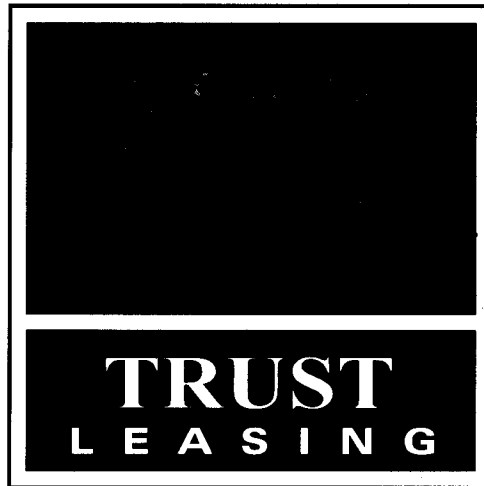


ANNUAL REPORT 2004



TRUST LEASING CORPORATION LIMITED



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MISSION STATEMENT

Through friendly, highly motivated and qualified team of employees of integrity, we are committed to positioning the Company at the apex of the industry by:

- Delivering safe and highest quality value-added products, business solutions and services to our customers.
- Achieving superior return to our shareholders with security of their investment while strengthening relationship with our counterparts in the financial industry.
- Being responsible corporate citizen in the community in which we operate.



COMPANY INFORMATION

CHAIRMAN

Mr. S. Amjad Ali

BOARD OF DIRECTORS

Mr. Tajammal Hussain

Mr. Imtiaz Ahmad Pervez

Mr. Shafiq A. Khan

Lt. Gen. (Retd.) Ghulam Safdar Butt

Mr. Muzaffar Ahmad

Mr. Ali Aslam Malik

MANAGING DIRECTOR / CHIEF EXECUTIVE

Mr. Ihsan Ullah Khan

COMPANY SECRETARY

Mr. Rahat Saleem

AUDITORS

Aslam Malik & Company
Chartered Accountants
(Retd.)

LEGAL ADVISOR

Malik & Maliks
Law Office

REGISTERED & HEAD OFFICE

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

Tel: (042) 571-0988, 571-0946, 587-0726

Fax: (042) 571-3453

E.mail: tlcl@trustleasing.com

Website: www.trustleasing.com

BANKERS TO THE COMPANY

The Bank of Punjab

Habib Bank Ltd.

National Bank of Pakistan

Faysal Bank Ltd.

Metropolitan Bank Ltd.

Muslim Commercial Bank Ltd.

The Bank of Khyber

United Bank Ltd.

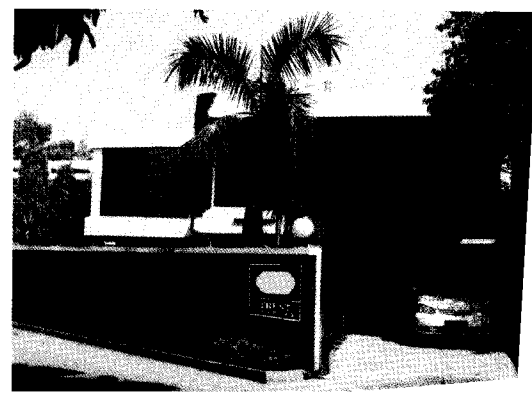
AlBaraka Islamic Bank

REGISTRARS

Trust Leasing Corporation Ltd.

Shares Department,

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



**BRANCH
NETWORK**

Gujrat Branch

Ground Floor, Kashmir Plaza, Ram Talai Road, Gujrat
Ph: 0433-510223, Fax: 0433-535819

Sargodha Branch

60/A, Railway Road, Civil Lines (Opp. Solo Hotel), Sargodha
Ph: 0451-213836

Gujranwala Branch

Data Plaza, G.T. Road, Opp. Trust Plaza, Gujranwala
Ph: 0431-733617, Fax: 0431-733618

Multan Branch

1733/B-Ground Floor, LMQ Road (Central Chungi 8-9 High Way), Multan
Ph: 061-222008

Mandi Baha-ud-Din Branch

Al Ghani Plaza, Jail Road, Mandi Baha-ud-Din
Ph: 0456-509568

Jail Road Lahore Branch

Office No. 108, 1st Floor Eden Center, Jail Road, Lahore
Ph: 042-7584385

Cavalry Ground Lahore Branch

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

Faisal Town Lahore Branch

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 13th Annual General Meeting of the shareholders of Trust Leasing Corporation Limited, will be held on Monday, October 11, 2004 at 4.00 p.m. at Hotel Holiday Inn, Egerton Road, Lahore to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the 12th Annual General Meeting held on October 11, 2003.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2004 together with Directors' and Auditors' Reports thereon.
3. To approve the payment of Cash Dividend to the shareholders at the rate of Rs.1.50 per share and the issue of Bonus Shares in the proportion of one share for every ten shares held i.e., 10%.
4. To appoint Auditors for the year 2004-2005 and fix their remuneration. The present auditors M/s. Aslam Malik & Company, Chartered Accountants, retire and in pursuance of Clause (xli) of the Code of Corporate Governance, the Directors have recommended the appointment of M/s Taseer Hadi Khalid & Company, Chartered Accountants.

SPECIAL BUSINESS

1. To consider and if deemed appropriate, approve alteration in the relevant clauses of Memorandum and Articles of Association of the company to incorporate:-
 - I. Clauses relating to the businesses introduced by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
 - II. The certain changes brought about by the Companies (Amendment) Ordinance, 2002.
2. To consider Board of Directors' recommendation to place quarterly Accounts of the Company on its website www.trustleasing.com instead of circulating the same by post to the members, subject to approval from the Securities and Exchange Commission of Pakistan and compliance of conditions of SECP's Circular No. 19 of 2004 dated April 14, 2004.

A statement under section 160(1)(b) of the Companies Ordinance, 1984 and the drafts of the resolutions proposed to be considered by the shareholders at the Annual General Meeting of the Company as required under section 164(1) of the Companies Ordinance, 1984 are enclosed.

By Order of the Board

Lahore:
September 18, 2004

(RAHAT SALEEM)
COMPANY SECRETARY

REGISTERED OFFICE:

Trust Leasing Corporation Limited,
35-A/II, Aziz Avenue,
Canal Bank, Lahore.
Phone Nos. : (042) 5710988-5710946
Fax No. : (042) 5713453
Email : tlcl@trustleasing.com

NOTE:

1. The Members Register will remain closed from October 2, 2004 to October 11, 2004 (both days inclusive). Transfer received in order at the Registered Office by the close of business hours on October 01, 2004 will be treated in time for the entitlement of Cash Dividend and Bonus Shares.
2. A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time of holding the meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account; and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his /her original National Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participants I.D. numbers and account numbers in CDS.
 - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
 - iii) Shareholders are requested to immediately notify the company of any change in their addresses.

Statement Under Section 160(1)(b) of the Companies Ordinance, 1984

There is a need to modify the Object Clause of the Memorandum of Association of the Company in view of the recent amendments in the Companies Ordinance, 1984 and the introduction of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Board of Directors of the Company resolved at their meeting held on September 07, 2004 to approve and place before members at their Annual General Meeting for approval by special resolution, the proposed amendments to the Memorandum and Articles of Association of the Company so as to bring the Company's objects and its business in line with the new legal / regulatory requirements. This would enable the Company to perform its functions as a Non-Banking Finance Company more effectively and to carry on its business more efficiently.

A copy of the Articles of Association of the Company is available at the Registered Office of the Company for inspection by the members. The Directors have no interest in the resolutions. A copy of the proposed amendments is being sent to the members separately.

Material facts concerning the special business to be transacted at the Annual General Meeting and the proposed resolutions related thereto are given below:

Item No. 1

- I. **Additions in the Object Clause of the Memorandum of Association relating to the business introduced by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003**

In order to include the provisions relating to business of Investment Finance Services in the Memorandum of Association of the company, the object clause is required to be amended in accordance with Section 21 of the Companies Ordinance, 1984.

Draft of Resolution

Resolved that the object clause of the Memorandum of Association of the Company be and is hereby approved in the following manner in accordance with Section 21 of the Companies Ordinance, 1984:

After clause III (1) of the Memorandum of Association of the Company the following clauses by the numbers III (2)(i) to III (2)(v) may be inserted, with the remaining clauses being renumbered accordingly, subject to such permission and changes in the draft as may be required in this behalf by the Securities and Exchange Commission of Pakistan.

III (2) Undertake investment finance services under which the Company may undertake following activities namely,

(i) In case of money market activities,-

- a. Issue certificate of deposits or short term paper of its own or investment of not less than thirty days maturity subject to the conditions prescribed by the NBFC Rules 2003 and any other conditions that may be specified by the Commission from time to time;
- b. Trade in Commercial paper issued by its client, Government securities, promissory notes, bankers' acceptances and other money market instruments, acting either as a broker or acting on its own account;
- c. Assist in the issue of Commercial paper, including introduction of companies to the money market, preparation of documentation, distribution and market making; and
- d. Act as a broker or on its own account in the call money market.

(ii) In case of capital market activities,-

- a. Trade in the listed securities, both equity and non equity instruments acting either as broker or acting on its own account;
- b. Provide professional analysis of securities to both institutional and individual investors;
- c. Underwrite stocks and shares, short and long term participation term certificates and other negotiable term obligations of corporations and financial institutions, acting singly or jointly as manager, underwriter and distributor of such issues and taking an active part in all stages of preparation for such issues either public issues or private placement;
- d. Manage portfolios of stocks and shares, pension and provident funds, participation term certificates and other negotiable and debt instruments for both individual and institutional clients on a discretionary as well as non-discretionary basis;
- e. Provide margin loans to individual and institutional investors;
- f. Offer cash management accounts, security management accounts and to facilitate clients so that they are able to select various available investment alternatives at their discretion; and
- g. Undertake the business of custodial services in respect of securities and to become an account holder/participant, eligible pledgee, DVP account holder with a Central Depository Company.

