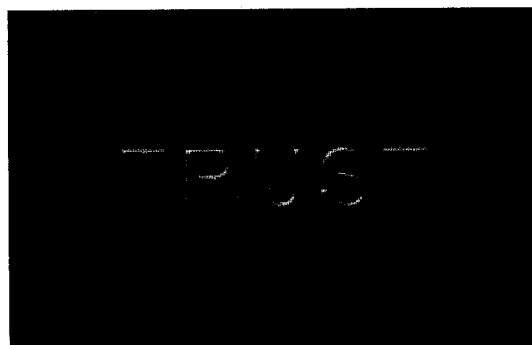


Annual Report

2005



TRUST LEASING & INVESTMENT BANK LIMITED

(Formerly Trust Leasing Corporation Limited)

CONTENTS

Mission Statement	2
Company Information	3
Branch Network	4
Notice of Annual General Meeting	5
Directors' Report	6-13
Statement of Compliance with the Code of Corporate Governance	14-15
Review Report to the Members	16
Auditors' Report to the Members	17
Balance Sheet	18
Profit and Loss Account	19
Cash Flow Statement	20-21
Statement of Changes in Equity	22
Notes to the Accounts	23-46
Proxy Form	47-48

COMPANY

CHAIRMAN

Mr. Ahmed Saeed Chaudhry

BOARD OF DIRECTORS

Mr. S. Amjad Ali

Mr. Tajammal Hussain

Mr. Imtiaz Ahmad Pervez

Lt. Gen. (Retd.) Ghulam Safdar Butt

Mr. Ali Aslam Malik

Mian Ahmed Hussain

MANAGING DIRECTOR / CHIEF EXECUTIVE

Mr. Kamal Khan

COMPANY SECRETARY

Mr. Rahat Saleem

AUDITORS

Taseer Hadi Khalid & Co.

Chartered Accountants

LEGAL ADVISOR

Malik & Maliks

Law Office

REGISTERED & HEAD OFFICE

35-A/II, Aziz Avenue, Canal Bank,
Lahore.

Tel: (042) 571-0988, 571-0946, 5875412-3

Fax: (042) 571-3453

E.mail: tlcl@trustleasing.com

Website: www.trustleasing.com

BANKERS TO THE COMPANY

The Bank of Punjab

Habib Bank Ltd.

National Bank of Pakistan

Faysal Bank Ltd.

Metropolitan Bank Ltd.

Muslim Commercial Bank Ltd.

AlBaraka Islamic Bank

Allied Bank Ltd.

Soneri Bank Ltd.

Askari Commercial Bank Ltd.

REGISTRARS

Vision Consulting Ltd.

1st Floor, 3-C, LDA Flats,

Lawrence Road, Lahore.

Tel: 042-6375531, 6375339

Fax: 042-6374839



BRANCH

NETWORK

Jail Road Lahore Branch

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

Mandi Baha-ud-Din Branch

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

Faisal Town Lahore Branch

Al-Fatah Plaza, 2nd Floor, Mohammad Pura,
Peco Stop, Moaza Pindi Rajputan, Lahore
Ph: 042-5178893

Multan Branch

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

Cavalry Ground Lahore Branch

Right Half, 2nd Floor, Commercial Building,
89 Cavalry Ground Extension, Lahore
Ph: 042-6673012

Karachi Branch

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

Gujrat Branch

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

Rawalpindi Branch

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

Gujranwala Branch

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

Sialkot Branch

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

Sargodha Branch

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

NOTICE OF

ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the shareholders of Trust Leasing & Investment Bank Limited will be held on Friday, October 21, 2005 at 4:30 p.m. at Pearl Continental Hotel, Lahore to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the 6th Extra Ordinary General Meeting held on August 12, 2005.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2005 together with Directors' and Auditors' Report thereon.
3. To approve the payment of Cash Dividend to the shareholders at the rate of Rs.1.00 per share i.e.10% and the issue of Bonus Shares in the proportion of Two shares for every Ten shares held i.e. 20%.
4. To appoint Auditors for the year 2005-2006 and fix their remuneration. The present auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
5. To transact any other ordinary business which may be placed before the meeting with the permission of the Chair.

By Order of the Board

Lahore:
September 30, 2005

(RAHAT SALEEM)
COMPANY SECRETARY

REGISTERED OFFICE:

Trust Leasing & Investment Bank Limited,
35-A/II, Aziz Avenue, Canal Bank, Lahore.
Tel. : (042) 5710988, 5710946
Fax : (042) 5713453
Email : tlcl@trustleasing.com

NOTE:

1. The Members Register will remain closed from October 12, 2005 to October 21, 2005 (both days inclusive). Transfer received in order at Registrar's Office M/s. Vision Consulting Limited, 1st Floor, 3-C, LDA Flats, Lawrence Road, Lahore by the close of business hours on October 11, 2005 will be treated in time for the entitlement of Cash Dividend and Bonus Shares.
2. A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account; and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participants I.D. numbers and account numbers in CDS.
 - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
 - iii) Shareholders are requested to immediately notify the Registrar of any change in their addresses.

DIRECTORS' REPORT

We feel pleasure to present 14th Annual Report of your Company for the year ended June 30, 2005 together with the Audited Accounts of the Company and Auditors' Report thereon.

OPERATING RESULTS

The financial results of the Company are as under:-

	<u>2005</u>	<u>2004</u>
	(Rupees)	
Revenues	420,272,128	229,379,247
Expenditures	204,216,109	96,227,350
Profit before provisions	216,056,019	133,151,897
Profit before tax	211,657,012	118,071,307
Profit after tax	225,273,330	120,313,755
Earning per Share	6.64	3.54

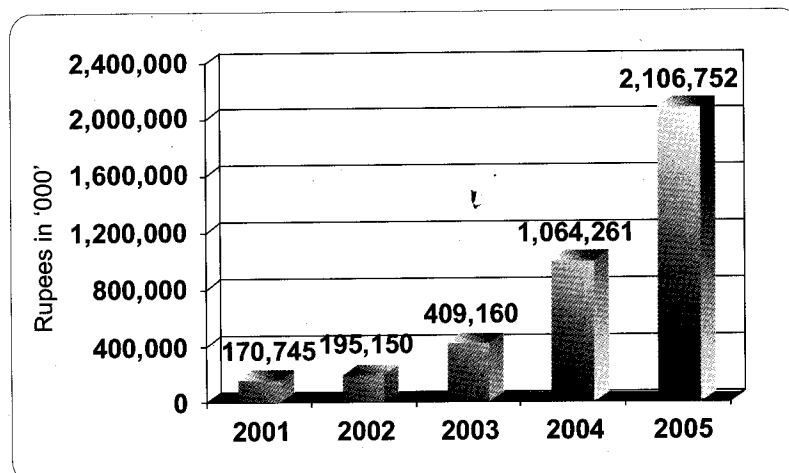
DIVIDEND

The directors are pleased to recommend a cash dividend of 10% (2004 : 15%) and stock dividend of 20% (2004:10%) out of the profits for the year.

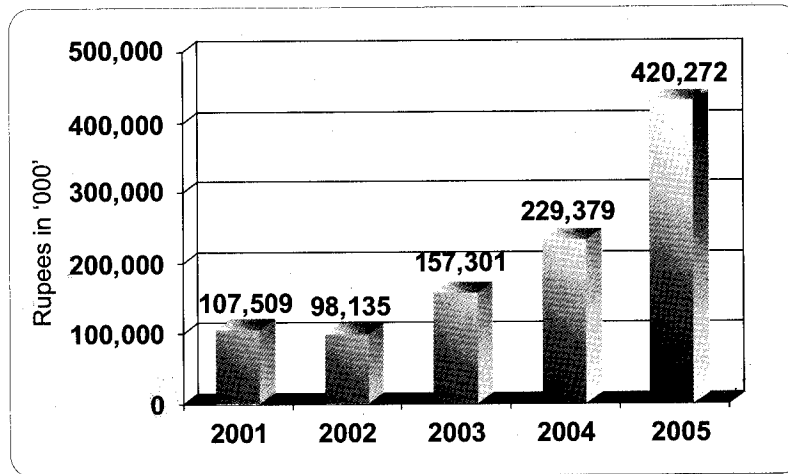
REVIEW OF OPERATIONS

Your Company maintained the pace of growth during the year ended June 30, 2005 in terms of revenues, profitability and leasing business. The balance sheet footing stood at Rs.4,126 million and despite competition fresh leases of Rs.2,107 million were disbursed as against leases of Rs.1,064 million in 2004 showing an overall growth of 98 %. The net investment in lease finance at the year end stood at Rs.2,952 million as against Rs.1,367 million on June 30, 2004.

FRESH LEASES



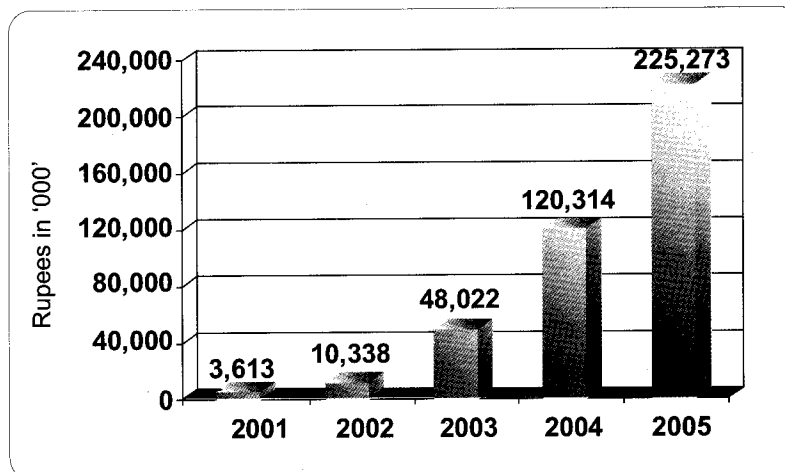
INCOME



Total revenues increased by 83 % and stood at Rs.420 million as against Rs.229 million on June 30, 2004. Income from leasing operations increased by 79 % to Rs.270 million as compared with Rs.151 million in the previous year. The Company posted net profit after tax of Rs.225 million against Rs.120 million in the last year. Earning per share increased from Rs.3.54 to Rs.6.64 showing considerable improvement.

