances. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivable, while other financial assets are stated at cost except for investments, which are revalued as per accounting policies.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include term finance certificates, short and long term borrowings, certificates of investment, deposits against lease arrangements, trade and other payables and dividends payable. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

Recognition and derecognition

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

The policies in respect of these financial instruments have been disclosed in the relevant policy notes.

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 legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. Corresponding income on assets and charge on liability are reported at net amount.

3.7 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events 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.

Notes to the Financial Statements

For the year ended 30 June 2007

3.8 Investments

The Company classifies its investments as held to maturity, available for sale, investments at fair value through profit and loss account and loans and receivables.

Initial measurement

All investments are initially recognized at cost being the fair value of the consideration given including acquisition cost.

Subsequent measurement

Held to maturity

The investments with fixed maturity or determinable payments where management has both intent and ability to hold to maturity are classified as held to maturity. These are stated at amortized cost using the effective interest rate method less impairment, if any. The amortization for the period is charged to the profit and loss account.

Investments at fair value through profit and loss account

These include investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margins, are classified as investments at fair value through profit and loss account. These are stated at fair values with any resulting surplus/(deficit) recognized in profit and loss account.

Available-for-sale

Investments which can not be classified as loans and receivables, held to maturity investments or financial assets at fair value through profit and loss are classified as available for sale investments.

Available-for-sale investments are measured at subsequent reporting dates at fair value for those shares which have fair values. However all such shares for which fair value cannot be determined are valued at cost. Surplus/(deficit) on remeasurement is kept in a separate account and is shown in the balance sheet below the shareholders' equity, until the security is disposed off or is determined to be impaired, at which time, the cumulative surplus/(deficit) is included in the profit and loss account.

3.9 Trade and settlement date accounting

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. Regular way purchase or sale of financial assets are those, the contract for which requires delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

3.10 Securities under repurchase/reverse repurchase agreements

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

Repurchase agreements

Investments sold with the simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. The counter party liability for amounts received under these agreements is included in short term borrowing. The difference between sale and repurchase price is treated as markup on short term borrowing and accrued over the tenor of the repo agreement.

Notes to the Financial Statements

For the year ended 30 June 2007

Reverse Repurchase agreements

Investments purchased with a simultaneous 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 'short term placements'. The difference between purchase and resale price is treated as return from funds placement with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of reverse repo agreement.

3.11 Term finances

Term finances originated by the Company are stated at cost less any amount written off and provision for doubtful finances, if any, in accordance with NBFCs prudential regulations.

3.12 Net investment in lease finance

Lease where the Company transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee are classified as finance leases. Net investment in lease finances is recognized 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.

3.13 Repossessed assets

The Company repossesses leased assets in settlement of non-performing finances provided to customers. Gains or losses on disposal are taken to the income in the current period unless recoverable from / payable to the customer. Major losses on the disposal of repossessed leased assets are accounted for as receivable till the final settlement with lessee. Minor losses on the disposal of repossessed vehicles are charged to the income in the current period.

3.14 Revenue recognition

Finance leases

The "financing method" is used for recognition of finance income on finance leases. Under this method, the unearned finance income i.e., the excess of aggregate lease rentals and the estimated residual value over the net investment is deferred and then amortized to income over the term of the lease on a systematic basis, so as to produce a constant rate of return on the Company's net investment in the finance lease.

Capital gains and losses on sale of investments

Capital gains or losses on the sale of investments are recognized in the period in which they arise.

Commission income

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

Processing fee, front end fee, penal charges and commission income

These are recognized as income when services are provided.

Return on finances, placements and term finances.

Return on finances provided, placements and term finances are recognized on time proportion basis.

Notes to the Financial Statements

For the year ended 30 June 2007

Morabaha income

Mark-up/profit earned on finance under morabaha agreement and finance under buy-back agreement is recognized on a time proportion basis taking account of, where applicable, the relevant buy-back dates and prices, or where a specific schedule of recoveries is prescribed in the agreement, the respective dates when mark-up is required to be paid to the Company.

Income on bank deposits and reverse repo transactions

Income from bank deposits, investments, loans and advances is recognized on time proportion basis.

Guarantee commission

Commission income from guarantee is recognized on time proportion basis.

Dividend Income

Dividend income is recognized when right to receive dividend is established.

3.15 Return on certificates of investment and borrowings

Return on certificates of investment and borrowings is recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

3.16 Staff retirement benefits

Defined benefit plan

Gratuity fund

The Company operates an approved funded gratuity scheme for all of its permanent employees subject to a minimum qualifying period of six months of service. Provisions are made in accordance with the actuarial valuation using 'Projected Unit Credit method'.

Actuarial gains and losses arising as a result of actuarial valuation are recognized as income or expense to the extent that the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded 10% of the higher of present value of defined benefit obligation and the fair value of the plan assets as at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Gratuity is payable to employees on the completion of prescribed qualifying period of service under the scheme.

Leave encashment

The Company operates an unfunded leave encashment scheme for all of its permanent employees. Provisions are made in accordance with the actuarial valuation using 'Projected Unit Credit method'.

3.17 Provision for potential lease losses and loans

The provision for potential lease losses and installment loan losses is maintained at a level which is adequate to provide for potential losses on lease and installment loan portfolio in accordance with Prudential Regulations for NBFCs. Specific provision for potential lease and installment loan losses

Notes to the Financial Statements

For the year ended 30 June 2007

is maintained at a level which, in the judgment of the management, is adequate to provide potential losses on lease and installment loan portfolio that can be reasonably anticipated. The provision is increased by charge to income and is decreased by charge offs, net of recoveries.

The leases, loans and advances are written off when there are no realistic prospects of recovery.

3.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balance with banks on current and deposit accounts and short term running finance account.

3.19 Borrowing costs

The borrowing cost incurred on debts of the Company is charged to income.

3.20 Transactions with related parties and transfer pricing

The Company enters into transactions with related parties on arms length basis. Prices for transactions with related parties are determined using admissible valuation methods, except for the assets sold to employees at written down value as approved by the board of directors.

Parties are said to be related, if they are able to influence the operating and financial decisions of the Company and vice versa.

3.21 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupee at the foreign exchange rate ruling at the date of transaction. Assets and liabilities in foreign currency are translated at the rates of exchange prevailing on the balance sheet date. All exchange gains/losses are taken to profit and loss account.

3.22 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to identify the circumstances indicating the occurrence of impairment loss or reversal of previous impairment losses. If any such indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of such asset is increased to the revised recoverable amount. A reversal of the impairment loss is recognized in income.

3.23 Dividends

Dividend is recognized as a liability in the period in which it is declared.

3.24 Bonus shares

Bonus shares are recognized as an appropriation from profit in the period in which it is declared.

3.25 Subsequent event

The board of directors have proposed a final cash dividend of 15% Rs. 1.5 per share (2006: 15%, Rs. 1.5 per share) and bonus shares 25%, 5 shares per 20 shares held (2006: 15%, 3 shares per 20 shares held).

