Trust Investment Bank Limited

Annual Report 2010

TRUST BANK

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VISION & MISSION STATEMENT

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 our 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 objectively.

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.

COMPANY INFORMATION

Board of Directors

Mr. Asif Kamal ....Chairman
Mr. Ahmed Ali Riaz ....Director
Syed Mohsin Raza Naqvi ....Director
Mr. Yusaf Saeed...Director
Mr. Munawar Ali..Director
Mir Javed Hashmat ....Director
Mr. Humayun Nabi Jan ....Chief Executive

Audit Committee

Mr. Munawar Ali	Chairman
Mr. Asif Kamal	Member
Mr. Yusaf Saeed	Member

Chief Financial Officer

Mr. Imran Hameed

Company Secretary

Mr. Awais Yasin

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

Nawaz Kasuri & Rashdeen Law Chambers

Registrars

Vision Consulting Limited
1st Floor, 3-C, LDA Flats,
Lawrence Road, Lahore
Tel: 042-36375531, 36375339
Fax: 042-326374839

Registered Office & Head Office

23-D/1-A, Gulberg-III, Lahore.
Tel: 042-32404714-19
Fax: 042-32404720
UAN: 042-111-665-462
Email: info@trustbank.com.pk
Website: www.trustbank.com.pk

BRANCH NETWORK

1. Faisalabad Branch
   H. T. Plaza # 5, Ground Floor, Hockey Stadium,
   Susan Road,
   Faisalabad.

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

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

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

5. lslamabad Branch
   Office No. 105, 1st Floor, Channab Inn Plaza,
   Jinnah Avenue, Blue Area, Islamabad.

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

7. Peshawar Branch
   Commercial Building, Jehangirabad, University
   Road,
   Peshawar.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that 19th Annual General Meeting of Trust Investment Bank Limited will be held on Saturday, October 30, 2010 at 10:30 a.m. at Head Office, 23-D/1-A, Gulberg III, Lahore to transact the following business:

ORDINARY BUSINESS

i) To confirm the minutes of 18th Annual General Meeting held on December 10, 2009.
ii) To receive, consider and adopt the audited accounts of the Bank for the year ended June 30, 2010 together with Directors' and Auditors' Report thereon.
iii) To appoint the Auditors of the Bank for the year ending June 30, 2011 and to fix their remuneration. The retiring auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for re-appointment.
iv) To transact any other business with the permission of the Chair.

On Behalf of the Board
Lahore
October 9, 2010

Awais Yasin
(Company Secretary)

Notes:

1) The share transfer books of the Bank will remain closed from October 23, 2010 to October 30, 2010 (Both days inclusive).

2) A member of the Bank entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. 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.

DIRECTOR'S REPORT

On behalf of the Board of Directors, I am pleased to present 19th annual report of the Trust Investment Bank Limited for the year ended June 30, 2010.

YEAR REVIEW & FUTURE OUTLOOK

The financial year 2009-10 commenced laden with consequences of unprecedented adverse global as well domestic economic events leading to virtual collapse of financial markets. These international events exasperated economic crisis for already fragile economy and financial markets of Pakistan and manifested in collapse of interbank money markets and closure of stock exchanges in country perhaps for the first time in the history. The overall internal as well regional security situation, acute energy crisis also aggravated situation for business and economy across the board. Consequently current financial year has been a very challenging year for the country as well as the Bank.

Trust Bank for its part was faced with major challenges of significant exposure to collapsed interbank money market and impairment of equity to levels below minimum capital requirement. These challenges were further aggravated by lack of growth and qualitative deterioration in existing asset portfolio due to all around economic slowdown.

However, taking cognizance Sponsors, Board of Directors and management of the Bank through active consultation with regulator developed and initiated a multi faceted plan during the first quarter of year 2010. The major objectives of the plan were set to become MCR compliant, re-profile interbank money market exposure on business-like basis and improve liquidity through better recovery and efficient operations. Alhamdollilah, the plan was well received and entire money market exposure was re-profiled as planned, further complimented by issuance of Preference Shares of PKR. 306 million and Sponsors Subordinated loan of PKR. 400 million to meet the minimum capital requirement (MCR). Increased focus on recovery and liability marketing enabled Bank to meet all financial obligations. Resumption of lending activities in January 2010 after a long pause of more than year helped arrest the trend for depletion in asset portfolio. The rejuvenated working environment also motivated management to work on qualitative improvement in all spheres of work i.e.:

- Increased focus on investment banking & corporate finance activities
- Marketing for non-funded financial products
- New Products - Development of new Islamic/Sharia compliant products for asset as well as liability side
- Technology - Implementation of customized ERP based database and management information infrastructure
- Internal & external review of Risk Management systems for gap analysis & removal
- Review & improvement of Special Asset portfolio management systems through capacity building & introduction of effective monitoring mechanism

We believe that the worst is over for country as well as Bank and both are poised for a recovery. Pakistan economy has once again shown its resilience by achieving though a much small, yet a growth in real GDP in the year 2009-10, driven primarily by the recovery in agriculture and industrial sector. Sponsors, Board and the management of Bank, are confident that hard work already put in and continued focus will enable Bank to take advantage of a positive upturn in the economy. Although recent floods have been an additional setback, but the all time high foreign exchange reserves, sustained flow of remittance from expatriate Pakistanis, implementation of reforms agreed under IMF Standby loans, much lower trade deficit and recent EU approval for special trade concessions including GSP plus status all augur well for future of Pakistan economy.

This anticipated improvement in macro economic conditions and a stronger balance sheet will enable Trust Bank to make rapid progress towards its goal of becoming a strong and well established brand and a financial institution that is not only profitable but also creates significant value for both its customers and other stakeholders, consistently building on its success and setting higher standards for itself all the time.

FINANCIAL RESULTS

The financial results for the year ended June 30, 2010 are as follows:

	June 30-2010	June 30-2009
	(Rupees in million)	
Revenue	475	695
Operating Expenses	184	194
Financial Expenses	686	875
Operating loss before provision	(413)	(374)
Loss before taxation	(905)	(976)
Loss after taxation	(702)	(715)
loss per Share (Rs.)	(12.16)	(12.22)

MINIMUM CAPITAL REQUIREMENT

Bank equity & reserves depleted to below Minimum Capital Requirement (MCR) as a direct consequence of impairment in investment portfolio emanating from the crash & subsequent freeze of stock markets in Pakistan in August 2008. Higher rate of interest on all interbank money market obligations after the collapse of inter-bank money markets and higher SBP discount rate were other major factors for erosion of equity during the financial years 2008-9 and 2009-10. However, the Sponsors of the Bank demonstrating strong commitment to the institutions provided a subordinated loan of PKR.400 million during third quarter of current financial year. Management was also able to supplement equity rebuild through issuance of Preference Shares for PKR.306 million during last quarter of the year under review. Therefore despite very aggressive provisioning and marking-to-market of entire investment portfolio, Bank equity remains compliant for Investment Finance Services license in order to remain prudent and compliant to Prudential Rules, management decided to defer until December 31, 2010 reversal of a wholly owned subsidiary related subjective provision & income suspension with a total impact of PKR363 million. The equity position of the Bank is as under:

Share Capital	892.02
Reserves	(916.59)
Subordinated Loan	400.64
Total Equity	376.07
Subsidiary related adjustments	
Deferred until December 31, 2010	362.93
Total Equity (projected for December 31, 2010)	739.00

REVENUE & EXPENDITURE

Although Bank recommenced lending activity during second half of the year under review, but due to little growth in asset portfolio during previous year and natural reduction in lease asset portfolio over the same period has led to reduction in over size of asset book as well as revenue. During the year revenue of the Bank decreased by 32.79% due to aforesaid reasons, this trend is expected to be reversed in ensuing year.

The Plan mentioned earlier also envisaged reduction in financial costs as well administrative costs. Management has been able to introduce significant reduction in financial cost through re-profiling of money market obligations at one month KIBOR as well as issuance of Preference Shares. Similarly, review & realignment of human resource and branch network also led to sizeable reduction in operating costs. However since all these initiative came into effect during the last quarter of the current year, the impact on current year results is not very significant. However, these measures as well some additional measures taken during current quarter will clearly bring significant reduction in recurring costs.

RATING BY EXTERNAL AGENCY

Pakistan Credit Rating Agency Limited has declared the long term credit rating of the Bank at “BBB-“, while short term credit rating has also been adjusted at “A3”. The ratings of the secured and listed Term Financ Certificate (TFC) issues have also been adjusted to BBB. We anticipate an early upward review of entity as well as instrument ratings with improved overall economic, financial sector and Trust Bank specific conditions.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors and the Company remain committed to the principles of good corporate governance practices with emphasis on transparency and disclosures. The Board and management are fully cognizant with their responsibilities and monitoring Company's operation and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information. The Company is completely compliant of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan. The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance:

a) These financial statements, prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of accounts of the Bank have been maintained as required by the Companies Ordinance, 1984.

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 and has been effectively implemented by the management and monitored by internal and external auditor as well as Audit Committee. The Board reviews the effectiveness of established internal control through Audit Committee and further improvement in the internal control systems, wherever required.

f) There are no significant doubts upon the Bank's ability to continue as a going concern. The Bank has adequate resources to continue in operation for the foreseeable future.

g) There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations.

h) Key operating and financial data of last six years, in summarized form, is annexed.

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

j) During the year under review, six (06) meetings of the Board of Directors were held. The attendance by each Director is as follows:

Name of Director	Designation	Meetings Attended
Mr. Asif Kamal	Chairman	06
Mr. Humayun Nabi Jan	Director	06
Mr. Shafiq A. Khan	Director Resigned	0
Mr. Khalid Niaz Khawaja	Director Resigned	01
Mr. Shazib Masud	Director Resigned	01
Mr. Ahmed Ali Riaz	Director	0
Mr. Yusaf Saeed	Director	02
Mr. Munawar Ali	Director	05
Syed Mohsin Raza Naqvi	Director	03
Mr. Mir Javed Hashmat	Director	0

Leaves of absence were granted to the directors who could not attend the Board of Directors' Meetings.

a) The Statement of Code of Ethics and Business Practices has been developed and acknowledged by the directors and employees of the Company.

b) The Audit Committee continued to exist in compliance with the Code of Corporate Governance and it comprises the following members. All members are non-executive directors out of which one is independent director.

Sr. No.	Name	Designation
1	Mr. Munawar Ali	Chairman
2	Mr. Asif Kamal	Member
3	Mr. Yusaf Saeed	Member

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

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholdings of certain classes of shareholders as per Section 236 of the Companies Ordinance, 1984, whose disclosure is required under the reporting framework, is annexed.

No trading of shares by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses & minor children has been carried out during the year. Detail of number of shares held by them is annexed.

All the major decisions relating to investment or disinvestment of funds, changes in significant policies and overall corporate strategies, appointment, remuneration and terms & conditions of appointment of Chief Executive Officer and Executive Directors are taken by the Board of Directors.

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, and 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 regulations.

EXTERNAL AUDIT

The statutory auditors of the Bank, Ernst & Young Ford Rhodes Sidat Hyder, 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, 2010.

ACKNOWLEDGEMENT

We would like to express our sincere gratitude to valuable customers, financial institutions and regulatory authorities for their patronage, persistent support and cooperation which give strength to pursue our corporate objectives with renewed vigor. The Directors also take opportunity to thank the Sponsors and the shareholders for their continued trust & support, Management & staff for their dedication and commitment.

For and on behalf of the Board of Directors

Lahore
October 09, 2010

Humayun Nabi Jan
President &
Chief Executive Officer

SIX YEARS FINANCIAL SUMMARY

(Rupees in Million)

	2010	2009	2008	2007	2006	2005
Operational Result						
Total Lease Business and Term Finances	2,104	1,910	2,749	1,063	1,727	2,106
Revenues	475	695	949	732	733	420
Financial expenses	686	875	538	429	404	150
Total Expenses	869	1,069	750	607	511	204
Profit / (loss) before tax	(905)	(976)	66	115	221	216
Profit / (loss) after tax	(702)	(715)	149	103	202	225
Balance sheet						
Total assets	5,906	6,523	8,089	6,444	6,162	4,116
Paid-up-capital	892	585	585	468	407	339
Reserves	(917)	(205)	510	548	567	466
Total Equity	376	391	1,095	1,023	978	806
Earning per share *	(12)	(12.22)	2.56	2.20	4.96	5.53
Book value per share	6	6.68	16.78	25.10	24.02	23.74
Dividend	Nil	Nil	Nil	15% Cash	15% Cash	10%
Cash				Dividend	Dividend	Dividend
	Nil	Nil	Nil	25% Stock Dividend	25% Stock Dividend	20% Stock Dividend

* based on No. of shares outstanding at each year ended

PATTERN OF SHAREHOLDING
As at June 30, 2010

Number of Shareholders	Shareholding From	To	Total Number of Shares Held	Percentage
421	1	100	16,540	0.03
701	101	500	182,094	0.31
358	501	1,000	266,979	0.46
623	1,001	5,000	1,441,506	2.46
62	5,001	10,000	425,883	0.73
24	10,001	15,000	294,909	0.50
15	15,001	20,000	259,196	0.44
9	20,001	25,000	207,880	0.36
8	25,001	30,000	217,762	0.37
8	30,001	40,000	272,425	0.47
2	40,001	50,000	97,761	0.17
3	50,001	60,000	161,071	0.28
2	60,001	70,000	139,276	0.24
2	70,001	75,000	144,821	0.25
1	100,001	101,000	100,145	0.17
2	110,001	115,000	222,889	0.38
1	130,001	135,000	133,552	0.23
1	145,001	150,000	150,000	0.26
2	200,001	215,000	418,014	0.71
1	225,001	230,000	227,500	0.39
1	285,001	290,000	288,000	0.49
1	345,001	350,000	349,000	0.60
1	430,001	435,000	431,250	0.74
1	700,001	710,000	707,000	1.21
1	1,360,001	1,365,000	1,364,500	2.33
1	1,400,001	1,405,000	1,404,847	2.40
1	1,865,001	1,870,000	1,870,000	3.19
1	2,410,001	2,420,000	2,419,833	4.13
1	2,500,001	2,515,000	2,500,001	4.27
1	2,560,001	2,570,000	2,567,242	4.38
1	2,770,001	2,780,000	2,779,750	4.75
1	3,650,001	3,660,000	3,659,210	6.25
1	3,880,001	3,885,000	3,882,985	6.63
1	4,360,001	4,365,000	4,361,601	7.45
1	5,701,001	5,705,000	5,702,405	9.74
1	6,670,001	6,680,000	6,675,301	11.40
1	12,205,001	12,210,000	12,209,742	20.85
2,263			58,552,870	100.00

CATEGORIES OF SHAREHOLDERS
As at June 30, 2010

Categories of shareholders	Shares held	Percentage
Directors & Chief Executive		
Mr. Asif Kamal	431,250	0.74
Mr. Humayun Nabi Jan	718	0.00
Syed Mohsin Raza Naqvi	500	0.00
Mr. Munawar Ali	500	0.00
Mr. Ahmed Ali Riaz (Nominee of Genesis Securities)	12,209,742	20.85
Mr. Yusaf Saeed	500	0.00
Mir Javed Hashmat	500	0.00
Associated Companies/Persons & related parties		
Mr. Zahid Rafiq	5,702,405	9.74
Newage (Pvt.) Limited	6,675,301	11.40
Banks & Financial Institutions	3,920,894	6.70
Insurance Companies	2,568,936	4.39
Modarabas	6,566	0.01
General Public	14,499,718	24.76
IDBP (ICP Unit)	4,100	0.01
Others (Joint Stock & Investment Companies)	12,531,240	21.40
Total	58,552,870	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%
Total	18,885,043	32.25%

Financial Statements

Trust Investment Bank Limited

(for the year ended 30 June 2010)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the best practices of the Code of Corporate Governance (the Code) contained in Regulation No. 37 of Listing Regulation of Karachi and Chapter XIII of the Listing Regulation of Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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 and one executive director, among them three directors are independent non-executive directors.

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 taxpayers 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 a stock exchange and has been declared as a defaulter by that stock exchange.

4. During the year four casual vacancies of the directors were arisen which was duly filled and the Company has fulfilled all corporate and legal requirements and file necessary returns within stipulated time period.

5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors of the Company. The statement has been circulated to all employees of the Company for their awareness and all of them have signed it as acknowledgement of their understanding.

6. The Board has developed a Vision/Mission Statement, Core Values, Strategies & Business Plan, Overall Corporate Strategy and Significant Policies of the Company. A complete record of particulars of Significant Policies and board decision 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 the CEO, CFO, Company Secretary, Head of Internal Audit and other executives, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.

9. The directors are conversant with the corporate matters and well aware of their duties and responsibilities. The Board arranged an orientation course for its Directors during the year to apprise of their duties and responsibilities.

10. During the year, the Board of directors has approved the appointment of Chief Executive Officer (CEO). The Board also determined the remuneration, terms and conditions for appointment of new CEO. No new appointment of Chief Financial Officer (CFO) and Company Secretary was made during

the year. However any changes to the remuneration, terms and conditions of employment of CFO and Company Secretary have been determined by the CEO with the approval of the Board.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three members, all non-executive directors including the Chairman of the Committee.

16. The meetings 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.

17. The Board has set-up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

Lahore
October 09, 2010

Humayun Nabi Jan
Chief Executive Officer

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 to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange 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 are not required to consider whether the Board's statement on internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, sub-regulation (xiii) of Listing Regulation No. 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2010.

Lahore:	Ernst & Young Ford Rhodes Sidat Hyder
October 09, 2010	Chartered Accountants
	Engagment Partner: Naseem Akbar

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Trust Investment Bank limited (the Company) as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the Company's management lo 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.

The previous financial statements for the year ended 30 June 2009 have been audited by another firm of chartered accountants; whose report dated 16 November 2009 expressed a qualified opinion with respect to shortfall of provision against doubtful lease portfolio. However, the said matter has been resolved during the year as referred in note 8.2 to the financial statements.

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 accounts 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 except for the changes as stated in note 2.2 of these financial statements, with which we concur;

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, statement of comprehensive income, 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 gives a true and fair view of the state of the Comprehensive affairs as at June 30, 2010 and of the loss, comprehensive loss, 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 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that.

Without qualifying our opinion, we draw attention to:

i. notes 1.2 and 46.4 to the accompanying financial statements which indicate that the Company has incurred a net loss of Rs. 701.808 million and as of the said date, the accumulated loss of the Company amounts to Rs 1,184.349 million resulted in short fall in minimum regulatory equity. Further, the Company's license to operate as leasing company is pending for renewal by the Securities & Exchange Commission of Pakistan as of the balance sheet date. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. However, in view of mitigating factors as stated in above referred note, the management is confident about the company's ability to continue as a going concern, hence, the accompanying financial statements have been prepared accordingly and

ii. note 18.2 to the accompanying financial statements which fully explains that preference shares have been treated as part of equity in view of the requirements of the Companies Ordinance, 1984 and the matter of its classification will be dealt with in accordance with the clarification from the Securities and Exchange Commission of Pakistan.

Lahore:
October 09, 2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagment Partner: Naseem Akbar

Balance Sheet
As at 30 June 2010

	Note	**2010 Rupees**	2009 Rupees
ASSETS			
Non - current assets			
Fixed assets	5	**331,606,544**	236,905,298
Long term investments	6	**59,661,900**	140,471,200
Long term loans and advances	7	**384,583,434**	492,479,295
Net investment in lease finance	8	**799,852,582**	1,268,188,537
Long term deposits		**1,250,919**	2,625,919
Deferred tax asset	9	**525,838,319**	319,786,341
Total non-current assets		**2,102,793,698**	2,460,456,590
Current assets			
Current maturities of non - current assets	10	**2,220,141,445**	2,722,053,829
Short term loans and advances	11	**477,803,204**	378,062,830
Short term placements	12	**69,015,249**	102,727,368
Short term investments	13	**359,308,883**	399,883,028
Short term prepayments		**17,692,155**	9,308,590
Interest accrued	14	**143,338,848**	72,741,296
Taxation - net		**2,646,547**	35,716,713
Other receivables	15	**69,595,224**	135,588,946
Cash and bank balances	16	**143,194,778**	158,792,127
		3,502,736,333	4,014,874,727
Assets classified as held for sale	17	**300,656,237**	-
Total current assets		**3,803,392,570**	4,014,874,727
TOTAL ASSETS		**5,906,186,268**	6,475,331,317
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	18	**892,028,729**	585,528,729
Reserves	19	**(916,590,757)**	(204,798,436)
Total share capital and reserves		**(24,562,028)**	380,730,293
Surplus on revaluation of assets-net	20	**72,656,103**	10,152,041
Deficit on revaluation of investments	21	**-**	(230,775,972)
Non-current liabilities			
Long term financing-subordinated loan	22	**400,646,237**	-
Long term financing-others	23	**1,027,285,177**	1,098,498,693
Long term morabaha	24	**31,500,000**	-
Long term certificates of investment	25	**103,856,273**	232,808,673
Deferred liabilities	26	**8,090,090**	7,183,212
Long term deposits	27	**239,072,508**	732,830,573
Total non-current liabilities		**1,810,450,285**	2,071,321,151
Current liabilities			
Short term borrowings	28	**1,040,891,737**	1,826,483,752
Short term certificates of investment	29	**1,392,999,286**	1,027,286,339
Current maturities of long term liabilities	30	**1,446,251,719**	1,223,278,408
Markup accrued	31	**113,147,699**	137,105,415
Trade and other payables	32	**54,351,467**	29,749,890
Total current liabilities		**4,047,641,908**	4,243,903,804
		5,858,092,193	6,315,224,955
CONTINGENCIES AND COMMITMENTS	33		
		5,906,186,268	6,475,331,317

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Profit and Loss Account
For the year ended 30 June 2010

	Note	**2010 Rupees**	2009 Rupees
Income			
Income from lease operations	34	**285,575,903**	454,881,663
Income from investments	35	**32,775,958**	43,421,228
Income from term finances	36	**132,830,151**	173,007,949
		451,182,012	671,310,840
Finance cost	37	**685,567,610**	875,119,007
		(234,385,598)	(203,808,167)
Administrative and operating expenses	38	**183,700,195**	189,423,130
		(418,085,793)	(393,231,297)
Other operating income	39	**23,339,955**	23,546,627
		(394,745,838)	(369,684,670)
Other operating expenses	40	**18,724,755**	4,218,967
Operating loss before provisions and taxation		**(413,470,593)**	(373,903,637)
Provision against lease, loan and other receivable	41	**225,267,471**	311,710,389
Provision / impairment in the value of investment	42	**265,836,899**	290,775,972
		491,104,370	602,486,361
Loss before taxation		**(904,574,963)**	(976,389,998)
Provision for taxation	43	**202,766,481**	261,164,286
Loss after taxation		**(701,808,482)**	(715,225,712)
Loss per share - basic/ diluted	44	**(12.16)**	(12.22)

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Cash Flow Statement
For the year ended 30 June 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(904,574,963)**	(976,389,998)
Adjustments for non cash items:		
Depreciation and amortization	**14,619,342**	16,279,688
Amortization of initial transaction cost over term finance certificates	**3,083,102**	5,852,674
Provision for staff service cost	**10,641,673**	3,987,335
Provision for potential lease and term loan losses	**225,267,471**	311,710,389
Lease receivables written off	**18,724,755**	4,218,967
Finance cost	**682,484,508**	875,119,007
Gain on disposal of fixed assets	**(4,543,013)**	(3,872,608)
Gain on disposal of intangible assets	**-**	(5,900,000)
Unrealized loss on revaluation of held for trading investments	**1,527,749**	-
Provision/ impairment on investment	**265,836,899**	290,775,972
Gain on disposal of available for sale investments	**(964,541)**	-
	1,216,274,820	1,498,171,424
Operating profit before working capital changes	**312,102,982**	521,781,426
Changes in operating assets and liabilities:		
(Increase) / decrease in:		
Long term loans and advances	**88,923,816**	(262,744,758)
Net investment in lease finance	**647,456,162**	436,030,189
Short term loans and advances	**(99,397,047)**	328,482,128
Short term placements	**81,619,819**	397,697,940
Short term investments	**64,950,010**	(171,244,028)
Short term prepayments	**(8,383,565)**	160,495,556
Interest accrued	**(70,597,552)**	(35,670,773)
Other receivables	**3,956,822**	-
	708,528,465	853,046,254
Increase in certificates of investment	**265,037,947**	117,159,051
Increase / (decrease) in trade and other payables	**24,626,069**	(51,316,299)
	998,192,481	918,889,006
Cash generated from operations	**1,310,295,463**	1,440,670,432
Finance cost paid	**(706,442,224)**	(831,245,434)
Taxes paid	**29,784,669**	(2,619,044)
Staff service cost paid	**(9,734,795)**	(3,396,126)
	(686,392,350)	(837,260,604)
Net cash generated from operating activities	**623,903,113**	603,409,828

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(60,580,991)**	(45,280,255)
Purchase of intangible assets		**-**	(121,500)
Increase in long term investments		**16,820,500**	57,016,000
Increase in long term deposits		**1,375,000**	1,533,710
Proceeds from disposal of operating fixed assets		**18,427,934**	19,163,880
Proceeds from disposal of intangible assets		**-**	38,288,317
Net cash (used in)/ generated from investing activities		**(23,957,557)**	70,600,152
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from repayments of long term financing		**386,267,900**	135,773,854
Proceeds from long term morabaha		**31,500,000**	-
Short term borrowings repaid		**(625,637,143)**	(691,092,163)
Term finance certificates repaid		**(187,590,002)**	(42,579,610)
Dividend paid		**(10,128,788)**	(85,373)
Net cash used in financing activities		**(405,588,033)**	(597,983,292)
Net increase in cash and cash equivalents		**194,357,523**	76,026,688
Cash and cash equivalents at the beginning of the year		**(162,901,212)**	(238,927,900)
Cash and cash equivalents at the end of the year	47	**31,456,311**	(162,901,212)

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Statement of Comprehensive Income
For the year ended 30 June 2010

	2010 Rupees	2009 Rupees
Loss after taxation for the year	**(701,808,482)**	(715,225,712)
Other comprehensive income	**-**	-
Total comprehensive loss for the year	**(701,808,482)**	(715,225,712)

Surplus/ deficit on revaluation of 'Available for sale' securities and 'Fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements Companies Ordinance, 1984.

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Statement of Changes in Equity
For the year ended 30 June 2010

	Ordinary Share	Preference Shares	CAPITAL RESERVES	REVENUE RESERVES			Total
			Statutory Reserve	General Reserve	Un-appropriated profit/ (accumulated losses)	Sub Total	
	Rupees						
Balance as at 01 July 2008	585,528,729	-	206,758,319	61,000,000	242,321,569	510,079,888	1,095,608,617
Total comprehensive loss for the year	-	-	-	-	(715,225,712)	(715,225,712)	(715,225,712)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit- net of tax	-	-	-	-	347,388	347,388	347,388
Balance as at 30 June 2009	**585,528,729**	**-**	**206,758,319**	**61,000,000**	**(472,556,755)**	**(204,798,436)**	**380,730,293**
Preference shares issued during the year	-	306,500,000	-	-	-	-	306,500,000
Total comprehensive loss for the year	-	-	-	-	(701,808,482)	(701,808,482)	(701,808,482)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit- net of tax	-	-	-	-	120,457	120,457	120,457
Dividend on preference shares @ Kibor+100 BPS for the year ended 30 June 2010	-	-	-	-	(10,104,296)	(10,104,296)	(10,104,296)
Balance as at 30 June 2010	**585,528,729**	**306,500,000**	**206,758,319**	**61,000,000**	**(1,184,349,076)**	**(916,590,757)**	**(24,562,028)**

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Notes to the Financial Statements
For the year ended 30 June 2010

1. THE COMPANY'S OPERATIONS AND REGISTERED OFFICE

1.1 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 leasing and investment finance services. It is classified as a Non-Banking Finance Company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan (SECP).

Currently, the Company holds long term and short term entity rating of the Company to "BBB-" (Triple B minus) and "A3" (A three) respectively as graded by PACRA. The ratings of secured and listed term finance certificate II and III are "BBB" (Triple B).

1.2 The financial statements for the year ended 30 June 2010 reflect loss after taxation of Rs. 701.808 million and as of the said date, the accumulated loss of the Company amounts to Rs 1,184.349 million resulting in shortfall of minimum regulatory requirement of equity . Further, the Company's license to operate as leasing is pending for renewal by the SECP as of the balance sheet date. These conditions indicate the existence of a material uncertainty regarding the future operations of the Company.

However, in order to improve the said financial condition, during the year, a subordinated debt of Rs. 400.646 million in combination of cash & properties, was provided to the Company by the sponsors and preference shares of Rs. 306.5 million have also been issued during the year. In addition, the management continues to work closely on the option of right issue as mentioned in the financial statements for the year ended 30 June 2009. The management has also successfully re-profiled its money market exposure for period ranging from twenty four months to thirty six months, with interest rates revised down to one month KIBOR and , with the support of recovery agents, the company is pursuing its customers/borrowers very aggressively. These measures are expected to contribute towards improvement in the financial condition of the Company.

Based on the above and the financial projections as prepared by the Company for future periods (based on business plan for five years approved by the Board), the management is confident that the requirement for minimum capital shall be met and the Company would be able to continue its operations on a sustainable basis for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulation) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulation or the directives issued by the SECP shall prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated 13 August 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS)7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

2.2 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards in 2010

During the current year, the Bank has adopted the following new and amended IFRSs as of 21 January 2009, which have resulted in extended presentation and disclosure changes as described below:

IAS 1 - Presentation of Financial Statements (Revised)

IFRS 8 – Operating Segments

IAS 1 - "Presentation of Financial Statements"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after 01 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. Accordingly, the Bank has added a separate statement of comprehensive income in these financial statements. Comparative information has also been represented to bring it in conformity with the revised standard.

The revised IAS 1 also requires that when the Bank applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, it should present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement of presenting the balance sheet as at the end of the current and the comparative period.

IFRS 8 - "Operating Segments: Disclosures"

IFRS 8 requires extensive disclosures about the operating segments of the Bank. It requires the Bank to disclose the results and performance of their operating segments separately on the basis of leasing and investments banking segments. Adoption of this IFRS has resulted in additional disclosures which have been included in the relevant notes to the financial statements and, accordingly, there is no impact on the earnings of the Bank.

