

Annual Report 2006

Cres Lease



CRESCENT LEASING
CORPORATION LIMITED



In The Name Of

Allah

The Most

Gracious

The Most

Merciful



Statement of Policies

Vision Statement

To participate prominently in the economic and social development of the country through a well-established and competitive credit delivery system managed by a motivated and efficient human resource.

Corporate Objectives

- Improve relative positioning in top tier companies.
- Transformation from a single product to multi-products company.
- Offer a diversity of products tailored to customer in various segments with a special focus on SMEs and consumer financing.
- Extend market reach sectorally and geographically with quality of service and portfolio.
- Operate within the regulatory framework for NBFCs.

Strategic Planning

The company intends to continue with its strategic planning of extending its market reach through geographical diversification and market niche development.



Mission Statement

CresLease is committed to pursuing the improvement in shareholders value through development of a dedicated human resource and efficient systems base capable of effectively participating in a competitive business environment. CresLease would endeavor to extend the reach of the credit delivery system to stimulate the economic development.


Risk Management

The governing principles for the risk management policies shall be the:

- Prudence in Approach
- Security of Investment
- Addition to Shareholders Value

The risk management policies of the company cover the following areas:

- | | |
|-----------------------|-------------------|
| a. Credit Risk | d. Liquidity Risk |
| b. Exposure Risk | e. Market Risk |
| c. Interest Rate Risk | f. Currency Risk |

The background features several 3D puzzle pieces scattered across the page. Some are sharp and in focus, while others are blurred. At the bottom, there is a stylized rainbow with multiple curved bands. The overall aesthetic is clean and modern.

Contents

Board of Directors	2
Committees	3
Notice of 19th Annual General Meeting	4
Six Years Financial Summary	5
Directors' Report	6
Statement of Value Added	12
CresLease – Statement of Code of Business Practices and Ethics	13
Statement of Compliance with Code of Corporate Governance	14
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	15
Separate Financial Statements	
Auditors' Report to the Members	17
Balance Sheet as at June 30, 2006	18
Profit and Loss Account for the year ended June 30, 2006	19
Cash Flow Statement for the year ended June 30, 2006	20
Statement of Changes in Equity for the year ended June 30, 2006	21
Notes to the Accounts for the year ended June 30, 2006	22
Consolidated Financial Statements	
Auditors' Report to the Members	49
Balance Sheet as at June 30, 2006	50
Profit and Loss Account for the year ended June 30, 2006	51
Cash Flow Statement for the year ended June 30, 2006	52
Statement of Changes in Equity for the year ended June 30, 2006	53
Notes to the Accounts for the year ended June 30, 2006	54
Pattern of Shareholding	81
Company Information	83
Branches Network	84



Board of Directors

Mr. Aftab Ahmad Khan - Chairman

- Mr. Aftab A. Khan was re-elected as the Director of CresLease on July 1, 2006

Mr. Javed Aslam Callea - Chief Executive

- Mr. Javed A. Callea is the Chief Executive of Crescent Leasing Corporation Limited

D I R E C T O R S

Mr. Firasat Ali

Mr. Firasat Ali was re-elected as the Director of CresLease on July 1, 2006

* **Mr. Asif Haider Mirza**

Mr. Asif Haider Mirza was elected as the Director of CresLease on July 1, 2006

* **Mr. Farooq Lakhani**

Mr. Farooq Lakhani was elected as the Director of CresLease on July 1, 2006

* **Mr. Omer Ashraf**

Mr. Omer Ashraf was elected as the Director of CresLease on July 1, 2006

* **Mr. Waseem ul Haq Osmani**

Mr. Waseem ul Haq Osmani was elected as the Director of CresLease on July 1, 2006

* **Mr. S.M. Ehtishamullah**

Mr. S.M. Ehtishamullah was elected as the Director of CresLease on July 1, 2006

- * SECP has desired that certain recomposition of the Board be completed to include the representation of major individual shareholders and this proposal has been submitted for their consideration.

Committees

THE AUDIT COMMITTEE

Terms of reference as defined under Code of Corporate Governance

Mr. S.M. Ehtishamullah	(Non-Executive Director)	Chairman
Mr. Waseem ul Haq Osmani	(Non-Executive Director)	Member
Mr. Firasat Ali	(Non-Executive Director)	Member
Syed Shahid Owais		Committee Secretary

Audit Committee was reconstituted on September 28, 2006 due to election of Directors.

THE MANAGEMENT COMMITTEE

Review and approve the leasing & lending proposals under the powers delegated by the Board. Also deliberate on operational performance and new business initiatives.

Mr. Javed A. Callea	(CEO)
Syed Shahnawaz A. Rizvi	(SEVP)
Mr. Asif Haider Mirza	(SEVP)
Mr. Latif Khawar	(EVP/CFO)

THE ASSET LIABILITY COMMITTEE

Review the overall liquidity, asset & liability mismatch positions and interest rate sensitivity analysis to take the required corrective measures.

Mr. Javed A. Callea	(CEO)
Syed Shahnawaz A. Rizvi	(SEVP)
Mr. Asif Haider Mirza	(SEVP)
Mr. Latif Khawar	(EVP/CFO)
Mr. Mahboob-ur-Rehman	(SVP)
Miss Tehmeena Khan	(VP)

THE HR COMMITTEE

Review the HR policies of the company for updation in line with existing market practices. Also review staff performances for promotions and pay revisions.

Syed Shahnawaz A. Rizvi	(SEVP)
Mr. Asif Haider Mirza	(SEVP)
Mr. Latif Khawar	(EVP/CFO)

THE IT COMMITTEE

Review the progress on systems development and technological initiatives, in process.

Mr. Latif Khawar	(EVP/CFO)
Mr. Mahboob-ur-Rehman	(SVP)
Mr. Murtaza Hussain Zeni	(VP)

Notice of 19th Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of the Company will be held at the Registered Office, Crescent Standard Tower; 4th Floor; 10-B, Block E-2, Gluberg III, Lahore on Monday, October 30, 2006 at 12:00 noon to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting of the Company held on Saturday, July 01, 2006.
2. To receive, consider and adopt the audited Financial Statements of the Company (separate & consolidated) for the year ended June 30, 2006 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2006 – 2007 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By and on behalf of the Board

Karachi
October 05, 2006

Syed Shahid Owais
Company Secretary

Notes:

1. Closure of share transfer books

The members register shall remain closed from October 23, 2006 to October 30, 2006 (both days inclusive). Transfers received in order at the Registered Office by the close of business hours on October 21, 2006 will be treated in time.

2. Participation in the Annual General Meeting

A member eligible to attend and vote at this 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 less than 48 hours before the time of holding the meeting.

The instrument appointing a proxy and the power of attorney or other authority under which it is signed or certified copy of the power of attorney must be deposited at the registered office of the company at least 48 hours before the time of the meeting. A form of proxy is enclosed.

CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

For attending the meeting :

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 regulations, shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also required to present their participant I.D. Numbers and the account numbers in CDS.

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 the meeting.

3. For Appointing Proxies

- 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 submit the proxy form as per the above requirements.
- ii. The proxy shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- v. 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) along with the proxy form for the meeting.

4. Change in Address

Shareholders are requested to notify the change of their addresses, if any, at our Registered Office.

Six Years Financial Summary

Financial Year	2006	2005	2004	2003	2002	2001
BALANCE SHEET						
Shareholders' funds	454	403	266	232	221	201
Reserves	192	232	219	193	161	128
Networth	646	635	495	425	383	329
Surplus on revaluation of fixed assets	39	43				
Certificates of Investment	890	913	548	271	194	157
Borrowings from financial institutions & other	2,418	2,385	1,754	1,243	779	398
Lease disbursements	2,762	2,029	1,301	961	747	508
Net investment in leases	3,746	3,215	2,172	1,627	1,290	958
Investments/Placements	808	1,090	1,149	769	379	131
Term Finances	327	396	-	-	-	-
Fixed Assets	308	212	107	39	21	15
Total Assets	5,572	5,063	3,477	2,472	1,678	1,138
Total Liabilities	4,887	4,385	2,982	2,047	1,296	809
Total Assets to Networth (times)	8.63	7.97	7.17	5.82	4.39	3.46
PROFIT & LOSS						
Total income	710	417	292	268	255	194
Financial & other charges	452	201	119	119	127	115
Admin & operating expenses	137	84	54	45	29	23
Provisions & other charges	83	51	43	25	42	11
Total expenses	672	336	216	189	195	149
Profit before tax	38	81	76	78	56	46
Profit after tax	31	77	68	75	52	42
Break-up value (PKR)	15.09	16.82	18.23	18.32	17.29	16.37
KEY RATIOS						
Earnings per share - PKR	0.68	1.88	2.40	2.31	1.60	1.29
Revenue per share - PKR	15.64	10.35	10.98	11.55	11.54	9.65
Gross profit ratio	11.80%	25.16%	38.07%	37.69%	37.55%	28.87%
Profit before tax ratio	5.35%	19.42%	26.03%	29.10%	21.96%	23.71%
Price earning ratio (times)	12.13	7.93	7.08	2.81	5.13	5.04
Return on capital employed market value per share	8.28%	12.82%	15.04%	49.73%	28.69%	32.15%
Income/ Expense ratio (times)	1.06	1.24	1.35	1.42	1.29	1.30
Current ratio (times)	0.98	1.04	1.29	0.96	1.03	1.11
Debt equity ratio (times)	7.57	6.91	6.15	4.82	3.38	2.46
Return on average equity	4.84	13.75	14.95%	18.56%	14.61%	13.25%
Return on average assets	0.58%	1.80%	2.29%	3.61%	3.69%	3.98%
Total assets turnover ratio	7.85	12.14	11.91	9.22	6.58	5.87
Dividend per share	-	1.25	2.50	2.43	1.50	1.00
Dividend yield ratio	-	8.39	14.71	37.37	18.29	15.38
PAYOUT						
Cash dividend	-		12.50%	10.00%	10.00%	-
Stock dividend	-	12.50%	12.50%	14.29%	5.00%	10.00%
Total payout	-	12.50%	25.00%	24.29%	15.00%	10.00%

Directors' Report

The Board of Directors of Crescent Leasing Corporation Limited ("Creslease") are pleased to present their 19th annual report along with the Company's audited accounts for the year ended June 30, 2006.

THE ECONOMY

Pakistan's economy enjoyed another year of good economic growth despite a significant increase in oil prices and the tragic earthquake of October 2005. The earthquake caused extensive damage to infrastructure and sadly resulted in the loss of numerous human lives. Despite the commendable support from the international community and donor agencies, Pakistan's budget was placed under pressure due to the relief operations as well as the reconstruction of earthquake affected areas.

Nevertheless, with economic growth at 6.6% in 2005-06, the economy has grown at an average rate of over 7.5% in the last three years, clearly one of the fastest growths in the Asian region. The upward trend that Pakistan has sustained for the last few years has been supported by continued innovation in various sectors especially agriculture and services, as well as a renewed investment cycle. Capital market activities continued their fluctuating tendencies but are expected to stabilize with the increased monitoring of regulatory authorities.

CRESLEASE PERFORMANCE REVIEW

2006 was a challenging year for the Company, and in many ways, a true test of the Company's fundamentals. The Company's performance for the first three quarters of the year was in line with the Company's strategy of enhanced growth and diversification, resulting in a 43% increase in the asset base over the course of just 9 months. In the fourth quarter, media reporting over the activities of a correlated concern created a negative impact on investor confidence in the Company's brand. Despite the Company's independence from the activities at this concern, investor confidence was significantly correlated in view of a common branding. This situation was therefore beyond the control of management.

The Company, as a matter of good governance, informed the stock exchanges of the change in the Company's position and the strategy adopted by management to tackle this. Subsequently, the Company's rating agency placed the Company on rating watch in view of a possible merger plan (this plan has not materialized), following which the Securities and Exchange Commission of Pakistan ("SECP") restricted the Company from raising fresh Certificates of Investments from depositors on the same basis.

The above scenario resulted in limitations in pressure on liquidity management. This in turn created an unprecedented challenge for the Company which, in line with the practice in the leasing industry in Pakistan, had financed its lease portfolio through a combination of revolving short term funding and long term funding. The Company is proud of its core team, who managed this unexpected turn of events through a rapid strategic change through which over PKR 1.3 billion of liquidity was generated from the disposal of low yielding fixed income securities, non earning assets and other short / long term assets to settle various liabilities between mid April 2006 and June 30, 2006.

This liquidity generation was facilitated without any dilution to the Company's secured creditors, whose interest the Company continues to serve and protect.

Creditor concern was given the highest priority and dealt with to ensure that a practical solution was derived. This approach allowed management to manage the Company's liquidity, maintain cost of funds at a reasonable level and protect relationships with financial institutions. The accommodation, flexibility and confidence of our lenders in the Company and its management is appreciated.

The strength of the Company's fundamentals was also clearly illustrated during this time, as with out the support of a sound asset portfolio, the commitment of the Company's human resources, sound internal controls and risk management policies, the liquidity generation and continued maintenance of the quality of the Company's portfolio and asset base may not have been possible.

The performance results of your company during the year under review are stated below in summary:

Operating Results (PKR '000)	FY 2006	FY 2005
Revenue	710,350,123	417,011,074
Expenditure	626,533,405	312,061,621
Operating profit before provisions	83,816,718	104,949,453
Provisions	45,317,307	24,072,664
Profit before taxation	38,499,411	80,876,789
Taxation	7,566,006	4,200,000
Profit after taxation	30,933,405	76,676,789

Net Investment in Leases at June 30, 2006 stood 17% higher than the previous year. This is despite of minimal disbursements in the last quarter of the year. The business of operating leases was fully operational during the year and remained unaffected by the scenario stated above, resulting in an increase in this income head by 48% over the prior year. The gain on the disposal of assets contributed towards an increase in income of PKR 50 million in the current year.

The aggregate increase in income of 70% showed a robust growth. However, on the other hand, expenditure also increased, both in terms of financial charges and operating costs. The financial charges increased largely on account of the increase in the KIBOR during the year. In view of the existing circumstances, the investment in operating expenditure was underutilised in the last quarter of the year.

Although a significant portion of the Company's lease portfolio is also priced at a floating rate, a lead time exists in matching the revisions between borrowings and lendings. Measures were taken to revise the pricing of the fixed rate portfolio, however until this was completed, spreads were reduced. In addition, in the last quarter of the year, available liquidity was not utilised to earn spreads. These funds were retained to ensure that they were readily available to allow the Company to carefully plan its cash flow requirements and facilitate the satisfactory discharge of the Company's liabilities.

As a result of the factors described above and conservative provisioning, the Company's profit before taxation was less than 50% of the profit as at the end of the previous financial year. The after tax earning per share for the year stood at PKR 0.68 (2005: PKR 1.88).

The sectoral exposure of the Company's portfolio remained at acceptable levels. As in the prior year, the largest exposure related to Synthetics, Garments at approximately 17%. The remaining exposure was spread over various sectors of the economy. Concerted efforts on follow-up and recovery were undertaken during the period given the changing business environment.

DIVIDEND

In view of the circumstances explained in preceding paras, the Directors do not propose the payment of any cash or bonus dividend for the year ending June 30, 2006.

ACQUISITION OF CONTROLLING STAKE IN UNIVERSAL LEASING CORPORATION LIMITED

On December 05, 2005, the Company acquired 24% of Universal Leasing Corporation Limited ("ULCL") along with management control through a competitive bidding process, after obtaining the approval of the SECP. In view of having a controlling stake of 51% along with an associated concern and management rights through the nomination of the majority directors on the Board of ULCL including the CEO, ULCL has been classified as a subsidiary entity. Accordingly, in addition to CresLease's separate financial statements, consolidated financial statements incorporating the results of ULCL have also been presented as of June 30, 2006.

The auditors of the subsidiary company have drawn the attention of the shareholders towards the fact that the subsidiary company has not invested seventy percent of its assets in the leasing business and casts doubts regarding the subsidiary company's ability to continue as a going concern on account of the shortfall in the minimum equity as required under NBFC Rules, 2003 for carrying on leasing business.

The Board of Directors of both the companies have already indicated their in-principle consent to merge ULCL into CresLease, subject to the shareholders consent and statutory approvals. The merger would lead to a larger asset base and size of the entity in terms of capital and reserves, as also reflected in the Consolidated Financial Statements attached herewith.

ASSET AND LIABILITY MANAGEMENT

Assets and liability management is monitored daily, and strategic analysis and decision making is performed by the Company's Asset Liability Committee (ALCO), the Audit Committee and ultimately the Board of Directors.

Prudent management policies require that the Company continually diversify and increase their funding lines to ensure that the Company is able to minimise their interest rate and liquidity risks. In view of the various factors described above, the Company was unable to achieve its planned increase in the diversification of its funding lines.

Resource Mobilisation through certificates of investments was given high priority through various internal initiatives resulting in an increase in the COI balance as at March 31, 2006 to PKR 1,248,094,000, 38% higher than the balance as at June 30th, 2005. As at June 30, 2006, this balance had reduced to PKR 876,443,648 due to the above mentioned circumstances.

RISK MANAGEMENT

With the expansion and diversification of the Company's activities and operations, risk management was given high priority to facilitate the sustenance and growth of the Company's healthy asset base. Risk evaluation procedures were performed by the credit department and included inter alia the evaluation of credit risk, the assessment of business viability, the appraisal of collateral and the review of contracts. This function remained separate to the marketing function to ensure segregation of duties, and the management of conflict of interest. Transaction authorisation continued to be controlled in terms of Board approval authority limits and independent checks of these controls monitored by the internal audit department, which report directly to the Audit Committee.

HUMAN RESOURCES

The Company believes in transparent competitive recruitment and remuneration policies based solely on employee performance. The Company endeavours to ensure that its staff demonstrates high professional calibre and represents an appropriate mix of professional qualifications, ability and experience to permit the achievement of its corporate objectives in the most efficient manner. Due to the circumstances which arose during the last quarter of the year, since April 2006, the Company's human resource base has been moderately trimmed, some by design and some by default. However, no staff movement has taken place within the Company's core management team which remains intact and committed to take on the challenges.

CORPORATE SOCIAL RESPONSIBILITY

CresLease continued to play its small role in the positive development of society. The Company's philosophy is that good corporate citizenship means consistently thinking and behaving in ways, which, while meeting business objectives, are responsible and beneficial to the society. In pursuit of these objectives the Company supported educational, social welfare and environmental organisations. The Company contributed to the earthquake relief efforts, and is proud of its staff who all contributed one day's salary to these efforts in addition to other personal contributions.

SAFETY HEALTH AND ENVIRONMENT

The Company is committed to the promotion of a healthy and pollution free environment.

The Company's machinery, equipment and vehicles comply with environmental and safety rules and these rules are also given due regard when considering the financing of any business proposal.

INFORMATION TECHNOLOGY (“IT”) INITIATIVES

The IT department continues to be an integral department of the organisation. Through the development of in house software, the IT department has deployed software for the utilisation of the different departments with the ultimate objective of producing a complete ERP system, which will link all the Company's operations and maximise operational efficiency as well as enhance management decision-making through well-developed and flexible MIS reports.

CREDIT RATING

In the aftermath of the situation explained above, the Company's rating agency, JCR-VIS, downgraded the Company's medium to long-term entity rating of 'A+' to 'A-' and the short-term entity rating of 'A-1' to 'A-2'. The rating of TFC-2 and PP-TFC were reduced from 'AA-' to 'A'. These ratings are on rating watch in view of a possible merger plan of the Company with a correlated concern (this plan has not materialised). In its press announcement, the rating agency highlighted that, "...To honour financial obligation in a timely manner, the balance sheet was reduced in a well structured manner. CLCL's asset quality has maintained sound over the period and capitalization levels have remained consistently adequate. JCR-VIS believes that the Company is expected to continue meeting its financial obligations."

EVENTS AFTER THE BALANCE SHEET DATE

Exposure to Crescent Standard Investment Bank Limited (“CSIBL”)

In April 2006 when a merger plan of Group NBFCs including CSIBL was being actively considered, secured liquidity support was provided to CSIBL. Subsequently, when the merger plan did not materialise, the Company eliminated these lendings to Crescent Standard Investment Bank Limited, by enforcing the security for these lendings in satisfaction of finances provided.

IHFL

In September 2006, the Stock Exchanges were informed that the Group sponsors had identified a buyer to acquire the Group Company's holding in IHFL at a price of PKR 11.25 per share. Approval for this transaction is pending with the regulatory authorities.

Request for permission to capitalise an additional 27% holding in Universal Leasing Corporation Limited

An amount payable by Crescent Standard Business Management ("CSBM") on account of payment for their acquisition of 27% holding in ULCL remained unpaid at year end. Subsequent to year end, the Company requested SECP for permission to capitalise the shares owned by CSBM in ULCL in settlement of the above liability.

Restriction for the execution of financial transactions with Crescent Group Companies

In September 2006, the SECP directed the Company and all other NBFCs in the Crescent Group to refrain from executing any financial transaction with each other or with any other Crescent Group Company.

Election of Directors

On July 1, 2006, the election of directors took place in which the following directors were elected on the Board of the Company subject to the approval of the SECP (in alphabetical order):-

Mr. Aftab Ahmed Khan
Mr. Asif Haider Mirza
Mr. S. M. Ehtishamullah
Mr. Farooq Lakhani
Mr. Firasat Ali
Mr. Omer Ashraf
Mr. Wasim-ul-Haq Osmani

The SECP has desired that certain recomposition of the Board be completed to include the representation of major individual shareholders and this proposal has been submitted for their consideration.

CORPORATE GOVERNANCE

The Board of Directors of the Company held seven meetings during the year to review operations and formulate policy matters. The Board reviewed the operational performance of the Company on a quarterly basis and has considered and approved the budget and business plans for the ensuing year.

The Company's Audit Committee comprises of three non-executive directors, and has held four meetings during the year under review.

CORPORATE GOVERNANCE COMPLIANCE

Your Company has implemented provisions of the Code of Corporate Governance relevant for the year ended June 30, 2006. The external auditors review report on the statement of compliance with the Code of Corporate Governance is annexed with this report.

STATEMENTS

- A) The Financial statements, prepared by the management of Crescent Leasing Corporation Limited, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- B) Proper books of account of the Crescent Leasing Corporation Limited 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) Key operating and financial data for last six years in summarized form is shown below:

	2006	2005	2004	2003	2002	2001
1 Gross Revenue	710	417	292	268	255	194
2 Profit Before Tax	38	81	76	78	56	46
3 Profit After Tax	31	77	68	75	52	42
4 Total Assets	5,572	5,063	3,477	2,472	1,678	1,138
5 Earnings Per Share	0.68	1.88	2.40	2.31	1.60	1.29

- F) The system of internal control is sound in design and has been effectively implemented and monitored.
- G) There is no significant doubt upon the Company's ability to continue as a going concern.
- H) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulation.
- I) During the year 7 meetings of the Board of Directors were held and attended as follows. Directors not attending any of the meeting were duly granted leave of absence by the Board.

	75th	76th	77th	78th	79th	80th	81st	
Mr. Aftab Ahmad Khan	P	P	P	P	P	P	P	100%
Mr. Mahmood Ahmed	L	RESIGNED						
Mr. Javed Aslam Callea	P	P	P	P	P	P	P	100%
Mr. Saeed Jamal Tariq	P	L	L	L	L	L	L	14%
Mr. Irtiza Husain		P	P	P	P	L	P	83%
Mr. S.M. Ehtishamullah	P	P	P	P	P	P	P	100%
Mr. Firasat Ali	P	P	L	L	P	P	P	71%
Ms. Samina Hamid Khan	P	L	L	P	P	L	L	43%
	6/7	5/7	4/7	5/7	6/7	4/7	5/7	

P - Present

L - Leave of Absences

- J) The value of investments of the Company's recognized Provident Fund and Gratuity Fund amounted to PKR 13.88 mn and PKR 10.07 mn respectively as at June 30, 2006.
- K) The pattern of shareholding as required under the Code of Corporate Governance is shown on Page 81.
- L) The following trades in the shares of the Company which were carried out by the CEO, the CFO, the Company Secretary, their spouses and minor children:-

	CEO	CFO	CS
Opening (being shares allotted by BOD after the Rights Issue in January 2005)	10,000	6,500	4,500
Disposed	-	(6,500)	-
Bonus Shares issued for the year ended June 2005	1,250	-	562
Closing Balance	11,250	-	5,062

THE FUTURE

A combination of factors including the reduction in the balance sheet size has created pressure on the Company's profitability. As described above, through the containment of the cost of the funds, the Company's spread were and continue to be positive. However administrative costs have only been curtailed to a certain extent. The Company has devised various strategies, which will allow the Company to regain its profitability levels and it is expected that these plans may materialise before the end of 2006.

