

Annual Report 2007



# Cres Lease



Together We Aim, Together We Build

[www.creslease.com](http://www.creslease.com)

CRESCENT LEASING CORPORATION LIMITED  
Crescent Standard Tower, 4th Floor, 10-B,  
Block-E2, Gulberg 111, Lahore.

CRESCENT LEASING CORPORATION LIMITED

In The Name of

**Allah**

The Most

**Gracious**

The Most

**Merciful**



**Cres Lease**



# 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.

## 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.



## 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.

## Risk Management

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

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

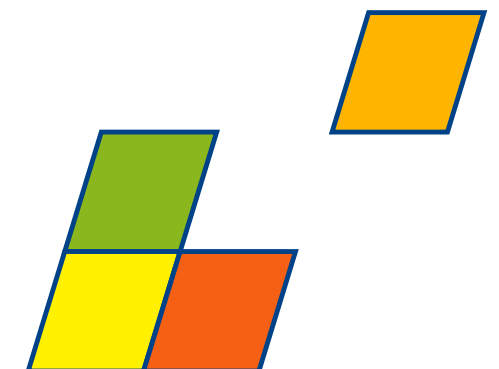
The risk management policies of the Company cover the following areas:

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



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## Board of Directors



Mr. Zafar Iqbal



Mr. Basheer A. Chowdry



Mr. Muhammed Zahid



Mr. Javed Aslam Callea



Mr. Muhammed Moizul Haque



Mr. Firasat Ali



Mr. S. Shahnawaz A. Rizvi

### Mr. Zafar Iqbal - Chairman

Co-opted as Director on April 25, 2007.

### Mr. Syed Shahnawaz A. Rizvi - Chief Executive

Appointed as Chief Executive on March 14, 2007 and Co-opted as Director on April 25, 2007.

## D i r e c t o r s

### Mr. Basheer Ahmed Chowdry

Co-opted as Director on April 25, 2007.

### Mr. Muhammad Moiz ul Haque

Co-opted as Director on April 25, 2007.

### Mr. Javed A. Callea

Co-opted as Director on October 12, 2006.

### Mr. Muhammad Zahid

Co-opted as Director on April 25, 2007.

### Mr. Firasat Ali

Re-elected as Director on July 1, 2006.

## Committees

### The Audit Committee

Terms of reference as defined under Code of Corporate Governance

Mr. Javed A. Callea  
Mr. Basheer A. Chowdry  
Mr. Firasat Ali  
Syed Shahid Owais

Non-Executive Director  
Non-Executive Director  
Non-Executive Director

Chairman  
Member  
Member  
Committee Secretary

### The Executive Committee

Review and approve all operational matters of the Company.

Mr. Muhammad Zahid  
Mr. Muhammad Moizul Haque  
Mr. S. Shahnawaz A. Rizvi

Chairman  
Member  
Member

### The Executive Management Committee

Review and approve the leasing proposals and deliberate on operational performance and new business initiatives.

Mr. Shahnawaz A. Rizvi  
Mr. Ali Akbar Abdullah  
Mr. Naeem Baig  
Mr. Shahbaaz Mithani  
Mr. Razi Aziz

CEO  
EVP  
SVP  
CFO  
VP

### Assets Liabilities Committee

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

Mr. Shahnawaz A. Rizvi  
Mr. Ali Akbar Abdullah  
Mr. Abid Raza  
Mr. Shahbaaz Mithani  
Syed Shahid Owais

CEO  
EVP  
SVP  
CFO  
Company Secretary

### The IT Committee

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

Mr. Mahboob Ur Rehman  
Mr. Abid Raza  
Mr. Muhammad Tayyab Baig

EVP  
SVP  
VP

### 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.

Mr. Ali Akbar Abdullah  
Mr. Shahbaaz Mithani  
Syed Shahid Owais

EVP  
CFO  
Company Secretary



# Corporate Sector

## Corporate Sector

Our corporate clients come up with their sophisticated and structured requirements for leases. These are offered for huge and small machinery, generating equipments and transportation vehicles. CresLease arranges and also participates in various syndicated lease financing to prestigious corporate clients.



## Notice of 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the Company will be held on Thursday, November 29, 2007 at 12:00 Noon at Crescent Standard Tower, 4th Floor, 10-B, Block E-2, Gulberg III, Lahore to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting (EOGM) of the Company held on August 27, 2007.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended June 30, 2007 together with the Directors' and Auditors' Reports thereon.
3. To appoint the Auditors for the year 2007-2008 and to fix their remuneration. The retiring Auditors, Messrs Ford Rhodes Sidat Hyder & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By and on behalf of the Board

KARACHI  
November 08, 2007

Syed Shahid Owais  
Company Secretary

### Notes:

#### 1. Closure of share transfer books

The members register will remain closed from **November 22, 2007 to November 29, 2007** (both days inclusive). Transfer received in order at the Registered Office by the close of business hours on November 21, 2007 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 later than 48 hours before the time of holding the meeting.

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

#### 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 higher 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.

#### 5. Minutes of the Extra Ordinary General Meeting

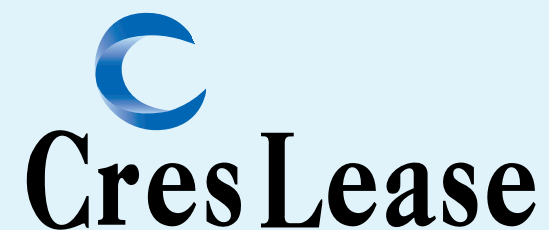
The minutes of the Extra Ordinary General Meeting of the Company held on August 27, 2007 are available at the Registered Office of the Company.



# SME & Micro Sector

Small and Medium Enterprises (SME) and Micro Sector play a key role in developing countries like Pakistan. CresLease has emphasized on these sectors since last many years and feels pride in mentioning that SME and Micro financing has huge potential and our experience with them has been very successful.

We offer various productive assets to them, which includes machinery, technological equipment, transportation equipment, automobiles, etc. Micro Sectors are facilitated with very small equipments that earn their living and enhance their earning capacity.



**Cres Lease**





## Directors' Report

The Board of Directors of Crescent Leasing Corporation Limited ("Creslease") are pleased to present their 20th annual report along with the Company's audited accounts for the year ended June 30th 2007.

### The Economy

Pakistan's economy continued to grow at expected pace of around 7% in the year 2006-07 whereby the size of the GDP increased to Rs. 8716 billion which is at least three times to what it was 5 years back. This has resulted in increased per capita income which reached \$926 almost double in comparable period. The economic landscape of Pakistan has changed and therefore its challenges are also different today. How to sustain the ongoing growth momentum within the stable macroeconomic framework is the biggest challenge. Also linked with these are the challenges of job creation, poverty alleviation, improving social indicators and strengthening of the country's physical infrastructure.

The year's economic growth is mainly driven by strong domestic demand which needs to be sustained keeping an eye on important factors such as inflation and distribution of wealth. The exports lagged behind the targets and there is substantial increase in import bills mainly due to oil prices. This is a matter of concern vis a vis increased domestic demands which have been the driving force for last few years. The country entered into the expected election year which has made the investors to follow wait and see strategy.

The financial sector mostly went into consolidation and many takeovers and mergers are currently in progress. There has been pressure on the net spreads due to competition whereas the product development is duly emphasized and has been evident. It is expected that after the consolidation phase, the financial sector will emerge stronger however till that time the performance may not match the passing years. Margins for Non bank financial institutions specially for leasing companies has squeezed a lot due to aggressive intrusion by the commercial banks on the target market of these companies however it is expected that the new markets will continue to come both in terms of the product and also geographically. As it always happens in the leasing business cycle, the rental and operating lease business are expected to progress more and the products will take more mature outlook in coming years. In addition to this there is extreme dearth for arrangement and advisory services for small and medium enterprises which is to be explored to the maximum.

### Creslease Performance Review

The Company went through a very difficult phase since April 2006 where certain issues concerning to one of the group company halted the total operations and the total management team had to go through extensive crisis and liquidity management. This derailed the performance of the Company where it showed a loss of Rs. 97 million till the third quarter of 2007. It was clearly communicated by the management in last reviews that complete resolution to the severe position could only be facilitated through change of brand. This strategy was taken up to save the Company and as explained in previous quarterly reports the shareholding of the Company exchanged hands and was taken over by Al-Zamin, Zahid Jee and its associates to the extent of 78.45%.

The formal takeover and change of management came effective on April 25th 2007. Since then a comprehensive revival plan has been followed to return this Company towards normalcy. The following has been done since then:

#### Approval from SECP

SECP has been very cooperative in extending the following permissions to the company upon requests from time to time by the management:

- June 11, 2007 - Renewal of leasing license
- June 12, 2007 – Permission to issue Certificate of Investment
- July 16, 2007 - Principal consent to proceed for amalgamation of Universal Leasing Corporation Limited with/into Crescent Leasing Company Limited

### Performance Highlights

- New business of Rs. 160 million has been disbursed.
- The Company had total loss of Rs. 97.12 million for the nine month ended March 2007 with an incremental loss of around Rs. 14 million per month. However during the last three months the monthly loss has been reduced to Rs. 4.1 million per month.
- Assets base were depleting by Rs. 151 million per month from July 06 to Mar 07. However during the last three months assets base were increased by Rs. 72 million.
- The access to fund was severely restricted however, subsequent to change of management the new fund to the extent of Rs. 500 million has been generated.
- The Company has been able to reduce its administrative costs however improving on the structure and potential at the same time.
- Borrowing rates have been maintained.
- Recovery has been improved by around 10% over the outstanding as on 31st March 2007 which was increasing at an incremental rate of around 6% per month.

### Financial Accounts:

The Company incurred a net after tax loss of Rs. 109,243 million during the year under review. This resulted in EPS of ( 2.41) for the year. The highlights of the financial results are as follows:

Operating Results (PKR)	FY 2007	FY 2006
Revenue	416,343,848	706,438,755
Expenditure	469,904,742	626,533,405
Operating profit/(Loss) before provisions	(53,560,742)	79,905,350
Provisions/ unrealized gains (loss)	45,468,337	48,138,138
(Loss)/Profit before taxation	(99,029,079)	31,767,212
Taxation	10,214,675	7,566,006
(Loss)/Profit after taxation	(109,243,754)	24,201,206

The Company on the whole has performed reasonably as per expectation and with close to its timeline which is evident from the fact that last third quarter loss was disclosed at a loss of Rs.97.12 million which has been maintained at total loss of Rs. 109.243 million after this quarter.

Certain prior year errors have been adjusted in presenting these accounts for which the details are mentioned in note No. 41.

With regard to emphasis drawn by the auditors in their report in relation to the exclusive rights of memberships of DA Country and Golf Club as referred in note 12, the management has taken due advice from the legal counsel and is confident that it has rights to these memberships and the amount would be recovered in due course.

### Dividend

In view of the circumstances as explained in the preceding paras, the Directors do not propose the payment of any cash or bonus dividend for the year ending June 30th, 2007.

## Human Resources

The Company managed to maintain its infrastructure and more importantly it's efficient and dedicated human resource even after the debacle. All it now needs is the resources to write the earning assets and they are dedicated to make this Company successful one more time. There has been slight turnover during the year which was peripheral to the main structure of the organization. During this transition the top management is also reformed which is highly competitive and diligent to take the upcoming challenges. The Company believes in transparent competitive recruitment and remuneration policies based solely on employee performance.

## Credit Rating

The Company's rating agency, JCR-VIS, assigned the Company's medium to long-term entity rating of 'BBB+' and the short-term entity rating 'A-2'. The rating of TFC-2 and PP-TFC is 'A-'. These ratings are appended as rating watch-Developing. These ratings are on rating watch in view of a proposed merger plan of the Company with a correlated concern which has been approved by the shareholders of the Company in the Extra Ordinary General Meeting held on August 27, 2007 and the approval of SECP is in process.

## Board of Directors

The Directors on the Board of the Company have been duly approved by the SECP:-

Mr. Zafar Iqbal	Chairman
Mr. Basheer Ahmed Chowdry	
Mr. Muhammad Zahid	
Mr. Muhammad Moizul Haque	
Mr. Firasat Ali	
Mr. Javed A. Callea	
Mr. S. Shahnawaz A. Rizvi	Chief Executive

## Corporate Governance

The Board of Directors of the Company held eight 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, 2007. The external auditors' review report on the statement of compliance with the Code of Corporate Governance is annexed with this report.

## Statements

- 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.
- Proper books of account of the Crescent Leasing Corporation Limited have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- Key operating and financial data for last six years in summarized form is shown below:

(Rs. in million)

	2007	2006	2005	2004	2003	2002
1 Gross Revenue	416	706	408	290	266	255
2 Profit/(Loss) Before Tax	(99)	31	50	74	76	56
3 Profit/(Loss) After Tax	(109)	24	46	66	73	52
4 Total Assets	3,822	5,553	5,044	3,473	2,470	1,679
5 Earnings Per Share (Rs.)	(2.41)	0.53	1.14	2.4	2.31	1.6

- The system of internal control is sound and has been effectively implemented and monitored, with the exception of the internal controls in respect of recording, revaluation and classification of investments which need strengthening as disclosed in note 41.1 to the financial statements of the current year.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulation.
- During the year 8 meetings of the Board of Directors were held and attended as follows. Directors not attending any of the meetings were duly granted leave of absence by the Board.

Directors	82nd	83rd	84th	85th	86th	87th	88th	89th
Mr. Aftab Ahmad Khan	P	L	P	P	P	P	P	Resigned
Mr. Ahsan M. Saleem	-	-	L	L	L	L	L	Resigned
Mr. Asif Haider Mirza	L	P	P	P	L	P	P	Resigned
Mr. Basheer Ahmed Chowdry	-	-	-	-	-	-	P	P
Mr. Farooq Lakhani	P	L	Resigned	-	-	-	-	-
Mr. Firasat Ali	P	P	P	P	P	P	P	P
Mr. Javed Aslam Callea	-	-	P	P	P	P	P	P
Mr. Muhammad Moizul Haque	-	-	-	-	-	-	P	L
Mr. Muhammad Zahid	-	-	-	-	-	-	P	L
Mr. Omer Ashraf	L	L	Resigned	-	-	-	-	-
Mr. S. M. Ehtishamullah	P	P	P	P	P	P	P	Resigned
Mr. S. Shahnawaz A. Rizvi	-	-	-	-	-	-	P	P
Mr. Waseem ul Haq Usmani	P	P	P	P	P	L	P	Resigned
Mr. Zafar Iqbal	-	-	-	-	-	-	L	P

P – Present L - Leave of Absences

In the 88th meeting of the Board held on 25th April, 2007, five directors, Mr.Aftab A. Khan, Mr.Ahsan M. Saleem, Mr. Asif Haider Mirza, Mr. S.M.Ehtishamullah and Mr. Waseem ul Haq Osmani were resigned and Five new directors, Mr. Zafar Iqbal, Mr. Basheer A. Chowdry, Mr. Muhammad Zahid, Mr. Muhammad Moizul Haque and Mr. S. Shahnawaz A. Rizvi co-opted as directors of the Company for the remaining term of the Board.

Mr. Syed Shahnawaz A. Rizvi appointed as Chief Executive of the Company in the 88th meeting of Board on March 14, 2007 in place of Mr. Javed A.Callea who resigned as CEO.

- J) The value of investments of the Company's recognized Provident Fund and Gratuity Fund amounted to PKR 13.38 mn and PKR 4.56 mn respectively as at June 30th 2007.
- K) The pattern of shareholding as required under the Code of Corporate Governance is shown on page 110.
- L) No trading in shares of the Company were carried out by the Directors, Chief Executive, Chief Financial Officer/ Company Secretary and their spouse and minor children during the year, except the shares acquired by the incoming Directors under the sale purchase agreement of shares duly approved by the SECP:-

Name of Directors	No. of Shares
Mr. Muhammad Zahid	24,577,213
Mr. Zafar Iqbal	500,000
Mr. Basheer Ahmed Chowdry	10,000
Mr. Moizul Haque	10,000

#### Auditors

The present Auditors, M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants would retire at the forthcoming Annual General Meeting and offer themselves for reappointment at the terms to be agreed by the members.

#### The Future

After the change of brand as discussed earlier, the Company with the advantage of its retained infrastructure is well poised to proceed with its revival plan. The reduction in balance sheet size in this year has increased pressure on the net earnings however the gross spreads of the earning assets are well maintained. Now that the issue of access to funds has been resolved, it is expected that the team would be able to write good earning assets and regain its position in the sector.

#### 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.

On behalf of the Board of Directors



S. Shahnawaz A. Rizvi  
Chief Executive Officer

Karachi–November 3, 2007

## Six Years Financial Summary

(Rs. in million)

Financial Year	2007	2006	2005	2004	2003	2002
<b>Balance Sheet</b>						
Shareholders funds	454	454	403	266	232	221
Reserves	88	180	219	217	191	161
Networth	542	634	622	483	423	383
Surplus on revaluation of fixed assets	37	39	43	-	-	-
Certificates of investment	162	890	913	548	271	194
Borrowing from financial institutions & Other	1915	2,501	2,385	1,754	1,243	779
Lease dibursements	141	2,762	2,029	1,301	961	747
Net investment in leases	2515	3,727	3,196	2,168	1,625	1,290
Investments/Placements/Term Deposits	645	810	1,090	1,149	769	379
Assets acquired in satisfaction of finances provided	125	230	-	-	-	-
Term Finances	222	327	396	-	-	-
Property plant and equipment	293	316	212	107	39	21
Total Assets	3822	5,554	5,044	3,465	2,470	1,679
Total Liabilities	3243	4,881	4,379	2,982	2,047	1,296
Total assets to networth (time)	7.05	8.76	8.11	7.19	5.84	4.38
<b>Profit &amp; Loss</b>						
Total income	416	706	408	290	266	255
Financial & other charges	296	452	201	119	119	127
Admin & operating expenses	118	135	84	54	45	29
Provisions & other charges	101	88	73	43	25	42
Total expenses	515	675	358	216	189	198
Profit before tax	(99)	31	50	74	76	56
Profit after tax	(109)	24	46	66	73	52
Break-up value (PKR)	12.75	14.82	16.5	18.16	18.23	17.29
<b>Key Ratios</b>						
Earnings per share - PKR	(2.41)	0.53	1.14	2.4	2.31	1.60
Revenue per share - PKR	9.16	15.55	10.12	10.90	11.47	11.54
Gross profit ratio	(12.86)%	11.31%	23.52%	38.07%	37.69%	37.55%
Profit before tax ratio	(23.8)%	4.53%	12.25%	25.52%	28.57%	21.96%
Price earning ratio (times)	(3.32)	15.56	13.05	7.08	2.81	5.13
Return on capital employed market value per share	(30.01)%	6.41%	7.66%	14.60%	48.41%	28.69%
Income/ Expense ratio (times)	0.81	1.05	1.14	1.34	1.41	1.31
Current ratio (times)	1.1	0.95	1.04	1.29	0.96	1.03
Debt equity ratio (times)	5.98	7.70	7.04	6.17	4.84	3.38
Return on average equity	(18.54)%	3.82%	8.33%	14.57%	18.11%	14.61%
Return on average assets	(2.33)%	0.45%	1.08%	2.22%	3.52%	3.69%
Total Assets Turnover ratio	9.19	7.87	12.36	11.95	9.29	6.58
Dividend Per Share	-	-	1.25	2.50	2.43	1.50
Dividend Yield ratio	-	-	8.39	14.71	37.37	18.29
<b>Payout</b>						
Cash dividend	-	-	-	12.50%	10.00%	10.00%
Stock dividend	-	-	12.50%	12.50%	14.29%	5.00%
Total payout	-	-	12.50%	25.00%	24.29%	15.00%

Note: Amounts of prior years have been adjusted for prior year errors



# Consumer Sector

With an objective of enhancing the purchasing capability of the consumers, CresLease has developed its expertise and expanded its geographical presence to extend lease and hire purchase facility to wide variety of customers. Our car financing by the name of "CresCar" has taken a reasonably prominent position in the market,

**CresLease**



## 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, services, 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 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, seven 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 eight 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 when CFO granted leave of absence.
- 9) The Directors were regularly apprised regarding significant matters relating to Code of Corporate Governance through presentations in the board meetings.
- 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.

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Crescent Leasing Corporation Limited** (the Company) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of Islamabad Stock Exchange where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended June 30, 2007.

*Ford Rhodes Sidat Hyder & Co.*

Karachi-November 3, 2007

CHARTERED ACCOUNTANTS

- 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 the exception of the matters noted in the Note 41.1 to the financial statements of the current year.



S. Shahnawaz A. Rizvi  
Chief Executive Officer

Karachi-November 3, 2007



# Separate Financial

CRESCENT LEASING CORPORATION LIMITED

Separate Financial Statements



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## Auditors' Report to the Members

We have audited the annexed balance sheet of **Crescent Leasing Corporation Limited** (the Company) as at **June 30, 2007** 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. The financial statements of the Company as of June 30, 2006 were audited by another auditor whose report dated October 05, 2006, expressed an unqualified opinion thereon.

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;
  - 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, 2007** and of the loss, its cash flows and changes in equity for the year then ended;
- 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; and

Without qualifying our opinion, we draw attention to the following matters:

- (a) As discussed and for the reasons disclosed in note 41.1 to the current year's financial statements, certain material accounting errors occurred regarding recording, revaluation and classification relating to the investments, that affect the previously issued financial statements of the Company for the years ended June 30, 2005 and June 30, 2006. The above referred errors were identified by the management during the current year. Consequently, the comparative amounts have been restated to rectify the said errors. The nature and impact of these errors have been disclosed in the above referred note; and
- (b) As disclosed in note 12.1 to the financial statements, the ultimate outcome of the matter stated therein cannot presently be determined and no provision for any loss that may result has been made in the financial statements for the reasons discussed in the aforesaid note.

*Ford Rhodes Sidat Hyder & Co.*

Chartered Accountants

Karachi -November 3, 2007

A member firm of Ernst & Young Global Limited

# Balance Sheet

as at June 30, 2007

	Note	2007 Rupees	2006 Rupees (Restated-Note 41)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	5	105,900,114	358,432,139
Placements with financial institutions	6	228,079,165	40,000,000
Finances under musharika arrangement	7	60,000,000	60,000,000
Advances, prepayments and other receivables	8	83,147,878	162,217,460
Accrued interest / mark-up	9	10,569,222	7,095,973
Taxation - net		-	2,011,572
Fund placements		-	50,002,875
Short-term investments	10	115,553,568	146,203,855
Short-term finances	11	91,913,706	114,892,772
Assets acquired in satisfaction of finances provided	12	125,000,000	125,000,000
Current maturity of non-current assets	15	1,174,324,020	1,223,539,388
		<u>1,994,487,673</u>	<u>2,289,396,034</u>
<b>Non-Current Assets</b>			
Long-term finances	13	101,773,636	110,858,174
Net investment in finance leases	14	1,261,043,392	2,517,319,936
Long-term investments	16	161,490,663	203,857,318
Long-term deposits		10,157,166	11,093,176
Assets acquired in satisfaction of finances provided	12	-	105,000,000
Property, plant and equipment	17	292,995,613	315,879,725
		<u>1,827,460,470</u>	<u>3,264,008,329</u>
		<u>3,821,948,143</u>	<u>5,553,404,363</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors, accrued and other liabilities	18	92,425,333	144,936,861
Accrued interest / mark-up	19	52,427,650	81,112,453
Taxation - net		3,344,540	-
Short-term borrowings	20	561,073,703	756,474,871
Certificates of investment and deposits	24	140,500,000	842,711,800
Current maturity of non-current liabilities	26	956,004,028	583,178,052
		<u>1,805,775,254</u>	<u>2,408,414,037</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	21	445,249,999	765,500,001
Liabilities against assets subject to finance lease	22	28,102,522	56,999,476
Redeemable capital	23	263,380,000	535,000,000
Certificates of investment and deposits	24	14,360,148	33,731,848
Long-term deposits	25	609,911,778	1,002,680,010
Deferred liabilities	27	75,845,301	78,598,094
		<u>1,436,849,748</u>	<u>2,472,509,429</u>
		<u>3,242,625,002</u>	<u>4,880,923,466</u>
		<u>579,323,141</u>	<u>672,480,897</u>
<b>NET ASSETS</b>			
<b>REPRESENTED BY:</b>			
Issued, subscribed and paid-up share capital	28	453,900,900	453,900,900
Reserves		105,031,826	213,010,283
Unrealised loss on revaluation of investments	29	(16,987,688)	(33,073,686)
		<u>541,945,038</u>	<u>633,837,497</u>
Surplus on revaluation of fixed assets - net of deferred tax	30	37,378,103	38,643,400
		<u>579,323,141</u>	<u>672,480,897</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	31		

The annexed notes 1 to 49 form an integral part of these financial statements.