2.3 Standards, interpretations and amendments to published approved accounting standards those are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IFRS 2 - Share-based Payment: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 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:

	Note
- Taxation	4.1
- Residual value and useful life of depreciable assets	4.2
- Provisions	4.6
- Staff retirement benefits (Gratuity)	4.15
- Impairment	4.21

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

4.2 Property and equipment

These are stated at historical cost/revalued amount less accumulated depreciation and impairment losses, if any.

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 up to 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.

4.3 Intangible assets

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

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

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

4.4 Non current assets - held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing newing use. This condition is regarded as met only when the sale is hihgly probably and the asset is available for immediate sale in present conditions. Management must be omitted to the slae, which should be expected to qualify for recognition as completes sale within one year from the date of classification.

Property and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

4.5 Financial instruments

Financial assets:
Significant financial assets include long term investments, long term loans and advances, net investment in leases, long term deposits, short term loans and advances, short term placements, short term investment, prepayments, other receivables 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 certain investments, which are revalued as per accounting policies.

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

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

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

Offsetting of financial assets and financial liabilities:
A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. Corresponding income on assets and charge on liability are reported at net amount.

4.6 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.

4.7 Investments

The Company classifies its investments other than in subsidiary as held to maturity, available for sale and held for trading.

Initial measurement:
All investments are initially recognized at cost being the fair value of the consideration given.

Subsequent measurement:

Investment in subsidiary:
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 currently.

The Company is required to issue consolidated financial statements alongwith its separate financial statements, in accordance with the requirements of IAS 27 "Consolidated and Separate Financial Statements". Investment in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

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 held for trading. These are stated at fair values with any resulting surplus/(deficit) recognized in the profit and loss account.

Available-for-sale:
Investments which can not be classified as held to maturity investments or held for trading investments 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.

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

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

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

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

The measurement of surplus/deficit is done on portfolio basis for each of the above three categories separately.

4.8 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.

4.9 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. The difference between sale and repurchase price is treated as markup on short term borrowing and accrued over the tenure 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.

4.10 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.

4.11 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.

4.12 Assets acquired in satisfaction of claims

The company acquires certain vehicles and assets in settlement of non-performing loans / leases. These are stated at lower of the original cost of the related asset, exposure to Trust Investment Bank Limited and the net realizable value. The net gains or losses on disposal of these assets are taken to the profit and loss account.

4.13 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.

Capital gains and losses on sale of investments:

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

Processing fee, front end fee and penal charges:

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, held to maturity investments and reverse repo transactions:
Income from bank deposits, investments and reverse repo transactions 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.

4.14 Return on certificates of investment

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

4.15 Staff retirement benefits

Gratuity:
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 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'.

4.16 Provision for potential lease losses and loans

Provision for potential lease losses and loan losses is maintained at a level which is adequate to provide for potential losses on lease and loan portfolio in accordance with Prudential Regulations for NBFCs. Specific provision for potential lease and loan losses is maintained at a level which, in the judgment of the management, is adequate to provide potential losses on lease and loan portfolio that can be reasonably anticipated. Provision is increased by charge to income and is decreased by charge offs, net of recoveries.

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

4.17 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.

4.18 Borrowing costs

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

4.19 Transactions with related parties and transfer pricing

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

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.

4.20 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 the profit and loss account.

4.21 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 of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of such asset is increased to the revised recoverable amount. A reversal of the impairment loss is recognized in income.

4.22 Dividends

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

4.23 Bonus shares

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

	Note	**2010 Rupees**	2009 Rupees
5. FIXED ASSETS			
Property and equipment	5.1	**89,974,325**	110,710,489
Capital work in progress	5.2	**240,900,000**	125,356,726
Intangible assets	5.3	**732,219**	838,083
		331,606,544	236,905,298

5.1 Property and equipment

PARTICULARS	2010										
	COST					DEPRECIATION					
	As at 1 July 2009	Additions during the year	Revaluation Surplus	Deletions during the year	As at 30 June 2010	As at 1 July 2009	For the year	Deletions	As at 30 June 2010	Book value as at 30 June 2010	Rate %
	-----Rupees-----										
Owned											
Land	22,000,000	-	-	-	22,000,000	-	-	-	-	22,000,000	
Building on freehold land	26,790,450	-	-	-	26,790,450	2,783,079	1,200,370	-	3,983,449	22,807,001	5
Leasehold improvements	28,856,683	141,258	-	(1,012,671)	27,985,270	10,465,695	3,742,546	(486,331)	13,721,910	14,263,360	20
Office equipment and machines	18,152,641	171,475	-	(527,949)	17,796,167	9,294,700	1,771,164	(287,685)	10,778,179	7,017,988	20
Furniture and fixtures	16,320,379	140,000	-	(773,750)	15,686,629	5,754,589	1,046,027	(351,682)	6,448,934	9,237,695	10
Air-conditioning equipment	6,350,683	71,000	-	(2,173,856)	4,247,827	1,887,781	439,112	(1,056,764)	1,270,129	2,977,698	10
Vehicles	39,200,456	7,138,500	-	(21,697,508)	24,641,448	16,774,959	6,314,259	(10,118,353)	12,970,865	11,670,583	20
	157,671,292	**7,662,233**	**-**	**(26,185,734)**	**139,147,791**	**46,960,803**	**14,513,478**	**(12,300,815)**	**49,173,466**	**89,974,325**	

PARTICULARS	2009										
	COST					DEPRECIATION					
	As at 1 July 2008	Additions during the year	Revaluation Surplus	Deletions during the year	As at 30 June 2009	As at 1 July 2008	For the year	Deletions	As at 30 June 2009	Book value as at 30 June 2009	Rate %
	-----Rupees-----										
Owned											
Land	22,000,000	-	-	-	22,000,000	-	-	-	-	22,000,000	
Building on freehold land	26,790,457	-	-	-	26,790,450	1,838,024	945,055	-	2,783,079	24,007,371	5
Leasehold improvements	22,704,878	6,681,465	-	(529,660)	28,856,683	6,271,637	4,289,939	(95,881)	10,465,695	18,390,988	20
Office equipment and machines	22,582,955	1,295,452	-	(5,725,766)	18,152,641	8,714,951	2,113,869	(1,534,120)	9,294,700	8,857,941	20
Furniture and fixtures	17,727,474	271,015	-	(1,678,110)	16,320,379	5,014,626	1,167,948	(427,985)	5,754,589	10,565,790	10
Air-conditioning equipment	6,931,232	166,240	-	(746,789)	6,350,683	1,540,231	495,876	(148,326)	1,887,781	4,462,902	10
Vehicles	42,576,272	9,688,674	-	(13,064,490)	39,200,456	13,854,973	7,167,217	(4,247,231)	16,774,959	22,425,497	20
	161,313,268	**18,102,846**	**-**	**(21,744,815)**	**157,671,292**	**37,234,442**	**16,179,904**	**(6,453,543)**	**46,960,803**	**110,710,489**	

5.2 Capital work in progress

Buildings and Land have been revalued by M/S Synergisers (Private) Limited (a professional valuer) in the current year. It has resulted into revaluation surplus of Rs. 72.656 million. Had there been no revaluation the carrying of fixed asset would have been Rs. 209.875 million (2009: Rs. 125.356 million).

5.3 Intangible Assets

PARTICULARS	2010								
	COST				AMORTIZATION				
	As at 1 July 2009	Additions during the year	Deletions during the year	As at 30 June 2010	As at 1 July 2009	For the year	Deletions	As at 30 June 2010	Book value as at 30 June 2010
	-----Rupees-----								
Software Licenses	1,294,383	-	-	1,294,383	456,300	105,864	-	562,164	732,219
	1,294,383	**-**	**-**	**1,294,383**	**456,300**	**105,864**	**-**	**562,164**	**732,219**

PARTICULARS	2009								
	COST				AMORTIZATION				
	As at 1 July 2008	Additions during the year	Deletions during the year	As at 30 June 2009	As at 1 July 2008	For the year	Deletions	As at 30 June 2009	Book value as at 30 June 2009
	-----Rupees-----								
Lahore Stock Exchange Membership	30,100,000	-	30,100,000	-	-	-	-	-	-
Software Licences	3,461,200	121,500	2,288,317	1,294,383	356,516	99,784	-	456,300	838,083
	33,561,200	**121,500**	**32,388,317**	**1,294,383**	**356,516**	**99,784**	**-**	**456,300**	**838,083**

5.1.1 Following assets were disposed off during the year

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to
	.... Rupees					
Assets with book value Exceeding Rs. 50,000						
Furniture						
Furniture -Rawalpindi	236,700	161,087	103,774	(57,313)	Negotiation	AJEE IMPEX PVT. LIMITED
Sign Board-Sahiwal Branch	74,225	60,289	9,000	(51,289)	Negotiation	YASIN BHATTI
Vehicles						
Vehicle- Toyota Mark-X	2,590,674	2,202,073	2,305,000	102,927	Negotiation	MR. MUHAMMAD HAFEEZ
Vehicle- Altis Sunroof LEA 7017	1,766,500	1,678,175	1,712,002	33,827	Negotiation	MALIK NADEEM
Vehicle-TOYOTA CAMRY	2,591,000	1,511,417	1,508,425	2,992	Negotiation	JAVED BASHIR SHEIKH(EX CEO)
Vehicle-Honda Civic VTECPT 1800	1,662,000	1,495,800	1,425,000	(70,800)	Negotiation	MR. MUHAMMAD SAEED
Vehicle- Honda Civic IVTEC MT-LEC2562	1,662,000	1,329,600	1,601,000	271,400	Negotiation	TAHIR IMTIAZ ALI
Vehicle-HONDA CITY LEE-9742	871,588	406,741	730,000	323,259	Negotiation	MR. NAZEER AHMED
Vehicle-Honda City	855,500	327,942	327,942	-	Negotiation	JAVED BASHIR SHEIKH(EX CEO)
Vehicle-Mitsubishi Lancer LWR 3547)	909,500	272,850	404,061	131,211	Negotiation	S.M.NASIM
Vehicle-Honda City LEB 3353	840,500	266,158	870,000	603,842	Negotiation	GHULAM SARWAR SHAH
Vehicle-Pool Car LED 9992	450,000	247,500	620,000	372,500	Negotiation	WASIM ARSHAD
Vehicle-Suzuki Cultus LWA 9790	610,350	244,140	445,000	200,860	Negotiation	SHARAFAT ABBAS
Vehicle-Honda City Vario LEA 6259	910,500	242,800	775,000	532,200	Negotiation	MR. MUHAMMAD HAFEEZ
Vehicle-Suzuki Mehran LED 8135	415,950	217,397	341,999	124,602	Negotiation	MR HAJI BAGHI KHAN
Vehicle-Pool Car LZK 2953	382,642	200,963	412,000	211,037	Negotiation	FAISAL MEHMOOD
Vehicle-Suzuki Mehran LEH 3639	425,000	198,334	402,000	203,666	Negotiation	FAISAL MEHMOOD
Vehicle-Suzuki Mehran LED 4980	425,550	190,305	386,000	195,695	Negotiation	MR. SAJID MEHDI
Vehicle-Suzuki Mehran LEC 9172	396,050	165,021	365,000	199,979	Negotiation	MR. MUHAMMAD HAFEEZ
Vehicle-LZJ-457	655,700	140,862	505,000	364,138	Negotiation	MR. MUHAMMAD HAFEEZ
Air Conditioners						
Air Conditioners-Mandi	79,833	52,285	45,000	(7,285)	Negotiation	MR. MUHAMMAMD ANSAR
Air Conditioners-Main Branch	889,681	455,357	303,000	(152,357)	Negotiation	MR. MUHAMMAMD ANSAR
Air Conditioner -Sialkot Branch	99,800	63,933	45,500	(18,433)	Negotiation	MR. IBRAR AHMED MIRZA
Generator	1,039,541	518,601	300,000	(218,601)	Negotiation	MR. HAFEEZ AHMED
Lease hold premises						
Sialkot Branch	531,851	236,744	6,600	(230,144)	Negotiation	ABRAR MIRZA
DHA Branch	246,070	144,908	40,000	(104,908)	Negotiation	ZAHID MAQBOOL
Sahiwal Branch	155,400	95,174	13,000	(82,174)	Negotiation	MUHAMMAD ALI
Assets with book value below Rs. 50,000	4,411,629	761,455	2,408,637	1,662,182	Negotiation	Various
2010	**26,185,734**	**13,884,919**	**18,412,932**	**4,543,013**		
Furniture						
Furniture - GMB	513,714	339,556	419,585	80,029	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Furniture - Brokerage Division	900,406	698,647	776,726	78,079	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Furniture - Brokerage House (Islamabad Brokerage)	150,340	138,978	168,000	29,022	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Air Conditioners						
Air Conditioners - R.O	184,000	120,723	120,723	-	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Air Conditioner - Brokerage Division	197,600	133,537	133,537	-	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Air Conditioners - Brokerage Div. (Islamabad)	126,127	115,616	115,616	-	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Generator - Mandi B. Udin Brokerage	83,000	81,617	81,617	-	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Generator - Multan Brokerage	83,000	81,617	81,617	-	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Lease Hold Premises						
Aziz Avenue	205,260	174,471	174,471	-	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Brokerage (Islamabad Br.)	165,400	140,590	140,590	-	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
LSE Room - 518	159,000	118,720	124,770	6,050	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to
	-----	-----	-----Rupees-----	-----		
Equipments						
Printers - Brokerage + H.O	103,750	52,128	63,464	11,336	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
UPS Batteries - Brokerage + H.O	117,850	57,127	81,000	23,873	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Phone & Fax - Brokerage Div.	310,950	146,528	225,768	79,240	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Computers (Brokerage Division)	2,494,636	1,858,176	2,069,211	211,035	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Printers (Brokerage Division)	89,050	60,444	77,098	16,654	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Optic Fibre Accessories-Brokerage House	258,000	151,360	225,291	73,931	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Call Recorder Device - Brokerage House	252,000	176,134	252,000	75,866	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-UPS Batteries (Brokerage Div)	103,100	77,173	103,100	25,927	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Call Recoding Device - Brokerage Houses-FSD Branch	179,600	140,547	179,600	39,053	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Call Recoding Device - LSE Office	179,600	140,873	179,600	38,727	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Call Recoding Device - (Brokerage Houses-ISB.)	160,000	128,000	160,000	32,000	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-Multimedia Projector (Brokerage. House-ISB Br.)	210,000	171,500	210,000	38,500	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-Computers (Brokerage - Isb Br.)	104,100	88,485	104,100	15,615	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-UPS (F.C.E.L Karachi)	137,000	118,733	137,000	18,267	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-Computers (F.C.E.L Karachi)	297,500	257,834	297,500	39,666	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-Computers (LSE-Room # 518)	84,500	73,233	84,500	11,267	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-Call Recording Device (Multan Brokerage Div)	60,060	57,057	60,060	3,003	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-Call Recording Device (Rwp Brokerage Div)	60,060	57,057	60,060	3,003	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Equip-Call Recording Device (Multan Brokerage Div)	58,600	56,028	58,600	2,572	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicles						
Vehicle-Honda City	855,500	513,300	795,500	282,200	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicle-Honda VTI 1800	969,000	678,300	950,000	271,700	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicle-LEC 3028	725,000	676,667	800,000	123,333	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicle-Honda CG 125	70,890	66,164	70,000	3,836	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicle-Honda City	906,000	860,700	1,030,000	169,300	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicle-Toyota Corolla XLI 133	945,725	898,439	1,030,000	131,561	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicle-Suzuki Mehran VXR	456,800	441,853	498,452	56,599	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicle-LRN 3426	496,000	-	302,000	302,000	Negotiation	Mr. Sabir Malik
Vehicle-LZL- 389	790,500	118,575	480,000	361,425	Negotiation	Mr. Muhammad Umar
Vehicle-Suzuki LEC 9170	419,050	300,334	370,000	69,666	Negotiation	Mr. Farhan Baig
Vehicle-LES 3005	421,000	322,767	405,000	82,233	Negotiation	Mr. Muhammad Nawaz
Vehicle-LEA 8381	685,000	388,166	600,000	211,834	Negotiation	Mr. Nasir Gulzar
Vehicle-Motor Cycle LZX 4093	73,000	-	24,850	24,850	Negotiation	Mr. Ashfaq Ahmad
Vehicle-Suzuki Cultus	703,705	504,322	504,322	-	Negotiation	Trust Capital (Pvt) Ltd. (wholly owned subsidiary)
Vehicle-LZT 3138	325,000	297,917	235,000	(62,917)	Negotiation	Mr. Malik Siraj
Vehicle-LZV 251	750,000	675,000	760,000	85,000	Negotiation	Mr. Aamir Iqbal
Vehicle- LED 9368	840,500	532,317	865,000	332,683	Negotiation	Mr. Hafeez Ahmad
Vehicle- LEB 6494	663,000	375,700	610,000	234,300	Negotiation	Mr. Aamir Mirza
Vehicle-LEF-8276	724,000	470,600	525,000	54,400	Negotiation	Mr. Hafeez Ahmad
Vehicle-LEE 5320	1,046,720	628,032	700,000	71,968	Negotiation	Mr. Mudassir Hussain Naqvi
Assets with book value below Rs. 50,000	850,222	529,632	643,554	113,922	Negotiation	Various
2009	**21,744,815**	**15,291,274**	**19,163,882**	**3,872,608**		

	Note	**2010** Rupees	2009 Rupees
6 LONG TERM INVESTMENTS			
Investment in subsidiary-at cost	6.2	**60,000,000**	60,000,000
Investment in Term Finance Certificates and Bonds/ Sukuks-unquoted	6.3	**156,155,500**	172,976,000
		216,155,500	232,976,000
Less: Provision against doubtful investments	6.4	**130,000,000**	70,000,000
		86,155,500	162,976,000
Less: Current portion of long term investments	10	**26,493,600**	22,504,800
		59,661,900	140,471,200

6.1 Particulars of long term investments

	Note	2010	2009
Long term investments-considered good		**86,155,500**	162,976,000
Long term investments-considered doubtful		**130,000,000**	70,000,000
		216,155,500	232,976,000
Less: Provision against doubtful investments	6.4	**130,000,000**	70,000,000
		86,155,500	162,976,000

6.2 Investment in subsidiary-unquoted

This represents the investment made in "Trust Capital (Private) Limited (TCPL)" a wholly owned un-quoted company, details of which are as follows:

	2010	2009
6,000,000 shares of Rs.10 each	**60,000,000**	60,000,000

6.3 Investment in Term Finance Certificates and Bonds/Sukuks-unquoted

	Note	2010	2009
Held to maturity			
Term finance certificates			
Dewan Cement Limited	6.3.1	**50,000,000**	50,000,000
Azgard Nine Limited	6.3.2	**39,968,000**	39,976,000
Grays Leasing Limited	6.3.3	**6,500,000**	13,000,000
Bonds/ Sukuks			
New Allied Electronic Industries (Pvt) Limited-Sukuk	6.3.4	**20,000,000**	20,000,000
Eden Housing Limited-Sukuk	6.3.5	**39,687,500**	50,000,000
		156,155,500	172,976,000

6.3.1 This represents the investment made by the Company in term finance certificates issued for a period of 6 years, duly secured against ranking charge over fixed asset of the investee with a margin of 25% which was subsequently converted into first pari-passu charge over all fixed asset, carries mark-up at the rate of KIBOR +200 Bps and redeemable in 9 equal semi-annual installments of Rs.5, 555,556/-, started from 17 January 2010. The credit rating assigned to such issue, by the Pakistan Credit Rating Agency (PACRA), is "D" and the total amount of issue is Rs. 5 billion.

6.3.2 The Company has purchased term finance certificates of Rs 40 million, out of total issue of Rs 2.5 billion, carrying mark-up rate @ 6 Months KIBOR +225 BPS issued for a period of 7 years. This issue is redeemable in 4 equal semi-annual installments of Rs 8,000 starting from 04 June 2008 and subsequently through 10 equal semi-annual installment of Rs. 3,996,800/-. The credit rating assigned to such issue by Pakistan Credit Rating Agency (PACRA) is “A+”.

6.3.3 The investment made in these term finance certificates, amounting to Rs. 20 million, is duly secured against first charge over all present and future receivables of the investee up-to Rs. 320 million. These carry mark-up @ 6 Months KIBOR +250 BPS and repayable in 36 equal monthly installment of Rs. 500, 000 in addition to first installment of Rs. 2000,000 starting from 04 July 2008. The credit rating assigned to such issue, by the Pakistan Credit Rating Agency (PACRA), is “A-” which was subsequently withdrawn by the credit rating agency.

6.3.4 This represent the investment amounting to Rs 40 million made in Sukuks issued for a period of 4 years secured against first parri pasu charge over present and future fixed assets of the investee with 25% margin. These carry mark-up @ 3 Months KIBOR +260 BPS and redeemable in 16 equal quarterly installments of Rs. 1,250,000/- starting from 25 October 2008. JCR-VIS assigned rating of “D” to said Sukuks which was subsequently withdrawn.

6.3.5 The Company has participated in sukuks issue of Rs. 3 billion by investing Rs. 50 million. These carry mark-up @ 6 Months KIBOR+ 250 BPS and duly secured against first peri passu charge over current and future receivables of the investee up-to the extent of issue. These certificates are redeemable in 08 equal semi-annual installments of Rs. 6,250,000 starting from 01 October 2009. The credit rating assigned to such sukus “A” by the JCR-VIS.

	Note	**2010** Rupees	2009 Rupees
6.4 Provision against doubtful investments			
Opening balance		**70,000,000**	-
Charge for the year		**60,000,000**	70,000,000
Closing balance	6.4.1	**130,000,000**	70,000,000

6.4.1 Particulars of provisioning

	2010	2009
Trust Capital (Private) Limited-unquoted shares	**60,000,000**	60,000,000
Dewan Cement Limited-TFCs	**50,000,000**	10,000,000
New Allied Electronic Industries (Pvt) Limited-sukuks	**20,000,000**	-
	130,000,000	70,000,000

	Note	2010 Rupees	2009 Rupees
7 LONG TERM LOANS AND ADVANCES			
Secured:			
Employees - considered good	7.1	**17,429,300**	22,822,700
Related parties - considered doubtful	7.2	**458,295,097**	284,038,297
Companies, organizations and individuals			
Considered good	7.3	**262,580,387**	415,415,844
Considered doubtful		**4,751,320**	109,648,794
		267,331,707	525,064,638
		743,056,104	831,925,635
Un-secured:			
Companies, organizations and individuals		**219,545**	273,829
		743,275,649	832,199,464
Less: provision against doubtful loans	7.4	**245,262,737**	109,648,794
		498,012,912	722,550,670
Less : current maturity		**113,429,478**	230,071,375
		384,583,434	492,479,295

7.1 These represent long term loans provided to employees against mortgage of property and carry mark-up ranging from 4% to 23.19% (2009: 4% to 17.18%) per annum. The maximum aggregate balance due from the Chief Executive Officer is Rs. Nil (2009: 4.77 million), which carried markup at the rate 4% to 10% and executives is Rs. 16.98 million (2009: 13.61 million).

7.2 This represents long term loan provided to TCPL. This is secured against the first charge over the immoveable property amounting to Rs. 169.093 million, received from the customer of TCPL against satisfaction of its claim and carries mark-up equivalent to cost of funds of the Company (2009: Kibor+300 BPS). During the year, the loan is re-structured and repayble over the period of ten years.

7.3 These include long term finances provided to companies, organizations and individuals against mortgage of property, charge over assets and lien on deposits etc. These carry mark-up ranging from 16.00% to 23.19% (2009 : 14.00% to 28.69%) per annum.

	Note	2010 Rupees	2009 Rupees
7.4 Provision against doubtful loans			
Opening balance		**109,648,794**	-
Charge for the year		**135,836,452**	109,648,794
Reversal	7.4.1	**(222,509)**	-
Closing balance	7.4.2	**245,262,737**	109,648,794

7.4.1 This includes an amount of Rs 104.875 million against the loan extended to TCPL (Note 7.2).

7.4.2 Particulars of provision against doubtful loans	Note	**2010 Rupees**	2009 Rupees
Related Parties		**240,511,417**	104,874,965
Companies, organizations and individuals		**4,751,320**	4,773,829
		245,262,737	109,648,794

8 NET INVESTMENT IN LEASE FINANCE

	Note	**2010 Rupees**	2009 Rupees
Lease payments receivable	8.1	**2,674,773,890**	3,549,148,555
Add: Residual value		**897,902,871**	1,079,980,989
Gross investment in leases		**3,572,676,761**	4,629,129,544
Less: Unearned finance income		**209,670,062**	467,045,140
Income suspended	8.3	**190,423,910**	157,774,028
Provision for lease losses	8.4	**292,511,840**	266,644,185
		692,605,812	891,463,353
Net investment in lease finance		**2,880,070,949**	3,737,666,191
Less: Current portion of net investment in lease finance	10	**2,080,218,367**	2,469,477,654
		799,852,582	1,268,188,537

	30 June 2010			
	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	**2,206,805,123**	**1,365,871,638**	**-**	**3,572,676,761**
Less: Unearned finance income	**126,586,756**	**83,083,306**	**-**	**209,670,062**
	2,080,218,367	**1,282,788,332**	**-**	**3,363,006,699**

	30 June 2009			
	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	2,711,791,282	1,917,338,262	-	4,629,129,544
Less: Unearned finance income	242,313,628	224,731,512	-	467,045,140
	2,469,477,654	1,692,606,750	-	4,162,084,404

8.1 The Company has entered into various lease agreements with implicit rate of return ranging from 8% to 26.02% (2009: 8% to 26.76%) per annum. Security deposit is obtained generally upto 10% to 20% of the cost of leased assets at the time of disbursement. The Company requires the lessees to insure the leased assets in the favour of the Company and to maintain the financial ratios required by NBFC's Prudential regulations. Additional lease rentals are charged on the delayed payments.

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

8.2 During the year, as most of valuation reports of lease portfolio of vehicles were outdated, the Company has carried out fresh valuation of its entire lease portfolio of vehicles by a professional valuer and has taken effect of such fresh valuation while calculating provision for potential lease losses in accordance with NBFC Regulations 2008 and all related adjustments to this effect have been made in these financial statements.

	2010 Rupees	2009 Rupees
8.3 Income suspended		
Balance at the beginning of the year	**157,774,028**	138,212,086
Suspended during the year	**52,625,388**	47,067,618
Reversal of suspension	**(19,975,506)**	(27,505,676)
Balance at the end of the year	**190,423,910**	157,774,028

	2010 Rupees	2009 Rupees
8.4 Provision for potential lease losses		
Balance at beginning of the year	**266,644,185**	113,042,667
Provision during the year	**128,408,360**	218,596,822
Provision reversed during the year	**(96,300,737)**	(60,776,337)
Provision written off during the year	**(6,239,969)**	(4,218,967)
Balance at the end of the year	**292,511,840**	266,644,185

9 DEFERRED TAX ASSETS

	2010 Rupees	2009 Rupees
Taxable temporary differences		
Accelerated depreciation for tax purposes	**(8,467,563)**	(7,431,479)
Leasing Finance	**(322,691,663)**	(340,933,342)
Deductible temporary differences		
Provision against investments	**21,787,500**	106,059,090
Taxable losses	**835,210,045**	641,128,540
	525,838,319	398,822,809

		Note	2010 Rupees	2009 Rupees
9.1	**Movement in deferred tax asset**			
	Opening balance		**319,786,341**	55,366,202
	Provision made during the year		**206,051,978**	264,420,139
	Closing balance		**525,838,319**	319,786,341

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of the related tax benefits through future taxable profits is probable. The Company has recognized all deferred tax asset at the end of financial year in respect of tax losses, as it is projected that sufficient tax profits would be available to set these off in the foreseeable future liabilities subsequent to years 2010 through 2014. Tax losses amounting to Rs.12.46 million, Rs.286.97 million, Rs.451.05 million, Rs.586.25 and Rs.624.38 expire in year 2010, 2011, 2012, 2013 and 2014 respectively.

		Note	2010 Rupees	2009 Rupees
10	**CURRENT MATURITIES OF NON-CURRENT ASSETS**			
	Long term investments	6	**26,493,600**	22,504,800
	Long term loans and advances	7	**113,429,478**	230,071,375
	Net investment in lease finance	8	**2,080,218,367**	2,469,477,654
			2,220,141,445	2,722,053,829
11	**SHORT TERM LOANS AND ADVANCES**			
	Short term loans	11.1	**468,381,296**	329,846,962
	Short term advances	11.2	**9,421,908**	48,215,868
			477,803,204	378,062,830
11.1	**Short term loans-secured**			
	Employees - considered good	11.1.1	**41,507**	558,332
	Companies, organizations and individuals			
	Considered good	11.1.2	**468,339,789**	327,915,323
	Considered doubtful		**650,000**	2,366,634
			468,989,789	330,281,957
			469,031,296	330,840,289
	Less: provision against doubtful finances	11.1.3	**650,000**	993,327
			468,381,296	329,846,962

11.1.1 These represent staff loans to employees against their retirement benefits. These carry mark-up ranging from 13.00% to 16.96% (2009 : 13.00% to 18.64%) per annum.

11.1.2 These include short term finances provided to individuals against their certificates of investment and mortgage of property. These carry mark-up ranging from 16% to 23.1% (2009 : 14% to 22.48%) per annum.

	Note	2010 Rupees	2009 Rupees
11.1.3 Provision against doubtful loans			
Opening balance		**993,327**	650,000
Charge for the year		**-**	343,327
Reversal during the year		**(343,327)**	-
Closing balance		**650,000**	993,327

	Note	2010 Rupees	2009 Rupees
11.2 Short term advances			
Advance against leases	11.2.1	**8,976,160**	47,690,836
Advances to employees		**445,748**	525,032
		9,421,908	48,215,868

11.2.1 These represent advance given to suppliers on behalf of lessees in respect of assets to be leased and are eventually transferred to net investment in lease finance when the assets are brought into use. Lessees are being charged with mark-up at 17.43% (2009: 15.29% to 21.70%) per annum against advances.

