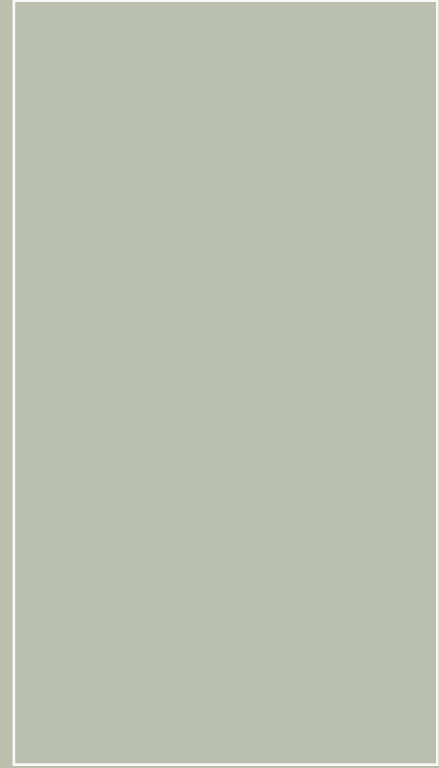




Trust Investment Bank Limited

Annual Report 2008





Trust Investment Bank Limited

Head Office: 23-D/1-A, Gulberg III,
Lahore (Pakistan).

Telephones: +92-42-240 4714-19

Fax: +92-42-240 4720

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www.trustbank.com.pk

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Vision:

Our purpose is to help our clients make financial decisions with confidence. We use our resources to develop effective solutions and services for our clients.

Mission:

We are determined to be the best financial services company. We focus on wealth, asset management, investment banking and securities businesses. We continually earn recognition and trust from clients, shareholders, and staff through our ability to anticipate, learn and shape our future. We share a common ambition to succeed by delivering quality in what we do. We foster a distinctive, meritocratic culture of ambition, performance and learning as this attracts, retains and develops the best talent for our company. By growing both our client and our talent team, we add sustainable value for our shareholders.

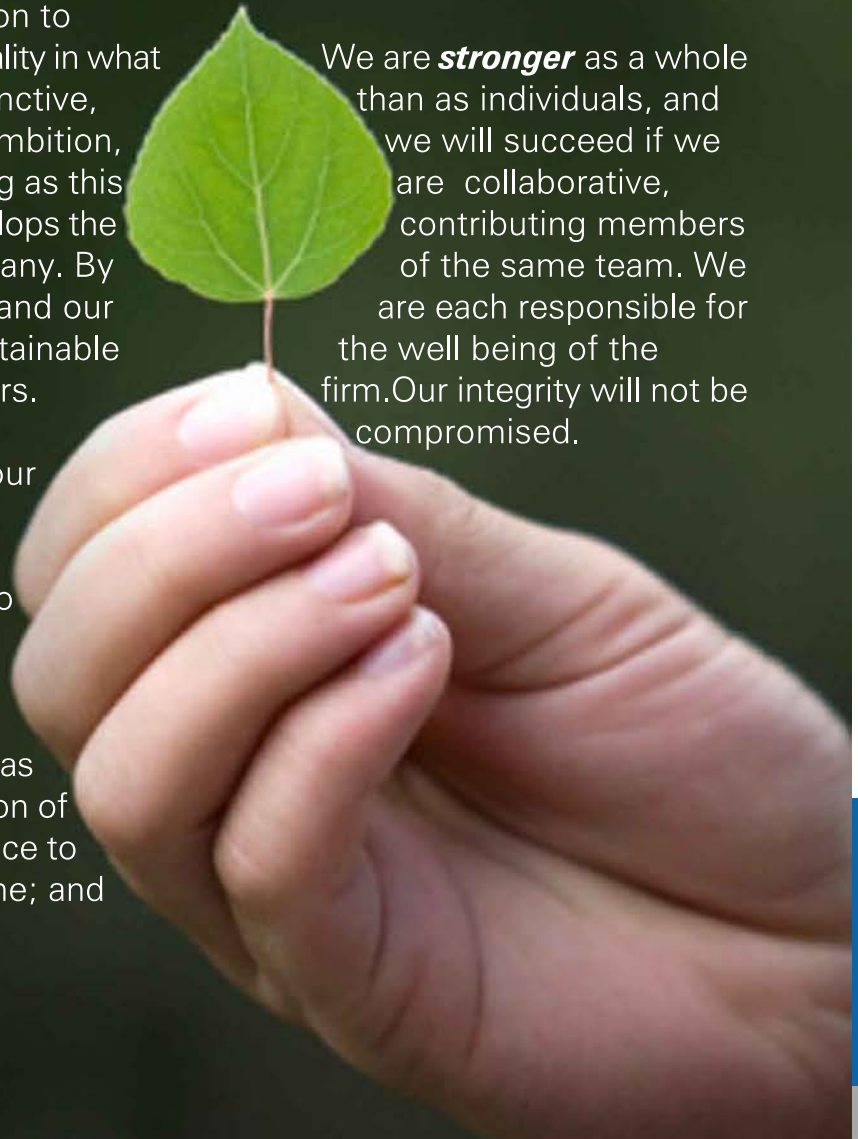
Our **purpose** is to help our clients meet their goals. Our goal is to achieve excellence in what we do as individuals and as a firm.

We will **succeed** if our ideas are the best; our execution of those ideas and our service to clients are second to none; and

if we attract the best people and give them the encouragement and opportunity to develop their talents.

We will **succeed** if we are committed to an open environment that prizes diversity of opinion and encourages every one of us to independent thought and objectivity.

We are **stronger** as a whole than as individuals, and we will succeed if we are collaborative, contributing members of the same team. We are each responsible for the well being of the firm. Our integrity will not be compromised.



Core Values:

- Best business solutions to our clients
- Strengthening relationships with clients
- Integrity
- Creativity and Innovation
- Adopt a right way with right thinking





Company Information

Board of Directors

Mr. Asif Kamal	Chairman
Mr. Humayun Nabi Jan	Director
Mr. Khalid Niaz Khawaja	Director
Mr. Shafiq A. Khan	Director
Mr. Ahmed Ali Riaz	Director
Mr. Shazib Masud	Director
Mr. Javaid B. Sheikh	Chief Executive

Audit Committee

Mr. Humayun Nabi Jan (Chairman)
Mr. Asif Kamal
Mr. Khalid Niaz Khawaja

Chief Financial Officer

Mr. Imran Hameed

Company Secretary

Mr. Awais Yasin

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Nawaz Kasuri & Rashdeen Law
Chambers

Bankers to the Company

The Bank of Punjab Limited
Faysal Bank Limited
Askari Bank Limited
Allied Bank Limited
National Bank of Pakistan Limited
Habib Bank Limited
Soneri Bank Ltd.
Standard Chartered Bank Limited
Atlas Bank Limited
Bank Al Habib Limited
Habib Metropolitan Limited

Registrars

Vision Consulting Limited
1st Floor, 3-C, LDA Flats, Lawrence Road, Lahore
Tel: 0426375531,6375339 Fax: 042-6374839

Registered Office & Head Office

23- D/1-A, Gulberg-III, Lahore.
Tel: 042-2404714-19 Fax: 042- 2404720
Email: info@trustbank.com.pk
Website: www.trustbank.com.pk

Branch Network

Province of Punjab

Main Branch & Brokerage House
35-A/II, Aziz Avenue, Canal Bank,
Lahore

DHA Branch
Ist Floor, 4-S, Commercial Phase II,
DHA, Lahore Cantt.

Faisal Town Branch
753/C, Adjacent Ravi Restaurant,
Faisal Town, Lahore.



Sialkot Branch
Kashmir Road, Near Meezan Bank,
Sialkot.

Gujrat Branch
Ground Floor, Kashmir Plaza,
Ram Talai Road, Gujrat.

Jhelum Branch
24-Civil Lines, Opp. Govt Girls
High School No. 1, Near Imam Bargah,
Jhelum.

Faisalabad Branch
Saeed Arcade, 721-Batala Colony
Faisalabad.

Sargodha Branch
60/A Railway Road, Civil Lines
(Opp. Solo Hotel),
Sargodha.

Mandi Baha-ud-Din Branch
Near Alvi Chowk, Mandi Baha-ud-Din.

Sahiwal Branch
79-A-F, Canal Colony,
Farid Town Road,
Sahiwal.

Gujranwala Branch
Opp. Divisional Public School,
Sama Stop, GT Road, Gujranwala.

Multan Branch
1733/B - Ground Floor, LMQ Road,
(Central Chungi 8-9 Highway), Multan.

Rawalpindi Branch
5/10, Ground Floor, The Mall,
Near PIA building,
Rawalpindi.

Islamabad Capital

Islamabad Branch

Ground Floor, Kashmir
Commercial Complex,
54-E, Fazal-e-Haq Road, Blue Area,
Islamabad.

Karachi Branch

30-A, Progressive Centre, Ground Floor,
PECHS, Block 6, Main Shahrah-e-Faisal,
Karachi.

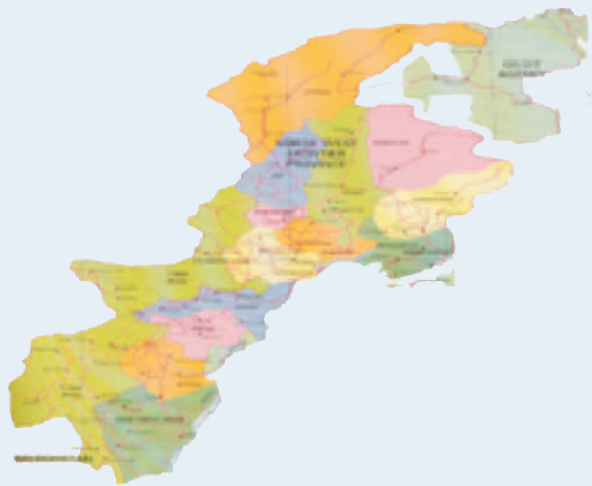
Peshawar Branch

Commercial Building, Jehangirabad,
University Road,
Peshawar

Province of Sindh



Province of NWFP



Chairman's Message

Trust Investment Bank Limited continues to diversify its operations into core niche market segments. From just a leasing company a few years ago, Trust Bank today is a diversified financial institution serving customers in the fields of term loans, leasing, SME sector, brokerage, capital markets, and investment banking.

Our balance sheet continues to grow based on our mix of revenue streams. Our core focus remains on improving our human resource quality and internal controls and systems, as well as identifying new growth opportunities.

As part of our future strategy, sponsors of Trust Bank are in advance stages of signing a joint venture agreement with a UAE based financial institution that will enhance our capabilities from a domestic institution to a regional investment bank.

The management of Trust Bank will always make the best possible efforts for greater achievements in the years to come ahead.

Asif Kamal



Chief Executive's Message

Trust Investment Bank Limited's core values are integral to its business strategy in Pakistan. These values comprise an emphasis on long-term, ethical client relationships; high productivity through teamwork; a confident and ambitious sense of excellence; being international in outlook and character; prudence; creativity and customer-focused marketing.

In the future, Trust Investment Bank Limited will continue to live up to the high expectations of our customers, staff, shareholders, and other stakeholders, and contribute to the economic growth of the Pakistan economy.

Our strategy on focusing on the core business and running it better than its ever been run before will remain absolutely our focus. We have very clear short term and long term goals in terms of what matters and how we deliver increasing value for you, our shareholders.

Javaid B. Sheikh



Proxies in order to be effective must be received at the registered office of the Bank, duly stamped and signed, not less than 48 hours before the time of the meeting.

A) For Attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder shall authenticate his identity by showing his original CNIC or original passport along with Participant's ID number and their account numbers at the time of attending the meeting.
- ii) In case of Corporate entity, the board of director's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B) For Appointing Proxies:

- i) The member entitled to attend the meeting is entitled to appoint a proxy to attend for him/her. No person shall act as a proxy, who is not a member of the Bank except corporate entity may appoint a person who is not a member.
- ii) The instrument appointing a proxy should be signed by the members or his/her attorney duly authorized on writing. If the member is a corporate entity, its common seal is should be affixed on the instrument.
- iii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iv) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- v) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

- vi) In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Bank.

STATEMENT UNDER SECTION 160(1) (B) OF THE COMPANIES ORDINANCE, 1984

Increase In Authorized Capital

The management intends to increase the authorized capital of the Bank from Rs. 1,100,000,000/- (Rupees Eleven Hundred million only) divided into 80,000,000 (Eighty million) ordinary shares of Rs. 10/- each and 30,000,000 (Thirty million) cumulative preference shares of Rs. 10/- each to Rs. 2,000,000,000/- (Rupees Two billion only) divided into 170,000,000 (One Seventy million) ordinary shares of Rs. 10/- and 30,000,000 (Thirty million) cumulative preference shares of Rs. 10/- each with a view to have reasonable cushion for the purpose of issuance of shares. Increase in authorized capital of will also necessitate amendments in clause V of the Memorandum of Association of the Bank. The directors of the Bank, whether directly or indirectly, have no interest in this business except to the extent of the shareholder of the Bank.

Board of Directors



Mr. Asif Kamal
Chairman



Mr. Humayun Nabi Jan
Director



Mr. Shazib Masud
Director



Mr. Shafiq A. Khan
Director



Mr. Khalid Niaz Khawaja
Director



Mr. Javaid B. Sheikh
Chief Executive

We are pleased to present 17th annual report of your Bank for the year ended 30 June 2008 together with the audited accounts and auditor's report thereon.



Directors' Report

Economy:

In Pakistan, since the early 1990s, consistency in economic policy coupled with robust financial sector reforms has resulted in a degree of macroeconomic stability and improved access to financial services. But despite positive developments, Pakistan's financial sector has not yet reached sufficient breadth or depth. Pakistan's economy is showing increasing signs of stress during the financial year 2007-08. A combination of adverse domestic and international developments is driving a broad deterioration in key macroeconomic indicators.

Real GDP growth in FY08 has dropped to 5.8% (from 6.8% as compared to last financial year), the first time in five years. Annual inflation is poised to return to double digits, the fiscal deficit is on rise and the deficit in annual current account is all time high. The weakness in the external account is also reflected in the weakening foreign exchange reserves. However, despite the deterioration, it is also important to note that till April 2008, due to structural reforms and liberalization measures, the economy has fundamentally gain resilience. Thereafter, bearish sentiments across the global markets mainly due to global shortage of commodities and increase in crude oil prices have also put a dent on the Pakistani economy.