Basheer Ahmed Chowdry  
Director



S. Shahnawaz A. Rizvi  
Chief Executive Officer




# Profit and Loss Account

for the year ended June 30, 2007

	2007 Rupees	2006 Rupees (Restated-Note 41)
<b>Revenue</b>		
Income from finance leases	291,181,157	379,946,418
Income from operating leases	34,254,227	38,060,299
Income from investments	37,495,078	156,414,517
Income from finances	44,424,318	58,859,953
Other income	8,989,068	73,157,568
	<u>416,343,848</u>	<u>706,438,755</u>
<b>Expenditure</b>		
Direct Cost of Leases:		
Finance	9,997,867	10,848,068
Operating	34,170,183	29,035,447
Administrative and operating expenses	118,339,244	135,046,995
Finance cost	295,529,397	451,602,895
Loss on settlement of short-term finances obtained	11,867,899	-
	<u>469,904,590</u>	<u>626,533,405</u>
<b>Operating (loss) / profit before provisions</b>	<b>(53,560,742)</b>	<b>79,905,350</b>
Allowances for potential lease losses and term finance:		
General	-	2,934,987
Specific	26,847,981	11,118,329
	<u>26,847,981</u>	<u>14,053,316</u>
Provision against money market fluctuations and other receivables - net	19,235,619	36,919,961
Unrealised (gain) / loss on revaluation of held for trading investments	(6,272,379)	3,664,861
Provision for impairment on available for sale investments	5,657,116	-
Reversal of provision against Dewan Cement - TFC Series A	-	(6,500,000)
	<u>18,620,356</u>	<u>34,084,822</u>
	<u>45,468,337</u>	<u>48,138,138</u>
<b>(Loss) / profit before taxation</b>	<b>(99,029,079)</b>	<b>31,767,212</b>
<b>Taxation</b>		
Current	7,082,548	8,647,035
Deferred	3,132,127	(1,081,029)
<b>(Loss) / profit after taxation</b>	<b>(109,243,754)</b>	<b>24,201,206</b>
<b>(Loss) / earnings per share - Basic and diluted</b>	<b>(2.41)</b>	<b>0.53</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

  
Basheer Ahmed Chowdry  
Director

  
S. Shahnawaz A. Rizvi  
Chief Executive Officer

# Cash Flow Statement

for the year ended June 30, 2007

	2007 Rupees	2006 Rupees (Restated-Note 41)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(99,029,079)	31,767,212
Dividend income	(5,601,999)	(21,471,798)
	<u>(104,631,078)</u>	<u>10,295,414</u>
Adjustments for non cash and other items:		
Depreciation	29,863,869	24,114,001
Finance cost	295,529,397	451,602,895
Allowances for potential lease losses and term finance	26,847,981	14,053,316
Provision against money market fluctuations and other receivables - net	19,235,619	36,919,961
Unrealised (gain) / loss on revaluation of held for trading investments	(6,272,379)	3,664,861
Provision for impairment on available for sale investments	5,657,116	-
Reversal of provision against Dewan Cement Limited - TFC series A	-	(6,500,000)
Amortisation of deferred revenue	(5,884,920)	(1,471,230)
Profit on sale of assets acquired in satisfaction of finances provided	(3,850,000)	-
Loss / (gain) on sale of property, plant and equipment	3,028,601	(51,425,867)
<b>Cash generated from operating activities before working capital changes</b>	<u>259,524,206</u>	<u>481,253,351</u>
<b>Decrease in current assets</b>		
Advances, prepayments and other receivables	54,609,345	3,921,760
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued and other liabilities	(52,511,528)	103,024,532
<b>Net cash generated from operations</b>	<u>261,622,023</u>	<u>588,199,643</u>
Income tax (paid) / refund	(1,726,436)	3,264,732
Finance cost paid	(324,214,201)	(423,269,653)
<b>Net cash (used in) / generated from operating activities</b>	<u>(64,318,614)</u>	<u>168,194,722</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Net investment in finance leases	1,207,020,791	(533,765,533)
Capital expenditure incurred	(20,066,956)	(321,870,280)
Assets acquired in satisfaction of finances provided	-	(230,000,000)
Proceeds from sale of property, plant and equipment	10,058,598	259,894,125
Dividend received	10,826,617	23,581,299
Proceed from disposal of asset acquired in satisfaction of finance provided	108,850,000	-
Proceeds from sale of investment - net	136,247,830	106,209,414
Short / long-term finances - net	103,686,744	69,973,680
Long-term deposits - net	936,010	(5,011,079)
<b>Net cash generated from / (used in) investing activities</b>	<u>1,557,559,634</u>	<u>(630,988,374)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of redeemable capital	(150,000,000)	(150,000,000)
Borrowings (repaid) / obtained	(409,401,168)	182,851,221
Deposits on finance leases - net	(243,827,265)	277,350,204
Certificates of investment and deposits (redeemed) / issued	(727,831,411)	(23,496,854)
Liabilities against assets subject to finance lease (repaid) / obtained	(26,634,036)	78,612,289
Dividend paid	-	(213,108)
<b>Net cash used in financing activities</b>	<u>(1,557,693,880)</u>	<u>365,103,752</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(64,452,860)</u>	<u>(97,689,900)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>398,432,139</u>	<u>496,122,039</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>333,979,279</u>	<u>398,432,139</u>

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The annexed notes 1 to 49 form an integral part of these financial statements.



Basheer Ahmed Chowdry  
Director



S. Shahnawaz A. Rizvi  
Chief Executive Officer


# Statement of Changes in Equity

for the year ended June 30, 2007

Issued, subscribed and paid-up share capital	Reserves					Unrealised (loss) / gain on revaluation of investments (Restated-Note 41)	Total	
	Capital		Revenue					
	Reserve under NBFC Rules	Reserve for issue of bonus shares	General Reserve	Reserve for contingencies	Unappropriated profit / (Accumulated loss) (Restated-Note 41)			
Rupees								
<b>Balance as at June 30, 2005</b>	403,467,470	104,394,779	50,433,430	43,800,000	10,236,562	63,300,405	(40,336,999)	635,295,647
Correction of prior period error in respect of valuation of investments (Refer note 41.1)	-	-	-	-	-	(22,034,276)	22,034,276	-
Correction of prior period error in respect of net investment in finance leases (Refer note 41.2)	-	-	-	-	-	(12,629,500)	-	(12,629,500)
<b>Balance as at June 30, 2005 - restated</b>	<b>403,467,470</b>	<b>104,394,779</b>	<b>50,433,430</b>	<b>43,800,000</b>	<b>10,236,562</b>	<b>28,636,629</b>	<b>(18,302,723)</b>	<b>622,666,147</b>
Net profit for the year ended June 30, 2006	-	-	-	-	-	24,201,206	-	24,201,206
Bonus shares issued @ 12.5 Ordinary shares for every 100 Ordinary shares held	50,433,430	-	(50,433,430)	-	-	-	-	-
Transfer to reserve under NBFC rules	-	6,186,681	-	-	-	(6,186,681)	-	-
Unrealised loss on revaluation of available for sale investments (Refer note 41.1)	-	-	-	-	-	-	(14,770,963)	(14,770,963)
Adjustment of incremental depreciation on revalued assets - net of deferred tax	-	-	-	-	-	1,741,107	-	1,741,107
<b>Balance as at June 30, 2006 - restated</b>	<b>453,900,900</b>	<b>110,581,460</b>	<b>-</b>	<b>43,800,000</b>	<b>10,236,562</b>	<b>48,392,261</b>	<b>(33,073,686)</b>	<b>633,837,497</b>
Net loss for the year ended June 30, 2007	-	-	-	-	-	(109,243,754)	-	(109,243,754)
Unrealised gain on revaluation of available for sale investments	-	-	-	-	-	-	10,428,882	10,428,882
Provision for impairment on available for sale investments	-	-	-	-	-	-	5,657,116	5,657,116
Adjustment of incremental depreciation on revalued assets - net of deferred tax	-	-	-	-	-	1,265,297	-	1,265,297
<b>Balance as at June 30, 2007</b>	<b>453,900,900</b>	<b>110,581,460</b>	<b>-</b>	<b>43,800,000</b>	<b>10,236,562</b>	<b>(59,586,196)</b>	<b>(16,987,688)</b>	<b>541,945,038</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

  
 Basheer Ahmed Chowdry  
 Director

  
 S. Shahnawaz A. Rizvi  
 Chief Executive Officer

# Notes to the Financial Statements

for the year ended June 30, 2007

## 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 (SECP), under the Non Banking Finance Companies (Establishment and Regulation) Rules 2003 (NBFC Rules, 2003). The Company was incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984, on April 7, 1987. The registered office of the Company is situated in Crescent Standard Tower, 10B, Block E2, Gulberg, Lahore. The Company commenced commercial operations in August 1989, and is listed on all the Stock Exchanges in Pakistan. Its prime business comprises of Leasing and Investment activities.

- 1.1 The Company notified the Stock Exchanges on January 22, 2007 that the Board of Directors of the Company in their meeting held on January 22, 2007 approved the sale of ordinary shares of the Company by a group of shareholders alongwith management control at a price of Rs.13.00 per share to a group of buyers comprising of Al-Zamin Leasing Modaraba, certain of its directors and shareholders including Mr. Muhammad Zahid and Zahidjee Textile Mills Limited.

The SECP approved the above transaction on March 22, 2007. Accordingly, five existing directors of the Company resigned and the new group of buyers appointed five new directors on the Board of the Company on April 25, 2007. The existing shareholding of the new sponsors in the Company is 78.45%.

- 1.2 The new sponsors / owners of the Company plan to merge Universal Leasing Corporation Limited (ULCL) into the Company in the foreseeable future, which will increase the equity base of the Company and will enable it to operate viably in the financial market. In this regard, a Scheme of Amalgamation was approved by the Board of Directors of the Company on May 2, 2007 which was subsequently presented to the shareholders for their approval in the Extra-Ordinary General Meeting held on August 27, 2007. After obtaining the approval of these shareholders, the Scheme of Amalgamation together with requisite documentation was submitted to the SECP for its sanction under section 282L of the Companies Ordinance, 1984 on August 30, 2007, which is presently pending with the SECP.

The key terms of the Scheme of Amalgamation provides for the following:

- i) at the effective date, all the assets, as defined in note 1.04 to the said Scheme, of ULCL shall immediately and without any conveyance or transfer and without any further act or deed be vested in and become the undertaking and assets of the Company, which shall have, hold and enjoy in its own right as fully as the same were possessed, held and enjoyed by ULCL prior to the amalgamation subject to all mortgages, charges or other encumbrances subsisting thereon, if any;
  - ii) at the effective date, all the liabilities and obligations of ULCL shall immediately and without any further act or deed be assumed by and become the liabilities and obligations of the Company, which shall pay, undertake, satisfy, discharge and perform, when due, all of the liabilities and obligations; and
  - iii) as consideration for the amalgamation, the Company shall issue at par and allot 0.41 ordinary share of the Company credited as fully paid up in respect of every one share of Rs.10 each in ULCL.
- 1.3 During the year ended June 30, 2006, the Company faced a negative impact on investors confidence in the group due to liquidity and various regulatory issues with a co-related entity. On June 14, 2006, the SECP vide its letter No. SEC/NBFC-I/JD/257/2006 directed the Company to cease the issuance of any new Certificate of Investments (COIs) / Certificate of Deposits (CODs) and not to roll over the existing COIs and CODs of individual depositors. However, after the change in share holding and management, the SECP has conveyed its approval for the issuance of COIs through its letter no. SEC/NBFC-I/JD/CLCL/2007-281 dated June 12, 2007.
- 1.4 The IFS license was not renewed upon its expiry due to reasons mentioned in note 1.3 above. However, the SECP vide its letter no. SEC/NBFC-I/JD/CLCL/2007-281 dated June 12, 2007 has advised the management that an application in this respect be forwarded after the merger of ULCL into the Company.

## 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, NBFC 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 SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.



# Notes to the Financial Statements

for the year ended June 30, 2007

## 3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except lease hold land and office premises which are stated at revalued amounts (note 4.9) and investments which are stated at their fair values (note 4.7).

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Accounting standards not yet effective

The following new standards and amendments to approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

i) IAS 1 Presentation of Financial Statements	effective from accounting period beginning on or after January 01, 2009
ii) IAS- 23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
iii) IAS- 41 Agriculture	effective from accounting period beginning on or after May 22, 2007
iv) IFRS- 2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
v) IFRS- 3 Business Combinations	effective for business combinations for which agreement date is on or after December 2006
vi) IFRS- 5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
vii) IFRS- 6 Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Company expects that the adoption of the above standards, amendments and interpretations will have no significant impact on the Company's financial statements in the period of initial application, except for certain extended disclosures.

### 4.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- determining the residual values and useful lives of property and equipment (Note 4.9);
- allowance for potential lease (Note 4.11);
- classification of investments (Note 4.7);
- recognition of taxation and deferred tax (Note 4.4);
- accounting for post employment benefits (Note 4.3); and
- impairment of financial assets (Note 4.17)

# Notes to the Financial Statements

for the year ended June 30, 2007

## 4.3 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, 2007 using Projected Unit Credit Method. Following assumptions were used:

Discount rate	10.00%
Expected rate of salary increase in future	9.00%
Expected rate of return on plan assets	10.00%

### 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 recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed ten percent of the higher of defined benefit obligation and fair value of the plan assets. These gains or losses are recognised 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.

## 4.4 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 recognised 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 realised.

## 4.5 Financial Instruments

Financial assets and liabilities are recognised when the Company becomes 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.

## 4.6 Net investment in finance leases

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of the asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value and unamortised initial direct costs which are included in the financial statements as 'net investment in finance leases'.



# Notes to the Financial Statements

for the year ended June 30, 2007

## 4.7 Investments

### Initial Measurement

Investments in securities are recognised on a trade-date basis and are initially measured at fair value plus transaction costs directly attributable to acquisition, except for investments at fair value through profit or loss.

### 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 amortised cost less any impairment loss recognised to reflect irrecoverable amounts.

#### (b) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition as at fair value through profit or loss. 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 or loss" or "held to maturity" categories. These investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses are recognised 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 borrowings from financial and other 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, it 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. Impairment in value, if any, is provided for.

Since the Company has also presented consolidated financial statements for the year ended June 30, 2007 incorporating the results of its investment in associates, therefore, these investments are shown at cost in accordance with the provisions of IAS - 28 in the financial statements.

### Investment in Subsidiaries

Investments in subsidiaries are stated at cost. Impairment in value, if any, is provided for.

## 4.8 Term Finances

Term finances originated by the Company are stated at cost less provision, if any, determined on the basis of Prudential Regulations for NBFCs issued by SECP.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 4.9 Property, Plant and Equipment

### Property, Plant and Equipment - Tangible

#### (a) Owned Assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Land and office premises are stated at fair value less depreciation on office premises and impairment charged subsequent to the date of the revaluation.

Depreciation is charged to income applying reducing balance method using the rates specified in Note 17.1.

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, major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

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

#### (b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their erection, installation and acquisition.

#### (c) 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 their useful lives. 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.

#### (d) 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 their estimated useful lives. 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 amortisation by taking into consideration the estimated useful life.

## 4.10 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 costs of finance leases are included in the initial measurement of finance lease receivables and recognised as income over the lease term. 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 recognised as income when realised.

### Income from operating leases

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





# Notes to the Financial Statements

for the year ended June 30, 2007

## **Income from securities and other sources**

Return on deposits, short-term placements and other money market securities is recognised on a time proportion basis.

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

Mark-up on investment in continuous funding system is recognised on time proportion basis.

Dividend income from Ordinary shares is recognised 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.

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

## **4.12 Borrowing Costs**

Borrowing costs are charged to income as and when incurred.

## **4.13 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

## **4.14 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.

## **4.15 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 recognised amounts and also intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **4.16 Transactions with related parties**

Transactions between the Company and its related parties are carried out on an arm's length basis using the methods as disclosed in note 43 to these financial statements.

## **4.17 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 recognised as an expense immediately.

# Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>5. CASH AND BANK BALANCES</b>			
Balance with State Bank of Pakistan		1,570,291	1,917,748
Current accounts		6,991,930	17,928,836
Deposit accounts	5.1	17,337,893	28,585,555
Term deposit certificates	5.2	80,000,000	260,000,000
Other placements - secured		-	50,000,000
		<u>105,900,114</u>	<u>358,432,139</u>

5.1 This represents profit and loss sharing deposit accounts with commercial banks and carry mark-up at the rate from Re.0.03 to Re.0.25 (2006: Re.0.05 to Re.0.14) per Rs.1,000 per day.

5.2 This represents short-term deposits placed with a commercial bank, carrying mark-up at the rate of Re.0.30 (2006: Re.0.19) per Rs.1,000 per day, having a maturity of 3 days from the balance sheet date.

## 6. PLACEMENTS WITH FINANCIAL INSTITUTIONS

Secured			
With an Investment bank	6.1	100,000,000	-
Un-Secured			
With a Development Financial Institution (DFI)	6.2	75,000,000	-
With NBFCs	6.3	53,079,165	40,000,000
		<u>128,079,165</u>	<u>40,000,000</u>
		<u>228,079,165</u>	<u>40,000,000</u>

6.1 This represents short-term placement of Rs.100 million with an investment bank at a mark-up rate of Re.0.26 (2006: Nil) per Rs.1,000 per day and is secured against government securities, having a maturity of 3 days from the balance sheet date.

6.2 This represents short-term placement of Rs.75 million with a DFI at the mark-up rate of Re.0.27 (2006: Nil) per Rs.1,000 per day, having a maturity of 3 days from the balance sheet date.

6.3 Included herein is a short-term placement of Rs.50 million with an NBFC at the mark-up rate of Re.0.32 (2006: Re.0.38 to 0.39) per Rs.1,000 per day.

## 7. FINANCES UNDER MUSHARIKA ARRANGEMENT - SECURED

Musharika arrangement - considered doubtful		95,000,000	95,000,000
Less: Provision		(35,000,000)	(35,000,000)
		<u>60,000,000</u>	<u>60,000,000</u>

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 bearer allotment certificates of plots at Defence Housing Authority, Phase-II, Extension, Islamabad as collateral. As per independent valuation, the Forced Sale Value of these plots was Rs.60 million as on June 30, 2007. Accordingly, a provision of Rs.35 million has been made in these financial statements.

# Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances - considered good			
To staff	8.1	1,241,089	1,409,460
Against expenses		517,212	2,282,074
Against Leases		-	9,138,802
Against purchase of assets		6,152,223	10,818,963
Provision thereagainst		(3,000,000)	(3,000,000)
		<u>3,152,223</u>	<u>7,818,963</u>
		4,910,524	20,649,299
<b>Prepayments</b>			
Prepaid insurance		1,513,333	90,744
Prepaid rent		1,391,580	707,003
Prepaid subscription		834,990	1,733,218
Others		391,246	438,608
		<u>4,131,149</u>	<u>2,969,573</u>
<b>Other receivables</b>			
Receivable against sale of investments		312,380	33,017,075
Insurance rentals receivable		20,171,158	23,313,660
Operating lease rentals receivable		6,532,915	2,289,358
Repossessed assets against lease receivable		29,214,583	-
Provision thereagainst		(4,046,653)	-
		<u>25,167,930</u>	<u>-</u>
Receivable against terminated leases		10,999,211	-
Provision thereagainst		(10,999,211)	-
		<u>-</u>	<u>-</u>
Other receivables		26,111,577	79,978,495
Provision thereagainst		(4,189,755)	-
		<u>21,921,822</u>	<u>79,978,495</u>
		<u>83,147,878</u>	<u>162,217,460</u>

8.1 Aggregate amount due from the executives is Rs.0.563 (2006: Rs.0.239) million. Maximum amount due from executives at the end of any month during the year aggregated to Rs.0.563 (2006: Rs.0.717) million.

## 9. ACCRUED INTEREST / MARK-UP

Interest / mark-up on :			
Term finances	9.1	5,808,650	4,307,594
Investments		4,760,572	2,788,379
		<u>10,569,222</u>	<u>7,095,973</u>

9.1 This is stated net of suspended mark-up amounting to Rs.2.300 million (2006: Nil).

## 10. SHORT-TERM INVESTMENTS

### At Fair Value through Profit or Loss - held for trading

Ordinary shares	10.1	58,518,268	33,618,810
Mutual funds	10.2	51,425,800	-
		<u>109,944,068</u>	<u>33,618,810</u>

### Available for Sale Investments

Ordinary shares	10.3	-	39,879,231
Term finance certificates	10.4	1,122,000	14,693,442
Mutual funds	10.5	4,125,000	9,043,922
Preference shares	10.6	362,500	48,968,450
		<u>5,609,500</u>	<u>112,585,045</u>
		<u>115,553,568</u>	<u>146,203,855</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

## 10.1 At fair value through profit or loss - held for trading Ordinary shares

Number of shares		Name of company	2007 Rupees	2006 Rupees (Restated- Note 41)
2007	2006			
<b>Listed</b>				
256,350	256,350	Southern Electric Power Company Limited	1,679,093	1,691,910
13,500	104,000	Kohinoor Energy Limited	506,250	2,688,400
4,500	60,000	Fauji Fertilizers Bin Qasim Limited	175,500	1,755,000
18,000	10,000	Fauji Fertilizers Company Limited	2,182,500	1,210,000
500,000	727,500	Hub Power Company Limited	18,350,000	16,732,500
2,500	235,000	Pakistan Telecommunication Company Limited	142,500	9,541,000
5,000	-	Bank Islami Pakistan Limited	74,750	-
10,000	-	Lucky Cement Limited	1,377,500	-
25,000	-	Crescent Commercial Bank Limited	561,250	-
2,500	-	Sui Southern Gas Company Limited	64,500	-
2,500	-	TRG Pakistan Limited	41,000	-
5,000	-	Dewan Salman Fibre Limited	52,750	-
1,000	-	Soneri Bank Limited	56,450	-
1,000	-	Ghani Glass Limited	76,350	-
5,000	-	Bosicor Pakistan Limited	88,750	-
5,000	-	IGI Investment Bank Limited	85,000	-
5,500	-	NIB Bank Limited	115,500	-
9,500	-	International Housing Finance Limited	208,050	-
1,000	-	United Bank Limited	219,950	-
5,000	-	Shakarganj Mills Limited	255,000	-
2,000	-	Arif Habib Securities Limited	233,200	-
1,000	-	Engro Chemical (Pakistan) Limited	253,000	-
1,000	-	Pakistan Petroleum Limited	262,450	-
1,000	-	Pakistan State Oil Company Limited	391,450	-
2,000	-	Pakistan Reinsurance Company Limited	445,900	-
2,000	-	Pakistan Oil Fields Limited	634,000	-
2,000	-	MCB Bank Limited	730,000	-
2,000	-	Pak Suzuki Motor Company Limited	784,000	-
3,000	-	National Bank of Pakistan	786,000	-
8,000	-	Askari Bank Limited	847,200	-
7,000	-	D.G.Khan Cement Company Limited	815,500	-
3,000	-	Indus Motor Company Limited	916,500	-
9,000	-	Oil & Gas Development Corporation Limited	1,078,200	-
25,000	-	The Bank of Punjab	2,912,500	-
303,000	-	Bank Al-Falah Limited	19,725,300	-
5,000	-	Orix Investment Bank Pakistan Limited	109,000	-
2,000	-	Maple Leaf Cement Factory Limited	48,800	-
2,500	-	Samin Textile Mills Limited	140,000	-
1,000	-	Bank Al-Habib Limited	66,500	-
2,500	-	Saudi Pak Commercial Bank Limited - a related party	62,875	-
5,000	-	Crescent Steel & Allied Products Limited - a related party	355,000	-
5,000	-	Netsol Technologies Limited	378,000	-
5,000	-	AL-Abbas Cement Industries Limited	73,250	-
1,000	-	Pakistan Tobacco Company Limited	157,000	-
			<u>58,518,268</u>	<u>33,618,810</u>

Ordinary Shares valuing Rs.20.105 million (2006: Rs.31.088 million) are pledged with commercial banks against running finance facilities.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 10.2 At fair value through profit or loss - held for trading mutual funds units

<u>Number of units</u>		Name of mutual fund	2007 Rupees	2006 Rupees
2007	2006			
<b>Open-end - listed</b>				
223,188	-	AMZ Plus Income Fund	25,028,300	-
250,000	-	First Habib Income Fund	25,397,500	-
10,000	-	Dawood Islamic Fund	1,000,000	-
			<u>51,425,800</u>	<u>-</u>

## 10.3 Available for sale investments - Ordinary shares

<u>Number of shares</u>		Name of company	Note	2007 Rupees	2006 Rupees (Restated- Note 41)
2007	2006				
<b>Listed</b>					
-	96,000	Kohinoor Energy Limited		-	2,651,790
-	255,768	Shakarganj Mills Limited	36	-	14,290,564
-	489,116	Eye Television Network Limited		-	4,891,656
-	10,000	Engro Chemicals Limited		-	1,820,637
-	3,148,667	Altern Energy Limited		-	23,614,999
				<u>-</u>	<u>47,269,646</u>
		Less: Unrealised loss on revaluation		-	(7,390,415)
				<u>-</u>	<u>39,879,231</u>

Listed Ordinary shares amounting to Rs.Nil (2006: Rs.2.482 million) at market value are pledged with commercial banks against running finance facilities.

## 10.4 Available for sale investments - Term Finance Certificates

<u>Number of Certificate</u>		Name of Company	2007 Rupees	2006 Rupees (Restated- Note 41)
2007	2006			
<b>Listed</b>				
660	660	Sitara Chemicals Industries Limited Mark-up rate: Profit and loss sharing basis Issue date: June 20, 2002 Tenure: 5 years	1,122,000	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
<b>Un-Listed</b>				
-	4,000	Crescent Commercial Bank Limited Mark-up rate: 7% Issue date: October 23, 2003 Tenure: 3 years	-	4,997,000
			<u>1,122,000</u>	<u>14,423,765</u>
		Add : Unrealised gain on revaluation	-	269,677
			<u>1,122,000</u>	<u>14,693,442</u>

The above TFCs are redeemable in semi-annual installments.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 10.5 Available for sale investments - mutual funds

<u>Number of units / certificate</u>		Name of fund	2007 Rupees	2006 Rupees (Restated- Note 41)
2007	2006			
-	10,000	<b>Open-end - listed</b> Atlas Stock Market Fund	-	5,000,000
50,000	-	<b>Close-end - listed</b> Pak Strategic Allocation Fund Limited	583,732	-
240,000	170,000	Pak Premier Fund Limited	3,665,454	2,715,764
			<u>4,249,186</u>	<u>7,715,764</u>
		Less : Unrealised (loss) / gain on revaluation	<u>(124,186)</u>	<u>1,328,158</u>
			<u>4,125,000</u>	<u>9,043,922</u>

Certificates / units valuing Rs.3.00 million (2006: Rs. Nil) are pledged with commercial banks against running finance facilities.

## 10.6 Available for sale investments - preference shares (Cumulative)

<u>Number of shares</u>		Name of company	Note	2007 Rupees	2006 Rupees
2007	2006				
72,500	72,500	<b>Listed</b> Nagina Cotton Mills Limited Rate of preference dividend: 13% Face value of preference shares: Rs. 10 each Term of redemption: Redeemable within 5 years of allotment		416,271	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	36	-	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	36	-	17,517,738
-	1,500,000	Chenab Limited Rate of preference dividend: 9.25% Term of redemption: Non Redeemable	36	-	15,000,000
-	100,000	<b>Un-Listed</b> 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>416,271</u>	<u>53,634,009</u>
		Less : Unrealised loss on revaluation		<u>(53,771)</u>	<u>(4,665,559)</u>
				<u>362,500</u>	<u>48,968,450</u>

10.7 The Company had provided a financing facility of Rs.50 million in April 2006 to CSIBL against pledge of certain listed shares. Consequent to default by CSIBL, the facility was adjusted through sale of pledged shares. However, shares (including certain shares subsequently swapped with shares earlier pledged) having a market value of Rs.39.433 (2006: Rs.8.103) million have still been retained by the Company till final settlement of other outstanding balances of CSIBL.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 11. SHORT-TERM FINANCES - SECURED

Considered good

89,254,857

114,892,772

Considered doubtful  
Less: provision

3,685,717  
(1,026,868)

-  
-

2,658,849

-

91,913,706

114,892,772

11.1 These represent short-term finances receivable within a year and carry mark-up ranging from Re.0.41 to Re.0.68 (2006: Re.0.37 to Re.0.50) per Rs.1,000 per day. These are secured against registered charge on assets of the customers, pledge / hypothecation of stocks and collateral in certain cases.

## 12. ASSETS ACQUIRED IN SATISFACTION OF FINANCES PROVIDED

DA Country and Golf Club Membership Seats  
Property in Executive Tower, Clifton, Karachi

12.1

125,000,000

125,000,000

-

105,000,000

125,000,000

230,000,000

12.1 This represents exclusive rights of 114 Platinum Memberships of DA Country and Golf Club at Rs.1.100 million per membership acquired in settlement of a liability owed by CSIBL. The principal agreement between Sysmax (Private) Limited and CSIBL was terminated by Sysmax (Private) Limited. In accordance with the provisions of the said agreement CSIBL referred the dispute to Arbitration. Arbitration proceedings are presently under progress. In order to protect its interest in the exclusive rights of 114 memberships, the Company has filed an application with the Arbitrators for joining the Arbitration proceedings against Sysmax (Private) Limited as per the advice of its legal counsel. Further, the legal counsel has also advised that if the said application is not accepted, the Company may institute a suit claiming in alternative; i) a declaration of right, under section 42 of the Specific Relief Act, 1877, to become a party to the arbitration proceedings; and ii) for specific performance of the contract.

Based on the advice of the legal counsel, the management is confident that it has the legal right to the aforementioned memberships and the amount would be recovered in due course, hence, no provision thereagainst is required at present.

