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Corporate Information

Chief Executive Officer

Zafar Baidar Chishti

Board of Directors

Mohammad Tamraz Riaz Chairman

Abdur Razzaq

Abid Kasem

Javed Nizam

Muhammad Abdul Mutalib Hashim

Mohammed Rafiq Yusuf Parpia

Raja Muhammad Safdar

Audit Committee

Mohammad Tamraz Riaz Chairman

Abdur Razzaq Member

Javed Nizam Member

Company Secretary

Numan Ali Amjad

Chief Financial Officer

Muhammad Salman Haider

Auditors

Avais Hyder Liaquat Nauman

Chartered Accountants

Legal Advisor

Cornelius Lane & Mufti

Hassan & Hassan (Advocate)

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

4th & 5th Floor, M.M. Tower, 28 / A, K-Block, Gulberg-II, Lahore.

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Directors' Report to the Members

The Board of Directors of Innovative Investment Bank Limited (formerly Innovative Housing Finance Limited) presents herewith the 2nd Annual Report for the year ended December 31, 2008.

GENERAL OVERVIEW

Macro-economic Developments

Pakistan's macroeconomic situation has experienced major setbacks in the year 2008 with most macroeconomic indicators deteriorating sharply coupled with adverse security developments. High oil and commodity prices during the first half of the year led to significant imbalances and a fiscal deficit of 1.9% of GDP. Foreign exchange reserves dropped from USD 13 billion to USD 9.9 Billion leading to sharp depreciation of Pak Rupee during the year.

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 and liquidity, 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:

- Ensure optimum return by value addition in the investment properties and conversion of non-earning assets into earning assets in order to increase liquidity and profitability.
- Generate fee based income by entering into financial advisory and restructuring.
- 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 target customers.
- 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 customers' 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 – consumerist 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

Directors' Report to the Members

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 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 mismatches 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.

CHANGE OF NAME

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

OPERATIONAL REVIEW:

The financial results of the Company for the year ended December 31, 2008 are summarized below:

	Rupees in '000'	
	1 Jan 2008 to 31 Dec 2008	29 Mar 2007 to 31 Dec 2007
Gross income	172,077	892,389
Expenditures	(402,198)	(288,309)
Profit / (loss) before provisions	(230,121)	604,080
Provisions for doubtful receivables – Net	205,280	(248,440)
Profit / (loss) before taxation	(24,841)	355,640
Provision for taxation	(19)	(3,288)
Profit / (loss) after taxation	(24,860)	352,352
Basic earnings per share – Rupees	(0.31)	6.23

The Company has incurred loss after taxation of Rupees 24.86 million during the year as against profit after taxation of Rupees 352.35 million during last year. Presently, the Company is in the revival stage and is working on the restructuring of its assets and liabilities, which will take around a year to complete. The major causes of operating loss during the year were non-earning assets and unfavorable market conditions. In this regard, non-earning assets of the Company are being converted into earning assets. The corresponding figures do not reflect operating results of the Company rather these are mainly reflecting the restructuring and settlement of liabilities resulting in reversal of provisions and earlier suspended income on the assets given in settlement of these liabilities.

STATEMENT OF INVESTMENTS OF PROVIDENT FUND

During the year, the Company has established a funded provident fund trust under the name of IIBL Employees Provident Fund Trust. Value of investments including accrued income of provident fund as at December 31, 2008 on the basis of un-audited accounts was Rupees 5.829 million.

Directors' Report to the Members

FUTURE PROSPECTS AND OUTLOOK

The main strategic challenges for the future will be to effectively manage the asset quality, maintain adequate liquidity and strengthen our capitalization. The management is cognizant of the continued focus required in these areas and remains confident that the initiatives put in place for strengthening risk and liquidity management will yield positive results going forward.

The main focus of the Company is on the development of its investment properties, sale of surplus non-earning assets in order to generate liquidity and profitability, recovery of stuck-up portfolio, capital market activities and equity injection. The Company has successfully launched one of its real estate projects during the year and has planned two more projects during second half of 2009. With visible signs of improvements in the overall market condition, the management is optimistic that it will achieve its targeted returns as planned. All these endeavors will assist the management in its objective to make the equity positive by the end of 2009. In this way, balance sheet structure is being optimized in order to add value to all the stakeholders.