Foreign direct investment has also emerged as the major source of private external inflows in Pakistan as well as contributing to the growth of domestic fixed capital formation. Fiscal year 2007-08 has been a difficult year for foreign investment in developing countries because of the crisis in the international financial markets. Overall foreign investment in Pakistan was affected not only by the difficult external environment but also domestic political developments and security concerns. In a most difficult domestic and external environment, Pakistan succeeded in attracting \$3.6 billion worth of foreign investment in the first ten months of the fiscal year 2007-08 as against \$5.9 billion in the same period last year. It may be pointed out that 2006-07 year was an extraordinary year as Pakistan attracted \$8.4 billion of total foreign investment.

During the fiscal year 2007- 2008 stock market has also demonstrated acute volatility owing to fluctuating outlook on political, judicial crisis, and negative macroeconomic condition both in the local and in global markets. In this year, The Pakistan's economy faced several crises during the year like judicial crises, imposition of emergency and parliamentary elections and the political instability caused due to aforementioned factors and tighter monetary policy, caused slow down in the growth.

Financial Review:

Financial results of the Bank are as under:

	2008 (Rupees in million)	2007
Revenue	949	732
Operating Expenses	194	165
Financial Expenses	538	429
Operating profit before provision and taxation	198	125
Profit before taxation	66	115
Profit after taxation	150	103
Earnings per Share (Rs.)	2.56	1.76

During the year the operating profit rises by 58.40% as compared to the previous year. Deficit arises on revaluation of investment held for trading was amounting to Rs.74.9 million as compared to the last year where revaluation of surplus on investment was shown and this is a main reason for decline in profit before taxation.

Review of Operations

It is worth mentioning that due to political instability, negative macro economic conditions, the situation was not much conducive for overall business and economic growth in the country, which have also affected the business and spread earning of your Bank in the financial year 2007-08. Keeping in view of the narrow spreads in the leasing business, management proactively realigns its business strategy with the changing business dynamics and diversifies its lending portfolio into new business avenues i.e. term financing to seek volume expansion and earn better spreads. By the grace of Almighty Allah, your Bank has successfully managed to boost the revenue streams. Hectic efforts have been put in to increase the total revenue base of the Bank and successfully managed to achieve the business target of Rs.2.7 billion. Fee based activities have been proactively started which will contribute substantially in the coming periods.

Revenue:

During the year ended June 30, 2008, total revenue recorded an increase of 29.64% from last year. Contribution of lease income towards revenue has increased by 36.90% and income from term finances has substantially increased by 391%. Further, income from brokerage business has also been significantly increased i.e. 92% as compared to previous year.

Expenditure:

During the financial year 2007-08, total expenses were increased with 24%, mainly attributed to the financial cost which has risen by 16% as compared to the last year. The main reason of increase in financial cost is the continuous upward trend in the interest rates, which specially in the last quarter has drastically increased cost. Administrative expenses increased by 17% i.e. due to renovation and

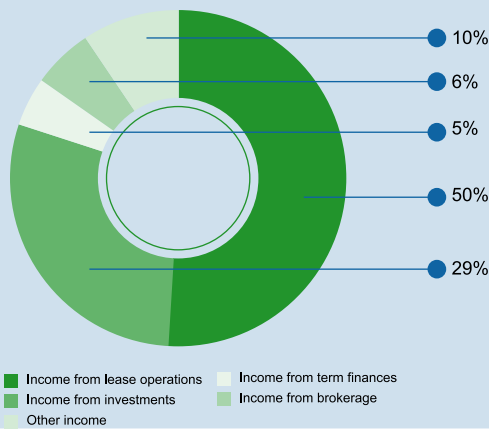
relocation of some branches to better business locations to tap more business and also increase in the inflation rate has resulted in higher cost in running day to day affairs.

Dividend and Bonus:

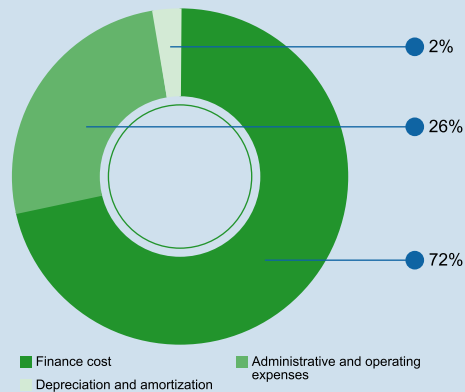
No cash dividend and bonus shares announced during the

Long Term and Short Term Borrowings from different financial institutions and individuals. TFC-III amounting to Rs.600 million was successfully listed in month of July, 2008. The effective deposit mobilization drive has yielded positive results in raising deposits to the tune of Rs.2,043 million through COIs.

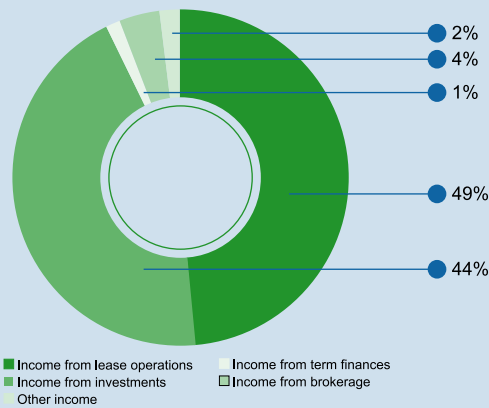
Revenue 2008



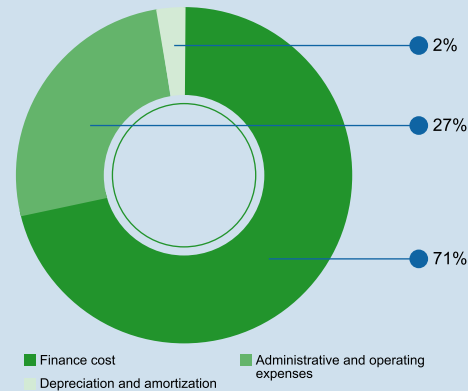
Expenditure 2008



Revenue 2007



Expenditure 2007



year, however last year (2007), 15% cash dividend and 25% bonus shares was announced.

Funds Mobilization:

During the year Bank remained successful in raising funds at highly competitive rates. The bank raised the funds through Term Finance Certificates, Certificate of Investments,

Share Capital:

There were no changes in the authorized capital of the Bank. However, paid up share capital of the Bank has increased by 25% through issuance of bonus shares during the financial year.



Rating by External Agency:

Pakistan Credit Rating Agency Limited has adjusted the long term credit rating of the Bank at "A+" (A plus), while short term credit rating has also been adjusted at "A 1" (A one) with stable out look. Rating of term finance certificate I and II has been accordingly adjusted at "AA -"(double A minus) of TFC I and TFC II (both tranches). The third TFC issue, owing to its enhanced security structure has been assigned a rating of AA (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for the timely payment of financial commitments.

This is reflective of the Bank's resilient asset quality, sound credit risk management, sustainable financial performance and sturdy capitalization.

Branch Network:

During the year under review, the Bank expanded its branch network by opening one more branch at Sahiwal This expanded branch network would not only provide an increased outreach for business growth but will also pay an important role for deposit mobilization as well. Further, in order avail the economy of scale, the branch network in

Lahore city has been reviewed during the year which resulted in merger of Jail Road branch operation with Faisal Town Branch.

Housing Finance Services:

Trust Bank has obtained licenses from SECP to engage in the business of Leasing, Investment Finance Services and Housing Finance Services (HFS). Since there is no versatility in HFS and tough competition with commercial bank (being low rate of return) Trust Bank has discontinued the operations of HFS till conditions are favorable.

Future Outlook:

The vision of management is to make the Bank dynamic, robust and modern Investment Bank. In order to become a dynamic bank, we are pleased to inform that sponsors of Trust Investment Bank Limited are at advance stage of exploring the opportunity of foreign joint venture for injection of equity, which not only enhance the future prospects of the Bank but also the meets the future equity requirements. With inclusion of foreign JV partner, image of the Bank will be entirely changed.

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. Further, three more branches will be operational by the end of financial year 2008 and these will not only add additional lease business volume and deposits but would contribute in profitability.

Audit Committee:

The Audit committee comprises the following members:

1. Mr. Humayun Nabi JanChairman
2. Mr. Asif Kamal.....Member
3. Mr. Khalid NawazKhawajaMember (Co-opt in place of Mr. Ali Aslam Malik)

All members including the chairman are Non- Executive Directors out of which one is independent director.

Term of reference of the Audit Committee has been formulated by the Board of Directors in accordance with the Code of Corporate Governance.

Statement on Corporate and financial reporting framework:

- a. These financial statements, prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b. Proper books of account of the Bank have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e. The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other monitoring procedures. The process of monitoring internal controls will continue as an on ongoing process with the objectives to further strengthen the controls and bring improvements in the system.
- f. There are no significant doubts upon the Bank'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 listing regulations.





- i. Key operating and financial data for the last six years in summarized form in annexed.
- j. During the year 10 board meetings were held during the financial year and the attendance by each director as under :

Name of Director	Designation	Meetings Attended
Mr. Asif Kamal	Chairman	10
Mr. Humayun Nabi Jan	Director	10
Mr. Shafiq A. Khan	Director	7
Mr. Zahid Rafiq	Director	5
Mr. Khalid Niaz Khawaja	Director	1
Mr. Ali Aslam Malik	Retired Director	2
Mr. Hamesh Khan	Director	4
Mr. Javaid B. Sheikh	Chief Executive/ Director	10

Pattern of Shareholding:

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trades in the shares of the Bank were carried out by CEO, CFO and Bank Secretary and their spouses and minor children except those that have been duly reported as per the law.

Internal Audit:

The Internal control framework has been effectively implemented through an independent in house Internal Audit function established by the Board.

The Bank's system of internal control is sound in design and has been subject to continued evaluation for effectiveness and adequacy. The Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Bank and the shareholders wealth through effective financial, operational and compliance controls and risk management at all levels within the Bank.

The Head of Internal Audit has direct access to the Chairman of the Audit Committee, has ensured staffing of personnel with sufficient internal control system experience. The coordination between External and Internal Auditors was facilitated to ensure efficiency and contribution to the Bank's objectives, including a reliable financial reporting system and compliance with Laws and Prudential Regulations.

External Audit:

The statutory Auditors of the Bank, M/S KPMG Taseer Hadi & Company, Chartered Accountants, have completed their Audit assignment of the " Bank's Financial Statements" and the " Statement of Compliance with the Code of Corporate Governance" for the Financial year ended June 30, 2008 and shall retire at the conclusion of the 17th Annual General Meeting.

The Audit Firm has been given satisfactory rating under the Quality Control Review Programme of the of the Institute Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of

Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Auditors attended the general meetings of the Bank during the year and have confirmed attendance of the 17th Annual General Meeting scheduled for October 31, 2008 and indicated their willingness to continue as External Auditors.

Being eligible for reappointment as Auditors of the Bank, the Audit Committee recommends their reappointment for the financial year ending June 30, 2009.

Events after balance sheet date:

There have not been any material events that occurred subsequent to the date of the balance sheet June 30, 2008 that require adjustments to the enclosed financial statements

Acknowledgement:

On the behalf of the Board of the Trust Investment Bank Limited, we thank and appreciate the regulatory authorities,

shareholders, valued customers and financial institutions for their guidance and support. We also thank the Bank's executives and staff for their efforts, hard work and dedication.

For and on the behalf of the Board

Javid B. Sheikh

Chief Executive

Lahore: September 27, 2008



Management

(Left to Right - Sitting)

Mr. Imran Hameed
Chief Financial Officer

Mr. Javaid B. Sheikh
Chief Executive

Mr. Shahid Iqbal Ch.
Country Business Head

(Left to Right - Standing)

Mr. Col. (R) Farooq Tahir
Head of HR & Admin.

Mr. Waqar Ahmad
Head of Credit Administration

Mr. Salim-ul-Haq
Head of Special Assets Management

Mr. Muddassar Hussain Naqvi
Head of Legal Department

Mr. Imran Zia
Head of Investment & Brokerage

Mr. Syed Iqbal Mehdi
Head of Internal Audit

Six Years Financial Summary

(Rupees in Million)

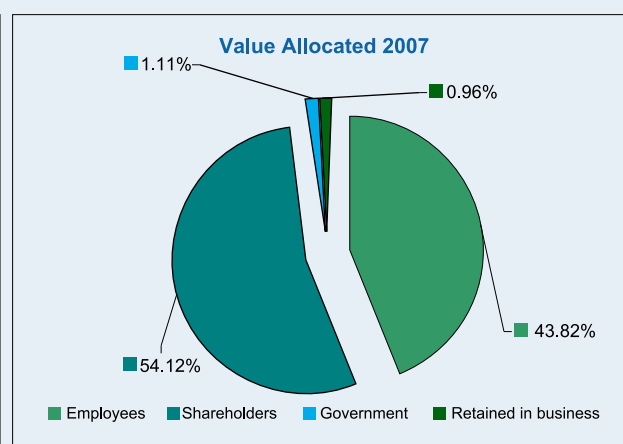
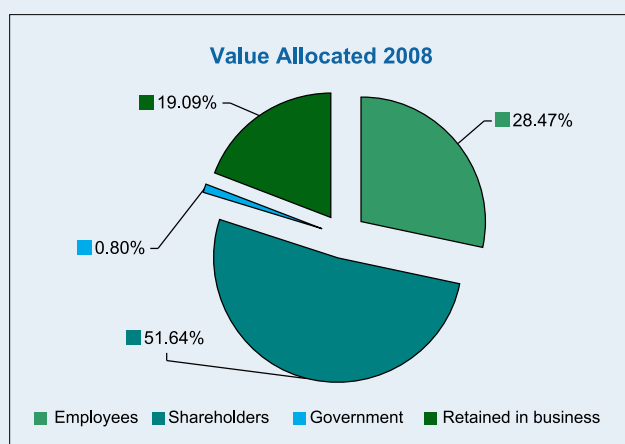
	2008	2007	2006	2005	2004	2003
Operational Result						
Total Lease Business and Term Finances	2,749	1,063	1,727	2,106	1,064	409
Revenues	949	732	733	420	229	157
Financial expenses	538	429	404	150	61	43
Total Expenses	750	607	511	204	96	67
Profit before tax	66	115	221	216	133	90
Profit after tax	149	103	202	225	120	48
Balance sheet						
Total assets	8,089	6,444	6,162	4,116	2,165	1,113
Paid-up-capital	585	468	407	339	309	224
Reserves	510	548	567	466	272	206
Total Equity	1,095	1,023	978	806	580	430
Earnings per share						
Earning per share *	2.56	2.20	4.96	5.53	4.38	1.75
Book value per share	16.78	25.10	24.02	23.74	18.80	19.21
Dividend						
	Nil	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

* Base on No. of Shares outstanding at each year ended.