As the Company's confidence in its fundamentals is further strengthened through the passage of time, management has decided not to engage in any planned downsizing in the staffing or operational capacity of the Company. This investment is an integral part of the Company's intrinsic value. We believe that once the period of uncertainty has passed, the investment in human resources and operational setups will be instrumental in rebuilding the reduced portfolio to allow the Company to regain its position in the sector.

The management team of the Company continues to work relentlessly through this time and with the continued support of its stakeholders, is committed to upholding the strength and credibility that the Company has developed over the last 13 years.

AUDITORS

The present Auditors, M/s. Syed Husain, Zafar, Naveed and Co., Chartered Accountants would retire at the forthcoming Annual General Meeting and offer themselves for re-appointment at terms to be agreed by the members.

ACKNOWLEDGMENT

The Board is grateful to the Regulatory Agencies, Banks and Financial Institutions, as well as other Public Bodies and Corporations, who have extended their support and cooperation to the Company. The Board also extends its thanks to the Company's valued customers for their continued patronage.

In periods of success it is difficult to measure the true dedication, courage and capability of a Company's workforce. The Board extends its special appreciation and thanks to the Company's largest asset – its employees, for their hard work and dedicated services in the face of a very difficult and challenging time.

On behalf of the Board of Directors.



Javed A. Callea
Chief Executive Officer

Statement of Value Added

Statement of Value Added	Rs. in Million		Rs. in Million	
	2006	%age	2005	%age
Lease finance & operating income	418	74	275	83
Mark-up / earned	153	27	69	21
Fee, commission and brokerage income	20	4	18	5
Dividend income	21	4	26	8
Gain on sale of investments etc.	98	17	29	9
Total	710		417	
Administrative expenses	64	(11)	36	(11)
Provisions & other charges	83	(15)	50	(15)
Value Added	563	100	331	100

Distributed as follows:				
	Rs. in Million		Rs. in Million	
	2006	%age	2005	%age
To Employees				
As remuneration	73	13	48	15
To Government				
As income tax	7	1	4	1
To Depositors				
As profit on investments	105	19	43	13
To Financial Institutions				
As profit on borrowings	345	61	158	48
To Society				
As donations	2	1	1	0
To Shareholders				
As dividends		0	1	0
Retained in Business				
As reserves	31	5	76	22
	563	100	331	100

CresLease – Statement of Code of Business Practices and Ethics

Crescent Leasing Corporation Limited conducts its business in a responsible manner with honesty and integrity. The Company has the same expectations from all those with whom it has relationships. The Company insists that all transactions be open and transparent.

Crescent Leasing Corporation Limited's primary objective is to run its business efficiently and profitably, to enhance shareholders value which it does with responsibility towards all stakeholders.

As the Company does not operate in isolation with its environment, it defines the stakeholders and its responsibilities towards them as follows:

- **Shareholders**
To protect shareholders investment and provide an acceptable return.
- **Customers**
To win and maintain clients by developing and providing products and services which offer value in terms of pricing, service, etc.
- **Employees**
To respect the human rights of its employees with good and safe conditions of work and competitive terms of service.
- **Business Partners**
To seek mutually beneficial relationships with contractors and suppliers of goods and services.
- **Society**
To conduct business as a responsible member of the society, to observe laws, express support for basic human rights and proper regard to health, safety and environment.

Integrity

Crescent Leasing Corporation Limited does not use bribes as an instrument of business for financial gain and employees are not authorized to give or receive any gift or payment which may be construed as such.

Employees are required to avoid personal activities or financial interests which conflict with their responsibility to the Company.

All transactions must comply with the prevailing laws and must be fairly and accurately reflected in the financial statements.

Statement of Compliance with Code of Corporate Governance

The statement of compliance is being presented to comply with the Provisions of Code of Corporate Governance contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

CresLease has applied the principles contained in the Code in the following manner:

- 1) The company encourages representation of independent non-executive directors and directors representing minority interest on its board. At present the Board includes six non-executive Directors including Chairman of the Board and one NIT nominee Director; and one Executive Director who is also CEO.
- 2) The resident directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- 3) All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or any NBFC or being a member of stock exchange, has been declared as a defaulter by that Stock Exchange.
- 4) During the year, two casual vacancies were occurred in the Board, which were duly filled within the prescribed time.
- 5) The company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all Directors and employees of the company.
- 6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
- 8) The Board held seven meetings during the year; at-least one in each quarter. The meetings of the Board were presided over by the elected Chairman. Written notices of the Board meetings along with the agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and were timely circulated to all concerned. The Company Secretary and CFO attended the meetings of the Board of Directors, except for the one meeting where CFO also represented as company secretary with the approval of Board.
- 9) The Directors were regularly apprised regarding significant matters relating to Code of Corporate Governance through presentations in the board meetings. Both Locally and Internationally published material on Corporate Governance was circulated to Directors during the year.
- 10) The Board has approved appointment of CFO, the Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO.
- 11) The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) All financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The Directors, CEO and the executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.
- 14) The company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an Audit Committee which comprises of three members, who are non-executive Directors.
- 16) The meetings of the Audit committee were held at least once in every quarter prior to the approval of interim and final results of the company and as required by the Code. The terms of reference of the Committee have been framed and approved by the Board and has been advised to the committee for compliance. The Audit committee members also met with External Auditors without CFO and Head of Internal Audit and other members of Internal Audit as required under the Code.
- 17) The Board has set up an effective audit function which comprises of qualified and experienced staff that is conversant with the policies and procedures of the company and are involved in the internal audit function on a full-time basis.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of The Institute of Chartered Accountants of Pakistan, that they or any partners of the firm, their spouses and minor children do not hold the shares of the company and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.



JAVED A. CALLEA
Chief Executive Officer

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance



SYED HUSAIN ZAFAR NAVEED & CO.
CHARTERED ACCOUNTANTS

201-Regency Plaza, M.M. Alam Road,
Gulberg-II, Lahore.
UAN: 111-77-44-22
Fax: (92-42) 5764959
Email: shcolhr@woi.net.pk
lhr@shznco.com

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 Crescent Leasing Corporation Limited (The Company) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2006.

Lahore - October 05, 2006

CRESCENT LEASING CORPORATION LIMITED

Separate Financial Statements

Auditors' Report to the Members



SYED HUSAIN ZAFAR NAVEED & CO.
CHARTERED ACCOUNTANTS

201-Regency Plaza, M.M. Alam Road,
Gulberg-II, Lahore.
UAN: 111-77-44-22
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lhr@shznco.com

We have audited the annexed balance sheet of CRESCENT LEASING CORPORATION LIMITED as at June 30, 2006, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in Notes 4.1.1, 4.1.2 and 4.1.3 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore - October 05, 2006

Balance Sheet as at June 30, 2006

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees (Restated)
ASSETS			
Current Assets			
Cash and balances with central bank	5	1,917,748	222,620
Placements with other banks	6	46,514,391	18,399,419
Term deposit certificates	7	260,000,000	-
Other money market placements	8	90,000,000	477,500,000
Finances under musharika arrangements-secured	9	60,000,000	-
Advances, deposits, prepayments and other receivables	10	170,042,210	177,016,200
Advances against leases		9,138,802	23,107,828
Reverse Repo against shares	11	50,002,875	101,417,616
Short-term investments	12	202,368,358	386,043,454
Short-term finances- Secured	13	114,892,772	175,224,756
Asset acquired in satisfaction of finance provided	18.1	125,000,000	-
Current maturity of long-term finances and TFCs	14 & 16.2	100,955,368	131,417,000
Current maturity of net investment in finance leases	15	1,122,584,020	1,114,916,290
		2,353,416,544	2,605,265,183
Non-Current Assets			
Long-term finances	14	110,858,174	94,900,238
Net investment in finance leases	15	2,536,749,936	2,024,705,449
Long-term investments	16	49,396,900	35,061,800
Investment in associates	17	97,451,885	84,744,377
Long-term deposits		11,093,176	6,082,097
Asset acquired in satisfaction of finance provided	18.2	105,000,000	-
Fixed assets	19	308,023,718	212,235,427
		3,218,573,789	2,457,729,388
		5,571,990,333	5,062,994,571
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	20	226,049,314	94,904,648
Borrowings from financial and other institutions	21	742,124,871	1,155,373,644
Other short-term borrowings	22	14,350,000	-
Certificates of investment and deposits	26	842,711,800	889,619,635
Current maturity of liabilities against assets subject to finance leases	24	25,770,180	1,232,862
Current maturity of long-term liabilities	28	557,407,872	367,103,101
		2,408,414,037	2,508,233,890
Non-Current Liabilities			
Borrowings from financial and other institutions	23	753,750,001	290,000,009
Other long-term borrowings	22	11,750,000	-
Liabilities against assets subject to finance leases	24	56,999,476	2,924,505
Redeemable capital	25	535,000,000	685,000,000
Certificates of investment and deposits	26	33,731,848	16,305,139
Deposits on finance leases	27	1,002,680,010	803,400,303
Deferred taxation	39	69,215,064	78,868,278
Deferred revenue	29	16,183,530	-
		2,479,309,929	1,876,498,234
		4,887,723,966	4,384,732,124
		684,266,367	678,262,447
NET ASSETS REPRESENTED BY :			
Issued subscribed and paid-up share capital	30	453,900,900	403,467,470
Reserves		254,406,258	272,165,176
Deficit on revaluation of investments	31	(62,684,191)	(40,336,999)
		645,622,967	635,295,647
Surplus on revaluation of fixed assets	32	38,643,400	42,966,800
		684,266,367	678,262,447
Contingencies and commitments	33		

The annexed notes 1 to 48 form an integral part of these financial statements.


S.M. Ehtishamullah
Director


Javed A. Callea
Chief Executive Officer

Profit and Loss Account for the year ended June 30, 2006

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees (Restated)
REVENUE			
Income from finance leases		379,946,418	248,982,491
Income from operating leases		38,060,299	25,654,221
Income from Investments	34	160,325,885	111,721,327
Income from finances		58,859,953	12,277,965
Other income	35	73,157,568	18,375,070
		710,350,123	417,011,074
EXPENDITURE			
Administrative and operating expenses	36	137,171,995	84,386,619
Financial and bank charges	37	451,602,895	201,102,203
Direct Cost of Leases:			
Finance		10,848,068	8,329,832
Operating		26,910,447	18,242,967
		626,533,405	312,061,621
Operating profit before provisions		83,816,718	104,949,453
Allowance for potential lease losses			
General		2,934,987	15,378,725
Specific		11,118,329	9,422,259
		14,053,316	24,800,984
General allowance for potential lease losses - Written back on matured leases		-	(22,500,000)
Reversal of Provision against Dewan Cement Ltd - TFC Series A		(6,500,000)	-
Provision against money and capital market fluctuations		37,763,991	21,771,680
		31,263,991	(728,320)
		45,317,307	24,072,664
PROFIT BEFORE TAXATION		38,499,411	80,876,789
TAXATION	38	7,566,006	4,200,000
PROFIT AFTER TAXATION		30,933,405	76,676,789
APPROPRIATIONS:			
Transfer to statutory reserve		6,186,681	16,299,576
Reserve for issue of bonus shares		-	1,159,988
		6,186,681	17,459,564
		24,746,724	59,217,225
EARNINGS PER SHARE - BASIC AND DILUTED	40	0.68	1.88

The annexed notes 1 to 48 form an integral part of these financial statements.


S.M. Ehtishamullah
 Director


Javed A. Callea
 Chief Executive Officer

Cash Flow Statement for the year ended June 30, 2006

	June 30, 2006 Rupees	June 30, 2005 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	38,499,411	80,876,789
Dividend income	(21,471,798)	(26,172,556)
	17,027,613	54,704,233
Adjustments for non-cash and other items:		
Depreciation	24,114,001	16,730,641
Financial and bank charges	451,602,895	201,102,203
Allowances for potential lease losses	14,053,316	2,300,984
Provision against finances and money / capital market fluctuation	37,763,991	21,771,680
Reversal of provision against Dewan Cement Limited TFCs - Series A	(6,500,000)	-
Amortization of deferred revenue	(1,471,230)	-
Gain on sale of operating fixed assets	(51,425,867)	(640,576)
Cash generated from operating activities before working capital changes	485,164,719	295,969,165
ADJUSTMENTS FOR WORKING CAPITAL CHANGES		
<i>(Increase)/Decrease in current assets</i>		
Advances, deposits, prepayments and other receivables	3,921,760	(88,344,467)
<i>Increase/(Decrease) in current liabilities</i>		
Creditors, accrued and other liabilities	103,024,532	(2,476,841)
Cash generated from operations	592,111,011	205,147,857
Income tax refund/(paid)	3,264,732	(3,019,640)
Financial, bank and other charges paid	(423,269,653)	(174,618,801)
Net cash (used in) / generated from operating activities	172,106,090	27,509,416
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Increase in net investment in finance leases	(533,765,533)	(1,053,121,987)
Purchase of fixed assets	(321,870,280)	(58,517,612)
Assets acquired in satisfaction of finances provided	(230,000,000)	-
Proceeds from sale of fixed assets	259,894,125	4,134,520
Dividend received	23,581,299	20,132,284
(Increase)/Decrease in Investments - Net	102,298,046	251,077,473
(Increase)/Decrease in short/long-term finances - Net	69,973,680	(391,528,208)
Increase in long-term deposits	(5,011,079)	(2,903,034)
Net cash used in investing activities	(634,899,742)	(1,230,726,564)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in redeemable capital	(150,000,000)	45,000,000
Increase in borrowings	182,851,221	585,716,035
Increase in deposits on finance leases	277,350,204	361,576,382
Increase/(Decrease) in certificates of investment and deposits	(23,496,854)	364,589,502
Right shares application money received	-	153,876,112
Increase/(Decrease) in liabilities against assets subject to finance lease	78,612,289	(3,808,007)
Payment of dividend	(213,108)	(33,017,150)
Net cash generated from financing activities	365,103,752	1,473,932,874
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(97,689,900)	270,715,726
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	496,122,039	225,406,313
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note A)	398,432,139	496,122,039
Note A		
Cash and bank balances	48,432,139	18,622,039
Money market placements	350,000,000	477,500,000
	398,432,139	496,122,039

The annexed notes 1 to 48 form an integral part of these financial statements.



S.M. Ehtishamullah
Director




Javed A. Callea
Chief Executive Officer

Statement of Changes in Equity for the year ended June 30, 2006

	Issued, Subscribed and Paid-Up Share capital	Capital Reserves			Revenue Reserves			Total Reserves	Surplus/ (Deficit) on Revaluation of Investments	Total
		Reserve under NBFC Rules	Share Premium	Reserve for Issue of Proposed Bonus Shares	General Reserve	Reserve for Contingen- cies	Unappro- priated Profit			
Rupees										
Balance as at June 30, 2004 - Previously stated	265,657,600	88,095,203	-	33,207,200	43,800,000	10,236,562	47,025,880	222,364,845	6,617,952	494,640,397
Effect of change in accounting policy with respect to recognition of initial direct cost of finance leases	-	-	-	-	-	-	(10,002,000)	(10,002,000)	-	(10,002,000)
Balance as at June 30, 2004 - Restated	265,657,600	88,095,203	-	33,207,200	43,800,000	10,236,562	37,023,880	212,362,845	6,617,952	484,638,397
Net profit for the year ended June 30, 2005	-	-	-	-	-	-	76,676,789	76,676,789	-	76,676,789
Issue of bonus shares	33,207,200	-	-	(33,207,200)	-	-	-	(33,207,200)	-	-
Reserve under NBFC rules transferred from profit and loss account	-	16,299,576	-	-	-	-	(16,299,576)	-	-	-
Deficit on revaluation of investments	-	-	-	-	-	-	-	-	(46,954,951)	(46,954,951)
Issue of right shares	104,602,670	-	-	-	-	-	-	-	-	104,602,670
Premium on right shares	-	-	52,301,335	-	-	-	-	52,301,335	-	52,301,335
Expenses related to issue of right shares	-	-	(3,027,893)	-	-	-	-	(3,027,893)	-	(3,027,893)
Reserve for issue of bonus shares	-	-	(49,273,442)	50,433,430	-	-	(1,159,988)	-	-	-
Final cash dividend of 2004 @ 12.5%	-	-	-	-	-	-	(33,207,200)	(33,207,200)	-	(33,207,200)
Adjustment of incremental depreciation on revalued assets - Net of deferred tax	-	-	-	-	-	-	266,500	266,500	-	266,500
Balance as at June 30, 2005 - Restated	403,467,470	104,394,779	-	50,433,430	43,800,000	10,236,562	63,300,405	272,165,176	(40,336,999)	635,295,647
Net profit for the year ended June 30, 2006	-	-	-	-	-	-	30,933,405	30,933,405	-	30,933,405
Issue of bonus shares	50,433,430	-	-	(50,433,430)	-	-	-	(50,433,430)	-	-
Reserve under NBFC rules transferred from profit and loss account	-	6,186,681	-	-	-	-	(6,186,681)	-	-	-
Deficit on revaluation of investments	-	-	-	-	-	-	-	-	(22,347,192)	(22,347,192)
Adjustment of incremental depreciation on revalued assets - Net of deferred tax	-	-	-	-	-	-	1,741,107	1,741,107	-	1,741,107
Balance as at June 30, 2006	453,900,900	110,581,460	-	-	43,800,000	10,236,562	89,788,236	254,406,258	(62,684,191)	645,622,967

The annexed notes 1 to 48 form an integral part of these financial statements.


S.M. Ehtishamullah
Director


Javed A. Callea
Chief Executive Officer

Notes to the Accounts for the year ended June 30, 2006

1 LEGAL STATUS AND NATURE OF BUSINESS

Crescent Leasing Corporation Limited (the company) is a Non-Banking Finance Company (NBFC) and regulated by the Securities and Exchange Commission of Pakistan, under the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003. The company was incorporated in Pakistan as a public limited company under Companies Ordinance, 1984, on April 7, 1987. The company commenced commercial operations in August 1989, and is listed on all the Stock Exchanges in Pakistan. Its prime business is leasing and investment finance service activities.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and prudential regulations for NBFCs. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except for the revaluation of investments (Note 4.5), fixed assets (Note 4.7) and foreign currency translations (Note 4.11).

4 ACCOUNTING POLICIES

4.1 Changes in Accounting Policies

4.1.1 Revenue Recognition - Finance Leases

Consequent to revision in International Accounting Standard 17 (IAS-17) "Leases", company has changed its policy regarding revenue recognition of unearned lease income equivalent to initial direct cost of finance leases with effect from July 01, 2005. As per new policy, initial direct cost of finance leases are included in the initial measurement of the finance lease receivable and recognized as income over the lease term. Previously, a portion of unearned lease income equivalent to initial direct cost of finance lease was recognized as income at the time of execution of lease. In accordance with transitional provisions of IAS-17, this change has been adopted retrospectively. Initial direct cost already recognized in income on finance leases existing on June 30, 2005 has been reversed and transferred from unappropriated profit to unearned income. Consequently, net investment in finance leases and unappropriated profit have been decreased by Rupees 14.823 million.

Had there been no change in the accounting policy, the profit after tax for the years ended June 30, 2006 and June 30, 2005 would have increased by Rupees 10.657 million and Rupees 4.821 million respectively.

4.1.2 Allowances for Doubtful Balances and Potential Lease Losses

The company has changed its policy for maintaining the allowance for doubtful balances and potential lease losses as follows:

The allowance for doubtful balances and potential lease losses is classified into specific and general provision categories and are maintained at a level, which in the judgment of the management is sufficient to provide and is reasonably anticipated. The adequacy of allowance is assessed through various factors such as regulatory requirements, nature and characteristics of the obligator, delinquencies and present value of future cash flows expected to be received, historical loss experience etc.

Previously, the company was recognizing a portion of unearned income, which equates the allowance for potential lease losses, up-front at the time of initiating a finance lease.

The above change in accounting policy has no impact on the financial statements.

4.1.3 Investment in Associates

Previously investments in associates were stated at cost and dividend income was recognized in the profit and loss account of the period in which right to receive the same was established in line with the option available in International Accounting Standard "Accounting for Investments in Associates" (IAS-28).

IAS-28 has been revised and replaced by International Accounting Standard 28 "Investments in Associates" (IAS-28 (Revised)). The revised IAS-28 is applicable for annual periods beginning on or after January 1, 2005. The revised IAS-28 requires that investments in associates, where the company can exercise significant influence; has intention and ability to hold the investment for more than twelve months of acquisition and are not held for sale, must be accounted for using the equity method. Under the equity method the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the company's share of profit or loss of the associate after the date of acquisition. Carrying amount of the investment is reduced by the distribution received from the associate.

In order to comply with the requirements of revised IAS-28, the company has changed its accounting policy for valuation of investments in associates from cost to equity basis of accounting. This change in accounting policy has been accounted for retrospectively in accordance with the International Accounting Standard 8 "Accounting Policies, changes in Accounting Estimates and Errors". Since the company has also presented consolidated financial statements for the year ended June 30, 2006 incorporating the results of its subsidiary, Universal Leasing Corporation Limited, investment in associates and subsidiary is shown at cost in these financial statements in accordance with the provisions of revised IAS-28.

4.2 Staff Retirement Benefits

Gratuity Fund

The company operates funded gratuity plan (Defined Benefit Plan) for its permanent employees whose period of service is five years or more. Provision is made annually to cover obligations under the plan. Gratuity plan is based on final salary.

The most recent actuarial valuation was carried out as on June 30, 2006 using Projected Unit Credit Method. Following assumptions were used:

Discount rate	9%
Expected rate of salary increase in future	8%
Expected rate of return on plan assets	9%

Pension Fund

The company has also constituted a funded pension plan (Defined Benefit Plan) for its permanent employees whose period of service is ten years or more. Provision is made annually to cover obligations under the plan. Pension plan is based on final salary.

Recognition of actuarial gains and losses

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the plan assets at the date. These gains or losses are recognized over the expected remaining working lives of the employees.

Provident Fund

The company also operates a Provident Fund (Defined Contribution Plan) for its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by the company and the employees.

4.3 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates prescribed by the tax law and after considering tax credits or adjustments available, if any.

Deferred

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of the deferred tax is provided at the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.4 Financial Instruments

Financial assets and liabilities are recognized when the company has become a party to the contractual provisions of the instrument. Any gain/loss on de-recognition of the financial asset or liability is included in the profit/loss for the period to which it relates.

4.5 Investments

Initial Measurement

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

Subsequent Measurement

(a) Held to Maturity

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

(b) Financial Assets at Fair Value through Profit and Loss (Held for Trading)

These securities are either acquired for generating a profit from short-term fluctuation in prices or are securities included in a portfolio in which a pattern of short-term profit taking exists. These investments are measured at subsequent reporting dates at fair value and resulting gains and losses are included in the net profit or loss for the period.

(c) Available for Sale

These represent investments that do not fall under "financial assets at fair value through profit and loss" or "held-to-maturity" categories. These 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.

Sale and Repurchase Agreements (Repo/Reverse Repo)

The securities sold subject to repurchase agreements (repo) are retained in the financial statements as investment and the counter party liability is included in borrowing from financial institutions. Similarly the securities purchased under agreement to resell (reverse repo) are included in short term placements.

Investment in Associates

Investments in associates, where the company can exercise significant influence; has intention and ability to hold the investment for more than twelve months of acquisition and are not held for sale are accounted for using the equity method of accounting (Note 4.1.3). Impairment in value, if any, is provided for.

Investment in Subsidiaries

Investments in subsidiaries are stated at cost.

4.6 Term Finances

Term finances originated by the company are stated at cost less provision, if any, determined on the basis of Prudential Regulations for NBFs issued by Securities and Exchange Commission of Pakistan.

4.7 Fixed Assets and Depreciation

Property, Plant and Equipments - Tangible

(a) Owned Assets

Fixed assets are stated at cost/revalued amount less accumulated depreciation and impairment loss, if any, except freehold land which is stated at revalued amount. Depreciation is charged to income applying reducing balance method using the rate specified in Note 19.

In respect of acquisition and disposal of an asset during the year; depreciation is charged from date of acquisition and up to the date of disposal respectively.

In respect of fixed assets kept by the employees, depreciation is charged to income applying the straight-line method from the month in which the asset is put to use up to the month in which disposal is made.

Maintenance and normal repairs are charged to profit and loss account as incurred. Subsequent to initial recognition, expenditure on fixed assets is capitalized only when the expenditure improves the condition of asset beyond its originally assessed standard of performance.

Gains and losses on disposal of fixed assets, if any, are included in income currently. However, gains on sale and leaseback transaction that results in a finance lease, is deferred and amortized over the lease term.

