

CONTENTS

| | |
|----|---|
| 02 | Vision & Mission Statement |
| 03 | Company Information |
| 04 | Branch Network |
| 05 | Notice of the Annual General Meeting |
| 06 | Director's Report |
| 12 | Six Years Financial Summary |
| 13 | Pattern of Shareholding |
| 14 | Categories Of Shareholders |
| 15 | Financial Statements |
| 16 | Statement of Compliance with Code of Corporate Governance |
| 18 | Review Report to the Members |
| 19 | Auditors' Report to the Members |
| 21 | Balance Sheet |
| 22 | Profit and Loss Account |
| 23 | Cash Flow Statement |
| 25 | Statement of Comprehensive income |
| 26 | Statement of Changes in Equity |
| 27 | Notes to the Financial Statements |
| | Form of Proxy |

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 |
| Mir Javed Hashmat | Director |
| Mr. Khalid Rafiq | Director |
| Mr. Mubarak Ali | Director |
| Mr. Shazib Masud..... | Director |
| Mr. Mumtaz Ahmed..... | Director |
| Mr. Shahid Iqbal | Director |
| Mr. Humayun Nabi Jan..... | Chief Executive |

Audit Committee

| | |
|------------------|----------|
| Mr. Shahid Iqbal | Chairman |
| Mr. Asif Kamal | Member |
| Mr. Mubarak Ali | Member |

Chief Financial Officer

Mr. Imran Hameed

Company Secretary

Mr. Awais Yasin

Auditors

Zahid Jamil & Company
Chartered Accountants
A member firm of IGAF POLARIS

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: 042-36312550

Registered Office & Head Office

23-D/1-A, Gulberg-III, Lahore.
UAN: 042-111-665-462
Tel: 042-32404714-19
Fax: 042-35783005
Email: info@trustbank.com.pk
Website: www.trustbank.com.pk

BRANCH NETWORK

1. Data Gunj Buksh Branch
114-Abu Bakar Road, Bilal Gunj,
Islampura, Lahore.
Tel: 042 - 37149291
Fax: 042 - 37149223
2. Faisalabad Branch
H. T. Plaza # 5, Ground Floor,
Hockey Stadium,
Susan Road, Faisalabad.
Tel: 041-8503305-6
Fax: 041-8737431
3. Sargodha Branch
60/A Railway Road, Civil Lines
Opp. Solo Hotel, Sargodha.
Tel: 048-3213836 & 3768003
Fax: 048-3740082
4. Gujranwala Branch
Opp. Divisional Public School, Shama
Stop,
G T Road, Gujranwala.
Tel: 0553-847117 & 733617
Fax: 0553-842626
5. Multan Branch
1733/B - Ground Floor, LMQ Road,
Central Chungi 8-9 Highway, Multan.
Tel: 061-6210063
Fax: 061-6210063
6. Islamabad Branch
Office # 505, 5th Floor, ISE Towers,
Jinnah Avenue, Blue Area,
Islamabad.
Tel: 051-2894561-63
Fax: 051-2894562
7. Karachi Branch
Office No.304, Business Arcade,
Plot No.27-A, PECHS, Block 6,
Shahrah-e-Faisal, Karachi.
Tel: 021-34322128-29
Fax: 021-34322082
8. Peshawar Branch
Commercial Building, Jehangirabad,
University Road, Peshawar.
Tel: 091-5701484 & 5710000
Fax: 091-5746302

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that 20th Annual General Meeting of Trust Investment Bank Limited will be held on Saturday, October 29, 2011 at 10:00 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 11th Extra Ordinary General Meeting held on August 12, 2011.
- ii) To receive, consider and adopt the audited accounts of the Bank for the year ended June 30, 2011 together with Directors' and Auditors' Report thereon.
- iii) To appoint the Auditors of the Bank for the year ending June 30, 2012 and to fix their remuneration. The retiring auditors M/s Zahid Jamil & Co., 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 08, 2011

Awais Yasin
(Company Secretary)

Notes:

- 1) The share transfer books of the Bank will remain closed from October 22, 2011 to October 29, 2011 (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 20th annual report of the Trust Investment Bank Limited for the year ended June 30, 2011.

YEAR REVIEW & FUTURE OUTLOOK

While the year began with high hopes for economic recovery through higher agricultural output, higher exports, sustained foreign exchange reserves, tapering off of high inflation period, anticipation of lower discount rates by the central bank, lower borrowing for budgetary support and consequently better liquidity leading to more space for growth in private sector investment. However, in addition to continued political uncertainties of a coalition government, war on terror in north west along with its back lash in economic centers like Karachi - unprecedented floods delivered a major jolt to the already fragile economy. The sheer scale of devastation from Khyber Pakhtoonkhawa to Punjab, Sind and parts of Baluchistan was significant setback for the economy.

The overall internal as well regional security situation, continued acute energy crisis also exacerbated situation for business and economy across the board. Consequently current financial year has been another very challenging year for the country as well as your Bank. The obstinate credit rating environment continued to mar the liquidity situation for the sector as well as the Bank. These challenges were further aggravated by lack of growth and qualitative deterioration in existing asset portfolio due to all around economic slowdown.

However, it gives me immense pleasure to report that despite this continuing very difficult environment, your Bank has been able to meet all its' obligations to its' lenders, TFC holders and inter-bank money market investors. The total obligation to some almost three dozen financial institutions of around PKR.4.8 billions in September 2008 - the time of stock markets and financial sector meltdown in Pakistan is down to around PKR.1 billion only. Your Bank has repaid around PKR.5.1 billion to these institutions including interest, despite the fact that no new line of credit, money market placement or TFC was available due to overall sector perception and credit rating related issues.

We believe that the country as well as the Bank has been able to weather the unprecedented economic crisis, and both are poised for a recovery now. Pakistan economy has once again shown its resilience by achieving though small yet growth in real GDP in the year 2010-11, driven primarily by the higher output in agriculture, substantial increase in textile as well as overall exports and sustained growth in expatriate remittances. We 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, better discipline in government borrowing, lower inflation and trend for lower discount rate by the central bank - all augur well for future of national economy and Trust Bank as a participant.

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, 2011 in comparison with June 30, 2010 are as follows:

| | June 30, 2011 | June 30, 2010 |
|----------------------------------|---------------------|------------------|
| | (Rupees in million) | |
| Revenue | 618 | 451 |
| Operating Expenses | 150 | 184 |
| Financial Expenses | 587 | 686 |
| Profit/ (loss) after taxation | 166 | (702) |
| Earnings/ (loss) per Share (Rs.) | 2.12 | (12.16) |

FINANCIAL HIGHLIGHTS

It is worth mentioning that due to negative macro economic condition, the situation is not conducive for overall business and specially for the NBFC's, which also affected on your Bank. The management is pleased to report that during the period under review, Bank declared a profit of Rs.166.363 million translating into an EPS of Rs.2.12 as compared to a loss of Rs.701.808 million translating into LPS of Rs.12.16 in the comparative period last year. Your Bank is able to generate the profit by marinating focus on improving operating efficiencies and reduction of operating as well as financial cost. Your Bank has successfully managed to boost the revenue streams specifically focused on Investment Finance Services due to which the income in this head is increased by 136%. During the period under review the Bank launch new products which include bill discounting against which Bank perceived good response from the market and Bank earned substantial margin therein. The austerity measures taken by the management resulted in reduction in admin & operating expenses by 18% and financial cost reduced by 14%.

MINIMUM CAPITAL REQUIREMENT

Prior to the period under review, Bank was engaged in leasing and investment finance services business. In order remain compliant to Minimum Capital Requirement for the two licenses from SECP i.e.: Leasing and IFS, effective from June 30, 2011, Bank is required to have a minimum equity of PKR.850 million. Whereas, in case Bank decides to continue with IFS license only, the revised minimum equity requirement would be PKR.500 million. The matter was taken up at a Board of directors meeting held on February 28, 2011 and it was resolved to retain only IFS license as the Bank, at least in the short to medium term, does not see further growth in leasing portfolio due to non-availability of longer term/ matching tenure funds. Consequently, the Board decision in this regard was communicated to the SECP vide letter dated April 16, 2011. The position of the equity as at June 30, 2011 is as under:

| | |
|-------------------|---------------|
| Shares Capital | PKR. 892.02 |
| Reserves | PKR. (791.87) |
| Subordinated Loan | PKR. 400.64 |
| Total Equity | PKR. 500.79 |

RATING BY EXTERNAL AGENCY

We are pleased to report that Pakistan Credit Rating Agency Limited has upgraded the long term entity rating of the Bank to "BBB" (Triple B - Positive outlook) in May 2011 while maintaining the short term credit rating at "A3" (A three). Meanwhile the rating of Term Finance Certificate III has been maintained at "BBB" (Triple B). These ratings reflect the improving financial health of the Bank.

While this upward revision is an acknowledgement of success of various initiatives by the Board and the management, it remains short of return to "A" band which is an absolute prerequisite for sustainable liquidity and profitability. We, therefore, assure that while continuing with our efforts for all round improvements will remain engaged with rating agency for further improvement in ratings. At the time of last review in May 2011, rating agency has categorically specified disposal of entire land holding as the most important prerequisites for return of Banks credit rating to "A" band. Through a very active interface with rating agency, regulators, sponsors, board of directors and shareholders through a general meeting in August 2011, we have been able to arrange swapping of investment in real estate with marketable securities. While all necessary corporate formalities in this regard have been completed and request for formal regulatory approval is submitted with the SECP. The Bank has simultaneously approached a few investment companies as well as some of Bank's existing lenders for placement of these marketable securities to able to meet rating agency requirements at the earliest possible.

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 with 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, four (04) 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 | 4 |
| Mr. Humayun Nabi Jan | Director | 4 |
| Mr. Yusaf Saeed | Director | 1 |
| Mr. Munawar Ali | Director | 4 |
| Mr. Mohsin Raza Naqvi | Director | 4 |
| Mr. Mir Javed Hashmat | Director | 2 |
| Mr. Shahid Iqbal | Director | 3 |
| Mr. Javaid B. Sheikh | Director | 1 |

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

- k) The Statement of Code of Ethics and Business Practices has been developed and acknowledged by the directors and employees of the Company.
- l) 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.
- m) The Audit Committee continued to function 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. Shahid Iqbal | Chairman |
| 2. | Mr. Asif Kamal | Member |
| 3. | Mr. Mubarik Ali | 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. During the period under review Mr. Asif Kamal, purchased 6,675,301 shares from Newage (Private) Limited after taking approval from SECP. The total shareholding comes of Mr. Asif Kamal comes to 7,106,551. The Bank has complied with all statutory requirement in this regard.

There was 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 except the aforesaid transaction. Detail of number of shares held by them is annexed.

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, IGAF - Zahid Jamil & Company, Chartered Accountants, have completed their audit assignment of the "Bank's Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended June 30, 2011 and shall retire at the conclusion of the 20th Annual General Meeting.

The Audit Committee of the Bank has recommended the appointment of IGAF - Zahid Jamil & Company, Chartered Accountants, as the external auditors of the bank for the year ended June 30, 2012. The Board of Directors has also endorsed the recommendation made by the Audit Committee. The audit firm has been given satisfactory rating under the Quality Control Review Programme of the Institute Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP.



ACKNOWLEDGEMENT

We would like to express our sincere thanks and applaud the SECP and SBP for their continued support and sustained efforts extended during the financial crises to strengthen the banking and financial system of the country and improving the governance framework for all financial institutions. The Board also expresses its gratitude to valuable customers, financial institutions and shareholders for their persistent cooperation and patronage. The Board also acknowledges the significant contributions by the executives and employees of the Bank and Board is confident that with the valuable teamwork and dedicated services of the employees, we shall be able to face the challenging times that lie ahead.

For and on behalf of the Board of Directors

Lahore
October 07, 2011

Humayun Nabi Jan
President &
Chief Executive Officer

SIX YEARS FINANCIAL SUMMARY

(Rupees in Million)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|-------|---------|---------|-------|--------------------------|--------------------------|
| Operational Result | | | | | | |
| Total Lease Business and Term Finances | 1,002 | 2,104 | 1,910 | 2,749 | 1,063 | 1,727 |
| Revenues | 660 | 475 | 695 | 949 | 732 | 733 |
| Financial expenses | 587 | 686 | 875 | 538 | 429 | 404 |
| Total Expenses | 754 | 869 | 1,069 | 750 | 607 | 511 |
| Profit / (loss) before tax | 183 | (905) | (976) | 66 | 115 | 221 |
| Profit / (loss) after tax | 166 | (702) | (715) | 149 | 103 | 202 |
| Balance sheet | | | | | | |
| Total assets | 5,381 | 5,906 | 6,523 | 8,089 | 6,444 | 6,162 |
| Paid-up-capital | 892 | 892 | 585 | 585 | 468 | 407 |
| Reserves | (792) | (917) | (205) | 510 | 548 | 567 |
| Total Equity | 501 | 376 | 391 | 1,095 | 1,023 | 978 |
| Earning per share * | 2.12 | (12.16) | (12.22) | 2.56 | 2.20 | 4.96 |
| Book value per share | 3.32 | 1.19 | 6.68 | 16.78 | 25.10 | 24.02 |
| Dividend | Nil | Nil | Nil | Nil | 15% Cash dividend | 15% Cash dividend |
| | Nil | Nil | Nil | Nil | 25% Stock Dividend | 15% Stock Dividend |

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

PATTERN OF SHAREHOLDING

As at June 30, 2011

| Number of Shareholders | Shareholding | | Total Number of Shares Held | Percentage |
|------------------------|--------------|------------|-----------------------------|------------|
| | From | To | | |
| 418 | 1 | 100 | 16,105 | 0.03 |
| 687 | 101 | 500 | 178,151 | 0.30 |
| 344 | 501 | 1,000 | 256,071 | 0.44 |
| 629 | 1,001 | 5,000 | 1,475,019 | 2.52 |
| 64 | 5,001 | 10,000 | 450,915 | 0.77 |
| 26 | 10,001 | 15,000 | 326,823 | 0.56 |
| 18 | 15,001 | 20,000 | 308,687 | 0.53 |
| 9 | 20,001 | 25,000 | 209,468 | 0.36 |
| 12 | 25,001 | 30,000 | 326,567 | 0.56 |
| 7 | 30,001 | 40,000 | 237,068 | 0.40 |
| 4 | 40,001 | 50,000 | 196,137 | 0.33 |
| 5 | 50,001 | 70,000 | 304,429 | 0.52 |
| 3 | 70,001 | 100,000 | 244,821 | 0.42 |
| 3 | 100,001 | 140,000 | 312,750 | 0.53 |
| 1 | 145,001 | 150,000 | 150,000 | 0.26 |
| 1 | 150,001 | 155,000 | 152,686 | 0.26 |
| 1 | 200,001 | 210,000 | 203,067 | 0.35 |
| 1 | 285,001 | 290,000 | 288,000 | 0.49 |
| 1 | 345,001 | 350,000 | 349,000 | 0.60 |
| 1 | 700,001 | 710,000 | 707,000 | 1.21 |
| 1 | 1,100,001 | 1,110,000 | 1,104,847 | 1.89 |
| 1 | 1,200,001 | 1,210,000 | 1,207,306 | 2.06 |
| 1 | 1,360,001 | 1,365,000 | 1,364,500 | 2.33 |
| 1 | 1,665,001 | 1,670,000 | 1,670,000 | 2.85 |
| 1 | 1,850,001 | 1,860,000 | 1,858,966 | 3.17 |
| 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 | 3,540,001 | 3,545,000 | 3,544,210 | 6.05 |
| 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 | 7,100,001 | 7,150,000 | 7,106,551 | 12.14 |
| 1 | 12,205,001 | 12,210,000 | 12,209,742 | 20.85 |
| 2,249 | | | 58,552,870 | 100.00 |