Statement of Value Addition

For the year ended 30 June 2008

	2008		2007	
	Rupees	%	Rupees	%
Added				
Total Revenue	949,179,151		780,691,444	
Less:				
Financial Charges	538,472,941		428,761,623	
(excluding staff cost)	91,373,531		66,498,426	
Provision	40,125,830		49,623,372	
Deffered Taxation	(83,658,581)		10,000,000	
	362,865,430	100.00	225,808,023	100.00
Value Allocated				
To employees				
Salaries and other benefits	103,312,972	28.47	98,941,822	43.82
To Shareholders				
Cash dividend	70,263,447	19.36	61,098,650	27.06
Bonus shares	117,105,746	32.27	61,098,650	27.06
To government				
Income tax	2,904,711	0.80	2,500,000	1.11
Retained in business	69,278,553	19.09	2,168,901	0.96
	362,865,430	100.00	225,808,023	100.00



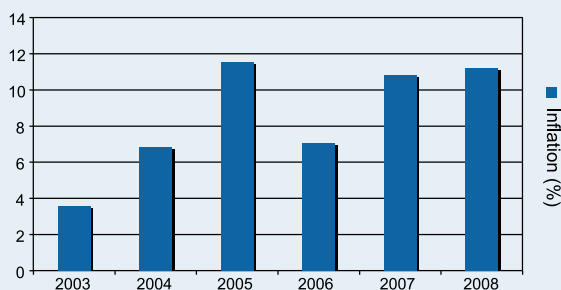
Statistics Highlight of Pakistan

General

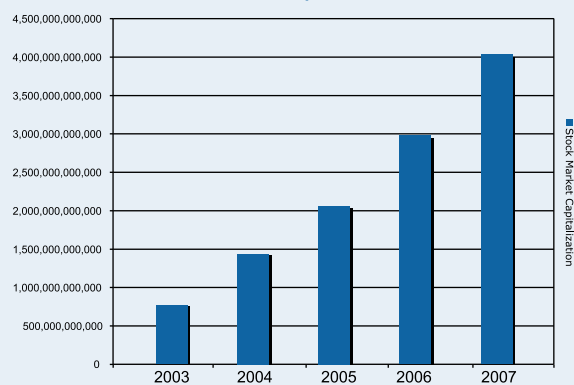
Land area	877,406 sq km
Population	158.18 Million
Literacy Rate	54%

Economic	2003	2004	2005	2006	2007	2008
GDP Growth (%)	4.7	7.5	8.9	6.6	7.8	5.8
Inflation (%)	3.58	6.83	11.55	7.02	10.82	11.2
Foreign Exchange Reserve (US\$ Billion)	9.53	10.56	9.81	10.77	13.33	12.8
KIBOR (6 months in %)	3	2.97	8.71	9.61	10.02	14.19
Exchange Rate with Pak Rupee						
US \$	57.6	58.42	60.81	60.2	60.46	68.08
Euro	64.45	70.69	71.96	75.46	81.44	107.22
KSE 100 Index (points)	3,402.47	5,279.18	7,450.12	9,989.41	13,772.46	12,289.03
Stock Market Capitalization	757,231,793,261	1,431,491,434,384	2,075,435,945,972	2,983,298,575,307	4,041,354,794,160	3,754,917,253,278

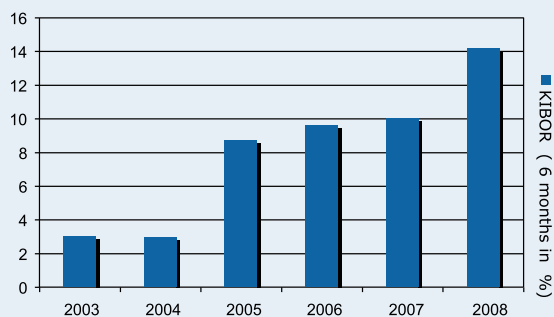
Inflation (%)



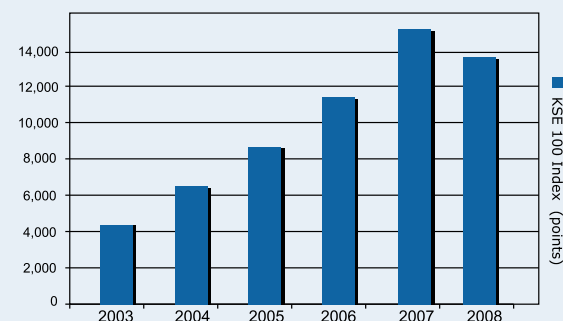
Stock Market Capitalization



KIBOR



KSE 100 Index



Pattern of Shareholding

As at June 30, 2008

Number of Shareholders	Shareholding		Total Number of	
	From	To	Share Held	Percentage
418	1	100	17,511	0.03
752	101	500	190,153	0.32
377	501	1,000	275,141	0.47
674	1,001	5,000	1,556,354	2.66
60	5,001	10,000	416,553	0.71
25	10,001	15,000	316,537	0.54
16	15,001	20,000	276,556	0.47
8	20,001	25,000	184,386	0.31
11	25,001	30,000	301,553	0.52
4	30,001	35,000	130,029	0.22
2	35,001	40,000	74,987	0.13
2	40,001	50,000	97,581	0.17
2	50,001	55,000	104,552	0.18
2	55,001	70,000	127,009	0.22
2	70,001	75,000	143,522	0.25
1	80,001	85,000	83,025	0.14
1	110,001	115,000	112,222	0.19
1	130,001	135,000	133,552	0.23
1	155,001	160,000	157,500	0.27
1	190,001	195,000	194,000	0.33
1	210,001	215,000	214,947	0.37
1	285,001	290,000	288,500	0.49
1	345,001	350,000	349,000	0.60
1	430,001	435,000	431,250	0.74
1	1,610,001	1,620,000	1,618,750	2.76
1	2,410,001	2,420,000	2,419,833	4.13
1	2,560,001	2,570,000	2,567,242	4.38
1	2,580,001	2,590,000	2,585,038	4.41
1	2,760,001	2,765,000	2,764,236	4.72
1	3,880,001	3,885,000	3,882,985	6.63
1	5,701,001	5,705,000	5,702,405	9.74
1	5,870,001	5,880,000	5,877,645	10.04
1	6,070,001	6,075,000	6,073,273	10.37
1	6,670,001	6,680,000	6,675,301	11.40
1	12,205,001	12,210,000	12,209,742	20.85
2,375			58,552,870	100.00

Categories of Shareholders

As at June 30, 2008

Categories of shareholders	Shares held	Percentage
Directors & Chief Executive		
Mr. Asif Kamal	431,250	0.74
Mr. Zahid Rafique	5,702,405	9.74
Mr. Humayun Nabi Jan	718	0.00
Mr. Khalid Niaz Khawaja	500	0.00
Mr. Shafiq A. Khan	1,943	0.00
Mr. Hamesh Khan	718	0.00
Mr. Javaid B. Sheikh	718	0.00

Associated Companies/Persons & related parties

Genesis Securities (Pvt.) Limited	12,209,742	20.85
Newage (Pvt.) Limited	6,675,301	11.40
First Pakistan Securities Limited	1,618,750	2.76
MCD Pakistan Limited	2,419,833	4.13
Switch Securities (Pvt.) Limited	2,585,038	4.41
First Florance Developers (Pvt.) Limited	2,764,236	4.72
Mr. Ali Aslam Malik	5,877,645	10.04
Mrs. Adeela Ali	6,073,273	10.37
Banks & Financial Institutions	3,916,707	6.69
Insurance Companies	2,568,936	4.39
Modarabas	80,009	0.14
General Public	5,178,781	8.84
IDBP (ICP Unit)	4,100	0.01
Others (Joint Stock & Investment Companies)	442,267	0.76
Total	52,414,618	100.00

Share-holders holding ten percent or more

Total Paid up capital of the Company	58,552,870	Shares
10% of the paid up capital of the Company	5,855,287	Shares

Name of shareholders	Shares held	Percentage
Genesis Securities (Pvt.) Limited	12,209,742	20.85%
Newage (Pvt.) Limited	6,675,301	11.40%
Mrs. Adeela Ali	6,073,273	10.37%
Mr. Ali Aslam Malik	5,877,645	10.04%
Total	30,835,961	52.66%

Statement of Ethics and Business Practices

Trust Investment Bank Limited seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical and independent.

Code of Ethics and Conduct

Salient features of the company's code of ethics are as follows:

- Presence of a corporate culture that seeks to create an environment where all persons are treated equitably and with respect.
- Employees must commit to the continued development of the service culture in which the company consistently seeks to exceed the customer's expectations.
- Employees must carry out their responsibilities in a professional manner at all times. They must act in a prudent manner and must avoid situations that could reflect unfavorably on themselves, the company or its customers.
- Employees must abide by all the rules and regulations of the company, and laws and regulations of the regulatory authorities.
- Employees must avoid circumstances in which their personal interest conflicts, or may appear to conflict, with the interest of the company or its customers.

- Employees must safeguard confidential information which may come to their possession during the discharge of their responsibilities.

- Employees must remain alert and vigilant with respect to frauds, thefts or illegal activities committed within the company.

Business Practices

Trust Investment Bank Limited recognizes its responsibilities in the following areas:

- Shareholders - to protect shareholders investment and to provide them maximum return on their investment. We focus on maximizing long-term shareholder's value through strong financial performance and returns, disciplined and profitable expansion.
- Customers - to provide them with the best investment opportunities and financial products that can cater to changing economic environment. Our focus is on building long-term relationships with our customers to help meet their financial goals.
- Employees - to provide our employees with a friendly and congenial environment to work in and to provide them an equal opportunity to prosper and grow. We feel that strong relationship with employees is vital to our future success.

→ Society - to conduct business as a good corporate citizen of the society, while respecting and complying with the prevalent laws as a financial institution.

Trust Investment Bank Limited believes in the following principles to be applied in all aspects of their business:

- Integrity
- Excellence in service
- Innovation and growth
- Teamwork

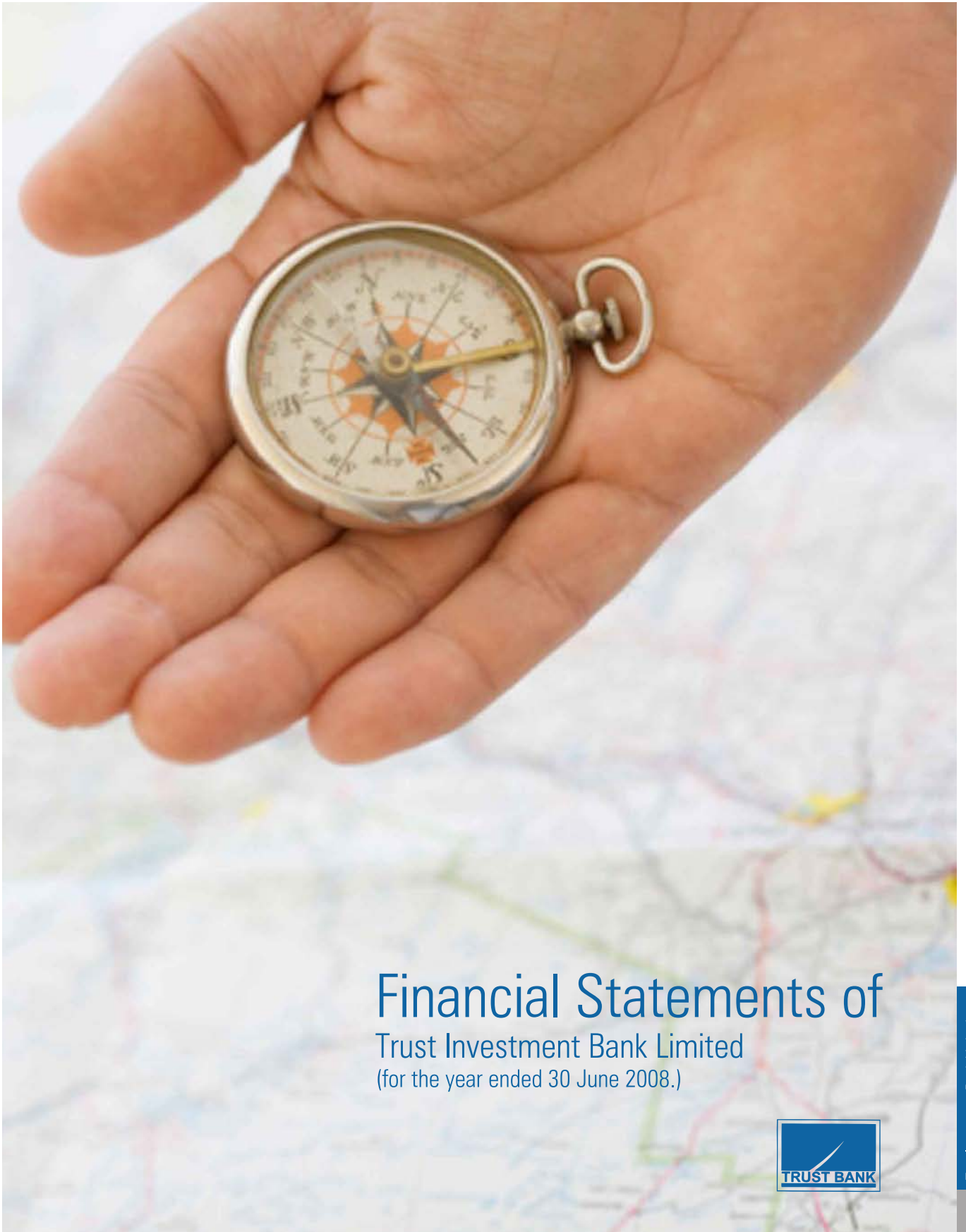
Reliability and Reporting

All transactions and events are duly documented and fairly

recorded. Trust Investment Bank Limited complies with all the applicable accounting standards, laws and regulations and other directives of the regulatory authorities.

Health and Safety

The maintenance of appropriate health and safety standards throughout Trust Investment Bank Limited is a key responsibility of all managers. Trust Investment Bank Limited's objective is to identify and control material risks of fire and of accidents or injuries to employees and visitors.



Financial Statements of Trust Investment Bank Limited (for the year ended 30 June 2008.)