(b) Assets subject to Finance Leases

These are stated at the lower of present value of minimum lease payments and fair value of assets acquired on lease. Assets so acquired are depreciated over its useful life. Financial charges are allocated to accounting periods in a manner so as to produce a constant periodic rate of charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

(c) Assets on Operating Leases

Operating lease assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to income applying straight line method over its estimated useful life. In respect of acquisition and disposal of an asset during the year, depreciation is charged from date of acquisition and up to the date of disposal respectively.

Intangible

Intangible assets are stated at cost less accumulated amortization by taking into consideration the estimated useful life.

4.8 Revenue Recognition

Finance leases

The company follows the 'financing method' in accounting for recognition of lease income.

At the commencement of a lease, the total unearned lease income consists of the excess of aggregate lease contract receivables over the cost of the lease equipment. Initial direct cost of finance leases are included in the initial measurement of the finance lease receivable and recognized as income over the lease term (Note 4.1.1). Unearned lease income is taken into income over the term of the lease, applying the annuity method, so as to produce a systematic return on the net investment.

Other lease related income is recognized as income when realized.

Income from operating leases

Rental income from assets given on operating lease is recognized on accrual basis over the lease period.

Income from securities and other sources

Return on deposits and securities is recognized on a time proportion basis.

Markup on short and long-term finances is recognized on a time proportion basis taking into account the principal outstanding and applicable rates of profit. Markup on non-performing finances is suspended, where necessary and recognized on receipt basis.

Markup on investment in continuous funding system is recognized on time proportion basis.

Dividend income from ordinary shares is recognized when the right to receive dividend has been established.

The difference between sale and repurchase price of securities in case of repo/ reverse repo transactions is treated as markup/ return earned and expensed over the period of repo and reverse repo transaction.

Fee, commission and income from advisory and other services is recorded when earned.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

4.9 Allowances for Doubtful Balances and Potential Lease Losses

The allowance for doubtful balances and potential lease losses is classified into specific and general provision categories and are maintained at a level, which in the judgment of the management is sufficient to provide and is reasonably anticipated. The adequacy of allowance is assessed through various factors such as regulatory requirements, nature and characteristics of the obligator; delinquencies and present value of future cash flows expected to be received, historical loss experience etc. (Note 4.1.2)

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

4.10 Borrowing Costs

Borrowing costs are charged to income as and when incurred.

4.11 Foreign Exchange Transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain/loss is charged to current year's income.

4.12 Cash and Cash Equivalents

Cash and cash equivalents comprises of cash in hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.13 Off-Setting of Financial Assets and Financial Liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and also intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Corresponding income on financial asset and charge on financial liability is also set-off.

4.14 Related Party Transactions

All transactions with the related parties are at arm's length price measured under both Comparable Uncontrolled Price and Cost Plus Methods wherever appropriate.

4.15 Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets for indications of impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

5 CASH AND BALANCES WITH CENTRAL BANK

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Cash in hand		-	128,394
Balance with State Bank of Pakistan		1,917,748	94,226
		1,917,748	222,620
6 PLACEMENTS WITH OTHER BANKS			
Current accounts		17,928,836	15,667,146
Deposit accounts	6.1	28,585,555	2,732,273
		46,514,391	18,399,419

6.1 This represents profit and loss sharing deposits with commercial banks and carry mark up at the rate from Rupee 0.05 to Rupee 0.14 (June 30, 2005: Rupee 0.05 to Rupee 0.14) per Rupees 1,000 per day.

CRESCENT LEASING CORPORATION LIMITED

7 TERM DEPOSITS CERTIFICATES

This represents short-term deposits with a commercial bank and carry mark-up at the rate of Rupee 0.19 (2005: NIL) per Rupees 1,000 per day for a period upto one month.

8 OTHER MONEY MARKET PLACEMENTS

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Secured			
Related Party		-	190,000,000
Others	8.1	50,000,000	65,000,000
		50,000,000	255,000,000
Un-Secured			
Related Parties		-	165,000,000
Others	8.2	40,000,000	57,500,000
		40,000,000	222,500,000
		90,000,000	477,500,000

8.1 This represents short-term placement of Rupees 50 million with a commercial bank at the mark-up rate of Rupee 0.24 (2005: Rupee 0.49) per Rupees 1,000 per day and is secured against government securities.

8.2 This represents short-term placements with a NBFC and carry mark-up at the rate ranging from Rupee 0.38 to Rupee 0.39 (2005: Rupee 0.37 to Rupee 0.40) per Rupees 1,000 per day.

9 FINANCES UNDER MUSHARIKA ARRANGEMENTS - SECURED

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Musharika Arrangements		95,000,000	-
Less: Provision		(35,000,000)	-
		60,000,000	-

This represents amount invested with Crescent Standard Investment Bank Limited (CSIBL), under musharika arrangement effective from July 01, 2005 on profit and loss sharing basis. CSIBL has provided 25 numbers bearer allotment certificates of Plots at Defence Housing Authority, Phase-II, Extension, Islamabad as collateral. As per independent valuation, the value of these plots was Rupees 60 million as on May 17, 2006. Provision of Rupees 35 million has been made in the light of independent valuation.

10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good:			
To staff	10.1	1,409,460	2,231,068
Against expenses		2,282,074	827,078
Against purchase of assets		18,674,970	90,056,214
Less: Provision		(3,000,000)	-
		15,674,970	90,056,214
Advance tax - net of provision		2,011,572	13,926,642
		21,378,076	107,041,002
Security deposit		-	5,000,000
Prepayments		2,969,573	3,340,491
Mark-up receivable on placements, finances and securities		7,095,973	17,746,165
Receivable against sale of investments		33,017,075	4,549,975
Other receivables	10.2	105,581,513	39,338,567
		170,042,210	177,016,200

CRESCENT LEASING CORPORATION LIMITED

10.1 Aggregate amount due from the executives is Rupees 0.239 million (2005: Rupees 0.808 million). Maximum amount due from executives at the end of any month during the year aggregated to Rupees 0.717 million (2005: Rupees 1.08 million).

10.2 This includes Rupees 55.571 million on account of payment made by the company on behalf of Crescent Standard Business Management (Private) Limited (CSBM) for purchase of 27% shares of Universal Leasing Corporation Limited (ULCL). CSBM was joint bidder along with the company for 51% acquisition of ULCL from EOBI. The 27% shares of ULCL are held by the company in a CDC account marked "CDC Pledgee Account". Subsequent to balance sheet date, due to inability of CSBM to settle the amount permission has been sought from Securities and Exchange Commission of Pakistan for conversion of this receivable into investment of the company. Securities and Exchange Commission of Pakistan's response in this regard is still awaited.

11 REVERSE REPO AGAINST SHARES

These represent amount disbursed against purchase and resale arrangements of shares (reverse repo) receivable within 13 days and carry mark-up at the rate of Rupee 0.45 (2005: Rupee 0.41 to Rupee 0.63) per Rupees 1,000 per day.

12 SHORT-TERM INVESTMENTS

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Financial Assets at Fair Value through Profit and Loss			
Ordinary shares	12.1	4,266,790	16,346,542
Mutual funds	12.2	-	4,899,500
Federal government securities	12.3	-	129,285,139
		4,266,790	150,531,181
Available for Sale Investments			
Ordinary shares	12.4	103,795,754	87,817,097
Term finance certificates	12.5	14,693,442	30,475,000
Mutual funds	12.6	30,643,922	41,587,751
Preference shares	12.7	48,968,450	75,632,425
		198,101,568	235,512,273
		202,368,358	386,043,454

12.1 Financial Assets at Fair Value through Profit and Loss - Ordinary Shares

June 30, 2006	June 30, 2005	Name of Company	June 30, 2006	June 30, 2005
No. of Ordinary Shares			Rupees	
<i>Listed</i>				
239,150	616,650	Southern Electric Power Company Limited	6,492,142	10,302,990
-	176,500	Asian Leasing Company Limited	-	968,407
104,000	104,000	Kohinoor Energy Limited	3,739,820	3,739,820
-	85,960	Pak Suzuki Motor Company Limited	-	10,246,473
			10,231,962	25,257,690
		Provision against capital market fluctuations	(5,965,172)	(8,911,148)
			4,266,790	16,346,542

Shares valuing Rupees 4,266,790 (2005: NIL) are pledged with commercial banks against running finance facilities.

12.2 Financial Assets at Fair Value through Profit and Loss - Mutual Funds

June 30, 2006	June 30, 2005	Name of Fund	June 30, 2006	June 30, 2005
No. of Ordinary Shares			Rupees	
<i>Close-End</i>				
-	410,000	Pakistan Capital Market Fund	-	4,074,498
		Add: Surplus on revaluation	-	825,002
			-	4,899,500

CRESCENT LEASING CORPORATION LIMITED

12.3 Financial Assets at Fair Value through Profit and Loss

	June 30, 2006 Rupees	June 30, 2005 Rupees
<i>Federal Government Securities</i>		
Pakistan Investment Bonds	-	155,786,999
Less: Provision against money market fluctuations	-	(26,501,860)
	-	129,285,139

12.4 Available for Sale Investments - Ordinary Shares

June 30, 2006 No. of Ordinary Shares/Certificates	June 30, 2005	Name of Company / Modaraba	June 30, 2006 Rupees	June 30, 2005 Rupees
		<i>Listed</i>		
140,000	-	PIIC Commercial Bank Limited	5,597,791	-
-	2,000	Asian Leasing Company Limited	-	11,300
1,129,500	1,069,500	Southern Electric Power Company Limited	13,268,383	12,160,215
500,000	500,000	First Equity Modaraba	10,894,474	10,894,474
-	145,000	Kot Addu Power Company Limited	-	6,800,914
727,500	1,100,000	Hub Power Company Limited	43,069,095	49,850,284
303,000	56,000	Crescent Standard Investment Bank Limited	3,843,788	910,216
96,000	96,000	Kohinoor Energy Limited	2,001,584	2,651,520
10,000	7,500	Fauji Fertilizers Company Limited	1,301,604	984,693
-	385,000	Bosicor Pakistan Limited	-	6,857,080
255,768	-	Shakarganj Mills Limited	14,290,564	-
-	358,500	Dewan Farooq Spinning Mills Limited	-	3,506,960
-	5,000	National Refinery Limited	-	1,791,679
-	145,700	Atlas Investment Bank Limited	-	3,847,584
-	50,000	Pioneer Cement Limited	-	1,025,352
-	63,800	Pak Suzuki Motor Company Limited	-	9,173,802
125,000	-	Zeal Pak Cement Factory Limited	1,389,548	-
489,116	-	Eye Television Network Limited	4,891,656	-
235,000	-	Pakistan Telecommunication Limited	10,716,035	-
10,000	-	Engro Chemicals Limited	1,812,519	-
24,000	-	First Fidelity Leasing Modaraba	178,718	-
240,000	-	English Leasing Limited	1,704,691	-
3,148,667	-	Altern Energy Limited	23,614,999	-
60,000	-	Fauji Fertilizers Bin Qasim Limited	1,847,088	-
130,000	-	Bank Islami Pakistan Limited	2,523,703	-
75,500	-	Ghandhara Nissan Limited	3,070,082	-
550	-	D.G. Khan Cement Company Limited	-	-
545	-	Worldcall Telecom Limited	-	-
		<i>Un-Listed</i>		
130,000	100,000	Central Depository Company of Pakistan Limited	14,001,400	14,001,400
		Deficit on revaluation	160,017,722	124,467,473
			(56,221,968)	(36,650,376)
			103,795,754	87,817,097

Listed shares valuing Rupees 55,083,225 (2005: Rupees 65,000,000) are pledged with commercial banks against running finance facilities.

CRESCENT LEASING CORPORATION LIMITED

12.5 Available for Sale Investments - Term Finance Certificates

June 30, 2006 No. of Certificates of Rupees 5,000 each	June 30, 2005	Name of Company	June 30, 2006 Rupees	June 30, 2005 Rupees
		Listed		
660	660	Sitara Chemicals Industries Limited Mark-up rate: Profit and loss sharing basis Issue date: June 20, 2002 Tenure: 5 years	1,926,265	3,300,000
2,000	2,000	Al-Noor Sugar Mills Limited Mark-up rate: 12 % Issue date: August 20, 2004 Tenure: 3 years	7,500,500	10,000,000
		Un-Listed		
-	600	Associated Undertakings Crescent Steel and Allied Products Limited	-	3,000,000
4,000	4,000	Crescent Commercial Bank Limited Mark-up rate: 7% Issue date: October 23, 2003 Tenure: 3 years	4,997,000	14,993,000
			14,423,765	31,293,000
		Surplus/(Deficit) on revaluation	269,677	(818,000)
			14,693,442	30,475,000

The above TFCs are redeemable in semi-annual installments. TFCs valuing Rupees 2 million are pledged with the trustees of term finance certificates issued by the company.

12.6 Available for Sale Investments - Mutual Funds (Listed)

June 30, 2006 No. of Units / Ordinary Shares	June 30, 2005	Name of Fund	June 30, 2006 Rupees	June 30, 2005 Rupees
		Open-End		
-	240,336	N.I.T.	-	10,000,000
10,000	10,000	Atlas Stock Market Fund	5,000,000	5,000,000
		Close-End		
-	1,704,500	Pakistan Capital Market Fund	-	19,586,705
175,000	170,000	Pak Premier Fund Limited	2,715,764	2,476,298
232	500,232	Abamco Composite Fund	-	4,907,250
1,600,000	-	Safeway Mutual Fund Limited	24,994,499	-
			32,710,263	41,970,253
		Deficit on revaluation	(2,066,341)	(382,502)
			30,643,922	41,587,751

CRESCENT LEASING CORPORATION LIMITED

12.7 Available for Sale Investments - Preference Shares (Cumulative)

June 30, 2006	June 30, 2005	Name of Company	Note	June 30, 2006	June 30, 2005
No. of Shares				Rupees	
<i>Listed</i>					
72,500	72,500	Nagina Cotton Mills Limited Rate of preference dividend: 13% Term of redemption: Redeemable within 5 years of allotment		416,271	416,271
1,000,000	1,000,000	Security Leasing Corporation Limited Rate of preference dividend: 9.1% Term of redemption: Redeemable after 2 and half years of issue date	12.7.1	10,700,000	10,700,000
-	1,225,240	Shakarganj Mills Limited		-	12,253,625
1,478,000	1,478,000	D.G. Khan Cement Company Limited Rate of preference dividend: 10% Term of redemption: Convertible in to non-voting ordinary shares after four years of issue	12.7.1	17,517,738	17,517,738
-	1,000,000	Natover Lease and Refinance Limited		-	12,925,630
1,500,000	1,500,000	Chenab Limited Rate of preference dividend: 9.25% Term of redemption: Non-Redeemable	12.7.1	15,000,000	15,000,000
<i>Un-Listed</i>					
100,000	-	Cyber Soft Technology Limited Rate of preference dividend: 13.44% Term of redemption: Redeemable after 12 months in multiples of 10%		10,000,000	-
-	1,000,000	Jamshoro Joint Venture Limited		-	10,000,000
				53,634,009	78,813,264
				(4,665,559)	(3,180,839)
				48,968,450	75,632,425
				Deficit on revaluation	

12.7.1 These preference shares were subsequently settled in July 2006 against borrowing from Pak Kuwait Investment Company Ltd. on market value prevailing on the date of settlement along with accrued mark-up.

12.8 Face value of all shares/certificates is Rupees 10 each except preference shares of Cyber Soft Technology Limited face value of which is Rupees 100 each.

12.9 The company had provided a financing facility of Rupees 50 million in April 2006 to Crescent Standard Investment Bank Limited (CSIBL) against pledge of certain listed shares. Consequent to default by CSIBL, the facility was adjusted through sale of pledged shares. However, shares valuing Rupees 8.103 million have still been retained by the company till final settlement of other outstanding balances of CSIBL.

13 SHORT-TERM FINANCES (SECURED) - CONSIDERED GOOD

These represent short-term finances receivable within a year and carry mark-up ranging from Rupee 0.37 to Rupee 0.50 (2005: Rupee 0.30 to Rupee 0.42) per Rupees 1,000 per day. These are secured against registered charge on assets of the customers, pledge/hypothecation of stocks and collateral in certain cases.

14 LONG-TERM FINANCES (SECURED) - CONSIDERED GOOD

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
To customers	14.1	203,373,476	215,809,406
To employees	14.2 & 14.3	8,440,066	5,644,832
		211,813,542	221,454,238
Less: Current maturity		(100,955,368)	(126,554,000)
		110,858,174	94,900,238

14.1 These represent long-term finances to various customers and carry mark-up at the rate ranging from Rupee 0.20 to Rupee 0.45 (2005: Rupee 0.20 to Rupee 0.48) per Rupees 1,000 per day. These are secured against registered charge on assets of the customers, pledge/hypothecation of stocks and collateral in certain cases.

CRESCENT LEASING CORPORATION LIMITED

14.2 Movement during the year

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Opening balance		5,644,832	5,150,560
Add: Loans disbursed during the year		3,625,000	1,579,000
		9,269,832	6,729,560
Less: Repayments during the year		(829,766)	(1,084,728)
Closing balance		8,440,066	5,644,832

14.3 Loans to employees represent house loans in accordance with the house building facility for employees. The loans are repayable upto 240 monthly installments and carry a variable mark-up rate based on State Bank of Pakistan discount rate prevailing on the last day of a calendar year minus 400 bps with a minimum of 5% per annum. The loan is secured by equitable mortgage on the property by depositing the title documents of the property with the company.

Maximum house loan due from executives at the end of any month during the year aggregate to Rupees 8.894 million (2005: Rupees 3.661 million).

15 NET INVESTMENT IN FINANCE LEASES

		Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Lease contract receivables			3,122,342,107	2,716,247,745
Add: Residual value			1,182,464,837	909,177,086
Gross lease contract receivables			4,304,806,944	3,625,424,831
Less: Unearned finance income			(558,694,584)	(410,439,988)
Net Investment in finance leases			3,746,112,360	3,214,984,843
Allowance for potential lease losses	- General	15.1	43,973,308	41,038,321
	- Specific	15.2	42,805,096	34,324,783
			86,778,404	75,363,104
			3,659,333,956	3,139,621,739
Current maturity			1,122,584,020	1,114,916,290
Long-term portion			2,536,749,936	2,024,705,449
			3,659,333,956	3,139,621,739
15.1 Movement during the year - General Provision				
Opening balance			41,038,321	48,778,750
Charged during the period			2,934,987	15,378,725
			43,973,308	64,157,475
Reversals/Settlements			-	(23,119,154)
			43,973,308	41,038,321
15.2 Movement during the year - Specific Provision				
Opening Balance			34,324,783	25,106,710
Charged during the period			11,118,329	9,422,259
			45,443,112	34,528,969
Reversals/Settlements			(2,638,016)	(204,186)
			42,805,096	34,324,783

According to Regulation No. 5 of Part III of the Prudential Regulations for NBFCs, income suspension is required in case of medium and long-term facilities where rentals are outstanding for more than 180 days and in case of short term facilities where rentals are outstanding for more than 90 days. However, the company has suspended income where rentals are overdue for more than 90 days on short, medium and long-term facilities. Overdues as at balance sheet date were Rupees 197,150,111 (2005: Rupees 192,879,082).

CRESCENT LEASING CORPORATION LIMITED

15.3 The above net investment is due as follows:

	2006			2005		
	Gross Lease Contract Receivables	Unearned Finance Income	Net Investment	Gross Lease Contract Receivables	Unearned Finance Income	Net Investment
	Rupees					
Not later than one year	1,361,282,685	195,893,569	1,165,389,116	1,352,219,868	202,978,795	1,149,241,073
Later than one year but not later than five years	2,943,524,259	362,801,015	2,580,723,244	2,273,204,963	207,461,193	2,065,743,770
	4,304,806,944	558,694,584	3,746,112,360	3,625,424,831	410,439,988	3,214,984,843

The company has entered into various lease agreements with different parties having mark-up return ranging from Rupee 0.21 to Rupee 0.79 (2005: Rupee 0.21 to Rupee 0.79) per Rupees 1,000 per day. The lease agreements are usually for a period of three to five years. Generally lease assets are held as securities. In certain instances, the company has also obtained additional securities.

16 LONG-TERM INVESTMENTS

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Investment in subsidiary	16.1	49,396,900	16,425,955
Held to maturity investments	16.2	-	18,635,845
		49,396,900	35,061,800
16.1 Investment in Subsidiary:			
<i>Listed - at cost</i>			
Universal Leasing Corporation Limited	16.1.1	49,396,900	15,731,237
5,040,500 (2005: 1,943,900) ordinary shares of Rupees 10 each			
Percentage of shareholding : 24% (2005: 9.26%)			
Place of incorporation: Pakistan			
Principal activity: Leasing Finance			
Name of Chief Executive Officer: Syed Shahnawaz A. Rizvi			
Market value as at June 30, 2006: Rupees 35,283,500			
Surplus on revaluation of investment		-	694,718
		49,396,900	16,425,955

16.1.1 On December 05, 2005, the company along with its associate bidder Crescent Standard Business Management (Private) Limited acquired 51% shareholding of Universal Leasing Corporation Limited (ULCL) together with the management rights of ULCL through a competitive bidding process initiated by Employees Old Age Benefits Institution. Since the company has acquired controlling stake in ULCL together with the management rights through nomination of four directors on the Board of ULCL including the Chief Executive Officer, ULCL has been classified as a subsidiary of the company. Results of ULCL from the acquisition date are, therefore, being merged and presented in the consolidated financial statements. In accordance with the provisions of IAS - 27 investment in ULCL is shown at cost in these financial statements. The company has intention to merge ULCL with and into Crescent Leasing Corporation Limited for which principle approval has already been given by the board of directors of both the companies.

16.2 HELD TO MATURITY INVESTMENTS:

<i>Term Finance Certificates - Unlisted</i>			
Dewan Cement Limited - TFC Series A	16.2.1	-	29,998,845
Dewan Cement Limited - TFC Series B	16.2.2	3,901,292	13,004,308
		3,901,292	43,003,153
Less: Current maturity		-	4,863,000
		3,901,292	38,140,153
Less: Provision		(3,901,292)	(19,504,308)
		-	18,635,845

CRESCENT LEASING CORPORATION LIMITED

16.2.1 Dewan Cement Limited - TFC Series A were sold during the year to an investment bank at a discount of 15% on outstanding value resulting in a loss of Rupees 3.7 million recognized in these financial statements.

16.2.2 During the year 2005, Dewan Cement Limited (formerly Pakland Cement Limited) was acquired by Dewan Mushtaq Group. After negotiations with the TFC holders, final settlement was made at 30% of outstanding TFC value of series B. Accordingly, book value of TFCs series B has been reduced to 30% with simultaneous reduction of related provision. The rescheduled amount of TFCs series B will be paid over a period of two years commencing from July 2011 in 4 semi-annual installments and will not carry any profit.

17 INVESTMENT IN ASSOCIATES

<i>Note</i>	June 30, 2006	June 30, 2005
	Rupees	Rupees
Listed - at cost:		
International Housing Finance Limited 6,697,125 (2005: 5,953,500) ordinary shares of Rupees 10 each	70,759,299	70,759,299
Percentage of shareholding: 14.84% (2005: 14.84%) Place of incorporation: Pakistan Principal activity: Housing Finance Name of Chief Executive Officer: Mr. Manzurul Haq Market value as at June. 30, 2006: Rupees 43,531,313		
Pakistan Industrial and Credit Investment Corporation Limited 360,000 (2005: 232,567) ordinary shares of Rupees 10 each	21,522,242	13,985,078
Percentage of shareholding: 0.10% (2005: 0.074%) Place of incorporation: Pakistan Principal activity: Investment Financing Name of Managing Director: Mr. Muhammad Ali Khoja Market value as at June. 30, 2006: Rupees 15,300,000		
Crescent Commercial Bank Limited 370,000 (2005: NIL) ordinary shares of Rupees 10 each Percentage of shareholding: 0.13% (2005: NIL) Place of incorporation: Pakistan Principal activity: Commercial Banking Name of Chief Executive Officer: Mr. Shahzad Naqvi Market value as at June. 30, 2006: Rupees 3,237,500	5,170,344	-
	97,451,885	84,744,377

17.1 Basis of significant influence

Name of Associate	Basis of Significant Influence
International Housing Finance Limited	Common directorship
Pakistan Industrial Credit and Investment Corporation Limited	Common directorship
Crescent Commercial Bank Limited	Common directorship

17.2 Summarized financial information of associates

Associate	Latest Available Accounts	Total Assets	Total Liabilities	Revenue	Net Profit / (Loss)
	 Rupees			
International Housing Finance Limited	Nine months ended March 31, 2006	1,191,289,000	539,064,000	1,118,669,000	24,408,000
Pakistan Industrial Credit and Investment Corporation Limited	Half year ended June 30, 2006	40,216,553,000	32,096,684,000	2,907,572,000	844,980,000
Crescent Commercial Bank Limited	Half year ended June 30, 2006	9,219,437,000	7,204,603,000	307,711,000	(109,877,000)

CRESCENT LEASING CORPORATION LIMITED

18 ASSETS ACQUIRED IN SATISFACTION OF FINANCES PROVIDED

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
DA Country and Golf Club Membership Seats	18.1	125,000,000	-
Property in Executive Tower, Clifton, Karachi	18.2	105,000,000	-
		230,000,000	-

18.1 This represents investment in exclusive rights of 114 Platinum Memberships of DA Country and Golf Club at Rupees 1.100 million per membership acquired in settlement of a liability owed by Crescent Standard Investment Bank Limited amounting to Rupees 125 million.