4	Fixed assets	Notes	2007	2006
			Rupees	Rupees
	Property and equipment	4.1	108,061,123	45,243,974
	Intangible	4.2	30,955,585	30,100,000
			<u>139,016,708</u>	<u>75,343,974</u>

Notes to the Financial Statements
For the year ended 30 June 2007

4.1 Property and Equipment

	C O S T				D E P R E C I A T I O N				Depreciation rate %	
	As at 01 July 2006	Additions during the year	Deletions during the year	As at 30 June 2007	As at 01 July 2006	For the year	Deletions	As at 30 June 2007		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
<i>Owned</i>										
Building on freehold land	17,217,938	27,723,076	-	44,941,014	2,092,686	1,283,511	-	3,376,197	41,564,817	5
Leasehold improvements	5,154,028	10,820,781	-	15,974,809	1,179,714	1,708,804	-	2,888,518	13,086,291	20
Office equipment and machines	9,513,223	8,449,938	-	17,963,161	3,829,877	1,944,815	-	5,774,692	12,188,469	20
Furniture and fixtures	9,966,879	6,130,448	-	16,097,327	2,663,776	1,077,169	-	3,740,945	12,356,382	10
Air-conditioning equipment	3,710,801	866,363	-	4,577,164	803,480	359,893	-	1,163,373	3,413,791	10
Vehicles	15,133,190	22,557,205	(2,176,555)	35,513,840	4,882,552	5,870,965	(691,050)	10,062,467	25,451,373	20
	60,696,059	76,547,811	(2,176,555)	135,067,315	15,452,085	12,245,157	(691,050)	27,006,192	108,061,123	
2007	48,051,805	22,263,466	(9,619,212)	60,696,059	11,868,515	7,043,348	(3,461,778)	15,452,085	45,243,974	

4.2 Intangible

	C O S T				A M O R T I Z A T I O N				
	As at 01 July 2006	Additions during the year	Deletions during the year	As at 30 June 2007	As at 01 July 2006	For the year	Deletions	As at 30 June 2007	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Lahore Stock Exchange Membership	30,100,000	-	-	30,100,000	-	-	-	-	30,100,000
Software Licences		950,650		950,650	95,065			95,065	855,585
2007	30,100,000	950,650	-	31,050,650	-	95,065		95,065	30,955,585
2006	30,100,000			30,100,000					30,100,000

PARTICULARS

4.3 Gain / (loss) on disposal of fixed assets

Description	Cost		Book value		Sale proceeds		Gain / (loss)		Mode of disposal		Purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Mode of disposal	Purchaser	
Assets with book value below Rs: 50,000	153,555		51,305		92,000		40,695		Negotiation		Various Parties
<i>Vehicles</i>											
Vehicle LZT-255	830,500		539,825		646,000		106,175		Negotiation		Argosy Enterprises
Vehicle LWL-4260	1,192,500		894,375		945,000		50,625		Negotiation		Argosy Enterprises
2007	2,176,555		1,485,505		1,683,000		197,495				
2006	9,619,212		6,157,434		5,309,873		(847,561)				

5 Net investment in lease finance

	Notes	2007 Rupees	2006 Rupees
Lease payments receivable	5.1	3,864,762,908	3,936,630,630
Add: Residual value		1,054,280,794	978,277,832
Gross investment in leases		4,919,043,702	4,914,908,462
Less: Unearned finance income		687,719,451	887,360,569
Income suspended	5.2	161,531,804	57,897,652
Provision for potential lease losses	5.3	80,900,962	70,752,922
		930,152,217	1,016,011,143
Net investment in lease finance		3,988,891,485	3,898,897,319
Less: Current portion of net investment in lease finance	9	971,284,737	1,135,365,019
		3,017,606,748	2,763,532,300

30 June 2007

	Not later than one year Rupees	Later than one year and not later than five years Rupees	Later than five years Rupees	Total Rupees
Gross investment	1,317,703,796	3,601,339,906	-	4,919,043,702
Less: Unearned finance income	346,419,059	341,300,392	-	687,719,451
	971,284,737	3,260,039,514		4,231,324,251

30 June 2006

	Not later than one year Rupees	Later than one year and not later than five years Rupees	Later than five years Rupees	Total Rupees
Gross investment	1,521,648,126	2,443,693,030	949,567,306	4,914,908,462
Less: Unearned finance income	386,283,107	498,875,603	2,201,859	887,360,569
	1,135,365,019	1,944,817,427	947,365,447	4,027,547,893

5.1 The Company has entered into various lease agreements with implicit rate of return ranging from 6.75% to 22% (2006:6.75% to 22%) per annum. Security deposit is obtained generally upto 10% to 20% of the cost of leased assets at the time of disbursement. The Company requires the lessees to insure the leased assets in the favour of the Company and to maintain the financial ratios required by NBFC's Prudential regulations. Additional lease rentals are charged on the delayed payments.

All the leases are secured against demand promissory notes of the lessees and personal guarantees of the directors and in case of individual lessees two personal guarantees. Whereas, certain leases are additionally secured by mortgage of immovable property.

	2007 Rupees	2006 Rupees
5.2 Income suspended		
Balance at the beginning of the year	57,897,652	13,376,702
Charge for the year	184,717,685	49,075,179
Reversal of suspension	(81,083,533)	(4,554,229)
Balance at the end of the year	161,531,804	57,897,652
5.3 Provision for potential lease losses		
Balance at the beginning of the year	70,752,922	57,202,708
Current year potential lease loss provision	17,204,894	15,294,261
Provision reversed during the year	(7,056,854)	-
Provision written off during the year	-	(1,744,047)
Balance at the end of the year	80,900,962	70,752,922

Notes to the Financial Statements

For the year ended 30 June 2007

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
6 Long term finances			
Employees - considered good	6.1	9,632,852	553,797
Others			
Secured - considered good	6.2	34,500,000	36,000,000
Unsecured - considered good		<u>300,000</u>	<u>300,000</u>
		44,432,852	36,853,797
Less : current maturity	9	<u>1,519,988</u>	<u>11,429</u>
		<u>42,912,864</u>	<u>36,842,368</u>

6.1 These represent long term finances provided to employees against mortgage of property. These carry mark-up ranging from 4% to 13% (2006: 8% to 12 %) per annum. The maximum aggregate balance due from the chief executive is Rs. 1.20 million (2006: Nil) and executives is Rs. 7.40 million (2006: Nil).

Loan to the employees includes the house loan to the chief executive amounting to Rs. 1,085,665 outstanding as on June 30, 2007 and carries mark-up at the rate of 4% per annum.

6.2 These include long term finances provided to individuals against pledge of shares having fair value of Rs. 121.275 million and mortgage of property. These carry mark-up ranging from 15.50% to 19% (2006 : 15% to 19%) per annum.

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
7 Long term investments			
7.1 Available for sale investment			
Investment in shares- unquoted	7.1.1	<u>527,614</u>	63,638
		<u>527,614</u>	<u>63,638</u>
7.1.1 Unquoted shares, at cost			
Trust Management Services (Pvt.) Ltd.		2,250,000	2,250,000
Less: Provision for diminution in the value of investments	7.1.1.1	<u>1,722,386</u>	<u>2,186,362</u>
		<u>527,614</u>	<u>63,638</u>

The value of shares is Rs. 527,614 (2006: Rs. 63,638) based on the value of net assets of investee company based on its latest audited accounts. The face value per share is Rs. 10.

	<u>2007</u> Rupees	<u>2006</u> Rupees
7.1.1.1 Provision for diminution in the value of investments		
Opening balance	2,186,362	1,009,379
(Reversed) / Charged for the year	<u>(463,976)</u>	<u>1,176,983</u>
Closing balance	<u>1,722,386</u>	<u>2,186,362</u>

Notes to the Financial Statements

For the year ended 30 June 2007

8 Long term advances

The long term advances represents Rs. 38.025 million paid to Tricon Developers (Pvt.) Ltd. against purchase of office space.

	Note	2007 Rupees	2006 Rupees
9 Current maturities of non-current assets			
Long term finances	6	1,519,988	11,429
Net investment in lease finance	5	971,284,737	1,135,365,019
		<u>972,804,725</u>	<u>1,135,376,448</u>

10 Short term finances

Employees - considered good	10.1	1,190,979	3,500,000
Others			
Secured - considered good	10.2	38,000,000	14,850,000
Secured - considered doubtful		650,000	650,000
Less: Provision against doubtful finance	10.3	650,000	650,000
		<u>39,190,979</u>	<u>18,350,000</u>

10.1 This represents staff loans to employees against their retirement benefits. These carry mark-up ranging from 11.47% to 18% (2006 : 8% to 12%) per annum. The maximum amount due from directors, chief executive and executives was Rs. Nil (2006 : 3.5 million) and Rs. Nil (2006: Rs. Nil) respectively at the end of any month during the year.

10.2 These include short term finances provided to individuals against their certificates of investment and mortgage of property. These carry mark-up ranging from 15% to 19% (2006 : 14% to 19%) per annum.

