

# CONTENTS

---

|   |       |
|---|-------|
| Company Information   | 02    |
| Directors' Report   | 03    |
| Review Report to the Members                                  | 06    |
| Condensed Interim Balance Sheet                               | 07    |
| Condensed Interim Profit & Loss Account                       | 08    |
| Condensed Interim Cash Flow Statement                         | 09    |
| Condensed Interim Statement of Changes in Equity              | 10    |
| Selected Notes to the Condensed Interim Financial Information | 11-19 |

---

|   |       |
|---|-------|
| Condensed Interim Consolidated Balance Sheet                              | 21    |
| Condensed Interim Consolidated Profit & Loss Account                      | 22    |
| Condensed Interim Consolidated Cash Flow Statement                        | 23    |
| Condensed Interim Consolidated Statement of Changes in Equity             | 24    |
| Selected Notes to the Condensed Interim Consolidated Financial Statements | 25-33 |

# Company Information

## Board of Directors

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

## Audit Committee

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

## Chief Financial Officer

Mr. Imran Hameed

## Company Secretary

Mr. Awais Yasin

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Advisor

Nawaz Kasuri & Rashdeen Law Chambers

## Bankers to the Company

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

## Registrars

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

## Registered Office & Head Office

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

# Directors' Report

The directors of Trust Investment Bank Limited are pleased to present the Interim Financial Statements for six months ended December 31, 2008 together with the auditors' review report thereon.

## ECONOMIC OUTLOOK

During the period under review the liquidity crunch in international financial markets was at peak and all policies and strategies have miserably failed to stem this severe liquidity crunch. The international financial turmoil got more worse in spite of billions of dollars and euros that have been injected in the international financial system. Although the international financial crises have meager effect on the Pakistani financial market but liquidity/credit position in Pakistan was in "virtual panic mode" due to its internal economic and financial forces. The commercial banks in Pakistan have stopped /slowed down the lending activities, due to an anticipated decline in the value of the collaterals used by the banks to secure the loans, an increased perception of risk regarding the solvency of other banks within the banking system, change in monetary conditions imposed by State Bank of Pakistan which include raising of cash reserve requirements & interest rate, imposition of new regulatory constraints on lending and credit controls as a measure to check inflationary trends in the economy. Furthermore the power problem, law & order situation, debacle of stock market have also aggravated the economic crises in the country. The aforesaid reasons also exacerbated the confidence of investor due to which the gap between savings and investment has been widened. The bank is also victimized by the prevailing vicious circle of liquidity crunch and economic distress.

## OPERATING RESULTS

The financial results for the quarter are as follows:

|   | December<br>2008           | December<br>2007 |
|---|----------------------------|------------------|
|   | <b>(Rupees in million)</b> |                  |
| Revenue   | <b>404.06</b>              | 434.328          |
| Operating Expenses                                    | <b>107.521</b>             | 105.532          |
| Financial Expenses                                    | <b>464.437</b>             | 249.454          |
| Operating profit/(loss) before provision and taxation | <b>(167.898)</b>           | 79.341           |
| Profit before taxation                                | <b>(227.26)</b>            | 35.501           |
| Profit after taxation                                 | <b>(227.26)</b>            | 28.501           |
| (Loss)/Earnings per Share (Rs.)                       | <b>(3.88)</b>              | 0.49             |

## REVIEW OF OPERATIONS

Liquidity crunch in the financial market, debacle of stock/capital market, poor economic situation and lack of investor confidence also affected the business and spread earning of the Bank. During the period under review the market price of the shares have declined drastically which affected the portfolio of the bank and investment of the bank has been blocked. The bank faced problems in recovery due to poor economic conditions.

During the period under review contribution from core business activities i.e. income from lease and term finances towards revenue has increased by 113% however, due to sharp decline in the stock market income from investment has substantially reduced, resultant total revenue has only decreased by 7%. It is worth mentioning that in compliance with the SECP regulations, brokerage business has been spin off with effect from 1st July, 2008 through establishment of new wholly owned subsidiary company Trust Capital (Private) Limited.

During the period under review, total expenses were increased with 61%, mainly attributed to the financial cost which has risen by 86% as compared to the corresponding period. The main reason of increase in the financial cost is the un-precedented liquidity shortage in banking system. Under normal market conditions lack of liquidity manifests only in pricing, however, in a market failure condition such as the one we experienced

during the period under review, lack of liquidity led/added to lack of confidence. The snowball effect led to actions by market players which further aggravated the situations i.e. holding on to cash by relatively liquid banks under panic, non disbursement against agreed/approved lines, non-rollover of normally rolloverable positions etc. Trust Bank thus was no exception and suffered the interbank market failure manifesting into non-availability of already approved treasury as well regular lines, rollovers for periods as short as one day, exorbitant inter-bank interest rates, inability to liquidate short term securities held due to illiquid market & freeze on stock market. Administrative expenses remained within the limit and had only increased by 1%.

#### **RATING BY EXTERNAL AGENCY**

Pakistan Credit Rating Agency Limited has adjusted the long term credit rating of the Bank at "A-" ( A minus), while short term credit rating has also been adjusted at "A 2" ( A two ). Rating of term finance certificate I and II has been accordingly adjusted at "A" of TFC I, II & III.

#### **FUTURE OUTLOOK**

The future outlook and profitability of the NBFCs sector is mainly dependent on financial stability and easing of liquidity in the country. The persistent support and revised policies over imposition of new regulatory constraints on lending, lowering interest rate, cash reserve requirements, can play a pivotal role to save the NBFCs sector from economic distress.

Government of Pakistan and regulatory authorities are taking remedial measures to break the prevailing vicious circle of financial turmoil. Evidently SBP has intervened in this crises and helped to ease off pressures from the liquidity in the commercial banks. Similarly, some positive steps have also been taken by the SECP in this regard. The Board is anticipating market normalization by the end of this year. As part of business strategy, bank has plan to raise funds through TFCs, deposit mobilization from corporate sector as well as from individuals. The management of the bank is anticipating a competitive and challenging environment for the NBFCs and management will try its level best to take all necessary measures to improve the profitability of the bank.

#### **ACKNOWLEDGEMENT**

The directors express their sincere gratitude to financial institutions, regulatory authorities, valuable customers and shareholders for their continued support, persistent cooperation and patronage which give strength to pursue corporate objectives with renewed vigor. The Board also acknowledges the valuable teamwork, devotion to duty and dedicated services rendered by the executives, employees and workers of the bank.

For and on behalf  
of the Board of Directors

Lahore  
27 February 2009

**Javid B. Sheikh**  
Chief Executive

# Trust Investment Bank Limited

Condensed Interim Financial Statements  
for the six months ended December 31, 2008

# Independent Report on Review of Condensed Interim Financial Information to the Members of Trust Investment Bank Limited

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Trust Investment Bank Limited ("the Company") as at 31 December 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period then ended (condensed interim financial information). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended 31 December 2008 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

Lahore  
Dated: 27 February 2009

KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Kamran Iqbal Yousafi)

# Trust Investment Bank Limited

## Condensed Interim Balance Sheet (Un-audited)

As at 31 December 2008

|   | Note | 31 December<br>2008<br>(Un-Audited)<br>Rupees | 30 June<br>2008<br>(Audited)<br>Rupees |
|---|------|---|--|
| <b>Non - current assets</b>                       |      |   |  |
| <b>Fixed assets</b>                               |      |   |  |
| Property and equipment                            | 3    | 111,835,225                                   | 124,078,819                            |
| Intangible asset                                  |      | 769,513                                       | 33,204,684                             |
|   |      | <b>112,604,738</b>                            | 157,283,503                            |
| Net investment in lease finance                   | 4    | 1,949,201,896                                 | 3,420,843,454                          |
| Long term finances                                | 5    | 547,742,878                                   | 563,347,630                            |
| Long term investment in subsidiary company        |      | 60,000,000                                    | -                                      |
| Long term investments                             |      | 189,108,700                                   | 279,992,000                            |
| Long term deposits                                |      | 2,527,928                                     | 4,159,629                              |
| Long term advances                                |      | 97,379,318                                    | 97,379,318                             |
| Deferred tax asset                                |      | 58,622,055                                    | 55,366,202                             |
|   |      | <b>2,904,582,775</b>                          | 4,421,088,232                          |
|   |      | <b>3,017,187,513</b>                          | 4,578,371,735                          |
| <b>Current assets</b>                             |      |   |  |
| Current maturities of non-current assets          | 6    | 2,540,108,198                                 | 1,210,646,914                          |
| Short term finances                               | 7    | 413,269,183                                   | 384,634,120                            |
| Short term placements                             | 8    | 182,148,558                                   | 500,425,308                            |
| Short term investments                            | 9    | 207,401,946                                   | 569,891,145                            |
| Taxation -net                                     |      | 34,735,121                                    | 33,097,670                             |
| Mark up accrued                                   |      | 100,229,775                                   | 37,070,524                             |
| Advances, prepayments and other receivables       | 10   | 390,775,880                                   | 681,939,159                            |
| Cash and bank balances                            | 11   | 17,816,036                                    | 93,288,773                             |
|   |      | <b>3,886,484,697</b>                          | 3,510,993,613                          |
|   |      | <b>6,903,672,210</b>                          | 8,089,365,348                          |
| <b>Equity and liabilities</b>                     |      |   |  |
| Share capital                                     |      | 585,528,729                                   | 585,528,729                            |
| Reserves  |      | 282,970,989                                   | 510,079,888                            |
|   |      | <b>868,499,718</b>                            | 1,095,608,617                          |
| Surplus on revaluation of assets                  |      | 10,348,264                                    | 7,243,576                              |
|   |      | <b>878,847,982</b>                            | 1,102,852,193                          |
| Deficit on revaluation of investments             | 9.2  | (476,786,228)                                 | (120,299,798)                          |
| <b>Non current liabilities</b>                    |      |   |  |
| Term finance certificates                         | 12   | 663,210,495                                   | 145,632,592                            |
| Long term certificates of investment              | 13   | 30,030,340                                    | 100,753,970                            |
| Long term borrowings                              | 14   | 456,388,890                                   | 601,481,188                            |
| Long term deposits                                |      | 901,556,106                                   | 1,026,219,481                          |
| Pre-IPO subscription of term finance certificates |      | -   | 449,910,000                            |
| Staff service costs                               |      | 10,535,886                                    | 6,592,003                              |
|   |      | <b>2,061,721,717</b>                          | 2,330,589,234                          |
| <b>Current liabilities</b>                        |      |   |  |
| Current maturities of long term liabilities       | 15   | 1,532,786,876                                 | 1,648,256,153                          |
| Short term certificates of investment             |      | 601,478,090                                   | 1,042,181,991                          |
| Short term borrowings                             | 16   | 2,108,513,964                                 | 1,911,402,172                          |
| Mark up accrued                                   |      | 153,047,080                                   | 93,231,841                             |
| Trade and other payables                          | 17   | 44,062,729                                    | 81,151,562                             |
|   |      | <b>4,439,888,739</b>                          | 4,776,223,719                          |
|   |      | <b>6,501,610,456</b>                          | 7,106,812,953                          |
| <b>Contingencies and commitments</b>              |      |   |  |
|   | 18   | <b>6,903,672,210</b>                          | 8,089,365,348                          |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.3.