18.2 A facility of Rupees 100 million was provided to Crescent Standard Investment Bank Limited (CSIBL) in April, 2006 against security of a property situated at 6th Floor of Executive Tower, Clifton, Karachi. The amount was settled by transfer of above property in the name of the Company. As per independent valuation, the market value of the property as at May 09, 2006 was Rupees 105.300 million.

19 FIXED ASSETS

PARTICULARS	COST/REVALUED AMOUNT				DEPRECIATION/AMORTIZATION			WRITTEN DOWN VALUE AS AT JUNE 30, 2006	RATE OF DEPRECIATION/AMORTIZATION
	As on July 1, 2005	Addition/ (Deletion)	Revaluation	As at June 30, 2006	As on July 1, 2005	Charge for the Year/ (On Deletion)	As at June 30, 2006		
	Rupees								% per annum
Property, Plant and Equipment - Tangible Owned									
Land - Leasehold	6,662,500	77,000,000 (77,000,000)	13,337,500	20,000,000	-	-	-	20,000,000	
Office premises - Leasehold	134,193,981	92,072,537 (75,120,324)	3,312,500	154,458,694	10,784,742	5,529,994 (4,676,789)	11,637,947	142,820,747	5
Furniture and fixtures	15,152,018	6,023,601 (3,513,892)	-	17,661,727	3,396,636	2,008,822 (464,133)	4,941,325	12,720,402	15, 25, 33.33
Motor vehicles	13,294,813	11,020,283 (2,051,500)	-	22,263,596	2,614,417	3,841,875 (1,327,780)	5,128,512	17,135,084	20 & 33.33
Office equipments	16,505,292	16,818,060 (68,000)	-	33,255,352	6,682,509	4,132,030 (12,266)	10,802,273	22,453,079	15 & 33.33
Sub Total	185,808,604	202,934,481 (157,753,716)	16,650,000	247,639,369	23,478,304	15,512,721 (6,480,968)	32,510,057	215,129,312	
Leased									
Motor Vehicles	5,904,375	-	-	5,904,375	2,213,622	1,127,458	3,341,080	2,563,295	20 & 33.33
Generator	-	85,000,000	-	85,000,000	-	2,125,000	2,125,000	82,875,000	10
Sub Total	191,712,979	287,934,481 (157,753,716)	16,650,000	338,543,744	25,691,926	18,765,179 (6,480,968)	37,976,137	300,567,607	
Operating Lease									
Equipments	58,582,203	32,885,799 (85,499,942)	-	5,968,060	13,277,820	4,958,235 (18,154,702)	81,353	5,886,707	10
Intangible									
Computer software and licenses	933,626	1,050,000	-	1,983,626	23,635	390,587	414,222	1,569,404	33.33
2006	251,228,808	321,870,280 (243,253,658)	16,650,000	346,495,430	38,993,381	24,114,001 (24,635,670)	38,471,712	308,023,718	
2005	133,146,905	58,517,612 (6,948,479)	66,512,770	251,228,808	25,717,275	16,730,641 (3,454,535)	38,993,381	212,235,427	

CRESCENT LEASING CORPORATION LIMITED

19.1 Disposal of Fixed Assets

Description	Cost/ Revalued Amount	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (Loss) on Disposal	Revaluation Surplus Realized	Mode of Disposal	Sold to
Rupees '000'								
Land and building	93,894,680	264,529	93,630,151	115,000,000	21,369,849	-	Negotiation	BRR International Modaraba
Office premises	58,225,644	4,412,260	53,813,384	56,000,000	2,186,616	27,804,490	Negotiation	Fidelity Capital Management (Pvt) Ltd.
Furniture & fixture	3,398,892	427,883	2,971,009	2,900,000	(71,009)	-	Negotiation	Fidelity Capital Management (Pvt) Ltd.
Motor vehicle	1,204,500	1,084,050	120,450	120,450	-	-	Company policy	Employee
Motor vehicle	847,000	243,730	603,270	726,925	123,655	-	Company policy	Employee
Furniture & fixture	75,000	31,250	43,750	43,750	-	-	Company policy	Employee
Furniture & fixture	40,000	5,000	35,000	35,000	-	-	Company policy	Employee
Office equipment	68,000	12,266	55,734	68,000	12,266	-	Negotiation	Various Individuals
Generator	85,499,942	18,154,702	67,345,240	85,000,000	17,654,760	-	Sales & Lease Back	Standard Chartered Modaraba (Note 19.5)
	243,253,658	24,635,670	218,617,988	259,894,125	41,276,137	27,804,490		

19.2 Depreciation has been allocated as follows:

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Direct cost of operating leases		4,958,235	7,636,776
Administrative and operating expenses	36	19,155,766	9,093,865
		24,114,001	16,730,641

19.3 During the year 2005 the Company revalued its office premises resulting in a surplus of Rupees 66,512,770. The fixed assets were revalued by M/s. MYK Associates (Private) Limited as of May 16, 2005 on prevailing market value basis. Further on December 31, 2005, the company again revalued its land and office premises which resulted in surplus of Rupees 22.028 million. However, since a revaluation of office premises was also carried out in May 2005 and results were incorporated in books of account, therefore based on this revaluation exercise, revaluation surplus amounting to Rupees 16.650 million of land and office premises acquired during the year has been incorporated in the books of account. The revaluation was carried out by an independent valuer M/s. MYK Associates (Private) Limited, an approved valuer of Leasing Association of Pakistan on prevailing market value basis. Had there been no revaluation, the cost, accumulated depreciation and book value of land and office premises would have been as follows as on June 30, 2006:

	Cost Rupees	Accumulated Depreciation Rupees	Book Value Rupees
Land	6,662,500	-	6,662,500
Office Premises	119,994,694	9,443,581	110,551,113

19.4 During the year the management has carried out a review of the estimated useful life of its operating lease assets viz-a-viz industry standards. Based on such review, the estimated useful life of these assets has been revised from 6.7 years to 10 years. Had there been no change in the estimated useful life of the above-mentioned assets the profit before taxation for the year would have been lower by Rupees 3.07 million.

19.5 During the year the company entered into a sale and lease back agreement with Standard Chartered Modaraba for lease financing of generators. For this purpose the fair market value of these equipments was determined by independent valuer listed on panel of Leasing Association of Pakistan. Excess of sale proceeds over the carrying amount recognized as deferred revenue in these financial statements and would be amortized over the lease period.

19.6 For assets subject to finance lease - generators having a lease term of three years, depreciation is charged based on their estimated useful life of ten years as the company intends to exercise its option to purchase these assets upon completion of their lease terms.

20 CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Advance lease rentals		1,307,364	2,629,511
Accrued liabilities		19,839,283	17,768,350
Mark-up payable on secured borrowings		62,368,934	37,311,033
Mark-up payable on unsecured borrowings		18,743,519	15,468,178
Payable against purchase of investments		29,320,088	1,732,469
Received against termination of leases		19,241,305	706,865
Unclaimed dividend		194,769	407,877
Other liabilities		75,034,052	18,880,365
		226,049,314	94,904,648

21 BORROWINGS FROM FINANCIAL AND OTHER INSTITUTIONS - SHORT-TERM

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Secured			
From commercial bank	21.1	50,000,000	65,000,000
From commercial banks	21.2	95,000,000	-
From modaraba	21.3	48,000,000	-
Running finances under mark-up arrangement	21.4	183,194,663	351,373,644
Unsecured			
From commercial banks	21.5	245,000,000	375,000,000
From investment banks	21.6	120,930,208	75,000,000
From investment companies		-	264,000,000
Others		-	25,000,000
		742,124,871	1,155,373,644

21.1 This represents finance facility under repurchase agreement carrying mark-up at the rate of Rupee 0.24 (2005: Rupee 0.38) per Rupees 1,000 per day. This is secured against government securities.

21.2 This represents finance facility availed under clean placement deal carrying mark-up at the rate of Rupee 0.33 (2005: NIL) per Rupees 1,000 per day. This is secured against ranking charge over all present and future leased assets and related receivables.

21.3 This represents morabaha finance facility carrying mark-up at the rate of Rupee 0.32 (2005: NIL) per Rupees 1,000 per day. This is secured against first pari-passu charge on all present and future long-term loan portfolio receivables.

21.4 Running finance facilities available to the company aggregating to Rupees 400 million (2005: Rupees 400 million) on yearly renewal basis carrying mark-up at the rate from Rupee 0.29 to Rupee 0.37 (2005: Rupee 0.24 to Rupee 0.30) per Rupees 1,000 per day. These finances are secured by way of joint pari-passu charge on all present and future leased assets of the company and its related receivables, and partially against pledge of shares amounting to Rupees 59.350 million.

21.5 This represents finance facilities carrying mark-up at the rate ranging from Rupee 0.29 to Rupee 0.36 (2005: Rupee 0.25 to Rupee 0.29) per Rupees 1,000 per day.

21.6 This represents finance facilities carrying mark-up at the rate ranging from Rupee 0.30 to Rupee 0.33 (2005: Rupee 0.28 to 0.31) per Rupees 1,000 per day.

22 OTHER BORROWINGS - SHORT-TERM AND LONG-TERM

22.1 Short-term

These are unsecured funds received from individuals at mark-up rates ranging from Rupee 0.26 to Rupee 0.31 (2005: NIL) per Rupees 1,000 per day.

22.2 Long-term

These are unsecured funds received from individuals at mark-up rates ranging from Rupee 0.29 to Rupee 0.33 (2005: NIL) per Rupees 1,000 per day.

CRESCENT LEASING CORPORATION LIMITED

23 BORROWINGS FROM FINANCIAL AND OTHER INSTITUTIONS - LONG-TERM (SECURED)

Lending Institution	Note	Mark-up per Rupees 1,000 per Day Rupee	Mode of Principal Repayment	Principal Repayment Commencing from	June 30, 2006 Rupees	June 30, 2005 Rupees
Commercial Bank	23.1	0.37	12 equal quarterly installments	August 11, 2005	66,666,666	100,000,000
Commercial Bank	23.1	0.21	6 equal semi-annual installments	February 1, 2004	16,666,667	50,000,007
Commercial Bank	23.1	0.31	6 equal semi-annual installments	October 20, 2005	66,666,668	100,000,000
Commercial Bank	23.1	0.31	6 equal semi-annual installments	June 29, 2007	400,000,000	-
Commercial Bank	23.1	0.30	8 equal semi-annual installments	January 13, 2007	250,000,000	-
Commercial Bank	23.1	0.32	6 equal semi-annual installments	June 29, 2007	100,000,000	-
Commercial Bank	23.1	0.32	6 equal semi-annual installments	June 29, 2007	50,000,000	-
Commercial Bank		0.25	On maturity	-	-	75,000,000
Investment Company		0.23	On maturity	-	-	50,000,000
Others	23.1 & 23.2	0.19	5 equal annual installments	January 1, 2005	15,000,000	20,000,000
					965,000,001	395,000,007
Less: Current maturity	28				211,250,000	104,999,998
					753,750,001	290,000,009

23.1 These finances are secured by joint pari-passu charge on all present and future leased assets and its related receivables of the company.

23.2 This represents long-term borrowing from Swiss Agency for Development and Cooperation for providing lease finance to Micro and Small Enterprises. The loan carries markup at the rate of Rupee 0.19 (2005: Rupee 0.19) per Rupees 1,000 per day payable bi-annually.

24 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The company has entered into lease agreements with various leasing companies and Standard Chartered Modaraba for financing to acquire motor vehicles and generators. Payments under these agreements include finance charges ranging from Rupee 0.19 to Rupee 0.32 (2005: Rupee 0.19 to Rupee 0.29) per Rupees 1,000 per day which are used as discounting factors and are payable in monthly and quarterly installments.

The company can exercise the purchase option by adjusting the security deposit at the expiry of the lease period. The future payments due are as follows:

	June 30, 2006			June 30, 2005		
	Minimum Lease Payment	Financial Charges Allocated to Future Periods	Present Value of Minimum Lease Payments	Minimum Lease Payment	Financial Charges Allocated to Future Periods	Present Value of Minimum Lease Payments
	Rupees					
Not later than one year	34,042,703	8,272,523	25,770,180	1,486,406	253,544	1,232,862
Later than one year and not later than five years	63,481,813	6,482,337	56,999,476	3,208,299	283,794	2,924,505
	97,524,516	14,754,860	82,769,656	4,694,705	537,338	4,157,367

25 REDEEMABLE CAPITAL - SECURED (Non-participatory)

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Term Finance Certificates - Listed	25.1	250,000,000	250,000,000
Privately Placed Term Finance Certificate-1	25.2	120,000,000	180,000,000
Privately Placed Term Finance Certificate-2	25.3	315,000,000	405,000,000
		685,000,000	835,000,000
Less: Current maturity	28	(150,000,000)	(150,000,000)
		535,000,000	685,000,000

CRESCENT LEASING CORPORATION LIMITED

- 25.1** These represent listed TFCs issued by the company on September 05, 2002. These are perpetual unless call option is exercised. Call option is available after five years from the date of issue. Profit on these TFCs is payable on semi-annual basis at a base rate plus 200 bps with a floor of 12 percent per annum and a ceiling of 15.75 percent per annum. The applicable rate as of balance sheet date for this TFC is 17.03 percent per annum (2005: 13.58 percent per annum), after taking into account Interest Rate Swap (IRS) arrangement.

Base rate is the cut-off yield on the last successful State Bank of Pakistan (SBP) auction of five years Pakistan Investment Bonds. This is secured by joint pari-passu charge on all present and future leased assets and its related receivables of the company.

An IRS arrangement has been made with a commercial bank whereby the fixed floor rate of 12 percent per annum has been assumed by the bank in exchange of variable rate based on a fixed component plus cut-off yield on six month treasury bill.

- 25.2** The principal and profit on privately placed term finance certificates issued on June 28, 2003 is payable on semi-annual basis at a base rate plus 160 bps. The applicable rate as of balance sheet date for this TFC is 6.94 percent per annum (2005: 6.94 percent per annum). Base rate is the cut-off yield on the last successful SBP auction of the 5 years Pakistan Investment Bonds. The tenor of this TFC is five years unless call option is exercised. This is secured by joint pari-passu charge on all present and future leased assets and its related receivables of the company.

- 25.3** The principal and profit on privately placed term finance certificates issued on July 10, 2004 is payable on semi-annual basis at a base rate plus 175 bps. The applicable rate as of balance sheet date for this TFC is 10.82 percent per annum (2005: 7.90 percent per annum). Base rate is the six months ASK KIBOR. The tenure of this TFC is five years unless call option is exercised. This is secured by joint pari-passu charge on all present and future leased assets and its related receivables of the company.

26 CERTIFICATES OF INVESTMENT AND DEPOSITS

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Long-term certificates of investment			
For one year or more		46,662,764	23,251,783
Less: Current maturity	28	12,930,916	6,946,644
		33,731,848	16,305,139
Short-term certificates of investment/deposits		842,711,800	889,619,635

The company has a scheme of registered Certificates of Investment (COIs) and registered Certificates of Deposits (CODs) for resource mobilization. The term of COIs ranges from three months to five years and return thereon ranges from Rupee 0.16 to Rupee 0.36 (2005: Rupee 0.15 to Rupee 0.36) per Rupees 1,000 per day. Securities and Exchange Commission of Pakistan through its letter No. SEC/NBFC-I/JD/257/2006 dated June 14, 2006 directed the company to cease the issuance of any new COIs / CODs and not to roll over the existing COIs / CODs of individual depositors. Subsequent to the balance sheet date, premature withdrawals of COIs amount to Rupees 84.6 million.

27 DEPOSITS ON FINANCE LEASES

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Security deposits on leases	27.1	1,185,906,966	908,556,762
Less: Current maturity	28	183,226,956	105,156,459
		1,002,680,010	803,400,303

- 27.1** These represent interest free security deposits received under lease contracts and are repayable/ adjustable at the expiry / termination of the respective leases.

28 CURRENT MATURITY OF LONG-TERM LIABILITIES

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Long-term borrowings	23	211,250,000	104,999,998
Redeemable capital	25	150,000,000	150,000,000
Certificates of investment	26	12,930,916	6,946,644
Deposits on finance leases	27	183,226,956	105,156,459
		557,407,872	367,103,101

29 DEFERRED REVENUE

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Deferred during the year	19.1	17,654,760	-
Amortized during the year		(1,471,230)	-
		16,183,530	-

30 SHARE CAPITAL

	June 30, 2006 Rupees	June 30, 2005 Rupees
Authorized Share Capital 100,000,000 (2005: 100,000,000) ordinary shares of Rupees 10 each	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid-up Capital		
25,460,267 (2005: 25,460,267) ordinary shares of Rupees 10 each fully paid up in cash	254,602,670	254,602,670
19,929,823 (2005: 14,886,480) ordinary shares of Rupees 10 each issued as fully paid bonus shares	199,298,230	148,864,800
	453,900,900	403,467,470

During the period 5,043,343 bonus shares were issued in the proportion of 12.5 shares for every 100 shares held.

31 DEFICIT ON REVALUATION OF INVESTMENTS

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Short-term Investments - Available for sale:			
- Ordinary shares	12.4	(56,221,968)	(36,650,376)
- Term finance certificates	12.5	269,677	(818,000)
- Mutual funds	12.6	(2,066,341)	(382,502)
- Preference shares	12.7	(4,665,559)	(3,180,839)
Long-term investments	16.1	-	694,718
		(62,684,191)	(40,336,999)

32. SURPLUS ON REVALUATION OF FIXED ASSETS

	June 30, 2006 Rupees	June 30, 2005 Rupees
Opening Balance	42,966,800	-
Surplus arised on revaluation during the year	16,650,000	66,512,770
Less: Surplus realized on assets disposed off - Net of deferred tax	(18,072,918)	(23,279,470)
Deferred tax liability related to surplus on revaluation during the year	(1,159,375)	43,233,300
	(2,582,293)	
Less: Incremental depreciation transferred to statement of changes in equity - Net of deferred tax	(1,741,107)	(266,500)
	38,643,400	42,966,800

32.1 On December 31, 2005, the company revalued its land and office premises which resulted in surplus of Rupees 22.028 million. However, since a revaluation of office premises was also carried out in May 2005 and results were incorporated in books of account, therefore based on current revaluation exercise, revaluation surplus amounting to Rupees 16.650 million of land and office premises acquired during the period has been incorporated in the books of account. The revaluation was carried out by an independent valuer M/s. MYK Associates (Private) Limited, an approved valuer of Leasing Association of Pakistan on prevailing market value basis.

33 CONTINGENCIES AND COMMITMENTS

	June 30, 2006 Rupees	June 30, 2005 Rupees
33.1 Contingencies	-	-
33.2 Commitments:		
As at balance sheet date the company has the following outstanding commitments:		
Letter of comforts for import of machinery to be leased	20,000,000	27,265,697
Commitment to participate in IPOs and term finances	-	28,500,000
Commitment in respect of sale and repurchase agreements	50,000,000	125,000,000
Commitment in respect of operating lease assets		
Within one year	1,580,700	2,148,012
Within two to five years	2,105,230	5,914,616

34 INCOME FROM INVESTMENTS

Return from short-term placements and deposits	43,306,379	30,541,706
Return from government securities, mutual funds and TFCs	8,538,922	25,661,077
Income from continuous funding system	3,564,650	-
Income from reverse repo against shares	37,879,714	-
Gain on sale of securities - Net	45,564,422	29,345,988
Dividend Income	21,471,798	26,172,556
	160,325,885	111,721,327

35 OTHER INCOME

Fee and commission	10,908,559	6,916,710
Income from advisory and other services	9,351,912	10,817,784
Gain on sale of fixed assets	51,425,867	640,576
Amortization of deferred revenue	1,471,230	-
	73,157,568	18,375,070

36 ADMINISTRATIVE AND OPERATING EXPENSES

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Salaries, allowances and benefits including remuneration of chief executive and executives	36.1 & 36.4	72,916,351	47,731,838
Staff training		374,432	383,260
Rent, rates and taxes		5,403,390	4,115,150
Traveling, conveyance and entertainment		2,750,239	2,642,609
Vehicle running		6,269,774	3,652,432
Utilities		2,678,894	1,819,076
Telephone and fax		3,731,469	2,806,619
Insurance		2,515,662	2,301,583
Operating lease rentals		2,905,142	1,339,248
Fees, subscriptions and periodicals		4,523,768	780,610
Printing and stationery		2,574,835	1,846,384
Postage, stamps and telegrams		567,498	449,329
Legal and professional charges		3,234,785	564,978
Auditors' remuneration	36.2	556,500	254,800
Repairs and maintenance		4,006,939	3,025,324
Depreciation	19.2	19,155,766	9,093,865
Systems development		350,000	285,000
Advertisement		905,839	431,826
Donations	36.3	1,750,712	822,688
Others		-	40,000
		137,171,995	84,386,619

36.1 Salaries, allowances and benefits include provision of Rupees 5.518 million for staff benefit schemes (2005: Rupees 3.2 million).

CRESCENT LEASING CORPORATION LIMITED

	June 30, 2006 Rupees	June 30, 2005 Rupees
36.2 Auditors' Remuneration		
Statutory audit fee	275,000	175,000
Special audit, reviews and certifications	245,500	59,500
Out of pocket expenses	36,000	20,000
	556,500	254,500

36.3 Donations are paid to the various organizations, as per policy approved by Board of Directors, in which none of the director of the company is interested in any capacity.

36.4 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE

	2006			2005		
	Chief Executive Officer	Executives	Total	Chief Executive Officer	Executives	Total
	Rupees					
Managerial remuneration	5,852,758	7,715,490	13,568,248	2,579,436	3,941,124	6,520,560
Housing and utility	1,935,137	3,857,757	5,792,894	1,805,605	1,970,562	3,776,167
Medical and other expenses	419,225	3,817,445	4,236,670	182,513	355,296	537,809
Company's contribution to:						
Provident fund	276,445	724,185	1,000,630	257,940	394,112	652,052
Gratuity fund	398,904	569,727	968,631	339,624	1,179,545	1,519,169
Leave fare assistance	-	576,012	576,012	563,600	328,427	892,027
Bonus	1,000,000	1,355,000	2,355,000	800,000	672,000	1,472,000
	9,882,469	18,615,616	28,498,085	6,528,718	8,841,066	15,369,784
Number of persons	1	10	11	1	3	4

The chairman, chief executive officer and executives have been provided with free use of company maintained cars. Directors were paid Rupees 190,000 (2005: Rupees 223,000) for attending board of directors / audit committee meetings during the year.

37 FINANCIAL CHARGES

	June 30, 2006 Rupees	June 30, 2005 Rupees
Mark-up on:		
Long-term borrowings and redeemable capital	172,148,337	82,298,823
Short-term borrowings	122,022,119	58,690,653
	294,170,456	140,989,476
Long-term COIs	10,733,484	6,733,248
Short-term COIs and CODs	94,926,636	36,751,405
	105,660,120	43,484,653
Running finances	35,790,167	13,167,201
Finance charges on liabilities against assets subject to finance leases	163,362	612,918
Bank and other charges	15,818,790	2,847,955
	451,602,895	201,102,203

38 CURRENT TAXATION

This represents turnover tax @ 0.5% on gross receipts basis under section 113 of the Income Tax Ordinance, 2001 due to the available tax losses including unabsorbed depreciation amounting to Rupees 1,229 million (2005: Rupees 952 million).

CRESCENT LEASING CORPORATION LIMITED

39 DEFERRED TAXATION

Deferred tax liability has been provided on the temporary differences between the carrying values of assets and liabilities and its tax base using balance sheet liability method. The liability after considering the effects of tax losses is estimated at Rupees 69.215 million (2005: Rupees 78.868 million).

