



**INNOVATIVE**  
HOUSING FINANCE LTD

*Progressive Alliance* >>>

# ANNUAL REPORT

2007



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## Corporate Information

### Board of Directors

Zafar Baidar Chishti Chairman & Chief Executive Officer

Abdur Razzaq  
Abid Kasem  
Asif Majid  
Javed Nizam  
Raja Muhammad Safdar  
Muhammad Tamraz Riaz

### Audit Committee

Muhammad Tamraz Riaz	Chairman
Javed Nizam	Member
Abdur Razzaq	Member

### Company Secretary

Numan Ali Amjad

### Chief Financial Officer

Muhammad Salman Haider

### Auditors

Avais Hyder Liaquat Nauman  
Chartered Accountants  
Avais Chambers, 1/C-5,  
Sikander Malhi Road,  
Canal Park, Gulberg II, Lahore

### Legal Advisors

Cornelius Lane & Mufti  
Nawa-e-Waqt House,  
4 Fatima Jinnah Road, Lahore

Hassan & Hassan (Advocates)  
PAAF Building, 7-D,  
Kashmir (Egerton) Road, Lahore

### Share Registrar

Hameed Majeed Associates (Pvt.) Limited  
H. M. House, 1st Floor,  
7, Bank Square, Lahore

### Registered Office

H. M. House, 7-Bank Square, Lahore

### Head Office

89-Y (Commercial Area), Phase III,  
DHA, Lahore Cantt.

## **Directors' Report to the Members**

The Board of Directors of Innovative Investment Bank Limited (formerly Innovative Housing Finance Limited) presents herewith the first annual audited financial statements for the period ended December 31, 2007 to the first Annual General Meeting of the shareholders.

### **GENERAL OVERVIEW**

#### **Macro-economic developments**

For most part of the year 2007, liquidity in the banking system was volatile but largely in surplus due to strong capital flows and softening credit demand. The State Bank of Pakistan (SBP) followed a tight monetary policy to check inflationary pressure arising to a large extent, out of hardening global energy and commodity prices during 2007. However, inflationary pressure was felt in all segments of economic activity, creating additional pressure on spiraling cost of production and purchasing power of rupee in general.

#### **Industry structure and development**

Pakistani Financial Institutions faced a new set of challenges brought about by changes in both the international and domestic environment. International credit markets tightened considerably on the back of rising defaults and foreclosures in the US mortgage market and the resultant risk aversion. Its impact was first felt in the mortgage-linked securities and the inter-bank markets. A number of large US and European Financial Institutions reported large loan losses and write-downs. The contagion effects subsequently spread to other asset classes including emerging markets bonds and equities. The turmoil in the financial sector also spilled over to the real estate sector. Growth in the G-7 economies, particularly US is expected to be slower in the coming years and this is likely to impinge on growth in other economies, including Pakistan.

#### **Risks and concerns**

While Financial Institutions in Pakistan have limited direct exposure to the international markets for mortgage linked securities, they are unlikely to be completely insulated from the turmoil in the global financial markets. Reduced availability of global finance through external commercial borrowings on the back of rising risk aversion in the global markets could affect domestic growth, particularly investments in capacity expansion. This in turn could have some impact on demand and supply for domestic credit.

Rising global commodity prices created inflationary pressures for most of 2007. A benign 'base-effect' and the suppression in the petroleum product prices kept headline wholesale price inflation in a pressurized zone for the whole of the year. However, given the focus on managing underlying price pressures rather than headline inflation, monetary policy showed no signs of easing in 2007. Thus banks operated in an environment where the central bank did not allow any surplus liquidity in the system, resulting in interest rates remaining firm.

Despite the prospects of a slowdown in the global economy, commodity price pressures, particularly those in food and mineral oils, show little sign of abating. As the base-effect wears off, headline inflation is likely to ramp up to well over 20%. So, inflation concerns are likely to influence monetary policy stance going forward and the prospect of an economic slowdown need not entail immediate monetary easing. Thus, the operating environment of financial institutions in the coming years could be a combination of slower credit growth and some upward bias in markup rates.

#### **Opportunities**

The financial system in Pakistan has witnessed considerably less turmoil and volatility than that in advanced economies. Given this scenario, domestic corporates are more likely to turn to local sources of funding. Cyclical slowdown is unlikely to impact segments of the economy such as agriculture where a structural shift is underway. The rural economy has been the greater focus of government policy in recent years, and significant opportunities lie for financial institutions here where the penetration of credit and financial products is still relatively low.

The government appears to be driving an ambitious programme in the power and infrastructure sectors and this represents major opportunities for banks and financial institutions to finance these investments.

Although growth in retail credit has moderated in the year (2007), the low penetration levels of retail credit, the shift in demographics towards a higher proportion of younger working population, the changing attitudes towards borrowings, higher income levels amongst the growing middle class, and the large pent-up demand for housing, cars, etc., all augur well for the long-term, sustainable growth of retail lending in the Pakistani market.

## Directors' Report to the Members

### MISSION AND BUSINESS STRATEGY

Our mission is to continue with 'progressive alliances' and be amongst the top Financial Institutions in Pakistan benchmarking ourselves against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit & compliance. The objective is to build sound customer base across distinct businesses so as to be a preferred provider of financial services for target customer segments, and to achieve a healthy growth in profitability, consistent with Company's risk appetite. We are committed to do this while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance.

Our business strategy emphasizes the following:

- Increase our market share in the expanding financial services industry by following a disciplined growth strategy focusing on balanced quality and volume growth while delivering high quality customer services;
- Leverage our technology platform and open scalable systems to deliver more products to more customers and to control operating costs;
- Maintain high standards for asset quality through disciplined credit risk management;
- Develop innovative products and services that attract our targeted customers and address inefficiencies in the financial sector.
- Continue to develop products and services that reduce our cost of funds; and
- Focus on healthy earnings growth with low volatility.

### BUSINESS OPPORTUNITIES AND THREATS

#### Opportunities

- Scalability through increased brand awareness, market penetration and service offerings across all categories of financial services
- Increase in customer's wallet share
- Leveraging the latest technology for providing quality and client centric services
- Growth in economy would lead to higher demand for credit
- Growing middle class - consumers with high earnings

#### Threats

- Increasing markup rate scenario
- Rising inflation
- Execution risk
- Competition from local and multinational players
- Slowdown in global liquidity flows

### RISK MANAGEMENT

The very true nature of the business, particularly in today's rapidly changing operating environment, entails managing complex and variable risks in a disciplined manner. The Company has developed in-house skills to manage key areas of risk viz., credit risk, market risk, liquidity risk and operational risk. The Company's risk management architecture is overseen by the Board of Directors and appropriate policies to manage risks are approved by the management. Senior management committees like the various credit and investment committees, ALCO, and the operational risk committees, develop and implement the risk policies.

In respect of credit risk, emphasis is currently placed on evaluation and containment of risk at individual exposures for non-schematic loans and analysis of portfolio behavior in case of schematic loans. Market risk measurement on portfolios uses both statistical and non-statistical measures to monitor risks with triggers in cases of breaches in the pre-accepted levels of identified risks. Liquidity risk is managed by monitoring maturity mismatch over successive time bands on a static and dynamic basis. In the areas of operational risks, the Company has created a framework to monitor the resultant risk and to capture loss data.

### AMALGAMATION WITH CRESCENT STANDARD INVESTMENT BANK LIMITED

Innovative Housing Finance Limited (IHFL) was incorporated on March 29, 2007 as a public limited company under the Companies Ordinance, 1984. The Securities and Exchange Commission of Pakistan vide its order dated June 26, 2007 in terms of Section 282L of the Companies Ordinance 1984 granted approval for amalgamation of the former Crescent

## Directors' Report to the Members

Standard Investment Bank Limited (CSIBL) with and into IHFL. As per requirements of the said amalgamation order, the books of accounts of CSIBL were closed on June 28, 2007 and opening balances were taken into the books of accounts of IHFL on June 29, 2007.

This was the first privately funded rescue of a failed financial institution in Pakistan by a foreign investor. It took over six months of hectic negotiations and due diligence by the sponsor group to acquire the assets and liabilities of the former Crescent Standard Investment Bank Limited via a scheme of amalgamation with Innovative Housing Finance Limited. During the whole process of negotiations for this amalgamation, the Securities and Exchange Commission of Pakistan extended its full guidance and support without which this smooth transition would not have been possible.

The Company has also benefited from the equity injection of Rupees 800 million by the sponsors.

### CHANGE OF NAME

Effective from February 7, 2008, the name of the Company has been changed to Innovative Investment Bank Limited (IIBL).

### OPERATIONAL REVIEW:

The financial results of the Company from the date of incorporation to December 31, 2007 are summarized below:

	Rupees in '000'
Gross income	892,389
Expenditures	(288,309)
<b>Profit before provisions</b>	<b>604,080</b>
Provisions for doubtful receivables - Net	(248,440)
<b>Profit before taxation</b>	<b>355,640</b>
Provision for taxation	(3,288)
<b>Profit after taxation</b>	<b>352,352</b>
Basic earnings per share - Rupees	<b>6.23</b>

The profit for the period does not reflect operating result of the Company rather it mainly comprises of restructuring and settlements of liabilities resulting in reversal of provisions and earlier suspended income on the assets given in settlement of these liabilities.

The major portion of the financial year was spent in settling financial, legal and administrative issues. In parallel, we negotiated settlements with depositors, corporate lenders and other creditors inherited from former CSIBL. It was due to the support and understanding of these stakeholders that we achieved rescheduling of the debts. We are very much obliged to them and appreciate the sacrifices made by them for the revival of the Institution.

### DEBT RESTRUCTURING

During the period under review, your Company has successfully negotiated with the financial institutions the restructuring of their debts with extended repayment terms, a considerable grace period and lower markup rates. We need their support and help in the future as well. We hope that we will be able to contribute positively to their profitability.

Repayment plan was furnished to all depositors without reducing principal amounts and preference was given to individuals and charitable trusts.

## Directors' Report to the Members

The Company took over total customers' deposits of Rupees 5,292.62 million from former CSIBL. A brief of the taken-over position and balance outstanding after settlements / repayments is given below:

Description	No. of clients	Rupees in '000'
Taken over deposits as at June 28, 2007	572	5,292,619
Total repayments / settlements during the period	534	2,081,843
Balance outstanding as at December 31, 2007	335	3,210,776

These restructuring measures will improve the future liquidity and profitability of the Company.

### FUTURE PROSPECTS AND OUTLOOK

The focus of the management is to improve the quality of its assets and achieve profitable growth in order to achieve the ultimate objective of long term shareholder value creation. Your Company believes that the present economic scenario offers immense opportunities for it to grow in scale and reach, coupled with value creation. We are confident that with its present integrated business model, it shall be able to take advantage of the significant growth opportunities in the coming years.

The Company inherited a large portfolio of properties from CSIBL. We will develop and market a significant portion of the properties to maximize the value to stakeholders.

On the corporate side, we intend to concentrate on Advisory, raising of capital and capital restructuring and re-financing sectors. We feel that our industry is undercapitalized and we expect further calls for capital to be made via long term bonds and commercial papers. This area requires expertise especially in restructuring of capital base, consolidation and mergers.

We intend to be active in providing service to the expatriate Pakistani community in Europe and in the Middle East. Investment opportunities for this sector will be provided as managed portfolios, deposit accounts, real estate investments and specially created portfolio entities.

We plan to enhance our market share in housing finance, leasing and investment finance services.

### SAFE HARBOUR

This document contains certain forward looking statements based on current expectations of the management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in Pakistan and outside Pakistan, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of your Company as well as its ability to implement the strategy. Your Company does not undertake to update these statements.

This document does not constitute an offer or recommendation to buy or sell any securities of Innovative Investment Bank Limited or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by Innovative Investment Bank Limited, including but not limited to any third party products (like insurance policies, mutual funds, modarabas, etc.).

### LISTING OF SHARES

The Company has applied to the regulatory authorities for listing of its shares on all the three stock exchanges of the country. This will be done after completion of all the legal formalities and obtaining necessary approvals.

### CREDIT RATING

The process of credit rating of the Company shall be initiated after the Annual General Meeting.

## Directors' Report to the Members

### BRANCH NETWORK

The Branch network is being revamped and at present the operations of the Company are being done through its five branches located in Karachi, Lahore, Mirpur AJK, Islamabad and Peshawar. Branch network will be increased gradually to improve customer base and presence in the market.

### DIVIDEND

As the Company is currently in the initial process of business development, being first year in the business cycle, and keeping in view the inherited accumulated losses due to the merger, the Board of Directors has not recommended any dividend for the period ended December 31, 2007.

### INNOVATIVE BROKERAGE (PRIVATE) LIMITED

Subsequent to the year end, the Company has incorporated Innovative Brokerage (Private) Limited (IBL) as its wholly owned subsidiary company, to undertake the business of stock and commodities brokerage. Accordingly, the Company is in process of transfer of its seats of Lahore Stock Exchange and National Commodities Exchange to IBL.

### BOARD OF DIRECTORS MEETING

Eleven board meetings were held during the year under review. Attendance by each director is as follows:

Directors' Name (In alphabetic order)	Number of Meetings	
	In Tenor	Attendance
Syed Mahboob Husain	11	11
Professor Dr. Imran Ali	11	11
Khawaja Basit Waheed	11	10
Qambar Hamid	11	11
Zafar Baidar Chishti	11	2
Muhammad Tamraz Riaz	11	1
Ms. Razia Bibi	11	1

Leave of absence was granted to the directors who could not attend some of the Board meetings.

### AUDITORS' REPORT

Without qualifying their opinion, the auditors have drawn attention of the users towards the fact that the balances of assets and liabilities of former CSIBL taken over by IHFL were unaudited and also IHFL did not recognize goodwill at the time of amalgamation with former CSIBL.

The balances of assets and liabilities of former CSIBL, which were taken over by IHFL at the time of amalgamation, were from the scheme of amalgamation duly approved by the Securities and Exchange Commission of Pakistan. Regarding the recognition of goodwill at the time of amalgamation, the management was of the view that even if any goodwill was recognized at the time of amalgamation as per requirements of IFRS 3, it would have been fully impaired at the period end due to adverse conditions prevailing at the balance sheet date, resulting in nil effect in these financial statements. Therefore, goodwill was not recognized at the time of amalgamation.

### AUDITORS

The Board of Directors of the Company appointed M/s. Hameed Chaudhry & Company, Chartered Accountants, as the first auditors of the Company at the time of incorporation. These auditors have resigned on 16 September 2008.

In order to fill the vacancy of the auditors, the Board of Directors has appointed M/s. Avais Hyder Liaquat Nauman, Chartered Accountants as auditors of the Company for the year 2007. These auditors have retired and offer themselves for reappointment. The Board of the Company has recommended their reappointment for the year ended December 31, 2008.



## Directors' Report to the Members

### AUDIT COMMITTEE

The current audit committee comprises of three non-executive directors. Name of the members are given below:

Muhammad Tamraz Riaz - Chairman  
Javed Nizam - Member  
Abdur Razzaq - Member

### INTERNAL AUDIT AND COMPLIANCE

The Company has Internal Audit and Compliance functions which are responsible for independently evaluating the adequacy of all internal controls and ensuring operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. The audit function also pro-actively recommends improvements in operational processes and service quality. To ensure independence, the Audit department has a reporting line to the Audit Committee of the Board and only indirectly to the CEO. To mitigate operational risks, the Company has put in place extensive internal controls including restricted access to the Company's computer systems, appropriate segregation of front and back office operations and strong audit trails. The Audit Committee of the Board also reviews the performance of the Audit functions and reviews the effectiveness of the controls and compliance with regulatory guidelines.

### PATTERN OF SHAREHOLDING

The pattern of shareholding as on December 31, 2007 is annexed to this report.

### ACKNOWLEDGMENT

The management expresses its deep sense of gratitude to Regulatory Authorities, Banks, Financial Institutions and Certificate Holders for their guidance and continuous support for revival of the institution.

The management also wishes to express its profound appreciation for the executives and officers of the Company for strenuous efforts put in by them in pursuit of the Company's goals.

For and on behalf of the Board



Zafar Baidar Chishti  
Chief Executive Officer

January 06, 2009

## Auditors' Report to the Members

We have audited the annexed balance sheet of **INNOVATIVE HOUSING FINANCE LIMITED** ("the company") as at December 31, 2007 and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the 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 & 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 accounts and are further in accordance with accounting policies as stated in note 3 of the financial statements;
  - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the period 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 December 31, 2007 and of the profit, its cash flows and changes in equity for the period then ended; and
- d) in our opinion, Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion we draw attention to the note 4 to the financial statements which elaborates in detail the factors and impact on the financial statements of the following facts;

1. That the Company did not recognize Goodwill in accordance with the IFRS-3 'Business Combination' at the time of amalgamation.
2. That the balances acquired from Crescent Standard Investment Bank Limited (CSIBL) on acquisition as of June 28, 2007 are un-audited.

*Avais Hyder Liaquat Nauman*

**AVAIS HYDER LIAQUAT NAUMAN**  
Chartered Accountants

Date *14<sup>th</sup> January 2009*  
Place: Lahore

## Balance Sheet as at December 31, 2007

	Note	2007 Rupees in '000'
<b>NON-CURRENT ASSETS</b>		
Fixed assets	5	630,569
Investment properties	6	1,284,724
Long term investments	7	8,766
Musharika, morabaha and other finances	8	44,174
Net Investment in finance lease	9	37,475
Long term placement of funds	10	50,000
		2,055,708
<b>CURRENT ASSETS</b>		
Current maturities of non-current assets	11	608,972
Advances, deposits, prepayments and other assets	12	70,927
Mark-up and profit receivables	13	12,341
Other receivables	14	206,306
Short term investments	15	517,034
Short term placements	16	425,000
Cash and bank balances	17	181,161
		2,021,741
		4,077,449
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital		
220,000,000 ordinary shares of Rupees 10/- each	18	2,200,000
		2,200,000
Issued, subscribed and paid up share capital	19	806,300
Accumulated loss		(1,824,120)
		(1,017,820)
<b>UNREALIZED LOSS ON INVESTMENTS AVAILABLE FOR SALE</b>	20	(3,888)
<b>SUPPLEMENTARY CAPITAL</b>	21	66,050
<b>NON-CURRENT LIABILITIES</b>		
Liabilities against assets subject to finance lease	22	17,417
Long term financing	23	687,396
Long term customers' deposits	24	3,084,351
Long term security deposits	25	13,967
		3,803,131
<b>CURRENT LIABILITIES</b>		
Current maturities of non-current liabilities	26	253,184
Redeemable capital	27	89,904
Short term financing	28	24,036
Short term customers' deposits	29	26,364
Accrued and other liabilities	30	829,053
Unclaimed dividend		7,435
		1,229,976
Contingencies and commitments	31	-
		4,077,449

The annexed notes 1 to 52 form an integral part of these financial statements.



Chief Executive Officer



Director

## Profit and Loss Account for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>INCOME</b>		
Lease revenue	32	84,987
Return on finances and placements	33	54,868
Return on investments	34	80,761
Other income	35	671,773
		<hr/>
		892,389
<b>EXPENDITURES</b>		
Financial charges	36	109,286
Administrative and operating expenses	37	175,955
Impairment in value of investments	7	3,068
		<hr/>
		288,309
<b>PROFIT BEFORE PROVISIONS</b>		<hr/>
		604,080
<b>PROVISION FOR DOUBTFUL RECEIVABLES - Net</b>	39	(248,440)
		<hr/>
<b>PROFIT BEFORE TAXATION</b>		355,640
<b>PROVISION FOR TAXATION</b>	38	(3,288)
		<hr/>
<b>PROFIT AFTER TAXATION</b>		352,352
		<hr/> <hr/>
<b>EARNINGS PER SHARE - BASIC (Rupees)</b>	40	6.23
		<hr/> <hr/>

The annexed notes 1 to 52 form an integral part of these financial statements.



Chief Executive Officer



Director

## Cash Flow Statement for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation		355,640
<b>Adjustments for non cash and other items:</b>		
Gain on disposal of property and equipment		(467,535)
Depreciation		39,154
Impairment of fixed assets		13,610
Impairment in value of investments		3,068
Provision for doubtful receivables		248,440
Unrealized gain on remeasurement of investment properties		200,500
Losses acquired from CSIBL		(2,170,172)
Loss on disposal of investment properties		7,439
Gain on remeasurements of investment held for trading		(6,153)
		(2,131,649)
<b>Cash used in operating activities before working capital changes</b>		(1,776,009)
<b>Adjustments for working capital changes:</b>		
(Increase) / decrease in operating assets:		
Musharika, morabaha and other finances		(562,060)
Advances, deposits, prepayments and other assets		(13,762)
Mark up & profit receivable		(249,341)
Other receivable		(212,235)
Increase / (decrease) in operating liabilities:		
Customers' deposits		3,210,776
Short term financing		24,036
Redeemable capital		89,904
Accrued and other liabilities		829,053
Unclaimed dividend		7,435
		3,123,806
		1,347,797
Income tax (paid) / refund - Net		(24,540)
<b>Net cash generated from / (used in) operating activities</b>		1,323,257
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments - Net		(526,603)
Net investment in finance lease		(181,086)
Purchase of investment properties - Net		(1,492,663)
Placements of funds		(469,997)
Purchase of fixed assets - Net		(182,967)
<b>Net cash generated from/(used in) investing activities</b>		(2,853,316)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Paid up share capital		800,000
Supplementary capital		66,050
Long term financing		692,397
Security deposits		152,773
<b>Net cash generated from /(used in) financing activities</b>		1,711,220
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		181,161
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	17	181,161

The annexed notes 1 to 52 form an integral part of these financial statements.



Chief Executive Officer



Director

## Statement of Changes in Equity for the Period Ended December 31, 2007

	Issued, Subscribed and Paid-up Share Capital	Accumulated (Loss)/Profit	Shareholders' Equity
	( Rupees in '000' )		
Balance as at March 29, 2007	-	-	-
Paid up share capital	800,000	-	800,000
Losses taken up from CSIBL upon amalgamation (Note: 4)	-	(2,170,172)	(2,170,172)
Shares issued otherwise than in cash as per scheme of amalgamation (Note: 4)	6,300	(6,300)	-
Profit for the period	-	352,352	352,352
Balance as at December 31, 2007	806,300	(1,824,120)	(1,017,820)

The annexed notes 1 to 52 form an integral part of these financial statements.



Chief Executive Officer



Director

## Notes to the Financial Statements for the Period Ended December 31, 2007

**1. STATUS AND NATURE OF BUSINESS**

Innovative Housing Finance Limited (IHFL) hereafter referred as 'the Company' was incorporated on 29 March 2007 as a public limited company under the Companies Ordinance, 1984. The company is licensed to carry out investment finance services, leasing and housing finance services as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The Registered office of the Company is situated at H.M. House, 7 Bank Square, Lahore. The principal place of business is situated at Lahore and it operates through its branches in Karachi, Lahore, Islamabad, Peshawar and Mirpur (Azad Kashmir).

Innovative Housing Finance Limited is a subsidiary of Agen Limited B.V.I.

These financial statements are the separate financial statements of Innovative Housing Finance Limited. In addition to these financial statements, consolidated financial statements of the Company and its subsidiary companies, Maghreb Development Corporation (Private) Limited (MDCL) and International Assets Management Company Limited are also prepared.

The Company has applied to the regulatory authorities for listing of the company's shares on all the three stock exchanges of Pakistan.

**2. BASIS OF PREPARATION****2.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved International Financial Reporting Standards (IFRSs) as applicable in Pakistan, the requirements of Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (the Rules) and the directives issued by SECP from time to time. Approved accounting standards comprise of such IFRSs as notified under the provisions of Companies Ordinance, 1984. Wherever the requirements of Companies Ordinance, 1984, the Rules or Directives differ with the requirements of these standards, the requirements of Companies Ordinance, 1984, the Rules or the requirements of the said directives take precedence. Reasons for deviation from requirements, wherever made, have been disclosed.

**2.2 Accounting convention**

These financial statements have been prepared under the historical cost convention as modified by remeasurement of investments (Note 3.4) and exchange differences (Note 3.14).

**2.3 Standards, interpretations and amendments to published approved accounting standards effective in 2007**

Amendments to International Accounting Standard (IAS) 1 - 'Presentation of financial statements- Capital Disclosure' introduces certain new disclosures about the level of companies capital and how the company manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 43 to these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 01, 2007 and are not considered relevant or do not have any significant effect on Company's operations, are not detailed in these financial statements.

**2.4 Critical accounting estimates and judgements**

The preparation of financial statements in conformity with approved accounting standards require the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements are as follows:

- Useful life of depreciable assets
- Taxation
- Impairment
- Provisions & contingencies

## Notes to the Financial Statements for the Period Ended December 31, 2007

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.1 Fixed assets****Owned assets**

These are stated at cost / acquisition amount less accumulated depreciation and impairment loss, if any, except capital work-in-progress and freehold land which are stated at cost.

Depreciation on fixed assets is charged to profit & loss account on straight-line basis to write off the assets over their expected useful lives. Depreciation is charged on assets acquired during the year from the month of purchase and on assets disposed off during the year up to the month of disposal.

Minor renewals, replacements, maintenance, repairs and gains or losses on disposal of fixed assets are taken to profit and loss account. Major renewals and improvements are capitalized.

**Assets subject to finance lease**

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Financial charges related to leased assets are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged using 'straight line method' at the rates specified in note 5.

**Assets leased out under operating lease arrangements**

Assets leased out under operating lease arrangements are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account over the expected useful life of the assets.

**3.2 Intangible assets****Computer Software**

These are stated at cost less accumulated amortization and impairment loss, if any. Amortization is charged to profit & loss account on the straight line method whereby the cost of an asset is written-off over its estimated useful life. Amortization is charged from the month the software is brought in use till the month of its disposal.

**Cards & rooms**

These are initially recognized at cost, being the fair value of the consideration given including charges associated with the acquisition. Subsequent to initial recognition, these are carried at the revalued amounts for fair presentation in accordance with International Accounting Standard - 38 'Intangible Assets'.

**3.3 Investment properties**

The Company has followed the fair value method in accounting for Investment Properties which are inherited from CSIBL. Fair value is assessed mainly on the basis of valuation obtained from approved valuers on the panel of the Pakistan Banks Association. Changes in fair value & gain and loss on disposal of investment properties are recognized in profit and loss account. Work in progress is stated at cost.

**3.4 Investments**

The company determines appropriate classification of its investments at the time of purchase and re-evaluates this classification on a regular basis. The existing investment portfolio of the Company's has been categorized as follows.

**Held for trading**

These are investments which are acquired principally for the purpose of generating profits from short term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short term profit taking exists.

**Held to maturity**

These investments have fixed maturity and are acquired with the intention and ability to hold up to maturity.

**Available for sale**

These are investments which do not fall under the 'held for trading' and 'held to maturity' categories and may be sold in response to the need for liquidity or changes in yield rates.



**Notes to the Financial Statements for the Period Ended December 31, 2007**

Investments in securities are initially recognized at cost, being the fair value of the consideration given including charges associated with the purchase of investments.

Subsequent to initial recognition, investments in listed securities, other than investments in shares of associated undertakings (where the company can exercise significant influence and has the intention to hold these for the foreseeable future), are determined with reference to rates quoted at the Karachi Stock Exchange at close of business on the reporting date. The difference, if any, between the carrying amounts and the revalued amounts of investments held for trading is taken to profit & loss account and in case of investments available for sale, the resulting surplus / (deficit) is kept in a separate account and shown in the balance sheet below the shareholders' equity as surplus / (deficit) on revaluation of investments. Held to maturity securities are measured at amortized cost using the effective interest rate method. Gain or loss is recognized in profit or loss when these investments are derecognized.

Investments are derecognized when the right to receive the cash flows from the investments has expired, has been realized or transferred and the Company has transferred substantially all risks and rewards of ownership.

Impairment in value of investments available for sale and held to maturity are recognized in profit or loss for the year.

Investments in associated undertakings, where the company can exercise significant influence and in which the company has the intent and ability to hold for the foreseeable future, are remeasured by using the equity method.

Investments in unlisted securities are stated at cost. Any impairment in value of investments is charged to profit & loss account.

**3.5 Musharika, morabaha and other finances**

Finances in the form of long term loans and short term loans includes musharika finance, morabaha finance and other finance. These are stated at cost less any write offs and provisions for doubtful finance, if any.

**3.6 Net investment in finance lease**

Leases where the company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessees are classified as finance leases. Receivables against finance leases are recognized at an amount equal to present value of minimum lease payments including any guaranteed residual value and excluding un-earned finance income write-offs and provision for doubtful lease finances, if any.

**3.7 Cash and cash equivalents**

Cash and cash equivalents comprise of cash and bank balances and carried in the balance sheet at cost.

**3.8 Impairment**

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit & loss account.

**3.9 Taxation****Current taxation**

Provision for current taxation is based on taxable income at applicable rates of taxation after taking into account tax credits and rebates available, and adjustments in respect of prior years, if any.