	Note	2007 Rupees	2006 Rupees
10.3 Movement in provision against doubtful finances			
Opening balance		650,000	650,000
Charge for the year		-	-
Closing balance		<u>650,000</u>	<u>650,000</u>

11 Short term placements - considered good

Secured

Continuous funding system	11.1	357,563,636	915,755,614
Securities purchased under reverse repurchase agreements	11.2	276,014,100	141,014,100
		<u>633,577,736</u>	<u>1,056,769,714</u>

11.1 These represent short term funds placed under continuous funding system and carry an effective yield ranging from 11% to 19.5 % (2006: 13.8% to 25%) on an average basis per annum.

11.2 These represent short term funds placed under reverse repurchase agreements and carry an effective yield ranging from 13.8% to 25 % (2006: 13.8% to 25%) on an average basis per annum.

Fair value of quoted securities held as collateral against lending on continuous funding system and reverse repurchase agreement

	2007 Rupees	2006 Rupees
Quoted Shares	<u>706,548,416</u>	<u>1,167,042,364</u>

These has been placed for a period upto one year.

12 Short term investments

Note	2007			2006			
	Held by Company	Given as collateral	Total	Held by Company	Given as collateral	Total	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Investments at fair value through profit and loss account	12.1	500,027,796	167,605,000	667,632,796	188,291,345	151,807,500	340,098,845
Investments available for sale	12.2	102,772,820	-	102,772,820	24,318,268	-	24,318,268
		602,800,616	167,605,000	770,405,616	212,609,613	151,807,500	364,417,113

12.1 Investments at fair value through profit and loss account

Investments held for trading

Name of investee company

Technology and communication

	Shares/Units		Cost		Fair value	
	2007 Number	2006 Number	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees
Pakistan Telecommunication Company Limited	-	500,000	-	22,194,084	-	20,300,000
Worldcall Telecommunication Limited	-	588,425	-	6,751,518	-	5,266,404
Callmate Tellips Telecom Limited	400,000	-	20,718,995	-	19,800,000	-

Energy and power

Pakistan Petroleum Limited	200,000	158,000	53,200,274	35,904,483	52,490,000	33,472,300
Pakistan Oil fields Limited	306,000	93,000	107,460,471	32,667,561	97,002,000	31,136,400
Oil & Gas Development Company Limited	425,000	155,000	52,508,240	18,894,912	50,915,000	21,196,250
Pakistan State Oil Limited	-	35,000	-	10,041,269	-	10,815,000

Modarabas

Trust Modaraba	-	462	-	1,848	-	2,356
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Cement

Lucky Cement Limited	-	300,000	-	32,457,068	-	31,065,000
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Commercial Banks

Bank Alfalah Limited	-	8,332	-	487,944	-	333,280
Askari Commercial Bank Limited	150,000	16,500	15,359,513	1,762,444	15,885,000	1,279,575
The Bank of Punjab	450,000	400,000	50,771,686	31,108,721	52,425,000	33,080,000
National Bank of Pakistan Limited	125,000	150,000	31,430,123	31,430,067	32,750,000	32,325,000
Faysal Bank Limited	-	7,500	-	575,451	-	461,250
Crescent Commercial Bank Limited	2,790,500	-	49,700,534	-	62,646,725	-
My Bank Limited	1,994,000	-	56,401,210	-	59,620,600	-
United Bank Limited	200,000	-	42,911,295	-	43,990,000	-
PICIC Commercial Bank Limited	881,500	-	36,922,073	-	38,786,000	-
Saudi Pak Commercial Bank Limited	1,000,000	-	23,136,907	-	25,150,000	-

Investment Companies

Arif Habib Securities Limited	512,685	95,000	39,363,593	38,238,046	59,779,071	47,310,000
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Cable and Electronics

Pak Electron Limited	472,500	403,000	40,049,100	21,205,096	40,635,000	42,697,850
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Automobiles

Pak Suzuki Motors Company Limited	40,200	80,000	8,388,400	22,402,944	15,758,400	25,040,000
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Engineering

Crescent Steel & Allied Products Limited	-	60,000	-	4,424,762	-	2,607,000
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Textile Composite

Azgard Nine Limited	-	2	-	64	-	45
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Miscellaneous

ECO Pakistan Limited	-	49,100	-	2,153,898	-	1,711,135
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	9,947,385	3,099,321	628,322,414	312,702,180	667,632,796	340,098,845
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12.1.1 All shares have a face value of Rs.10.

12.1.2 Include shares of Rs.167,605,000 (2006: Rs. 156,686,150) deposited with Bank Al-Habib Limited for overdraft facility.

12.1.3 The fair values are determined with reference to quoted stock exchange prices as at 30 June 2007.

Notes to the Financial Statements

For the year ended 30 June 2007

12.2 Investments available for sale

2007	2006	Name	Face value/per share/unit	2007		2006	
				Average total cost	Market value/recoverable value	Average total cost	Market value/recoverable value
	No. of shares/units	Name of investee company		Rupees	Rupees	Rupees	Rupees
	138,870	Faysal Balanced Growth Fund	100	-	-	11,290,000	14,756,326
	200,334	Pakistan International Element Fund	50	-	-	10,000,000	9,561,942
	750,000	Pervez Ahmad Securities Limited	10	7,500,000	17,025,000	-	-
	1,172,187	Hira Textile Mills Limited	10	14,652,338	11,721,870	-	-
		Dewan Farooque Motors Limited		-	46,525,950	-	-
		Azgard-Nine Limited		-	27,500,000	-	-
				22,152,338	102,772,820	21,290,000	24,318,268

12.2.1 The discount yield on Commercial Papers was 13% p.a to 13.36 % p.a.

13 Markup accrued

Markup accrued on short term and long term finances
Markup accrued on advance against leases

2007	2006
Rupees	Rupees
13,874,492	13,555,734
3,669,777	1,596,273
17,544,269	15,152,007

TRUST INVESTMENT BANK LIMITED

(Formerly Trust Leasing & Investment Bank Limited)

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
14 Advances, prepayments and other receivables			
Advance to employees-considered good	14.1	-	878,455
Advance against leases	14.2	77,815,311	57,581,890
Advance against booked vehicles		-	1,000,200
Advance against purchase of fixed assets		36,710,266	28,283,187
Other advances - considered good		2,773,194	552,237
Initial transaction cost of term finance certificates		1,203,542	-
Receivable from broker	14.3	-	374,034,286
Receivable from brokerage customers		113,052,333	10,276,559
Receivable from NCCPL		227,784,312	-
Prepayments		6,729,665	2,618,369
Miscellaneous receivables from lessees	14.4	71,654,315	41,210,680
Other receivables - considered good		1,901,202	2,680,159
		<u>539,624,140</u>	<u>519,116,022</u>

14.1 This represents advance to employees against salary and are adjustable against salary. The maximum aggregate balance due from the executives, chief executive and directors is Rs. Nil (2006 : Rs. Nil).

14.2 These represent advance given to suppliers on behalf of lessees in respect of assets to be leased and are eventually transferred to net investment in lease finance when the assets are brought into use. Lessees are being charged with mark-up at 12% to 19 % (2006: 12% to 20%) per annum against advances.

14.3 This represents funds receivable from broker upon settlement of future contract for purchase and sale of securities.