We are also concentrating on financial advisory, focusing on raising of capital, financial restructuring and re-financing of debts.

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 markup 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 management is taking appropriate steps in respect of credit rating of the Company.

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 and keeping in view the inherited accumulated losses due to merger, the Board of Directors has not recommended any dividend for the year ended December 31, 2008.

Directors' Report to the Members

INNOVATIVE BROKERAGE (PRIVATE) LIMITED

During the year, 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 has transferred its seats of Lahore Stock Exchange and National Commodities Exchange to IBL.

BOARD OF DIRECTORS MEETING

During the year under review, two meetings of the Board of Directors were held. Details of attendance of the Directors at Board Meetings are summarized below:

Directors Name (In alphabetic order)	Number of Meetings	
	In Tenor	Attendance
Khawaja Basit Waheed	2	2
Prof. Dr. Imran Ali	2	2
Qambar Hamid	2	2
Syed Mahboob Husain	2	2
Ms. Razia Bibi	2	0
Muhammad Tamraz Riaz	2	2
Zafar Baidar Chishti – Chairman / CEO	2	2

AUDITORS' REPORT

Without qualifying their opinion, the Auditors have drawn attention towards the fact that equity of the Company is negative by Rupees 1,060 million and current liabilities exceed current assets by Rupees 205 million.

The management has initiated both short term and long term plans to transform this institution into one of the leading financial institutions of the country. In this regard, negotiations are at advanced stage with both local and foreign investors for the injection of fresh capital to make the equity positive by the end of 2009. As per plan, the process of sale of surplus investment properties and real estate fixed assets has been initiated subsequent to the balance sheet date. As a result of these steps, the current assets have exceeded current liabilities by Rs. 120 million in the following financial year. It will also ensure availability of adequate funds for the timely discharge of obligations and for undertaking new business.

AUDITORS

M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, retire as auditors of the Company for the year 2008 and being eligible offer themselves for re-appointment in the forthcoming Annual General Meeting.

The Board of Directors recommended M/s. Avais Hyder Liaquat Nauman, Chartered Accountants as auditors of the Company for the year 2009.

AUDIT COMMITTEE

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

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

Directors' Report to the Members

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 function and reviews the effectiveness of the controls and compliance with regulatory guidelines.

HOLDING COMPANY

Innovative Investment Bank Limited is a subsidiary company of Agen Limited B.V.I., which is incorporated in British Virgin Islands.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on December 31, 2008 is annexed to this report.

ACKNOWLEDGMENT

The management expresses its deep sense of gratitude to regulatory authorities, banks and other financial institutions and the shareholders 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

April 21, 2009

Separate Financial Statements

for the year ended
December 31, 2008

Auditors' Report to the Members

We have audited the annexed balance sheet of INNOVATIVE INVESTMENT BANK LIMITED (formerly Innovative Housing Finance Limited) "the company" as at December 31, 2008 and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the 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;

in our opinion-

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 year was for the purpose of the Company's business; and
iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to the note 2.2 to these financial statements which state that equity of the company is negative by Rs. 1,060 million and current liabilities exceed current assets by Rs. 205 million. The management plan in regard to this matter, as discussed in detail in note 2.2 to the financial statement, includes a strategy to dispose off the surplus assets and investment properties as well as injection of new capital for generation of liquidity to meet short term liabilities and to make the equity positive. The company's ability to continue as going concern is dependent upon strict implementation of the management plan.

AVAI HYDER LIAQUAT NAUMAN

AVAI HYDER LIAQUAT NAUMAN

Chartered Accountants

Date 30th April 2009.