CHIEF EXECUTIVE

DIRECTOR

# Trust Investment Bank Limited

## Condensed Interim Profit and Loss Account (Un-audited)

For the six months ended 31 December 2008

|  | Note | Quarter ended          |                        | Six months period ended |                        |
|--|------|------------------------|------------------------|-------------------------|------------------------|
|  |      | 31 December 2008       | 31 December 2007       | 31 December 2008        | 31 December 2007       |
|  |      | (Un-audited)<br>Rupees | (Un-audited)<br>Rupees | (Un-audited)<br>Rupees  | (Un-audited)<br>Rupees |
| <b>Revenue</b>   |      |                        |                        |                         |                        |
| Income from lease operations                                       | 19   | 79,112,873             | 52,100,942             | 241,851,123             | 160,189,691            |
| (Loss)/Income from investments                                     | 20   | (4,626,761)            | 120,212,085            | 22,041,838              | 154,930,648            |
| Income from term finances  |      | 61,472,950             | 7,911,736              | 125,602,626             | 12,411,618             |
| Income from brokerage  |      | -                      | 12,647,523             | -                       | 23,489,567             |
| Other income   |      | 4,115,007              | 59,548,726             | 14,563,912              | 83,306,308             |
|  |      | <b>140,074,069</b>     | <b>252,421,012</b>     | <b>404,059,499</b>      | <b>434,327,832</b>     |
| <b>Expenditure</b>   |      |                        |                        |                         |                        |
| Finance cost   |      | 266,525,342            | 126,525,900            | 464,437,331             | 249,454,487            |
| Administrative and operating expenses                              |      | 48,894,277             | 48,284,514             | 96,994,773              | 95,958,746             |
| Depreciation and amortization                                      |      | 4,028,030              | 4,334,683              | 8,106,824               | 8,552,526              |
| Lease receivables written off                                      |      | 1,615,945              | 989,290                | 2,418,880               | 1,020,487              |
|  |      | <b>321,063,594</b>     | <b>180,134,387</b>     | <b>571,957,808</b>      | <b>354,986,246</b>     |
| <b>Operating profit</b>  |      | <b>(180,989,525)</b>   | <b>72,286,625</b>      | <b>(167,898,309)</b>    | <b>79,341,586</b>      |
| Provision for miscellaneous receivables and potential lease losses |      | (56,204,960)           | (32,350,727)           | (59,361,755)            | (35,350,727)           |
| Deficit on revaluation of held for trading investments             |      | -                      | (21,002,896)           | -                       | (8,489,921)            |
|  |      | <b>(56,204,960)</b>    | <b>(53,353,623)</b>    | <b>(59,361,755)</b>     | <b>(43,840,648)</b>    |
| <b>(Loss)/Profit before taxation</b>                               |      | <b>(237,194,485)</b>   | <b>18,933,002</b>      | <b>(227,260,064)</b>    | <b>35,500,938</b>      |
| <b>Provision for taxation</b>                                      |      | <b>(1,500,000)</b>     | <b>(6,000,000)</b>     | <b>-</b>                | <b>(7,000,000)</b>     |
| <b>(Loss)/Profit after taxation</b>                                |      | <b>(238,694,485)</b>   | <b>12,933,002</b>      | <b>(227,260,064)</b>    | <b>28,500,938</b>      |
| <b>(Loss)/Earnings per share - basic and diluted</b>               | 21   | <b>(4.08)</b>          | <b>0.22</b>            | <b>(3.88)</b>           | <b>0.49</b>            |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.3.

CHIEF EXECUTIVE

DIRECTOR

# Trust Investment Bank Limited

## Condensed Interim Cash Flow Statement (Un-audited)

For the six months ended 31 December 2008

|  | 31 December<br>2008<br>Rupees | 31 December<br>2007<br>Rupees |
|--|-------------------------------|-------------------------------|
| <b>Cash flows from operating activities</b>                      |                               |                               |
| (Loss)/Profit before taxation                                    | (227,260,064)                 | 35,500,938                    |
| Adjustments for non cash and other items                         |                               |                               |
| Depreciation and amortization                                    | 8,106,824                     | 8,552,526                     |
| Amortization of transaction costs                                | 2,222,487                     | 2,118,970                     |
| Provision for staff service costs                                | 6,300,000                     | 6,000,000                     |
| Provision for potential lease losses                             | 59,361,755                    | 35,350,727                    |
| Lease balances written-off                                       | 2,418,880                     | 1,020,487                     |
| Finance cost   | 464,437,331                   | 249,454,487                   |
| Profit on sale of property and equipment                         | (8,980,357)                   | (78,753,143)                  |
| Deficit on revaluation of held for trading investments           | -                             | 8,489,921                     |
| Gain on sale of investments available for sale                   | -                             | (7,249,000)                   |
|  | <b>533,866,920</b>            | <b>224,984,975</b>            |
| <b>Cash flows from operations before working capital changes</b> | <b>306,606,856</b>            | <b>260,485,913</b>            |
| <b>Changes in operating assets and liabilities</b>               |                               |                               |
| (Increase)/decrease in   |                               |                               |
| Long term investments  | 90,883,300                    | 155,861,522                   |
| Short term placements  | 318,276,750                   | (84,558,407)                  |
| Mark up accrued  | (63,159,251)                  | (11,920,063)                  |
| Advances, prepayments and other receivables                      | 238,674,187                   | (265,228,098)                 |
| Long and short term finances                                     | (261,033,816)                 | (263,825,802)                 |
| Net investment in lease finance                                  | 316,167,045                   | (228,595,753)                 |
| Purchase of investment available for sale                        | (34,543,430)                  | (156,501,777)                 |
| Certificates of investment                                       | (644,996,501)                 | 664,665,087                   |
| Long term deposits   | (64,865,551)                  | 106,832,564                   |
|  | <b>(104,597,267)</b>          | <b>(83,270,727)</b>           |
| Increase/(decrease) in trade and other payables                  | (37,088,833)                  | (11,248,839)                  |
|  | <b>(141,686,100)</b>          | <b>(94,519,566)</b>           |
| <b>Cash generated from operations</b>                            | <b>164,920,756</b>            | <b>165,966,347</b>            |
| Finance cost paid  | (404,622,092)                 | (215,875,680)                 |
| Taxes paid   | (1,637,451)                   | (2,824,788)                   |
| Gratuity paid  | (2,356,117)                   | (5,417,267)                   |
|  | <b>(408,615,661)</b>          | <b>(224,117,735)</b>          |
| <b>Net cash used in operating activities</b>                     | <b>(243,694,905)</b>          | <b>(58,151,388)</b>           |
| <b>Cash flows from investing activities</b>                      |                               |                               |
| Purchase of property and equipment                               | (8,402,243)                   | (74,904,880)                  |
| Long term deposits   | 1,631,701                     | (220,000)                     |
| Proceeds from sale of property and equipment                     | 2,434,970                     | 44,028,000                    |
| Sale proceeds of long term investments                           | 63,610,294                    | 63,550,950                    |
| <b>Net cash generated from investing activities</b>              | <b>59,274,722</b>             | <b>32,454,070</b>             |
| <b>Cash flows from financing activities</b>                      |                               |                               |
| Long term and short term borrowings                              | (186,940,429)                 | (269,018,235)                 |
| Issue of Term Finance Certificates                               | 150,000,000                   | 450,000,000                   |
| Redemption of Term Finance Certificates                          | (75,000,000)                  | (120,000,000)                 |
| Dividend paid  | -                             | (69,127,521)                  |
| <b>Net cash used in financing activities</b>                     | <b>(111,940,429)</b>          | <b>(8,145,756)</b>            |
| <b>Net decrease in cash and cash equivalents</b>                 | <b>(296,360,612)</b>          | <b>(33,843,074)</b>           |
| <b>Cash and cash equivalents at the beginning of the period</b>  | <b>(44,049,307)</b>           | <b>(10,206,233)</b>           |
| <b>Cash and cash equivalents at the end of the period</b>        | <b>(340,409,919)</b>          | <b>(44,049,307)</b>           |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