	Note	2010 Rupees	2009 Rupees
12 SHORT TERM PLACEMENTS			
Repurchase agreement lendings (Reverse Repo)-secured	12.2	**21,107,549**	102,727,368
Placements with other banks-unsecured	12.3	**50,000,000**	-
		71,107,549	102,727,368
Less: Provision against doubtful lending	12.4	**2,092,300**	-
		69,015,249	102,727,368
12.1 Particulars of short term placements			
Considered good		**57,107,549**	102,727,368
Considered doubtful		**14,000,000**	-
		71,107,549	102,727,368

	Note	2010 Rupees	2009 Rupees
12.2 Repurchase agreement lendings (Reverse Repo)-secured			
Momin Qamar		**2,076,531**	36,449,069
Abdul Rasheed		**5,031,018**	6,000,000
Hascomb Business Solutions		**14,000,000**	14,000,000
Muhammad Yousaf Zeid Saigol		**-**	46,278,299
		21,107,549	102,727,368

12.2.1 These are secured against fair value of quoted securities and mortgage of property. These carry mark-up ranging from 14% to 25.5% (2009: 14% to 25%).

Fair value of quoted securities held as collateral against lending on repurchase agreement (reverse repo) is as follow:

	2010 Rupees	2009 Rupees
Holders of shares		
Momin Qamar	**53,165,848**	64,317,709
Abdul Rasheed	**3,448,580**	3,899,335
Hascomb Business Solutions	**8,833,860**	6,847,970
Muhammad Yousaf Zeid Saigol	**35,342,625**	73,101,075
	100,790,913	148,166,089

These have been placed for a period upto one year

12.3 Placements with other banks - unsecured

This represents amount placed with various financial institutions with the maturity period ranging from 1 to 3 days and carry markup ranging from 9% to 12.40%.

12.4 Provision against doubtful financing

This provision has been made after taking benefit of liquid collateral in accordance with the requirements of NBF Regulations 2008.

	Note	2010 Rupees	2009 Rupees
13 SHORT TERM INVESTMENTS			
Held for trading			
Listed shares	13.1	**17,146,950**	-
Available for sale			
Government treasury bills	13.2	**89,365,919**	178,260,000
Listed shares	13.3	**460,160,662**	683,174,972
		566,673,531	861,434,972
Less: Deficit on revaluation of investments		**-**	230,775,972
Less: Unrealized loss on revaluation of investments classified as held for trading		**1,527,749**	-
Less: Impairment loss		**205,836,899**	230,775,972
		359,308,883	399,883,028

13.1 Held for trading

	Shares		Cost		Fair value	
	2010	2009	**2010**	2009	**2010**	2009
	Number	Number	-------------------- Rupees	--------------------		
Name of investee company						
Energy and power						
Pakistan State Oil	**15,000**	-	**4,048,991**	-	**3,903,000**	-
Pakistan Oilfield Limited	**15,000**	-	**3,273,474**	-	**3,238,500**	-
Pakistan Petroleum Limited	**15,000**	-	**2,794,240**	-	**2,761,800**	-
Commercial Banks						
Silk Bank Limited	**1,100,000**	-	**4,184,474**	-	**2,981,000**	-
National Bank Limited	**20,000**	-	**1,303,892**	-	**1,282,000**	-
Cement						
D. G. Khan Cement Limited	**25,000**	-	**630,200**	-	**590,500**	-
Textile						
Nishat Mills Limited	**20,000**	-	**911,679**	-	**862,401**	-
	1,210,000	-	**17,146,950**	-	**15,619,201**	-

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

13.2 These represents Government treasury bills of face value of Rs. 100 million purchased for Rs. 89 million (2009: Rs. 178.260 million) at discount. These are given as collateral against money market borrowing made from Pak Oman Investment Company Limited.

13.3 Available for sale

	Shares		Cost		Fair value	
	2010	2009	**2010**	2009	**2010**	2009
	Number	Number	-------------------- Rupees	--------------------		
Name of investee company						
Fertilizer						
Engro Chemicals Pakistan Limited	**333,600**	348,740	**57,394,124**	86,665,143	**57,906,288**	44,788,678
Fauji Fertilizer Company Limited	**70,000**	2	**7,296,332**	-	**7,214,900**	174
Energy and power						
Pakistan State Oil Limited	**86,300**	86,300	**30,672,820**	42,907,645	**22,455,260**	18,437,995
Attock Refinery Limited	**158,400**	158,400	**29,675,137**	39,583,538	**12,760,704**	19,766,736
Pakistan Refinery Limited	**-**	45,012	**(5,362)**	6,813,094	**-**	4,042,078
National Refinery Limited	**-**	22,000.00	**1,802,373**	6,544,386	**-**	4,840,440
Pakistan OilField Limited	**40,000**	-	**8,831,986**	-	**8,636,001**	-
Pakistan Petroleum Limited	**40,000**	-	**7,499,945**	-	**7,364,800**	-
Commercial Banks						
MCB Bank Limited	**242,000**	220,097	**59,946,377**	85,813,733	**46,993,980**	34,121,638
Bank Islami Pakistan Limited	**998,000**	998,000	**12,725,729**	19,094,198	**3,203,580**	6,357,260
My Bank Limited	**831,651**	1,400,250	**13,090,739**	26,458,253	**2,403,471**	5,124,915
NIB Bank Limited	**68,600**	68,620	**552,981**	780,209	**205,114**	325,945
Samba Bank Limited	**563,000**	2,363,000	**10,027,695**	24,929,650	**1,278,010**	7,041,740
Allied Bank Limited	**60,310**	-	**3,525,239**	-	**3,434,654**	-
Investment Companies						
Arif Habib Securities Limited	**462,606**	462,606	**38,809,494**	64,832,558	**15,363,145**	12,786,430
Pervez Ahmed Securities Limited	**949,043**	949,043	**34,305,734**	63,591,030	**2,325,155**	5,020,437
Jahangir Siddiqui Company Limited	**402,532**	402,532	**46,209,341**	83,083,964	**5,088,004**	9,334,717
Arif Habib Limited	**137,500**	110,000	**17,012,406**	26,666,912	**6,050,000**	7,357,900
PICIC Growth Fund		12	**(120)**	-		101

	Shares		Cost		Fair value	
	2010	2009	**2010**	2009	**2010**	2009
	Number	Number	--------------------	**Rupees**	--------------------	
Insurance						
Adamjee Insurance Company Limited	**71,390**	64,900	**11,460,259**	17,469,566	**5,702,634**	5,450,951
Cement						
D. G. Khan Cement Limited	**393,200**	336,000	**15,959,200**	19,919,200	**9,287,384**	9,962,400
Textile						
Nishat Mills Limited	**485,750**	335,000	**33,502,232**	42,274,764	**20,945,540**	12,669,700
Hira Textile Mills Limited		-		-	**-**	-
Cable and Electronics						
Pak Electron Limited	**61,022**	55,475	**2,129,186**	3,106,600	**723,111**	1,359,692
Automobiles						
Pak Suzuki Motors Company Limited	**189,000**	189,000	**17,736,815**	22,640,529	**14,982,030**	12,833,100
	6,643,904	8,614,989	**460,160,662**	683,174,972	**254,323,765**	221,623,027

13.3.1 During last year, the Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008.

The Securities and Exchange Commission of Pakistan ("SECP") vide notification SRO 150 (1)/2009 dated 13 February 2009 allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale' to quoted market prices may be shown under the equity. The amount shown under the equity including any adjustment/effect for price movements is to be taken to Profit and Loss Account on quarterly basis during the year ending 31 December 2009.

Accordingly, the impairment loss based on market values of such shares as at 31 December 2008 amounted to Rs. 476.786 million and was shown under equity. Out of Rs. 476 million an amount of Rs. 230.775 million had been charged to the profit and loss account during the year ended 30 June 2009, while the remaining amount of Rs.94.349 million has been charged to the profit and loss account during the year ended 30 June 2010.

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

13.3.3 Include shares of Rs. 182.43 million (2009: Rs. 152.60 million) provided as collateral to Bank Al-Habib Limited and Habib Bank Limited for overdraft facility.

13.3.4 The fair values are determined with reference to quoted stock exchange prices as at 30 June 2010.

	Note	2010 Rupees	2009 Rupees
14 INTEREST ACCRUED			
Mark-up accrued on:			
Bonds and term finance certificates	14.1	**4,864,340**	2,484,511
Short term and long term finances	14.2	**77,189,601**	63,140,610
Investments in lease	14.3	**61,284,907**	7,116,175
		143,338,848	72,741,296

14.1 Mark-up accrued on bonds and term finance certificates

	Note	2010 Rupees	2009 Rupees
Considered good		**4,864,340**	2,484,511
Considered doubtful		**23,385,974**	13,359,580
		28,250,314	15,844,091
Less: Suspension against doubtful receivables	14.1.1	**23,385,974**	13,359,580
		4,864,340	2,484,511

14.1.1 Suspension against doubtful receivables

	2010 Rupees	2009 Rupees
Opening balance	**13,359,580**	-
Suspended during the year	**10,026,394**	13,359,580
Reversed during the year	**-**	-
Closing balance	**23,385,974**	13,359,580

14.2 Mark-up accrued on short term and long term finances

	Note	2010 Rupees	2009 Rupees
Considered good		**77,189,601**	63,140,610
Considered doubtful		**77,517,007**	12,806,407
		154,706,608	75,947,017
Less: Suspension against doubtful finances	14.2.1	**77,517,007**	12,806,407
		77,189,601	63,140,610

14.2.1 Suspension against doubtful finances

	2010 Rupees	2009 Rupees
Opening balance	**12,806,407**	-
Suspended during the year	**73,670,908**	12,806,407
Reversed during the year	**(8,960,308)**	-
Closing balance	**77,517,007**	12,806,407

14.3 Mark-up accrued on investment in lease-considered good

This includes additional lease rentals amounting to Rs. 59.428 million (2009: Rs. Nil) in respect of overdue rental receivables from performing lease portfolio in accordance with the terms of lease agreement.

	Note	2010 Rupees	2009 Rupees
15 OTHER RECEIVABLES			
Receivable from broker - considered good		**18,040,877**	17,595,083
Miscellaneous receivables from lessees:	15.1		
Considered good		**14,042,416**	41,964,321
Considered doubtful		**191,936,444**	174,282,485
		205,978,860	216,246,806
Other receivables - considered good		**12,873,208**	7,007,878
		236,892,945	240,849,767
Less: provisions for doubtful receivable	15.2	**167,297,721**	105,260,821
		69,595,224	135,588,946

15.1 This represents insurance and other miscellaneous charges receivable from lessees, in respect of vehicles insured by the bank against assets leased to them .

15.2 Movement of provisions for doubtful receivable

	2010 Rupees	2009 Rupees
Opening balance	**105,260,821**	67,144,071
Charge for the year	**82,001,287**	63,059,967
	187,262,108	130,204,038
Reversed during the year	**19,964,387**	24,943,217
Closing balance	**167,297,721**	105,260,821

16 CASH AND BANK BALANCES

	Note	2010 Rupees	2009 Rupees
Cash in hand		**976,107**	1,151,288
With banks in:			
Current accounts	16.1	**1,673,550**	125,693,024
Deposit accounts		**140,445,121**	31,947,815
		142,218,671	157,640,839
		143,194,778	158,792,127

16.1 Deposit accounts carry markup rate ranging from 6.5% to 10% per annum (2009: 4% to 12%).

17 ASSETS CLASSIFIED AS HELD FOR SALE

This represent the land having fair value amounting to Rs. 300,656,237 valued by Nespak Private Limited dated 23 February 2010, received from sponsors as referred in Note 21.

18. SHARE CAPITAL

2010	2009		2010	2009
(Number of Shares)			Rupees	Rupees
		Authorized		
80,000,000	80,000,000	Ordinary shares of Rs. 10 each	**800,000,000**	800,000,000
70,000,000	-	Preference shares of Rs. 10 each	**700,000,000**	-
150,000,000	80,000,000		**1,500,000,000**	800,000,000
		Issued, subscribed and paid up		
20,142,984	20,142,984	Ordinary shares of Rs. 10 each fully paid-up in cash	**201,429,840**	201,429,840
38,409,889	38,409,889	Ordinary shares of Rs. 10 each issued as bonus shares	**384,098,890**	384,098,890
30,650,000	-	Preference shares of Rs. 10 each issued	**306,500,000**	-
89,202,873	58,552,873		**892,028,730**	585,528,730

18.1 Newage (Pvt) Limited and Mr. Zahid Rafiq, related parties of the Bank held 6,675,301 (11.40%) and 5,702,405 (9.74%) [2009: 6,675,301 (11.40%) and 5,702,405 (9.74%)] Ordinary shares of Rs. 10 each respectively, as at June 30,2010.

18.2 These are un-listed cumulative non-voting preference shares, each of Rs.10/-, issued against the adjustment of financing facilities and carry preference dividend @ 1 year KIBOR + 100 BPS which is payable in priority to ordinary shareholders. The dividend remained unpaid, shall be carried forward to future years and be paid in chronological order.

The Company may exercise the Call Option and repurchase these preference shares from investors from the commencement of 3rd anniversary, by giving 30 days notice, in accordance with following schedule:

- 3rd to 4th anniversary — upto 25%
- 4th to 5th anniversary — upto 50%
- After 5th anniversary — upto 100%

Further, these preference shares are convertible into ordinary shares of the Company at the option of investors from the 3rd anniversary till the 5th anniversary by giving thirty day notice in advance in following manner:

- 3rd to 4th anniversary — upto 25%
- 4th to 5th anniversary — upto 50%
- After 5th anniversary — upto 100%

The conversion ratio (A/B) for such issue is as follows:

A= Rupees ten (10/-) plus unpaid dividend, if any, on each preference share
B= Higher of following:

- Face value of shares
- Average discounted price of the ordinary share quoted in the daily quotation of KSE during the last twelve months prior to the conversion date

As the fair value of financial liability is equal to fair value of financial instrument and intrinsic value of financial instrument is nil so the whole amount is recognized as financial liability.

18.3 The above stated preference shares have been treated as part of equity on the following bases:

- The preference shares were issued under the provision of Section 86 of the Companies Ordinance, 1984 (the Ordinance) read with Section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

- The authorized capital of the Company and the issue of the preference shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on May 02, 2005.

- Return of allotment of shares was filed under Section 93(1) of the Ordinance.

- Dividend on the preference shares is appropriation of profit both under the Ordinance and the tax laws.

- The requirements of the Ordinance take precedence over the requirements of IFRSs.

- These preference shares are listed on the Karachi Stock Exchange.

However, considering the requirements of the IFRSs for classification of debt and equity instruments, which suggests that the above preference shares be classified as debt, the ICAP has sought a clarification from the SECP in respect of the presentation of preference shares in the financial statements prepared in accordance with the requirements of the Companies Ordinance, 1984. Pending the decision of the SECP in this matter, the preference shares have been reflected as equity of the Company.

	Note	**2010 Rupees**	2009 Rupees
19 RESERVES			
Capital reserves			
Statutory reserve	19.1	**206,758,319**	206,758,318
		206,758,319	206,758,318
Revenue reserves			
General reserve		**61,000,000**	61,000,000
Accumulated loss		**(1,184,349,076)**	(472,556,755)
		(1,123,349,076)	(411,556,755)
		(916,590,757)	(204,798,437)

	Note	2010 Rupees	2009 Rupees
19.1 Statutory reserve			
Opening balance		**206,758,319**	206,758,318
		206,758,319	206,758,318

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. However, as the company has faced loss during the period, so no amount is transferred to such reserve.

	Note	2010 Rupees	2009 Rupees
20 SURPLUS ON REVALUATION OF FIXED ASSETS			
Land	20.1.1	**1,222,187**	1,222,187
Building	20.1.2	**8,808,916**	8,929,854
Capital work in progress	20.1.3	**62,625,000**	-
		72,656,103	10,152,041
20.1 Opening balance		**10,152,041**	10,499,429
Addition during the year		**62,624,519**	-
Transferred		**(120,457)**	(347,388)
Closing balance		**72,656,103**	10,152,041

20.1.1 This represents the surplus arised on revaluation of land carried by Synergisers (Private) Limited dated June 30, 2010.

20.1.2 This represents the surplus arised on revaluation of building carried by Synergisers (Private) Limited dated June 30, 2010.

20.1.3 This represents the surplus arised on revaluation of capital work in progress carried by Synergisers (Private) Limited dated December 31, 2009.

	2010 Rupees	2009 Rupees
21 DEFICIT ON REVALUATION OF INVESTMENTS		
Opening balance	**(230,775,972)**	(120,299,798)
Surplus / (deficit) during the year	**24,939,073**	(341,252,146)
Impairment charged to profit and loss account	**205,836,899**	230,775,972
Closing balance	**-**	(230,775,972)

21.1 This represents deficit on revaluation of shares held under available for sale category.

22 LONG TERM FINANCING - Subordinated loan

This represents the sub-ordinate loan received from sponsors in the form of cash amounting to Rs. 100 million (2009: Nil) and land having fair value amounting to Rs. 301 million (2009: Nil).
This represents loan received from sponsors comprising of 759 Kanals of land having value of Rs. 300.646 million and cash amounting to Rs. 100 million from one of its associated undertaking vide an agreement dated 17 May 2010 executed between the Company and Tricon Developers Limited (TDL). This agreement has superseded the agreement dated 28 October 2009. The terms of loan as per revised agreement are :

i) In case the SECP grants approval for issuance of shares to the TDL against the outstanding amount on or before 30 June 2011 (or such other date as the parties may agree in writing), the Company shall forthwith issue ordinary shares to the TDL in settlement of the outstanding amount;

ii) In case the SECP does not grant approval for issuance of shares to the TDL by the Deadline, the Company shall forthwith repay the entire outstanding amount received in cash and resell the land to the TDL at the price of Rs. 300.646 million; and

iii) Clause (ii) above shall only applicable when the Company will be equity compliant as per NBFCs regulations and have sufficient liquidity for this arrangement.

	Note	**2010 Rupees**	2009 Rupees
23 LONG TERM FINANCING - other			
Banking companies and other financial institutions-secured	23.1	**658,679,095**	545,535,711
Term finance certificates (TFC) - secured	23.2	**368,606,082**	552,962,982
		1,027,285,177	1,098,498,693

23.1 Banking companies and other financial institutions-secured

The Bank of Punjab	23.1.1	**168,918,748**	37,499,996
Faysal Bank Limited	23.1.2	**16,666,669**	58,333,334
Allied Bank Limited	23.1.3	**126,666,667**	224,722,222
Habib Bank Limited	23.1.4	**4**	41,666,669
Pak Oman Investment Company (Pvt.) Ltd.	23.1.5	**15,483,873**	23,000,000
The Bank of Khyber	23.1.6	**53,819,445**	150,000,000
Saudipak Industrial & Agricultural Investment Company (Pvt.) Limited	23.1.7	**-**	12,499,997
Standard Chartered Bank Limited	23.1.8	**124,996,341**	291,666,665
Pak Oman Assets Management Co Ltd	23.1.9	**22,821,430**	42,714,286
Atlas Bank Limited	23.1.10	**120,312,500**	150,000,000
Pak Iran Joint Investment Co. Ltd	23.1.11	**8,000,000**	92,000,000
First Women Bank Limited	23.1.12	**82,027,397**	-
CDC Trustee KASB Liquid Fund	23.1.13	**17,500,000**	-
Dawood Money Market Fund	23.1.14	**28,842,873**	-

First Credit & Investment Bank	23.1.15	**10,000,000**	-
House Building Finance Corp	23.1.16	**28,068,181**	-
Bank AlFalah Ltd	23.1.17	**22,000,000**	-
CDC Trustee Askari Income Fund	23.1.18	**170,500,000**	-
PAK Brunei Investment Company	23.1.19	**9,256,941**	-
IGI Investment Bank Ltd	23.1.20	**78,000,000**	-
		1,103,881,069	1,124,103,169
Less: Current portion shown under current liabilities	30	**445,201,974**	578,567,458
		658,679,095	545,535,711

23.1.1 This represents a facility of Rs.100 million.This facility is secured against first charge on specific leased assets and related receivables. These carry mark-up rate of 3 month KIBOR + 250 bps per annum. This facility is repayable in sixteen equal quarterly installments starting from 23 December 2006 and expiring on 31 December 2010.

Further, this also include facility converted from short term running finance to term finance facility of Rs.164.6 million.This facility is secured against exclusive charge on specific leased assets. It carries mark-up rate of 3 month KIBOR + 150 bps per annum. This facility is repayable in 5% down payment, 4 quarterly installments of Rs. 1 million, 4 quarterly installments of Rs. 6 million, 4 quarterly installments of Rs. 12 million and 4 quarterly installments of Rs. 20 million.

23.1.2 This represents a facility of Rs.100 million. The facilities are secured against first charge on specific leased assets with 25% margin and carry mark-up rate of 6 month KIBOR + 190 bps per annum. These facilities are repayable in twelve equal quarterly installments starting from 10 March 2008 and expiring on 10 December 2010.

23.1.3 These represent two facilities of an aggregate amount of Rs. 300 million. One facility of Rs.100 million is secured against first charge on specific leased assets and related receivables of Rs. 135 million with 25% margin and carries mark up rate of 6 Month KIBOR + 250 bps upto April 2010 and 6 Month KIBOR + 100 bps from April 01, 2010 onward. This Facility of Rs.100 Million is repayable in ten equal semi annual installments starting from June 30, 2006 and expiring on December 31, 2010. Whereas the money market borrowing amounting Rs. 200 million has been converted into long term unsecured facility. Out of 200 Million, Rs. 50.00 Million is converted into Preference Shares. This facility (200 M) carries mark up rate of 1 Month KIBOR + 200 bps upto July 2009 and 1 Month KIBOR from July 01, 2009 onward and is repayable in 36 equal monthly installments starting from June 4, 2010 and expiring on May 29, 2013.

23.1.4 This represents a facility of Rs.100 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate of 6 month KIBOR + 250 bps per annum with no floor and no cap. The facility is repayable in twelve equal quarterly installments starting from 30 September 2007 and expiring on 30 June 2010.This has been repaid during the year.

23.1.5 This represents facility of Rs.23 million. This facility is secured against first charge on specific loan receivables with a margin of 25%. It carried mark-up rate of 3 month KIBOR + 250 bps per annum and was repayable in twelve equal monthly installments starting from 10 August 2009 and expiring on 10 July 2010. Facility has been restructured on 4 December 2009. Mark-up rate has been changed to 3 month KIBOR + 150 bps per annum and principal is repayable in immediate payment of Rs. 3,000,000 on 4 December 2009 and 31 equal monthly installments starting from 23 December 2009 and expiring on 23 June 2012.

23.1.6 This represents a facility of Rs. 150 million secured against first charge on specified leased assets and related receivables amounting Rs.75 Million has been converted into preference shares and the while the balance amount of Rs. 75 Million has been converted into term Finance facility which carries mark up @ 1 month KIBOR. This facility is repayable in thirty six equal monthly installments starting from 01 January 2010 and expiring on 01 December 2012.

23.1.7 This represents a facility of Rs. 50 million secured against first charge on specified leased assets and related receivables to the extent of Rs.70 Million. It carries mark up @ 3 month KIBOR + 275bps per annum. This facility is repayable in twelve equal quarterly installments starting from 13 April 2007 and expiring on 13 January 2012. This has been repaid during the year.

23.1.8 This represents a facility of Rs. 500 million for the purpose of expansion of lease portfolio. The facility is secured against lease receivables to the extent of Rs. 715 million. It carries mark-up at the rate of 3 month KIBOR + 160 bps. The facility is repayable in twelve equal quarterly installments starting from 31 May 2008 and expiring on 28 February 2011.

23.1.9 This represents a facility of Rs. 46 million. The facility is secured against lease receivables. It carries mark-up at the rate of 3 month KIBOR + 250 bps. This facility was repayable in twelve equal monthly installments starting from 15 June 2009 and expiring on 15 July 2010. Facility has been rescheduled on 15 December 2009 and outstanding principal of Rs. 29.5 million is payable in 3 monthly installments of Rs. 1 million, 3 monthly installments of Rs. 1.25 million, 3 monthly installments of Rs. 1.5 million, 2 monthly installments of Rs. 1.66 million and last bullet payment of Rs. 15 million starting from 15 January 2010 and expiring on 15 December 2010.

23.1.10 This represents two facilities of Rs.100 million each. These facilities are secured against first charge on specific/exclusive leased assets and related receivables with 25% margin. These carry mark-up @ 3 month KIBOR + 185 bps per annum with floor of 13.50%. These facilities were repayable in sixteen equal quarterly installments starting from 28 June 2008 and expiring on 28 May 2012. However, these facilities have been rescheduled on 7 January 2010. Outstanding principal of Rs. 68.75 million of Term Finance 1 is repayable in 16 equal quarterly installments starting from 1 February 2010 and expiring on 1 November 2013. While outstanding principal of Rs. 68.75 million of Term Finance 2 is repayable in 16 equal quarterly installments starting from 1 March 2010 and expiring on 1 December 2013.

23.1.11 This represents facility of Rs.94 million. This facility is secured against first charge on specific/exclusive leased assets worth Rs.150 million and related receivables with 25% margin. It carries mark-up rate of 1 month KIBOR + 325 bps per annum. This facility was repayable in 6 monthly installments of Rs. 2 million, 6 monthly installments of Rs. 4 million, 11 monthly installments of Rs. 5 million and 1 monthly installment of Rs. 3 million starting from 4 May 2009 and expiring on 4 April 2011.

23.1.12 This represents facility of Rs.88 million which has been rescheduled during the year. This facility is secured against exclusive charge on lease receivables amounting Rs. 10 million and pledge of TFC/Sukuks amounting to Rs. 50 million. It carries mark-up @ 1 month KIBOR per annum. This facility is repayable in twelve monthly installments of Rs.1 million, 12 monthly installments of Rs. 1.5

million, 11 monthly installments of Rs. 2 million and last bullet payment of Rs. 36 million starting from 31 January 2010 and expiring on 31 December 2012.

23.1.13 This represents facility of Rs.41 million rescheduled during the year. This facility is unsecured and carries mark-up @1 month KIBOR per annum. This facility is repayable in immediate payment of Rs. 5 million, two monthly installments of Rs.5 million, three monthly installments of Rs. 2.5 million, eighteen monthly installments of Rs. 1 million and last installment of Rs. 0.5 million starting from 19 January 2010 and expiring on 19 December 2011.

23.1.14 This represents facility of Rs.37.8 million rescheduled during the year. This facility is unsecured and carries mark-up @1 month KIBOR per annum. This facility is repayable in twenty four monthly installments of Rs.1.5 million and last installment of Rs. 1.8 million starting from 24 January 2010 and expiring on 24 January 2012.

23.1.15 This represents an unsecured facility of Rs. 13.50 million. The facility has been rescheduled. It carries mark-up @16.00% . The facility is repayable in sixteen monthly installments starting from 11 Jan 2010 and expiring on 10 April 2011.

23.1.16 This represents facility of Rs.43.5 million rescheduled during the year. This facility is unsecured and carries mark-up @ 3 month KIBOR + 200 bps per annum. This facility is repayable in immediate payment of Rs.8 million, first installment of Rs. 3 million and 22 equal monthly installments starting from 15 March 2010 and expiring on 15 January 2012.

23.1.17 This represents facility of Rs.56 million rescheduled during the year. This facility is unsecured and carries mark-up @ 1 month KIBOR per annum. This facility was repayable in 35 equal monthly installments of Rs.1.5 million and last installment of Rs. 3.5 million starting from 22 January 2010 and expiring on 15 December 2012. This facility is restructured on 10 May 2010 and out of remaining principal on Rs. 50 million, Rs. 25 million have been converted into preference shares and Rs. 25 million are repayable in 16 equal monthly installments of Rs. 1.5 million and last installment of Rs. 1 million starting from 22 May 2010 and expiring on 22 September 2011.

23.1.18 This represents facility of Rs.194 million rescheduled during the year. This facility is secured against exclusive charge and carries @ 3 month KIBOR + 200 bps per annum. This facility is repayable in immediate payment of Rs.8 million, first installment of Rs. 3 million and 22 equal monthly installments starting from 15 March 2010 and expiring on 15 January 2012.

23.1.19 This represents facility of Rs.10.1 million rescheduled during the year. This facility is secured against first charge on all moveable assets to the extent of sale price. The facility carries mark-up @ 1 month KIBOR per annum. This facility is repayable in 23 equal monthly installments of Rs.420,000 and last installment of Rs.436.941 starting from 8 May 2010 and expiring on 8 Apr 2012.

23.1.20 This represents facility of Rs.80 million rescheduled during the year. This facility is secured against ranking charge on current assets equivalent to Rs.115 million with 30% margin. The facility carries mark-up rate of 1 month KIBOR per annum. This facility is repayable in seven equal monthly installments of Rs.0.5 million, 12 equal monthly installments of Rs.0.75 million, 6 equal monthly installments of Rs.1 million, 12 equal monthly installments of 1.5 million, 10 equal monthly installments of Rs.1.75 million and 13 equal monthly installments of Rs. 2 million starting from 15 March 2010 and expiring on 15 Feb 2015.

		Note	2010 Rupees	2009 Rupees
23.2	**Term finance certificates (TFC) - secured**			
	TFC II-1st Tranche	23.2.1	-	37,500,000
	TFC II-2nd Tranche	23.2.2	**37,500,000**	112,500,000
	TFC III	23.2.3	**524,790,000**	599,880,000
			562,290,000	749,880,000
	Less: Unamortized portion of the initial transaction cost		**6,243,918**	9,327,018
			556,046,082	740,552,982
	Less: Current maturity	30	**187,440,000**	187,590,000
			368,606,082	552,962,982

23.2.1 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 TFC's.

23.2.2 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 TFC's 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 TFC's are secured by a first charge by way of hypothecation over specific leased assets with 25% margin in favour of Trustee. TFC's are issued in set of ten (10) TFC's, 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 on the first day of the start of each semi-annual period for which the profit is being paid.

The Company have a call option to redeem in full the outstanding amount of the TFC's which will be exercisable at any time after the expiry of three years period from the date of public subscription. The call option will be exercisable on the redemption dates only.

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

23.2.3 This represents third issue of secured, rated and listed Term Finance Certificates (TFC's) being instrument of redeemable capital issued under the Companies Ordinance, 1984. The TFC's have a tenure of five (5) years and consist of Rs. 600 million of which Rs. 450 million were offered to institutional investors for Pre-IPO placements and Rs.150 million to the general public. The TFC's are secured by way of first charge on specific leased assets and associated lease rentals receivable with a margin of 40% and are issued in set of ten (10) TFC's, each set having an aggregate face value of Rs. 5,000.