## 13. LONG-TERM FINANCES - SECURED

To customers

13.1

124,582,376

203,373,476

To employees

13.2

5,496,620

8,440,066

130,078,996

211,813,542

Less: Current maturity

15

(28,305,360)

(100,955,368)

101,773,636

110,858,174

13.1 These represent long-term finances to various customers and carry mark-up at the rate ranging from Re.0.29 to Re.0.6 (2006: Re.0.20 to Re.0.45) per Rs.1,000 per day. These are secured against registered charge on assets of the customers, pledge / hypothecation of stocks and collateral in certain cases.

13.2 Loans to employees represent House and Car loans in accordance with the House building and Car Loans facility for employees. The house loans are repayable in 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 loans are secured by equitable mortgage on the property by depositing the title documents of the property with the Company. Car loans are repayable in 60 monthly installments and carry a variable mark-up rate based on Company's cost of funds.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 14. NET INVESTMENT IN FINANCE LEASES

	Note	2007 Rupees	2006 Rupees (Restated-Note 41)
Lease contract receivables		1,869,154,341	3,122,342,107
Add: Residual value		943,774,371	1,182,464,837
Gross lease contract receivables		2,812,928,712	4,304,806,944
Less: Unearned finance income	41.2	(297,967,492)	(578,124,584)
Net investment in finance leases		2,514,961,220	3,726,682,360
Less: Allowance for potential lease losses - General	14.1	43,973,308	43,973,308
- Specific	14.2	63,925,860	42,805,096
		107,899,168	86,778,404
		2,407,062,052	3,639,903,956
Current maturity	15	1,146,018,660	1,122,584,020
Long-term portion		1,261,043,392	2,517,319,936
		2,407,062,052	3,639,903,956

### 14.1 Movement during the year - General Provision

	2007 Rupees	2006 Rupees
Opening Balance	43,973,308	41,038,321
Charged during the year	-	2,934,987
	43,973,308	43,973,308
Reversals / settlements	-	-
	43,973,308	43,973,308

### 14.2 Movement during the year - Specific Provision

	2007 Rupees	2006 Rupees
Opening Balance	42,805,096	34,324,783
Charged during the year	25,821,113	11,118,329
	68,626,209	45,443,112
Reversals / settlements	(4,700,349)	(2,638,016)
	63,925,860	42,805,096

### 14.3 The above net investment is due as follows:

	2007			2006 (Restated - Note 41)		
	Gross lease contract receivable	Unearned finance income	Net Investment	Gross lease contract receivable	Unearned finance income	Net Investment
Not later than one year	1,447,134,528	193,216,700	1,253,917,828	1,414,380,866	205,018,442	1,209,362,424
Later than one year but not later than five years	1,365,794,184	104,750,792	1,261,043,392	2,890,426,078	373,106,142	2,517,319,936
	2,812,928,712	297,967,492	2,514,961,220	4,304,806,944	578,124,584	3,726,682,360

The Company has entered into various lease agreements with different parties having mark-up return ranging from Re.0.24 to Re.0.79 (2006: Re.0.21 to Re.0.79) per Rs.1,000 per day. The lease agreements are usually for a period of three to five years. Generally, leased assets are held as securities. In certain instances, the Company has also obtained additional collateral.

### 14.4 Based on the Prudential Regulations for Non-Banking Finance Companies, the aggregate net exposures in finance leases which have been placed under non-performing status amounted to Rs.158.085 (2006: Rs.87.522) million against which a provision of Rs.63.926 (2006: Rs.42.805) million has been made at the end of the current year.



# Notes to the Financial Statements

for the year ended June 30, 2007

## 15. CURRENT MATURITY OF NON-CURRENT ASSETS

Current maturity of long-term finances  
Current maturity of net investment in finance leases

Note	2007 Rupees	2006 Rupees (Restated-Note 41)
13	28,305,360	100,955,368
14	1,146,018,660	1,122,584,020
	<u>1,174,324,020</u>	<u>1,223,539,388</u>

## 16. LONG-TERM INVESTMENTS

### Available for sale investments

Ordinary shares  
Mutual Funds

16.1	37,322,650	35,408,533
16.2	19,194,000	21,600,000
	<u>56,516,650</u>	<u>57,008,533</u>

### Investment in related parties

Investment in subsidiary  
Investment in associates

16.3	104,974,013	49,396,900
16.4	-	97,451,885
	<u>104,974,013</u>	<u>146,848,785</u>

### Others - held-to-maturity

Term Finance Certificates - Un-listed  
Dewan Cement Limited - Series B  
Less: Provision

16.5	3,901,292	3,901,292
	(3,901,292)	(3,901,292)
	<u>-</u>	<u>-</u>
	<u>161,490,663</u>	<u>203,857,318</u>

### 16.1 Available for sale investments - Ordinary shares

Number of shares		Name of company / Modaraba	2007 Rupees	2006 Rupees (Restated- Note 41)
2007	2006			
<b>Listed</b>				
55,000	140,000	PICIC Commercial Bank Limited	2,012,610	5,086,425
1,112,300	1,112,300	Southern Electric Power Company Limited	12,160,129	12,160,129
520,000	500,000	First Equity Modaraba Limited	10,815,247	10,681,220
228,000	303,000	Crescent Standard Investment Bank Limited	2,901,869	3,856,431
50,000	-	AMZ Ventures Limited	245,000	-
135,000	125,000	Zeal Pak Cement Factory Limited	1,426,194	1,358,181
32,000	-	Crescent Commercial Bank Limited	448,273	-
63,273	24,000	First Fidelity Leasing Modaraba	414,356	178,718
240,000	240,000	English Leasing Limited	1,713,293	1,713,293
25,000	-	Network Leasing Corporation Limited	187,500	-
225,000	130,000	Bank Islami Pakistan Limited	3,716,040	2,523,702
74,000	75,500	Gandhara Nissan Limited	3,009,087	3,070,082
11,500	-	Pakistan Industrial and Credit Investment Corporation Limited	944,150	-
<b>Un-Listed</b>				
201,500	130,000	Central Depository Company of Pakistan Limited	14,001,400	14,001,400
			53,995,148	54,629,581
		Less: Provision for impairment	(5,657,116)	-
		Less: Unrealised loss on revaluation	(11,015,382)	(19,221,048)
			<u>37,322,650</u>	<u>35,408,533</u>

Listed Ordinary shares amounting to Rs.8.826 million (2006: Rs.25.779 million) at market value are pledged with commercial banks against running finance facilities.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 16.2 Available for sale investments - mutual funds

<u>Number of units / certificate</u>		Name of fund	Note	2007	2006
2007	2006			Rupees	Rupees
		<b>Close-end - listed</b>			
1,599,500	1,600,000	Safeway Mutual Fund		24,988,349	24,994,499
		Less : Unrealised loss on revaluation		(5,794,349)	(3,394,499)
				<u>19,194,000</u>	<u>21,600,000</u>

## 16.3 Investment in Subsidiary

### Listed - at cost

Universal Leasing Corporation Limited (ULCL)	16.3.1	<u>104,974,013</u>	<u>49,396,900</u>
10,710,500 (2006: 5,040,500) Ordinary shares of Rupees 10 each			
Percentage of shareholding : 51% (2006: 24%)			
Place of incorporation: Pakistan			
Principal activity: Leasing Finance			
Name of Chief Executive Officer: Latif Khawar			
Market value as at June 30, 2007: Rupees 64.263 million			

**16.3.1** On December 05, 2005, the Company acquired 24% of ULCL along with management control through a competitive bidding process, after obtaining the approval of the SECP. The remaining 27% holding was acquired in settlement of the amount owed by its associate Crescent Standard Business Management (CSBM) in respect of their acquisition of 27% holding in ULCL which remained unpaid as at June 30, 2006. The Company, after exchanging correspondence with SECP mutually settled the issue with CSBM and therefore capitalised this 27% holding on November 2, 2006 to increase its holding in ULCL to 51%. The Company now has a controlling stake of 51% alongwith management rights through the nomination of the majority directors on the Board of ULCL including the Chief Executive Officer. The Company has also disseminated this significant information to Stock Exchanges to ensure compliance with Code of Corporate Governance and also submitted necessary statutory statements. The SECP, however, revisited the issue and sought certain further information / chain of events which has been provided to them.

The process of merger of ULCL into the Company has been initiated as indicated in note 1 to the financial statements.

## 16.4 Investment in associates

### Listed - at cost:

	Note	2007 Rupees	2006 Rupees
<u>International Housing Finance Limited (IHFL)</u>	16.4.1	-	70,759,299
Nil (2006: 6,697,125) Ordinary shares of Rupees 10 each			
Percentage of shareholding : NIL(2006: 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: Rs.43,531,313			
<u>Pakistan Industrial and Credit Investment Corporation Limited</u>		-	21,522,242
Nil (2006: 360,000) Ordinary shares of Rupees 10 each			
Percentage of shareholding : 0.005% (2006: 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: Rs.15,300,000			
Crescent Commercial Bank Limited		-	5,170,344
Nil (2006: 370,000) Ordinary shares of Rupees 10 each			
Percentage of shareholding : Nil (2006: 0.13%)			
Place of incorporation: Pakistan			
Principal activity: Commercial Banking			
Name of Managing Director: Mr. Shahzad Naqvi			
Market value as at June 30, 2006: Rs.3,237,500			
		<u>-</u>	<u>97,451,885</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

**16.4.1** In September 2006, the Stock Exchanges were informed that the group sponsors had identified a buyer to acquire the group companies holding in IHFL at a price of Rs.11.25 per share. Subsequent to this, the Company and certain shareholders of IHFL signed an agreement with M/s. Khadim Ali Shah Bhukhari for the sale of their respective holdings in IHFL. Sale proceeds were received against IHFL investment in December 2006 amounting to Rs.75.343 million resulting in a gain of Rs.4.583 million.

## 16.5 Held to maturity Investments:

During the year 2005, Dewan 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 Section B. Accordingly, book value of TFCs series Section 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. PROPERTY, PLANT AND EQUIPMENT

	Note	2007 Rupees	2006 Rupees
Property, plant and equipment	17.1	280,748,175	308,023,718
Capital work-in-progress	17.2	12,247,438	7,856,007
		<u>292,995,613</u>	<u>315,879,725</u>

### 17.1 Property, plant and equipment

PARTICULARS	2007						NET BOOK VALUE As at June 30, 2007	RATE OF DEPRECIATION per annum %
	COST / REVALUED AMOUNT			DEPRECIATION / AMORTISATION				
	As at July 1, 2006	Additions / (deletions)	As at June 30, 2007	As at July 1, 2006	Charge for the year / (on deletions)	As at June 30, 2007		
	Rupees							
<b>Tangible</b>								
<b>Owned</b>								
Land - Leasehold	20,000,000	-	20,000,000	-	-	-	20,000,000	-
Office premises - Leasehold	154,458,694	434,465	154,893,159	11,637,947	7,159,625	18,797,572	136,095,587	5
Furniture and fixtures	17,661,727	2,841,623 (1,320,642)	19,182,708	4,941,325	2,461,278 (923,352)	6,479,251	12,703,457	15, 25 & 33.33
Motor vehicles	22,263,596	4,800,966 (12,853,435)	14,211,127	5,128,512	2,855,092 (3,562,117)	4,421,487	9,789,640	20 & 33.33
Office equipment	33,255,352	6,181,911 (3,098,297)	36,338,966	10,802,273	7,056,180 (568,470)	17,289,983	19,048,983	15 & 33.33
	247,639,369	14,258,965 (17,272,374)	244,625,960	32,510,057	19,532,175 (5,053,939)	46,988,293	197,637,667	
<b>Leased</b>								
Motor vehicles	5,904,375	- (2,947,410)	2,956,965	3,341,080	609,920 (2,078,646)	1,872,354	1,084,611	20 & 33.33
Generators (notes 17.6 & 17.7)	85,000,000	-	85,000,000	2,125,000	8,500,000	10,625,000	74,375,000	10
	338,543,744	14,258,965 (20,219,784)	332,582,925	37,976,137	28,642,095 (7,132,585)	59,485,647	273,097,278	
<b>Operating Lease</b>								
Equipment	5,968,060	1,416,560	7,384,620	81,353	698,675	780,028	6,604,592	10
<b>Intangible</b>								
Computer software and licenses	1,983,626	-	1,983,626	414,222	523,099	937,321	1,046,305	33.33
	346,495,430	15,675,525 (20,219,784)	341,951,171	38,471,712	29,863,869 (7,132,585)	61,202,996	280,748,175	

# Notes to the Financial Statements

for the year ended June 30, 2007

PARTICULARS	2006								
	COST / REVALUED AMOUNT				DEPRECIATION / AMORTISATION			NET BOOK VALUE	RATE OF DEPRECIATION
	As at July 1, 2005	Additions / (deletions)	Revaluation	As at June 30, 2006	As at July 1, 2005	Charge for the year / (on deletions)	As at June 30, 2006	As at June 30, 2006	per annum %
Rupees									
<b>Tangible</b>									
<b>Owned</b>									
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 equipment	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
	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	
<b>Leased</b>									
Motor vehicles	5,904,375	-	-	5,904,375	2,213,622	1,127,458	3,341,080	2,563,295	20 & 33.33
Generators (notes 17.6 & 17.7)	-	85,000,000	-	85,000,000	-	2,125,000	2,125,000	82,875,000	10
	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	
<b>Operating Lease</b>									
Equipment	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
<b>Intangible</b>									
Computer software and licenses	933,626	1,050,000	-	1,983,626	23,635	390,587	414,222	1,569,404	33.33
	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	

## 17.2 Capital work-in-progress

	2007 Rupees	2006 Rupees
Civil works	8,340,950	4,962,769
Electrical works	1,013,250	-
Equipment	2,893,238	2,893,238
	<u>12,247,438</u>	<u>7,856,007</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

## 17.3 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Written	Sale	Gain / loss	Mode of disposal	Particulars of buyers
			down value		on disposal		
----- Rupees -----							
<b>Furniture &amp; fixture</b>	75,000	19,203	55,797	55,797	-	Company Policy	Mr. Mumtaz Hadi - employee
Book value not exceeding Rs.50,000 each	<u>1,245,642</u>	<u>904,149</u>	<u>341,493</u>	<u>341,493</u>	-	Various	Various
	<u>1,320,642</u>	<u>923,352</u>	<u>397,290</u>	<u>397,290</u>	-		
<b>Office equipment</b>	2,180,000	212,863	1,967,137	1,962,000	(5,137)	Negotiation	EMBA Corporation
Book value not exceeding Rs.50,000 each	<u>918,297</u>	<u>355,607</u>	<u>562,690</u>	<u>594,624</u>	<u>31,934</u>	Various	Various
	<u>3,098,297</u>	<u>568,470</u>	<u>2,529,827</u>	<u>2,556,624</u>	<u>26,797</u>		
<b>Vehicle</b>	400,000	96,507	303,493	320,000	16,507	Negotiation	Mr. M. Yousuf
	375,000	141,764	233,236	350,000	116,764	Negotiation	Mr. Malik Abdul Waheed
	590,000	173,871	416,129	490,000	73,871	Negotiation	Syed Tariq Iqbal
	590,000	196,647	393,353	422,000	28,647	Negotiation	Mr. Abdul Fazal M. Fateh
	365,000	24,200	340,800	340,800	-	Company Policy	Mr. Amir Hassan Qureshi - employee *
	390,000	24,576	365,424	365,424	-	Company Policy	Mr. Asif Raza - employee *
	375,000	110,836	264,164	264,164	-	Company Policy	Mr. Amjad Murtaza - employee *
	375,000	110,836	264,164	264,164	-	Company Policy	Mr. Sajjad Sandho - employee *
	375,000	94,836	280,164	280,164	-	Company Policy	Mr. Imran Bari - employee *
	845,395	275,895	569,500	606,000	36,500	Negotiation	Mr. Zahid
	590,000	190,504	399,496	475,000	75,504	Negotiation	First Fidelity Leasing
	5,190,825	1,381,634	3,809,191	378,525	(3,430,666)	Company Policy	Mr. Javed Callea - ex-CEO
	595,000	169,000	426,000	395,000	(31,000)	Negotiation	Mr. Noor Ahmed Bhuto
	375,000	137,167	237,833	237,833	-	Insurance Claim	EFU General Insurance
	885,715	276,501	609,214	436,286	(172,928)	Company Policy	Mst. Tehmina Khan - employee
	375,000	108,173	266,827	266,827	-	Company Policy	Mr. Khalid Mehmood - employee *
	1,274,000	1,148,970	125,030	125,030	-	Company Policy	Mr. Javed Callea - ex-CEO
	341,100	182,506	158,594	275,000	116,406	Negotiation	Mst. Salma
	376,000	194,439	181,561	300,000	118,439	Negotiation	Major Qasim Shah
	376,000	215,000	161,000	170,945	9,945	Negotiation	Mr. Javed Akhtar
	580,310	337,731	242,579	246,000	3,421	Negotiation	Mr. Muhammad Ilyas
<b>Book value not exceeding Rs.50,000 each</b>	<u>161,500</u>	<u>49,170</u>	<u>112,330</u>	<u>95,522</u>	<u>(16,808)</u>	Various	Various
	<u>15,800,845</u>	<u>5,640,763</u>	<u>10,160,082</u>	<u>7,104,684</u>	<u>(3,055,398)</u>		
	<u>20,219,784</u>	<u>7,132,585</u>	<u>13,087,199</u>	<u>10,058,598</u>	<u>(3,028,601)</u>		

\* These were allocated / company owned cars transferred to loan as per staff car loan policy. Mark-up is charged on these loans at company cost of funds.

## 17.4 Depreciation has been allocated as follows:

Direct cost of operating leases  
Administrative and operating expenses

Note	2007 Rupees	2006 Rupees
	9,198,675	7,083,235
34	20,665,194	17,030,766
	<u>29,863,869</u>	<u>24,114,001</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

- 17.5 The Company revalued its office premises on May 16, 2005 which resulted in a surplus of Rs.66.513 million and the results were incorporated in the books of account as of that date. Further, on December 31, 2005, the Company again revalued its land and office premises which resulted in surplus of Rs.22.028 million. However, revaluation surplus only to the extent of Rs.16.650 million, relating to the land and office premises acquired subsequent to the initial revaluation exercise carried out on May 16, 2005, was incorporated in the books of account as of December 31, 2005. The revaluations were carried out by M/s. MYK Associates (Private) Limited, an approved valuer of Leasing Association of Pakistan as of May 16, 2005 and on December 31, 2005 respectively on prevailing market value basis. Had there been no revaluation, cost, accumulated depreciation and book value of land and office premises would have been as follows:

	Cost	Accumulated depreciation	Book value
	Rupees		
Land	6,662,500	-	6,662,500
Office Premises	120,429,159	14,656,595	105,772,564

- 17.6 During 2006, 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 equipment was determined by independent valuer listed on panel of Leasing Association of Pakistan. Excess of sale proceeds over the carrying amount is recognised as deferred revenue in these financial statements and would be amortised over the lease period.

- 17.7 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.

2007	2006
Rupees	Rupees

## 18. CREDITORS, ACCRUED AND OTHER LIABILITIES

Advance lease rentals	15,855,988	1,307,364
Accrued liabilities	16,167,631	19,839,283
Payable against purchase of investments	22,920,296	29,320,088
Received against termination of leases	9,342,801	19,241,305
Unclaimed dividend	194,769	194,769
Other liabilities	27,943,848	75,034,052
	<u>92,425,333</u>	<u>144,936,861</u>

## 19. ACCRUED INTEREST / MARK-UP

Interest / mark-up / profit on :		
Redeemable Capital	26,948,798	34,873,829
Long term loans	15,034,608	20,157,434
Short term loans	9,071,032	12,926,622
Certificates of investment	1,373,212	13,154,568
	<u>52,427,650</u>	<u>81,112,453</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>20. SHORT-TERM BORROWINGS</b>			
<b>Borrowings from financial and other institutions</b>			
<b>Secured</b>			
From commercial bank		-	145,000,000
From a NBFC	20.1	10,000,000	-
From a modaraba company		-	48,000,000
Running finances under mark-up arrangements	20.2	140,073,703	183,194,663
		<u>150,073,703</u>	<u>376,194,663</u>
<b>Unsecured-Others</b>			
From commercial banks	20.3	261,000,000	245,000,000
From investment banks	20.4	75,000,000	120,930,208
From other	20.5	75,000,000	-
		411,000,000	365,930,208
<b>Others</b>		-	14,350,000
		<u>561,073,703</u>	<u>756,474,871</u>

- 20.1** This represents finance facility carrying mark-up at the rate of Re.0.36 (2006: Nil) per Rs.1,000 per day. This is secured against second ranking charge over all present and future leased assets and related receivables having a maturity latest by July 11, 2007.
- 20.2** Running finance facilities are available to the Company aggregating to Rs.400 (2006: Rs.400) million on yearly renewal basis carrying mark-up at the rate from Re.0.33 to Re.0.40 (2006: Re.0.29 to Re.0.37) per Rs.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 Rs.31.930 million.
- 20.3** This represents finance facility carrying mark-up at the rate of Re.0.33 to Re.0.35 (2006: Re.0.29 to 0.36) per Rs.1,000 per day.
- 20.4** This represents finance facilities carrying mark-up at the rate ranging from Re.0.29 to Re.0.33 (2006: Re.0.30 to Re.0.33) per Rs.1,000 per day having a maturity latest by August 07, 2007.
- 20.5** This represents finance facilities carrying mark-up at the rate ranging from Re.0.30 to Re.0.33 (2006: Nil) per Rs.1,000 per day having a maturity latest by August 09, 2007.

	Note	2007 Rupees	2006 Rupees
<b>21. LONG-TERM BORROWINGS</b>			
From financial and other institutions	21.1	436,249,999	753,750,001
Others	21.2	9,000,000	11,750,000
		<u>445,249,999</u>	<u>765,500,001</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

## 21.1 From financial and other institutions

Lending Institution	Note	Mark-up per Rs.1,000 per day	Mode of Principal Repayment	Principal Repayment Commencing from	2007	2006
		Rupee			Rupees	Rupees
Commercial Bank	21.1.1	0.39	Quarterly	August 11, 2005	33,333,336	66,666,666
Commercial Bank	21.1.1	0.21	Semi-annually	February 1, 2004	-	16,666,667
Commercial Bank	21.1.1	0.32	Semi-annually	October 20, 2005	33,333,332	66,666,668
Commercial Bank	21.1.1	0.32	Semi-annually	June 29, 2007	333,333,333	400,000,000
Commercial Bank	21.1.1	0.34	Semi-annually	January 13, 2007	218,750,000	250,000,000
Commercial Bank	21.1.1	0.33	Semi-annually	June 29, 2007	83,333,333	100,000,000
Commercial Bank	21.1.1	0.33	Semi-annually	June 29, 2007	41,666,667	50,000,000
Others	21.1.1 & 21.1.2.	0.19	Annually	January 1, 2005	10,000,000	15,000,000
					<u>753,750,001</u>	<u>965,000,001</u>
Less: Current maturity	26				<u>317,500,002</u>	<u>211,250,000</u>
					<u>436,249,999</u>	<u>753,750,001</u>

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

21.1.2 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 Re.0.19 (2006: Re.0.19) per Rs.1,000 per day payable bi-annually.

## 21.2 Others

These are unsecured funds received from individuals at mark-up rates ranging from Re.0.29 to Re.0.33 (2006: Re.0.29 to Re.0.33) per Rs.1,000 per day.

## 22. 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 Re.0.19 to Re. 0.32 (2006: Re.0.19 to Re.0.29) per Rs.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:

	2007			2006		
	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			Rupees		
Not later than one year	33,252,138	5,219,040	28,033,098	34,042,703	8,272,523	25,770,180
Later than one year and not later than five years	29,618,306	1,515,784	28,102,522	63,481,813	6,482,337	56,999,476
	<u>62,870,444</u>	<u>6,734,824</u>	<u>56,135,620</u>	<u>97,524,516</u>	<u>14,754,860</u>	<u>82,769,656</u>



# Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>23. REDEEMABLE CAPITAL - SECURED (Non participatory)</b>			
Term Finance Certificates - Listed	23.1	250,000,000	250,000,000
Privately Placed Term Finance Certificates - 1	23.2	60,000,000	120,000,000
Privately Placed Term Finance Certificates - 2	23.3	225,000,000	315,000,000
		<u>535,000,000</u>	<u>685,000,000</u>
Less: Current maturity	26	271,620,000	150,000,000
		<u>263,380,000</u>	<u>535,000,000</u>

**23.1** These Term Finance Certificates (TFCs) were issued by the Company on September 05, 2002. These are perpetual unless Put / Call option attached to these is exercised. The said options are available on September 05, 2007. The TFC holders will have the put option for redemption at face value on the 60th month from the issue date and at the end of every three years thereafter. Likewise the Company will have the call option. The TFC holders and Issuer will have to give a 30 days written notice before exercising their Put / Call option. Subsequent to year end on September 05, 2007, the Company roll forwarded TFCs amounting to Rs. 128.38 million and the remaining TFCs amounting to Rs. 121.62 million have been redeemed on the basis of put option exercised by the TFC holders. Accordingly, TFCs redeemed have been placed under current maturity of redeemable capital (note 26).

Profit is payable on semi-annual basis at a base rate plus 200 bps with a floor of 12% per annum and a ceiling of 15.75% per annum. The applicable rate as of balance sheet date for this TFC is 17.41% per annum (2006: 17.03% per annum). Base rate is cut off yield on last SBP's 5 years PIB auction. An interest rate swap arrangement has been made with a commercial bank whereby the fixed floor rate of 12% has been assumed by the bank in exchange of variable rate based on a fixed component plus cut-off yield on six months treasury bill. TFCs are secured by joint pari-passu charge on all present and future leased assets and its related receivables of the Company.

**23.2** The principal and profit of privately placed TFCs issued on June 28, 2003 is payable semi annually at a base rate plus 160 bps. The applicable rate as of balance sheet date for this TFC is 11.15% per annum (2006: 6.94% per annum). Base rate is cut off yield on last SBP's 5 years PIB. 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.

**23.3** The principal and profit on privately placed TFCs issued on July 10, 2004 is payable semi annually at a base rate plus 175 bps. The applicable rate as of balance sheet date for this TFC is 12.29% per annum (2006: 10.82% per annum). Base rate is six months ASK KIBOR. The tenure of this TFC is five years unless call option is exercised. These are secured by joint pari-passu charge on all present and future leased assets and its related receivables of the Company.

	Note	2007 Rupees	2006 Rupees
<b>24. CERTIFICATES OF INVESTMENT AND DEPOSITS</b>			
Long-term certificates of investment:			
For one year or more		21,043,153	46,662,764
Less: Current maturity	26	6,683,005	12,930,916
		<u>14,360,148</u>	<u>33,731,848</u>
Short-term certificates of investment /deposits			
		<u>140,500,000</u>	<u>842,711,800</u>

The Company has a scheme of registered Certificates of Investment (COIs) and registered Certificates of Deposits (CODs) for resource mobilisation. The term of COIs ranges from three months to five years and return thereon ranges from Re.0.16 to Re. 0.33 (2006: Re.0.16 to Re.0.36) per Rs.1,000 per day. SECP through its letter No. SEC/NBFC-1/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. Subsequently, the SECP through its letter No. SEC/NBFC-1/JD/CLCL/2007 dated June 12, 2007 approved issuance of COIs by the Company.

# Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>25. LONG-TERM DEPOSITS</b>			
Security deposits on leases	25.1	942,079,701	1,185,906,966
Less: Current maturity	26	332,167,923	183,226,956
		<u>609,911,778</u>	<u>1,002,680,010</u>

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

## 26. CURRENT MATURITY OF NON-CURRENT LIABILITIES

Long-term borrowings	21	317,500,002	211,250,000
Liabilities against asset subject to finance lease	22	28,033,098	25,770,180
Redeemable capital	23	271,620,000	150,000,000
Certificates of investment	24	6,683,005	12,930,916
Deposits on finance leases	25	332,167,923	183,226,956
		<u>956,004,028</u>	<u>583,178,052</u>

## 27. DEFERRED LIABILITIES

Deferred revenue	27.1	10,298,610	16,183,530
Deferred taxation	27.2	65,546,691	62,414,564
		<u>75,845,301</u>	<u>78,598,094</u>

### 27.1 Deferred revenue

Balance at beginning of the year		16,183,530	17,654,760
Amortised during the year	33	(5,884,920)	(1,471,230)
		<u>10,298,610</u>	<u>16,183,530</u>

27.2 Deferred tax liability has been provided on the temporary differences between the carrying values of assets and liabilities and their tax base. The liability after considering the effects of tax losses is estimated at Rs.65.547 million (2006: Rs.62.414 million).

	Note	2007 Rupees	2006 Rupees
(Restated-Note 41)			

27.2.1 Deferred taxation comprises:

#### Deferred tax assets arising in respect of:

- provision for doubtful finance / potential lease losses	(77,769,371)	(55,377,944)
- carry forward of income tax loss	(262,906,938)	(430,231,612)
	<u>(340,676,309)</u>	<u>(485,609,556)</u>

#### Deferred tax liabilities arising in respect of:

- accelerated tax depreciation	393,278,060	534,397,867
- surplus on revaluation of assets	12,944,940	13,626,253
	<u>406,223,000</u>	<u>548,024,120</u>
	<u>65,546,691</u>	<u>62,414,564</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

## 28. SHARE CAPITAL

### Authorised Share Capital

100,000,000 (2006: 100,000,000) Ordinary shares of Rupees 10 each

### Issued, Subscribed and Paid-up Capital

25,460,267 (2006: 25,460,267) Ordinary shares of Rupees 10 each fully paid up in cash

19,929,823 (2006: 19,929,823) Ordinary shares of Rupees 10 each issued as fully paid bonus shares

	2007 Rupees	2006 Rupees
Authorised Share Capital	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid-up Capital		
25,460,267 (2006: 25,460,267) Ordinary shares of Rupees 10 each fully paid up in cash	254,602,670	254,602,670
19,929,823 (2006: 19,929,823) Ordinary shares of Rupees 10 each issued as fully paid bonus shares	199,298,230	199,298,230
	<u>453,900,900</u>	<u>453,900,900</u>

28.1 Direct holding of related parties in the Ordinary shares of Rs.10/- each is as follows:

	Percentage of holding	2007 Rupees (Number of shares)	2006 Rupees
Al-Zamin Leasing Modaraba	1.10%	500,000	-
Zahidjee Textile Mills Limited and a Director	76.18%	34,577,213	-
Other Directors	1.17%	531,981	-
		<u>35,609,194</u>	<u>-</u>

## 29. UN-REALISED LOSS ON REVALUATION OF INVESTMENTS

### Short-term Investments - Available for sale:

- Ordinary shares	10.3	-	7,390,415
- Term finance certificates	10.4	-	(269,677)
- Mutual funds	10.5	124,186	(1,328,158)
- Preference shares	10.6	53,771	4,665,559
		<u>177,957</u>	<u>10,458,139</u>

### Long-term Investments - Available for sale:

- Ordinary shares	16.1	11,015,382	19,221,048
- Mutual funds	16.2	5,794,349	3,394,499
		<u>16,809,731</u>	<u>22,615,547</u>
		<u>16,987,688</u>	<u>33,073,686</u>

## 30. SURPLUS ON REVALUATION OF FIXED ASSETS

Opening Balance		38,643,400	42,966,800
Surplus arising on revaluation during the year		-	16,650,000
Less: Surplus realised 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		(1,265,297)	(1,741,107)
		<u>37,378,103</u>	<u>38,643,400</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>31. CONTINGENCIES AND COMMITMENTS</b>			
<b>31.1 Commitments:</b>			
As at balance sheet date, the Company has the following outstanding commitments:			
- Letters of comforts for import of machinery to be leased		<u>20,000,000</u>	<u>20,000,000</u>
- Commitment in respect of sale and repurchase agreements		<u>100,000,000</u>	<u>50,000,000</u>
- Commitment in respect of operating lease assets:			
Within one year		<u>648,480</u>	<u>1,580,700</u>
Within two to five years		<u>785,108</u>	<u>2,105,230</u>
	Note	2007 Rupees	2006 Rupees (Restated-Note 41)
<b>32. INCOME FROM INVESTMENTS</b>			
Return from short-term placements and deposits		12,391,024	43,306,379
Return from government securities, mutual funds and TFCs		1,188,014	8,538,922
Income from continuous funding system		-	3,564,650
Income from reverse repo against shares		-	37,879,714
Gain on sale of securities - net		18,314,041	41,653,054
Dividend Income		5,601,999	21,471,798
		<u>37,495,078</u>	<u>156,414,517</u>
<b>33. OTHER INCOME</b>			
Fee, commission and others		2,282,749	20,260,471
Amortisation of deferred revenue	27.1	5,884,920	1,471,230
Profit on sale of assets acquired in satisfaction of finances provided		3,850,000	-
(Loss) / gain on sale of fixed assets-net		(3,028,601)	51,425,867
		<u>8,989,068</u>	<u>73,157,568</u>
<b>34. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, allowances and benefits including remuneration of chief executive and executives	34.1 & 34.4	65,419,892	72,916,351
Staff training		182,425	374,432
Rent, rates and taxes		4,078,786	5,403,390
Traveling, conveyance and entertainment		2,689,392	2,750,239
Vehicle running		4,252,098	6,269,774
Utilities		2,789,845	2,678,894
Telephone and fax		2,860,788	3,731,469
Insurance		3,002,448	2,515,662
Operating lease rentals		1,783,753	2,905,142
Fees, subscriptions and periodicals		1,663,341	4,523,768
Printing and stationery		1,615,608	2,574,835
Postage, stamps and telegrams		525,619	567,498
Legal and professional charges		1,480,763	3,234,785
Auditors' remuneration	34.2	1,792,871	556,500
Repairs and maintenance		3,258,581	4,006,939
Depreciation	17.4	20,665,194	17,030,766
Systems development		-	350,000
Advertisement		247,840	905,839
Donations	34.3	30,000	1,750,712
		<u>118,339,244</u>	<u>135,046,995</u>

**34.1** Salaries, allowances and benefits include provision of Rs.4.191 million (2006: Rs.5.518 million) for staff benefit schemes.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 34.2 Auditors' Remuneration

	2007 Rupees	2006 Rupees
Statutory audit	400,000	275,000
Special certifications including half yearly review	1,310,000	245,500
Out of pocket expenses	82,871	36,000
	<u>1,792,871</u>	<u>556,500</u>

34.3 Donations are paid to the various organisations, as per policy approved by Board of Directors, in which none of the directors of the Company is interested in any capacity.

## 34.4 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES

	2007			2006		
	Chief Executive Officer	Executive	Total	Chief Executives Officer	Executives	Total
	Rupees					
Managerial remuneration	5,166,315	11,068,421	16,234,736	5,852,758	7,715,490	13,568,248
Housing and utility	2,923,264	5,534,211	8,457,475	1,935,137	3,857,757	5,792,894
Medical and other expenses	554,503	2,459,478	3,013,981	419,225	3,817,445	4,236,670
Company's contribution to:						
Provident fund	411,646	997,625	1,409,271	276,445	724,185	1,000,630
Gratuity fund	266,301	862,122	1,128,423	398,904	569,727	968,631
Leave fare assistance	641,840	972,686	1,614,526	-	576,012	576,012
Bonus	350,000	1,850,000	2,200,000	2,011,010	3,855,000	5,866,010
	<u>10,313,869</u>	<u>23,744,543</u>	<u>34,058,412</u>	<u>10,893,479</u>	<u>21,115,616</u>	<u>32,009,095</u>
<b>Number of persons</b>	<u>1</u>	<u>11</u>	<u>12</u>	<u>1</u>	<u>10</u>	<u>11</u>

The chairman, chief executive officer and executives have been provided with free use of the Company maintained cars. Directors were paid Rs.0.215 million (2006: Rs.0.190 million) for attending board of directors / audit committee meetings during the year.

# Notes to the Financial Statements

for the year ended June 30, 2007

	2007	2006
Note	Rupees	Rupees
<b>35. FINANCE COST</b>		
Mark-up on:		
Long-term borrowings and redeemable capital	192,932,091	172,148,337
Short-term borrowings	55,224,080	122,022,119
Long-term COIs	2,822,102	10,733,484
Short-term COIs and CODs	15,457,622	94,926,636
Running finances	20,468,332	35,790,167
	<u>286,904,227</u>	435,620,743
Finance charges on liabilities against assets subject to finance leases	366,277	163,362
Bank and other charges	8,258,893	15,818,790
	<u>295,529,397</u>	<u>451,602,895</u>

## 36. LOSS ON SETTLEMENT OF SHORT-TERM FINANCES OBTAINED

The Company had obtained short term finances from various financial institutions during the year ended June 30, 2006. The said finances, aggregating to Rs.63.535 million were settled during the year through disposal of preference and Ordinary shares held by the Company, having an aggregate cost of Rs.76.673 million and market value of Rs.64.803 resulting in a loss of Rs.11.870 million.

## 37. CURRENT TAXATION

This represents turnover tax @ 0.5 % on gross receipts under section 113 of the Income Tax Ordinance, 2001 due to the available tax losses including unabsorbed depreciation amounting to Rs.751 million (2006: Rs.1,229 million).

### 37.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001. The Company's tax computation gives rise to a tax loss due to unabsorbed tax depreciation. The movement in deferred taxation is mainly due to the accelerated tax depreciation and allowance for potential lease losses.

	2007	2006
Note	Rupees	Rupees (Restated-Note 41)
<b>38. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED</b>		
(Loss) / profit after taxation	<u>(109,243,754)</u>	<u>24,201,206</u>
(Loss) / earnings per share - basic and diluted	<u>(2.41)</u>	<u>0.53</u>
<b>39. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	5 <u>105,900,114</u>	358,432,139
Placements with financial institutions	6 <u>228,079,165</u>	40,000,000
	<u>333,979,279</u>	<u>398,432,139</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>40. DEFINED BENEFIT PLAN - GRATUITY FUND</b>			
<b>40.1 Gratuity Fund</b>			
<b>40.1.1 The actuarial valuation carried out resulted in:</b>			
Present value of defined benefit obligation as at June 30	40.1.2	3,629,228	5,544,769
Less: Fair value of plan assets	40.1.3	(5,088,663)	(9,455,359)
Add: Unrecognised actuarial gains	40.1.4	587,916	494,388
Total asset		<u>(871,519)</u>	<u>(3,416,202)</u>
<b>40.1.2 Changes in present value of defined benefit obligation</b>			
Present value of defined benefit obligation as at June 30		5,544,769	4,612,979
Interest cost for the year		499,029	415,168
Current service cost for the year		940,709	975,968
Benefits paid during the year		(8,058,762)	-
Actuarial loss / (gain) on present value of defined benefit obligation		<u>4,703,483</u>	<u>(459,346)</u>
		<u>3,629,228</u>	<u>5,544,769</u>
<b>40.1.3 Changes in fair value of plan assets</b>			
Fair value of plan assets as on June 30		9,455,359	3,595,298
Expected return on plan assets		850,982	323,577
Contributions during the year		1,698,763	5,000,000
Benefits paid during the year		(8,058,762)	-
Actuarial gain on plan assets		1,142,321	536,484
		<u>5,088,663</u>	<u>9,455,359</u>
<b>40.1.4 Changes in actuarial gains / (losses)</b>			
Unrecognised actuarial gains / (losses) as at June 30		494,388	(504,309)
Actuarial gains arising during the year		93,528	995,830
Actuarial losses charged during the year		-	2,867
		<u>587,916</u>	<u>494,388</u>
<b>40.1.5 Charge for the year</b>			
Current service cost		940,709	975,968
Interest cost		499,029	415,168
Expected return on plan assets		(850,982)	(323,577)
Charge due to settlements		3,654,690	-
Actuarial losses		-	2,867
Past service cost		-	29,596
		<u>4,243,446</u>	<u>1,100,022</u>

## 40.2 Pension Fund

No actuarial valuation was carried out in respect of this fund as the management is of the view that the results of the actuarial valuation will not be materially different from the provision already made in the books of the Company.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 41. PRIOR PERIOD ERRORS

### 41.1 Investments

Due to ineffective internal controls over the recording, revaluation and classification in respect of investments, the following accounting errors occurred in prior years as specified below:

- the average cost of investments was incorrectly computed and, accordingly, the gain / loss on disposal of investments and unrealised loss on revaluation of investments were incorrectly stated in the financial statements.
- the investments were not classified as 'available for sale' or 'held for trading' and into long-term and short-term in the subsidiary records and the general ledger correctly as a result of which unrealised gain / loss on investments was incorrectly recorded in the books of account.
- bonus shares in the subsidiary records were not recorded on a timely basis, i.e., when the right to receive these shares was established resulting in misstatement of unrealised gain / loss on investments and corresponding investments in the financial statements.

The above have been accounted for in the current year as correction of prior period errors, in accordance with the requirement of International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the comparative amounts for the prior periods have been restated. The effects of restatement are as follows:

	July 1, 2005 to June 30, 2006	Periods up to June 30, 2005
Unappropriated profit	-	(22,034,276)*
Unrealised gain / (loss) on revaluation of held for trading investments	(3,664,861)	-
Gain on sale of securities - net	(3,911,368)	-
Unrealised loss on revaluation of investments	(7,576,229)	(22,034,276)
Investments – held for trading	28,507,990	35,423,875
Investments – available for sale	(28,507,990)	(35,423,875)
Available for sale investments not accounted for	844,030	-
Earnings per share	(0.15)	(0.54)

\* ( ) denotes decrease

In view of the above, the internal controls over recording, revaluation and classification in respect of investments are being strengthened to obviate the need for major adjustments at the year end to correct the financial statements. In this regard, the Company has undertaken a comprehensive review of its accounting and internal controls in order to streamline and strengthen the same.

### 41.2 Net investment in finance lease

During the year ended June 30, 2006, the Company changed its accounting policy in respect of initial direct cost of finance leases, whereby, initial direct costs were included in the initial measurement of the finance lease receivable and recognised over the lease term. As a result thereof, the Company reversed income amounting to Rs.14.823 million as against Rs.34.253 million which had been already recognised in accordance with previously followed accounting policy. Therefore, the adjustment of remaining amount of Rs.19.430 million (Rs.12.630 million - net of tax) has been accounted for in the current year as a correction of prior period error, in accordance with the requirement of International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the comparatives for the prior periods have been restated. The effects of restatement on the financial statements are as follows:

Decrease in net investment in finance lease	-	19,430,000
Decrease in retained earnings	-	12,629,500
Decrease in deferred tax liability	-	6,800,500



# Notes to the Financial Statements

for the year ended June 30, 2007

## 42. SEGMENTAL ANALYSIS

The operational activities of the Company are broadly categorised into two primary business segments namely leasing activities and investment activities.

### 42.1 Leasing Activities

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

### 42.2 Investment Activities

Investment 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.

	2007			2006		
	Leasing	Investment Activities	Total	Leasing	Investment Activities	Total
	Rupees			Rupees		
Segment revenue	<u>331,320,304</u>	<u>88,052,145</u>	<u>419,372,449</u>	<u>418,786,307</u>	<u>236,226,581</u>	<u>655,012,888</u>
Unallocated			<u>(3,028,601)</u>			<u>51,425,867</u>
			<u>416,343,848</u>			<u>706,438,755</u>
Segment results	<u>254,246,068</u>	<u>77,066,205</u>	<u>331,312,273</u>	<u>338,459,463</u>	<u>219,518,840</u>	<u>557,978,303</u>
Unallocated			<u>(3,028,601)</u>			<u>51,425,867</u>
			<u>328,283,672</u>			<u>609,404,170</u>
Administrative & operating expenses			<u>(74,447,118)</u>			<u>(77,895,925)</u>
Finance costs			<u>(295,529,397)</u>			<u>(451,602,895)</u>
Reversal / provisions			<u>(45,468,337)</u>			<u>(48,138,138)</u>
Loss on disposal of assets in satisfaction of finances obtained			<u>(11,867,899)</u>			<u>-</u>
Provision for taxation			<u>(10,214,675)</u>			<u>(7,566,006)</u>
(Loss) / gain after taxation			<u>(109,243,754)</u>			<u>24,201,206</u>
<b>Other information</b>						
Segment assets	<u>2,565,628,170</u>	<u>817,711,307</u>	<u>3,383,339,477</u>	<u>3,737,804,465</u>	<u>1,339,382,822</u>	<u>5,077,187,287</u>
Unallocated			<u>438,608,666</u>			<u>476,217,076</u>
Total assets	<u>2,565,628,170</u>	<u>817,711,307</u>	<u>3,821,948,143</u>	<u>3,737,804,465</u>	<u>1,339,382,822</u>	<u>5,553,404,363</u>
Segment liabilities	<u>2,055,282,815</u>	<u>742,030,355</u>	<u>2,797,313,170</u>	<u>3,237,461,946</u>	<u>1,234,774,020</u>	<u>4,472,235,966</u>
Unallocated			<u>445,311,832</u>			<u>408,687,500</u>
Total liabilities	<u>2,055,282,815</u>	<u>742,030,355</u>	<u>3,242,625,002</u>	<u>3,237,461,946</u>	<u>1,234,774,020</u>	<u>4,880,923,466</u>
Segment depreciation	<u>21,334,089</u>	<u>2,140,581</u>	<u>23,474,670</u>	<u>17,872,580</u>	<u>4,600,838</u>	<u>22,473,418</u>
Unallocated			<u>6,389,199</u>			<u>1,640,583</u>
Total depreciation	<u>21,334,089</u>	<u>2,140,581</u>	<u>29,863,869</u>	<u>17,872,580</u>	<u>4,600,838</u>	<u>24,114,001</u>

# Notes to the Financial Statements

for the year ended June 30, 2007

## 43. RELATED PARTY TRANSACTIONS

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Company has a policy whereby all transactions with related parties, are entered into at arm's length prices using the permissible method of pricing. The transactions with related parties, other than remuneration under the terms of employment are as follows:

	Pricing Method	2007 Rupees	2006 Rupees
<b>International Housing Finance Limited - Common directorship / associate</b>			
Placements and deposits		-	325,000,000
Finance given under repo arrangements		-	50,000,000
Short-term borrowings		-	95,000,000
Mark-up received		-	14,913,371
Mark-up paid		-	115,069
<b>Crescent Standard Investment Limited - Common directorship</b>			
Placements and deposits		-	1,457,000,000
Finance given under repo arrangements		-	228,500,000
Purchase of Shares		-	8,176,890
Mark-up received		-	3,910,959
<b>Pakistan Industrial Credit and Investment Corporation Limited - Common directorship</b>			
Short-term borrowings	Comparable	-	100,000,000
Mark-up paid	Uncontrolled	-	26,713
Dividend received		270,119	1,030,364
Purchase of Shares		632,877	56,137,972
<b>Saudi Pak Commercial Bank Limited - Common directorship</b>			
Short-term borrowings		15,000,000	-
Mark-up paid		195,205	-
Purchase of Shares		59,012	-
<b>Crescent Steel &amp; Allied Products Limited - Common directorship</b>			
Purchase of Shares		335,877	-
Arrangement, advisory fee and other earned		-	3,500,000
<b>Fidelity Capital Management (Pvt) Limited - Common directorship</b>			
Rental income		1,202,321	-
<b>Crescent Commercial Bank Limited - Common directorship</b>			
Purchase of office Premises		-	6,930,000
<b>Crescent Standard Business Management (Pvt) Limited - Common control</b>			
Service charges paid	Cost Plus	155,792	947,363
Contribution to employees retirement funds		4,190,827	5,518,538

# Notes to the Financial Statements

for the year ended June 30, 2007

- 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 following parties are shown as related party transactions until the period the associate relationship due to common directorship ceased to exist.

Party	Date on which Associate Relationship ceased
Crescent Standard Investment Bank Limited	September 30, 2005
Fidelity Capital Management (Private) Limited	April 25, 2007
Crescent Commercial Bank Limited	March 30, 2007
International Housing Finance Limited	December 15, 2006
Pakistan Industrial Credit and Investment Corporation	June 28, 2007

## 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 minimised 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.

# Notes to the Financial Statements

for the year ended June 30, 2007

## 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, is as follows:

	2007		2006	
	RUPEES	%	RUPEES	%
Textiles	293,495,974	11.67	383,601,906	10.29
Synthetic, garments and others	379,004,656	15.07	634,591,434	17.03
Food, tobacco and beverage	38,227,411	1.52	50,947,128	1.37
Transport and communication	373,974,733	14.87	557,046,908	14.95
Steel engineering and automobiles	103,867,898	4.13	141,977,658	3.81
Energy, oil and gas	58,347,100	2.32	91,779,753	2.46
Construction	119,712,154	4.76	198,169,344	5.32
Paper and board	65,137,496	2.59	101,145,034	2.71
Healthcare	97,328,999	3.87	131,113,933	3.52
Dairy and poultry	39,484,891	1.57	-	0.00
Miscellaneous *	946,379,908	37.63	1,436,309,262	38.54
	<u>2,514,961,220</u>	<u>100.00</u>	<u>3,726,682,360</u>	<u>100.00</u>

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

# Notes to the Financial Statements

for the year ended June 30, 2007

## 45.2 Interest rate risk exposure

The information about the Company's exposure to interest rate risk based on contractual refinancing or maturity dates whichever is earlier is as follows:

	2007					Total
	Effective interest rate %	Interest / mark-up bearing			Non interest / mark-up bearing	
		Less than one month	One month to one year	Over one year		
	Rupees					
<b>Financial Assets</b>						
Cash and bank balances	1.00-11.00	97,337,893	-	-	8,562,221	105,900,114
Placements with financial institutions	9.00-12.00	225,000,000	3,079,165	-	-	228,079,165
Finances under musharika arrangement	-	-	-	-	60,000,000	60,000,000
Advances and other receivables	-	-	-	-	79,016,729	79,016,729
Accrued interest / mark-up	-	-	-	-	10,569,222	10,569,222
Investments	13.00-14.00	-	52,910,300	-	224,133,931	277,044,231
Short-term finances	15.00-25.00	4,000,000	87,913,706	-	-	91,913,706
Long-term finances	11.00-22.00	2,934,954	25,370,406	101,773,636	-	130,078,996
Net investment in finance lease	9.00-29.00	274,185,679	871,832,981	1,261,043,392	-	2,407,062,052
Long-term deposit	-	-	-	-	10,157,166	10,157,166
		<u>603,458,526</u>	<u>1,041,106,558</u>	<u>1,362,817,028</u>	<u>392,439,269</u>	<u>3,399,821,381</u>
<b>Financial Liabilities</b>						
Creditors, accrued and other liabilities	-	-	-	-	92,425,333	92,425,333
Accrued interest / mark-up	-	-	-	-	52,427,650	52,427,650
Borrowings from financial and other institutions	7.00-15.00	402,323,704	476,250,000	445,250,000	-	1,323,823,704
Certificates of investment and deposit	6.00-12.00	2,218,941	4,464,064	154,860,148	-	161,543,153
Liabilities against assets subject to finance leases	7.00-13.00	53,160	27,979,938	28,102,522	-	56,135,620
Redeemable capital	11.00-17.00	45,000,000	226,620,000	263,380,000	-	535,000,000
Deposits on finance lease	-	-	-	-	942,079,701	942,079,701
		<u>449,595,805</u>	<u>735,314,002</u>	<u>891,592,670</u>	<u>1,086,932,684</u>	<u>3,163,435,161</u>
On balance sheet sensitivity gap		<u>153,862,721</u>	<u>305,792,556</u>	<u>471,224,358</u>	<u>(694,493,415)</u>	
Cumulative sensitivity gap		<u>153,862,721</u>	<u>459,655,277</u>	<u>930,879,635</u>		

# Notes to the Financial Statements

for the year ended June 30, 2007

	Effective interest rate	2006				Non interest / mark-up bearing	Total
		Interest / mark-up bearing			Total		
		Less than one month	One month to one year	Over one year			
%	Rupees						
<b>Financial Assets</b>							
Cash and bank balances	2.00-7.00	303,585,555	35,000,000	-	19,846,584	358,432,139	
Placements with financial institutions	9.00-14.00	-	40,000,000	-	-	40,000,000	
Finances under musharika arrangement		-	-	-	60,000,000	60,000,000	
Advances and other receivables	-	-	-	-	159,247,887	159,247,887	
Accrued interest / mark-up	-	-	-	-	7,095,973	7,095,973	
Funds placement	16.00	50,002,875	-	-	-	50,002,875	
Investments	7.00-13.00	-	63,661,892	-	286,399,281	350,061,173	
Short-term finances	13.00-18.00	4,000,000	110,892,772	-	-	114,892,772	
Long-term finances	7.00-16.00	3,086,018	97,869,350	110,858,174	-	211,813,542	
Net investment in finance lease	8.00-29.00	265,864,907	856,719,113	2,517,319,936	-	3,639,903,956	
Long-term deposit	-	-	-	-	11,093,176	11,093,176	
		<u>626,539,355</u>	<u>1,204,143,127</u>	<u>2,628,178,110</u>	<u>543,682,901</u>	<u>5,002,543,493</u>	
<b>Financial Liabilities</b>							
Creditors, accrued and other liabilities	-	-	-	-	144,936,861	144,936,861	
Accrued interest / mark-up	-	-	-	-	81,112,453	81,112,453	
Borrowings from financial and other institutions	7.00-13.00	370,044,902	597,679,969	765,500,001	-	1,733,224,872	
Certificates of investment and deposit	6.00-13.00	590,607,965	265,034,751	33,731,848	-	889,374,564	
Liabilities against assets subject to finance leases	7.00-12.00	144,064	25,626,116	56,999,476	-	82,769,656	
Redeemable capital	7.00-17.00	-	150,000,000	535,000,000	-	685,000,000	
Deposits on finance lease	-	-	-	-	1,185,906,966	1,185,906,966	
		<u>960,796,931</u>	<u>1,038,340,836</u>	<u>1,391,231,325</u>	<u>1,411,956,280</u>	<u>4,802,325,372</u>	
On balance sheet sensitivity gap		<u>(334,257,576)</u>	<u>165,802,291</u>	<u>1,236,946,785</u>	<u>(868,273,379)</u>		
Cumulative sensitivity gap		<u>(334,257,576)</u>	<u>(168,455,285)</u>	<u>1,068,491,500</u>			



# Notes to the Financial Statements

for the year ended June 30, 2007

## 46. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

## 47. RECLASSIFICATIONS

Major reclassifications are as follow:

<u>Reclassification from</u>	<u>Reclassification to</u>	<u>Reason</u>	<u>Rupees</u>
Short term investment	Long term investment	Corrected classification (see note 41.1)	57,008,533

## 48. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the board of directors and authorised for issue on November 3, 2007.