39.1 Deferred taxation comprises:

Note	June 30, 2006 Rupees	June 30, 2005 Rupees
Deferred tax assets arising in respect of		
- Provision for doubtful finance/ potential lease losses	55,377,944	50,831,995
- Carry forward of income tax loss	430,231,612	333,075,907
	485,609,556	383,907,902
Deferred tax liabilities arising due to		
- Accelerated tax depreciation	(554,824,620)	(462,776,180)
Deferred tax liability	(69,215,064)	(78,868,278)

40 EARNINGS PER SHARE - BASIC

Profit after tax	Rupees	30,933,405	76,676,789
Weighted average ordinary shares	Numbers	45,390,090	40,822,440
Earnings per share	Rupees	0.68	1.88

Earnings per share for the year ended June 30, 2005 has been re-stated due to the issuance of fully paid bonus shares (Note 30). There is no dilutive effect to the basic earnings per share of the company.

41 DEFINED BENEFIT PLAN - GRATUITY FUND

41.1 The actuarial valuation carried out resulted in:

Present value of defined benefit obligation on June 30,	41.1.1	5,544,769	4,612,979
Less: Fair value of plan assets	41.1.2	(9,455,359)	(3,595,298)
Less: (Non-vested) past service cost to be recognized in later periods		-	(29,596)
Add: Unrecognized actuarial gains / (losses)	41.1.3	494,388	(504,309)
Total (asset) / liability		(3,416,202)	483,776

41.1.1 Changes in present value of defined benefit obligation

Present value of defined benefit obligation on June 30,	4,612,979	2,819,875
Interest cost for the year	415,168	225,590
Current service cost for the year	975,968	911,897
Benefits paid during the year	-	(200,993)
Actuarial (gain) / loss on present value of defined benefit obligation	(459,346)	856,610
	5,544,769	4,612,979

41.1.2 Changes in fair value of plan assets

Fair value of plan assets as on June 30	3,595,298	2,996,415
Expected return on plan assets	323,577	239,713
Contributions during the year	5,000,000	200,993
Benefits paid during the year	-	(200,993)
Actuarial gain on plan assets	536,484	359,170
	9,455,359	3,595,298

CRESCENT LEASING CORPORATION LIMITED

Note	June 30, 2006 Rupees	June 30, 2005 Rupees
41.1.3 Changes in actuarial gains / (losses)		
Unrecognized actuarial losses as at June 30	(504,309)	(6,869)
Actuarial gains / (losses) arising during the year	995,830	(497,440)
Actuarial losses charged during the year	2,867	-
	494,388	(504,309)
41.1.4 Charge for the year		
Current service cost	975,968	911,897
Interest cost	415,168	225,590
Expected return on plan assets	(323,577)	(239,713)
Actuarial losses charge	2,867	-
Past service cost charge	29,596	29,596
	1,100,022	927,370

42 SEGMENTAL ANALYSIS

The operational activities of the company are broadly categorized into two primary business segments namely leasing activities and investment / corporate finance activities.

42.1 Leasing Activities

Leasing activities include providing lease financing facilities to corporate and individual customers and operating lease activities.

42.2 Investments/ Corporate Finance Activities

Investments/corporate finance activities include money market activities, investment in government securities, capital market activities, providing short and long-term finances to corporate and other customers and arrangement / advisory services.

	2006			2005		
	Leasing	Investments/ Corporate Finance	Total	Leasing	Investments/ Corporate Finance	Total
	Rupees					
Segment revenue	418,786,307	240,137,949	658,924,256	274,930,235	141,440,263	416,370,498
Unallocated revenue			51,425,867			640,576
Total revenue			710,350,123			417,011,074
Segment results before tax and provisions	5,332,405	71,234,441	76,566,846	68,418,839	45,550,868	113,969,707
Add: Unallocated revenue			51,425,867			640,576
Less: Unallocated cost			(44,175,995)			(9,660,830)
			83,816,718			104,949,453
Provisions			(45,317,307)			(24,072,664)
Taxation			(7,566,006)			(4,200,000)
Profit after taxation			30,933,405			76,676,789
Segment assets	3,757,234,465	1,338,542,822	5,095,777,287	3,200,937,558	1,470,297,805	4,671,235,363
Unallocated assets			476,213,046			391,759,208
Total assets			5,571,990,333			5,062,994,571
Segment liabilities	3,237,461,946	1,234,774,020	4,472,235,966	2,695,988,132	1,321,609,255	4,017,597,387
Unallocated liabilities			415,488,000			367,134,737
Total liabilities			4,887,723,966			4,384,732,124
Segment depreciation	17,872,580	4,600,838	22,473,418	13,934,217	2,564,113	16,498,330
Unallocated depreciation			1,640,583			232,311
			24,114,001			16,730,641

43 RELATED PARTY TRANSACTIONS

The company has related party relationship with its associated companies, subsidiary companies, directors and executive officers.

The transactions between the company and related parties are carried out on an arm's length basis and the relevant rates are determined in accordance with the comparable uncontrolled price method and cost plus method where appropriate, except for transactions relating to employees which are based on their terms of employment.

	Pricing Method	June 30, 2006 Rupees	June 30, 2005 Rupees
Placements and deposits	Comparable Uncontrolled	1,782,000,000	1,155,000,000
Finance given under repo arrangements		-	570,000,000
Finance obtained under repo arrangements		276,500,000	100,000,000
Short-term borrowings		195,000,000	200,000,000
Mark-up received		18,824,330	18,695,247
Mark-up paid		141,782	1,736,219
Dividend received		1,030,364	553,977
Purchase of shares		64,314,862	27,973,469
Purchase of office premises		6,930,000	-
Right shares issued		-	77,862,270
Arrangement and advisory fee earned		3,500,000	300,000
Contribution to employees retirement funds		5,518,538	3,200,000
Service charges paid		947,363	1,650,626
Service charges received		-	102,000
	Cost Plus	-	-

43.1 The above represents cumulative amount of transactions during the year. Outstanding balances with associates, subsidiary and related parties have been disclosed in respective notes to the financial statements. Transactions with CSIBL is shown as related party transaction uptill September 2005 as after this period the associate relationship due to common directorship ceased to exist.

44 RISKS RELATED TO FINANCIAL INSTRUMENTS

44.1 Risk Management

44.1.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. Policies and procedure have been established by the company with the objective of protecting against unacceptable credit losses, including, review and assessment of credit worthiness of counter parties, credit approvals, establishing and monitoring limits of credit exposure, limiting transactions with specific counter-parties, obtaining collateral and guarantee requirements.

Further, the counter party credit risk is mitigated through the internal guidelines, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Prudential Regulations for NBFCs.

Concentration of credit risk may arise from exposures to a single debtor. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segment. For this purpose, the company has established the policies for credit exposure in addition to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Prudential Regulations for NBFCs.

44.1.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The company matches availability of liquid funds before committing for liabilities and also an analysis of liquid funds with maturities of liabilities due is performed periodically.

44.1.3 Market risk

Market risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices. The risk is minimized through investing in an appropriate mix of high and low risk securities and other portfolio diversification techniques.

44.1.4 Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The company is not exposed to currency risk.

44.1.5 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This includes exposure to interest rate price risk, such as monetary financial assets and financial liabilities with a fixed interest rate; exposure to interest rate cash flow risk, such as monetary financial assets and financial liabilities with a floating interest rate that is reset as market rates change; and not exposed to interest rate risk, such as some investments in equity securities.

Changes in interest rates or in the relationships between short and long-term interest rates can affect the rates charged on interest earning assets differently than the rates paid on interest bearing liabilities. This can result in an increase in interest expense relative to finance income or vice versa. The company manages the overall risk by matching its long-term assets with borrowings and ensuring that borrowings rates are kept below lease rates.

45 RISK ANALYSIS

45.1 Credit Risk

An analysis of company's credit risk exposure in respect of investment in leases as at June 30, 2006 is as follows:

	June 30, 2006		June 30, 2005	
	Rupees	%	Rupees	%
Textiles	383,601,906	10.24	179,206,470	5.57
Synthetic, garments and others	634,591,434	16.94	388,067,960	12.07
Food, tobacco and beverage	50,947,128	1.36	64,942,694	2.02
Transport and communication	557,046,908	14.87	389,656,163	12.12
Chemical, pharmaceuticals and fertilizers	37,461,124	1.00	43,402,295	1.35
Steel, engineering and automobiles	141,977,658	3.79	116,382,451	3.62
Electrical and electric goods	42,705,681	1.14	66,871,685	2.08
Financial	37,835,735	1.01	60,441,715	1.88
Energy, oil and gas	91,779,753	2.45	80,374,621	2.50
Construction	198,169,344	5.29	187,112,118	5.82
Paper and board	101,145,034	2.70	107,058,995	3.33
Healthcare	131,113,933	3.50	164,928,722	5.13
*Miscellaneous	1,337,736,722	35.71	1,366,538,954	42.51
	3,746,112,360	100.00	3,214,984,843	100.00

*Sectors below 1.5 percent have been clubbed and shown as miscellaneous.

45.2 Interest / Mark-up Rate Risk Exposure

The information about the company's exposure to interest rate risk as at June 30, 2006 based on contractual refinancing or maturity dates whichever is earlier is as follows:

	Interest / Mark-up bearing			Non-Interest /	Total
	Less than one month	One month to one year	Over one year	Mark-up Bearing	
	Rupees				
Financial Assets					
Cash and bank balances	28,585,555	-	-	19,846,584	48,432,139
Term deposit certificates	260,000,000	-	-	-	260,000,000
Money market placements	15,000,000	75,000,000	-	-	90,000,000
Finances under musharika arrangement	-	60,000,000	-	-	60,000,000
Advances, deposits and other receivables	-	-	-	165,061,065	165,061,065
Advances against leases	-	9,138,802	-	-	9,138,802
Reverse Repo against shares	50,002,875	-	-	-	50,002,875
Investments	-	63,661,892	-	285,555,251	349,217,143
Short-term finances	4,000,000	110,892,772	-	-	114,892,772
Long-term finances	3,086,018	97,869,350	110,858,174	-	211,813,542
Net investment in finance lease	265,864,907	856,719,113	2,536,749,936	-	3,659,333,956
Long-term deposit	-	-	-	11,093,176	11,093,176
2006	626,539,355	1,273,281,929	2,647,608,110	481,556,076	5,028,985,470
2005	276,612,032	1,896,988,467	2,203,241,532	456,649,980	4,833,492,011
Financial Liabilities					
Creditors, accrued and other liabilities	-	-	-	226,049,314	226,049,314
Borrowings from financial and other institutions	370,044,902	597,679,969	765,500,001	-	1,733,224,872
Certificates of investment and deposit	590,607,965	265,034,751	33,731,848	-	889,374,564
Liabilities against assets subject to finance leases	144,064	25,626,116	56,999,476	-	82,769,656
Redeemable capital	-	150,000,000	535,000,000	-	685,000,000
Deposits on finance lease	-	-	-	1,185,906,966	1,185,906,966
2006	960,796,931	1,038,340,836	1,391,231,325	1,411,956,280	4,802,325,372
2005	862,889,313	1,445,283,470	994,229,653	1,003,461,410	4,305,863,846
On balance sheet sensitivity gap	2006	(334,257,576)	234,941,093	1,256,376,785	(930,400,204)
	2005	(586,277,281)	451,704,997	1,209,011,879	(546,811,430)
Cumulative sensitivity gap	2006	(334,257,576)	(99,316,483)	1,157,060,302	
	2005	(586,277,281)	(134,572,284)	1,074,439,595	

CRESCENT LEASING CORPORATION LIMITED

45.2.1 The effective interest rates for financial assets and financial liabilities are as follows:

	Note	June 30, 2006 % per annum	June 30, 2005 % per annum
Financial Assets			
Bank balances		2 to 5	2 to 5
Term deposit certificates		7	-
Money market placements		9 to 14	18
Reverse repo against shares		16	15 to 23
Short-term investments - TFCs and preference shares		7 to 13	7 to 14
Short-term finances		13 to 18	11 to 15
Long-term finances		7 to 16	7 to 18
Net investment in finance leases		8 to 29	8 to 29
Long-term investments		-	8
Financial Liabilities			
Borrowings from financial and other institutions		7 to 13	7 to 14
Running finances under mark-up arrangement		11 to 13	9 to 11
Certificates of investment and deposit		6 to 13	6 to 13
Liabilities against assets subject to finance leases		7 to 12	7 to 11
Redeemable capital		7 to 17	7 to 13

46 FAIRVALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset could be exchanged or liability settled between knowledgeable willing parties in an arms length transaction. The carrying values of financial assets and liabilities approximates their fair values as reflected in the respective notes.

47 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors and authorized for issue on October 5, 2006.

48 GENERAL

48.1 Corresponding figures have been re-stated due to change in accounting policy of revenue recognition of finance leases (Note 4.1.1). Working capital finances amounting to Rupees 16,011,210 previously classified in net investment in finance leases and installment loans have now been reclassified as short-term finances for better presentation.

48.2 Figures have been rounded off to the nearest rupee.



S.M. Ehtishamullah
Director



Javed A. Callea
Chief Executive Officer

CRESCENT LEASING CORPORATION LIMITED (GROUP)

Consolidated Financial Statements

Auditors' Report to the Members



SYED HUSAIN ZAFAR NAVEED & CO.
CHARTERED ACCOUNTANTS

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Gulberg-II, Lahore.
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lhr@shznco.com

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of CRESCENT LEASING CORPORATION LIMITED, holding company, and its subsidiary company, UNIVERSAL LEASING CORPORATION LIMITED, as at June 30, 2006, and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of CRESCENT LEASING CORPORATION LIMITED. The financial statements of the subsidiary company were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for the subsidiary company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances and after due verification we report that:

- The auditors of subsidiary company have:
 - (i) qualified their opinion on account that the subsidiary company has not invested seventy percent of its assets in the leasing business as required under rule 13(a)(i) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
 - (ii) without qualifying their opinion, drawn attention to the facts that the subsidiary company's licence to operate as a leasing company has been granted subject to the condition that the subsidiary company would increase its equity to Rupees 200 million by December 31, 2003. Accordingly, Employees Old Age Benefit Institution has injected Rupees 50 million as subordinated loan. The subsidiary company has significantly curtailed its leasing operations and the new management has formally approved merger of the subsidiary company. Consequently, these circumstances, if continue to exist, cast doubt about the subsidiary company's ability to continue as a going concern.

In our opinion, the consolidated financial statements present fairly the financial position of CRESCENT LEASING CORPORATION LIMITED and its subsidiary company as at June 30, 2006 and the results of their operations for the year then ended, except for as stated in above paragraph.

A handwritten signature in black ink, appearing to read "Syed Husain Zafar Naveed & Co".

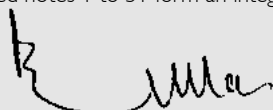
Lahore - October 05, 2006

Consolidated Balance Sheet as at June 30, 2006

	Note	June 30, 2006 Rupees
ASSETS		
Current Assets		
Cash and balances with central bank	6	1,920,217
Placements with other banks	7	61,363,706
Term Deposit Certificates	8	260,000,000
Other money market placements	9	130,000,000
Finances under musharika arrangements-secured	10	60,000,000
Advances, deposits, prepayments and other receivables	11	176,980,243
Advances against leases		9,138,802
Reverse Repo against shares	12	50,002,875
Short-term investments	13	270,057,236
Short-term finances - Secured	14	114,892,772
Assets acquired in satisfaction of finance provided	19.1	125,000,000
Current maturity of long-term finances and TFCs	15 & 17	103,993,942
Current maturity of net investment in finance leases	16	1,136,926,037
		2,500,275,830
Non-Current Assets		
Long-term finances	15	110,858,174
Net investment in finance leases	16	2,544,837,815
Long-term investments	17	18,915,223
Investment in associates	18	101,749,097
Long-term deposits		11,148,776
Assets acquired in satisfaction of finance provided	19.2	105,000,000
Fixed assets	20	393,629,606
Goodwill	21	1,149,342
		3,287,288,033
		5,787,563,863
LIABILITIES		
Current Liabilities		
Creditors, accrued and other liabilities	22	230,252,502
Borrowings from financial and other institutions	23	792,124,871
Other short-term borrowings	24	14,350,000
Certificates of investment and deposits	28	842,711,800
Current maturity of liabilities against assets subject to finance leases	26	25,770,180
Current maturity of long-term liabilities	30	564,241,748
		2,469,451,101
Non-Current Liabilities		
Borrowings from financial and other institutions	25	753,750,001
Other long-term borrowings	24	11,750,000
Liabilities against assets subject to finance leases	26	56,999,476
Redeemable capital	27	535,000,000
Certificates of investment and deposits	28	33,731,848
Deposits on finance leases	29	1,003,301,010
Deferred taxation	42	69,215,064
Deferred Liabilities		655,465
Deferred revenue	31	16,183,530
		2,480,586,394
		4,950,037,495
		837,526,368
NET ASSETS		
REPRESENTED BY :		
Issued subscribed and paid-up share capital	32	453,900,900
Reserves		248,399,798
Deficit on revaluation of investments	33	(62,684,191)
		639,616,507
Minority Interest	34	149,879,864
Surplus on revaluation of fixed assets	35	38,643,400
Share of surplus on revaluation of fixed assets in associates		9,386,597
		837,526,368

Contingencies and commitments 36

The annexed notes 1 to 51 form an integral part of these financial statements.



S.M. Ehtishamullah
Director



Javed A. Callea
Chief Executive Officer

Consolidated Profit and Loss Account for the year ended June 30, 2006

	Note	June 30, 2006 Rupees
REVENUE		
Income from finance leases		380,649,589
Income from operating leases		38,060,299
Income from Investments	37	167,428,520
Income from finances		58,859,953
Other income	38	71,648,537
		716,646,898
EXPENDITURE		
Administrative and operating expenses	39	143,215,385
Financial and bank charges	40	454,638,308
Direct Cost of Leases:		
Finance		10,848,068
Operating		26,910,447
		635,612,208
Operating profit before provisions		81,034,690
Allowance for potential lease losses		
General		2,934,987
Specific		11,164,421
		14,099,408
Reversal of Provision against Dewan Cement Ltd - TFCs Series A		(6,500,000)
Provision against finances and money / capital market fluctuations		38,050,259
Amortization of Goodwill		151,800
		31,702,059
		45,801,467
Share of associate's profit		35,233,223
PROFIT BEFORE TAXATION		39,162,107
TAXATION	41	7,640,262
PROFIT AFTER TAXATION		31,521,845
Minority Interest		2,423,369
PROFIT FOR THE YEAR		33,945,214
APPROPRIATION:		
Transfer to statutory reserve		(6,186,681)
		27,758,533
EARNINGS PER SHARE - BASIC AND DILUTED	43	0.75

The annexed notes 1 to 51 form an integral part of these financial statements.



S.M. Ehtishamullah
Director



Javed A. Callea
Chief Executive Officer

Consolidated Cash Flow Statement for the year ended June 30, 2006

	June 30, 2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	39,162,107
Dividend income	(22,347,880)
	16,814,227
Adjustments for non-cash and other items:	
Depreciation	26,603,992
Financial and bank charges	454,638,308
Allowances for potential lease losses	14,099,408
Provision against finances and money / capital market fluctuation	38,050,259
Reversal of provision against Dewan Cement Limited - TFCs series A	(6,500,000)
Share of associate's profit	(3,928,884)
Amortization of goodwill	151,800
Amortization of deferred revenue	(1,471,230)
Gain on sale of operating fixed assets	(51,455,367)
Cash generated from operating activities before working capital changes	487,002,513
ADJUSTMENTS FOR WORKING CAPITAL CHANGES	
<i>(Increase)/Decrease in current assets</i>	
Advances, deposits, prepayments and other receivables	3,330,059
<i>Increase/(Decrease) in current liabilities</i>	
Creditors, accrued and other liabilities	103,575,341
Cash generated from operations	593,907,913
Income tax refund	3,195,286
Financial and bank charges paid	(426,305,066)
Net cash generated from operating activities	170,798,133
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Increase in net Investment in finance leases	(529,299,390)
Purchase of fixed assets	(321,898,280)
Assets acquired in satisfaction of finances provided	(230,000,000)
Proceeds from sale of fixed assets	259,923,625
Dividend received	24,294,410
Decrease in Investments - Net	103,878,518
Decrease in short/long-term finances - Net	69,973,680
Increase in long-term deposits	(4,957,079)
Net cash used in investing activities	(628,084,516)
CASH FLOWS FROM FINANCING ACTIVITIES	
Decrease in redeemable capital	(150,000,000)
Increase in borrowings	182,851,221
Increase in deposits on finance leases	277,342,454
Decrease in certificates of investment and deposits	(23,496,854)
Increase in liabilities against assets subject to finance lease	78,612,289
Payment of dividend	(213,108)
Net cash generated from financing activities	365,096,002
NET DECREASE IN CASH AND CASH EQUIVALENTS	(92,190,381)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	545,474,304
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note A)	453,283,923
Note A	
Cash and bank balances	63,283,923
Money market placements	390,000,000
	453,283,923

The annexed notes 1 to 51 form an integral part of these financial statements.



S.M. Ehtishamullah
Director



Javed A. Callea
Chief Executive Officer

Consolidated Statement of Changes in Equity for the year ended June 30, 2006

	Issued, Subscribed and Paid-Up Share capital	Capital Reserves		Revenue Reserves			Share in associates	Total Reserves	Deficit on Revaluation of Investments	Total
		Reserve under NBFC Rules	Reserve for Issue of Proposed Bonus Shares	General Reserve	Reserve for Contingen- cies	Unappropri- ated Profit				
Rupees										
Balance as at June 30, 2005 - Previously stated	403,467,470	104,394,779	50,433,430	43,800,000	10,236,562	78,123,497	-	286,988,268	(40,336,999)	650,118,739
Effect of change in accounting policy with respect to recognition of initial direct cost of finance leases	-	-	-	-	-	(14,823,092)	-	(14,823,092)	-	(14,823,092)
Effect of change in accounting policy with respect to investment in associates-Associates share of profit and other direct equity changes upto June 30, 2005	-	-	-	-	-	-	31,469,502	31,469,502	-	31,469,502
Provision against diminution in value of investment in associate	-	-	-	-	-	-	(40,295,000)	(40,295,000)	-	(40,295,000)
Balance as at June 30, 2005 - Restated	403,467,470	104,394,779	50,433,430	43,800,000	10,236,562	63,300,405	(8,825,498)	263,339,678	(40,336,999)	626,470,149
Net profit for the year ended June 30, 2006	-	-	-	-	-	33,945,214	-	33,945,214	-	33,945,214
Issue of bonus shares	50,433,430	-	(50,433,430)	-	-	-	-	(50,433,430)	-	-
Reserve under NBFC rules transferred from profit and loss account	-	6,186,681	-	-	-	(6,186,681)	-	-	-	-
Share of associates revaluation of investment	-	-	-	-	-	-	(192,771)	(192,771)	-	(192,771)
Deficit on revaluation of investments	-	-	-	-	-	-	-	-	(22,347,192)	(22,347,192)
Adjustment of incremental depreciation on revalued assets - Net of deferred tax	-	-	-	-	-	1,741,107	-	1,741,107	-	1,741,107
Balance as at June 30, 2006	453,900,900	110,581,460	-	43,800,000	10,236,562	92,800,045	(9,018,269)	248,399,798	(62,684,191)	639,616,507

The annexed notes 1 to 51 form an integral part of these financial statements.



S.M. Ehtishamullah
Director



Javed A. Callea
Chief Executive Officer

Notes to the Consolidated Financial Statements for the year ended June 30, 2006

1 LEGAL STATUS AND NATURE OF BUSINESS

The group consists of Crescent Leasing Corporation Limited and its subsidiary company, Universal Leasing Corporation Limited (ULCL).

Crescent Leasing Corporation Limited (the holding company) is a Non-Banking Finance Company (NBFC) and regulated by the Securities and Exchange Commission of Pakistan (SECP), under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The company was incorporated in Pakistan as a public limited company under Companies Ordinance, 1984, on April 7, 1987. The company commenced commercial operations in August 1989, and is listed on all the Stock Exchanges in Pakistan. Its prime business is leasing and investment finance service activities.

Universal Leasing Corporation Limited (the subsidiary company) was incorporated in Pakistan on July 29, 1993, as public limited company under the Companies Ordinance, 1984 having its registered office in Karachi. The subsidiary is an NBFC and regulated by the SECP under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The company commenced its business on April 24, 1995 and is engaged in leasing business. It is listed in the Karachi Stock Exchange.

Securities and Exchange Commission of Pakistan in exercise of the rule 5 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 granted license to ULCL to operate as leasing company subject to the condition that the equity to be enhanced to Rupees 200 million by December 31, 2003. On June 17, 2004, Employees Old-Age Benefits Institution (EOBI), holding 71.56% shares in the company at that time injected Rupees 50 million on account of subordinated loan in accordance with the SECP's letter No. SC/NBFC(1)-R/ULCL/2004/354 dated June 03, 2004. The renewal of leasing business license is pending since January 01, 2004.