The instrument is structured to redeem 0.02% of the principal in two semi-annual installments and the remaining principal in eight semi-annual installments of 12.495% each of the issue amount respectively starting from the 18th month. 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 + 185 bps per annum with no floor and no cap. The profit rate is set one day before the start of semi- annual period for which the profit is being paid.

The Company have a call option to redeem in full the outstanding amount of the TFC's which will be exercisable at any time after the expiry of two years period from the issue date. The call option will be exercisable on the redemption dates only.

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

24 LONG TERM MORABAHA

This represents murabaha facility of Rs.33.5 million rescheduled during the year and carries mark-up @ 12% per annum. This facility is repayable in thirty three equal monthly installments of Rs.1 million and last installment of Rs.0.5 million starting from 25 May 2010 and expiring on 25 Feb 2013.

		Note	2010 Rupees	2009 Rupees
25	**LONG TERM CERTIFICATE OF INVESTMENT - Unsecured**			
	Local currency			
	- Financial institutions		**203,333,333**	308,333,333
	- Corporate		**14,000,340**	14,000,340
	- Individuals		**16,600,000**	12,275,000
		25.1	**233,933,673**	334,608,673
	Less: Current maturity	30	**130,077,400**	101,800,000
			103,856,273	232,808,673

25.1 These represent deposits received by the Company as per permission granted by the Securities and Exchange Commission of Pakistan. These certificates are issued for term ranging from over 1 year to 5 years and carries profit ranging from 11% to 22% (2009: 11% to 22.22%) per annum.

		Note	2010 Rupees	2009 Rupees
26	**DEFERRED LIABILITIES**			
	Gratuity	26.1	**5,052,317**	3,463,190
	Leave encashment	26.2	**3,037,773**	3,720,022
			8,090,090	7,183,212

Gratuity scheme is funded and pays a lump-sum gratuity to members on leaving the Company's service after completion of six months of continuous service. During the year, the company has changed the plan and now, it has been calculated on the basis of gross salary instead of basic salary. All related impact of such change has been recognized in the current year profit and loss account as required by IAS 19.

Leave encashment scheme is unfunded and has been discontinued with effect from 01 January 2009. However, employees having accumulated leave balances as at 31 December 2008 will be entitled for encashment of accumulated leave balances as at 31 December 2008 on leaving the service based on their last drawn gross salary.

		Note	Gratuity 2010	Gratuity 2009	Leave encashment 2010	Leave encashment 2009
			---------- Rupees ----------			
26.1	**Amount recognized in the balance sheet**					
	Present value of defined benefit obligations	26.1.1	**11,203,547**	7,865,683	**3,037,773**	3,720,022
	Less: Fair value of plan assets	26.1.2	**(2,446,588)**	(2,264,209)	**-**	-
	Less: Actuarial (losses) to be recognized in later periods		**(4,110,892)**	(3,299,284)	**-**	-
	Add: Benefits due but not paid		**406,250**	1,161,000	**-**	-
			5,052,317	3,463,190	**3,037,773**	3,720,022
26.1.1	**Movement in the defined benefit obligation:**					
	Present value of defined benefit obligation at beginning of the year		**7,865,683**	10,194,637	**3,720,022**	4,843,062
	Current service cost for the year		**3,587,490**	3,203,116	**1,258,467**	425,813
	Interest cost for the year		**943,882**	1,223,356	**446,403**	581,167
	Transfer to Trust Capital (Pvt.) Ltd.		**-**	(1,116,674)	**-**	(882,685)
	Benefits paid / discharged during the year		**(5,069,058)**	(1,075,098)	**(3,294,819)**	(926,133)
	Benefits due, but not paid during the year		**(406,250)**	(1,161,000)	**-**	-
	Actuarial (gains) due to curtailments		**-**	(4,279,308)	**-**	-
	Past service cost charged due to change in benefits		**3,380,038**	-	**-**	-
	Actuarial (gain) / loss on PVDBO		**901,762**	876,654	**907,700**	(321,202)
			11,203,547	7,865,683	**3,037,773**	3,720,022
26.1.2	**Movement in the fair value of plan assets:**					
	Fair value of plan assets as at 01 July 2009		**2,264,209**	5,647,850		
	Adjustment for last year (short term liability)		**-**	(3,322,772)		
	Total contributions made in the year		**6,230,058**	1,155,681		
	Expected return on plan assets for the year		**271,705**	677,742		
	Benefits paid / discharged during the year		**(6,230,058)**	(1,155,681)		
	Actuarial gain / (loss) on assets		**(89,326)**	(738,611)		
			2,446,588	2,264,209		
26.2	**Movement of liability:**					
	Balance sheet liability as at 01 July 2009		**3,463,190**	2,343,011	**3,720,022**	4,248,992
	Adjustment for last year (short term liability)		**-**	3,322,772	**-**	-
	Transfer to Trust Capital (Pvt.) Ltd.		**-**	(1,116,674)	**-**	(882,685)
	Amount recognized during the year	26.3	**7,819,185**	2,707,487	**2,612,570**	1,279,848
	Contribution made during the year		**(6,230,058)**	(3,793,406)	**(3,294,819)**	(926,133)
			5,052,317	3,463,190	**3,037,773**	3,720,022
26.3	**Staff service cost expense recognized in the profit & loss account**					
	Current service cost		**3,587,490**	4,510,791	**1,258,467**	425,813
	Interest cost		**943,882**	1,223,356	**446,403**	581,167
	Expected return on plan assets		**(271,705)**	(677,742)	**-**	-
	Actuarial (gains) / losses		**179,480**	185,353	**907,700**	(321,202)
	Loss charged due to curtailments		**-**	1,745,037	**-**	-
	(Gain) recognized due to curtailments		**-**	(4,279,308)	**-**	594,070
	Past service cost charged due to change in benefits		**3,380,038**	-	**-**	-
			7,819,185	2,707,487	**2,612,570**	1,279,848

	Gratuity		Leave encashment	
	2010	2009	**2010**	2009
	Rupees			
26.4 Actual return on the plan assets				
Expected return on the plan assets	**271,705**	677,742	**-**	-
Actuarial (loss) on plan assets	**(89,326)**	(738,611)	**-**	-
Actual return on the plan assets	**182,379**	(60,869)	**-**	-

26.5 Qualified actuary carried out the valuation as on 30 June 2010 using the Projected Unit Credit Method. Following significant assumptions have been used.

	Gratuity		Leave encashment	
	2010	2009	**2010**	2009
	Rupees			
Discount rate	**12%**	12%	**12%**	12%
Expected rate of increase in salary	**11%**	11%	**11%**	11%
Expected rate of return on plan assets	**12%**	12%	**-**	-
Average number of leaves utilized per annum	**-**	-	**8 Days**	8 Days
Expected average remaining years until vesting as on 30 June	**14 years**	14 years	**-**	-

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

	2010	2009	2008	2007	2006
	Rupees				
As at 30 June					
Present value of defined benefit obligation	**11,203,547**	2,264,209	5,647,850	7,907,331	17,912,230
Fair value of plan assets	**2,446,588**	7,865,683	10,194,637	5,647,850	2,239,798
(Deficit) / surplus	**(8,756,959)**	5,601,474	4,546,787	(2,259,481)	(15,672,432)

Fair value of plan assets include certificates of investments, whose fair value is Rs. 2.447 million (2009: Rs. 2.265 million).

	Note	**2010 Rupees**	2009 Rupees
27 LONG TEM DEPOSITS			
Margin against letters of guarantee		**28,647,787**	13,418,460
Deposits against lease arrangements	27.1	**893,957,066**	1,074,733,063
Less: Current maturity	30	**683,532,345**	355,320,950
		210,424,721	719,412,113
		239,072,508	732,830,573

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

		Note	**2010 Rupees**	2009 Rupees
28	**SHORT TERM BORROWNGS**			
	Banking companies and other financial institutions:			
	Running finances - secured	28.1	**161,738,467**	321,693,339
	Placements from financial institutions - unsecured	28.2	**879,153,270**	1,504,790,413
			1,040,891,737	1,826,483,752

28.1 These represent running finances utilized from commercial banks. The total limits against running finances amounting Rs. 425.00 million (2009: Rs. 455 million). These carry mark-up @ ranging from 3 month KIBOR + 100 bps to 3 month KIBOR + 300 bps with a floor ranging from 4.5% to 10% (2010: 3 months KIBOR + 100 bps to 3 month KIBOR + 250 bps) per annum payable on quarterly basis respectively.

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

	2010	2009
Carrying amount of quoted shares given as collateral against borrowings	**182,434,133**	152,603,119

28.2 These represent unsecured short term placements of 1 day to 1 year obtained from financial institutions carrying mark-up rate ranging from 1 month kibor to 6 month kibor +3.25% (2009: 7% to 45%).

		Note	**2010 Rupees**	2009 Rupees
29	**SHORT TERM CERTIFICATE OF INVESTMENT - Secured**			
	Local currency			
	- Financial institutions		**346,748,272**	11,300,000
	- Corporate		**843,930,014**	608,326,538
	- Individuals		**202,321,000**	407,659,801
			1,392,999,286	1,027,286,339

29.1 These represent unsecured short term certificates of investment for a period of one months to one year. These carry mark-up rate ranging from 11% to 17.50% (2009: 11% to 18.5%) per annum.

		Note	**2010 Rupees**	2009 Rupees
30	**CURRENT MATURITIES OF LONG TERM LIABILITIES**			
	Term finance certificates - secured	23	**187,440,000**	187,590,000
	Certificates of investment - unsecured	25	**130,077,400**	101,800,000
	Long term financing from banking companies and other financial institutions - secured	23	**445,201,974**	578,567,458
	Long term deposits	27	**683,532,345**	355,320,950
			1,446,251,719	1,223,278,408

	Note	2010 Rupees	2009 Rupees
31 MARK-UP ACCRUED			
Secured			
- Short and long term borrowings		**40,617,424**	48,893,504
- Term finance certificates		**36,966,433**	55,149,729
		77,583,856	104,043,233
Unsecured			
- Certificates of investment		**35,563,842**	33,062,182
		113,147,698	137,105,415

	Note	2010 Rupees	2009 Rupees
32 TRADE AND OTHER PAYABLES			
Advance receipt against leases	32.1	**23,410,765**	9,101,194
Unclaimed dividend		**3,111,816**	3,136,308
Preference dividend payable		**10,104,296**	
Accrued liabilities		**2,021,318**	1,714,816
Other liabilities	32.2	**15,703,272**	15,797,572
		54,351,467	29,749,890

32.1 These represent initial security deposit received from lessees before structuring of leases.

32.2 These include withholding tax payable Rs. 345,654 (2009: Rs. 183,946) and central excise duty payable Rs. 67,785 (2009: Nil).

33 CONTINGENCIES AND COMMITMENTS

33.1 Contingencies

The Company has issued guarantees to various parties on behalf of clients amounting to Rs. 529.795 Million (2009: Rs. 208.291 million) including guarantees to the subsidiary company amounting to rupees 367.623 million.

33.2 Commitments

32.2.1 Lease commitments approved but not disbursed as on balance sheet date amount to Rs.16.92 million (2009 : Nil).

32.2.2 Commitment for the purchase of office space amounting to Nil (2009: Rs. 2.45 million).

	Note	2010 Rupees	2009 Rupees
34 INCOME FROM LEASE OPERATIONS			
Finance lease income		**211,716,494**	420,105,542
Front end fee		**5,000**	345,244
Commitment and other fees		**525,500**	970,840
Miscellaneous	34.1	**73,328,909**	33,460,037
		285,575,903	454,881,663
34.1 Miscellaneous lease income			
Mark-up on lease advance		**2,704,957**	10,090,726
Additional lease rentals		**70,623,952**	23,369,311
		73,328,909	33,460,037
35 INCOME FROM INVESTMENTS			
Gain/ (Loss) on disposal of investment (held for trading)		**80,747**	(30,364,891)
Profit on investment in continuous funding system		**-**	1,791,769
Mark-up earned on securities purchased under resale agreement		**10,655,735**	33,295,491
Loss on disposal of shares purchased under future contract		**-**	(121,344)
Profit on short term placements and long term investments		**15,230,328**	27,372,200
Dividend income		**6,250,156**	9,963,365
Underwriting and trusteeship fee		**213,920**	288,000
Income from consultancy services		**908,280**	1,196,638
Gain on disposal of investments (available for sale)		**964,541**	-
Deficit on revaluation of held for trading investments		**(1,527,749)**	-
		32,775,958	43,421,228
36 INCOME FROM TERM FINANCES			
36.1 Mark- up earned on long term finances			
Employees		**2,222,864**	97,252
Customers		**80,911,631**	93,753,473
		83,134,495	93,850,725
36.2 Mark- up earned on short term finances			
Employees		**41,738**	2,465,484
Customers		**49,653,918**	76,691,740
		49,695,656	79,157,224
		132,830,151	173,007,949

		Note	2010 Rupees	2009 Rupees
37	**FINANCE COST**			
	Mark-up on long term borrowings		**184,772,392**	132,340,475
	Mark-up on term finance certificates		**94,405,239**	129,840,240
	Amortisation of initial cost		**3,083,102**	5,852,677
	Mark-up on short term borrowings		**117,313,504**	341,604,718
	Mark-up on certificates of investment		**234,945,690**	202,959,142
	Mark-up on running finance		**37,865,816**	53,933,392
	Commitment and other processing fee		**-**	2,270,103
	Bank charges and commission		**13,074,697**	6,318,260
			685,460,440	875,119,007
38	**ADMINISTRATIVE AND OPERATING EXPENSES**			
	Salaries and other benefits	38.1	**97,163,593**	105,286,398
	Printing and stationery		**1,880,807**	2,308,232
	Vehicle running and maintenance		**7,671,321**	8,519,832
	Postage, telephone and telex		**3,519,776**	5,126,149
	Traveling and conveyance		**1,791,849**	3,524,346
	Boarding and lodging		**408,923**	427,949
	Entertainment		**1,640,420**	1,747,460
	Advertisement		**637,683**	782,802
	Electricity, gas and water		**2,449,360**	3,637,598
	Newspapers and periodicals		**95,945**	128,849
	Auditors’ remuneration	38.2	**980,000**	800,000
	Fee and subscription		**1,468,274**	807,154
	Rent, rates and taxes		**22,340,094**	22,544,145
	Insurance		**3,676,939**	4,325,296
	Donation	38.3	**-**	272,220
	Office maintenance		**2,848,598**	3,391,804
	Legal and professional charges		**12,591,809**	3,945,606
	Security charges		**1,319,358**	2,271,758
	Staff training		**45,403**	90,600
	Business promotion		**-**	8,000
	Commission on recovery-outsource		**-**	1,205,206
	CDC and clearing charges		**-**	27,500
	Depreciation on property and equipment	5.1	**14,513,478**	16,179,904
	Amortization on intangible assets	5.1	**105,864**	99,784
	Miscellaneous		**6,550,701**	1,964,538
			183,700,195	189,423,130

38.1 It includes provision for gratuity and compensated leave absences amounting to Rs.7.724 million and Rs.2.551 million respectively (2009: Rs. 2.933 million and Rs. 1.054 million respectively).

		Note	2010 Rupees	2009 Rupees
38.2	**Auditors' remuneration**			
	Audit fee:			
	Annual		**660,000**	650,000
	Half yearly review		**260,000**	100,000
	Certification		**40,000**	50,000
	Out of pocket expenses		**20,000**	-
			980,000	800,000

38.3 Donations include payment of Rs. Nil (2009: 272,220) to Prime Minister's Fund for Internally Displaced Persons (IDP's).

39 OTHER INCOME

	Note	2010 Rupees	2009 Rupees
Gain on disposal of operating fixed assets	5.1.1	**4,543,013**	3,872,608
Gain on disposal of intangible assets		**-**	5,900,000
Commission income		**2,366,577**	2,486,063
Profits on bank deposits		**7,111,901**	4,488,779
Miscellaneous	39.1	**9,318,464**	6,799,177
		23,339,955	23,546,627

39.1 This head contains gain earned on sale of Kalma Tower (repossessed property acquired in satisfaction of claim), income on bouncing of cheques of lessees and ware house charges recovered from lessees.

40 OTHER CHARGES

This represents lease receivable written off during the year.

41 PROVISION FOR LEASE AND TERM LOAN LOSSES

	2010 Rupees	2009 Rupees
Provision for lease losses	**25,867,655**	153,601,518
Provision loans and advances	**135,270,616**	109,992,121
Provision for other receivable	**62,036,900**	38,116,750
Provision against financing against shares	**2,092,300**	-
	225,267,471	301,710,389

42 PROVISION / IMPAIRMENT ON INVESTMENT

	2010 Rupees	2009 Rupees
Impairment on available for sale investments	**205,836,899**	230,775,972
Provision against term finance certificates and sukuks/ bonds	**60,000,000**	10,000,000
Provision for diminution in the value of investment in subsidary	**-**	60,000,000
	265,836,899	300,775,972

	Note	2010 Rupees	2009 Rupees

43 PROVISION FOR TAXATION

	Note	2010 Rupees	2009 Rupees
For the year			
- Current	43.1	**(3,285,497)**	-
- Deferred		**206,051,978**	261,164,286
		202,766,481	261,164,286

43.1 The reconciliation of tax expense and product of accounting profit of corresponding year multiplied by the applicable tax rate cannot be made in view of minimum taxation and final tax on dividend income.

44 LOSS PER SHARE

		2010	2009
Loss for the year after taxation	Rupees	**(711,912,778)**	(715,225,712)
Weighted average number of ordinary shares	Numbers	**58,552,872**	58,552,873
Loss per share - basic	Rupees	**(12.16)**	(12.22)

There is no dilutive effect on the basic loss per share of the company.

45 REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVES AND DIRECTORS

	Chief Executive		Directors		Executives	
	2010	2009	**2010**	2009	**2010**	2009
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Managerial remuneration	**6,916,667**	5,181,500	**-**	-	**21,321,988**	23,620,707
Housing and utilities	**3,550,000**	2,851,833	**-**	-	**9,574,829**	13,000,544
Bonus	**-**	-	**-**	-	**80,000**	1,321,904
Medical	**58,333**	104,977	**-**	-	**902,082**	1,089,969
Others	**599,008**	-	**-**	-	**3,441,425**	7,309,760
Gratuity	**322,500**	-	**-**	-	**1,065,660**	464,400
Directorship Fee	**105,000**	20,000	**515,000**	1,520,000	**-**	-
	11,551,508	8,158,310	**515,000**	1,520,000	**36,385,984**	46,807,284
Number of persons	**1**	**1**	**7**	**6**	**26**	**33**

45.1 In addition to the above, chief executive and some executives have also been provided with free use of Company maintained vehicles.

45.2 Fee was paid to CEO and directors for attending the board meetings amount to Rs. 620,000 (2009: Rs. 1,540,000).

46 MATURITIES OF ASSETS AND LIABILITIES

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

	2010			
	Total	Upto one year	Over one to five years	Over five years
	……………………………Rupee……………………………			
Financial assets:				
Net investment in lease finance	**2,880,070,949**	**2,080,218,367**	**799,852,582**	-
Long term loans and advances	**498,012,912**	**113,429,478**	**384,583,434**	-
Long term investments	**86,155,550**	**26,493,600**	**59,661,900**	-
Short term loans and advances	**477,803,204**	**477,803,204**	-	-
Short term placements	**69,015,249**	**69,015,249**	-	-
Short term investments	**359,308,883**	**359,308,883**	-	-
Interest accrued	**143,338,848**	**143,338,848**	-	-
Other receivable	**69,595,224**	**69,595,224**	-	-
Cash and bank balances	**143,194,778**	**143,194,778**	-	-
	4,726,495,547	**3,482,397,631**	**1,244,097,916**	-
Financial liabilities				
Long term certificates of investments	233,933,673	130,077,400	103,856,273	
Long term financing	2,092,073,388	632,641,974	1,459,431,414	-
Short term certificates of investments	1,392,999,286	1,392,999,286	-	
Short term borrowings	1,040,891,737	1,040,891,737	-	-
Mark-up accrued	113,147,698	123,251,995	-	-
Trade and other payables	54,351,467	44,247,171	-	-
	5,483,443,332	**3,551,549,563**	**1,931,893,769**	-
Net Balance	**(756,947,785)**	**(69,151,932)**	**(687,795,853)**	-
Shareholders' equity	**(24,562,028)**			

	2009			
	Total	Upto one year	Over one to five years	Over five years
	......Rupee......			
Financial assets:				
Net investment in lease finance	3,737,666,191	2,469,477,654	1,268,188,537	-
Long term loans and advances	722,550,670	230,071,375	492,479,295	-
Long term investments	162,976,000	22,504,800	140,471,200	-
Short term loans and advances	378,062,830	378,062,830	-	-
Short term placements	102,727,368	102,727,368	-	-
Short term investments	399,883,028	399,883,028	-	-
Mark-up accrued	72,741,296	72,741,296	-	-
Other receivable	135,588,946	135,588,946	-	-
Cash and bank balances	158,792,127	158,792,127	-	-
	5,870,988,456	**3,969,849,424**	**1,901,139,032**	**-**
Financial liabilities				
Long term certificates of investments	334,608,673	101,800,000	232,808,673	-
Long term financing	1,864,656,151	766,157,458	1,098,498,693	-
Short term certificates of investments	1,027,286,339	1,027,286,339	-	-
Short term borrowings	1,826,483,752	1,826,483,752	-	-
Mark-up accrued	137,105,415	137,105,415	-	-
Trade and other payables	29,749,890	29,749,890	-	-
	4,885,281,547	**3,888,582,854**	**1,331,307,366**	**-**
Net Balance	**985,706,909**	**81,266,570**	**569,831,666**	**-**
Shareholders' equity	**380,730,293**			

46.1 Financial risk management

46.1.1 Financial risk factors

The bank's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board) of the management company, chief operating officer and chief financial officer. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

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

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

(ii) Equity price risk

If interest rates, at the year end date, fluctuates by 1% higher with all other variables held constant, loss after taxation for the year would have been lower by Rupees 70,180,848 and loss after taxation for the year ended 30 June 2010 would have been higher by Rupees 70,180,848. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

			2010	**2009**
Reporting date all index points			**9721**	**7169**
		Changes in KSE all Index	**Effects on Profit Before Tax**	**Effects on Equity**
Available-for-sale investments			**--------- (Rupees) -----------**	
	2010	+10%	-	25,432,377
		-10%	-	(25,432,377)
	2009	+10%	-	22,162,303
		-10%	-	(22,162,303)
Held-for-trading investments				
	2010	+10%	**1,561,920**	-
		-10%	(1,561,920)	-
	2009	+10%	-	-
		-10%	-	-

(iii) Profit rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market mark up rates.

The bank has no fixed rate instruments. The bank's mark up/profit rate risk arises from long term financing, short term financing, investments and lease.

At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments was:

	2010 Rupees	2009 Rupees
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	**140,545,121**	31,947,815
Short term placements	**69,015,249**	102,727,368
Short term loans and advances	**477,803,204**	378,062,830
Long term investments	**86,155,500**	162,976,000
Lease rental receivables	**2,880,070,949**	3,737,666,191
Long term loans and advances	**498,012,912**	722,550,670

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher with all other variables held constant, loss after taxation for the year would have been lower by Rupees 70,180,848 and loss after taxation for the year ended 30 June 2010 would have been higher by Rupees 70,180,848. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010 Rupees	2009 Rupees
Bank balances	**143,194,778**	158,792,127
Short term placements	**69,015,249**	102,727,368
Short term loans and advances-net	**477,803,204**	378,062,830
Interest accrued	**143,338,848**	72,741,296
Other receivables	**69,595,224**	135,588,946
Long term investments	**86,155,500**	162,976,000
Lease rental receivables	**2,880,070,949**	3,737,666,191
Long term loans and advances	**498,012,912**	722,550,670
	4,367,186,664	5,471,105,428

Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables (term loan and lease rental receivables) at the reporting date by type of customer was:

	2010 Rupees	2009 Rupees
Chemical & fertilizer	**35,077,300**	35,780,637
Construction	**491,792,208**	712,259,572
Financial institutions	**6,035,795**	3,899,921
Health care	**93,424,062**	133,667,759
Hotels	**18,921,381**	25,114,601
Individuals / auto lease	**1,462,515,733**	1,729,389,301
Insurance companies	**3,673,734**	8,787,663
Miscellaneous manufacturing	**337,145,981**	408,468,530
Miscellaneous services	**154,992,250**	349,886,998
Natural gas & LPG	**237,187,901**	489,044,195
Paper & board	**19,660,000**	14,391,125
Steel & engineering	**33,021,000**	12,895,411
Sugar & allied	**60,513,475**	28,136,156
Textile composite	**127,847,566**	115,948,964
Textile knitwear / apparel	**192,621,524**	127,788,208
Textile spinning	**39,678,560**	131,135,495
Transport & communication	**995,109,332**	1,053,280,467
	4,309,217,802	5,379,875,003

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

Aging of term loan and lease rental receivables		
Not past due	**-**	-
Past due 0 - 180 days	**239,838,059**	608,768,712
Past due 181 - 365 days	**89,524,431**	114,903,842
1 - 2 years	**188,271,012**	247,902,272
More than 2 years	**1,117,247,389**	544,642,387
	1,634,880,891	1,516,217,213
Aging of impaired term loan and lease rental receivables		
Not past due	**-**	-
Past due 0 - 180 days	**17,909,073**	77,115,793
Past due 181 - 365 days	**23,256,974**	46,198,754
1 - 2 years	**116,125,307**	226,377,613
More than 2 years	**1,094,066,278**	494,683,081
	1,251,357,632	844,375,241

Collaterals held against term financing and lease rentals receivables

	2010				
		Collaterals			
	Gross exposure	Mortgage	Hypothe-cation	Liquid-collaterals	Net exposure
	------------------------------ Rupees ------------------------------				
Long term finances	**478,453,204**	**1,310,668,000**	**-**	**86,100,000**	**-**
Short term finances	**477,803,204**	**876,285,000**	**19,767,000**	**9,000,000**	**-**
Lease rental receivables	**3,572,676,761**	**1,510,360,863**	**-**	**-**	**2,062,315,898**

The bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The bank has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies where available. The bank also uses other publicly available financial information and its own trading records to rate its customers. The bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed annually.

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. The table below shows the bank balances and investments held with some major counterparties at the balance sheet date:

	Rating		2010	2009
Banks	**Long term**	**Agency**	**(Rupees)**	
Al- Barka Islamic Bank Limited	A	JCR	-	14,933
Allied Bank Limited	AA	Pacra	-	334,146
Askari Commercial Bank Limited	AA	Pacra	-	7,572
Atlas Bank Limited	A-	Pacra	**28,599**	25,825,987
The Bank of Punjab	AA-	Pacra	**33,546**	7,121,616
Faysal Bank	AA	Pacra	-	1,858,347
Habib Bank Limited	AA+	JCR	**494,878**	9,198,067
Habib Metropolitan Bank	AA+	Pacra	**754,348**	12,615,214
MCB Bank Limited	AA+	Pacra	**2,458,407**	24,592,826
National Bank of Pakistan	AAA	JCR	-	391,677
NIB Bank Limited	AA-	Pacra	**16,704,846**	74,852,036
Standard Chartered Bank	AAA	Pacra	**122,535**	283,469
State Bank of Pakistan	-	-	**359,520**	34,186
The Bank of Khyber	BBB	Pacra	-	206,624
United Bank Limited	AA+	JCR	-	304,139
Dawood Islamic Bank	BBB+	JCR	**42,763,778**	-
KASB Bank Limited	A	Pacra	**78,498,214**	-
			142,218,672	157,640,839

	Rating		2010	2009
	Long term	Agency	(Rupees)	
Available for Sale Securities				
Fully Paid Ordinary Shares				
Engro Chemicals Pakistan Limited	AA	Pacra	**57,906,288**	44,788,678
Fauji Fertilizer Company Limited	A	Pacra	**7,214,900**	174
Pakistan State Oil Limited	AA+	Pacra	**22,455,260**	18,437,995
Attock Refinery Limited	AA	Pacra	**12,760,704**	19,766,736
Pakistan Refinery Limited	AA	Pacra	**-**	4,042,078
National Refinery Limited	AAA	Pacra	**-**	4,840,440
Pakistan OilField Limited	AA	Pacra	**8,636,001**	-
Pakistan Petrolium Limited	AA	Pacra	**7,364,800**	-
MCB Bank Limited	AA+	Pacra	**46,993,980**	34,121,638
Bank Islami Pakistan Limited	A	Pacra	**3,203,580**	6,357,260
My Bank Limited	A-	Pacra	**2,403,471**	5,124,915
NIB Bank Limited	AA-	Pacra	**205,114**	325,945
Samba Bank Limited	A	JCR	**1,278,010**	7,041,740
Allied Bank Limited	AA	Pacra	**3,434,654**	-
Arif Habib Securities Limited	A-	Pacra	**15,363,145**	12,786,430
Pervez Ahmed Securities Limited	A	JCR	**2,325,155**	5,020,437
Jahangir Siddiqui Company Limited	AA+	Pacra	**5,088,004**	9,334,717
Arif Habib Limited	A	JCR	**6,050,000**	7,357,900
PICIC Growth Fund	A	JCR	**-**	101
Adamjee Insurance Company Limited	AA	Pacra	**5,702,634**	5,450,951
D. G. Khan Cement Limited	A+	Pacra	**9,287,384**	9,962,400
Nishat Mills Limited	A+	Pacra	**20,945,540**	12,669,700
Hira Textile Mills Limited	A+	Pacra	**-**	-
Pak Electron Limited	A	Pacra	**723,111**	1,359,692
Pak Suzuki Motors Company Limited			**14,982,030**	12,833,100
			254,323,765	221,623,027
Sukuks / Bonds				
New Allied Electronic Industries (Pvt) Limited-Sukuk			**20,000,000**	20,000,000
Eden Housing Limited-Sukuk			**39,687,500**	50,000,000
			59,687,500	70,000,000
Term finance certificates				
Dewan Cement Limited	D	Pacra	**25,000,000**	40,000,000
Azgard Nine Limited	AA-	Pacra	**39,968,000**	39,976,000
Grays Leasing Limited	BB	Pacra	**6,500,000**	13,000,000
			71,468,000	92,976,000
Held for Trading				
Pakistan State Oil	AA+	Pacra	**3,903,000**	-
Pakistan Oilfield Limited	AA	Pacra	**3,238,500**	-
Pakistan Petrolium Limited	AA	Pacra	**2,761,800**	-
Silk Bank Limited	A	Pacra	**2,981,000**	-
National Bank Limited	AA+	Pacra	**1,282,000**	-
D. G. Khan Cement Limited	A+	Pacra	**590,500**	-
Nishat Mills Limited	A+	Pacra	**862,401**	-
			15,619,201	-

Due to the bank and its other related entity's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing and collaterals, the management does not expect non-performance by these counter parties on their obligations to the Bank. Accordingly, the credit risk is a moderate.