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
14.4 Miscellaneous receivables from lessees			
Considered good		71,654,315	41,210,680
Considered doubtful			
Miscellaneous receivables from lessees		59,159,946	19,220,638
Less: Provision against doubtful receivables	14.4.1	59,159,946	19,220,638
		-	-
		<u>71,654,315</u>	<u>41,210,680</u>
14.4.1 Provision against doubtful receivables			
Opening balance		19,220,638	8,389,241
Charge for the year		43,296,486	11,125,049
Reversed during the year		(3,357,178)	(293,652)
Closing balance		<u>59,159,946</u>	<u>19,220,638</u>

15 Cash and bank balances

Cash in hand	395,429	134,755
With banks in:		
Deposit accounts	231,791	50,160,925
Current accounts	200,319,871	98,790,124
	200,551,662	148,951,049
	<u>200,947,291</u>	<u>149,085,804</u>

Notes to the Financial Statements

For the year ended 30 June 2007

Note	2007		2006		2006	
	No. of shares	Rupees	No. of shares	Rupees	No. of shares	Rupees
16 Share capital						
Authorized						
Ordinary shares of Rs. 10 each	80,000,000	800,000,000	50,000,000	500,000,000	500,000,000	
Preference shares of Rs. 10 each	30,000,000	300,000,000	30,000,000	300,000,000	300,000,000	
	110,000,000	1,100,000,000	80,000,000	800,000,000	800,000,000	
Issued, subscribed and paid up						
Ordinary shares of Rs. 10 each fully paid-up in cash	20,142,984	201,429,840	20,142,984	201,429,840	201,429,840	
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	26,699,314	266,993,143	20,589,449	205,894,493	205,894,493	
	46,842,298	468,422,983	40,732,433	468,422,983	407,324,333	
					<i>16.1</i>	
16.1 Reconciliation of ordinary shares						
Opening balance of ordinary shares of Rs.10 each		2007		2006		
		No. of shares		No. of shares		
Bonus shares issued during the year amounting to Rs.61,098,650 (2006: Rs.67,887,380)		40,732,432		33,943,694		
Closing balance of ordinary shares of Rs.10 each		6,109,865		6,788,738		
		46,842,297		40,732,432		

Notes to the Financial Statements

For the year ended 30 June 2007

	<i>Note</i>	2007 Rupees	2006 Rupees
17 Reserves			
Capital reserves			
Share premium reserve		70,714,920	70,714,920
Statutory reserve	17.1	176,801,731	156,192,221
		247,516,651	226,907,141
Revenue reserves			
General reserve		61,000,000	61,000,000
Unappropriated profit		239,124,294	278,883,552
		300,124,294	339,883,552
		547,640,945	566,790,693
17.1 Statutory reserve			
Opening balance		156,192,221	115,772,912
Transfer from profit and loss account		20,609,510	40,419,309
		176,801,731	156,192,221

This represents special reserve created at the rate of 20% of profit for the year after taxation under rule 2 of part III of SECP's NBFC's Prudential Regulations.

	<i>Note</i>	2007 Rupees	2006 Rupees
18 Surplus on revaluation of investments			
Opening balance		4,318,268	(260,000)
Gain/(Loss) on sale of investment transferred to profit and loss account		(4,318,268)	1,550,000
Net movement in the fair value during the year		6,594,532	3,028,268
Closing balance		6,594,532	4,318,268
19 Term Finance Certificates (TFC) - secured			
TFC I	19.1	140,375,000	202,875,000
TFC II-1st Tranche	19.2	187,500,000	262,500,000
TFC II-2nd Tranche	19.3	262,500,000	337,500,000
		590,375,000	802,875,000
Less: Unamortized portion of the initial transaction cost		8,100,427	11,339,084
		582,274,573	791,535,916
Less: Current maturity	24	290,375,000	212,500,000
		291,899,573	579,035,916

Notes to the Financial Statements

For the year ended 30 June 2007

- 19.1** These represent secured, rated and listed Term Finance Certificates (TFCs), being instrument of redeemable capital under the Companies Ordinance, 1984. The TFCs have a tenure of five (5) years and consist of Rs. 250 million out of which Rs. 200 million were offered to institutional investors for pre-IPO placements and Rs. 50 million to the general public. The TFCs are secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 25% and are issued in set of ten (10) TFCs, each set having an aggregate face value of Rs. 5,000.

The principal is repayable in ten un-equal semi-annual installments in arrears starting from 03 December 2003. Each TFC is redeemed on its due date through the dispatch of a crossed cheque to the registered holders of the TFC.

The profit is payable semi annually at State Bank of Pakistan discount rate + 2.0% with a floor of 9.00% and a cap of 14.00%. The profit rate is set three working days prior to the beginning of each semi-annual period for the profit due at the end of that semi-annual period.

The initial transaction cost is amortized on straight line basis in conjunction with the term of TFCs.

- 19.2** This represents first tranche of second issue of secured, rated and listed Term Finance Certificates (TFC's) being instrument of redeemable capital issued under the Companies Ordinance, 1984. The TFCs have a tenure of five (5) years and consist of Rs.375 million out of which Rs.300 million were offered to institutional investors for Pre-IPO placements and Rs. 75 million to the general public. The TFCs are secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 25% and are issued in set of ten (10) TFCs, each set having an aggregate face value of Rs. 5,000.

The principal is repayable in ten equal semi-annual installments in arrears starting from 17 January 2005. Each TFC will be redeemed on its due date through the dispatch of a crossed cheque to the registered holders of the TFC.

The profit is payable semi annually at 6 months KIBOR + 300 bps per annum with a floor of 6 % and a cap of 10 %. The profit rate is set seven days before the start of semi- annual period for which the profit is being paid.

The initial transaction cost is amortized on straight line basis in conjunction with the term of TFCs.

- 19.3** This represents second tranche of second issue of secured, rated and listed Term Finance Certificates (TFC's) being instrument of redeemable capital issued under the Companies Ordinance, 1984. The TFCs have a tenure of five (5) years and consist of Rs.375 million of which Rs.300 million were offered to institutional investors for Pre-IPO placements and Rs. 75 million to the general public. The TFCs are secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 25% and are issued in set of ten (10) TFCs, each set having an aggregate face value of Rs.5,000.

The principal is repayable in ten equal semi-annual installments in arrears starting from 15 May 2006. Each TFC will be redeemed on its due date through the dispatch of a crossed cheque to the registered holders of the TFC.

The profit is payable semi annually at 6 months KIBOR + 200 bps per annum with no floor and no cap. The profit rate is set seven days before the start of semi- annual period for which the profit is being paid.

The initial transaction cost is amortized on straight line basis in conjunction with the term of TFCs.

Notes to the Financial Statements

For the year ended 30 June 2007

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
20 Long term certificates of investment - unsecured			
Local currency			
- Financial institutions		1,100,000,000	-
- Corporates		13,352,940	16,022,940
- Individuals		19,570,000	8,790,000
	<i>20.1</i>	1,132,922,940	24,812,940
Less: Current maturity	<i>24</i>	490,000	-
		1,132,432,940	24,812,940

20.1 These represent deposits received by the Company as per permission granted by the Securities and Exchange Commission of Pakistan. These certificates are issued for a period of 2 years to 6 years at rates of profit ranging from 11% to 16.67% (2006: 10% to 14%) per annum.

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
21 Long term borrowings - secured			
Banking companies and other financial institutions:			
MCB Bank Limited	<i>21.1</i>	-	4,166,670
The Bank of Punjab Limited	<i>21.2</i>	137,500,002	91,969,694
Faysal Bank Limited	<i>21.3</i>	-	10,416,669
Askari Bank Limited	<i>21.4</i>	16,666,664	33,333,332
Allied Bank Limited	<i>21.5</i>	86,666,665	139,999,999
National Bank of Pakistan Limited	<i>21.6</i>	33,160,441	83,333,333
Habib Bank Limited	<i>21.7</i>	141,666,666	91,666,666
Pak Kuwait Investment Company (Pvt.) Ltd.	<i>21.8</i>	16,666,664	33,333,332
Pak Oman Investment Company (Pvt.) Ltd.	<i>21.9</i>	25,000,000	50,000,000
Syndicated Term Finance	<i>21.10</i>	55,432,466	80,140,361
Soneri Bank Ltd.	<i>21.11</i>	50,000,000	50,000,000
Saudipak Industrial & Agricultural Investment Company (Pvt.) Limited.	<i>21.12</i>	66,666,664	37,499,999
		629,426,232	705,860,055
Less: Current portion shown under current liabilities	<i>24</i>	379,452,572	309,792,041
		249,973,660	396,068,014

21.1 This represents a facility of Rs. 25 million secured against first charge on specific leased assets and related receivables and carries mark-up rate of 6 months T bills cut off yield + 4% per annum with a floor of 7.5%. It is repayable in twelve equal quarterly installments starting from 06 January 2004.