(iii) In case of project financing activities,-

- a. Make investment in projects through underwriting of public issue of stocks, shares and securities, short-term and long-term participation term certificates and term finance certificates of varying feature;

- b. Guarantee and counter guarantee loans and obligations, including establishment of documentary credits; and
- c. Open letters of credit for their corporate clients for the import of machinery for installation, expansion, balancing, modernization, and replacement.

(iv) In case of corporate finance services,-

- a. Act as advisor and financial agent for companies in obtaining direct bank loans, syndicated loans, export credits, leases and project finances, both domestically and internationally;
- b. Assist companies in private placement of debt and equity domestically and abroad;
- c. Act as advisor to companies in corporate and financial restructuring as well as in the preparation of resource mobilization plans;
- d. Act as advisor to companies in mergers, acquisition, and divestitures;
- e. Assist companies with cash management systems;
- f. Prepare feasibility, market or industry studies for companies, both domestic and foreign;
- g. Raise equity, such as through venture capital, for new and existing companies, by acting as a financial intermediary;
- h. Act as custodian for securities owned or held by clients pursuant to their instructions and provide each or any of the following services; custody of securities, placing or execution of orders for purchase or sale of securities, receipt of dividends and other income on securities, execution of voting and other rights in connection with securities, holding the securities in the name of investment finance companies on behalf of their clients, and transacting aforesaid activities through nominees, agents, or attorneys; and
- i. Act as nominees, agent, attorney, administrator, executor or trustee for clients; and

(v) In case of general activities,

- a. Raise funds through equity, foreign debentures both short term and long term, commercial paper issued abroad, sale of short and long term participation term certificates and term finance certificates;
Provided that the period of term finance certificates and other instruments shall not be less than thirty days;
- b. Act as authorized seller for securities and certificates, denominated in local or foreign currency, issued by Federal or Provisional Governments, statutory bodies and state owned corporations, including instruments of National Saving Schemes (NSS);
- c. Provide safe deposit vaults to clients; and
- d. Handle payments and collections for clients.

II. Alteration in Articles of Association due to changes brought about by the Companies (Amendment) Ordinance, 2002.

Due to amendments in the Companies Ordinance, 1984 certain clauses need to be amended / incorporated in the Articles of Association of the Company. The draft of the proposed resolution required to be passed by shareholders is as follows:

Draft of Resolution

Resolved that the following amendments in the Articles of Association be and are hereby approved:

In Article 2 under the heading "**INTERPRETATION**" the following definitions of "Central Depository Act", "Central Depository Register", "Commission", "Electronic", "Electronic Transaction Ordinance", "Instrument of Transfer",

“Record”, “Sign” and “Signature” need to be inserted after Article 2(k) by the numbers 2(l) to 2(t) with the remaining clauses being renumbered accordingly.

l) “Central Depository” means a central depository as defined in sub-section (ca) of Section 2 of the Securities and Exchange Ordinance, 1969 (XVII of 1969) and registered with the Securities & Exchange Commission of Pakistan under Section 32 A of the said Ordinance.

m) “Central Depository Act” means the Central Depository Company Act, 1997 and any amendments, modifications or reenactments thereof.

n) “Central Depository Register” means a computerized electronic register maintained by a Central Depository in respect of book-entry securities.

o) “Commission” means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

p) “Electronic” includes electrical, digital, magnetic, optical, bio-metric, electrochemical, wireless or electromagnetic technology.

q) “Electronic Transactions Ordinance” means the Electronic Transactions Ordinance, 2002 and any amendments, modifications or reenactments thereof.

r) “Instrument of Transfer” includes Transfer deeds and any Record of Transfer of Book-entry securities in the Central Depository Register, provided by the Central Depository.

s) “Record” includes in addition to writing, any disc, tape, sound-track, film or other device in which sounds and/or other data is embodied so as to be capable (with or without the aid of some other instrument or machine) of being reproduced there from in audible, legible or visual form.

t) “Sign” and “Signature” unless other wise provided in these Articles, include respectively, lithography, printing, facsimile, “advanced electronic signature” which is capable of establishing the authenticity and integrity of an Electronic document, as defined by Section (d) of the Electronic Transactions Ordinance.

In Article 7 under the heading “**SHARE CERTIFICATES**” after the words “under the seal” in the fourth line the following words be added “(such expression shall hereinafter be deemed to include all Electronic forms thereof)”.

In Article 15 under the heading “**FORM OF TRANSFER**” after the words “common form” the words “as required by the Central Depository Act” be added.

In Article 16 under the heading “**NON-REFUSAL OF TRANSFER OF SHARES**” after the words “with in one Month” the words “or when the transferee is a Central Depository, with in five (5) days” be added.

In Article 24 under the heading “**CONSOLIDATION AND SUB-DIVISION**” at the beginning of the Article, the words “ Subject to Section 13 of the Central Depository Act” be added and the word “The” be replaced with the word “the”.

In Article 27 under the heading “**ANNUAL GENERAL MEETING**” the word “six (6)” be replaced with the word “four (4)”.

In Article 32 under the heading “**QUORUM**” the word “three” be replaced with the word “ten (10)”.

In Article 36 under the heading “**VOTING**” after the word “book” the following words be added “ (such expression shall hereinafter include a record in Electronic form)”.

In Article 46 under the heading “**INSTRUMENT APPOINTING PROXY TO BE DEPOSITED**” after the word “deposited” the following words be added “ (such expression shall hereinafter deemed to include receipt in accordance with section 15 of the Electronic Transaction Ordinance)”.

In Article 60 under the heading “**MEETINGS OF DIRECTORS**” after the words “as they think fit” the following words be added “subject to such minimum meetings as may be prescribed by law”.

In Article 66 under the heading “**RESOLUTION IN WRITING**” after end of paragraph the following paragraphs be added:

“The resolution in writing of the company may consist of several copies of a document signed by one or more Directors and takes effect at the date and the time on which the last Director necessary for the resolution passed, signs a copy of the resolution; or

A record of several signed Electronic messages each indicating the identity of the sender, the text of resolution and sender's agreement or disagreement to the resolution, as the case may be, and such a resolution takes effect on the date on which the last Director's message necessary for the resolution to be passed is received.”

In Article 82 under the heading “**DIVIDEND TO JOINT HOLDERS**” after the word “effectual” the word “written” be added.

In Article 86 under the heading “**APPOINTMENT OF CHIEF ACCOUNTING OFFICER**” after the word Management Accountant the following words be added “ or a person having masters degree in Business Administration or Commerce from a recognized university with specialization in finance having senior management level experience of at least five years in a bank or development finance institution or modaraba or non-banking finance company.”

In Article 87 under the heading “**BOOKS OF ACCOUNT**” after the words “Section 230” the following words be added:

“(Books of account shall hereinafter mutatis mutandis include all electronic forms of record or storage of the company)”.

In Article 90 under the heading “**ACCOUNTS**” the second, third, fourth and fifth paragraphs shall be replaced with the paragraph. “The Company shall make disclosures in its accounts in accordance with provisions of the Companies Ordinance, 1984.”

In Article 91 under the heading “**BALANCE SHEET AND PROFIT & LOSS ACCOUNT**” after the word “than” in the 3rd line of the paragraph the word “six (6)” be replaced by the word “four (4)”.

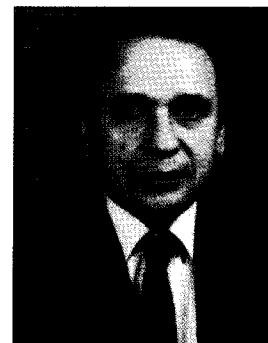
Item No.2

As allowed under the Circular No. 19 of 2004 dated April 14, 2004 of the Securities and Exchange Commission of Pakistan, the Board of Directors have recommended to place quarterly accounts of the Company on its website instead of circulating the same to the members by post to save a substantial cost on printing etc. and to ensure timely availability of information to the stakeholders. The draft of the proposed resolution required to be passed by share holders is as follows:

Draft of Resolution:

Resolved that the proposal to place quarterly accounts on the website of the Company instead of circulating the same to the shareholders, be and is hereby approved.

DIRECTORS' REPORT



We feel pleasure to present 13th Annual Report of your Company for the year ended June 30, 2004 together with the Audited Accounts of the Company and Auditors' Report thereon.

OPERATING RESULTS

The financial results of the Company are as under:-

	<u>2004</u>	<u>2003</u>
Revenues	229,379,247	157,300,582
Expenditures	96,227,350	67,260,570
Profit before provisions	133,151,897	90,040,012
Provisions	15,080,590	37,017,658
Profit before taxation	118,071,307	53,022,354
Profit after taxation	120,313,755	48,022,354

Earning per share **Rs.4.38** (2003: Rs.2.01)

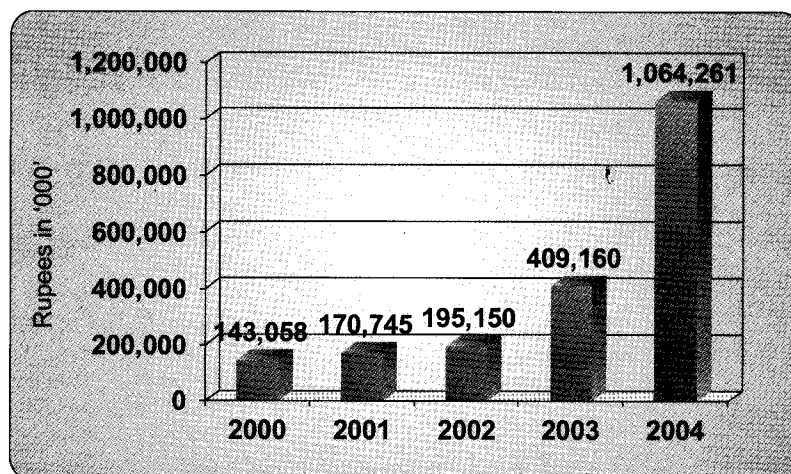
DIVIDEND

The directors are pleased to recommend a cash dividend of 15% (2003 : Nil) and stock dividend of 10% (2003:15%) out of the profits for the year. The dividend and the bonus shares are also payable on the Right Shares which were issued and subscribed in 2004.