On December 05, 2005, the holding company along with its associate has acquired 51% shareholding of ULCL together with the management rights of ULCL through a competitive bidding process initiated by EOBI. Since the company has acquired control in ULCL with the management rights through nomination of four directors on the Board of ULCL including the Chief Executive Officer, ULCL has been classified as a subsidiary of the company. Results of ULCL from the acquisition date are, therefore, being merged and presented in these consolidated financial statements. The company has intention to merge ULCL with and into Crescent Leasing Corporation Limited for which principle approval has already been given by the board of directors of both the companies.

2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Crescent Leasing Corporation Limited and its subsidiary, Universal Leasing Corporation Limited for the year ended June 30, 2006. The financial statements of the parent and subsidiary are prepared upto the same reporting date using consistent accounting policies and have been consolidated on line by line basis. All inter-company transactions and balances are eliminated in consolidation.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and prudential regulations for NBFCs. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

4 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except for the revaluation of investments (Note 5.5), fixed assets (Note 5.7) and foreign currency translations (Note 5.1.1).

5 ACCOUNTING POLICIES

5.1 Changes in Accounting Policies

5.1.1 Revenue Recognition - Finance Leases

Consequent to revision in International Accounting Standard 17 (IAS-17) "Leases", company has changed its policy regarding revenue recognition of unearned lease income equivalent to initial direct cost of finance leases with effect from July 01, 2005. As per new policy, initial direct cost of finance leases are included in

the initial measurement of the finance lease receivable and recognized as income over the lease term. Previously, a portion of unearned lease income equivalent to initial direct cost of finance lease was recognized as income at the time of execution of lease. In accordance with transitional provisions of IAS-17, this change has been adopted retrospectively. Initial direct cost already recognized in income on finance leases existing on June 30, 2005 has been reversed and transferred from unappropriated profit to unearned income. Consequently, net investment in finance leases and unappropriated profit have been decreased by Rupees 14.823 million.

Had there been no change in the accounting policy, the profit after tax for the years ended June 30, 2006 and June 30, 2005 would have increased by Rupees 10.657 million and Rupees 4.821 million respectively.

5.1.2 Allowances for Doubtful Balances and Potential Lease Losses

The company has changed its policy for maintaining the allowance for doubtful balances and potential lease losses as follows:

The allowance for doubtful balances and potential lease losses is classified into specific and general provision categories and are maintained at a level, which in the judgment of the management is sufficient to provide and is reasonably anticipated. The adequacy of allowance is assessed through various factors such as regulatory requirements, nature and characteristics of the obligator, delinquencies and present value of future cash flows expected to be received, historical loss experience etc.

Previously, the company was recognizing a portion of unearned income, which equates the allowance for potential lease losses, up-front at the time of initiating a finance lease.

The above change in accounting policy has no impact on the financial statements.

5.1.3 Investment in Associates

Previously investments in associates were stated at cost and dividend income was recognized in the profit and loss account of the period in which right to receive the same was established in line with the option available in International Accounting Standard "Accounting for Investments in Associates" (IAS-28).

IAS-28 has been revised and replaced by International Accounting Standard 28 "Investments in Associates" (IAS-28 (Revised)). The revised IAS-28 is applicable for annual periods beginning on or after January 1, 2005. The revised IAS-28 requires that investments in associates, where the company can exercise significant influence; has intention and ability to hold the investment for more than twelve months of acquisition and are not held for sale, must be accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the company's share of profit or loss of the associate after the date of acquisition. Carrying amount of the investment is reduced by the distribution received from the associate.

In order to comply with the requirements of revised IAS-28, the company has changed its accounting policy for valuation of investments in associates from cost to equity basis of accounting. This change in accounting policy has been accounted for retrospectively in accordance with the International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in accounting policy the group's net profit for the year end June 30, 2006 and investment in associates / reserves as at that date would have been lower by Rupees 3.623 million and Rupees 44.978 million respectively.

The reporting date of the financial statements of associate taken for the purpose of applying equity method is upto March 31, 2006 due to availability of latest published financial statements as of that date.

5.2 Staff Retirement Benefits

Gratuity Fund

The holding company operates funded gratuity plan (Defined Benefit Plan) for its permanent employees whose period of service is five years or more. The subsidiary company operates unfunded gratuity plan for all its permanent employees. Provision is made annually to cover obligations under the plan. Gratuity plan is based on final salary.

The most recent actuarial valuation was carried out as on June 30, 2006 using Projected Unit Credit Method. Following assumptions were used:

Discount rate	9%
Expected rate of salary increase in future	8%
Expected rate of return on plan assets	9%

Pension Fund

The holding company has also constituted a funded pension plan (Defined Benefit Plan) for its permanent employees whose period of service is ten years or more. Provision is made annually to cover obligations under the plan. Pension plan is based on final salary.

Recognition of actuarial gains and losses

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the plan assets at the date. These gains or losses are recognized over the expected remaining working lives of the employees.

Provident Fund

The holding company also operates a Provident Fund (Defined Contribution Plan) for its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by the company and the employees.

5.3 Taxation***Current***

Current tax is the expected tax payable on the taxable income for the year using tax rates prescribed by the tax law and after considering tax credits or adjustments available, if any.

Deferred

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of the deferred tax is provided at the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.4 Financial Instruments

Financial assets and liabilities are recognized when the group has become a party to the contractual provisions of the instrument. Any gain/loss on de-recognition of the financial asset or liability is included in the profit/loss for the period to which it relates.

5.5 Investments***Initial Measurement***

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

Subsequent Measurement**(a) Held to Maturity**

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

(b) Financial Assets at Fair Value through Profit and Loss (Held for Trading)

These securities are either acquired for generating a profit from short-term fluctuation in prices or are securities included in a portfolio in which a pattern of short-term profit taking exists. These investments are measured at subsequent reporting dates at fair value and resulting gains and losses are included in the net profit or loss for the period.

(c) Available for Sale

These represent investments that do not fall under "financial assets at fair value through profit and loss" or "held-to-maturity" categories. These 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.

Sale and Repurchase Agreements (Repo/Reverse Repo)

The securities sold subject to repurchase agreements (repo) are retained in the financial statements as investment and the counter party liability is included in borrowing from financial institutions. Similarly the securities purchased under agreement to resell (reverse repo) are included in short term placements.

Investment in Associates

Investments in associates, where the group can exercise significant influence; has intention and ability to hold the investment for more than twelve months of acquisition and are not held for sale are accounted for using the equity method of accounting (Note 5.1.3). Impairment in value, if any, is provided for:

5.6 Term Finances

Term finances originated by the group are stated at cost less provision, if any, determined on the basis of Prudential Regulations for NBFCS issued by Securities and Exchange Commission of Pakistan.

5.7 Fixed Assets and Depreciation***Property, Plant and Equipments - Tangible*****(a) Owned Assets**

Fixed assets are stated at cost/revalued amount less accumulated depreciation and impairment loss, if any, except freehold land which is stated at revalued amount. Depreciation is charged to income applying reducing balance method using the rate specified in Note 20.

In respect of acquisition and disposal of an asset during the year, depreciation is charged from date of acquisition and up to the date of disposal respectively.

In respect of fixed assets kept by the employees, depreciation is charged to income applying the straight-line method from the month in which the asset is put to use up to the month in which disposal is made.

Maintenance and normal repairs are charged to profit and loss account as incurred. Subsequent to initial recognition, expenditure on fixed assets is capitalized only when the expenditure improves the condition of asset beyond its originally assessed standard of performance.

Gains and losses on disposal of fixed assets, if any, are included in income currently. However, gains on sale and leaseback transaction that results in a finance lease, is deferred and amortized over the lease term.

(b) Assets subject to Finance Leases

These are stated at the lower of present value of minimum lease payments and fair value of assets acquired on lease. Assets so acquired are depreciated over its useful life. Financial charges are allocated to accounting periods in a manner so as to produce a constant periodic rate of charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

(c) Assets on Operating Leases

Operating lease assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to income applying straight line method over its estimated useful life. In respect of acquisition and disposal of an asset during the year, depreciation is charged from date of acquisition and up to the date of disposal respectively.

Intangible

Intangible assets are stated at cost less accumulated amortization by taking into consideration the estimated useful life.

5.8 Revenue Recognition

Finance lease

The group follows the 'financing method' in accounting for recognition of lease income.

At the commencement of a lease, the total unearned lease income consists of the excess of aggregate lease contract receivables over the cost of the lease equipment. Initial direct cost of finance leases are included in the initial measurement of the finance lease receivable and recognized as income over the lease term (Note 5.1.1). Unearned lease income is taken into income over the term of the lease, applying the annuity method, so as to produce a systematic return on the net investment.

Other lease related income is recognized as income when realized.

Income from operating leases

Rental income from assets given on operating lease is recognized on accrual basis over the lease period.

Income from securities and other sources

Return on deposits and securities is recognized on a time proportion basis.

Markup on short and long-term finances is recognized on a time proportion basis taking into account the principal outstanding and applicable rates of profit. Markup on non-performing finances is suspended, where necessary and recognized on receipt basis.

Markup on investment in continuous funding system is recognized on time proportion basis.

Dividend income from ordinary shares is recognized when the right to receive dividend has been established.

The difference between sale and repurchase price of securities in case of repo / reverse repo transactions is treated as mark-up/ return earned and expensed over the period of repo and reverse repo transaction.

Fee, commission and income from advisory and other services is recorded when earned.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

5.9 Allowances for Doubtful Balances and Potential Lease Losses

The allowance for doubtful balances and potential lease losses is classified into specific and general provision categories and are maintained at a level, which in the judgment of the management is sufficient to provide and is reasonably anticipated. The adequacy of allowance is assessed through various factors such as regulatory requirements, nature and characteristics of the obligator, delinquencies and present value of future cash flows expected to be received, historical loss experience etc. (Note 5.1.2)

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

5.10 Borrowing Costs

Borrowing costs are charged to income as and when incurred.

5.11 Foreign Exchange Transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain/loss is charged to current year's income.

5.12 Cash and Cash Equivalents

Cash and cash equivalents comprises of cash in hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5.13 Off-Setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the group has a legally enforceable right to set-off the recognized amounts and also intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Corresponding income on financial asset and charge on financial liability is also set-off.

5.14 Related Party Transactions

All transactions with the related parties are at arm's length price measured under both Comparable Uncontrolled Price and Cost Plus Methods wherever appropriate.

5.15 Impairment

At each balance sheet date, the group reviews the carrying amounts of its assets for indications of impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

6 CASH AND BALANCES WITH CENTRAL BANK

	Note	June 30, 2006 Rupees
Cash in hand		2,469
Balance with State Bank of Pakistan		1,917,748
		1,920,217

7 PLACEMENTS WITH OTHER BANKS

		June 30, 2006 Rupees
Current accounts		23,898,732
Deposit accounts	7.1	37,464,974
		61,363,706

7.1 This represents profit and loss sharing deposits with commercial banks and carry mark-up at the rate ranging from Rupee 0.05 to Rupee 0.14 per Rupees 1,000 per day.

8 TERM DEPOSITS CERTIFICATES

This represents short-term deposits with a commercial bank and carry mark-up at the rate of Rupee 0.19 per Rupees 1,000 per day for a period upto one month.

9 OTHER MONEY MARKET PLACEMENTS

		June 30, 2006 Rupees
Secured		
Commercial bank	9.1	50,000,000
Un-Secured		
NBFCs	9.2	82,500,000
Less: Provision for doubtful receivable		(2,500,000)
		80,000,000
		130,000,000

CRESCENT LEASING CORPORATION LIMITED

9.1 This include short-term placement of Rupees 50 million with a commercial bank at the mark-up rate of Rupee 0.24 per Rupees 1,000 per day and is secured against government securities.

9.2 This represents short-term placements with NBFCs and carry mark-up at the rate ranging from Rupee 0.25 to Rupee 0.58 per Rupees 1,000 per day.

10 FINANCES UNDER MUSHARIKA ARRANGEMENTS - SECURED

	June 30, 2006 Rupees
Musharika Arrangements	138,256,350
Less: Provision	(78,256,350)
	60,000,000

It includes Rupees 95 million invested with Crescent Standard Investment Bank Limited (CSIBL), under musharika arrangement effective from July 01, 2005 on profit and loss sharing basis. CSIBL has provided 25 numbers bearer allotment certificates of Plots at Defence Housing Authority, Phase-II, Extension, Islamabad as collateral. As per independent valuation, the value of these plots was Rupees 60 million as on May 17, 2006. Provision of Rupees 35 million has been made in the light of independent valuation.

11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	June 30, 2006 Rupees
Advances - considered good:		
To staff	11.1	1,655,492
Less: Provision for doubtful advances		(134,032)
		1,521,460
Against expenses		2,382,074
Less: Provision for doubtful advances		(100,000)
		2,282,074
Against purchase of assets		18,674,970
Less: Provision for doubtful advances		(3,000,000)
		15,674,970
Advance tax - net of provision		6,090,158
		25,568,662
Security deposit	11.2	10,000,000
Less Provision for doubtful deposits		(10,000,000)
		-
Prepayments		2,998,489
Mark-up receivable on placements, finances and securities		19,796,911
Less: Provision for doubtful receivables		(10,145,378)
		9,651,533
Receivable against sale of investments		33,017,075
Other receivables	11.3	118,180,933
Less Provision for doubtful receivables		(12,436,449)
		105,744,484
		176,980,243

11.1 Aggregate amount due from the executives is Rupees 0.239 million. Maximum amount due from executives at the end of any month during the year aggregated to Rupees 0.717 million.

11.2 This represents amount deposited with Privatization Commission, Government of Pakistan, on behalf of a consortium for acquisition of 51% shares of First Women Bank Limited. The Group has 9% share in consortium.

11.3 This includes Rupees 55.571 million on account of payment made by the holding company on behalf of Crescent Standard Business Management (Private) Limited (CSBM) for purchase of 27% shares of Universal Leasing Corporation Limited (ULCL). CSBM was joint bidder along with the holding company for 51% acquisition of ULCL from EOBI. The 27% shares of ULCL are held by the holding company in a CDC account marked "CDC Pledgee Account". Subsequent to balance sheet date, due to inability of CSBM to settle the amount, permission has been sought from Securities and Exchange Commission of Pakistan for conversion of this receivable into investment of the holding company. Securities and Exchange Commission of Pakistan's response in this regard is still awaited.

12 REVERSE REPO AGAINST SHARES

These represent amount disbursed against purchase and resale arrangements of shares (reverse repo) receivable within 13 days and carry mark-up at the rate of Rupee 0.45 per Rupees 1,000 per day.

13 SHORT-TERM INVESTMENTS

	Note	June 30, 2006 Rupees
Financial Assets at Fair Value through Profit and Loss		
Ordinary shares	13.1	21,963,630
Mutual funds	13.2	20,838
		21,984,468
Available for Sale Investments		
Ordinary shares	13.3	103,795,754
Term finance certificates	13.4	64,664,642
Mutual funds	13.5	30,643,922
Preference shares	13.6	48,968,450
		248,072,768
		270,057,236

13.1 Financial Assets at Fair Value through Profit and Loss - Ordinary Shares

No. of Ordinary Shares	Name of Company	Rupees
<i>Listed</i>		
239,150	Southern Electric Power Company Limited	6,492,142
104,300	Kohinoor Energy Limited	3,741,305
2,000	Ahmed Hasan Textile Mills Ltd.	18,260
55,000	Pakistan Telecommunication Corp. Ltd.	1,143,087
542,000	Hub Power Company Ltd.	11,224,332
28,000	First National Bank Modaraba	204,680
1,000	Oil & Gas Development Company Limited	145,550
391	Worldcall Telecom Limited	3,332
3,400	Crescent Steel & Allied Products	202,334
57,734	Pakistan International Container Terminal Ltd.	399,519
23,564	Askari Commercial Bank Limited	168,132
		23,742,673
	Less: Provision against capital market fluctuations	(1,779,043)
		21,963,630

Shares valuing Rupees 4,266,790 are pledged with commercial banks against running finance facilities.

13.1 Financial Assets at Fair Value through Profit and Loss - Mutual Funds

No. of Ordinary Shares	Name of Fund	Rupees
<i>Close-End</i>		
523	UTP Growth fund	8,230
320	PICIC Energy fund	3,251
200	Atlas Fund of Funds	1,642
779	BSJS Balanced Funds Limited	6,930
		20,053
	Surplus on revaluation	785
		20,838

CRESCENT LEASING CORPORATION LIMITED

13.3 Available for Sale Investment - Ordinary Shares

No. of Ordinary Shares/ Certificates	Name of Company / Modaraba	Rupees
Listed		
140,000	PICIC Commercial Bank Limited	5,597,791
1,129,500	Southern Electric Power Company Limited	13,268,383
500,000	First Equity Modaraba	10,894,474
727,500	Hub Power Company Limited	43,069,095
303,000	Crescent Standard Investment Bank Limited	3,843,788
96,000	Kohinoor Energy Limited	2,001,584
10,000	Fauji Fertilizers Company Limited	1,301,604
255,768	Shakarganj Mills Limited	14,290,564
125,000	Zeal Pak Cement Factory Limited	1,389,548
489,116	Eye Television Network Limited	4,891,656
235,000	Pakistan Telecommunication Limited	10,716,035
10,000	Engro Chemicals Limited	1,812,519
24,000	First Fidelity Leasing Modaraba	178,718
240,000	English Leasing Limited	1,704,691
3,148,667	Altern Energy Limited	23,614,999
60,000	Fauji Fertilizers Bin Qasim Limited	1,847,088
130,000	Bank Islami Pakistan Limited	2,523,703
75,500	Gandhara Nissan Limited	3,070,082
550	D.G. Khan Cement Company Limited	-
545	Worldcall Telecom Limited	-
Un-Listed		
130,000	Central Depository Company of Pakistan Limited	14,001,400
	Deficit on revaluation	160,017,722
		(56,221,968)
		<u>103,795,754</u>

Listed shares valuing Rupees .55,083,225 are pledged with commercial banks against running finance facilities.

13.4 Available for Sale Investment - Term Finance Certificates

No. of Certificates of Rupees 5000 each	Name of Company	Rupees
Listed		
660	Sitara Chemicals Industries Limited Mark-up rate: Profit and loss sharing basis Issue date: June 20, 2002 Tenure: 5 years	1,926,265
2,000	Al-Noor Sugar Mills Limited Mark-up rate: 12% Issue date: August 20, 2004 Tenure: 3 years	7,500,500
10,000	United Bank Limited Mark-up rate: 8.45% Issue date: August 10, 2004 Tenure: 8 years	49,971,200
Un-Listed		
Associated Undertakings		
4,000	Crescent Commercial Bank Limited Mark-up rate: 7% Issue date: October 23, 2003 Tenure: 3 years	4,997,000
	Surplus on revaluation	64,394,965
		269,677
		<u>64,664,642</u>

The above TFCs are redeemable in semi annual installments TFCs valuing Rupees 2 million are pledged with the trustees of term finance certificates issued by the group.

13.5 Available for Sale Investment - Mutual Funds (Listed)

No. of Units/ Ordinary Shares	Name of Fund	Rupees
<i>Open-End</i>		
10,000	Atlas Stock Market Fund	5,000,000
<i>Close-End</i>		
175,000	Pak Premier Fund Limited	2,715,764
232	Abamco Composite Fund	-
1,600,000	Safeway Mutual Fund Limited	24,994,499
		<u>32,710,263</u>
	Deficit on revaluation	<u>(2,066,341)</u>
		<u>30,643,922</u>

13.6 Available for Sale Investment - Preference Shares

No. of Shares	Name of Company	Note	Rupees
<i>Listed</i>			
72,500	Nagina Cotton Mills Limited Rate of preference dividend: 13% Term of redemption: Redeemable within 5 years of allotment		416,271
1,000,000	Security Leasing Corporation Limited Rate of preference dividend: 9.1% Term of redemption: Redeemable after 2 and half years of issue date	13.6.1	10,700,000
1,478,000	D.G. Khan Cement Company Limited Rate of preference dividend: 10% Term of redemption: Convertible into non-voting ordinary shares after four years of issue.	13.6.1	17,517,738
1,500,000	Chenab Limited Rate of preference dividend: 9.25% Term of redemption: Non-Redeemable	13.6.1	15,000,000
<i>Un-Listed</i>			
100,000	Cyber Soft Technology Limited Rate of preference dividend: 13.44% Term of redemption: Redeemable after 12 months in multiples of 10%		10,000,000
			<u>53,634,009</u>
	Deficit on revaluation		<u>(4,665,559)</u>
			<u>48,968,450</u>

13.6.1 These preference shares were subsequently settled in July 2006 against borrowing from Pak Kuwait Investment Company Limited on market value prevailing on the date of settlement along with accrued mark-up.

13.7 Face value of all shares/certificates is Rupees 10 each except preference shares of Cyber Soft Technology Limited face value of which is Rupees 100 each.

13.8 The company had provided a financing facility of Rupees 50 million in April 2006 to Crescent Standard Investment Bank Limited (CSIBL) against pledge of certain listed shares. Consequent to default by CSIBL, the facility was adjusted through sale of pledged shares. However, shares valuing Rupees 8.103 million have still been retained by the group till final settlement of other outstanding balances of CSIBL.

14 SHORT-TERM FINANCES (SECURED) - CONSIDERED GOOD

These represent short-term finances receivable within a year and carry mark-up ranging from Rupee 0.37 to Rupee 0.50 per Rupees 1,000 per day. These are secured against registered charge on assets of the customers, pledge / hypothecation of stocks and collateral in certain cases.

15 LONG-TERM FINANCES (SECURED) - CONSIDERED GOOD

	Note	June 30, 2006 Rupees
To customers	15.1	203,373,476
To employees	15.2 & 15.3	8,440,066
		211,813,542
Less: Current maturity		(100,955,368)
		110,858,174

15.1 These represent long-term finances to various customers and carry markup at the rate ranging from Rupee 0.20 to Rupee 0.45 per Rupees 1,000 per day. These are secured against registered charge on assets of the customers, pledge / hypothecation of stocks and collateral in certain cases.

15.2 Movement during the year

	June 30, 2006 Rupees
Opening balance	5,644,832
Add: Loans disbursed during the period	3,625,000
	9,269,832
Less: Repayments during the period	(829,766)
Closing balance	8,440,066

15.3 Loans to employees represent house loans in accordance with the house building facility for employees. The loans are repayable upto 240 monthly installments and carry a variable mark-up rate based on State Bank of Pakistan discount rate prevailing on the last day of a calendar year minus 400 bps with a minimum of 5% per annum. The loan is secured by equitable mortgage on the property by depositing the title documents of the property with the group.

Maximum house loan due from executives at the end of any month during the year aggregate to Rupees 8.894 million.

16 NET INVESTMENT IN FINANCE LEASES

	Note	June 30, 2006 Rupees
Lease contract receivables		3,169,471,326
Add: Residual value		1,190,741,353
Gross lease contract receivables		4,360,212,679
Less: Unearned finance income		(560,181,287)
Net Investment in finance leases		3,800,031,392
Allowance for potential lease losses	- General	43,973,308
	- Specific	74,294,232
		118,267,540
		3,681,763,852
Current maturity		1,136,926,037
Long-term portion		2,544,837,815
		3,681,763,852

16.1 Movement during the year - General Provision

	June 30, 2006 Rupees
Opening balance	41,038,321
Charged during the year	2,934,987
	43,973,308

16.2 Movement during the year - Specific Provision

Opening balance	65,773,301
Charged during the year	11,164,421
	76,937,722
Reversals/Settlements/write-offs	(2,643,490)
	74,294,232

According to Regulation No. 5 of Part III of the Prudential Regulations for NBFCS, income suspension is required in case of medium and long-term facilities where rentals are outstanding for more than 180 days and in case of short term facilities where rentals are outstanding for more than 90 days. However, the company has suspended income where rentals are overdue for more than 90 days on short, medium and long-term facilities. Overdues as at balance sheet date were 232,408,353.

16.3 The above net investment is due as follows:

	Year ended June 30, 2006		
	Gross Lease Contract Receivables	Unearned Finance Income	Net Investment
	Rupees		
Not later than one year	1,408,428,248	197,207,979	1,211,220,269
Later than one year but not later than five years	2,951,784,431	362,973,308	2,588,811,123
	4,360,212,679	560,181,287	3,800,031,392

The group has entered into various lease agreements with different parties having mark-up return ranging from Rupee 0.20 to Rupee 0.81 per Rupees 1,000 per day. The lease agreements are usually for a period of three to five years. Generally lease assets are held as securities. In certain instances, the company has also obtained additional securities.