Statement of Compliance with Code of Corporate Governance

This statement of compliance is being presented to comply with the Code of Corporate Governance contained in listing regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors among them, one director representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange
4. No casual vacancies of the Board of Directors arise during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practice's which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated in time before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.
10. During the year, the Board of Directors has approved appointment of Company Secretary. Future appointment, if any, on statutory positions including their remuneration and terms and conditions of employment as determined by the Company secretary, will be referred to the Board for approval.
11. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before the approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of the shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee comprising of three non-executives directors including the Chairman of the committee.
16. The meeting of the 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 in the form of Audit Committee Charter.
17. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis. The Internal Audit Department reports to the Audit Committee.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all his 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.
19. The statutory auditors or the person 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 regards.
20. The quarterly un-audited financial statements of the Company were circulated along with the review of the Directors. Half yearly financial statements were subject to the limited review by the statutory auditors. Financial Statements for the year ended June 30, 2008 have been audited and will be circulated in accordance with clause (xxii) of the Code.
21. All material information as described in clause (xxiii) of the Code is disseminated to the stock exchanges and Securities and Exchange Commission of Pakistan in a timely fashion.
22. We confirm that all other material principles contained in the Code have been complied with.

Javaid B. Sheikh
Chief Executive

Lahore: September 27, 2008

Review Report to the Members

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") 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 systems 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: September 27, 2008

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") as at 30 June 2008 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 our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said 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 2008 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: September 27, 2008

KPMG Taseer Hadi & Co.
Chartered Accountants

BALANCE SHEET

As at 30 June 2008

	Note	2008 Rupees	2007 Rupees
Non - current assets			
Fixed assets			
Property and equipment	4	124,078,819	108,061,123
Intangible asset	4	33,204,684	30,955,585
		157,283,503	139,016,708
Net investment in lease finance	5	3,420,843,454	3,017,606,748
Long term finances	7	563,347,630	42,912,864
Long term investments	8	279,992,000	527,614
Long term deposits		4,159,629	3,965,828
Long term advances	9	97,379,318	38,025,000
Deferred tax asset		55,366,202	-
		4,421,088,232	3,103,038,054
		4,578,371,735	3,242,054,762
Current assets			
Current maturities of non - current assets	10	1,210,646,914	972,804,725
Short term finances	11	384,634,120	39,190,979
Short term placements	12	500,425,308	633,577,736
Short term investments	13	569,891,145	770,405,616
Taxation - net		33,097,670	27,529,228
Markup accrued	14	37,070,524	17,544,269
Advances, prepayments and other receivables	15	681,939,159	539,624,140
Cash and bank balances	16	93,288,773	200,947,091
		3,510,993,613	3,201,623,784
		8,089,365,348	6,443,678,546
Equity and liabilities			
Share capital	17	585,528,729	468,422,983
Reserves	18	510,079,888	547,640,945
		1,095,608,617	1,016,063,928
(Deficit)/Surplus on revaluation of investments	19	(120,299,798)	6,594,532
Suplus on revaluation of assets-net	6	7,243,576	-
		982,552,395	1,022,658,460
Non - current liabilities			
Term finance certificates	20	145,632,592	291,899,573
Long term certificates of investment	21	100,753,970	1,132,432,940
Long term borrowings	22	601,481,188	249,973,660
Long term deposits	23	1,026,219,481	933,431,375
Pre- IPO subscription of Term Finance Certificates	24	449,910,000	-
Deferred tax liability		-	25,036,526
Staff service costs	25	6,592,003	4,019,593
		2,330,589,234	2,636,793,667
Current liabilities			
Current maturities of long term liabilities	26	1,648,256,153	794,041,048
Short term certificates of investment	27	1,042,181,991	331,874,225
Short term borrowings	28	1,911,402,172	1,373,653,324
Markup accrued	29	93,231,841	54,181,534
Trade and other payables	30	81,151,562	230,476,288
		4,776,223,719	2,784,226,419
		7,106,812,953	5,421,020,086
Contingencies and commitments			
	31	8,089,365,348	6,443,678,546

The annexed notes 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2008

	Note	2008 Rupees	2007 Rupees
Revenue			
Income from lease operations	32	485,896,175	355,345,037
Income from investments	33	273,909,750	324,956,798
Income from term finances	34	44,110,976	8,978,427
Income from brokerage		54,295,141	28,183,755
Other income	35	90,838,641	14,938,618
		949,050,683	732,402,635
Expenditure			
Finance cost	36	538,472,941	428,761,623
Administrative and operating expenses	37	193,656,016	165,414,703
Depreciation and amortization	4.1	17,769,658	12,340,222
Other charges	38	1,030,487	25,545
		750,929,102	606,542,093
Operating profit before provisions and taxation		198,121,581	125,860,542
Provision for potential lease losses	5.3 & 15.3	(40,125,830)	(50,087,348)
Provision for (diminution) / appreciation in the value of investments	8.2.1	(527,614)	463,976
Impairment on available for sale investments		(16,622,059)	-
(Deficit) / surplus on revaluation of held for trading investments		(74,721,716)	39,310,382
		(131,997,220)	(10,312,990)
Profit before taxation		66,124,361	115,547,552
Provision for taxation	39	83,658,581	(12,500,000)
Profit after taxation		149,782,942	103,047,552
Earnings per share - basic		2.56	1.76

The annexed notes 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 Rupees	2007 Rupees
Cash flows from operating activities		
Profit before taxation	66,124,361	115,547,552
Adjustments for non cash items:		
Depreciation	17,769,658	12,340,222
Amortization of transaction costs of term finance certificates	3,733,019	3,238,657
Provision for staff service costs	8,817,108	8,096,406
Provision for doubtful receivables	40,125,830	50,087,348
Lease receivables written off	1,020,487	23,877
Finance cost	538,472,941	428,761,623
Loss on sale of property and equipment	-	1,668
Profit on sale of property and equipment	(22,448,499)	(199,163)
Diminution/(Surplus) on revaluation of held for trading investments	74,721,716	(39,310,382)
Impairment on available for sale investments	16,622,059	-
Provision for / (appreciation) in the value of investments	527,614	(463,976)
Gain on sale of available for sale investments	(9,472,666)	(3,685,066)
	669,889,268	458,891,214
Operating profit before working capital changes	736,013,629	574,438,766
Changes in operating assets and liabilities		
(Increase) / decrease in:		
Long term and short term investments	(279,992,000)	(288,223,569)
Short term placements	133,152,428	423,191,978
Markup accrued	(19,526,255)	(2,392,262)
Advances, prepayments and other receivables	(209,464,875)	(63,804,604)
Long term and short term finances	(392,443,141)	(26,911,475)
Net investment in lease finance	(668,633,512)	(100,142,206)
Purchase of investments available for sale	(608,541,510)	(96,178,288)
Certificates of investment	573,542,054	734,128,425
Long term deposits	184,979,398	82,211,944
	(1,286,927,413)	661,879,943
Increase in trade and other payables	(149,324,726)	154,023,020
	(1,436,252,139)	815,902,963
Cash (utilized) / generated in operations	(700,238,510)	1,390,341,729
Financial charges paid	(499,422,634)	(432,172,544)
Taxes paid	(5,568,442)	(5,160,005)
Staff service costs paid	(6,244,698)	(9,657,276)
	(511,235,774)	(446,989,825)
Net cash used in / generated operating activities	(1,211,474,284)	943,351,904

	Note	2008 Rupees	2007 Rupees
Cash flows from investing activities			
Purchase of property and equipment		(51,316,084)	(76,547,811)
Purchase of Intangible assets		(2,510,550)	(950,650)
Long term advances		(59,354,318)	(38,025,000)
Long term deposits		(193,801)	(1,303,300)
Sale proceeds of investments		597,099,434	25,685,066
Sale proceeds of fixed assets		50,763,300	1,683,000
Net cash generated / used in investing activities		534,487,982	(89,458,695)
Cash flows from financing activities			
Long and short term borrowings		358,903,083	(573,933,823)
Issue of term finance certificates		450,000,000	-
Redemption of term finance certificates		(290,375,000)	(212,500,000)
Dividends paid		(70,263,447)	(60,013,158)
Net cash generated / used in from financing activities		448,264,636	(846,446,981)
Net increase in cash and cash equivalents		(228,721,666)	7,446,228
Cash and cash equivalents at the beginning of the year		(10,206,233)	(17,652,461)
Cash and cash equivalents at the end of the year	43	(238,927,899)	(10,206,233)

The annexed notes 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Share capital Rupees	Share premium Rupees	Statutory reserve Rupees	General reserve Rupees	Un-appropriated profit Rupees	Total Rupees
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
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	25,194	25,194
Final dividend for 2007 paid @ 15% (Rs 1.50 per share)	-	-	-	-	(70,263,447)	(70,263,447)
Bonus shares issued for 2007 @ 25%	117,105,746	(70,714,920)	-	-	(46,390,826)	-
Net profit for the year ended 30 June 2008	-	-	-	-	149,782,942	149,782,942
Transfer to statutory reserve	-	-	29,956,588	-	(29,956,588)	-
Balance as at 30 June 2008	585,528,729	-	206,758,318	61,000,000	242,321,570	1,095,608,617

The annexed notes 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1 THE COMPANY'S OPERATIONS AND REGISTERED OFFICE

Trust Investment Bank Limited ("the Company") 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 investment finance services and leasing. 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 "A+" (A plus), while short term credit rating has also been maintained at "A 1 (A one) with stable out look. Rating of term finance certificate I ,II, and III has been maintained at "AA -"(double A minus) of TFC I and TFC II (both tranches) and "AA" (double AA) of TFC III.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 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 and Notified entities Regulations 2007, 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.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated 13 August 2003 to Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

Standards, Interpretations and amendments to published approved accounting standards

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

Amendments to published standards effective in current year

Amendments to IAS 1 'Presentation of Financial Statements' - Capital disclosure is mandatory for the Company's accounting period beginning on 01 July 2007. Its adoption by the Company only impacts the format and extent of disclosures presented in the financial statements.

Amendments and Interpretations to publish standards applicable to the Company not yet effective

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

- Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after 01 July 2009. Adoption of these amendments would require the Company to capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the Company's financial statements.
- IFRS 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction; is effective from 01 July 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 01 July 2008, but it is not expected to have any significant impact on the Company's financial statements.

Standards and interpretations to existing standards that are not applicable to the Company and not yet effective

Standards or interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 - Share based payment	01 July 2009
IFRS 7 - Financial Instruments Disclosure	01 July 2008
IFRS 8 - Operating Segments	01 July 2009
IFRIC 12 - Service concession arrangements	01 July 2009
IFRIC 13 - Customer loyalty programmes	01 July 2009
IFRIC 15 - Accounting for agreements for the construction of real estate	01 July 2009
IFRIC 16 - Hedge of net investment in a foreign operation	01 July 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board but has not yet been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) or notified by the SECP and, hence, presently do not form part of the local financial reporting framework.

2.2 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets
- Taxation
- Impairment
- Provisions and contingencies

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instrument at fair value and recognition of certain employee retirement benefits payable at present value.

3.2 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.

3.3 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.

Surplus on revaluation of operating fixed assets is credited to the "Surplus on revaluation Account" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to the un-appropriated profit.

3.4 Intangible assets

This is stated at cost less accumulated amortization and 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 capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight- line method over a period of 10 years.

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

3.5 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 have been 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.

Derivatives

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

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.

3.6 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.

3.7 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

Simple investment

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amounts of the investments and its recoverability to determine whether there is an

indication that such investments have suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense.

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.

Held for trading

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

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.

3.8 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.

3.9 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 counterparty liability for amounts received under these agreements is

included in short term borrowing from banks/NBFC's. The difference between sale and repurchase price is treated as markup on short term borrowing from banks/NBFC's and accrued over the tenore of the repo agreement.

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.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

Term Finances

Mark-up on term finances is recognized on accrual basis except on classified term finances.

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.

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.

3.14 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.

3.15 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'. Provision for the year is charged to the profit and loss account. The amount recognized in the balance sheet represents the present value of defined benefit obligations.

3.16 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 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.

3.17 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.

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

3.18 Borrowing Costs

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

3.19 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.

3.20 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.

3.21 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 i.e. greater of net selling price and value in use, 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 estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of the impairment loss is recognized in income.

3.22 Dividends

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

3.23 Bonus shares

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

3.24 Subsequent event

The board of directors have proposed a final cash dividend Nil (2007: 15%, Rs. 1.5 per share) and bonus shares Nil shares per 10 shares held (2007: 25%, 2.5 shares per 10 shares held).

	Note	2008 Rupees	2007 Rupees
4			
FIXED ASSETS			
Property and equipment	4.1	124,078,819	108,061,123
Intangible	4.1	33,204,684	30,955,585
		157,283,503	139,016,708

4.1 Property and equipment

PARTICULARS	C O S T				D E P R E C I A T I O N							
	As at 1 July 2007	Additions during the year	Revalu- ation Surplus	Deletions during the year	As at 30 June 2008	As at 1 July 2007	For the year	Incremen- tal depreci- ation	On deletions	As at 30 June 2008	Book value as at 30 June 2008	Depre- ciation rate
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	%
<i>Owned</i>												
Land	-	20,777,813	1,222,187	-	22,000,000	-	-	-	-	-	22,000,000	
Building on freehold land	44,941,014	271,493	9,302,436	(27,724,493)	26,790,450	3,376,198	1,048,284	25,194	(2,586,458)	1,838,024	24,952,426	5
Leasehold improvements	15,974,809	6,730,069	-	-	22,704,878	2,888,518	3,383,119	-	-	6,271,637	16,433,241	20
Office equipment and machines	17,963,161	4,799,694	-	(179,900)	22,582,955	5,774,692	2,985,860	-	(45,601)	8,714,951	13,868,004	20
Furniture and fixtures	16,097,327	1,773,791	-	(143,644)	17,727,474	3,740,945	1,334,675	-	(60,994)	5,014,626	12,712,848	10
Air-conditioning equipment	4,577,164	2,425,768	-	(71,700)	6,931,232	1,163,373	405,623	-	(28,765)	1,540,231	5,391,001	10
Vehicles	35,513,840	14,537,456	-	(7,475,024)	42,576,272	10,062,467	8,350,646	-	(4,558,140)	13,854,973	28,721,299	20
2008	135,067,315	51,316,084	10,524,623	(35,594,761)	161,313,261	27,006,193	17,508,207	25,194	(7,279,958)	37,234,442	124,078,819	

Had there been no revaluation, the net book value of specific classes of operating assets would have amounted to:

	2008 Rupees	2007 Rupees
Land	20,777,813	-
Building on freehold land	17,488,014	13,086,291

PARTICULARS	C O S T				D E P R E C I A T I O N							
	As at 1 July 2006	Additions during the year	Revalu- ation Surplus	Deletions during the year	As at 30 June 2007	As at 1 July 2006	For the year	Incremen- tal depreci- ation	On deletions	As at 30 June 2007	Book value as at 30 June 2007	Depre- ciation rate
	Rupees	Rupees	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
2007	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	