21.2 This represents two facilities of an aggregate amount of Rs. 200 million. The facilities are secured against first charge on specific leased assets and related receivables. These carry mark-up rate of 3 months KIBOR + 250 bps per annum with a floor of 4.5%. These facilities are repayable in twelve and sixteen equal quarterly installments starting from 05 December 2005 and 31 March 2006 respectively.

21.3 These represent two facilities of an aggregate amount of Rs. 55 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate of 6

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For the year ended 30 June 2007

months KIBOR + 150 bps per annum. These facilities are repayable in twelve equal quarterly installments starting from 07 February 2004 and 05 April 2004 respectively.

- 21.4** This represents a facility of Rs. 50 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 months KIBOR + 250 bps per annum. The facility is repayable in twelve equal quarterly installments starting from 30 August 2005.
- 21.5** These represent two facilities of an aggregate amount of Rs. 200 million. The facilities are secured against first charge on specific leased assets and related receivables. They carry mark-up rate ranging from 6 months KIBOR + 200 bps to 6 months KIBOR + 250 bps per annum with a floor of 7%. The facilities are repayable in six and ten equal half yearly installments starting from 28 June 2005 and 30 June 2006 respectively.
- 21.6** These represent two facilities of an aggregate amount of Rs. 150 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate ranging from 6 months KIBOR + 200 bps to 6 months KIBOR + 250 bps per annum with a floor of 5%. These are repayable in twelve equal quarterly installments starting from 31 March 2005, 30 September 2005 respectively.
- 21.7** These represent three facilities of an aggregate amount of Rs. 250 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate of 6 months KIBOR+200 bps per annum and 6 months KIBOR+250 bps per annum with a floor of 5%. These are repayable in twelve equal quarterly installments starting from 04 February 2005, 17 September 2005 and 30 September 2007 respectively.
- 21.8** This represents facility of Rs. 50 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 months KIBOR + 245 bps per annum. The facility is repayable in twelve equal quarterly installments starting from 27 September 2005.
- 21.9** This represents facility of Rs. 75 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 months KIBOR + 250 bps per annum. The facility is repayable in twelve equal quarterly installments starting from 08 September 2005.
- 21.10** This represents a syndicated term finance facility of Rs. 100 million from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited along with Pak Oman Investment Company Limited and Pak Libya Holding Company (Private) Limited. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 months KIBOR + 225 bps per annum. The facility is repayable in eight equal half yearly installments starting from 15 June 2005.
- 21.11** This represents facility of Rs. 50 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 months KIBOR + 300 bps per annum. The facility is repayable on completion of three years period starting from 15 December 2004.
- 21.12** These represents two facilities of an aggregate amount of Rs. 100 million. The facilities are secured against first charge on specific leased assets and related receivables. These carry mark-up rate of 3 months KIBOR + 275 bps to 6 months KIBOR + 250 bps per annum. These facilities are repayable in twelve equal quarterly installments starting from 18 October 2005 and 13 April 2007.

Notes to the Financial Statements

For the year ended 30 June 2007

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
22 Long term deposits			
Margin against letter of guarantee		6,220,000	600,000
Deposits against lease arrangements	22.1	1,050,934,851	974,342,907
Less: Current maturity	24	123,723,476	44,167,455
		927,211,375	930,175,452
		933,431,375	930,775,452

22.1 These represent the interest free security deposits (lease key money) received on lease contracts and are adjustable at the expiry of their respective lease periods.

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
23 Staff service costs			
Gratuity	23.1	1,992,724	5,580,463
Leave encashment	23.1	2,026,869	-
		4,019,593	5,580,463

	<i>Note</i>	<u>Gratuity</u>		<u>Leave encashment</u>	
		<u>2007</u> Rupees	<u>2006</u> Rupees	<u>2007</u> Rupees	<u>2006</u> Rupees
23.1 Movement in liability recognized in the balance sheet					
Net liability as at 01 July 2006		5,580,463	2,616,832	-	-
Amount recognized during the year	23.1.1	5,702,494	3,249,063	2,393,912	-
Contribution made by the Company		(9,290,233)	(285,432)	(367,043)	-
Net liability as at 30 June 2007	23.1.2	1,992,724	5,580,463	2,026,869	-

23.1.1 Amounts charged to profits and loss account during current year

Current service cost	3,416,367	2,502,282	1,326,694	-
Interest cost	1,612,101	585,613	178,221	-
Expected return on plan assets	(180,846)	(173,088)	-	-
Liability/(asset) charge due to application of IAS-19	286,422	286,422	-	-
Actuarial (gains)/loss - charge for the year	568,450	47,834	294,926	-
Additional charge due to adoption of IAS 19	-	-	594,071	-
Total included in staff cost	5,702,494	3,249,063	2,393,912	-

23.1.2 Reconciliation of liability recognized in the balance sheet in respect of gratuity

Present value of defined benefit obligations	7,907,331	17,912,230	3,215,010	-
Less: Fair value of plan assets	(2,239,798)	(2,009,397)	-	-
Less: Actuarial gains/(losses) to be recognized in later periods	(3,388,389)	(9,749,527)	-	-
Add: Benefits due but not paid	-	-	-	-
Less: Unrecognized transitional liability to be recognized in later periods	(286,421)	(572,843)	(1,188,141)	-
Balance sheet liability	1,992,723	5,580,463	2,026,869	-

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For the year ended 30 June 2007

23.1.3 Actual return on the plan assets <i>Note</i>	Gratuity		Leave encashment	
	2007	2006	2007	2006
	Rupees	Rupees	Rupees	Rupees
Expected return on the plan assets	180,846	173,088	-	-
Actuarial gain/(loss) on plan assets	49,555	(86,888)	-	-
Actual return on the plan assets	230,401	86,200	-	-

23.1.4 Qualified actuary carried out the valuation as on 30 June 2007 using the Projected Unit Credit Method. Following significant assumptions were used.

	Gratuity		Leave encashment	
	2007	2006	2007	2006
Discount rate	10% per annum	9% per annum	10% per annum	-
Expected rate of increase in salary	9% per annum	8% per annum	9% per annum	-
Expected rate of return on plan assets	10% per annum	9% per annum	-	-
Average number of leaves utilised per annum	-	-	5 Days	-
Expected average remaining years until vesting as on 30 June	13 years	14 years	-	-

23.2 The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	2007	2006	2005	2004	2003
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June					
Present value of defined obligation	7,907,331	17,912,230	6,506,811	4,433,633	-
Fair value of plan assets	2,239,798	2,009,397	1,923,197	1,785,575	-
Deficit	(5,667,533)	(15,902,833)	(4,583,614)	(2,648,058)	-

Fair value of plan assets include certificates of investments, whose fair value as at 30 June 2007 is Rs.2.239 million (2006: Rs. 2.009 million).

24	Current maturities of long term liabilities	<i>Note</i>	2007	2006
			Rupees	Rupees
	Term finance certificates - secured	19	290,375,000	212,500,000
	Certificates of investment - unsecured	20	490,000	-
	Long term borrowings - secured	21	379,452,572	309,792,041
	Long term deposits	22	123,723,476	44,167,455
			794,041,048	566,459,496

25 Short term certificates of investment - unsecured

Local currency				
- Financial institutions			135,000,000	600,000,000
- Corporate			146,599,895	94,253,050
- Individuals			50,274,330	11,602,750
		25.1	331,874,225	705,855,800

25.1 These represent unsecured short term certificates of investment for a period of three months to one year. These carry mark-up rate ranging from 9.00% to 12.25% (2006: 6.00% to 11.90%) per annum.

26 Short term borrowings

Banking companies and other financial institutions:

Running finances - secured	26.1	211,153,324	166,738,265
Placements from financial institutions - unsecured	26.2	1,162,500,000	1,660,000,000
		1,373,653,324	1,826,738,265

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For the year ended 30 June 2007

- 26.1** These represent running finances utilized from commercial banks. The total limits against running finances amount to Rs. 328.00 million (2006: Rs. 428.00 million). These carry mark-up rate of 3 months KIBOR + 200 bps to 3 months KIBOR + 213 bps with a floor ranging from 4.5% to 12.66% (2006: 3 months KIBOR + 200 bps to 6 months KIBOR + 200 bps) per annum payable on quarterly basis.