17 LONG-TERM INVESTMENTS

	Note	June 30, 2006 Rupees
Held to maturity investments		
Dewan Cement Limited - TFCs Series A	17.1	16,815,766
Dewan Cement Limited - TFCs Series B	17.2	9,039,323
		25,855,089
Less: Current maturity		(3,038,574)
		22,816,515
Less: Provision		(3,901,292)
		18,915,223

17.1 TFCs series A are repayable in 14 semi-annual installments from July 15, 2004 and carry mark-up based on KIBOR plus 2.5 percent per annum. TFCs Series A amounting Rupees 25 million were sold during the year to an investment bank at a discount of 15% on outstanding value resulting in a loss of Rupees 3.7 million recognized in these financial statements.

17.2 During the year 2005, Dewan Cement Limited (formerly Pakland Cement Limited) was acquired by Dewan Mushtaq Group. After negotiations with the TFC holders, final settlement was made at 30% of outstanding TFC value of series B. Accordingly, book value of TFCs series B has been reduced to 30% with simultaneous reduction of related provision. The rescheduled amount of TFCs series B will be paid over a period of two years commencing from July 2011 in 4 semi-annual installments and will not carry any profit.

18 INVESTMENT IN ASSOCIATES

	Note	June 30, 2006 Rupees
Associates - Listed		
International Housing Finance Limited 6,697,125 ordinary shares of Rupees 10 each Percentage of shareholding: 14.84% Place of incorporation: Pakistan Principal activity: Housing Finance Name of Chief Executive Officer: Mr. Manzurul Haq Market value as at June. 30, 2006: Rupees 43,531,313	18.1	75,056,511
Pakistan Industrial and Credit Investment Corporation Limited 360,000 ordinary shares of Rupees 10 each Percentage of shareholding: 0.10% Place of incorporation: Pakistan Principal activity: Investment Financing Name of Managing Director: Mr. Muhammad Ali Khoja Market value as at June. 30, 2006: Rupees 15,300,000		21,522,242
Crescent Commercial Bank Limited 370,000 ordinary shares of Rupees 10 each Percentage of shareholding: 0.13% Place of incorporation: Pakistan Principal activity: Commercial Banking Name of Chief Executive Officer: Mr. Shahzad Naqvi Market value as at June. 30, 2006: Rupees 3,237,500		5,170,344
		101,749,097
18.1 Investment in International Housing Finance Limited - at cost		70,759,299
Add: Share of profits and reserves since recognition as associate		44,592,212
		115,351,511
Less: Provision against diminution in value of investment		(40,295,000)
		75,056,511

Upto June 30, 2005, investment in International Housing Finance Limited, an associated company, was stated at cost in accordance with the provisions of International Accounting Standard (IAS) 28 "Accounting for Investment in Associates". The investment has been reflected in these financial statements by using the equity method of accounting as required by the revised IAS-28.

18.2 Basis of significant influence

Name of Associate	Basis of Significant Influence
International Housing Finance Limited	Common directorship
Pakistan Industrial Credit and Investment Corporation Limited	Common directorship
Crescent Commercial Bank Limited	Common directorship

18.3 Summarised Financial Information of Associates:

Associate	Latest Available Accounts	Total Assets	Total Liabilities	Revenue	Net Profit/ (Loss)
	 Rupees			
International Housing Finance Limited	Nine months ended March 31, 2006	1,191,289,000	539,064,000	111,869,000	24,408,000
Pakistan Industrial Credit and Investment Corporation Limited	Half year ended June 30, 2006	40,216,553,000	32,096,684,000	2,907,572,000	844,980,000
Crescent Commercial Bank Limited	Half year ended June 30, 2006	9,219,437,000	7,204,603,000	307,711,000	(109,877,000)

CRESCENT LEASING CORPORATION LIMITED

19 ASSETS ACQUIRED IN SATISFACTION OF FINANCES PROVIDED

	Note	June 30, 2006 Rupees
DA Country and Golf Club Membership Seats	19.1	125,000,000
Property in Executive Tower, Clifton, Karachi	19.2	105,000,000
		230,000,000

19.1 This represents investment in exclusive rights of 114 Platinum Memberships of DA Country and Golf Club at Rupees 1.100 million per membership acquired in settlement of a liability owed by Crescent Standard Investment Bank Limited amounting to Rupees 125 million.

19.2 A facility of Rupees 100 million was provided to Crescent Standard Investment Bank Limited (CSIBL) in April, 2006 against security of a property situated at 6th Floor of Executive Tower, Clifton, Karachi. The amount was settled by transfer of above property in the name of the holding company. As per independent valuation, the market value of the property as at May 09, 2006 was Rupees 105.300 million.

20 FIXED ASSETS

PARTICULARS	COST / REVALUED AMOUNT					DEPRECIATION/AMORTIZATION				WRITTEN DOWN VALUE AS AT JUNE 30, 2006	RATE OF DEPRECIATION
	of Holding Company as on July 1, 2005	of Subsidiary Company at Acquisition	Addition/ (Deletion)	Revaluation	As at June 30, 2006	of Holding Company as on July 1, 2005	of Subsidiary Company at Acquisition	Charge for the Year/ (On Deletion)	As at June 30, 2006		
	Rupees										% per annum
<i>Property, Plant and Equipment - Tangible</i>											
Owned											
Land - Leasehold	6,662,500	-	77,000,000	13,337,500	20,000,000	-	-	-	-	20,000,000	
Office premises - Leasehold	134,193,981	86,762,758	92,072,537	3,312,500	241,221,452	10,784,742	-	7,914,071	14,022,024	227,199,428	5
			(77,000,000)					(4,676,789)			
Furniture and fixtures	15,152,018	1,614,678	6,023,601	-	19,156,405	3,396,636	390,213	2,091,013	5,293,729	13,862,676	10, 15, 25, 33.33
			(3,633,892)					(584,133)			
Motor vehicles	13,294,813	1,670,540	11,048,283	-	23,909,536	2,614,417	1,670,539	3,847,383	6,751,959	17,157,577	20 & 33.33
			(2,104,100)					(1,380,380)			
Office equipments	16,505,292	1,853,135	16,818,060	-	35,066,487	6,682,509	1,772,483	4,150,242	12,550,968	22,515,519	15, 20 & 33.33
			(110,000)					(54,266)			
Sub Total	185,808,604	91,901,111	202,962,481	16,650,000	339,353,880	23,478,304	3,833,235	18,002,709	38,618,680	300,735,200	
			(157,968,316)					(6,695,568)			
Leased											
Motor vehicles	5,904,375	-	-	-	5,904,375	2,213,622	-	1,127,458	3,341,080	2,563,295	20 & 33.33
Generator	-	-	85,000,000	-	85,000,000	-	-	2,125,000	2,125,000	82,875,000	10
Sub Total	191,712,979	91,901,111	287,962,481	16,650,000	430,258,255	25,691,926	3,833,235	21,255,167	44,084,760	386,173,495	
			(157,968,316)					(6,695,568)			
Operating Lease											
Equipments	58,582,203	-	32,885,799	-	5,968,060	13,277,820	-	4,958,235	81,353	5,886,707	10
			(85,499,942)					(18,154,702)			
Intangible											
Computer software and licenses	933,626	-	1,050,000	-	1,983,626	23,635	-	390,587	414,222	1,569,404	33.33
Sub Total	251,228,808	91,901,111	321,898,280	16,650,000	438,209,941	38,993,381	3,833,235	26,603,989	44,580,335	393,629,606	
			(243,468,258)					(24,850,270)			

CRESCENT LEASING CORPORATION LIMITED

20.1 Disposal of Fixed Assets

Description	Cost/ Revalued Amount	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain/(Loss) on Disposal	Revaluation Surplus Realized	Mode of Disposal	Sold to
..... Rupees								
Land and building	93,894,680	264,529	93,630,151	115,000,000	21,369,849	-	Negotiation	BRR International Modaraba
Office premises	58,225,644	4,412,260	53,813,384	56,000,000	2,186,616	27,804,490	Negotiation	Fidelity Capital Management (Pvt) Ltd.
Furniture & fixture	3,398,892	427,883	2,971,009	2,900,000	(71,009)	-	Negotiation	Fidelity Capital Management (Pvt) Ltd.
Motor vehicle	1,204,500	1,084,050	120,450	120,450	-	-	Company Policy	Employee
Motor vehicle	847,000	243,730	603,270	726,925	123,655	-	Company Policy	Employee
Motor vehicle	52,600	52,600	-	15,500	15,500	-	Negotiation	Qaiser Autos
Furniture & fixture	75,000	31,250	43,750	43,750	-	-	Company Policy	Employee
Furniture & fixture	40,000	5,000	35,000	35,000	-	-	Company Policy	Employee
Furniture & fixture	120,000	120,000	-	9,000	9,000	-	Negotiation	Sohail Household Trader
Office equipment	68,000	12,266	55,734	68,000	12,266	-	Negotiation	Various Individuals
Office equipment	42,000	42,000	-	5,000	5,000	-	Negotiation	Imtiaz Trading Company
Generators	85,499,942	18,154,702	67,345,240	85,000,000	17,654,760	-	Sales & Lease Back	Standard Chartered Modaraba (Note 20.5)
	243,468,258	24,850,270	218,617,988	259,923,625	41,305,637	27,804,490		

20.2 Depreciation has been allocated as follows:

	Note	June 30, 2006 Rupees
Direct cost of operating leases		4,958,235
Administrative and operating expenses	39	21,645,754
		26,603,989

20.3 During the year, 2005 the holding company revalued its office premises resulting in a surplus of Rupees 66,512,770. The fixed assets were revalued by M/s. MYK Associates (Private) Limited as of May 16, 2005 on prevailing market value basis. Further on December 31, 2005, the holding company again revalued its land and office premises which resulted in surplus of Rupees 22.028 million. However, since a revaluation of office premises was also carried out in May 2005 and results were incorporated in books of account, therefore based on this revaluation exercise, revaluation surplus amounting to Rupees 16.650 million of land and office premises acquired during the year has been incorporated in the books of account. The revaluation was carried out by an independent valuer M/s. MYK Associates (Private) Limited, an approved valuer of Leasing Association of Pakistan on prevailing market value basis. Had there been no revaluation, the cost, accumulated depreciation and book value of land and office premises of the group would have been as follows as on June 30, 2006:

	Cost Rupees	Accumulated Depreciation Rupees	Book Value Rupees
Land	6,662,500	-	6,662,500
Office Premises	119,994,694	9,443,581	110,551,113

20.4 During the year the management has carried out a review of the estimated useful life of its operating lease assets viz-a-viz industry standards. Based on such review, the estimated useful life of these assets has been revised from 6.7 years to 10 years. Had there been no change in the estimated useful life of the above mentioned assets the profit before taxation for the year would have been lower by Rupees 3.07 million.

20.5 During the year the group entered into a sale and lease back agreement with Standard Chartered Modaraba for lease financing of generators. For this purpose the fair market value of these equipments was determined by independent valuer listed on panel of Leasing Association of Pakistan. Excess of sale proceeds over the carrying amount recognized as deferred revenue in these financial statements and would be amortized over the lease period.

20.6 For assets subject to finance lease - generators having a lease term of three years, depreciation is charged based on their estimated useful life of ten years as the group intends to exercise its option to purchase these assets upon completion of their lease terms.

21 GOODWILL

	Note	June 30, 2006 Rupees
Goodwill		1,301,142
Less: Amortization during the period		151,800
		1,149,342

22 CREDITORS, ACCRUED AND OTHER LIABILITIES

Advance lease rentals		1,307,364
Accrued liabilities		20,666,501
Mark-up payable on secured borrowings		62,368,934
Mark-up payable on unsecured borrowings		22,076,739
Payable against purchase of investments		29,320,088
Received against termination of leases		19,241,305
Unclaimed dividend		197,369
Other liabilities		75,074,202
		230,252,502

23 BORROWINGS FROM FINANCIAL AND OTHER INSTITUTIONS - SHORT-TERM

Secured		
From commercial bank	23.1	50,000,000
From commercial bank	23.2	95,000,000
From Modaraba	23.3	48,000,000
Running finances under mark-up arrangement	23.4	183,194,663
Unsecured-Others		
From commercial banks	23.5	245,000,000
From investment bank	23.6	120,930,208
Other - Related party	23.7	50,000,000
		792,124,871

23.1 This represents finance facility under repurchase agreement carrying mark-up at the rate of Rupee 0.24 per Rupees 1,000 per day. This is secured against government securities.

23.2 This represents finance facility availed under clean placement deal carrying mark-up at the rate of Rupee 0.33 per Rupees 1,000 per day. This is secured against ranking charge over all present and future leased assets and related receivables.

23.3 This represents morabaha finance facility carrying mark-up at the rate of Rupee 0.32 per Rupees 1,000 per day. This is secured against first pari-passu charge on all present and future long term loan portfolio receivables.

23.4 Running finance facilities available to the group aggregating to Rupees 400 million on yearly renewal basis carrying mark-up at the rate from Rupee 0.29 to Rupee 0.37 per Rupees 1,000 per day. These finances are secured by way of joint pari-passu charge on all present and future leased assets of the holding company and its related receivables, and partially against pledge of shares amounting to Rupees 59.350 million.

23.5 This represents finance facilities carrying mark-up at the rate ranging from Rupee 0.29 to Rupee 0.36 per Rupees 1,000 per day.

23.6 This represents finance facilities carrying mark-up at the rate ranging from Rupee 0.30 to Rupee 0.33 per Rupees 1,000 per day.

23.7 This represents unsecured loan granted by EOBI. The loan carries mark-up at the base rate plus 1 percent per annum with floor of 5 percent and no cap. The base rate is 3 years PIBs yield prevailing on the mark-up payable date. The principal is payable upon expiry of term of 3 years i.e. June 16, 2007. The markup is payable on semi-annual basis.

24 OTHER BORROWINGS - SHORT-TERM AND LONG-TERM

24.1 Short-term

These are unsecured funds received from individuals at mark-up rates ranging from Rupee 0.26 to Rupee 0.31 per Rupees 1,000 per day.

24.2 Long-term

These are unsecured funds received from individuals at mark-up rates ranging from Rupee 0.29 to Rupee 0.33 per Rupees 1,000 per day.

25 BORROWINGS FROM FINANCIAL AND OTHER INSTITUTIONS - LONG-TERM – SECURED

Lending Institution	Notes	Mark-up per Rupees 1,000 per Day Rupee	Mode of Principal Repayment	Principal Repayment Commencing from	Rupees
Commercial Bank	25.1	0.37	12 equal quarterly installments	August 11, 2005	66,666,666
Commercial Bank	25.1	0.21	6 equal semi-annual installments	February 1, 2004	16,666,667
Commercial Bank	25.1	0.31	6 equal semi-annual installments	October 20, 2005	66,666,668
Commercial Bank	25.1	0.31	6 equal semi-annual installments	June 29, 2007	400,000,000
Commercial Bank	25.1	0.30	8 equal semi-annual installments	January 13, 2007	250,000,000
Commercial Bank	25.1	0.32	6 equal semi-annual installments	June 29, 2007	100,000,000
Commercial Bank	25.1	0.32	6 equal semi-annual installments	June 29, 2007	50,000,000
Others	25.1 & 25.2	0.19	5 equal annual installments	January 1, 2005	15,000,000
					965,000,001
Less: Current maturity	30				211,250,000
					753,750,001

25.1 These finances are secured by joint pari-passu charge on all present and future leased assets and its related receivables of the holding company.

25.2 This represents long term borrowing from Swiss Agency for Development and Cooperation for providing lease finance to Micro and Small Enterprises. The loan carries mark-up at the rate of Rupee 0.19 per Rs.1,000 per day payable bi-annually.

26 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The holding company has entered into lease agreements with various leasing companies and Standard Chartered Modaraba for financing to acquire motor vehicles and generators. Payments under these agreements include finance charges ranging from Rupee 0.19 to Rupee 0.32 per Rupees 1,000 per day which are used as discounting factors and are payable in monthly and quarterly installments.

The holding company can exercise the purchase option by adjusting the security deposit at the expiry of the lease period. The future payments due are as follows:

	Minimum Lease Payments	Financial Charges Allocated to Future Periods	Present Value of Minimum Lease Payments
	Rupees		
Not later than one year	34,042,703	8,272,523	25,770,180
Later than one year and not later than five years	63,481,813	6,482,337	56,999,476
	97,524,516	14,754,860	82,769,656

27 REDEEMABLE CAPITAL - SECURED (Non participatory)

	Note	June 30, 2006 Rupees
Term Finance Certificates - Listed	27.1	250,000,000
Privately Placed Term Finance Certificate-1	27.2	120,000,000
Privately Placed Term Finance Certificate-2	27.3	315,000,000
		685,000,000
Less: Current maturity	30	(150,000,000)
		535,000,000

27.1 These represent listed TFCs issued by the holding company on September 05, 2002. These are perpetual unless call option is exercised. Call option is available after five years from the date of issue. Profit on these TFCs is payable on semi-annual basis at a base rate plus 200 bps with a floor of 12 percent per annum and a ceiling of 15.75 percent per annum. The applicable rate as of balance sheet date for this TFC is 17.03 percent per annum, after taking into account Interest Rate Swap (IRS) arrangement.

Base rate is the cut-off yield on the last successful State Bank of Pakistan (SBP) auction of five years Pakistan Investment Bonds (PIBs). This is secured by way of first charge on leased assets and its related receivables of the holding company.

An IRS arrangement has been made with a Commercial Bank whereby the fixed floor rate of 12 percent per annum has been assumed by the bank in exchange of variable rate based on a fixed component plus cut-off yield on six month treasury bill.

27.2 The principal and profit on privately placed term finance certificates issued on June 28, 2003 is payable on semi-annual basis at a base rate plus 160 bps. The applicable rate as of balance sheet date for this TFC is 6.94 percent per annum. Base rate is the cut-off yield on the last successful SBP auction of the 5 years Pakistan Investment Bonds. The tenure of this TFC is five years unless call option is exercised. This is secured by joint pari-passu charge on all present and future leased assets and its related receivables of the holding company.

27.3 The principal and profit on privately placed term finance certificates issued on July 10, 2004 is payable on semi-annual basis at a base rate plus 175 bps. The applicable rate as of balance sheet date for this TFC is 10.82 percent per annum. Base rate is the six months ASK KIBOR. The tenure of this TFC is five years unless call option is exercised. This is secured by joint pari-passu charge on all present and future leased assets and its related receivables of the holding company.

28 CERTIFICATES OF INVESTMENT AND DEPOSITS

	Note	June 30, 2006 Rupees
Long-term certificates of investment		
For one year or more		46,662,764
Less: Current maturity	30	12,930,916
		33,731,848
Short-term certificates of investment /deposits		842,711,800

The holding company has a scheme of registered Certificates of Investment (COIs) and registered Certificates of Deposits (CODs) for resource mobilization. The term of COIs ranges from three months to five years and return thereon ranges from Rupee 0.16 to Rupee 0.36 per Rupees 1,000 per day. Securities & Exchange Commission of Pakistan through its letter No. SEC/NBFC-I/JD/257/2006 dated June 14, 2006 directed the holding company to cease the issuance of any net COIs/CODs and not rollover the existing COIs/CODs of individual depository. Subsequent to balance sheet date premature withdrawals of COIs and Deposit amount to Rupees 84.6 million.

29 DEPOSITS ON FINANCE LEASES

Security deposits on leases	29.1	1,193,361,842
Less: Current maturity	30	190,060,832
		1,003,301,010

29.1 These represent interest free security deposits received under lease contracts and are repayable/ adjustable at the expiry/ termination of the respective leases.

30 CURRENT MATURITY OF LONG-TERM LIABILITIES

Long-term borrowings	25	211,250,000
Redeemable capital	27	150,000,000
Certificates of investment	28	12,930,916
Deposits on finance leases	29	190,060,832
		564,241,748

CRESCENT LEASING CORPORATION LIMITED

31 DEFERRED REVENUE

	Note	June 30, 2006 Rupees
Deferred during the year	20.1	17,654,760
Amortized during the year		(1,471,230)
		16,183,530

32 SHARE CAPITAL

Authorized Share Capital		1,000,000,000
100,000,000 ordinary shares of Rupees 10 each		
Issued, Subscribed and Paid-up Capital		
25,460,267 ordinary shares of Rupees 10 each fully paid-up in cash		254,602,670
19,929,823 ordinary shares of Rupees 10 each issued as fully paid bonus shares		199,298,230
		453,900,900

During the year 5,043,343 bonus shares were issued by the holding company in the proportion of 12.5 shares for every 100 shares held.

33 DEFICIT ON REVALUATION OF INVESTMENTS

Short-term Investments - Available for sale:		
- Ordinary shares	13.3	(56,221,968)
- Term finance certificates	13.4	269,677
- Mutual funds	13.5	(2,066,341)
- Preference shares	13.6	(4,665,559)
		(62,684,191)

34 MINORITY INTEREST

Share in net assets at acquisition		152,303,233
Share of post acquisition loss		(2,423,369)
Minority Interest as at June 30, 2006		149,879,864

35 SURPLUS ON REVALUATION OF FIXED ASSETS - MOVEMENT DURING THE PERIOD

Opening Balance		42,966,800
Surplus arised on revaluation during the year		16,650,000
Less: Surplus realized on assets disposed off - Net of deferred tax		(18,072,918)
Deferred tax liability related to surplus on revaluation during the year		(1,159,375)
		(2,582,293)
Less: Incremental depreciation transferred to statement of changes in equity		
- Net of deferred tax		(1,741,107)
		38,643,400

35.1 On December 31, 2005, the holding company revalued its land and office premises which resulted in surplus of Rupees 22.028 million. However, since a revaluation of office premises was also carried out in May 2005 and results were incorporated in books of account, therefore based on current revaluation exercise, revaluation surplus amounting to Rupees 16.650 million of land and office premises acquired during the period has been incorporated in the books of account. The revaluation was carried out by an independent valuer M/s. MYK Associates (Private) Limited, an approved valuer of Leasing Association of Pakistan on prevailing market value basis.

36 CONTINGENCIES AND COMMITMENTS**36.1 Contingencies**

36.1.1 Income tax assessment for the assessment year 2000-2001 of the subsidiary company has been finalized by the Deputy Commissioner of Income Tax (DCIT) with a tax demand of Rupees 15.859 million. The management filed appeal before the Honourable Federal Tax Ombudsman (FTO) on the point of jurisdiction of the assessment, which has been decided in favour of the subsidiary company. However, the department has filed a representation before the President of Pakistan against the order passed by the Honourable FTO. The management expects a favourable outcome of the representation, consequently, no provision has been made in these financial statements for the demand of Rupees 15.859 million.

The DCIT has finalized assessment proceedings for the assessment year 1998-99 on the issues set aside by Commissioner Income Tax - Appeals and created a refund of Rupees 586,472. However, refund voucher has not been received as yet.

The DCIT has made assessment for the assessment year 1999-2000 and raised a demand of Rupees 7.682 million by disallowing various expenses, making additions in income on account of lease rentals and imposing penalty on set off of undermined loss against income for prior assessment years. The management has made provision for taxation of Rupees 2.451 million for the said year and for balance tax demand disputed the add backs and filed appeal with Appellate Authorities. Pending outcome of the matter, no provision has been made in these financial statements for the balance demand raised as the management is confident that the outcome of the case will be in favor of the subsidiary company.

36.1.2 Based on the legal opinion, the subsidiary company has not accounted for the salary of one of its former director amounting to Rupees 1.863 million for the period from April 2002 to September 2003.