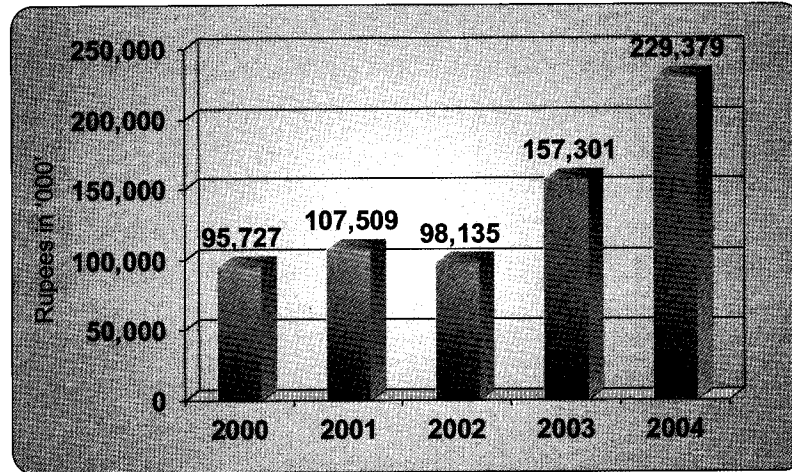
REVIEW OF OPERATIONS

Your Company has shown remarkable progress during the year ended June 30, 2004 by the grace of Allah in terms of profitability and volume expansion. The balance sheet footing almost doubled and despite stiff competition fresh leases of Rs.1,064 million were disbursed as against leases of Rs.409 million in 2003 showing an overall growth of 160 %. The net investment in lease finance at the year end stood at Rs.1,296 million as against Rs.697 million on June 30, 2003.

FRESH LEASES



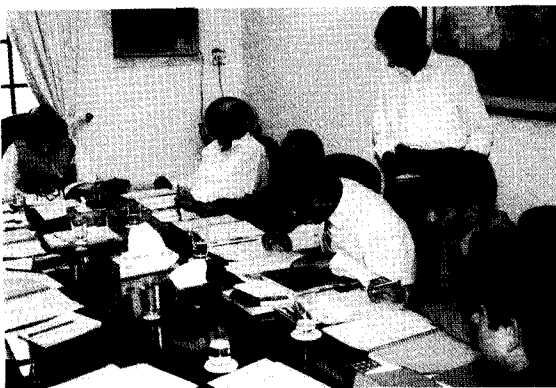
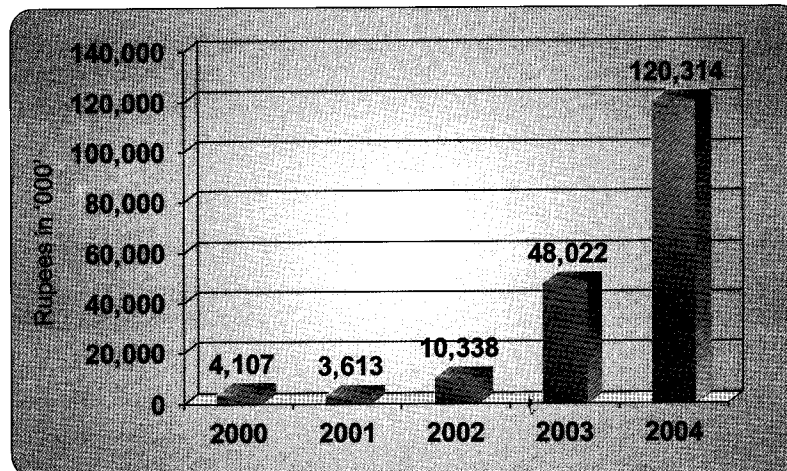
INCOME



Taking advantage of the high return in the stock market, the Company realized substantial gains on its investments. Besides, the Company also concentrated on its core business which is evident from the fact that lease income registered increase of 36 % to Rs.151 million as compared with Rs.111 million in the previous year. The overall income was up 46 % from Rs.157 million to Rs.229 million. The Company posted net profit after tax of Rs.120 million against Rs.48 million in the last year. Earning per share increased from Rs.2.01 to Rs.4.38 showing remarkable improvement.

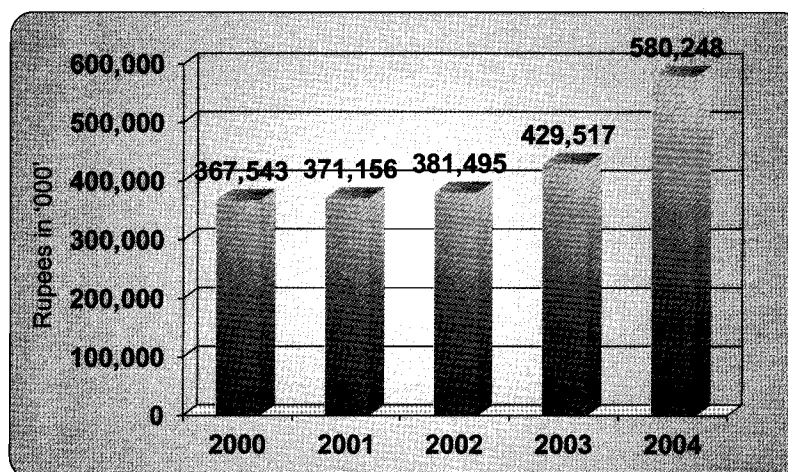
Financial expenses increased by 42 % justified by the fact that overall borrowings increased and stood at Rs.1,248 million as at June 30, 2004 as against Rs.585 million as at June 30, 2003. The volume of non-performing lease portfolio decreased and overall recovery position remained satisfactory. The Company diversified its lease portfolio and entered into new market segments with emphasis on small to medium size leases to minimize risk. Secondly, it concentrated on volume expansion through increased outreach by opening new branches at Sarghoda, Gujranwala, Mandi Bahauddin, Multan and three branches at Lahore.

PROFIT AFTER TAX



The Company issued 20 % right shares at a premium of Rs.5 per share during the year and strengthened its equity.

EQUITY



CREDIT RATING

The Pakistan Credit Rating Agency (Pvt.) Ltd. (PACRA) upgraded the entity rating of your Company from **A-(single A minus)** to **A+ (single A plus)** for long term and **A2 (A two)** to **A1 (A one)** for short term. PACRA also assigned instrument rating of **AA- (double A minus)** to Term Finance Certificates of the Company. These ratings indicate high credit quality and strong capacity of the Company for timely repayment of its obligations. We are confident of further up-gradation in the ratings in the near future.

FUNDS MOBILIZATION

The Company negotiated fresh credit lines of Rs.200 million during the year. The Company issued Commercial papers of Rs.100.00 million on un-secured basis during the year being the first leasing company to issue Commercial Papers. Besides, the Company also issued its first tranche of 2nd Issue of Term Finance Certificates of Rs.375.00 million. Besides, the Company raised funds from the money market on highly competitive rates.

FUTURE OUTLOOK

The Company's decision to open branches proved very successful, as the branches played an important role in generating sizable lease business. The Company has planned to open branches at Rawalpindi, Faisalabad and Karachi in near future. A branch in Karachi will introduce the company in the biggest business centre of the country. Similarly opening of branches in major cities of Punjab will enable the company to cater the funding needs of these areas and establish a strong and wider area of operation, contributing towards increase in the market share of the company.

As a matter of fact, growth in business is not possible unless adequate funds are available to the Company. Recognizing this fact, the Company has adopted a multiple resource mobilization approach which includes fund raising through Certificates of investment, borrowings from financial institutions and Term Finance Certificates. The up-gradation of Company's entity and instrument ratings and enhancement of its credibility in financial sector over past few years will be the key factors in fund raising.

In order to support further growth in the present competitive market the Company has strengthened its capital base. By increasing its capital, the Company can undertake various options available to it under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Company has planned to apply for a license to the Securities & Exchange Commission of Pakistan to undertake Investment Finance Services.

CODE OF CORPORATE GOVERNANCE

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

- a. The financial statements, prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.

TRUST LEASING CORPORATION LIMITED

- b. Proper books of account have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. During the year five Board meetings were held. Attendance by each director was as under:-

<u>Name of Director</u>	<u>Meetings Attended</u>
- Mr. S. Amjad Ali	5
- Mr. Tajammal Hussain	5
- Mr. Imtiaz Ahmad Pervez	5
- Lt. Gen. (Retd.) Ghulam Safdar Butt	1
- Mr. Shafiq A. Khan	3
- Mr. Muzaffar Ahmed	2
- Mr. Zameer M. Chaudrey	-
- Mr. Ali Aslam Malik	-
- Mr. Ihsan Ullah Khan	5

- i. During the year, trading in the shares of the Company by the directors was as under:
 - Mr. Shafiq A. Khan 5,000 shares sold
 - Mr. Ihsan Ullah Khan 100,000 shares sold
- j. Key operating and financial data of last six years is annexed (Annexure A).
- k. Pattern of shareholding as at June 30, 2004 is annexed (Annexure B).

AUDITORS

The present auditors, M/s Aslam Malik & Company, Chartered Accountants have completed their five years and as per clause (xli) of the Code of Corporate Governance are required to be changed. M/s Taseer Hadi Khalid & Company, Chartered Accountants being eligible have offered themselves for appointment.

ACKNOWLEDGEMENT

We express our gratitude to our valuable clients, depositors and shareholders for reposing their confidence in the Company. We also take this opportunity to thank the Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Leasing Association of Pakistan and our retiring auditors M/s Aslam Malik & Company, Chartered Accountants for their guidance and support. Special thanks are also due to those banks and financial institutions providing credit lines to the Company. We also appreciate the efforts and dedication of the management and staff.