CATEGORIES OF SHAREHOLDERS

As at June 30, 2011

| Categories of shareholders | Shares held | Percentage |
|--|-------------------|---------------|
| Directors & Chief Executive | | |
| Mr. Asif Kamal | 7,106,551 | 12.14 |
| Mr. Muhammad Humayun | 718 | 0.00 |
| Syed Mohsin Raza Naqvi | 500 | 0.00 |
| Mr. Munawar Ali | 500 | 0.00 |
| Mr. Javaid B. Sheikh | 718 | 0.00 |
| Mir Javed Hashmat | 500 | 0.00 |
| Mr. Shahid Iqbal | 500 | 0.00 |
| Associated Companies/Persons & related parties | | |
| Genesis Securities (Pvt.) Limited | 12,209,742 | 20.85 |
| Mr. Zahid Rafiq | 5,702,405 | 9.74 |
| Banks & Financial Institutions | 3,916,894 | 6.69 |
| Insurance Companies | 2,568,936 | 4.39 |
| Modarabas | 6,566 | 0.01 |
| General Public | 14,998,350 | 25.62 |
| IDBP (ICP Unit) | 4,100 | 0.01 |
| Others (Joint Stock & Investment Companies) | 12,035,890 | 20.56 |
| 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% |
| Mr. Asif Kamal | 7,106,551 | 12.14% |
| Total | 19,316,293 | 32.99% |



Trust Investment Bank Limited

Financial Statements

Trust Investment Bank Limited
(for the year ended 30 June 2011)

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 NBFIs or, being a member of a stock exchange and has been declared as a defaulter by that stock exchange.
4. During the year two 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 Bank arranged orientation course for its Directors during the year to apprise their duties and responsibilities.

10. During the year, 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 07, 2011

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. 35 of Karachi Stock Exchange and Lahore Stock Exchange where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi and Lahore Stock Exchanges require 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 justification for using such alternate pricing mechanism. Further, all such transactions are 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 the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the code of Corporate Governance for the year ended June 30, 2011.

Faisalabad:
October 07, 2011

ZAHID JAMIL & CO.
Chartered Accountants
Engagement Partner: Muhammad Amin

Auditors' Report to the Members



Trust Investment Bank Limited

We have audited the annexed balance sheet of TRUST INVESTMENT BANK LIMITED as at JUNE 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of 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;
 - ii) the expenditures incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditures 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 give a true and fair view of the state of the Company's affairs as at JUNE 30, 2011 and of the profit, comprehensive profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 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. Note # 1.2, company has surrendered its lease license.
- II. Note # 1.3 & note # 6.2.1, No consolidated financial statements have been prepared as company has disposed off its whole investment in subsidiary during the year. Company has applied for exemption to SECP for preparation of consolidated financial Statements. Further SECP approval for disposal of subsidiary is pending.
- III. Note # 7.4, Company has reversed the provision related to doubtful long term loan on the basis of settlement mentioned in said note.
- IV. Note # 19.3, 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 sought by the Institute of Chartered Accountants of Pakistan from the Securities and Exchange Commission of Pakistan.
- V. The comparative financial statements for the year ended June 30, 2010 have been audited by another firm of chartered accountants whose report dated 09 October, 2010 expressed an opinion with emphasis paragraphs on company's ability to continue as a going concern and preference shares treatment as equity.

Faisalabad:
October 07, 2011

ZAHID JAMIL & CO.
Chartered Accountants
Engagement Partner: Muhammad Amin

Balance Sheet

As at 30 June 2011



Trust Investment Bank Limited

| | Note | 2011 Rupees | 2010 Rupees |
|---|------|----------------------|----------------------|
| ASSETS | | | |
| Non - current assets | | | |
| Fixed assets | 5 | 232,207,061 | 331,606,544 |
| Long term investments | 6 | 64,335,550 | 59,661,900 |
| Long term loans and advances | 7 | 568,992,587 | 384,583,434 |
| Net investment in lease finance | 8 | 153,696,782 | 799,852,582 |
| Long term deposits | | 1,280,850 | 1,250,919 |
| Deferred tax asset | 9 | 515,931,678 | 525,838,319 |
| Other receivable | 10 | 40,000,000 | - |
| Total non-current assets | | 1,576,444,508 | 2,102,793,698 |
| Current assets | | | |
| Current maturities of non - current assets | 11 | 2,189,075,625 | 2,220,141,445 |
| Short term loans and advances | 12 | 796,421,060 | 477,803,204 |
| Short term placements | 13 | 9,966,110 | 69,015,249 |
| Short term investments | 14 | 1,384,288 | 359,308,883 |
| Short term prepayments | | 4,940,776 | 17,692,155 |
| Interest accrued | 15 | 233,621,996 | 143,338,848 |
| Taxation - net | | 2,392,832 | 2,646,547 |
| Other receivables | 16 | 60,912,841 | 69,595,224 |
| Cash and bank balances | 17 | 29,107,525 | 143,194,778 |
| | | 3,327,823,053 | 3,502,736,333 |
| Assets classified as held for sale | 18 | 476,368,866 | 300,656,237 |
| Total current assets | | 3,804,191,919 | 3,803,392,570 |
| TOTAL ASSETS | | 5,380,636,427 | 5,906,186,268 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 19 | 892,028,729 | 892,028,729 |
| Reserves | 20 | (791,875,914) | (916,590,757) |
| | | 100,152,815 | (24,562,028) |
| Surplus on revaluation of fixed assets-net | 21 | 27,676,131 | 72,656,103 |
| Deficit on revaluation of investments | 22 | - | - |
| Non-current liabilities | | | |
| Long term financing-subordinated loan | 23 | 400,646,237 | 400,646,237 |
| Long term financing-others | 24 | 883,507,857 | 1,039,285,177 |
| Long term morabaha | 25 | 7,500,000 | 19,500,000 |
| Long term certificates of investment-unsecured | 26 | 96,333,333 | 103,856,273 |
| Deferred liabilities | 27 | 9,214,309 | 8,090,090 |
| Long term deposits | 28 | 260,411,691 | 239,072,508 |
| Total non-current liabilities | | 1,657,613,427 | 1,810,450,285 |
| Current liabilities | | | |
| Short term borrowings | 29 | 1,276,149,039 | 1,040,891,737 |
| Short term certificates of investment | 30 | 742,501,014 | 1,392,999,286 |
| Current maturities of long term liabilities | 31 | 1,300,216,106 | 1,446,251,719 |
| Mark-up accrued | 32 | 103,096,123 | 113,147,699 |
| Trade and other payables | 33 | 173,231,772 | 54,351,467 |
| Total current liabilities | | 3,595,194,054 | 4,047,641,908 |
| | | 5,252,807,481 | 5,858,092,193 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 34 | - | - |
| | | 5,380,636,427 | 5,906,186,268 |

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

| | Note | 2011 Rupees | 2010 Rupees |
|--|------|----------------------|----------------------|
| Income | | | |
| Income from lease operations | 35 | 290,013,467 | 285,575,903 |
| Income from investments | 36 | 14,642,358 | 32,775,958 |
| Income from term finances | 37 | 314,072,953 | 132,830,151 |
| | | <u>618,728,778</u> | <u>451,182,012</u> |
| Finance cost | 38 | 587,196,249 | 685,567,610 |
| | | <u>31,532,529</u> | <u>(234,385,598)</u> |
| Administrative and operating expenses | 39 | 150,198,938 | 183,700,195 |
| | | <u>(118,666,409)</u> | <u>(418,085,793)</u> |
| Other operating income | 40 | 40,847,842 | 23,339,955 |
| | | <u>(77,818,567)</u> | <u>(394,745,838)</u> |
| Other operating expenses | 41 | 16,509,127 | 18,724,755 |
| | | <u>(94,327,694)</u> | <u>(413,470,593)</u> |
| Operating loss before provisions and taxation | | (94,327,694) | (413,470,593) |
| Provision against lease and term loan losses | 42 | (217,664,870) | 225,267,471 |
| Provision / impairment in the value of investment | 43 | (60,000,000) | 265,836,899 |
| | | <u>(277,664,870)</u> | <u>491,104,370</u> |
| Profit / (loss) before taxation | | 183,337,176 | (904,574,963) |
| Provision for taxation | 44 | 16,974,234 | (202,766,481) |
| Profit / (loss) after taxation | | 166,362,942 | (701,808,482) |
| Earning / (loss) per share - basic/ diluted | 45 | 2.12 | (12.16) |

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

Cash Flow Statement

For the year ended 30 June 2011



Trust Investment Bank Limited

| | 2011 Rupees | 2010 Rupees |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit / (loss) before taxation | 183,337,176 | (904,574,963) |
| Adjustments for non cash / non operating items: | | |
| Depreciation and amortization | 8,368,762 | 14,619,342 |
| Amortization of initial transaction cost over term finance certificates | 3,259,833 | 3,083,102 |
| Provision for staff service cost | 7,077,019 | 10,641,673 |
| Provision for potential lease and term loan losses | (217,664,870) | 225,267,471 |
| Lease receivables written off | 16,509,127 | 18,724,755 |
| Finance cost | 583,936,416 | 682,484,508 |
| Gain on disposal of fixed assets | (11,476,026) | (4,543,013) |
| Unrealized loss on revaluation of held for trading investments | 817,114 | 1,527,749 |
| Loss on disposal of investment in subsidiary company | 14,142,596 | - |
| Provision/ impairment on investment reversed | (60,000,000) | 265,836,899 |
| Gain on disposal of available for sale investments | (6,753,023) | (964,541) |
| | 338,216,948 | 1,216,677,945 |
| Operating profit before working capital changes | 521,554,124 | 312,102,982 |
| Changes in operating assets and liabilities: | | |
| (Increase) / decrease in: | | |
| Long term loans and advances | (114,787,717) | 88,923,816 |
| Net investment in lease finance | 475,608,004 | 647,456,162 |
| Other receivables | (51,857,404) | - |
| Short term loans and advances | (318,617,856) | (99,397,047) |
| Short term placements | 7,107,549 | 81,619,819 |
| Short term investments | 365,388,253 | 64,950,010 |
| Short term prepayments | 12,751,379 | (8,383,565) |
| Interest accrued | (90,283,148) | (70,597,552) |
| Other receivables | (32,081,606) | 3,956,822 |
| | 253,227,454 | 708,528,465 |
| Increase in certificates of investment | (732,575,672) | 265,037,947 |
| Increase / (decrease) in trade and other payables | 76,376,343 | 24,626,069 |
| | (402,971,875) | 998,192,481 |
| Cash generated from operations | 118,582,249 | 1,310,295,463 |
| Finance cost paid | (593,987,992) | (706,442,224) |
| Taxes paid | (6,813,878) | 29,784,669 |
| Staff service cost paid | (5,952,800) | (9,734,795) |
| | (606,754,670) | (686,392,350) |
| Net cash (used in) / generated from operating activities | (488,172,421) | 623,903,113 |

| | Note | 2011 Rupees | 2010 Rupees |
|---|------|---------------------|----------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (19,210,257) | (60,580,991) |
| Long term investments | | 68,625,000 | 16,820,500 |
| Long term deposits | | (29,931) | 1,375,000 |
| Proceeds from disposal of operating fixed assets | | 110,184,344 | 18,427,934 |
| Net cash generated from / (used in) investing activities | | 159,569,156 | (23,957,557) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long term financing | | 128,709,319 | 386,267,900 |
| Long term morabaha | | (12,000,000) | 31,500,000 |
| Short term borrowings | | 355,390,111 | (625,637,143) |
| Term finance certificates | | (187,440,000) | (187,590,002) |
| Dividend | | (10,609) | (10,128,788) |
| Net cash generated from / (used in) financing activities | | 284,648,821 | (405,588,033) |
| Net (decrease) / increase in cash and cash equivalents | | (43,954,444) | 194,357,523 |
| Cash and cash equivalents at the beginning of the year | | 31,456,311 | (162,901,212) |
| Cash and cash equivalents at the end of the year | 48 | (12,498,133) | 31,456,311 |

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

Statement of Comprehensive Income

For the year ended 30 June 2011



Trust Investment Bank Limited

| | 2011 Rupees | 2010 Rupees |
|--|--------------------|----------------------|
| Profit / (Loss) after taxation for the year | 166,362,942 | (701,808,482) |
| Other comprehensive income | - | - |
| Transferred from surplus on revaluation of fixed assets to un-appropriated profit- net of tax | 866,472 | 120,457 |
| Total comprehensive income / (loss) for the year | 167,229,414 | (701,688,025) |

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

Statement of Changes in Equity

For the year ended 30 June 2011

| | 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 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 | - | - | - | - | (701,688,025) | (701,688,025) | (701,688,025) |
| 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) |
| Transferred to statutory reserve created at the rate of 20% of profit for the year after taxation | - | - | 33,272,588 | - | (33,272,588) | - | - |
| Total comprehensive income for the year | - | - | - | - | 167,229,414 | 167,229,414 | 167,229,414 |
| Dividend on preference shares @ Kibor+100 BPS for the year ended 30 June 2011 | - | - | - | - | (42,514,571) | (42,514,571) | (42,514,571) |
| Balance as at 30 June 2011 | 585,528,729 | 306,500,000 | 240,030,907 | 61,000,000 | (1,092,906,821) | (791,875,914) | 100,152,815 |

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements

For the year ended 30 June 2011



Trust Investment Bank Limited

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 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 "BBB" (Triple B) and "A3" (A three) respectively as graded by PACRA. The ratings of secured and listed term finance certificate III is "BBB" (Triple B).

- 1.2 The financial statements for the year ended 30 June 2011 reflect profit after taxation of Rs. 166.36 million, and as of the said date the Company is compliant with the minimum regulatory requirement of equity set by SECP for investment finance services business. The license for investment finance services business caters to all the current operations of the Company, therefore, Company has no need for the leasing license and after the approval from the Board of Directors, same has also been intimated to SECP.

During the preceding financial year, a subordinated debt of Rs. 400.65 million in combination of cash and properties was provided to the Company by the sponsors. Also, preference shares of Rs. 306.50 million were issued, and all the short-term money market borrowings of the Company were re-profiled to match the Company's cash flows. Effective May 2011 the long-term entity rating of the Company has also been upgraded to BBB with positive outlook while the short-term entity rating has been maintained at A3.