Financial expenses increased by 147 % justified by the fact that overall borrowings increased and stood at Rs.2,614 million as against Rs.1,262 million as at June 30, 2004.

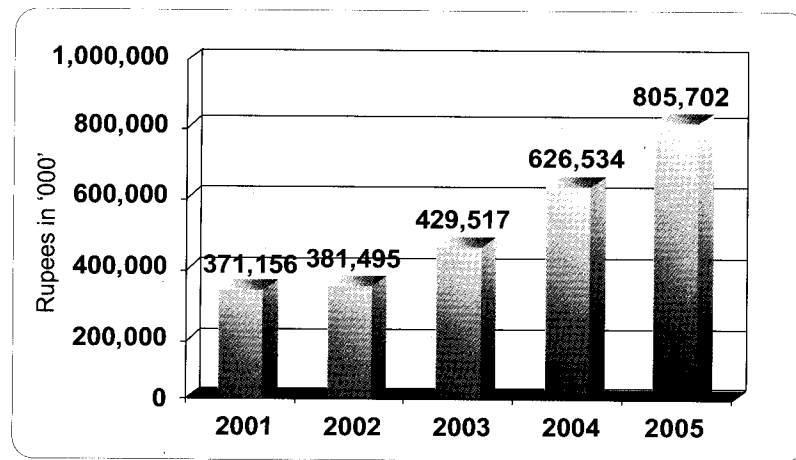
PROFIT AFTER TAX



STATUS OF INVESTMENT BANK

The Company was granted licence to undertake Investment Finance Services under the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003 by the Securities & Exchange Commission of Pakistan in January, 2005 and subsequently the Company got the status of investment bank and changed its name to **Trust Leasing & Investment Bank Limited (TLIBL)**. Hopefully, the investment banking functions would take off very soon. The company has got membership of Lahore Stock Exchange (LSE) and plans to start its functions fully equipped with a competent team of professionals in the related field shortly.

EQUITY



CREDIT RATING

The Pakistan Credit Rating Agency (Pvt.) Ltd. (PACRA) upgraded the entity ratings of your Company from to **A+ (single A plus)** to **AA- (double A minus)** for long term and **A1 (A one)** to **A1+ (A one plus)** for short term. PACRA also assigned instrument rating of **AA (double A)** to listed Term Finance Certificates of the Company. These ratings indicate high credit quality and strong capacity of the Company for timely repayment of its obligations.

FUNDS MOBILIZATION

The Company negotiated fresh credit lines to the tune of Rs.1,000 million during the year. The Company remained successful in raising funds at highly competitive rates from its money market clean limits which exceeded Rs.1,000 million during the year. The Company is in process to issue its 2nd tranche of Rs.375 million of the 2nd Issue of Term Finance Certificates of Rs.1,000 million. The issue of 2nd tranche will be completed by October, 2005. The first tranche of the 2nd Issue was completed in July, 2004. Besides, the Company is issuing preference shares of Rs.200 million for which agreements for placement of Pre Initial Public Offering of Rs.120 million are in place and other necessary approvals and formalities for Initial Public Offering of Rs.80 million are being completed.

BRANCH NETWORK

During the year under review, the Company expanded its branch network, raising the total number of branches to eleven including the one in Karachi, the biggest business centre of the country. Five more branches will start operations in the financial year 2006 providing an increased outreach to sustain volume growth.

BOARD OF DIRECTORS

Subsequent to year end, the election of directors was held in Extra Ordinary General Meeting on 12 August, 2005. The following directors were elected:

- | | |
|----------------------------|---------------------------------------|
| - Mr. Ahmed Saeed Chaudhry | - Lt. Gen. (Retd.) Ghulam Safdar Butt |
| - Mr. S. Amjad Ali | - Mr. Ali Aslam Malik |
| - Mr. Tajammal Hussain | - Mian Ahmed Hussain |
| - Mr. Imtiaz Ahmed Pervez | - Mr. Mubashir A. Akhter |

Mr. Mubashir A. Akhter resigned and Mr. Kamal Khan was appointed by the Board in his place as Chief Executive and Managing Director of the Company.

FUTURE OUTLOOK

With the progress made over the last three years, the Company is now well placed in the industry. The main areas targeted for growth are transport and communication sector, auto leases and small and medium enterprises. Priority will be given to quality of assets and business soundness. In addition, the credit risk will be managed by obtaining adequate collateral security. The reputation enjoyed by the senior management of the Company, which is featured by vast corporate banking relationships and banking experience will be utilized in pursuing future business.

Keeping in view the growth in business, TLIBL plans to open new branches at Peshawar, Jhelum, Mirpur, Faisalabad and other major cities. During days ahead, the company will be in a position to partake other opportunities available to it under investment banking functions.

CODE OF CORPORATE GOVERNANCE

It is confirmed on behalf of the directors that compliance has been made with all stipulations listed under clause (xix) of the Code of Corporate Governance.

- a. The financial statements, prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of account have been maintained.
- c. Appropriate accounting policies have been consistently applied except for those changed due to substituted Fourth Schedule to the Companies Ordinance, 1984 in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. During the year six Board meetings were held. Attendance by each director was as under:-

Name of Director

Meetings Attended

- Mr. S. Amjad Ali	6
- Mr. Tajammal Hussain	6
- Mr. Imtiaz Ahmad Pervez	6
- Lt. Gen. (Retd.) Ghulam Safdar Butt	5
- Mr. Shafiq A. Khan - retired	2
- Mr. Muzaffar Ahmed - retired	2
- Mr. Ali Aslam Malik	6
- Mr. Ihsan Ullah Khan (resigned-Jan 2005)	4
- Mr. Mubashir A. Akhtar	2

- i. During the year, no trading in the shares of the Company was carried out by the directors, chief executive, chief financial officer and company secretary, their spouses and minor children.
- j. Key operating and financial data of last six years is annexed (Annexure A).
- k. Pattern of shareholding as at June 30, 2005 is annexed (Annexure B).

AUDITORS

The present Auditors, M/s Taseer Hadi Khalid & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment for the year ending June 30, 2006.

ACKNOWLEDGEMENT

We express our gratitude to our valuable clients, depositors and shareholders for reposing their confidence in the Company. We also take this opportunity to thank the Securities & Exchange Commission of Pakistan, State Bank of Pakistan and Leasing Association of Pakistan for their guidance and support. Special thanks are due to those banks and financial institutions providing credit lines to the Company. We also appreciate the efforts and dedication of the management and staff without which Company's success could not have been possible.

For and on behalf of the Board

**(Ahmed Saeed Chaudhry)
Chairman**

ANNEXURE "A"

SIX YEARS FINANCIAL SUMMARY (Rupees)						
	2005	2004	2003	2002	2001	2000
Operational Results						
Total Lease Business	2,106,752,959	1,064,260,626	409,160,545	195,152,547	170,745,000	141,705,888
Revenues	420,272,128	229,379,247	157,300,582	98,135,146	107,509,307	95,727,135
Financial Expenses	150,269,052	60,760,718	42,859,395	40,354,874	42,283,279	48,137,343
Total Expenses	204,216,109	96,227,350	67,260,570	62,796,287	64,896,041	71,595,767
Profit Before tax & Provisions	216,056,019	133,151,897	90,040,012	36,716,819	46,520,100	24,131,368
Profit after tax	225,273,330	120,313,755	48,022,354	10,338,859	3,613,266	4,107,508
Balance Sheet						
Total Assets	4,126,335,626	2,165,924,027	1,112,803,912	683,338,570	678,895,124	688,554,195
Paid-up Capital	339,436,944	308,579,040	223,608,000	203,280,000	184,800,000	168,000,000
Reserves & Un-appropriated Profits	466,265,230	271,668,803	205,909,184	178,214,830	186,355,971	199,542,705
Total Equity	805,702,174	580,247,843	429,517,184	381,494,830	371,155,971	367,542,705
Earning per Share	6.64	4.38	1.75	0.38	0.13	0.15
Book Value per Share	23.74	18.80	19.21	18.77	20.08	21.88
Dividend	10% Cash Dividend 20% Stock Dividend	15% Cash Dividend 10% Stock Dividend	- 15% Stock Dividend	- 10% Stock Dividend	- 10% Stock Dividend	- 10% Stock Dividend

ANNEXURE "B"

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2005

Number of Shareholders	Shareholding		Total Number of Shares Held	Percentage
	From	To		
575	1	100	28,496	0.08
733	101	500	196,692	0.58
447	501	1,000	339,670	1.00
634	1,001	5,000	1,213,280	3.57
82	5,001	10,000	590,082	1.74
37	10,001	15,000	454,623	1.34
14	15,001	20,000	244,273	0.72
11	20,001	25,000	246,089	0.72
4	25,001	30,000	108,262	0.32
4	30,001	35,000	128,412	0.38
3	35,001	40,000	113,147	0.33
10	40,001	50,000	442,777	1.30
1	50,001	55,000	54,400	0.16
2	60,001	65,000	125,184	0.37
4	65,001	75,000	273,869	0.81
1	75,001	80,000	77,349	0.23
2	80,001	90,000	173,958	0.51
3	100,001	150,000	379,038	1.12
3	150,001	170,000	507,803	1.50
1	170,001	205,000	171,283	0.50
2	205,001	245,000	450,608	1.33
1	335,001	340,000	339,435	1.00
1	350,001	355,000	354,806	1.05
1	385,001	390,000	388,421	1.14
1	450,001	455,000	452,980	1.33
1	690,001	695,000	692,456	2.04
1	895,001	900,000	900,000	2.65
1	1,045,001	1,050,000	1,046,596	3.08
2	1,075,001	1,080,000	2,154,420	6.35
1	1,080,001	1,250,000	1,209,666	3.56
1	1,250,001	1,500,000	1,488,257	4.38
1	2,000,001	2,500,000	2,378,130	7.01
1	4,000,001	5,000,000	4,509,500	13.29
2	5,000,001	6,000,000	11,709,732	34.50
2,588			33,943,694	100.00