For and On Behalf of the Board

(S. AMJAD ALI)
Chairman

ANNEXURE "A"

SIX YEARS FINANCIAL SUMMARY						
	(Rupees)					
	2004	2003	2002	2001	2000	1999
Operational Results						
Total Lease Business	1,064,260,626	409,160,545	195,152,547	170,745,000	143,058,000	69,518,294
Revenues	229,379,247	157,300,582	98,135,146	107,509,307	95,727,135	83,658,806
Financial Expenses	60,760,718	42,859,395	40,354,874	42,283,279	48,137,343	55,202,575
Total Expenses	96,227,350	67,260,570	62,796,287	64,896,041	71,595,767	75,227,016
Profit Before tax & Provisions	133,151,897	90,040,012	36,716,819	46,520,100	24,131,368	8,431,791
Profit after tax	120,313,755	48,022,354	10,338,859	3,613,266	4,107,508	4,090,384
Balance Sheet						
Total Assets	2,165,924,027	1,112,803,912	683,338,570	678,895,124	688,554,195	684,751,317
Paid-up Capital	308,579,040	223,608,000	203,280,000	184,800,000	168,000,000	168,000,000
Reserves & Un-appropriated Profits	271,668,803	205,909,184	178,214,830	186,355,971	199,542,705	195,435,197
Total Equity	580,247,843	429,517,184	381,494,830	371,155,971	367,542,705	363,435,197
Earning per Share	4.38	2.01	0.46	0.18	0.24	0.24
Book Value per Share	18.80	19.21	18.77	20.08	21.88	21.63
Dividend	10% Stock Dividend 15% Cash Dividend	15% Stock Dividend -	10% Stock Dividend -	10% Stock Dividend -	10% Stock Dividend -	- -

TRUST LEASING CORPORATION LIMITED

ANNEXURE "B"

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2004

Number of Shareholders	Shareholding		Total Number of Shares Held	Percentage
	From	To		
478	1	100	34,787	0.11
734	101	500	285,638	0.93
477	501	1,000	374,767	1.21
714	1,001	5,000	1,501,701	4.87
97	5,001	10,000	683,948	2.22
41	10,001	15,000	515,025	1.67
27	15,001	20,000	480,553	1.56
4	20,001	25,000	88,959	0.29
12	25,001	30,000	325,874	1.06
5	30,001	35,000	159,284	0.52
3	35,001	40,000	110,990	0.36
2	40,001	50,000	90,772	0.29
5	50,001	55,000	257,026	0.83
2	55,001	60,000	117,643	0.38
2	70,001	75,000	141,902	0.46
2	75,001	80,000	154,597	0.50
1	80,001	85,000	82,728	0.27
1	130,001	150,000	140,519	0.46
2	150,001	155,000	307,353	1.00
2	170,001	190,000	372,136	1.21
1	395,001	400,000	400,000	1.30
1	400,001	450,000	413,600	1.34
1	450,001	500,000	462,866	1.50
1	500,001	550,000	527,611	1.71
1	600,001	615,000	613,260	1.99
1	615,001	650,000	629,506	2.04
1	900,001	960,000	951,451	3.08
1	960,001	970,000	962,086	3.12
1	970,001	990,000	980,951	3.18
1	990,001	1,050,000	1,038,281	3.36
1	1,350,001	1,355,000	1,352,961	4.38
1	1,620,001	1,650,000	1,631,900	5.29
1	3,890,001	4,000,000	3,894,436	12.62
1	5,210,001	5,225,000	5,224,393	16.93
1	5,540,001	5,550,000	5,548,400	17.98
2,626			30,857,904	100.00

CATEGORY OF SHAREHOLDERS

AS AT JUNE 30, 2004

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Charitable Trust	1	3,894,436	12.621
Financial Institutions	16	1,049,379	3.401
Individuals	2,501	13,500,005	43.749
Insurance Companies	5	1,407,500	4.561
Investment Companies	4	16,152	0.052
Joint Stock Companies	75	3,502,126	11.349
Modarabas	9	50,653	0.164
ICP	1	3,927	0.013
Others	6	64,510	0.209
Directors			-
Mr. S. Amjad Ali	1	42,940	0.139
Mr. Tajammal Hussain	1	962,086	3.118
Mr. Imtiaz Ahmad Pervez	1	629,506	2.040
Mr. Shafiq A. Khan	1	1,026	0.003
Lt. Gen. (R) Ghulam Safdar Butt	1	758	0.002
Mr. Muzaffar Ahmad	1	690	0.002
Mr. Ali Aslam Malik	1	5,548,400	17.980
Mr. Ihsanullah Khan	1	183,810	0.597
TOTAL	2,626	30,857,904	100.00

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

Total Paid up Capital of the Company	30,857,904 Shares	
10% of the Paid up Capital of the Company	3,085,790 Shares	
NAME OF THE SHAREHOLDER	No. of Shares Held	Percentage
Mr. Ali Aslam Malik	5,548,400	17.98%
Mr. Rizwan Pervez	5,224,393	16.93%
Kaukab Mir Memorial Welfare Trust	3,894,436	12.62%
Total	14,667,229	47.53%

**STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE**

This statement is being presented to comply with the Code of Corporate Governance for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner;

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. A casual vacancy occurring in the Board on 20th January, 2004 due to resignation of Mr. Zameer M. Choudrey was filled up by the directors within 30 days thereof.
4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
8. The Board has arranged orientation courses for its directors to apprise them of their duties and responsibilities.
9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
10. The directors' report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
15. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has set-up an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

IHSAN ULLAH KHAN
Chief Executive

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulation No. 38, 37 and Chapter XIV of the Karachi, Islamabad, and Lahore Stock Exchanges respectively.

IHSAN ULLAH KHAN
Chief Executive

**REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH BEST
PRACTICES OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Trust Leasing Corporation Limited to comply with the Listing Regulations of the Karachi, Islamabad and Lahore Stock Exchanges where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at June 30, 2004.

Place: Lahore
Date: September 16, 2004.

Aslam Malik & Company
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Trust Leasing Corporation Limited, as at June 30, 2004 and the related Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Place: Lahore
Date: September 16, 2004.

Aslam Malik & Company
Chartered Accountants

TRUST LEASING CORPORATION LIMITED

BALANCE SHEET AS AT JUNE 30, 2004

ASSETS	NOTE	2004 Rupees	2003 Rupees
Balance with State Bank of Pakistan		-	41,734
Cash and bank balances	3	476,439,599	63,317,481
Investments held for trading	4	48,674,687	67,174,025
Short term finances	5	50,165,504	69,721,015
Short term placements	6	110,100,000	40,000,000
Advances, prepayments and other receivables	7	138,932,680	161,180,206
Net investment in lease finance - Current portion		322,318,227	181,594,722
Investments available for sale	8	16,809,000	2,250,000
Investments held-to-maturity	9	300,000	3,300,000
Long term deposits and deferred costs	10	3,303,382	1,420,239
Net investment in lease finance	11	973,812,195	515,135,759
Operating fixed assets	12	25,068,754	7,668,732
		<u>2,165,924,027</u>	<u>1,112,803,912</u>
LIABILITIES			
Creditors, accrued & other liabilities	13	71,623,856	23,788,631
Current maturities of long term liabilities	14	152,398,915	33,302,443
Borrowing from financial institutions	15	397,908,846	210,420,831
Liabilities against assets subject to finance lease	16	110,040	1,507,994
Certificates of investment	17	122,964,748	104,976,253
Marginal deposits on lease arrangements	18	245,015,416	63,199,651
Redeemable capital	19	589,620,600	242,495,761
Deferred liabilities	20	6,033,762	3,595,164
		<u>1,585,676,184</u>	<u>683,286,728</u>
NET ASSETS		<u>580,247,843</u>	<u>429,517,184</u>
REPRESENTED BY			
Share capital	21	308,579,040	223,608,000
Reserves	22	232,850,070	186,196,695
Unappropriated profit		38,818,733	19,712,489
Contingencies and commitments	23	-	-
		<u>580,247,843</u>	<u>429,517,184</u>

The annexed notes form an integral part of these accounts.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2004

	NOTE	2004 Rupees	2003 Rupees
REVENUE			
Income from lease operations	24	151,094,615	110,500,455
Income from investments	25	77,642,546	18,053,006
Other income	26	642,086	28,747,121
		229,379,247	157,300,582
EXPENDITURE			
Financial charges	27	60,760,718	42,859,395
Administrative and operating expenses	28	30,740,125	21,905,208
Depreciation	12	3,628,803	1,732,247
Amortization of deferred costs	10	661,971	509,172
Written off lease receivables		435,732	254,547
		96,227,350	67,260,570
Profit before provisions		133,151,897	90,040,012
Provision for doubtful receivables	29	12,500,000	15,000,000
Provision against diminution in value of shares		-	23,674,233
Adjustment for remeasurement of investment to fair value	4.2	2,580,590	(1,656,575)
		15,080,590	37,017,658
Profit before taxation		118,071,307	53,022,354
Provision for taxation			
Current	30	4,000,000	5,000,000
Prior years		(6,242,448)	-
		(2,242,448)	5,000,000
Profit after taxation		120,313,755	48,022,354
Unappropriated profit brought forward		19,712,489	14,835,806
		140,026,244	62,858,160
Appropriations			
Transfer to special reserve		24,062,751	9,604,471
Proposed dividend @ Rs.1.50 (2003 :Nil) per share		46,286,856	-
Transfer to reserve for issue of bonus shares @ 10% (2003 : 15%)		30,857,904	33,541,200
		101,207,511	43,145,671
Unappropriated profit carried forward		38,818,733	19,712,489
Earning per share - Basic (Rs.)	31	4.38	2.01

The annexed notes form an integral part of these accounts.