Based on the above and the financial projections as prepared by the Company for future periods the management is confident that the Company shall continue and further improve its business growth during the coming years resulting in improvement of its profitability.

- 1.3 During the year the Company has sold its wholly owned subsidiary Trust Capital (Private) Limited, engaged in stock brokerage business. The sale has been concluded effective as at 29 June 2011. An application has been submitted to SECP for exemption from preparation of consolidated financial statements and thus no consolidated financial statements have been presented for the current year.

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 Standards, interpretations and amendments to published approved accounting standards that are effective during the year

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contain a lease
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited exemption from comparative IFRS 7 disclosure for first time adopters
- IFRS 2 Share-based payment - Amendments relating to group cash-settled share-based payment transactions
- IFRS 3 Business Combinations - Amendment resulting from improvement to IFRSs
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from improvement to IFRSs
- IAS 1 Presentation of Financial Statements - Amendments resulting from improvements to IFRSs
- IAS 7 Statement of Cash Flows - Amendments resulting from improvement to IFRSs
- IAS 17 Leases - Amendments resulting from improvements to IFRSs
- IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from improvements to IFRSs
- IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues
- IAS 36 Impairment of Assets - Amendments resulting from improvements to IFRSs
- IAS 39 Financial Instruments; Recognition and Measurement - Amendments resulting from improvements to IFRSs
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements.

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

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

| Standard or Interpretation | Effective date (accounting periods beginning on or after) |
|---|---|
| IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from improvement to IFRSs | January 1, 2011 |
| IFRS 1 First-time Adoption of International Financial Reporting Standards - Replacement of fixed date for certain exemptions with a date of transition to IFRSs | July 1, 2011 |
| IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation | July 1, 2011 |
| IFRS 7 Financial Instruments: Disclosures - Amendments resulting from improvement to IFRSs | January 1, 2011 |
| IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosure about transfer of financial assets | July 1, 2011 |
| IFRS 9 Financial Instruments - Classification and Measurement | January 1, 2013 |
| IFRS 10 Consolidated Financial Statements | January 1, 2013 |
| IFRS 11 Joint Arrangements | January 1, 2013 |
| IFRS 12 Disclosure of Interest in Other Entities | January 1, 2013 |
| IFRS 13 Fair Value Measurement | January 1, 2013 |
| IAS 1 Presentation of Financial Statements - Amendment resulting from improvement to IFRSs | January 1, 2011 |
| IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented | July 1, 2012 |
| IAS 12 Income taxes - Recovery of underlying assets | January 1, 2012 |
| IAS 19 Employee Benefits - Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects | January 1, 2013 |
| IAS 24 Related Party Disclosures - Revised definition of related parties | January 1, 2011 |
| IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) | January 1, 2013 |
| IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011) | January 1, 2013 |
| IAS 34 Interim Financial Reporting - Amendments resulting from improvement to IFRSs | January 1, 2011 |
| IFRIC 13 Customer Loyalty Programmes - Amendments resulting from improvement to IFRSs | January 1, 2011 |
| IFRIC 14 IAS 19 - The Limits on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (Amendments) | January 1, 2011 |

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.

Full month's depreciation is charged on the additions during the month in which asset is available for use, while no depreciation is charged in the month in which the asset is 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 month's amortization is charged on the additions during the month in which asset is available for use, while no depreciation is charged in the month in which the asset is 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 use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in present conditions. Management must be omitted to the sale, 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 lease finance, long term deposits, short term loans and advances, short term placements, short term investment, 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, preference shares, 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. Provision has been made after taking the benefits of collaterals as per NBFC Regulations, 2008.

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 financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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 along with 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 | 2011 Rupees | 2010 Rupees |
|--------------------------|------|--------------------|--------------------|
| 5. FIXED ASSETS | | | |
| Tangible | | | |
| Property and equipment | 5.1 | 86,331,706 | 89,974,325 |
| Capital work in progress | 5.2 | 145,249,000 | 240,900,000 |
| Intangible assets | 5.3 | 626,355 | 732,219 |
| | | 232,207,061 | 331,606,544 |

5.1 Property and equipment

| PARTICULARS | 2011 | | | | | | | | | |
|-------------------------------|--------------------|---------------------------|---------------------------|--------------------|-------------------------|------------------|---------------------|--------------------|-------------------------------|--------|
| | C O S T | | | | D E P R E C I A T I O N | | | | | |
| | As at 1 July 2010 | Additions during the year | Deletions during the year | As at 30 June 2011 | As at 1 July 2010 | For the year | Deletions | As at 30 June 2011 | Book value as at 30 June 2011 | Rate % |
| -----Rupees----- | | | | | | | | | | |
| Owned | | | | | | | | | | |
| Land | 22,000,000 | - | - | 22,000,000 | - | - | - | - | 22,000,000 | |
| Building on freehold land | 26,790,450 | 13,185,600 | - | 39,976,050 | 3,983,449 | 1,579,868 | - | 5,563,317 | 34,412,733 | 5 |
| Leasehold improvements | 27,985,270 | 342,125 | (487,500) | 27,839,895 | 13,721,910 | 2,864,854 | (222,083) | 16,364,681 | 11,475,214 | 20 |
| Office equipment and machines | 17,796,167 | 184,572 | (339,730) | 17,641,009 | 10,778,179 | 1,407,778 | (234,949) | 11,951,008 | 5,690,001 | 20 |
| Furniture and fixtures | 15,686,629 | 3,800 | (1,763,693) | 13,926,736 | 6,448,934 | 856,162 | (988,236) | 6,316,860 | 7,609,876 | 10 |
| Air-conditioning equipment | 4,247,827 | - | (766,448) | 3,481,379 | 1,270,129 | 288,038 | (231,357) | 1,326,810 | 2,154,569 | 10 |
| Vehicles | 24,641,448 | 475,000 | (18,929,520) | 6,186,928 | 12,970,865 | 1,266,198 | (11,039,448) | 3,197,615 | 2,989,313 | 20 |
| | 139,147,791 | 14,191,097 | (22,286,891) | 131,051,997 | 49,173,466 | 8,262,898 | (12,716,073) | 44,720,291 | 86,331,706 | |

| PARTICULARS | 2010 | | | | | | | | | |
|-------------------------------|--------------------|---------------------------|---------------------------|--------------------|-------------------------|-------------------|---------------------|--------------------|-------------------------------|--------|
| | C O S T | | | | D E P R E C I A T I O N | | | | | |
| | 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 | 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 | |

 2011
Rupees

 2010
Rupees

5.2 Capital work in progress

| | | |
|--------------------------------|---------------|-------------|
| Opening Balance | 240,900,000 | 124,556,726 |
| Additions | 38,000,000 | 53,718,274 |
| Disposal | | |
| Cost | (89,537,500) | - |
| Revaluation Surplus | (31,312,500) | - |
| | (120,850,000) | - |
| Revaluation (deficit) /surplus | (12,801,000) | 62,625,000 |
| Closing balance | 145,249,000 | 240,900,000 |

Capital work in progress has been revalued by M/S Ali and Ali Engineers and Valuers (an independent professional valuer) in the current year (2010 : by M/S Synergisers (Private) Limited (a professional valuer)). It has resulted into reversal of revaluation surplus by Rs. 12.801 million (2010: revaluation surplus of Rs. 62.625 million). Had there been no revaluation the carrying amount of capital work in progress would have been 126.737 million (2010: Rs. 178.275 million).

5.3 Intangible Assets

| PARTICULARS | 2011 | | | | | | | |
|-------------------|-------------------|--|--------------------|-------------------|----------------|-----------|--------------------|-------------------------------|
| | C O S T | | | AMORTIZATION | | | | Book value as at 30 June 2011 |
| | As at 1 July 2010 | Additions / (Deletion) during the year | As at 30 June 2011 | As at 1 July 2010 | For the year | Deletions | As at 30 June 2011 | |
| | -----Rupees----- | | | | | | | |
| Software Licenses | 1,294,383 | - | 1,294,383 | 562,164 | 105,864 | - | 668,028 | 626,355 |
| | 1,294,383 | - | 1,294,383 | 562,164 | 105,864 | - | 668,028 | 626,355 |

| PARTICULARS | 2010 | | | | | | | |
|-------------------|-------------------|--|--------------------|-------------------|----------------|-----------|--------------------|-------------------------------|
| | C O S T | | | AMORTIZATION | | | | Book value as at 30 June 2010 |
| | As at 1 July 2009 | Additions / (Deletion) during the year | As at 30 June 2010 | As at 1 July 2009 | For the year | Deletions | 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 |

5.4 Following assets were disposed off during the year

| 2011 | | | | | | |
|--|-------------------|------------------|-------------------|------------------|------------------|---|
| Description | Cost | Book value | Sale proceeds | Gain / (loss) | Mode of disposal | Sold to |
| Rupees | | | | | | |
| Assets with book value Exceeding Rs. 50,000 | | | | | | |
| Lease hold improvements | | | | | | |
| Wooden Stairs - Karachi Branch | 350,000 | 190,556 | 25,000 | (165,556) | Negotiation | Mr. Bhatti Ansar |
| Glass Partition - Karachi Branch | 137,500 | 74,861 | 31,000 | (43,861) | Negotiation | Mr. Bhatti Ansar |
| Office Equipment and machines | | | | | | |
| Computers - Head Office | 260,000 | 56,800 | 41,579 | (15,221) | Negotiation | Lahore University |
| Air-conditioning equipment | | | | | | |
| Diesel Generator 25KVA-Karachi | 569,948 | 419,660 | 165,000 | (254,660) | Negotiation | Mr. Bhatti Ansar |
| Vehicles | | | | | | |
| Honda Civic, LEC-10-1214 | 1,712,000 | 1,597,867 | 1,625,000 | 27,133 | Company Policy | Mr. Shahid Ali Sheikh, Company Employee |
| Mitsubishi Lancer 1300CC, LWR - 3198 | 909,500 | 197,058 | 206,911 | 9,853 | Company Policy | Mr. Imran Hameed, Company Employee |
| Mitsubishi Lancer 1300CC, LWR - 3356 | 909,500 | 197,058 | 206,911 | 9,853 | Company Policy | Mr. Shahid Iqbal, Company Employee |
| Honda City, LWR - 6135 | 856,380 | 185,549 | 194,826 | 9,277 | Company Policy | Mr. Iqbal Mehdi, Company Employee |
| Honda City, LEB - 3343 | 1,016,150 | 298,125 | 426,156 | 128,031 | Company Policy | Mr. Waqar Ahmed, Company Employee |
| Honda City, LEA - 8215 | 872,000 | 436,000 | 572,680 | 136,680 | Company Policy | Mr. Ijaz Bashir, Company Employee |
| Honda City, LEA - 6072 | 852,500 | 213,125 | 223,781 | 10,656 | Company Policy | Mr. Waqas Ahmed, Company Employee |
| Suzuki Cultus, LEH - 6926 | 685,715 | 297,143 | 337,857 | 40,714 | Company Policy | Mr. Ali Abbas Sherazi, Company Employee |
| Suzuki Cultus, LEH - 3663 | 685,715 | 297,143 | 337,857 | 40,714 | Company Policy | Mr. Muhammad Zubair, Company Employee |
| Suzuki Cultus, LEB - 3363 | 707,910 | 188,776 | 198,215 | 9,439 | Company Policy | Mr. Muhammad Mehmood, Company Employee |
| Suzuki Cultus, LEA - 253 | 701,450 | 187,053 | 309,966 | 122,913 | Company Policy | Mr. Awais Yasin, Company Employee |
| Suzuki Cultus, LWR - 8281 | 685,000 | 159,833 | 167,825 | 7,992 | Company Policy | Mr. Mehmood Siddique, Company Employee |
| Suzuki Alto, LEA - 6172 | 675,000 | 607,500 | 650,000 | 42,500 | Company Policy | Mr. Naveed Khizer, Company Employee |
| Coure, LEA - 8571 | 704,000 | 633,600 | 603,000 | (30,600) | Company Policy | Mr. Saqib Iqbal Chughtai, Company Employee |
| Mitsubishi Lancer, ALL - 784 | 899,000 | 179,800 | 188,790 | 8,990 | Company Policy | Mr. Asim Naeem, Company Employee |
| Honda City, AMK - 415 | 846,000 | 239,700 | 317,600 | 77,900 | Company Policy | Mr. Farhan Abbas, Company Employee |
| Honda City, LEB - 5799 | 843,200 | 224,853 | 292,309 | 67,456 | Company Policy | Mr. Moazzam, Company Employee |
| Suzuki Mehran VXR, LEA - 4092 | 406,500 | 205,625 | 237,800 | 32,175 | Company Policy | Mr. Shahid Iqbal, Company Employee |
| Mehran VXR, LEA - 4094 | 378,000 | 189,000 | 247,320 | 58,320 | Company Policy | Mr. Abid Rasool, Company Employee |
| Cuore, SGO - 1830 | 494,000 | 82,333 | 86,450 | 4,117 | Company Policy | Mr. Abdul Quddos Awan, Company Employee |
| Diahatsu Coure, ALL - 921 | 514,000 | 113,066 | 135,680 | 22,614 | Company Policy | Mr. Shah Faisal, Company Employee |
| Suzuki Mehran 800 CC, LEF - 8284 | 421,000 | 168,400 | 380,000 | 211,600 | Negotiation | Mr. Faisal Mahmood |
| Suzuki Cultus, LEB - 1933 | 531,000 | 424,800 | 525,000 | 100,200 | Negotiation | Mr. Tahir Nawazish |
| Corolla XLI MW-713 | 850,000 | 566,667 | 1,000,000 | 433,333 | Negotiation | Chaudhry Muhammad Akbar |
| Assets with book value below Rs. 50,000 | 2,813,923 | 938,868 | 1,051,634 | 112,766 | Negotiation | Various |
| 2011 | 22,286,891 | 9,570,819 | 10,786,147 | 1,215,328 | | |