## 49. GENERAL

Figures have been rounded off to the nearest rupee.



Basheer Ahmed Chowdry  
Director



S. Shahnawaz A. Rizvi  
Chief Executive Officer



# Consolidated

CRESCENT LEASING CORPORATION LIMITED (Group)

Consolidated Financial Statements



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## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Crescent Leasing Corporation Limited** (Holding Company) and its subsidiary company as at **June 30, 2007** and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Holding Company. The financial statements of Universal Leasing Corporation Limited (ULCL) were audited by another firm of auditors whose report dated September 29, 2007 expressed a qualified opinion and also included an emphasis of matter paragraph in respect of the uncertainties disclosed in these financial statements, as more fully explained in paragraphs (a) and (b) below, which has been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, 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. The consolidated financial statements as of June 30, 2006 were audited by another auditor whose report dated October 05, 2006, expressed a qualified opinion and also included an emphasis of matter paragraph as explained in paragraphs (a) and (b) below, respectively.

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 under the circumstances and after due verification we report that:

the auditors of the subsidiary company have:

- (a) qualified their opinion in respect of the fact that ULCL 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.
- (b) without qualifying their opinion, drawn attention to the fact that ULCL's license to operate as a leasing company had been granted subject to the condition that ULCL would increase its equity to Rs.200 million by December 31, 2003. In addition, ULCL has significantly curtailed its leasing operations. However, the management of ULCL, as fully explained in note 1.5 to these financial statements, has formally approved merger of ULCL. Consequently, the financial statements of ULCL do not include any adjustments that might result from the outcome of these uncertainties.

In our opinion except for the matter stated in paragraph (a) above, the consolidated financial statements present fairly the financial position of **Crescent Leasing Corporation Limited** and its subsidiary company as at **June 30, 2007** and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to the following matters:

- (i) As discussed and for the reasons disclosed in note 42.1 to the current year's financial statements, certain material accounting errors occurred regarding recording, revaluation and classification relating to the investments, that affect the previously issued financial statements of the Company for the years ended June 30, 2005 and June 30, 2006. The above referred errors were identified by the management during the current year. Consequently, the comparative amounts have been restated to rectify the said errors. The nature and impact of these errors have been disclosed in the above referred note; and
- (ii) As disclosed in note 12.1 to the financial statements, the ultimate outcome of the matter stated therein cannot presently be determined and no provision for any loss that may result has been made in the financial statements for the reasons discussed in the aforesaid note.

*Ford Rhodes Sidat Hyder & Co.*

Karachi -November 3, 2007

Chartered Accountants

A member firm of Ernst & Young Global Limited




# Consolidated Balance Sheet

as at June 30, 2007

	Note	2007 Rupees	2006 Rupees (Restated-Note 42)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	5	107,146,905	373,283,923
Placements with financial institutions	6	307,579,165	80,000,000
Finances under musharika arrangement	7	60,000,000	60,000,000
Advances, deposits, prepayments and other receivables	8	83,591,769	162,521,347
Accrued interest / mark-up	9	11,325,617	9,651,533
Taxation - net		740,931	6,090,158
Fund placements		-	50,002,875
Short-term investments	10	124,191,315	213,892,733
Short-term finances	11	91,913,706	114,892,772
Assets acquired in satisfaction of finances provided	12	125,000,000	125,000,000
Current maturity of non-current assets	15	1,186,396,596	1,240,919,979
		<u>2,097,886,004</u>	<u>2,436,255,320</u>
<b>Non-Current Assets</b>			
Long-term finances	13	101,773,636	110,858,174
Net investment in finance leases	14	1,267,553,429	2,525,407,815
Long-term investments	16	69,207,287	177,672,853
Long-term deposits		10,212,766	11,148,776
Assets acquired in satisfaction of finances provided	12	-	105,000,000
Property, plant and equipment	17	374,246,880	401,485,613
Goodwill	18	22,780,393	11,724,421
		<u>1,845,774,391</u>	<u>3,343,297,652</u>
		<u>3,943,660,395</u>	<u>5,779,552,972</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors, accrued and other liabilities	19	93,983,517	146,462,294
Accrued interest / mark-up	20	53,219,432	84,445,673
Short-term borrowings	21	561,073,703	806,474,871
Certificates of investment and deposits	25	140,500,000	842,711,800
Current maturity of non-current liabilities	27	961,202,279	590,011,928
		<u>1,809,978,931</u>	<u>2,470,106,566</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	22	445,249,999	765,500,001
Liabilities against assets subject to finance lease	23	28,102,522	56,999,476
Redeemable capital	24	263,380,000	535,000,000
Certificates of investment and deposits	25	14,360,148	33,731,848
Long-term deposits	26	610,428,478	1,003,301,010
Deferred liabilities	28	75,845,301	78,598,094
		<u>1,437,366,448</u>	<u>2,473,130,429</u>
		<u>3,247,345,379</u>	<u>4,943,236,995</u>
		<u>696,315,016</u>	<u>836,315,977</u>
<b>NET ASSETS REPRESENTED BY:</b>			
Issued, subscribed and paid-up share capital	29	453,900,900	453,900,900
Reserves		101,411,992	206,152,035
Unrealised loss on revaluation of investments	30	(16,987,688)	(33,073,686)
		<u>538,325,204</u>	<u>626,979,249</u>
Minority interest		75,492,459	113,694,783
Total equity		<u>613,817,663</u>	<u>740,674,032</u>
Surplus on revaluation of fixed assets - net of deferred tax	31	82,497,353	86,255,348
Share of surplus on revaluation of fixed assets in associates		-	9,386,597
		<u>696,315,016</u>	<u>836,315,977</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	32		

The annexed notes 1 to 50 form an integral part of these financial statements.

  
**Basheer Ahmed Chowdry**  
 Director

  
**S. Shahnawaz A. Rizvi**  
 Chief Executive Officer


# Consolidated Profit and Loss Account

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees (Restated-Note 42)
<b>Revenue</b>			
Income from finance leases		291,869,635	380,649,589
Income from operating leases		34,254,227	38,060,299
Income from investments	33	45,036,684	163,517,152
Income from finances		44,424,318	58,859,953
Other income	34	9,004,068	71,648,537
		<u>424,588,932</u>	<u>712,735,530</u>
<b>Expenditure</b>			
Direct Cost of Leases:			
Finance		9,997,867	10,848,068
Operating		34,170,183	29,035,447
Administrative and operating expenses	35	127,255,779	141,090,385
Finance cost	36	296,850,840	454,638,308
Loss on settlement of short-term finances obtained	37	11,867,899	-
		<u>480,142,568</u>	<u>635,612,208</u>
<b>Operating (loss) / profit before provisions</b>		<u>(55,553,636)</u>	<u>77,123,322</u>
Allowances for potential lease losses and term finance:			
General		-	2,934,987
Specific		25,613,639	11,164,421
		<u>25,613,639</u>	<u>14,099,408</u>
Provision against money market fluctuations and other receivables - net		19,235,619	36,919,961
Unrealised (gain) / loss on revaluation of held for trading investments		(8,317,409)	3,951,129
Provision for impairment on available for sale investments	16.2	5,657,116	-
Provision / reversal against Dewan Cement - TFC's		3,186,012	(6,500,000)
Amortisation of goodwill	18	4,123,360	1,302,713
		<u>23,884,698</u>	<u>35,673,803</u>
Share of associates profit		49,498,337	49,773,211
		-	3,928,884
<b>(Loss) / profit before taxation</b>		<u>(105,051,973)</u>	<u>31,278,995</u>
<b>Taxation</b>			
Current	38	7,142,963	8,721,291
Deferred		3,132,127	(1,081,029)
<b>(Loss) / profit after taxation</b>		<u>(115,327,063)</u>	<u>23,638,733</u>
(Profit) / loss attributable to minority interest		(967,822)	2,423,369
<b>(Loss) / profit for the year</b>		<u>(116,294,885)</u>	<u>26,062,102</u>
<b>(Loss) / earnings per share - Basic and diluted</b>	39	<u>(2.54)</u>	<u>0.52</u>

The annexed notes 1 to 50 form an integral part of these financial statements.

  
**Basheer Ahmed Chowdry**  
 Director

  
**S. Shah Nawaz A. Rizvi**  
 Chief Executive Officer

# Consolidated Cash Flow Statement


for the year ended June 30, 2007

	2007 Rupees	2006 Rupees (Restated-Note 42)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(105,051,973)	31,278,995
Dividend income	(6,266,393)	(22,347,880)
	<u>(111,318,366)</u>	<u>8,931,115</u>
<b>Adjustments for non cash and other items:</b>		
Depreciation	34,237,690	26,603,989
Finance cost	296,850,840	454,638,308
Allowances for potential lease losses and term finance	25,613,639	14,099,408
Provision against money market fluctuations and other receivables - net	19,235,619	36,919,961
Unrealised (gain) / loss on revaluation of held for trading investments	(8,317,409)	3,951,129
Provision for impairment on available for sale investments	5,657,116	-
Provision / reversal against Dewan Cement - TFC's	3,186,012	(6,500,000)
Share of associate profit	-	(3,928,884)
Amortisation of goodwill	4,123,360	1,302,713
Amortisation of deferred revenue	(5,884,920)	(1,471,230)
Profit on sale of assets acquired in satisfaction of finances provided	(3,850,000)	-
Loss / (gain) on sale of property, plant and equipment	3,013,601	(51,455,367)
<b>Cash generated from operating activities before working capital changes</b>	<u>262,547,182</u>	<u>483,091,142</u>
<b>Decrease in current assets</b>		
Advances, prepayments and other receivables	691,393	3,330,059
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued and other liabilities	(52,415,870)	103,575,341
<b>Net cash generated from operations</b>	<u>210,822,705</u>	<u>589,996,542</u>
Income tax (paid) / refund	(1,793,736)	3,195,286
Finance cost paid	(329,023,604)	(426,305,066)
<b>Net cash (used in) / generated from operating activities</b>	<u>(119,994,635)</u>	<u>166,886,762</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Net investment in finance leases	1,216,375,332	(529,299,390)
Capital expenditure incurred	(20,086,156)	(321,898,280)
Assets acquired in satisfaction of finances provided	-	(230,000,000)
Proceeds from sale of property, plant and equipment	10,073,598	259,923,625
Dividend received	11,490,803	24,294,410
Proceeds from disposal of asset acquired in satisfaction of finance provided	108,850,000	-
Proceeds from sale of investment - net	209,544,256	107,789,889
Short / long-term finances - net	103,686,744	69,973,680
Long-term deposits - net	936,010	(4,957,079)
<b>Net cash generated from / (used in) investing activities</b>	<u>1,640,870,587</u>	<u>(624,173,145)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of redeemable capital	(150,000,000)	(150,000,000)
Borrowings (repaid) / obtained	(409,401,168)	182,851,221
Deposits on finance leases - net	(245,567,190)	277,350,204
Certificates of investment and deposits (redeemed) / issued	(727,831,411)	(23,504,604)
Liabilities against assets subject to finance lease (repaid) / obtained	(26,634,036)	78,612,289
Dividend paid	-	(213,108)
<b>Net cash used in financing activities</b>	<u>(1,559,433,805)</u>	<u>365,096,002</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(38,557,853)</u>	<u>(92,190,381)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>453,283,923</u>	<u>545,474,304</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>414,726,070</u>	<u>453,283,923</u>

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The annexed notes 1 to 50 form an integral part of these financial statements.

  
Basheer Ahmed Chowdry  
Director

  
S. Shahnawaz A. Rizvi  
Chief Executive Officer


# Consolidated Statement of Changes in Equity

for the year ended June 30, 2007

Issued, subscribed and paid-up share capital	Attributable to the equity holders' of the parent										
	Capital		Reserves					Total reserves	Unrealised (loss) / gain on revaluation of investments (Restated-Note 42)	Minority Interest	Total
	Reserve under NBFC Rules	Reserve for issue of bonus shares	Revenue			Other					
			General Reserve	Reserve for contingencies	Unappropriated profit / (accumulated loss) (Restated-Note 42)	Share in associate					
Rupees											
<b>Balance as at June 30, 2005</b>	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
Correction of prior period error in respect of valuation of investments (Refer note 42.1)	-	-	-	-	-	(22,034,276)	-	(22,034,276)	22,034,276	-	-
Correction of prior period error in respect of net investment in finance leases (Refer note 42.2)	-	-	-	-	-	(12,629,500)	-	(12,629,500)	-	-	(12,629,500)
<b>Balance as at June 30, 2005 - restated</b>	403,467,470	104,394,779	50,433,430	43,800,000	10,236,562	28,636,629	(8,825,498)	228,675,902	(18,302,723)	-	613,840,649
Minority interest arising on acquisition	-	-	-	-	-	-	-	-	-	115,170,924	115,170,924
Net profit for the year ended June 30, 2006	-	-	-	-	-	26,062,102	-	26,062,102	-	(2,423,369)	23,638,733
Bonus shares issued @ 12.5 Ordinary shares for every 100 Ordinary shares held	50,433,430	-	(50,433,430)	-	-	-	-	(50,433,430)	-	-	-
Transfer to reserve under NBFC rules	-	6,186,681	-	-	-	(6,186,681)	-	-	-	-	-
Share of associates revaluation of investments	-	-	-	-	-	-	(192,771)	(192,771)	-	-	(192,771)
Unrealised loss on revaluation of available for sale investments (Refer note 42.1)	-	-	-	-	-	-	-	-	(14,770,963)	-	(14,770,963)
Adjustment of incremental depreciation on revalued assets - net of deferred tax	-	-	-	-	-	2,040,232	-	2,040,232	-	947,228	2,987,460
<b>Balance as at June 30, 2006 - restated</b>	453,900,900	110,581,460	-	43,800,000	10,236,562	50,552,282	(9,018,269)	206,152,035	(33,073,686)	113,694,783	740,674,032
Net loss for the year ended June 30, 2007	-	-	-	-	-	(116,294,885)	-	(116,294,885)	-	967,822	(115,327,063)
Further acquisition of 27% in the Subsidiary Company	-	-	-	-	-	-	-	-	-	(40,391,567)	(40,391,567)
Unrealised gain on revaluation of available for sale investments	-	-	-	-	-	-	-	-	10,428,882	-	10,428,882
Reversal of provision of share in associate on disposal	-	-	-	-	-	-	9,018,269	9,018,269	-	-	9,018,269
Provision for impairment on available for sale investments	-	-	-	-	-	-	-	-	5,657,116	-	5,657,116
Adjustment of incremental depreciation on revalued assets - net of deferred tax	-	-	-	-	-	2,536,573	-	2,536,573	-	1,221,421	3,757,994
<b>Balance as at June 30, 2007</b>	<b>453,900,900</b>	<b>110,581,460</b>	<b>-</b>	<b>43,800,000</b>	<b>10,236,562</b>	<b>(63,206,030)</b>	<b>-</b>	<b>101,411,992</b>	<b>(16,987,688)</b>	<b>75,492,459</b>	<b>613,817,663</b>

The annexed notes 1 to 50 form an integral part of these financial statements.

  
**Basheer Ahmed Chowdry**  
 Director

  
**S. Shahawaz A. Rizvi**  
 Chief Executive Officer

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The Group consists of Crescent Leasing Corporation Limited (the Holding Company) and its subsidiary, Universal Leasing Corporation Limited (the Subsidiary Company).

The Holding Company is a Non-Banking Finance Company and regulated by the Securities and Exchange Commission of Pakistan (SECP), under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003). The Holding Company was incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984, on April 7, 1987. The registered office of the Holding Company is situated in Crescent Standard Tower, 10B, Block E2, Gulberg, Lahore. The Holding Company commenced commercial operations in August 1989, and is listed on all the Stock Exchanges in Pakistan. Its prime business comprises of Leasing and Investment activities.

The Subsidiary Company was incorporated in Pakistan on July 29, 1993 as a public limited company under the Companies Ordinance, 1984. The registered office of the Subsidiary Company is at 6th floor, Lakson Square Building No.3, Sarwar Shaheed Road, Saddar, Karachi. The Subsidiary Company commenced business on April 24, 1995 and is engaged in leasing business. The Subsidiary Company is listed on the Karachi Stock Exchange.

- 1.2 The Holding Company notified the Stock Exchanges on January 22, 2007 that the Board of Directors of the Holding Company in their meeting held on January 22, 2007 approved the sale of ordinary shares of the Holding Company alongwith management control at a price of Rs.13.00 per share to a group of buyers comprising of Al-Zamin Leasing Modaraba, certain of its directors and shareholders including Mr. Muhammad Zahid and Zahidjee Textile Mills Limited.

The SECP approved the above transaction on March 22, 2007. Accordingly, five existing directors of the Holding Company resigned and the new group of buyers appointed five new directors on the Board of the Holding Company on April 25, 2007. The existing shareholding of the new sponsors in the Holding Company is 78.45%.

- 1.3 During the year ended June 30, 2006, the Holding Company faced a negative impact on investors confidence in the group due to liquidity and various regulatory issues with a co-related entity. On June 14, 2006, the SECP vide its letter No. SEC/NBFC-I/JD/257/2006 directed the Holding Company to cease the issuance of any new Certificate of Investments (COIs) / Certificate of Deposits (CODs) and not to roll over the existing COIs and CODs of individual depositors. However, after the change in share holding and management, the SECP has conveyed its approval for the issuance of COIs through its letter no. SEC/NBFC-I/JD/CLCL/2007-281 dated June 12, 2007.

- 1.4 The IFS license was not renewed upon its expiry due to reasons mentioned in note 1.3 above. However, the SECP vide its letter no. SEC/NBFC-I/JD/CLCL/2007-281 dated June 12, 2007 has advised the management that an application in this respect be forwarded after the merger of the Subsidiary Company into the Holding Company, as discussed in detail in note 1.6 below.

- 1.5 The SECP in exercise of Rule 5 of the NBFC Rules, 2003 had granted license to the Subsidiary Company to operate as leasing company subject to the condition that the equity be enhanced to Rs.200 million by December 31, 2003. On June 17, 2004, Employees Old-Age Benefits Institution (EOBI), holding 71.56% shares in the Subsidiary Company at that time injected Rs.50 million as a 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 of the Subsidiary Company is still pending.

Consequent to the change of management from EOBI to Crescent Leasing Corporation Limited, the subordinated loan has been withdrawn and settled by the Subsidiary Company. This has again led to a situation of shortage of required equity as per Rule 7(3) of NBFC Rules, 2003. However, in view of the proposed merger, as discussed in note 1.6 below, any further equity injection will not be required.

- 1.6 The new sponsors / owners of the Holding Company decided to merge the Subsidiary Company into the Holding Company, which will increase the equity base of the Holding Company and will enable it to operate viably in the financial market. In this regard, a Scheme of Amalgamation was approved by the Board of Directors of the Holding Company on May 2, 2007 which was subsequently presented to the shareholders for their approval in the Extra-Ordinary General Meeting held on August 27, 2007. After obtaining the approval of the shareholders, the Scheme of Amalgamation together with requisite documentation were submitted to the SECP for its sanction under section 282L of the Companies Ordinance, 1984 on August 30, 2007, which is presently pending with the SECP.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

The key terms of the Scheme of Amalgamation are as follows:

- i) at the effective date, all the assets, as defined in note 1.04 to the said Scheme, of the Subsidiary Company shall immediately and without any conveyance or transfer and without any further act or deed be vested in and become the undertaking and assets of the Holding Company, which shall have, hold and enjoy in its own right as fully as the same were possessed, held and enjoyed by the Subsidiary Company prior to the amalgamation subject to all mortgages, charges or other encumbrances subsisting thereon, if any;
- ii) at the effective date, all the liabilities and obligations of the Subsidiary Company shall immediately and without any further act or deed be assumed by and become the liabilities and obligations of the Holding Company, which shall pay, undertake, satisfy, discharge and perform, when due, all of the liabilities and obligations; and
- iii) as consideration for the amalgamation, the Holding Company shall issue at par and allot 0.41 ordinary share of the Holding Company credited as fully paid up in respect of every one share of Rs.10 each in the Subsidiary Company.

## 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, NBFC 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 SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## 3. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Holding Company and the Subsidiary Company, for the year ended June 30, 2007. The financial statements of the both the Holding and Subsidiary Company are prepared up to the same reporting date using consistent accounting policies except for the fact that the Holding Company uses the reducing balance method to depreciate its fixed assets as compared with the Subsidiary Company which uses the straight line balance to charge depreciation on its fixed asset, the impact of which is not material. These financial statements have been consolidated on line by line basis. All inter-company transactions and balances are eliminated in full on consolidation.

Minority interest represents the interest in the Subsidiary Company not held by the Holding Company.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except lease hold land and office premises which are stated at revalued amounts (note 4.10) and investments which are stated at their fair values (note 4.8).

### 4.2 Accounting standards not yet effective

The following new standards and amendments to approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

- i) IAS 1 Presentation of Financial Statements effective from accounting period beginning on or after January 01, 2009
- ii) IAS- 23 (Revised) Borrowing Costs effective from accounting period beginning on or after January 01, 2009
- iii) IAS- 41 Agriculture effective from accounting period beginning on or after May 22, 2007
- iv) IFRS- 2 Share based Payment effective from accounting period beginning on or after December 06, 2006
- v) IFRS- 3 Business Combinations effective for business combinations for which agreement date is on or after December 2006
- vi) IFRS- 5 Non-current Assets Held for Sale and Discontinued Operations effective from accounting period beginning on or after December 06, 2006
- vii) IFRS- 6 Exploration for and Evaluation of Mineral Resources effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Group expects that the adoption of the above standards, amendments and interpretations will have no significant impact on the Company's financial statements in the period of initial application except for certain extended disclosures.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 4.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Group's accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- (a) determining the residual values and useful lives of property and equipment (Note 4.10);
- (b) allowance for potential lease (Note 4.12);
- (c) classification of investments (Note 4.8);
- (d) recognition of taxation and deferred tax (Note 4.5);
- (e) accounting for post employment benefits (Note 4.4); and
- (f) impairment of financial assets (Note 4.18).

## 4.4 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. 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, 2007 using Projected Unit Credit Method. Following assumptions were used:

Discount rate	10.00%
Expected rate of salary increase in future	9.00%
Expected rate of return on plan assets	10.00%

The Subsidiary Company operates an unfunded gratuity for all its employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the projected unit credit method.

### 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 recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed ten percent of the higher of defined benefit obligation and fair value of the plan assets. These gains or losses are recognised 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.

## 4.5 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.



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 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 recognised 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 realised.

## **4.6 Financial Instruments**

Financial assets and liabilities are recognised when the Group becomes 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.

## **4.7 Net investment in finance leases**

Leases in which the Group transfers substantially all the risk and rewards incidental to the ownership of the asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value and unamortised initial direct costs which are included in the financial statements as 'net investment in finance leases'.

## **4.8 Investments**

### Initial Measurement

Investments in securities are recognised on a trade-date basis and are initially measured at fair value plus transaction costs directly attributable to acquisition, except for investments at fair value through profit or loss.

### Subsequent Measurement

#### **(a) Held to Maturity**

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

#### **(b) Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition as at fair value through profit or loss. 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 or loss" or "held to maturity" categories. These investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses are recognised 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 borrowings from financial and other 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, it 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. Impairment in value, if any, is provided for.



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 4.9 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 SECP.

## 4.10 Property, Plant and Equipment

### Property, Plant and Equipment - Tangible

#### (a) Owned Assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Land and office premises are stated at fair value less depreciation on office premises and impairment charged subsequent to the date of the revaluation.

Depreciation is charged to income applying reducing balance method using the rates specified in Note 17.1.

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, major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

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

#### (b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their erection, installation and acquisition.

#### (c) 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 their useful lives. 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.

#### (d) 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 their estimated useful lives. 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 amortisation by taking into consideration the estimated useful life.

## 4.11 Revenue Recognition

### Finance leases

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 costs of finance leases are included in the initial measurement of finance lease receivables and recognised as income over the lease term. 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.



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

Other lease related income is recognised as income when realised.

#### Income from operating leases

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

#### Income from securities and other sources

Return on deposits, short-term placements and other money market securities is recognised on a time proportion basis.

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

Mark-up on investment in continuous funding system is recognised on time proportion basis.

Dividend income from ordinary shares is recognised 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.

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

#### **4.13 Borrowing Costs**

Borrowing costs are charged to income as and when incurred.

#### **4.14 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

#### **4.15 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.

#### **4.16 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 recognised amounts and also intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **4.17 Transactions with related parties**

Transactions between the Group and its related parties are carried out on an arm's length basis using the methods as disclosed in note 44 to these financial statements.

#### **4.18 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 recognised as an expense immediately.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand		81	2,469
Balance with State Bank of Pakistan		1,570,291	1,917,748
Current accounts		8,099,476	23,898,732
Deposit accounts	5.1	17,477,057	37,464,974
Term deposit certificates	5.2	80,000,000	260,000,000
Other placements - secured		-	50,000,000
		<u>107,146,905</u>	<u>373,283,923</u>

5.1 This represents profit and loss sharing deposit accounts with commercial banks and carry mark-up at the rate from Re.0.03 to Re.0.25 (2006: Re.0.05 to Re.0.14) per Rs.1,000 per day.

5.2 This represents short-term deposits placed with a commercial bank, carrying mark-up at the rate of Re.0.30 (2006: Re.0.19) per Rs.1,000 per day, having a maturity of 3 days from the balance sheet date.

## 6. PLACEMENTS WITH FINANCIAL INSTITUTIONS

### Secured

With an Investment bank	6.1	100,000,000	-
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### Un-Secured

With a Development Financial Institution (DFI)	6.2	75,000,000	-
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With NBFCs	6.3	135,079,165	82,500,000
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Less: Provision for doubtful receivable		(2,500,000)	(2,500,000)
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		207,579,165	80,000,000
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		<u>307,579,165</u>	<u>80,000,000</u>
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6.1 This represents short-term placement of Rs.100 million with an investment bank at a mark-up rate of Re.0.26 (2006: Nil) per Rs.1,000 per day and is secured against government securities, having a maturity of 3 days from the balance sheet date.

6.2 This represents short-term placement of Rs.75 million with a DFI at the mark-up rate of Re.0.27 (2006: Nil) per Rs.1,000 per day, having a maturity of 3 days from the balance sheet date.

6.3 Included herein are short-term placements with NBFCs at the mark-up rate of Re.0.27 to 0.58 (2006: Re.0.25 to 0.58) per Rs.1,000 per day.

## 7. FINANCES UNDER MUSHARIKA ARRANGEMENT - SECURED

Musharika arrangement - considered doubtful	7.1 & 7.2	138,256,350	138,256,350
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Less: Provision		(78,256,350)	(78,256,350)
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		<u>60,000,000</u>	<u>60,000,000</u>
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7.1 This includes an amount of Rs.95.00 (2006: Rs.95.00) 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 bearer allotment certificates of plots at Defence Housing Authority, Phase-II, Extension, Islamabad as collateral. As per independent valuation, the Forced Sale Value of these plots was Rs.60 million as on June 30, 2007. Accordingly, a provision of Rs.35 million has been made in these financial statements.