CATEGORY OF SHAREHOLDERS

AS AT JUNE 30, 2005

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Charitable Trust	1	4,509,500	13.285
Financial Institutions	10	1,995,609	5.879
Individuals	2,496	13,939,654	41.067
Insurance Companies	2	1,527,568	4.500
Investment Companies	4	2,900	0.009
Joint Stock Companies	41	3,897,144	11.481
Modarabas	9	52,916	0.156
Leasing Companies	1	13,717	0.040
ICP	1	4,110	0.012
Others	15	85,176	0.251
Directors			
Mr. S. Amjad Ali	1	47,233	0.001
Mr. Tajammal Hussain	1	1,209,666	3.564
Mr. Imtiaz Ahmad Pervez	1	692,456	2.040
Lt. Gen. (R) Ghulam Safdar Butt	1	758	0.002
Mr. Shafiq A. Khan	1	1,128	0.019
Mr. Muzaffar Ahmad	1	759	0.002
Mr. Ali Aslam Malik	1	5,962,900	17.567
Mr. Mubashir A. Akhter	1	500	0.001
TOTAL	2,588	33,943,694	100.000

SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY

Total Paid up capital of the Company		33,943,694	Shares
10% of the paid up capital of the Company		3,394,369	Shares
NAMES OF THE SHAREHOLDERS	No. of Shares Held	Percentage	
Mr. Rizwan Pervez	5,746,832	16.93%	
Mr. Ali Aslam Malik	5,962,900	17.57%	
Kaukab Mir Memorial Welfare Trust	4,509,500	13.29%	
Total	16,219,232	47.78%	

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance for the purpose of establishing a framework of good governance, whereby a listed company is managed 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 directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. A casual vacancy occurring in the Board due to resignation of the Chief Executive/Managing Director, Mr. Ihsan ullah Khan was filled up by the directors within 30 days thereof.
4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
8. The Board has arranged orientation courses wherever possible for its directors to apprise them of their duties and responsibilities.
9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
10. The directors' report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
15. 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.
16. The Board has set-up an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. 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.

Kamal Khan
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES 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 Leasing & Investment Bank Limited to comply with the Listing Regulations of the Karachi, Islamabad and Lahore Stock Exchanges where the Company is listed.

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

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

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 effective as at June 30, 2005.

Place: Lahore
Date: September 20, 2005.

Taseer Hadi Khalid & Co.
Chartered Accountants

AUDITORS' REPORT

We have audited the annexed balance sheet of **Trust Leasing & Investment Bank Limited (Formerly Trust Leasing Corporation Limited)** ("the Company") as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policies as explained in Note 3.17 and 3.18 with which we concur;
 - ii) The expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Company for the year ended 30 June 2004 were audited by another firm of auditors, whose report dated 16 September 2004 expressed an unqualified opinion on those financial statements.

Place: Lahore
Date: September 20, 2005.

Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHEET

AS AT JUNE 30, 2005

	<u>NOTE</u>	<u>2005</u> <u>Rupees</u>	<u>2004</u> <u>Rupees</u>
ASSETS			
Current assets			
Cash and bank balances	4	275,613,452	476,439,599
Short term investments	5	17,608,706	48,674,687
Short term finances	6	-	1,657,804
Short term placements	7	115,000,000	110,100,000
Advances, prepayments and other receivables	8	711,248,275	109,855,497
Net investment in lease finance - current portion		771,039,762	391,282,511
Total current assets		1,890,510,195	1,138,010,098
Long term investments	9	15,980,621	17,109,000
Long term deposits	10	2,339,553	3,303,382
Net investment in lease finance	11	2,181,321,967	975,481,671
Property and equipment	12	36,183,290	25,068,754
Total assets		4,126,335,626	2,158,972,905
LIABILITIES			
Current liabilities			
Trade and other payables	13	85,984,360	18,385,878
Current maturities of long term liabilities	14	407,791,680	152,398,915
Short term borrowings	15	1,002,819,861	402,346,434
Short term certificates of investment	16	296,714,000	107,183,400
Total current liabilities		1,793,309,901	680,314,627
Long term borrowings	17	448,304,608	93,098,484
Liabilities against assets subject to finance lease	18	-	110,040
Long term certificates of investment	19	690,000	15,781,348
Deposits against lease arrangements	20	618,547,057	245,015,416
Term finance certificates	21	457,165,054	492,084,528
Deferred liabilities	22	2,616,832	6,033,762
Total liabilities		3,320,633,452	1,532,438,205
NET ASSETS		805,702,174	626,534,700
REPRESENTED BY			
Share capital	23	339,436,944	308,579,040
Reserves	24	466,265,230	317,955,660
Contingencies and commitments	25	-	-
		805,702,174	626,534,700

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2005

	NOTE	2005 Rupees	2004 Rupees
REVENUE			
Income from lease operations	26	269,777,247	151,094,615
Income from investments	27	136,556,383	77,642,546
Other income	28	13,938,498	642,086
		420,272,128	229,379,247
EXPENDITURE			
Financial charges	29	150,269,052	60,760,718
Administrative and operating expenses	30	46,049,834	30,740,125
Depreciation	12	5,865,324	3,628,803
Amortization and write off of deferred costs	10	1,911,279	661,971
Lease receivables written off		120,620	435,732
		204,216,109	96,227,349
OPERATING PROFIT BEFORE PROVISIONS		216,056,019	133,151,898
Provision for potential lease losses		-	12,500,000
Provision for diminution in the value of investments	9.1.3	1,009,379	-
Adjustment for remeasurement of investment to fair value	5.3	3,389,628	2,580,590
		4,399,007	15,080,590
PROFIT BEFORE TAXATION		211,657,012	118,071,308
Taxation	31	(13,616,318)	(2,242,448)
PROFIT AFTER TAXATION		225,273,330	120,313,756
Earnings per share - Basic	32	6.64	3.54

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2005

	NOTE	2005 Rupees	2004 Rupees
Cash flows from operating activities			
Profit before taxation		211,657,012	118,071,308
Adjustments for non cash items:			
Depreciation		5,865,324	3,628,803
Deferred costs		1,911,279	661,971
Amortization of transaction cost of term finance certificates		2,280,928	-
Provision for gratuity		1,120,420	997,698
Provision for doubtful receivables		(2,127,788)	12,500,000
Lease receivables written off		120,620	435,732
Financial charges		150,269,052	60,760,718
Profit on sale of fixed assets		(1,222,958)	30,870
Remeasurement of investments to fair value		3,389,628	2,580,590
Provision for diminution in the value of investments		1,009,379	-
		<u>162,615,884</u>	<u>81,596,382</u>
Operating profit before working capital changes		374,272,896	199,667,690
Changes in operating assets and liabilities			
(Increase)/Decrease in			
Investments held for trading		27,676,353	15,918,747
Short term finances		1,657,804	19,555,511
Advances, prepayments and other receivables		(585,463,051)	7,446,339
		<u>(556,128,894)</u>	<u>42,920,597</u>
Increase in trade and other payables		35,660,627	3,024,833
		<u>(520,468,267)</u>	<u>45,945,430</u>
Cash utilized/generated in operations		(146,195,371)	245,613,120
Financial charges paid		(121,976,194)	(56,088,404)
Taxes paid		(2,606,240)	2,376,696
Gratuity paid		(37,350)	(59,100)
		<u>(124,619,784)</u>	<u>(53,770,808)</u>
Net cash used/generated in operating activities		(270,815,155)	191,842,312

	<u>NOTE</u>	<u>2005</u> <u>Rupees</u>	<u>2004</u> <u>Rupees</u>
Brought Forward		270,815,155	191,842,312
Cash flows from investing activities			
Purchase of property and equipment		(19,841,509)	(21,597,696)
Net investment in lease finance		(1,585,597,547)	(599,399,941)
Long term deposits		(947,450)	(291,053)
Deferred cost incurred		-	(2,254,061)
Sale proceeds of property and equipment		4,084,600	538,000
Sale proceeds of long term investments		300,000	(12,000,000)
Net cash used in investing activities		(1,602,001,906)	(635,004,751)
Cash flows from financing activities			
Long and short term borrowings		942,825,056	314,852,273
Issue of term finance certificates		75,000,000	400,000,000
Redemption of term finance certificates		(50,000,000)	(3,125,000)
Transaction cost incurred on term finance certificates		(5,700,398)	(5,765,404)
Repayment against assets subject to finance lease		(1,507,790)	(1,093,161)
Deposits against lease arrangements		371,052,952	189,957,672
Certificates of investment		172,053,452	23,676,147
Issuance of right shares		-	51,429,840
Premium on issue of right shares		-	25,714,920
Dividends paid		(44,841,857)	(27,327)
Net cash generated from financing activities		1,458,881,415	995,619,960
Net (decrease)/increase in cash and cash equivalents		(413,935,646)	552,457,521
Cash and cash equivalents at the beginning of the year		471,729,237	(80,728,284)
Cash and cash equivalents at the end of the year	33	57,793,591	471,729,237