| Description | 2010 | | | | | Mode of disposal | Sold to |
|--|-------------------|-------------------|-------------------|------------------|-------------|------------------------------|---------|
| | Cost | Book value | Sale proceeds | Gain / (loss) | Rupees | | |
| Assets with book value Exceeding Rs. 50,000 | | | | | | | |
| Lease hold improvements | | | | | | | |
| 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 | |
| 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 | |
| Air Conditioners | | | | | | | |
| Air Conditioners-Mandi | 79,833 | 52,285 | 45,000 | (7,285) | Negotiation | Mr. Muhammad Ansar | |
| Air Conditioners-Main Branch | 889,681 | 455,357 | 303,000 | (152,357) | Negotiation | Mr. Muhammad 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 | |
| Vehicles | | | | | | | |
| Toyota Mark-X | 2,590,674 | 2,202,073 | 2,305,000 | 102,927 | Negotiation | Mr. Muhammad Hafeez | |
| Altis Sunroof LEA 7017 | 1,766,500 | 1,678,175 | 1,712,002 | 33,827 | Negotiation | Malik Nadeem | |
| TOYOTA CAMRY | 2,591,000 | 1,508,425 | 1,511,417 | 2,992 | Negotiation | Javed Bashir Sheikh (Ex CEO) | |
| Honda Civic VTECPT 1800 | 1,662,000 | 1,495,800 | 1,425,000 | (70,800) | Negotiation | Mr. Muhammad Saeed | |
| Honda Civic IVTEC MT-LEC2562 | 1,662,000 | 1,329,600 | 1,601,000 | 271,400 | Negotiation | Tahir Imtiaz Ali | |
| HONDA CITY LEE-9742 | 871,588 | 406,741 | 730,000 | 323,259 | Negotiation | Mr. Nazeer Ahmed | |
| Honda City | 855,500 | 327,942 | 327,942 | - | Negotiation | Javed Bashir Sheikh (Ex CEO) | |
| Mitsubishi Lancer LWR 3547 | 909,500 | 272,850 | 404,061 | 131,211 | Negotiation | S.M.Nasim | |
| Honda City LEB 3353 | 840,500 | 266,158 | 870,000 | 603,842 | Negotiation | Ghulam Sarwar Shah | |
| Pool Car LED 9992 | 450,000 | 247,500 | 620,000 | 372,500 | Negotiation | Wasim Arshad | |
| Suzuki Cultus LWA 9790 | 610,350 | 244,140 | 445,000 | 200,860 | Negotiation | Sharafat Abbas | |
| Honda City Vario LEA 6259 | 910,500 | 242,800 | 775,000 | 532,200 | Negotiation | Mr. Muhammad Hafeez | |
| Suzuki Mehran LED 8135 | 415,950 | 217,397 | 341,999 | 124,602 | Negotiation | Mr Haji Baghi Khan | |
| 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 | |
| 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 | | | |

| | Note | 2011 Rupees | 2010 Rupees |
|---|------|--------------------|----------------|
| 6 LONG TERM INVESTMENTS | | | |
| Investment in subsidiary-at cost | 6.2 | - | 60,000,000 |
| Investment in Term Finance Certificates and Bonds/Sukuks-unquoted | 6.3 | 147,530,500 | 156,155,500 |
| | | 147,530,500 | 216,155,500 |
| Less: Provision against doubtful investments | 6.4 | 70,000,000 | 130,000,000 |
| | | 77,530,500 | 86,155,500 |
| Less: Current portion of long term investments | 11 | 13,194,950 | 26,493,600 |
| | | 64,335,550 | 59,661,900 |
| 6.1 Particulars of long term investments | | | |
| Long term investments-considered good | | 77,530,500 | 86,155,500 |
| Long term investments-considered doubtful | | 70,000,000 | 130,000,000 |
| | | 147,530,500 | 216,155,500 |
| Less: Provision against doubtful investments | 6.4 | 70,000,000 | 130,000,000 |
| | | 77,530,500 | 86,155,500 |
| 6.2 Investment in subsidiary-unquoted | | | |

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

| | | |
|--------------------------------|---|------------|
| 6,000,000 shares of Rs.10 each | - | 60,000,000 |
|--------------------------------|---|------------|

During the year the company has sold this entire investment to M/s Commodities Transportation Company (Private) Limited for consideration amounting to Rs. 51,857,404/- of which 45,857,404/- received against net assets of the subsidiary as at March 31, 2011 and 6,000,000/- received against loan of TCPL payable to Trust Bank. The consideration shall be received in bi-annual installments over a period of four years w.e.f 04 July, 2011.

6.2.1 Necessary approval of SECP for this sale of investment in subsidiary company is awaited.

| | Note | 2011 Rupees | 2010 Rupees |
|--|-------|--------------------|--------------------|
| 6.3 Investment in Term Finance Certificates and Bonds/Sukuks-unquoted | | | |
| 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 | 39,968,000 |
| Grays Leasing Limited | 6.3.3 | 1,000,000 | 6,500,000 |
| 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 | 36,562,500 | 39,687,500 |
| | | 147,530,500 | 156,155,500 |

- 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 has been rescheduled and restructured on December 01, 2010 and the tenure is reset for a further period of 03 years which ended on December 04, 2017 with a further grace period 01 Year. The terms and condition for the repayment were rescheduled and redeemed in two equal monthly installment of Rs. 1,600/-, Eight installments of Rs. 2,348,000/- and Last Four installments of Rs. 5,295,200/-. 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. 2,000,000 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 pari passu 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 secured against first pari passu charge over current and future receivables of the investee upto extent of the issue. This issue has been reshuffled and restructured for a further period of 1.5 years with a expiry of September 29, 2013. These carry mark-up @ 6 Months KIBOR +250 BPS upto September 2010, 3 Months KIBOR+ 250 BPS from September 2010 to September 2013 and 3 Months KIBOR + 300 BPS. These certificates are redeemable in 02 equal Semi Annual installments of Rs. 6,250,000/-, 04 equal quarterly installments of Rs. 937,500 starting from 29 December 2010, 04 equal quarterly installments of Rs. 2,343,750 starting from December 29, 2011, 04 equal quarterly installments of Rs. 2,812,500/- and the last 04 quarterly installments of Rs. 3,281,250/-. The credit rating assigned to such sukuks "A" by the JCR-VIS.

| | Note | 2011 Rupees | 2010 Rupees |
|---|-------|----------------|----------------|
| 6.4 Provision against doubtful investments | | | |
| Opening balance | | 130,000,000 | 70,000,000 |
| (Reversal) / charge during the year | | (60,000,000) | 60,000,000 |
| Closing balance | 6.4.1 | 70,000,000 | 130,000,000 |
| 6.4.1 Particulars of provisioning | | | |
| Trust Capital (Private) Limited-unquoted shares | | - | 60,000,000 |
| Dewan Cement Limited-TFCs | | 50,000,000 | 50,000,000 |
| New Allied Electronic Industries (Pvt) Limited-sukuks | | 20,000,000 | 20,000,000 |
| | | 70,000,000 | 130,000,000 |
| 7. LONG TERM LOANS AND ADVANCES | | | |
| Secured: | | | |
| Employees - considered good | 7.1 | 15,217,116 | 17,429,300 |
| Related parties - considered doubtful | 7.2 | - | 458,295,097 |
| Companies, organizations and individuals | | | |
| Considered good | 7.3 | 256,473,886 | 262,580,387 |
| Considered doubtful | | 12,232,597 | 4,751,320 |
| | | 268,706,483 | 267,331,707 |
| | | 283,923,599 | 743,056,104 |
| Un-secured: | | | |
| Companies, organizations and individuals | 7.2.1 | 365,846,298 | 219,545 |
| | | 649,769,897 | 743,275,649 |
| Less: provision against doubtful loans | 7.4 | 5,158,165 | 245,262,737 |
| | | 644,611,732 | 498,012,912 |
| Less : current maturity | 11 | 75,619,145 | 113,429,478 |
| | | 568,992,587 | 384,583,434 |

- 7.1 These represent long term loans provided to employees against mortgage of property and carry mark-up ranging from 4% to 18.64% (2010: 4% to 23.19%) per annum. The maximum aggregate balance due from the Chief Executive Officer is Rs. Nil (2010: Nil) and the maximum aggregate balance due from executives is Rs. 11.31 million (2010: 16.98 million).
- 7.2 This represented long term loan provided to Trust Capital (Private) Limited. During the year the loan as well as mark-up receivable thereon has been settled/adjusted against assets (net) amounting to Rs. 538,564,814 acquired from Trust Capital (Private) Limited (details Given in Note # 7.2.1 to 7.2.3) . Further, during the year the company has sold its equity investment in Trust Capital (Private) Limited and the balance loan receivable, after above-mentioned settlement / adjustment, has been accounted for in the sale proceeds for disposal of Trust Capital (Private) Limited agreed with M/s Commodities Transportation Company (Private) Limited as referred in note 6.2.
- 7.2.1 It includes receivables of Trust Capital (Pvt) Limited (TCPL) amounting to Rs. 367 million, transferred in the books of Accounts of Trust Investment Bank Limited (TIBL) vide a tri-party agreement between TCPL, TIBL and other parties, approved by the Board of Directors of TIBL & TCPL, whereby various exposures of TCPL have been taken over by TIBL company and hereafter, the parties shall make payments directly to TIBL. The repayment shall be made in three quarterly installments of Rs. 0.5 million, four quarterly installments of Rs. 0.75 million, 31 quarterly installments of Rs. 11.332 million and last installment of Rs. 38.829 million receivable latest by June 30, 2020. It carries markup @ 10% per annum increasing by 2% each year upto 5 years and @ 18% from 5th year onwards.
- 7.2.2 It includes land having fair value of Rs. 171.293 million out of which Rs. 101.293 million have been adjusted against the principal receivable and Rs. 70 million against markup receivable. The management of the company has undertaken to dispose off the land latest by June 30, 2011 and realize the amount in cash, however, management has made efforts to sell the land but keeping in view the economic conditions, same has not effected, therefore, subsequent to balance sheet date, Company has managed to acquire the realizable securities (ref to note 51), which makes the transaction complied with the Prudential Regulation. Messers Ali and Ali have carried out the revaluation of the land which amount to Rs. 176 million.
- 7.2.3 It further include transferred unconditionally to the bank, the listed securities valuing Rs. 13.287 million.
- 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% (2010 : 16.00% to 23.19%) per annum.

| | Note | 2011 Rupees | 2010 Rupees |
|---|-------|----------------------|----------------|
| 7.4 Provision against doubtful loans | | | |
| Opening balance | | 245,262,737 | 109,648,794 |
| Charge for the year | | 409,845 | 135,836,452 |
| Reversal | 7.4.1 | (240,514,417) | (222,509) |
| Closing balance | 7.4.2 | 5,158,165 | 245,262,737 |

- 7.4.1 The provision has been reversed based on settlements referred in 7.2.1, 7.2.2 & 7.2.3 above.

| | Note | 2011 Rupees | 2010 Rupees |
|--|------|----------------------|----------------|
| 7.4.2 Particulars of provision against doubtful loans | | | |
| Related Parties | | - | 240,511,417 |
| Companies, organizations and individuals | | 5,158,165 | 4,751,320 |
| | | 5,158,165 | 245,262,737 |
| 8. NET INVESTMENT IN LEASE FINANCE | | | |
| Lease payments receivable | 8.1 | 2,102,537,807 | 2,674,773,890 |
| Add: Residual value | | 689,000,076 | 897,902,871 |
| Gross investment in leases | | 2,791,537,883 | 3,572,676,761 |
| Less: Unearned finance income | | 100,695,097 | 209,670,062 |
| Income suspended | 8.2 | 176,495,915 | 190,423,910 |
| Provision for lease losses | 8.3 | 272,245,963 | 292,511,840 |
| | | 549,436,975 | 692,605,812 |
| Net investment in lease finance | | 2,242,100,908 | 2,880,070,949 |
| Less: Current portion of net investment in lease finance | 11 | 2,088,404,126 | 2,080,218,367 |
| | | 153,696,782 | 799,852,582 |

30 June 2011

| | 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 | 2,153,022,839 | 638,515,044 | - | 2,791,537,883 |
| Less: Unearned finance income | 64,618,713 | 36,076,384 | - | 100,695,097 |
| | 2,088,404,126 | 602,438,660 | - | 2,690,842,786 |

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 |

- 8.1** The Company has entered into various lease agreements with implicit rate of return ranging from 8% to 28% (2010: 8% to 26.02%) 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.

Generally leases are secured against title of leases assets but in some cases the leases are also 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.

| | 2011 Rupees | 2010 Rupees |
|---|--------------------|--------------------|
| 8.2 Income suspended | | |
| Balance at the beginning of the year | 190,423,910 | 157,774,028 |
| Suspended during the year | 12,414,388 | 52,625,388 |
| Reversal of suspension | (26,342,383) | (19,975,506) |
| Balance at the end of the year | <u>176,495,915</u> | <u>190,423,910</u> |
| 8.3 Provision for lease losses | | |
| Balance at beginning of the year | 292,511,840 | 266,644,185 |
| Provision during the year | 25,317,861 | 128,408,360 |
| Provision reversed during the year | (45,583,738) | (96,300,736) |
| Provision written off during the year | - | (6,239,969) |
| Balance at the end of the year | <u>272,245,963</u> | <u>292,511,840</u> |
| 9. Deferred tax assets | | |
| Taxable temporary differences | | |
| Accelerated depreciation for tax purposes | (9,105,030) | (8,467,563) |
| Leasing Finance | (345,554,360) | (322,691,663) |
| Deductible temporary differences | | |
| Provision against investments | 787,500 | 21,787,500 |
| Taxable losses | 869,803,568 | 835,210,045 |
| | <u>515,931,678</u> | <u>525,838,319</u> |
| 9.1 Movement in deferred tax asset | | |
| Opening balance | 525,838,319 | 319,786,341 |
| Provision made during the year | (9,906,641) | 206,051,978 |
| Closing balance | <u>515,931,678</u> | <u>525,838,319</u> |

Deferred tax asset on tax losses representing unabsorbed tax depreciation and business losses (2005: 21,898,204, 2006: 298,309,889, 2007: 487,241,941, 2008: 604,622,637, 2009: 637,612,517, 2010: 467,249,471) 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 2012 through 2015.

| | Note | 2011 Rupees | 2010 Rupees |
|---|--------|----------------------|----------------------|
| 10. Other receivable | | | |
| Receivable against disposal of subsidiary | 6.2 | 51,857,404 | - |
| Less: Current maturity | 11 | (11,857,404) | - |
| | | <u>40,000,000</u> | <u>-</u> |
| 11. Current maturities of non-current assets | | | |
| Long term investments | 6 | 13,194,950 | 26,493,600 |
| Long term loans and advances | 7 | 75,619,145 | 113,429,478 |
| Net investment in lease finance | 8 | 2,088,404,126 | 2,080,218,367 |
| Other receivable | 10 | 11,857,404 | - |
| | | <u>2,189,075,625</u> | <u>2,220,141,445</u> |
| 12. Short term loans and advances | | | |
| Short term loans | 12.1 | 780,545,686 | 468,381,296 |
| Short term advances | 12.2 | 15,875,374 | 9,421,908 |
| | | <u>796,421,060</u> | <u>477,803,204</u> |
| 12.1. Short term loans-secured | | | |
| Employees - considered good | 12.1.1 | - | 41,507 |
| Companies, organizations and individuals | 12.1.2 | 780,545,686 | 468,339,789 |
| Considered good | | 650,000 | 650,000 |
| Considered doubtful | | | |
| | | <u>781,195,686</u> | <u>468,989,789</u> |
| | | <u>781,195,686</u> | <u>469,031,296</u> |
| Less: provision against doubtful finances | 12.1.3 | 650,000 | 650,000 |
| | | <u>780,545,686</u> | <u>468,381,296</u> |

12.1.1 These represent staff loans to employees against their retirement benefits. These carry mark-up ranging from 14.93% to 18.64% (2010 : 13.00% to 16.96%) per annum.