Chief Executive

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004**

	2004 Rupees	2003 Rupees
Cash flow from operating activities		
Net profit before taxation	118,071,307	53,022,354
Adjustment for:		
Depreciation	3,628,803	1,732,247
Amortization of deferred costs	661,971	509,172
Provision for gratuity	997,698	560,280
(Gain)/loss on disposal of fixed assets	30,870	29,972
Written off lease receivables	435,732	254,547
Provision for doubtful receivables	12,500,000	15,000,000
Provision against diminution in value of shares	-	23,674,233
Adjustment for remeasurement of investment to fair value	2,580,590	(1,656,575)
Financial charges	60,760,718	42,859,395
	81,596,383	82,963,272
Operating profit before working capital changes	199,667,690	135,985,626
(Increase)/Decrease in current assets		
Investments held for trading	15,918,748	(58,777,898)
Short term finances	19,555,511	(43,577,249)
Short term placements	(70,100,000)	(30,000,000)
Advances, prepayments and other receivables	7,446,339	(5,645,636)
	(27,179,402)	(138,000,783)
Increase/(Decrease) in creditors, accrued and other liabilities	3,024,833	2,726,726
Gratuity paid	(59,100)	(1,150,000)
Taxes paid	2,376,696	(7,126,630)
Financial charges paid	(56,088,404)	(40,547,919)
Net cash from / (used in) operating activities	121,742,313	(48,112,980)

	2004 Rupees	2003 Rupees
Brought Forward	121,742,313	(48,112,980)
Cash flow from investing activities		
Purchase of operating fixed assets	(21,597,696)	(1,949,213)
Investment in lease finance	(1,064,260,626)	(409,160,546)
Repayment of investment in lease finance	464,860,685	144,757,466
Long term deposits	(291,053)	(157,450)
Deferred costs	(2,254,061)	(85,000)
Sale proceeds of operating fixed assets	538,000	2,051,277
Proceeds of investments available for sale	(15,000,000)	9,560,247
Proceeds from investment held-to-maturity	3,000,000	864,000
Net cash used in investing activities	(635,004,751)	(254,119,219)
Cash flow from financing activities		
Borrowing from financial institutions	622,400,000	181,701,203
Repayment of borrowings	(376,824,865)	(111,419,604)
Redeemable capital	400,000,000	250,000,000
Redemption of redeemable capital	(3,125,000)	-
Initial issue cost of redeemable capital	(5,765,404)	(4,379,239)
Repayment against assets subject to finance lease	(1,093,161)	(2,077,999)
Marginal deposits on lease arrangements	189,957,672	35,310,566
Certificates of investment	23,676,147	15,518,586
Issuance of right shares	51,429,840	-
Premium on issue of right shares	25,714,920	-
Dividend paid	(27,327)	(23,159)
Net cash from financing activities	926,342,822	364,630,354
Net increase/(decrease) in cash and cash equivalents	413,080,384	62,398,154
Cash and cash equivalents at the beginning of the year	63,359,215	961,061
Cash and cash equivalents at the end of the year	476,439,599	63,359,215

Chief Executive

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2004**

	Share Capital (Rupees)	Capital Reserve (Rupees)	Special Reserve (Rupees)	General Reserve (Rupees)	Reserve for issue of bonus shares (Rupees)	Revaluation Reserve (Rupees)	Profit for the year and appropriation (Rupees)	Total (Rupees)
Balance as at June 30,2002	203,280,000	45,000,000	37,051,024	61,000,000	20,328,000	-	14,835,806	381,494,830
Net profit for the year	-	-	-	-	-	-	48,022,354	48,022,354
Appropriations:								
Statutory reserve	-	-	9,604,471	-	-	-	(9,604,471)	-
Bonus shares issued	20,328,000	-	-	-	(20,328,000)	-	-	-
Proposed bonus issue	-	-	-	-	33,541,200	-	(33,541,200)	-
Balance as at June 30, 2003	223,608,000	45,000,000	46,655,495	61,000,000	33,541,200	-	19,712,489	429,517,184
Net profit for the year	-	-	-	-	-	-	120,313,755	120,313,755
Right shares issued on premium	51,429,840	25,714,920	-	-	-	-	-	77,144,760
Revaluation of investment available for sale	-	-	-	-	-	(441,000)	-	(441,000)
Appropriations:								
Statutory reserve	-	-	24,062,751	-	-	-	(24,062,751)	-
Bonus shares issued	33,541,200	-	-	-	(33,541,200)	-	-	-
Proposed cash dividend	-	-	-	-	-	-	(46,286,856)	(46,286,856)
Proposed bonus issue	-	-	-	-	30,857,904	-	(30,857,904)	-
Balance as at June 30, 2004	308,579,040	70,714,920	70,718,246	61,000,000	30,857,904	(441,000)	38,818,733	580,247,843

Chief Executive

Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in 1992 as a public limited company under the Companies Ordinance, 1984 and is listed on Lahore, Karachi and Islamabad Stock Exchanges. The Company is mainly engaged in the business of leasing. It is classified as a non-banking finance company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

Historical costs are used as the basis for valuing transaction except for certain financial assets and liabilities which are stated at fair value or amortised cost as applicable.

2.3 Taxation

Current

The charge for current taxation for the year, if required, is based on taxable income at the current rates of taxation which is computed as if all leases are operating leases, after taking into account allowance for the year available for depreciation in respect of fixed assets under lease finance.

Deferred

The company determines deferred tax on all major temporary differences using the liability method at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purpose.

2.4 Tangible fixed assets and depreciation

Owned

These are stated at historical cost less accumulated depreciation.

Depreciation is calculated using the diminishing balance method, except vehicles for which straight line method is used, at the rates specified in the fixed assets schedule, which are considered appropriate to write off

the cost of the assets over their estimated useful lives.

In respect of additions during the year, depreciation is charged for full year, however, no depreciation is charged in the year of disposal.

Repairs and maintenance are charged to revenue. Material betterments are, however, capitalized.

Profit or loss on disposal of fixed assets is recognized in the profit and loss account in the year of disposal.

Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and fair value of assets acquired on lease. The related obligations under the lease are accounted for at net present value of liabilities. Depreciation is charged on basis and rates similar to those for Company owned assets.

2.5 Deferred Costs

These are written off over a period of three to five years from the year of incurrence.

2.6 Financial instruments

Financial assets and liabilities are recognized by the Company only when it becomes party to a contract constituting financial assets/liabilities.

2.7 Investments

Initial measurement

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

Subsequent measurement

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity and are measured at amortised cost, less any impairment loss recognized to reflect irrecoverable amounts.

Held-for-trading

These are securities which are acquired for generating a profit from short-term fluctuations in prices or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-for-trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses are included in the net profit or loss for the period.

Available-for-sale

These are investments that do not fall under held-for-trading or held-to-maturity.

Available-for-sale investments are measured at subsequent reporting dates at fair value. Unrealized gains and losses are recognized directly in equity, until the security is disposed off or is determined to be impaired.

2.8 Revenue Recognition

The financing method is used in accounting for income on finance leases. Under this method, the unearned finance income i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment is deferred and then amortized to income over the term of the lease, applying the annuity method to produce a constant rate of return on the net investment in the lease.

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

Front-end fee and other lease related income is recognized as income when realized.

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

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

2.9 Staff retirement benefits

The Company operates a funded defined benefit gratuity scheme covering all its permanent employees who have completed the minimum qualifying period of six months. Provision is made in accordance with actuarial recommendations using the projected unit credit method.

2.10 Provision for doubtful debts

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The recognition of annual charge / income of such amount is taken to the profit and loss account.

2.11 Pricing for related party transactions

Transactions with related parties are priced at comparable uncontrolled market price except for the assets sold to employees at written down value as approved by the Board of Directors.

TRUST LEASING CORPORATION LIMITED

3. CASH AND BANK BALANCES	2004	2003
	Rupees	Rupees
With banks in:		
Deposit accounts	10,300	62,514,831
Current accounts	476,256,385	784,490
Cash in hand	172,914	18,160
	476,439,599	63,317,481

4. INVESTMENTS HELD FOR TRADING

Name of investee company	Shares / Certificates		Fair Value		
	2004	2003	Cost	2004	2003
	No.	No.	2004	2004	2003
			Rupees	Rupees	Rupees
Pakistan Telecommunication Corporation Ltd.	199,500	1,000,000	8,525,105	8,408,925	28,450,000
FFC Jordan Ltd.	-	200,000	-	-	2,690,000
Union Leasing Ltd.	135,750	122,500	1,877,500	1,934,438	1,476,125
Dewan Salman Fibres Ltd.	-	100,000	-	-	1,755,000
Muslim Commercial Bank Ltd.	100,000	100,000	5,099,870	5,060,000	3,755,000
Faysal Bank Ltd.	220,000	298,000	8,277,850	7,865,000	7,017,900
National Bank of Pakistan	50,000	750,000	3,403,455	3,322,500	20,475,000
Baluchistan Glass Ltd.	-	100,000	-	-	1,555,000
Sui Southern Gas Company Ltd.	50,000	-	1,973,692	1,640,000	-
Hub Power Company Ltd.	100,000	-	3,502,000	3,230,000	-
Southern Electric Company Ltd.	200,000	-	4,131,400	3,060,000	-
First Punjab Modaraba	92,500	-	1,345,875	1,299,625	-
Fauji Cement Company Ltd.	100,000	-	1,666,305	1,630,000	-
Union Bank Ltd.	50,000	-	1,342,849	1,375,000	-
Oil & Gas Development Company Ltd.	100,000	-	6,316,776	6,450,000	-
Prime Commercial Bank Ltd.	165,000	-	3,239,700	2,928,750	-
First National Bank Modaraba	48,500	-	552,900	470,449	-
			51,255,277	48,674,687	67,174,025

- 4.1 The Company's shareholding does not exceed 10% of the equity of any investee company.
- 4.2 Difference of Rs.2,580,590 between cost and fair value has been charged to profit and loss account.

	<u>2004</u> Rupees	<u>2003</u> Rupees
5. SHORT TERM FINANCES - SECURED		
Finance under morabaha agreement	-	21,581,551
Short term finance (Note 5.1)	<u>1,657,804</u>	<u>1,073,594</u>
	1,657,804	22,655,145
Advance against leases (Note 5.2)	<u>48,507,700</u>	<u>47,065,870</u>
	<u>50,165,504</u>	<u>69,721,015</u>
5.1 These include short term finances provided to individuals against their certificates of investment and equitable mortgage of property. These carry mark-up ranging from 10% to 19% (2003 : 18% to 19%) per annum.		
5.2 These represents advances given against leases and are eventually transferred to net investment in lease finance when the assets are brought into use. The mark-up is charged at the rate implicit in lease during the interim period.		
6. SHORT TERM PLACEMENTS		
Short term placements	-	40,000,000
Securities purchased under resale agreement (Note 6.1)	<u>110,100,000</u>	-
	<u>110,100,000</u>	<u>40,000,000</u>
6.1 These represent short term funds placed under securities purchase and resale arrangements and carry an effective yield ranging between 12.5% to 16%.		
7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advance to employees - considered good (Note 7.1)	2,627,884	842,537
Other advances - considered good	17,519,415	351,622
Short term deposit	-	20,000,000
Prepayments	1,865,869	648,677
Advance tax	9,665,829	11,531,285
Lease rentals receivable (Note 7.2)	51,676,481	43,817,614
Mark-up accrued on finances	269,414	2,059,605
Other receivables (Note 7.3)	53,807,789	76,392,635
Other assets (Note 7.4)	<u>1,500,000</u>	<u>5,536,232</u>
	<u>138,932,680</u>	<u>161,180,207</u>
7.1 This represents staff loans to employees at mark-up rate ranging between 8% to 10% per annum. The maximum amount due from employees at the end of any month during the year aggregated Rs.2,627,884.		