**Deferred taxation**

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

## Notes to the Financial Statements for the Period Ended December 31, 2007

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and un-absorbed tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and un-absorbed tax losses can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

### 3.10 Employee benefits

#### Defined contribution plan

The company operates a provident fund scheme for all its permanent employees. The Company and its employees make equal monthly contributions at the rate of 10% of basic salary. The Company is in the process of getting the fund recognized from the taxation authority.

#### Employees compensated absences

The Company provides for the liability in respect of employees compensated absences in the year in which these are earned.

### 3.11 Revenue recognition

Profit/mark-up/return on musharika, morabaha and other finances, placements of funds, term finance certificates and government securities etc, are recognized on time proportion basis taking into account the effective yield on the instrument / declaration of profit by the musharika partner.

#### Fees and commission are recognized as income when earned.

In case of finance leases, the unearned finance income is amortized to income over the lease term by applying the annuity method to produce a constant rate of return on the net investment in lease. Operating lease rentals are recognized as income on accrual basis over the lease period.

Dividend from equity securities is recognized when the right to receive payment is established.

Gains / losses arising on sale of investments are taken to the profit & loss account in the period in which they arise.

When recovery is considered doubtful or expectations of ultimate collection are uncertain, the income is recognized on actual receipt basis.

### 3.12 Foreign currency translation

Transactions in foreign currencies are accounted for in Pak Rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date. Liabilities in foreign currencies for which the company has taken forward exchange cover are converted at the contracted rates. Outstanding forward foreign exchange contracts are translated at rates applicable to respective maturities. Exchange gains/losses on translations and exchange risk coverage fee are taken to profit and loss account.

### 3.13 Provision for bad and doubtful loans/ receivables

Classified assets are stated net of provisions made in accordance with the Prudential Regulations for NBFs. The provision made/reversed during the year is taken to profit and loss account. Assets are written off when there are no realistic prospects of their realizability. Once a financial asset has been classified, income is not recognized in accordance with Prudential Regulations for NBFs until actually realized.

## Notes to the Financial Statements for the Period Ended December 31, 2007

**3.14 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the outflow can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**3.15 Redeemable capital / term finance certificates**

Term finance certificates are initially recognized at fair value less transaction costs that are directly attributable to the issue of TFCs. The transaction costs are amortized over the term of TFCs using the effective interest method.

**3.16 Related party transactions**

Transactions between the Company and related parties are conducted on arm's length basis.

**3.17 Trade and settlement date accounting**

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date the Company commits to purchase / sell the asset. Other financial instruments are recognized on settlement date basis.

**3.18 Assets acquired in satisfaction of claims**

Assets acquired in settlement of non-performing finances/leases are stated at lower of the agreed settlement price or fair value of the related asset. Any impairment is recognized in profit and loss account.

Gains and losses on disposal are taken to profit and loss account unless recoverable from / payable to the customer.

**3.19 Financial instruments**

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. Any gain/loss on de-recognition of the financial asset or financial liability is included in the profit/loss for the period to which it relates.

**Financial Assets**

Financial assets comprise of cash and bank balances, investments, placements, finances, net investment in finance leases and advances, deposits, mark-up and profit receivable and other receivables.

**Financial Liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are redeemable capital, security deposits, customers' deposits, borrowings, liabilities against assets subject to finance lease and accrued and other liabilities.

**Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when the Company has a legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense arising from such assets and liabilities are also offset with each other.

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 4 SIGNIFICANT EVENTS DURING THE PERIOD

## 4.1 Business combination

Crescent Standard Investment Bank Limited (CSIBL) has been amalgamated with and into Innovative Housing Finance Limited (IHFL) on June 29, 2007 in accordance with the scheme of amalgamation sanctioned on 26 June 2007, by the Securities and Exchange Commission of Pakistan in terms of Section 282L of the Companies Ordinance 1984. Pursuant to the scheme of amalgamation, the entire business, assets, properties, rights, authorizations, licenses, privileges and liabilities of CSIBL stand vested in the Company. All suits, appeals, attributions, investigations and other legal proceedings by or against CSIBL are deemed as suits, appeals and legal proceedings by or against IHFL. CSIBL, without winding up, stands dissolved and ceased to exist with effect from 28 June 2007.

The balances of CSIBL taken for the purpose of amalgamation were un-audited. These balances were taken from the scheme of amalgamation approved by SECP under Section 282L of the Companies Ordinance 1984. Copy of the order is annexed as Annexure - A, which is integral part of these financial statements.

The effects of the said merger have been incorporated in these financial statements in accordance with the accounting treatment related to acquisition using purchase method. The assets and liabilities of the merging entity have been adjusted to conform with the accounting policies of the combined enterprise.

As per the requirements of IFRS 3, the effect of goodwill, if any, arising due to amalgamation of both the companies have to be taken into financial statements of the acquirer Company. However, as per the estimates of the management of the acquirer Company even if the effect of goodwill had been taken into account at the time of amalgamation of both the companies, it would have been fully impaired by the end of the financial year resulting into nil effect in these financial statements. Therefore, the effect of goodwill, if any, has not been taken into account in these financial statements.

The amalgamation has been accounted for by merging the following assets and liabilities of the CSIBL as on the opening of business on the effective date, i.e., 29 June 2007, as per the scheme of amalgamation. As per the swap ratio determined in scheme of amalgamation, 1 share of IHFL has been issued against 200 shares of CSIBL. The swap ratio has been determined on the basis of financial statements of IHFL and CSIBL as of 15 April 2007.

Rupees in '000'

**Assets**

Cash and bank balances	248,604
Placement of funds	18,000
Investment	835,956
Investment properties	1,405,155
Musharika, morabaha and other finances	829,432
Net investment in finance lease	670,486
Advances, deposits, prepayments, deferred and other assets	85,133
Accrued income and other receivables	437,099
Property, plant and equipment	1,378,150
Intangibles- Rooms and cards	18,500
	5,926,515

**Liabilities**

Redeemable capital	233,801
Borrowings	1,480,807
Customers' deposits	5,292,619
Security deposit against finance lease	298,545
Liabilities against assets subject to finance lease	4,215
Accrued and other liabilities	705,824
Unclaimed dividend	7,435
	8,023,246

**Net assets**

(2,096,731)

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 4.2 Settlement with The Bank of Punjab

The Company entered into a settlement agreement with The Bank of Punjab (BOP) during the period. Under the term of this agreement, the following amounts were settled, the adjustments of which have been made under their appropriate heads:

	Note	2007 Rupees in '000'
Assets taken over by BOP		
Fixed Assets - 7 floors of Crescent Standard Tower	5	1,200,000
Net investment in finance lease - Leases assigned	9	323,306
		1,523,306
Liabilities settled by BOP		
Customers' deposits	24 & 29	(1,130,000)
Redeemable capital	27	(132,000)
Long term financing	23	(389,688)
Accrued and other liabilities - markup payable	30	(81,402)
		(1,733,090)
Other income	35	(209,784)
		(209,784)

## 4.3 Settlement with crescent group

The Company entered into a settlement agreement with the Crescent Standard Business Management (Pvt.) Limited (CSBM). The details of the agreement are as follows:

**Share purchase agreement**

Certificate of deposits (COIs) payable to Crescent Group	402,023
Less: Sale of shares against COIs	(316,997)
	85,026
Payable to CSBM	(322,084)
Receivable against sale of shares - CSBM	(237,058)
Net amount receivable from CSBM	(237,058)

**Settlement agreement**

Musharika, Morabaha and other finances	8	78,897
Net investment in finance lease	9	1,714
Advances, deposits, prepayments and other assets	12	70,579
Mark-up and profit receivables	13	30,662
Short term placements	16	13,597
		195,449
Consideration paid		(180,993)
Amount written off		14,456

## Notes to the Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>5</b>	<b>FIXED ASSETS</b>	
Property, plant and equipment	5.1	479,496
Intangible assets	5.2	40,045
		519,541
Capital work in progress	5.3	111,028
		<u>630,569</u>
<b>5.1</b>	<b>Property, plant and equipment</b>	
Operating fixed assets - held for own use	5.1.1	452,705
Assets subject to finance lease	5.1.2	17,546
Assets leased out under operating lease arrangements	5.1.3	9,245
		<u>479,496</u>

## 5.1.1 Operating fixed assets - held for own use

	Freehold land	Building on freehold land	Building on leasehold land	Leasehold improvement	Plant and machinery	Furniture and fixture	Vehicles	Office equipment	Books	Total
	----- Rupees in '000' -----									
As at March 29, 2007										
Cost	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-	-	-	-
Assets taken over from CSIBL (at cost)	195,120	1,180,102	64,269	19,624	29,332	48,233	11,317	66,337	641	1,614,975
Additions during the period (at cost)	82	1,383	-	1,020	5,700	-	1,698	4,875	-	14,758
Disposals:										
Cost	(4,882)	(832,477)	-	-	(10,299)	(6,124)	(1,990)	(1,080)	-	(856,852)
Accumulated depreciation	-	99,317	-	-	7,108	4,664	1,229	926	-	113,244
Transfer to investment property	(4,882)	(733,160)	-	-	(3,191)	(1,460)	(761)	(154)	-	(743,608)
Written off	-	(140,400)	-	-	-	-	-	-	-	(140,400)
Accumulated depreciation on assets taken over from CSIBL	-	(120,671)	(16,809)	(12,745)	(23,925)	(30,838)	(9,947)	(56,999)	(606)	(272,540)
Depreciation for the year	-	(5,192)	(1,607)	(661)	(3,387)	(3,083)	(369)	(4,048)	(17)	(18,364)
Closing net book value	<u>190,320</u>	<u>182,062</u>	<u>45,853</u>	<u>7,238</u>	<u>4,529</u>	<u>10,736</u>	<u>1,938</u>	<u>10,011</u>	<u>18</u>	<u>452,705</u>
As at December 31, 2007										
Cost	190,320	208,608	64,269	20,644	24,733	39,993	11,025	70,132	641	630,365
Accumulated depreciation	-	(26,546)	(18,416)	(13,406)	(20,204)	(29,257)	(9,087)	(60,121)	(623)	(177,660)
Net book value	<u>190,320</u>	<u>182,062</u>	<u>45,853</u>	<u>7,238</u>	<u>4,529</u>	<u>10,736</u>	<u>1,938</u>	<u>10,011</u>	<u>18</u>	<u>452,705</u>
Depreciation rate per annum (%)	Nil	5	5	10	10	20	25	33	20	

Notes to the Financial Statements for the Period Ended December 31, 2007

5.1.2 Assets subject to finance lease

	Office equipment	Vehicles	Total
	----- Rupees in '000' -----		
As on March 29, 2007			
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book value	-	-	-
Assets taken over from CSIBL (at cost)	7,051	470	7,521
Additions during the period (at cost)	-	36,666	36,666
Disposals:			
Cost	-	(1,789)	(1,789)
Accumulated depreciation	-	1,554	1,554
	-	(235)	(235)
Adjustments - accumulated depreciation	-	(9,089)	(9,089)
Accumulated depreciation on assets taken over from CSIBL	(4,357)	(235)	(4,592)
Depreciation charge for the year	(1,163)	(11,562)	(12,725)
Closing net book value	1,531	16,015	17,546
As at December 31, 2007			
Cost	7,051	35,347	42,398
Accumulated depreciation	(5,520)	(19,332)	(24,852)
Net book value	1,531	16,015	17,546
Depreciation rate per annum (%)	33	25	

5.1.3 Assets leased out under operating lease arrangements

	Plant and Machinery
	Rs. in '000'
As on March 29, 2007	
Cost	-
Accumulated depreciation	-
Net book value	-
Assets taken over from CSIBL (at cost)	-
Additions during the period (at cost)	17,310
Disposals:	
Cost	-
Accumulated depreciation	-
Accumulated depreciation on assets taken over from CSIBL	-
Depreciation charge for the year	(8,065)
Closing net book value	9,245
As at December 31, 2007	
Cost	17,310
Accumulated depreciation	(8,065)
Net book value	9,245
Depreciation rate per annum (%)	10

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 5.1.4 Detail of fixed assets sold during the period:

Description of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Direct write off	Mode of disposal	Buyer's Particulars
----- (Rupees in '000') -----								
<b>PROPERTY, PLANT AND EQUIPMENT</b>								
<b>Land and Building</b>								
7 Floors of Crescent Standard Tower, Lahore	832,477	99,317	733,160	1,200,000	466,840	-	loan settlement agreement	The Bank of Punjab
Plot No. 2 Street 32, Sector G 13/2, Islamabad.	4,882	-	4,882	4,800	(82)	-	Negotiation	Muhammad Shafique
	837,359	99,317	738,042	1,204,800	466,758	-		
<b>Office equipment</b>								
Laptop	128	128	-	23	23	-	As per Policy	Wasim Ahmed Sheikh - Ex Executive *
Air conditioners	135	135	-	29	29	-	Negotiation	Friend House Hold Trader
Split Air conditioners	31	20	11	31	20	-	Settlement	Mustang Security Services
Canopy of Generator	574	521	53	-	(53)	-	Adjustment	Jamal Textile Mills Ltd.
Laptop	67	42	25	23	(2)	-	As per Policy	Javed Akhtar Mangroria-Ex Executive *
Laptop	145	80	65	60	(5)	-	As per Policy	Nadeem Javed - Ex Executive *
	1,080	926	154	166	12	-		
<b>Furniture</b>								
Furniture	30	30	-	-	-	-	As per Policy	Syed Tahir Hussain-Employee *
Furniture	30	30	-	-	-	-	As per Policy	Saad Yahya Malik-Executive *
Furniture	50	50	-	13	13	-	As per Policy	Nadeem Javed - Ex Executive *
Furniture	50	50	-	13	13	-	As per Policy	Wasim Ahmed Sheikh - Ex Executive *
Furniture	20	20	-	-	-	-	As per Policy	Syed Sajjad Haider - Ex Executive *
Furniture	20	14	6	9	3	-	As per Policy	Mukhtar Ahmed Cheema - Executive *
Furniture	10	4	6	6	-	-	As per Policy	Mukhtar Ahmed Cheema - Executive *
Furniture	20	7	13	13	-	-	As per Policy	Saad Yahya Malik-Executive *
Furniture	30	22	8	8	-	-	As per Policy	Javed Akhtar Mangroria- Ex Executive *
Furniture	60	60	-	2	2	-	Negotiation	Sold to Scrap dealer
Furniture	2,090	931	1,159	711	(448)	-	Negotiation	Shakargunj Mills Ltd
Furniture	336	158	178	114	(64)	-	Negotiation	Shakargunj Mills Ltd
Furniture	40	28	12	3	(9)	-	As per Policy	Khawaja Tauqeer Ahmad-Executive *
Furniture	20	5	15	15	-	-	As per Policy	Uzma Sultan - Executive *
Furniture	20	14	6	6	-	-	As per Policy	Habib A. Chaudhry - Executive *
Furniture	100	70	30	30	-	-	As per Policy	Nasir Ayub - Executive *
Furniture	50	23	27	28	1	-	As per Policy	M. Saleem Qadri - Executive *
Furniture	2,116	-	2,116	-	-	(2,116)	Written Off	The amount charged to direct write off
Furniture	3,148	3,148	-	-	-	-		Assets fully depreciated written off
	8,240	4,664	3,576	971	(489)	(2,116)		
<b>Vehicle</b>								
Motor Cycle	64	64	-	64	64	-	As per Policy	Saad Yahya Malik - Executive *
KIA Classic LXy-465	213	32	181	182	1	-	Negotiation	Tallat Mahmood Alvi
Suzuki 100 Motorcycle 1052	49	49	-	6	6	-	Negotiation	Al-Madina Autos
Toyota Corolla 1.6 GLI	580	-	580	205	(375)	-	Negotiation	Amir Saleem
Suzuki 100 Motorcycle KAV-3623	70	70	-	6	6	-	Negotiation	Al-Madina Autos
Suzuki 100 Motorcycle KCT-6275	45	45	-	6	6	-	Negotiation	Al-Madina Autos
Suzuki 110 Motorcycle KCT-8851	65	65	-	6	6	-	Negotiation	Al-Madina Autos
Hero Honda 70 Motorcycle KAC-6349	45	45	-	6	6	-	Negotiation	Al-Madina Autos
Honda City - CAN 973	859	859	-	200	200	-	Negotiation	Syed Riaz Ahmed
	1,990	1,229	761	681	(80)	-		
<b>Plant &amp; Machinery</b>								
Generator sets	10,299	7,108	3,191	3,475	284	-	Negotiation	Mega Group of Engineers, Karachi.
	10,299	7,108	3,191	3,475	284	-		
<b>ASSETS SUBJECT TO FINANCE LEASE</b>								
<b>Vehicles</b>								
Toyota Corolla- JU 468	940	705	235	810	575	-	As per Policy	Mr. Rahat Ullah Khan - Ex Executive *
Toyota Corolla- AFJ - 365	849	849	-	475	475	-	As per Policy	Mr. Sohail A. Shaikh - Ex Executive *
	1,789	1,554	235	1,285	1,050	-		
<b>GRAND TOTAL</b>	<b>860,757</b>	<b>114,798</b>	<b>745,959</b>	<b>1,211,378</b>	<b>467,535</b>	<b>(2,116)</b>		

\* Represent related parties

## 5.1.5 Cost of fully depreciated assets in use is Rupees 88.449 million.



## Notes to the Financial Statements for the Period Ended December 31, 2007

## 5.2 Intangibles

	Software	Room	Membership cards			Total
	Oracle Financial	National Commodity Exchange Limited	National Commodity Exchange Limited	Lahore Stock Exchange (Guarantee) Limited	Dubai Gold and Commodity Exchange, Dubai	
	----- Rupees in '000' -----					
As at 29 March 2007						
Cost	-	-	-	-	-	-
Accumulated amortization	-	-	-	-	-	-
Net book value	-	-	-	-	-	-
Intangibles taken over from CSIBL (at cost)	2,492	2,500	15,000	-	6,097	1,000
Amortization taken over from CSIBL	(1,382)	-	-	-	-	-
Additions during the period (at cost)	-	-	-	27,948	-	-
Impairment charge for the year	(1,110)	-	(12,500)	-	-	-
Closing net book value	-	2,500	2,500	27,948	6,097	1,000
As at 31st December 2007						
Cost	1,382	2,500	15,000	27,948	6,097	1,000
Accumulated impairment	(1,382)	-	(12,500)	-	-	-
Net book value	-	2,500	2,500	27,948	6,097	1,000

## 5.3 Capital work in progress

	2007				Total
	Building on freehold land	Leasehold improvements	Building on leasehold land	Information system and network installation	
	----- Rupees in '000' -----				
As at March 29, 2007	-	-	-	-	-
Acquired from CSIBL	9,859	21,817	-	-	31,676
Additions during the period	1,210	3	14,027	3,701	18,941
Transfers	(578)	(14,025)	73,771	1,488	60,656
Written off	(245)	-	-	-	(245)
As at 31st December 2007	10,246	7,795	87,798	5,189	111,028

Note

2007  
Rupees in '000'

## 6 INVESTMENT PROPERTIES

Investment properties	6.1	1,157,488
Work in progress		127,236
		1,284,724

## Notes to the Financial Statements for the Period Ended December 31, 2007

- 6.1 This includes fair value of investment properties amounting to Rupees 831.613 million in the name of Maghreb Development Corporation (Pvt.) Limited (MDCL) wholly owned subsidiary of the Company. These were acquired by formerly Crescent Standard Investment Bank Limited on December 31, 2005 by virtue of a settlement agreement and a power of attorney executed by MDCL in the name of CSIBL, which was subsequently amalgamated into the Company.
- 6.2 The Company has adopted the fair value model in accounting for these properties. The properties have been revalued as at December 31, 2007 by independent valuers namely National Evaluation Company (Private) Limited, who is approved valuer on the panel of Pakistan Banks Association. Had there been no revaluation, the position of properties would have been as follows as at 31 December 2007:

	2007 Rupees in '000'
Land at cost	1,114,261
Premises at cost	370,963
	1,485,224

## 6.3 Investment Properties

Reconciliation statement of the investment properties showing the movement during the period ended December 31, 2007 is as follows:

Description	Cost / Revalued Amounts						As at December 31, 2007
	Acquisition from CSIBL as at June 28, 2007	Additions resulting from acquisition / installments	Transfer	Additions resulting from subsequent expenditures	Deletions	Surplus / (deficit) on revaluation of properties	
( Rupees in '000' )							
Investment Properties							
Land	1,146,579	-	-	227	(42,546)	(240,777)	863,483
Premises	101,668	-	140,400	1,660	-	50,277	294,005
Sub total	1,248,247	-	140,400	1,887	(42,546)	(190,500)	1,157,488
Work In Progress							
Land	-	10,000	-	-	-	(10,000)	-
Premises	156,908	44,099	(73,771)	-	-	-	127,236
Sub total	156,908	54,099	(73,771)	-	-	(10,000)	127,236
2007	1,405,155	54,099	66,629	1,887	(42,546)	(200,500)	1,284,724

- 6.4 Investment properties (Land) includes Rs. 79.9 million (Rs.187 Million as the fair value at the time of amalgamation less Rs.107 Million as impairment) representing book value of the property situated at Mauza Sehjpal, Tehsil Distt. Lahore, being the amount at which the agreement to sell has been executed by the company. Out of total amount, Rs. 51.4 Million has already been received by the company as advance during the period, whereas balance had been recovered subsequent to the balance sheet date. The fair value of the property has been impaired to bring its value to recoverable amount from the purchaser, however, the title of property is under litigation for which outcome cannot be reliably measured until the outcome of litigation in the court of law.

- 6.5 Detail of investment properties sold during the period ended December 31, 2007 is as follows:

Description of Properties	Acquisition from CSIBL as at June 28, 2007	Carrying value	Revaluation surplus / (Deficit)	Sale amount	Gain/(Loss) on disposal based on carrying value	Mode of disposal	Buyer Name
( Rupees in '000' )							
Property No. S-71-R-2-A, Edward Road, Lahore measuring 7 marlas, 51 sq feet	10,899	10,899	-	10,002	(897)	Negotiation	Mr. Sohail Malik Butt
14 Plots of Defence Housing Authority Ph II Ext. Islamabad.	28,000	28,000	-	23,800	(4,200)	Negotiation	Mr. Waqas Khan
1 Unit of 8 Marlas open plot at Safari Villas, Lahore.	3,647	3,647	-	1,305	(2,342)	Negotiation	Mr. Zafar Rafiq
	42,546	42,546	-	35,107	(7,439)		

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 7 LONG TERM INVESTMENTS

Name of Company	International Asset Management Company Limited		Maghreb Development Corporation (Pvt.) Limited		2007
	No. of shares	Rs. in '000'	No. of shares	Rs. in '000'	Total
<b>Wholly owned subsidiary companies</b>					
Investments acquired from CSIBL	3,006,080	11,834	2	-	11,834
Investments made during the year	-	-		-	-
		11,834		-	11,834
Less: Impairment in value of investment		3,068		-	3,068
Closing balance		8,766		-	8,766
7.1 Break-up value per share		2.92		-	
7.2 Percentage of holding		100%		100%	

7.3 The impairment has been charged to bring investment in line with the break up value of the shares.

## 8 MUSHARIKA, MORABAHA AND OTHER FINANCES

	2007			Total
	Musharika finance	Morabaha finance	Other finance	
	----- Rupees in '000' -----			
Gross amount receivable	1,001,255	363,596	44,871	1,409,722
Less: Provision for doubtful receivable	697,495	266,723	38,423	1,002,641
Net exposure - Considered good	303,760	96,873	6,448	407,081
Less: Current maturity	298,422	58,498	5,987	362,907
	5,338	38,375	461	44,174

8.1 Musharika financing agreements are partly secured against lien on deposits, charge on assets, demand promissory notes and personal guarantees. Weighted average markup / profit rate is 0.003% per annum.

8.2 Morabaha financing are agreements whereby payment for the goods sold is deferred along with specified profit margin. These are secured by hypothecation / charge on assets of customers, mortgage of properties, lien over deposits, and bank/personal guarantees.

8.3 Other financing facilities represent finance provided to customers which are secured against charge on assets, demand promissory notes and personal guarantees. The rate of return ranges from 7.5% to 18%.

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 8.4 Provision for doubtful receivable

	2007			Total
	Musharika finance	Morabaha finance	Other finance	
	----- Rupees in '000' -----			
Provision as at March 29, 2007	-	-	-	-
Provisions acquired from CSIBL	624,176	186,947	44,523	855,646
Charge for the period	165,135	97,400	5,682	268,217
	789,311	284,347	50,205	1,123,863
Less: Reversals during the year	86,984	14,472	11,782	113,238
Written off	4,832	3,152	-	7,984
	91,816	17,624	11,782	121,222
Provision as at 31 December 2007	697,495	266,723	38,423	1,002,641

8.5 Musharika, morabaha & other finances includes Rs 1,325 million which have been classified as non-performing loans.

	Note	2007 Rupees in '000'
<b>9 NET INVESTMENT IN FINANCE LEASE</b>		
Lease rentals receivable		607,449
Add: Residual value		151,985
Gross investment in finance lease		759,434
Less: Unearned finance income		12,168
Net investment in finance lease	9.1	747,266
Less: Provision for potential lease losses	9.4	463,726
		283,540
Less: Current maturity		246,065
		37,475

## 9.1 Particulars of net investment in finance lease

	2007			Total
	Less than one year	Later than one year but not later than five years	Later than five years	
	----- Rupees in '000' -----			
Lease rental receivable	570,771	36,678	-	607,449
Add: Residual value of leased assets	138,017	13,968	-	151,985
Gross investment in finance lease	708,788	50,646	-	759,434
Less: Unearned finance income	8,202	3,966	-	12,168
Net investment in finance lease	700,586	46,680		747,266

9.2 The Company has entered into various lease agreements for periods ranging from one to five years. Security deposits ranging from 0% to 60 % are obtained at the time of disbursement of the lease amount. The rate of return implicit in the lease ranges from 8 % to 30 % per annum. Generally assets provided on leases are held as collateral.

## Notes to the Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>9.3</b>	<b>Movement in provision for potential lease losses</b>	
Provision as at March 29, 2007		-
Provisions acquired from CSIBL		680,660
Charge for the period		118,729
		799,389
Less: Reversals during the period		221,183
Written off		27,017
Adjustments		87,463
		335,663
Provision as at 31 December 2007		463,726
<b>9.4</b>	Net investment in finance lease includes Rs 550 million which have been classified as non-performing as per the requirements of Prudential Regulations issued by the SECP.	
<b>10</b>	The Company has placed funds with Crescent Leasing Corporation Limited at the mark-up rate of 12.5% per annum. The Placement will mature on January 26, 2009.	
<b>11</b>	<b>CURRENT MATURITY OF NON-CURRENT ASSETS</b>	
Musharika finance	8	298,422
Morabaha finance	8	58,498
Other finance	8	5,987
Net Investment in finance lease	9	246,065
		608,972
<b>12</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS</b>	
Advances to staff- considered good	12.1	18,081
Income tax - net		21,251
Security deposits		15,268
Prepayments		9,912
Due from lessees		5,243
Assets repossessed		59,315
Due from brokers and clients		79,911
		208,981
Less: Provision for doubtful receivables	12.2	138,054
		70,927
<b>12.1</b>	<b>Breakup of the staff loan by type of employees:</b>	
Loan to executives	12.1.1	15,980
Loan to employees		2,101
		18,081

## Notes to the Financial Statements for the Period Ended December 31, 2007

	2007 Rupees in '000'
12.1.1 Reconciliation of carrying amount of loans to executives:	
Balances taken up from CSIBL	5,613
Disbursements during the period	12,000
Less: Receipts / settlements during the year	1,633
	15,980

12.1.2 The maximum aggregate amount due from executives at the end of any month during the period was Rupees 17.51 million.

12.1.3 Loans to executives disbursed during the period carry mark-up of 1 month KIBOR + 3%.

## 12.2 Movement in provision for doubtful receivables

	2007			
	Provision for doubtful receivable - lessees	Provision for impairment of assets repossessed	Provision for doubtful receivable - brokers and clients	Total
	----- Rupees in '000' -----			
Provision as at March 29, 2007	-	-	-	-
Provisions acquired from CSIBL	4,663	59,315	109,990	173,968
Charge for the year	602	-	24,689	25,291
Less: Reversals during the year	22	-	61,183	61,205
Provision as at 31 December 2007	5,243	59,315	73,496	138,054

	Note	2007 Rupees in '000'
13 MARK-UP AND PROFIT RECEIVABLES		
Investment - Term finance certificates		19
Finances:		
Morabaha finance		2,939
Musharika finance		4,297
Loans, advances & other receivables		355
		7,591
Profit receivable from Sysmax (Pvt.) Limited	13.1	237,000
Funds placements		4,634
Deposits with banks		97
		249,341
Less: Provision for doubtful mark-up and profit receivables	13.2	237,000
		12,341

13.1 This represents profit receivable from Sysmax (Pvt.) Limited on account of sale of platinum memberships of Defence Authority Country and Golf Club, Karachi (DACGC). The total claim of profit amounts to Rupees 660.77 million. However, the Company has partially booked the profit receivable and made full provision there-against pending outcome of the arbitration proceedings (Notes 14.1 & 31.2.3).