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2005

	Share capital Rupees	Share premium Rupees	Reserve for issue of bonus share Rupees	Statutory reserve Rupees	General reserve Rupees	Revaluation reserve for available for sale investments Rupees	Unappropriated profit Rupees	Total Rupees
Balance as at 1 July 2003 as previously stated	223,608,000	45,000,000	33,541,200	46,655,495	61,000,000	-	19,712,489	429,517,184
Effect of change in accounting policy with respect to bonus shares issued subsequent to the year end	-	-	(33,541,200)	-	-	-	33,541,200	-
Balance as at 1 July 2003 as restated	223,608,000	45,000,000	-	46,655,495	61,000,000	-	53,253,689	429,517,184
Right shares issued at premium	51,429,840	25,714,920	-	-	-	-	-	77,144,760
Bonus shares issued	33,541,200	-	-	-	-	-	(33,541,200)	-
Net profit for the year ended 30 June 2004	-	-	-	-	-	-	120,313,756	120,313,756
Transfer to statutory reserve	-	-	-	24,062,751	-	-	(24,062,751)	-
Revaluation of investment available for sale	-	-	-	-	-	(441,000)	-	(441,000)
Proposed bonus shares	-	-	30,857,904	-	-	-	(30,857,904)	-
Proposed dividend	-	-	-	-	-	-	(46,286,856)	(46,286,856)
Balance as at 30 June 2004 as previously stated	308,579,040	70,714,920	30,857,904	70,718,246	61,000,000	(441,000)	38,818,734	580,247,844
Effect of change in accounting policy with respect to dividend declared subsequent to the year end	-	-	-	-	-	-	46,286,856	46,286,856
Effect of change in accounting policy with respect to bonus shares declared subsequent to the year end	-	-	(30,857,904)	-	-	-	30,857,904	-
Balance as at 30 June 2004 as restated	308,579,040	70,714,920	-	70,718,246	61,000,000	(441,000)	115,963,494	626,534,700
Dividend paid	-	-	-	-	-	-	(46,286,856)	(46,286,856)
Bonus shares issued	30,857,904	-	-	-	-	-	(30,857,904)	-
Net profit for the year ended 30 June 2005	-	-	-	-	-	-	225,273,330	225,273,330
Transfer to statutory reserve	-	-	-	45,054,666	-	-	(45,054,666)	-
Revaluation of investment available for sale	-	-	-	-	-	181,000	-	181,000
Balance as at 30 June 2005	339,436,944	70,714,920	-	115,772,912	61,000,000	(260,000)	219,037,398	805,702,174

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

1. THE COMPANY, OPERATIONS AND REGISTERED OFFICE

Trust Leasing & 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 35-A/II, Aziz Avenue, Canal Bank, Lahore. The Company is mainly engaged in the business of leasing. It is classified as a non-banking finance company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan.

Subsequent to year end the name of the Company has been changed from "Trust Leasing Corporation Limited" to "Trust Leasing & Investment Bank Limited". The change in name was approved in Extra Ordinary General meeting held on 11 July 2005. The Company got approval from the Securities and Exchange Commission of Pakistan on 05 August 2005.

2. STATEMENT OF COMPLIANCE

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

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

3.2 Taxation

Current

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

Deferred

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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.

3.3 Property and equipment

These are stated at historical cost less accumulated depreciation.

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 year depreciation is charged on additions during the year, while no depreciation is charged in the year of disposal.

Normal repairs and maintenance are charged to revenue as and when incurred, while major renewals and replacements are capitalized.

Gains and losses on disposal of fixed assets are recognized in the profit and loss account in the year of disposal.

3.4 Assets subject to finance lease

The leases, where all the risks and rewards incidental to ownership of the leased assets have been transferred to the Company are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to produce a constant periodic rate of interest on the balance outstanding. The interest element of the rental is charged to income over the lease term.

Assets acquired under a finance lease are depreciated on basis and rates similar to those for Company owned assets. Depreciation on leased assets is charged to profit and loss account.

3.5 Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Significant financial assets include short and long term loans, short and long term investments, short term placements, net investment in leases, advances and receivables, long term deposits and cash and bank balances.

Significant financial liabilities include term finance certificates, short and long term borrowings, certificates of investment, deposits against lease arrangements, trade and other payables and dividends payable.

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

3.6 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has legal enforceable right to set off the transaction and also intends to realize the assets and discharge the liability simultaneously. Corresponding income on assets and charge on liability are reported at net amount.

3.7 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made.

3.8 Investments

Initial measurement

Investments in securities are recognized on a trade date basis and are initially measured at cost.

Subsequent measurement

Held-to-maturity

These are investments with fixed or determinable payments and are intended to be held to maturity. These are stated at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

Held-for-trading

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margins are classified as held for trading. These are stated at fair values with any resulting gains or losses recognized in profit and loss account.

Available-for-sale

Investments which could not be classified as held for trading or held to maturity are classified as available for sale.

Available-for-sale investments are measured at subsequent reporting dates at fair value. Unrealized gains and losses are recognized directly in equity, until the security is disposed off or is determined to be impaired, at which time, the cumulative gain/loss previously reported in equity is included in the profit and loss account.

Repurchase and resale transactions

The company enters into transactions of re-purchase (repo) and re-sale (reverse repo) of securities at contracted rates for a specified period of time. These transactions are recorded as follows:

In case of sale under repurchase obligations, the securities remain on the balance sheet and a liability is recorded in respect of the consideration received as 'Borrowings'. Charges arising from the differential in sale and repurchase values are accrued on a prorata basis.

In case of purchase under resale obligation, the securities are not recognized on the balance sheet and the consideration paid is recorded as 'Short Term Placements' and the differential of the purchase price and contracted resale price is recognized over the period of the contract.

3.9 Revenue recognition

Finance lease

The financing method is used in accounting for 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, applying the annuity method so as to produce a constant rate of return on the net investment in the finance lease.

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

These are recognized as income when services are provided.

Morabaha Income

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

Income on bank deposits and investments

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

Dividend Income

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

3.10 Staff retirement benefits

Defined benefit plan

The Company operates a funded gratuity scheme for all of its permanent employees, subject to a minimum qualifying period of 6 months of service. Provisions are made in accordance with the actuarial valuation using projected cost method.

Actuarial gains/losses exceeding 10% of present value of benefit obligation are recognized and spread over expected average remaining working lives of the employees.

3.11 Provision for potential lease losses and loans

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

The leases, loans and advances are written off when there are not realistic prospects of recovery.

3.12 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, short term running finance account and short term placements.

3.13 Borrowing costs

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

3.14 Transactions with related parties and transfer pricing

The Company under the direction of the Securities and Exchange Commission of Pakistan's Notification SRO 66(I)/ 2003 dated 22 January 2003 adopted comparable uncontrolled price method of transfer pricing for the determination of arm's length prices with related parties except for the assets sold to employees at written down value as approved by the Board of Directors.

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

3.15 Foreign currency translation

Assets and liabilities in foreign currency are translated at the rates of exchange prevailing on the balance sheet date, while foreign currency transactions are converted into Pak rupees at exchange rates prevailing on the date of transaction. All exchange gains/losses are taken to profit and loss account.

3.16 Impairment

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

3.17 Dividends

Up to previous year, dividends proposed subsequent to the balance sheet date but before the financial statements were authorized for issue were recorded as a liability. In the current year the policy in respect of recognition of dividend has been changed and now the dividend is recognised as a liability in the period in which it is declared. The change was considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective from 05 July 2004. Such a change in accounting policy has been accounted for retrospectively in the statement of changes in equity in accordance with the Benchmark treatment of International Accounting Standard (IAS) 8, "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Had there been no change in the accounting policy, the balance of Dividend payable and Unappropriated profit would be higher and lower by Rs. 33.944 million (2004: Rs 46.286 million).

3.18 Bonus shares

Up to previous year, bonus shares proposed subsequent to the balance sheet date but before the financial statements were authorized for issue were reported as an appropriation from profit. In the current year the policy in respect of recognition of bonus has been changed and now the bonus shares are recognised as an appropriation from profit in the period in which it is declared. The change was considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective from 05 July 2004. Such a change in accounting policy has been accounted for retrospectively in the statement of changes in equity in accordance with the Benchmark treatment of International Accounting Standard (IAS) 8, "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Had there been no change in the accounting policy, the balance of Reserve for issue of Bonus Shares and Unappropriated profit would be higher and lower by Rs. 67.887 million (2004: 30.858 million).