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	2004 Rupees	2003 Rupees
7.2 Lease rentals receivable	67,661,280	53,670,811
Less: Provision against doubtful receivables	15,984,799	9,853,197
	<u>51,676,481</u>	<u>43,817,614</u>
7.3 Other receivables	106,017,380	126,154,795
Less: Provision against doubtful receivables	52,209,591	49,762,160
	<u>53,807,789</u>	<u>76,392,635</u>

The provisioning requirement for bad and doubtful receivables of the company has been determined after taking into consideration the realizable value of collateral available with the company against the classified portfolio. The movement in provision is given as under:

Opening balance		
Provision against lease rentals receivable	9,853,197	3,273,687
Provision against other receivables	49,762,160	41,341,670
	59,615,357	44,615,357
Charge for the year	12,500,000	15,000,000
Total Provision	72,115,357	59,615,357
Less: Written off	784,736	-
Closing balance	<u>71,330,621</u>	<u>59,615,357</u>
Detail of closing balance:		
Provision against lease rentals receivable	15,984,799	9,853,197
Provision against other receivables	52,209,591	49,762,160
Provision against other assets	2,486,231	-
Provision against short term finances	650,000	-
	<u>71,330,621</u>	<u>59,615,357</u>

7.4 Other assets		
Land and building (Note 7.4.1)	3,986,232	5,536,232
Less: Provision against other assets	2,486,232	-
	<u>1,500,000</u>	<u>5,536,232</u>

7.4.1 These assets were purchased in public auction with the permission of the Banking Court, Lahore in the recovery suit filed by the Company. The Company has entered into sale agreement of these assets with a party through negotiation. The difference in value and agreed sale price has been duly provided.

	<u>2004</u> Rupees	<u>2003</u> Rupees
8. INVESTMENTS AVAILABLE FOR SALE		
ABAMCO Composite Fund (Note 8.1)	4,700,000	-
Faysal Balanced Growth Fund (Note 8.2)	9,859,000	-
Investment in shares- unquoted (Note 8.3)	2,250,000	2,250,000
	<u>16,809,000</u>	<u>2,250,000</u>

8.1 This represents Rs.5.00 m (2003: Nil) invested in Pre-IPO of ABAMCO Composite Fund - Close Ended Fund, managed by ABAMCO Limited. The face value of each certificate is Rs.10.

8.2 This represents Rs.5.00 m (2003: Nil) invested in Pre-IPO and Rs.5.00 m (2003: Nil) in Seed Capital of Faysal Balanced Growth Fund - Open Ended Fund, managed by Faysal Asset Management Company. The face value of each unit is Rs.100.

8.3 Unquoted shares, at average cost

Trust Management Services (Pvt.) Ltd.	<u>2,250,000</u>	<u>2,250,000</u>
---------------------------------------	------------------	------------------

The name of chief executive is Mr.C.M.Saleem Cheema and equity held is 15% (2003: 15%). The value of shares is Rs.573,961 (2003 : Rs.126,498) taking into account the value of net assets of investee company based on its last audited accounts. The face value of each share is Rs. 10.

9. INVESTMENTS HELD-TO-MATURITY

Federal Investment Bonds	-	3,000,000
Wapda Bonds (Note 9.1)	300,000	300,000
	<u>300,000</u>	<u>3,300,000</u>

9.1 Wapda Bonds

These have a face value of Rs. 300,000 (2003: Rs. 300,000) and carry a profit rate of 19% (2003: 19%) per annum receivable semi-annually.

10. LONG TERM DEPOSITS AND DEFERRED COSTS

Deposits	1,392,103	1,101,050
Deferred costs (Note 10.1)	1,911,279	319,189
	<u>3,303,382</u>	<u>1,420,239</u>

10.1 Deferred costs

	(R u p e e s)			2003
	Others	Renovation	Total	
Opening balance	249,723	69,466	319,189	743,361
Add: Incurred during the year	646,820	1,607,241	2,254,061	85,000
	896,543	1,676,707	2,573,250	828,361
Less: Amortized during the year	359,934	302,037	661,971	509,172
	<u>536,609</u>	<u>1,374,670</u>	<u>1,911,279</u>	<u>319,189</u>

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11. NET INVESTMENT IN LEASE FINANCE

	2004			2003		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
Lease payments receivable	441,452,800	869,109,364	1,310,562,164	265,228,366	554,944,277	820,172,643
Add: Residual value	9,048,901	245,227,489	254,276,390	7,726,106	67,271,235	74,997,341
Gross investment in leases	450,501,701	1,114,336,853	1,564,838,554	272,954,472	622,215,512	895,169,984
Less: Un-earned finance income	128,183,474	140,524,658	268,708,132	91,359,750	107,079,753	198,439,503
Present value of minimum lease payments receivable	322,318,227	973,812,195	1,296,130,422	181,594,722	515,135,759	696,730,481

- 11.1 The company has entered into various lease agreements with internal rate of return ranging from 12% to 16% (2003: 14% to 23%) per annum. The lease agreements are for period three to five years.
- 11.2 All the leases are secured against demand promissory notes of the lessees and personal guarantees of the directors / partners. Whereas, certain leases are additionally secured by mortgage of immovable properties.
- 11.3 The above leases include Rs.21,069,500 (2003: Rs. 13,147,000) provided to M/s The United Insurance Company of Pakistan Limited, an associated undertaking on the basis of common directorship. These facilities were given against leases of vehicles and an amount of Rs.10,570,867 (2003: Rs.9,494,500) is outstanding against these leases. The internal rate of return charged ranges from 12% to 16% (2003: 16% to 23%). No special terms were offered to the said company.

12. OPERATING FIXED ASSETS

	C O S T			D E P R E C I A T I O N						
	As at July 1, 2003	Addition /Transfer during the year	(Deletion) /Transfer during the year	As at June 30, 2004	As at July 1, 2003	(Adjustment)/ Transfer	Charge for the year	As at June 30, 2004	Book Value As at June 30, 2004	Rate %
	(R U P E E S)									
Building	-	12,190,000	-	12,190,000	-	-	609,500	609,500	11,580,500	5
Office machines and equipment	2,929,191	1,030,491	-	3,959,682	1,603,723	-	471,192	2,074,915	1,884,767	20
Furniture & fixture	2,863,902	1,947,806	-	4,811,708	1,087,575	-	372,413	1,459,988	3,351,720	10
Air-conditioning equipment	488,317	1,523,199	(10,000)	2,001,516	119,023	(2,710)	188,520	304,833	1,696,683	10
Vehicles	2,834,450	4,906,200	(739,300)	7,001,350	1,496,708	(177,720)	1,231,178	2,550,166	4,451,184	20
Assets subject to finance lease	9,115,860	21,597,696	(749,300)	29,964,256	4,307,029	(180,430)	2,872,803	6,999,402	22,964,854	
Vehicles	3,780,000	-	-	3,780,000	920,100	-	756,000	1,676,100	2,103,900	20
2004	12,895,860	21,597,696	(749,300)	33,744,256	5,227,129	(180,430)	3,628,803	8,675,502	25,068,754	
2003	11,857,898	4,908,713	(3,870,751)	12,895,860	5,284,382	(1,789,501)	1,732,247	5,227,128	7,668,732	

12.1 Gain/(Loss) on disposal of fixed assets

Description	Cost	Book value	Sale Proceeds	Gain/(Loss)	Mode of disposal	Purchaser
	Rs.	Rs.	Rs.	Rs.		
Air conditioner	10,000	7,290	3,000	(4,290)	Negotiation	Muhammad Idrees
Vehicle - Suzuki Mehran	224,300	46,580	105,000	58,420	Negotiation	Yousaf Shah - Employee
Vehicle - Suzuki Alto	515,000	515,000	430,000	(85,000)	Negotiation	Muaaz Motors
2004	749,300	568,870	538,000	(30,870)		
2003	2,794,649	1,006,299	696,933	(309,366)		
					2004	2003
					Rupees	Rupees

13. CREDITORS, ACCRUED & OTHER LIABILITIES

Accrued liabilities	407,194	2,026,600
Other liabilities	9,048,284	4,404,049
Accrued mark-up on :		
Certificates of investment	1,012,202	2,046,364
Secured borrowings	5,037,134	2,509,200
Redeemable capital	2,152,905	1,864,603
Provision for taxation	7,431,785	10,662,993
Proposed dividend	46,286,856	-
Unclaimed dividend	247,496	274,823
	71,623,856	23,788,631

14. CURRENT MATURITIES OF LONG TERM LIABILITIES

Long term loans	73,878,788	15,791,668
Redeemable capital	50,000,000	3,125,000
Obligation under finance lease	1,397,750	1,092,957
Marginal deposits on lease arrangements	15,386,577	7,244,670
Certificates of investment	11,735,800	6,048,148
	152,398,915	33,302,443

15. BORROWING FROM FINANCIAL INSTITUTIONS

Finances under mark-up arrangement - secured (Note 15.1)	304,810,362	189,087,499
Long Term Loans - secured (Note 15.2)	93,098,484	21,333,332
	397,908,846	210,420,831

15.1 Finances under mark-up arrangement - secured

Short term loans (Note 15.1.1)	15,000,000	5,000,000
Running finances (Note 15.1.2)	114,810,362	149,087,499
Placements from financial institutions (Note 15.1.3)	175,000,000	35,000,000
	304,810,362	189,087,499

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15.1.1 These represent short term finances from financial institutions carrying mark-up rate of 6 % (2003 : 8% to 11%) per annum payable on quarterly basis.