12.1.2 These include short term finances provided to companies, organizations and individuals against their certificates of investment and mortgage of property. These carry mark-up ranging from 16.73% to 24.2% (2010 : 16% to 23.1%) per annum.

| | Note | 2011 Rupees | 2010 Rupees |
|--|------|----------------|----------------|
| 12.1.3 Provision against doubtful loans | | | |
| Opening balance | | 650,000 | 993,327 |
| Reversal during the year | | - | (343,327) |
| | | <hr/> | <hr/> |
| Closing balance | | 650,000 | 650,000 |
| | | <hr/> <hr/> | <hr/> <hr/> |

12.2 Short term advances

| | | | |
|------------------------|--------|-------------|-------------|
| Advance against leases | 12.2.1 | 12,223,717 | 8,976,160 |
| Advances to employees | | 3,651,657 | 445,748 |
| | | <hr/> | <hr/> |
| | | 15,875,374 | 9,421,908 |
| | | <hr/> <hr/> | <hr/> <hr/> |

12.2.1 These include 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 18.78% (2010: 17.43%) per annum against advances.

13. SHORT TERM PLACEMENTS

| | | | |
|--|------|-------------|-------------|
| Repurchase agreement lendings (Reverse Repo)-secured | 13.2 | 14,000,000 | 21,107,549 |
| Placements with other banks-unsecured | 13.3 | - | 50,000,000 |
| | | 14,000,000 | 71,107,549 |
| Less: Provision against doubtful lending | | 4,033,890 | 2,092,300 |
| | | <hr/> | <hr/> |
| | | 9,966,110 | 69,015,249 |
| | | <hr/> <hr/> | <hr/> <hr/> |

13.1 Particulars of short term placements

| | | | |
|---------------------|--|-------------|-------------|
| Considered good | | - | 57,107,549 |
| Considered doubtful | | 14,000,000 | 14,000,000 |
| | | <hr/> | <hr/> |
| | | 14,000,000 | 71,107,549 |
| | | <hr/> <hr/> | <hr/> <hr/> |

| | Note | 2011 Rupees | 2010 Rupees |
|--|------|-------------------|-------------------|
| 13.2 Repurchase agreement lendings (Reverse Repo)-secured | | | |
| Momin Qamar | | - | 2,076,531 |
| Abdul Rasheed | | - | 5,031,018 |
| Hascomb Business Solutions | | 14,000,000 | 14,000,000 |
| | | 14,000,000 | 21,107,549 |

13.2.1 These are secured against fair value of quoted securities and mortgage of property. These carry mark-up at the rate of 25% (2010: 14% to 25.5%).

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

| | | | |
|--|--|-----------------------|--|
| Holders of shares Momin Qamar Abdul Rasheed Hascomb Business Solutions Muhammad Yousaf Zeid Saigol | | - - - - - | 53,165,848 3,448,580 8,833,860 35,342,625 |
| | | 9,966,110 | 100,790,913 |
| 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%.

14. SHORT TERM INVESTMENTS

| | | | |
|---|------|------------------|--------------------|
| Held for trading | | | |
| Listed shares | 14.1 | 2,201,402 | 17,146,950 |
| Available for sale | | | |
| Government treasury bills | | - | 89,365,919 |
| Listed shares | | - | 460,160,662 |
| | | 2,201,402 | 566,673,531 |
| Less: Unrealized loss on revaluation of investments classified as held for trading | | 817,114 | 1,527,749 |
| Less: Impairment loss | | - | 205,836,899 |
| | | 1,384,288 | 359,308,883 |

14.1 Held for trading

| Name of investee company | Shares | | Cost | | Fair value | |
|-------------------------------------|----------------|------------------|------------------|-------------------|----------------------|-------------------|
| | 2011 Number | 2010 Number | 2011 ----- | 2010 ----- | 2011 Rupees ----- | 2010 ----- |
| 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 |
| Other financial institutions | | | | | | |
| Pervaiz Ahmed securities limited | 961,311 | - | 2,201,402 | - | 1,384,288 | - |
| | 961,311 | 1,210,000 | 2,201,402 | 17,146,950 | 1,384,288 | 15,619,201 |

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

| | Note | 2011 Rupees | 2010 Rupees |
|--|--------|--------------------|--------------------|
| 15. INTEREST ACCRUED | | | |
| Mark-up accrued on: | | | |
| Bonds and term finance certificates | 15.1 | 12,370,711 | 4,864,340 |
| Short term and long term loans | 15.2 | 82,340,460 | 77,189,601 |
| Investments in lease | 15.3 | 138,910,825 | 61,284,907 |
| | | 233,621,996 | 143,338,848 |
| 15.1 Mark-up accrued on bonds and term finance certificates | | | |
| Considered good | | 12,370,711 | 4,864,340 |
| Considered doubtful | | 34,042,803 | 23,385,974 |
| | | 46,413,514 | 28,250,314 |
| Less: Suspension against doubtful receivables | 15.1.1 | 34,042,803 | 23,385,974 |
| | | 12,370,711 | 4,864,340 |

| | Note | 2011 Rupees | 2010 Rupees |
|--|--------|-------------------|--------------------|
| 15.1.1 Suspension against doubtful receivables | | | |
| Opening balance | | 23,385,974 | 13,359,580 |
| Suspended during the year | | 10,656,829 | 10,026,394 |
| Reversed during the year | | - | - |
| Closing balance | | <u>34,042,803</u> | <u>23,385,974</u> |
| 15.2 Mark-up accrued on short term and long term loans | | | |
| Considered good | | 82,340,460 | 77,189,601 |
| Considered doubtful | | 10,783,602 | 77,517,007 |
| | | <u>93,124,062</u> | <u>154,706,608</u> |
| Less: Suspension against doubtful finances | 14.2.1 | <u>10,783,602</u> | <u>77,517,007</u> |
| | | <u>82,340,460</u> | <u>77,189,601</u> |
| 15.2.1 Suspension against doubtful loans | | | |
| Opening balance | | 77,517,007 | 12,806,407 |
| Suspended during the year | | 5,609,141 | 73,670,908 |
| Reversed during the year | | (72,342,546) | (8,960,308) |
| Closing balance | | <u>10,783,602</u> | <u>77,517,007</u> |
| 15.3 Mark-up accrued on investment in lease-considered good | | | |

This includes additional mark up on lease rentals amounting to Rs. 135.180 million (2010: Rs. 59.428) in respect of overdue rental receivables from performing lease portfolio in accordance with the terms of lease agreement.

16. OTHER RECEIVABLES

| | | | |
|--|------|--------------------|--------------------|
| Receivable from broker - considered good | | 21,144,590 | 18,040,877 |
| Miscellaneous receivables from lessees: | 16.1 | | |
| Considered good | | 1,825,388 | 14,042,416 |
| Considered doubtful | | 203,879,049 | 191,936,444 |
| | | <u>205,704,437</u> | <u>205,978,860</u> |
| Other receivables | | | |
| Considered good | | 38,205,276 | 8,952,960 |
| Considered doubtful | | 3,920,248 | 3,920,248 |
| | | <u>42,125,524</u> | <u>12,873,208</u> |
| | | <u>268,974,551</u> | <u>236,892,945</u> |
| Less: provisions for doubtful receivable | 16.2 | <u>208,061,710</u> | <u>167,297,721</u> |
| | | <u>60,912,841</u> | <u>69,595,224</u> |

- 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 .

| | Note | 2011 Rupees | 2010 Rupees |
|--|------|--------------------|--------------------|
| 16.2 Movement of provisions for doubtful receivable | | | |
| Opening balance | | 167,297,721 | 105,260,821 |
| Charge for the year | | 46,350,873 | 82,001,287 |
| | | <u>213,648,594</u> | <u>187,262,108</u> |
| Reversed during the year | | 5,586,884 | 19,964,387 |
| | | <u>208,061,710</u> | <u>167,297,721</u> |

17. CASH AND BANK BALANCES

| | | | |
|------------------|------|-------------------|--------------------|
| Cash in hand | | 149,080 | 976,107 |
| With banks in: | | | |
| Current accounts | 17.1 | 2,589,760 | 1,673,550 |
| Deposit accounts | | 26,368,685 | 140,545,121 |
| | | <u>28,958,445</u> | <u>142,218,671</u> |
| | | <u>29,107,525</u> | <u>143,194,778</u> |

- 17.1 Deposit accounts carry markup rate ranging from 6.5% to 11.25% per annum (2010: 6.5% to 10%).

18. ASSETS CLASSIFIED AS HELD FOR SALE

This represent the land having fair value amounting to Rs. 301 million received from sponsors as referred in Note 23 and land having fair value amounting to Rs. 176 million received from Trust Capital (Pvt) limited valued by Nespak Private Limited dated 23 February 2010.

Subsequently these lands have been swapped / disposed against shares of Tricon Developers Limited (associated undertaking) ref note 51.

19. SHARE CAPITAL

| 2011 (Number of Shares) | 2010 | | 2011 Rupees | 2010 Rupees |
|---------------------------------------|-------------|---|----------------------|----------------|
| Authorized | | | | |
| 80,000,000 | 80,000,000 | Ordinary shares of Rs. 10 each | 800,000,000 | 800,000,000 |
| 70,000,000 | 70,000,000 | Preference shares of Rs. 10 each | 700,000,000 | 70,000,000 |
| 150,000,000 | 150,000,000 | | 1,500,000,000 | 150,000,000 |
| 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 | 384,098,889 | 384,098,889 |
| 30,650,000 | 30,650,000 | Preference shares of Rs. 10 each issued | 306,500,000 | 306,500,000 |
| 89,202,873 | 89,202,873 | | 892,028,729 | 892,028,729 |

19.1 Newage (Pvt) Limited, Mr. Zahid Rafiq and Genesis (Pvt) Limited, related parties of the Bank held, Nil [2010: 6,675,301,(11.40%)], 5,702,405 (9.74%) [2010: 5,702,405 (9.74%)] and 122,097,420 (20.85%) (2010: Nil) Ordinary shares of Rs. 10 each respectively, as at June 30,2011.

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, 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.

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 | 2011 Rupees | 2010 Rupees |
|---------------------------------------|------|------------------------|------------------------|
| 20. RESERVES | | | |
| Capital reserves | | | |
| Statutory reserve | 20.1 | 240,030,907 | 206,758,319 |
| | | <u>240,030,907</u> | <u>206,758,319</u> |
| Revenue reserves | | | |
| General reserve | | 61,000,000 | 61,000,000 |
| Accumulated loss | | (1,092,906,821) | (1,184,349,076) |
| | | <u>(1,031,906,821)</u> | <u>(1,123,349,076)</u> |
| | | <u>(791,875,914)</u> | <u>(916,590,757)</u> |
| 20.1 Statutory reserve | | | |
| Opening balance | | 206,758,319 | 206,758,319 |
| Transfer from profit and loss account | | 33,272,588 | - |
| | | <u>240,030,907</u> | <u>206,758,319</u> |

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.

| | Note | 2011 Rupees | 2010 Rupees |
|---|--------|-------------------|-------------------|
| 21. SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| Land | 21.1.1 | 1,222,187 | 1,222,187 |
| Building | 21.1.2 | 7,942,444 | 8,808,916 |
| Capital work in progress | 21.1.3 | 18,511,500 | 62,625,000 |
| | | <u>27,676,131</u> | <u>72,656,103</u> |
| 21.1 Opening balance | | 72,656,103 | 10,152,041 |
| Addition during the year | | - | 62,624,519 |
| Deletion during the year | | (44,113,500) | - |
| Transferred | | (866,472) | (120,457) |
| Closing balance | | <u>27,676,131</u> | <u>72,656,103</u> |

21.1.1 This represents the surplus arised on revaluation of land carried by Synergisers (Private) Limited dated June 30, 2008. The revalued amount is based on the market values prevailing at the time of revaluation.

21.1.2 This represents the surplus arised on revaluation of building carried by Synergisers (Private) Limited and IMTECH (Private) Limited dated June 30, 2008 and June 26, 2008. The revalued amount is based on the market values prevailing at the time of revaluation.

21.1.3 This represents the surplus arised on revaluation of capital work in progress carried by Synergisers (Private) Limited dated December 31, 2009 and a subsequent revaluation by M/s Ali & Ali dated October 28, 2010. The revalued amount is based on the market values prevailing at the time of revaluation.

22. DEFICIT ON REVALUATION OF INVESTMENTS

| | | |
|---|---|---------------|
| Opening balance | - | (230,775,972) |
| Surplus / (deficit) during the year | - | 24,939,073 |
| Impairment charged to profit and loss account | - | 205,836,899 |
| Closing balance | - | - |

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

23. LONG TERM FINANCING - Subordinated loan

| | | | |
|---------------------------------------|------|--------------------|--------------------|
| Long term financing-subordinated loan | 23.1 | <u>400,646,237</u> | <u>400,646,237</u> |
|---------------------------------------|------|--------------------|--------------------|

23.1 This represents the sub-ordinate loan received from an associated company, Tricon Developers Limited (TDL), in the form of cash amounting to Rs. 100 million and land having fair value amounting to Rs. 301 million, vide agreement dated 17 May 2010.

Subsequent to the year end, the land mentioned above provided by the sponsors shall be exchanged with 30.64 million shares of Rs.10 each, of Tricon Developers Limited as approved by the shareholders in the extra ordinary general meeting held on 12 August 2011. These shares have been provided by Mr. Asif Kamal (director / chairman of board of directors of the Company) against land. The shares have not yet been transferred in the name of the company since approval of SECP for the same is awaited.

The terms and conditions of the sub-ordinate loan, as amended vide addendum dated 29 June 2011, is that Company shall issue shares amounting to Rs. 300.64 million to Mr. Asif Kamal (director / chairman of board of directors of the Company), and shares amounting to Rs. 100 million to Tricon Developers Limited after obtaining permission from SECP for the issuance of its ordinary shares against the loan before 31 December 2011.

| | Note | 2011 Rupees | 2010 Rupees |
|--|---------|--------------------|----------------|
| 24. LONG TERM FINANCING - Other | | | |
| Banking companies and other financial institutions-secured | 24.1 | 506,230,566 | 639,995,317 |
| Banking companies and other financial institutions-unsecured | 24.2 | - | 30,683,778 |
| Term finance certificates (TFC) - secured | 24.3 | 221,148,137 | 368,606,082 |
| Long term placements | 24.4 | 156,129,154 | - |
| | | 883,507,857 | 1,039,285,177 |
| 24.1 Banking companies and other financial institutions-secured | | | |
| The Bank of Punjab | 24.1.1 | 146,418,748 | 168,918,748 |
| Faysal Bank Limited | 24.1.2 | - | 16,666,669 |
| Allied Bank Limited | 24.1.3 | 76,666,671 | 126,666,667 |
| Habib Bank Limited | 24.1.4 | - | 4 |
| Pak Oman Investment Company (Pvt.) Ltd. | 24.1.5 | 7,741,941 | 15,483,873 |
| The Bank of Khyber | 24.1.6 | 32,986,113 | 53,819,445 |
| Standard Chartered Bank Limited | 24.1.7 | 49,329,674 | 124,996,341 |
| Pak Oman Assets Management Co Ltd | 24.1.8 | - | 22,821,430 |
| Atlas Bank Limited | 24.1.9 | 94,531,250 | 120,312,500 |
| Pak Iran Joint Investment Co. Ltd | 24.1.10 | - | 8,000,000 |
| First Women Bank Limited | 24.1.11 | 67,027,397 | 82,027,397 |
| CDC Trustee Askari Income Fund | 24.1.12 | 143,250,000 | 170,500,000 |
| PAK Brunei Investment Company | 24.1.13 | 4,216,941 | 9,256,941 |
| IGI Investment Bank Ltd | 24.1.14 | 69,750,000 | 78,000,000 |
| The punjab Provincial Co operative Bank Limited | 24.1.15 | 228,058,721 | - |
| | | 919,977,456 | 997,470,015 |
| Less: Current portion shown under current liabilities | 31 | 413,746,890 | 357,474,698 |
| | | 506,230,566 | 639,995,317 |

- 24.1.1** This represents a 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. The facility has been fully paid off during the year.
- 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. The facility of Rs. 100 million has been fully paid off during the year. Whereas out of 200 Million pertaining to the other facility, 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. 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.