(c) Liquidity risk

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

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

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

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2010	----------	----------	(Rupees)	----------	----------
Customers' security deposits	**893,957,066**	**-**	**640,419,321**	**253,537,745**	**-**
Trade and other payables	**54,351,467**	**-**	**54,351,467**	**-**	**-**
	948,308,533	**-**	**694,770,788**	**253,537,745**	-
30 June 2009					
Customers' security deposits	1,074,733,063	-	339,335,371	735,397,692	-
Trade and other payables	29,749,890	-	29,749,890	-	-
	1,104,482,953	-	369,085,261	735,397,692	-

-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2010. The rates of mark up have been disclosed in respective notes to the financial statements.

46.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

46.3 Financial instruments by categories

As at 30 June 2010	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
	(Rupees)					
Assets as per balance sheet						
Cash and bank balances	**143,194,778**					**143,194,778**
Short term placements		**69,015,249**				**69,015,249**
Short term loans and advances-net		**477,803,204**				**477,803,204**
Short term investments			**254,323,765**	**89,365,919**	**15,619,201**	**359,308,885**
Markup accrued		**143,338,848**				**143,338,848**
Other receivables		**69,595,224**				**69,595,224**
Long term investments		**60,000,000**		**26,155,500**		**86,155,500**
Lease rental receivables		**2,880,070,949**				**2,880,070,949**
Long term loans and advances		**498,012,912**				**498,012,912**
	143,194,778	**4,197,836,386**	**254,323,765**	**115,521,419**	**15,619,201**	**4,726,495,549**

	Financial liabilities at amortized cost
	(Rupees)
Liabilities as per balance sheet	
Customers' security deposits	**893,957,066**
Long term financing-subordinated loan	**400,646,237**
Long term financing-preference shares	**306,500,000**
Long term financing-others	**1,027,285,177**
Long term morabaha	**31,500,000**
Long term certificates of investment	**233,933,673**
Short term borrowings	**1,040,891,737**
Short term certificates of investment	**1,392,999,286**
Creditors, accrued and other liabilities	**54,351,467**
	5,382,064,643

As at 30 June 2009	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
	(Rupees)					
Assets as per balance sheet						
Cash and bank balances	158,792,127					158,792,127
Short term placements		102,727,368				102,727,368
Short term loans and advances-net		378,062,830				378,062,830
Short term investments			221,623,027	178,260,000	-	399,883,027
Markup accrued		72,741,296				72,741,296
Other receivables		135,588,946				135,588,946
Long term investments		60,000,000		102,976,000	-	162,976,000
Lease rental receivables		3,737,666,191				3,737,666,191
Long term loans and advances		722,550,670				722,550,670
	158,792,127	5,209,337,301	221,623,027	281,236,000	-	5,870,988,455

	Financial liabilities at amortized cost
Liabilities as per balance sheet	**(Rupees)**
Customers' security deposits	1,074,733,063
Long term financing-subordinated loan	-
Long term financing-preference shares	-
Long term financing-others	1,098,498,693
Long term morabaha	-
Long term certificates of investment	334,608,673
Short term borrowings	1,826,483,752
Short term certificates of investment	1,027,286,339
Trade and other payables	29,749,890
	5,391,360,410

46.4 Capital risk management

The company's objective when managing capital is to safeguard its ability to continue as a going concern and to meet the regulatory capital requirement as prescribed by the SECP. Currently, the Company is required to maintain equity of Rs. 300 million for its leasing operations and Rs. 200 million for investment finance services. For the purposes of minimum equity requirement, the equity of the Company includes paid up share capital, reserves, accumulated profits / losses, surplus on revaluation of fixed assets, subordinated loans and redeemable preference shares. However, as of the balance sheet date, the Company's net equity for regulatory requirements is short by Rs 123,915,791, which will be duly accomplished as mentioned in Note 1.1.

Further, in accordance with the requirements of NBFC regulations, the minimum equity requirement for NBFCs has been raised to Rs. 1,700 million, to be achieved in a phased manner by 30 June 2013. The Company expects that it would be able to meet such enhanced requirement through profitable operations in future.

47 CASH AND EQUIVALENTS

	2010 Rupees	2009 Rupees
Cash and bank balances	**143,194,778**	158,792,127
Short term running finance	**(161,738,467)**	(321,693,339)
Placements with other banks-unsecured	**50,000,000**	-
	31,456,311	(162,901,212)

48 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:

	2010 Rupees	2009 Rupees
Subsidiary Company:		
Trust Capital (Private) Limited		
Sale of membership of LSE	**-**	36,000,000
Sale of fixed assets	**-**	12,726,930
Sale of intangible assets	**-**	2,288,317
Loan disbursed during the year	**69,381,835**	
The outstanding loans and advances	**458,295,097**	388,913,262
Guarantees	**367,628,174**	-
Associated companies:		
Newage (Private) Limited		
Share capital	**66,753,010**	66,753,010
Mr.Zahid Rafiq		
Share capital	**57,024,050**	57,024,050

	2010 Rupees	2009 Rupees
Tricon Developers (Partnership Concern)		
Installments paid for purchase of office space	**32,400,000**	124,556,726
Amount due against leases	**2,757,742**	3,762,104
Finance income charged during the period	**566,824**	499,396
Deposit against lease arrangements	**501,350**	501,350
Union Communication (Pvt) Limited		
Communication services	**520,668**	730,529
Polygon Builders		
Finance income charged during the period	**-**	2,364,691
Polygon Developers		
Amount due against term finances	**-**	195,000,000
Finance income charged during the period	**-**	27,593,035
Allied Developers		
Amount due against term finances	**-**	-
Finance income charged during the period	**-**	5,359,665
Tricon Developers Limited		
Long term financing-subordinated loan	**400,646,237**	-
Others		
Employees' retirement fund		
Contribution made	**8,363,877**	2,001,231
Ahmed Khalil		
Amount due against term finances	**-**	5,000,000
Finance income charged during the period	**-**	1,565,814

49 SEGMENT ANALYSIS

Trust investment bank activities are broadly categorized into two primary business segments namely financing activities and investing activities.

Financing activities

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

Investment activities

Investment activities include money market activities, investment in government securities and capital market activities.

	------------------- 2010 -------------------		
	Financing activities	Investment activities	Total
	------------------- Rupees -------------------		
Income from lease operations	**285,575,903**	**-**	**285,575,903**
Income from investments	**-**	**32,775,958**	**32,775,958**
Income from finances / loans	**132,830,151**	**-**	**132,830,151**
Total income for reportable segments	**418,406,054**	**32,775,958**	**451,182,012**
Finance cost	634,519,927	51,047,683	685,567,610
Administrative and operating expenses	175,775,758	7,924,437	183,700,195
Lease receivables written off	18,724,755	-	18,724,755
Provision for potential lease losses and term finances	(225,267,471)	-	(225,267,471)
Impairment on available for sale investment	-	(265,836,899)	(265,836,899)
Other income	9,318,464	14,021,491	23,339,955
Segment result	**(176,028,451)**	**(278,011,570)**	**(904,574,963)**
Loss before taxation			**(904,574,963)**

	------------------- 2010 -------------------		
	Financing activities	Investment activities	Total
	------------------- Rupees -------------------		
Segment assets	4,318,031,217	789,766,710	5,107,797,927
Unallocated assets			798,388,341
			5,906,186,268
Segment liabilities	3,101,465,125	1,626,932,959	4,728,398,084
Unallocated liabilities			1,202,350,212
			5,930,748,296

	------------------- 2009 -------------------		
	Financing activities	Investment activities	Total
	------------------- Rupees -------------------		
Income from lease operations	454,881,663	-	454,881,663
Income from investments	-	43,421,228	43,421,228
Income from finances / loans	173,007,949	-	173,007,949
Total income for reportable segments	627,889,612	43,421,228	671,310,840
Finance cost	812,597,252	62,521,755	875,119,007
Administrative and operating expenses	174,522,527	14,900,603	189,423,130
Lease receivables written off	4,218,967	-	4,218,967
Provision for potential lease losses and other receivables	(241,710,389)	(70,000,000)	(311,710,389)
Impairment on available for sale investment	-	(290,775,972)	(290,775,972)
Other income	6,799,177	16,747,450	23,546,627
Segment result	**(114,939,568)**	**(238,029,652)**	**(976,389,998)**
Loss before taxation			**(976,389,998)**

	2009 Financing activities	Investment activities	Total
	Rupees		
Segment assets	5,532,530,841	894,378,523	6,426,909,364
Unallocated assets			48,421,953
			6,475,331,317
Segment liabilities	3,691,139,903	1,361,895,012	5,053,034,915
Unallocated liabilities			1,041,566,109
			6,094,601,024

50 SUBSEQUENT EVENT

There were no significant events subsequent to 30 June 2010, which may require an adjustment to financial statements or additional disclosure and have not already been disclosed in these financial statements.

51 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 09, 2010 by the Board of Directors.

52 GENERAL

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

52.2 Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. Significant reclassification made during the year are as follows:

Previous classification	Revised classification	Rupees
Other receivables	Long term loans and advances	284,038,297
Term Finance Certificates	Long term financing - others	552,962,982
Long term investments	Current maturities in non - current assets	22,504,800
Long term advances	Capital work in progress	124,556,726
Provision for dimunition in value of investments	Provision in investment	60,000,000

CHIEF EXECUTIVE DIRECTOR

Consolidated Financial Statements

Trust Investment Bank Limited
(for the year ended 30 June 2010)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Trust Investment Bank limited ("the Company") and its subsidiary company (hereinafter referred as "the Group") as at 30 June 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Trust Investment Bank Limited. The financial statements of the subsidiary company, Trust Capital (Private) Limited, however, was audited by another term of chartered accountants, whose modified port has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such auditors.

These financial statements are the responsibility of the parent Company's management. Our responsibility is to express an opinion on these statements based on our audit.

The previous financial statements for the year ended 30 June 2009 have been audited by another firm of chartered accountants; whose report dated 16 November 2009 expressed a qualified opinion with respect to shortfall of provision against doubtful lease portfolio. However, the said matter has been resolved during the year as referred in note 8.2 to the financial statements-

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

In our opinion, the consolidated financial statements present fairly the financial position of Trust Investment Bank Limited and its subsidiary company as at 30 June 2010 and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention of the members to:

i) notes 1.2.1 and 47.4 to the financial statements which indicate that the parent company has incurred a net loss of Rs. 701.808 million and as of the said date, the accumulated loss of the parent company amounts to Rs I,184.349 million resulted in short fall in minimum regulatory equity. Further, the parent company's license to operate as leasing company is pending for renewal by the Securities & Exchange Commission of Pakistan as of the balance sheet date. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. However, in view of mitigating factors as stated in above referred note, the management is confident about company's ability to continue as a going concern, hence, the accompanying financial statements have been prepared accordingly;

ii) note 1.2.2 to the financial statements which state that the operations of the subsidiary company have been suspended during last year and resumption of its activities is subject to approval from the Lahore Stock Exchange; and

iii) note 19.2 to the accompanying financial statements which fully explains that preference shares have been treated as part of equity in view of the requirements of the Companies Ordinance, 1984 and the matter of its classification will be dealt with in accordance with the clarification from the Security and Exchange Commission of Pakistan.

Lahore:
October 09, 2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagment Partner: Naseem Akbar

Consolidated Balance Sheet
As at 30 June 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non - current assets			
Fixed assets	6	**365,711,709**	276,005,253
Long term investments	7	**59,661,900**	140,471,200
Long term loans and advances	8	**168,648,388**	517,069,778
Net investment in lease finance	9	**799,852,582**	1,268,188,537
Long term deposits		**2,230,919**	3,605,919
Deferred tax asset	10	**525,838,319**	319,786,341
Total non-current assets		**1,921,943,817**	2,525,127,028
Current assets			
Current maturities of non - current assets	11	**2,345,442,321**	2,722,053,829
Short term loans and advances	12	**478,102,071**	378,062,830
Short term placements	13	**69,015,249**	102,727,368
Short term investments	14	**374,732,139**	399,883,028
Short term prepayments		**17,692,155**	9,401,481
Interest accrued	15	**143,338,848**	72,741,296
Taxation - net		**2,785,497**	35,590,969
Other receivables	16	**69,802,884**	135,753,295
Cash and bank balances	17	**143,382,191**	160,531,746
		3,644,293,355	4,016,745,842
Assets classified as held for sale	18	**469,750,107**	-
Total current assets		**4,114,043,462**	4,016,745,842
TOTAL ASSETS		**6,035,987,279**	6,541,872,870
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	19	**892,028,730**	585,528,729
Reserves	20	**(791,245,363)**	(206,093,755)
Total share capital and reserves		**100,783,367**	379,434,974
Surplus on revaluation of assets-net	21	**72,656,103**	10,152,041
Deficit on revaluation of investments	22	**-**	(230,775,972)
Non-current liabilities			
Long term financing-subordinated loan	23	**400,646,237**	-
Long term financing-others	24	**1,005,418,927**	1,098,498,693
Long term morabaha	25	**31,500,000**	-
Long term certificates of investment	26	**103,856,273**	232,808,673
Deferred liabilities	27	**8,493,215**	8,929,418
Long term deposits	28	**239,072,508**	732,830,573
Total non-current liabilities		**1,788,987,160**	2,073,067,357
Current liabilities			
Short term borrowings	29	**1,040,891,737**	1,826,483,761
Short term certificates of investment	30	**1,392,999,286**	1,027,286,339
Current maturities of long term liabilities	31	**1,446,251,719**	1,223,278,408
Markup accrued	32	**111,623,282**	137,105,415
Trade and other payables	33	**81,794,625**	95,840,547
Total current liabilities		**4,073,560,649**	4,309,994,470
		5,862,547,809	6,383,061,827
CONTINGENCIES AND COMMITMENTS	34	**-**	-
		6,035,987,279	6,541,872,870

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Consolidated Profit and Loss Account

For the year ended 30 June 2010

	Note	**2010 Rupees**	2009 Rupees
Income			
Income from lease operations	35	**285,575,903**	454,881,663
Income from investments	36	**34,253,850**	43,421,228
Income from term finances	37	**132,846,018**	173,138,356
Income from brokerage		**264,916**	10,862,091
		452,940,687	682,303,338
Finance cost	38	**693,286,792**	885,937,750
		(240,346,105)	(203,634,412)
Administrative and operating expenses	39	**189,833,746**	218,514,347
		(430,179,851)	(422,148,759)
Other operating income	40	**37,502,700**	14,466,308
		(392,677,151)	(407,682,451)
Other operating expenses	41	**33,974,446**	4,218,967
Operating loss before provisions and taxation		**(426,651,597)**	(411,901,418)
Provision against lease, loan and other receivable	42	**85,445,754**	(324,882,183)
Impairment in the value of investment	43	**265,836,899**	(240,775,972)
		(351,282,653)	(565,658,155)
Loss before taxation		**(777,934,250)**	(977,559,573)
Provision for taxation	44	**202,766,481**	261,038,542
Loss after taxation		**(575,167,769)**	(716,521,031)
Loss per share - basic and diluted	45	**(9.82)**	(12.22)

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Consolidated Cash Flow Statement
For the year ended 30 June 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(777,934,250)**	(976,389,998)
Adjustments for non cash items:		
Depreciation and amortization	**16,020,118**	18,638,264
Amortization of initial transaction cost over term finance certificates	**3,083,102**	5,852,674
Provision for staff service cost	**10,641,673**	3,987,335
Provision for potential lease and term loan losses	**85,445,754**	206,835,349
Lease receivables written off	**33,974,446**	4,218,967
Finance cost	**690,203,690**	885,937,750
Gain on disposal of fixed assets	**(2,178,996)**	(1,642,627)
Unrealized loss on revaluation of held for trading investments	**1,604,274**	-
Provision / impairment on investment	**265,836,899**	230,775,972
Gain on disposal of available for sale investments	**(964,541)**	-
	1,103,666,419	1,354,603,684
Operating profit before working capital changes	**325,732,169**	378,213,686
Changes in operating assets and liabilities:		
(Increase) / decrease in:		
Long term loans and advances	**307,647,578**	132,578,633
Net investment in lease finance	**632,206,471**	302,332,987
Short term loans and advances	**(63,373,299)**	77,772,890
Short term placements	**81,619,819**	92,457,112
Short term investments	**49,450,229**	226,453,912
Short term prepayments	**(8,290,674)**	133,129,764
Interest accrued	**(70,597,552)**	(35,670,773)
Other receivables	**3,913,511**	-
	932,576,083	929,054,525
Increase in certificates of investment	**265,037,947**	117,159,051
(Decrease) / increase in trade and other payables	**(14,021,430)**	14,774,358
	1,183,592,600	1,060,987,934
Cash generated from operations	**1,509,324,769**	1,439,201,620
Finance cost paid	**(715,685,823)**	(842,064,177)
Taxes paid	**29,207,849**	(2,619,046)
Staff service cost paid	**(11,077,876)**	(1,649,920)
	(697,555,850)	(846,333,143)
Net cash generated from operating activities	**811,768,919**	592,868,477

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(60,563,243)**	(44,146,092)
Purchase of intangible assets		**-**	78,500
Increase in long term investments		**16,820,500**	117,016,000
Increase in long term deposits		**1,375,000**	1,533,710
Proceeds from disposal of operating fixed assets		**19,952,304**	8,499,004
Proceeds from disposal of intangible assets		**-**	(100,000)
Net cash (used in) / generated from investing activities		**(22,415,439)**	82,881,122
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from repayments of long term financing		**217,174,030**	(555,318,309)
Proceeds from long term morabaha		**31,500,000**	-
Short term borrowings repaid		**(625,637,152)**	-
Term finance certificates repaid		**(209,456,252)**	(42,579,610)
Dividend paid		**(10,128,788)**	(85,373)
Net cash used in financing activities		**(596,548,162)**	(597,983,292)
Net increase in cash and cash equivalents		**192,805,318**	77,766,307
Cash and cash equivalents at the beginning of the year		**(161,161,593)**	(238,927,900)
Cash and cash equivalents at the end of the year	48	**31,643,724**	(161,161,593)

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

	2010 Rupees	2009 Rupees
Loss after taxation for the year	**(575,167,769)**	(716,521,031)
Other comprehensive income	**-**	-
Total comprehensive loss for the year	**(575,167,769)**	(716,521,031)

Surplus/ deficit on revaluation of 'Available for sale' securities and 'Fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements Companies Ordinance, 1984.

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Ordinary Share	Preference Shares	CAPITAL RESERVES	REVENUE RESERVES			Total
			Statutory Reserve	General Reserve	Un-appropriated profit/ (accumulated losses)	Sub Total	
	Rupees						
Balance as at 01 July 2008	585,528,729	-	206,758,319	61,000,000	242,321,569	510,079,888	1,095,608,617
Total comprehensive loss for the year	-	-	-	-	(716,521,031)	(716,521,031)	(716,521,031)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit- net of tax	-	-	-	-	347,388	347,388	347,388
Balance as at 30 June 2009	**585,528,729**	**-**	**206,758,319**	**61,000,000**	**(473,852,074)**	**(206,093,755)**	**379,434,974**
Preference shares issued during the year	-	306,500,000	-	-	-	-	306,500,000
Total comprehensive loss for the year	-	-	-	-	(575,167,769)	(575,167,769)	(575,167,769)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit- net of tax	-	-	-	-	120,457	120,457	120,457
Dividend on preference shares @ Kibor+100 BPS for the year ended 30 June 2010	-	-	-	-	(10,104,296)	(10,104,296)	(10,104,296)
Balance as at 30 June 2010	**585,528,729**	**306,500,000**	**206,758,319**	**61,000,000**	**(1,059,003,682)**	**(791,245,363)**	**100,783,366**

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

Trust Investment Bank Limited and its subsidiary company ("the Group") comprises of holding company Trust Investment Bank Limited ("TIBL") and a wholly owned subsidiary company Trust Capital (Private) Limited ("TCPL).

1.1 Parent Company

1.1.1 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 leasing and investment finance services. It is classified as a Non-Banking Finance Company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan (SECP).

Currently, the Company holds long term and short term entity rating of the Company to "BBB-" (Triple B minus) and "A3" (A three) respectively as graded by PACRA. The ratings of secured and listed term finance certificate II and III are "BBB" (Triple B).

1.1.2 The financial statements for the year ended 30 June 2010 reflect loss after taxation of Rs. 777.934 million and as of the said date, the accumulated loss of the parent Company amounts to Rs 1,184.349 million resulting in shortfall of minimum regulatory requirement of equity. Further, the parent Company's licence to operate as leasing is pending for renewal by the SECP as of the balance sheet date. These conditions indicate the existence of a material uncertainty regarding the future operations of the parent Company.

However, in order to improve the said financial condition, during the year, a subordinated debt of Rs. 400.646 million in combination of cash & properties, was provided to the parent Company by the sponsors and preference shares of Rs. 306.5 million have also been issued during the year. In addition, the management continues to work closely on the option of right issue as mentioned in the financial statements for the year ended 30 June 2009. The management has also successfully re-profiled its money market exposure for period ranging from twenty four months to thirty six months, with interest rates revised down to one month KIBOR and , with the support of recovery agents, the parent Company is pursuing its customers/borrowers very aggressively. These measures are expected to contribute towards improvement in the financial condition of the parent Company.

Based on the above and the financial projections as prepared by the Company for future periods (based on business plan for five years approved by the Board), the management is confident that the requirement for minimum capital shall be met and the parent Company would be able to continue its operations on a sustainable basis for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

1.2 Subsidiary Company

1.2.1 Trust Capital (Private) Limited was incorporated as a private limited company on 20 June 2008 under the Companies Ordinance, 1984. TCPL is engaged in the business of stock brokerage, portfolio management and trading in listed securities on all the three Stock Exchanges of Pakistan. The registered office of TCPL is located at 35-A/II, Aziz Avenue, Canal Bank, Lahore. TCPL is a member of the Lahore Stock Exchange (Guarantee) Limited.

1.2.2 Last year due to the adverse performance of all the three stock exchanges as well as the economic and political instability of the country, the business of the company in particular, and of the Stock Exchange Members in general had greatly suffered. The management of the Company decided to cease its trading activities untill the conditions become more favorable for carrying out trading activities, due to these factors the company intimated Lahore Stock Exchange (LSE) and its clients for cessation of the trading activities. Due to these reasons the company was not considered as going concern, therefore, financial statements for the previous year were prepared on a basis other than going concern, which was as follow

i) All the assets are stated at their realizable values; and
ii) All liabilities are stated at amounts payable

During the current year the financial statements have been prepared on going concern basis due to the following reasons

i) The net capital balance of the company has reached to the minimum level for the commencement of its operations subsequent to the balance sheet date and also the management is expecting to resume its operations as soon as the approval of Lahore Stock Exchange (LSE) is obtained;
ii) The company has entered into settlement and restructuring agreements with some of its major clients;
iii) The company has restructured its short term borrowings into long term borrowings;
iv) The company has guaranteed business from its holding company;
v) The performance of the stock exchanges have marginally improved during the last year and is expected to improve further due to expected positive changes in regulations.

Comparative financial statements has been rearranged for better presentation because last year's financial statements has been prepared on realizable basis.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulation) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulation or the directives issued by the SECP shall prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated 13 August 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS)7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

2.2 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards in 2010

During the current year, the Bank has adopted the following new and amended IFRSs as of 21 January 2009, which have resulted in extended presentation and disclosure changes as described below:

IAS 1 - Presentation of Financial Statements (Revised)

IFRS 8 – Operating Segments

IAS 1 - "Presentation of Financial Statements"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after 01 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. Accordingly, the Bank has added a separate statement of comprehensive income in these financial statements. Comparative information has also been represented to bring it in conformity with the revised standard.

IFRS 8 - "Operating Segments: Disclosures"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after 01 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. Accordingly, the Bank has added a separate statement of comprehensive income in these financial statements. Comparative information has also been represented to bring it in conformity with the revised standard.

2.3 Standards, interpretations and amendments to published approved accounting standards those are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IFRS 2 - Share-based Payment: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 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 Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

		Note
-	Taxation	5.1
-	Residual value and useful life of depreciable assets	5.2
-	Provisions	5.6
-	Staff retirement benefits (Gratuity)	5.15
-	Impairment	5.21

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 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.

5.2 Property and equipment

These are stated at historical cost/revalued amount less accumulated depreciation and impairment losses, if any.

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 up to 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 Group 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.

5.3 Intangible assets

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

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

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

5.4 Non current assets - held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing newing use. This condition is regarded as met only when the sale is hihgly probably and the asset is available for immediate sale in present conditions. Management must be omitted to the slae, which should be expected to qualify for recognition as completes sale within one year from the date of classification.

Property and equipment and intangible assets once classified as held for sale are not depreciated are amortized.

5.5 Financial instruments

Financial assets:
Significant financial assets include long term investments, long term loans and advances, net investment in leases, long term deposits, short term loans and advances, short term placements, short term investment, prepayments, other receivables 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 certain investments, which are revalued as per accounting policies.

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

Recognition and derecognition:
All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instruments. Financial assets are derecognized when the Group 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 Group 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.

5.6 Provisions

A provision is recognized when the Group 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.

5.7 Investments

The Group classifies its investments other than in subsidiary as held to maturity, available for sale and held for trading.

Initial measurement:
All investments are initially recognized at cost being the fair value of the consideration given.

Subsequent measurement:

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

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 held for trading. These are stated at fair values with any resulting surplus/(deficit) recognized in the profit and loss account.

Available-for-sale:
Investments which can not be classified as held to maturity investments or held for trading investments 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.

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

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

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

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

The measurement of surplus/deficit is done on portfolio basis for each of the above three categories separately.

5.8 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 Group 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.

5.9 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. The difference between sale and repurchase price is treated as markup on short term borrowing and accrued over the tenure 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.

5.10 Term finances

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

5.11 Net investment in lease finance

Lease where the Group 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.

5.12 Assets acquired in satisfaction of claims

The Group acquires certain vehicles and assets in settlement of non-performing loans / leases. These are stated at lower of the original cost of the related asset, exposure to Trust Investment Bank Limited and the net realizable value. The net gains or losses on disposal of these assets are taken to the profit and loss account.

5.13 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 Group’s net investment in the finance lease.

Capital gains and losses on sale of investments:

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

Commission Income

Brokerage commision and other advisory fees are recognized when such service are provided.

Processing fee, front end fee and penal charges:

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 Group.

Income on bank deposits, held to maturity investments and reverse repo transactions:

Income from bank deposits, investments and reverse repo transactions 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.

5.14 Return on certificates of investment

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

5.15 Staff retirement benefits

Gratuity:
The Group 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 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 Group 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'.

5.16 Provision for potential lease losses and loans

Provision for potential lease losses and loan losses is maintained at a level which is adequate to provide for potential losses on lease and loan portfolio in accordance with Prudential Regulations for NBFCs. Specific provision for potential lease and loan losses is maintained at a level which, in the judgment of the management, is adequate to provide potential losses on lease and loan portfolio that can be reasonably anticipated. Provision is increased by charge to income and is decreased by charge offs, net of recoveries.

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

5.17 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.

5.18 Borrowing costs

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

5.19 Transactions with related parties and transfer pricing

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

The Group 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.

5.20 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 the profit and loss account.

5.21 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 of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of such asset is increased to the revised recoverable amount. A reversal of the impairment loss is recognized in income.

5.22 Dividends

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

5.23 Bonus shares

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

	Note	2010 Rupees	2009 Rupees
6. FIXED ASSETS			
Property and equipment	6.1	**92,248,837**	117,750,959
Capital work in progress	6.2	**240,900,000**	125,356,726
Intangible assets	6.3	**32,562,872**	32,897,568
		365,711,709	276,005,253

6.1 Property and equipment

PARTICULARS	2010									
	COST				DEPRECIATION					
	As at 1 July 2009	Additions during the year	Deletions during the year	As at 30 June 2010	As at 1 July 2009	For the year	Deletions	As at 30 June 2010	Book value as at 30 June 2010	Rate %
	----------Rupees----------									
Owned										
Land	22,000,000	-	-	22,000,000	-	-	-	-	22,000,000	
Building on freehold land	26,790,450	-	-	26,790,450	2,783,079	1,200,370	-	3,983,449	22,807,001	5
Leasehold improvements	29,025,104	141,258	(1,187,142)	27,979,220	10,500,589	3,770,461	(549,140)	13,721,910	14,257,310	20
Office equipment and machines	23,705,677	171,475	(1,320,453)	22,556,699	12,032,271	2,453,628	(662,044)	13,823,855	8,732,844	20
Furniture and fixtures	17,745,984	140,000	(775,390)	17,110,594	6,292,194	1,134,755	(352,331)	7,074,618	10,035,976	10
Air-conditioning equipment	6,925,723	71,000	(2,320,187)	4,676,536	2,105,821	470,776	(1,117,297)	1,459,300	3,217,236	10
Vehicles	41,788,212	7,432,879	(25,113,850)	24,107,241	16,516,244	6,655,432	(10,262,905)	12,908,771	11,198,470	20
	167,981,150	**7,956,612**	**(30,717,022)**	**145,220,740**	**50,230,198**	**15,685,422**	**(12,943,717)**	**52,971,903**	**92,248,837**	

PARTICULARS	2009									
	COST				DEPRECIATION					
	As at 1 July 2008	Additions during the year	Deletions during the year	As at 30 June 2009	As at 1 July 2009	For the year	Deletions	As at 30 June 2009	Book value as at 30 June 2009	Rate %
	----------Rupees----------									
Owned										
Land	22,000,000	-	-	22,000,000	-	-	-	-	22,000,000	
Building on freehold land	26,790,457	-	-	26,790,457	1,838,024	945,055	-	2,783,079	24,007,378	5
Leasehold improvements	22,704,878	6,585,586	(265,360)	29,025,104	6,271,637	4,355,894	(126,942)	10,500,589	18,524,515	20
Office equipment and machines	22,582,955	1,613,691	(490,969)	23,705,677	8,714,951	4,854,899	(1,537,579)	12,032,271	11,673,406	20
Furniture and fixtures	17,727,474	1,738,226	(1,719,716)	17,745,984	5,014,626	1,708,369	(430,801)	6,292,194	11,453,790	10
Air-conditioning equipment	6,931,232	764,711	(770,220)	6,925,723	1,540,231	715,502	(149,912)	2,105,821	4,819,902	10
Vehicles	42,576,272	8,737,762	(9,525,822)	41,788,212	13,854,973	7,102,152	(4,440,881)	16,516,244	25,271,968	20
	161,313,268	19,439,976	(12,772,087)	167,981,157	37,234,442	19,681,871	(6,686,115)	50,230,198	117,750,959	

6.2 Capital work in progress

Buildings and Land have been revalued by M/S Synergisers (Private) Limited (a professional valuer) in the current year. It has resulted into revaluation surplus of Rs. 72.656 million. Had there been no revaluation the carrying of fixed asset would have been 209.875 million (2009: Rs. 125.356 million).