# Trust Investment Bank Limited

## Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months ended 31 December 2008

|  | Share capital | Share premium | Statutory reserve | General reserve | Un-appropriated profit | Total         |
|--|---------------|---------------|-------------------|-----------------|------------------------|---------------|
|  | Rupees        | Rupees        | Rupees            | Rupees          | Rupees                 | Rupees        |
| <b>Balance as at 1 July 2007</b>                     | 468,422,983   | 70,714,920    | 176,801,731       | 61,000,000      | 239,124,294            | 1,016,063,928 |
| Final dividend for 2007 paid @ 15% (Rs 1 per share)  | -             | -             | -                 | -               | (70,263,447)           | (70,263,447)  |
| Bonus shares issued for 2007 @ 25%                   | 117,105,746   | (70,714,920)  | -                 | -               | (46,390,826)           | -             |
| Net profit for the period                            | -             | -             | -                 | -               | 28,500,938             | 28,500,938    |
| Transfer to statutory reserve                        | -             | -             | 5,700,188         | -               | (5,700,188)            | -             |
| <b>Balance as at 31 December 2007</b>                | 585,528,729   | -             | 182,501,919       | 61,000,000      | 145,270,771            | 974,301,419   |
| Transfer from surplus on revaluation of fixed assets | -             | -             | -                 | -               | 25,194                 | 25,194        |
| Net profit for the period                            | -             | -             | -                 | -               | 121,282,004            | 121,282,004   |
| Transfer to statutory reserve                        | -             | -             | 24,256,399        | -               | (24,256,399)           | -             |
| <b>Balance as at 30 June 2008</b>                    | 585,528,729   | -             | 206,758,318       | 61,000,000      | 242,321,570            | 1,095,608,617 |
| Transfer from surplus on revaluation of fixed assets | -             | -             | -                 | -               | 151,165                | 151,165       |
| Net loss for the period                              | -             | -             | -                 | -               | (227,260,064)          | (227,260,064) |
| <b>Balance as at 31 December 2008</b>                | 585,528,729   | -             | 206,758,318       | 61,000,000      | 15,212,671             | 868,499,718   |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

# Trust Investment Bank Limited

## Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the six months ended 31 December 2008

### 1 THE COMPANY AND ITS OPERATIONS

Trust Investment Bank Limited (“the Company”) was incorporated in 1992 as a public limited company under the Companies Ordinance, 1984 and is listed on all the three stock exchanges of Pakistan. The company is classified as a Non-Banking Finance Company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan (SECP). It is mainly engaged in the business of investment finance services and leasing. The registered office of the company is situated at 23-D/1-A, Gulberg III, Lahore.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 ACCOUNTING CONVENTION

The condensed interim financial information have been prepared under the historical cost convention, except for held for trading investments and available for sale investments, which have been recognized at fair value.

#### 2.2 BASIS OF PRESENTATION

These condensed interim financial information are un-audited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of the approved Accounting Standards as applicable in Pakistan relating to Interim Financial Reporting. This condensed interim financial information does not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2008.

The condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

#### 2.3 ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 30 June 2008.

#### 2.4 ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 30 June 2008.

|          |  | 31 December 2008            |                        |
|----------|--|-----------------------------|------------------------|
|          |  | Additions<br>cost           | Disposal<br>book value |
|          |  | Rupees                      | Rupees                 |
| <b>3</b> | <b>FIXED ASSETS</b>  |                             |                        |
|          | <b>Property and equipment</b>                              |                             |                        |
|          | Lease hold improvements                                    | 6,024,738                   | 412,093                |
|          | Office equipment and machines                              | 773,750                     | 3,990,081              |
|          | Furniture and fixtures                                     | 271,015                     | 1,219,113              |
|          | Air conditioning equipment                                 | 166,240                     | 583,501                |
|          | Vehicles   | 1,166,500                   | 5,862,466              |
|          |  | <b>8,402,243</b>            | <b>12,067,254</b>      |
|          | <b>Intangible assets</b>                                   | -                           | 32,388,317             |
|          |  | <b>31 December<br/>2008</b> | 30 June<br>2008        |
|          |  | Rupees                      | Rupees                 |
| <b>4</b> | <b>NET INVESTMENT IN LEASE FINANCE</b>                     |                             |                        |
|          | Lease payments receivable                                  | 4,050,198,061               | 4,420,396,057          |
|          | Add: Residual value  | 1,168,977,455               | 1,223,377,097          |
|          | <b>Gross investment in leases</b>                          | <b>5,219,175,516</b>        | 5,643,773,154          |
|          | Less: Unearned finance income                              | 630,846,333                 | 767,135,109            |
|          | Income suspended   | 166,070,269                 | 138,212,086            |
|          | Provision for potential lease losses                       | 187,059,401                 | 113,042,667            |
|          |  | <b>983,976,003</b>          | 1,018,389,862          |
|          | <b>Net investment in lease finance</b>                     | <b>4,235,199,513</b>        | 4,625,383,292          |
|          | Less: Current portion of net investment in lease finance 6 | 2,285,997,617               | 1,204,539,838          |
|          |  | <b>1,949,201,896</b>        | <b>3,420,843,454</b>   |

| 31 December 2008              |                               |   |                             |
|-------------------------------|-------------------------------|---|-----------------------------|
|                               | Not later<br>than one<br>year | Later than one<br>year and not later<br>than five years | Later<br>than five<br>years |
|                               | Rupees                        | Rupees  | Rupees                      |
| Gross investment              | 2,637,296,414                 | 2,581,879,102   | -                           |
| Less: Unearned finance income | 351,298,797                   | 279,547,536   | -                           |
|                               | <b>2,285,997,617</b>          | <b>2,302,331,566</b>                                    | <b>-</b>                    |
|                               |                               |   | <b>4,588,329,183</b>        |

30 June 2008

|   | Not later than one year | Later than one year and not later than five years | Later than five years       | Total                |
|---|-------------------------|---|-----------------------------|----------------------|
|   | Rupees                  | Rupees  | Rupees                      | Rupees               |
| Gross investment                                  | 1,604,856,731           | 4,038,916,423                                     | -                           | 5,643,773,154        |
| Less: Unearned finance income                     | 400,316,893             | 366,818,216                                       | -                           | 767,135,109          |
|   | <u>1,204,539,838</u>    | <u>3,672,098,207</u>                              | <u>-</u>                    | <u>4,876,638,045</u> |
|   |                         |   | <b>31 December 2008</b>     | 30 June 2008         |
|   |                         | Note  | <b>Rupees</b>               | Rupees               |
| <b>5 LONG TERM FINANCES</b>                       |                         |   |                             |                      |
| Employees - considered good                       |                         |   | <b>24,758,803</b>           | 24,223,751           |
| Trust Capital (Private) Limited                   |                         |   | <b>140,000,000</b>          | -                    |
| Others:   |                         |   |                             |                      |
| Secured - considered good                         |                         |   | <b>636,794,656</b>          | 544,930,955          |
| Unsecured - considered good                       |                         |   | <b>300,000</b>              | 300,000              |
|   |                         |   | <u><b>801,853,459</b></u>   | <u>569,454,706</u>   |
| Less: Current maturity                            |                         | 6   | <b>254,110,581</b>          | 6,107,076            |
|   |                         |   | <u><b>547,742,878</b></u>   | <u>563,347,630</u>   |
| <b>6 CURRENT MATURITIES OF NON-CURRENT ASSETS</b> |                         |   |                             |                      |
| Long term finances                                |                         | 5   | <b>254,110,581</b>          | 6,107,076            |
| Net investment in lease finance                   |                         | 4   | <b>2,285,997,617</b>        | 1,204,539,838        |
|   |                         |   | <u><b>2,540,108,198</b></u> | <u>1,210,646,914</u> |
| <b>7 SHORT TERM FINANCES</b>                      |                         |   |                             |                      |
| Employees - considered good                       |                         |   | <b>469,183</b>              | 804,120              |
| Other: Secured - considered good                  |                         |   | <b>412,800,000</b>          | 383,830,000          |
| Secured - considered doubtful                     |                         |   | <b>650,000</b>              | 650,000              |
| Less: Provision against doubtful finance          |                         |   | <b>(650,000)</b>            | (650,000)            |
|   |                         |   | <u><b>413,269,183</b></u>   | <u>384,634,120</u>   |

|   | <b>31 December<br/>2008</b> | 30 June<br>2008 |
|---|-----------------------------|-----------------|
|   | <b>Rupees</b>               | Rupees          |
| <b>8 SHORT TERM PLACEMENTS - CONSIDERED GOOD</b>  |                             |                 |
| Continuous funding system   | <b>6,465,588</b>            | 139,437,308     |
| Securities purchased under reverse repurchase agreements  | <b>175,682,970</b>          | 360,988,000     |
|   | <b>182,148,558</b>          | 500,425,308     |
| Fair value of quoted securities held as collateral against lending on Continuous Funding System and Reverse Repurchase Agreement. |                             |                 |
| <b>Quoted Shares</b>  | <b>195,939,589</b>          | 559,282,482     |

These have been placed for a period upto one year.

## 9 SHORT TERM INVESTMENTS

|   | December 2008      |                        |                    | June 2008          |                        |             |
|---|--------------------|------------------------|--------------------|--------------------|------------------------|-------------|
|   | Held by<br>Company | Given as<br>collateral | Total              | Held by<br>Company | Given as<br>Collateral | Total       |
|   | Rupees             | Rupees                 | Rupees             | Rupees             | Rupees                 | Rupees      |
| Investments at fair value through profit and loss account | -                  | -                      | -                  | 73,742,791         | 24,528,702             | 98,271,493  |
| Investments available for sale                            | <b>32,805,059</b>  | <b>174,596,887</b>     | <b>207,401,946</b> | 162,347,671        | 309,271,982            | 471,619,653 |
|   | <b>32,805,059</b>  | <b>174,596,887</b>     | <b>207,401,946</b> | 236,090,462        | 333,800,684            | 569,891,146 |

9.1 During the period the Company has reclassified its investment portfolio of listed securities as at 01 July 2008 valuing Rs 98.271 million from "Held for Trading" to "Available for sale" category.

|  | <b>31 December<br/>2008</b> | 30 June<br>2008 |
|--|-----------------------------|-----------------|
|  | <b>Rupees</b>               | Rupees          |
| <b>9.2 Deficit on revaluation of investments</b> |                             |                 |
| <b>Available for sale</b>                        |                             |                 |
| Listed shares and units                          | <b>(476,786,228)</b>        | (120,299,798)   |

9.3 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of 'floor mechanism' by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated 29 January 2009.