15.1.2 These represent running finances utilised from commercial banks. The total limits against running finances amount to Rs. 195.00 million (2003: Rs.172.50 million). These carry mark-up rate ranging from 4.72% to 5.00% (2003: 6% to 10%) per annum payable on quarterly basis.

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

15.1.3 These represent unsecured short term placements of one month to three months obtained from financial institutions carrying mark-up rate ranging from 5.50% to 6.80% (2003: 9% to 10%).

	2004 Rupees	2003 Rupees
15.2 Long Term Loans - secured		
Muslim Commercial Bank Ltd.(Note 15.2.1)	20,833,334	-
The Bank of Punjab (Note 15.2.2)	77,727,272	-
Faysal Bank Ltd.(Note 15.2.3)	68,416,666	34,000,000
Pak Libya Holding Company (Pvt.) Ltd.	-	3,125,000
	<u>166,977,272</u>	<u>37,125,000</u>
Less: Current maturity	<u>73,878,788</u>	<u>15,791,668</u>
	<u><u>93,098,484</u></u>	<u><u>21,333,332</u></u>

15.2.1 This represents a facility of Rs.25 million (2003 : Nil) secured against first charge on specific leased assets and related receivables and carries mark-up rate of 6.00% per annum. It is repayable in twelve equal quarterly instalments starting from January 6, 2004.

15.2.2 This represents facility of Rs.100 million. The facility is secured against first charge on specific leased assets and related receivables. It carries mark-up rate of 5.00 % per annum. The facility is repayable in twelve quarterly instalments starting from December 05, 2003.

15.2.3 These represent four facilities of an aggregate amount of Rs.93 million. The facilities are secured against first charge on specific leased assets and related receivables and carry mark-up rate ranging from 5.50% to 7.50% per annum. These are repayable in twelve equal quarterly instalments starting from October 09, 2002.

16. LIABILITIES UNDER FINANCE LEASE

	2004			2003		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
Minimum lease payments	1,499,757	111,325	1,611,082	1,388,736	1,611,322	3,000,058
Less: finance charges allocated to future period	102,007	1,285	103,292	295,779	103,328	399,107
Present value of minimum lease payments	<u>1,397,750</u>	<u>110,040</u>	<u>1,507,790</u>	<u>1,092,957</u>	<u>1,507,994</u>	<u>2,600,951</u>

The rate of mark-up used as the discounting factor (i.e. implicit in the lease) ranges from 14.60 % to 17.00 % (2003: 14.60% to 17.00%) per annum. The amount of future payments and the periods during which they will fall due are:

	<u>2004</u> Rupees	<u>2003</u> Rupees
2004	-	1,388,736
2005	1,499,757	1,240,457
2006	<u>111,325</u>	<u>370,865</u>
	<u>1,611,082</u>	3,000,058
Less: Unamortized finance charges	<u>103,292</u>	399,107
	<u>1,507,790</u>	2,600,951
Less: Current portion shown under current liabilities	<u>1,397,750</u>	1,092,957
	<u><u>110,040</u></u>	<u><u>1,507,994</u></u>

The lease rentals are payable in monthly installments. The amount of minimum lease payment includes the amount of residual value adjustable at the end of the lease period. The company has the right to exercise purchase option at the end of lease period.

17. CERTIFICATES OF INVESTMENT

Long term certificates of investment	27,517,148	50,068,948
Less: Current maturity	<u>11,735,800</u>	<u>6,048,148</u>
	15,781,348	44,020,800
Short term certificates of investment	22,183,400	60,955,453
Short term certificates of investment to financial institutions	<u>85,000,000</u>	-
	<u><u>122,964,748</u></u>	<u><u>104,976,253</u></u>

These represent deposits accepted by the company from lessees, employees of the company and others as per permission granted by the Securities and Exchange Commission of Pakistan. These are issued for a period of 3 months to 5 years under profit and loss sharing basis at rate of profit ranging from 4% to 14% (2003: 6% to 18%) per annum.

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	2004 Rupees	2003 Rupees
18. MARGINAL DEPOSITS ON LEASE ARRANGEMENTS		
Marginal deposits on lease arrangements	260,401,993	70,444,321
Less: Current maturity	15,386,577	7,244,670
	245,015,416	63,199,651

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

19. NON-PARTICIPATORY REDEEMABLE CAPITAL - Secured

Term finance certificates (Note 19.1)	492,084,528	242,495,761
Commercial papers (Note 19.2)	97,536,072	-
	589,620,600	242,495,761

19.1 Term finance certificates

Principal amount		
TFC I (Note 19.1.1)	250,000,000	250,000,000
TFC II (Note 19.1.2)	300,000,000	-
	550,000,000	250,000,000
Less: Principal amount redeemed	3,125,000	-
Floatation expenses	5,709,575	4,379,239
	8,834,575	4,379,239
	541,165,425	245,620,761
Floatation expenses amortised	919,103	-
	542,084,528	245,620,761
Less: Current maturity	50,000,000	3,125,000
	492,084,528	242,495,761

19.1.1 These represent secured, rated and listed Term Finance Certificates (TFCs), being instrument of redeemable capital under the Companies Ordinance, 1984. The TFCs have a tenure of five (5) years and consist of Rs.250 million of which Rs.200 million was offered to institutional investors for Pre-IPO placements and Rs. 50 million to the general public. The TFCs are secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 25% and are issued in set of ten (10) TFCs, each set having an aggregate face value of Rs.5,000.

The principal is repayable in ten un-equal semi-annual installments in arrears starting from December 03, 2003. Each TFC is redeemed on its due date through the dispatch of a crossed cheque to the registered holders of the TFC.

The profit is payable semi annually at State Bank of Pakistan Discount rate + 2.0% with a floor of 9.00% and a cap of 14.00%. The profit rate was set three days before the public subscription for the TFCs due on the first redemption date and subsequently it is set three working days prior to the beginning of each semi-annual period for the profit due at the end of that semi-annual period.

The floatation expenses will be amortized over a period of five years in conjunction with the term of TFCs.

19.1.2 These represent Pre-IPO portion of secured, rated and listed Term Finance Certificates being instrument of redeemable capital under the Companies Ordinance, 1984. The TFCs have a tenure of five (5) years and consist of Rs.375 million of which Rs.300 million was offered to institutional investors for Pre-IPO placements and Rs. 75 million to the general public, subsequent to year end. The TFCs are secured by way of first charge on the specific leased assets and associated lease rentals receivable with a margin of 25% and are issued in set of ten (10) TFCs, each set having an aggregate face value of Rs.5,000.

The principal is repayable in ten equal semi-annual installments in arrears starting from January 17, 2005. Each TFC will be redeemed on its due date through the dispatch of a crossed cheque to the registered holders of the TFC.

The profit is payable semi annually at Karachi Inter Bank Offered Rate (KIBOR) + 3.0% with a floor of 6.00% and a cap of 10.00%. The profit rate will be set seven days before the start of semi-annual period for which the profit is being paid.

The floatation expenses will be amortized over a period of five years in conjunction with the term of TFCs.

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	2004 Rupees	2003 Rupees
19.2 Commercial papers		
Face value	100,000,000	-
Less: Initial cost and discount	4,435,068	-
	<u>95,564,932</u>	-
Initial cost amortised	1,971,140	-
	<u>97,536,072</u>	-

These represent unsecured short term Commercial Papers, being instrument of redeemable capital, issued to financial institutions carrying mark-up rate of 5%. It is repayable on November 19, 2004. The initial cost is being amortised on the life of papers.

20. DEFERRED LIABILITIES

Provision for deferred tax	4,500,000	3,000,000
Provision for staff gratuity (Note 20.1)	1,533,762	595,164
	<u>6,033,762</u>	<u>595,164</u>

20.1 Provision for staff gratuity

Present value of Defined Benefit Obligations	4,433,633
Less: Fair value of Plan Assets	(1,785,575)
Add: Actuarial gains	69,843
Less: Past service cost to be recognised in later periods	(38,452)
Less: Unrecognised transitional liability to be recognised in later periods	(1,145,687)
	<u>1,533,762</u>
Balance sheet liability	<u>1,533,762</u>

The Projected Unit Credit Actuarial Cost Method, in conjunction with the following significant assumptions was used for valuation:

Discount rate	8% per annum
Expected rate of increase in salaries	7% per annum
Expected rate of return on plan assets	8% per annum

	<u>2004</u> Rupees	<u>2003</u> Rupees
21. SHARE CAPITAL		
Authorised		
50,000,000 (2003: 25,000,000) ordinary shares of Rs.10/- each	<u>500,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid up		
20,142,984 (2003: 15,000,000) ordinary shares of Rs.10/- each fully paid-up in cash	201,429,840	150,000,000
10,714,920 (2003: 7,360,800) ordinary shares of Rs.10/- each issued as fully paid bonus shares	107,149,200	73,608,000
	<u>308,579,040</u>	<u>223,608,000</u>

During the year, the Company issued right shares at the rate of one share for every five shares held i.e. 20% at a premium of Rs. 5/- per share, which were fully subscribed.

22. RESERVES

Share premium reserve (Note 22.1)	70,714,920	45,000,000
Special reserve (Note 22.2)	70,718,246	46,655,495
General reserve	61,000,000	61,000,000
Reserve for issue of bonus shares	30,857,904	33,541,200
Revaluation reserve	(441,000)	-
	<u>232,850,070</u>	<u>186,196,695</u>

22.1 Share premium reserve

Opening balance	45,000,000	45,000,000
Premium on right shares issued during the year	25,714,920	-
	<u>70,714,920</u>	<u>45,000,000</u>

22.2 Special reserve

Opening balance	46,655,495	37,051,024
Transfer from Profit and Loss Account	24,062,751	9,604,471
	<u>70,718,246</u>	<u>46,655,495</u>

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

23. CONTINGENCIES AND COMMITMENTS

23.1 Lease commitments approved but not disbursed as on balance sheet date amounted to Rs.140,994,356.

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23.2 The contingent liability of the Company amounts to Rs.12,312,726 which may arise due to litigation pending in the Lahore High Court for ratable distribution of sale proceeds of property auctioned by the orders of the court. The management is confident that the Company has a strong case.