3.19 Subsequent event

The Board of Directors have proposed a final dividend for the year ended 30 June 2005 of Rs.1.00 per share, amounting to Rs. 33.943 million and Bonus shares at the rate of 2 shares for every 10 shares held, amounting to Rs.67.887 million at their meeting held on 20 September 2005 subject to approval of the members at the Annual General Meeting to be held on 21 October 2005. These financial statements do not reflect these adjustments, as explained in note 3.17 and 3.18

	2005 Rupees	2004 Rupees
4. CASH AND BANK BALANCES		
Cash in hand	120,508	172,914
With banks in:		
- Deposit accounts	46,513,361	10,300
- Current accounts	228,979,583	476,256,385
	275,492,944	476,266,685
	275,613,452	476,439,599

5. SHORT TERM INVESTMENTS

5.1 Held for trading

Name of investee company	Shares/Certificates		Cost 2005 Rupees	Fair Value	
	2005 Number	2004 Number		2005 Rupees	2004 Rupees
Pakistan Telecommunication Company Ltd.	50,000	199,500	3,522,777	3,297,500	8,408,925
Union Leasing Ltd.	-	135,750	-	-	1,934,438
Muslim Commercial Bank Ltd.	-	100,000	-	-	5,060,000
Faysal Bank Ltd.	-	220,000	-	-	7,865,000
National Bank of Pakistan	-	50,000	-	-	3,322,500
Sui Southern Gas Company Ltd.	-	50,000	-	-	1,640,000
Hub Power Company Ltd.	50,000	100,000	1,517,500	1,320,000	3,230,000
Southern Electric Power Company Ltd.	-	200,000	-	-	3,060,000
First Punjab Modaraba	253,500	92,500	2,788,500	2,332,200	1,299,625
Fauji Cement Company Ltd.	175,000	100,000	2,780,117	2,240,000	1,630,000
Union Bank Ltd.	-	50,000	-	-	1,375,000
Oil & Gas Development Company Ltd.	-	100,000	-	-	6,450,000
Prime Commercial Bank Ltd.	-	165,000	-	-	2,928,750
First National Bank Modaraba	-	48,500	-	-	470,449
D.G. Khan Cement Ltd.	50,000	-	2,861,620	2,787,500	-
PICIC Commercial Bank Ltd.	80,000	-	2,840,000	2,660,000	-
Bank Alfalah Ltd.	25,000	-	1,132,500	1,018,750	-
Kot Addu Power Company Ltd.	50,000	-	2,461,370	1,887,500	-
PICIC Growth Fund Ltd.	1,000	-	53,930	53,700	-
Trust Modaraba	462	-	-	1,848	-
Golden Arrow Selected Stocks Fund Ltd.	240	-	-	1,452	-
Azgard Nine	83	-	-	2,656	-
Haseeb Waqas Sugar Mills Ltd.	200	-	-	5,600	-
			19,958,314	17,608,706	48,674,687

5.2 The Company's shareholding does not exceed 10% of the equity of any investee company.

5.3 Cumulative effect of quarterly adjustment for remeasurement of investments to fair value is Rs 3,389,626.

	<u>NOTE</u>	<u>2005</u> Rupees	<u>2004</u> Rupees
6. SHORT TERM FINANCES - SECURED			
Short term finance	6.1	650,000	1,657,804
Less: Provision against short term finance		650,000	-
		<u>-</u>	<u>1,657,804</u>

6.1 These include short term finances provided to individuals against their certificates of investment and equitable mortgage of property. These carry mark-up ranging from 10% to 19% (2004 : 10% to 19%) per annum.

7. SHORT TERM PLACEMENTS

Money market placements	7.1	25,000,000	-
Securities purchased under repurchase option	7.2	50,000,000	-
Securities purchased under resale agreement	7.3	40,000,000	110,100,000
		<u>115,000,000</u>	<u>110,100,000</u>

7.1 These represent unsecured placement of funds with financial institutions for a period of three months. Rate of return on placements is 10.5% per annum.

7.2 These represent balance under repo transactions and carry an effective yield of 14% to 17% per annum.

7.3 These represent short term funds placed under securities purchase and resale arrangements and carry an effective yield ranging from 10.5% to 24.3% (2004: 12.5% to 16%) on an average basis per annum.

8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance to employees - considered good	8.1	1,027,417	2,627,884
Advance against leases	8.2	296,155,300	48,507,700
Advance with brokers for future purchase of securities		281,768,087	16,665,995
Advance against booked vehicles		55,913,800	14,235,000
Advance against purchase of fixed assets		5,879,500	-
Other advances - considered good		1,873,476	3,284,415
Prepayments		2,117,584	1,865,869
Advance tax		23,588,387	9,665,829
Mark-up accrued on short term placements		957,749	269,414
Mark-up accrued on advance against leases		5,639,263	9,001,693
Other receivables	8.3	20,005,212	2,231,698
Other assets	8.4	-	1,500,000
Advance for stock exchange membership		15,100,000	-
Initial transaction cost of term finance certificates		1,222,500	-
		<u>711,248,275</u>	<u>109,855,497</u>

8.1 This represents staff loans to employees at mark-up rate ranging between 8% to 10% (2004: 8%) per annum. The maximum amount due from Chief Executive, Directors and Executives at the end of any month during the year aggregated Rs Nil (2004: Rs 0.737 million).

8.2 This represents 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 markup at 18% per annum against advance.

	NOTE	2005 Rupees	2004 Rupees
8.3 Other receivables		28,394,453	11,385,408
Less: Provision against doubtful receivables	8.3.1	8,389,241	9,153,710
		<u>20,005,212</u>	<u>2,231,698</u>
8.3.1 Opening balance as at July 01		9,153,710	-
Charge for the year		1,467,533	9,153,710
Reversed during the year		(2,232,002)	-
Closing balance as at June 30		<u>8,389,241</u>	<u>9,153,710</u>
8.4 Other assets			
Land and building	8.4.1	-	3,986,232
Less: Provision against other assets	8.4.2	-	2,486,232
		<u>-</u>	<u>1,500,000</u>
8.4.1 Other assets included land and building which were purchased in public auction with the permission of the Banking Court, Lahore in the recovery suit filed by the Company. The Company has entered into sale agreement of these assets with a party through negotiation. The difference in purchase cost and agreed sale price was provided in the last year. However, this has been completely written off during the year as this portion of cost is not recoverable.			
8.4.2 Opening balance as at July 01		2,486,231	-
Charge for the year		35,001	2,486,231
Amount written off		(2,521,232)	-
Closing balance as at June 30		<u>-</u>	<u>2,486,231</u>

9. LONG TERM INVESTMENTS

Available for sale investment	9.1	15,980,621	16,809,000
Investment held to maturity	9.2	-	300,000
		<u>15,980,621</u>	<u>17,109,000</u>
9.1 Available for sale investment			
ABAMCO Composite Fund	9.1.1	3,450,000	4,700,000
Faysal Balanced Growth Fund	9.1.2	11,290,000	9,859,000
Investment in shares- unquoted	9.1.3	1,240,621	2,250,000
		<u>15,980,621</u>	<u>16,809,000</u>

9.1.1 This represents Rs.5.00 m (2004: Rs.5.00 m) invested in Pre-IPO of ABAMCO Composite Fund - Close Ended Fund, managed by ABAMCO Limited. The face value of each certificate is Rs.10. The carrying value represents the market value of certificates as on the balance sheet. The difference between the cost and the carrying value has been transferred to equity.

9.1.2 This represents Rs.5.00 m (2004: Rs.5.00 m) invested in Pre-IPO and Rs.5.00 m (2004: Rs.5.00 m) in Seed Capital of Faysal Balanced Growth Fund - Open Ended Fund, managed by Faysal Asset Management Company. The face value of each unit is Rs.100. The carrying value represents the market value of certificates as on the balance sheet. The difference between the cost and the carrying value has been transferred to equity.

	NOTE	2005 Rupees	2004 Rupees
9.1.3	Unquoted shares, at average cost		
	Trust Management Services (Pvt.) Ltd.	2,250,000	2,250,000
	Less: Provision for diminution in the value of investments	1,009,379	-
		1,240,621	2,250,000

The value of shares is Rs.1,240,621 (2004 : Rs.573,961) based on the value of net assets of investee company in its latest audited accounts. The face value per share is Rs.10.

9.2 Investments held to maturity

WAPDA Bonds	9.2.1	-	300,000
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9.2.1 Bonds having a face value of Rs. 300,000 (2004: Rs. 300,000) and carrying a profit rate of 19% (2004: 19%) per annum were matured and encashed during the year.

10. LONG TERM DEPOSITS

Deposits	10.1	2,339,553	1,392,103
Deferred costs		-	1,911,279
		2,339,553	3,303,382
10.1 Deferred costs			
Opening balance		1,911,279	319,189
Add: Incurred during the year		-	2,254,061
		1,911,279	2,573,250
Less: Amortized during the year		798,228	661,971
Deferred cost written off		1,113,051	-
		1,911,279	661,971
		-	1,911,279

During the year, the Company has fully charged off the unamortized balance of deferred costs to profit and loss account.

	NOTE	2005 Rupees	2004 Rupees
11. NET INVESTMENT IN LEASE FINANCE			
Lease payments receivable	11.1	3,084,124,612	1,447,187,728
Add: Residual value		635,750,172	254,276,390
Gross investment in leases		3,719,874,784	1,701,464,118
Less: Unearned finance income		696,933,645	268,708,132
Income suspended	11.2	13,376,702	6,951,124
Provision for potential lease losses	11.3	57,202,708	59,040,680
		767,513,055	334,699,936
Net investment in lease finance		2,952,361,729	1,366,764,182
Less: Current portion of net investment in lease finance		771,039,762	391,282,511
		2,181,321,967	975,481,671

	2005			2004		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Gross investment	1,059,298,200	2,660,576,584	3,719,874,784	519,465,985	1,181,998,133	1,701,464,118
Less: Unearned finance income	288,258,438	408,675,207	696,933,645	128,183,474	140,524,658	268,708,132
Net investment in lease finance	771,039,762	2,251,901,377	3,022,941,139	391,282,511	1,041,473,475	1,432,755,986

11.1 The company has entered into various lease agreements with internal rate of return ranging from 6.75% to 22% (2004: 12% to 22%) per annum. The lease agreements are from three to five years period.

All the leases are secured against demand promissory notes of the lessees and personal guarantees of the directors/ partners. Whereas, certain leases are additionally secured by mortgage of immovable properties.