## Notes to the Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>13.2 Movement in provision for mark-up and profit receivables</b>		
Provision as at March 29, 2007		-
Provisions acquired from CSIBL		-
Charge during the period		237,000
Less: Reversals during the period		-
Provision as at December 31, 2007		237,000
<b>14 OTHER RECEIVABLES</b>		
<b>Unsecured - Considered good</b>		
Sysmax (Pvt.) Limited	14.1	204,057
Others		2,227
		206,284
<b>Considered doubtful</b>		
Maghreb Development Corporation (Pvt.) Limited - Related party		22
Others		145,172
		145,194
		351,478
Less: Provision for doubtful other receivables	14.2	145,172
		206,306
<b>14.1</b>		
The amount represents financing provided for development, upgrading and building of the Defence Authority Country and Golf Club, Karachi, (DACGC) to Sysmax (Pvt.) Limited net of sale proceeds of DACGC memberships released after certification by DHA. Sysmax (Pvt.) Limited has unilaterally and unlawfully terminated the Agreement for financing the project dated September 2, 2004 and assignment agreement dated September 21, 2004 (relating to assignment of Platinum memberships of DACGC) with the Company for alleged breach of the Agreement. In addition, Sysmax has also advised the Escrow Account Bank (NIB Bank Limited) to disengage the Company as one of the signatories for release of funds from the Account. In this regard, Note 31.2.3 under Contingencies and Commitments may also be referred. Since the amount has been considered good, therefore, no provision has been made against the outstanding amount.		
<b>14.2 Movement in provision for doubtful other receivables</b>		
Provision as at March 29, 2007		-
Provisions acquired from CSIBL		139,243
Charge during the period		17,426
Less: Reversals during the period		11,497
Provision as at December 31, 2007		145,172
<b>15 SHORT TERM INVESTMENTS</b>		
<b>Available for sale</b>		
Ordinary shares - Listed	15.1	344,196
Ordinary shares - Unlisted	15.2	81,041
Term finance certificates - Unlisted	15.3	18,965
		444,202
<b>Held for trading</b>		
Ordinary shares and certificates - Listed	15.4	72,546
Term finance certificates - Listed	15.5	286
		72,832
		517,034

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 15.1 Ordinary shares - Listed

No. of shares/certificates of Rs. 10/- each	Name	Note	2007	
			Average cost	Market value
2007			---- Rupees in '000'----	
	<b>Associates</b>			
6,724,600	<b>Modaraba</b> Crescent Standard Modaraba Equity held 33.62%	15.1.1	12,440	11,095
	<b>Others</b>			
585,923	<b>Mutual fund</b> Asian Stocks Fund Limited Equity held 0.65%		2,754	3,808
7,907,022	<b>Sugar</b> Shakarganj Mills Ltd. Equity held 13.65 %	15.1.2	331,210	329,293
			<u>346,404</u>	<u>344,196</u>

15.1.1 The above modaraba is managed by its Management Company by virtue of which the Company does not have significant influence over the Modaraba.

15.1.2 This includes 7,720,000/- no. of ordinary shares of Shakarganj Mills Limited valued at Rs. 41.72 per share in accordance with share sales agreement entered into with Crescent Standard Business Management (Pvt.) Limited.

## 15.2 Ordinary shares - Unlisted

No. of share of Rs. 10/- each	Name	2007
		Average cost
2007		Rupees in '000'
500,000	<b>Crescent Powertech Limited</b> Equity held: 10% Breakup value per share: Rupees 194.86	5,000
100,750	<b>Central Depository Company of Pakistan Limited</b> Breakup value per share: Rupees 55.04	7,000
250,000	<b>First Capital Investment Limited</b> Breakup value per share: Rupees 14.99	2,500
300,000	<b>Crescent Bahuman Limited</b> Breakup value per share: Rupees (4.52)	3,000
7,000,000	<b>Al-Hamra Hills (Private) Limited</b> Breakup value per share: Rupees 9.76	70,000
	Less: Provision for impairment	<u>87,500</u> <u>6,459</u>
		<u>81,041</u>



## Notes to the Financial Statements for the Period Ended December 31, 2007

## 15.3 Term finance certificates - Unlisted

		2007	
No. of certificates	Name		Cost
2007			Rupees in '000'
	<b>Cement</b>		
5,000	Dewan Cement Limited (formerly Pakland Cement Limited)	15.3.1	22,018
1,000	Dewan Hattar Cement Limited (formerly Saadi Cement Limited)	15.3.1	1,729
	Less: Provision for impairment		23,747 6,252
	<b>Sugar</b>		17,495
5,000	Chaudhary Sugar Mills Limited	15.3.2	1,470
			18,965

**15.3.1** The above TFCs were issued against the amount due from Dewan Cement Limited (DCL) and Dewan Hattar Cement Limited (DHCL). As per scheme of arrangement arrived at by the creditors with DCL and DHCL, and approved by the Honourable High Court, Sindh, Karachi, the outstanding exposure has been converted into TFCs. These are secured by a pari passu charge / mortgage over the assets and securities of DCL and DHCL created in favour of the Trustees appointed on behalf of the TFC holders / creditors. The rescheduled amount of TFCs Series 'B' is repayable over a period of two years in four semi-annual installments commencing from January 15, 2012. The revised TFCs of the Series 'B' do not carry any mark-up.

**15.3.2** These TFCs are for a tenure of 5 years redeemable by December 2008 and carry quarterly floating mark-up at SBP's discount rate plus 3 percent per annum with a floor of 9.50 percent per annum and no cap.

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 15.4 Ordinary shares and certificates - Listed

No. of shares/certificates of Rs. 10/- each	Name	2007	
		Average cost	Market value
2007			
---- Rupees in '000'----			
	<b>Mutual Funds</b>		
150,000	Pakistan Strategic Allocation Fund Limited	1,560	1,357
10,000	PICIC Investment Fund	152	132
	<b>Modarabas</b>		
500	Modaraba Al-Tijarah	75	-
	<b>Insurance</b>		
37,084	PICIC Insurance Limited	1,772	1,282
	<b>Leasing Companies</b>		
130	Security Leasing Corporation Limited	-	1
	<b>Textile</b>		
239,000	Taj Textile Mills Limited	478	323
11,000	Nishat Mills Limited	1,471	1,157
12,499	Punjab Cotton Mills Limited	62	62
10,000	Sally Textile Mills Limited	30	18
50,000	Service Industries (Textile) Limited	125	100
547,600	Shaheen Cotton Mills Limited	2,738	1,643
237,100	Zahur Textile Mills Limited	237	237
34	Paramount Spinning Mills Limited	-	5
	<b>Sugar</b>		
198,000	Sakrand Sugar Mills Limited	495	544
	<b>Cement</b>		
70,000	Pakistan Cement Company Limited	1,029	798
11,000	D.G. Khan Cement Company Limited	1,295	1,042
75,000	Fauji Cement Company Limited	1,515	1,118
15,000	Gharibwal Cement Limited	264	237
30,000	Lucky Cement Limited	4,107	3,495
10,451	Pioneer Cement Limited	385	331
	<b>Fuel and Energy</b>		
121,500	Altern Energy Limited	2,126	2,856
50,000	Bosicor Pakistan Limited	915	1,068
33,000	Oil and Gas Development Company Limited	3,930	3,942
4,000	Pakistan State Oil Company Limited	1,560	1,628
32,000	Pakistan Petroleum Limited	7,786	7,842
22,000	Sui Northern Gas Pipelines Limited	1,559	1,443
20,000	Sui Southern Gas Company Limited	522	523
500	The Hub Power Company Limited	-	5
7,500	Pakistan Oilfields Limited	2,438	2,508
	<b>Transport and Communication</b>		
489,000	Eye Television Network Limited	23,251	32,591
12,000	Pakistan International Container Terminal Limited	808	845
25,000	Telecard Limited	300	272
	<b>Fertilizers</b>		
5,000	Fauji Fertilizer Bin Qasim Limited	196	211
5,000	Engro Chemical Pakistan Limited	1,323	1,329
	<b>Chemical and Pharmaceuticals</b>		
122,500	Pakistan PTA Limited	637	619
	<b>Synthetics</b>		
90,000	Dewan Salman Fibre Limited	954	675
	<b>Miscellaneous</b>		
11,000	Siddiqsons Tinplate Limited	372	307
		66,467	72,546

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 15.5 Term finance certificates - Listed

No. of certificates	Name	2007	
		Average cost	Market value
----- Rupees in '000' -----			
190	Chemicals Ittehad Chemicals Limited	286	286

## 15.5.1 Other particulars of listed TFCs are as follows:

Particulars	Profit rate per annum	Certificate denomination	Profit payments	Commencement date	Maturity date
Ittehad Chemicals Limited	SBP's discount rate plus 2.5%	5,000	Semi annually	June 27, 2003	June 27, 2008

15.6 Face value of all ordinary shares / certificates of investee entities is Rupees 10 each, except stated otherwise.

16 These carry mark-up rate ranging from 9.75% to 11.0% per annum.

	Note	2007 Rupees in '000'
<b>17 CASH AND BANK BALANCES</b>		
Cash with bank		
- Treasury Banks		
State Bank of Pakistan		1,922
- Other Banks (Local Currency)		
Current accounts		4,107
Savings / PLS accounts		174,815
	17.1	178,922
- Other Banks (Foreign Currency)		
Current accounts		175
Saving / PLS accounts		122
		297
Cash in hand		20
		<u>181,161</u>

17.1 An amount of Rupees 14.556 million held with Crescent Commercial Bank Limited has been blocked by the bank against amount of the Term Finance Certificates (Note 27) held by them. Subsequently, the matter has been resolved.

## Notes to the Financial Statements for the Period Ended December 31, 2007

		Note	2007 Rupees in '000'
<b>18</b>	<b>AUTHORIZED SHARE CAPITAL</b>		
	2007 No. of shares		
	220,000,000	Ordinary shares of Rs. 10 each	18.1
			2,200,000
<b>18.1</b>	The Authorized Share Capital of the Company has been increased from 200 million to 220 million number of shares as required and approved in the scheme of amalgamation by the SECP. The said amendment has been made in Articles of Association of the Company as approved by the Board of Directors in its meeting held on April 21, 2007.		
<b>19</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>		
	2007 No. of shares		
	80,000,000	Ordinary shares of Rs. 10 each fully paid up in cash	19.1
			800,000
	629,980	Ordinary shares of Rs. 10 each issued to CSIBL shareholders in accordance with the Scheme of Amalgamation (Note 4.1)	
			6,300
			806,300
<b>19.1</b>	Agen Limited B.V.I., a parent company, holds 79,996,500 ordinary shares of the Company.		
<b>20</b>	<b>UNREALIZED LOSS ON INVESTMENTS AVAILABLE FOR SALE</b>		
	Ordinary shares - Listed		2,208
	Ordinary shares - Unlisted		1,680
			3,888
<b>21</b>	<b>SUPPLEMENTARY CAPITAL</b>		
	This represents free of charge contributory fund under Financial Deepening Challenge Fund provided by Enterplan Limited of the United Kingdom, on the arrangement that the Company will also contribute double the amount contributed by the Fund as supplementary capital in the Company. The fund so contributed will be invested under SME financing window project. The amount equal to the income generated thereupon will also be reinvested into the project.		
<b>22</b>	<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
	Obligation under finance lease		26,733
	Less: current maturity		9,316
			17,417

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 22.1 Particulars of liabilities against assets subject to finance lease

	2007		
	Minimum lease payments	Financial charges allocated to future years	Present value minimum lease payments
-----Rupees in '000' -----			
Not later than one year	11,476	2,160	9,316
Later than one year but not later than five years	19,009	1,592	17,417
	30,485	3,752	26,733

22.2 The weighted average finance charge used as the discounting factor (i.e. Implicit in the lease ) is 12.53% per annum. Rentals are payable in monthly installments. The company has the option to purchase the leased assets at the end of lease term and has the intention to exercise it.

	Note	2007 Rupees in '000'
<b>23 LONG TERM FINANCING</b>		
Loan from banking companies and financial institutions	23.1	692,397
Less: current maturities		5,001
		<u>687,396</u>

## 23.1 Loans from banking companies and financial institutions

Outstanding liability (Rs. in '000')	Final maturity date	Tenure Years	Markup % p.a.	Grace period Years	First Date of principal repayment	Markup payment	Principal repayment	Effective date for charging of markup
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**Local Currency - Unsecured**  
- Loan from financial institution

National Bank of Pakistan	11,015	31-Dec-12	5	5.00	2	1-Jan-10	Half Yearly	Half Yearly	1-Jan-08
ORIX Investment Bank Pakistan Limited - Loan I	50,759	15-Jan-13	5 & 1/2	5.00	1/2	15-Jul-08	Half Yearly	Half yearly	1-Jul-07
ORIX Investment Bank Pakistan Limited - Loan II	25,000	30-Jun-14	7	5.00	2	31-Dec-09	Quarterly	Half yearly	1-Jul-09
ORIX Leasing Pakistan Limited	25,000	1-Jul-14	7	5.00	2	1-Jan-10	Quarterly	Half yearly	1-Jul-09
First Constellation Modaraba (Note 23.2)	33,000	31-Dec-13	7	5.00	2	31-Dec-09	Quarterly	Half yearly	1-Jul-09
Khushhali Bank Limited	100,000	30-Jun-14	7	5.00	2	31-Dec-09	Quarterly	Half yearly	1-Jul-09
Network Leasing Limited	15,000	1-Jul-14	7	5.00	2	1-Jan-10	Quarterly	Half yearly	1-Jul-09
International Finance Corporation- World Bank Group (Note 23.3)	395,000	15-Jan-14	7	5.00	2	15-Jul-09	Quarterly	Half yearly	15-Jul-09
Saudi Pak Agricultural and Investment Company (Pvt.) Limited (note 23.5)	37,623								
	<u>692,397</u>								

23.2 Terms of the restructuring have been agreed between the parties. Finalization of the agreement is in process.

23.3 The foreign currency loan obtained from International Finance Corporation (IFC) has been converted into local currency after restructuring of the loan on the date of amalgamation. The other terms and conditions of this loan have subsequently finalized with IFC.

23.4 The weighted average mark-up rate of total borrowings at the balance sheet date is 0.67% per annum due to grace period.

23.5 It represents loan obtained from Saudi Pak Agricultural and Investment Company (Pvt.) Limited, to be converted into share deposit money upon successful restructuring. Total 3,762,304 number of ordinary shares will be issued at the rate of Rupees 10 per share after completion of the statutory requirements.

## Notes to the Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>24 LONG TERM CUSTOMERS' DEPOSITS</b>		
Long term customer deposits - Local currency	24.1	3,184,412
Less: current maturities		100,061
		3,084,351

24.1 According to restructuring and rehabilitation plan approved by SECP customers deposits acquired through acquisition have been classified into three categories and payment plan for each category is given as follows.

#### Individuals & trusts and charitable institutions

Upfront payment upto Rs. 1 million has been made to all depositors within 30 days after acquisition

Depositors upto Rs. 10 million have been offered mark-up at the rate of 8% per annum, payable quarterly and repayment for the remaining amount is as follows.

Payment period	% of balance of principal
After completion of year 2 in 25th month	40%
After completion of year 3 in 37th month	60%

Depositors over Rs. 10 Million have been offered mark-up at the rate of 7% per annum payable quarterly and repayment plan for the remaining principal amount is as follows.

Payment period	% of balance of principal
After completion of year 2 in 25th month	25%
After completion of year 3 in 37th month	25%
After completion of year 4 in 49th month	50%

#### Corporate & associations

Upfront payment upto Rs. 1 million has been made to all depositors within eight weeks after acquisition.

The remaining balance of all depositors have been offered mark-up at the rate of 5% per annum, payable quarterly and repayment for the remaining amount is as follows.

Payment period	% of balance of principal
After completion of year 2 in 25th month	20%
After completion of year 3 in 37th month	20%
After completion of year 4 in 49th month	20%
After completion of year 5 in 61st month	40%

#### Governemnt and semi Government institutions

Upfront payment upto Rs. 10 million has been made to all depositors within eight weeks after acquisition.

For remaining principal amount the repayment plan is as follows. No profit is offered.

Payment period	% of balance of principal
After completion of year 1 in 13th month	10%
After completion of year 2 in 25th month	10%
After completion of year 3 in 37th month	20%
After completion of year 4 in 49th month	20%
After completion of year 5 in 61st month	40%

## Notes to the Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>24.2 Categories of certificates of deposits are as under:-</b>		
Individuals		1,248,614
Trusts and charitable institutions		663,233
Corporate & associations		562,845
Government and semi Government institutions		709,720
		3,184,412
<b>25 LONG TERM SECURITY DEPOSITS</b>		
Security deposits against finance lease	25.1	151,565
Other security deposits		1,208
		152,773
Less: current maturities		138,806
		13,967
<b>25.1</b> These represent interest free security deposits received under finance lease arrangements and are repayable/adjustable at the expiry / termination of the respective arrangements.		
<b>26 CURRENT MATURITIES OF NON-CURRENT LIABILITIES</b>		
Long term financing	23	5,001
Liabilities against assets subject to finance lease	22	9,316
Long term customers' deposits	24	100,061
Security deposits	25	138,806
		253,184
<b>27 REDEEMABLE CAPITAL - Secured</b>		
Term Finance Certificates	27.1	89,904
		89,904
<b>27.1</b> This represents listed Term Finance Certificates issued on July 8, 2003 as fully paid scrip of Rupees 5,000 denomination. These were redeemable over a period of four years in eight semi-annual installments comprising of both principal and profit. The profit was payable at the State Bank of Pakistan's discount rate plus 2% with a floor of 10.5% per annum and a cap of 13.5% per annum. These are secured by first pari passu charge on specific leased assets and related lease rentals receivable. The certificates matured on 8 July 2007. Subsequently, the Company has finalized the terms of repayment favourably in line with the other creditors and repaid the liability on June 27, 2008.		
<b>28</b> It represents loan from International Housing finance Limited that carries markup rate of 13.25 % per annum. Subsequent to the date of balance sheet, the Company has fully retired the debt.		
<b>29 SHORT TERM CUSTOMERS' DEPOSITS</b>		
Foreign currency deposits	29.1	6,123
Local currency deposits		20,241
		26,364

## Notes to the Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>29.1</b>	<b>Detail of foreign currency deposits is given below:</b>	
	<b>US Dollars (2,862)</b>	
	Equivalent Pak Rupees (Rupees in '000')	173
	<b>British Pounds (50,000)</b>	
	Equivalent Pak Rupees (Rupees in '000')	5,950
		6,123
<b>29.2</b>	These certificates of deposits have contractual maturities ranging from 3 months to 12 months from the contract date. Expected rates of return payable on these certificates of deposits are 0% to 8% per annum. Breakup of deposits by type of depositor is given below:	
	Individuals	14,534
	Corporate & Associations	11,830
		26,364
<b>30</b>	<b>ACCRUED AND OTHER LIABILITIES</b>	
	Profit / return payable on redeemable capital, deposits and borrowings	96,432
	Payments received against loans, advances and others	15,842
	Accounts payable on settlement / recovery from Sysmax (Pvt.) Ltd.	330,062
	Accrued expenses and other liabilities	148,825
	Margin deposits	1,934
	Due to Agen Limited - Parent company	746
	Crescent Group for settlement of shares	83,999
	Provident fund payable	2,488
	Tax deducted at source	721
	Payable against divestment of investment	90,000
	Lease balance payable	57,074
	Zakat payable	903
	Payable to stock brokers	27
		829,053
<b>30.1</b>	<b>Profit / return payable on redeemable capital, deposits and borrowings</b>	
	Redeemable capital	27,336
	Long term financing	1,594
	Customers' deposits	67,502
		96,432
<b>30.2</b>	This represents accounts payable to various parties, which will be settled / paid after recovery from Sysmax (Pvt.) Limited (Note: 14.1 & 31.2.3).	
<b>31</b>	<b>CONTINGENCIES AND COMMITMENTS</b>	
<b>31.1</b>	<b>Contingencies</b>	
	Acceptances/undertakings against documentary credits and guarantees issued in normal course of business in favour of:	
	Banking companies and other financial institutions	163,397
	Corporate and other government and non government institutions	90,919



## Notes to the Financial Statements for the Period Ended December 31, 2007

31.2 Status of Significant Litigation by / against former Crescent Standard Investment Bank Limited, a merging company, is as follows:

31.2.1 The Pakistan Water & Power Development Authority (WAPDA) had filed a suit for recovery of its Deposit of Rupees 300 million alongwith profit thereon amounting to Rupees 11.301 million. Leave to defend the suit has been filed by the Company. The Honorable Lahore High Court has passed an order temporarily restraining the Company from transferring and disposing off its assets. The Company has also filed an application before the Honorable Lahore High Court for withdrawal of the restraining order. Subsequent to the date of balance sheet, the Company has paid Rupees 10 million to WAPDA as per Payment Plan of CSIBL's term deposit certificates. WAPDA has received the amount without prejudice of their right / claim arising from the cases pending with the Lahore High Court. As per management's assessment, no additional liability is likely to arise as a result of the suit.

31.2.2 A depositor had filed a suit for recovery of its deposit of Rupees 4.35 million. As per management's assessment, no additional liability is likely to arise as a result of the suit.

31.2.3 The amount represents remaining commitment by former Crescent Standard Investment Bank Limited (now merged into the Company) for financing to Sysmax (Pvt.) Limited (Sysmax) for development, upgrading and building of Defence Authority Country & Golf Club, Karachi, out of a total amount of Rs.1,540 million as at the start of the project. Against the amount of Rupees 1,540 million, Crescent Standard Investment Bank Limited had acquired the selling rights to 2,000 platinum memberships.

Sysmax (Pvt.) Limited (Sysmax), had unilaterally and unlawfully terminated the Agreement for financing the project dated September 2, 2004 and Assignment agreement dated September 21, 2004 (relating to assignment of Platinum memberships of DACGC) with the Company for alleged breach of the Agreement. In addition, Sysmax had also advised the Escrow Account bank (NIB Bank Limited) to disengage the Company as one of the signatories for release of funds from the Account. The Company has issued a notice through its legal attorney denying the alleged breaches, advising Sysmax for withdrawal of the notice of termination and appointment of an Arbitrator, as required under the agreement to settle this dispute. Both the parties have nominated Arbitrators and the Arbitrators have appointed the umpire. The arbitration proceedings continue. Based on management's discussions with the legal attorney, it has strong grounds for restoration of the above Agreement and Assignment.

	2007 Rupees in '000'
<b>31.3 Commitments</b>	
Commitments for disbursement of leases, loans and advances	234,119
Commitments for balance payments for the purchase of investment properties	80,157
<b>32 LEASE REVENUE</b>	
Income from lease finance	9,433
Lease income suspended realized	75,554
	84,987
<b>33 RETURN ON FINANCES AND PLACEMENTS</b>	
Musharika, morabaha & other finances	2,461
Funds placements	52,407
	54,868
<b>34 RETURN ON INVESTMENTS</b>	
Dividend income	2,322
Capital gain on sale of investments	66,453
Loss on sale of investments in TFCs	(21)
Unrealized gain on remeasurement of investments held for trading	6,153
Return from investments in TFCs	5,854
	80,761

## Notes to the Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>35 OTHER INCOME</b>		
Gain on disposal of fixed assets	5.1.4	467,535
Unrealised loss on remeasurement of investment properties		(200,500)
Loss on disposal of investment properties		(7,439)
Waiver of markup and borrowings	35.1	371,788
Balances written back no longer payable		32,117
Rental income		120
Fee and commission		416
Other income		7,736
		671,773
		671,773

**35.1** This includes waiver of amount of principal / mark-up against restructuring/ rescheduling of outstanding overdue facilities as follows:

**35.1.1** National Bank of Pakistan vide settlement agreement dated February 12, 2008 has restructured/rescheduled this finance facility. The company has obtained financial relief of principal & profit/mark-up of Rs. 1.657 million against this settlement agreement.

**35.1.2** Orix Investment Bank Pakistan Limited vide settlement agreement dated July 31, 2007 has restructured/rescheduled this finance facility. The company has obtained financial relief of profit/mark-up of Rs. 9.241 million against this settlement agreement.

**35.1.3** Khushhalibank Limited vide settlement agreement dated June 30, 2007 has restructured/rescheduled this finance facility. The company has obtained financial relief of profit/mark-up of Rs. 7.579 million against this settlement agreement.

**35.1.4** Network Leasing Limited vide settlement agreement dated June 30, 2007 has restructured/rescheduled this finance facility. The company has obtained financial relief of profit/mark-up of Rs.0.793 million against this settlement agreement.

**35.1.5** Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Limited (SAPICO) vide settlement agreement dated June 27, 2007 has settled its entire outstanding balance of overdue long term and short term facilities with the Company after receiving payment of Rupees 36.429 million towards full and final settlement against this finance facility. The Company has obtained financial relief of profit/mark-up of Rs. 9.588 million against this settlement agreement.

**35.1.6** The Company has settled its entire outstanding balance of overdue long term facilities with Askaribank Limited vide settlement agreement dated July 12, 2007, by making payment of Rupees 82.5 million towards full and final settlement against this finance facility. The Company has obtained financial relief of principal & profit/mark-up of Rs. 46.485 million against this settlement agreement.

**35.1.7** The Company on May 10, 2007, had entered into a settlement agreement with BOP through the Administrator appointed by SECP for settlement of outstanding certificates of investment, term finance certificates and advances by transferring seven floors of CSIBL Tower, Lahore, lease portfolio and listed shares. The company has completely settled its entire outstanding balance with The Bank of Punjab against this settlement agreement. The company has obtained financial relief of principal & profit/mark-up of Rs. 209.784 million.

## Notes to the Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>36 FINANCIAL CHARGES</b>		
Return on customers' deposits		95,355
Profit on redeemable capital		5,966
Mark-up on borrowings		5,954
Lease finance charges		1,139
Bank charges		151
Other charges		721
		109,286
<b>37 ADMINISTRATIVE AND OPERATING EXPENSES</b>		
Salaries and other benefits	37.1	40,088
Directors' fee		42
Rent, rates and taxes		21,599
Traveling and conveyance		5,445
Telephone and postage		4,715
Legal, professional and other consultancy charges		10,742
Subscriptions and fees		2,897
Utilities		2,938
Repairs and maintenance		4,252
Depreciation	5.1.1	39,154
Impairment		13,610
Printing and stationery		1,366
Lease rentals		1,243
Entertainment		359
Insurance		142
Auditors' remuneration	37.2	990
Security service charges		1,526
Advertising and promotion		291
CDC services fees		1,443
Direct write-off		19,725
Miscellaneous		3,388
		175,955
<b>37.1</b>	This includes Company's contribution in staff provident fund amounting to Rupees 1.059 million.	
<b>37.2 Auditors' remuneration</b>		
Statutory audit fee		900
Out of pocket expenses		90
		990
<b>38 PROVISION FOR TAXATION</b>		
For the year		2,907
Prior years		381
		3,288

In view of the available tax losses, no provision for current taxation except for minimum tax is required. The current provision for the year, therefore, represents the minimum tax due under section 113 of the Income Tax Ordinance, 2001.

Accumulated tax losses available for off-setting against future taxable profits are Rupees 4,806.56 million. As per International Accounting Standard 12, "Income Taxes" deferred tax assets on net deductible temporary differences should only be recognized when there are significant taxable profits against which those losses can be set off. Since no such probability exist therefore, the deferred tax asset has not been recognized.

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 39 PROVISION FOR DOUBTFUL RECEIVABLES

	Musharika Finance	Morabaha Finance	Other Finances	Investment in Finance Lease	Due from Lessees	Assets Repossessed	Doubtful Place-ments	Due from Brokers & Clients	Mark up & profit receivables	Other Receivables	Intangible Assets	2007
(Rupees in '000')												
Taken-up balances from CSIBL	624,176	186,947	44,523	680,660	4,663	59,315	18,600	109,990	-	139,243	6,097	1,874,214
Charge during the period	165,135	97,400	5,682	118,729	602	-	-	24,689	237,000	17,426	-	666,663
Reversals	(86,984)	(14,472)	(11,782)	(221,183)	(22)	-	(5,003)	(61,183)	-	(11,497)	(6,097)	(418,223)
Amount written off (Annexure B)	(4,832)	(3,152)	-	(27,017)	-	-	(13,597)	-	-	-	-	(48,598)
Adjustment of taken-up lease portfolio	-	-	-	(87,463)	-	-	-	-	-	-	-	(87,463)
Closing balance	697,495	266,723	38,423	463,726	5,243	59,315	-	73,496	237,000	145,172	-	1,986,593
Note	8	8	8	9	12	12	16	12	13	14	5	

## 40 EARNINGS PER SHARE

Profit after taxation	Rupees in '000'	352,352
Weighted average ordinary shares (Note 40.1)	No. of Shares	56,581,282
Basic earnings per share	Rupees	6.23

40.1 Weighted average ordinary shares has been computed on the basis of shares issued during the year as detailed below:

	Date of Issue	No. of Shares
Shares issued at the time of incorporation	29-Mar-07	3,500
Shares issued against fresh equity injection	15-Apr-07	9,996,500
Shares issued against fresh equity injection	29-Jun-07	70,000,000
Shares issued to former CSIBL shareholders as per Scheme of Amalgamation	27-Jul-07	629,980
		80,629,980

## 41 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive	Executives
2007 (Rupees in '000')		
Managerial Remuneration	1,800	7,440
House Rent Allowance	900	3,104
Utilities	120	690
Provident Fund	120	499
Medical	100	575
Others	345	1,456
	3,385	13,764
Number of Persons: At year end	1	8
Maximum during the year	1	16

41.1 In addition to the above, the chief executive and certain executives are provided free use of company maintained cars for official purposes as per terms of their employment.