	<u>2004</u> Rupees	<u>2003</u> Rupees
24. INCOME FROM LEASE OPERATIONS		
Finance income	119,255,847	84,222,963
Front end fee	8,291,593	3,902,721
Commitment and other fees	998,493	426,121
Miscellaneous lease income (Note 24.1)	22,548,682	21,948,650
	<u>151,094,615</u>	<u>110,500,455</u>
24.1 Miscellaneous Lease Income		
Mark-up on lease advance	12,179,646	10,480,248
Additional lease rentals	10,369,036	11,468,402
	<u>22,548,682</u>	<u>21,948,650</u>
25. INCOME FROM INVESTMENTS		
Profit/(loss) on disposal of quoted investments	67,531,828	11,765,787
Profit on bank deposits and investments	1,480,892	2,135,442
Dividend income	8,629,826	4,151,777
	<u>77,642,546</u>	<u>18,053,006</u>
26. OTHER INCOME		
Profit on morabaha and short term financing	163,290	3,758,778
Gain/(loss) on sale of operating fixed assets (Note 12.1)	(30,870)	(29,972)
Other income	509,666	25,018,315
	<u>642,086</u>	<u>28,747,121</u>
27. FINANCIAL CHARGES		
Mark-up on long term loans	9,363,409	10,184,214
Mark-up on redeemable capital	25,152,102	2,304,726
Mark-up on short term loans	10,856,236	11,433,688
Mark-up on certificates of investment	8,129,717	15,099,382
Mark-up on running finance	6,110,706	2,723,778
Commitment and other processing fee	41,681	150,000
Financial charges on finance lease	295,815	549,198
Bank charges and commission	811,052	414,409
	<u>60,760,718</u>	<u>42,859,395</u>

	<u>2004</u>	<u>2003</u>
	Rupees	Rupees
28. ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries and other benefits	14,386,032	11,595,520
Printing and stationery	944,323	619,037
Vehicles running and maintenance expenses	1,343,993	911,356
Postage, telephone and telex	1,608,406	923,232
Travelling and conveyance	941,723	530,301
Boarding and lodging	333,858	68,452
Entertainment expenses	463,342	391,169
Advertisement	288,639	144,909
Electricity, gas & water expenses	1,197,679	898,014
Newspapers and periodicals	98,110	80,820
Auditors' remuneration (Note 28.1)	279,100	194,850
Fee and subscription	687,197	495,798
Corporate expenses	529,313	415,891
Gratuity	997,698	560,280
Software development expenses	142,058	81,126
Rent, rates and taxes	1,507,310	1,211,689
Miscellaneous expenses	212,170	328,867
Insurance	609,412	552,920
Donation (Note 28.2)	323,600	241,819
Office maintenance	782,895	743,228
Legal and professional charges	2,401,207	736,322
Security charges	174,797	168,858
Staff training	10,000	10,750
Business promotion expenses	477,263	-
	<u>30,740,125</u>	<u>21,905,208</u>
8.1 Auditors' remuneration		
Audit fee	150,000	150,000
Out of pocket expenses	39,100	44,850
Special audit fee	90,000	-
	<u>279,100</u>	<u>194,850</u>

8.2 This includes Rs. 100,000 paid to Lahore Businessmen Association for Rehabilitation of Disabled (LABARD). One of the directors of the Company holds the office of General Secretary in donee association.

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	<u>2004</u> Rupees	<u>2003</u> Rupees
29. PROVISION AGAINST DIMINUTION IN VALUE OF SHARES		
Opening balance	-	8,253,039
Charge for the year	-	25,000,000
Reversals	-	(1,325,767)
	-	23,674,233
	-	31,927,272
Adjustment of loss on sale of shares	-	(31,927,272)
	-	-
30. PROVISION FOR TAXATION		
Current	2,500,000	2,000,000
Deferred	1,500,000	3,000,000
	<u>4,000,000</u>	<u>5,000,000</u>

31. EARNING PER SHARE-BASIC

	2004	2004	2003	2003
	Numerator Rupees	Denominator Weighted Average No. of shares	R e s t a t e d Numerator Rupees	R e s t a t e d Denominator Weighted Average No. of shares
	A	B	A	B
Profit attributable to shareholders	120,313,755		48,022,354	
Ordinary shares		27,438,642		23,891,717
	<u>120,313,755</u>	<u>27,438,642</u>	<u>48,022,354</u>	<u>23,891,717</u>
Earning per shares (A/B) Rs.	<u>4.38</u>		<u>2.01</u>	

Prior period earning per share has been adjusted to give effect of bonus element included in the Right Shares issued by the Company. The restatement has been made in accordance with the requirements of IAS - 33 "Earning per share".

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2004 1 Rupees	2003 1 Rupees	2004 2 Rupees	2003 1 Rupees	2004 8 Rupees	2003 4 Rupees
Managerial Remuneration	787,500	800,000	3,713,796	3,337,932	2,247,750	1,899,277
Housing and utilities	733,300	654,570	747,663	432,456	1,013,136	826,186
Medical	-	-	-	-	261,610	223,808
Others	-	-	1,198,108	951,014	265,740	216,189
Gratuity	55,000	50,000	600,000	300,000	227,250	140,550
	1,575,800	1,504,570	6,259,567	5,021,402	4,015,486	3,306,010

32.1 In addition, chairman, chief executive, director and five executives are provided with free use of company maintained vehicles.

32.2 No fee was paid to directors for attending the board meetings (2003: Nil).

32.3 Total number of employees at year end was 57 (2003: 33).

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Credit Risk

The Company's credit risk is primarily attributable to its lease receivables. The amount shown in financial statements are net of allowance for doubtful receivables estimated by the management.

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

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INDUSTRIAL SECTOR	2004		2003	
	Rupees	%	Rupees	%
Chemical & Fertilizer	2,359,990	0.18	8,357,931	1.20
Construction	2,633,310	0.20	5,595,309	0.80
Education	4,757,414	0.37	3,599,646	0.52
Financial Institutions	37,298,858	2.88	-	-
Health Care	17,141,208	1.32	18,001,634	2.58
Hotels	1,705,781	0.13	3,139,445	0.45
Individuals	508,308,670	39.22	122,854,867	17.63
Insurance Companies	10,360,621	0.80	10,172,481	1.46
Miscellaneous Manufacturing	19,538,995	1.51	44,948,372	6.45
Miscellaneous Services	24,582,096	1.90	-	-
Natural Gas & LPG	53,422,279	4.12	12,130,836	1.74
Paper & Board	6,817,200	0.53	-	-
Steel & Engineering	34,314,821	2.65	8,810,736	1.26
Sugar & Allied	37,591,873	2.90	141,059,595	20.25
Telecommunications	11,228,760	0.87	6,468,128	0.93
Textile Composite	63,836,835	4.93	74,257,191	10.66
Textile Knitwear /Apparel	33,963,728	2.62	8,151,313	1.17
Textile Spinning	36,300,755	2.80	153,745,017	22.07
Transport	389,967,228	30.09	75,437,980	10.83
	1,296,130,422	100.00	696,730,481	100.00

33.2 Fair Value of Financial Assets

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying value.

33.3 Interest Rate Risk Exposure

The Company's exposure to risks associated with mark-up rates on its financial assets and liabilities are summarized as follows:

Financial Assets	Mark-up rate per annum %	Interest / Mark - up bearing			Noninterest bearing			Total
		Maturity Upto one year	Maturity After one year	Sub-total	Maturity Upto one year	Maturity After one year	Sub-total	
Net Investment in leases	12.00 to 16.00	322,318,227	973,812,195	1,296,130,422	-	-	-	1,296,130,422
Held -to-maturity investments	19.00	300,000	-	300,000	-	-	-	300,000
Available for sale investments	-	-	-	-	-	16,809,000	16,809,000	16,809,000
Long term deposits	-	-	-	-	317,550	1,074,553	1,392,103	1,392,103
Short term finances	10.00 to 19.00	50,165,504	-	50,165,504	-	-	-	50,165,504
Short term placements	12.50 to 16.00	110,100,000	-	110,100,000	-	-	-	110,100,000
Advances, prepayments and other receivables	8.00 to 10.00	2,330,749	297,135	2,627,884	124,773,098	-	124,773,098	127,400,982
Held for trading investments	-	-	-	-	48,674,687	-	48,674,687	48,674,687
Cash & bank balances	-	10,300	-	10,300	476,429,299	-	476,429,299	476,439,599
		485,224,780	974,109,330	1,459,334,110	650,194,634	17,883,553	668,078,187	2,127,412,297
Financial Liabilities								
Marginal deposits on lease arrangements	-	-	-	-	15,386,577	245,015,416	260,401,993	260,401,993
Certificates of investment	4.00 to 14.00	107,183,400	15,781,348	122,964,748	-	-	-	122,964,748
Liabilities under finance lease	14.60 to 17.00	1,397,750	110,040	1,507,790	-	-	-	1,507,790
Redeemable capital	6.00 to 9.50	150,000,000	546,875,000	696,875,000	-	-	-	696,875,000
Borrowing from financial institutions	4.72 to 7.50	378,689,150	93,098,484	471,787,634	-	-	-	471,787,634
Creditors, accrued and other liabilities	-	-	-	-	64,192,071	-	64,192,071	64,192,071
		637,270,300	655,864,872	1,293,135,172	79,578,648	245,015,416	324,594,064	1,617,729,237
On balance sheet gap - 2004		(152,045,521)	318,244,458	166,198,937	570,615,986	(227,131,863)	343,484,123	509,683,060
On balance sheet gap - 2003		90,485,173	141,498,982	231,984,155	183,893,015	3,351,050	187,244,065	419,228,220

34. GENERAL

34.1 Previous year's figures have been re-arranged in order to conform to current year's presentation.

34.2 Figures are rounded off to the nearest of rupee.

Chief Executive

Director