7.2 The remaining balance amounting to Rs. 43.256 (2006: 43.256) million represents financing on musharika basis, whereby the Subsidiary Company is to participate in the profit and loss in agreed proportions. The expected profits on such investments was 22% per annum.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Advances</b>			
To staff	8.1	1,451,621	1,655,492
Provision thereagainst		(134,032)	(134,032)
		<u>1,317,589</u>	<u>1,521,460</u>
Against expenses		617,212	2,382,074
Against Leases		-	9,138,802
Against purchase of assets		6,152,223	10,818,963
Provision thereagainst		(3,100,000)	(3,100,000)
		<u>3,669,435</u>	<u>19,239,839</u>
		<u>4,987,024</u>	<u>20,761,299</u>
<b>Deposits</b>			
Deposit with the Privatisation Commission	8.2	10,000,000	10,000,000
Provision thereagainst		(10,000,000)	(10,000,000)
		<u>-</u>	<u>-</u>
<b>Prepayments</b>			
Prepaid insurance		1,513,333	90,744
Prepaid rent		1,391,580	707,003
Prepaid subscription		834,990	1,733,218
Others		417,410	467,524
		<u>4,157,313</u>	<u>2,998,489</u>
<b>Other receivables</b>			
Receivable against sale of investments		312,380	33,017,075
Insurance rentals receivable		20,171,158	23,313,660
Operating lease rentals receivable		6,532,915	2,289,358
Repossessed assets against lease receivable		29,214,583	-
Provision thereagainst		(4,046,653)	-
		<u>25,167,930</u>	<u>-</u>
Receivable against terminated leases		10,999,211	-
Provision thereagainst		(10,999,211)	-
		<u>-</u>	<u>-</u>
Other receivables		38,889,253	92,577,915
Provision thereagainst		(16,626,204)	(12,436,449)
		<u>22,263,049</u>	<u>80,141,466</u>
		<u>83,591,769</u>	<u>162,521,347</u>

- 8.1 Aggregate amount due from the executives is Rs.0.563 (2006: Rs.0.239) million. Maximum amount due from executives at the end of any month during the year aggregated to Rs.0.563 (2006: Rs.0.717) million.
- 8.2 This represents amount deposited with the Privatisation 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 the consortium.

## 9. ACCRUED INTEREST / MARK-UP

<b>Interest / mark-up on :</b>			
Term finances	9.1	5,808,650	4,307,594
Investments and placements		15,662,345	15,489,317
Provision thereagainst		(10,145,378)	(10,145,378)
		<u>11,325,617</u>	<u>9,651,533</u>

- 9.1 This is stated net of suspended mark-up amounting to Rs.2.300 million (2006: Nil).

	Note	2007 Rupees	2006 Rupees (Restated-Note 42)
<b>10. SHORT-TERM INVESTMENTS</b>			
<b>At Fair Value through Profit or Loss - held for trading</b>			
Ordinary / Preference shares	10.1	64,426,416	51,315,649
Mutual funds	10.2	54,155,399	20,839
		<u>118,581,815</u>	<u>51,336,488</u>
<b>Available for Sale Investments</b>			
Ordinary shares	10.3	-	39,879,231
Term finance certificates	10.4	1,122,000	64,664,642
Mutual funds	10.5	4,125,000	9,043,922
Preference shares	10.6	362,500	48,968,450
		<u>5,609,500</u>	<u>162,556,245</u>
		<u>124,191,315</u>	<u>213,892,733</u>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 10.1 At fair value through profit or loss - held for trading

Number of shares		Name of company	2007 Rupees	2006 Rupees (Restated- Note 42)
2007	2006			
Ordinary shares				
		<b>Listed</b>		
256,350	256,350	Southern Electric Power Company Limited	1,679,093	1,691,910
13,500	104,000	Kohinoor Energy Limited	506,250	2,688,400
4,500	60,000	Fauji Fertilizers Bin Qasim Limited	175,500	1,755,000
18,000	10,000	Fauji Fertilizers Company Limited	2,182,500	1,210,000
500,000	1,269,500	Hub Power Company Limited	18,551,850	29,198,500
2,500	290,000	Pakistan Telecommunication Company Limited	3,277,500	11,769,461
5,000	-	Bank Islami Pakistan Limited	74,750	-
10,000	-	Lucky Cement Limited	1,377,500	-
25,000	-	Crescent Commercial Bank Limited	561,250	-
2,500	-	Sui Southern Gas Company Limited	64,500	-
2,500	-	TRG Pakistan Limited	41,000	-
5,000	-	Dewan Salman Fibre Limited	52,750	-
1,000	-	Soneri Bank Limited	56,450	-
1,000	-	Ghani Glass Limited	76,350	-
5,000	-	Bosicor Pakistan Limited	88,750	-
5,000	-	IGI Investment Bank Limited	85,000	-
5,500	-	NIB Bank Limited	115,500	-
9,500	-	International Housing Finance Limited	208,050	-
1,000	-	United Bank Limited	219,950	-
5,000	-	Shakarganj Mills Limited	255,000	-
2,000	-	Arif Habib Securities Limited	233,200	-
1,000	-	Engro Chemical (Pakistan) Limited	253,000	-
1,000	-	Pakistan Petroleum Limited	262,450	-
1,000	-	Pakistan State Oil Company Limited	391,450	-
2,000	-	Pakistan Reinsurance Company Limited	445,900	-
2,000	-	Pakistan Oil Fields Limited	634,000	-
2,000	-	MCB Bank Limited	730,000	-
2,000	-	Pak Suzuki Motor Company Limited	784,000	-
3,000	-	National Bank of Pakistan	786,000	-
13,346	23,564	Askari Commercial Bank Limited	1,413,341	1,827,388
13,600	-	D.G.Khan Cement Company Limited	1,584,400	-
3,000	-	Indus Motor Company Limited	916,500	-
10,000	1,000	Oil & Gas Development Corporation Limited	1,198,000	136,750
25,265	-	The Bank of Punjab	2,943,373	-
303,000	-	Bank Al-Falah Limited	19,725,300	-
5,000	-	Orix Investment Bank Pakistan Limited	109,000	-
2,000	-	Maple Leaf Cement Factory Limited	48,800	-
2,500	-	Samin Textile Mills Limited	140,000	-
1,000	-	Bank Al-Habib Limited	66,500	-
2,500	-	Saudi Pak Commercial Bank Limited - a related party	62,875	-
8,400	3,400	Crescent Steel & Allied Products Limited - a related party	596,400	147,730
5,000	-	Netsol Technologies Limited	378,000	-
5,000	-	AL-Abbas Cement Industries Limited	73,250	-
1,000	-	Pakistan Tobacco Company Limited	157,000	-
2,000	2,000	Ahmed Hasan Textile Mills Limited	90,000	111,800
-	28,000	First National Bank Modaraba	-	222,600
300	300	Kohinoor Power Company Limited	602	2,176
449	391	Worldcall Telecom Limited	7,492	4,500
25,000	-	Karachi Electric Supply Corporation Limited	168,750	-
Preference shares				
57,734	57,734	Pakistan International Container Terminal Limited	577,340	549,434
			<u>64,426,416</u>	<u>51,315,649</u>

Ordinary Shares valuing Rs.20.105 (2006: Rs.31.088) million are pledged with commercial banks against running finance facilities.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 10.2 At fair value through profit or loss - held for trading mutual funds units

<u>Number of units</u>		Name of mutual fund	2007 Rupees	2006 Rupees (Restated- Note 42)
2007	2006			
<b>Open-end - listed</b>				
223,188	-	AMZ Plus Income Fund	25,028,300	-
250,000	-	First Habib Income Fund	25,397,500	-
10,000	-	Dawood Islamic Fund	1,000,000	-
523	-	UTP Growth Fund	7,322	-
779	779	BSJS Balanced Fund	10,049	8,856
200	200	Atlas Fund of Funds	1,840	1,341
320	320	PICIC Energy Fund	2,400	2,016
180,500	-	Pakistan Premier Fund Limited	2,707,988	-
-	540	ABAMCO Stock Fund	-	8,626
			<u>54,155,399</u>	<u>20,839</u>

## 10.3 Available for sale investments - Ordinary shares

<u>Number of shares</u>		Name of company	Note	2007 Rupees	2006 Rupees (Restated- Note 42)
2007	2006				
<b>Listed</b>					
-	96,000	Kohinoor Energy Limited		-	2,651,790
-	255,768	Shakarganj Mills Limited	37	-	14,290,564
-	489,116	Eye Television Network Limited		-	4,891,656
-	10,000	Engro Chemicals Limited		-	1,820,637
-	3,148,667	Altern Energy Limited		-	23,614,999
				-	47,269,646
Less: Unrealised loss on revaluation				-	(7,390,415)
				<u>-</u>	<u>39,879,231</u>

Listed Ordinary shares amounting to Rs.Nil (2006: Rs.2.482) million at market value are pledged with commercial banks against running finance facilities.

## 10.4 Available for sale investments - Term Finance Certificates

<u>Number of Certificate</u>		Name of mutual fund	2007 Rupees	2006 Rupees
2007	2006			
<b>Listed</b>				
660	660	Sitara Chemicals Industries Limited Mark-up rate: Profit and loss sharing basis Issue date: June 20, 2002 Tenure: 5 years	1,122,000	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 (UBL) Mark-up rate: 8.45 % Issue date: August 10, 2004 Tenure: 8 years	-	49,971,200
<b>Un-Listed</b>				
-	4,000	Crescent Commercial Bank Limited Mark-up rate: 7% Issue date: October 23, 2003 Tenure: 3 years	-	4,997,000
			<u>1,122,000</u>	64,394,965
Add : Unrealised gain on revaluation			-	269,677
			<u>1,122,000</u>	<u>64,664,642</u>

10.4.1 The above TFCs are redeemable in semi-annual installments.

10.4.2 Consequent to the change of management of the Subsidiary Company the investments in these TFC's has been settled with subordinated loan (refer note 21.6).

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 10.5 Available for sale investments - mutual funds

<u>Number of units / certificate</u>		Name of fund	2007 Rupees	2006 Rupees (Restated- Note 42)
2007	2006			
-	10,000	<b>Open-end - listed</b> Atlas Stock Market Fund	-	5,000,000
<b>50,000</b>	-	<b>Close-end - listed</b> Pak Strategic Allocation Fund Limited	<b>583,732</b>	-
<b>240,000</b>	170,000	Pak Premier Fund Limited	<b>3,665,454</b>	2,715,764
			<b>4,249,186</b>	7,715,764
		Less : Unrealised (loss) / gain on revaluation	<b>(124,186)</b>	1,328,158
			<b>4,125,000</b>	<b>9,043,922</b>

Certificates / units valuing Rs.3.00 million (2006: Rs. Nil) are pledged with commercial banks against running finance facilities.

## 10.6 Available for sale investments - preference shares (Cumulative)

<u>Number of shares</u>		Name of company	Note	2007 Rupees	2006 Rupees
2007	2006				
<b>72,500</b>	72,500	<b>Listed</b> Nagina Cotton Mills Limited Rate of preference dividend: 13% Face value of preference shares: Rs. 10 each Term of redemption: Redeemable within 5 years of allotment		<b>416,271</b>	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	37	-	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	37	-	17,517,738
-	1,500,000	Chenab Limited Rate of preference dividend: 9.25% Term of redemption: Non Redeemable	37	-	15,000,000
-	100,000	<b>Un-Listed</b> Cyber Soft Technology Limited Rate of preference dividend: 13.44% Term of redemption: 10%		-	10,000,000
		Less : Unrealised loss on revaluation		<b>416,271</b>	53,634,009
				<b>(53,771)</b>	(4,665,559)
				<b>362,500</b>	<b>8,968,450</b>

10.7 The Holding Company had provided a financing facility of Rs.50 million in April 2006 to CSIBL against pledge of certain listed shares. Consequent to default by CSIBL, the facility was adjusted through sale of pledged shares. However, shares (including certain shares subsequently swapped with shares earlier pledged) valuing Rs.39.433 million (2006: Rs.8.103 million) have still been retained by the Company till final settlement of other outstanding balances of CSIBL.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 11. SHORT-TERM FINANCES - SECURED

Considered good  
Considered doubtful  
Less: provision

	2007 Rupees	2006 Rupees
	89,254,857	114,892,772
	3,685,717	-
	(1,026,868)	-
	2,658,849	-
	<u>91,913,706</u>	<u>114,892,772</u>

11.1 These represent short-term finances receivable within a year and carry mark-up ranging from Re.0.41 to Re.0.68 (2006: Re.0.37 to Re.0.50) per Re.1,000 per day. These are secured against registered charge on assets of the customers, pledge / hypothecation of stocks and collateral in certain cases.

## 12. ASSETS ACQUIRED IN SATISFACTION OF FINANCES PROVIDED

DA Country and Golf Club Membership Seats  
Property in Executive Tower, Clifton, Karachi

Note	2007 Rupees	2006 Rupees
12.1	125,000,000	125,000,000
	-	105,000,000
	<u>125,000,000</u>	<u>230,000,000</u>

12.1 This represents exclusive rights of 114 Platinum Memberships of DA Country and Golf Club at Rs.1.100 million per membership acquired in settlement of a liability owed by CSIBL. The principal agreement between Sysmax (Private) Limited and CSIBL was terminated by Sysmax (Private) Limited. In accordance with the provisions of the said agreement CSIBL referred the dispute to Arbitration. Arbitration proceedings are presently under progress. In order to protect its interest in the exclusive rights of 114 memberships, the Holding Company has filed an application with the Arbitrators for joining the Arbitration proceedings against Sysmax (Private) Limited as per the advice of its legal counsel. Further, the legal counsel has also advised that if the said application is not accepted, the Holding Company may institute a suit claiming in alternative; i) a declaration of right, under section 42 of the Specific Relief Act, 1877, to become a party to the arbitration proceedings; and ii) for specific performance of the contract.

Based on the advice of the legal counsel, the management is confident that it has the legal right to the aforementioned memberships and the amount would be recovered in due course, hence, no provision thereagainst is required at present.

## 13. LONG-TERM FINANCES - SECURED

To customers  
To employees

Less: Current maturity

Note	2007 Rupees	2006 Rupees
13.1	124,582,376	203,373,476
13.2	5,496,620	8,440,066
	130,078,996	211,813,542
15	(28,305,360)	(100,955,368)
	<u>101,773,636</u>	<u>110,858,174</u>

13.1 These represent long-term finances to various customers and carry mark-up at the rate ranging from Re.0.29 to Re.0.6 (2006: Re.0.20 to Re.0.45) per Re.1,000 per day. These are secured against registered charge on assets of the customers, pledge / hypothecation of stocks and collateral in certain cases.

13.2 Loans to employees represent House and Car loans in accordance with the House building and Car Loans facility for employees. The house loans are repayable in 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 loans are secured by equitable mortgage on the property by depositing the title documents of the property with the Holding Company. Car loans are repayable in 60 monthly installments and carry a variable mark-up rate based on Holding Company's cost of funds.



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 14. NET INVESTMENT IN FINANCE LEASES

	Note	2007 Rupees	2006 Rupees (Restated-Note 42)
Lease contract receivables		1,909,214,810	3,169,471,326
Add: Residual value		950,310,962	1,190,741,353
Gross lease contract receivables		2,859,525,772	4,360,212,679
Less: Unearned finance income	42.2	(303,898,276)	(584,743,844)
Net investment in finance leases		2,555,627,496	3,775,468,835
Less: Allowance for potential lease losses - General	14.1	43,973,308	43,973,308
- Specific	14.2	89,048,097	69,161,675
		133,021,405	113,134,983
		2,422,606,091	3,662,333,852
Current maturity	15	1,155,052,662	1,136,926,037
Long-term portion		1,267,553,429	2,525,407,815
		2,422,606,091	3,662,333,852

### 14.1 Movement during the year - General Provision

	2007 Rupees	2006 Rupees
Opening Balance	43,973,308	41,038,321
Charged during the year	-	2,934,987
	43,973,308	43,973,308
Reversals / settlements	-	-
	43,973,308	43,973,308

### 14.2 Movement during the year - Specific Provision

	2007 Rupees	2006 Rupees
Opening Balance	69,161,675	60,640,744
Charged during the year	25,821,113	11,164,421
	94,982,788	71,805,165
Reversals / settlements	(5,934,691)	(2,643,490)
	89,048,097	69,161,675

### 14.3 The above net investment is due as follows:

	2007			2006 (Restated - Note 42)		
	Gross lease contract receivable	Unearned finance income	Net Investment	Gross lease contract receivable	Unearned finance income	Net Investment
Not later than one year	1,486,869,387	198,795,320	1,288,074,067	1,461,526,429	211,465,409	1,250,061,020
Later than one year but not later than five years	1,372,656,385	105,102,956	1,267,553,429	2,898,686,250	373,278,435	2,525,407,815
	2,859,525,772	303,898,276	2,555,627,496	4,360,212,679	584,743,844	3,775,468,835

The Group has entered into various lease agreements with different parties having mark-up return ranging from Re.0.24 to Re.0.79 (2006: Re.0.21 to Rs.0.79) per Re.1,000 per day. The lease agreements are usually for a period of three to five years. Generally, leased assets are held as securities. In certain instances, the Group Company has also obtained additional collateral.

- 14.4 Based on the Prudential Regulations for Non-Banking Finance Companies, the aggregate net exposures in finance leases which have been placed under non-performing status amounted to Rs.186.35 (2006: Rs.117.648) million against which a provision of Rs.89.48 (2006: Rs.69.161) million has been made at the end of the current year.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees (Restated-Note 42)
<b>15. CURRENT MATURITY OF NON-CURRENT ASSETS</b>			
Current maturity of long-term finances	13	28,305,360	100,955,368
Current maturity of net investment in finance leases	14	1,155,052,662	1,136,926,037
Current maturity of long-term investments	16	3,038,574	3,038,574
		<u>1,186,396,596</u>	<u>1,240,919,979</u>
<b>6. LONG-TERM INVESTMENTS</b>			
<b>Investment in associates</b>			
Investment in associates	16.1	-	101,749,097
<b>Available for sale investments</b>			
Ordinary shares	16.2	37,322,650	35,408,533
Mutual Funds	16.3	19,194,000	21,600,000
		56,516,650	57,008,533
<b>Others - held to maturity</b>			
Term Finance Certificates - Un-listed			
Dewan Cement Limited - Series A	16.4.1	13,777,192	16,815,766
Dewan Cement Limited - Series B	16.4.2	9,039,323	9,039,323
Less: Provision		(7,087,304)	(3,901,292)
		1,952,019	5,138,031
Less: Current maturity of Series A		3,038,574	3,038,574
		<u>69,207,287</u>	<u>177,672,853</u>
			(Restated-Note 42)
	Note	2007 Rupees	2006 Rupees
<b>16.1 Investment in associates</b>			
<b>Listed - at cost:</b>			
International Housing Finance Limited (IHFL)	16.1.1	-	75,056,511
Nil (2006: 6,697,125) Ordinary shares of Rupees 10 each			
Percentage of shareholding : NIL(2006: 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		Rs.43,531,313	
Pakistan Industrial and Credit Investment Corporation Limited		-	21,522,242
Nil (2006: 360,000) Ordinary shares of Rupees 10 each			
Percentage of shareholding : 0.005% (2006: 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		Rs.15,300,000	
Crescent Commercial Bank Limited		-	5,170,344
Nil (2006: 370,000) Ordinary shares of Rupees 10 each			
Percentage of shareholding : Nil (2006: 0.13%)			
Place of incorporation:		Pakistan	
Principal activity		Commercial Banking	
Name of Managing Director		Mr. Shahzad Naqvi	
Market value as at June 30, 2006		Rs.3,237,500	
		<u>-</u>	<u>101,749,097</u>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

16.1.1 In September 2006, the Stock Exchanges were informed that the group sponsors had identified a buyer to acquire the group companies holding in IHFL at a price of Rs.11.25 per share. Subsequent to this, the Holding Company and certain shareholders of IHFL signed an agreement with M/s. Khadim Ali Shah Bhukhari for the sale of their respective holdings in IHFL. Sale proceeds were received against IHFL investment in December 2006 amounting to Rs.75.343 million.

## 16.2 Available for sale investments - Ordinary shares

Number of shares		Name of company / modaraba	2007 Rupees	2006 Rupees (Restated-Note 42)
2007	2006			
<b>Listed</b>				
55,000	140,000	PICIC Commercial Bank Limited	2,012,610	5,086,425
1,112,300	1,112,300	Southern Electric Power Company Limited	12,160,129	12,160,129
520,000	500,000	First Equity Modaraba Limited	10,815,247	10,681,220
228,000	303,000	Crescent Standard Investment Bank Limited	2,901,869	3,856,431
50,000	-	AMZ Ventures Limited	245,000	-
135,000	125,000	Zeal Pak Cement Factory Limited	1,426,19	1,358,181
32,000	-	Crescent Commercial Bank Limited	448,273	-
63,273	24,000	First Fidelity Leasing Modaraba	414,356	178,718
240,000	240,000	English Leasing Limited	1,713,293	1,713,293
25,000	-	Network Leasing Corporation Limited	187,500	-
225,000	130,000	Bank Islami Pakistan Limited	3,716,040	2,523,702
74,000	75,500	Gandhara Nissan Limited	3,009,087	3,070,082
11,500	-	Pakistan Industrial and Credit Investment Corporation Limited	944,150	-
<b>Un-Listed</b>				
201,500	130,000	Central Depository Company of Pakistan Limited	14,001,400	14,001,400
			53,995,148	54,629,581
		Less: Provision for impairment	(5,657,116)	-
		Less: Unrealised loss on revaluation	(11,015,382)	(19,221,048)
			<u>37,322,650</u>	<u>35,408,533</u>

Listed Ordinary shares amounting to Rs.8.826 (2006: Rs.25.779) million at market value are pledged with commercial banks against running finance facilities.

## 16.3 Available for sale investments - mutual funds

Number of units / certificates		Name of fund	2007 Rupees	2006 Rupees
2007	2006			
<b>Close-end - listed</b>				
1,599,500	1,600,000	Safeway Mutual Fund	24,988,349	24,994,499
		Less : Unrealised loss on revaluation	(5,794,349)	(3,394,499)
			<u>19,194,000</u>	<u>21,600,000</u>

## 16.4 Held to maturity Investments:

16.4.1 During the year 2005, Dewan Cement Limited was acquired by Dewan Mushtaq Group. After negotiations with the TFC holders, it was agreed that the principal amount represented by TFC series 'A' will be repayable in 7 years from July 15, 2004 in semi-annual installments and carry mark-up based on Kibor+2.5% (2006: Kibor+2.5%) per annum, starting from January 15, 2012.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

- 16.4.2** During the year 2005, Dewan 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 Section B. Accordingly, book value of TFCs series Section 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.

	Note	2007 Rupees	2006 Rupees
Property, plant and equipment	17.1	361,999,442	393,629,606
Capital work-in-progress	17.2	12,247,438	7,856,007
		<u>374,246,880</u>	<u>401,485,613</u>

## 17. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment  
Capital work-in-progress

### 17.1 Property, plant and equipment

PARTICULARS	2007							
	COST / REVALUED AMOUNT			DEPRECIATION / AMORTISATION			NET BOOK VALUE	RATE OF DEPRECIATION
	As at July 1, 2006	Additions / (deletions)	As at June 30, 2007	As at July 1, 2006 Rupees	Charge for the year / (on deletions)	As at June 30, 2007	As at June 30, 2007	per annum %
<b>Tangible</b>								
<b>Owned</b>								
Land - Leasehold	20,000,000	-	20,000,000	-	-	-	20,000,000	-
Office premises - Leasehold	241,221,452	434,465	241,655,917	14,022,024	11,378,559	25,400,583	216,255,334	5
Furniture and fixtures	19,156,405	2,841,623 (1,320,642)	20,677,386	5,293,729	2,575,505 (923,352)	6,945,882	13,731,504	10.15, 25 & 33.33
Motor vehicles	23,909,536	4,800,966 (12,919,785)	15,790,717	6,751,959	2,860,692 (3,628,467)	5,984,184	9,806,533	20 & 33.33
Office equipment	35,066,487	6,201,111 (3,098,297)	38,169,301	12,550,968	7,091,240 (568,470)	19,073,738	19,095,563	15.20 & 33.33
	<b>339,353,880</b>	<b>14,278,165</b> <b>(17,338,724)</b>	<b>336,293,321</b>	<b>38,618,680</b>	<b>23,905,996</b> <b>(5,120,289)</b>	<b>57,404,387</b>	<b>278,888,934</b>	
<b>Leased</b>								
Motor vehicles	5,904,375	- (2,947,410)	2,956,965	3,341,080	609,920 (2,078,646)	1,872,354	1,084,611	20 & 33.33
Generators (notes 17.6 & 17.7)	85,000,000	-	85,000,000	2,125,000	8,500,000	10,625,000	74,375,000	10
	<b>430,258,255</b>	<b>14,278,165</b> <b>(20,286,134)</b>	<b>424,250,286</b>	<b>44,084,760</b>	<b>33,015,916</b> <b>(7,198,935)</b>	<b>69,901,741</b>	<b>354,348,545</b>	
<b>Operating Lease</b>								
Equipment	5,968,060	1,416,560	7,384,620	81,353	698,675	780,028	6,604,592	10
<b>Intangible</b>								
Computer software and licenses	1,983,626	-	1,983,626	414,222	523,099	937,321	1,046,305	33.33
	<b>438,209,941</b>	<b>15,694,725</b> <b>(20,286,134)</b>	<b>433,618,532</b>	<b>44,580,335</b>	<b>34,237,690</b> <b>(7,198,935)</b>	<b>71,619,090</b>	<b>361,999,442</b>	

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

PARTICULARS	2006							NET BOOK VALUE As at June 30, 2006	RATE OF DEPRECIATION per annum %
	COST / REVALUED AMOUNT			DEPRECIATION / AMORTISATION					
	As at July 1, 2005	Additions / (deletions)	Revaluation	As at June 30, 2006	As at July 1, 2005	Charge for the year / (on deletions)	As at June 30, 2006		
<b>Tangible</b>									
<b>Owned</b>									
Land - Leasehold	6,662,500	77,000,000 (77,000,000)	13,337,500	20,000,000	-	-	-	20,000,000	
Office premises - Leasehold	174,549,487	92,072,537 (75,120,324)	49,719,752	241,221,452	10,784,742	7,914,071 (4,676,789)	14,022,024	227,199,428	5
Furniture and fixtures	16,766,696	6,023,601 (3,633,892)	-	19,156,405	3,786,849	2,091,013 (584,133)	5,293,729	13,862,676	10, 15, 25 & 33.33
Motor vehicles	14,965,353	11,048,283 (2,104,100)	-	23,909,536	4,284,956	3,847,383 (1,380,380)	6,751,959	17,157,577	20 & 33.33
Office equipment	18,358,427	16,818,060 (110,000)	-	35,066,487	8,454,992	4,150,242 (54,266)	12,550,968	22,515,519	15, 20 & 33.33
	<b>231,302,463</b>	<b>202,962,481</b> <b>(157,968,316)</b>	<b>63,057,252</b>	<b>339,353,880</b>	<b>27,311,539</b>	<b>18,002,709</b> <b>(6,695,568)</b>	<b>38,618,680</b>	<b>300,735,200</b>	
<b>Leased</b>									
Motor vehicles	5,904,375	-	-	5,904,375	2,213,622	1,127,458	3,341,080	2,563,295	20 & 33.33
Generators (notes 17.6 & 17.7)	-	85,000,000	-	85,000,000	-	2,125,000	2,125,000	82,875,000	10
	<b>237,206,838</b>	<b>287,962,481</b> <b>(157,968,316)</b>	<b>63,057,252</b>	<b>430,258,255</b>	<b>29,525,161</b>	<b>21,255,167</b> <b>(6,695,568)</b>	<b>44,084,760</b>	<b>386,173,495</b>	
<b>Operating Lease</b>									
Equipment	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
<b>Intangible</b>									
Computer software and licenses	933,626	1,050,000	-	1,983,626	23,635	390,587	414,222	1,569,404	33.33
	<b>296,722,667</b>	<b>321,898,280</b> <b>(243,468,258)</b>	<b>63,057,252</b>	<b>438,209,941</b>	<b>42,826,616</b>	<b>26,603,989</b> <b>(24,850,270)</b>	<b>44,580,335</b>	<b>393,629,606</b>	