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 42 NET FOREIGN CURRENCY EXPOSURE

Currency risk is the risk that the value of financial asset or liability will fluctuate due to changes in foreign currency rates. The company is exposed to foreign currency risk on its foreign currency deposits and bank balances. The company's net exposure in foreign currency is given below:

	2007			Total
	US DOLLARS	POUND STERLING	EURO	
	(Rupees equivalent in '000')			
<b>Financial assets</b>				
Bank balances	-	123	161	284
<b>Financial liabilities</b>				
Foreign currency deposits	173	5,950	-	6,123
Net Exposure	(173)	(5,827)	161	(5,839)

## 43 CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard the Company ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of Company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and Company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Securities Exchange Commission of Pakistan through its SRO 1132 (i) 2007 dated November 21, 2007 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2007 in which the capital requirements for an NBFC licensed by the commission to undertake different forms of business have been prescribed. The existing NBFCs have been allowed different time limits for aligning themselves with different equity requirements. In this context Company has obtained relaxation from meeting minimum equity requirement till December 31, 2009. The management is confident that it shall meet the prescribed minimum equity requirement of Rs. 1.7 billion for Investment Finance Services, Housing Finance and Leasing from January 01, 2010.

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 44 LIQUIDITY RISKS

Liquidity risk is the risk that the company will encounter difficulties in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the company has diversified its funding sources and managed its assets with liquidity in mind thereby maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored on regular basis to ensure that the adequate liquidity is maintained. The maturity profile of the Company's assets and liabilities is summarized below:

Description	2007			
	Total	Within one year	More than one year and upto five years	Above five years
	(Rupees in '000')			
<b>Assets</b>				
Fixed assets	630,569	49,069	105,099	476,401
Investment properties	1,284,724	-	1,284,724	-
Musharika, morabaha and other finances	407,081	362,907	44,174	-
Net investment in finance lease	283,540	246,065	37,475	-
Advance, deposits, prepayments and other assets	70,927	70,927	-	-
Mark-up and profit receivables	12,341	12,341	-	-
Other receivables	206,306	206,306	-	-
Investments	525,800	517,034	8,766	-
Placements of funds	475,000	425,000	50,000	-
Cash and bank balances	181,161	181,161	-	-
	4,077,449	2,070,810	1,530,238	476,401
<b>Liabilities</b>				
Liabilities against assets subject to finance lease	26,733	9,316	17,417	-
Long term financing	692,397	5,001	212,831	474,565
Customers' deposits	3,210,776	100,061	3,110,715	-
Security deposits	152,773	138,806	13,967	-
Redeemable capital	89,904	89,904	-	-
Short term financing	24,036	24,036	-	-
Accrued and other liabilities	829,053	829,053	-	-
Unclaimed dividend	7,435	7,435	-	-
	5,033,107	1,203,612	3,354,930	474,565
	(955,658)	867,198	(1,824,692)	1,836
<b>REPRESENTED BY:</b>				
Shareholders' equity	(1,017,820)			
Gain on remeasurement of investments available for sale	(3,888)			
Supplementary capital	66,050			
	(955,658)			

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 45 YIELD / MARKUP RATE RISK

Yield / markup rate risk is the risk of decline in earnings due to adverse movement of yield curve. It arises from the possibility that changes in yield / markup rates will affect the value of financial instruments. The company is exposed to yield / markup rate risk as a result of mismatch or gaps in the amounts of assets and liabilities that mature or reprice in a given period. Sensitivity of the company's financial assets and financial liabilities to yield / markup rate can be evaluated from the following:

Description	2007							
	Effective rate	Total	Exposed to Interest Rate Risk			Not Exposed to Interest Rate Risk		
			Within one year	More than one year and upto five years	Above five years	Within one year	More than one year and upto five years	Above five years
	%		(Rupees in '000')					
<b>Assets</b>								
Musharika, morabaha and other finances	0.05	407,081	362,907	44,174	-	-	-	-
Net investment in finance lease	7.49	283,540	246,065	37,475	-	-	-	-
Advance, deposits, prepayments and other assets	-	70,927	-	-	-	70,927	-	-
Mark-up and profit receivables	-	12,341	-	-	-	12,341	-	-
other receivables	-	206,306	-	-	-	206,306	-	-
Investments	-	525,800	13,590	-	-	503,444	8,766	-
Placements of funds	10.42	475,000	425,000	50,000	-	-	-	-
Cash and bank balances	6.34	181,161	174,794	-	-	6,367	-	-
		2,162,156	1,222,356	131,649	-	799,385	8,766	-
<b>Liabilities</b>								
Long term financing	0.84	692,397	5,001	212,831	474,565	-	-	-
Customers' deposits	5.25	3,210,776	16,910	2,484,146	-	70,972	638,748	-
Security deposits	-	152,773	-	-	-	138,806	13,967	-
Liabilities against assets subject to finance lease	12.53	26,733	9,316	17,417	-	-	-	-
Redeemable capital	11.5	89,904	89,904	-	-	-	-	-
Short term financing	13.25	24,036	-	-	-	24,036	-	-
Accrued and other liabilities	-	829,053	-	-	-	829,053	-	-
Unclaimed dividend	-	7,435	-	-	-	7,435	-	-
		5,033,107	121,131	2,714,394	474,565	1,070,302	652,715	-
<b>Sensitivity Gap</b>		(2,870,951)	1,101,225	(2,582,745)	(474,565)	(270,917)	(643,949)	-

## Notes to the Financial Statements for the Period Ended December 31, 2007

## 46 CREDIT RISK

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company's exposure to credit risk through monitoring of clients' credit exposure, review and conservative estimates of provisions for doubtful receivable and through the prudent use of collateral for major amounts of credit. The management is of the view that the Company is not exposed to significant concentration of credit risk as its financial assets are adequately diversified. Detail of industry sector wise leased assets and other financial instruments are given below:

	2007			
	Leased Assets		Musharika / Morabaha/Other Finances	
	(Rs. '000')	%age	(Rs. '000')	%age
Chemical and pharmaceuticals	100,002	13.38	650	0.05
Real estate	-	-	659,957	46.81
Construction	6,781	0.91	2,400	0.17
Electrical, engineering and steel	69,118	9.25	33,929	2.41
Sugar	413	0.06	-	-
Food and allied	82,909	11.09	9,812	0.70
Hospital	5,665	0.76	-	-
Services	57,658	7.72	25,364	1.80
Paper and board	4,171	0.56	5,331	0.38
Ceramics	3,994	0.53	34,239	2.43
Cement	12,080	1.62	-	-
Textiles and jute	124,457	16.65	206,338	14.64
Trading	-	-	32,486	2.30
Transport, travel and communication	95,144	12.73	7,020	0.50
Leather and tanneries	612	0.08	21,985	1.56
Energy, petroleum, oil and gas	8,895	1.19	-	-
Banks/Non-Banking finance companies	11,451	1.53	-	-
Individuals	41,980	5.62	89,710	6.36
Miscellaneous	121,936	16.32	280,501	19.89
	747,266	100.00	1,409,722	100.00

## 47 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The carrying value of financial assets and financial liabilities approximates their fair value as reflected in the financial statements.



## Notes to the Financial Statements for the Period Ended December 31, 2007

## 48 RELAXATION OF NBFC RULES AND PRUDENTIAL REGULATIONS

The Securities and Exchange Commission of Pakistan has granted certain relaxations to the Company vide letter Nos. SECP/NBFC(1)-R/IHFCL/2007/625 dated December 14, 2007 and SECP/NBFC(1)-R/IHFCL/2007/626 dated October 05, 2007. Detail of relaxations granted to the Company are as follows.

<u>Description</u>	<u>Relaxation granted</u>
Rule 5 (2) (b) of the NBFC Rules 2003: Maintenance of minimum equity requirement.	Relaxation from meeting minimum equity requirement till December 31, 2009. The management has ensured that it meets the prescribed minimum equity requirement of Rs. 1.7 billion for Investment Finance Services, Housing Finance and Leasing from January 01, 2010.
Rule 12 (1) of the NBFC Rules 2003: Issuance of COIs / CODs.	Permission to issue COIs/CODs to local and foreign institutions has been granted till December 31, 2009.
Rule 12 (3) (d) of the NBFC Rules 2003: Investment of 15% of the resources raised through COIs /CODs in Government Securities or listed securities subject to the conditions prescribed in the rules made for investments of Provident funds in listed securities.	Relaxation from maintaining the minimum liquidity requirement against the deposits inherited from CSIBL is granted till December 31, 2009. However, Company will have to maintain 15% investment in Government / listed securities against the fresh deposits raised by it from the local as well as foreign clients.
Rule 15 of NBFC Rules 2003: The total investment in equities shall not exceed the liquid net worth of the NBFC.	Relaxation of Rule 15 is granted till December 31, 2009 subject to the condition that the investment shall not exceed the limit given in the revival plan i.e Rs. 209.677 million.
Rule 16 of the NBFC Rules 2003: Minimum exposure to a single issuer or associated issuer of risk assets.	Relaxation of Rule 16 for the existing exposure is granted till December 31, 2009.
Regulations 1 (1) and Regulations 1 (2) (Part III) of Prudential regulations for NBFCs: Limit on NBFCs exposure against on balance sheet liabilities and contingent liabilities.	Relaxation from maintaining the limits mentioned in the regulations is granted till December 31, 2009.

## 49 NUMBER OF EMPLOYEES

The total number of employees at the year end were 65.

## 50 TRANSACTION WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

Related parties comprise related group companies, directors and executives. The Company, in the normal course of business carries out no transaction with related/associated parties except specifically mentioned in the financial statements.

Notes to the Financial Statements for the Period Ended December 31, 2007

51 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issuance by the Board on January 06, 2009.

52 GENERAL

52.1 These financial statements have been prepared for a period from March 29, 2007 to December 31, 2007.

52.2 Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer



Director

Annexure - A



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
NBFC DEPARTMENT

No. SCD/NBFC/M&I/84

June 27, 2007

**Mr. Badar Ud Din Khan**

The Administrator  
M/s Crescent Standard Investment Bank Ltd.  
4<sup>th</sup> Floor, Crescent Standard Tower  
10-B, Block E-2, Gulberg III  
**Lahore.**

**Mr. Mahboob Hussain**

Chief Executive Officer  
M/s. Innovative Housing Finance Limited (IHFL)  
H.M House, 7 Bank Square  
**Lahore.**

**Subject: ORDER FOR SANCTION OF SCHEME OF AMALGAMATION OF M/S CRESCENT STANDARD INVESTMENT BANK LTD. WITH AND INTO INNOVATIVE HOUSING FINANCE LTD. UNDER SECTION 282 L OF THE COMPANIES ORDINANCE, 1984**

Dear Sirs,

This is with reference to your joint application for sanctioning of the Scheme of Amalgamation on the captioned subject.

We are pleased to inform you that the Commission has sanctioned the Scheme of Amalgamation of M/s. Crescent Standard Investment Bank Ltd. with and into M/s Innovative Housing Finance Ltd. under Section 282L of the Companies Ordinance, 1984 and a copy of the Order dated 26<sup>th</sup> June, 2007 to this effect is enclosed.

The Scheme sanctioned by the Commission shall be effective from 28<sup>th</sup> June, 2007. You are advised to ensure compliance with the conditions as laid down in the said Order.

Please acknowledge receipt.

Yours truly,

(Asif Jalal Bhatti)  
Director (M&I)

## Annexure - A



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
NBFC DEPARTMENT

ORDER UNDER SECTION 282 (L) OF THE COMPANIES ORDINANCE, 1984

**Subject: SANCTION OF SCHEME OF AMALGAMATION OF M/S CRESCENT STANDARD INVESTMENT BANK LTD. WITH AND INTO INNOVATIVE HOUSING FINANCE LTD. UNDER SECTION 282 L OF THE COMPANIES ORDINANCE, 1984**

1. M/s. Crescent Standard Investment Bank Ltd. (CSIBL), a non-banking finance company limited by shares and incorporated under the Companies Ordinance, 1984, having its registered office at 4<sup>th</sup> Floor, Crescent Standard Tower, 10-B, Block E-2, Gulberg III, Lahore and M/s. Innovative Housing Finance Limited (IHFL) a non-banking finance company limited by shares and incorporated under the Companies Ordinance, 1984 (the "Ordinance"), having its registered office at H.M House, 7 Bank Square, Lahore, have submitted joint application to the Securities and Exchange Commission of Pakistan (the "Commission") for sanction of Scheme of Amalgamation (the "Scheme") for amalgamation of CSIBL, with and into IHFL pursuant to the provisions of Section 282L of the Ordinance.
2. CSIBL is licensed by the Commission to undertake the businesses of Investment Finance Services and Leasing in Pakistan, however, both licenses were not renewed by the Commission and stand expired with effect from 26th May, 2006. The issued paid up capital of CSIBL as at April 15, 2007 is Rs.1,257,613,240/- divided into ordinary share of Rs.10/- each. By Order of appointment issued by the Commission on August 29, 2006 in terms of Section 282E and 282F of the Ordinance, Mr. Badr-ud-Din Khan was appointed as the Administrator of CSIBL in supercession of its CEO and Board of Directors. By virtue of the said Order, all powers and duties of the Chief Executive of CSIBL as well as those of CSIBL's Board of Directors are being exercised and performed by him since August 30, 2006.
3. IHFL is licensed by the Commission to carry out the business of Housing Finance Services in Pakistan and its issued paid up capital as at April 15, 2007 is Rs. 100,000,000/- divided into ordinary share of Rs.10/ each. Presently, Board of Directors of IHFL comprises of the following persons:
  - Mr. Mahboob Husain, Chief Executive Officer
  - Mr. Khawaja Basit Waheed, Director
  - Professor Dr. Imran Ali, Director
  - Mr. Qamber Hamid, Director
  - Ms. Razia BIBI, Director
  - Mr. Mohammad Tamraiz Riaz, Director
  - Mr. Zafar Chishti, Director

## Annexure - A

4. The principal object of the Scheme is to effect amalgamation of CSIBL by transfer to and vesting in IHFL, of the whole of the Undertaking known as CSIBL at the effective date, against allotment of fully paid ordinary shares of IHFL to the shareholders of CSIBL in lieu of the shares of CSIBL held by them, in accordance with a swap ratio of 1:200 shares i.e., one share of IHFL will be issued against 200 shares of CSIBL. CSIBL shall be dissolved without winding up, in accordance with and subject to the procedure for amalgamation provided under Section 282L of the Ordinance. CSIBL has 125,761,324 issued ordinary shares of Rs. 10 each which shall be converted into 628,807 ordinary shares of Rs. 10 each of IHFL as per the SWAP Ratio.
5. Extra Ordinary General Meeting of the shareholders of CSIBL under section 159 of the Ordinance was held on May 15, 2007 for approval of the Scheme. The requisite majority of the shareholders of CSIBL, as required by Section 282 L of the Ordinance i.e. two thirds in value of the shareholders present either in person or by proxy approved the Scheme by resolving that CSIBL be amalgamated into IHFL in accordance with the Scheme of Amalgamation under section 282L of the Ordinance with effect from such date as may be approved by the Commission. In the said EOGM, 98.98% of the shareholders present consented in favour of the Scheme.
6. Extra Ordinary General Meeting of the shareholders of IHFL under section 159 of the Ordinance was held on May 15, 2007 for approval of the Scheme. The shareholders representing 100% of the issued capital of IHFL attended the EOGM and unanimously voted in favour of the Scheme.
7. In support of the Scheme, CSIBL and IHFL have submitted the following information and documents: -
  - Copies of Memorandum and Articles of Association
  - Scheme of Amalgamation
  - Joint application by CSIBL and IHFL for approval of the Scheme
  - Copies of Notices of Extraordinary General Meetings of shareholders of CSIBL and IHFL accompanies by the Scheme and statement under section 160(1)(b) of the Ordinance.
  - Certified true copies of minutes and resolutions of EOGMs of CSIBL and IHFL.
  - Copy of Memorandum of Understanding signed between the Administrator of CSIBL and the sponsors of IHFL outlining the main features of revival/restructuring of CSIBL.
  - NOC from the creditors of CSIBL representing two third in value of the outstanding deposit and borrowings. IHL doest not have any borrowing/deposit/liabilities as of 15<sup>th</sup> April, 2007.
  - Confirmation from the Legal Advisors of CSIBL and IHFL that the procedures as laid down in law have been duly complied with and no other provisions of the Ordinance have been violated.
  - Affidavits from the Administrator and Chief Executive of CSIBL and IHFL, respectively that no other provisions of the Ordinance have been violated during the merger process.
  - Amalgamated balance sheet along with notes and statement of equity of IHFL.
  - Calculation of SWAP ratio

NIC Building, Jinnah Avenue, Blue Area, Islamabad.  
PABX: 9207091-4 Fax. No. 9218590

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## Annexure - A

8. The Commission has considered the joint amalgamation application along with the information/documents submitted by CSIBL and IHFL in terms of section 282 L of the Ordinance. The Swap ratio of 1:200 shares i-e., one share of IHFL will be issued against 200 shares of CSIBL as determined in the Scheme on the basis of financial statements of CSIBL as of 15<sup>th</sup> April, 2007 has been carefully reviewed by the Commission in order to ensure that no unwarranted disadvantage is caused to the shareholders of CSIBL as a result of the Scheme.
9. The Net worth of CSIBL as of 15.04.2007 works out to be Negative Rs.1,985 million whereas the same as per the financial position for the year ended 31.12.2006 works out to be negative Rs. 1,981 million. As such there is no major difference between the reported net worth of 15<sup>th</sup> April, 2007 when compared to the net worth of 31.12.2006. The statutory auditors of CSIBL for the year ended 31<sup>st</sup> December, 2006 as per their draft audit report have suggested incorporation of an additional provisions which if incorporated would have further eroded the net worth of CSIBL as of 31.12.2006.
10. In order to ensure that Net worth of CSIBL truly represents the fair value of its assets, the assets portfolio of CSIBL was reviewed to incorporate the effect of any appreciation in the value of assets and to adjust the net worth accordingly. The review revealed that there is no significant change in the value of assets of CSIBL including fixed assets and investment properties except for an appreciation of Rs. 339 million on the listed equity portfolio when marked to the current market price. Moreover, as a result of negotiations of CSIBL with the lending financial institutions, an aggregate settlement gain of Rs. 901 million is expected. In case, the appreciation in the equity portfolio of CSIBL along with the aggregate effect of expected gain arising out of the settlement with lending financial institutions is taken into account even then the net worth of CSIBL works out to be negative Rs. 741 million i.e. negative Rs.5.92 per share of CSIBL. It is pertinent to note that the said net worth does not take into account the additional provision as suggested by the statutory auditor of CSIBL.
11. Therefore, the commission is of the view that the Swap Ratio of 200: 1 i-e., one share of IHFL will be issued against 200 shares of CSIBL as determined in the Scheme and approved by the requisite majority shareholders of CSIBL is based on fair values of net assets of IHFL and CSIBL owing to the fact that even the adjusted net worth of CSIBL works out to be negative Rs.5.92 per share.
12. Two shareholders of CSIBL having 14000 shares representing 0.01% of the total issued paid up capital of CSIBL have voted against the Scheme of amalgamation in the EOGM of CSIBL held on 15<sup>th</sup> May, 2007. The Commission in terms of sub-section (3) of Section 282 L of the Ordinance is empowered to determine the value of the shares to be paid to the dissenting shareholders by the concerned NBFC i.e. CSIBL and any such determination by the Commission as to the value of the shares to be paid to dissenting shareholder shall be final for all purposes.
13. The shareholders who have dissented to the proposed Scheme of amalgamation can not be paid any value for their shares other than the SWAP ratio of 200: 1 i-e., one share of IHFL will be issued against 200 shares of CSIBL. The said determination is based on the fact that the reported as well as adjusted break-up value per share of CSIBL works out to be negative

## Annexure - A

Rs.15.78 per share and negative Rs.5.92 per share, respectively. Moreover, there is no market value of the shares of CSIBL as the trading in the shares was suspended on April 2, 2007 to safeguard the general public interest and still stands suspended. The basic rationale for suspending the trading was to curtail the unrealistic price hike in the share on the basis of rumours in the market as the same were not supported by the on going restructuring negotiations between the IHFL and the Administrator. Therefore, no compensation other than the said SWAP ratio to the share value of the shareholders, who have dissented to the Scheme shall be paid.

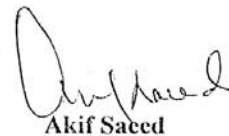
14. In view of the foregoing and compliance of the requisite legal formalities, the Scheme submitted by CSIBL and IHFL is hereby sanctioned by the Commission in terms of Section 282 L of the Ordinance subject to the following conditions and those imposed hereafter:
- a) The Scheme sanctioned by the Commission shall be effective from 28<sup>th</sup> June, 2007.
  - b) IHFL shall raise its equity to the tune of Rs. 800 million by injecting additional funds of Rs.700 million before the effective date of Scheme of amalgamation.
  - c) IHFL shall ensure the injection of Rs. 200 million and Rs. 500 million through right issues in the year 2008 and 2009, respectively in accordance with the revival plan submitted to the Commission.
  - d) The depositors/lenders of CSIBL shall be repaid by IHFL i.e the surviving entity in a manner and on terms/conditions not less than the agreed and communicated through revival plan.
  - e) The depositors and lenders of CSIBL who have not consented to the proposed repayment plan offered by IHFL shall be repaid in a manner not less than the repayment terms/ package being offered to the consenting depositors falling in the same category of the depositors.
  - f) No compensation other than the SWAP ratio as stated in the Scheme shall be paid to the share value of the shareholders, who have dissented to the Scheme being sanctioned by the Commission.
  - g) The Administrator/directors/suspended Chief Executive Officer of CSIBL as on the effective date of amalgamation will cease to hold their respective offices in CSIBL as a result of amalgamation and such respective offices shall stand relinquished. No compensation shall be payable to any of these administrator, directors and Chief Executive Officer on account of relinquishing their offices as administrator, directors and Chief Executive Officer of CSIBL consequent upon Amalgamation.
  - h) At the Effective Date, the entire Undertaking of CSIBL shall be amalgamated with, transferred to, vest in and belong to IHFL.
  - i) At the Effective Date, all the Assets of CSIBL shall immediately, without any further act or deed, be vested in, transferred to, belong to and become the undertaking and assets of IHFL, and IHFL shall have, hold and enjoy the Assets in its own right as fully

Annexure - A

as the same were possessed, held and enjoyed by CSIBL prior to the Amalgamation but transfer of Assets shall be subject to all mortgages, charges or other encumbrances subsisting thereon, if any;

- j) At the Effective Date, all Contracts, deeds, bonds, agreements, arrangements and other instruments (including all tenancies, leases, licenses and other assurances in favour of CSIBL or powers or authorities granted by or to it) of whatsoever nature to which CSIBL is a party or to the benefit of which the CSIBL may be eligible, and which are subsisting or having effect immediately before the Effective Date, shall, without any further act, instrument or deed, be in full force and effect in favour of or against the IHFL, as the case may be, and may be enforced as fully and effectually as if, in lieu of CSIBL, IHFL had been a party or beneficiary or obligee thereto.
- k) At the Effective Date, all the Liabilities and Obligations of CSIBL, subject to any agreement for rescheduling/restructuring terms agreed by the Customers and Creditors of CSIBL, shall immediately and without any further act or deed be assumed by and become the Liabilities and Obligations of IHFL, which shall pay, undertake, satisfy, discharge and perform, when due, all of the Liabilities and Obligations in the respective terms thereof.
- l) As of the Effective Date, the terms of this Scheme shall be binding on CSIBL and IHFL, on all the shareholders of IHFL, shareholders of CSIBL, Customers and the Creditors of CSIBL, Customers and the Creditors of IHFL and on any other person having any right or liability in relation to either of them.
- m) CSIBL shall be dissolved, without winding up, on the date on which the shares of IHFL are allotted to the shareholders of CSIBL in terms of SWAP Raito as given in the Scheme.

In case, subsequent to sanctioning of the Scheme by the Commission, any fact is found to have been misrepresented to the Commission by the amalgamating entities, the Commission shall have the right to take any appropriate measures as it deems fit, which include but shall not be confined to the cancellation of licence of the merged NBFC.



Akif Saeed  
Executive Director

Specialized Companies Division

DATED: 26<sup>th</sup> June, 2007



## Annexure - B

## Detail of write off.

Sr. #	Name and address of the borrower	Name of individuals / partners / director	Father / Husband's Name	Outstanding Liabilities at the time of amalgamation with Crescent Standard Investment Bank Limited					Total (9+10)		
				Principal	Mark-up	Others	Total	Principal Amount Written off		Mark-up written off	Other financial relief allowed
1	2	3	4	5	6	7	8	9	10	11	12
1	Crescent Standard Brokerage & Investment Services Limited, 6th Floor Crescent Standard Tower, 10 B, Block E - II, Gulberg III, Lahore.	1 - Mr. Atiq-ur-Rehman Kayani 2 - Mr. Abid-ur-Rehman 3 - Mr. Malik Muhammad Akram 4 - Mr. Muhammad Nasrullah 5 - Mr. Tariq Aleem 6 - Mr. Adnan Mahmood 7 - Mr. Asrar Ahmad	1 - Mr. Muhammad Asgar Khan 2 - Mr. Muhammad Rashid 3 - Mr. Malik Muhammad shiraf 4 - Mr. Muhammad Yaqoob 5 - Mr. Aleem-ud-Din 6 - Mr. Sultan Mahmood 7 - Mr. Sher Bahadar (Late)	13,597	-	-	13,597	13,597	-	-	13,597
2	Crescent Standard Business Management (Pvt) Limited, 4th Floor Crescent Standard Tower, 10 B, Block E II, Gulberg III, Lahore.	1 - Mr. Atiq-ur-Rehman Kayani 2 - Mr. Khurram Mazhar Karim	1 - Mr. Muhammad Asghar Khan 2 - Mr. Mazhar Karim	50,415	-	-	50,415	859	-	-	859
3	Kohinoor Industries Limited, 17 Aziz Avenue Canal Bank Gulberg I Lahore	1 - Mr. Naseem Saigol 2 - Mrs. Sehry Saigol 3 - Mrs. Razia Begum 4 - Mr. Shahid Sethi 5 - Mr. Irfan Zubair 6 - Mian M. Azam Saigol 7 - Mrs. Amber Saigol	1 - Mian Yousaf Saigol 2 - Mr. Naseem Saigol 3 - Mian Yousaf Saigol 4 - Abdul Latif 5 - Zubair Akhtar 6 - Mian Yousaf Saigol 7 - Mian M. Azam Saigol	3,306	292	-	3,598	3,305	292	-	3,597
4	Elysium for Hair & Laser Trollysis 160-Y Commercial Block, L.C.C.H.S Lahore	1 - Asifa Aziz Toosy 2 - Uzma Ayaz Toosy	1 - Ayaz Toosy 2 - Ayaz Toosy	1,744	704	-	2,448	1,744	704	-	2,448
5	Dandot Cement Company Limited	1 - Mr. A. Raifque Khan 2 - Mr. M. Tousif Peracha 3 - Mr. A. Shueb Peracha 4 - Mr. Farooq Zaman 5 - Mr. Jawaid A. Peracha	1 - Mr. A. Rasheed Khan 2 - Mr. M. Siddique Peracha 3 - Mr. Khurshid Ahmed Peracha 4 - Mr. Abdut Rauf 5 - Mr. M. Siddique Peracha	21,969	2,541	-	24,510	21,968	2,541	-	24,509
6	Ravi Spinning Mills Limited 43-B St. 2 CMA Colony Lahore Cantt Lahore.	1 - Sh. Zia ud Din 2 - Sh. M. Mumtaz 3 - Sh. M. Ijaz 4 - Sh. M. Waqar 5 - Mrs. Surryia Zia 6 - Shahbaz Ahmed 7 - Mrs. Iffat Mumtaz	1 - Sh. Rathu 2 - Sh. Zia ud Din 3 - Sh. Zia ud Din 4 - Sh. Zia ud Din 5 - Sh. Zia ud Din 6 - Sh. Zia ud Din 7 - Sh. M. Mumtaz	11,014	3,122	-	14,136	3,152	3,122	-	6,274
7	Ravi Securities, G - F/3, Anees Plaza, Islamabad	1 - Mr. Unib Abbas 2 - Mr. Tahir Abbas	1 - Mr. Tahir Abbas 2 - Ch. Ghulam Abbas	1,300	-	-	1,300	1,300	-	-	1,300
8	Sajjad Textile Mills Limited, 19 B, Zafar Ali Road, Lahore	1 - Mian Sajjad Aslam 2 - Mian Shehzad Aslam		2,669	1,185	-	3,854	2,669	1,185	-	3,854
9	Mirza Shehzad Mehmood	Mirza Shehzad Mehmood		4	-	-	4	4	-	-	4
				106,018	7,844	-	113,862	48,598	7,844	-	56,442

**Consolidated Financial Statements  
for the period ended December 31, 2007**

## **Holding Company**

Innovative Housing Finance Limited

## **Subsidiary Companies**

1. International Asset Management Company Limited
2. Maghreb Development Corporation (Pvt.) Limited

## Auditors' Report to the Members

We have audited the annexed consolidated balance sheet of **INNOVATIVE HOUSING FINANCE LIMITED & ITS SUBSIDIARIES** ("the Group") as at December 31, 2007 and the related consolidated profit & loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the period then ended. We have also expressed separate opinion on the financial statements of Innovative Housing Finance Limited. The financial statements of the Maghreb Development Corporation (Pvt.) Limited (MDCL) were audited by M/s Waseem, Ashfaq & Company Chartered Accountants whereas, the financial statements of International Assets Management Company Limited (IAMC) were audited by M/s Daudally, Lalani & Company Chartered Accountants. Their reports have been furnished to us and our opinion in so far as it relates to the amounts included for the subsidiaries, is based solely on the reports 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.