- 24.1.8** 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. The Facility is fully paid off during the year.
- 24.1.9** 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.
- 24.1.10** 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. The Facility was fully paid off during the year.
- 24.1.11** 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.
- 24.1.12** 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.
- 24.1.13** 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.
- 24.1.14** This represents facility of Rs.80 million rescheduled during last 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.

24.1.15 This represents facility of Rs.284.298 million converted from short term loans to long term loans. This facility is secured against exclusive first charge against Leased assets and related receivables. The facility carries mark-up rate of 1 month KIBOR + 200 bps per annum. This facility is repayable in twenty eight equal monthly installments of Rs.10 million and the balance amount of Rs. 4,298,472 will be paid the last installment, starting from 16 September 2010 and expiring on 15 Feb 2013.

| | Note | 2011 Rupees | 2010 Rupees |
|--|--------|-------------------|-------------------|
| 24.2 Banking companies and other financial institutions-unsecured | | | |
| CDC Trustee KASB Liquid Fund | 24.2.1 | 5,500,000 | 17,500,000 |
| Dawood Money Market Fund | 24.2.2 | 10,842,873 | 28,842,873 |
| First Credit & Investment Bank | 24.2.3 | - | 10,000,000 |
| House Building Finance Corporation | 24.2.4 | 10,340,905 | 28,068,181 |
| Bank Alfalah Ltd | 24.2.5 | 5,500,000 | 22,000,000 |
| | | 32,183,778 | 106,411,054 |
| Less: Current portion shown under current liabilities | 31 | 32,183,778 | 75,727,276 |
| | | - | 30,683,778 |

24.2.1 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.

24.2.2 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.

24.2.3 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. The Facility was fully paid off during the year.

24.2.4 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.

24.2.5 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.

| | Note | 2011 Rupees | 2010 Rupees |
|---|--------|--------------------|----------------|
| 24.3 Term finance certificates (TFC) - secured | | | |
| TFC II-2nd Tranche | | - | 37,500,000 |
| TFC III | 24.3.1 | 374,850,000 | 524,790,000 |
| | | 374,850,000 | 562,290,000 |
| Less: Unamortized portion of the initial transaction cost | | 3,761,863 | 6,243,918 |
| | | 371,088,137 | 556,046,082 |
| Less: Current maturity | 31 | 149,940,000 | 187,440,000 |
| | | 221,148,137 | 368,606,082 |

24.3.1 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

24.4 Long term Placements

Secured

| | | | |
|------------------------|--------|------------|---|
| - Pak Electron Limited | 24.4.1 | 50,000,000 | - |
|------------------------|--------|------------|---|

Unsecured

| | | | |
|-------------------------|--------|-------------|---|
| - Tauavun (Pvt) Limited | 24.4.2 | 225,429,154 | - |
| - Zainabia Trust | 24.4.3 | 5,000,000 | - |

| | | | |
|---|----|--------------------|---|
| | | 280,429,154 | - |
| Less: Current portion shown under current liabilities | 31 | 124,300,000 | - |
| | | 156,129,154 | - |

24.4.1 This Represents a long term placement of Rs. 50 Million. This Facility is secured against syndicated loan and carries mark up rate of 13.24% per annum and will be adjusted against the installments of Syndicated Loan. This facility starts from May 2010 and will be matured on May 2013.

24.4.2 This Represents a long term placement of Rs. 225.429 Million. This Facility carries mark up rate ranging from 13.29% to 13.89% and will be paid on maturity. This facility starts from December 24, 2010 and matured at August 26, 2012.

24.4.3 These Represent three unsecured facilities of a Rs. 2.00 Million, Rs. 0.5 Million and Rs. 2.5 Million and carries mark up rate of 15 %. Starting Dates of these facilities are January 17, 2011, March 24, 2011 and April 22, 2011 respectively and matured at January 17, 2013, March 24, 2013 and April 22, 2013 respectively.

| | Note | 2011 Rupees | 2010 Rupees |
|---|------|------------------|-------------------|
| 25. LONG TERM MORABAHA | | | |
| Long term morabaha | 25.1 | 19,500,000 | 31,500,000 |
| Less: Current portion shown under current liabilities | 31 | 12,000,000 | 12,000,000 |
| | | 7,500,000 | 19,500,000 |

25.1 This represents Bi Muajjal murabaha facility of Rs. 20.5 million and profit thereon amounting to RS. 5,008,602/- be distributed over the period of its agreement. This facility is repayable in twenty equal monthly installments of Rs. 1 million and last installment of Rs. 0.5 million, starting from 25 May 2011 and expiring on 25 Feb 2013.

26. LONG TERM CERTIFICATE OF INVESTMENT - Unsecured

| | | | |
|--------------------------|------|-------------------|--------------------|
| Local currency | | | |
| - Financial institutions | | 133,333,333 | 203,333,333 |
| - Corporate | | 5,122,940 | 14,000,340 |
| - Individuals | | 13,400,000 | 16,600,000 |
| | 26.1 | 151,856,273 | 233,933,673 |
| Less: Current maturity | 31 | 55,522,940 | 130,077,400 |
| | | 96,333,333 | 103,856,273 |

26.1 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 10% to 22.22% (2010: 11% to 22%) per annum.

27. DEFERED LIABILITIES

| | | | |
|------------------|------|------------------|------------------|
| Gratuity | 27.1 | 6,364,234 | 5,052,317 |
| Leave encashment | 27.2 | 2,850,075 | 3,037,773 |
| | | 9,214,309 | 8,090,090 |

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. The amount of gratuity is calculated on the basis of last drawn gross salary of the employee.

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 | | Leave encashment | |
|--|--------|-------------------|-------------------|------------------|------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| ----- Rupees ----- | | | | | |
| 27.1 Amount recognized in the balance sheet | | | | | |
| Present value of defined benefit obligations | 27.1.1 | 10,307,555 | 11,203,547 | 2,850,075 | 3,037,773 |
| Less: Fair value of plan assets | 27.1.2 | (2,629,338) | (2,446,588) | - | - |
| Less: Actuarial (losses) to be recognized in later periods | | (3,190,483) | (4,110,892) | - | - |
| Add: Benefits due but not paid | | 1,876,500 | 406,250 | - | - |
| | | <u>6,364,234</u> | <u>5,052,317</u> | <u>2,850,075</u> | <u>3,037,773</u> |
| 27.1.1 Movement in the defined benefit obligation: | | | | | |
| Present value of defined benefit obligation at beginning of the year | | 11,203,547 | 7,865,683 | 3,037,773 | 3,720,022 |
| Current service cost for the year | | 4,748,012 | 3,587,490 | 759,433 | 1,258,467 |
| Interest cost for the year | | 1,344,426 | 943,882 | 364,533 | 446,403 |
| Benefits paid / discharged during the year | | (4,294,290) | (5,069,058) | (1,252,260) | (3,294,819) |
| Benefits due, but not paid during the year | | (1,876,500) | (406,250) | - | - |
| Past service cost charged due to change in benefits | | - | 3,380,038 | - | - |
| Actuarial (gain) / loss on present value of defined benefit obligation | | (817,640) | 901,762 | (59,404) | 907,700 |
| | | <u>10,307,555</u> | <u>11,203,547</u> | <u>2,850,075</u> | <u>3,037,773</u> |
| 27.1.2 Movement in the fair value of plan assets: | | | | | |
| Fair value of plan assets as at 01 July 2010 | | 2,446,588 | 2,264,209 | | |
| Total contributions made in the year | | 4,700,540 | 6,230,058 | | |
| Expected return on plan assets for the year | | 293,591 | 271,705 | | |
| Benefits paid / discharged during the year | | (4,700,540) | (6,230,058) | | |
| Actuarial gain / (loss) on assets | | (110,841) | (89,326) | | |
| | | <u>2,629,338</u> | <u>2,446,588</u> | | |
| 27.2 Movement of liability: | | | | | |
| Balance sheet liability as at 01 July 2010 | | 5,052,317 | 3,463,190 | 3,037,773 | 3,720,022 |
| Amount recognized during the year | 27.3 | 6,012,457 | 7,819,185 | 1,064,562 | 2,612,570 |
| Contribution made during the year | | (4,700,540) | (6,230,058) | (1,252,260) | (3,294,819) |
| | | <u>6,364,234</u> | <u>5,052,317</u> | <u>2,850,075</u> | <u>3,037,773</u> |
| 27.3 Staff service cost expense recognized in the profit & loss account | | | | | |
| Current service cost | | 4,748,012 | 3,587,490 | 759,433 | 1,258,467 |
| Interest cost | | 1,344,426 | 943,882 | 364,533 | 446,403 |
| Expected return on plan assets | | (293,591) | (271,705) | - | - |
| Actuarial (gains) / losses | | 213,610 | 179,480 | (59,404) | 907,700 |
| Past service cost charged due to change in benefits | | - | 3,380,038 | - | - |
| | | <u>6,012,457</u> | <u>7,819,185</u> | <u>1,064,562</u> | <u>2,612,570</u> |

| | Gratuity | | Leave encashment | |
|--|--------------------|----------|------------------|------|
| | 2011 | 2010 | 2011 | 2010 |
| | ----- Rupees ----- | | | |
| 27.4 Actual return on the plan assets | | | | |
| Expected return on the plan assets | 293,591 | 271,705 | - | - |
| Actuarial (loss) on plan assets | (110,841) | (89,326) | - | - |
| Actual return on the plan assets | 182,750 | 182,379 | - | - |

27.5 Qualified actuary carried out the valuation as on 30 June 2011 using the Projected Unit Credit Method. Following significant assumptions have been used.

| | Gratuity | | Leave encashment | |
|--|-----------------------|----------|------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| | ----- Per annum ----- | | | |
| Discount rate | 14% | 12% | 14% | 12% |
| Expected rate of increase in salary | 13% | 11% | 13% | 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:

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|--------------------|-------------|-------------|-------------|-------------|
| | ----- Rupees ----- | | | | |
| As at 30 June | | | | | |
| Present value of defined benefit obligation | 10,307,555 | 11,203,547 | 7,865,683 | 10,194,637 | 7,907,331 |
| Fair value of plan assets | 2,629,338 | 2,446,588 | 2,264,209 | 5,647,850 | 5,647,850 |
| (Deficit) / surplus | (7,678,217) | (8,756,959) | (5,601,474) | (4,546,787) | (2,259,481) |

Fair value of plan assets include certificates of investments, whose fair value is Rs. 2.629 million (2010: Rs. 2.447 million).

| | Note | 2011 Rupees | 2010 Rupees |
|-------------------------------------|------|----------------|----------------|
| 28. LONG TERM DEPOSITS | | | |
| Margin against letters of guarantee | | 87,171,969 | 28,647,787 |
| Deposits against lease arrangements | 28.1 | 685,762,220 | 893,957,066 |
| Less: Current maturity | 31 | 512,522,498 | 683,532,345 |
| | | 173,239,722 | 210,424,721 |
| | | 260,411,691 | 239,072,508 |

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 | 2011 Rupees | 2010 Rupees |
|--|------|-----------------------------|----------------------|
| 29. SHORT TERM BORROWINGS | | | |
| Banking companies and other financial institutions: | | | |
| Running finances - secured | 29.1 | 41,605,658 | 161,738,467 |
| Placements | | | |
| Unsecured | 29.2 | 1,234,543,381 | 879,153,270 |
| | | <u>1,276,149,039</u> | <u>1,040,891,737</u> |
| 29.1 These represent two running finances utilized from commercial banks. The total limits against running finances amounting Rs. 120.6 million (2010: Rs. 425 million). These carry mark-up @ 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. | | | |
| Carrying amount of quoted shares given as collateral against borrowings | | <u>-</u> | <u>182,434,133</u> |
| 29.2 These are unsecured short term placements. Mark up rate ranging from 11% to 16.5%. (2010: 3 to 6 Months KIBOR+3.25%) | | | |
| 30. SHORT TERM CERTIFICATE OF INVESTMENT | | | |
| Local currency | | | |
| - Financial institutions | | 43,450,000 | 346,748,272 |
| - Corporate | | 506,430,014 | 843,930,014 |
| - Individuals | | 192,621,000 | 202,321,000 |
| | | <u>742,501,014</u> | <u>1,392,999,286</u> |
| 30.1 These represent unsecured short term certificates of investment for a period of one month to one year. These carry mark-up rate ranging from 10% to 18.75% (2010: 11% to 17.5%) per annum. | | | |
| 31. CURRENT MATURITIES OF LONG TERM LIABILITIES | | | |
| Term finance certificates - secured | 24.3 | 149,940,000 | 187,440,000 |
| Certificates of investment - unsecured | 26 | 55,522,940 | 130,077,400 |
| Long term financing from banking companies & FI | | | |
| Secured | 24.1 | 413,746,890 | 357,474,698 |
| Unsecured | 24.2 | 32,183,778 | 75,727,276 |
| Long term placements | 24.4 | 124,300,000 | - |
| Long term Murabaha | 25 | 12,000,000 | 12,000,000 |
| Long term deposits | 28 | 512,522,498 | 683,532,345 |
| | | <u>1,300,216,106</u> | <u>1,446,251,719</u> |

| | Note | 2011 Rupees | 2010 Rupees |
|-------------------------------------|------|--------------------|--------------------|
| 32. MARK-UP ACCRUED | | | |
| Secured | | | |
| - Short and long term borrowings | | 24,705,397 | 27,664,114 |
| - Term finance certificates | | 28,161,758 | 36,966,433 |
| | | 52,867,155 | 64,630,547 |
| Unsecured | | | |
| - Certificates of investment | | 24,700,978 | 35,563,842 |
| - Short and long term placements | | 25,527,990 | 12,953,310 |
| | | <u>103,096,123</u> | <u>113,147,699</u> |
| 33. TRADE AND OTHER PAYABLES | | | |
| Advance receipt against leases | 33.1 | 79,497,816 | 23,410,765 |
| Unclaimed dividend | | 3,101,207 | 3,111,816 |
| Preference dividend payable | | 52,618,867 | 10,104,296 |
| Accrued liabilities | | 7,038,761 | 2,021,318 |
| Other liabilities | 33.2 | 30,975,121 | 15,703,272 |
| | | <u>173,231,772</u> | <u>54,351,467</u> |

33.1 These represent initial security deposit received from lessees.

33.2 These include withholding tax payable Rs. 440,428 (2010: Rs. 345,654) and central excise duty payable Rs. 341,251 (2010: 67,785).