Intangible

PARTICULARS	C O S T				A M O R T I Z A T I O N				
	As at 1 July 2007	Additions during the year	Deletions during the year	As at 30 June 2008	As at 1 July 2007	For the year	On deletions	As at 30 June 2008	Book value as at 30 June 2008
	Rupees	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	2,510,550	-	3,461,200	95,065	261,451	-	356,516	3,104,684
2008	31,050,650	2,510,550	-	33,561,200	95,065	261,451	-	356,516	33,204,684

PARTICULARS	C O S T				A M O R T I Z A T I O N				
	As at 1 July 2006	Additions during the year	Deletions during the year	As at 30 June 2007	As at 1 July 2006	For the year	On deletions	As at 30 June 2007	Book value as at 30 June 2007
	Rupees	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

4.1.1 Gain on disposal of fixed assets

Description	Cost Rupees	Book value Rupees	Sale proceeds Rupees	Gain / (loss) Rupees	Mode of disposal	Purchaser
Assets with book value below Rs. 50,000	233,244	128,707	31,300	(97,407)	Negotiation	Various
<i>Buildings</i>						
Plot at Kot Shabudin	15,165,000	14,977,790	22,725,000	7,747,210	Negotiation	Ch.Munawar Iqbal
7-B/5 Aziz Avenue	12,559,493	10,160,245	23,000,000	12,839,755	Negotiation	M/S Crescent Pwertec Limited
<i>Equipments</i>						
Telephone Exchange	162,000	131,175	70,000	(61,175)	Negotiation	Panasonic Media Solution
<i>Vehicles</i>						
Vehicle-LZA-9669	790,500	250,325	560,000	309,675	Company Policy	Abdul Rauf Ghani
Vehicle-LZC-3883	790,500	250,325	560,000	309,675	Company Policy	Abdul Aziz Khan Niazi
Vehicle-LWE-6740	1,282,500	726,750	875,000	148,250	Company Policy	Rashid Ahmed
Vehicle-LZZ-955	830,500	415,250	580,000	164,750	Company Policy	Mudassir kaiser Pal
Vehicle-LEC-9157	396,050	376,247	365,000	(11,247)	Stolen	New Jubilee Insurance
Vehicle-LWO-9825	881,124	543,360	600,000	56,640	Negotiation	Mirza Talat Mehmood Baig
Vehicle-LRK-701	1,174,000	-	721,000	721,000	Negotiation	Sumaira Amjad
Vehicle-LZN-6613	1,329,850	354,627	676,000	321,373	Negotiation	Arshad Ali
2008	35,594,761	28,314,801	50,763,300	22,448,499		
Description	Cost Rupees	Book value Rupees	Sale proceeds Rupees	Gain / (loss) Rupees	Mode of disposal	Purchaser
Assets with book value below Rs. 50,000	7,000	3,668	2,000	(1,668)	Theft	-
<i>Vehicles</i>						
Vehicle LZT-255	830,500	539,825	646,000	106,175	Negotiation	Argosy Enterprises
Vehicle LWE-4260	1,192,500	894,375	945,000	50,625	Negotiation	Argosy Enterprises
Motor Cycle LRG-8108	75,555	5,037	30,000	24,963	Company policy	Ch. Abdul Rehman
Motor Cycle Sialkot Branch	71,000	42,600	60,000	17,400	Theft	
2007	2,169,555	1,481,837	1,681,000	199,163		

5	NET INVESTMENT IN LEASE FINANCE	Note	2008	2007
			Rupees	Rupees
	Lease payments receivable	5.1	4,420,396,057	3,864,762,908
	Add: Residual value		1,223,377,097	1,054,280,794
	Gross investment in leases		5,643,773,154	4,919,043,702
	Less: Unearned finance income		767,135,109	687,719,451
	Income suspended	5.2	138,212,086	161,531,804
	Provision for potential lease losses	5.3	113,042,667	80,900,962
			1,018,389,862	930,152,217
	Net investment in lease finance		4,625,383,292	3,988,891,485
	Less: Current portion of net investment in lease finance	10	1,204,539,838	971,284,737
			3,420,843,454	3,017,606,748

	30 June 2008			
	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	Rupees	Rupees	Rupees	Rupees
Gross investment	1,604,856,731	4,038,916,423	-	5,643,773,154
Less: Unearned finance income	400,316,893	366,818,216	-	767,135,109
	1,204,539,838	3,672,098,207	-	4,876,638,045
	30 June 2007			
	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	Rupees	Rupees	Rupees	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

5.1 The Company has entered into various lease agreements with implicit rate of return ranging from 6.75% to 24% (2007:6.75% 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 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.

	Note	2008 Rupees	2007 Rupees
5.2 Income suspended			
Balance at the beginning of the year		161,531,804	57,897,652
Charge for the year		54,335,852	184,717,685
Reversal of suspension		(77,655,570)	(81,083,533)
Balance at the end of the year		138,212,086	161,531,804
5.3 Provision for potential lease losses			
Balance at the beginning of the year		80,900,962	70,752,922
Current year potential lease loss provision		43,046,419	17,204,894
Provision reversed during the year		(9,884,227)	(7,056,854)
Provision written off during the year		(1,020,487)	-
Balance at the end of the year		113,042,667	80,900,962
6 SURPLUS ON REVALUATION OF FIXED ASSETS			
Land		1,222,187	-
Building on freehold land		9,302,436	-
	6.1	10,524,623	-
Less:			
Deferred tax liability recongnized during the year		(3,255,853)	-
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year		(25,194)	-
		(3,281,047)	-
		7,243,576	-

6.1 Building on freehold land and a land owned in Gujrat were revalued on 30 June 2008 by independent valuers, M/S Synergisers (Private) Limited and Imtech (Private) Limited.

	Note	2008 Rupees	2007 Rupees
7 LONG TERM FINANCES			
Employees - considered good	7.1	24,223,751	9,632,852
Others			
Secured - considered good	7.2	544,930,955	34,500,000
Unsecured - considered good		300,000	300,000
		569,454,706	44,432,852
Less : current maturity	10	6,107,076	1,519,988
		563,347,630	42,912,864

7.1 These represent long term finances provided to employees against mortgage of property. These carry mark-up ranging from 4% to 14.72% (2007: 4% to 13 %) per annum. The maximum aggregate balance due at the end of any month during the year from the chief executive is Rs. 5.74 million (2007: 1.20 million) and executives is Rs. 15.6 million (2007: 7.40 million).

Loan to chief executive amounts to Rs. 5.74 million outstanding as on 30 June 2008 and carries mark-up at the rate of 4 % to 10% per annum.

7.2 These include long term finances provided to customers against mortgage of property. These carry mark-up rate ranging from 11.75% to 29% (2007 : 15% to 19%) per annum.

8	LONG TERM INVESTMENTS	Note	2008 Rupees	2007 Rupees
	Investment in Bonds and Term Finance Certificates	8.1	279,992,000	-
	Investment in shares- unquoted	8.2	-	527,614
			279,992,000	527,614
8.1	Investment in Bonds and Term Finance Certificates			
	Sukuk Bonds and TFCs - Unlisted			
	Held to maturity			
	Sukuk Bonds - New Allied Electronic Industries (Pvt) Limited	8.1.1	20,000,000	-
	Sukuk Bonds Amtex Limited	8.1.2	75,000,000	-
	Sukuk Bonds Eden Housing Limited	8.1.3	50,000,000	-
	TFC - Azgard Nine Limited	8.1.4	39,992,000	-
	TFC - Dewan Cement Limited	8.1.5	50,000,000	-
	TFC - Gharibwal Cement Limited	8.1.6	25,000,000	-
	TFC - Grays Leasing Limited (Pre-IPO)	8.1.7	20,000,000	-
			279,992,000	-

8.1.1 Represents Sukuk certificate issued by New Allied Electronic Industries (Pvt) Limited for a period of five years at the rate of 3 month KIBOR + 2.60%. JCR-VIS Credit Rating Agency Limited assigned a rating of "A-" (single A minus).

8.1.2 Represents Sukuk certificates issued by Amtex Limited for a period of five years at the rate of 3 month KIBOR + 200 bps. JCR-VIS Credit Rating Agency Limited assigned a rating of "A+" (single A Plus).

8.1.3 Represents Sukuk certificates issued by Eden Housing Limited for a period of five years at the rate of 6 month KIBOR + 2.5% %. JCR- VIS Credit Rating Agency Limited assigned a rating "A" (Single A).

8.1.4 Represents secured privately placed Term Finance Certificates issued by Azgard Nine Limited for a period of thirteen months tenor at the rate of 6 month KIBOR + 225 bps with no floor and cap.The Pakistan Credit Rating Agency Limited assigned a rating of "A1+" (A one Plus)

8.1.5 Represents Term Finance Certificates issued by Dewan Cement Company for a tenure of 6 years inclusive of a grace period of 1.5 years at a rate of 6 month KIBOR + 200 bps.

8.1.6 Represents Term Finance Certificates issued by Gharibwal Cement Limited for the period of 5 years at the rate of 6 month KIBOR + 300 bps. JCR- VIS Credit Rating Agency Limited assigned a rating "BBB" (Tripple B).

8.1.7 Represents secured privately placed Term Finance Certificate issued by Grays Leasing Limited for a period of 5 years at the rate of 6 month KIBOR + 250 bps with a floor of Nil and cap of 19%. JCR- VIS Credit Rating Agency Limited assigned a rating "A-" (Single A minus).

	Note	2008 Rupees	2007 Rupees
8.2 Unquoted shares, at cost			
Trust Management Services (Pvt.) Ltd.		2,250,000	2,250,000
Less: Provision for diminution in the value of investments	8.2.1	2,250,000	1,722,386
		-	527,614
8.2.1 Provision for diminution in the value of investments			
Opening balance		1,722,386	2,186,362
Charged / (reversed) for the year		527,614	(463,976)
Closing balance		2,250,000	1,722,386

9 LONG TERM ADVANCES

Long term advances represents Rs. 97.379 million (2007: Rs. 38.025 million) paid to Tricon Developers against purchase of office space at Tricon Corporate Center located at 73 - Gulberg II Jail road Lahore.

	Note	2008 Rupees	2007 Rupees
10 CURRENT MATURITIES OF NON-CURRENT ASSETS			
Long term finances	7	6,107,076	1,519,988
Net investment in lease finance	5	1,204,539,838	971,284,737
		1,210,646,914	972,804,725
11 SHORT TERM FINANCES			
Employees - considered good	11.1	804,120	1,190,979
Others			
Secured - considered good	11.2	383,830,000	38,000,000
Secured - considered doubtful		650,000	650,000
Less: Provision against doubtful finance	11.3	650,000	650,000
		-	-
		384,634,120	39,190,979

11.1 These represents staff loans to employees against their retirement benefits. These carry mark-up ranging from 11.99% to 13.65% (2007 : 11.47% to 18%) per annum.

11.2 These include short term finances provided to individuals against their certificates of investment and mortgage of property. These carry mark-up ranging from 12.53% to 20% (2007 : 15.% to 19%) per annum.

	Note	2008 Rupees	2007 Rupees
11.3	Provision against doubtful finances	650,000	650,000

12 SHORT TERM PLACEMENTS - CONSIDERED GOOD

Secured

	Note	2008 Rupees	2007 Rupees
Continuous funding system (CFS)	12.1	139,437,308	357,563,636
Securities purchased under reverse repurchase agreements	12.2	360,988,000	276,014,100
		500,425,308	633,577,736

12.1 These represent short term funds placed under continuous funding system and carry an effective yield ranging from 9.8% to 18.54 % (2007: 11% to 19.5%) on an average basis per annum.

12.2 These represent short term funds placed under reverse repurchase agreements and carry an effective yield ranging from 9.2% to 18.88 % (2007: 13.8% to 25%) on an average basis per annum.

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

	Note	2008 Rupees	2007 Rupees
Quoted Shares			
These has been placed for a period upto one year.		559,282,482	706,548,416

13 SHORT TERM INVESTMENTS

	Note	2008			2007		
		Held by Company	Given as collateral	Total	Held by Company	Given as collateral	Total
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Held for trading	13.1	73,742,791	24,528,702	98,271,493	500,027,796	167,605,000	667,632,796
Available for sale investments	13.2	162,347,671	309,271,982	471,619,653	102,772,820	-	102,772,820
		236,090,462	333,800,684	569,891,145	602,800,616	167,605,000	770,405,616

13.1 Held for trading

Name of investee company	Shares/Units		Cost		Fair value	
	2008	2007	2008	2007	2008	2007
	Number	Number	Rupees	Rupees	Rupees	Rupees
Technology and communication						
Callmate Tellips Telecom Limited	-	400,000	-	20,718,995	-	19,800,000
Energy and power						
Pakistan Petroleum Limited	-	200,000	-	53,200,274	-	52,490,000
Pakistan Oil fields Limited	-	306,000	-	107,460,471	-	97,002,000
Oil & Gas Development Company Limited	-	425,000	-	52,508,240	-	50,915,000
National Refinery Limited	22,000	-	8,572,960	-	6,544,340	-
Commercial Banks						
Askari Commercial Bank Limited	-	150,000	-	15,359,513	-	15,885,000
The Bank of Punjab	-	450,000	-	50,771,686	-	52,425,000
National Bank of Pakistan Limited	-	125,000	-	31,430,123	-	32,750,000
Faysal Bank Limited	-	-	-	-	-	-
Crescent Commercial Bank Limited	2,363,000	2,790,500	52,692,183	49,700,534	24,929,650	62,646,725
My Bank Limited	1,400,250	1,994,000	33,003,893	56,401,210	26,464,725	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
NIB Bank Limited	136,620	-	-	-	1,553,369	-
Investment Companies						
Arif Habib Securities Limited	85	512,685	14,338	39,363,593	13,728	59,779,071
Pervez Ahmed Securities Limited	98,793	-	-	-	4,897,169	-
Insurance						
Adamjee Insurance Company Limited	30,000	-	8,716,695	-	8,121,601	-
Cable and Electronics						
Pak Electron Limited	55,475	472,500	3,816,680	40,049,100	3,106,601	40,635,000
Automobiles						
Pak Suzuki Motors Company Limited	189,000	40,200	66,176,460	8,388,400	22,640,310	15,758,400
	4,295,223	9,947,385	172,993,209	628,322,414	98,271,493	667,632,796

13.1.1 All shares have a face value of Rs.10.

13.1.2 Include shares of Rs.24,528,702 (2007: Rs. 167,605,000) deposited with Bank Al-Habib Limited for overdraft facility.