6.3 Intangible Assets

PARTICULARS	2010								
	COST				AMORTIZATION				
	As at 1 July 2009	Additions during the year	Deletions during the year	As at 30 June 2010	As at 1 July 2009	For the year	Deletions	As at 30 June 2010	Book value as at 30 June 2010
	----------Rupees----------								
Membership fee	**30,000,000**	**-**	**-**	**30,000,000**	**-**	**-**	**-**	**-**	**30,000,000**
Software Licenses	**3,582,700**	**-**	**-**	**3,582,700**	**685,132**	**334,696**	**-**	**1,019,828**	**2,562,872**
	33,582,700	**-**	**-**	**33,582,700**	**685,132**	**334,696**	**-**	**1,019,828**	**32,562,872**

PARTICULARS	2009								
	COST				AMORTIZATION				
	As at 1 July 2008	Additions during the year	Deletions during the year	As at 30 June 2009	As at 1 July 2008	For the year	Deletions	As at 30 June 2009	Book value as at 30 June 2009
	----------Rupees----------								
Lahore Stock Exchange Membership	30,100,000	-	(100,000)	30,000,000	-	-	-	-	30,000,000
Software Licenses	3,461,200	121,500	-	3,582,700	356,516	328,616	-	685,132	2,897,568
	33,561,200	**121,500**	**(100,000)**	**33,582,700**	**356,516**	**328,616**	**-**	**685,132**	**32,897,568**

6.1.1 Following assets were disposed off during the year

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to
	.... Rupees					
Assets with book value Exceeding Rs. 50,000						
Furniture						
Furniture -Rawal Pandi	236,700	161,087	103,774	(57,313)	Negotiation	AJEE IMPEX PVT. LIMITED
Sign Board-Sahiwal Branch	74,225	60,289	9,000	(51,289)	Negotiation	YASIN BHATTI
Vehicles						
Vehicle- Toyota Mark-X	2,590,674	2,202,073	2,305,000	102,927	Negotiation	MR. MUHAMMAD HAFEEZ
Vehicle- Altis Sunroof LEA 7017	1,766,500	1,678,175	1,718,000	39,825	Negotiation	MALIK NADEEM
Vehicle-TOYOTA CAMRY	2,591,000	1,511,417	1,511,417	-	Negotiation	JAVED BASHIR SHEIKH(EX CEO)
Vehicle-Honda Civic VTECPT 1800	1,662,000	1,495,800	1,425,000	(70,800)	Negotiation	MR. MUHAMMAD SAEED
Vehicle- Honda Civic IVTEC MT-LEC2562	1,662,000	1,329,600	1,601,000	271,400	Negotiation	TAHIR IMTIAZ ALI
Vehicle-HONDA CITY LEE-9742	871,588	406,741	730,000	323,259	Negotiation	MR. NAZEER AHMED
Vehicle-Honda City	855,500	327,942	327,942	-	Negotiation	JAVED BASHIR SHEIKH(EX CEO)
Vehicle-Mitsubishi Lancer LWR 3547)	909,500	272,850	404,061	131,211	Negotiation	S.M.NASIM
Vehicle-Honda City LEB 3353	840,500	266,158	870,000	603,842	Negotiation	GHULAM SARWAR SHAH
Vehicle-Pool Car LED 9992	450,000	247,500	620,000	372,500	Negotiation	WASIM ARSHAD
Vehicle-Suzuki Cultus LWA 9790	610,350	244,140	445,000	200,860	Negotiation	SHARAFAT ABBAS
Vehicle-Honda City Vario LEA 6259	910,500	242,800	775,000	532,200	Negotiation	MR. MUHAMMAD HAFEEZ
Vehicle-Suzuki Mehran LED 8135	415,950	217,397	341,999	124,602	Negotiation	MR HAJI BAGHI KHAN
Vehicle-Pool Car LZK 2953	382,642	200,963	412,000	211,037	Negotiation	FAISAL MEHMOOD
Vehicle-Suzuki Mehran LEH 3639	425,000	198,334	402,000	203,666	Negotiation	FAISAL MEHMOOD
Vehicle-Suzuki Mehran LED 4980	425,550	190,305	386,000	195,695	Negotiation	MR. SAJID MEHDI
Vehicle-Suzuki Mehran LEC 9172	396,050	165,021	365,000	199,979	Negotiation	MR. MUHAMMAD HAFEEZ
Vehicle-LZJ-457	655,700	140,862	505,000	364,138	Negotiation	MR. MUHAMMAD HAFEEZ
Motor Cycle - TCPL	70,000	48,333	59,000	10,667	Negotiation	MR. NAVEED LATIF
Honda Civic - TCPL	1,244,379	1,462,806	1,330,000	(132,806)	Negotiation	M/S RASHDEEN NAWAZ KASURI
Honda City - TCPL	1,030,000	762,667	825,000	62,333	Negotiation	MR. NASIR MEHDI
Toyota Corrola - TCPL	1,030,000	975,000	975,000	-	Negotiation	KHURRAM SHAHZAD
Air Conditioners						
Air Conditioners-Mandi	79,833	52,285	45,000	(7,285)	Negotiation	MR. MUHAMMAMD ANSAR
Air Conditioners-Main Branch	889,681	458,357	303,000	(155,357)	Negotiation	MR. MUHAMMAMD ANSAR
Air Conditioner -Sialkot Branch	99,800	63,933	45,500	(18,433)	Negotiation	MR. IBRAR AHMED MIRZA
Generator	1,729,541	884,564	700,000	(184,564)	Negotiation	MR. HAFEEZ AHMED
Lease hold premises						
Sialkot Branch	531,851	236,744	6,600	(230,144)	Negotiation	ABRAR MIRZA
DHA Branch	246,070	144,908	40,000	(104,908)	Negotiation	ZAHID MAQBOOL
Sahiwal Branch	155,400	95,174	13,000	(82,174)	Negotiation	MUHAMMAD ALI
Assets with book value below Rs. 50,000	4,878,538	1,035,070	2,543,603	1,523,533	Negotiation	Various
2010	**30,717,022**	**17,779,295**	**22,142,896**	**4,378,601**		

	Note	2010 Rupees	2009 Rupees
7 LONG TERM INVESTMENTS			
Investment in Term Finance Certificates and Bonds/Sukuks-unquoted	7.2	**156,155,500**	172,976,000
Less: Provision against doubtful investments	7.3	**70,000,000**	10,000,000
		86,155,500	162,976,000
Less: Current portion of long term investments	11	**26,493,600**	22,504,800
		59,661,900	140,471,200

7.1 Particulars of long term investments

	Note	2010 Rupees	2009 Rupees
Long term investments-considered good		**156,155,500**	172,976,000
Long term investments-considered doubtful		**70,000,000**	10,000,000
		226,155,500	182,976,000
Less: Provision against doubtful investments	7.3	**70,000,000**	10,000,000
		156,155,500	172,976,000

7.2 Investment in Term Finance Certificates and *Bonds/Sukuks*-unquoted

	Note	2010 Rupees	2009 Rupees
Held to maturity			
Term finance certificates			
Dewan Cement Limited	7.2.1	**50,000,000**	50,000,000
Azgard Nine Limited	7.2.2	**39,968,000**	39,976,000
Grays Leasing Limited	7.2.3	**6,500,000**	13,000,000
Bonds/ Sukuks			
New Allied Electronic Industries (Pvt) Limited-Sukuk	7.3.4	**20,000,000**	20,000,000
Eden Housing Limited-Sukuk	7.3.5	**39,687,500**	50,000,000
		156,155,500	172,976,000

7.2.1 This represents the investment made by the Group in term finance certificates issued for a period of 6 years, duly secured against ranking charge over fixed asset of the investee with a margin of 25% which was subsequently converted into first pari-passu charge over all fixed asset, carries mark-up at the rate of KIBOR +200 Bps and redeemable in 9 equal semi-annual installments of Rs.5, 555,556/-, started from 17 January 2010. The credit rating assigned to such issue, by the Pakistan Credit Rating Agency (PACRA), is “D” and the total amount of issue is Rs. 5 billion.

7.2.2 The Group has purchased term finance certificates of Rs 40 million, out of total issue of Rs 2.5 billion, carrying mark-up rate @ 6 Months KIBOR +225 BPS issued for a period of 7 years. This issue is redeemable in 4 equal semi-annual installments of Rs 8,000 starting from 04 June 2008 and subsequently through 10 equal semi-annual installment of Rs. 3,996,800/-. The credit rating assigned to such issue by Pakistan Credit Rating Agency (PACRA) is “A+”.

7.2.3 The investment made in these term finance certificates, amounting to Rs. 20 million, is duly secured against first charge over all present and future receivables of the investee up-to Rs. 320 million. These carry mark-up @ 6 Months KIBOR +250 BPS and repayable in 36 equal monthly installment of Rs. 500, 000 in addition to first installment of Rs. 2000,000 starting from 04 July 2008. The credit rating assigned to such issue, by the Pakistan Credit Rating Agency (PACRA), is “A-” which was subsequently withdrawn by the credit rating agency.

7.2.4 This represent the investment amounting to Rs 40 million made in Sukuks issued for a period of 4 years secured against first parri pasu charge over present and future fixed assets of the investee with 25% margin. These carry mark-up @ 3 Months KIBOR +260 BPS and redeemable in 16 equal quarterly installments of Rs. 1,250,000/- starting from 25 October 2008. JCR-VIS assigned rating of “D” to said Sukuks which was subsequently withdrawn.

7.2.5 The Group has participated in sukuks issue of Rs. 3 billion by investing Rs. 50 million. These carry mark-up @ 6 Months KIBOR+ 250 BPS and duly secured against first peri passu charge over current and future receivables of the investee up-to the extent of issue. These certificates are redeemable in 08 equal semi-annual installments of Rs. 6,250,000 starting from 01 October 2009. The credit rating assigned to such sukus “A” by the JCR-VIS.

	Note	**2010 Rupees**	2009 Rupees
7.3 Provision against doubtful investments			
Opening balance		**10,000,000**	-
Add: Charge for the year		**60,000,000**	10,000,000
Closing balance	7.3.1	**70,000,000**	70,000,000

7.3.1 Particulars of provisioning

Dewan Cement Limited-TFCs	**50,000,000**	10,000,000
New Allied Electronic Industries (Pvt) Limited-sukuks	**20,000,000**	-
	70,000,000	10,000,000

	Note	2010 Rupees	2009 Rupees
8 LONG TERM LOANS AND ADVANCES			
Secured:			
Employees - considered good	8.1	**17,429,300**	22,822,700
Companies, organizations and individuals			
Considered good	8.2	**389,729,897**	724,044,624
Considered doubtful		**250,735,305**	218,620,473
		640,465,202	942,665,097
		657,894,502	965,487,797
Un-secured:			
Companies, organizations and individuals		**219,545**	273,829
		658,114,047	965,761,626
Less: provision against doubtful loans	8.3	**250,735,305**	218,620,473
		407,378,742	747,141,153
Less : current maturity		**238,730,354**	230,071,375
		168,648,388	517,069,778

8.1 These represent long term loans provided to employees against mortgage of property and carry mark-up ranging from 4% to 23.19% (2009: 4% to 17.18%) per annum. The maximum aggregate balance due from the Chief Executive Officer is Rs. Nil (2009: 4.77 million), which carries markup at the rate 4% to 10% and executives is Rs. 16.98 million (2009: 13.61 million).

8.2 These include long term finances provided to companies, organizations and individuals against mortgage of property, charge over assets and lien on deposits etc. These carry mark-up ranging from 16.00% to 23.19% (2009 : 14.00% to 28.69%) per annum.

	Note	2010 Rupees	2009 Rupees
8.3 Provision against doubtful loans			
Opening balance		**218,620,473**	-
Charge for the year		**211,979,273**	218,620,473
Reversal		**(140,044,226)**	-
Written off during the year		**(39,820,215)**	-
Closing balance		**250,735,305**	218,620,473

		Note	2010 Rupees	2009 Rupees
9	**NET INVESTMENT IN LEASE FINANCE**			
	Lease payments receivable	9.1	**2,674,773,890**	3,549,148,555
	Add: Residual value		**897,902,871**	1,079,980,989
	Gross investment in leases		**3,572,676,761**	4,629,129,544
	Less: Unearned finance income		**209,670,062**	467,045,140
	Income suspended	9.3	**190,423,910**	157,774,028
	Provision for lease losses	9.4	**292,511,840**	266,644,185
			692,605,812	891,463,353
	Net investment in lease finance		**2,880,070,949**	3,737,666,191
	Less: Current portion of net investment in lease finance	11	**2,080,218,367**	2,469,477,654
			799,852,582	1,268,188,537

	30 June 2010			
	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	**2,206,805,123**	**1,365,871,638**	**-**	**3,572,676,761**
Less: Unearned finance income	**126,586,756**	**83,083,306**	**-**	**209,670,062**
	2,080,218,367	**1,282,788,332**	**-**	**3,363,006,699**

	30 June 2009			
	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	2,711,791,282	1,917,338,262	-	4,629,129,544
Less: Unearned finance income	242,313,628	224,731,512	-	467,045,140
	2,469,477,654	1,692,606,750	-	4,162,084,404

9.1 The Group has entered into various lease agreements with implicit rate of return ranging from 8% to 26.02% (2009: 8% to 26.76%) per annum. Security deposit is obtained generally upto 10% to 20% of the cost of leased assets at the time of disbursement. The Group requires the lessees to insure the leased assets in the favour of the Group and to maintain the financial ratios required by NBFC's Prudential regulations. Additional lease rentals are charged on the delayed payments.

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

9.2 During the year, as most of valuation reports of lease portfolio of vehicles were outdated, the Company has carried out fresh valuation of its entire lease portfolio of vehicles by a professional valuer and has taken effect of such fresh valuation while calculating provision for potential lease losses in accordance with NBFC Regulations 2008 and all related adjustments to this effect have been made in these financial statements.

	2010	2009
	Rupees	Rupees
9.3 Income suspended		
Balance at the beginning of the year	**157,774,028**	138,212,086
Suspended during the year	**52,625,388**	47,067,618
Reversal of suspension	**(19,975,506)**	(27,505,676)
Balance at the end of the year	**190,423,910**	157,774,028
9.4 Provision for potential lease losses		
Balance at beginning of the year	**266,644,185**	113,042,667
Provision during the year	**112,886,011**	218,596,822
Provision reversed during the year	**(96,300,737)**	(60,776,337)
Provision written off during the year	**(6,239,969)**	(4,218,967)
Balance at the end of the year	**276,989,490**	266,644,185

10 DEFERRED TAX ASSETS

Taxable temporary differences		
Accelerated depreciation for tax purposes	**(8,467,563)**	(7,431,479)
Leasing Finance	**(322,691,663)**	(340,933,342)
Deductible temporary differences		
Provision against investments	**21,787,500**	106,059,090
Taxable losses	**835,210,045**	641,128,540
	525,838,319	398,822,809
10.1 Movement in deferred tax asset		
Opening balance	**319,786,341**	55,366,202
Provision made during the year	**206,051,978**	261,164,286
Reversed during the year	**-**	3,255,853
Closing balance	**525,838,319**	319,786,341

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of the related tax benefits through future taxable profits is probable. The Company has recognized all deferred tax asset at the end of financial year in respect of tax losses, as it is projected that sufficient tax profits would be available to set these off in the foreseeable future liabilities subsequent to years 2010 through 2014. Tax losses amounting to Rs.12.46 million, Rs.286.97 million, Rs.451.05 million, Rs.586.25 million and Rs.624.38 million expire in year 2010, 2011, 2012, 2013 and 2014 respectively.

	Note	2010 Rupees	2009 Rupees
11 CURRENT MATURITIES OF NON-CURRENT ASSETS			
Long term investments	7	**26,493,600**	22,504,800
Long term loans and advances	8	**238,730,354**	230,071,375
Net investment in lease finance	9	**2,080,218,367**	2,469,477,654
		2,345,442,321	2,722,053,829

12 SHORT TERM LOANS AND ADVANCES

	Note	2010 Rupees	2009 Rupees
Short term loans	12.1	**468,680,163**	329,846,962
Short term advances	12.2	**9,421,908**	48,215,868
		478,102,071	378,062,830

12.1 Short term loans-secured

	Note	2010 Rupees	2009 Rupees
Employees - considered good	12.1.1	**340,374**	558,332
Companies, organizations and individuals			
Considered good	12.1.2	**468,339,789**	327,915,323
Considered doubtful		**650,000**	2,366,634
		468,989,789	330,281,957
		469,330,163	330,840,289
Less: provision against doubtful finances	12.1.3	**650,000**	993,327
		468,680,163	329,846,962

12.1.1 These represent staff loans to employees against their retirement benefits. These carry mark-up ranging from 13.00% to 16.96% (2009 : 13.00% to 18.64%) per annum.

12.1.2 These include short term finances provided to individuals against their certificates of investment and mortgage of property. These carry mark-up ranging from 16% to 23.1% (2009 : 14% to 22.48%) per annum.

12.1.3 Provision against doubtful loans

	2010 Rupees	2009 Rupees
Opening balance	**993,327**	650,000
Charge for the year	**-**	343,327
Reversal during the year	**(343,327)**	-
Closing balance	**650,000**	993,327

12.2 Short term advances

	Note	2010 Rupees	2009 Rupees
Advance against leases	12.2.1	**8,976,160**	47,690,836
Advances to employees		**445,748**	525,032
		9,421,908	48,215,868

12.2.1 These represent advance given to suppliers on behalf of lessees in respect of assets to be leased and are eventually transferred to net investment in lease finance when the assets are brought into use. Lessees are being charged with mark-up at 17.43% (2009: 15.29% to 21.70%) per annum against advances.

	Note	**2010 Rupees**	2009 Rupees
13 SHORT TERM PLACEMENTS			
Repurchase agreement lendings (Reverse Repo)-secured	13.2	**21,107,549**	102,727,368
Placements with other banks-unsecured	13.3	**50,000,000**	-
		71,107,549	102,727,368
Less: Provision against doubtful lending	13.4	**2,092,300**	-
		69,015,249	102,727,368

13.1 Particulars of short term placements

	2010 Rupees	2009 Rupees
Considered good	**57,107,549**	102,727,368
Considered doubtful	**14,000,000**	-
	71,107,549	102,727,368

13.2 Repurchase agreement lendings (Reverse Repo)-secured

	2010 Rupees	2009 Rupees
Momin Qamar	**2,076,531**	36,449,069
Abdul Rasheed	**5,031,018**	6,000,000
Hascomb Business Solutions	**14,000,000**	14,000,000
Muhammad Yousaf Zeid Saigol	**-**	46,278,299
	21,107,549	102,727,368

13.2.1 These are secured against fair value of quoted securities and mortgage of property. These carry mark-up ranging from 14% to 25.5% (2009: 14% to 25%).

Fair value of quoted securities held as collateral against lending on repurchase agreement (reverse repo) is as follow:

	2010 Rupees	2009 Rupees
Holders of shares		
Momin Qamar	**53,165,848**	64,317,709
Abdul Rasheed	**3,448,580**	3,899,335
Hascomb Business Solutions	**8,833,860**	6,847,970
Muhammad Yousaf Zeid Saigol	**35,342,625**	73,101,075
	100,790,913	148,166,089

These have been placed for a period upto one year

13.3 Placements with other banks - unsecured

This represents amount placed with various financial institutions with the maturity period ranging from 1 to 3 days and carry markup ranging from 9% to 12.40%.

	Note	2010 Rupees	2009 Rupees
13.4 Provision against doubtful financing			

This provision has been made after taking benefit of liquid collateral in accordance with the requirments of NBFC regulation 2008.

14 SHORT TERM INVESTMENTS

	Note	2010 Rupees	2009 Rupees
Held for trading			
Listed shares	14.1	**32,646,731**	-
Available for sale:			
Government treasury bills	14.2	**89,365,919**	178,260,000
Listed shares	14.3	**460,160,662**	683,174,972
		582,173,312	861,434,972
Less: Deficit on revaluation of investments		**-**	230,775,972
Less: Unrealized gain / (loss) on revaluation of investments classified as held for trading		**1,604,274**	
Less: Impairment loss		**205,836,899**	230,775,972
		374,732,139	399,883,028

14.1 Held for trading

	Shares 2010	Shares 2009	Cost 2010	Cost 2009	Fair value 2010	Fair value 2009
	Number	Number	Rupees			
Name of investee company						
Energy and power						
Pakistan State Oil	**15,000**	-	**4,048,991**	-	**3,903,000**	-
Pakistan Oilfield Limited	**15,000**	-	**3,273,474**	-	**3,238,500**	-
Pakistan Petrolium Limited	**15,000**	-	**2,794,240**	-	**2,761,800**	-
Commercial Banks						
Silk Bank Limited	**1,100,000**	-	**4,184,474**	-	**2,981,000**	-
National Bank Limited	**20,000**	-	**1,303,892**	-	**1,282,000**	-
Cement						
D. G. Khan Cement Limited	**25,000**	-	**630,200**	-	**590,500**	-
Textile						
Nishat Mills Limited	**20,000**	-	**911,678**	-	**862,401**	-
Investment companies						
Pervaiz Ahmed Securities Limited	**1,913,250**	-	**4,878,788**	-	**4,687,463**	-
Jahangir Siddique Securities Limited	**619,278**	-	**7,672,854**	-	**7,827,674**	-
Others						
D.S Industries Limited	**1,334,000**	-	**2,948,140**	-	**2,908,120**	-
	5,076,528	-	**32,646,731**	-	**31,042,458**	-

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

14.2 These represents Government treasury bills of face value of Rs. 100 million (2009: Rs. 200 million) purchased for Rs. 89 million (2009: Rs. 178.260 million) at discount. These are given as collateral against money market borrowing made from Pak Oman Investment Company Limited.

14.3 Available for sale

	Shares		Cost		Fair value	
	2010	2009	**2010**	2009	**2010**	2009
	Number	Number	------------------- Rupees -------------------			
Name of investee company						
Fertilizer						
Engro Chemicals Pakistan Limited	**333,600**	348,740	**57,394,124**	86,665,143	**57,906,288**	44,788,678
Fauji Fertilizer Company Limited	**70,000**	2	**7,296,332**	-	**7,214,900**	174
Energy and power						
Pakistan State Oil Limited	**86,300**	86,300	**30,672,820**	42,907,645	**22,455,260**	18,437,995
Attock Refinery Limited	**158,400**	158,400	**29,675,137**	39,583,538	**12,760,704**	19,766,736
Pakistan Refinery Limited	**-**	45,012	**(5,362)**	6,813,094	**-**	4,042,078
National Refinery Limited	**-**	22,000.00	**1,802,373**	6,544,386	**-**	4,840,440
Pakistan OilField Limited	**40,000**	-	**8,831,986**	-	**8,636,001**	-
Pakistan Petrolium Limited	**40,000**	-	**7,499,945**	-	**7,364,800**	-
Commercial Banks						
MCB Bank Limited	**242,000**	220,097	**59,946,377**	85,813,733	**46,993,980**	34,121,638
Bank Islami Pakistan Limited	**998,000**	998,000	**12,725,729**	19,094,198	**3,203,580**	6,357,260
My Bank Limited	**831,651**	1,400,250	**13,090,739**	26,458,253	**2,403,471**	5,124,915
NIB Bank Limited	**68,600**	68,620	**552,981**	780,209	**205,114**	325,945
Samba Bank Limited	**563,000**	2,363,000	**10,027,695**	24,929,650	**1,278,010**	7,041,740
Allied Bank Limited	**60,310**	-	**3,525,239**	-	**3,434,654**	-
Investment Companies						
Arif Habib Securities Limited	**462,606**	462,606	**38,809,494**	64,832,558	**15,363,145**	12,786,430
Pervez Ahmed Securities Limited	**949,043**	949,043	**34,305,734**	63,591,030	**2,325,155**	5,020,437
Jahangir Siddiqui Company Limited	**402,532**	402,532	**46,209,341**	83,083,964	**5,088,004**	9,334,717
Arif Habib Limited	**137,500**	110,000	**17,012,406**	26,666,912	**6,050,000**	7,357,900
PICIC Growth Fund		12	**(120)**	-		101
Insurance						
Adamjee Insurance Company Limited	**71,390**	64,900	**11,460,259**	17,469,566	**5,702,634**	5,450,951
Cement						
D. G. Khan Cement Limited	**393,200**	336,000	**15,959,200**	19,919,200	**9,287,384**	9,962,400
Textile						
Nishat Mills Limited	**485,750**	335,000	**33,502,232**	42,274,764	**20,945,540**	12,669,700
Hira Textile Mills Limited		-		-	**-**	-
Cable and Electronics						
Pak Electron Limited	**61,022**	55,475	**2,129,186**	3,106,600	**723,111**	1,359,692
Automobiles						
Pak Suzuki Motors Company Limited	**189,000**	189,000	**17,736,815**	22,640,529	**14,982,030**	12,833,100
	6,643,904	8,614,989	**460,160,662**	683,174,972	**254,323,765**	221,623,027

14.3.1 During last year, the Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008.

The Securities and Exchange Commission of Pakistan ("SECP") vide notification SRO 150 (1)/2009 dated 13 February 2009 allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale' to quoted market prices may be shown under the equity. The amount shown under the equity including any adjustment/effect for price movements is to be taken to Profit and Loss Account on quarterly basis during the year ending 31 December 2009.

Accordingly, the impairment loss based on market values of such shares as at 31 December 2008 amounted to Rs. 476.786 million and was shown under equity. Out of Rs. 476 million an amount of Rs. 230.775 million had been charged to the profit and loss account during the year ended 30 June 2009, while the remaining amount of Rs.205.836 million has been charged to the profit and loss account during the year ended 30 June 2010.

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

14.3.3 Include shares of Rs. 182.43 million (2009: Rs. 152.60 million) provided as collateral to Bank Al-Habib Limited and Habib Bank Limited for overdraft facility.

14.3.4 The fair values are determined with reference to quoted stock exchange prices as at 30 June 2010.

	Note	**2010 Rupees**	2009 Rupees
15 INTEREST ACCRUED			
Mark-up accrued on:			
Bonds and term finance certificates	15.1	**4,864,340**	2,484,511
Short term and long term finances	15.2	**77,189,601**	63,140,610
Investments in lease	15.3	**61,284,907**	7,116,175
		143,338,848	72,741,296

15.1 Mark-up accrued on bonds and term finance certificates

	Note	**2010 Rupees**	2009 Rupees
Considered good		**4,864,340**	2,484,511
Considered doubtful		**23,385,974**	13,359,580
		28,250,314	15,844,091
Less: Suspension against doubtful receivables	15.1.1	**23,385,974**	13,359,580
		4,864,340	2,484,511

15.1.1 Suspension against doubtful receivables

	2010 Rupees	2009 Rupees
Opening balance	**13,359,580**	-
Suspended during the year	**10,026,394**	13,359,580
Reversed during the year	**-**	-
Closing balance	**23,385,974**	13,359,580

	Note	2010 Rupees	2009 Rupees
15.2 Mark-up accrued on short term and long term finances			
Considered good		**77,189,601**	63,140,610
Considered doubtful		**15,091,719**	12,806,407
		92,281,320	75,947,017
Less: Suspension against doubtful finances	15.2.1	**15,091,719**	12,806,407
		77,189,601	63,140,610

15.2.1 Suspension against doubtful finances

Opening balance		**12,806,407**	-
Suspended during the year		**11,245,620**	12,806,407
Reversed during the year		**(8,960,308)**	-
Closing balance		**15,091,719**	12,806,407

15.3 Mark-up accrued on investment in lease-considered good

This includes additional lease rentals amounting to Rs. 59.428 million (2009: Rs. Nil) in respect of overdue rental receivables from performing lease portfolio in accordance with the terms of lease agreement.

	Note	2010 Rupees	2009 Rupees
16 OTHER RECEIVABLES			
Receivable from broker - considered good		**18,040,877**	17,595,083
Miscellaneous receivables from lessees:	16.1		
Considered good		**14,042,416**	41,964,321
Considered doubtful		**191,936,444**	174,282,485
		205,978,860	216,246,806
Other receivables - considered good		**13,080,868**	7,172,227
		237,100,605	241,014,116
Less: provisions for doubtful receivable	16.2	**167,297,721**	105,260,821
		69,802,884	135,753,295

16.1 This represents insurance and other miscellaneous charges receivable from lessees, in respect of vehicles insured by the bank against assets leased to them .