11.2 Income Suspended

Balance at the beginning of the year	5,998,394	1,926,600
Charge for the year	8,556,019	5,678,459
Reversal of suspension	(1,118,340)	(1,606,665)
Balance at the end of the year	13,436,073	5,998,394

11.3 Provision for Potential lease losses

Balance at the beginning of the year	59,040,680	59,290,895
Current year potential lease loss provision	6,873,041	473,059
Lease loss provision reversed during the year	(8,271,361)	-
Provision written off during the year	(439,652)	(723,274)
Balance at the end of the year	57,202,708	59,040,680

12. PROPERTY AND EQUIPMENT

PARTICULARS OWNED	COST			DEPRECIATION/AMORTIZATION						
	As at 01 July 2004	Additions/transfer during the year	Deletions/transfer during the year	As at 30 June 2005	As at 01 July 2004	For the year	Adjustments/transfers	As at 30 June 2005	Book value as at 30 June 2005	Depreciation rate %
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%
Building on freehold land	12,190,000	2,169,938	-	14,359,938	609,500	687,521	-	1,297,021	13,062,917	5
Leasehold improvements	-	4,346,746	-	4,346,746	-	869,349	-	869,349	3,477,397	20
Office equipment and machines	3,959,682	2,015,987	(38,000)	5,937,669	2,074,916	773,991	(32,158)	2,816,749	3,120,920	20
Furniture and fixtures	4,811,708	1,950,153	-	6,761,861	1,459,989	530,188	-	1,990,177	4,771,684	10
Air-conditioning equipment	2,001,516	942,085	-	2,943,601	304,833	263,877	-	568,710	2,374,891	10
Vehicles	7,001,350	12,196,600	(5,495,960)	13,701,990	2,550,166	2,740,398	(964,055)	4,326,509	9,375,481	20
	29,964,256	23,621,509	(5,533,960)	48,051,805	6,999,404	5,865,324	(996,213)	11,868,515	36,183,290	
ASSETS SUBJECT TO FINANCE LEASE										
Vehicles	3,780,000	-	(3,780,000)	-	1,676,100	-	(1,676,100)	-	-	20
2005	33,744,256	23,621,509	(9,313,960)	48,051,805	8,675,504	5,865,324	(2,672,313)	11,868,515	36,183,290	
2004	12,895,860	21,597,696	(749,300)	33,744,256	5,227,129	3,628,803	(180,430)	8,675,502	25,068,754	
Gain/(loss) on disposal of fixed assets										
Description	Cost	Book value	Sale	Gain/(loss)	Mode of disposal	Purchaser				
	Rupees	Rupees	Proceeds	Rupees						
Office equipment										
Vacuum Cleaner	8,000	2,621	1,000	(1,621)	Negotiation	Mr. Baber Iqbal				
Epson LQ 1100 Printer	30,000	3,221	1,000	(2,221)	Negotiation	Mr. Naeem Abbassi				
Vehicles										
Suzuki Alto 2876	474,000	189,600	189,600	-	Company Policy	Mr. Aziz Khan (Employee)				
Honda Civic AAY 288	845,460	-	575,000	575,000	Negotiation	Syed Sohail Abbas				
Kia Sportage LRV 978	1,549,000	1,239,200	1,500,000	260,800	Negotiation	Mr. Riaz Sail				
Honda CG 125	73,000	58,400	65,000	6,600	Stolen	Claim settled by Insurance company				
Honda City LRD 3187	820,500	328,200	575,000	246,800	Negotiation	Khan Recruitment Services				
Suzuki Cultus LRE 1279	577,000	346,200	415,000	68,800	Negotiation	Mr. Rahat Saleem (Employee)				
Suzuki Cultus LRE 3253	577,000	346,200	415,000	68,800	Negotiation	Mrs. Samina Khokar				
Suzuki Cultus LRG 5631	580,000	348,000	348,000	-	Company Policy	Major Rtd. Khurram Hamid (Employee)				
2005	5,533,960	2,861,642	4,084,600	1,222,958						
2004	749,300	568,870	538,000	(30,870)						

	<u>NOTE</u>	<u>2005</u> <u>Rupees</u>	<u>2004</u> <u>Rupees</u>
13. TRADE AND OTHER PAYABLES			
Accrued liabilities		1,670,066	407,194
Advance receipt against leases	13.1	27,945,206	1,597,160
Other liabilities		8,549,709	500,000
Accrued mark-up on :			
- Certificates of investment		4,779,736	1,012,204
- Short and long term borrowings		15,848,079	5,037,134
- Term finance certificates		15,867,284	2,152,905
Provision for taxation		9,631,785	7,431,785
Unclaimed dividend		1,692,495	247,496
		85,984,360	18,385,878

13.1 These represent initial security deposit received before the structuring of leases.

14. CURRENT MATURITIES OF LONG TERM LIABILITIES

Long term borrowings	17	279,033,792	73,878,788
Liabilities against assets subject to finance lease	18	-	1,397,750
Certificates of investment	19	9,350,000	11,735,800
Deposits against lease arrangements	20	12,907,888	15,386,577
Term finance certificates	21	106,500,000	50,000,000
		407,791,680	152,398,915

15. SHORT TERM BORROWINGS

Banking companies and other financial institutions:

Short term loans - secured	15.1	120,000,000	15,000,000
Running finances - secured	15.2	332,819,861	114,810,362
Placements from financial institutions - unsecured	15.3	550,000,000	175,000,000
Commercial papers - unsecured	15.4	-	97,536,072
		1,002,819,861	402,346,434

15.1 These represent short term finances from commercial banks carrying mark-up rate ranging from 6 month KIBOR + 200 bps to 6 month KIBOR+250 bps (2004 : 6%) per annum payable on quarterly basis.

15.2 These represent running finances utilized from commercial banks. The total limits against running finances amount to Rs. 320.00 million (2004: Rs.195.00 million). These carry mark-up rate ranging from 6 month KIBOR + 100 bps to 6 month KIBOR + 200 bps (2004: 4.72% to 5.00%) per annum payable on quarterly basis.

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

15.3 These represent unsecured short term placements of one month to three months obtained from financial institutions carrying mark-up rate ranging from 8.90% to 12.00% (2004: 5.50% to 6.80%).

15.4 This represents unsecured short term commercial papers issued to financial institutions carrying mark-up rate of 5.00% (2004: 5.00%). These were fully paid during the year.

16. SHORT TERM CERTIFICATES OF INVESTMENT

These represent unsecured short term certificates of investment for a period of one month to three months. These carry mark-up rate ranging from 4.00% to 11.50% (2004: 5.50% to 6.80%) per annum.

	<u>NOTE</u>	<u>2005</u> Rupees	<u>2004</u> Rupees
17. LONG TERM BORROWINGS - Secured			
Banking companies and other financial institutions:			
Muslim Commercial Bank Limited	17.1	12,500,000	20,833,334
The Bank of Punjab	17.2	43,181,816	77,727,272
Faysal Bank Limited	17.3	37,416,666	68,416,666
Askari Commercial Bank Limited	17.4	50,000,000	-
Allied Bank of Pakistan	17.5	83,333,333	-
National Bank of Pakistan	17.6	141,666,667	-
Habib Bank Limited	17.7	141,666,667	-
Pak Kuwait Investment Company (Private) Limited	17.8	50,000,000	-
Pak Oman Investment Company (Private) Limited	17.9	75,000,000	-
Syndicated Term Finance	17.10	92,573,251	-
		<u>727,338,400</u>	<u>166,977,272</u>
Less: Current portion shown under current liabilities	14	<u>279,033,792</u>	<u>73,878,788</u>
		<u>448,304,608</u>	<u>93,098,484</u>
17.1	This represents a facility of Rs.25 million (2004 : Rs.25 million) secured against first charge on specific leased assets and related receivables and carries mark-up rate of 6 month T Bills cut off yield + 4% per annum. It is repayable in twelve equal quarterly installments starting from January 6, 2004.		
17.2	This represents facility of Rs.100 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 month KIBOR + 175 bps per annum. The facility is repayable in twelve quarterly installments starting from December 05, 2003.		
17.3	These represent three facilities of an aggregate amount of Rs.81 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate ranging from 6 month KIBOR + 150 bps to 6 month KIBOR + 200 bps annum. These are repayable in twelve equal quarterly installments starting from September 12, 2003.		
17.4	This represents facility of Rs.50 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 month KIBOR + 250 bps per annum. The facility is repayable in twelve equal quarterly installments starting from August 30, 2005.		
17.5	This represents facility of Rs.100 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 month KIBOR + 200 bps per annum. The facility is repayable in six equal half yearly installments starting from June 26, 2005.		
17.6	These represent two facilities of an aggregate amount of Rs.150.00 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate ranging from 6 month KIBOR + 150 bps to 6 month KIBOR + 200 bps per annum. These are repayable in twelve equal quarterly installments starting from April 07, 2004.		
17.7	These represent two facilities of an aggregate amount of Rs.150.00 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate of 6 month KIBOR+200 bps per annum. These are repayable in twelve equal quarterly installments starting from February 04, 2005.		

- 17.8 This represents facility of Rs.50.00 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 month KIBOR + 245 bps per annum. The facility is repayable in twelve equal quarterly installments starting from September 27, 2005.
- 17.9 This represents facility of Rs.75.00 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 month KIBOR + 250 bps per annum. The facility is repayable in twelve equal quarterly installments starting from September 10, 2005.
- 17.10 This represents a syndicated term finance facility of Rs.100.00 million from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited along with Pak Oman Investment Company Limited and Pak Libya Holding Company (Private) Limited. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 6 month KIBOR + 225 bps per annum. The facility is repayable in eight equal half yearly installments starting from June 15, 2005.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The liabilities against finance lease were repaid during the period.

	2005			2004		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Minimum lease payments	-	-	-	1,499,757	111,325	1,611,082
Less: Finance charge allocated to future	-	-	-	102,007	1,285	103,292
Present value of minimum lease payments	-	-	-	1,397,750	110,040	1,507,790

NOTE	2005	2004
	Rupees	Rupees

19. LONG TERM CERTIFICATES OF INVESTMENT

Long term certificates of investment		10,040,000	27,517,148
Less: Current maturity	14	9,350,000	11,735,800
		690,000	15,781,348

These represent deposits received by the company as per permission granted by the Securities and Exchange Commission of Pakistan. These certificates are issued for a period of 3 years to 5 years under profit and loss sharing basis at rates of profit ranging from 12% to 14% (2004: 12% to 14%) per annum.