36.2 Commitments

	June 30, 2006 Rupees
As at balance sheet date the group has the following outstanding commitments:	
Letters of comfort for import of machinery to be leased	20,000,000
Commitment in respect of sale and repurchase agreements	50,000,000
Commitment in respect of operating lease assets:	
Within one year	1,580,700
Within two to five years	2,105,230
37 INCOME FROM INVESTMENTS	
Return from short-term placements and deposits	45,557,728
Return from government securities, mutual funds and TFCs	12,171,601
Income from continuous funding system	3,564,650
Income from reverse repo against shares	37,879,714
Gain on sale of securities - Net	45,906,947
Dividend Income	22,347,880
	167,428,520
38 OTHER INCOME	
Fee and commission	9,370,028
Income from advisory and other services	9,351,912
Gain on sale of fixed assets	51,455,367
Amortization of deferred revenue	1,471,230
	71,648,537

39 ADMINISTRATIVE AND OPERATING EXPENSES

	Note	June 30, 2006 Rupees
Salaries, allowances and benefits including remuneration of chief executive and executives	39.1 & 39.4	73,866,006
Staff training		374,432
Rent, rates and taxes		5,710,732
Traveling, conveyance and entertainment		2,762,694
Vehicle running		6,464,167
Utilities		2,814,386
Telephone and fax		3,806,383
Insurance		2,563,242
Operating lease rentals		2,905,142
Fees, subscriptions and periodicals		4,685,370
Printing and stationery		2,667,860
Postage, stamps and telegrams		564,168
Legal and professional charges		4,116,719
Auditors' remuneration	39.2	694,000
Repairs and maintenance		4,242,719
Depreciation	20.2	21,645,754
Systems development		350,000
Advertisement		906,339
Donations	39.3	1,750,712
Others		324,560
		143,215,385

39.1 Salaries, allowances and benefits include provision of Rupees 5.692 million for staff benefit schemes.

39.2 Auditors' Remuneration

	Syed Husain Zafar Naveed & Co.	Anjum Asim Shahid Rahman	Total
	Rupees		
Statutory audit fee	275,000	100,000	375,000
Special audit, reviews and certifications	245,500	37,500	283,000
Out of pocket expenses	36,000	-	36,000
	556,500	137,500	694,000

39.3 Donations are paid to the various organizations, as per policy approved by Board of Directors, in which none of the director of the group is interested in any capacity.

39.4 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES

	Chief Executive Officer	Executives	Total
	Rupees		
Managerial remuneration	5,852,758	7,715,490	13,568,248
Housing and utility	1,935,137	3,857,757	5,792,894
Medical and other expenses	512,225	3,817,445	4,329,670
Company's contribution to:			
Provident fund	276,445	724,185	1,000,630
Gratuity fund	398,904	569,727	968,631
Leave fare assistance	-	576,012	576,012
Bonus	1,000,000	1,355,000	2,355,000
	9,975,469	18,615,616	28,591,085
Number of persons	2	10	11

The chairman, chief executive officer and executives have been provided with free use of company maintained cars. Directors were paid Rupees 195,000 for attending board of directors / audit committee meetings during the year.

40 FINANCIAL CHARGES

	Note	June 30, 2006 Rupees
Mark-up on:		
Long-term borrowings and redeemable capital		172,148,337
Short-term borrowings		125,051,226
		297,199,563
Long-term COIs		10,733,484
Short-term COIs and CODs		94,926,636
		105,660,120
Running finances		35,790,167
Finance charges on liabilities against assets subject to finance leases		163,362
Bank and other charges		15,825,096
		454,638,308

41 CURRENT TAXATION

This represents turnover tax @ 0.5% on gross receipts basis under section 113 of the Income Tax Ordinance, 2001 due to the available tax losses including unabsorbed depreciation amounting to Rupees 1.164 million.

42. DEFERRED TAXATION

42.1 Deferred taxation comprises:

Deferred tax assets arising in respect of		
- Provision for doubtful finance/ potential lease losses		92,074,100
- Carry forward of income tax losses		441,276,641
		533,350,741
Deferred tax liabilities arising due to		
- Accelerated tax depreciation		(560,014,697)
Deferred tax liability		(26,663,956)

42.2 Deferred tax liability has been provided on the temporary differences between the carrying values of assets and liabilities and its tax base using balance sheet liability method. The above deferred tax liability includes the effect of net deferred tax debit of Rupees 42,551,108 that has not been accounted for in the financial statements of the subsidiary company as the management believes that it is probable that future taxable profits will not be available to subsidiary company against which the deferred tax assets of Rupees 42,551,108 can be utilized. Keeping in view the non-availability of future taxable profits to subsidiary company, the effect of deferred tax debit of Rupees 42,551,108 has not been taken while accounting for the deferred tax liability of the group in these financial statements. The liability after considering the effects of tax losses of holding company is estimated at Rupees 69.215 million.

43 EARNINGS PER SHARE - BASIC

Profit after tax	Rupees	33,945,214
Weighted average ordinary shares	Numbers	45,390,090
Earnings per share	Rupees	0.75

There is no dilutive effect to the basic earnings per share of the group.

44 DEFINED BENEFIT PLAN-GRATUITY FUND

44.1 The actuarial valuation carried out resulted in:

Present value of defined benefit obligation on June 30,	44.1.1	6,042,557
Less: Fair value of plan assets	44.1.2	(9,455,359)
Add : Unrecognized actuarial gains	44.1.3	652,065
Total assets		(2,760,737)

CRESCENT LEASING CORPORATION LIMITED

44.1.1 Changes in present value of defined benefit obligation

<i>Note</i>	June 30, 2006 Rupees
Present value of defined benefit obligation as at June 30,	5,409,438
Interest cost for the year	489,917
Current service cost for the year	1,074,840
Benefits paid during the year	(362,747)
Actuarial gain loss on present value of defined benefit obligation	(568,891)
	6,042,557
44.1.2 Changes in fair value of plan assets	
Fair value of plan assets as on June 30,	3,595,298
Expected return on plan assets	323,577
Contributions during the year	5,000,000
Actuarial gain on plan assets	536,484
	9,455,359
44.1.3 Changes in actuarial gains / (losses)	
Unrecognized actuarial losses as at June 30,	(456,177)
Actuarial gains arising during the year	995,830
Actuarial gains charged during the year	112,412
	652,065
44.1.4 Charge to Profit and Loss Account for the year	
Current service cost	1,074,840
Interest cost	489,917
Expected return on plan assets	(323,577)
Actuarial losses charge	2,867
Past service cost charge	29,596
	1,273,643

45 SEGMENTAL ANALYSIS

The operational activities of the group are broadly categorized into two primary business segments namely leasing activities and investment / corporate finance activities.

45.1 Leasing Activities

Leasing activities include providing lease financing facilities to corporate and individual customers and operating lease activities.

45.2 Investments / Corporate Finance Activities

Investments/corporate finance activities include money market activities, investment in government securities, capital market activities, providing short and long-term finances to corporate and other customers and arrangement/ advisory services.

CRESCENT LEASING CORPORATION LIMITED

	Leasing	Investments/ Corporate Finance	Total
	Rupees		
Segment revenue	419,489,478	245,702,054	665,191,532
Unallocated revenue			51,455,366
Total revenue			716,646,898
Segment results before tax and provisions	5,036,908	68,718,411	73,755,319
Add: Unallocated revenue			51,455,366
Less: Unallocated cost			(44,175,995)
			81,034,690
Provisions			(45,649,667)
Amortization of goodwill			(151,800)
Share of associate's profit			3,928,884
Taxation			(7,640,262)
Profit after taxation			31,521,845
Segment assets	3,779,664,361	1,483,037,281	5,262,701,642
Unallocated assets			524,862,221
Total assets			5,787,563,863
Segment liabilities	3,249,775,475	1,284,774,020	4,534,549,495
Unallocated liabilities			415,488,000
Total liabilities			4,950,037,495
Segment depreciation	18,146,479	6,816,930	24,963,409
Unallocated depreciation			1,640,580
			26,603,989

46 RELATED PARTY TRANSACTIONS

The company has related party relationship with its associated companies, directors and executive officers.

The transactions between the company and related parties are carried out on an arm's length basis and the relevant rates are determined in accordance with the comparable uncontrolled price method and cost plus method where appropriate, except for transactions relating to employees which are based on their term of employment.

	Pricing Method	Rupees
Placements and deposits		1,782,000,000
Finance obtained under repo arrangements		276,500,000
Short-term borrowings		195,000,000
Mark-up received		18,824,330
Mark-up paid	Comparable	3,170,889
Dividend received	Uncontrolled	1,030,364
Purchase of shares		64,314,862
Purchase of office premises		6,930,000
Arrangement and advisory fee earned		3,500,000
Contribution to Employees Retirement funds		5,692,159
Service charges paid	Cost Plus	947,363

- 46.1** The above represents cumulative amount of transactions during the year. Outstanding balances with associates and related parties have been disclosed in respective notes to the financial statements. Transactions with CSIBL is shown as related party transaction uptill September 2005 as after this period the associate relationship due to common directorship ceased to exist.

47 RISKS RELATED TO FINANCIAL INSTRUMENTS

47.1 Risk Management

47.1.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. Policies and procedure have been established by the group with the objective of protecting against unacceptable credit losses, including, review and assessment of credit worthiness of counter parties, credit approvals, establishing and monitoring limits of credit exposure, limiting transactions with specific counter-parties, obtaining collateral and guarantee requirements.

Further, the counter party credit risk is mitigated through the internal guidelines, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Prudential Regulations for NBFCs.

Concentration of credit risk may arise from exposures to a single debtor. The group manages concentration of credit risk through diversification of activities among individuals, groups and industry segment. For this purpose, the group has established the policies for credit exposure in addition to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Prudential Regulations for NBFCs.

47.1.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The group matches availability of liquid funds before committing for liabilities and also an analysis of liquid funds with maturities of liabilities due is performed periodically.

47.1.3 Market risk

Market risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices. The risk is minimized through investing in an appropriate mix of high and low risk securities and other portfolio diversification techniques.

47.1.4 Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The group is not exposed to currency risk.

47.1.5 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This includes exposure to interest rate price risk, such as monetary financial assets and financial liabilities with a fixed interest rate; exposure to interest rate cash flow risk, such as monetary financial assets and financial liabilities with a floating interest rate that is reset as market rates change; and not exposed to interest rate risk, such as some investments in equity securities.

Changes in interest rates or in the relationships between short and long-term interest rates can affect the rates charged on interest earning assets differently than the rates paid on interest bearing liabilities. This can result in an increase in interest expense relative to finance income or vice versa. The group manages the overall risk by matching its long-term assets with borrowings and ensuring that borrowings rates are kept below lease rates.

48 RISK ANALYSIS

48.1 Credit Risk

An analysis of group's credit risk exposure in respect of investment in leases as at June 30, 2006 is as follows:

	Rupees	%
Textiles	385,743,126	10.15
Synthetic, garments and others	634,591,434	16.70
Food, tobacco and beverage	61,470,387	1.62
Transport and communication	564,040,494	14.84
Chemical, pharmaceuticals and fertilizers	37,461,124	0.99
Steel engineering and automobiles	141,977,658	3.74
Electrical and electric goods	42,705,681	1.12
Financial	37,835,735	1.00
Energy, oil and gas	93,814,683	2.47
Construction	198,169,344	5.21
Paper and board	109,143,956	2.87
Healthcare	131,113,933	3.45
*Miscellaneous	1,361,963,837	35.84
	<u>3,800,031,392</u>	<u>100.00</u>

*Sectors below 1.5 percent have been clubbed and shown as miscellaneous.

48.2 Interest / Mark-up Rate Risk Exposure

The information about the company's exposure to interest rate risk as at June 30, 2006 based on contractual refinancing or maturity dates whichever is earlier is as follows:

	Interest / Mark-up bearing			Non-Interest /	Total
	Less than one month	One month to one year	Over one year	Mark-up Bearing	
	Rupees				
Financial Assets					
Cash and bank balances	37,464,974	-	-	25,818,949	63,283,923
Term deposit certificates	260,000,000	-	-	-	260,000,000
Money market placements	15,000,000	115,000,000	-	-	130,000,000
Finances under musharika arrangement	-	60,000,000	-	-	60,000,000
Advances, deposits and other receivables	-	-	-	167,891,596	167,891,596
Advances against leases	-	9,138,802	-	-	9,138,802
Reverse Repo against shares	50,002,875	-	-	-	50,002,875
Investments	-	116,671,666	13,777,192	263,311,272	393,760,130
Short-term finances	4,000,000	110,892,772	-	-	114,892,772
Long-term finances	3,086,018	97,869,350	110,858,174	-	211,813,542
Net investment in finance lease	301,123,149	835,802,888	2,544,837,815	-	3,681,763,852
Long-term deposit	-	-	-	11,148,776	11,148,776
	<u>670,677,016</u>	<u>1,345,375,478</u>	<u>2,669,473,181</u>	<u>468,170,593</u>	<u>5,153,696,268</u>
Financial Liabilities					
Creditors, accrued and other liabilities	-	-	-	230,252,502	230,252,502
Borrowings from financial and other institutions	370,044,902	647,679,969	765,500,001	-	1,783,224,872
Certificates of investment and deposit	590,607,965	265,034,751	33,731,848	-	889,374,564
Liabilities against assets subject to finance leases	144,064	25,626,116	56,999,476	-	82,769,656
Redeemable capital	-	150,000,000	535,000,000	-	685,000,000
Deposits on finance lease	-	-	-	1,193,361,842	1,193,361,842
	<u>960,796,931</u>	<u>1,088,340,836</u>	<u>1,391,231,325</u>	<u>1,423,614,344</u>	<u>4,863,983,436</u>
On balance sheet sensitivity gap	<u>(290,119,915)</u>	<u>257,034,642</u>	<u>1,278,241,856</u>	<u>(955,443,751)</u>	
Cumulative sensitivity gap	<u>(290,119,915)</u>	<u>(33,085,273)</u>	<u>1,245,156,583</u>		

48.2.1 The effective interest rates for financial assets and financial liabilities are as follows:

	% per annum
Financial Assets	
Bank balances	2 to 5
Term deposit certificates	7
Money market placements	9 to 21
Reverse repo against shares	16
Short-term investments - TFCs and preference shares	7 to 13
Short-term finances	13 to 18
Long-term finances	7 to 16
Net investment in finance leases	8 to 29
Long-term investments	12
Financial Liabilities	
Borrowings from financial and other institutions	7 to 13
Running finances under mark-up arrangement	11 to 13
Certificates of investment and deposit	6 to 13
Liabilities against assets subject to finance leases	7 to 12
Redeemable capital	7 to 17

49 FAIRVALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset could be exchanged or liability settled between knowledgeable willing parties in an arms length transaction. The carrying values of financial assets and liabilities approximates their fair values as reflected in the respective notes.

50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the board of directors and authorized for issue on October 5, 2006.

51 GENERAL

51.1 Corresponding figures in statement of changes in equity have been restated due to change in accounting policies of revenue recognition of finance leases (Note 5.1.1) and investment in associates (Note 5.1.3)

51.2 Comparative information has not been inserted as the Crescent Leasing Corporation Limited acquired the subsidiary on December 05, 2005.

51.3 Figures have been rounded off to nearest rupee.



S.M. Ehtishamullah
Director



Javed A. Callea
Chief Executive Officer

Pattern of Shareholding (Form 34)

Pattern of holding of the shares held by the Shareholders as at **June 30, 2006:**

No. of Shareholders	Shareholding		Total Shares held
	from	to	
99	1	100	4,368
155	101	500	48,928
97	501	1,000	81,739
211	1,001	5,000	533,617
58	5,001	10,000	442,081
28	10,001	15,000	350,463
14	15,001	20,000	245,960
6	20,001	25,000	146,784
8	25,001	30,000	222,338
2	30,001	35,000	62,932
4	35,001	40,000	148,472
5	45,001	50,000	245,066
1	50,001	55,000	53,883
3	55,001	60,000	175,081
1	60,001	65,000	64,133
1	70,001	75,000	72,110
3	75,001	80,000	237,051
4	80,001	85,000	328,342
1	85,001	90,000	88,997
2	95,001	100,000	191,654
1	130,001	135,000	134,783
1	145,001	150,000	150,000
2	160,001	165,000	325,670
1	175,001	180,000	176,713
1	255,001	260,000	259,500
1	270,001	275,000	274,500
1	335,001	340,000	336,064
1	340,001	345,000	340,907
1	445,001	450,000	450,000
1	745,001	750,000	748,000
1	895,001	900,000	900,000
1	980,001	985,000	983,487
1	1,025,001	1,030,000	1,027,998
1	1,045,001	1,050,000	1,050,000
1	4,115,001	4,120,000	4,116,618
1	4,500,001	4,505,000	4,501,344
1	4,535,001	4,540,000	4,538,593
1	5,610,001	5,615,000	5,613,969
1	7,095,001	7,100,000	7,100,000
1	8,615,001	8,620,000	8,617,945
724			45,390,090

Categories of Shareholders	Shares Held	% age
5.1 - Directors, Chief Executive Officer, their Spouse and Children		
Directors		
Mr. Aftab Ahmad Khan	3,020	0.01
Mr. Irtiza Husain	1,000	0.00
Mr. Javed Aslam Callea	11,250	0.02
Mr. Saeed Jamal Tariq	1,312	0.00
	16,582	0.03
5.2 Executives	5,062	0.01
5.3 Associated Companies, Undertakings & Related Parties		
Crescent Commercial Bank Limited	5,613,969	12.37
Crescent Steel and Allied Products Limited	983,487	2.17
Shakarganj Mills Limited	8,617,945	18.99
	15,215,401	33.53
5.4 NIT & ICP (Name Wise Detail)		
Investment Corporation of Pakistan	303	0.00
National Bank of Pakistan, Trustee Deptt.	4,116,618	9.07
	4,116,921	9.07
5.5 Banks, DFI's, NBFIs		
Banks, DFI's, NBFIs	2,526	0.01
Banks, DFI's, NBFIs (CDC)	8,082,333	17.80
	8,082,859	17.81
5.6 Insurance Companies		
Insurance Companies (CDC)	165	0.00
	165	0.00
5.7 Modaraba and Mutual Funds		
Modaraba and Mutual Funds	9,377	0.02
Modaraba and Mutual Funds (CDC)	9,206,827	20.28
	9,216,204	20.30
5.8 Other Companies		
Other Companies	23,173	0.05
Other Companies (CDC)	1,951,119	4.30
	1,974,292	4.35
5.9 General Public		
Local	482,804	1.06
Local (CDC)	6,279,800	13.84
	6,762,604	14.90
	45,390,090	100.00

Shareholders (more than 10.00%)

Pak Oman Investment Company Ltd.	7,100,000	15.64
Crescent Commercial Bank Limited	5,613,969	12.37
Shakarganj Mills Limited	8,617,945	18.99

Company Information

Name of Company

Crescent Leasing Corporation Limited

Legal Status

Public limited company incorporated in Pakistan on April 07, 1987 under Companies Ordinance, 1984

Stock Exchange Listing

The ordinary shares of the company are listed with all the stock exchanges of Pakistan, namely Karachi Stock Exchange, Lahore Stock Exchange & Islamabad Stock Exchange.

Registered Office

Crescent Standard Tower, 4th Floor; 10-B, Block-E2, Gulberg III, Lahore.
UAN: 042-1111-912-912
Fax: 042-5875915-16
Contact Person: Tariq Aleem
Email: tariq@csibl.com

Website

www.creslease.com

Company Registration No.

K-613/10121 of 1986-87

National Tax Number (NTN)

0823891-0

Auditors

Syed Husain Zafar Naveed & Company
Chartered Accountants

Legal Advisors

Cornelius laane & mufti
Advocate & Solicitors

Agha Faisal Associates

Tax Consultants

Anjum Asim Shahid Rahman & Co.

Banks and Lending Institutions

Allied Bank Limited
United Bank Limited
National Bank of Pakistan
Habib Bank Limited
The Bank of Punjab
PICIC Commercial Bank Limited
Soneri Bank Limited
Pak Oman Investment Co. (Pvt.) Limited
Pakistan Kuwait Investment Co. (Pvt.) Limited
Security Investment Bank Limited
Union Bank Limited
The Bank of Khyber
Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Limited
United Money Market Fund
First National Bank Modarba
Prime Commercial Bank Limited
Swiss Development Corporation

Contact Us

Head Office
B-801-802, 8th Floor,
Lakson Square Building # 3,
Sarwar Shaheed Road,
Karachi-74200,
Pakistan.
UAN: 021-111-66-77-88
Fax: 021-5661988
Email: info@creslease.com

Head of Leasing Operations

Syed Shahnawaz A. Rizvi
Email: shahnawaz@creslease.com

Head of Investment & Corporate Finance

Mr. Asif Haider Mirza
Email: ahaider@creslease.com

Chief Financial Officer

Mr. Latif Khawar
Email: khawar@creslease.com

Company Secretary

Syed Shahid Owais
Email: owais@creslease.com

For Treasury Operations

Mr. Mustafa Kamal
Email: mustafa@creslease.com

For Corporate Finance and Advisory Services

Miss Tehmeena Khan
Email: tehmeena@creslease.com

For Operating Leases

Mr. Mahboob-ur-Rehman
Email: mahboob@creslease.com

For Corporate & SME Leasing

Mr. Muhammad Moinuddin
Email: moin@creslease.com

For Consumer & Auto Leasing

Mr. Nadeem Ashraf
Email: nadeem@creslease.com

For Micro Leasing

Mr. Raheel Safdar
Email: raheel.safdar@creslease.com

Branches Network

Central Region

Lahore Branch/Regional Office

Mr. Mohammad Naeem Baig
SVP & Regional Manager
Crescent Leasing Corporation Limited
57-B, Block-III, Near Hussain Chowk,
Gulberg-III, Lahore.

Tel: 042-5783790-91
Fax: 042-5783795
Cell: 0300-8410023
Email: lahore@crestlease.com

Gujranwala Branch

Mr. Sajjad Ahmed Sandhu, Branch Manager
Crescent Leasing Corporation Limited
Office # 12, Main Block, GDA Plaza,
"Trust Plaza",
Gujranwala.

Tel: 055-3730308
Fax: 055-3731108
Cell: 0300-6424114
Email: gujranwala@crestlease.com

Multan Branch

Mr. Mohammad Azam, Branch Manager
Crescent Leasing Corporation Limited
Nusrat Road, Khawar Center,
Near SP Chowk,
Multan.

Tel: 061-781699
Fax: 061-781599
Cell: 0300-7315757
Email: multan@crestlease.com

Faisalabad Branch

Mr. Imran Bari, Branch Manager
Crescent Leasing Corporation Limited
6th Floor, State Life Building,
2-Liaquat Road,
Faisalabad.

Tel: 041-612026
Fax: 041-612027
Cell: 0300-6601233
Email: faisalabad@crestlease.com

North Region

Islamabad Branch/Regional Office

Mr. Tahir A. Abbas, VP & Regional Manager
Crescent Leasing Corporation Limited
2nd Floor, 52-E, Dodhy Plaza,
Jinnah Avenue, Blue Area,
Islamabad.

Tel: 051-2824866
Fax: 051-2871157
Cell: 0300-8506271
Email: islamabad@crestlease.com

Peshawar Branch

Mr. Saifullah Asad, Branch Manager
Crescent Leasing Corporation Limited
170/Y, Ground Floor, State Life Building,
34-The Mall, Peshawar Cantt.,
Peshawar.

Tel: 091-5260719-20
Fax: 091-5260718
Cell: 0333-5160197
Email: peshawar@crestlease.com

Kohat Branch

Mr. Waqas Saliheen, Branch Manager
Crescent Leasing Corporation Limited
1st Floor, Right Wing, Cantonment Plaza,
Bannu Road, Kohat Cantt.,
Kohat.

Tel: 0922-522045
Fax: 0922-522045
Cell: 0333-9616374
Email: kohat@crestlease.com

Abbottabad Branch

Mr. Jamal Shah, Branch Manager
Crescent Leasing Corporation Limited
Upper Floor, Ali Plaza, Supply Bazar,
Main Mansehra Road,
Abbottabad.

Tel: 0992-342437
Cell: 0300-9158795
Email: abbottabad@crestlease.com

Hyderabad Branch

Mr. Amjad Murtaza, Branch Manager
Crescent Leasing Corporation Limited
State Life Building, 7th Floor,
Thandi Sarak,
Hyderabad.

Tel: 0221-728730
Fax: 0221-728731
Cell: 0300-3733546
Email: hyderabad@crestlease.com

Affix
Correct
Postage

The Corporate Secretary
CRESCENT LEASING CORPORATION LIMITED
Crescent Standard Tower, 4th Floor, 10-B,
Block-E2, Gulberg III, Lahore.


Cres Lease

Form of Proxy 19th Annual General Meeting

I/We _____ of
_____ being member(s) of
Crescent Leasing Corporation Limited holding _____ ordinary shares as per Registered
Folio No./CDC A/c No. (for members who have shares in CDS) _____
hereby appoint _____ of
_____ or failing him/her
_____ of

(being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf
at the 19th Annual General Meeting of the Company to be held on October 30, 2006 at 12:00 noon at
Crescent Standard Tower, 4th Floor, 10-B, Block-E2, Gulberg III, Lahore, and/or any adjournment thereof.

As witness my/our hand seal this _____ day of _____ 2006.

Signed by _____ in the

presence of (i) _____

(ii) _____

Signature on
Rs. 5/-
Revenue Stamp

(Signature must agree with the specimen
signature registered with the Company.)

IMPORTANT :

1. This form of proxy, duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorised in writing. If the Member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is a Member.

For CDC Account Holders/Corporate Entities:

In addition to the above following requirements have to be met:

- (i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- (ii) Attested copies of NIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original NIC or original Passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

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