16.2 Movement of provisions for doubtful receivable

Opening balance		**105,260,821**	67,144,071
Charge for the year		**82,001,287**	63,059,967
		187,262,108	130,204,038
Reversed during the year		**19,964,387**	24,943,217
Closing balance		**167,297,721**	105,260,821

	Note	2010 Rupees	2009 Rupees
17 CASH AND BANK BALANCES			
Cash in hand		**976,107**	1,161,455
With banks in:			
Current accounts	17.1	**1,644,951**	125,693,024
Deposit accounts		**140,761,133**	33,677,267
		142,406,084	159,370,291
		143,382,191	160,531,746

17.1 Deposit accounts carry markup rate ranging from 6.5% to 10.5% per annum (2009: 4% to 12%).

	Note	2010 Rupees	2009 Rupees
18 ASSETS CLASSIFIED AS HELD FOR SALE			
Sponsors land	18.1	**300,656,237**	-
Land received against satisfaction of debts	18.2	**169,093,870**	-
		469,750,107	-

18.1 This represent the land having fair value amounting to Rs. 300,656,237 valued by Nespak Private Limited dated 23 February 2010, received from sponsors as referred in Note 23.

18.2 This represent the land received from a customer against satisfaction of outstanding claim. The fair value of such land is Rs 169.093 millions as per valuations made by M/S Ali and Ali dated 30 June 2010.

19. SHARE CAPITAL

2010 (Number of Shares)	2009 (Number of Shares)		2010 Rupees	2009 Rupees
		Authorized		
80,000,000	80,000,000	Ordinary shares of Rs. 10 each	**800,000,000**	800,000,000
70,000,000	-	Preference shares of Rs. 10 each	**700,000,000**	-
150,000,000	80,000,000		**1,500,000,000**	800,000,000
		Issued, subscribed and paid up		
20,142,984	20,142,984	Ordinary shares of Rs. 10 each fully paid-up in cash	**201,429,840**	201,429,840
38,409,889	38,409,889	Ordinary shares of Rs. 10 each issued as bonus shares	**384,098,890**	384,098,890
30,650,000	-	Preference shares of Rs. 10 each issued	**306,500,000**	-
89,202,873	58,552,873		**892,028,730**	585,528,730

19.1 Newage (Pvt) Limited and Mr. Zahid Rafiq, related parties of the Bank held 6,675,301 (11.40%) and 5,702,405 (9.74%) [2009: 6,675,301 (11.40%) and 5,702,405 (9.74%)] Ordinary shares of Rs. 10 each respectively, as at June 30,2010.

19.2 These are un-listed cumulative non-voting preference shares, each of Rs.10/-, issued against the adjustment of financing facilities and carry preference dividend @ 1 year KIBOR + 100 BPS which is payable in priority to ordinary shareholders. The dividend remained unpaid, shall be carried forward to future years and be paid in chronological order.

The Company may exercise the Call Option and repurchase these preference shares from investors from the commencement of 3rd anniversary, by giving 30 days notice, in accordance with following schedule:

- 3rd to 4th anniversary	upto 25%
- 4th to 5th anniversary	upto 50%
- After 5th anniversary	upto 100%

Further, these preference shares are convertible into ordinary shares of the Company at the option of investors from the 3rd anniversary till the 5th anniversary by giving thirty day notice in advance in following manner:

- 3rd to 4th anniversary	upto 25%
- 4th to 5th anniversary	upto 50%
- After 5th anniversary	upto 100%

The conversion ratio (A/B) for such issue is as follows:

A= Rupees ten (10/-) plus unpaid dividend, if any, on each preference share
B= Higher of following:
- Face value of shares
- Average discounted price of the ordinary share quoted in the daily quotation of KSE during the last twelve months prior to the conversion date

As the fair value of financial liability is equal to fair value of financial instrument and intrinsic value of financial instrument is nil so the whole amount is recognized as financial liability.

19.3 The above stated preference shares have been treated as part of equity on the following bases:

- The preference shares were issued under the provision of Section 86 of the Companies Ordinance, 1984 (the Ordinance) read with Section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

- The authorized capital of the Company and the issue of the preference shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on May 02, 2004.

- Return of allotment of shares was filed under Section 93(1) of the Ordinance.

- Dividend on the preference shares is appropriation of profit both under the Ordinance and the tax laws.

- The requirements of the Ordinance take precedence over the requirements of IFRSs.

- These preference shares are listed on the Karachi Stock Exchange.

However, considering the requirements of the IFRSs for classification of debt and equity instruments, which suggests that the above preference shares be classified as debt, the ICAP has sought a clarification from the SECP in respect of the presentation of preference shares in the financial statements prepared in accordance with the requirements of the Companies Ordinance, 1984. Pending the decision of the SECP in this matter, the preference shares have been reflected as equity of the Company.

		Note	2010 Rupees	2009 Rupees
20	**RESERVES**			
	Capital reserves			
	Statutory reserve	20.1	**206,758,319**	206,758,318
			206,758,319	206,758,318
	Revenue reserves			
	General reserve		**61,000,000**	61,000,000
	Accumulated loss		**(1,059,003,682)**	(472,556,755)
			(998,003,682)	(411,556,755)
			(791,245,363)	(204,798,437)

20.1 Statutory reserve

	2010 Rupees	2009 Rupees
Opening balance	**206,758,318**	206,758,318
Transfer from profit and loss account	**-**	-
	206,758,318	206,758,318

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. However, as the company has faced loss during the period, so no amount is transferred to such reserve.

		Note	2010 Rupees	2009 Rupees
21	**SURPLUS ON REVALUATION OF FIXED ASSETS**			
	Land	21.1.1	**1,222,187**	1,222,187
	Building	21.1.2	**8,808,916**	8,929,854
	Capital work in progress	21.1.3	**62,625,000**	-
			72,656,103	10,152,041
21.1	Opening balance		**10,152,041**	10,499,429
	Surplus realised		**-**	-
	Addition during the year		**62,624,519**	-
	Transferred		**(120,457)**	(347,388)
	Closing balance		**72,656,103**	10,152,041

21.1.1 This represents the surplus arised on revaluation of land carried by Synergisers (Pvt) Limited dated June 30, 2010.

21.1.2 This represents the surplus arised on revaluation of building carried by Synergisers (Pvt) Limited dated June 30, 2010.

21.1.3 This represents the surplus arised on revaluation of capital work in progress carried by Synergisers (Pvt) Limited dated December 31, 2009.

		2010 Rupees	2009 Rupees
22	**DEFICIT ON REVALUATION OF INVESTMENTS**		
	Opening balance	**(230,775,972)**	(120,299,798)
	Surplus / (deficit) during the year	**24,939,073**	(341,252,146)
	Impairment charged to profit and loss account	**205,836,899**	230,775,972
	Closing balance	**-**	(230,775,972)

22.1 This represents deficit on revaluation of shares held under available for sale category.

23 LONG TERM FINANCING - Subordinated loan

This represents the sub-ordinate loan received from sponsors in the form of cash amounting to Rs. 100 million (2009: Nil) and land having fair value amounting to Rs. 301 million (2009: Nil).

This represents loan received from sponsors comprising of 759 Kanals of land having value of Rs. 300.646 million and cash amounting to Rs. 100 million from one of its associated undertaking vide an agreement dated 17 May 2010 executed between the Company and Tricon Developers Limited (TDL). This agreement has superseded the agreement dated 28 October 2009. The terms of loan as per revised agreement are:

i) In case the SECP grants approval for issuance of shares to the TDL against the outstanding amount on or before 30 June 2011 (or such other date as the parties may agree in writing), the Company shall forthwith issue ordinary shares to the TDL in settlement of the outstanding amount;

ii) In case the SECP does not grant approval for issuance of shares to the TDL by the Deadline, the Company shall forthwith repay the entire outstanding amount received in cash and resell the land to the TDL at the price of Rs. 300.646 million; and

iii) Clause (ii) above shall only applicable when the Company will be equity compliant as per NBFCs regulations and have sufficient liquidity for this arrangement.

		Note	2010 Rupees	2009 Rupees
24	**LONG TERM FINANCING - other**			
	Banking companies and other financial institutions-secured	24.1	**658,679,095**	545,535,711
	Term finance certificates (TFC) - secured	24.2	**346,739,832**	552,962,982
			1,005,418,927	1,098,498,693

	Note	**2010 Rupees**	2009 Rupees
24.1 Banking companies and other financial institutions-secured			
The Bank of Punjab	24.1.1	**168,918,748**	37,499,996
Faysal Bank Limited	24.1.2	**16,666,669**	58,333,334
Allied Bank Limited	24.1.3	**126,666,667**	224,722,222
Habib Bank Limited	24.1.4	**4**	41,666,669
Pak Oman Investment Company (Pvt.) Ltd.	24.1.5	**15,483,873**	23,000,000
The Bank of Khyber	24.1.6	**53,819,445**	150,000,000
Saudipak Industrial & Agricultural Investment Company (Pvt.) Limited	24.1.7	**-**	12,499,997
Standard Chartered Bank Limited	24.1.8	**124,996,341**	291,666,665
Pak Oman Assets Management Co Ltd	24.1.9	**22,821,430**	42,714,286
Atlas Bank Limited	24.1.10	**120,312,500**	150,000,000
Pak Iran Joint Investment Co. Ltd	24.1.11	**8,000,000**	92,000,000
First Women Bank Limited	24.1.12	**82,027,397**	-
CDC Trustee KASB Liquid Fund	24.1.13	**17,500,000**	-
Dawood Money Market Fund	24.1.14	**28,842,873**	-
First Credit & Investment Bank	24.1.15	**10,000,000**	-
House Building Finance Corp	24.1.16	**28,068,181**	-
Bank AlFalah Ltd	24.1.17	**22,000,000**	-
CDC Trustee Askari Income Fund	24.1.18	**170,500,000**	-
PAK Brunei Investment Company	24.1.19	**9,256,941**	-
IGI Investment Bank Ltd	24.1.20	**78,000,000**	-
		1,103,881,069	1,124,103,169
Less: Current portion shown under current liabilities	31	**445,201,974**	578,567,458
		658,679,095	545,535,711

24.1.1 This represents a facility of Rs.100 million.This facility is secured against first charge on specific leased assets and related receivables. These carry mark-up rate of 3 month KIBOR + 250 bps per annum. This facility is repayable in sixteen equal quarterly installments starting from 23 December 2006 and expiring on 31 December 2010.

Further, this also include facility converted from short term running finance to term finance facility of Rs.164.6 million.This facility is secured against exclusive charge on specific leased assets. It carries mark-up rate of 3 month KIBOR + 150 bps per annum. This facility is repayable in 5% down payment, 4 quarterly installments of Rs. 1 million, 4 quarterly installments of Rs. 6 million, 4 quarterly installments of Rs. 12 million and 4 quarterly installments of Rs. 20 million.

24.1.2 This represents a facility of Rs.100 million. The facilities are secured against first charge on specific leased assets with 25% margin and carry mark-up rate of 6 month KIBOR + 190 bps per annum. These facilities are repayable in twelve equal quarterly installments starting from 10 March 2008 and expiring on 10 December 2010.

24.1.3 These represent two facilities of an aggregate amount of Rs. 300 million. One facility of Rs.100 million is secured against first charge on specific leased assets and related receivables of Rs. 135 million with 25% margin and carries mark up rate of 6 Month KIBOR + 250 bps upto April 2010 and 6 Month KIBOR + 100 bps from April 01, 2010 onward. This Facility of Rs.100 Million is repayable in ten equal semi annual installments starting from June 30, 2006 and expiring on December 31, 2010. Whereas the money market borrowing amounting Rs. 200 million has been converted into long term unsecured facility. Out of 200 Million, Rs. 50.00 Million is converted into Preference Shares. This facility (200 M) carries mark up rate of 1 Month KIBOR + 200 bps upto July 2009 and 1 Month KIBOR from July 01, 2009 onward and is repayable in 36 equal monthly installments starting from June 4, 2010 and expiring on May 29, 2013.

24.1.4 This represents a facility of Rs.100 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate of 6 month KIBOR + 250 bps per annum with no floor and no cap. The facility is repayable in twelve equal quarterly installments starting from 30 September 2007 and expiring on 30 June 2010.This has been repaid during the year.

24.1.5 This represents facility of Rs.23 million. This facility is secured against first charge on specific loan receivables with a margin of 25%. It carried mark-up rate of 3 month KIBOR + 250 bps per annum and was repayable in twelve equal monthly installments starting from 10 August 2009 and expiring on 10 July 2010. Facility has been restructured on 4 December 2009. Mark-up rate has been changed to 3 month KIBOR + 150 bps per annum and principal is repayable in immediate payment of Rs. 3,000,000 on 4 December 2009 and 31 equal monthly installments starting from 23 December 2009 and expiring on 23 June 2012.

24.1.6 This represents a facility of Rs. 150 million secured against first charge on specified leased assets and related receivables amounting Rs.75 Million has been converted into preference shares and the while the balance amount of Rs. 75 Million has been converted into term Finance facility which carries mark up @ 1 month KIBOR. This facility is repayable in thirty six equal monthly installments starting from 01 January 2010 and expiring on 01 December 2012.

24.1.7 This represents a facility of Rs. 50 million secured against first charge on specified leased assets and related receivables to the extent of Rs.70 Million. It carries mark up @ 3 month KIBOR + 275bps per annum. This facility is repayable in twelve equal quarterly installments starting from 13 April 2007 and expiring on 13 January 2012. This has been repaid during the year.

24.1.8 This represents a facility of Rs. 500 million for the purpose of expansion of lease portfolio. The facility is secured against lease receivables to the extent of Rs. 715 million. It carries mark-up at the rate of 3 month KIBOR + 160 bps. The facility is repayable in twelve equal quarterly installments starting from 31 May 2008 and expiring on 28 February 2011.

24.1.9 This represents a facility of Rs. 46 million. The facility is secured against lease receivables. It carries mark-up at the rate of 3 month KIBOR + 250 bps. This facility was repayable in twelve equal monthly installments starting from 15 June 2009 and expiring on 15 July 2010. Facility has been rescheduled on 15 December 2009 and outstanding principal of Rs. 29.5 million is payable in 3 monthly installments of Rs. 1 million, 3 monthly installments of Rs. 1.25 million, 3 monthly installments of Rs. 1.5 million, 2 monthly installments of Rs. 1.66 million and last bullet payment of Rs. 15 million starting from 15 January 2010 and expiring on 15 December 2010.

24.1.10 This represents two facilities of Rs.100 million each. These facilities are secured against first charge on specific/exclusive leased assets and related receivables with 25% margin. These carry mark-up @ 3 month KIBOR + 185 bps per annum with floor of 13.50%. These facilities were repayable in sixteen equal quarterly installments starting from 28 June 2008 and expiring on 28 May 2012. However, these facilities have been rescheduled on 7 January 2010. Outstanding principal of Rs. 68.75 million of Term Finance 1 is repayable in 16 equal quarterly installments starting from 1 February 2010 and expiring on 1 November 2013. While outstanding principal of Rs. 68.75 million of Term Finance 2 is repayable in 16 equal quarterly installments starting from 1 March 2010 and expiring on 1 December 2013.

24.1.11 This represents facility of Rs.94 million. This facility is secured against first charge on specific/exclusive leased assets worth Rs.150 million and related receivables with 25% margin. It carries mark-up rate of 1 month KIBOR + 325 bps per annum. This facility was repayable in 6 monthly installments of Rs. 2 million, 6 monthly installments of Rs. 4 million, 11 monthly installments of Rs. 5 million and 1 monthly installment of Rs. 3 million starting from 4 May 2009 and expiring on 4 April 2011.

24.1.12 This represents facility of Rs.88 million which has been rescheduled during the year. This facility is secured against exclusive charge on lease receivables amounting Rs. 10 million and pledge of TFC/Sukuks amounting to Rs. 50 million. It carries mark-up @ 1 month KIBOR per annum. This facility is repayable in twelve monthly installments of Rs.1 million, 12 monthly installments of Rs. 1.5 million, 11 monthly installments of Rs. 2 million and last bullet payment of Rs. 36 million starting from 31 January 2010 and expiring on 31 December 2012.

24.1.13 This represents facility of Rs.41 million rescheduled during the year. This facility is unsecured and carries mark-up @1 month KIBOR per annum. This facility is repayable in immediate payment of Rs. 5 million, two monthly installments of Rs.5 million, three monthly installments of Rs. 2.5 million, eighteen monthly installments of Rs. 1 million and last installment of Rs. 0.5 million starting from 19 January 2010 and expiring on 19 December 2011.

24.1.14 This represents facility of Rs.37.8 million rescheduled during the year. This facility is unsecured and carries mark-up @1 month KIBOR per annum. This facility is repayable in twenty four monthly installments of Rs.1.5 million and last installment of Rs. 1.8 million starting from 24 January 2010 and expiring on 24 January 2012.

24.1.15 This represents an unsecured facility of Rs. 13.50 million. The facility has been rescheduled. It carries mark-up @16.00% . The facility is repayable in sixteen monthly installments starting from 11 Jan 2010 and expiring on 10 April 2011.

24.1.16 This represents facility of Rs.43.5 million rescheduled during the year. This facility is unsecured and carries mark-up @ 3 month KIBOR + 200 bps per annum. This facility is repayable in immediate payment of Rs.8 million, first installment of Rs. 3 million and 22 equal monthly installments starting from 15 March 2010 and expiring on 15 January 2012.

24.1.17 This represents facility of Rs.56 million rescheduled during the year. This facility is unsecured and carries mark-up @ 1 month KIBOR per annum. This facility was repayable in 35 equal monthly installments of Rs.1.5 million and last installment of Rs. 3.5 million starting from 22 January 2010 and expiring on 15 December 2012. This facility is restructured on 10 May 2010 and out of remaining principal on Rs. 50 million, Rs. 25 million have been converted into preference shares and Rs. 25 million are repayable in 16 equal monthly installments of Rs. 1.5 million and last installment of Rs. 1 million starting from 22 May 2010 and expiring on 22 September 2011.

24.1.18 This represents facility of Rs.194 million rescheduled during the year. This facility is secured against exclusive charge and carries @ 3 month KIBOR + 200 bps per annum. This facility is repayable in immediate payment of Rs.8 million, first installment of Rs. 3 million and 22 equal monthly installments starting from 15 March 2010 and expiring on 15 January 2012.

24.1.19 This represents facility of Rs.10.1 million rescheduled during the year. This facility is secured against first charge on all moveable assets to the extent of sale price. The facility carries mark-up @ 1 month KIBOR per annum. This facility is repayable in 23 equal monthly installments of Rs.420,000 and last installment of Rs.436.941 starting from 8 May 2010 and expiring on 8 Apr 2012.

24.1.20 This represents facility of Rs.80 million rescheduled during the year. This facility is secured against ranking charge on current assets equivalent to Rs.115 million with 30% margin. The facility carries mark-up rate of 1 month KIBOR per annum. This facility is repayable in seven equal monthly installments of Rs.0.5 million, 12 equal monthly installments of Rs.0.75 million, 6 equal monthly installments of Rs.1 million, 12 equal monthly installments of 1.5 million, 10 equal monthly installments of Rs.1.75 million and 13 equal monthly installments of Rs. 2 million starting from 15 March 2010 and expiring on 15 Feb 2015.

	Note	**2010 Rupees**	2009 Rupees
24.2 Term finance certificates (TFC) - secured			
TFC II-1st Tranche	24.2.1	-	37,500,000
TFC II-2nd Tranche	24.2.2	**37,500,000**	112,500,000
TFC III	24.2.3	**502,923,750**	599,880,000
		540,423,750	749,880,000
Less: Unamortized portion of the initial transaction cost		**6,243,918**	9,327,018
		534,179,832	740,552,982
Less: Current maturity	31	**187,440,000**	187,590,000
		346,739,832	552,962,982

24.2.1 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 TFC's.

24.2.2 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 TFC's 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 TFC's are secured by a first charge by way of hypothecation over specific leased assets with 25% margin in favour of Trustee. TFC's are issued in set of ten (10) TFC's, 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 on the first day of the start of each semi-annual period for which the profit is being paid.

The Parent Company have a call option to redeem in full the outstanding amount of the TFC's which will be exercisable at any time after the expiry of three years period from the date of public subscription. The call option will be exercisable on the redemption dates only.

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

24.2.3 This represents third issue of secured, rated and listed Term Finance Certificates (TFC's) being instrument of redeemable capital issued under the Companies Ordinance, 1984. The TFC's have a tenure of five (5) years and consist of Rs. 600 million of which Rs. 450 million were offered to institutional investors for Pre-IPO placements and Rs.150 million to the general public. The TFC's are secured by way of first charge on specific leased assets and associated lease rentals receivable with a margin of 40% and are issued in set of ten (10) TFC's, each set having an aggregate face value of Rs. 5,000.

The instrument is structured to redeem 0.02% of the principal in two semi-annual installments and the remaining principal in eight semi-annual installments of 12.495% each of the issue amount respectively starting from the 18th month. 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 + 185 bps per annum with no floor and no cap. The profit rate is set one day before the start of semi- annual period for which the profit is being paid.

The Parent Company have a call option to redeem in full the outstanding amount of the TFC's which will be exercisable at any time after the expiry of two years period from the issue date. The call option will be exercisable on the redemption dates only.

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

25 LONG TERM MORABAHA

This represents murabaha facility of Rs.33.5 million rescheduled during the year and carries mark-up @ 12% per annum. This facility is repayable in thirty three equal monthly installments of Rs.1 million and last installment of Rs.0.5 million starting from 25 May 2010 and expiring on 25 Feb 2013.

	Note	2010 Rupees	2009 Rupees
26 LONG TERM CERTIFICATE OF INVESTMENT - Unsecured			
Local currency			
- Financial institutions		**203,333,333**	308,333,333
- Corporate		**14,000,340**	14,000,340
- Individuals		**16,600,000**	12,275,000
	26.1	**233,933,673**	334,608,673
Less: Current maturity	31	**130,077,400**	101,800,000
		103,856,273	232,808,673

26.1 These represent deposits received by the Parent Company as per permission granted by the Securities and Exchange Commission of Pakistan. These certificates are issued for term ranging from over 1 year to 5 years and carries profit ranging from 11% to 22% (2009: 11% to 22.22%) per annum.

	Note	2010 Rupees	2009 Rupees
27 DEFERRED LIABILITIES			
Gratuity	27.1	**5,455,442**	4,522,135
Leave encashment	27.2	**3,037,773**	4,407,283
		8,493,215	8,929,418

Gratuity scheme is funded and pays a lump-sum gratuity to members on leaving the Company's service after completion of six months of continuous service. During the year, the company has changed the plan and now, it has been calculated on the basis of gross salary instead of basic salary. All related impact of such change has been recognized in the current year profit and loss account as required by IAS 19.

Leave encashment scheme is unfunded and has been discontinued with effect from 01 January 2009. However, employees having accumulated leave balances as at 31 December 2008 will be entitled for encashment of accumulated leave balances as at 31 December 2008 on leaving the service based on their last drawn gross salary.

		Note	Gratuity 2010	Gratuity 2009	Leave encashment 2010	Leave encashment 2009
			---------------- Rupees			--------------
27.1	**Amount recognized in the balance sheet**					
	Present value of defined benefit obligations	27.1.1	**11,203,547**	7,865,683	**3,037,773**	3,720,022
	Less: Fair value of plan assets	27.1.2	**(2,446,588)**	(2,264,209)	**-**	-
	Less: Actuarial (losses) to be recognized in later periods		**(4,110,892)**	(3,299,284)	**-**	-
	Add: Benefits due but not paid		**406,250**	1,161,000	**-**	-
			5,052,317	3,463,190	**3,037,773**	3,720,022
27.1.1	**Movement in the defined benefit obligation:**					
	Present value of defined benefit obligation at beginning of the year		**7,865,683**	10,194,637	**3,720,022**	4,843,062
	Current service cost for the year		**3,587,490**	3,203,116	**1,258,467**	425,813
	Interest cost for the year		**943,882**	1,223,356	**446,403**	581,167
	Transfer to Trust Capital (Pvt.) Ltd.		**-**	(1,116,674)	**-**	(882,685)
	Benefits paid / discharged during the year		**(5,069,058)**	(1,075,098)	**(3,294,819)**	(926,133)
	Benefits due, but not paid during the year		**(406,250)**	(1,161,000)	**-**	-
	Actuarial (gains) due to curtailments		**-**	(4,279,308)	**-**	-
	Past service cost charged due to change in benefits		**3,380,038**	-	**-**	-
	Actuarial (gain) / loss on Present value of defined benefit obligation		**901,762**	876,654	**907,700**	(321,202)
			11,203,547	7,865,683	**3,037,773**	3,720,022
27.1.2	**Movement in the fair value of plan assets:**					
	Fair value of plan assets as at 01 July 2009		**2,264,209**	5,647,850		
	Adjustment for last year (short term liability)		**-**	(3,322,772)		
	Total contributions made in the year		**6,230,058**	1,155,681		
	Expected return on plan assets for the year		**271,705**	677,742		
	Benefits paid / discharged during the year		**(6,230,058)**	(1,155,681)		
	Actuarial gain / (loss) on assets		**(89,326)**	(738,611)		
			2,446,588	2,264,209		
27.2	**Movement of liability:**					
	Balance sheet liability as at 01 July 2009		**3,463,190**	2,343,011	**3,720,022**	4,248,992
	Adjustment for last year (short term liability)		**-**	3,322,772	**-**	-
	Transfer to Trust Capital (Pvt.) Ltd.		**-**	(1,116,674)	**-**	(882,685)
	Amount recognized during the year	27.3	**7,819,185**	2,707,487	**2,612,570**	1,279,848
	Contribution made during the year		**(6,230,058)**	(3,793,406)	**(3,294,819)**	(926,133)
			5,052,317	3,463,190	**3,037,773**	3,720,022
27.3	**Staff service cost expense recognized in the profit & loss account**					
	Current service cost		**3,587,490**	4,510,791	**1,258,467**	425,813
	Interest cost		**943,882**	1,223,356	**446,403**	581,167
	Expected return on plan assets		**(271,705)**	(677,742)	**-**	-
	Actuarial (gains) / losses		**179,480**	185,353	**907,700**	(321,202)
	Loss charged due to curtailments		**-**	1,745,037	**-**	-
	(Gain) recognized due to curtailments		**-**	(4,279,308)	**-**	594,070
	Past service cost charged due to change in benefits		**3,380,038**	-	**-**	-
			7,819,185	2,707,487	**2,612,570**	1,279,848

	Gratuity		Leave encashment	
	2010	2009	**2010**	2009
	---------------- Rupees ---------------			
27.4 Actual return on the plan assets				
Expected return on the plan assets	**271,705**	677,742	**-**	-
Actuarial (loss) on plan assets	**(89,326)**	(738,611)	**-**	-
Actual return on the plan assets	**182,379**	(60,869)	**-**	-

27.5 Qualified actuary carried out the valuation as on 30 June 2010 using the Projected Unit Credit Method. Following significant assumptions have been used.

	Gratuity		Leave encashment	
	2010	2009	**2010**	2009
	---------------- Rupees ---------------			
Discount rate	**12%**	12%	**12%**	12%
Expected rate of increase in salary	**11%**	11%	**11%**	11%
Expected rate of return on plan assets	**12%**	12%	**-**	-
Average number of leaves utilized per annum	**-**	-	**8 Days**	8 Days
Expected average remaining years until vesting as on 30 June	**14 years**	14 years	**-**	-

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

	2010	2009	2008	2007	2006
	---------------- Rupees ---------------				
As at 30 June					
Present value of defined benefit obligation	**11,203,547**	2,264,209	5,647,850	7,907,331	17,912,230
Fair value of plan assets	**2,446,588**	7,865,683	10,194,637	5,647,850	2,239,798
(Deficit) / surplus	**(8,756,959)**	5,601,474	4,546,787	(2,259,481)	(15,672,432)

Fair value of plan assets include certificates of investments, whose fair value is Rs. 2.447 million (2009: Rs. 2.265 million).

	Note	**2010 Rupees**	2009 Rupees
28 LONG TEM DEPOSITS			
Margin against letters of guarantee		**28,647,787**	13,418,460
Deposits against lease arrangements	28.1	**893,957,066**	1,074,733,063
Less: Current maturity	31	**683,532,345**	355,320,950
		210,424,721	719,412,113
		239,072,508	732,830,573

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

	Note	2010 Rupees	2009 Rupees
29 SHORT TERM BORROWNGS			
Banking companies and other financial institutions:			
Running finances - secured	29.1	**161,738,467**	321,693,339
Placements from financial institutions - unsecured	29.2	**879,153,270**	1,504,790,413
		1,040,891,737	1,826,483,752

29.1 These represent running finances utilized from commercial banks. The total limits against running finances amounting Rs. 425.00 million (2009: Rs. 455 million). These carry mark-up @ ranging from 3 month KIBOR + 100 bps to 3 month KIBOR + 300 bps with a floor ranging from 4.5% to 10% (2009: 3 months KIBOR + 100 bps to 3 month KIBOR + 250 bps) per annum payable on quarterly basis respectively.

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

	2010	2009
Carrying amount of quoted shares given as collateral against borrowings	**182,434,133**	152,603,119

29.2 These represent unsecured short term placements of 1 day to 1 year obtained from financial institutions carrying mark-up rate ranging from 1 month kibor to 6 month kibor +3.25% (2009: 7% to 45%).

	2010 Rupees	2009 Rupees
30 SHORT TERM CERTIFICATE OF INVESTMENT - Secured		
Local currency		
- Financial institutions	**346,748,272**	11,300,000
- Corporate	**843,930,014**	608,326,538
- Individuals	**202,321,000**	407,659,801
	1,392,999,286	1,027,286,339

30.1 These represent unsecured short term certificates of investment for a period of one months to one year. These carry mark-up rate ranging from 11% to 17.50% (2009: 11% to 18.5%) per annum.

	Note	2010 Rupees	2009 Rupees
31 CURRENT MATURITIES OF LONG TERM LIABILITIES			
Term finance certificates - secured	24	**187,440,000**	187,590,000
Certificates of investment - unsecured	26	**130,077,400**	101,800,000
Long term financing from banking companies and other financial institutions - secured	24	**445,201,974**	578,567,458
Long term deposits	28	**683,532,345**	355,320,950
		1,446,251,719	1,223,278,408

		Note	2010 Rupees	2009 Rupees
32	**MARK-UP ACCRUED**			
	Secured			
	- Short and long term borrowings		**40,617,424**	48,893,504
	- Term finance certificates		**35,442,016**	55,149,729
			76,059,440	104,043,233
	Unsecured			
	- Certificates of investment		**35,563,842**	33,062,182
			111,623,282	137,105,415
33	**TRADE AND OTHER PAYABLES**			
	Advance receipt against leases	33.1	**23,410,765**	9,101,194
	Unclaimed dividend		**3,111,816**	3,136,308
	Preference dividend payable		**10,104,296**	-
	Accrued liabilities		**2,660,624**	3,637,058
	Payable to broker		**26,139,219**	57,674,599
	Other liabilities	33.2	**16,367,905**	22,291,388
			81,794,625	95,840,547

33.1 These represent initial security deposit received from lessees before structuring of leases.

33.2 These include withholding tax payable Rs. 345,654 (2009: Rs. 183,946) and central excise duty payable Rs. 67,785 (2009: Nil).