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:

In our opinion, the consolidated financial statements present fairly the financial position of the Group as at December 31, 2007 and the results of its operations, its cash flows and changes in equity for the period ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion we draw attention to the consolidated financial statements of the following facts;

1. That the Innovative Housing Finance Limited (IHFL) did not recognize Goodwill in accordance with the IFRS-3 'Business Combination' at the time of amalgamation as mentioned in **note 4** which elaborates in detail the factors and impact on the consolidated financial statements.
2. That the balances acquired from Crescent Standard Investment Bank Limited (CSIBL) by IHFL on acquisition as of June 28, 2007 are un-audited as mentioned in **note 4**.
3. That the subsidiaries ( MDCL and IAMC) have the accumulated losses of Rs. 10.365 million and Rs. 31.350 million respectively as at December 31, 2007. This situation raises doubt about their status as the going concern. The financial statements of both the subsidiaries have however, been prepared on going concern basis, without making any adjustments to bring its assets and liabilities at their realizable value.

*Avais Hyder Liaquat Nauman*  
**AVAIS HYDER LIAQUAT NAUMAN**  
Chartered Accountants

Date 14<sup>th</sup> January 2009  
Place: Lahore

## Consolidated Balance Sheet as at December 31, 2007

	Note	2007 Rupees in '000'
<b>NON-CURRENT ASSETS</b>		
Fixed assets	5	642,277
Investment properties	6	1,284,724
Musharika, morabaha and other finances	7	44,174
Net Investment in finance lease	8	37,475
Long term placement of funds	9	50,000
		2,058,650
<b>CURRENT ASSETS</b>		
Current maturities of non-current assets	10	608,972
Advances, deposits, prepayments and other assets	11	71,156
Mark-up and profit receivables	12	12,341
Other receivables	13	206,284
Short term investments	14	517,141
Short term placements	15	425,000
Cash and bank balances	16	184,604
		2,025,498
		4,084,148
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital		
220,000,000 ordinary shares of Rupees 10/- each	17	2,200,000
		2,200,000
Issued, subscribed and paid up share capital	18	806,300
Accumulated loss		(1,827,444)
		(1,021,144)
<b>UNREALIZED LOSS ON INVESTMENTS AVAILABLE FOR SALE</b>	19	(3,888)
<b>SUPPLEMENTARY CAPITAL</b>	20	66,050
<b>NON-CURRENT LIABILITIES</b>		
Liabilities against assets subject to finance lease	21	17,417
Long term financing	22	687,396
Long term customers' deposits	23	3,084,351
Long term security deposits	24	13,967
Deferred tax liability	25	852
		3,803,983
<b>CURRENT LIABILITIES</b>		
Current maturities of non-current liabilities	26	253,184
Redeemable capital	27	89,904
Short term financing	28	24,036
Short term customers' deposits	29	26,364
Accrued and other liabilities	30	838,224
Unclaimed dividend		7,435
		1,239,147
Contingencies and commitments	31	-
		4,084,148

The annexed notes 1 to 52 form an integral part of these financial statements.



Chief Executive Officer



Director

## Consolidated Profit and Loss Account for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>INCOME</b>		
Lease revenue	32	84,987
Return on finances and placements	33	54,868
Return on investments	34	76,123
Other income	35	672,296
		<hr/>
		888,274
<b>EXPENDITURES</b>		
Financial charges	36	109,289
Administrative and operating expenses	37	177,452
		<hr/>
		286,741
<b>PROFIT BEFORE PROVISIONS</b>		<hr/> 601,533
<b>PROVISION FOR DOUBTFUL RECEIVABLES - Net</b>	39	<hr/> (242,484)
<b>PROFIT BEFORE TAXATION</b>		<hr/> 359,049
<b>PROVISION FOR TAXATION</b>	38	<hr/> (3,223)
<b>PROFIT AFTER TAXATION</b>		<hr/> <hr/> 355,826
<b>EARNINGS PER SHARE - BASIC (Rupees)</b>	40	<hr/> <hr/> 6.29

The annexed notes 1 to 52 form an integral part of these financial statements.



Chief Executive Officer



Director

## Consolidated Cash Flow Statement for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation		359,049
<b>Adjustments for non cash and other items:</b>		
Gain on disposal of property and equipment		(467,535)
Depreciation		39,928
Impairment of asset		13,610
Provision for doubtful receivables		242,484
Unrealized gain on remeasurement of investment properties		200,500
Provision for disputed investments		4,659
Losses acquired from CSIBL and its subsidiaries		(2,176,970)
Loss on disposal of investment properties		7,439
Gain on remeasurements of investment held for trading		(6,174)
		(2,142,059)
<b>Cash used in operating activities before working capital changes</b>		<b>(1,783,010)</b>
<b>Adjustments for working capital changes:</b>		
(Increase) / decrease in operating assets:		
Musharika, morabaha and other finances		(555,020)
Advances, deposits, prepayments and other assets		(13,897)
Mark up & profit receivable		(249,341)
Other receivables		(213,200)
Increase / (decrease) in operating liabilities:		
Customers' deposits		3,210,776
Short term financing		24,036
Redeemable capital		89,904
Accrued and other liabilities		838,224
Unclaimed dividend		7,435
		3,138,917
		1,355,907
Income tax (paid) / refund - Net		(23,814)
<b>Net cash generated from / (used in) operating activities</b>		<b>1,332,093</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments - Net		(519,514)
Net investment in finance lease		(181,086)
Purchase of investment properties - Net		(1,492,663)
Placements of funds		(469,997)
Purchase of fixed assets - Net		(195,449)
<b>Net cash generated from/(used in) investing activities</b>		<b>(2,858,709)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Paid up share capital		800,000
Supplementary capital		66,050
Long term financing		692,397
Security deposits		152,773
<b>Net cash generated from /(used in) financing activities</b>		<b>1,711,220</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>184,604</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	16	<b>184,604</b>

The annexed notes 1 to 52 form an integral part of these financial statements.



Chief Executive Officer



Director

## Consolidated Statement of Changes in Equity for the Period Ended December 31, 2007

	Issued, Subscribed and Paid-up Share Capital	Accumulated (Loss)/Profit	Shareholders' Equity
	( Rupees in '000' )		
Balance as at March 29, 2007	-	-	-
Paid up share capital	800,000	-	800,000
Losses taken up from CSIBL and its subsidiaries upon amalgamation (Note: 4)	-	(2,176,970)	(2,176,970)
Shares issued otherwise than in cash as per scheme of amalgamation (Note: 4)	6,300	(6,300)	-
Profit for the period	-	355,826	355,826
Balance as at December 31, 2007	806,300	(1,827,444)	(1,021,144)

The annexed notes 1 to 52 form an integral part of these financial statements.



Chief Executive Officer



Director



## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

**1. THE GROUP AND ITS OPERATIONS**

- 1.1** Innovative Housing Finance Limited (IHFL) the 'holding company' was incorporated on March 29, 2007 as a public limited company under the Companies Ordinance, 1984. The holding company is licensed to carry out investment finance services, leasing and housing finance services as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The Registered office of the holding company is situated at H.M. House, 7 Bank Square, Lahore. The principal place of business is situated at Lahore and it operates through its branches in Karachi, Lahore, Islamabad, Peshawar and Mirpur (Azad Kashmir).

The holding company has applied to the regulatory authorities for listing of the holding Company's shares on all the three stock exchanges of Pakistan.

International Asset Management Company Limited (IAMC) was incorporated in Pakistan on June 17, 1992 as a public limited company under The Companies Ordinance 1984. The Registered Office of IAMC is situated at 5th Floor, NACON House, Moulana Din Muhammad Wafai Road, Karachi. Previously, IAMC had been granted a license to conduct the business of investment advisor under the "Investment Companies and Investment Advisors Rules 1971". However, after promulgation of Non-Banking Companies (Establishment and Regulation) Rules, 2003, IAMC obtained a fresh license of NBFC from Securities & Exchange Commission of Pakistan (SECP) for a period upto August 12, 2004. With expiry of such license and the managements' intention not to pursue for a renewal of license, IAMC is now operating as unlisted public limited company primarily engaged in providing business research and consultancy services.

Maghreb Development Corporation (Pvt.) Limited (MDCL) was incorporated under The Companies Ordinance 1984, on August 12, 1998 in Pakistan as a private limited company. The Registered Office was situated in Lahore, Punjab. The principal activity of MDCL is to introduce innovative concepts in real estate development and construction business.

**1.2 The group consists of:****Holding company:**

Innovative Housing Finance Limited

**Wholly owned subsidiary companies:**

International Assets Management Company Limited (IAMC)

Maghreb Development Corporation (Pvt.) Limited

The holding company owns 100 percent of the share capital of both the subsidiary companies and is a subsidiary of Agen Limited B.V.I.

**1.3 Basis of consolidation**

These consolidated financial statements comprised the financial statements of the holding company and its subsidiary companies as at 31 December 2007.

The financial statements of the subsidiary companies have been consolidated on a line by line basis and the carrying amount of the investments held by the holding company have been eliminated against the shareholders' equity in the subsidiary companies. The excess of cost of investment over the fair value of identifiable net assets acquired is recorded as goodwill.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions that are recognised in assets are eliminated in full.

The subsidiaries are fully consolidated from the date of acquisition being the date on which the Group obtained control, and continue to consolidate until the date that such control cease.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

**2. BASIS OF PREPARATION****2.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with the approved International Financial Reporting Standards (IFRSs) as applicable in Pakistan, the requirements of Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (the Rules) and the directives issued by SECP from time to time. Approved accounting standards comprise of such IFRSs as notified under the provisions of Companies Ordinance, 1984. Wherever the requirements of Companies Ordinance, 1984, the Rules or Directives differ with the requirements of these standards, the requirements of Companies Ordinance, 1984, the Rules or the requirements of the said directives take precedence. Reasons for deviation from requirements, wherever made, have been disclosed.

**2.2 Accounting convention**

These consolidated financial statements have been prepared under the historical cost convention as modified by remeasurement of investments (Note 3.4) and exchange differences (Note 3.14).

**2.3 Standards, interpretations and amendments to published approved accounting standards effective in 2007**

Amendments to International Accounting Standard (IAS) 1 - 'Presentation of financial statements- Capital Disclosure' introduces certain new disclosures about the level of companies capital and how the Group manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 43 to these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 01, 2007 and are not considered relevant or do not have any significant effect on Group's operations, are not detailed in these consolidated financial statements.

**2.4 Critical accounting estimates and judgements**

The preparation of consolidated financial statements in conformity with approved accounting standards require the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements are as follows:

- Useful life of depreciable assets
- Taxation
- Impairment
- Provisions & contingencies

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.1 Fixed assets****Owned assets**

These are stated at cost / acquisition amount less accumulated depreciation and impairment loss, if any, except capital work-in-progress and freehold land which are stated at cost.

Depreciation on fixed assets is charged to profit & loss account on straight-line basis to write off the assets over their expected useful lives. Depreciation is charged on assets acquired during the year from the month of purchase and on assets disposed off during the year up to the month of disposal.

Minor renewals, replacements, maintenance, repairs and gains or losses on disposal of fixed assets are taken to profit and loss account. Major renewals and improvements are capitalized.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

**Assets subject to finance lease**

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Financial charges related to leased assets are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged using 'straight line method' at the rates specified in note 5.

**Assets leased out under operating lease arrangements**

Assets leased out under operating lease arrangements are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account over the expected useful life of the assets.

**3.2 Intangible assets****Goodwill**

Goodwill represents the excess of cost of an acquisition over the fair value / carrying value of the share of net identifiable assets acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment.

**Computer Software**

These are stated at cost less accumulated amortization and impairment loss, if any. Amortization is charged to profit & loss account on the straight line method whereby the cost of an asset is written-off over its estimated useful life. Amortization is charged from the month the software is brought in use till the month of its disposal.

**Cards & rooms**

These are initially recognized at cost, being the fair value of the consideration given including charges associated with the acquisition. Subsequent to initial recognition, these are carried at the revalued amounts for fair presentation in accordance with International Accounting Standard - 38 'Intangible Assets'.

**3.3 Investment properties**

The Group has followed the fair value method in accounting for Investment Properties which are inherited from CSIBL. Fair value is assessed mainly on the basis of valuation obtained from approved valuers on the panel of the Pakistan Banks Association. Changes in fair value & gain and loss on disposal of investment properties are recognized in profit and loss account. Work in progress is stated at cost.

**3.4 Investments**

The Group determines appropriate classification of its investments at the time of purchase and re-evaluates this classification on a regular basis. The existing investment portfolio of the Group's has been categorized as follows.

**Held for trading**

These are investments which are acquired principally for the purpose of generating profits from short term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short term profit taking exists.

**Held to maturity**

These investments have fixed maturity and are acquired with the intention and ability to hold up to maturity.

**Available for sale**

These are investments which do not fall under the 'held for trading' and 'held to maturity' categories and may be sold in response to the need for liquidity or changes in yield rates.

Investments in securities are initially recognized at cost, being the fair value of the consideration given including charges associated with the purchase of investments.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

Subsequent to initial recognition, investments in listed securities, other than investments in shares of associated undertakings (where the Group can exercise significant influence and has the intention to hold these for the foreseeable future), are determined with reference to rates quoted at the Karachi Stock Exchange at close of business on the reporting date. The difference, if any, between the carrying amounts and the revalued amounts of investments held for trading is taken to profit & loss account and in case of investments available for sale, the resulting surplus / (deficit) is kept in a separate account and shown in the balance sheet below the shareholders' equity as surplus / (deficit) on revaluation of investments. Held to maturity securities are measured at amortized cost using the effective interest rate method. Gain or loss is recognized in profit or loss when these investments are derecognized.

Investments are derecognized when the right to receive the cash flows from the investments has expired, has been realized or transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment in value of investments available for sale and held to maturity are recognized in profit or loss for the year.

Investments in associated undertakings, where the Group can exercise significant influence and in which the Group has the intent and ability to hold for the foreseeable future, are remeasured by using the equity method.

Investments in unlisted securities are stated at cost. Any impairment in value of investments is charged to profit & loss account.

### 3.5 Musharika, morabaha and other finances

Finances in the form of long term loans and short term loans includes musharika finance, morabaha finance and other finance. These are stated at cost less any write offs and provisions for doubtful finance, if any.

### 3.6 Net investment in finance lease

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessees are classified as finance leases. Receivables against finance leases are recognized at an amount equal to present value of minimum lease payments including any guaranteed residual value and excluding un-earned finance income write-offs and provision for doubtful lease finances, if any.

### 3.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances and carried in the balance sheet at cost.

### 3.8 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit & loss account.

### 3.9 Taxation

#### Current taxation

Provision for current taxation is based on taxable income at applicable rates of taxation after taking into account tax credits and rebates available, and adjustments in respect of prior years, if any.

#### Deferred taxation

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and un-absorbed tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and un-absorbed tax losses can be utilized.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

### 3.10 Employee benefits

#### Defined contribution plan

The Group operates a provident fund scheme for all its permanent employees. The Group and its employees make equal monthly contributions at the rate of 10% of basic salary. The Group is in the process of getting the fund recognized from the taxation authority.

#### Employees compensated absences

The Group provides for the liability in respect of employees compensated absences in the year in which these are earned.

### 3.11 Revenue recognition

Profit/mark-up/return on musharika, morabaha and other finances, placements of funds, term finance certificates and government securities etc, are recognized on time proportion basis taking into account the effective yield on the instrument / declaration of profit by the musharika partner.

Fees and commission are recognized as income when earned.

In case of finance leases, the unearned finance income is amortized to income over the lease term by applying the annuity method to produce a constant rate of return on the net investment in lease. Operating lease rentals are recognized as income on accrual basis over the lease period.

Dividend from equity securities is recognized when the right to receive payment is established.

Gains / losses arising on sale of investments are taken to the profit & loss account in the period in which they arise.

When recovery is considered doubtful or expectations of ultimate collection are uncertain, the income is recognized on actual receipt basis.

### 3.12 Foreign currency translation

Transactions in foreign currencies are accounted for in Pak Rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling at the balance sheet date. Liabilities in foreign currencies for which the Group has taken forward exchange cover are converted at the contracted rates. Outstanding forward foreign exchange contracts are translated at rates applicable to respective maturities. Exchange gains/losses on translations and exchange risk coverage fee are taken to profit and loss account.

### 3.13 Provision for bad and doubtful loans/ receivables

Classified assets are stated net of provisions made in accordance with the Prudential Regulations for NBFCs. The provision made/reversed during the year is taken to profit and loss account. Assets are written off when there are no realistic prospects of their realizability. Once a financial asset has been classified, income is not recognized in accordance with Prudential Regulations for NBFCs until actually realized.

### 3.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the outflow can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

**3.15 Redeemable capital / term finance certificates**

Term finance certificates are initially recognized at fair value less transaction costs that are directly attributable to the issue of TFCs. The transaction costs are amortized over the term of TFCs using the effective interest method.

**3.16 Related party transactions**

Transactions between the Group and related parties are conducted on arm's length basis.

**3.17 Trade and settlement date accounting**

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date the Group commits to purchase / sell the asset. Other financial instruments are recognized on settlement date basis.

**3.18 Assets acquired in satisfaction of claims**

Assets acquired in settlement of non-performing finances/leases are stated at lower of the agreed settlement price or fair value of the related asset. Any impairment is recognized in profit and loss account.

Gains and losses on disposal are taken to profit and loss account unless recoverable from / payable to the customer.

**3.19 Financial instruments**

All financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instruments. Any gain/loss on de-recognition of the financial asset or financial liability is included in the profit/loss for the period to which it relates.

**Financial Assets**

Financial assets comprise of cash and bank balances, investments, placements, finances, net investment in finance leases and advances, deposits, mark-up and profit receivable and other receivables.

**Financial Liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are redeemable capital, security deposits, customers' deposits, borrowings, liabilities against assets subject to finance lease and accrued and other liabilities.

**Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when the Group has a legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense arising from such assets and liabilities are also offset with each other.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 4 SIGNIFICANT EVENTS DURING THE PERIOD

## 4.1 Business combination

Crescent Standard Investment Bank Limited (CSIBL) has been amalgamated with and into Innovative Housing Finance Limited (IHFL) on June 29, 2007 in accordance with the scheme of amalgamation sanctioned on June 26, 2007, by the Securities and Exchange Commission of Pakistan in terms of Section 282L of the Companies Ordinance 1984. Pursuant to the scheme of amalgamation, the entire business, assets, properties, rights, authorizations, licenses, privileges and liabilities of CSIBL stand vested in the Group. All suits, appeals, attributions, investigations and other legal proceedings by or against CSIBL are deemed as suits, appeals and legal proceedings by or against IHFL. CSIBL, without winding up, stands dissolved and ceased to exist with effect from June 28, 2007.

The balances of CSIBL taken for the purpose of amalgamation were un-audited. These balances were taken from the scheme of amalgamation approved by SECP under Section 282L of the Companies Ordinance 1984. Copy of the order is annexed as Annexure - A, which is integral part of these consolidated financial statements.

The effects of the said merger have been incorporated in these consolidated financial statements in accordance with the accounting treatment related to acquisition using purchase method. The assets and liabilities of the merging entity have been adjusted to conform with the accounting policies of the combined enterprise.

As per the requirements of IFRS 3, the effect of goodwill, if any, arising due to amalgamation of both the companies and due to consolidation of subsidiaries of CSIBL have to be taken into consolidated financial statements of the acquirer. However, as per the estimates of the management of the acquirer even if the effect of goodwill had been taken into account at the time of amalgamation of the companies and consolidation of subsidiaries, it would have been fully impaired by the end of the financial year resulting into nil effect in these consolidated financial statements. Therefore, the effect of goodwill, if any, has not been taken into account in these consolidated financial statements.

The amalgamation has been accounted for by merging the following assets and liabilities of the CSIBL as on the opening of business on the effective date, i.e., June 29, 2007, as per the scheme of amalgamation. As per the swap ratio determined in scheme of amalgamation, 1 share of IHFL has been issued against 200 shares of CSIBL. The swap ratio has been determined on the basis of financial statements of IHFL and CSIBL as of April 15, 2007.

Rupees in '000'

**Assets**

Cash and bank balances	248,604
Placement of funds	18,000
Investment	835,956
Investment properties	1,405,155
Musharika, morabaha and other finances	829,432
Net investment in finance lease	670,486
Advances, deposits, prepayments, deferred and other assets	85,133
Accrued income and other receivables	437,099
Property, plant and equipment	1,378,150
Intangibles- Rooms and cards	18,500

5,926,515

**Liabilities**

Redeemable capital	233,801
Borrowings	1,480,807
Customers' deposits	5,292,619
Security deposit against finance lease	298,545
Liabilities against assets subject to finance lease	4,215
Accrued and other liabilities	705,824
Unclaimed dividend	7,435

8,023,246

**Net assets**

(2,096,731)

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 4.2 Settlement with The Bank of Punjab

The Group entered into a settlement agreement with The Bank of Punjab (BOP) during the period. Under the term of this agreement, the following amounts were settled, the adjustments of which have been made under their appropriate heads:

	Note	2007 Rupees in '000'
Assets taken over by BOP		
Fixed Assets - 7 floors of Crescent Standard Tower	5	1,200,000
Net investment in finance lease - Leases assigned	8	323,306
		<hr/> 1,523,306
Liabilities settled by BOP		
Customers' deposits	24 & 29	(1,130,000)
Redeemable capital	27	(132,000)
Long term financing	22	(389,688)
Accrued and other liabilities - markup payable	30	(81,402)
		<hr/> (1,733,090)
Other income	35	<hr/> (209,784) <hr/>

## 4.3 Settlement with Crescent Group

The Group entered into a settlement agreement with the Crescent Standard Business Management (Pvt.) Limited (CSBM). The details of the agreement are as follows:

**Share purchase agreement**

Certificate of deposits (COIs) payable to Crescent Group	402,023
Less: Sale of shares against COIs	<hr/> (316,997)
payable to CSBM	85,026
Receivable against sale of shares - CSBM	<hr/> (322,084)
Net amount receivable from CSBM	<hr/> (237,058) <hr/>

**Settlement agreement**

Musharika, Morabaha and other finances	7	78,897
Net investment in finance lease	8	1,714
Advances, deposits, prepayments and other assets	11	70,579
Mark-up and profit receivables	12	30,662
Short term placements	15	13,597
		<hr/> 195,449
Consideration paid		<hr/> (180,993)
Amount written off		<hr/> 14,456 <hr/>



## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>5 FIXED ASSETS</b>		
Property, plant and equipment	5.1	491,204
Intangible assets	5.2	40,045
		531,249
Capital work in progress	5.3	111,028
		642,277
<b>5.1 Property, plant and equipment</b>		
Operating fixed assets - held for own use	5.1.1	464,414
Assets subject to finance lease	5.1.2	17,545
Assets leased out under operating lease arrangements	5.1.3	9,245
		491,204

## 5.1.1 Operating fixed assets - held for own use

	Freehold land	Building on freehold land	Building on leasehold land	Leasehold improvement	Plant and machinery	Furniture and fixture	Vehicles	Office equipment	Books	Total
	Rupees in '000'									
As at March 29, 2007										
Cost	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-	-	-	-
Assets taken over from CSIBL & its subsidiaries (at cost)	195,120	1,196,699	64,269	21,561	29,332	49,330	11,317	72,050	641	1,640,319
Additions during the period (at cost)	82	1,383	-	1,020	5,700	-	1,698	4,875	-	14,758
Disposals:										
Cost	(4,882)	(832,477)	-	-	(10,299)	(6,124)	(1,990)	(1,080)	-	(856,852)
Accumulated depreciation	-	99,317	-	-	7,108	4,664	1,229	926	-	113,244
Transfer to investment property	(4,882)	(733,160)	-	-	(3,191)	(1,460)	(761)	(154)	-	(743,608)
Written off	-	(140,400)	-	-	-	-	-	-	-	(140,400)
Accumulated depreciation on assets taken over from CSIBL & its subsidiaries	-	(125,678)	(16,809)	(14,682)	(23,925)	(31,804)	(9,947)	(61,950)	(606)	(285,401)
Depreciation for the period	-	(5,874)	(1,607)	(661)	(3,387)	(3,101)	(369)	(4,122)	(17)	(19,138)
Closing net book value	190,320	192,970	45,853	7,238	4,529	10,849	1,938	10,699	18	464,414
As at December 31, 2007										
Cost	190,320	225,205	64,269	22,581	24,733	41,090	11,025	75,845	641	655,709
Accumulated depreciation	-	(32,235)	(18,416)	(15,343)	(20,204)	(30,241)	(9,087)	(65,146)	(623)	(191,295)
Net book value	190,320	192,970	45,853	7,238	4,529	10,849	1,938	10,699	18	464,414
Depreciation rate per annum (%)	Nil	5	5	10	10	20	25	33	20	

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 5.1.2 Assets subject to finance lease

	Office equipment	Vehicles	Total
	----- Rupees in '000' -----		
As on March 29, 2007			
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book value	-	-	-
Assets taken over from CSIBL and its subsidiaries (at cost)	7,051	1,717	8,768
Additions during the period (at cost)	-	36,666	36,666
Disposals:			
Cost	-	(3,037)	(3,037)
Accumulated depreciation	-	2,053	2,053
	-	(984)	(984)
Adjustments - accumulated depreciation	-	(9,089)	(9,089)
Accumulated depreciation on assets taken over from CSIBL and its subsidiaries	(4,357)	(734)	(5,091)
Depreciation charge for the period	(1,163)	(11,562)	(12,725)
Closing net book value	1,531	16,014	17,545
As at December 31, 2007			
Cost	7,051	35,346	42,397
Accumulated depreciation	(5,520)	(19,332)	(24,852)
Net book value	1,531	16,014	17,545
Depreciation rate per annum (%)	33	25	

## 5.1.3 Assets leased out under operating lease arrangements

	Plant and Machinery
	Rs. in '000'
As on March 29, 2007	
Cost	-
Accumulated depreciation	-
Net book value	-
Assets taken over from CSIBL and its subsidiaries (at cost)	-
Additions during the period (at cost)	17,310
Disposals:	
Cost	-
Accumulated depreciation	-
Accumulated depreciation on assets taken over from CSIBL and its subsidiaries	-
Depreciation charge for the year	(8,065)
Closing net book value	9,245
As at December 31, 2007	
Cost	17,310
Accumulated depreciation	(8,065)
Net book value	9,245
Depreciation rate per annum (%)	10

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 5.1.4 Detail of fixed assets sold during the period:

Description of Assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Direct write off	Mode of disposal	Buyer's Particulars
------(Rupees in '000')-----								
<b>PROPERTY, PLANT AND EQUIPMENT</b>								
<b>Land and Building</b>								
7 Floors of Crescent Standard Tower, Lahore	832,477	99,317	733,160	1,200,000	466,840	-	loan settlement agreement	The Bank of Punjab
Plot No. 2 Street 32, Sector G 13/2, Islamabad.	4,882	-	4,882	4,800	(82)	-	Negotiation	Muhammad Shafique
	837,359	99,317	738,042	1,204,800	466,758	-		
<b>Office equipment</b>								
Laptop	128	128	-	23	23	-	As per Policy	Wasim Ahmed Sheikh - Ex Executive *
Air conditioners	135	135	-	29	29	-	Negotiation	Friend House Hold Trader
Split Air conditioners	31	20	11	31	20	-	Settlement	Mustang Security Services
Canopy of Generator	574	521	53	-	(53)	-	Adjustment	Jamal Textile Mills Ltd.
Laptop	67	42	25	23	(2)	-	As per Policy	Javed Akhtar Mangroria-Ex Executive *
Laptop	145	80	65	60	(5)	-	As per Policy	Nadeem Javed - Ex Executive *
	1,080	926	154	166	12	-		
<b>Furniture</b>								
Furniture	30	30	-	-	-	-	As per Policy	Syed Tahir Hussain-Employee *
Furniture	30	30	-	-	-	-	As per Policy	Saad Yahya Malik-Executive *
Furniture	50	50	-	13	13	-	As per Policy	Nadeem Javed - Ex Executive *
Furniture	50	50	-	13	13	-	As per Policy	Wasim Ahmed Sheikh - Ex Executive *
Furniture	20	20	-	-	-	-	As per Policy	Syed Sajjad Haider - Ex Executive *
Furniture	20	14	6	9	3	-	As per Policy	Mukhtar Ahmed Cheema - Executive *
Furniture	10	4	6	6	-	-	As per Policy	Mukhtar Ahmed Cheema - Executive *
Furniture	20	7	13	13	-	-	As per Policy	Saad Yahya Malik-Executive *
Furniture	30	22	8	8	-	-	As per Policy	Javed Akhtar Mangroria- Ex Executive *
Furniture	60	60	-	2	2	-	Negotiation	Sold to Scrap dealer
Furniture	2,090	931	1,159	711	(448)	-	Negotiation	Shakargunj Mills Ltd
Furniture	336	158	178	114	(64)	-	Negotiation	Shakargunj Mills Ltd
Furniture	40	28	12	3	(9)	-	As per Policy	Khawaja Tauqeer Ahmad-Executive *
Furniture	20	5	15	15	-	-	As per Policy	Uzma Sultan - Executive *
Furniture	20	14	6	6	-	-	As per Policy	Habib A. Chaudhry - Executive *
Furniture	100	70	30	30	-	-	As per Policy	Nasir Ayub - Executive *
Furniture	50	23	27	28	1	-	As per Policy	M. Saleem Qadri - Executive *
Furniture	2,116	-	2,116	-	-	(2,116)	Written Off	The amount charged to direct write off
Furniture	3,148	3,148	-	-	-	-		Assets fully depreciated written off
	8,240	4,664	3,576	971	(489)	(2,116)		
<b>Vehicle</b>								
Motor Cycle	64	64	-	64	64	-	As per Policy	Saad Yahya Malik - Executive *
KIA Classic LXy-465	213	32	181	182	1	-	Negotiation	Tallat Mahmood Alvi
Suzuki 100 Motorcycle 1052	49	49	-	6	6	-	Negotiation	Al-Madina Autos
Toyota Corolla 1.6 GLI	580	-	580	205	(375)	-	Negotiation	Amir Saleem
Suzuki 100 Motorcycle KAV-3623	70	70	-	6	6	-	Negotiation	Al-Madina Autos
Suzuki 100 Motorcycle KCT-6275	45	45	-	6	6	-	Negotiation	Al-Madina Autos
Suzuki 110 Motorcycle KCT-8851	65	65	-	6	6	-	Negotiation	Al-Madina Autos
Hero Honda 70 Motorcycle KAC-6349	45	45	-	6	6	-	Negotiation	Al-Madina Autos
Honda City - CAN 973	859	859	-	200	200	-	Negotiation	Syed Riaz Ahmed
	1,990	1,229	761	681	(80)	-		
<b>Plant &amp; Machinery</b>								
Generator sets	10,299	7,108	3,191	3,475	284	-	Negotiation	Mega Group of Engineers, Karachi.
	10,299	7,108	3,191	3,475	284	-		
<b>ASSETS SUBJECT TO FINANCE LEASE</b>								
<b>Vehicles</b>								
Toyota Corolla- JU 468	940	705	235	810	575	-	As per Policy	Mr. Rahat Ullah Khan - Ex Executive *
Toyota Corolla- AFJ - 365	849	849	-	475	475	-	As per Policy	Mr. Sohail A. Shaikh - Ex Executive *
Honda Civic Vti - AHC - 539	1,248	499	749	749	-	-	As per Policy	Mr. Farooq Lakhani - CEO *
	3,037	2,053	984	2,034	1,050	-		
<b>GRAND TOTAL</b>	<b>862,005</b>	<b>115,297</b>	<b>746,708</b>	<b>1,212,127</b>	<b>467,535</b>	<b>(2,116)</b>		

\*Represent related parties

## 5.1.5 Cost of fully depreciated assets in use is Rupees 88.449 million.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 5.2 Intangibles

Software	Room	Membership cards				
Oracle Financial	National Commodity Exchange Limited	National Commodity Exchange Limited	Lahore Stock Exchange (Guarantee) Limited	Dubai Gold and Commodity Exchange, Dubai	Royal Palm Golf & Country Club, Lahore	Total

----- Rupees in '000' -----

As at 29 March 2007							
Cost	-	-	-	-	-	-	-
Accumulated amortization	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Intangibles taken over from CSIBL (at cost)	2,492	2,500	15,000	-	6,097	1,000	27,089
Amortization taken over from CSIBL	(1,382)						(1,382)
Additions during the period (at cost)	-	-	-	27,948	-	-	27,948
Impairment charge for the year	(1,110)	-	(12,500)	-	-	-	(13,610)
Closing net book value	-	2,500	2,500	27,948	6,097	1,000	40,045
As at 31st December 2007							
Cost	1,382	2,500	15,000	27,948	6,097	1,000	53,927
Accumulated impairment	(1,382)	-	(12,500)	-	-	-	(13,882)
Net book value	-	2,500	2,500	27,948	6,097	1,000	40,045

## 5.3 Capital work in progress

	2007				
	Building on freehold land	Leasehold improvements	Building on leasehold land	Information system and network installation	Total
	----- Rupees in '000' -----				
As at March 29, 2007	-	-	-	-	-
Acquired from CSIBL & its subsidiaries	9,859	21,817	-	-	31,676
Additions during the period	1,210	3	14,027	3,701	18,941
Transfers	(578)	(14,025)	73,771	1,488	60,656
Written off	(245)	-	-	-	(245)
As at December 31, 2007	10,246	7,795	87,798	5,189	111,028

Note

2007  
Rupees in '000'

## 6 INVESTMENT PROPERTIES

Investment properties	6.1	1,157,488
Work in progress		127,236
		<u>1,284,724</u>

- 6.1 This includes fair value of investment properties amounting to Rupees 831.613 million in the name of Maghreb Development Corporation (Pvt.) Limited (MDCL) wholly owned subsidiary of the Company. These were acquired by formerly Crescent Standard Investment Bank Limited on December 31, 2005 by virtue of a settlement agreement and a power of attorney executed by MDCL in the name of CSIBL, which was subsequently amalgamate into the Company.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

- 6.2 The Company has adopted the fair value model in accounting for these properties. The properties have been revalued as at December 31, 2007 by independent valuers namely National Evaluation Company (Private) Limited, who is approved valuer on the panel of Pakistan Banks Association. Had there been no revaluation, the position of properties would have been as follows as at 31 December 2007:

	2007 Rupees in '000'
Land at cost	1,114,261
Premises at cost	370,963
	1,485,224

## 6.3 Investment Properties

Reconciliation statement of the investment properties showing the movement during the period ended December 31, 2007 is as follows:

Description	Cost / Revalued Amounts						As at December 31, 2007
	Acquisition From CSIBL as at June 28, 2007	Additions resulting from acquisition / installments	Transfer	Additions resulting from subsequent expenditures	Deletions	Surplus / (deficit) on revaluation of Properties	
( Rupees in '000' )							
Investment Properties							
Land	1,146,579	-	-	227	(42,546)	(240,777)	863,483
Premises	101,668	-	140,400	1,660	-	50,277	294,005
Sub total	1,248,247	-	140,400	1,887	(42,546)	(190,500)	1,157,488
Work In Progress							
Land	-	10,000	-	-	-	(10,000)	-
Premises	156,908	44,099	(73,771)	-	-	-	127,236
Sub total	156,908	54,099	(73,771)	-	-	(10,000)	127,236
2007	1,405,155	54,099	66,629	1,887	(42,546)	(200,500)	1,284,724

- 6.4 Investment properties (Land) includes Rs. 79.9 million (Rs.187 Million as the fair value at the time of amalgamation less Rs.107 Million as impairment) representing book value of the property situated at Mauza Sehjpal, Tehsil Distt. Lahore, being the amount at which the agreement to sell has been executed by the Group. Out of total amount, Rs. 51.4 Million has already been received by the Group as advance during the period, whereas balance had been recovered subsequent to the balance sheet date. The fair value of the property has been impaired to bring its value to recoverable amount from the purchaser, however, the title of property is under litigation for which outcome cannot be reliably measured until the outcome of litigation in the court of law.

- 6.5 Detail of investment properties sold during the period ended December 31, 2007 is as follows:

Description of Properties	Acquisition From CSIBL as at June 28, 2007	Carrying value	Revaluation surplus / (Deficit)	Sale amount	Gain/(Loss) on disposal based on carrying value	Mode of disposal	Buyer Name
( Rupees in '000' )							
Property No. S-71-R-2-A, Edward Road, Lahore measuring 7 marlas, 51 sq feet	10,899	10,899	-	10,002	(897)	Negotiation	Mr. Sohail Malik Butt
14 Plots of Defence Housing Authority Ph II Ext. Islamabad	28,000	28,000	-	23,800	(4,200)	Negotiation	Mr. Waqas Khan
1 Unit of 8 Marlas open plot at Safari Villas, Lahore.	3,647	3,647	-	1,305	(2,342)	Negotiation	Mr. Zafar Rafiq
	42,546	42,546	-	35,107	(7,439)		

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 7 MUSHARIKA, MORABAHA AND OTHER FINANCES

	2007			Total
	Musharika finance	Morabaha finance	Other finance	
	----- Rupees in '000' -----			
Gross amount receivable	994,215	363,596	44,871	1,402,682
Less: Provision for doubtful receivable	690,455	266,723	38,423	995,601
Net exposure - Considered good	303,760	96,873	6,448	407,081
Less: Current maturity	298,422	58,498	5,987	362,907
	5,338	38,375	461	44,174

7.1 Musharika financing agreements are partly secured against lien on deposits, charge on assets, demand promissory notes and personal guarantees. Weighted average markup / profit rate is 0.003% per annum.

7.2 Morabaha financing are agreements whereby payment for the goods sold is deferred along with specified profit margin. These are secured by hypothecation / charge on assets of customers, mortgage of properties, lien over deposits, and bank/personal guarantees.

7.3 Other financing facilities represent finance provided to customers which are secured against charge on assets, demand promissory notes and personal guarantees. The rate of return ranges from 7.5% to 18%.

## 7.4 Provision for doubtful receivable

	2007			Total
	Musharika finance	Morabaha finance	Other finance	
	----- Rupees in '000' -----			
Provision as at March 29, 2007	-	-	-	-
Provisions acquired from CSIBL	624,176	186,947	44,523	855,646
Charge for the period	158,095	97,400	5,682	261,177
	782,271	284,347	50,205	1,116,823
Less: Reversals during the year	86,984	14,472	11,782	113,238
Written off	4,832	3,152	-	7,984
	91,816	17,624	11,782	121,222
Provision as at December 31, 2007	690,455	266,723	38,423	995,601

7.5 Musharika, morabaha & other finances includes Rs 1,325 million which have been classified as non-performing loans.

Note  
2007  
Rupees in '000'

## 8 NET INVESTMENT IN FINANCE LEASE

Lease rentals receivable		607,449
Add: Residual value		151,985
Gross investment in finance lease		759,434
Less: Unearned finance income		12,168
Net investment in finance lease	8.1	747,266
Less: Provision for potential lease losses	8.3	463,726
		283,540
Less: Current maturity		246,065
		37,475

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 8.1 Particulars of net investment in finance lease

	2007			Total
	Less than one year	Later than one year but not later than five years	Later than five years	
	----- Rupees in '000' -----			
Lease rental receivable	570,771	36,678	-	607,449
Add: Residual value of leased assets	138,017	13,968	-	151,985
Gross investment in finance lease	708,788	50,646	-	759,434
Less: Unearned finance income	8,202	3,966	-	12,168
Net investment in finance lease	700,586	46,680	-	747,266

- 8.2 The Group has entered into various lease agreements for periods ranging from one to five years. Security deposits ranging from 0% to 60 % are obtained at the time of disbursement of the lease amount. The rate of return implicit in the lease ranges from 8 % to 30 % per annum. Generally assets provided on leases are held as collateral.

## 8.3 Movement in provision for potential lease losses

	Note	2007 Rupees in '000'
Provision as at March 29, 2007		-
Provisions acquired from CSIBL		680,660
Charge for the period		118,729
		799,389
Less: Reversals during the period		221,183
Written off		27,017
Adjustments		87,463
		335,663
Provision as at December 31, 2007		463,726

- 8.4 Net investment in finance lease includes Rs 550 million which have been classified as non-performing as per the requirements of Prudential Regulations issued by the SECP.

- 9 The Group has placed funds with Crescent Leasing Corporation Limited at the mark-up rate of 12.5% per annum. The Placement will mature on January 26, 2009.

## 10 CURRENT MATURITY OF NON-CURRENT ASSETS

Musharika finance	7	298,422
Morabaha finance	7	58,498
Other finance	7	5,987
Net Investment in finance lease	8	246,065
		608,972

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS</b>		
Advances to staff- considered good	11.1	18,411
Income tax - net		21,442
Security deposits		15,653
Prepayments		9,912
Due from lessees		5,243
Assets repossessed		59,315
Due from brokers and clients		79,911
		209,887
Less: Provision for doubtful receivables	11.2	138,731
		71,156
<b>11.1 Breakup of the staff loan by type of employees:</b>		
Loan to executives	11.1.1	15,980
Loan to employees		2,431
		18,411
<b>11.1.1 Reconciliation of carrying amount of loans to executives:</b>		
Balances taken up from CSIBL		5,613
Disbursements during the period		12,000
Less: Receipts / settlements during the year		1,633
		15,980

11.1.2 The maximum aggregate amount due from executives at the end of any month during the period was Rupees 17.51 million.

11.1.3 Loans to executives disbursed during the period carry mark-up of 1 month KIBOR + 3%.

#### 11.2 Movement in provision for doubtful receivables

	2007					Total
	Provision for doubtful staff advances	Provision for doubtful security deposits	Provision for doubtful receivable - lessees	Provision for impairment of assets repossessed	Provision for doubtful receivable - brokers and clients	
	----- Rupees in '000' -----					
Provision as at March 29, 2007	-	-	-	-	-	-
Provisions acquired from CSIBL	-	-	4,663	59,315	109,990	173,968
Charge for the year	292	385	602	-	24,689	25,968
Less: Reversals during the year	-	-	22	-	61,183	61,205
	292	385	5,243	59,315	73,496	138,731



## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>12 MARK-UP AND PROFIT RECEIVABLES</b>		
Investment - Term finance certificates		19
Finances:		
Morabaha finance		2,939
Musharika finance		4,297
Loans, advances & other receivables		355
		7,591
Profit receivable from Sysmax (Pvt.) Limited	12.1	237,000
Funds placements		4,634
Deposits with banks		97
		249,341
Less: Provision for doubtful mark-up and profit receivables	12.2	237,000
		12,341
<b>12.1</b>		
This represents profit receivable from Sysmax (Pvt.) Limited on account of sale of platinum memberships of Defence Authority Country and Golf Club, Karachi (DACGC). The total claim of profit amounts to Rupees 660.77 million. However, the Group has partially booked the profit receivable and made full provision there-against pending outcome of the arbitration proceedings (Notes 13.1 & 31.2.3).		
<b>12.2</b>		
<b>Movement in provision for mark-up and profit receivables</b>		
Provision as at March 29, 2007		-
Provisions acquired from CSIBL		-
Charge during the period		237,000
Less: Reversals during the period		-
Provision as at December 31, 2007		237,000
<b>13 OTHER RECEIVABLES</b>		
<b>Unsecured - Considered good</b>		
Sysmax (Pvt.) Limited	13.1	204,057
Others		2,227
		206,284
<b>Considered doubtful</b>		
Others		145,579
		351,863
Less: Provision for doubtful other receivables	13.2	145,579
		206,284
<b>13.1</b>		
The amount represents financing provided for development, upgrading and building of the Defence Authority Country and Golf Club, Karachi, (DACGC) to Sysmax (Pvt.) Limited net of sale proceeds of DACGC memberships released after certification by DHA. Sysmax (Pvt.) Limited has unilaterally and unlawfully terminated the Agreement for financing the project dated September 2, 2004 and assignment agreement dated September 21, 2004 (relating to assignment of Platinum memberships of DACGC) with the Group for alleged breach of the Agreement. In addition, Sysmax has also advised the Escrow Account Bank (NIB Bank Limited) to disengage the Group as one of the signatories for release of funds from the Account. In this regard, Note 31.2.3 under Contingencies and Commitments may also be referred. Since the amount has been considered good, therefore, no provision has been made against the outstanding amount.		

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>13.2 Movement in provision for doubtful other receivables</b>		
Provision as at March 29, 2007		-
Provisions acquired from CSIBL		139,243
Charge during the period		17,833
Less: Reversals during the period		11,497
Provision as at December 31, 2007		145,579
<b>14 SHORT TERM INVESTMENTS</b>		
<b>Available for sale</b>		
Ordinary shares - Listed	14.1	344,196
Ordinary shares - Unlisted	14.2	81,041
Term finance certificates - Unlisted	14.3	18,965
		444,202
<b>Held for trading</b>		
Ordinary shares and certificates - Listed	14.4	72,653
Term finance certificates - Listed	14.5	286
		72,939
		517,141

**14.1 Ordinary shares - Listed**

No. of shares/certificates of Rs. 10/- each	Name	Note	2007	
			Average cost	Market value
2007				
----- Rupees in '000' -----				
<b>Associates</b>				
<b>Modaraba</b>				
6,724,600	Crescent Standard Modaraba Equity held 33.62%	14.1.1	12,440	11,095
<b>Others</b>				
<b>Mutual fund</b>				
585,923	Asian Stocks Fund Limited Equity held 0.65%		2,754	3,808
<b>Sugar</b>				
7,907,022	Shakarganj Mills Ltd. Equity held 13.65 %	14.1.2	331,210	329,293
			346,404	344,196

**14.1.1** The above modaraba is managed by its Management Company by virtue of which the Group does not have significant influence over the Modaraba.

**14.1.2** This includes 7,720,000/- no. of ordinary shares of Shakarganj Mills Limited valued at Rs. 41.72 per share in accordance with share sales agreement entered into with Crescent Standard Business Management (Pvt.) Limited.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 14.2 Ordinary shares - Unlisted

		2007
No. of share of Rs. 10/- each	Name	Average cost
2007		Rupees in '000'
500,000	<b>Crescent Powertech Limited</b> Equity held: 10% Breakup value per share: Rupees 194.86	5,000
100,750	<b>Central Depository Company of Pakistan Limited</b> Breakup value per share: Rupees 55.04	7,000
250,000	<b>First Capital Investment Limited</b> Breakup value per share: Rupees 14.99	2,500
300,000	<b>Crescent Bahuman Limited</b> Breakup value per share: Rupees (4.52)	3,000
7,000,000	<b>Al-Hamra Hills (Private) Limited</b> Breakup value per share: Rupees 9.76	70,000
	Less: Provision for impairment	87,500 6,459
		81,041

## 14.3 Term finance certificates - Unlisted

		2007
No. of certificates	Name	Cost
2007		Rupees in '000'
5,000	<b>Cement</b> Dewan Cement Limited (formerly Pakland Cement Limited) 14.3.1	22,018
1,000	Dewan Hattar Cement Limited (formerly Saadi Cement Limited) 14.3.1	1,729
	Less: Provision for impairment	23,747 6,252
		17,495
5,000	<b>Sugar</b> Chaudhary Sugar Mills Limited 14.3.2	1,470
		18,965

14.3.1 The above TFCs were issued against the amount due from Dewan Cement Limited (DCL) and Dewan Hattar Cement Limited (DHCL). As per scheme of arrangement arrived at by the creditors with DCL and DHCL, and approved by the Honourable High Court, Sindh, Karachi, the outstanding exposure has been converted into TFCs. These are secured by a pari passu charge / mortgage over the assets and securities of DCL and DHCL created in favour of the Trustees appointed on behalf of the TFC holders / creditors. The rescheduled amount of TFCs Series 'B' is repayable over a period of two years in four semi-annual installments commencing from January 15, 2012. The revised TFCs of the Series 'B' do not carry any mark-up.

14.3.2 These TFCs are for a tenure of 5 years redeemable by December 2008 and carry quarterly floating mark-up at SBP's discount rate plus 3 percent per annum with a floor of 9.50 percent per annum and no cap.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 14.4 Ordinary shares and certificates - Listed

No. of shares/certificates of Rs. 10/- each	Name	2007	
		Average cost	Market value
2007			
---- Rupees in '000' ----			
	<b>Mutual Funds</b>		
150,000	Pakistan Strategic Allocation Fund Limited	1,560	1,357
10,000	PICIC Investment Fund	152	132
	<b>Modarabas</b>		
500	Modaraba Al-Tijarah	75	-
	<b>Commercial Banks</b>		
2,460	National Bank of Pakistan	517	538
6,100	The Bank of Punjab	504	504
25,000	Union Bank Limited	740	740
10,000	JS Bank Limited	580	580
20,000	NIB Bank Limited	410	410
	<b>Investment Banks &amp; Investment Companies</b>		
10,000	Javed Omer Vohra & Company Limited	461	461
8,500	Pakistan Industrial Credit & Investment Company	361	361
	<b>Insurance</b>		
37,084	PICIC Insurance Limited	1,772	1,282
	<b>Leasing Companies</b>		
130	Security Leasing Corporation Limited	-	1
	<b>Textile</b>		
239,000	Taj Textile Mills Limited	478	323
11,000	Nishat Mills Limited	1,471	1,157
10,000	Nishat Chunian Limited	445	445
12,499	Punjab Cotton Mills Limited	62	62
10,000	Sally Textile Mills Limited	30	18
50,000	Service Industries (Textile) Limited	125	100
547,600	Shaheen Cotton Mills Limited	2,738	1,643
237,100	Zahur Textile Mills Limited	237	237
34	Paramount Spinning Mills Limited	-	5
	<b>Sugar</b>		
198,000	Sakrand Sugar Mills Limited	495	544
	<b>Cement</b>		
70,000	Pakistan Cement Company Limited	1,029	798
11,000	D.G. Khan Cement Company Limited	1,295	1,042
75,000	Fauji Cement Company Limited	1,515	1,118
15,000	Gharibwal Cement Limited	264	237
30,000	Lucky Cement Limited	4,107	3,495
10,451	Pioneer Cement Limited	385	331
	<b>Fuel and Energy</b>		
121,500	Altern Energy Limited	2,126	2,856
50,000	Bosicor Pakistan Limited	915	1,068
33,000	Oil and Gas Development Company Limited	3,930	3,942
4,000	Pakistan State Oil Company Limited	1,560	1,628
32,000	Pakistan Petroleum Limited	7,786	7,842
27,000	Sui Northern Gas Pipelines Limited	2,059	1,943
20,000	Sui Southern Gas Company Limited	522	523
500	The Hub Power Company Limited	-	5
7,500	Pakistan Oilfields Limited	2,438	2,508

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

No. of shares/certificates of Rs. 10/- each	Name	Note	Average cost	Market value
2007				
---- Rupees in '000'----				
<b>Transport and Communication</b>				
489,000	Eye Television Network Limited		23,251	32,591
12,000	Pakistan International Container Terminal Limited		808	845
25,000	Telecard Limited		300	272
1	Pakistan National Shipping Corporation		-	-
10,000	Netsol Technologies Limited		223	223
500	Worldcall Telecom Limited		4	4
<b>Fertilizers</b>				
5,000	Fauji Fertilizer Bin Qasim Limited		196	211
5,000	Engro Chemical Pakistan Limited		1,323	1,329
<b>Chemical and Pharmaceuticals</b>				
122,500	Pakistan PTA Limited		637	619
<b>Synthetics</b>				
90,000	Dewan Salman Fibre Limited		954	675
<b>Miscellaneous</b>				
11,000	Siddiqsons Tinsplate Limited		372	307
			71,212	77,312
	Less: Provision for disputed investments	14.4.1		4,659
				72,653

14.4.1 The CDC sub-account of the International Asset Management Company Limited does not reflect the investment amounting to Rs. 4.6 million which existed in the CDC sub-account maintained with M/s Finex Securities Limited (FSL) on April 17, 2006. Subsequently FSL has sold investments as collection against margin call related to shortfalls on unauthorized future trading conducted on behalf of IAMC. The subsidiary had filed a complaint against the broker to Karachi Stock Exchange (KSE) and SECP on December 26, 2006. The claim was dismissed by the panel of arbitration of the KSE vide its award dated September 13, 2007 against which the subsidiary filed an appeal on September 20, 2007 to the appellate bench for which the decision is awaited. The detail of disputed investments is as follows: -

No. of shares of Rs. 10/- each	Name	Market value as at June 30, 2006
Rupees in '000'		
2,000	National Bank of Pakistan	431
6,100	The Bank of Punjab	504
20,000	NIB Bank Limited	410
8,500	PICIC Commercial Bank Limited	361
10,000	Jahangir Siddiqui Investment Bank Limited	580
25,000	Standard Chartered Bank Limited	740
10,000	Javed Omer Vohra & Co. Limited	461
500	Wordcall Communication Limited	4
10,000	Netsol Technologies Limited	223
10,000	Nishat Chunian Limited	445
5,000	Sui Northern Gas Pipelines Limited	500
107,100		4,659

14.4.2 These disputed investments are appearing at market value as of June 30, 2006. Had these investments were revalued at fair value, on the assumption that the investments are in good ownership of the subsidiary, their value would have increased by Rs. 2.7 million.

14.4.3 Jahangir Siddique Investment Bank Limited has been converted into JS Bank Limited with swap ratio 1:3.24.

14.4.4 PICIC Commercial Bank Limited has been converted into NIB Bank Limited with swap ratio 1:3.18.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

14.4.5 Break-up of investment as on December 31, 2007 reflect on CDC sub-account of the subsidiary are as follows.

No. of shares of Rs. 10/- each	Name	Note	2007	
			Average cost	Market value
			---- Rupees in '000'----	
460	National Bank of Pakistan		86	107
1	Pakistan National Shipping Corporation		-	-
			86	107

## 14.5 Term Finance Certificates - Listed

No of certificates	Name	Note	2007	
			Average cost	Market value
			---- Rupees in '000'----	
190	Chemicals Ittehad Chemicals Limited	14.5.1	286	286

## 14.5.1 Other particulars of listed TFCs are as follows:

Particulars	Profit rate per annum	Certificate denomination	Profit payments	Commencement date	Maturity date
Ittehad Chemicals Limited	SBP's discount rate plus 2.5 %	5,000	Semi annually	June 27, 2003	June 27, 2008

14.6 Face value of all ordinary shares/ certificates of investee entities is Rupees 10 each, except stated otherwise.

15 These carry mark-up rate ranging from 9.75% to 11.0% per annum.

	Note	2007 Rupees in '000'
<b>16 CASH AND BANK BALANCES</b>		
Cash with bank		
- Treasury Banks		
State Bank of Pakistan		1,922
- Other Banks (Local Currency)		
Current accounts		7,238
Savings / PLS accounts		175,127
	16.1	182,365
- Other Banks (Foreign Currency)		
Current accounts		175
Saving / PLS accounts		122
		297
Cash in hand		20
		184,604

16.1 An amount of Rupees 14.556 million held with Crescent Commercial Bank Limited has been blocked by the bank against amount of the Term Finance Certificates (Note 27) held by them. Subsequently, the matter has been resolved.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

		Note	2007 Rupees in '000'
<b>17</b>	<b>AUTHORIZED SHARE CAPITAL</b>		
	2007 No. of shares		
	220,000,000	Ordinary shares of Rs. 10 each	17.1
			2,200,000
<b>17.1</b>	The Authorized Share Capital of the Group has been increased from 200 million to 220 million number of shares as required and approved in the scheme of amalgamation by the SECP. The said amendment has been made in Articles of Association of the Group as approved by the Board of Directors in its meeting held on April 21, 2007.		
<b>18</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>		
	2007 No. of shares		
	80,000,000	Ordinary shares of Rs. 10 each fully paid up in cash	18.1
			800,000
	629,980	Ordinary shares of Rs. 10 each issued to CSIBL shareholders in accordance with the Scheme of Amalgamation (Note 4.1)	
			6,300
			806,300
<b>18.1</b>	Agen Limited B.V.I., a parent Company, holds 79,996,500 ordinary shares of the holding company.		
<b>19</b>	<b>UNREALIZED LOSS ON INVESTMENTS AVAILABLE FOR SALE</b>		
	Ordinary shares - Listed		2,208
	Ordinary shares - Unlisted		1,680
			3,888
<b>20</b>	<b>SUPPLEMENTARY CAPITAL</b>		
	This represents free of charge contributory fund under Financial Deepening Challenge Fund provided by Enterplan Limited of the United Kingdom, on the arrangement that the Group will also contribute double the amount contributed by the Fund as supplementary capital in the Group. The fund so contributed will be invested under SME financing window project. The amount equal to the income generated thereupon will also be reinvested into the project.		
<b>21</b>	<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
	Obligation under finance lease		26,733
	Less: current maturity		9,316
			17,417

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 21.1 Particulars of liabilities against assets subject to finance lease

	2007		
	Minimum lease payments	Financial charges allocated to future years	Present value minimum lease payments
-----Rupees in '000' -----			
Not later than one year	11,476	2,160	9,316
Later than one year but not later than five years	19,009	1,592	17,417
	30,485	3,752	26,733

21.2 The weighted average finance charge used as the discounting factor (i.e. Implicit in the lease) is 12.53% per annum. Rentals are payable in monthly installments. The Group has the option to purchase the leased assets at the end of lease term and has the intention to exercise it.