The above facilities have been obtained for a period of one year and are secured against promissory notes, first charge on specific leased assets, related receivables, and pledge of shares.

	<u>2007</u>	<u>2006</u>
	Rupees	Rupees
Carrying amount of quoted shares given as collateral against borrowings	<u>167,605,000</u>	<u>151,807,500</u>

- 26.2** These represent unsecured short term placements of one day to four months obtained from financial institutions carrying mark-up rate ranging from 7.00 % to 13 % (2006: 9 % to 12.20%).

<i>Note</i>	<u>2007</u>	<u>2006</u>
	Rupees	Rupees

27 Mark-up accrued

Secured

- Short and long term borrowings
- Term finance certificates

25,814,820	23,136,393
13,879,017	18,336,069
39,693,837	41,472,462

Unsecured

- Certificates of investment
- Pre-IPO deposits of preference shares

14,487,697	11,245,815
-	4,874,178
14,487,697	16,119,993
54,181,534	57,592,455

28 Trade and other payables

Payable to National Clearing Company of Pakistan Limited	-	46,968,225
Customer's credit balances	199,320,252	12,691,775
Advance receipt against leases	17,807,071	8,533,782
Unclaimed dividend	2,497,201	1,411,709
Accrued liabilities	3,770,675	225,371
Other liabilities	7,081,089	5,361,656
	<u>230,476,288</u>	<u>75,192,518</u>

- 28.1** These represent initial security deposit received from lessees before the structuring of leases.

29 Contingencies and commitments

29.1 Contingencies

- 29.1.1** The Company has issued a guarantees to various parties on behalf of clients amounting to Rs. 25.681Million. (2006:Rs. 3 million)

Notes to the Financial Statements

For the year ended 30 June 2007

29.1.2 In a suit filed, pending for ratable distribution of sale proceeds of a property auctioned by the Company on the order of the Banking Court, the Lahore High Court directed the Company to deposit the sale proceeds of that property amounting to Rs 25.650 million with the Court. However, the Company has obtained a stay against the order. The Company's lawyer is of the opinion that the maximum share of other party will be Rs 8.53 million if the case is decided against the Company.

29.2 Commitments

29.2.1 Lease commitments approved but not disbursed as on balance sheet date amount to Rs.217.065 million (2006 : Rs. 133.541 million).

29.2.2 Commitment for the purchase of office space amounting to Rs. 136.63 million (2006 :Rs. 48.75 million).

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
30 Income from lease operations			
Finance lease income		326,263,149	386,791,720
Front end fee		3,960,718	9,225,988
Commitment and other fees		906,003	1,401,506
Miscellaneous	<i>30.1</i>	24,215,167	66,909,755
		<u>355,345,037</u>	<u>464,328,969</u>
30.1 Miscellaneous lease income			
Mark-up on lease advance		6,233,938	7,381,204
Additional lease rentals		17,981,229	59,528,551
		<u>24,215,167</u>	<u>66,909,755</u>
31 Income from investments			
Profit on disposal of investment held for trading		175,601,259	32,695,613
Profit on investment in continuous funding system		91,221,945	170,072,519
Profit on disposal of shares under reverse repurchase agreements		43,491,103	2,811,766
Profit on disposal of shares purchased under future contract		-	34,209,137
Profit on short term placements		3,279,354	3,486,918
Dividend income		5,959,848	5,152,242
Underwriting and trusteeship fee		1,718,223	-
Gain / (Loss) on disposal of investments available for sale		3,685,066	(1,623,099)
		<u>324,956,798</u>	<u>246,805,096</u>
32 Other income			
Income from financial assets			
Profit on short term financing		8,978,428	1,951,109
Profits on bank deposits		82,465	185,079
Income from other than financial assets			
Gain on disposal of operating fixed assets		199,163	423,350
Income on booked vehicles		-	6,892,213
Commission income		2,873,189	4,181,562
Miscellaneous		11,783,800	5,725,264
		<u>23,917,045</u>	<u>19,358,577</u>

Notes to the Financial Statements

For the year ended 30 June 2007

	Note	2007 Rupees	2006 Rupees
33 Finance cost			
Mark-up on long term borrowings		81,736,770	80,737,664
Mark-up on term finance certificates		82,299,445	89,848,399
Mark-up on short term borrowings		134,359,778	141,370,497
Mark-up on certificates of investment		111,810,913	60,794,500
Mark-up on running finance		10,336,945	22,349,622
Commitment and other processing fee		2,154,197	401,344
Bank charges and commission		3,474,051	4,047,118
Markup payable on pre-IPO deposits of preference shares		2,589,524	4,874,178
		428,761,623	404,423,322
34 Administrative and operating expenses			
Salaries and other benefits		98,941,822	62,078,419
Printing and stationery		3,404,608	2,267,437
Vehicle running and maintenance		6,485,370	3,208,112
Postage, telephone and telex		4,696,501	4,038,666
Traveling and conveyance		1,425,486	765,643
Boarding and lodging		408,861	516,418
Entertainment		2,353,033	1,767,995
Advertisement		1,777,184	1,234,065
Electricity, gas and water		3,681,332	2,524,196
Newspapers and periodicals		149,576	174,311
Auditors' remuneration	34.1	405,000	300,600
Fee and subscription		1,350,893	1,103,328
Corporate Expenses		2,210,473	2,602,644
Staff service costs		8,096,406	3,249,063
Software		48,500	164,272
Rent, rates and taxes		14,567,402	3,903,376
Insurance		1,429,298	915,158
Donation	34.2	19,850	302,310
Office maintenance		3,659,607	2,601,642
Legal and professional charges		1,944,047	1,913,247
Security charges		1,398,154	656,513
Staff training		58,320	25,900
Business promotion		177,995	242,380
Repossession charges		1,587,179	-
CDC and clearing charges		2,433,109	1,082,526
Miscellaneous		2,704,697	761,266
		165,414,703	98,399,487
34.1 Auditors' remuneration			
Audit fee			
Annual		200,000	100,000
Half Yearly Review		60,000	50,000
Certifications fee and other services		95,000	95,000
Out of pocket expenses		50,000	55,600
		405,000	300,600

Notes to the Financial Statements

For the year ended 30 June 2007

- 34.2** Donations include payment of Rs. 3,000 to Presidents Earthquake Relief Fund and Rs. 14,850 to TDCP school. None of the directors have any interests in these institutions. (2006 : Rs.50,000 to Lahore Businessmen Association for Rehabilitation of Disabled (LABARD) LCCI building 11-Shara-e-Aiwan-e-Tijarat, Lahore. The director, Mr. Imtiaz Pervaiz is the general secretary in above said association).

	Note	2007 Rupees	2006 Rupees
35 Other charges			
Lease receivable written off		23,877	17,243
Loss on disposal of operating fixed assets		1,668	1,270,911
Loss on disposal of repossessed assets		-	199,405
Penalties imposed by the State Bank of Pakistan		-	66,000
		<u>25,545</u>	<u>1,553,559</u>

36 Provision for taxation

For the year			
- Current	36.1	2,500,000	4,000,000
- Deferred	36.2	10,000,000	15,036,526
		<u>12,500,000</u>	<u>19,036,526</u>

- 36.1** The current year tax is based on minimum turnover tax under section 113 of the Income Tax Ordinance, 2001, as a result of this, tax charge reconciliation has not been given.

- 36.2** Deferred tax liability comprises of taxable temporary differences amounting to Rs. 486.959 million and deductible temporary differences amounting to Rs. 461.923 million.

		2007	2006
37 Earnings per share - basic			
Profit for the year after taxation	Rupees	103,047,552	202,096,546
Weighted average number of ordinary shares	Numbers	<u>46,842,297</u>	<u>46,842,297</u>
Earnings per share	Rupees	<u>2.20</u>	<u>4.31</u>

- 37.1** No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on its earnings per share.