Place: Lahore

Balance Sheet
As at December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
NON-CURRENT ASSETS			
Fixed assets	5	627,787	630,569
Investment properties	6	1,260,747	1,284,724
Long term investments	7	201,550	8,766
Loans and advances	8	15,102	44,174
Net investment in finance lease	9	48,647	37,475
Long term placement of funds	10	-	50,000
		2,153,833	2,055,708
CURRENT ASSETS			
Current maturities of non-current assets	11	659,819	608,972
Advances, deposits, prepayments and other assets	12	55,222	70,927
Mark-up and profit receivables	13	120,975	12,341
Other receivables	14	293,064	206,306
Short term investments	15	112,974	517,034
Short term placements	16	80,000	425,000
Cash and bank balances	17	82,656	181,161
		1,404,710	2,021,741
		3,558,543	4,077,449
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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	806,300
Accumulated loss		(1,848,984)	(1,824,120)
		(1,042,684)	(1,017,820)
UNREALIZED (LOSS) ON INVESTMENTS AVAILABLE FOR SALE			
	20	(17,060)	(3,888)
SUPPLEMENTARY CAPITAL			
	21	-	66,050
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	22	10,769	17,417
Long term financing	23	621,869	687,396
Long term customers' deposits	24	2,366,103	3,084,351
Long term security deposits	25	10,052	13,967
		3,008,793	3,803,131
CURRENT LIABILITIES			
Current maturities of non-current liabilities	26	933,970	253,184
Redeemable capital	27	-	89,904
Short term financing	28	-	24,036
Short term customers' deposits	29	9,852	26,364
Accrued and other liabilities	30	658,237	829,053
Unclaimed dividend		7,435	7,435
		1,609,494	1,229,976
Contingencies and commitments	31	-	-
		3,558,543	4,077,449

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



Chief Executive Officer



Chairman

Profit and Loss Account
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
INCOME			
Lease revenue		14,611	84,987
Return on loans, advances and placement of funds	32	74,514	54,868
Return on investments	33	5,035	80,761
Other income	34	77,917	671,773
		172,077	892,389
EXPENDITURES			
Financial charges	35	183,206	109,286
Administrative and operating expenses	36	189,430	175,955
Impairment in value of investments		29,566	3,068
		402,202	288,309
(LOSS) / PROFIT BEFORE PROVISION		(230,125)	604,080
Provision for doubtful receivables - Net	37	205,280	(248,440)
(LOSS) / PROFIT BEFORE TAXATION		(24,845)	355,640
PROVISION FOR TAXATION	38	(19)	(3,288)
(LOSS) / PROFIT AFTER TAXATION		(24,864)	352,352
EARNINGS PER SHARE – BASIC (Rupees)	39	(0.31)	6.23

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



Chief Executive Officer



Chairman

Cash Flow Statement
For the Year Ended December 31, 2008

	2008 Rupees in '000'	2007 Rupees in '000'
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(24,845)	355,640
Adjustments for non cash and other items:		
(Gain) on disposal of property and equipment	(12,817)	(467,535)
(Gain) on sale of investments	(41,288)	(66,432)
Loss / (Gain) on remeasurements of investment held for trading	43,995	(6,153)
Loss on disposal of investment properties	-	7,439
Unrealized loss on remeasurement of investment properties	39,268	200,500
Depreciation	41,206	39,154
Direct write offs	(8,669)	19,725
Impairment of fixed assets	-	13,610
Impairment in value of investments	29,566	3,068
Provision for doubtful receivables	(205,280)	248,440
Losses acquired from CSIBL	-	(2,170,172)
Waiver of markup and borrowings	(29,784)	(371,788)
Supplementary Capital	(66,050)	-
	(209,853)	(2,550,144)
Cash used in operating activities before working capital changes	(234,698)	(2,194,504)
Adjustments for working capital changes:		
(Increase) / decrease in operating assets:		
Loans and advances	(2,915)	(562,060)
Net investment in finance lease	121,581	(181,086)
Advances, deposits, prepayments and other assets	18,036	(13,762)
Mark up & profit receivable	(8,634)	(249,341)
Other receivable	(86,718)	(212,235)
Increase / (decrease) in operating liabilities:		
Customers' deposits	(86,379)	3,210,776
Security deposits	(27,193)	152,773
Accrued and other liabilities	(114,777)	829,053
Unclaimed dividend	-	7,435
	(186,999)	2,981,553
	(421,697)	787,049
Income tax (paid) / refund - Net	(1,548)	(24,540)
Net cash generated from / (used in) operating activities	(423,245)	762,509
CASH FLOW FROM INVESTING ACTIVITIES		
Investments - Net	126,680	(460,171)
Purchase of investment properties - Net	(15,291)	(1,492,663)
Placements of funds	345,000	(469,997)
Purchase of fixed assets - Net	(18,722)	(202,692)
Net cash generated from/(used in) investing activities	437,667	(2,625,523)
CASH FLOW FROM FINANCING ACTIVITIES		
Paid up share capital	-	800,000
Supplementary capital	-	66,050
Loan from banking companies and financial institutions	672	1,088,221
Liabilities against assets subject to finance lease	(23,695)	-
Redeemable capital	(89,904)	89,904
Net cash generated from /(used in) financing activities	(112,927)	2,044,175
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(98,505)	181,161
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	181,161	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 17	82,656	181,161