Furthermore, SECP vide SRO 150(1)/2009 dated 13 February, 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount presented below equity including any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the calendar year ending on 31 December 2009. The amount presented below equity at 31 December 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are 'rare circumstances' and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss in accordance with the requirements of IAS 39 would have had the following effect on these condensed interim financial information:

|   | <b>31 December<br/>2008<br/>(Rupees)</b> |
|---|--|
| Effect of Impairment Loss in Profit and Loss Account                | <b>476,694,655</b>                       |
| Effect on Tax charge for the period                                 | -  |
| Decrease in profit for the period                                   | <b>476,694,655</b>                       |
| Decrease in deficit on revaluation of Available for Sale securities | <b>476,694,655</b>                       |
| Decrease in Un-appropriated profit                                  | <b>476,694,655</b>                       |
| Decrease in earning per share                                       | <b>8.14</b>                              |

|   | <b>Note</b> | <b>31 December<br/>2008<br/>Rupees</b> | 30 June<br>2008<br>Rupees |
|---|-------------|--|---------------------------|
| <b>10 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b> |             |  |                           |
| Advance to employees-considered good                  |             | <b>4,433</b>                           | 16,167                    |
| Advance against leases                                |             | <b>66,983,136</b>                      | 98,118,169                |
| Advance against purchase of fixed assets              |             | <b>800,000</b>                         | 5,023,459                 |
| Other advances - considered good                      |             | <b>561,597</b>                         | 381,801                   |
| Initial transaction cost of term finance certificates |             | -                                      | 5,549,389                 |
| Receivable from Trust Capital (Private) Limited       |             | <b>174,976,493</b>                     | 410,780,744               |
| Prepayments   |             | <b>6,356,359</b>                       | 9,843,933                 |
| Miscellaneous receivables from lessees                | 10.1        | <b>138,024,776</b>                     | 148,625,216               |
| Other receivables-considered good                     |             | <b>3,069,086</b>                       | 3,600,281                 |
|   |             | <b>390,775,880</b>                     | 681,939,159               |

|  | Note | 31 December<br>2008<br>Rupees | 30 June<br>2008<br>Rupees |
|--|------|-------------------------------|---------------------------|
| <b>10.1 Miscellaneous receivables from lessees</b>         |      |                               |                           |
| Considered good  |      | 138,024,776                   | 148,625,216               |
| Considered doubtful  |      |                               |                           |
| Miscellaneous receivables from lessees                     |      | 52,489,092                    | 67,144,071                |
| Less: Provision against doubtful receivables               |      | (52,489,092)                  | (67,144,071)              |
|  |      | -                             | -                         |
|  |      | <u>138,024,776</u>            | <u>148,625,216</u>        |
| <b>11 CASH AND BANK BALANCES</b>                           |      |                               |                           |
| Cash in hand   |      | 2,048,182                     | 1,175,600                 |
| With banks in:   |      |                               |                           |
| Deposit accounts   |      | 232,214                       | 232,202                   |
| Current accounts   |      | 15,535,640                    | 91,880,971                |
|  |      | 15,767,854                    | 92,113,173                |
|  |      | <u>17,816,036</u>             | <u>93,288,773</u>         |
| <b>12 TERM FINANCE CERTIFICATES (TFC) - SECURED</b>        |      |                               |                           |
| TFC II-1st Tranche   |      | 75,000,000                    | 112,500,000               |
| TFC II-2nd Tranche   |      | 150,000,000                   | 187,500,000               |
| TFC III  |      | 600,000,000                   | -                         |
|  |      | 825,000,000                   | 300,000,000               |
| Less: Unamortized portion of the initial transaction cost  |      | 11,549,505                    | 4,367,408                 |
|  |      | 813,450,495                   | 295,632,592               |
| Less: Current maturity                                     | 15   | 150,240,000                   | 150,000,000               |
|  |      | <u>663,210,495</u>            | <u>145,632,592</u>        |
| <b>13 LONG TERM CERTIFICATES OF INVESTMENT - UNSECURED</b> |      |                               |                           |
| Local currency:  |      |                               |                           |
| Financial institutions                                     |      | 658,333,333                   | 858,333,333               |
| Corporate  |      | 19,000,340                    | 13,642,940                |
| Individuals  |      | 114,530,955                   | 124,180,955               |
|  |      | 791,864,628                   | 996,157,228               |
| Less: Current maturity                                     | 15   | 761,834,288                   | 895,403,258               |
|  |      | <u>30,030,340</u>             | <u>100,753,970</u>        |

|   | Note | 31 December<br>2008<br>Rupees | 30 June<br>2008<br>Rupees |
|---|------|-------------------------------|---------------------------|
| <b>14 LONG TERM BORROWINGS - SECURED</b>                                |      |                               |                           |
| Banking companies and other financial institutions:                     |      |                               |                           |
| The Bank of Punjab  |      | 50,000,000                    | 79,166,666                |
| Faysal Bank Limited   |      | 75,000,000                    | 83,333,333                |
| Allied Bank Limited   |      | 50,000,000                    | 50,000,000                |
| Habib Bank Limited  |      | 58,333,335                    | 66,666,668                |
| Syndicated Term Finance   |      | -                             | 20,940,432                |
| Saudipak Industrial & Agricultural Investment Company (Private) Limited |      | 20,833,331                    | 33,333,328                |
| Standard Chartered Bank Limited   |      | 372,222,220                   | 454,888,888               |
| Atlas Bank Limited  |      | 175,000,000                   | 200,000,000               |
|   |      | <b>801,388,886</b>            | 988,329,315               |
| Less: Current portion shown under current liabilities                   | 15   | <b>344,999,996</b>            | 386,848,127               |
|   |      | <b>456,388,890</b>            | 601,481,188               |
| <b>15 CURRENT MATURITIES OF LONG TERM LIABILITIES</b>                   |      |                               |                           |
| Term finance certificates - secured                                     | 12   | 150,240,000                   | 150,000,000               |
| Certificates of investment - unsecured                                  | 13   | 761,834,288                   | 895,403,258               |
| Long term borrowings - secured  | 14   | 344,999,996                   | 386,848,127               |
| Long term deposits  |      | 275,712,592                   | 215,914,768               |
| Pre-IPO subscription of term finance certificates                       |      | -                             | 90,000                    |
|   |      | <b>1,532,786,876</b>          | 1,648,256,153             |
| <b>16 SHORT TERM BORROWINGS</b>   |      |                               |                           |
| Banking companies and other financial institutions:                     |      |                               |                           |
| Running finances - secured  |      | 358,225,955                   | 332,216,672               |
| Placements from financial institutions - unsecured                      |      | 1,750,288,009                 | 1,579,185,500             |
|   |      | <b>2,108,513,964</b>          | 1,911,402,172             |
| <b>17 TRADE AND OTHER PAYABLES</b>                                      |      |                               |                           |
| Payable to National Clearing Company of Pakistan Limited                |      | -                             | 377,328                   |
| Customer's credit balances  |      | -                             | 47,689,653                |
| Advance receipt against leases  |      | 12,128,826                    | 20,206,853                |
| Unclaimed dividend  |      | 3,187,809                     | 3,221,681                 |
| Accrued liabilities   |      | 1,220,736                     | 2,485,230                 |
| Other liabilities   |      | 27,525,358                    | 7,170,817                 |
|   |      | <b>44,062,729</b>             | 81,151,562                |

## 18 CONTINGENCIES AND COMMITMENTS

### 18.1 Contingencies

The Company has issued guarantees to various parties on behalf of clients amounting to Rs. 205.046 million (30 June 2008: Rs.182.342 million).

### 18.2 Commitments

**18.2.1** Lease commitments approved but not disbursed as at balance sheet date amount to Rs. 33.741 million (30 June 2008: Rs. 123.142 million).

**18.2.2** Commitment for the purchase of office space is given to Tricon Developers amounting to Rs.29.63 million (30 June 2008 :Rs. 29.63 million).

|   | <b>Six months ended 31 December</b> |               |
|---|-------------------------------------|---------------|
|   | <b>2008</b>                         | <b>2007</b>   |
|   | <b>Rupees</b>                       | <b>Rupees</b> |
| <b>19 INCOME FROM LEASE OPERATIONS</b>                              |                                     |               |
| Finance lease income  | <b>222,128,217</b>                  | 139,894,356   |
| Front end fee   | <b>314,389</b>                      | 698,954       |
| Commitment and other fees   | <b>852,157</b>                      | 3,806,231     |
| Miscellaneous   | <b>18,556,360</b>                   | 15,790,150    |
|   | <b>241,851,123</b>                  | 160,189,691   |
| <b>20 (LOSS)/INCOME FROM INVESTMENTS</b>                            |                                     |               |
| (Loss)/Profit on disposal of investment held for trading            | <b>(26,291,196)</b>                 | 82,616,598    |
| Profit on investment in continuous funding system                   | <b>5,521,340</b>                    | 13,627,511    |
| Profit on disposal of shares under reverse repurchase agreements    | <b>18,373,630</b>                   | 28,102,720    |
| (Loss)/Profit on disposal of shares purchased under future contract | <b>(121,344)</b>                    | 1,094,383     |
| Profit on short term placements                                     | <b>15,607,882</b>                   | 13,541,731    |
| Dividend income   | <b>7,735,200</b>                    | 8,460,580     |
| Underwriting and trusteeship fee                                    | <b>1,216,326</b>                    | 238,125       |
| Gain on disposal of investments available for sale                  | <b>-</b>                            | 7,249,000     |
|   | <b>22,041,838</b>                   | 154,930,648   |
| <b>21 EARNINGS PER SHARE - BASIC</b>                                |                                     |               |
| (Loss)/Profit for the year after taxation                           | Rupees <b>(227,260,064)</b>         | 28,500,938    |
| Weighted average number of ordinary shares                          | Numbers <b>58,552,873</b>           | 58,552,873    |
| (Loss)/Earnings per share   | Rupees <b>(3.88)</b>                | 0.49          |