13.1.3 The fair values are determined with reference to quoted stock exchange prices as at 30 June 2008.

13.2 Available for sale investments

	Shares/Units		Cost		Fair value	
	2008 Number	2007 Number	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
Name of investee company						
Fertilizer						
Engro Chemical Pakistan Limited	249,100	-	84,613,604	-	69,949,771	-
Energy and power						
Pakistan State Oil Limited	82,000	-	42,087,397	-	34,213,680	-
Attock Refinery Limited	147,000	-	44,081,667	-	36,732,360	-
Pakistan Refinery Limited	45,000	-	6,812,100	-	6,812,100	-
Commercial Banks						
MCB Bank Limited	200,000	-	85,803,207	-	65,276,000	-
Bank Islami Pakistan Limited	998,000	-	19,094,198	-	14,780,380	-
Investment Companies						
Arif Habib Securities Limited	410,000	-	71,824,983	-	66,206,800	-
Pervez Ahmed Securities Limited	850,250	750,000	58,693,860	7,500,000	42,146,892	17,025,000
Jahangir Siddiqui Company Limited	110,000	-	81,825,798	-	58,316,500	-
Arif Habib Limited	88,000	-	26,666,912	-	21,735,120	-
Insurance						
Adamjee Insurance Company Limited	29,000	-	9,341,761	-	7,850,900	-
Cement						
D G Khan Cement Limited	280,000	-	18,799,200	-	18,799,200	-
Textile						
Nishat Mills Limited	335,000	-	42,274,764	-	28,799,950	-
Hira Textile Mills Limited	-	1,172,187	-	14,652,338	-	11,721,870
Commercial Papers						
Dewan Farooque Motor Limited	-	-	-	-	-	46,525,950
Azgard -Nine Limited	-	-	-	-	-	27,500,000
	3,823,350	1,922,187	591,919,451	22,152,338	471,619,653	102,772,820

13.2.1 All shares have a face value of Rs.10.

13.2.2 Include shares of Rs.309,271,982 (2007: Nil) deposited with Bank Al-Habib Limited and Habib Bank Limited for overdraft facility.

13.2.3 The fair values are determined with reference to quoted stock exchange prices as at 30 June 2008.

14 MARKUP ACCRUED

	2008 Rupees	2007 Rupees
Markup accrued on Sukuk bonds and term finance certificates	9,102,971	-
Mark-up accrued on short term and long term finances	21,985,378	13,874,492
Mark-up accrued on advance against leases	5,982,175	3,669,777
	37,070,524	17,544,269

	Note	2008 Rupees	2007 Rupees
15 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advance to employees-considered good	15.1	16,167	-
Advance against leases	15.2	98,118,169	77,815,311
Advance against purchase of fixed assets		5,023,459	36,710,266
Other advances - considered good		381,801	2,773,194
Initial transaction cost of term finance certificates		5,549,389	1,203,542
Receivable from brokerage customers		410,780,744	113,052,333
Receivable from NCCPL		-	227,784,312
Prepayments		9,843,933	6,729,665
Miscellaneous receivables from lessees	15.3	148,625,216	71,654,315
Other receivables - considered good		3,600,281	1,901,202
		681,939,159	539,624,140

15.1 These represent advances to employees which are adjustable against salary.

15.2 These represent advances 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 transferred to lessees. Lessees are being charged with mark-up at 14% to 20 % (2007: 12% to 19%) per annum against these advances.

	Note	2008 Rupees	2007 Rupees
15.3 Miscellaneous receivables from lessees			
Considered good		148,625,216	71,654,315
Considered doubtful			
Miscellaneous receivables from lessees		67,144,071	59,159,946
Less: Provision against doubtful receivables	15.3.1	67,144,071	59,159,946
		-	-
		148,625,216	71,654,315
15.3.1 Provision against doubtful receivables			
Opening balance		59,159,946	19,220,638
Add: Charge for the year		14,768,275	43,296,486
		73,928,221	62,517,124
Less: Reversed during the year		(6,784,150)	(3,357,178)
Closing balance		67,144,071	59,159,946

16 CASH AND BANK BALANCES	Note	2008 Rupees	2007 Rupees
Cash in hand		1,175,600	395,429
With banks in:			
Deposit accounts	16.1	232,202	231,791
Current accounts		91,880,971	200,319,871
		92,113,173	200,551,662
		93,288,773	200,947,091

16.1 Deposit accounts carry markup rate ranging from 4% to 7% per annum.

17 SHARE CAPITAL	Note	2008 No. of shares	2007 No. of shares	2008 Rupees	2007 Rupees
Authorized					
Ordinary shares of Rs. 10 each		80,000,000	50,000,000	800,000,000	500,000,000
Preference shares of Rs. 10 each		30,000,000	30,000,000	300,000,000	300,000,000
		110,000,000	80,000,000	1,100,000,000	800,000,000
Issued, subscribed and paid up					
Ordinary shares of Rs. 10 each fully paid-up in cash		20,142,984	20,142,984	201,429,840	201,429,840
Ordinary shares of Rs. 10 each issued as bonus shares		38,409,889	26,699,314	384,098,889	266,993,143
	17.1	58,552,873	46,842,298	585,528,729	468,422,983

17.1 Reconciliation of ordinary shares	2008 No. of shares	2007 No. of shares
Opening balance of ordinary shares of Rs.10 each	46,842,297	40,732,432
Bonus shares issued during the year amounting to Rs.117,105,746 (2007: Rs.61,098,650)	11,710,576	6,109,865
Closing balance of ordinary shares of Rs.10 each	58,552,873	46,842,297

18 RESERVES	Note	2008 Rupees	2007 Rupees
Capital reserves			
Share premium reserve		-	70,714,920
Statutory reserve	18.1	206,758,318	176,801,731
		206,758,318	247,516,651
Revenue reserves			
General reserve		61,000,000	61,000,000
Unappropriated profit		242,321,570	239,124,294
		303,321,570	300,124,294
		510,079,888	547,640,945
18.1 Statutory reserve			
Opening balance		176,801,731	156,192,221
Transfer from profit and loss account		29,956,588	20,609,510
		206,758,319	176,801,731

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.

19 (DEFICIT)/SURPLUS ON REVALUATION OF INVESTMENTS	Note	2008 Rupees	2007 Rupees
Opening balance		6,594,532	4,318,268
Gain on sale of investment transferred to profit and loss account		(6,594,532)	(4,318,268)
Net movement in the fair value during the year		(120,299,798)	6,594,532
Closing balance		(120,299,798)	6,594,532
20 TERM FINANCE CERTIFICATES (TFC) - SECURED			
TFC I	20.1	-	140,375,000
TFC II-1st tranche	20.2	112,500,000	187,500,000
TFC II-2nd tranche	20.3	187,500,000	262,500,000
		300,000,000	590,375,000
Less: Unamortized portion of initial transaction cost		4,367,408	8,100,427
		295,632,592	582,274,573
Less: Current maturity	26	150,000,000	290,375,000
		145,632,592	291,899,573

- 20.1** 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 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.

- 20.2** 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.

- 20.3** 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.

	Note	2008 Rupees	2007 Rupees
21 LONG TERM CERTIFICATES OF INVESTMENT - UNSECURED			
Local currency			
- Financial institutions		858,333,333	1,100,000,000
- Corporates		13,642,940	13,352,940
- Individuals		124,180,955	19,570,000
		996,157,228	1,132,922,940
Less: Current maturity	21.1 26	895,403,258	490,000
		100,753,970	1,132,432,940

21.1 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 one year to six years at the rates ranging from 10% to 14% (2007: 11 % to 16.67 %) per annum.

	Note	2008 Rupees	2007 Rupees
22 LONG TERM BORROWINGS - SECURED			
Banking companies and other financial institutions:			
The Bank of Punjab Limited	22.1	79,166,666	137,500,002
Faysal Bank Limited	22.2	83,333,333	-
Askari Bank Limited	22.3	-	16,666,664
Allied Bank Limited	22.4	50,000,000	86,666,665
National Bank of Pakistan Limited	22.5	-	33,160,441
Habib Bank Limited	22.6	66,666,668	141,666,666
Pak Kuwait Investment Company (Pvt.) Ltd.	22.7	-	16,666,664
Pak Oman Investment Company (Pvt.) Ltd.	22.8	-	25,000,000
Syndicated Term Finance	22.9	20,940,432	55,432,466
Soneri Bank Ltd.	22.10	-	50,000,000
Saudipak Industrial & Agricultural Investment Company (Pvt.) Limited.	22.11	33,333,328	66,666,664
Standard Chartered Bank Limited	22.12	454,888,888	-
Atlas Bank Limited	22.13	200,000,000	-
		988,329,315	629,426,232
Less: Current portion shown under current liabilities	26	386,848,127	379,452,572
		601,481,188	249,973,660

22.1 These represent two facilities of an aggregate amount of Rs. 200 million. These facilities are secured against first charge on specific leased assets and related receivables. These carry mark-up at the 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 instalments starting from 05 December 2005 and 31 March 2006 respectively.

- 22.2** This represents a facility of Rs. 100 million. The facility is secured by way of first charge on specific leased assets with 25% margin and carry mark-up at the rate of 6 months KIBOR + 190 bps per annum. This facility is repayable in twelve equal quarterly installments starting from 29 October 2007.
- 22.3** 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 at the rate of 6 months KIBOR + 250 bps per annum. The facility is repayable in twelve equal quarterly installments starting from 30 August 2005. This facility has expired on 30 May 2008.
- 22.4** These represent two facilities of an aggregate amount of Rs. 200 million. These facilities are secured against first charge on specific leased assets and related receivables. These carry mark-up at the rate ranging from 6 months KIBOR + 200 bps to 6 months KIBOR + 250 bps per annum with a floor of 7%. These facilities are repayable in six and ten equal half yearly installments starting from 28 June 2005 and 30 June 2006 respectively.
- 22.5** These represent two facilities of an aggregate amount of Rs. 150 million. These facilities are secured against first charge on specific leased assets and related receivables and carry mark-up at the 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 and 30 September 2005 respectively. Both facilities have expired on 05 November 2007 and 27 April 2008, respectively.
- 22.6** These represent three facilities of an aggregate amount of Rs. 250 million. These facilities are secured against first charge on specific leased assets and related receivables and carry mark-up at the 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.
- 22.7** 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 at the rate of 6 months KIBOR + 245 bps per annum. The facility is repayable in twelve equal quarterly installments starting from 27 September 2005. This facility has expired on 27 June 2008.
- 22.8** This represents a facility of Rs. 75 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up at the rate of 6 months KIBOR + 250 bps per annum. The facility is repayable in twelve equal quarterly installments starting from 08 September 2005. This facility has expired on 08 June 2008.
- 22.9** This represents a syndicated term finance facility of Rs. 100 million from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited, 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 at the rate of 6 months KIBOR + 225 bps per annum. The facility is repayable in eight equal half yearly installments starting from 15 June 2005.
- 22.10** 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 + 300 bps per annum. The facility is repayable on completion of three years period starting from 15 December 2004. This facility has expired on 15 December 2007 by way of bullet payment.

22.11 These represent two facilities of an aggregate amount of Rs. 100 million. These facilities are secured against first charge on specific leased assets and related receivables. These carry mark-up at the rate of 6 months KIBOR + 250 bps to 3 months KIBOR + 275 bps per annum. These facilities are repayable in twelve equal quarterly installments starting from 18 October 2005 and 13 April 2007, respectively.

22.12 This represents a facility of Rs. 500 million. The facility is secured against book debt security and collection account. These carry mark up at the rate of 3 month KIBOR + 160 bps. The facility is repayable in twelve equal quarterly installments starting from 28 February 2008.

22.13 This represents a facility of Rs. 200 million. The facility is secured against first charge on specific/exclusive leased assets and related receivables. It carries mark up at the rate of 3 month KIBOR + 1.85 %. The facility is repayable in sixteen equal quarterly installments starting from 11 April 2008.

	Note	2008 Rupees	2007 Rupees
23 LONG TERM DEPOSITS			
Margin against letter of guarantee		23,362,860	6,220,000
Deposits against lease arrangements	23.1	1,218,771,389	1,050,934,851
Less: Current maturity	26	215,914,768	123,723,476
		1,002,856,621	927,211,375
		1,026,219,481	933,431,375

23.1 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.

	Note	2008 Rupees	2007 Rupees
24 PRE- IPO SUBSCRIPTION OF TERM FINANCE CERTIFICATES			
AMZ Plus Income Fund		60,000,000	-
Askari Income Fund		50,000,000	-
Dawood Money Market Fund		50,000,000	-
KASB Liquid Fund		50,000,000	-
Pakistan Income Fund		50,000,000	-
United Money Market Fund		50,000,000	-
United Growth & Income Fund		50,000,000	-
Alfalah GHP Income Multiplier Fund		40,000,000	-
First Dawood Mutual Fund		25,000,000	-
Dawood Capital Management Limited		25,000,000	-
Less: Current maturity	26	(90,000)	-
		449,910,000	-

24.1 These represent secured, rated and listed Term Finance Certificates (TFCs-III), being instrument of redeemable capital under the Companies Ordinance, 1984. These TFCs have a tenure of five (5) years and consist of Rs. 600 million out of which Rs. 450 million were offered to institutional investors for pre-IPO placements and Rs. 150 million to the general public on 04 July 2008. These TFCs are secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 40% and each TFC set has an aggregate face value of Rs. 5,000.

24.2 The profit is payable semi annually at six months KIBOR + 1.85%. The instrument is structured to redeem 0.02% of principal in two equal semi-annual installments along with mark-up payments and remaining principal in eight equal semi-annual installments at six months KIBOR + 1.85%. The redemption shall start from 18th month from the last subscription day i.e. 04 July 2008.