	Note	2007 Rupees in '000'
22 LONG TERM FINANCING		
Loan from banking companies and financial institutions	22.1	692,397
Less: current maturities		5,001
		687,396

## 22.1 Loans from banking companies and financial institutions

Outstanding liability (Rs. in '000')	Final maturity date	Tenure Years	Markup % p.a.	Grace period Years	First Date of principal repayment	Markup payment	Principal repayment	Effective date for charging of markup
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Local Currency - Unsecured  
- Loan from financial institution

National Bank of Pakistan	11,015	31-Dec-12	5	5.00	2	1-Jan-10	Half Yearly	Half Yearly	1-Jan-08
ORIX Investment Bank Pakistan Limited - Loan I	50,759	15-Jan-13	5 & 1/2	5.00	1/2	15-Jul-08	Half Yearly	Half yearly	1-Jul-07
ORIX Investment Bank Pakistan Limited - Loan II	25,000	30-Jun-14	7	5.00	2	31-Dec-09	Quarterly	Half yearly	1-Jul-09
ORIX Leasing Pakistan Limited	25,000	1-Jul-14	7	5.00	2	1-Jan-10	Quarterly	Half yearly	1-Jul-09
First Constellation Modaraba (Note 22.2)	33,000	31-Dec-13	7	5.00	2	31-Dec-09	Quarterly	Half yearly	1-Jul-09
Khushhali Bank Limited	100,000	30-Jun-14	7	5.00	2	31-Dec-09	Quarterly	Half yearly	1-Jul-09
Network Leasing Limited	15,000	1-Jul-14	7	5.00	2	1-Jan-10	Quarterly	Half yearly	1-Jul-09
International Finance Corporation- World Bank Group (Note 22.3)	395,000	15-Jan-14	7	5.00	2	15-Jul-09	Quarterly	Half yearly	15-Jul-09
Saudi Pak Agricultural and Investment Company (Pvt.) Limited (note 22.5)	37,623								
	692,397								

22.2 Terms of the restructuring have been agreed between the parties. Finalization of the agreement is in process.

22.3 The foreign currency loan obtained from International Finance Corporation (IFC) has been converted into local currency after restructuring of the loan on the date of amalgamation. The other terms and conditions of this loan have subsequently finalized with IFC.

22.4 The weighted average mark-up rate of total borrowings at the balance sheet date is 0.67% per annum due to grace period.

22.5 It represents loan obtained from Saudi Pak Agricultural and Investment Company (Pvt.) Limited, to be converted into share deposit money upon successful restructuring. Total 3,762,304 number of ordinary shares will be issued at the rate of Rupees 10 per share after completion of the statutory requirements.



## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>23 LONG TERM CUSTOMERS' DEPOSITS</b>		
Long term customer deposits - Local currency	23.1	3,184,412
Less: current maturities		100,061
		3,084,351

23.1 According to restructuring and rehabilitation plan approved by SECP customers deposits acquired through acquisition have been classified into three categories and payment plan for each category is given as follows.

**Individuals & trusts and charitable institutions**

Upfront payment upto Rs. 1 million has been made to all depositors within 30 days after acquisition

Depositors upto Rs. 10 million have been offered mark-up at the rate of 8% per annum, payable quarterly and repayment for the remaining amount is as follows.

Payment period	% of balance of principal
After completion of year 2 in 25th month	40%
After completion of year 3 in 37th month	60%

Depositors over Rs. 10 Million have been offered mark-up at the rate of 7% per annum payable quarterly and repayment plan for the remaining principal amount is as follows.

Payment period	% of balance of principal
After completion of year 2 in 25th month	25%
After completion of year 3 in 37th month	25%
After completion of year 4 in 49th month	50%

**Corporate & associations**

Upfront payment upto Rs. 1 million has been made to all depositors within eight weeks after acquisition.

The remaining balance of all depositors have been offered mark-up at the rate of 5% per annum, payable quarterly and repayment for the remaining amount is as follows.

Payment period	% of balance of principal
After completion of year 2 in 25th month	20%
After completion of year 3 in 37th month	20%
After completion of year 4 in 49th month	20%
After completion of year 5 in 61th month	40%

**Govt. and semi Govt. institutions**

Upfront payment upto Rs. 10 million has been made to all depositors within eight weeks after acquisition.

For remaining principal amount the repayment plan is as follows. No profit is offered.

Payment period	% of balance of principal
After completion of year 1 in 13th month	10%
After completion of year 2 in 25th month	10%
After completion of year 3 in 37th month	20%
After completion of year 4 in 49th month	20%
After completion of year 5 in 61th month	40%

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>23.2 Categories of certificates of deposits are as under:-</b>		
Individuals		1,248,614
Trusts and charitable institutions		663,233
Corporate & associations		562,845
Govt. and semi Govt. institutions		709,720
		3,184,412
<b>24 LONG TERM SECURITY DEPOSITS</b>		
Security deposits against finance lease	24.1	151,565
Other security deposits		1,208
		152,773
Less: current maturities		138,806
		13,967
<b>24.1</b> These represent interest free security deposits received under finance lease arrangements and are repayable/adjustable at the expiry / termination of the respective arrangements.		
<b>25 DEFERRED TAX LIABILITY</b>		
On surplus on revaluation of building		927
Less: incremental depreciation charged to profit and loss account		75
		852
<b>26 CURRENT MATURITIES OF NON-CURRENT LIABILITIES</b>		
Long term financing	22	5,001
Liabilities against assets subject to finance lease	21	9,316
Long term customers' deposits	23	100,061
Security deposits	24	138,806
		253,184
<b>27 REDEEMABLE CAPITAL - Secured</b>		
Term Finance Certificates	27.1	89,904
		89,904
<b>27.1</b> This represents listed Term Finance Certificates issued on July 8, 2003 as fully paid scrip of Rupees 5,000 denomination. These were redeemable over a period of four years in eight semi-annual installments comprising of both principal and profit. The profit was payable at the State Bank of Pakistan's discount rate plus 2% with a floor of 10.5% per annum and a cap of 13.5% per annum. These are secured by first pari passu charge on specific leased assets and related lease rentals receivable. The certificates matured on July 8, 2007. Subsequently, the Group has finalized the terms of repayment favourably in line with the other creditors and repaid the liability on June 27, 2008.		
<b>28</b> It represents loan from International Housing finance Limited that carries markup rate of 13.25 % per annum. Subsequent to the date of balance sheet, the Group has fully retired the debt.		
<b>29 SHORT TERM CUSTOMERS' DEPOSITS</b>		
Foreign currency deposits	29.1	6,123
Local currency deposits		20,241
		26,364

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>29.1</b>	<b>Detail of foreign currency deposits is given below:</b>	
	<b>US Dollars (2,862)</b>	
	Equivalent Pak Rupees (Rupees in '000')	173
	<b>British Pounds (50,000)</b>	
	Equivalent Pak Rupees (Rupees in '000')	5,950
		6,123
<b>29.2</b>	These certificates of deposits have contractual maturities ranging from 3 months to 12 months from the contract date. Expected rates of return payable on these certificates of deposits are 0% to 8% per annum. Breakup of deposits by type of depositor is given below:	
	Individuals	14,534
	Corporate & Associations	11,830
		26,364
<b>30</b>	<b>ACCRUED AND OTHER LIABILITIES</b>	
	Profit / return payable on redeemable capital, deposits and borrowings	96,432
	Payments received against loans, advances and others	15,842
	Accounts payable on settlement / recovery from Sysmax (Pvt.) Ltd.	330,062
	Accrued expenses and other liabilities	157,996
	Margin deposits	1,934
	Due to Agen Limited - Parent company	746
	Crescent Group for settlement of shares	83,999
	Provident fund payable	2,488
	Tax deducted at source	721
	Payable against divestment of investment	90,000
	Lease balance payable	57,074
	Zakat payable	903
	Payable to stock brokers	27
		838,224
<b>30.1</b>	<b>Profit / return payable on redeemable capital, deposits and borrowings</b>	
	Redeemable capital	27,336
	Long term financing	1,594
	Customers' deposits	67,502
		96,432
<b>30.2</b>	This represents accounts payable to various parties, which will be settled / paid after recovery from Sysmax (Pvt.) Limited (Note: 13.1 & 31.2.3).	
<b>31</b>	<b>CONTINGENCIES AND COMMITMENTS</b>	
<b>31.1</b>	<b>Contingencies</b>	
	Acceptances/undertakings against documentary credits and guarantees issued in normal course of business in favour of:	
	Banking companies and other financial institutions	163,397
	Corporate and other government and non government institutions	90,919

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

31.2 Status of Significant Litigation by / against former Crescent Standard Investment Bank Limited, a merging company, is as follows:

31.2.1 The Pakistan Water & Power Development Authority (WAPDA) had filed a suit for recovery of its Deposit of Rupees 300 million alongwith profit thereon amounting to Rupees 11.301 million. Leave to defend the suit has been filed by the Group. The Honorable Lahore High Court has passed an order temporarily restraining the Group from transferring and disposing off its assets. The Group has also filed an application before the Honorable Lahore High Court for withdrawal of the restraining order. Subsequent to the date of balance sheet, the Group has paid Rupees 10 million to WAPDA as per Payment Plan of CSIBL's term deposit certificates. WAPDA has received the amount without prejudice of their right / claim arising from the cases pending with the Lahore High Court. As per management's assessment, no additional liability is likely to arise as a result of the suit.

31.2.2 A depositor had filed a suit for recovery of its deposit of Rupees 4.35 million. As per management's assessment, no additional liability is likely to arise as a result of the suit.

31.2.3 The amount represents remaining commitment by former Crescent Standard Investment Bank Limited (now merged into the Group) for financing to Sysmax (Pvt.) Limited (Sysmax) for development, upgrading and building of Defence Authority Country & Golf Club, Karachi, out of a total amount of Rs.1,540 million as at the start of the project. Against the amount of Rupees 1,540 million, Crescent Standard Investment Bank Limited had acquired the selling rights to 2,000 platinum memberships.

Sysmax (Pvt.) Limited (Sysmax), had unilaterally and unlawfully terminated the Agreement for financing the project dated September 2, 2004 and Assignment agreement dated September 21, 2004 (relating to assignment of Platinum memberships of DACGC) with the Group for alleged breach of the Agreement. In addition, Sysmax had also advised the Escrow Account bank (NIB Bank Limited) to disengage the Group as one of the signatories for release of funds from the Account. The Group has issued a notice through its legal attorney denying the alleged breaches, advising Sysmax for withdrawal of the notice of termination and appointment of an Arbitrator, as required under the agreement to settle this dispute. Both the parties have nominated Arbitrators and the Arbitrators have appointed the umpire. The arbitration proceedings continue. Based on management's discussions with the legal attorney, it has strong grounds for restoration of the above Agreement and Assignment.

	2007 Rupees in '000'
<b>31.3 Commitments</b>	
Commitments for disbursement of leases, loans and advances	234,119
Commitments for balance payments for the purchase of investment properties	80,157
<b>32 LEASE REVENUE</b>	
Income from lease finance	9,433
Lease income suspended realized	75,554
	84,987
<b>33 RETURN ON FINANCES AND PLACEMENTS</b>	
Musharika, morabaha & other finances	2,461
Funds placements	52,407
	54,868
<b>34 RETURN ON INVESTMENTS</b>	
Dividend income	2,322
Capital gain on sale of investments	66,453
Loss on sale of investments in TFCs	(21)
Unrealized gain on remeasurement of investments held for trading	6,174
Provision for disputed investments	(4,659)
Return from investments in TFCs	5,854
	76,123

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>35 OTHER INCOME</b>		
Gain on disposal of fixed assets	5.1.4	467,535
Unrealised loss on remeasurement of investment properties	6.3	(200,500)
Loss on disposal of investment properties	6.5	(7,439)
Waiver of markup and borrowings	35.1	371,788
Balances written back no longer payable		32,117
Rental income		270
Fee and commission		416
Other income		8,109
		672,296
<b>35.1 This includes waiver of amount of principal / mark-up against restructuring/rescheduling of outstanding overdue facilities as follows:</b>		
<b>35.1.1 National Bank of Pakistan vide settlement agreement dated February 12, 2008 has restructured/rescheduled this finance facility. The Group has obtained financial relief of principal &amp; profit/mark-up of Rs. 1.657 million against this settlement agreement.</b>		
<b>35.1.2 Orix Investment Bank Pakistan Limited vide settlement agreement dated July 31, 2007 has restructured/rescheduled this finance facility. The Group has obtained financial relief of profit/mark-up of Rs. 9.241 million against this settlement agreement.</b>		
<b>35.1.3 Khushhalibank Limited vide settlement agreement dated June 30, 2007 has restructured/rescheduled this finance facility. The Group has obtained financial relief of profit/mark-up of Rs. 7.579 million against this settlement agreement.</b>		
<b>35.1.4 Network Leasing Limited vide settlement agreement dated June 30, 2007 has restructured/rescheduled this finance facility. The Group has obtained financial relief of profit/mark-up of Rs.0.793 million against this settlement agreement.</b>		
<b>35.1.5 Saudi Pak Industrial &amp; Agricultural Investment Company (Pvt.) Limited (SAPICO) vide settlement agreement dated June 27, 2007 has settled its entire outstanding balance of overdue long term and short term facilities with the Company after receiving payment of Rupees 36.429 million towards full and final settlement against this finance facility. The Company has obtained financial relief of profit/mark-up of Rs. 9.588 million against this settlement agreement.</b>		
<b>35.1.6 The Group has settled its entire outstanding balance of overdue long term facilities with Askaribank Limited vide settlement agreement dated July 12, 2007, by making payment of Rupees 82.5 million towards full and final settlement against this finance facility. The Group has obtained financial relief of principal &amp; profit/mark-up of Rs. 46.485 million against this settlement agreement.</b>		
<b>35.1.7 The Group on May 10, 2007, had entered into a settlement agreement with The Bank of Punajb through the Administrator appointed by SECP for settlement of outstanding certificates of investment, term finance certificates and advances by transferring seven floors of CSIBL Tower, Lahore, lease portfolio and listed shares. The Group has completely settled its entire outstanding balance with The Bank of Punjab against this settlement agreement. The Group has obtained financial relief of principal &amp; profit/mark-up of Rs. 209.784 million.</b>		

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

	Note	2007 Rupees in '000'
<b>36 FINANCIAL CHARGES</b>		
Return on customers' deposits		95,355
Profit on redeemable capital		5,966
Mark-up on borrowings		5,954
Lease finance charges		1,139
Bank charges		154
Other charges		721
		109,289
<b>37 ADMINISTRATIVE AND OPERATING EXPENSES</b>		
Salaries and other benefits	37.1	40,516
Directors' fee		62
Rent, rates and taxes		21,625
Traveling and conveyance		5,468
Telephone and postage		4,742
Legal, professional and other consultancy charges		10,764
Subscriptions and fees		2,903
Utilities		2,962
Repairs and maintenance		4,301
Depreciation	5.1.1	39,928
Impairment		13,610
Printing and stationery		1,370
Lease rentals		1,243
Entertainment		365
Insurance		156
Auditors' remuneration	37.2	1,050
Security service charges		1,526
Advertising and promotion		305
CDC services fees		1,443
Direct write-off		19,725
Miscellaneous		3,388
		177,452
<b>37.1</b>	This includes Group's contribution in staff provident fund amounting to Rupees 1.059 million.	
<b>37.2 Auditors' remuneration</b>		
Statutory audit fee		955
Out of pocket expenses		95
		1,050
<b>38 PROVISION FOR TAXATION</b>		
<b>Current Tax</b>		
For the year		2,917
Prior years		381
		3,298
<b>Deferred Tax</b>		(75)
		3,223

In view of the available tax losses to the holding company, no provision for current taxation except for minimum tax is required. The current provision for the year, therefore, represents the minimum tax due under section 113 of the Income Tax Ordinance, 2001.

Accumulated tax losses available for off-setting against future taxable profits are Rupees 4,806.56 million. As per International Accounting Standard 12, "Income Taxes" deferred tax assets on net deductible temporary differences should only be recognized when there are significant taxable profits against which those losses can be set off. Since no such probability exist therefore, the deferred tax asset has not been recognized in respect of IHFL.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 39 PROVISION FOR DOUBTFUL RECEIVABLES

	Musharika Finance	Morabaha Finance	Other Finances	Investment in Finance Lease	Provision for doubtful staff advances	Provision for doubtful security deposits	Due from Lessees	Assets Repossessed	Doubtful Place-ments	Due from Brokers & Clients	Mark up & profit receivables	Other Receivables	Intangible Assets	2007
(Rupees in '000')														
Balances taken up from CSIBL & its subsidiaries	624,176	186,947	44,523	680,660	-	-	4,663	59,315	18,600	109,990	-	139,243	6,097	1,874,214
Charge during the period	158,095	97,400	5,682	118,729	292	385	602	-	-	24,689	237,000	17,833	-	660,707
Reversals	(86,984)	(14,472)	(11,782)	(221,183)	-	-	(22)	-	(5,003)	(61,183)	-	(11,497)	(6,097)	(418,223)
Amount written off (Annexure B)	(4,832)	(3,152)	-	(27,017)	-	-	-	-	(13,597)	-	-	-	-	(48,598)
Adjustment of takenup lease portfolio	-	-	-	(87,463)	-	-	-	-	-	-	-	-	-	(87,463)
Closing balance	690,455	266,723	38,423	463,726	292	385	5,243	59,315	-	73,496	237,000	145,579	-	1,980,637
Note	7	7	7	8	11	11	11	11	15	11	12	13	5	

## 40 EARNINGS PER SHARE

Profit after taxation	Rupees in '000'	355,826
Weighted average ordinary shares (Note 40.1)	No. of Shares	56,581,282
Basic earnings per share	Rupees	6.29

40.1 Weighted average ordinary shares has been computed on the basis of shares issued during the year as detailed below:

	Date of Issue	No. of Shares
Shares issued at the time of incorporation	29-Mar-07	3,500
Shares issued against fresh equity injection	15-Apr-07	9,996,500
Shares issued against fresh equity injection	29-Jun-07	70,000,000
Shares issued to former CSIBL shareholders as per Scheme of Amalgamation	27-Jul-07	629,980
		80,629,980

## 41 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive	Executives
2007 (Rupees in '000')		
Managerial Remuneration	1,800	7,440
House Rent Allowance	900	3,104
Utilities	120	690
Provident Fund	120	499
Medical	100	575
Others	345	1,456
	3,385	13,764
Number of Persons: At year end	1	8
Maximum during the year	1	16

41.1 In addition to the above, the chief executive and certain executives are provided free use of Group maintained cars for official purposes as per terms of their employment.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 42 NET FOREIGN CURRENCY EXPOSURE

Currency risk is the risk that the value of financial asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk on its foreign currency deposits and bank balances. The Group's net exposure in foreign currency is given below:

	2007			Total
	US DOLLARS	POUND STERLING	EURO	
	(Rupees equivalent in '000')			
<b>Financial assets</b>				
Bank balances	-	123	161	284
<b>Financial liabilities</b>				
Foreign currency deposits	173	5,950	-	6,123
Net Exposure	(173)	(5,827)	161	(5,839)

## 43 CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Securities Exchange Commission of Pakistan through its SRO 1132(i)2007 dated November 21, 2007 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2007 in which the capital requirements for an NBFC licensed by the commission to undertake different forms of business have been prescribed. The existing NBFCs have been allowed different time limits for aligning themselves with different equity requirements. In this context holding company has obtained relaxation from meeting minimum equity requirement till December 31, 2009. The management is confident that it shall meet the prescribed minimum equity requirement of Rs. 1.7 billion for Investment Finance Services, Housing Finance and Leasing from January 01, 2010.



## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 44 LIQUIDITY RISKS

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the Group has diversified its funding sources and managed its assets with liquidity in mind thereby maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored on regular basis to ensure that the adequate liquidity is maintained. The maturity profile of the Group's assets and liabilities is summarized below:

Description	2007			
	Total	Within one year	More than one year and upto five years	Above five years
	(Rupees in '000')			
<b>Assets</b>				
Fixed assets	642,277	49,069	105,099	488,109
Investment properties	1,284,724	-	1,284,724	-
Musharika, morabaha and other finances	407,081	362,907	44,174	-
Net investment in finance lease	283,540	246,065	37,475	-
Advance, deposits, prepayments and other assets	71,156	71,156	-	-
Mark-up and profit receivables	12,341	12,341	-	-
Other receivables	206,284	206,284	-	-
Investments	517,141	517,141	-	-
Placements of funds	475,000	425,000	50,000	-
Cash and bank balances	184,604	184,604	-	-
	4,084,148	2,074,567	1,521,472	488,109
<b>Liabilities</b>				
Liabilities against assets subject to finance lease	26,733	9,316	17,417	-
Long term financing	692,397	5,001	212,831	474,565
Customers' deposits	3,210,776	100,061	3,110,715	-
Security deposits	152,773	138,806	13,967	-
Deferred tax liability	852	852	-	-
Redeemable capital	89,904	89,904	-	-
Short term financing	24,036	24,036	-	-
Accrued and other liabilities	838,224	838,224	-	-
Unclaimed dividend	7,435	7,435	-	-
	5,043,130	1,213,635	3,354,930	474,565
	(958,982)	860,932	(1,833,458)	13,544
<b>REPRESENTED BY:</b>				
Shareholders' equity	(1,021,144)			
Gain on remeasurement of investments available for sale	(3,888)			
Supplementary capital	66,050			
	(958,982)			

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 45 YIELD / MARKUP RATE RISK

Yield / markup rate risk is the risk of decline in earnings due to adverse movement of yield curve. It arises from the possibility that changes in yield / markup rates will affect the value of financial instruments. The Group is exposed to yield / markup rate risk as a result of mismatch or gaps in the amounts of assets and liabilities that mature or reprice in a given period. Sensitivity of the Group's financial assets and financial liabilities to yield / markup rate can be evaluated from the following:

Description	2007							
	Effective rate	Total	Exposed to Interest Rate Risk			Not Exposed to Interest Rate Risk		
			Within one year	More than one year and upto five years	Above five years	Within one year	More than one year and upto five years	Above five years
	%		(Rupees in '000')					
<b>Assets</b>								
Musharika, morabaha and other finances	0.05	407,081	362,907	44,174	-	-	-	-
Net investment in finance lease	7.49	283,540	246,065	37,475	-	-	-	-
Advance, deposits, prepayments and other assets	-	71,156	-	-	-	71,156	-	-
Mark-up and profit receivables	-	12,341	-	-	-	12,341	-	-
Other receivables	-	206,284	-	-	-	206,284	-	-
Investments	-	517,141	13,590	-	-	503,551	-	-
Placements of funds	10.42	475,000	425,000	50,000	-	-	-	-
Cash and bank balances	6.34	181,161	174,794	-	-	6,367	-	-
		2,153,704	1,222,356	131,649	-	799,699	-	-
<b>Liabilities</b>								
Long term financing	0.84	692,397	5,001	212,831	474,565	-	-	-
Customers' deposits	5.25	3,210,776	16,910	2,484,146	-	70,972	638,748	-
Security deposits	-	152,773	-	-	-	138,806	13,967	-
Liabilities against assets subject to finance lease	12.53	26,733	9,316	17,417	-	-	-	-
Redeemable capital	11.5	89,904	89,904	-	-	-	-	-
Short term financing	13.25	24,036	-	-	-	24,036	-	-
Accrued and other liabilities	-	838,224	-	-	-	838,224	-	-
Unclaimed dividend	-	7,435	-	-	-	7,435	-	-
		5,042,278	121,131	2,714,394	474,565	1,079,473	652,715	-
<b>Sensitivity Gap</b>		(2,888,574)	1,101,225	(2,582,745)	(474,565)	(279,774)	(652,715)	-

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 46 CREDIT RISK

The Group's credit risk exposure is not significantly different from that reflected in the consolidated financial statements. The management monitors and limits Group's exposure to credit risk through monitoring of clients' credit exposure, review and conservative estimates of provisions for doubtful receivable and through the prudent use of collateral for major amounts of credit. The management is of the view that the Group is not exposed to significant concentration of credit risk as its financial assets are adequately diversified. Detail of industry sector wise leased assets and other financial instruments are given below:

	2007			
	Leased Assets		Musharika / Morabaha/Other Finances	
	(Rs. '000')	%age	(Rs. '000')	%age
Chemical and pharmaceuticals	100,002	13.38	650	0.05
Real estate	-	-	659,957	46.81
Construction	6,781	0.91	2,400	0.17
Electrical, engineering and steel	69,118	9.25	33,929	2.41
Sugar	413	0.06	-	-
Food and allied	82,909	11.09	9,812	0.70
Hospital	5,665	0.76	-	-
Services	57,658	7.72	25,364	1.80
Paper and board	4,171	0.56	5,331	0.38
Ceramics	3,994	0.53	34,239	2.43
Cement	12,080	1.62	-	-
Textiles and jute	124,457	16.65	206,338	14.64
Trading	-	-	32,486	2.30
Transport, travel and communication	95,144	12.73	7,020	0.50
Leather and tanneries	612	0.08	21,985	1.56
Energy, petroleum, oil and gas	8,895	1.19	-	-
Banks/Non-Banking finance companies	11,451	1.53	-	-
Individuals	41,980	5.62	89,710	6.36
Miscellaneous	121,936	16.32	280,501	19.89
	747,266	100.00	1,409,722	100.00

## 47 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The carrying value of financial assets and financial liabilities approximates their fair value as reflected in the financial statements.

## Notes to the Consolidated Financial Statements for the Period Ended December 31, 2007

## 48 RELAXATION OF NBFC RULES AND PRUDENTIAL REGULATIONS

The Securities and Exchange Commission of Pakistan has granted certain relaxations to the holding Company vide letter Nos. SECP/NBFC(1)-R/IHFCL/2007/625 dated December 14, 2007 and SECP/NBFC(1)-R/IHFCL/2007/626 dated October 05, 2007. Detail of relaxations granted to the holding Company are as follows.

<u>Description</u>	<u>Relaxation granted</u>
Rule 5 (2) (b) of the NBFC Rules 2003: Maintenance of minimum equity requirement.	Relaxation from meeting minimum equity requirement till December 31, 2009. The management has ensured that it meets the prescribed minimum equity requirement of Rs. 1.7 billion for Investment Finance Services, Housing Finance and Leasing from January 01, 2010.
Rule 12 (1) of the NBFC Rules 2003: Issuance of COIs / CODs.	Permission to issue COIs/CODs to local and foreign institutions has been granted till December 31, 2009.
Rule 12 (3) (d) of the NBFC Rules 2003: Investment of 15% of the resources raised through COIs /CODs in Government Securities or listed securities subject to the conditions prescribed in the rules made for investments of Provident funds in listed securities.	Relaxation from maintaining the minimum liquidity requirement against the deposits inherited from CSIBL is granted till December 31, 2009. However, holding Company will have to maintain 15% investment in Government /listed securities against the fresh deposits raised by it from the local as well as foreign clients.
Rule 15 of NBFC Rules 2003: The total investment in equities shall not exceed the liquid net worth of the NBFC.	Relaxation of Rule 15 is granted till December 31, 2009 subject to the condition that the investment shall not exceed the limit given in the revival plan i.e Rs. 209.677 million.
Rule 16 of the NBFC Rules 2003: Minimum exposure to a single issuer or associated issuer of risk assets.	Relaxation of Rule 16 for the existing exposure is granted till December 31, 2009.
Regulations 1 (1) and Regulations 1 (2) (Part III) of Prudential regulations for NBFCs: Limit on NBFCs exposure against on balance sheet liabilities and contingent liabilities.	Relaxation from maintaining the limits mentioned in the regulations is granted till December 31, 2009.

## 49 NUMBER OF EMPLOYEES

The total number of employees at the year end were 65.

## 50 TRANSACTION WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

Related parties comprise related group companies, directors and executives. The Group, in the normal course of business carries out no transaction with related/associated parties except specifically mentioned in the consolidated financial statements.

## 51 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were approved and authorized for issuance by the Board on January 06, 2009.