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

## 22 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 are as follows:

|  | <b>Six months ended 31 December</b> |            | Year ended   |
|--|-------------------------------------|------------|--------------|
|  | <b>2008</b>                         | 2007       | 30 June 2008 |
|  | <b>Rupees</b>                       | Rupees     | Rupees       |
| <b>Polygon Builders</b>                        |                                     |            |              |
| Amount due against term finances               | -                                   | -          | 25,550,000   |
| Finance income charged during the period       | <b>2,364,691</b>                    | -          | 90,650       |
| <b>Polygon Developers</b>                      |                                     |            |              |
| Amount due against term finances               | <b>195,000,000</b>                  | -          | -            |
| Finance income charged during the period       | <b>8,642,500</b>                    | -          | -            |
| <b>Ahmed Khalil</b>                            |                                     |            |              |
| Amount due against term finances               | <b>10,000,000</b>                   | -          | 15,000,000   |
| Finance income charged during the period       | <b>791,568</b>                      | -          | 1,010,411    |
| <b>Allied Developers</b>                       |                                     |            |              |
| Amount due against term finances               | <b>29,500,000</b>                   | -          | 29,500,000   |
| Deposit against lease arrangements             | <b>2,676,820</b>                    | -          | 1,353,205    |
| <b>Tricon Developers (Partnership Concern)</b> |                                     |            |              |
| Advance for purchase of office space           | <b>97,379,318</b>                   | 67,742,134 | 97,379,318   |
| Amount due against leases                      | <b>4,682,780</b>                    | -          | 1,978,989    |
| Finance income charged during the period       | <b>307,991</b>                      | -          | 21,077       |
| Deposit against lease arrangements             | <b>501,350</b>                      | -          | 200,650      |
| <b>Union Communications (Private) Limited</b>  |                                     |            |              |
| Communication services                         | <b>415,969</b>                      | 339,061    | 838,441      |
| <b>Employees' retirement fund</b>              |                                     |            |              |
| Payment made                                   | <b>1,041,803</b>                    | 5,432,611  | 6,275,538    |

## 23 AUTHORIZATION

This condensed interim financial information is authorized for issue on 27 February 2009 by the Board of Directors of the Company.

## 24 GENERAL

Figures have been rounded off to the nearest rupee.

**CHIEF EXECUTIVE**

**DIRECTOR**

# Trust Investment Bank Limited & Subsidiary

Condensed Interim Consolidated Financial Statements  
for the six months ended December 31, 2008

# Trust Investment Bank Limited

## Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 31 December 2008

|  | Note | 31 December<br>2008<br>(Un-Audited)<br>Rupees | 30 June<br>2008<br>(Audited)<br>Rupees |
|--|------|---|--|
| <b>Non - current assets</b>                            |      |   |  |
| <b>Fixed assets</b>                                    |      |   |  |
| Property and equipment                                 | 6    | 121,585,158                                   | 124,078,819                            |
| Intangible asset                                       |      | 33,157,830                                    | 33,204,684                             |
|  |      | <b>154,742,988</b>                            | <b>157,283,503</b>                     |
| Net investment in lease finance                        | 7    | 1,949,201,896                                 | 3,420,843,454                          |
| Long term finances                                     | 8    | 407,742,878                                   | 563,347,630                            |
| Long term investments                                  |      | 189,108,700                                   | 279,992,000                            |
| Long term deposits                                     |      | 4,509,128                                     | 4,159,629                              |
| Long term advances                                     |      | 97,379,318                                    | 97,379,318                             |
| Deferred tax asset                                     |      | 58,622,055                                    | 55,366,202                             |
|  |      | <b>2,706,563,975</b>                          | <b>4,421,088,232</b>                   |
|  |      | <b>2,861,306,963</b>                          | <b>4,578,371,735</b>                   |
| <b>Current assets</b>                                  |      |   |  |
| Current maturities of non - current assets             | 9    | 2,540,108,198                                 | 1,210,646,914                          |
| Short term finances                                    | 10   | 413,269,183                                   | 384,634,120                            |
| Short term placements                                  | 11   | 182,148,558                                   | 500,425,308                            |
| Short term investments                                 | 12   | 207,401,946                                   | 569,891,145                            |
| Taxation - net   |      | 34,864,114                                    | 33,097,670                             |
| Markup accrued   |      | 68,749,398                                    | 37,070,524                             |
| Advances, prepayments and other receivables            | 13   | 701,253,344                                   | 681,939,159                            |
| Cash and bank balances                                 | 14   | 20,002,589                                    | 93,288,773                             |
|  |      | <b>4,167,797,330</b>                          | <b>3,510,993,613</b>                   |
|  |      | <b>7,029,104,294</b>                          | <b>8,089,365,348</b>                   |
| <b>Equity and liabilities</b>                          |      |   |  |
| <b>Share capital</b>                                   |      |   |  |
| Reserves   |      | 585,528,729                                   | 585,528,729                            |
|  |      | 266,775,647                                   | 510,079,888                            |
|  |      | <b>852,304,376</b>                            | <b>1,095,608,617</b>                   |
| <b>Suplus on revaluation of assets</b>                 |      |   |  |
|  |      | 10,348,264                                    | 7,243,576                              |
|  |      | <b>862,652,640</b>                            | <b>1,102,852,193</b>                   |
| <b>(Deficit)/Surplus on revaluation of investments</b> |      |   |  |
|  |      | (476,786,228)                                 | (120,299,798)                          |
| <b>Non - current liabilities</b>                       |      |   |  |
| Term finance certificates                              | 15   | 663,210,495                                   | 145,632,592                            |
| Long term certificates of investment                   | 16   | 30,030,340                                    | 100,753,970                            |
| Long term borrowings                                   | 17   | 456,388,890                                   | 601,481,188                            |
| Long term deposits                                     |      | 901,556,106                                   | 1,026,219,481                          |
| Pre- IPO subscription of Term Finance Certificates     |      | -   | 449,910,000                            |
| Staff service costs                                    |      | 12,535,595                                    | 6,592,003                              |
|  |      | <b>2,063,721,426</b>                          | <b>2,330,589,234</b>                   |
| <b>Current liabilities</b>                             |      |   |  |
| Current maturities of long term liabilities            | 18   | 1,532,786,876                                 | 1,648,256,153                          |
| Short term certificates of investment                  |      | 601,478,090                                   | 1,042,181,991                          |
| Short term borrowings                                  | 19   | 2,108,513,964                                 | 1,911,402,172                          |
| Markup accrued   |      | 153,047,080                                   | 93,231,841                             |
| Trade and other payables                               | 20   | 183,690,446                                   | 81,151,562                             |
|  |      | <b>4,579,516,456</b>                          | <b>4,776,223,719</b>                   |
|  |      | <b>6,643,237,882</b>                          | <b>7,106,812,953</b>                   |
| <b>Contingencies and commitments</b>                   |      |   |  |
|  | 21   | <b>7,029,104,294</b>                          | <b>8,089,365,348</b>                   |

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 12.3.

CHIEF EXECUTIVE

DIRECTOR

# Trust Investment Bank Limited

## Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the six months ended 31 December 2008

|  | Note | Quarter ended          |                        | Six months period ended |                        |
|--|------|------------------------|------------------------|-------------------------|------------------------|
|  |      | 31 December<br>2008    | 31 December<br>2007    | 31 December<br>2008     | 31 December<br>2007    |
|  |      | (Un-audited)<br>Rupees | (Un-audited)<br>Rupees | (Un-audited)<br>Rupees  | (Un-audited)<br>Rupees |
| <b>Revenue</b>   |      |                        |                        |                         |                        |
| Income from lease operations                                       | 22   | 79,112,873             | 52,100,942             | 241,851,123             | 160,189,691            |
| (Loss)/Income from investments                                     | 23   | (5,424,403)            | 120,212,085            | 22,041,838              | 154,930,648            |
| Income from term finances  |      | 45,718,673             | 7,911,736              | 94,122,249              | 12,411,618             |
| Income from brokerage  |      | 21,797,174             | 12,647,523             | 45,502,049              | 23,489,567             |
| Other income   |      | 4,336,343              | 59,548,726             | 6,785,248               | 83,306,308             |
|  |      | <b>145,540,659</b>     | <b>252,421,012</b>     | <b>410,302,506</b>      | <b>434,327,832</b>     |
| <b>Expenditure</b>   |      |                        |                        |                         |                        |
| Finance cost   |      | 270,484,488            | 126,525,900            | 468,396,477             | 249,454,487            |
| Administrative and operating expenses                              |      | 56,927,381             | 48,284,514             | 113,445,262             | 95,958,746             |
| Depreciation and amortization                                      |      | 4,621,189              | 4,334,683              | 9,350,330               | 8,552,526              |
| Other charges  |      | 1,612,421              | 989,290                | 2,418,880               | 1,020,487              |
|  |      | <b>333,645,479</b>     | <b>180,134,387</b>     | <b>593,610,949</b>      | <b>354,986,246</b>     |
| <b>Operating profit / (loss)</b>                                   |      | <b>(188,104,820)</b>   | <b>72,286,625</b>      | <b>(183,308,443)</b>    | <b>79,341,586</b>      |
| Provision for miscellaneous receivables and potential lease losses |      | (56,906,331)           | (32,350,727)           | (60,063,126)            | (35,350,727)           |
| (Deficit) / surplus on revaluation of held for trading investments |      | -                      | (21,002,896)           | -                       | (8,489,921)            |
|  |      | <b>(56,906,331)</b>    | <b>(53,353,623)</b>    | <b>(60,063,126)</b>     | <b>(43,840,648)</b>    |
| <b>(Loss)/Profit before taxation</b>                               |      | <b>(245,011,151)</b>   | <b>18,933,002</b>      | <b>(243,371,569)</b>    | <b>35,500,938</b>      |
| <b>Provision for taxation</b>                                      |      | <b>(774,141)</b>       | <b>(6,000,000)</b>     | <b>(83,837)</b>         | <b>(7,000,000)</b>     |
| <b>(Loss)/Profit after taxation</b>                                |      | <b>(245,785,292)</b>   | <b>12,933,002</b>      | <b>(243,455,406)</b>    | <b>28,500,938</b>      |
| <b>(Loss)/Earnings per share - basic and diluted</b>               | 24   | <b>(4.20)</b>          | <b>0.22</b>            | <b>(4.16)</b>           | <b>0.49</b>            |

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 12.3.