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



Chief Executive Officer



Chairman

Statement of Changes in Equity
For the Year Ended December 31, 2008

	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	-	(2,170,172)	(2,170,172)
Shares issued otherwise than in cash as per scheme of amalgamation	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)
Loss for the year	-	(24,864)	(24,864)
Balance as at December 31, 2008	806,300	(1,848,984)	(1,042,684)

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



Chief Executive Officer



Chairman

Notes to the Financial Statements
For the Year Ended December 31, 2008

1. STATUS AND NATURE OF BUSINESS

“Innovative Investment Bank Limited” (formerly Innovative Housing Finance Limited) (IIBL) 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 Investment Bank Limited (formerly Innovative Housing Finance Limited) is a subsidiary of Agen Limited B.V.I.

These financial statements are the separate financial statements of Innovative Investment Bank Limited (formerly 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, International Assets Management Company Limited, Innovative Brokerage (Private) Limited and Exclusive Ventures (Private) 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 Basis of measurement

These financial statements have been prepared under the historical cost convention as modified by remeasurement of investments (Note 4.4)

As on December 31, 2008, the current liabilities of the Company have exceeded its current assets by Rs. 205 million and equity of the company is negative by Rs. 1,060 million. In order to generate adequate liquidity to ensure timely discharge of all its obligations, subsequent to the balance sheet date, the Company has planned to inject further equity and initiate the sale of certain properties as mentioned in note numbers 5.1.2 and 6.5 of these financial statements. The funds generated shall also be used for undertaking new business.

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

2.3 Standards, interpretations and amendments to published approved accounting standards effective in 2008

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, 2008 and are not considered relevant or do not have any significant effect on Company's operations, are not detailed in these financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 judgment in the process of applying the Company's accounting policies. Estimates and judgments 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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

Notes to the Financial Statements
For the Year Ended December 31, 2008

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.

4.2 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'.

4.3 Investment properties

The Company has followed the fair value method in accounting for Investment Properties. 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.

4.4 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.

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

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

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 de-recognized 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.

4.5 Loans and advances

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

4.6 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.

4.7 Cash and cash equivalents

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

4.8 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.

Notes to the Financial Statements
For the Year Ended December 31, 2008

4.9 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.

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.

4.10 Employee benefits

Defined contribution plan

The company operates a recognized 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.

Employees compensated absences

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

4.11 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.

Notes to the Financial Statements
For the Year Ended December 31, 2008

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 Related party transactions

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

4.17 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.