## 52 GENERAL

52.1 These consolidated financial statements have been prepared for a period from March 29, 2007 to December 31, 2007.

52.2 Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer



Director

Annexure - A



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
NBFC DEPARTMENT

No. SCD/NBFCD/M&I/84

June 27, 2007

**Mr. Badar Ud Din Khan**

The Administrator  
M/s Crescent Standard Investment Bank Ltd.  
4<sup>th</sup> Floor, Crescent Standard Tower  
10-B, Block E-2, Gulberg III

**Lahore.**

**Mr. Mahboob Hussain**

Chief Executive Officer  
M/s. Innovative Housing Finance Limited (IHFL)  
H.M House, 7 Bank Square

**Lahore.**

**Subject: ORDER FOR SANCTION OF SCHEME OF AMALGAMATION OF M/S CRESCENT STANDARD INVESTMENT BANK LTD. WITH AND INTO INNOVATIVE HOUSING FINANCE LTD. UNDER SECTION 282 L OF THE COMPANIES ORDINANCE, 1984**

Dear Sirs,

This is with reference to your joint application for sanctioning of the Scheme of Amalgamation on the captioned subject.

We are pleased to inform you that the Commission has sanctioned the Scheme of Amalgamation of M/s. Crescent Standard Investment Bank Ltd. with and into M/s Innovative Housing Finance Ltd. under Section 282L of the Companies Ordinance, 1984 and a copy of the Order dated 26<sup>th</sup> June, 2007 to this effect is enclosed.

The Scheme sanctioned by the Commission shall be effective from 28<sup>th</sup> June, 2007. You are advised to ensure compliance with the conditions as laid down in the said Order.

Please acknowledge receipt.

Yours truly,

(Asif Jalal Bhatti)  
Director (M&I)

## Annexure - A



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
NBFC DEPARTMENT**

**ORDER UNDER SECTION 282 (L) OF THE COMPANIES ORDINANCE, 1984**

**Subject: SANCTION OF SCHEME OF AMALGAMATION OF M/S CRESCENT STANDARD INVESTMENT BANK LTD. WITH AND INTO INNOVATIVE HOUSING FINANCE LTD. UNDER SECTION 282 L OF THE COMPANIES ORDINANCE, 1984**

1. M/s. Crescent Standard Investment Bank Ltd. (CSIBL), a non-banking finance company limited by shares and incorporated under the Companies Ordinance, 1984, having its registered office at 4<sup>th</sup> Floor, Crescent Standard Tower, 10-B, Block E-2, Gulberg III, Lahore and M/s. Innovative Housing Finance Limited (IHFL) a non-banking finance company limited by shares and incorporated under the Companies Ordinance, 1984 (the "Ordinance"), having its registered office at H.M House, 7 Bank Square, Lahore, have submitted joint application to the Securities and Exchange Commission of Pakistan ( the "Commission") for sanction of Scheme of Amalgamation (the "Scheme") for amalgamation of CSIBL, with and into IHFL pursuant to the provisions of Section 282L of the Ordinance.
2. CSIBL is licensed by the Commission to undertake the businesses of Investment Finance Services and Leasing in Pakistan, however, both licenses were not renewed by the Commission and stand expired with effect from 26th May, 2006. The issued paid up capital of CSIBL as at April 15, 2007 is Rs.1,257,613,240/- divided into ordinary share of Rs.10/- each. By Order of appointment issued by the Commission on August 29, 2006 in terms of Section 282E and 282F of the Ordinance, Mr. Badr-ud-Din Khan was appointed as the Administrator of CSIBL in supercession of its CEO and Board of Directors. By virtue of the said Order, all powers and duties of the Chief Executive of CSIBL as well as those of CSIBL's Board of Directors are being exercised and performed by him since August 30, 2006.
3. IHFL is licensed by the Commission to carry out the business of Housing Finance Services in Pakistan and its issued paid up capital as at April 15, 2007 is Rs. 100,000,000/- divided into ordinary share of Rs.10/ each. Presently, Board of Directors of IHFL comprises of the following persons:
  - Mr. Mahboob Husain, Chief Executive Officer
  - Mr. Khawaja Basit Waheed, Director
  - Professor Dr. Imran Ali, Director
  - Mr. Qamber Hamid, Director
  - Ms. Razia BIBI, Director
  - Mr. Mohammad Tamraiz Riaz, Director
  - Mr. Zafar Chishti, Director

## Annexure - A

4. The principal object of the Scheme is to effect amalgamation of CSIBL by transfer to and vesting in IHFL, of the whole of the Undertaking known as CSIBL at the effective date, against allotment of fully paid ordinary shares of IHFL to the shareholders of CSIBL in lieu of the shares of CSIBL held by them, in accordance with a swap ratio of 1:200 shares i.e., one share of IHFL will be issued against 200 shares of CSIBL. CSIBL shall be dissolved without winding up, in accordance with and subject to the procedure for amalgamation provided under Section 282L of the Ordinance. CSIBL has 125,761,324 issued ordinary shares of Rs. 10 each which shall be converted into 628,807 ordinary shares of Rs. 10 each of IHFL as per the SWAP Ratio.
5. Extra Ordinary General Meeting of the shareholders of CSIBL under section 159 of the Ordinance was held on May 15, 2007 for approval of the Scheme. The requisite majority of the shareholders of CSIBL as required by Section 282 L of the Ordinance i.e. two thirds in value of the shareholders present either in person or by proxy approved the Scheme by resolving that CSIBL be amalgamated into IHFL in accordance with the Scheme of Amalgamation under section 282L of the Ordinance with effect from such date as may be approved by the Commission. In the said EOGM, 98.98% of the shareholders present consented in favour of the Scheme.
6. Extra Ordinary General Meeting of the shareholders of IHFL under section 159 of the Ordinance was held on May 15, 2007 for approval of the Scheme. The shareholders representing 100% of the issued capital of IHFL attended the EOGM and unanimously voted in favour of the Scheme.
7. In support of the Scheme, CSIBL and IHFL have submitted the following information and documents: -
  - Copies of Memorandum and Articles of Association
  - Scheme of Amalgamation
  - Joint application by CSIBL and IHFL for approval of the Scheme
  - Copies of Notices of Extraordinary General Meetings of shareholders of CSIBL and IHFL accompanying the Scheme and statement under section 160(1)(b) of the Ordinance.
  - Certified true copies of minutes and resolutions of EOGMs of CSIBL and IHFL.
  - Copy of Memorandum of Understanding signed between the Administrator of CSIBL and the sponsors of IHFL outlining the main features of revival/restructuring of CSIBL.
  - NOC from the creditors of CSIBL representing two third in value of the outstanding deposit and borrowings. IHL does not have any borrowing/deposit/liabilities as of 15<sup>th</sup> April, 2007.
  - Confirmation from the Legal Advisors of CSIBL and IHFL that the procedures as laid down in law have been duly complied with and no other provisions of the Ordinance have been violated.
  - Affidavits from the Administrator and Chief Executive of CSIBL and IHFL, respectively that no other provisions of the Ordinance have been violated during the merger process.
  - Amalgamated balance sheet along with notes and statement of equity of IHFL.
  - Calculation of SWAP ratio

NIC Building, Jinnah Avenue, Blue Area, Islamabad.  
PABX: 9207091-4 Fax. No. 9218590

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## Annexure - A

8. The Commission has considered the joint amalgamation application along with the information/documents submitted by CSIBL and IHFL in terms of section 282 L of the Ordinance. The Swap ratio of 1:200 shares i-e., one share of IHFL will be issued against 200 shares of CSIBL as determined in the Scheme on the basis of financial statements of CSIBL as of 15<sup>th</sup> April, 2007 has been carefully reviewed by the Commission in order to ensure that no unwarranted disadvantage is caused to the shareholders of CSIBL as a result of the Scheme.
9. The Net worth of CSIBL as of 15.04.2007 works out to be Negative Rs.1,985 million whereas the same as per the financial position for the year ended 31.12.2006 works out to be negative Rs. 1,981 million. As such there is no major difference between the reported net worth of 15<sup>th</sup> April, 2007 when compared to the net worth of 31.12.2006. The statutory auditors of CSIBL for the year ended 31<sup>st</sup> December, 2006 as per their draft audit report have suggested incorporation of an additional provisions which if incorporated would have further eroded the net worth of CSIBL as of 31.12.2006.
10. In order to ensure that Net worth of CSIBL truly represents the fair value of its assets, the assets portfolio of CSIBL was reviewed to incorporate the effect of any appreciation in the value of assets and to adjust the net worth accordingly. The review revealed that there is no significant change in the value of assets of CSIBL including fixed assets and investment properties except for an appreciation of Rs. 339 million on the listed equity portfolio when marked to the current market price. Moreover, as a result of negotiations of CSIBL with the lending financial institutions, an aggregate settlement gain of Rs. 901 million is expected. In case, the appreciation in the equity portfolio of CSIBL along with the aggregate effect of expected gain arising out of the settlement with lending financial institutions is taken into account even then the net worth of CSIBL works out to be negative Rs. 741 million i.e. negative Rs.5.92 per share of CSIBL. It is pertinent to note that the said net worth does not take into account the additional provision as suggested by the statutory auditor of CSIBL.
11. Therefore, the commission is of the view that the Swap Ratio of 200: 1 i-e., one share of IHFL will be issued against 200 shares of CSIBL as determined in the Scheme and approved by the requisite majority shareholders of CSIBL is based on fair values of net assets of IHFL and CSIBL owing to the fact that even the adjusted net worth of CSIBL works out to be negative Rs.5.92 per share.
12. Two shareholders of CSIBL having 14000 shares representing 0.01% of the total issued paid up capital of CSIBL have voted against the Scheme of amalgamation in the EOGM of CSIBL held on 15<sup>th</sup> May, 2007. The Commission in terms of sub-section (3) of Section 282 L of the Ordinance is empowered to determine the value of the shares to be paid to the dissenting shareholders by the concerned NBFC i.e. CSIBL and any such determination by the Commission as to the value of the shares to be paid to dissenting shareholder shall be final for all purposes.
13. The shareholders who have dissented to the proposed Scheme of amalgamation can not be paid any value for their shares other than the SWAP ratio of 200: 1 i-e., one share of IHFL will be issued against 200 shares of CSIBL. The said determination is based on the fact that the reported as well as adjusted break-up value per share of CSIBL works out to be negative



## Annexure - A

Rs.15.78 per share and negative Rs.5.92 per share, respectively. Moreover, there is no market value of the shares of CSIBL as the trading in the shares was suspended on April 2, 2007 to safeguard the general public interest and still stands suspended. The basic rationale for suspending the trading was to curtail the unrealistic price hike in the share on the basis of rumours in the market as the same were not supported by the on going restructuring negotiations between the IHFL and the Administrator. Therefore, no compensation other than the said SWAP ratio to the share value of the shareholders, who have dissented to the Scheme shall be paid.

14. In view of the foregoing and compliance of the requisite legal formalities, the Scheme submitted by CSIBL and IHFL is hereby sanctioned by the Commission in terms of Section 282 L of the Ordinance subject to the following conditions and those imposed hereafter:

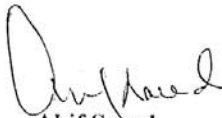
- a) The Scheme sanctioned by the Commission shall be effective from 28<sup>th</sup> June, 2007.
- b) IHFL shall raise its equity to the tune of Rs. 800 million by injecting additional funds of Rs.700 million before the effective date of Scheme of amalgamation.
- c) IHFL shall ensure the injection of Rs. 200 million and Rs. 500 million through right issues in the year 2008 and 2009, respectively in accordance with the revival plan submitted to the Commission.
- d) The depositors/lenders of CSIBL shall be repaid by IHFL i.e the surviving entity in a manner and on terms/conditions not less than the agreed and communicated through revival plan.
- e) The depositors and lenders of CSIBL who have not consented to the proposed repayment plan offered by IHFL shall be repaid in a manner not less than the repayment terms/ package being offered to the consenting depositors falling in the same category of the depositors.
- f) No compensation other than the SWAP ratio as stated in the Scheme shall be paid to the share value of the shareholders, who have dissented to the Scheme being sanctioned by the Commission.
- g) The Administrator/directors/suspended Chief Executive Officer of CSIBL as on the effective date of amalgamation will cease to hold their respective offices in CSIBL as a result of amalgamation and such respective offices shall stand relinquished. No compensation shall be payable to any of these administrator, directors and Chief Executive Officer on account of relinquishing their offices as administrator, directors and Chief Executive Officer of CSIBL consequent upon Amalgamation.
- h) At the Effective Date, the entire Undertaking of CSIBL shall be amalgamated with, transferred to, vest in and belong to IHFL.
- i) At the Effective Date, all the Assets of CSIBL shall immediately, without any further act or deed, be vested in, transferred to, belong to and become the undertaking and assets of IHFL, and IHFL shall have, hold and enjoy the Assets in its own right as fully

## Annexure - A

as the same were possessed, held and enjoyed by CSIBL prior to the Amalgamation but transfer of Assets shall be subject to all mortgages, charges or other encumbrances subsisting thereon, if any;

- j) At the Effective Date, all Contracts, deeds, bonds, agreements, arrangements and other instruments (including all tenancies, leases, licenses and other assurances in favour of CSIBL or powers or authorities granted by or to it) of whatsoever nature to which CSIBL is a party or to the benefit of which the CSIBL may be eligible, and which are subsisting or having effect immediately before the Effective Date, shall, without any further act, instrument or deed, be in full force and effect in favour of or against the IHFL, as the case may be, and may be enforced as fully and effectually as if, in lieu of CSIBL, IHFL had been a party or beneficiary or obligee thereto.
- k) At the Effective Date, all the Liabilities and Obligations of CSIBL, subject to any agreement for rescheduling/restructuring terms agreed by the Customers and Creditors of CSIBL, shall immediately and without any further act or deed be assumed by and become the Liabilities and Obligations of IHFL, which shall pay, undertake, satisfy, discharge and perform, when due, all of the Liabilities and Obligations in the respective terms thereof.
- l) As of the Effective Date, the terms of this Scheme shall be binding on CSIBL and IHFL, on all the shareholders of IHFL, shareholders of CSIBL, Customers and the Creditors of CSIBL, Customers and the Creditors of IHFL and on any other person having any right or liability in relation to either of them.
- m) CSIBL shall be dissolved, without winding up, on the date on which the shares of IHFL are allotted to the shareholders of CSIBL in terms of SWAP Raito as given in the Scheme.

In case, subsequent to sanctioning of the Scheme by the Commission, any fact is found to have been misrepresented to the Commission by the amalgamating entities, the Commission shall have the right to take any appropriate measures as it deems fit, which include but shall not be confined to the cancellation of licence of the merged NBFC.



**Akif Saeed**

Executive Director  
Specialized Companies Division

**DATED: 26<sup>th</sup> June, 2007**

## Annexure - B

## Detail of write off.

Sr. #	Name and address of the borrower	Name of individuals / partners / director	Father / Husband's Name	Outstanding Liabilities at the time of amalgamation with Crescent Standard Investment Bank Limited				Principal Amount Written off	Mark-up written off	Other financial relief allowed	Total (9+10)
				Principal	Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				( Rupees in ' 000' )							
1	Crescent Standard Brokerage & Investment Services Limited, 6th Floor Crescent Standard Tower, 10 B, Block E - II, Gulberg III, Lahore.	1 - Mr. Atiq-ur- Rehman Kayani 2 - Mr. Abid-ur-Rehman 3 - Mr. Malik Muhammad Akram 4 - Mr. Muhammad Nasrullah 5 - Mr. Tariq Aleem 6 - Mr. Adnan Mahmood 7 - Mr. Asrar Ahmad	1 - Mr. Muhammad Asgar Khan 2 - Mr. Muhammad Rashid 3 - Mr. Malik Muhammad shraf 4 - Mr. Muhammad Yaqoob 5 - Mr. Aleem-ud-Din 6 - Mr. Sultan Mahmood 7 - Mr. Sher Bahadar (Late)	13,597	-	-	13,597	13,597	-	-	13,597
2	Crescent Standard Business Management (Pvt) Limited, 4th Floor Crescent Standard Tower, 10 B, Block E II, Gulberg III, Lahore.	1 - Mr. Atiq-ur-Rehman Kayani 2 - Mr. Khurram Mazhar Karim	1 - Mr. Muhammad Asghar Khan 2 - Mr. Mazhar Karim	50,415	-	-	50,415	859	-	-	859
3	Kohinoor Industries Limited, 17 Aziz Avenue Canal Bank Gulberg I Lahore	1 - Mr. Naseem Saigol 2 - Mrs. Sehvir Saigol 3 - Mrs. Razia Begum 4 - Mr. Shahid Sethi 5 - Mr. Irfan Zubair 6 - Mian M. Azam Saigol 7 - Mrs. Amber Saigol	1 - Mian Yousaf Saigol 2 - Mr. Naseem Saigol 3 - Mian Yousaf Saigol 4 - Abdul Latif 5 - Zubair Akhtar 6 - Mian Yousaf Saigol 7 - Mian M. Azam Saigol	3,306	292	-	3,598	3,305	292	-	3,597
4	Elysium for Hair & Laser Trollysis 160-Y Commercial Block, L.C.C.H.S Lahore	1 - Asifa Aziz Toosy 2 - Uzma Ayaz Toosy	1 - Ayaz Toosy 2 - Ayaz Toosy	1,744	704	-	2,448	1,744	704	-	2,448
5	Dandot Cement Company Limited	1 - Mr. A. Rafique Khan 2 - Mr. M. Tausif Peracha 3 - Mr. A. Shueb Peracha 4 - Mr. Farooq Zaman 5 - Mr. Jawwad A. Peracha	1 - Mr. A. Rasheed Khan 2 - Mr. M. Siddique Peracha 3 - Mr. Khurshid Ahmed Peracha 4 - Mr. Abdul Rauf 5 - Mr. M. Siddique Peracha	21,969	2,541	-	24,510	21,968	2,541	-	24,509
6	Ravi Spinning Mills Limited 43-B.St. 2 CMA Colony Lahore Cantt Lahore.	1 - Sh. Zia ud Din 2 - Sh. M. Mumtaz 3 - Sh. M. Ijaz 4 - Sh. M. Waqar 5 - Mrs. Surryia Zia 6 - Shahbaz Ahmed 7 - Mrs. Iffat Mumtaz	1 - Sh. Rathu 2 - Sh. Zia ud Din 3 - Sh. Zia ud Din 4 - Sh. Zia ud Din 5 - Sh. Zia ud Din 6 - Sh. Zia ud Din 7 - Sh. M. Mumtaz	11,014	3,122	-	14,136	3,152	3,122	-	6,274
7	Ravi Securities, G - F/3, Anees Plaza, Islamabad	1 - Mr. Unib Abbas 2 - Mr. Tahir Abbas	1 - Mr. Tahir Abbas 2 - Ch. Ghulam Abbas	1,300	-	-	1,300	1,300	-	-	1,300
8	Sajjad Textile Mills Limited, 19 B, Zafar Ali Road, Lahore	1 - Mian Sajjad Aslam 2 - Mian Shehzad Aslam	1 - Mian Sajjad Aslam 2 - Mian Shehzad Aslam	2,669	1,185	-	3,854	2,669	1,185	-	3,854
9	Mirza Shehzad Mehmood	Mirza Shehzad Mehmood	Mirza Shehzad Mehmood	4	-	-	4	4	-	-	4
				106,018	7,844	-	113,862	48,598	7,844	-	56,442

Pattern of Shareholding as on December 31, 2007

Number of ShareHolders	Shareholding		Total Number of Shares Held	Percentage of Total Capital
	From	To		
10297	1	100	112,356	0.14
422	101	500	96,624	0.12
49	501	1000	34,415	0.04
22	1001	5000	42,633	0.05
2	5001	10000	15,758	0.02
4	10001	15000	49,804	0.06
2	15001	20000	35,651	0.04
1	20001	25000	22,500	0.03
1	25001	30000	27,200	0.03
2	35001	40000	71,514	0.09
1	125001	130000	125,025	0.16
1	79995001	80000000	79,996,500	99.22
10,804	<-----Total----->		80,629,980	100.00

## Detail Categories of Shareholders as on December 31, 2007

Categories of Shareholders	No. of Shareholders	Total Shares Held	%
A). Directors/Chief Executive Officer and their spouse and minor Children			
Syed Mahboob Husain	1	500	0.00
Prof. Dr. Imran Ali	1	500	0.00
Khawaja Basit Waheed	1	500	0.00
Mr. Qamber Hamid	1	500	0.00
Miss. Razia Bibi	1	500	0.00
Mr. Mohammed Tamraz Riaz	1	500	0.00
Mr. Zafar Chishti	1	500	0.00
B). Executives	-	-	-
C). Associated Companies, Undertakings and Related Parties	1	79,996,500	99.22
D). Public Sectors Companies & Corporations	-	-	-
E). NIT and IDBP (ICP UNIT)	4	71,522	0.09
F). Banks, Development Financial Institutions & Non-Banking Financial Institutions	10	13,779	0.02
G). Joint Stock Companies	113	193,535	0.24
H). Insurance Companies	6	13,016	0.02
I). Modarabas	3	8	0.00
J). *Shareholding 10% or more	*1	*79,996,500	*99.22
K). Others	28	58,681	0.07
L). General Public	10,632	279,439	0.34
<b>TOTAL: -</b>	<b>10,804</b>	<b>80,629,980</b>	<b>100.00</b>

\* Shareholders having 10% or above shares exist in Associated Companies therefore not included in total.

## Shareholding Detail of 10% or more

Name of Shareholder	Share held	%
Agen Ltd. B.V.I	79,996,500	99.22

## Notice of First Annual General Meeting

### INNOVATIVE INVESTMENT BANK LIMITED (formerly Innovative Housing Finance Limited)

NOTICE is hereby given that the first Annual General Meeting of the shareholders of Innovative Investment Bank Limited (formerly Innovative Housing Finance Limited) will be held on Thursday, the 19th February 2009 at 11:30 a.m. at Qasr-e-Noor, 9 E 2, Main Boulevard, Gulberg III, Lahore, to transact the following business:

#### ORDINARY BUSINESS:

1. To confirm the minutes of the Extraordinary General Meeting held on 15th May 2007.
2. To receive, consider and adopt the Financial Statements of the Company and the Consolidated Financial Statements for the period ended December 31, 2007 together with Directors and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration. The Retiring Auditors, M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ended December 31, 2008.
4. To elect Seven Directors of the Company, as fixed by the Board, for a period of three years commencing from the date of first Annual General Meeting in accordance with the provisions of the Companies Ordinance, 1984 in place of retiring Directors namely, (1) Mr. Abid Kasem, (2) Mr. Asif Majid, (3) Mr. Abdur Razzaq, (4) Mr. Javed Nizam, (5) Mr. Raja Muhammad Safdar, (6) Mr. Mohammad Tamraz Riaz, (7) Mr. Zafar Baidar Chishti. The retiring Directors are eligible for re-election.

#### SPECIAL BUSINESS:

1. To pass a special resolution under the provisions of Section 86(1) of the Companies Ordinance, 1984 for issuance of ordinary shares of the Company without issue of right shares against loan of Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Limited. In this regard it is proposed to pass the following special resolution, with or without modifications:

**RESOLVED** That in accordance with the provisions of Section 86(1) and other applicable provisions of the Companies Ordinance, 1984 and subject to the approval of the Securities and Exchange Commission of Pakistan (SECP) and subject to such modifications as SECP may require, the members of the Company hereby approve the issue of shares without issue of right shares, by issuance and allotment of upto 3,762,304 fully paid ordinary shares of Rs. 10 each at par value of Rs. 10 each against loan of Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Limited, ranking pari passu with the existing ordinary shares in all respects, to Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Limited without offering the same to shareholders of the company.

**FURTHER RESOLVED** that the Chief Executive Officer and/or the Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly authorized to complete all the necessary corporate and legal formalities and to do all such acts, deeds and things as may be deemed necessary to give effect to the aforesaid resolution.

2. To pass a special resolution under the provisions of Section 86(1) of the Companies Ordinance, 1984 for issuance of ordinary shares of the Company without issue of right shares against loan of International Finance Corporation (IFC) as per the restructuring Amendatory Agreement and IFC Equity Rights Agreement. Under the terms of the agreement, IFC has an option to convert all or a portion of the restructured loan of Rs. 395 million into a maximum of 39,500,000 fully paid ordinary shares of Rs. 10 each at par value of Rs. 10 each, ranking pari passu with the existing ordinary shares in all respects. In this regard it is proposed to pass the following special resolution, with or without modifications:

**RESOLVED** That in accordance with the provisions of Section 86(1) and other applicable provisions of the Companies Ordinance, 1984 and subject to approval of the Securities and Exchange Commission of Pakistan (SECP) and subject to such modifications as SECP may require, the members of the Company hereby approve the issue of shares without issue of right shares by issuance and allotment of upto 39,500,000 fully paid ordinary shares of Rs. 10 each at par value of Rs. 10 each against loan of IFC, ranking pari passu with the existing ordinary shares in all respects, to International Finance Corporation without offering the same to shareholders of the company.

**FURTHER RESOLVED** that the Chief Executive Officer and/or the Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly authorized to complete all the necessary corporate and legal formalities and to do all such acts, deeds and things as may be deemed necessary to give effect to the aforesaid resolution.

#### STATEMENT U/S 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the shareholders to be held on Thursday, 19th February 2009.

Further issue of shares other than right offer:

1. The rationale for issuance of shares to Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Limited (SAPICO)

## Notice of First Annual General Meeting

without right offering is to convert long term loan of Rs. 37.623 million into 3,762,304 ordinary shares of Rs. 10 each. This will reduce the burden of long term loans, save mark-up expense and also improve the profitability, liquidity and debt-equity ratios of the Company.

2. As in the case of Paragraph (1) above, logic behind issuance of shares, without right offering to International Finance Corporation is to convert the Restructured loan of Rs. 395 million into 39,500,000 ordinary shares of Rs. 10 each. This will have similar effects as above i.e., reduction in gearing, lower fixed financial cost and improvement in profitability and debt-equity ratios of the Company.

Copies of agreements with SAPICO and IFC can be inspected during business hours (from 09:00 a.m. till 05:00 p.m.) from 9th February 2009 to 11th February 2009 at the Registered Office of the Company.

### Interest of Directors and their Relatives

All the Directors of the Company including the Chief Executive Officer and their relatives (if any) are interested in the business that is subject of the meeting to the extent of their shares that are held by them in the Company. The effect of the business to be transacted at the meeting on the interest of these directors including the Chief Executive Officer and their relatives (if any) does not differ from its effect on the like interest of other shareholders.

By Order of the Board



Numan Ali Amjad  
Company Secretary

Lahore

Dated : January 24, 2009

### PARTICIPATION IN THE ANNUAL GENERAL MEETING

- A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote.
- The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of Meeting.
- The beneficial owner of shares of the Company in Central Depository System of Central Depository Company (CDC) or his/her proxy entitled to attend and vote at this meeting, shall produce his/her original CNIC or passport to prove his/her identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by SECP. In case of corporate entity, Board of Directors' resolution/Power of Attorney with specimen signatures of the Nominee shall be produced (unless it has been provided earlier) at the time of meeting.

### NOTE:

Any person who is interested to contest the election to the office of a director is required to file with the Company at the Registered Office not later than fourteen days before the date of the meeting, an affidavit in the prescribed format alongwith notice of intention to contest for the election. The Proforma can be obtained from the Registered Office of Innovative Investment Bank Limited.

### BOOK CLOSURE:

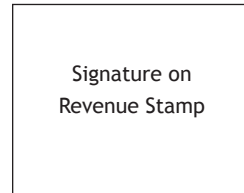
The Share Transfer Books of the Company will remain closed from 12th February 2009 to 19th February 2009 (both days inclusive). Physical transfers/CDS Transaction IDs received in order at the Registered Office of the Company upto the close of business on 11th February 2009 will be considered in time for the shareholders to attend the meeting and vote.

Members of the Company are requested to immediately notify the change in particulars or address, if any.

**FORM OF PROXY**

I/We .....  
of .....  
being members(s) of Innovative Investment Bank Limited (formerly Innovative Housing Finance Limited) holding  
..... Ordinary shares as per Share Register Folio No. \_\_\_\_\_ as /or CDC Participant I.d.  
No. \_\_\_\_\_ hereby appoint Mr./Mrs./Miss. \_\_\_\_\_  
of \_\_\_\_\_ or in failing him/her Mr./Mrs./Miss. \_\_\_\_\_  
of \_\_\_\_\_ as my/our Proxy in my/our absence to attend and vote for me/us and on my/our  
behalf at the First Annual General Meeting of the Company to be held on Thursday, 19th February 2009 at 11:30 am at  
Qasr-e-Noor, 9 E 2, Main Boulevard, Gulberg III, Lahore, and/or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.



**Witness**

1. Signature \_\_\_\_\_  
Name : \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC/Passport # \_\_\_\_\_

**Witness**

2. Signature \_\_\_\_\_  
Name : \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC/Passport # \_\_\_\_\_

**Note:**

1. A member entitled to attend and vote at Annual General Meeting is entitled to appoint a proxy.
2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office of the Company, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular No.1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan 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 requirement.
  - ii. The proxy form 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 original CNIC or original passport at the time of the meeting.
  - v. In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



AFFIX  
CORRECT  
POSTAGE

The Company Secretary

**Innovative Investment Bank Limited**

(formerly Innovative Housing Finance Limited)

Registered Office:

H. M. House, 7-Bank Square,  
Lahore.