CHIEF EXECUTIVE

DIRECTOR

# Trust Investment Bank Limited

## Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the six months ended 31 December 2008

|   | 31 December<br>2008<br>Rupees | 31 December<br>2007<br>Rupees |
|---|-------------------------------|-------------------------------|
| <b>Cash flows from operating activities</b>                         |                               |                               |
| Profit before taxation  | (243,371,569)                 | 35,500,938                    |
| Adjustments for non cash items:                                     |                               |                               |
| Depreciation  | 9,350,330                     | 8,552,526                     |
| Amortization of transaction costs of term finance certificates      | 2,222,487                     | 2,118,970                     |
| Provision for staff service costs                                   | 6,985,394                     | 6,000,000                     |
| Provision for doubtful receivables                                  | (60,063,126)                  | 35,350,727                    |
| Lease receivables written off                                       | 2,418,880                     | 1,020,487                     |
| Finance cost  | 468,396,477                   | 249,454,487                   |
| Profit on sale of property and equipment                            | (3,091,411)                   | (78,753,143)                  |
| Diminution/(Surplus) on revaluation of held for trading investments | -                             | 8,489,921                     |
| Gain on sale of available for sale investments                      | -                             | (7,249,000)                   |
|   | <b>426,219,031</b>            | <b>224,984,975</b>            |
| <b>Operating profit before working capital changes</b>              | <b>182,847,462</b>            | <b>260,485,913</b>            |
| <b>Changes in operating assets and liabilities</b>                  |                               |                               |
| (Increase) / decrease in:   |                               |                               |
| Long term investments   | 90,883,300                    | 155,861,522                   |
| Short term placements   | 318,276,750                   | (84,558,407)                  |
| Markup accrued  | (31,678,874)                  | (11,920,063)                  |
| Advances, prepayments and other receivables                         | (65,903,277)                  | (265,228,098)                 |
| Long term and short term finances                                   | 18,966,184                    | (263,825,802)                 |
| Net investment in lease finance                                     | 316,167,045                   | (228,595,753)                 |
| Purchase of investments available for sale                          | (34,543,430)                  | (156,501,777)                 |
| Certificates of investment  | (644,996,501)                 | 664,665,087                   |
| Long term deposits  | (64,865,551)                  | 106,832,564                   |
|   | (97,694,354)                  | (83,270,727)                  |
| Increase in trade and other payables                                | 102,538,884                   | (11,248,839)                  |
|   | <b>4,844,530</b>              | <b>(94,519,566)</b>           |
| <b>Cash (used in) / generated from operations</b>                   | <b>187,691,992</b>            | <b>165,966,347</b>            |
| Financial charges paid  | (408,581,238)                 | (215,875,680)                 |
| Taxes paid  | (1,766,444)                   | (2,824,788)                   |
| Staff service costs paid  | (1,041,802)                   | (5,417,267)                   |
|   | (411,389,485)                 | (224,117,735)                 |
| <b>Net cash (used in) / generated from operating activities</b>     | <b>(223,697,493)</b>          | <b>(58,151,388)</b>           |
| <b>Cash flows from investing activities</b>                         |                               |                               |
| Purchase of property and equipment                                  | (22,963,623)                  | (74,904,880)                  |
| Long term deposits  | (349,500)                     | (220,000)                     |
| Sale proceeds of investments  | 60,863,016                    | 63,550,950                    |
| Sale proceeds of fixed assets                                       | 3,913,970                     | 44,028,000                    |
| <b>Net cash generated from / (used in) investing activities</b>     | <b>41,463,864</b>             | <b>32,454,070</b>             |
| <b>Cash flows from financing activities</b>                         |                               |                               |
| Long and short term borrowings                                      | (186,940,429)                 | (269,018,235)                 |
| Issue of term finance certificates                                  | 150,000,000                   | 450,000,000                   |
| Redemption of term finance certificates                             | (75,000,000)                  | (120,000,000)                 |
| Dividends paid  | -                             | (69,127,521)                  |
| <b>Net cash generated from / (used in) financing activities</b>     | <b>(111,940,429)</b>          | <b>(8,145,756)</b>            |
| <b>Net increase in cash and cash equivalents</b>                    | <b>(294,174,058)</b>          | <b>(33,843,074)</b>           |
| <b>Cash and cash equivalents at the beginning of the year</b>       | <b>(44,049,307)</b>           | <b>(10,206,233)</b>           |
| <b>Cash and cash equivalents at the end of the year</b>             | <b>(338,223,365)</b>          | <b>(44,049,307)</b>           |

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.

CHIEF EXECUTIVE

DIRECTOR

# Trust Investment Bank Limited

## Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

For the six months ended 31 December 2008

|   | Share<br>capital   | Share<br>premium | Statutory<br>reserve | General<br>reserve | Un-appropriated<br>profit | Total              |
|---|--------------------|------------------|----------------------|--------------------|---------------------------|--------------------|
|   | Rupees             | Rupees           | Rupees               | Rupees             | Rupees                    | Rupees             |
| <b>Balance as at 1 July 2007</b>                        | 468,422,983        | 70,714,920       | 176,801,731          | 61,000,000         | 239,124,294               | 1,016,063,928      |
| Final dividend for 2007 paid @ 15%<br>(Rs 1 per share)  | -                  | -                | -                    | -                  | (70,263,447)              | (70,263,447)       |
| Bonus shares issued for 2007 @ 25%                      | 117,105,746        | (70,714,920)     | -                    | -                  | (46,390,826)              | -                  |
| Net profit for the period                               | -                  | -                | -                    | -                  | 28,500,938                | 28,500,938         |
| Transfer to statutory reserve                           | -                  | -                | 5,700,188            | -                  | (5,700,188)               | -                  |
| <b>Balance as at 31 December 2007</b>                   | 585,528,729        | -                | 182,501,919          | 61,000,000         | 145,270,771               | 974,301,419        |
| Transfer from surplus on revaluation<br>of fixed assets | -                  | -                | -                    | -                  | 25,194                    | 25,194             |
| Net profit for the period                               | -                  | -                | -                    | -                  | 121,282,004               | 121,282,004        |
| Transfer to statutory reserve                           | -                  | -                | 24,256,399           | -                  | (24,256,399)              | -                  |
| <b>Balance as at 30 June 2008</b>                       | 585,528,729        | -                | 206,758,318          | 61,000,000         | 242,321,570               | 1,095,608,617      |
| Transfer from surplus on revaluation<br>of fixed assets | -                  | -                | -                    | -                  | 151,165                   | 151,165            |
| Net loss for the period                                 | -                  | -                | -                    | -                  | (243,455,406)             | (243,455,406)      |
| <b>Balance as at 31 December 2008</b>                   | <b>585,528,729</b> | <b>-</b>         | <b>206,758,318</b>   | <b>61,000,000</b>  | <b>(982,671)</b>          | <b>852,304,376</b> |

The annexed notes 1 to 24 form an integral part of this condensed interim consolidated financial information.

CHIEF EXECUTIVE

DIRECTOR

# Trust Investment Bank Limited

## Selected Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the six months ended 31 December 2008

### 1 THE GROUP AND ITS OPERATIONS

The Group consists of:

**Holding Company** – Trust Investment Bank Limited

**Subsidiary Company** – Trust Capital (Private) Limited

#### **Trust Investment Bank Limited**

Trust Investment Bank Limited ('the company') was incorporated in 1992 as a public limited company under the Companies Ordinance, 1984. It is listed on all the three stock exchanges of Pakistan. The company is classified as a Non-Banking Finance Company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan (SECP). It is mainly engaged in the business of investment finance services and leasing. The registered office of the company is situated at 23-D/1-A, Gulberg III, Lahore.

#### **Trust Capital (Private) Limited**

Trust Capital (Private) Limited is a wholly owned subsidiary of Trust Investment Bank Limited. It has been incorporated in 2008 to comply with the directives of SECP requiring the establishment of a separate entity for undertaking brokerage business. The brokerage business was previously part of Trust Investment Bank Limited, and has been transferred to Trust Capital (Private) Limited with effect from 01 July 2008.

### 2 BASIS OF PREPARATION

These condensed interim consolidated financial statements are un-audited and are being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and IAS 27 'Consolidated and Separate Financial Statements' as applicable in Pakistan and notified by SECP.

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for held for trading investments and available for sale investments which have been recognised at fair value.

### 3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim consolidated financial statements are the same as applied by the Holding Company in the preparation of its preceding annual published financial statements for the year ended 30 June 2008 which currently coincide with the Subsidiary Company accounting policies.

### 4 CONSOLIDATION

These condensed interim consolidated financial statements include the financial statements of both the Holding Company and the Subsidiary Company.

Subsidiary Company is an entity in which the Holding Company owns, directly or indirectly, more than 50% of its voting securities or otherwise has the power to elect or appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment held by the Holding Company is eliminated against the Holding Company's share in the paid-up capital of the Subsidiary Company.

Intra-group transactions and balances have been eliminated.