20. DEPOSITS AGAINST LEASE ARRANGEMENTS

Balance at June 30		631,454,945	260,401,993
Less: Current maturity	14	12,907,888	15,386,577
		618,547,057	245,015,416

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

	NOTE	2005 Rupees	2004 Rupees
21. TERM FINANCE CERTIFICATES (TFC) - Secured			
TFC I	21.1	234,375,000	246,875,000
TFC II	21.2	337,500,000	300,000,000
		571,875,000	546,875,000
Less: Unamortized portion of the initial transaction cost		8,209,946	4,790,472
		563,665,054	542,084,528
Less: Current maturity	14	106,500,000	50,000,000
		457,165,054	492,084,528

- 21.1** These represent 50,000 secured, rated and listed Term Finance Certificates (TFCs). These have a tenure of five years and are secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 25%. The principal is repayable in ten un-equal semi-annual installments in arrears starting from December 03, 2003. The profit is payable semi annually at State Bank of Pakistan Discount rate + 2.0% with a floor of 9.00% and a cap of 14.00%. The initial transaction cost will be amortized over a period of five years in conjunction with the term of TFCs.

The Company can exercise the call option at any time after two and a half years from the last date of public subscription.

- 21.2** This represents first tranche of second issue of 75,000 secured, rated and listed Term Finance Certificates (TFC's). These have a tenure of five years and are secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 25%. The principal is repayable in ten equal semi-annual installments in arrears starting from January 17, 2005. The profit is payable semi annually at 6 months KIBOR+300 bps per annum with a floor of 6% and a cap of 10%. The initial transaction cost will be amortized over a period of five years in conjunction with the term of TFCs.

The Company can exercise the call option at any time after 36 months from the last date of public subscription and a 60 days notice will be given to this effect prior to exercising the call option. The call option may be exercised for prepayment of facility at the sole discretion of the Company without any call option premium.

22. DEFERRED LIABILITIES

Provision for deferred tax	22.1	-	4,500,000
Provision for staff gratuity	22.2	2,616,832	1,533,762
		2,616,832	6,033,762

- 22.1** The Company has not recognized deferred tax liability amounting to Rs 119.278 million due to the fact that company does not expect taxable profit in the future.

- 22.2** Movement in liability recognized in the balance sheet.

Net liability as at 01 July		1,533,762	595,164
Amount recognized during the year	22.2.2	1,120,420	997,698
Payments made by the Company		(37,350)	(59,100)
Net liability as at 30 June	22.2.1	2,616,832	1,533,762

22.2.1 Reconciliation of liability recognized in the balance sheet in respect of gratuity.

	2005 Rupees	2004 Rupees
Present value of defined benefit obligations	6,506,811	4,433,633
Less: Fair value of plan assets	(1,923,197)	(1,785,575)
Less: Actuarial gains/(losses) to be recognized in later periods	(1,272,517)	69,843
Add: Benefits due but not paid	165,000	-
Less: Past service cost	-	(38,452)
Less: Unrecognized transitional liability to be recognized in later periods	(859,265)	(1,145,687)
Balance sheet liability	2,616,832	1,533,762

22.2.2 Amounts charged to profit and loss account during current year.

Current Service cost	583,701	504,489
Interest cost	354,691	286,675
Expected return on plan assets	(142,846)	(118,341)
Past service cost - charge for the year	38,452	38,453
Liability/(asset) charge due to application of IAS-19	286,422	286,422
Total included in staff cost	1,120,420	997,698

22.2.3 Qualified actuary carried out the valuation on 30 June 2005 using the Projected Unit Credit Method. Following significant assumptions were used.

Discount Rate	9% per annum
Expected rate of increase in salary	8% per annum
Expected rate of return on plan assets	8% per annum
Expected average remaining years until vesting as on 30 June 2005	12 years

23. SHARE CAPITAL

Authorized

50,000,000 (2004: 50,000,000) ordinary shares of Rs 10 each	500,000,000	500,000,000
30,000,000 (2004: Nil) preference shares of Rs 10 each	300,000,000	-
	800,000,000	500,000,000

Issued, subscribed and paid up

20,142,984 (2004: 20,142,984) ordinary shares of Rs 10 each fully paid-up in cash	201,429,840	201,429,840
13,800,710 (2004: 10,714,920) ordinary shares of Rs 10 each issued as fully paid bonus shares	138,007,104	107,149,200
	339,436,944	308,579,040

	<u>NOTE</u>	<u>2005</u> <u>Rupees</u>	<u>2004</u> <u>Rupees</u> <u>(Restated)</u>
24. RESERVES			
Share premium reserve	24.1	70,714,920	70,714,920
Reserve for issue of bonus shares		-	-
Statutory reserve	24.2	115,772,912	70,718,246
General reserve		61,000,000	61,000,000
Revaluation reserve for available for sale investments		(260,000)	(441,000)
Unappropriated profit		219,037,398	115,963,494
		<u>466,265,230</u>	<u>317,955,660</u>
24.1 Share premium reserve			
Opening balance		70,714,920	45,000,000
Premium on right shares issued during the year		-	25,714,920
		<u>70,714,920</u>	<u>70,714,920</u>
24.2 Statutory reserve			
Opening balance		70,718,246	46,655,495
Transfer from profit and loss account		45,054,666	24,062,751
		<u>115,772,912</u>	<u>70,718,246</u>

This represents special reserve created under Prudential Regulations for Non-Banking Finance Companies.

25. CONTINGENCIES AND COMMITMENTS

- 25.1** In a suit filed, pending for ratable distribution of sale proceeds of a property auctioned by the Company on the order of the Banking Court, the Lahore High Court directed the Company to deposit the sale proceeds of that property amounting to Rs 25.650 million with the Court. However, the Company has obtained a stay against the order. The Company's lawyer is of the opinion that the maximum share of other party will be Rs 8.53 million if the case is decided against the Company.
- 25.2** Lease commitments approved but not disbursed as on balance sheet date amounted to Rs. 194.362 million (2004: Rs 140.994 million).
- 25.3** The Company is in process of issuing second tranche of second issue of secured, rated and listed Term Finance Certificates (TFC). The TFCs amounting to Rs 375 million will have a tenure of five years. These will be secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 25 % and will be issued with an aggregate face value of Rs. 5,000 each. The principal will be repayable in ten equal semi-annual installments in arrears starting after six months from the date of public subscription.

The profit will be payable semi annually at 6 month KIBOR+200 bps per annum with no floor and no cap.

So far an initial transaction cost of Rs. 1,222,500 has been incurred.

	<u>NOTE</u>	<u>2005</u> <u>Rupees</u>	<u>2004</u> <u>Rupees</u>
26. INCOME FROM LEASE OPERATIONS			
Finance lease income		210,347,858	119,255,847
Front end fee		17,753,820	8,291,593
Commitment and other fees		4,235,823	998,493
Miscellaneous lease income	26.1	37,439,746	22,548,682
		<u>269,777,247</u>	<u>151,094,615</u>
26.1 Miscellaneous lease income			
Mark-up on lease advance		17,150,711	12,179,646
Additional lease rentals		20,289,035	10,369,036
		<u>37,439,746</u>	<u>22,548,682</u>
27. INCOME FROM INVESTMENTS			
Profit/(loss) on disposal of quoted investments		5,622,100	45,386,792
Profit on shares purchased under resale agreement		125,150,316	22,145,036
Profit on bank deposits and investments		2,572,289	1,480,892
Dividend income		3,211,678	8,629,826
		<u>136,556,383</u>	<u>77,642,546</u>
28. OTHER INCOME			
Profit on short term financing		183,670	163,290
Gain/(loss) on sale of operating fixed assets		1,222,958	(30,870)
Income on booked vehicles		8,390,649	-
Commission income		1,036,942	-
Reversal of provision for lease losses		2,127,788	-
Miscellaneous		976,491	509,666
		<u>13,938,498</u>	<u>642,086</u>
29. FINANCIAL CHARGES			
Mark-up on long term borrowings		26,190,141	9,363,409
Mark-up on term finance certificates		51,762,882	25,152,102
Mark-up on short term borrowings		38,902,044	10,856,236
Mark-up on certificates of investment		18,908,610	8,129,717
Mark-up on running finance		11,692,099	6,110,706
Commitment and other processing fee		-	41,681
Financial charges on finance lease		89,585	295,815
Bank charges and commission		2,723,691	811,052
		<u>150,269,052</u>	<u>60,760,718</u>

	<u>NOTE</u>	<u>2005</u> <u>Rupees</u>	<u>2004</u> <u>Rupees</u>
30. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and other benefits		22,029,659	14,386,032
Printing and stationery		1,417,044	944,323
Vehicle running and maintenance expenses		1,691,373	1,343,993
Postage, telephone and telex		2,385,838	1,608,406
Travelling and conveyance		879,727	941,723
Boarding and lodging		548,446	333,858
Entertainment expenses		903,874	463,342
Advertisement		1,606,790	288,639
Electricity, gas and water expenses		1,687,581	1,197,679
Newspapers and periodicals		116,748	98,110
Auditors' remuneration	30.1	221,825	279,100
Fee and subscription		625,090	687,197
Gratuity		1,120,420	997,698
Rent, rates and taxes		3,011,532	1,507,310
Insurance		668,518	609,412
Donation	30.2	145,520	323,600
Office maintenance		1,881,050	782,895
Legal and professional charges		3,818,370	2,930,520
Security charges		322,050	174,797
Staff training		66,094	10,000
Business promotion expenses		244,000	477,263
Miscellaneous expenses		658,285	354,228
		<u>46,049,834</u>	<u>30,740,125</u>

30.1 Auditors' remuneration

Audit fee	150,000	150,000
Out of pocket expenses	51,825	39,100
Special audit fee & other certifications	20,000	90,000
	<u>221,825</u>	<u>279,100</u>

30.2 The directors and their spouses do not have any interest in the donee institutions.

31. PROVISION FOR TAXATION

Current	31.1	2,200,000	4,000,000
Prior years		(11,316,318)	(6,242,448)
Deferred		(4,500,000)	-
		<u>(13,616,318)</u>	<u>(2,242,448)</u>

31.1 The current year tax is based on minimum turnover tax under section 113 of the Income Tax Ordinance, 2001 due to tax loss during the year.