34 CONTINGENCIES AND COMMITMENTS

34.1 Contingencies

The Parent Company has issued guarantees to various parties on behalf of clients amounting to Rs. 529.795 million (2009: Rs. 208.291 million) including guarantees to the subsidiary company amounting to rupees 367.623 million.

34.2 Commitments

34.2.1 Lease commitments approved but not disbursed as on balance sheet date amount to Rs.16.92 million (2009 : Nil).

34.2.2 Commitment for the purchase of office space amounting to Nil (2009: Rs. 2.45 million).

	Note	2010 Rupees	2009 Rupees
35 INCOME FROM LEASE OPERATIONS			
Finance lease income		**211,716,494**	420,105,542
Front end fee		**5,000**	345,244
Commitment and other fees		**525,500**	970,840
Miscellaneous	35.1	**73,328,909**	33,460,037
		285,575,903	454,881,663
35.1 Miscellaneous lease income			
Mark-up on lease advance		**2,704,957**	10,090,726
Additional lease rentals		**70,623,952**	23,369,311
		73,328,909	33,460,037
36 INCOME FROM INVESTMENTS			
Gain/ (Loss) on disposal of investment (held for trading)		**80,747**	(30,364,891)
Profit on investment in continuous funding system		**-**	1,791,769
Mark-up earned on securities purchased under resale agreement		**10,655,735**	33,295,491
Loss on disposal of shares purchased under future contract		**-**	(121,344)
Profit on short term placements and long term investments		**16,784,745**	27,372,200
Dividend income		**6,250,156**	9,963,365
Underwriting and trusteeship fee		**213,920**	288,000
Income from consultancy services		**908,280**	1,196,638
Gain on disposal of investments (available for sale)		**964,541**	-
Deficit on revaluation of held for trading investments		**(1,604,274)**	-
		34,253,850	43,421,228
37 INCOME FROM TERM FINANCES			
37.1 Mark- up earned on long term finances			
Employees		**2,238,731**	227,659
Customers		**80,911,631**	93,753,473
		83,150,362	93,981,132
37.2 Mark- up earned on short term finances			
Employees		**41,738**	2,465,484
Customers		**49,653,918**	76,691,740
		49,695,656	79,157,224
		132,846,018	173,138,356

	Note	2010 Rupees	2009 Rupees
38 FINANCE COST			
Mark-up on long term borrowings		**184,772,392**	132,340,475
Mark-up on term finance certificates		**94,405,239**	140,658,983
Amortisation of initial cost		**3,083,102**	5,852,677
Mark-up on short term borrowings		**117,313,504**	341,604,718
Mark-up on certificates of investment		**234,945,690**	202,959,142
Mark-up on running finance		**37,865,816**	53,933,392
Commitment and other processing fee		**-**	2,270,103
Bank charges and commission		**20,901,049**	6,318,260
		693,286,792	885,937,750

39 ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2010 Rupees	2009 Rupees
Salaries and other benefits	39.1	**100,206,642**	119,703,682
Printing and stationery		**1,892,542**	2,554,324
Vehicle running and maintenance		**7,671,321**	8,812,905
Postage, telephone and telex		**3,687,065**	7,046,966
Traveling and conveyance		**1,800,797**	3,578,514
Boarding and lodging		**408,923**	427,949
Entertainment		**1,648,455**	1,889,391
Advertisement		**637,683**	782,802
Electricity, gas and water		**2,482,495**	4,493,412
Newspapers and periodicals		**104,675**	160,665
Auditors' remuneration	39.2	**1,178,000**	970,000
Fee and subscription		**1,650,974**	1,508,030
Rent, rates and taxes		**22,662,044**	25,415,760
Insurance		**3,785,735**	4,565,502
Donation	39.3	**-**	272,220
Office maintenance		**3,145,806**	5,001,450
Legal and professional charges		**12,591,809**	3,945,606
Security charges		**1,319,358**	2,271,758
Staff training		**45,402**	90,600
Business promotion		**-**	8,000
Commission on recovery-outsource		**-**	1,205,206
CDC and clearing charges		**297,710**	1,752,428
Depreciation on property and equipment	5.1	**15,685,422**	18,547,708
Amortization on intangible assets	5.1	**334,696**	328,616
Miscellaneous		**6,596,192**	2,160,353
Commission		**-**	400,000
Pre-incorporateion expenses		**-**	620,500
		189,833,746	218,514,347

39.1 It includes provision for gratuity and compensated leave absences amounting to Rs.7.724 million and Rs.2.551 million respectively (2009: Rs. 2.933 million and Rs. 1.054 million respectively).

	Note	2010 Rupees	2009 Rupees
39.2 Auditors' remuneration			
Ernst & Young Ford Rhodes Sidat Hyder			
Audit fee:			
Annual		**660,000**	650,000
Half yearly review		**260,000**	100,000
Certifications fee and other services		**40,000**	-
Out of pocket expenses		**20,000**	50,000
Avais Hyder Liaquat Nauman			
Audit fee:			
Annual		**180,000**	100,000
Half yearly review		**-**	60,000
Out of pocket expenses		**18,000**	10,000
		1,178,000	970,000

39.3 Donations include payment of Rs. Nil (2009: 272,220) to Prime Minister's Fund for Internally Displaced Persons (IDP's).

40 OTHER INCOME

	Note	2010 Rupees	2009 Rupees
Gain on disposal of operating fixed assets	5.1.1	**2,178,996**	695,594
Loss on disposal of intangible assets		**-**	(100,000)
Commission income		**2,366,577**	2,486,063
Profits on bank deposits		**7,111,901**	4,488,779
Miscellaneous	40.1	**9,886,803**	6,895,872
Written of liabilities no more payables		**535,167**	-
Settlement gain of trade debts		**15,423,256**	-
		37,502,700	14,466,308

40.1 This head contains gain earned on sale of Kalma Tower (repossessed property acquired in satisfaction of claim), income on bouncing of cheques of lessees and ware house charges recovered from lessees.

41 OTHER CHARGES

This represents lease receivable written off during the year.

42 PROVISION AGAINST LEASE AND TERM LOAN LOSSES

	2010 Rupees	2009 Rupees
Provision for lease losses	**25,867,655**	153,601,518
Provision for loans and advances	**240,145,581**	5,117,156
Provision for other receivable	**(182,659,782)**	166,163,509
Provision against financing against shares	**2,092,300**	-
	85,445,754	324,882,183

	Note	2010 Rupees	2009 Rupees
43 IMPAIRMENT ON INVESTMENT			
Provision against term finance certificates and sukuks/ bonds		**60,000,000**	10,000,000
Impairment on available for sale investments		**205,836,899**	230,775,972
		265,836,899	240,775,972
44 PROVISION FOR TAXATION			
For the year			
- Current		**(3,285,497)**	(125,744)
- Deferred		**206,051,978**	261,164,286
		202,766,481	261,038,542

44.1 The reconciliation of tax expense and product of accounting profit of corresponding year multiplied by the applicable tax rate cannot be made in view of minimum taxation and final tax on dividend income.

		2010	2009
45 LOSS PER SHARE			
Loss for the year after taxation	Rupees	**(575,167,769)**	(715,225,712)
Weighted average number of ordinary shares	Numbers	**58,552,872**	58,552,873
Loss per share - basic	Rupees	**(9.82)**	(12.22)

45.1 There is no dilutive effect on the basic loss per share of the company.

46 REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVES AND DIRECTORS OF PARENT COMPANY

	Chief Executive		Directors		Executives	
	2010	2009	**2010**	2009	**2010**	2009
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Managerial remuneration	**6,916,667**	5,181,500	**-**	-	**22,453,648**	25,339,839
Housing and utilities	**3,550,000**	2,851,833	**-**	-	**10,520,035**	13,946,732
Bonus	**-**	290,250	**-**	-	**480,000**	1,321,904
Medical	**58,333**	104,977	**-**	-	**955,201**	1,143,088
Others	**599,008**	-	**-**	-	**3,441,425**	7,882,024
Gratuity	**322,500**	-	**-**	-	**1,065,660**	464,400
Directorship Fee	**105,000**	20,000	**515,000**	1,520,000	**-**	-
	11,551,508	8,448,560	**515,000**	1,520,000	**38,915,969**	50,097,987
Number of persons	**1**	2	**7**	6	**27**	34

46.1 In addition to the above, chief executive and some executives have also been provided with free use of Company maintained vehicles.

46.2 Fee was paid to CEO and directors for attending the board meetings amount to Rs. 620,000 (2009: Rs. 1,540,000).

47 MATURITIES OF ASSETS AND LIABILITIES

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

	2010			
	Total	Upto one year	Over one to five years	Over five years
	......Rupee......			
Financial assets:				
Net investment in lease finance	3,348,406,904	2,080,218,367	1,268,188,537	-
Long term loans and advances	755,800,132	238,730,354	517,069,778	-
Long term investments	166,964,800	26,493,600	140,471,200	-
Short term loans and advances	478,102,071	478,102,071	-	-
Short term placements	69,015,249	69,015,249	-	-
Short term investments	374,732,139	374,732,139	-	-
Interest accrued	143,338,848	143,338,848	-	-
Other receivable	69,802,884	69,802,884	-	-
Cash and bank balances	143,382,191	143,382,191	-	-
	5,549,545,218	3,623,815,703	1,925,729,515	-
Financial liabilities				
Finance under murabaha arrangements - secured	-	-	-	-
Current portion of long term morabaha finance - secured	-	-	-	-
Term finance certificates	556,046,082	187,440,000	368,606,082	-
Long term certificates of investments	362,886,073	130,077,400	232,808,673	-
Long term financing	2,070,207,138	632,641,974	1,437,565,164	-
Short term certificates of investments	1,392,999,286	1,392,999,286	-	-
Short term borrowings	1,040,891,737	1,040,891,737	-	-
Mark-up accrued	111,623,282	111,623,282	-	-
Trade and other payables	81,794,625	81,794,625	-	-
	5,616,448,223	3,577,468,304	2,038,979,919	-
Net Balance	(66,903,005)	46,347,399	(113,250,404)	-
Shareholders’ equity	100,783,367			

	2009			
	Total	Upto one year	Over one to five years	Over five years
	……………………………….Rupee……………………………….			
Financial assets:				
Net investment in lease finance	3,737,666,191	2,469,477,654	1,268,188,537	-
Long term loans and advances	747,141,153	230,071,375	517,069,778	-
Long term investments	162,976,000	22,504,800	140,471,200	-
Short term loans and advances	378,062,830	378,062,830	-	-
Short term placements	102,727,368	102,727,368	-	-
Short term investments	399,883,028	399,883,028	-	-
Mark-up accrued	72,741,296	72,741,296	-	-
Other receivable	135,753,295	135,753,295	-	-
Cash and bank balances	160,531,746	160,531,746	-	-
	5,897,482,907	**3,971,753,392**	**1,925,729,515**	**-**
Financial liabilities				
Long term certificates of investments	334,608,673	101,800,000	232,808,673	-
Long term financing	1,864,656,151	766,157,458	1,098,498,693	-
Short term certificates of investments	1,027,286,339	1,027,286,339	-	-
Short term borrowings	1,826,483,761	1,826,483,761	-	-
Mark-up accrued	137,105,415	137,105,415	-	-
Trade and other payables	95,840,547	95,840,547	-	-
	5,285,980,886	**3,954,673,520**	**1,331,307,366**	**-**
Net Balance	**611,502,021**	**17,079,872**	**594,422,149**	**-**
Shareholders' equity	**379,434,974**			

47.1 Financial risk management

47.1.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board) of the parent company, chief operating officer and chief financial officer. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

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

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

(ii) Equity price risk

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

			2010	**2009**
Reporting date all index points			**9721**	**7169**
		Changes in KSE all Index	**Effects on Profit Before Tax**	**Effects on Equity**
Available-for-sale investments			--------- **(Rupees)**	-----------
	2010	+10%	-	25,432,377
		-10%	-	(25,432,377)
	2009	+10%	-	22,162,303
		-10%	-	(22,162,303)
Held-for-trading investments				
	2010	+10%	4,646,574	-
		-10%	(3,104,246)	-
	2009	+10%	-	-
		-10%	-	-

(iii) Profit rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market mark up rates.

The group has no fixed rate instruments. The group's mark up/profit rate risk arises from long term financing, short term financing, investments and lease.

At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments was:

	2010 Rupees	2009 Rupees
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	**1,644,951**	125,693,024
Short term placements	**69,015,249**	102,727,368
Short term loans and advances	**478,102,071**	378,062,830
Long term investments	**102,155,500**	162,976,000
Lease rental receivables	**2,880,070,949**	3,737,666,191
Long term loans and advances	**658,114,047**	965,761,626

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher with all other variables held constant, loss after taxation for the year would have been lower by Rupees 57,516,777 and loss after taxation for the year ended 30 June 2010 would have been higher by Rupees 57,516,777. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010 Rupees	2009 Rupees
Bank balances	**142,406,084**	159,370,261
Short term placements	**69,015,249**	102,727,368
Short term loans and advances-net	**478,102,071**	378,062,830
Markup accrued	**143,338,848**	72,741,297
Other receivables	**69,802,884**	135,753,295
Long term investments	**102,155,500**	162,976,000
Lease rental receivables	**2,880,070,949**	3,737,666,191
Long term loans and advances	**658,114,047**	965,761,626
Long term deposits	**3,210,919**	3,605,919
	4,546,216,551	5,718,664,787

Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables (term loan and lease rental receivables) at the reporting date by type of customer was:

	2010 Rupees	2009 Rupees
Chemical & fertilizer	**35,077,300**	35,780,637
Construction	**491,792,208**	320,920,330
Financial institutions	**6,035,795**	694,634
Health care	**93,424,062**	133,667,759
Hotels	**18,921,381**	10,114,601
Individuals / auto lease	**1,462,515,733**	1,729,389,301
Insurance companies	**3,673,734**	4,787,663
Miscellaneous manufacturing	**337,145,981**	294,091,701
Miscellaneous services	**554,667,327**	1,495,279,627
Natural gas & LPG	**237,187,901**	489,044,195
Paper & board	**19,660,000**	14,391,125
Steel & engineering	**33,021,000**	12,895,411
Sugar & allied	**60,513,475**	28,136,156
Textile composite	**127,847,566**	115,948,964
Textile knitwear / apparel	**192,621,524**	127,788,208
Textile spinning	**39,678,560**	131,135,495
Transport & communication	**995,109,332**	1,028,888,193
	4,708,892,879	5,972,954,000

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

	2010 Rupees	2009 Rupees
Aging of term loan and lease rental receivables		
Not past due	**-**	-
Past due 0 - 180 days	**239,838,059**	608,768,712
Past due 181 - 365 days	**89,524,431**	114,903,842
1 - 2 years	**188,271,012**	247,902,272
More than 2 years	**1,117,247,389**	544,642,387
	1,634,880,891	1,516,217,213
Aging of impaired term loan and lease rental receivables		
Not past due	**-**	-
Past due 0 - 180 days	**17,909,073**	77,115,793
Past due 181 - 365 days	**23,256,974**	46,198,754
1 - 2 years	**116,125,307**	226,377,613
More than 2 years	**1,094,066,278**	494,683,081
	1,251,357,632	844,375,241

Collaterals held against term financing and lease rentals receivables

	2010				
		Collaterals			
	Gross exposure	Mortgage	Hypothe-cation	Liquid-collaterals	Net exposure
	---------- Rupees ----------				
Long term finances	**647,890,159**	**1,310,668,000**	**-**	**86,100,000**	**748,877,841**
Short term finances	**468,680,163**	**876,285,000**	**19,767,000**	**9,000,000**	**436,371,837**
Lease rental receivables	**2,928,300,958**	**1,510,360,863**	**-**	**-**	**1,417,940,095**

The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The group has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies where available. The group also uses other publicly available financial information and its own trading records to rate its customers. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed annually.

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

'he credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. The table below shows the bank balances and investments held with some major counterparties at the balance sheet date:

Banks	Rating		2010	2009
	Long term	Agency	(Rupees)	
Al- Barka Islamic Bank Limited	A	JCR	**-**	14,933
Allied Bank Limited	AA	Pacra	**-**	334,146
Askari Commercial Bank Limited	AA	Pacra	**-**	7,572
Atlas Bank Limited	A-	Pacra	**28,599**	25,825,987
Bank Al Habib	AA	Pacra	**151,538**	1,693,577
The Bank of Punjab	AA-	Pacra	**33,546**	7,121,616
Faysal Bank	AA	Pacra	**-**	1,858,347
Habib Bank Limited	AA+	JCR	**494,878**	9,198,067
Habib Metropolitan Bank	AA+	Pacra	**790,222**	12,651,089
MCB Bank Limited	AA+	Pacra	**2,458,407**	24,592,826
National Bank of Pakistan	AAA	JCR	**-**	391,677
NIB Bank Limited	AA-	Pacra	**16,704,846**	74,852,036
Standard Chartered Bank	AAA	Pacra	**122,535**	283,469
State Bank of Pakistan	-	-	**359,520**	34,186
The Bank of Khyber	BBB	Pacra	**-**	206,624
United Bank Limited	AA+	JCR	**-**	304,139
Dawood Islamic Bank	BBB+	JCR	**42,763,778**	-
KASB Bank Limited	A	Pacra	**78,498,214**	-
			142,406,084	159,370,291

	Rating		2010	2009
	Long term	Agency	(Rupees)	
Available for Sale Securities				
Fully Paid Ordinary Shares				
Engro Chemicals Pakistan Limited	AA	Pacra	**57,906,288**	44,788,678
Fauji Fertilizer Company Limited	A	Pacra	**7,214,900**	174
Pakistan State Oil Limited	AA+	Pacra	**22,455,260**	18,437,995
Attock Refinery Limited	AA	Pacra	**12,760,704**	19,766,736
Pakistan Refinery Limited	AA	Pacra	**-**	4,042,078
National Refinery Limited	AAA	Pacra	**-**	4,840,440
Pakistan OilField Limited	AA	Pacra	**8,636,001**	-
Pakistan Petrolium Limited	AA	Pacra	**7,364,800**	-
MCB Bank Limited	AA+	Pacra	**46,993,980**	34,121,638
Bank Islami Pakistan Limited	A	Pacra	**3,203,580**	6,357,260
My Bank Limited	A-	Pacra	**2,403,471**	5,124,915
NIB Bank Limited	AA-	Pacra	**205,114**	325,945
Samba Bank Limited	A	JCR	**1,278,010**	7,041,740
Allied Bank Limited	AA	Pacra	**3,434,654**	-
Arif Habib Securities Limited	A-	Pacra	**15,363,145**	12,786,430
Pervez Ahmed Securities Limited	A	JCR	**2,325,155**	5,020,437
Jahangir Siddiqui Company Limited	AA+	Pacra	**5,088,004**	9,334,717
Arif Habib Limited	A	JCR	**6,050,000**	7,357,900
PICIC Growth Fund	A	JCR	**-**	101
Adamjee Insurance Company Limited	AA	Pacra	**5,702,634**	5,450,951
D. G. Khan Cement Limited	A+	Pacra	**9,287,384**	9,962,400
Nishat Mills Limited	A+	Pacra	**20,945,540**	12,669,700
Hira Textile Mills Limited	A+	Pacra	**-**	-
Pak Electron Limited	A	Pacra	**723,111**	1,359,692
Pak Suzuki Motors Company Limited			**14,982,030**	12,833,100
			254,323,765	221,623,027
Sukuks / Bonds				
New Allied Electronic Industries (Pvt) Limited-Sukuk			**20,000,000**	20,000,000
Eden Housing Limited-Sukuk			**39,687,500**	50,000,000
			59,687,500	70,000,000
Term finance certificates				
Dewan Cement Limited	D	Pacra	**25,000,000**	40,000,000
Azgard Nine Limited	AA-	Pacra	**35,968,000**	39,976,000
Grays Leasing Limited	BB	Pacra	**6,500,000**	13,000,000
			67,468,000	92,976,000
Held for Trading				
Pakistan State Oil	AA+	Pacra	**3,903,000**	-
Pakistan Oilfield Limited	AA	Pacra	**3,238,500**	-
Pervez Ahmed Securities Limited	A	JCR	**4,687,463**	
Jahangir Siddiqui Company Limited	AA+	Pacra	**7,827,674**	
D.S Industries	B	Pacra	**2,908,120**	
Pakistan Petrolium Limited	AA	Pacra	**2,761,800**	-
Silk Bank Limited	A	Pacra	**2,981,000**	-
National Bank Limited	AA+	Pacra	**1,282,000**	-
D. G. Khan Cement Limited	A+	Pacra	**590,500**	-
Nishat Mills Limited	A+	Pacra	**862,401**	-
			31,042,458	-

Due to the groups long standing business relationships with these counterparties and after giving due consideration to their strong financial standing and collaterals, the management does not expect non-performance by these counter parties on their obligations to the group. Accordingly, the credit risk is a moderate.

(c) Liquidity risk

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

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

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

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2010			(Rupees)		
Customers' security deposits	**893,957,066**	**-**	**640,419,321**	**253,537,745**	**-**
Trade and other payables	**71,492,329**	**-**	**71,492,329**	**-**	**-**
	965,449,395	**-**	**711,911,650**	**253,537,745**	**-**
30 June 2009					
Customers' security deposits	1,074,733,063	-	339,335,371	735,397,692	-
Trade and other payables	95,840,547	-	95,840,547	-	-
	1,170,573,610	-	475,175,918	735,397,692	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup / profit rates effective as at 30 June 2010. The rates of mark up have been disclosed in respective notes to the financial statements.

47.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

47.3 Financial instruments by categories

	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
As at 30 June 2010	(Rupees)					
Assets as per balance sheet						
Cash and bank balances	143,382,191					143,382,191
Short term placements		69,015,249				69,015,249
Short term loans and advances-net		478,120,784				478,120,784
Short term investments			254,323,765	89,365,919	31,042,458	374,732,142
Markup accrued		143,338,848				143,338,848
Other receivables		69,802,884				69,802,884
Long term investments				156,155,500		156,155,500
Lease rental receivables		2,880,070,949				2,880,070,949
Long term loans and advances		647,890,159				647,890,159
	143,382,191	4,288,238,873	254,323,765	245,521,419	31,042,458	4,962,508,706

	Financial liabilities at amortized cost
	(Rupees)
Liabilities as per balance sheet	
Customers' security deposits	893,957,066
Long term financing-subordinated loan	400,646,237
Long term financing-others	1,005,418,927
Long term morabaha	31,500,000
Long term certificates of investment	103,856,273
Short term borrowings	1,040,891,737
Short term certificates of investment	1,392,999,286
Creditors, accrued and other liabilities	71,492,329
	4,940,761,855

	Cash and cash equivalents	Loans and receivables	Available for sale	Held to maturity	Assets at fair value through profit or loss	Total
As at 30 June 2009						
Assets as per balance sheet						
Cash and bank balances	160,531,746					160,531,746
Short term placements		102,727,368				102,727,368
Short term loans and advances-net		378,062,830				378,062,830
Short term investments			221,623,028	178,260,000	-	399,883,028
Markup accrued		72,741,296				72,741,296
Other receivables		135,753,295				135,753,295
Long term investments				172,976,000	-	172,976,000
Lease rental receivables		3,737,666,191				3,737,666,191
Long term loans and advances		747,141,153				747,141,153
	160,531,746	5,174,092,133	221,623,028	351,236,000	-	5,907,482,907

	Financial liabilities at amortized cost
Liabilities as per balance sheet	(Rupees)
Customers' security deposits	1,074,733,063
Long term financing-subordinated loan	-
Long term financing-others	1,098,498,693
Long term morabaha	-
Long term certificates of investment	232,808,673
Short term borrowings	1,826,483,752
Short term certificates of investment	1,027,286,339
Trade and other payables	95,840,547
	5,355,651,067

47.4 Capital risk management

The company's objective when managing capital is to safeguard its ability to continue as a going concern and to meet the regulatory capital requirement as prescribed by the SECP. Currently, the parent Company is required to maintain equity of Rs. 300 million for its leasing operations and Rs. 200 million for investment finance services. For the purposes of minimum equity requirement, the equity of the parent Company includes paid up share capital, reserves, accumulated profits / losses, subordinated loans and redeemable preference shares. However, as of the balance sheet date, the parent Company's net equity for regulatory requirements is short by Rs 123,915,791, which will be duly accomplished by the issuance of right shares.

Further, in accordance with the requirements of NBFC regulations, the minimum equity requirement for NBFCs has been raised to Rs. 1,700 million, to be achieved in a phased manner by 30 June 2013. The parent Company expects that it would be able to meet such enhanced requirement through profitable operations in future.

48 CASH AND EQUIVALENTS

	2010 Rupees	2009 Rupees
Cash and bank balances	**143,382,191**	160,531,746
Short term running finance	**(161,738,467)**	(321,693,339)
Placements with other banks-unsecured	**50,000,000**	-
	31,643,724	(161,161,593)

49 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:

	2010 Rupees	2009 Rupees
Associated companies:		
Newage (Private) Limited		
Share capital	**66,753,010**	66,753,010
Mr.Zahid Rafiq		
Share capital	**57,024,050**	57,024,050
Tricon Developers (Partnership Concern)		
Installments paid for purchase of office space	**-**	124,556,726
Amount due against leases	**2,757,742**	3,762,104
Finance income charged during the period	**566,824**	499,396
Deposit against lease arrangements	**501,350**	501,350

	2010 Rupees	2009 Rupees
Union Communication (Pvt) Limited		
Communication services	**520,668**	730,529
Polygon Builders		
Finance income charged during the period	**-**	2,364,691
Polygon Developers		
Amount due against term finances	**-**	195,000,000
Finance income charged during the period	**-**	27,593,035
Tricon Developers Limited		
Long term financing-subordinated loan	**400,646,237**	-
Allied Developers		
Finance income charged during the period	**-**	5,359,665
Others:		
Ahmed Khalil		
Amount due against term finances	**-**	5,000,000
Finance income charged during the period	**-**	1,565,814
Employees' retirement fund		
Contribution made	**8,363,877**	2,001,231

50 SEGMENT ANALYSIS

Trust investment bank activities are broadly categorized into two primary business segments namely financing activities and investing activities.

Financing activities

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

Investment activities

Investment activities include money market activities, investment in government securities and capital market activities.

	2010 Financing activities	2010 Investment activities	2010 Total
	Rupees	Rupees	Rupees
Income from lease operations	285,575,903	-	285,575,903
Income from investments	-	34,518,766	34,518,766
Income from finances / loans	132,846,018	-	132,846,018
Total income for reportable segments	418,421,921	34,518,766	452,940,687
Finance cost	611,875,625	81,411,167	693,286,792
Administrative and operating expenses	175,973,759	13,859,987	189,833,746
Lease receivables written off	18,945,290	15,029,156	33,974,446
Provision for potential lease losses and other receivables	(85,445,754)	-	(85,445,754)
Impairment on available for sale investment	-	(265,836,899)	(265,836,899)
Other income	9,318,464	28,184,236	37,502,700
Segment result	(293,608,535)	(313,434,207)	(777,934,250)
Loss before taxation			(777,934,250)

	2010 Financing activities	2010 Investment activities	2010 Total
	Rupees	Rupees	Rupees
Segment assets	4,691,463,579	745,377,379	5,436,840,958
Unallocated assets			599,146,321
			6,035,987,279
Segment liabilities	3,386,098,875	1,626,932,959	5,013,031,834
Unallocated liabilities			849,515,975
			5,862,547,809

	2009 Financing activities	2009 Investment activities	2009 Total
	Rupees	Rupees	Rupees
Income from lease operations	454,881,663	-	454,881,663
Income from investments	-	54,283,319	54,283,319
Income from finances / loans	173,138,356	-	173,138,356
Total income for reportable segments	628,020,019	54,283,319	682,303,338
Finance cost	621,198,834	264,738,916	885,937,750
Administrative and operating expenses	52,929,498	165,584,849	218,514,347
Lease receivables written off	4,218,967	-	4,218,967
Provision for potential lease losses and other receivables	(220,007,143)	(104,875,040)	(324,882,183)
Impairment on available for sale investment	-	(240,775,972)	(240,775,972)
Other income	1,911,134	12,555,174	14,466,308
Segment result	171,590,997	(499,386,204)	(977,559,573)
Loss before taxation			(977,559,573)

	------------------- 2009 -------------------		
	Financing activities	Investment activities	Total
	------------------- Rupees -------------------		
Segment assets	5,950,131,300	836,118,142	6,786,249,442
Unallocated assets			(244,376,572)
			6,541,872,870
Segment liabilities	3,691,139,912	1,361,895,012	5,053,034,924
Unallocated liabilities			1,330,026,903
			6,383,061,827

51 SUBSEQUENT EVENT

There were no significant events subsequent to 30 June 2010, which may require an adjustment to financial statements or additional disclosure and have not already been disclosed in these financial statements.

52 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 09, 2010 by the Board of Directors.

53. GENERAL

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

53.2 Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison.

Previous classification	Revised classification	Rupees
Term Finance Certificates	Long term financing - others	552,962,982
Long term investments	Current maturities of non - current assets	22,504,800
Long term advances	Capital work in progress	124,556,726
Provision for dimunition in value of investments	Provision in investment	60,000,000

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 10th day of December, 2009 at 11:00 a.m. at Head Office: 23-D / 1-A, Gulberg III, Lahore.

Signed this ______________ day of _________________ 2010.

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.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Trust Investment Bank Limited.
23-D/1-A, GULBERG - III, Lahore.
Tel: (042) 32404714-19
Fax: (042) 32404720
E. mail: info@trustbank.com.pk
Website: www.trustbank.com.pk

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MAKHDOOMS 92-42-37595165