## 17.2 Capital work-in-progress

	2007 Rupees	2006 Rupees
Civil works	8,340,950	4,962,769
Electrical works	1,013,250	-
Equipment	2,893,238	2,893,238
	<b>12,247,438</b>	<b>7,856,007</b>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 17.3 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Written down value Rupees	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
Furniture & fixture	75,000	19,203	55,797	55,797	-	Holding Company Policy	Mr. Mumtaz Hadi - employee
Book value not exceeding Rs.50,000 each	<u>1,245,642</u>	<u>904,149</u>	<u>341,493</u>	<u>341,493</u>	-	Various	Various
	<u>1,320,642</u>	<u>923,352</u>	<u>397,290</u>	<u>397,290</u>	-		
Office equipment	2,180,000	212,863	1,967,137	1,962,000	(5,137)	Negotiation	EMBA Corporation
Book value not exceeding Rs.50,000 each	918,297	355,607	562,690	594,624	31,934	Various	Various
	<u>3,098,297</u>	<u>568,470</u>	<u>2,529,827</u>	<u>2,556,624</u>	<u>26,797</u>		
Vehicle	400,000	96,507	303,493	320,000	16,507	Negotiation	Mr. M. Yousuf
	375,000	141,764	233,236	350,000	116,764	Negotiation	Mr. Malik Abdul Waheed
	590,000	173,871	416,129	490,000	73,871	Negotiation	Syed Tariq Iqbal
	590,000	196,647	393,353	422,000	28,647	Negotiation	Mr. Abdul Fazal M. Fateh
	365,000	24,200	340,800	340,800	-	Holding Company Policy	Mr. Amir Hassan Qureshi - employee *
	390,000	24,576	365,424	365,424	-	Holding Company Policy	Mr. Asif Raza - employee *
	375,000	110,836	264,164	264,164	-	Holding Company Policy	Mr. Amjad Murtaza - employee *
	375,000	110,836	264,164	264,164	-	Holding Company Policy	Mr. Sajjad Sandho - employee *
	375,000	94,836	280,164	280,164	-	Holding Company Policy	Mr. Imran Bari - employee *
	845,395	275,895	569,500	606,000	36,500	Negotiation	Mr. Zahid
	590,000	190,504	399,496	475,000	75,504	Negotiation	First Fidelity Leasing
	5,190,825	1,381,634	3,809,191	3,785,525	(3,430,666)	Holding Company Policy	Mr. Javed Callea - ex-CEO
	595,000	169,000	426,000	395,000	(31,000)	Negotiation	Mr. Noor Ahmed Bhuto
	375,000	137,167	237,833	237,833	-	Insurance Claim	EFU General Insurance
	885,715	276,501	609,214	436,286	(172,928)	Holding Company Policy	Mst. Tehmina Khan - employee
	375,000	108,173	266,827	266,827	-	Holding Company Policy	Mr. Khalid Mehmood - employee *
	1,274,000	1,148,970	125,030	125,030	-	Holding Company Policy	Mr. Javed Callea - ex-CEO
	341,100	182,506	158,594	275,000	116,406	Negotiation	Mst. Salma
	376,000	194,439	181,561	300,000	118,439	Negotiation	Major Qasim Shah
	376,000	215,000	161,000	170,945	9,945	Negotiation	Mr. Javed Akhtar
	580,310	337,731	242,579	246,000	3,421	Negotiation	Mr. Muhammad Ilyas
Book value not exceeding Rs.50,000 each	<u>227,850</u>	<u>115,520</u>	<u>112,330</u>	<u>110,522</u>	<u>(1,808)</u>	Various	Various
	<u>15,867,195</u>	<u>5,707,113</u>	<u>10,160,082</u>	<u>7,119,684</u>	<u>(3,040,398)</u>		
	<u>20,286,134</u>	<u>7,198,935</u>	<u>13,087,199</u>	<u>10,073,598</u>	<u>(3,013,601)</u>		

\* These were allocated / Holding Company's owned cars transferred to loan as per staff car loan policy. Mark-up is charged on these loans at Holding Company's cost of funds.

## 17.4 Depreciation has been allocated as follows:

	Note	2007 Rupees	2006 Rupees
Direct cost of operating leases		9,198,675	7,083,235
Administrative and operating expenses	35	25,039,015	19,520,754
		<u>34,237,690</u>	<u>26,603,989</u>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

- 17.5 The Holding Company revalued its office premises on May 16, 2005 which resulted in a surplus of Rs.66.513 million and the results were incorporated in the books of account as of that date. Further, on December 31, 2005, the Holding Company again revalued its land and office premises which resulted in surplus of Rs.22.028 million. However, revaluation surplus only to the extent of Rs.16.650 million, relating to the land and office premises acquired subsequent to the initial revaluation exercise carried out on May 16, 2005, was incorporated in the books of account as of December 31, 2005. The revaluations were carried out by M/s. MYK Associates (Private) Limited, an approved valuer of Leasing Association of Pakistan as of May 16, 2005 and on December 31, 2005 respectively on prevailing market value basis.

The Subsidiary Company revalued its office premises on December 21, 2005 which resulted in a surplus of Rs.46.407 million and the results were incorporated as at that date. The revaluations were carried out by MYK Associates.

Had there been no revaluation, cost, accumulated depreciation and book value of land and office premises of the Group would have been as follows:

	Cost	Accumulated depreciation Rupees	Book value
Land	6,662,500	-	6,662,500
Office Premises	172,903,159	34,240,120	138,663,039

- 17.6 During 2006, the Holding 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 equipment was determined by independent valuer listed on panel of Leasing Association of Pakistan. Excess of sale proceeds over the carrying amount is recognised as deferred revenue in these financial statements and would be amortised over the lease period.

- 17.7 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.

## 18. GOODWILL

	2007 Rupees	2006 Rupees (Restated-Note 42)
At the beginning of the year	11,724,421	13,027,134
Additions on further acquisition of 27% holding in the Subsidiary Company	15,179,332	-
	26,903,753	13,027,134
Less: Amortisation for the year	4,123,360	1,302,713
	22,780,393	11,724,421

## 19. CREDITORS, ACCRUED AND OTHER LIABILITIES

Advance lease rentals	15,855,988	1,307,364
Accrued liabilities	17,067,701	20,666,501
Payable against purchase of investments	22,920,296	29,320,088
Received against termination of leases	9,342,801	19,241,305
Unclaimed dividend	197,369	197,369
Other liabilities	28,599,362	75,729,667
	93,983,517	146,462,294

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>20. ACCRUED INTEREST / MARK-UP</b>			
<b>Interest / mark-up / profit on :</b>			
Redeemable capital		26,948,798	34,873,829
Long term loans		15,034,608	20,157,434
Short term loans		9,862,814	13,718,404
Certificates of investment		1,373,212	13,154,568
Sub-ordinated loan - related party		-	2,541,438
		<u>53,219,432</u>	<u>84,445,673</u>
<b>21. SHORT-TERM BORROWINGS</b>			
<b>Borrowings from financial and other institutions</b>			
<b>Secured</b>			
From commercial bank		-	145,000,000
From a NBFC	21.1	10,000,000	-
From a modaraba company		-	48,000,000
Running finances under mark-up arrangements	21.2	140,073,703	183,194,663
		<u>150,073,703</u>	<u>376,194,663</u>
<b>Unsecured-Others</b>			
From commercial banks	21.3	261,000,000	245,000,000
From investment banks	21.4	75,000,000	120,930,208
From other	21.5	75,000,000	-
Subordinated loan of subsidiary company - related party	21.6	-	50,000,000
		<u>411,000,000</u>	<u>415,930,208</u>
<b>Others</b>		-	14,350,000
		<u>561,073,703</u>	<u>806,474,871</u>
<b>21.1</b>	This represents finance facility carrying mark-up at the rate of Re.0.36 (2006: Nil) per Rs.1,000 per day. This is secured against second ranking charge over all present and future leased assets and related receivables having a maturity latest by July 11, 2007.		
<b>21.2</b>	Running finance facilities are available to the Holding Company aggregating to Rs.400 (2006: Rs.400) million on yearly renewal basis carrying mark-up at the rate from Re.0.33 to Re.0.40 (2006: Re.0.29 to Re.0.37) per Rs.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 Rs.31.930 million.		
<b>21.3</b>	This represents finance facility carrying mark-up at the rate of Re.0.33 to Re.0.35 (2006: Re.0.29 to 0.36) per Rs.1,000 per day.		
<b>21.4</b>	This represents finance facilities carrying mark-up at the rate ranging from Re.0.29 to Re.0.33 (2006: Re.0.30 to Re.0.33) per Rs.1,000 per day having a maturity latest by August 07, 2007.		
<b>21.5</b>	This represents finance facilities carrying mark-up at the rate ranging from Re.0.30 to Re.0.33 (2006: Nil) per Rs.1,000 per day having a maturity latest by August 09, 2007.		
<b>21.6</b>	Consequent to the change in management of the Subsidiary Company from EOBI to the Holding Company, above loan has been withdrawn and settled during the current year.		



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>22. LONG-TERM BORROWINGS</b>			
From financial and other institutions	22.1	436,249,999	753,750,001
Others	22.2	9,000,000	11,750,000
		<u>445,249,999</u>	<u>765,500,001</u>

## 22.1 From financial and other institutions

Lending Institution	Note	Mark-up per Rs.1,000 per day Rupee	Mode of Principal Repayment	Principal Repayment Commencing from	2007 Rupees	2006 Rupees
Commercial Bank	22.1.1	0.39	Quarterly	August 11, 2005	33,333,336	66,666,666
Commercial Bank	22.1.1	0.21	Semi-annually	February 1, 2004	-	16,666,667
Commercial Bank	22.1.1	0.32	Semi-annually	October 20, 2005	33,333,332	66,666,668
Commercial Bank	22.1.1	0.32	Semi-annually	June 29, 2007	333,333,333	400,000,000
Commercial Bank	22.1.1	0.34	Semi-annually	January 13, 2007	218,750,000	250,000,000
Commercial Bank	22.1.1	0.33	Semi-annually	June 29, 2007	83,333,333	100,000,000
Commercial Bank	22.1.1	0.33	Semi-annually	June 29, 2007	41,666,667	50,000,000
Others	22.1.1 & 22.1.2.	0.19	Annually	January 1, 2005	10,000,000	15,000,000
					<u>753,750,001</u>	<u>965,000,001</u>
Less: Current maturity	27				<u>317,500,002</u>	<u>211,250,000</u>
					<u>436,249,999</u>	<u>753,750,001</u>

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

**22.1.2** 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 Re.0.19 (2006: Re.0.19) per Rs.1,000 per day payable bi-annually.

## 22.2 Others

These are unsecured funds received from individuals at mark-up rates ranging from Re.0.29 to Re.0.33 (2006: Re.0.29 to Re.0.33) per Rs.1,000 per day.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 23. 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 Re.0.19 to Re. 0.32 (2006: Re.0.19 to Re.0.29) per Rs.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:

	2007			2006		
	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			Rupees		
Not later than one year	33,252,138	5,219,040	28,033,098	34,042,703	8,272,523	25,770,180
Later than one year and not later than five years	29,618,306	1,515,784	28,102,522	63,481,813	6,482,337	56,999,476
	<b>62,870,444</b>	<b>6,734,824</b>	<b>56,135,620</b>	<b>97,524,516</b>	<b>14,754,860</b>	<b>82,769,656</b>

Note	2007 Rupees	2006 Rupees
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## 24. REDEEMABLE CAPITAL - SECURED (Non participatory)

Term Finance Certificates - Listed	24.1	250,000,000	250,000,000
Privately Placed Term Finance Certificates - 1	24.2	60,000,000	120,000,000
Privately Placed Term Finance Certificates - 2	24.3	225,000,000	315,000,000
		<b>535,000,000</b>	<b>685,000,000</b>
Less: Current maturity	27	271,620,000	150,000,000
		<b>263,380,000</b>	<b>535,000,000</b>

**24.1** These Term Finance Certificates (TFCs) were issued by the Holding Company on September 05, 2002. These are perpetual unless Put / Call option attached to these is exercised. The said options are available on September 05, 2007. The TFC holders will have the put option for redemption at face value on the 60th month from the issue date and at the end of every three years thereafter. Likewise the Holding Company will have the call option. The TFC holders and Issuer will have to give a 30 days written notice before exercising their Put / Call option. Subsequent to year end on September 05, 2007, the Holding Company roll forwarded TFCs amounting to Rs. 128.38 million and the remaining TFCs amounting to Rs. 121.62 million have been redeemed on the basis of put option exercised by the TFC holders. Accordingly, TFCs redeemed have been placed under current maturity of redeemable capital (note 27).

Profit is payable on semi-annual basis at a base rate plus 200 bps with a floor of 12% per annum and a ceiling of 15.75% per annum. The applicable rate as of balance sheet date for this TFC is 17.41% per annum (2006: 17.03% per annum). Base rate is cut off yield on last SBP's 5 years PIB auction. An interest rate swap arrangement has been made with a commercial bank whereby the fixed floor rate of 12% has been assumed by the bank in exchange of variable rate based on a fixed component plus cut-off yield on six months treasury bill.

**24.2** The principal and profit of privately placed TFCs issued on June 28, 2003 is payable semi annually at a base rate plus 160 bps. The applicable rate as of balance sheet date for this TFC is 11.15% per annum (2006: 6.94% per annum). Base rate is cut off yield on last SBP's 5 years PIB. 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 Holding Company.

**24.3** The principal and profit on privately placed TFCs issued on July 10, 2004 is payable semi annually at a base rate plus 175 bps. The applicable rate as of balance sheet date for this TFC is 12.29% per annum (2006: 10.82% per annum). Base rate is six months ASK KIBOR. The tenure of this TFC is five years unless call option is exercised. These are secured by joint pari-passu charge on all present and future leased assets and its related receivables of the Holding Company.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>25. CERTIFICATES OF INVESTMENT AND DEPOSITS</b>			
Long-term certificates of investment:			
For one year or more		21,043,153	46,662,764
Less: Current maturity	27	<u>6,683,005</u>	<u>12,930,916</u>
		<u>14,360,148</u>	<u>33,731,848</u>
Short-term certificates of investment /deposits		<u>140,500,000</u>	<u>842,711,800</u>
<p>The Holding Company has a scheme of registered Certificates of Investment (COIs) and registered Certificates of Deposits (CODs) for resource mobilisation. The term of COIs ranges from three months to five years and return thereon ranges from Re.0.16 to Re. 0.33 (2006: Re.0.16 to Re.0.36) per Rs.1,000 per day. SECP through its letter No. SEC/NBFC-I/JD/257/2006 dated June 14, 2006 directed the Holding Company to cease the issuance of any new COIs / CODs and not to roll over the existing COIs / CODs of individual depositors. Subsequently, the SECP through its letter No. SEC/NBFC-1/JD/CLCL/2007 dated June 12, 2007 approved issuance of COIs by the Holding Company.</p>			
<b>26. LONG-TERM DEPOSITS</b>			
Security deposits on leases	26.1	947,794,652	1,193,361,842
Less: Current maturity	27	<u>337,366,174</u>	<u>190,060,832</u>
		<u>610,428,478</u>	<u>1,003,301,010</u>
<p><b>26.1</b> These represent interest free security deposits received under lease contracts and are repayable / adjustable at the expiry / termination of the respective leases.</p>			
<b>27. CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>			
Long-term borrowings	22	317,500,002	211,250,000
Liabilities against asset subject to finance lease	23	28,033,098	25,770,180
Redeemable capital	24	271,620,000	150,000,000
Certificates of investment	25	6,683,005	12,930,916
Deposits on finance leases	26	<u>337,366,174</u>	<u>190,060,832</u>
		<u>961,202,279</u>	<u>590,011,928</u>
<b>28. DEFERRED LIABILITIES</b>			
Deferred revenue	28.1	10,298,610	16,183,530
Deferred taxation	28.2	<u>65,546,691</u>	<u>62,414,564</u>
		<u>75,845,301</u>	<u>78,598,094</u>
<b>28.1 Deferred revenue</b>			
Balance at beginning of the year		16,183,530	17,654,760
Amortised during the year	34	<u>(5,884,920)</u>	<u>(1,471,230)</u>
		<u>10,298,610</u>	<u>16,183,530</u>
<p><b>28.2</b> Deferred tax liability has been provided on the temporary differences between the carrying values of assets and liabilities and their tax base. The liability after considering the effects of tax losses is estimated at Rs.65.547 million (2006: Rs.62.414 million).</p> <p>However, no effects have been taken on the above deferred tax liability of deferred tax asset amounting to Rs.23.844 (2006: Rs.42.551) million arising on the temporary differences available to the Subsidiary Company, as the management of the Subsidiary Company believes that it is probable that future taxable profits will not be available to the Subsidiary Company against which the above said deferred tax can be utilised.</p>			

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	2007 Rupees	2006 Rupees (Restated-Note 42)
<b>28.2.1 Deferred taxation comprises:</b>		
<b>Deferred tax assets arising in respect of:</b>		
- provision for doubtful finance / potential lease losses	(77,769,371)	(55,377,944)
- carry forward of income tax loss`	(262,906,938)	(430,231,612)
	(340,676,309)	(485,609,556)
<b>Deferred tax liabilities arising in respect of:</b>		
- accelerated tax depreciation	393,278,060	534,397,867
- surplus on revaluation of assets	12,944,940	13,626,253
	406,223,000	548,024,120
	<u>65,546,691</u>	<u>62,414,564</u>
<b>29. SHARE CAPITAL</b>		
Authorised Share Capital 100,000,000 (2006: 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 (2006: 25,460,267) Ordinary shares of Rupees 10 each fully paid up in cash	254,602,670	254,602,670
19,929,823 (2006: 19,929,823) Ordinary shares of Rupees 10 each issued as fully paid bonus shares	199,298,230	199,298,230
	<u>453,900,900</u>	<u>453,900,900</u>

29.1 Direct holding of related parties in the Ordinary shares of Rs.10/- each is as follows:

	Percentage of holding	2007 (Number of shares)	2006
Al-Zamin Leasing Modaraba	1.10%	500,000	-
Zahidjee Textile Mills Limited and a Director	76.18%	34,577,213	-
Other Directors	1.17%	531,981	-
		<u>35,609,194</u>	<u>-</u>

## 30. UN-REALISED LOSS ON REVALUATION OF INVESTMENTS

Short-term Investments - Available for sale:

	2007 Rupees	2006 Rupees (Restated-Note 42)
- Ordinary shares	-	7,390,415
- Term finance certificates	-	(269,677)
- Mutual funds	124,186	(1,328,158)
- Preference shares	53,771	4,665,559
	<u>177,957</u>	<u>10,458,139</u>

Long-term Investments - Available for sale:

	2007 Rupees	2006 Rupees (Restated-Note 42)
- Ordinary shares	11,015,382	19,221,048
- Mutual funds	5,794,349	3,394,499
	<u>16,809,731</u>	<u>22,615,547</u>
	<u>16,987,688</u>	<u>33,073,686</u>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	2007 Rupees	2006 Rupees (Restated-Note 42)
<b>31. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
Opening Balance	86,255,348	45,417,848
Surplus arising on revaluation during the year	-	63,057,252
Less: Surplus realised 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)
	-	43,824,959
Less: Incremental depreciation transferred to statement of changes in equity - Net of deferred tax	(3,757,995)	(2,987,459)
	<u>82,497,353</u>	<u>86,255,348</u>
Surplus on revaluation of fixed assets - group	60,388,920	50,070,268
Surplus on revaluation of fixed assets - minority	22,108,433	36,185,080
	<u>82,497,353</u>	<u>86,255,348</u>

## 32. CONTINGENCIES AND COMMITMENTS

### 32.1 Contingencies

**32.1.1** Income tax assessment respective to assessment year 2000-2001 (Income year ended June 30, 2000) of the Subsidiary Company has been finalized by the Deputy Commissioner of Income Tax (DCIT) and demand of Rs.15.859 million raised. The management filed a complaint before the Honorable 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 Honorable FTO. The management expects a favorable outcome of the representation, consequently, no provision has been made in these accounts for the demand of Rs.15.859 million.

The DCIT has made assessments for the assessment year 1999-2000 (Income year ended June 30, 1999) and raised a demand of Rs.7.682 million by disallowing various expenses, making additions in income on account of lease rentals and imposing penalty on set off of undetermined loss against income for prior assessment years. The management has made provision for taxation of Rs.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.

**32.1.2** Based on a legal opinion, the Subsidiary Company has not accounted for salary of one of its former directors. Mr. Asif Dar amounting to Rs.1.863 million for the period from April 2002 to September 2003.

### 32.2 Commitments:

As at balance sheet date, the Group has the following outstanding commitments:

- Letters of comforts for import of machinery to be leased	<u>20,000,000</u>	<u>20,000,000</u>
- Commitment in respect of sale and repurchase agreements	<u>100,000,000</u>	<u>50,000,000</u>
- Commitment in respect of operating lease assets:		
Within one year	<u>648,480</u>	<u>1,580,700</u>
Within two to five years	<u>785,108</u>	<u>2,105,230</u>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	2007 Rupees	2006 Rupees (Restated-Note 42)
<b>33. INCOME FROM INVESTMENTS</b>		
Return from short-term placements and deposits	19,324,558	45,557,728
Return from government securities, mutual funds and TFCs	4,031,679	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	15,414,054	41,995,579
Dividend Income	6,266,393	22,347,880
	<u>45,036,684</u>	<u>163,517,152</u>
<b>34. OTHER INCOME</b>		
Fee, commission and others	2,282,749	18,721,940
Amortisation of deferred revenue	28.1 5,884,920	1,471,230
Profit on sale of assets acquired in satisfaction of finances provided	3,850,000	-
(Loss) / gain on sale of fixed assets-net	(3,013,601)	51,455,367
	<u>9,004,068</u>	<u>71,648,537</u>
<b>35. ADMINISTRATIVE AND OPERATING EXPENSES</b>		
Salaries, allowances and benefits including remuneration of chief executive and executives	35.1 & 35.4 67,197,927	73,866,006
Staff training	182,425	374,432
Rent, rates and taxes	4,149,495	5,710,732
Traveling, conveyance and entertainment	2,697,982	2,762,694
Vehicle running	4,458,426	6,464,167
Utilities	2,975,459	2,814,386
Telephone and fax	2,922,901	3,806,383
Insurance	3,071,119	2,563,242
Operating lease rentals	1,783,753	2,905,142
Fees, subscriptions and periodicals	1,939,579	4,685,369
Printing and stationery	1,925,720	2,667,860
Postage, stamps and telegrams	525,619	564,168
Legal and professional charges	2,237,913	4,116,719
Auditors' remuneration	35.2 1,930,371	694,000
Repairs and maintenance	3,676,952	4,242,719
Depreciation	17.4 25,039,015	19,520,754
Systems development	-	350,000
Advertisement	347,440	906,339
Donations	35.3 30,000	1,750,712
Others	163,683	324,561
	<u>127,255,779</u>	<u>141,090,385</u>

**35.1** Salaries, allowances and benefits include provision of Rs.4.349 (2006: Rs.5.692) million for staff benefit schemes.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 35.2 Auditors' Remuneration

	2007			2006		
	Ford Rhodes Sidat Hyder & Co.	Anjum Asim Shahid Rahman	Total	Syed Hussain Zafar Naveed & Co.	Anjum Asim Shahid Rahman	Total
	Rupee					
Statutory audit	400,000	100,000	500,000	275,000	100,000	375,000
Special certifications including half yearly review	1,310,000	37,500	1,347,500	245,500	37,500	283,000
Out of pocket expenses	82,871		82,871	36,000	-	36,000
	<u>1,792,871</u>	<u>137,500</u>	<u>1,930,371</u>	<u>556,500</u>	<u>137,500</u>	<u>694,000</u>

35.3 Donations are paid to the various organisations, as per policy approved by Board of Directors, in which none of the directors of the Company is interested in any capacity.

## 35.4 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES

	2007			2006		
	Chief Executive Officer	Executive	Total	Chief Executives Officer	Executives	Total
	Rupees					
Managerial remuneration	5,466,315	11,068,421	16,534,736	5,852,758	7,715,490	13,568,248
Housing and utility	2,923,264	5,534,211	8,457,475	1,935,137	3,857,757	5,792,894
Medical and other expenses	554,503	2,459,478	3,013,981	512,225	3,817,445	4,329,670
Company's contribution to:						
Provident fund	411,646	997,625	1,409,271	276,445	724,185	1,000,630
Gratuity fund	266,301	862,122	1,128,423	398,904	569,727	968,631
Leave fare assistance	641,840	972,686	1,614,526	-	576,012	576,012
Bonus	350,000	1,850,000	2,200,000	2,011,010	3,855,000	5,866,010
	<u>10,613,869</u>	<u>23,744,543</u>	<u>34,358,412</u>	<u>10,986,479</u>	<u>21,115,616</u>	<u>32,102,095</u>
<b>Number of persons</b>	<b>2</b>	<b>11</b>	<b>12</b>	<b>2</b>	<b>10</b>	<b>11</b>

The chairman, chief executive officer and executives have been provided with free use of the Group maintained cars. Directors were paid Rs.0.215 (2006: Rs.0.194) million for attending board of directors / audit committee meetings during the year.

Note	2007 Rupees	2006 Rupees
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## 36. FINANCE COST

Mark-up on:

Long-term borrowings and redeemable capital  
Short-term borrowings  
Long-term COIs  
Short-term COIs and CODs  
Running finances  
Sub-ordinated loan - related party

Finance charges on liabilities against assets subject to finance leases  
Bank and other charges

192,932,091	172,148,337
55,224,080	122,022,119
2,822,102	10,733,484
15,457,622	94,926,636
20,468,332	35,790,167
1,312,192	3,029,107
288,216,419	438,649,850
366,277	163,362
<u>8,268,144</u>	<u>15,825,096</u>
<u>296,850,840</u>	<u>454,638,308</u>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 37. LOSS ON SETTLEMENT OF SHORT-TERM FINANCES OBTAINED

The Holding Company had obtained short term finances from various financial institutions during the year ended June 30, 2006. The said finances, aggregating to Rs.63.535 million were settled during the year through disposal of preference and ordinary shares held by the Holding Company, having an aggregate cost of Rs.76.673 million and market value of Rs.64.803 resulting in a loss of Rs.11.870 million.

## 38. CURRENT TAXATION

This represents turnover tax @ 0.5 % on gross receipts under section 113 of the Income Tax Ordinance, 2001 due to the available tax losses of Holding Company including unabsorbed depreciation amounting to Rs.751 million (2006: Rs.1,229 million).