		2007 Rupees	2006 Rupees
38 Cash and cash equivalents			
Cash in hand		395,429	134,755
Cash at banks		200,551,662	148,951,049
Short term running finance		<u>(211,153,324)</u>	<u>(166,738,265)</u>
		<u>(10,206,233)</u>	<u>(17,652,461)</u>

39 Remuneration of chief executive, executives and directors

	Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	2,921,678	1,860,443	1,217,978	5,677,055	12,840,838	762,180
Housing and utilities	1,606,918	420,045	659,353	594,911	7,062,521	419,196
Bonus	182,000	728,000	-	21,650,000	205,500	280,000
Medical	94,714	87,117	12,283	-	492,383	49,220
Others	5,149,948	560,898	15,111,570	119,525	7,299,134	161,366
Gratuity	280,708	182,000	8,712,000	660,000	2,644,981	58,000
	10,235,966	3,838,503	25,713,184	28,701,491	30,545,357	1,729,962
Number of persons	2	2	3	2	15	1

39.1 The amount of others includes Rs. 15 million paid to two former directors / CEO as severance packages as per their terms of contract.

39.2 In addition to the above remuneration chief executive and some executives were also provided with free use of Company maintained vehicles.

39.3 No fee was paid to directors for attending the board meetings (2006: Nil).

Notes to the Financial Statements

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40 Financial instruments and related disclosures

The Company's interest/mark-up sensitivity position for interest/mark-up bearing financial assets and liabilities and the periods in which they will mature is as follows:

	Interest rates	EXPPOSED TO INTEREST / MARK - UP RISK										Not exposed to interest/mark-up risk	2007 Total	2006 Total			
		EXPPOSED TO FAIR VALUE INTEREST RATE RISK					EXPPOSED TO CASH FLOW INTEREST RATE RISK								Ruppes	Ruppes	Ruppes
		Up to three months to one year	Over three years to five years	Over five years	Total	Up to three months	Over one year to three years	Over three years to five years	Over five years	Total	Ruppes						
On balance sheet financial assets and liabilities																	
Financial assets																	
Net investment in lease finance	6.75% - 22%	215,647,134	700,703,401	2,318,695,686	755,845,264	-	-	-	-	3,988,891,485	-	-	3,988,891,485	-	3,988,891,485	3,898,897,319	
Long term finances	12% - 16%	-	-	-	-	-	-	-	-	1,519,988	-	-	44,432,852	-	44,432,852	36,853,797	
Long term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	527,614	63,638	
Short term finances	11.47% - 18%	-	-	-	-	-	-	-	-	39,190,979	-	-	39,190,979	-	39,190,979	18,350,000	
Short term placements	11% - 25%	276,014,100	-	-	-	-	-	-	-	276,014,100	-	-	357,563,636	-	633,577,736	1,056,769,714	
Short term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	770,405,616	364,417,113	
Mark up accrued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,544,269	15,152,007	
Advances, prepayments and other receivables	12% - 19%	-	77,815,311	-	-	-	-	-	-	77,815,311	-	-	77,815,311	-	417,163,356	487,214,266	
Cash and bank balances	4% to 7%	231,791	-	-	-	-	-	-	-	231,791	-	-	231,791	-	200,715,300	149,085,804	
		489,893,025	778,518,712	2,318,695,686	755,845,264	-	-	-	-	4,342,952,687	40,710,967	42,912,864	4,41,187,467	4,784,140,154	6,190,498,309	6,026,803,658	
Financial liabilities																	
Term finance certificates	10.00% - 12.00%	-	-	-	-	-	-	-	-	37,500,000	249,822,891	294,951,682	582,274,573	-	582,274,573	791,535,916	
Long term certificates of investments	11% - 16.67%	-	490,000	1,099,062,940	32,090,000	1,280,000	1,132,922,940	-	-	1,132,922,940	-	-	1,132,922,940	-	1,132,922,940	24,812,940	
Long term borrowings	10.00% - 13.15%	-	-	-	-	-	-	-	-	62,500,001	316,952,571	249,973,660	629,426,232	-	629,426,232	705,860,055	
Short term certificates of investments	9% - 12.25%	184,861,349	147,012,876	-	-	-	-	-	-	331,874,225	-	-	331,874,225	-	331,874,225	705,855,800	
Short term borrowings	4.5% - 13.00%	1,162,500,000	-	-	-	-	-	-	-	1,162,500,000	211,153,324	211,153,324	1,373,653,324	-	1,373,653,324	1,826,738,265	
Markup accrued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,181,534	57,592,455	
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	230,476,288	75,192,518	
		1,347,361,349	147,502,876	1,099,062,940	32,090,000	1,280,000	1,132,922,940	-	-	2,627,297,165	777,928,786	544,925,342	1,422,854,129	4,050,151,294	4,334,809,116	4,187,887,949	
On balance sheet gap		(857,468,324)	631,015,836	1,219,632,746	723,755,264	(1,280,000)	1,315,655,522	-	-	(257,563,635)	(737,217,819)	(602,012,478)	(981,666,662)	733,988,860	1,121,700,333	1,839,215,709	
Off balance sheet financial assets and liabilities																	
Lease commitments	-	(217,065,000)	-	-	-	-	-	-	-	(217,065,000)	-	-	(217,065,000)	-	(217,065,000)	(133,541,000)	
Off balance sheet gap		(217,065,000)	-	-	-	-	-	-	-	(217,065,000)	-	-	(217,065,000)	-	(217,065,000)	(133,541,000)	
Total interest rate sensitivity gap		(1,074,533,324)	631,015,836	1,219,632,746	723,755,264	(1,280,000)	1,315,655,522	-	-	(257,563,635)	(737,217,819)	(602,012,478)	(981,666,662)	733,988,860	1,121,700,333	1,839,215,709	
Cumulative interest rate sensitivity gap		(443,517,488)	776,115,238	1,499,870,522	1,498,590,522	-	-	-	-	(479,654,184)	(981,666,662)	(981,666,662)	(981,666,662)	516,923,860	-	-	

The carrying values of financial assets and financial liabilities are approximate to their fair value as reflected in the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2007

40.1 Credit risk

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. These procedures incorporate both internal guidelines and requirements of the Prudential Regulations for NBFC. The Company also manages risk through an independent credit department which evaluate customers credit worthiness and growth potential.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or activities in the same geographic region or have similar economic features which would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company manages concentration of credit risk exposure through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Company has established exposure limits for single leases and industrial sectors. The Company has an effective rental monitoring system, which allows it to evaluate customers credit worthiness and identify classified portfolio. An allowance for potential lease, installment and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease, installment and other loan portfolio that can be reasonably anticipated.

An analysis by class of business of the Company's net investment in finance leases is given below:

The Company has no significant concentration of credit risk, with exposure spread over a large number of lessees.

	<u>June</u> <u>2007</u> <u>Rupees</u>	<u>%</u>	<u>June</u> <u>2006</u> <u>Rupees</u>	<u>%</u>
Industrial sectors				
Chemical & fertilizer	12,270,840	0.29	18,044,936	0.18
Construction	9,228,265	0.22	8,920,577	0.24
Education	73,511	0.002	291,468	0.01
Financial institutions	6,236,917	0.15	20,766,236	0.57
Health care	74,387,882	1.76	19,486,821	0.40
Hotels	0	0.00	696,259	0.01
Individuals / auto lease	1,984,212,526	46.89	1,920,310,794	48.93
Insurance companies	10,329,470	0.24	19,342,143	0.50
Miscellaneous manufacturing	114,281,416	2.70	77,069,791	1.65
Miscellaneous services	42,349,974	1.00	33,591,941	0.74
Natural gas & LPG	108,638,765	2.57	78,681,103	2.00
Paper & board	12,680,078	0.30	9,405,032	0.24
Steel & engineering	12,044,595	0.28	28,619,677	0.69
Sugar & allied	80,316,319	1.90	27,296,873	0.61
Textile composite	73,066,779	1.73	100,355,297	0.69
Textile knitwear / apparel	70,423,793	1.66	77,191,908	1.68
Textile spinning	42,005,556	0.99	9,066,307	0.22
Transport & communication	1,578,777,565	37.31	1,578,410,730	40.65
	4,231,324,251	100	4,027,547,893	100

40.2 Liquidity Risks

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company has diversified its funding and assets are managed with liquidity in mind, maintaining a health balance of cash and cash equivalents and readily marketable securities.