5 FIXED ASSETS	Note	2008 Rupees in '000'	2007 Rupees in '000'
Property, plant and equipment	5.1	463,600	479,496
Intangible assets	5.2	7,097	40,045
		470,697	519,541
Capital work in progress	5.3	157,090	111,028
		627,787	630,569
5.1 Property, plant and equipment			
Operating fixed assets - held for own use	5.1.1	443,676	452,705
Assets subject to finance lease	5.1.3	12,410	17,546
Assets leased out under operating lease arrangements	5.1.4	7,514	9,245
		463,600	479,496

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

5.1.1 Operating fixed assets - held for own use

	2008									
	Freehold land	Building on freehold land	Building on leasehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Books	Total
----- Rupees in '000' -----										
As at January 01, 2008										
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	190,320	182,062	45,853	7,238	4,529	10,736	1,938	10,011	18	452,705
Additions during the year (at cost)	-	15,133	-	-	325	1,839	3,128	8,149	-	28,574
Disposals:										
Cost	-	-	-	-	-	(660)	(1,827)	(6,373)	-	(8,860)
Accumulated depreciation	-	-	-	-	-	16	1,340	4,832	-	6,188
	-	-	-	-	-	(644)	(487)	(1,541)	-	(2,672)
Transfer to lease assets	-	-	-	-	-	-	(3,071)	-	-	(3,071)
Transfer from lease assets	-	-	-	-	-	-	4,365	2,864	-	7,229
Accumulated depreciation on assets transferred from lease assets	-	-	-	-	-	-	(3,361)	(2,757)	-	(6,118)
Depreciation for the year	-	(10,493)	(3,214)	(3,326)	(2,118)	(6,241)	(1,499)	(6,062)	(18)	(32,971)
Closing net book value	190,320	186,702	42,639	3,912	2,736	5,690	1,013	10,664	-	443,676
As at December 31, 2008										
Cost	190,320	223,741	64,269	20,644	25,058	41,172	13,620	74,772	641	654,237
Accumulated depreciation	-	(37,039)	(21,630)	(16,732)	(22,322)	(35,482)	(12,607)	(64,108)	(641)	(210,561)
Net book value	190,320	186,702	42,639	3,912	2,736	5,690	1,013	10,664	-	443,676
Depreciation rate per annum (%)	Nil	5	5	10	10	20	25	33	20	

	2007									
	Freehold land	Building on freehold land	Building on leasehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	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
	(4,882)	(733,160)	-	-	(3,191)	(1,460)	(761)	(154)	-	(743,608)
Transfer to investment property	-	(140,400)	-	-	-	-	-	-	-	(140,400)
Written off	-	-	-	-	-	(2,116)	-	-	-	(2,116)
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 period	-	(5,192)	(1,607)	(661)	(3,387)	(3,083)	(369)	(4,048)	(17)	(18,364)
Closing net book value	190,320	182,062	45,853	7,238	4,529	10,736	1,938	10,011	18	452,705
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	190,320	182,062	45,853	7,238	4,529	10,736	1,938	10,011	18	452,705
Depreciation rate per annum (%)	Nil	5	5	10	10	20	25	33	20	

5.1.2 Subsequent to the date of balance sheet, the Company has initiated sale of certain real estate properties having aggregate book value amounting to Rs. 409.197 million.

Notes to the Financial Statements
For the Year Ended December 31, 2008

5.1.3 Assets subject to finance lease

	2008		
	Office equipment	Vehicles	Total
	----- Rupees in "000" -----		
As at January 01, 2008			
Cost	7,051	35,347	42,398
Accumulated depreciation	(5,520)	(19,332)	(24,852)
Net book value	1,531	16,015	17,546
Additions during the year (at cost)	-	8,029	8,029
Disposals:			
Cost	(2,582)	(18,342)	(20,924)
Accumulated depreciation	1,775	10,646	12,421
	(807)	(7,696)	(8,503)
Assets transfer from fixed assets	-	3,071	3,071
Assets transfer to fixed assets	(2,864)	(4,835)	(7,699)
Accumulated depreciation transfer to fixed assets	2,757	3,713	6,470
Depreciation for the year	(530)	(5,974)	(6,504)
Closing net book value	87	12,323	12,410
As at December 31, 2008			
Cost	1,605	23,270	24,875
Accumulated depreciation	(1,518)	(10,947)	(12,465)
Net book value	87	12,323	12,410
Depreciation rate per annum (%)	33	25	
	2007		
	Office equipment	Vehicles	Total
	----- Rupees in "000" -----		
As at 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 for the period	(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	