### 38.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001. The Group's tax computation gives rise to a tax loss due to unabsorbed tax depreciation. The movement in deferred taxation is mainly due to the accelerated tax depreciation and allowance for potential lease losses.

## 39. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

	2007 Rupees	2006 Rupees (Restated-Note 42)
(Loss) / profit after taxation	<u>(115,327,063)</u>	<u>23,638,733</u>
(Loss) / earnings per share - basic and diluted	<u>(2.54)</u>	<u>0.52</u>

## 40. CASH AND CASH EQUIVALENTS

Cash and bank balances	5	107,146,905	373,283,923
Placements with financial institutions	6	<u>307,579,165</u>	<u>80,000,000</u>
		<u>414,726,070</u>	<u>453,283,923</u>

## 41. DEFINED BENEFIT PLAN - GRATUITY FUND

### 41.1 Gratuity Fund

#### 41.1.1 The actuarial valuation carried out resulted in:

Present value of defined benefit obligation as at June 30	41.1.2	3,629,228	5,544,769
Less: Fair value of plan assets	41.1.3	(5,088,663)	(9,455,359)
Add: Unrecognised actuarial gains	41.1.4	587,916	494,388
Total asset		<u>(871,519)</u>	<u>(3,416,202)</u>

#### 41.1.2 Changes in present value of defined benefit obligation

Present value of defined benefit obligation as at June 30	5,544,769	4,612,979
Interest cost for the year	499,029	415,168
Current service cost for the year	940,709	975,968
Benefits paid during the year	(8,058,762)	-
Actuarial loss / (gain) on present value of defined benefit obligation	<u>4,703,483</u>	<u>(459,346)</u>
	<u>3,629,228</u>	<u>5,544,769</u>



# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	2007 Rupees	2006 Rupees
<b>41.1.3 Changes in fair value of plan assets</b>		
Fair value of plan assets as on June 30	9,455,359	3,595,298
Expected return on plan assets	850,982	323,577
Contributions during the year	1,698,763	5,000,000
Benefits paid during the year	(8,058,762)	-
Actuarial gain on plan assets	1,142,321	536,484
	<u>5,088,663</u>	<u>9,455,359</u>
<b>41.1.4 Changes in actuarial gains / (losses)</b>		
Unrecognised actuarial gains / (losses) as at June 30	494,388	(504,309)
Actuarial gains arising during the year	93,528	995,830
Actuarial losses charged during the year	-	2,867
	<u>587,916</u>	<u>494,388</u>
<b>41.1.5 Charge for the year</b>		
Current service cost	940,709	975,968
Interest cost	499,029	415,168
Expected return on plan assets	(850,982)	(323,577)
Charge due to settlements	3,654,690	
Actuarial losses	-	2,867
Past service cost	-	29,596
	<u>4,243,446</u>	<u>1,100,022</u>

## 41.2 Pension Fund

No actuarial valuation was carried out in respect of this fund as the management is of the view that the results of the actuarial valuation will not be materially different from the provision already made in the books of the Holding Company.

## 42. PRIOR PERIOD ERRORS

### 42.1 Investments

Due to ineffective internal controls over the recording, revaluation and classification in respect of investments, the following accounting errors occurred in prior years as specified below:

- (a) the average cost of investments was incorrectly computed and, accordingly, the gain / loss on disposal of investments and unrealised loss on revaluation of investments were incorrectly stated in the financial statements.
- (b) the investments were not classified as 'available for sale' or 'held for trading' and into short term and long term in the subsidiary records and the general ledger correctly as a result of which unrealised gain / loss on investments was incorrectly recorded in the books of account.
- (c) bonus shares in the subsidiary records were not recorded on a timely basis, i.e. when the right to receive these shares was established resulting in misstatement of unrealised gain / loss on investments and corresponding investments in the financial statements.

The above have been accounted for in the current year as correction of prior period errors, in accordance with the requirement of International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the comparative amounts for the prior periods have been restated. The effects of restatement are as follows:

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	July 1, 2005 to June 30, 2006	Periods up to June 30, 2005
Unappropriated profit	-	(22,034,276)
Unrealised gain / (loss) on revaluation of held for trading investments	(3,664,861)	-
Gain on sale of securities - net	(3,911,368)	-
Unrealised loss on revaluation of investments	(7,576,229)	(22,034,276)
Investments – held for trading	28,507,990	35,423,875
Investments – available for sale	(28,507,990)	(35,423,875)
Available for sale investments not accounted for	844,030	-
Decrease in earnings per share	<u>(0.15)</u>	<u>(0.54)</u>

In view of the above, the internal controls over recording, revaluation and classification in respect of investments are being strengthened to obviate the need for major adjustments at the year end to correct the financial statements. In this regard, the Holding Company has undertaken a comprehensive review of its accounting and internal controls in order to streamline and strengthen the same.

## 42.2 Net investment in finance lease

During the year ended June 30, 2006, the Holding Company changed its accounting policy in respect of initial direct cost of finance leases, whereby, initial direct costs were included in the initial measurement of the finance lease receivable and recognised over the lease term. As a result thereof, the Holding Company reversed income amounting to Rs.14.823 million as against Rs.34.253 million which had been already recognised in accordance with previously followed accounting policy. Therefore, the adjustment of remaining amount of Rs.19.430 million (Rs.12.630 million - net of tax) has been accounted for in the current year as a correction of prior period error, in accordance with the requirement of International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the comparatives for the prior periods have been restated. The effects of restatement on the financial statements are as follows:

	July 1, 2005 to June 30, 2006	Periods up to June 30, 2005
Decrease in net investment in finance lease	-	19,430,000
Decrease in retained earnings	-	12,629,500
Decrease in deferred tax liability	-	6,800,500

42.3 During the year ended June 30, 2006, the Group incorrectly included the impact of the surplus on revaluation of fixed assets appearing in the books of the Subsidiary Company in the calculation of goodwill arising on consolidation resulting in the understatement of goodwill and amortisation charge for that year. Further, the Group had classified the surplus on revaluation on fixed asset attributable to the minority shareholders as part of equity. Therefore, the adjustments have been accounted for in the current year as a correction of prior period error, in accordance with the requirement of International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the comparatives for the prior periods have been restated. The effects of restatement on the financial statements are as follows:

	July 1, 2005 to June 30, 2006	Periods up to June 30, 2005
Increase in goodwill	10,423,279	-
Decrease in minority interest	36,185,081	-
Increase in surplus on revaluation of fixed assets	47,611,948	-
Amortisation of goodwill	1,302,713	-
Decrease in accumulated loss	299,125	-

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 43. SEGMENTAL ANALYSIS

The operational activities of the Group are broadly categorised into two primary business segments namely leasing activities and investment activities.

### 43.1 Leasing Activities

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

### 43.2 Investment Activities

Investment 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.

	2007			2006		
	Leasing	Investment Activities	Total	Leasing	Investment Activities	Total
	Rupees			Rupees		
Segment revenue	<u>332,008,782</u>	<u>95,593,751</u>	<u>427,602,533</u>	<u>419,489,408</u>	<u>241,790,756</u>	661,280,164
Unallocated			(3,013,601)			51,455,366
			<u>424,588,932</u>			<u>712,735,530</u>
Segment results	<u>255,102,369</u>	<u>84,207,811</u>	<u>339,310,180</u>	338,867,067	222,010,485	560,877,552
Unallocated			(3,013,601)			51,425,867
			<u>336,296,579</u>			612,303,419
Administrative & operating expenses			(83,131,476)			(80,541,789)
Finance costs			(296,850,840)			(454,638,308)
Reversal / provisions			(45,374,977)			(48,470,498)
Share of associates profit			-			3,928,884
Amortisation of Goodwill			(4,123,360)			(1,302,713)
Loss on disposal of assets in satisfaction of finances obtained			(11,867,899)			-
Provision for taxation			(10,275,090)			(7,640,262)
(Loss) / gain after taxation			<u>(115,327,063)</u>			<u>23,638,733</u>
<b>Other information</b>						
Segment assets	<u>2,581,172,209</u>	<u>921,578,265</u>	<u>3,502,750,474</u>	3,760,234,361	1,483,877,281	5,244,111,642
Unallocated			440,909,921			535,441,330
Total assets	<u>2,581,172,209</u>	<u>921,578,265</u>	<u>3,943,660,395</u>	<u>3,760,234,361</u>	<u>1,483,877,281</u>	<u>5,779,552,972</u>
Segment liabilities	<u>2,060,997,766</u>	<u>742,030,355</u>	<u>2,803,028,121</u>	3,249,775,475	1,284,774,020	4,534,549,495
Unallocated			444,317,258		408,687,500	
Total liabilities	<u>2,060,997,766</u>	<u>742,030,355</u>	<u>3,247,345,379</u>	<u>3,249,775,475</u>	<u>1,284,774,020</u>	<u>4,943,236,995</u>
Segment depreciation	<u>21,581,089</u>	<u>6,265,581</u>	<u>27,846,670</u>	18,146,479	6,816,930	24,963,409
Unallocated			6,391,020			1,640,580
Total depreciation	<u>21,581,089</u>	<u>6,265,581</u>	<u>34,237,690</u>	<u>18,146,479</u>	<u>6,816,930</u>	<u>26,603,989</u>

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 44. RELATED PARTY TRANSACTIONS

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Group has a policy whereby all transactions with related parties, are entered into at arm's length prices using the permissible method of pricing. The transactions with related parties, other than remuneration under the terms of employment are as follows:

	Pricing Method	2007 Rupees	2006 Rupees
<b>International Housing Finance Limited - Common directorship / associate</b>			
Placements and deposits		-	325,000,000
Finance given under repo arrangements		-	50,000,000
Short-term borrowings		-	95,000,000
Mark-up received		-	14,913,371
Mark-up paid		-	115,069
<b>Crescent Standard Investment Limited - Common directorship</b>			
Placements and deposits		-	1,457,000,000
Finance given under repo arrangements		-	228,500,000
Purchase of Shares		-	8,176,890
Mark-up received		-	3,910,959
<b>Pakistan Industrial Credit and Investment Corporation Limited - Common directorship</b>			
Short-term borrowings		-	100,000,000
Mark-up paid		-	26,713
Dividend received		270,119	1,030,364
Purchase of Shares		632,877	56,137,972
<b>Saudi Pak Commercial Bank Limited - Common directorship</b>			
Short-term borrowings		15,000,000	-
Mark-up paid		195,205	-
Purchase of Shares		59,012	-
<b>Crescent Steel &amp; Allied Products Limited - Common directorship</b>			
Purchase of Shares		335,877	-
Arrangement, advisory fee and other earned		-	3,500,000
<b>Fidelity Capital Management (Private) Limited - Common directorship</b>			
Rental income	comparable Uncontrolled	1,202,321	-
<b>Crescent Commercial Bank Limited - Common directorship</b>			
Purchase of office Premises		-	6,930,000
<b>Employees' Old-Age Benefit Institution</b>			
Mark-up paid on sub-ordinated loan		1,312,192	2,495,342
Settlement of Term Finance Certificates with EOBI		49,971,200	-
<b>Crescent Standard Business Management (Private) Limited - Common control</b>			
Service charges paid	Cost Plus	155,792	947,363
Contribution to employees retirement funds		4,348,999	5,692,159

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

- 44.1 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 following parties are shown as related party transactions upto the period the associate relationship due to common directorship ceased to exist.

Party	Date on which Associate Relationship ceased
Crescent Standard Investment Bank Limited	September 30, 2005
Fidelity Capital Management (Private) Limited	April 25, 2007
Crescent Commercial Bank Limited	March 30, 2007
International Housing Finance Limited	December 15, 2006
Pakistan Industrial Credit and Investment Corporation	June 28, 2007

## 45. RISKS RELATED TO FINANCIAL INSTRUMENTS

### 45.1 Risk Management

#### 45.1.1 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, NBFC 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 NBFC Rules, 2003 and Prudential Regulations for NBFCs.

#### 45.1.2 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.

#### 45.1.3 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 minimised through investing in an appropriate mix of high and low risk securities and other portfolio diversification techniques.

#### 45.1.4 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.

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 45.1.5 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.

## 46. RISK ANALYSIS

### 46.1 Credit Risk

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

	2007		2006	
	RUPEES	%	RUPEES	%
Textiles	300,286,231	11.75	392,271,212	10.39
Synthetic, garments and others	385,133,064	15.07	642,962,343	17.03
Food, tobacco and beverage	46,512,420	1.82	65,693,158	1.74
Transport and communication	385,644,189	15.09	574,626,357	15.22
Steel engineering and automobiles	105,547,416	4.13	143,845,363	3.81
Energy, oil and gas	59,323,781	2.32	92,933,165	2.46
Construction	121,647,869	4.76	200,854,942	5.32
Paper and board	73,857,635	2.89	115,906,893	3.07
Healthcare	98,902,784	3.87	132,896,503	3.52
Dairy and poultry	40,123,352	1.57	-	0.00
Miscellaneous *	938,648,755	36.73	1,413,478,899	37.44
	<u>2,555,627,496</u>	<u>100.00</u>	<u>3,775,468,835</u>	<u>100.00</u>

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

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

## 46.2 Interest rate risk exposure

The information about the Group's exposure to interest rate risk based on contractual refinancing or maturity dates whichever is earlier is as follows:

	Effective interest rate %	2007 Interest / mark-up bearing			Non interest / mark-up bearing	Total
		Less than one month	One month to one year	Over one year Rupees		
<b>Financial Assets</b>						
Cash and bank balances	1.00-11.00	97,477,057	-	-	9,669,848	107,146,905
Placements with financial institutions	9.00-12.00	304,500,000	3,079,165	-	-	307,579,165
Finances under musharika arrangement	-	-	-	-	60,000,000	60,000,000
Advances and other receivables	-	-	-	-	79,434,456	79,434,456
Accrued interest / mark-up	-	-	-	-	11,325,617	11,325,617
Investments	13.00-14.00	-	55,948,874	-	140,488,302	196,437,176
Short-term finances	15.00-25.00	4,000,000	87,913,706	-	-	91,913,706
Long-term finances	11.00-22.00	2,934,954	25,370,406	101,773,636	-	130,078,996
Net investment in finance lease	9.00-29.00	309,443,921	845,608,741	1,267,553,429	-	2,422,606,091
Long-term deposit	-	-	-	-	10,212,766	10,212,766
		<b>718,355,932</b>	<b>1,017,920,892</b>	<b>1,369,327,065</b>	<b>311,130,989</b>	<b>3,416,734,878</b>
<b>Financial Liabilities</b>						
Creditors, accrued and other liabilities	-	-	-	-	93,983,517	93,983,517
Accrued interest / mark-up	-	-	-	-	53,219,432	53,219,432
Borrowings from financial and other institutions	7.00-15.00	402,323,704	476,250,000	445,250,000	-	1,323,823,704
Certificates of investment and deposit	6.00-12.00	2,218,941	4,464,064	154,860,148	-	161,543,153
Liabilities against assets subject to finance leases	7.00-13.00	53,160	27,979,938	28,102,522	-	56,135,620
Redeemable capital	11.00-17.00	45,000,000	226,620,000	263,380,000	-	535,000,000
Deposits on finance lease	-	-	-	-	947,794,652	947,794,652
		<b>449,595,805</b>	<b>735,314,002</b>	<b>891,592,670</b>	<b>1,094,997,601</b>	<b>3,171,500,078</b>
On balance sheet sensitivity gap		<b>268,760,127</b>	<b>282,606,890</b>	<b>477,734,395</b>	<b>(783,866,612)</b>	
Cumulative sensitivity gap		<b>268,760,127</b>	<b>551,367,017</b>	<b>1,029,101,412</b>		

# Notes to the Consolidated Financial Statements

for the year ended June 30, 2007

	Effective interest rate %	2006 Interest / mark-up bearing			Non interest / mark-up bearing	Total
		Less than one month	One month to one year	Over one year Rupees		
<b>Financial Assets</b>						
Cash and bank balances	2.00-7.00	297,464,974	50,000,000	-	25,818,949	373,283,923
Placements with financial institutions	9.00-14.00	-	80,000,000	-	-	80,000,000
Finances under musharika arrangement	-	-	-	-	60,000,000	60,000,000
Advances and other receivables	-	-	-	-	159,522,858	159,522,858
Accrued interest / mark-up	-	-	-	-	9,651,533	9,651,533
Funds placement	16.00	50,002,875	-	-	-	50,002,875
Investments	7.00-13.00	-	116,671,666	13,777,192	264,155,302	394,604,160
Short-term finances	13.00-18.00	4,000,000	110,892,772	-	-	114,892,772
Long-term finances	7.00-16.00	3,086,018	97,869,350	110,858,174	-	211,813,542
Net investment in finance lease	8.00-29.00	301,123,149	835,802,888	2,525,407,815	-	3,662,333,852
Long-term deposit	-	-	-	-	11,148,776	11,148,776
		<b>655,677,016</b>	<b>1,291,236,676</b>	<b>2,650,043,181</b>	<b>530,297,418</b>	<b>5,127,254,291</b>
<b>Financial Liabilities</b>						
Creditors, accrued and other liabilities	-	-	-	-	146,462,294	146,462,294
Accrued interest / mark-up	-	-	-	-	84,445,673	84,445,673
Borrowings from financial and other institutions	7.00-13.00	370,044,902	597,679,969	765,500,001	50,000,000	1,783,224,872
Certificates of investment and deposit	6.00-13.00	590,607,965	265,034,751	33,731,848	-	889,374,564
Liabilities against assets subject to finance leases	7.00-12.00	144,064	25,626,116	56,999,476	-	82,769,656
Redeemable capital	7.00-17.00	-	150,000,000	535,000,000	-	685,000,000
Deposits on finance lease	-	-	-	-	1,193,361,842	1,193,361,842
		<b>960,796,931</b>	<b>1,038,340,836</b>	<b>1,391,231,325</b>	<b>1,474,269,809</b>	<b>4,864,638,901</b>
On balance sheet sensitivity gap		<b>(305,119,915)</b>	<b>252,895,840</b>	<b>1,258,811,856</b>	<b>(943,972,391)</b>	
Cumulative sensitivity gap		<b>(305,119,915)</b>	<b>(52,224,075)</b>	<b>1,206,587,781</b>		

## 47. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

## 48. RECLASSIFICATIONS

Corresponding figures have been reclassified for better presentation. Major reclassification is as follow:

Reclassification from	Reclassification to	Reason	Rupees
Short term investment	Long term investment	Corrected classification (see note 42.1)	57,008,533


## 49. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the board of directors and authorised for issue on November 3, 2007.

## 50. GENERAL

Figures have been rounded off to the nearest rupee.

  
Basheer Ahmed Chowdry  
Director

  
S. Shah Nawaz A. Rizvi  
Chief Executive Officer



# Pattern of Shareholding (Form 34)

Pattern of Holding of the Shares held by the Shareholders as at: June 30, 2007

No. of Shareholders	Shareholding		Total Shares held
	From	To	
103	1	100	4,308
150	101	500	46,577
83	501	1,000	68,080
179	1,001	5,000	463,513
66	5,001	10,000	514,125
15	10,001	15,000	180,985
11	15,001	20,000	199,537
7	20,001	25,000	163,840
4	25,001	30,000	112,924
5	30,001	35,000	159,755
3	35,001	40,000	114,190
4	40,001	45,000	169,339
4	45,001	50,000	188,104
1	50,001	55,000	51,630
2	55,001	60,000	115,812
1	60,001	65,000	60,866
2	65,001	70,000	137,832
2	80,001	85,000	162,712
2	95,001	100,000	195,562
1	100,001	105,000	104,936
1	120,001	125,000	121,584
1	140,001	145,000	140,073
1	175,001	180,000	176,713
1	260,001	265,000	263,262
1	315,001	320,000	320,000
2	495,001	500,000	1,000,000
1	1,455,001	1,460,000	1,460,000
1	4,115,001	4,120,000	4,116,618
1	9,995,001	10,000,000	10,000,000
1	24,575,001	24,580,000	24,577,213
<b>656</b>			<b>45,390,090</b>

# Categories of Shareholder

June 30, 2007

Categories of Shareholder	Shares Held	% age
<b>5.1 - Directors, Chief Executive Officer, Their Spouse and Children</b>		
<b>Directors</b>		
Mr. Basheer Ahmed Chowdry	10,000	0.02
Mr. Muhammad Moiz UI Haque	10,000	0.02
Mr. Muhammad Zahid	24,577,213	54.15
Mr. Javed Aslam Callea	11,250	0.02
Mr. Zafar Iqbal	500,000	1.10
Syed Shahnawaz A.Rizvi / Romana K.Rizvi	731	0.00
	<u>25,109,194</u>	<u>55.32</u>
<b>5.2 - Executives</b>		
	5,062	0.01
	<u>5,062</u>	<u>0.01</u>
<b>5.3 - Associated Companies, Undertakings &amp; Related Parties</b>		
Al-zamin Leasing Modaraba	500,000	1.10
Zahidjee Textile Mills Limited (CDC)	10,000,000	22.03
	<u>10,500,000</u>	<u>23.13</u>
<b>5.4 - NIT &amp; ICP (Name Wise Detail)</b>		
National Bank of Pakistan, Trustee Deptt. (CDC)	4,116,618	9.07
	<u>4,116,618</u>	<u>9.07</u>
<b>5.5 - Banks, DFI's, NBFIs</b>		
Banks, DFI's, NBFIs	5,129	0.01
Banks, DFI's, NBFIs (CDC)	548	0.00
	<u>5,677</u>	<u>0.01</u>
<b>5.6 - Modaraba and Mutual Funds</b>		
Modaraba and Mutual Funds	9,377	0.02
Modaraba and Mutual Funds (CDC)	145,069	0.32
	<u>154,446</u>	<u>0.34</u>
<b>5.7 - Other Companies</b>		
Other Companies	32,832	0.07
Other Companies (CDC)	1,844,698	4.06
	<u>1,877,530</u>	<u>4.14</u>
A. Local	383,932	0.85
A. Local (CDC)	3,237,631	7.13
	<u>3,626,625</u>	<u>7.99</u>
	<u>45,390,090</u>	<u>100.00</u>
<b>Shareholders More Than 10.00%</b>		
Mr. Muhammad Zahid	24,577,213	54.15
Zahidjee Textile Mills Limited	10,000,000	22.03

# 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, 10-B,  
Block E-2, Gulberg III, Lahore.  
UAN:042-111-912-912  
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)**

0823891-1

## **Auditors**

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

## **Legal Advisors**

Cornelius lane & mufti  
Advocate & Solicitors  
Ahmed & Qazi  
Advocate and Legal Consultants  
Agha Faisal Associates

## **Tax Consultant**

Anjum Asim Shahid Rahman & Co.

## **Banks & Lending Institutions**

Allied Bank Limited  
United Bank Limited  
National bank of Pakistan  
Habib Bank Limited  
The Bank of Punjab  
PICIC Commercial Bank Limited  
MCB Bank Limited  
Pak Oman investment Co. (Pvt) Limited  
Faysal Bank Limited  
Standard Chartered Bank Limited

The Bank of Khyber

Saudi Pak Industrial & Agriculture Investment Co. (Pvt) Limited  
Swiss Development Corporation  
Standard Chartered Moddaraba  
First Dawood Investment Bank Limited  
Orix Investment Bank Pakistan Limited  
Orix Leasing Pakistan Limited  
Saudi Pak Leasing  
CDC - Trustee KASB Liquid Fund  
Trustee Dawood Money Market Fund  
CDC Trustee - AKD Income Fund  
CDC Trustee - WE Balanced Fund  
CDC Trustee - Reliance Income Fund  
AMZ Plus Income Fund

## **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@ceslease.com

## **Chief Financial Officer**

Mr. Shahbaaz Wazir Ali Mithani  
Email: shahbaaz@ceslease.com

## **Company Secretary**

Mr. Syed Shahid Owais  
Email: owais@ceslease.com

## **Head of Investment Activities & Corporate Affairs**

Mr. Ali Akbar Abdullah  
Email: aliakbar@ceslease.com

## **Head of Operating Leases & Specialized Projects**

Mr. Mahboob ur Rehman  
Email: mahboob@ceslease.com

## **For Treasury & Banking Relations**

Mr. Syed Abid Raza Zaidi  
Email: raza@ceslease.com

## **For Leases & Advances**

Mr. M. Tayyab Baig  
Email: tayyab@ceslease.com

## **For Credit & Recovery**

Mr. Razi Aziz  
Email: razi@ceslease.com

# Branches Network

## Central Region

### Lahore Branch /Regional Office

Mr. Mohammad Naeem Baig SVP & Regional Manager  
Crescent Leasing Corporation Limited  
Second Floor, FB-II, Awami Complex,  
1-4, Usman Block , New Garden Town  
Lahore.

Tel: 042- 5940125-27  
Fax: 042- 5940119  
Cell : 0300-8410023  
Email : lahore@crelease.com

### Gujranwala Branch

Mr. Sajjad Ahmed Sandhu, Branch Manager  
Crescent Leasing Corporation Limited  
51-A, Adjacent Standard Chartered Bank,  
Trust Plaza, G. T Road ,  
Gujranwala.

Tel: 055- 3730308 , 055-3730300  
Fax: 055- 3731108  
Cell : 0300-6424114  
Email: gujranwala@crelease.com

### Multan Branch

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

Tel: 061- 4781699  
Fax: 061-4781599  
Cell: 0300-7315757  
Email: multan@crelease.com

### Faisalabad Branch

M. Khadim Hussain, Acting Branch Manager  
Crescent Leasing Corporation Limited  
6th Floor, State Life Building,  
2- Liaquat Road,  
Faisalabad.

Tel: 041-2612026  
Fax: 041-2626418  
Cell: 0300-9564317  
Email: faisalabad@crelease.com

## Northern 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@crelease.com

### Peshawar Branch

Mr. Jamal Shah, Acting 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- 9617375  
Email: peshawar@crelease.com

### Kohat Branch

Mr. Dilawar Khan, Acting 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@crelease.com

### Abbottabad Branch

Mr. Ehtishamul Haq Qureshi, Acting-B-M.  
Crescent Leasing Corporation Limited  
Upper Floor, Ali Plaza, Supply Bazar,  
Main Mansehra Road  
Abbottabad.

Tel: 0992 - 342437  
Fax: 0992 - 343148  
Cell: 0333-5036441  
Email: abbottabad@crelease.com

### Hyderabad Branch

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

Tel: 022-2728730  
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Cell : 0300-3733546  
Email: hyderabad@crelease.com

Affix  
Correct  
Postage

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

The logo for Cres Lease, featuring a stylized 'C' above the text 'Cres Lease'.

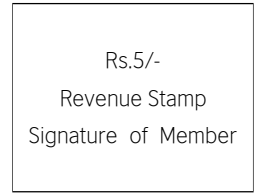
# Form of Proxy 20th Annual General Meeting

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 20th Annual General Meeting of the Company to be held on November 29, 2007 at 12:00 noon at Crescent Standard Tower, 4th Floor, 10-B, Block E-2, Gulberg III, Lahore, and/ or any adjournment thereof.

As witness my/our hand seal this \_\_\_\_\_ day of \_\_\_\_\_ 2007.  
Signed by \_\_\_\_\_ In the

presence of (i) \_\_\_\_\_  
(ii) \_\_\_\_\_



(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 authorized 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 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.