34. CONTINGENCIES AND COMMITMENTS

34.1 Contingencies

The Company has issued guarantees to various parties on behalf of clients amounting to Rs. 727.191 Million (2010: Rs. 529.795 million).

The Company has filed recovery suits amount to Rs. 1,694.51 Million (2010: Rs. 1,696.19 million). Prima facie the Bank has good arguable cases, the financial impact of the same has been accounted for in these financial statements.

34.2 Commitments

34.2.1 Financing commitments approved but not disbursed as on balance sheet date amount to Rs.28.251 million (2010 : 16.92 Million).

| | Note | 2011 Rupees | 2010 Rupees |
|--|------|--------------------|--------------------|
| 35. INCOME FROM LEASE OPERATIONS | | | |
| Finance lease income | | 144,413,190 | 211,716,494 |
| Front end fee | | - | 5,000 |
| Commitment and other fees | | 442,776 | 525,500 |
| Miscellaneous | 35.1 | 145,157,501 | 73,328,909 |
| | | <u>290,013,467</u> | <u>285,575,903</u> |
| 35.1 Miscellaneous lease income | | | |
| Mark-up on lease advance | | - | 2,704,957 |
| Additional mark up on overdue lease rentals | | 145,157,501 | 70,623,952 |
| | | <u>145,157,501</u> | <u>73,328,909</u> |
| 36. INCOME FROM INVESTMENTS | | | |
| Gain on disposal of "HFT" and "AFS" investments | | 6,753,023 | 1,045,288 |
| Profit on short term placements | | 2,818,014 | 11,679,271 |
| Profit on long term investments | | 12,364,374 | 14,206,792 |
| Dividend income | | 2,955,611 | 6,250,156 |
| Profit from First National Equity (Broker) | | 3,624,250 | - |
| Income from consultancy and trusteeship services | | 1,086,796 | 1,122,200 |
| Deficit on revaluation of held for trading investments | | (817,114) | (1,527,749) |
| Loss on disposal of investment in subsidiary company | | (14,142,596) | - |
| | | <u>14,642,358</u> | <u>32,775,958</u> |
| 37. INCOME FROM TERM FINANCES | | | |
| 37.1 Mark- up earned on long term finances | | | |
| Employees | | 1,617,367 | 2,222,864 |
| Customers | | 217,996,504 | 80,911,631 |
| | | <u>219,613,871</u> | <u>83,134,495</u> |
| 37.2 Mark- up earned on short term finances | | | |
| Employees | | 508 | 41,738 |
| Customers | | 94,458,574 | 49,653,918 |
| | | <u>94,459,082</u> | <u>49,695,656</u> |
| | | <u>314,072,953</u> | <u>132,830,151</u> |

| | Note | 2011 Rupees | 2010 Rupees |
|--|------|--------------------|--------------------|
| 38. FINANCE COST | | | |
| Mark-up on long term borrowings | | 178,284,615 | 184,772,392 |
| Mark-up on term finance certificates | | 63,743,569 | 94,405,239 |
| Amortisation of initial cost | | 3,259,833 | 3,083,102 |
| Mark-up on short term borrowings | | 135,543,333 | 117,313,504 |
| Mark-up on certificates of investment | | 174,422,877 | 234,945,690 |
| Mark-up on running finance | | 11,378,546 | 37,865,816 |
| Bank charges and commission | | 19,005,361 | 13,074,697 |
| Amortization of preference shares cost | | 1,558,115 | 107,170 |
| | | 587,196,249 | 685,567,610 |
| 39. ADMINISTRATIVE AND OPERATING EXPENSES | | | |
| Salaries and other benefits | 39.1 | 78,558,816 | 97,163,593 |
| Printing and stationery | | 1,608,974 | 1,880,807 |
| Vehicle running and maintenance | | 13,797,307 | 7,671,321 |
| Postage, telephone and telex | | 2,544,301 | 3,519,776 |
| Traveling and conveyance | | 2,121,109 | 1,791,849 |
| Boarding and lodging | | 409,618 | 408,923 |
| Entertainment | | 1,329,159 | 1,640,420 |
| Advertisement | | 712,440 | 637,683 |
| Electricity, gas and water | | 2,240,716 | 2,449,360 |
| Newspapers and periodicals | | 65,966 | 95,945 |
| Auditors' remuneration | 39.2 | 1,025,000 | 980,000 |
| Fee and subscription | | 4,144,343 | 1,468,274 |
| Rent, rates and taxes | | 14,769,086 | 22,340,094 |
| Insurance | | 1,872,050 | 3,676,939 |
| Office maintenance | | 2,458,944 | 2,848,598 |
| Legal and professional charges | | 8,777,556 | 12,591,809 |
| Security charges | | 915,040 | 1,319,358 |
| Staff training | | 590,700 | 45,403 |
| Depreciation on property and equipment | 5.1 | 8,262,898 | 14,513,478 |
| Amortization on intangible assets | 5.3 | 105,864 | 105,864 |
| Miscellaneous | | 3,889,051 | 6,550,701 |
| | | 150,198,938 | 183,700,195 |

39.1 It includes provision for gratuity and compensated leave absences amounting to Rs.6.012 million and Rs.1.065 million respectively (2010: Rs. 7.724 million and Rs. 2.551 million respectively).

| | Note | 2011 Rupees | 2010 Rupees |
|--|------|----------------------|--------------------|
| 39.2 Auditors' remuneration | | | |
| Audit fee: | | | |
| Annual | | 600,000 | 660,000 |
| Half yearly review | | 300,000 | 260,000 |
| Certification | | - | 40,000 |
| Out of pocket expenses | | 125,000 | 20,000 |
| | | <u>1,025,000</u> | <u>980,000</u> |
| 40. Other operating income | | | |
| Gain on disposal of operating fixed assets | | 11,476,026 | 4,543,013 |
| Commission income | | 17,838,335 | 2,366,577 |
| Profits on bank deposits | | 6,320,521 | 7,111,901 |
| Income against terminated leases | | 2,036,555 | - |
| Miscellaneous | 40.1 | 3,176,405 | 9,318,464 |
| | | <u>40,847,842</u> | <u>23,339,955</u> |
| 40.1 | | | |
| This head contains income on bouncing of cheques of lessees and ware house charges recovered from lessees. | | | |
| 41. Other operating expenses | | | |
| These represent lease receivables written off during the year. | | | |
| 42. PROVISION AGAINST LEASE AND TERM LOAN LOSSES | | | |
| Provision for potential lease losses | | (20,265,877) | 25,867,655 |
| Provision for loans and advances | | (240,104,572) | 135,270,616 |
| Provision for other receivable | | 40,763,989 | 62,036,900 |
| Provision against financing against shares | | 1,941,590 | 2,092,300 |
| | | <u>(217,664,870)</u> | <u>225,267,471</u> |
| 43. PROVISION / IMPAIRMENT ON INVESTMENT | | | |
| Impairment on available for sale investments | | - | 205,836,899 |
| Provision against term finance certificates and sukuks/ bonds | | - | 60,000,000 |
| Reversal of provision for diminution of investment in subsidiary | | (60,000,000) | - |
| | | <u>(60,000,000)</u> | <u>265,836,899</u> |

| | Note | 2011 Rupees | 2010 Rupees |
|-----------------------------------|------|-------------------|----------------|
| 44. PROVISION FOR TAXATION | | | |
| For the year | | | |
| - Current tax | | | |
| For the year | 44.1 | 7,621,365 | 3,285,497 |
| Prior year | | (553,772) | - |
| - Deferred tax | | 9,906,641 | (206,051,978) |
| | | 16,974,234 | (202,766,481) |

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.

45. EARNING / (LOSS) PER SHARE

| | | | |
|---|---------|--------------------|---------------|
| Profit / (Loss) for the year after taxation | Rupees | 123,848,371 | (711,912,778) |
| Weighted average number of ordinary shares | Numbers | 58,552,872 | 58,552,873 |
| Earning / (Loss) per share - basic | Rupees | 2.12 | (12.16) |

There is no dilutive effect on the basic earning / (loss) per share of the company.

46. REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVES AND DIRECTORS

| | Chief Executive | | Directors | | Executives | |
|--------------------------|-------------------|----------------|------------------|----------------|-------------------|----------------|
| | 2011 Rupees | 2010 Rupees | 2011 Rupees | 2010 Rupees | 2011 Rupees | 2010 Rupees |
| Managerial remuneration | 5,805,000 | 6,916,667 | - | - | 11,232,288 | 21,321,988 |
| Housing and utilities | 3,195,000 | 3,550,000 | - | - | 6,182,112 | 9,574,829 |
| Bonus | - | - | - | - | 1,384,124 | 80,000 |
| Medical | 12,603 | 58,333 | - | - | 456,497 | 902,082 |
| Others | 848,611 | 599,008 | - | - | 1,451,200 | 3,441,425 |
| Gratuity | 1,500,000 | 322,500 | - | - | 7,018,500 | 1,065,660 |
| Directorship Fee | - | 105,000 | 1,470,000 | 515,000 | - | - |
| | 11,361,214 | 11,551,508 | 1,470,000 | 515,000 | 27,724,721 | 36,385,984 |
| Number of persons | 1 | 1 | 7 | 7 | 10 | 26 |

46.1 Fee was paid to directors for attending the board meetings amount to Rs. 1,470,000 (2010: Rs. 620,000).

47. MATURITIES OF ASSETS AND LIABILITIES

| | 2011 | | | |
|--|----------------------|----------------------|---------------------------|--------------------|
| | Total | Upto one year | Over one to five years | Over five years |
| |Rupee..... | | | |
| Financial assets: | | | | |
| Net investment in lease finance | 2,242,100,908 | 2,088,404,126 | 153,696,782 | - |
| Long term loans and advances | 644,611,732 | 75,619,145 | 314,852,860 | 254,139,727 |
| Long term investments | 77,530,500 | 13,194,950 | 64,335,550 | - |
| Other receivable (long term) | 51,857,404 | 11,857,404 | 40,000,000 | - |
| Short term loans and advances | 796,421,060 | 796,421,060 | - | - |
| Short term placements | 9,966,110 | 9,966,110 | - | - |
| Short term investments | 1,384,288 | 1,384,288 | - | - |
| Interest accrued | 233,621,996 | 233,621,996 | - | - |
| Other receivable | 60,912,841 | 60,912,841 | - | - |
| Cash and bank balances | 29,107,525 | 29,107,525 | - | - |
| | 4,147,514,364 | 3,320,489,445 | 572,885,192 | 254,139,727 |
| Financial liabilities | | | | |
| Long term certificates of investments | 151,856,273 | 55,522,940 | 96,333,333 | - |
| Long term financing | 2,023,824,762 | 732,170,668 | 1,291,654,094 | - |
| Short term certificates of investments | 742,501,014 | 742,501,014 | - | - |
| Short term borrowings | 1,276,149,039 | 1,276,149,039 | - | - |
| Mark-up accrued | 103,096,123 | 103,096,123 | - | - |
| Trade and other payables | 173,231,772 | 173,231,772 | - | - |
| | 4,470,658,983 | 3,082,671,556 | 1,387,987,427 | - |
| Net Balance | (323,144,619) | 237,817,889 | (815,102,235) | 254,139,727 |
| Shareholders' equity | 100,152,815 | | | |

| | 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 | 86,155,500 | 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 | - | - |
| Mark-up 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 | 113,147,699 | 113,147,699 | - | - |
| Trade and other payables | 54,351,467 | 54,351,467 | - | - |
| | 4,927,397,250 | 3,364,109,563 | 1,563,287,687 | - |
| Net Balance | (200,901,703) | 118,288,068 | (319,189,771) | - |
| Shareholders' equity | (24,562,028) | | | |

47.1 Financial risk management

47.1.1 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

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 bank is exposed to equity price risk as bank hold available for sale and held for trading investments.

| | | | 2011 12496 | 2010 9721 |
|---------------------------------|------|--------------------------------|------------------------------------|-------------------------|
| | | Changes in KSE all Index | Effects on Profit Before Tax | Effects on Equity |
| Reporting date all index points | | | | |
| | | | ----- (Rupees) ----- | |
| Held-for-trading investments | 2011 | +10% | 138,429 | - |
| | | -10% | (138,429) | - |
| | 2010 | +10% | 1,561,920 | - |
| | | -10% | (1,561,920) | - |
| Available for sale | 2011 | +10% | - | - |
| | | -10% | - | - |
| | 2010 | +10% | - | 25,432,377 |
| | | -10% | - | (25,432,377) |

(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 bank's mark up bearing financial instruments was:

| | 2011 Rupees | 2010 Rupees |
|----------------------------------|----------------|----------------|
| Floating rate instruments | | |
| Financial assets | | |
| Bank balances - deposit accounts | 26,368,685 | 140,545,121 |
| Short term placements | 9,966,110 | 69,015,249 |
| Short term loans and advances | 796,421,060 | 477,803,204 |
| Long term investments | 77,530,500 | 86,155,500 |
| Lease rental receivables | 2,242,100,908 | 2,880,070,949 |
| Long term loans and advances | 644,611,732 | 498,012,912 |

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Modaraba.