	Note	2008 Rupees	2007 Rupees
25 STAFF SERVICE COSTS			
Gratuity	25.1	2,343,011	1,992,724
Leave encashment	25.1	4,248,992	2,026,869
		6,592,003	4,019,593

	Note	Gratuity		Leave encashment	
		2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
25.1 Movement in liability recognized in the balance sheet					
Net liability as at 01 July 2007		1,992,724	5,580,463	2,026,869	-
Amount recognized during the year	25.1.1	5,020,239	5,702,494	3,827,709	2,393,912
Contribution made by the Company		(4,669,952)	(9,290,233)	(1,605,586)	(367,043)
Net liability as at 30 June 2008	25.1.2	2,343,011	1,992,724	4,248,992	2,026,869
25.1.1 Amounts charged to profits and loss account during the current year					
Current service cost		5,974,242	3,416,367	1,777,690	1,326,694
Interest cost		790,733	1,612,101	321,501	178,221
Expected return on plan assets		(223,980)	(180,846)	-	-
Liability charge due to application of IAS-19		286,421	286,422	-	-
Actuarial loss - charge for the year		185,547	568,450	1,134,447	294,926
Additional charge due to adoption of IAS 19		-	-	594,071	594,071
Total		7,012,963	5,702,494	3,827,709	2,393,912

	Gratuity		Leave encashment	
	2008	2007	2008	2007
	Rupees	Rupees	Rupees	Rupees
25.1.2 Reconciliation of liability recognized in the balance sheet in respect of gratuity				
Present value of defined benefit obligations	10,194,637	7,907,331	4,843,062	3,215,010
Less: Fair value of plan assets	(5,647,850)	(2,239,798)	-	-
Less: Actuarial losses to be recognized in later periods	(3,614,409)	(3,388,389)	-	-
Add: Benefits due but not paid	80,583	-	-	-
Less: Unrecognized transitional liability to be recognized in later periods	-	(286,421)	(594,070)	(1,188,141)
Balance sheet liability	1,012,961	1,992,723	4,248,992	2,026,869
25.1.3 Actual return on the plan assets				
Expected return on the plan assets	223,980	180,846	-	-
Actuarial (loss) / gain on plan assets	(138,700)	49,555	-	-
Actual return on the plan assets	85,280	230,401	-	-

25.1.4 Qualified actuary carried out the valuation as on 30 June 2008 using the Projected Unit Credit Method. Following significant assumptions were used:

	Gratuity		Leave encashment	
	2008	2007	2008	2007
Discount rate	12% per annum	10% per annum	12% per annum	10% per annum
Expected rate of increase in salary	11% per annum	9% per annum	11% per annum	9% per annum
Expected rate of return on plan assets	12% per annum	10% per annum	-	-
Average number of leaves utilised per annum	-	-	8 Days	5 Days
Expected average remaining years until vesting as on 30 June	14 years	13 years	-	-

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

	2008	2007	2006	2005	2004
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June					
Present value of defined obligation	7,907,331	7,907,331	17,912,230	6,506,811	4,433,633
Fair value of plan assets	5,647,850	5,647,850	2,239,798	1,923,197	1,785,575
Deficit	(2,259,481)	(2,259,481)	(15,672,432)	(4,583,614)	(2,648,058)

Fair value of plan assets include certificates of investments, whose fair value as at 30 June 2008 is Rs.5.647 million (2007 : Rs.2.239 million).

	Note	2008 Rupees	2007 Rupees	
26	CURRENT MATURITIES OF LONG TERM LIABILITIES			
	Term finance certificates - secured	20	150,000,000	290,375,000
	Certificates of investment - unsecured	21	895,403,258	490,000
	Long term borrowings - secured	22	386,848,127	379,452,572
	Long term deposits	23	215,914,768	123,723,476
	Pre- IPO subscription of Term Finance Certificates	24	90,000	-
			1,648,256,153	794,041,048
27	SHORT TERM CERTIFICATES OF INVESTMENT - UNSECURED			
	Local currency			
	- Financial institutions		750,000,000	135,000,000
	- Corporate		240,962,953	146,599,895
	- Individuals		51,219,038	50,274,330
			1,042,181,991	331,874,225

27.1 These represent unsecured short term certificates of investment for a period of three months to one year. These carry mark-up at the rate ranging from 8.25% to 18% (2007: 9.00% to 12.25%) per annum.

	Note	2008 Rupees	2007 Rupees	
28	SHORT TERM BORROWINGS			
	Banking companies and other financial institutions:			
	Running finances - secured	28.1	332,216,672	211,153,324
	Placements from financial institutions - unsecured	28.2	1,579,185,500	1,162,500,000
			1,911,402,172	1,373,653,324

28.1 These represent running finance facilities utilized from commercial banks. The total limits against running finance facilities amounts to Rs. 455.00 million (2007: Rs. 328.00 million). These carry mark-up at the rate of 3 months KIBOR + 100 bps to 3 months KIBOR + 250 bps with a floor ranging from 4.5% to 10.0% (2007: 3 months KIBOR + 200 bps to 3 month KIBOR + 213 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 receivable and pledge of shares.

	2008 Rupees	2007 Rupees
Carrying amount of quoted shares given as collateral against borrowings	333,800,683	167,605,000
28.2 These represent unsecured short term placements of one day to four months obtained from financial institutions carrying mark-up at the rate ranging from 6.25 % to 26 % (2007: 7 % to 13%).		

	Note	2008 Rupees	2007 Rupees
29 MARK-UP ACCRUED			
Secured			
- Short and long term borrowings		49,020,711	25,814,820
- Term finance certificates		15,475,668	13,879,017
		64,496,379	39,693,837
Unsecured			
- Certificates of investment		28,735,462	14,487,697
		93,231,841	54,181,534
30 TRADE AND OTHER PAYABLES			
Payable to National Clearing Company of Pakistan Limited		377,328	-
Customer's credit balances		47,689,653	199,320,252
Advance receipt against leases	30.1	20,206,853	17,807,071
Unclaimed dividend		3,221,681	2,497,201
Accrued liabilities		2,485,230	3,770,675
Other liabilities		7,170,817	7,081,089
		81,151,562	230,476,288

30.1 These represent initial security deposits received from lessees before the structuring of leases.

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

31.1.1 The Company has issued guarantees to various parties on behalf of clients amounting to Rs.182.342 million. (2007: Rs. 25.681 million)

31.1.2 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 Honorable 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 of the Honorable Lahore High Court. The Company's lawyer is of the opinion that the maximum exposure to the Company will be Rs 8.53 million if the case is decided against the Company.

31.2 Commitments

31.2.1 Lease commitments approved but not disbursed as on balance sheet date amount to Rs.123.142 million (2007 : Rs. 217.065 million).

31.2.2 Commitment for the purchase of office space is given to Tricon Developers (Pvt) Limited, amounting to Rs. 29.63 million (2007 :Rs. 136.63 million).

	Note	2008 Rupees	2007 Rupees
32 INCOME FROM LEASE OPERATIONS			
Finance lease income		439,342,722	326,263,149
Front end fee		842,123	3,960,718
Commitment and other fees		8,275,411	906,003
Miscellaneous	32.1	37,435,919	24,215,167
		485,896,175	355,345,037
32.1 Miscellaneous lease income			
Mark-up on lease advance		10,805,362	6,233,938
Additional lease rentals		26,630,557	17,981,229
		37,435,919	24,215,167
33 INCOME FROM INVESTMENTS			
Profit on disposal of investment held for trading		135,248,716	175,601,259
Profit on investment in continuous funding system		27,833,456	91,221,945
Profit on disposal of shares under reverse repurchase agreements		46,468,204	43,491,103
Profit on disposal of shares purchased under future contract		1,094,383	-
Profit on short term placements and long term investments		41,927,450	3,279,354
Dividend income		10,251,250	5,959,848
Underwriting and trusteeship fee		1,613,625	1,718,223
Gain on disposal of available for sale investments		9,472,666	3,685,066
		273,909,750	324,956,798
34 INCOME FROM TERM FINANCES			
34.1 Mark- up earned on long term finances			
Empolyees		1,053,271	571,640
Customers		16,569,055	2,910,513
		17,622,326	3,482,153
34.2 Mark- up earned on short term finances			
Empolyees		95,980	91,035
Customers		26,392,670	5,405,239
		26,488,650	5,496,274
		44,110,976	8,978,427

	Note	2008 Rupees	2007 Rupees
35 OTHER INCOME			
Gain on disposal of operating fixed assets	4.1.1	22,448,499	199,163
Commission income		2,462,351	2,873,189
Profits on bank deposits		141	82,465
Miscellaneous	35.1	65,927,650	11,783,800
		90,838,641	14,938,617

35.1 This includes an amount of Rs. 56.750 million being a gain on sale of right to acquire office space at Kalma Tower, Ferozepur Road Lahore.

	Note	2008 Rupees	2007 Rupees
36 FINANCE COST			
Mark-up on long term borrowings		87,925,764	81,736,770
Mark-up on term finance certificates		104,343,216	82,299,445
Mark-up on short term borrowings		118,927,462	134,359,778
Mark-up on certificates of investment		210,140,148	111,810,913
Mark-up on running finance		8,556,271	10,336,945
Commitment and other processing fee		2,686,995	2,154,197
Bank charges and commission		5,893,085	3,474,051
Markup payable on pre-IPO deposits of preference shares		-	2,589,524
		538,472,941	428,761,623

	Note	2008 Rupees	2007 Rupees
37 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and other benefits		103,312,972	98,941,822
Printing and stationery		3,890,737	3,404,608
Vehicle running and maintenance		8,674,886	6,485,370
Postage, telephone and telex		7,349,169	4,696,501
Traveling and conveyance		3,448,512	1,425,486
Boarding and lodging		686,729	408,861
Entertainment		2,102,391	2,353,033
Advertisement		697,081	1,777,184
Electricity, gas and water		3,734,036	3,681,332
Newspapers and periodicals		159,795	149,576
Auditors' remuneration	37.1	558,850	405,000
Fee and subscription		1,436,301	1,350,893
Corporate expenses		1,355,296	2,210,473
Staff service costs		8,817,108	8,096,406
Software		117,410	48,500
Rent, rates and taxes		24,734,932	14,567,402
Insurance		3,785,547	1,429,298
Donations	37.2	-	19,850
Office maintenance		3,239,529	3,659,607
Legal and professional charges		4,307,851	1,944,047
Security charges		2,244,770	1,398,154
Staff training		136,827	58,320
Business promotion		-	177,995
Commission on recovery-outsourced		3,410,988	1,587,179
CDC and clearing charges		3,278,866	2,433,109
Miscellaneous		2,175,433	2,704,697
		193,656,016	165,414,703

	Note	2008 Rupees	2007 Rupees
37.1 Auditors' remuneration			
Audit fee			
Annual		350,000	200,000
Half yearly review		80,000	60,000
Certifications and other services		70,000	95,000
Out of pocket expenses		58,850	50,000
		558,850	405,000
37.2	Donations include payment of Rs. Nil (2007: Rs. 3,000) to Presidents Earthquake Relief Fund and Rs. Nil (2007: Rs. 14,850) to TDCP school. None of the directors have any interests in these institutions.		
	Note	2008 Rupees	2007 Rupees
38 OTHER CHARGES			
Lease receivable written off		1,020,487	23,877
Loss on disposal of operating fixed assets		-	1,668
Penalties imposed by Lahore Stock Exchange		10,000	-
		1,030,487	25,545
39 PROVISION FOR TAXATION			
For the year			
- Current	39.1	2,904,711	2,500,000
- Deferred	39.2	(86,563,292)	10,000,000
		(83,658,581)	12,500,000
39.1	In view of tax losses, 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.		
39.2	Deffered tax asset comprises of deductible temporary differences amounting to Rs. 785.26 million and taxable temporary differences amounting to Rs. 723.8 million. Deffered tax asset arised amounting to Rs. 61.53 million during the year and reversal of tax liability amounting to Rs.25.03 million.		
		2008	2007
40 EARNINGS PER SHARE - BASIC			
Profit for the year after taxation	Rupees	149,782,942	103,047,552
Weighted average number of ordinary shares	Numbers	58,552,873	58,552,873
Earnings per share (restated 2007)	Rupees	2.56	1.76
40.1	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 earning per share.		

41 REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVES AND DIRECTORS

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
Managerial remuneration	3,483,000	2,921,678	-	1,217,978	16,338,112	12,840,838
Housing and utilities	1,917,000	1,606,918	-	659,353	8,992,294	7,062,521
Bonus	290,323	182,000	-	-	1,498,842	205,500
Medical	98,948	94,714	-	12,283	722,146	492,383
Others	937,951	5,149,948	-	15,111,570	5,542,856	7,299,134
Gratuity	571,753	280,708	-	8,712,000	2,751,122	2,644,981
Directorship Fee	105,000	-	405,000	-	-	-
	7,403,975	10,235,966	405,000	25,713,184	35,845,372	30,545,357
Number of persons	1	2	6	3	19	15

- 41.1** Others include Rs. 15 million paid to two former directors / CEO as severance packages as per their terms of contract in last year.
- 41.2** In addition to the above remuneration chief executive and some executives were also provided with free use of Company maintained vehicles.
- 41.3** Fee was paid to CEO and directors for attending the board meetings amounting to Rs. 510,000 (2007: Nil).