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

5.1.4 Assets leased out under operating lease arrangements

	2008
	Plant and machinery
	Rupees in "000"
As at January 01, 2008	
Cost	17,310
Accumulated depreciation	(8,065)
Net book value	<u>9,245</u>
Additions during the year (at cost)	-
Disposals:	
Cost	-
Accumulated depreciation	-
Accumulated depreciation on assets taken over from CSIBL	-
Depreciation for the year	(1,731)
Closing net book value	<u>7,514</u>
As at December 31, 2008	
Cost	17,310
Accumulated depreciation	(9,796)
Net book value	<u>7,514</u>
Depreciation rate per annum (%)	<u>10</u>
	2007
	Plant and machinery
	Rupees in "000"
As at March 29, 2007	
Cost	-
Accumulated depreciation	-
Net book value	<u>-</u>
Additions during the period (at cost)	17,310
Disposals:	
Cost	-
Accumulated depreciation	-
Accumulated depreciation on assets taken over from CSIBL	-
Depreciation for the period	(8,065)
Closing net book value	<u>9,245</u>
As at December 31, 2007	
Cost	17,310
Accumulated depreciation	(8,065)
Net book value	<u>9,245</u>
Depreciation rate per annum (%)	<u>10</u>

Notes to the Financial Statements
For the Year Ended December 31, 2008

5.1.5 Detail of fixed assets sold during the year:

Description of assets	Cost	Accum- ulated depreciation	Book value	Sale proc- ceeds	Gain/ (Loss)	Mode of disposal	Buyer's Particulars
----- Rupees in '000' -----							
Office equipment							
Fire equipment	308	308	-	94	94	Negotiation	The Bank of Punjab
Lockers	977	977	-	300	300	Negotiation	The Bank of Punjab
Mobile units basement	571	571	-	176	176	Negotiation	The Bank of Punjab
Panasonic telephone	3	3	-	1	1	Negotiation	The Bank of Punjab
Panasonic telephone	3	3	-	1	1	Negotiation	The Bank of Punjab
Panasonic telephone	3	3	-	1	1	Negotiation	The Bank of Punjab
Telephone set	3	3	-	1	1	Negotiation	The Bank of Punjab
Telephone set	3	3	-	1	1	Negotiation	The Bank of Punjab
Telephone set	7	7	-	2	2	Negotiation	The Bank of Punjab
Telephone set	1	1	-	-	-	Negotiation	The Bank of Punjab
A.C split unit	77	77	-	24	24	Negotiation	The Bank of Punjab
Air conditioners	137	137	-	42	42	Negotiation	The Bank of Punjab
Surge protection pabx	17	17	-	5	5	Negotiation	The Bank of Punjab
Telephone pabx	16	16	-	5	5	Negotiation	The Bank of Punjab
Telephone set	3	3	-	1	1	Negotiation	The Bank of Punjab
Access control system charged card	1,367	940	427	420	(7)	Negotiation	The Bank of Punjab
Access control system charged card	1,371	490	881	421	(460)	Negotiation	The Bank of Punjab
Split air conditioner	29	29	-	15	15	Negotiation	Mr. Adil Majeed
Air conditioners & others misc. items	390	253	137	200	63	Negotiation	Mr. Noshat Khan
Computers	413	413	-	59	59	Negotiation	Shah Jee Computer
Furniture & fixture	250	250	-	-	-	As per policy	Mr. Mahmood Ahmed Ex-CEO
Laptop	155	155	-	-	-	As per policy	Mr. Mahmood Ahmed Ex-CEO
Laptop	135	135	-	14	14	As per policy	Mr. Mahmood Ahmed Ex-CEO
Mobile set	27	9	18	18	-	As per policy	Mr. Syed Mahboob Husain Ex-CEO
Mobile set	4	2	2	2	-	As per policy	Mr. Shabbir Husain Ex-Employee
Laptop Dell Vostro 1500	93	25	68	-	(68)	As per policy	Mr. Habib A. Chaudhry - (Late) Ex-Executive
Mobile set	10	1	9	9	-	As per policy	Mr. Muhammad Hamza Ex-Executive
	6,373	4,831	1,542	1,812	270		
Furniture & fixtures							
Furniture	500	-	500	333	(167)	As per policy	Mr. Syed Mahboob Husain Ex-CEO
Furniture	20	-	20	20	-	As per policy	Mr. Aamir Nawaz Sheikh Ex-Employee
Furniture	20	-	20	20	-	As per policy	Mr. Malik Mubashir ul Islam Ex-Employee
Furniture	20	2	18	18	-	As per policy	Mr. Mehar Ejaz Ex-Employee
Furniture	20	4	16	16	-	As per policy	Mr. Shabbir Husain Ex-Employee
Furniture	50	4	46	49	3	As per policy	Mr. Khawaja Touqeer Ahmed Ex-Executive
Furniture	30	6	24	-	(24)	As per policy	Mr. Habib A. Chaudhry - (Late) Ex-Executive
	660	16	644	456	(188)		