(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:

| | 2011 Rupees | 2010 Rupees |
|-----------------------------------|----------------|----------------|
| Bank balances | 29,107,525 | 143,194,778 |
| Short term placements | 9,966,110 | 69,015,249 |
| Short term loans and advances-net | 796,421,060 | 477,803,204 |
| Interest accrued | 233,621,996 | 143,338,848 |
| Other receivables | 60,912,841 | 69,595,224 |
| Long term investments | 77,530,500 | 86,155,500 |
| Lease rental receivables | 2,242,100,908 | 2,880,070,949 |
| Long term loans and advances | 644,611,732 | 498,012,912 |
| Other receivables | 51,857,404 | - |
| | 4,146,130,076 | 4,367,186,664 |

Geographically all credit exposure is concentrated in Pakistan.

| | 2011 Rupees | 2010 Rupees |
|---|----------------------|----------------------|
| The maximum exposure to credit risk for receivables (term loan and lease rental receivables) at the reporting date by type of customer was: | | |
| Chemical & fertilizer | 17,492,200 | 35,077,300 |
| Construction / Real Estate | 869,713,598 | 491,792,208 |
| Financial institutions / Insurance Companies | 20,670,234 | 9,709,529 |
| Health care | 38,303,755 | 93,424,062 |
| Hotels | 21,963,300 | 18,921,381 |
| Individuals / auto lease | 1,818,896,339 | 1,462,515,733 |
| Miscellaneous manufacturing | 425,616,738 | 337,145,981 |
| Miscellaneous services | 445,541,638 | 154,992,250 |
| Natural gas & LPG | 151,953,295 | 237,187,901 |
| Paper & board | 19,660,000 | 19,660,000 |
| Steel & engineering | 44,223,425 | 33,021,000 |
| Sugar & allied | 39,324,475 | 60,513,475 |
| Textile composite | 62,297,766 | 127,847,566 |
| Textile knitwear / apparel | 194,480,000 | 192,621,524 |
| Textile spinning | 36,557,060 | 39,678,560 |
| Transport & communication | 436,062,977 | 995,109,332 |
| | <u>4,642,756,800</u> | <u>4,309,217,802</u> |

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

Overdue term loans and lease rental receivables

| | | |
|-------------------------|----------------------|----------------------|
| Past due 0 - 180 days | 382,305,053 | 239,838,059 |
| Past due 181 - 365 days | 52,282,814 | 89,524,431 |
| 1 - 2 years | 140,233,518 | 188,271,012 |
| More than 2 years | 1,054,739,938 | 1,117,247,389 |
| | <u>1,629,561,323</u> | <u>1,634,880,891</u> |

Provision on term loans and lease rental receivables

| | | |
|-------------------------|--------------------|--------------------|
| Past due 0 - 180 days | - | - |
| Past due 181 - 365 days | - | - |
| 1 - 2 years | 1,683,530 | 2,457,714 |
| More than 2 years | 276,370,598 | 295,455,446 |
| | <u>278,054,128</u> | <u>297,913,160</u> |

Collaterals held against term financing and lease rentals receivables

| Gross exposure | 2011 | | | Net exposure | |
|--------------------------|---------------|---------------|--------------------|--------------|------------|
| | Collaterals | | | | |
| | Mortgage | Hypothecation | Liquid-collaterals | | |
| ----- Rupees ----- | | | | | |
| Long term finances | 644,611,732 | 518,000,000 | 50,000,000 | 65,000,000 | 11,611,732 |
| Short term finances | 796,421,060 | 1,351,000,000 | 155,000,000 | 88,000,000 | - |
| Lease rental receivables | 2,791,537,883 | 3,358,897,699 | - | - | - |

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:

| Banks | Rating | | 2011 | 2010 |
|-------------------------|-----------|--------|-------------------|--------------------|
| | Long term | Agency | (Rupees) | |
| Summit Bank Limited | A | JCR | 12,871 | 28,599 |
| The Bank of Punjab | AA- | Pacra | 250 | 33,546 |
| Habib Bank Limited | AA+ | JCR | 954,073 | 494,878 |
| Habib Metropolitan Bank | AA+ | Pacra | 1,577,417 | 754,348 |
| MCB Bank Limited | AA+ | Pacra | 2,680,604 | 2,458,407 |
| NIB Bank Limited | AA- | Pacra | 9,825,786 | 16,704,846 |
| Standard Chartered Bank | AAA | Pacra | 5,484 | 122,535 |
| State Bank of Pakistan | - | - | 45,149 | 359,520 |
| Dawood Islamic Bank | A | JCR | 12,965,864 | 42,763,778 |
| KASB Bank Limited | A- | Pacra | 890,947 | 78,498,214 |
| | | | 28,958,445 | 142,218,672 |

| | | | Rating | | 2011 | 2010 |
|--|-----|-------|------------|--------|------------|-------------|
| | | | Long term | Agency | (Rupees) | |
| Available for Sale Securities | | | | | | |
| Fully Paid Ordinary Shares | | | | | | |
| Engro Chemicals Pakistan Limited | AA | Pacra | - | | 57,906,288 | |
| Fauji Fertilizer Company Limited | A | Pacra | - | | 7,214,900 | |
| Pakistan State Oil Limited | AA+ | Pacra | - | | 22,455,260 | |
| Attock Refinery Limited | AA | Pacra | - | | 12,760,704 | |
| Pakistan Oilfield Limited | AA | Pacra | - | | 8,636,001 | |
| Pakistan Petroleum Limited | AA | Pacra | - | | 7,364,800 | |
| MCB Bank Limited | AA+ | Pacra | - | | 46,993,980 | |
| Bank Islami Pakistan Limited | A | Pacra | - | | 3,203,580 | |
| My Bank Limited | A- | Pacra | - | | 2,403,471 | |
| NIB Bank Limited | AA- | Pacra | - | | 205,114 | |
| Samba Bank Limited | A+ | JCR | - | | 1,278,010 | |
| Allied Bank Limited | AA | Pacra | - | | 3,434,654 | |
| Arif Habib Securities Limited | A- | Pacra | - | | 15,363,145 | |
| Pervez Ahmed Securities Limited | A | JCR | - | | 2,325,155 | |
| Jahangir Siddiqui Company Limited | AA | Pacra | - | | 5,088,004 | |
| Arif Habib Limited | A | JCR | - | | 6,050,000 | |
| Adamjee Insurance Company Limited | AA | Pacra | - | | 5,702,634 | |
| D. G. Khan Cement Limited | A+ | Pacra | - | | 9,287,384 | |
| Nishat Mills Limited | AA- | Pacra | - | | 20,945,540 | |
| Pak Electron Limited | A- | Pacra | - | | 723,111 | |
| Pak Suzuki Motors Company Limited | | | - | | 14,982,030 | |
| | | | | | - | 254,323,765 |
| Sukuks / Bonds | | | | | | |
| New Allied Electronic Industries (Pvt) Limited-Sukuk | | | - | | - | - |
| Eden Housing Limited-Sukuk | | | 36,562,500 | | 39,687,500 | |
| | | | | | 36,562,500 | 39,687,500 |
| Term finance certificates | | | | | | |
| Dewan Cement Limited | D | Pacra | - | | - | - |
| Azgard Nine Limited | D | Pacra | 39,968,000 | | 39,968,000 | |
| Grays Leasing Limited | BB | JCR | 1,000,000 | | 6,500,000 | |
| | | | | | 40,968,000 | 46,468,000 |
| Held for Trading | | | | | | |
| Pakistan State Oil | AA+ | Pacra | - | | 3,903,000 | |
| Pakistan Oilfield Limited | AA | Pacra | - | | 3,238,500 | |
| Pakistan Petroleum 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 | |
| Pervaiz Ahmed securities limited | | | 1,384,288 | | - | |
| | | | | | 1,384,288 | 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 counterparties 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 |
|------------------------------|--------------------|------------------------|--------------------|-----------------------|--------------|
| ----- (Rupees) ----- | | | | | |
| 30 June 2011 | | | | | |
| Customers' security deposits | 685,762,220 | - | 512,522,498 | 173,239,722 | - |
| Trade and other payables | 173,231,772 | - | 173,231,772 | - | - |
| | 858,993,992 | | 685,754,270 | 173,239,722 | - |
| 30 June 2010 | | | | | |
| Customers' security deposits | 893,957,066 | - | 683,532,345 | 210,424,721 | - |
| Trade and other payables | 54,351,467 | - | 54,351,467 | - | - |
| | 948,308,533 | | 737,883,812 | 210,424,721 | - |

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 2011. 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 2011 | | | | | | |
| ----- (Rupees) ----- | | | | | | |
| Assets as per balance sheet | | | | | | |
| Cash and bank balances | 29,107,525 | - | - | - | - | 29,107,525 |
| Short term placements | - | 9,966,110 | - | - | - | 9,966,110 |
| Short term loans and advances-net | - | 796,421,060 | - | - | - | 796,421,060 |
| Short term investments | - | - | - | - | 1,384,288 | 1,384,288 |
| Markup accrued | - | 233,621,996 | - | - | - | 233,621,996 |
| Other receivables | - | 60,912,841 | - | - | - | 60,912,841 |
| Long term investments | - | - | - | 77,530,500 | - | 77,530,500 |
| Lease rental receivables | - | 2,242,100,908 | - | - | - | 2,242,100,908 |
| Long term loans and advances | - | 644,611,732 | - | - | - | 644,611,732 |
| Other receivables | - | 51,857,404 | - | - | - | 51,857,404 |
| | 29,107,525 | 4,039,492,051 | - | 77,530,500 | 1,384,288 | 4,147,514,364 |

Financial liabilities at amortized cost

| | (Rupees) |
|---|----------------------|
| Liabilities as per balance sheet | |
| Customers' security deposits | 685,762,220 |
| Long term financing-subordinated loan | 400,646,237 |
| Long term financing-preference shares | 306,500,000 |
| Long term financing-others | 1,603,678,525 |
| Long term morabaha | 19,500,000 |
| Long term certificates of investment | 151,856,273 |
| Short term borrowings | 1,276,149,039 |
| Short term certificates of investment | 742,501,014 |
| Trade & other payables | 173,231,772 |
| | 5,359,825,080 |

| | 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 | 143,194,778 | - | - | - | - | 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 | - | - | - | 86,155,500 | - | 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 | 4,137,836,386 | 254,323,765 | 175,521,419 | 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 | 1,659,927,151 |
| 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 |
| Trade and other payables | 54,351,467 |
| | 6,014,706,617 |

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 Company is required to maintain equity of Rs. 500 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 is compliant with the minimum regulatory requirement of equity set by SECP for investment finance services business.

Further, in accordance with the requirements of NBFC regulations, the minimum equity requirement for NBFCs has been raised to Rs. 1,000 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.

| | 2011 Rupees | 2010 Rupees |
|---------------------------------------|---------------------|-------------------|
| 48. CASH AND EQUIVALENTS | | |
| Cash and bank balances | 29,107,525 | 143,194,778 |
| Short term running finance | (41,605,658) | (161,738,467) |
| Placements with other banks-unsecured | - | 50,000,000 |
| | (12,498,133) | 31,456,311 |

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:

| | | |
|--|-------------|-------------|
| Mr. Asif Kamal | | |
| Share capital | 71,065,510 | - |
| Mr. Zahid Rafiq | | |
| Share capital | 57,024,050 | 57,024,050 |
| Genesis Securities (Pvt) Limited. | | |
| Share capital | 122,097,420 | - |
| Associated undertakings: | | |
| Tricon Developers Limited | | |
| Installments paid for purchase of office space | - | 32,400,000 |
| Amount due against leases | 1,765,950 | 2,757,742 |
| Finance income charged during the period | 386,389 | 566,824 |
| Deposit against lease arrangements | 501,350 | 501,350 |
| Long term financing - subordinated loan | 400,646,237 | 400,646,237 |

| | 2011 Rupees | 2010 Rupees |
|---|----------------|----------------|
| Polygon Builders | | |
| Finance income charged during the period | 151,011 | - |
| Polygon Developers | | |
| Finance income charged during the period | 19,414,210 | 27,593,035 |
| Habib Rafiq (Pvt) Limited | | |
| Letter of Guarantees issued during the year | 446,822,848 | - |
| Letter of Guarantees outstanding as at year end | 355,964,848 | - |
| Income charged during the year | 2,795,157 | - |
| Maple Leaf Cement Factory Limited | | |
| Letter of Guarantees issued during the year | 73,290,620 | - |
| Letter of Guarantees outstanding as at year end | 40,000,000 | - |
| Income charged during the year | 412,754 | - |
| Others | | |
| Employees' retirement fund | | |
| Contribution made | 5,546,550 | 8,363,877 |

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.

| | ----- 2011 ----- | | |
|--|-------------------------|--------------------------|--------------------|
| | Financing activities | Investment activities | Total |
| | ----- Rupees ----- | | |
| Income from lease operations | 290,013,467 | - | 290,013,467 |
| Income from investments | - | 14,642,358 | 14,642,358 |
| Income from finances /loans | 314,072,953 | - | 314,072,953 |
| Total income for reportable segments | 604,086,420 | 14,642,358 | 618,728,778 |
| Finance cost | 555,254,227 | 31,942,022 | 587,196,249 |
| Administrative and operating expenses | (436,997,311) | 587,196,249 | 150,198,938 |
| Lease receivables written off | 16,509,127 | - | 16,509,127 |
| Provision for potential lease losses and term finances | (217,664,870) | - | (217,664,870) |
| Impairment on available for sale investment | - | (60,000,000) | (60,000,000) |
| Other income | (5,212,960) | (35,634,882) | (40,847,842) |
| Segment result | 692,198,207 | (508,861,031) | 183,337,176 |
| Profit before taxation | | | 183,337,176 |

| | ----- 2011 ----- | | |
|-------------------------|-------------------------|--------------------------|----------------------|
| | Financing activities | Investment activities | Total |
| | ----- Rupees ----- | | |
| Segment assets | 4,222,511,724 | 192,022,313 | 4,414,534,037 |
| Unallocated assets | | | 966,102,390 |
| | | | 5,380,636,427 |
| Segment liabilities | 3,000,044,647 | 894,357,287 | 3,894,401,934 |
| Unallocated liabilities | | | 1,386,081,678 |
| | | | 5,280,483,612 |

| | ----- 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 | (626,563,393) | (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 |

51. UNADJUSTING POST BALANCE SHEET EVENTS

The bank has by way of a special resolution passed at the Extraordinary General meeting held on August 12, 2011, swapped land classified as held for sale at a consideration other than cash amounting to Rs. 478 million in exchange of 47.8 million ordinary shares of an associated underwriting i.e. Tricon Developers Limited at a price of Rs. 10/- each (break up value: Rs.11.63 per share) from Mr. Asif Kamal (Chairman/director of the Company). SECP approval for the transaction is awaited.

52. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 07 October 2011 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.

| Account Head | Previous classification | Revised classification | Rupees |
|--|---|--|------------|
| Current portion of long term morabaha | Long term financing-others | Long term morabaha | 12,000,000 |
| Mark up payable on Short term & long term placements | Short and long term borrowings- (Mark up accrued) | Short and long term borrowings- placements-mark up accrued | 12,953,310 |
| Profit on short term placements | Profit on long term investments | Profit on short term placements | 1,023,566 |
| Consultancy fee | Profit from First National Equity | Income from consultancy & trusteeship services | 213,920 |
| Other receivable | Other receivable-considered good | Other receivable-considered doubtful | 3,920,248 |

53.3 Nomenclature of following accounts has been changed during the period.**Previous nomenclature**

Surplus on revaluation of assets-net
Additional lease rentals
Gain/ (Loss) on disposal of investment (held for trading)
Mark-up earned on securities purchased under resale agreement
Prof t on short term placements and long term investments
U nderwriting and trusteeship fee
Income from consultancy services
Income from term f nances
Short term and long term f nances
Mark-up accrued on short term and long term f nances

Revised nomenclature

Surplus on revaluation of f xed assets-net
Additional mark up on overdue lease rentals
Gain on disposal of "HFT" and "AFS" investments
Prof t on short term placements
Prof t on long term investments
Prof t from First National Equity (Broker)
Income from consultancy and trusteeship services
Income from term loans
Short term and long term loans
Mark-up accrued on short term and long term loans

2011

Annual Report

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 29th day of October, 2011 at 11:00 a.m. at Head Office: 23-D / 1-A, Gulberg III, Lahore.
Signed this _____ day of _____ 2011.

Please affix Five
Rupees Revenue
Stamp

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

| | |
|------------------|------------------|
| Witness: | Witness: |
| Signature: _____ | Signature: _____ |
| Name: _____ | Name: _____ |
| Address: _____ | Address: _____ |
| CNIC No.: _____ | 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