32. EARNING PER SHARE-BASIC

	2005	2005	2004	2004
	Rupees	Weighted average number of shares	Restated Rupees	Restated Weighted average number of shares
Profit attributable to shareholders Ordinary shares	225,273,330	-	120,313,756	-
	-	33,943,694	-	33,943,694
	<u>225,273,330</u>	<u>33,943,694</u>	<u>120,313,756</u>	<u>33,943,694</u>
Basic earning per share	<u>6.64</u>		<u>3.54</u>	

There is no dilutive effect on basic earnings per share.

33. CASH AND CASH EQUIVALENTS

	2005 Rupees	2004 Rupees
Cash in hand	120,508	172,914
Cash at banks	275,492,944	476,266,685
Short term running finance	(332,819,861)	(114,810,362)
Short term placements	115,000,000	110,100,000
	<u>57,793,591</u>	<u>471,729,237</u>

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2005 Rupees	2004 Rupees	2005 Rupees	2004 Rupees	2005 Rupees	2004 Rupees
Managerial remuneration	1,659,340	787,500	5,213,796	3,713,796	-	2,247,750
Housing and utilities	831,609	733,300	656,362	747,663	-	1,013,136
Medical	84,260	-	-	-	-	261,610
Others	126,390	-	1,348,120	1,198,108	-	265,740
Gratuity	110,250	55,000	600,000	600,000	-	227,250
	<u>2,811,849</u>	<u>1,575,800</u>	<u>7,818,278</u>	<u>6,259,567</u>	<u>-</u>	<u>4,015,486</u>
Number of persons	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>8</u>

34.1 Pursuant to recent amendments in the Companies Ordinance, 1984, executive means an employee, whose basic salary exceeds Rs. 500,000 (2004: Rs 100,000) in a financial year. As a result of this change no employee of the company falls within the definition of Executive. However, comparative figures include remuneration of employees who fell within the definition of Executives as per the requirements of previous Fourth Schedule to the Companies Ordinance, 1984.

34.2 In addition to the above remuneration, the Chairman, Chief Executive and one Director were provided with free use of company maintained vehicles.

34.3 No fee was paid to directors for attending the board meetings (2004: Nil).

34.4 Total number of employees at year end was 105 (2004: 57).

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Credit risk

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

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

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

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

Industrial sectors	June 2005		June 2004	
	Rupees	%	Rupees	%
Chemical and Fertilizer	20,527,504	0.68	13,712,473	0.96
Construction	844,118	0.03	2,908,490	0.20
Education	5,504,102	0.18	5,697,452	0.40
Financial Institutions	26,154,184	0.87	37,298,858	2.60
Health Care	21,101,402	0.70	18,159,035	1.27
Hotels	1,378,862	0.05	2,588,364	0.18
Individuals/Auto lease	1,166,985,534	38.60	520,824,129	36.35
Insurance Companies	16,651,199	0.55	10,825,679	0.76
Miscellaneous Manufacturing	80,663,328	2.67	24,955,758	1.74
Miscellaneous Services	48,133,725	1.59	28,634,247	2.00
Natural Gas and LPG	64,208,809	2.12	54,138,789	3.78
Paper and Board	7,849,591	0.26	6,831,970	0.48
Steel and Engineering	61,828,413	2.05	37,569,576	2.62
Sugar and Allied	28,687,233	0.95	42,257,747	2.95
Textile Composite	108,525,233	3.59	133,414,910	9.31
Textile Knitwear/Apparel	76,415,171	2.53	39,345,279	2.75
Textile Spinning	17,424,694	0.58	39,531,188	2.76
Transport and Telecommunication	1,270,058,037	42.01	414,062,042	28.90
	<u>3,022,941,139</u>	<u>100.00</u>	<u>1,432,755,986</u>	<u>100.00</u>

	Upto three months Rupees	Over three months to one year Rupees	Over one year Rupees	Total Rupees
35.2 Maturities of assets and liabilities				
Assets				
Cash and bank balances	275,613,452	-	-	275,613,452
Short term investments	17,608,706	-	-	17,608,706
Short term placements	115,000,000	-	-	115,000,000
Advances, deposits and prepayments	600,099,899	111,148,376	-	711,248,275
Long term investments	-	-	15,980,621	15,980,621
Long term deposits	-	-	2,339,553	2,339,553
Net investments in lease finance	133,506,214	637,533,548	2,181,321,967	2,952,361,729
Property and equipment	-	-	36,183,290	36,183,290
	<u>1,141,828,271</u>	<u>748,681,924</u>	<u>2,235,825,431</u>	<u>4,126,335,626</u>
Liabilities				
Trade and other payables	38,164,981	47,819,379	-	85,984,360
Short term borrowings	590,000,000	412,819,861	-	1,002,819,861
Short term certificates of investment	193,193,183	103,520,817	-	296,714,000
Long term borrowings	74,541,367	204,492,425	448,304,608	727,338,400
Long term certificates of investment	7,700,000	1,650,000	690,000	10,040,000
Marginal deposits on lease	-	12,907,888	618,547,057	631,454,945
Term finance certificates	37,500,000	69,000,000	457,165,054	563,665,054
Deferred liabilities	-	-	2,616,832	2,616,832
	<u>941,099,531</u>	<u>852,210,370</u>	<u>1,527,323,551</u>	<u>3,320,633,452</u>
Net assets	<u>200,728,740</u>	<u>(103,528,446)</u>	<u>708,501,880</u>	<u>805,702,174</u>
Share capital				339,436,944
Reserves				466,265,230
Net equity				<u>805,702,174</u>

35.3 Fair value of financial instruments

The fair value of financial instruments is estimated to approximate their carrying value.

35.4 Interest rate risk exposure

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

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

	Interest rates	Exposed to interest/mark-up risk		Not exposed to interest/mark-up risk	2005 Total	2004 Total
		Upto three months	Over three upto one year			
	% age	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets						
Cash and bank balances	1.52 - 3.43	46,513,361	-	229,100,091	275,613,452	476,439,599
Short term finances	10.00-19.00	-	-	-	-	1,657,804
Short term investments	-	-	-	17,608,706	17,608,706	48,674,687
Short term placements	10.50 - 24.30	115,000,000	-	-	115,000,000	110,100,000
Advances, prepayments and other receivables	18.00	296,155,300	-	308,370,311	604,525,611	76,676,500
Long term investments	-	-	-	15,980,621	15,980,621	16,809,000
Net investment in lease finance	6.75 - 22.00	133,506,214	637,533,548	2,181,321,967	2,952,361,729	1,366,764,182
		591,174,875	637,533,548	571,059,729	3,981,090,119	2,097,121,772
Financial liabilities						
Trade and other payable	-	-	-	39,857,660	39,857,660	8,856,931
Short term borrowings	5.00 - 12.00	590,000,000	412,819,861	-	1,002,819,861	402,346,434
Short term certificates of investment	4.00 - 11.50	193,193,183	103,520,817	-	296,714,000	107,183,400
Long term borrowings	5.00 - 11.21	74,541,367	204,492,425	-	727,338,400	166,977,272
Long term certificates of investment	12.00 - 14.00	7,700,000	1,650,000	-	10,040,000	27,517,148
Term finance certificates	6.00 - 11.00	37,500,000	69,000,000	-	571,875,000	546,875,000
Liabilities against assets subject to finance lease	14.59 - 17.00	-	-	-	-	1,507,790
		902,934,550	791,483,103	39,857,660	2,648,644,921	1,261,263,975
On balance sheet gap		(311,759,675)	(153,949,555)	1,266,952,359	1,332,445,198	835,857,797
Total interest rate sensitivity gap		(311,759,675)	(153,949,555)	1,266,952,359	-	-
Cumulative interest rate sensitivity gap		-	(465,709,230)	801,243,129	-	-

36. 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:

	2005 Rupees	2004 Rupees
First Pakistan Securities Limited		
- Payment of brokerage expenses	7,336,443	841,193
- Amount due against leases	2,043,749	-
- Finance income charged during the period	139,363	-
MCD Pakistan Limited		
- Amount due against leases	915,924	-
- Finance income charged during the period	61,754	-
First National Equities Limited		
- Amount due against leases	3,598,182	-
- Finance income charged during the period	198,106	-
Switch Securities (Private) Limited		
- Payment of brokerage expenses	1,722,347	-
- Amount due against leases	2,443,571	-
- Finance income charged during the period	98,222	-
The United Insurance Company of Pakistan Limited		
- Amount due against leases	18,292,603	9,763,120
- Finance income charged during the period	1,787,972	1,325,662
Executives		
- Certificates of investment	400,000	500,000
- Profit paid on COIs	69,561	117,906
- Rent paid for office premises	305,000	200,514
Employees' retirement fund		
- Payment made	37,350	59,100

37. AUTHORIZATION

These financial statements were authorized for issue on 20 September, 2005 by the Board of Directors.

38. GENERAL

- Previous year's figures have been re-arranged and reclassified wherever necessary for comparison purposes. Major changes made during the year resulted from the substituted Fourth Schedule to the Companies Ordinance, 1984. The reclassifications has been made in notes 8,11,13,15,17 and 33.
- Figures are rounded off to the nearest of rupee.

Chief Executive

Director