42 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 % age	EXPOSED TO INTEREST / MARK - UP RISK										Total	2008 Total						
	EXPOSED TO FAIR VALUE INTEREST RATE RISK					EXPOSED TO CASH FLOW INTEREST RATE RISK							Not exposed to interest/ mark-up risk					
	Upto three months	Over three months to one year	Over one year to three years	Over three years to five years	Over five years	Upto three months	Over three months one year	Over one year to three years	Over three years to five years	Over five years				Total	Rupees	Rupees	Rupees	Rupees
6.75% - 24 %	347,895,421	856,644,417	2,003,641,420	1,417,202,034	-	4,625,383,292	-	6,107,076	553,347,630	-	4,625,383,292	-	569,454,706	4,625,383,292	-	4,625,383,292	-	4,625,383,292
4% - 29 %	-	-	-	-	-	-	-	-	279,992,000	-	279,992,000	-	279,992,000	569,454,706	-	569,454,706	-	569,454,706
14% - 17 %	-	-	-	-	-	-	-	-	-	-	-	-	280,519,614	527,614	-	280,519,614	-	280,519,614
12.5 % - 20 %	-	-	-	-	-	-	-	384,634,120	-	-	384,634,120	-	384,634,120	384,634,120	-	384,634,120	-	384,634,120
9.2% - 18.9 %	360,988,000	-	-	-	-	360,988,000	139,437,308	-	-	-	360,988,000	139,437,308	500,425,308	500,425,308	-	500,425,308	-	500,425,308
12 % - 20 %	-	-	-	-	-	-	-	-	-	-	-	-	569,891,145	569,891,145	-	569,891,145	-	569,891,145
5% to 9 %	232,202	98,118,169	-	-	-	98,118,169	-	-	-	-	98,118,169	-	98,118,169	583,860,990	-	681,979,159	-	681,979,159
	709,115,623	954,762,586	2,003,641,420	1,417,202,034	-	5,084,721,663	139,437,308	390,741,196	553,347,630	279,992,000	1,373,518,134	6,458,239,797	1,284,406,844	7,742,646,641	-	7,742,646,641	-	7,742,646,641
11.00% - 14.00%	-	-	-	-	-	-	37,500,000	112,500,000	145,632,592	-	295,632,592	-	295,632,592	-	295,632,592	-	295,632,592	
11% - 16.67%	2,022,940	873,660,318	100,753,970	19,720,000	-	996,157,228	-	386,848,127	416,992,774	50,000,000	996,157,228	-	996,157,228	-	996,157,228	-	996,157,228	
11.00% - 14.25%	-	-	-	-	-	-	-	134,498,414	-	-	134,498,414	-	988,329,315	988,329,315	-	988,329,315	-	988,329,315
14% to 15.10%	-	-	-	-	-	-	-	90,000	168,772,500	224,910,000	56,227,500	450,000,000	450,000,000	450,000,000	-	450,000,000	-	450,000,000
8.5% - 18%	3,219,733	1,038,862,258	-	-	-	1,042,181,991	-	-	-	-	1,042,181,991	-	1,042,181,991	-	1,042,181,991	-	1,042,181,991	
4.5% - 13.00%	794,165,500	785,000,000	-	-	-	1,579,165,500	-	332,216,672	-	-	332,216,672	-	332,216,672	1,911,402,172	-	1,911,402,172	-	1,911,402,172
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	-	83,231,841	83,231,841	-	83,231,841	-	83,231,841
	799,528,173	2,697,522,576	100,753,970	19,720,000	-	3,617,524,719	171,998,414	831,654,799	731,367,866	274,910,000	2,066,176,579	5,683,703,298	174,383,403	5,858,086,701	-	5,858,086,701	-	5,858,086,701
	(90,412,650)	(1,742,759,990)	1,802,887,460	1,397,482,034	-	1,467,196,944	(32,561,106)	(440,913,603)	(168,040,236)	5,082,000	(692,660,445)	774,536,499	1,110,023,441	1,884,559,940	-	1,884,559,940	-	1,884,559,940
	(23,466,234)	(95,665,766)	-	-	-	(123,142,000)	-	-	-	-	-	(123,142,000)	-	(123,142,000)	-	(123,142,000)	-	(123,142,000)
	(23,466,234)	(95,665,766)	-	-	-	(123,142,000)	-	-	-	-	-	(123,142,000)	-	(123,142,000)	-	(123,142,000)	-	(123,142,000)
	(113,888,784)	(1,842,445,756)	1,902,887,460	1,397,482,034	-	(32,561,106)	(440,913,603)	(168,040,236)	5,082,000	-	-	-	-	-	-	-	-	-
	(1,956,314,540)	(53,427,090)	1,344,054,944	1,344,054,944	-	(475,474,709)	(841,514,945)	(636,432,945)	(636,432,945)	-	-	-	-	-	-	-	-	-

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

2 0 0 7

Interest rates % age	EXPOSED TO FAIR VALUE INTEREST RATE RISK					EXPOSED TO CASH FLOW INTEREST RATE RISK					Not exposed to interest/mark-up risk	
	Upto three months	Over three months to one year	Over one year to three years	Over three years to five years	Over five years	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	Rupees	Rupees	Rupees	Rupees		Rupees
On balance sheet financial assets and liabilities												
Financial assets												
Net investment in lease finance	213,647,134	700,703,401	2,318,696,686	755,845,264	-	3,988,891,485	-	-	-	-	-	3,988,891,485
Long term investments	-	-	-	-	-	-	1,519,988	42,912,864	-	-	44,432,852	44,432,852
Short term investments	-	-	-	-	-	-	-	-	-	-	527,614	527,614
Short term placements	-	-	-	-	-	-	39,190,979	-	-	-	39,190,979	39,190,979
Short term investments	276,014,100	-	-	-	-	276,014,100	357,563,636	-	-	-	633,577,736	633,577,736
Mark up accrued	-	-	-	-	-	-	-	-	-	-	770,405,616	770,405,616
Advances, prepayments and other receivables	-	77,815,311	-	-	-	77,815,311	-	-	-	-	17,544,269	17,544,269
Cash and bank balances	231,791	-	-	-	-	231,791	-	-	-	-	417,165,356	494,980,667
	489,893,025	778,518,712	2,318,696,686	755,845,264	-	4,342,952,687	357,563,636	40,710,967	42,912,864	-	441,187,467	4,784,140,154
												1,406,358,155
												6,190,498,309
Financial liabilities												
Term finance certificates	-	-	-	-	-	-	37,500,000	249,822,891	-	-	582,274,573	582,274,573
Long term certificates of investments	-	-	-	32,090,000	-	1,280,000	33,370,000	-	-	-	33,370,000	33,370,000
Long term borrowings	-	-	-	-	-	-	62,500,001	316,952,571	-	-	629,426,232	629,426,232
Short term certificates of investments	184,861,349	147,012,876	-	-	-	-	-	-	-	-	331,874,225	331,874,225
Short term borrowings	1,162,500,000	-	-	-	-	-	211,153,324	-	-	-	1,373,653,324	1,373,653,324
Mark up accrued	-	-	-	-	-	-	-	-	-	-	54,181,534	54,181,534
Trade and other payables	-	-	-	-	-	-	-	-	-	-	230,476,288	230,476,288
	1,347,361,349	147,012,876	-	32,090,000	1,280,000	1,527,744,225	100,000,001	777,928,786	544,925,342	-	1,422,854,129	2,950,598,354
	(857,468,324)	631,505,836	2,318,696,686	723,755,264	(1,280,000)	2,815,208,462	(257,563,636)	(737,217,819)	(502,012,478)	-	(981,666,662)	1,833,541,800
												1,121,700,333
												2,955,242,133
On balance sheet gap												
Off balance sheet financial assets and liabilities												
Lease commitments	(217,065,000)	-	-	-	-	(217,065,000)	-	-	-	-	(217,065,000)	(217,065,000)
Off balance sheet gap												
Total interest rate sensitivity gap	(1,074,533,324)	631,505,836	2,318,696,686	723,755,264	(1,280,000)	-	(257,563,636)	(737,217,819)	(502,012,478)	-	-	-
Cumulative interest rate sensitivity gap	(443,027,488)	1,975,668,198	2,399,423,462	2,598,143,462	-	-	(479,654,184)	(981,666,662)	(981,666,662)	1,616,476,800	-	-

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

42.1 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.

	June 2008		June 2007	
	Rupees	%	Rupees	%
Industrial sectors				
Chemical & fertilizer	59,916,859	1.06%	12,270,840	0.29%
Construction	516,341,304	9.15%	9,228,265	0.22%
Education	0	0.00%	73,511	0.00%
Financial institutions	5,402,191	0.10%	6,236,917	0.15%
Health care	116,664,152	2.07%	74,387,882	1.76%
Hotels	97,319,007	1.72%	0	0.00%
Individuals / auto lease	2,021,835,544	35.82%	1,984,212,526	46.89%
Insurance companies	7,852,438	0.14%	10,329,470	0.24%
Miscellaneous manufacturing	289,601,061	5.13%	114,281,416	2.70%
Miscellaneous services	267,162,545	4.73%	42,349,974	1.00%
Natural gas & LPG	152,724,690	2.71%	108,638,765	2.57%
Paper & board	20,178,260	0.36%	12,680,078	0.30%
Steel & engineering	135,813,506	2.41%	12,044,595	0.28%
Sugar & allied	63,045,144	1.12%	80,316,319	1.90%
Textile composite	186,359,148	3.30%	73,066,779	1.73%
Textile knitwear / apparel	187,454,316	3.32%	70,423,793	1.66%
Textile spinning	150,870,856	2.67%	42,005,556	0.99%
Transport & communication	1,365,232,133	24.19%	1,578,777,565	37.31%
	5,643,773,154	100%	4,231,324,251	100%

42.2 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 sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored on regular basis at Assets and Liabilities Committee to ensure that adequate liquidity is maintained.

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

	Within one year	More than one year and up to five years	Over five years	Total
	Rupees	Rupees	Rupees	Rupees
Maturities of assets and liabilities				
Assets				
Property and equipment	10,647,792	-	113,431,027	124,078,819
Intangible assets	32,388,317	-	816,367	33,204,684
Net investment in lease finance	1,204,539,838	3,420,843,454	-	4,625,383,292
Long term finances	6,107,076	563,347,630	-	569,454,706
Long term investments	-	279,992,000	-	279,992,000
Long term advances	-	97,379,318	-	97,379,318
Long term deposits	-	-	4,159,629	4,159,629
Short term finances	384,634,120	-	-	384,634,120
Short term placements	500,425,308	-	-	500,425,308
Short term investments	98,271,493	471,619,653	-	569,891,145
Taxation -net	33,097,670	-	-	33,097,670
Deferred tax assets	-	55,366,202	-	55,366,202
Markup accrued	37,070,524	-	-	37,070,524
Advances, prepayments and other receivables	533,313,943	148,625,216	-	681,939,159
Cash and bank balances	93,288,773	-	-	93,288,773
	<u>2,933,784,854</u>	<u>5,037,173,472</u>	<u>118,407,023</u>	<u>8,089,365,348</u>
Liabilities				
Term finance certificates	150,000,000	145,632,592	-	295,632,592
Long term certificates of investment	895,403,258	100,753,970	-	996,157,228
Long term borrowings	386,848,127	601,481,188	-	988,329,315
Long term deposits	215,914,768	1,026,219,481	-	1,242,134,249
Pre- IPO subscription of Term Finance Certificates	90,000	393,682,500	56,227,500	450,000,000
Deferred taxation	-	-	-	-
Staff service costs	-	6,592,003	-	6,592,003
Short term certificates of investment	1,042,181,991	-	-	1,042,181,991
Short term borrowings	1,911,402,172	-	-	1,911,402,172
Markup accrued	93,231,841	-	-	93,231,841
Trade and other payables	81,151,562	-	-	81,151,562
	<u>4,776,223,719</u>	<u>2,274,361,734</u>	<u>56,227,500</u>	<u>7,106,812,953</u>
Net assets	<u>(1,842,438,865)</u>	<u>2,762,811,738</u>	<u>62,179,523</u>	<u>982,552,395</u>
Equity				
Share capital				585,528,729
Reserves				510,079,888
				1,095,608,617
Deficit on revaluation of investments				(120,299,798)
Suplus on revaluation of assets-net				7,243,576
				982,552,395

42.3 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.

42.4 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 borrowings through floating rates.

42.5 Capital Risk Management

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

The Company is exposed to externally imposed capital requirements.

Vide its notification dated 21 November 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2007. The existing NBFCs have been allowed different time limits for aligning themselves with different Capital requirements.

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

43 CASH AND CASH EQUIVALENTS

	2008 Rupees	2007 Rupees
Cash in hand	1,175,600	395,429
Cash at banks	92,113,173	200,551,662
Short term running finance	(332,216,672)	(211,153,324)
	<u>(238,927,899)</u>	<u>(10,206,233)</u>

44 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:

	2008 Rupees	2007 Rupees
First Pakistan Securities Limited		
Amount due against leases	432,769	613,135
Finance income charged during the period	53,598	77,036
Deposits against lease arrangements	149,700	149,700
MCD Pakistan Limited		
Amount due against leases	-	232,360
Finance income charged during the period	782	26,066
Deposit against lease arrangements	-	169,000
Switch Securities (Private) Limited		
Amount due against leases	-	273,725
Finance income charged during the period	1,534	40,582
Deposit against lease arrangements	-	142,200
The Bank of Punjab Limited		
Total facility availed	400,000,000	348,000,000
Mark up accrued during the period	17,537,019	21,936,484
Deposit of COI	333,333,333	1,000,000,000
Mark up accrued during the period	59,342,467	19,002,740
Short term placements	-	2,782,000,000
Mark up accrued during the period	-	18,618,021
Tricon Developers (Partnership Concern)		
Installments paid for purchase of office space	97,379,318	38,025,000
Amount due against leases	1,978,989	-
Finance income charged during the period	21,077	-
Deposit against lease arrangements	200,650	-
Newage Cables (Pvt) Limited		
Goods purchased	-	190,500
Commission on brokerage transactions	-	463,343
Union Communication (Pvt) Limited		
Commission income	-	109,432
Communication services	838,441	345,407
Purchase of supplies	-	68,533

	2008 Rupees	2007 Rupees
PolyGon Builders		
Amount due against term finances	25,550,000	-
Finance income charged during the period	90,650	-
Ahmed Khalil		
Amount due against term finances	15,000,000	-
Finance income charged during the period	1,010,411	-
Habib Rafiq (Pvt) Limited		
Amount due against leases	37,150,130	-
Finance income charged during the period	808,098	-
Deposit against lease arrangements	3,871,121	-
Letter of guarantees	121,137,200	-
Allied Developers		
Amount due against term finances	29,500,000	-
Finance income charged during the period	1,353,205	-
Employees' retirement fund		
Payment made	6,275,538	9,290,233

45 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. Furthermore, 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. 25 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.

46 AUTHORIZATION

These financial statements were authorized for issue on 27 September 2008 by the Board of Directors.

47 GENERAL

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

CHIEF EXECUTIVE

DIRECTOR

FORM OF PROXY

TRUST INVESTMENT BANK LIMITED

I/We _____ of _____
 _____ being member(s) of Trust Investment
 Bank Limited, holding _____ ordinary Shares as per Share Register Folio No./CDC Participant I.D.
 No. _____ hereby appoint Mr./Mrs./Miss _____
 of _____ who is also a member of the Bank, Folio No. / CDC Participant
 I.D. No. _____ or failing him / her _____ of _____
 _____ Folio No./CDC Participant I.D. No. _____ another member of the Bank as my /
 our Proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the
 Bank to be held on the 31st day of October, 2008 at 10:30 a.m. at Hotel Sunfort, 72-D/1, Commercial Zone, Liberty Market,
 Gulberg III, Lahore.

Signed this _____ day of _____ 2008.

Please affix Five
 Rupees Revenue
 Stamp

Signature of Member
 (The Signature should agree with
 the specimen registered with the Bank)

Witness:

Signature: _____
 Name: _____
 Address: _____
 CNIC No.: _____

Witness:

Signature: _____
 Name : _____
 Address: _____
 CNIC No.: _____

Notes:

1. This proxy form, duly completed and signed, must be received at the Registered Office of the Bank, 23-D/1-A, Gulberg III, Lahore not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.
3. No person can act as proxy unless he / she is member of the Bank, except that a corporation may appoint a person who is not a member.

For CDC Account Holders / Corporate Entities.

In addition to the above, the following requirements have to be met.

- i. The proxy form shall be witnessed by two persons whose name, address and Computerized National Identity Card (CNIC) number shall be mentioned on the form.
- ii. Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be provided with the proxy form.
- iii. The proxy shall produce his original CNIC or Passport at the time of attending the meeting.
- iv. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Bank.

w w w . t r u s t b a n k . c o m . p k



Trust Investment Bank Limited

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