The table below summarizes the maturity profile of the assets and liabilities.

	Upto three months	Over three months to one year	Over one year to three years	Over three years to five years	Over five years	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Maturities of assets and liabilities						
Assets						
Property and equipment	-	-	-	-	108,061,123	108,061,123
Intangible assets	-	-	-	-	30,955,585	30,955,585
Net investment in lease finance	213,647,134	700,703,401	2,318,695,686	755,845,264	-	3,988,891,485
Long term finances	-	1,519,988	42,912,864	-	-	44,432,852
Long term investments	-	-	527,614	-	-	527,614
Long term advances	-	-	38,025,000	-	-	38,025,000
Long term deposits	-	-	-	-	3,965,828	3,965,828
Short term finances	-	39,190,979	-	-	-	39,190,979
Short term placements	633,577,736	-	-	-	-	633,577,736
Short term investments	770,405,616	-	-	-	-	770,405,616
Taxation -net	-	27,529,228	-	-	-	27,529,228
Markup accrued	17,544,269	-	-	-	-	17,544,269
Advances, prepayments and other receivables	403,500,293	136,123,847	-	-	-	539,624,140
Cash and bank balances	200,947,091	-	-	-	-	200,947,091
	<u>2,239,622,139</u>	<u>905,067,443</u>	<u>2,400,161,164</u>	<u>755,845,264</u>	<u>142,982,536</u>	<u>6,443,678,546</u>
Liabilities						
Term finance certificates	37,500,000	249,822,891	294,951,682	-	-	582,274,573
Long term certificates of investment	-	490,000	1,099,062,940	32,090,000	1,280,000	1,132,922,940
Long term borrowings	62,500,001	316,952,571	249,973,660	-	-	629,426,232
Long term deposits	13,841,738	109,881,738	662,095,364	271,336,011	-	1,057,154,851
Deferred taxation	-	-	-	-	25,036,526	25,036,526
Staff service costs	-	-	-	-	4,019,593	4,019,593
Short term certificates of investment	184,861,349	147,012,876	-	-	-	331,874,225
Short term borrowings	1,162,500,000	211,153,324	-	-	-	1,373,653,324
Markup accrued	54,181,534	-	-	-	-	54,181,534
Trade and other payables	228,711,844	1,764,444	-	-	-	230,476,288
	<u>1,744,096,466</u>	<u>1,037,077,844</u>	<u>2,306,083,646</u>	<u>303,426,011</u>	<u>30,336,119</u>	<u>5,421,020,086</u>
Net assets	<u>495,525,673</u>	<u>(132,010,401)</u>	<u>94,077,518</u>	<u>452,419,253</u>	<u>112,646,417</u>	<u>1,022,658,460</u>
Equity						
Share capital						468,422,983
Reserves						547,640,945
						<u>1,016,063,928</u>
Surplus on revaluation of investments						6,594,532
						<u>1,022,658,460</u>

40.3 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying amount and the fair value estimates.

The carrying value of financial assets and financial liabilities approximate their fair value as reflected in the financial statements.

40.4 Interest rate risk exposure

Changes in interest/mark-up rates or in the relationships between short and long term interest/mark-up rates can affect the rates charged on interest/mark-up earning assets differently than the rates paid on interest bearing liabilities. This can result in an increase in interest/mark-up expense relative to finance income or vice versa. The Company manages its floating rate borrowing by fixing cap on rates.

41 Transactions with related parties

Related parties comprise of directors, entities over which directors are able to exercise significant influence, entities with common directors, major shareholders, key management employees and employees' fund. The transactions and balances with related parties, other than those which have been disclosed in the relevant notes are disclosed as follows:

	<i>Note</i>	<u>2007</u> Rupees	<u>2006</u> Rupees
First Pakistan Securities Limited			
Payment of brokerage expenses		-	1,107,586
Amount due against leases		613,135	1,561,204
Finance income charged during the period		77,036	195,179
Deposits against lease arrangements		149,700	296,570
MCD Pakistan Limited			
Amount due against leases		232,360	591,146
Finance income charged during the period		26,066	60,074
Deposit against lease arrangements		169,000	169,000
First National Equities Limited			
Amount due against leases		-	2,469,116
Finance income charged during the period		-	343,322
Deposit against lease arrangements		-	641,400
Arrangement fee for preference shares		-	500,000
Switch Securities (Private) Limited			
Payment of brokerage expenses		-	853,947
Amount due against leases		273,725	1,753,735
Finance income charged during the period		40,582	251,318
Deposit against lease arrangements		142,200	321,050
The United Insurance Company of Pakistan Limited 41.1			
Amount due against leases		-	24,450,745
Finance income charged during the period		-	2,224,804
Deposit against lease arrangements		-	6,952,238
The Bank of Punjab Limited			
Total facility availed		348,000,000	-
Mark up accrued during the period		21,936,484	-
Deposit of COI		1,000,000,000	-
Mark up accrued during the period		19,002,740	-
Short term placements		2,782,000,000	-
Mark up accrued during the period		18,618,021	-
Tricon Developers (Private) Limited			
Advance for purchase of office space		38,025,000	-
Newage Cables (Pvt) Limited 41.2			
Goods purchased		190,500	-
Commission on brokerage transactions		463,343	-
Union Communication (Pvt) Limited			
Commission income		109,432	-
Communication services		345,407	-
Purchase of supplies		68,533	-
Employees' retirement fund			
Payment made		9,290,233	285,432

Notes to the Financial Statements

For the year ended 30 June 2007

- 41.1 By virtue of the change in the Board of Directors, United Insurance Co. is no longer a related party of the Company.
- 41.2 The said account has been closed subsequently.

42 Accounting estimates and judgments

Income taxes

The Company takes into account the current income tax laws and decision taken by appellate authorities. Instances where the Company's view differ from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Further more the Company may be able to avail the benefits of payments of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilized.

Gratuity fund

Certain actuarial assumptions have been adopted as disclosed in note no. 23 to the financial statements for the valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property and Equipment

The depreciable lives of fixed assets are based on management's estimate. The Company reviews the value of assets for possible impairments on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with the corresponding affect on the depreciation charged and impairment.

Provision against net investments in lease finance and other receivables

The Company takes into account the requirements of applicable laws along with its own judgment while assessing the amount of loss against investment in lease finances, income from lease operations and other receivables. Provision are reversed only when parties become regular after making payments and as per the requirements of applicable rules.

43 Authorization

These financial statements were authorized for issue on October 08, 2007 by the Board of Directors.

44 General

44.1 Corresponding figures

Previous year's figures have been rearranged, wherever necessary for the purpose of comparison. Material rearrangements are summarized below:

- In short term placements, Investment in continuous funding system and securities purchased against reverse repo are shown separately.
- In income from investments , profit from continuous funding system and profit on reverse repo are shown separately.

44.2 Figures have been rounded off to the nearest of rupee.

Trust Investment Bank Limited
(Formerly Trust Leasing & Investment Bank Limited)

Proxy Form

I/We _____
of _____ (full address)
being a member of Trust Investment Bank Limited hereby appoint _____

_____ of _____ (full address) as my proxy to
attend and vote for me and on my behalf at the 16th Annual General Meeting of the
Company to be held on Wednesday, October 31, 2007 and at any adjournment thereof.

As witness my hand this _____ day of _____ 2007

Signed by the said _____

in presence of _____

full address _____

Please affix
revenue
stamp

Signature of Witness _____ Signature of Member _____

Shareholder's Folio No. _____ Number of Shares held _____

1. A member entitled to attend and vote at Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of him. No person shall act as a proxy, who is not a member of the company except that a Company may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a Company its common seal should be affixed to the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of holding the meeting.

The Company Secretary
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POSTAGE**

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