## 5 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Holding Company's financial statements for the year ended 30 June, 2008.

|          |  | <b>31 December 2008</b>                |                                    |
|----------|--|--|------------------------------------|
|          |  | <b>Additions<br/>cost</b>              | <b>Disposal<br/>book value</b>     |
| Note     |  | <b>Rupees</b>                          | <b>Rupees</b>                      |
| <b>6</b> | <b>FIXED ASSETS</b>  |  |                                    |
|          | <b>Property and equipment</b>                              |  |                                    |
|          | Lease hold improvements                                    | 6,464,569                              | -                                  |
|          | Office equipment and machines                              | 7,109,380                              | -                                  |
|          | Furniture and fixtures                                     | 1,738,226                              | 11,710                             |
|          | Air conditioning equipment                                 | 764,711                                | -                                  |
|          | Vehicles   | 6,886,737                              | 1,442,903                          |
|          |  | <b>22,963,623</b>                      | <b>1,454,613</b>                   |
|          |  | <b>31 December<br/>2008<br/>Rupees</b> | <b>30 June<br/>2008<br/>Rupees</b> |
| <b>7</b> | <b>NET INVESTMENT IN LEASE FINANCE</b>                     |  |                                    |
|          | Lease payments receivable                                  | 4,050,198,061                          | 4,420,396,057                      |
|          | Add: Residual value  | 1,168,977,455                          | 1,223,377,097                      |
|          | <b>Gross investment in leases</b>                          | <b>5,219,175,516</b>                   | <b>5,643,773,154</b>               |
|          | Less: Unearned finance income                              | 630,846,333                            | 767,135,109                        |
|          | Income suspended   | 166,070,269                            | 138,212,086                        |
|          | Provision for potential lease losses                       | 187,059,401                            | 113,042,667                        |
|          |  | <b>983,976,003</b>                     | <b>1,018,389,862</b>               |
|          | <b>Net investment in lease finance</b>                     | <b>4,235,199,513</b>                   | <b>4,625,383,292</b>               |
|          | Less: Current portion of net investment in lease finance 9 | 2,285,997,617                          | 1,204,539,838                      |
|          |  | <b>1,949,201,896</b>                   | <b>3,420,843,454</b>               |

| 31 December 2008              |                         |   |                       |                      |
|-------------------------------|-------------------------|---|-----------------------|----------------------|
|                               | Not later than one year | Later than one year and not later than five years | Later than five years | Total                |
|                               | Rupees                  | Rupees  | Rupees                | Rupees               |
| Gross investment              | 2,637,296,414           | 2,581,879,102                                     | -                     | 5,219,175,516        |
| Less: Unearned finance income | 351,298,797             | 279,547,536                                       | -                     | 630,846,333          |
|                               | <b>2,285,997,617</b>    | <b>2,302,331,566</b>                              | <b>-</b>              | <b>4,588,329,183</b> |

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

|                             | Note | 31 December 2008<br>Rupees | 30 June 2008<br>Rupees |
|-----------------------------|------|----------------------------|------------------------|
| <b>8 LONG TERM FINANCES</b> |      |                            |                        |
| Employees - considered good |      | <b>24,758,803</b>          | 24,223,751             |
| Others                      |      |                            |                        |
| Secured - considered good   |      | <b>636,794,656</b>         | 544,930,955            |
| Unsecured - considered good |      | <b>300,000</b>             | 300,000                |
|                             |      | <b>661,853,459</b>         | 569,454,706            |
| Less : current maturity     | 9    | <b>254,110,581</b>         | 6,107,076              |
|                             |      | <b>407,742,878</b>         | 563,347,630            |

#### 9 CURRENT MATURITIES OF NON-CURRENT ASSETS

|                                 |   |                      |               |
|---------------------------------|---|----------------------|---------------|
| Long term finances              | 8 | <b>254,110,581</b>   | 6,107,076     |
| Net investment in lease finance | 7 | <b>2,285,997,617</b> | 1,204,539,838 |
|                                 |   | <b>2,540,108,198</b> | 1,210,646,914 |

#### 10 SHORT TERM FINANCES

|  |  |                    |             |
|--|--|--------------------|-------------|
| Employees - considered good              |  | <b>469,183</b>     | 804,120     |
| Other:                                   |  |                    |             |
| Secured - considered good                |  | <b>412,800,000</b> | 383,830,000 |
| Secured - considered doubtful            |  | <b>650,000</b>     | 650,000     |
| Less: Provision against doubtful finance |  | <b>(650,000)</b>   | (650,000)   |
|  |  | <b>413,269,183</b> | 384,634,120 |

|  | <b>31 December<br/>2008</b> | 30 June<br>2008 |
|--|-----------------------------|-----------------|
|  | <b>Rupees</b>               | Rupees          |
| <b>11 SHORT TERM PLACEMENTS - CONSIDERED GOOD</b>        |                             |                 |
| Secured  |                             |                 |
| Continuous funding system                                | <b>6,465,588</b>            | 139,437,308     |
| Securities purchased under reverse repurchase agreements | <b>175,682,970</b>          | 360,988,000     |
|  | <b>182,148,558</b>          | 500,425,308     |

Fair value of quoted securities held as collateral against lending on Continuous Funding System and Reverse Repurchase Agreement.

|                      |                    |             |
|----------------------|--------------------|-------------|
| <b>Quoted Shares</b> | <b>195,939,589</b> | 559,282,482 |
|----------------------|--------------------|-------------|

These have been placed for a period upto one year.

## 12 SHORT TERM INVESTMENTS

|   | December 2008      |                        |                    | June 2008          |                        |             |
|---|--------------------|------------------------|--------------------|--------------------|------------------------|-------------|
|   | Held by<br>Company | Given as<br>collateral | Total              | Held by<br>Company | Given as<br>Collateral | Total       |
|   | Rupees             | Rupees                 | Rupees             | Rupees             | Rupees                 | Rupees      |
| Investments at fair value through profit and loss account | -                  | -                      | -                  | 73,742,791         | 24,528,702             | 98,271,493  |
| Investments available for sale                            | <b>32,805,059</b>  | <b>174,596,887</b>     | <b>207,401,946</b> | 162,347,671        | 309,271,982            | 471,619,653 |
|   | <b>32,805,059</b>  | <b>174,596,887</b>     | <b>207,401,946</b> | 236,090,462        | 333,800,684            | 569,891,146 |

**12.1** During the period the Company has reclassified its investment portfolio of listed securities as at 01 July 2008 valuing Rs 98.271 million from "Held for Trading" to "Available for sale" category.

|                             |                 |
|-----------------------------|-----------------|
| <b>(Un-audited)</b>         | (Audited)       |
| <b>31 December<br/>2008</b> | 30 June<br>2008 |
| <b>Rupees</b>               | Rupees          |

### 12.2 Deficit on revaluation of investments

#### Available for sale

|                         |                      |               |
|-------------------------|----------------------|---------------|
| Listed shares and units | <b>(476,786,228)</b> | (120,299,798) |
|-------------------------|----------------------|---------------|

**12.3** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of 'floor mechanism' by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated 29 January 2009.

Furthermore, SECP vide SRO 150(1)/2009 dated 13 February, 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as 'Available for Sale' to quoted market prices may be shown under the equity. The amount presented below equity including any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the calendar year ending on 31 December 2009. The amount presented below equity at 31 December 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are 'rare circumstances' and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss in accordance with the requirements of IAS 39 would have had the following effect on these condensed interim financial information:

|   | <b>31 December<br/>2008<br/>(Rupees)</b> |
|---|--|
| Effect of Impairment Loss in Profit and Loss Account                | <b>476,694,655</b>                       |
| Effect on Tax charge for the period                                 | -  |
| Decrease in profit for the period                                   | <b>476,694,655</b>                       |
| Decrease in deficit on revaluation of Available for Sale securities | <b>476,694,655</b>                       |
| Decrease in Un-appropriated profit                                  | <b>476,694,655</b>                       |
| Decrease in earning per share                                       | <b>8.14</b>                              |

|   | <b>31 December<br/>2008<br/>Rupees</b> | 30 June<br>2008<br>Rupees |
|---|--|---------------------------|
| <b>13 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b> |  |                           |
| Advance to employees-considered good                  | 4,433                                  | 16,167                    |
| Advance against leases                                | <b>66,983,136</b>                      | 98,118,169                |
| Advance against purchase of fixed assets              | <b>800,000</b>                         | 5,023,459                 |
| Other advances - considered good                      | <b>561,597</b>                         | 381,801                   |
| Initial transaction cost of term finance certificates | -                                      | 5,549,389                 |
| Receivable from Trust Capital (Private) Limited       | <b>484,497,706</b>                     | 410,780,744               |
| Prepayments   | <b>6,679,020</b>                       | 9,843,933                 |
| Miscellaneous receivables from lessees                | <b>138,024,776</b>                     | 148,625,216               |
| Other receivables-considered good                     | <b>3,069,086</b>                       | 3,600,281                 |
|   | <b>701,253,344</b>                     | 681,939,159               |
| <b>13.1 Miscellaneous receivables from lessees</b>    |  |                           |
| Considered good                                       | <b>138,024,776</b>                     | 148,625,216               |
| Considered doubtful                                   |  |                           |
| Miscellaneous receivables from lessees                | <b>52,489,092</b>                      | 67,144,071                |
| Less: Provision against doubtful receivables          | <b>(52,489,092)</b>                    | (67,144,071)              |
|   | -                                      | -                         |
|   | <b>138,024,776</b>                     | 148,625,216               |

|   | Note | 31 December<br>2008<br>Rupees | 30 June<br>2008<br>Rupees |
|---|------|-------------------------------|---------------------------|
| <b>14 CASH AND BANK BALANCES</b>  |      |                               |                           |
| Cash in hand  |      | 2,076,782                     | 1,175,600                 |
| With banks in:  |      |                               |                           |
| Deposit accounts  |      | 232,214                       | 232,202                   |
| Current accounts  |      | 17,693,594                    | 91,880,971                |
|   |      | <u>17,925,808</u>             | <u>92,113,173</u>         |
|   |      | <u>20,002,590</u>             | <u>93,288,773</u>         |
| <b>15 TERM FINANCE CERTIFICATES (TFC) - SECURED</b>                     |      |                               |                           |
| TFC II-1st Tranche  |      | 75,000,000                    | 112,500,000               |
| TFC II-2nd Tranche  |      | 150,000,000                   | 187,500,000               |
| TFC III   |      | 600,000,000                   | -                         |
|   |      | <u>825,000,000</u>            | <u>300,000,000</u>        |
| Less: Unamortized portion of the initial transaction cost               |      | 11,549,505                    | 4,367,408                 |
|   |      | <u>813,450,495</u>            | <u>295,632,592</u>        |
| Less: Current maturity  | 18   | 150,240,000                   | 150,000,000               |
|   |      | <u>663,210,495</u>            | <u>145,632,592</u>        |
| <b>16 LONG TERM CERTIFICATES OF INVESTMENT - UNSECURED</b>              |      |                               |                           |
| Local currency:   |      |                               |                           |
| Financial institutions  |      | 658,333,333                   | 858,333,333               |
| Corporate   |      | 19,000,340                    | 13,642,940                |
| Individuals   |      | 114,530,955                   | 124,180,955               |
|   |      | <u>791,864,628</u>            | <u>996,157,228</u>        |
| Less: Current maturity  | 18   | 761,834,288                   | 895,403,258               |
|   |      | <u>30,030,340</u>             | <u>100,753,970</u>        |
| <b>17 LONG TERM BORROWINGS - SECURED</b>                                |      |                               |                           |
| Banking companies and other financial institutions:                     |      |                               |                           |
| The Bank of Punjab  |      | 50,000,000                    | 79,166,666                |
| Faysal Bank Limited   |      | 75,000,000                    | 83,333,333                |
| Allied Bank Limited   |      | 50,000,000                    | 50,000,000                |
| Habib Bank Limited  |      | 58,333,335                    | 66,666,668                |
| Syndicated Term Finance   |      | -                             | 20,940,432                |
| Saudipak Industrial & Agricultural Investment Company (Private) Limited |      | 20,833,331                    | 33,333,328                |
| Standard Chartered Bank Limited   |      | 372,222,220                   | 454,888,888               |
| Atlas Bank Limited  |      | 175,000,000                   | 200,000,000               |
|   |      | <u>801,388,886</u>            | <u>988,329,315</u>        |
| Less: Current portion shown under current liabilities                   | 18   | 344,999,996                   | 386,848,127               |
|   |      | <u>456,388,890</u>            | <u>601,481,188</u>        |

|           | Note   | 31 December<br>2008<br>Rupees | 30 June<br>2008<br>Rupees |
|-----------|--|-------------------------------|---------------------------|
| <b>18</b> | <b>CURRENT MATURITIES OF LONG TERM LIABILITIES</b>   |                               |                           |
|           | Term finance certificates - secured  | 15                            | 150,240,000               |
|           | Certificates of investment - unsecured   | 16                            | 761,834,288               |
|           | Long term borrowings - secured   | 17                            | 344,999,996               |
|           | Long term deposits   |                               | 275,712,592               |
|           | Pre-IPO subscription of term finance certificates  |                               | -                         |
|           |  | <u>1,532,786,876</u>          | <u>1,648,256,153</u>      |
| <b>19</b> | <b>SHORT TERM BORROWINGS</b>   |                               |                           |
|           | Banking companies and other financial institutions:  |                               |                           |
|           | Running finances - secured   |                               | 332,216,672               |
|           | Placements from financial institutions - unsecured   | 1,750,288,009                 | 1,579,185,500             |
|           |  | <u>2,108,513,964</u>          | <u>1,911,402,172</u>      |
| <b>20</b> | <b>TRADE AND OTHER PAYABLES</b>  |                               |                           |
|           | Payable to National Clearing Company of Pakistan Limited   | -                             | 377,328                   |
|           | Customer's credit balances   | 135,562,311                   | 47,689,653                |
|           | Advance receipt against leases   | 12,128,826                    | 20,206,853                |
|           | Unclaimed dividend   | 3,187,809                     | 3,221,681                 |
|           | Accrued liabilities  | 2,326,568                     | 2,485,230                 |
|           | Other liabilities  | 30,484,931                    | 7,170,817                 |
|           |  | <u>183,690,446</u>            | <u>81,151,562</u>         |
| <b>21</b> | <b>CONTINGENCIES AND COMMITMENTS</b>   |                               |                           |
|           | <b>21.1 Contingencies</b>  |                               |                           |
|           | The Company has issued guarantees to various parties on behalf of clients amounting to Rs. 205.046 million (30 June 2008: Rs.182.342 million).           |                               |                           |
|           | <b>21.2 Commitments</b>  |                               |                           |
|           | <b>21.2.1</b> Lease commitments approved but not disbursed as at balance sheet date amount to Rs. 33.741 million (30 June 2008: Rs. 123.142 million).    |                               |                           |
|           | <b>21.2.2</b> Commitment for the purchase of office space is given to Tricon Developers amounting to Rs.29.63 million (30 June 2008 :Rs. 29.63 million). |                               |                           |

|           |   | <b>Six months ended 31 December</b> |               |
|-----------|---|-------------------------------------|---------------|
|           |   | <b>2008</b>                         | <b>2007</b>   |
|           |   | <b>Rupees</b>                       | <b>Rupees</b> |
| <b>22</b> | <b>INCOME FROM LEASE OPERATIONS</b>                                 |                                     |               |
|           | Finance lease income  | <b>222,128,217</b>                  | 139,894,356   |
|           | Front end fee   | <b>314,389</b>                      | 698,954       |
|           | Commitment and other fees   | <b>852,157</b>                      | 3,806,231     |
|           | Miscellaneous   | <b>18,556,360</b>                   | 15,790,150    |
|           |   | <b>241,851,123</b>                  | 160,189,691   |
| <b>23</b> | <b>(LOSS)/INCOME FROM INVESTMENTS</b>                               |                                     |               |
|           | (Loss)/Profit on disposal of investment held for trading            | <b>(26,291,196)</b>                 | 82,616,598    |
|           | Profit on investment in continuous funding system                   | <b>5,521,340</b>                    | 13,627,511    |
|           | Profit on disposal of shares under reverse repurchase agreements    | <b>18,373,630</b>                   | 28,102,720    |
|           | (Loss)/Profit on disposal of shares purchased under future contract | <b>(121,344)</b>                    | 1,094,383     |
|           | Profit on short term placements                                     | <b>15,607,882</b>                   | 13,541,731    |
|           | Dividend income   | <b>7,735,200</b>                    | 8,460,580     |
|           | Underwriting and trusteeship fee                                    | <b>1,216,326</b>                    | 238,125       |
|           | Gain on disposal of investments available for sale                  | -                                   | 7,249,000     |
|           |   | <b>22,041,838</b>                   | 154,930,648   |
| <b>24</b> | <b>EARNINGS PER SHARE - BASIC</b>                                   |                                     |               |
|           | (Loss)/Profit for the year after taxation                           | Rupees <b>(243,455,406)</b>         | 28,500,938    |
|           | Weighted average number of ordinary shares                          | Numbers <b>58,552,873</b>           | 58,552,873    |
|           | (Loss)/Earnings per share   | Rupees <b>(4.16)</b>                | 0.49          |

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

## 25 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 are as follows:

|  | <b>Six months ended 31 December</b> |               | <b>Year ended</b>   |
|--|-------------------------------------|---------------|---------------------|
|  | <b>2008</b>                         | <b>2007</b>   | <b>30 June 2008</b> |
|  | <b>Rupees</b>                       | <b>Rupees</b> | <b>Rupees</b>       |
| <b>Polygon Builders</b>                        |                                     |               |                     |
| Amount due against term finances               | -                                   | -             | 25,550,000          |
| Finance income charged during the period       | <b>2,364,691</b>                    | -             | 90,650              |
| <b>Polygon Developers</b>                      |                                     |               |                     |
| Amount due against term finances               | <b>195,000,000</b>                  | -             | -                   |
| Finance income charged during the period       | <b>8,642,500</b>                    | -             | -                   |
| <b>Ahmed Khalil</b>                            |                                     |               |                     |
| Amount due against term finances               | <b>10,000,000</b>                   | -             | 15,000,000          |
| Finance income charged during the period       | <b>791,568</b>                      | -             | 1,010,411           |
| <b>Allied Developers</b>                       |                                     |               |                     |
| Amount due against term finances               | <b>29,500,000</b>                   | -             | 29,500,000          |
| Deposit against lease arrangements             | <b>2,676,820</b>                    | -             | 1,353,205           |
| <b>Tricon Developers (Partnership Concern)</b> |                                     |               |                     |
| Advance for purchase of office space           | <b>97,379,318</b>                   | 67,742,134    | 97,379,318          |
| Amount due against leases                      | <b>4,682,780</b>                    | -             | 1,978,989           |
| Finance income charged during the period       | <b>307,991</b>                      | -             | 21,077              |
| Deposit against lease arrangements             | <b>501,350</b>                      | -             | 200,650             |
| <b>Union Communications (Private) Limited</b>  |                                     |               |                     |
| Communication services                         | <b>415,969</b>                      | 339,061       | 838,441             |
| <b>Employees' retirement fund</b>              |                                     |               |                     |
| Payment made                                   | <b>1,041,803</b>                    | 5,432,611     | 6,275,538           |

## 26 AUTHORIZATION

These condensed interim consolidated financial statements have been authorized for issue on 27 February, 2009 by the Board of Directors of the Holding Company.

## 27 GENERAL

Figures have been rounded off to the nearest rupee.

**CHIEF EXECUTIVE**

**DIRECTOR**