Notes to the Financial Statements
For the Year Ended December 31, 2008

Description of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Buyer's Particulars
----- Rupees in '000' -----							
Vehicle							
Motor Cycle - LXJ 8294	37	37	-	13	13	As per policy	Mr. Akram Bhatti Ex-Employee
Motor Cycle - KAV 2486	79	79	-	14	14	Negotiation	Mr. Syed Muqeeb ur Rehman Pasha
Honda City - AKS 178	881	404	477	425	(52)	Negotiation	Mr. Muhammad Haroon
Honda City - LZS 199	830	820	10	-	(10)	As per policy	Mr. Habib A. Chaudhry - (Late) Ex-Executive
	1,827	1,340	487	452	(35)		
ASSETS SUBJECT TO FINANCE LEASE							
Office equipment							
Pabx exchange	2,582	1,775	807	1,286	479	Negotiation	The Bank of Punjab
Vehicle							
Honda Civic VTI - LZX 8785	1,283	962	321	780	459	As per policy	Mr. Sheikh Naeem Ex-Employee
Hyundai Santro - LRH 7880	430	430	-	101	101	As per policy	Ms. Uzma Sultan - Employee
Pajero - LZO 504	4,549	3,696	853	3,602	2,749	As per policy	Mr. Mahmood Ahmed Ex-CEO
Honda Civic - LRU 9149	988	844	144	227	83	As per policy	Ms. Roohi R. Khan - Ex-Executive
Honda City - LRW 128	840	840	-	169	169	As per policy	Mr. M. Saleem Qadri - Executive
Parado - LEH 6771	4,400	734	3,666	4,005	339	As per policy	Mr. Syed Mahboob Husain - Ex-CEO
Toyota Altis - JU 624	1,309	1,145	164	685	521	As per policy	Mr. Syed Mahboob Husain - Ex-CEO
Honda Civic - LEF 7492	1,515	347	1,168	1,210	42	Insurance claim	E.F.U. Insurance
Toyota Corola GLI - LEF 8309	969	283	686	788	102	As per policy	Mr. Touqeer Ahmed Khawaja - Ex-Executive
Honda Civic VTI - AFD 607	1,285	1,285	-	710	710	Tender Notice	Mr. Khurram Zubair
Suzuki Cultus - LEE 4281	774	80	694	658	(36)	Insurance claim	E.F.U. Insurance
	18,342	10,646	7,696	12,935	5,239		
Intangible assets							
Lahore Stock Exchange - room	27,948	-	27,948	35,000	7,052	Negotiation	Innovative Brokerage (Private) Limited *
National Commodity Exchange							
-membership card	17,500	12,500	5,000	5,000	-	Negotiation	Innovative Brokerage (Private) Limited *
	45,448	12,500	32,948	40,000	7,052		
GRAND TOTAL	75,232	31,108	44,124	56,941	12,817		

* Represent related parties

5.1.6 Cost of fully depreciated assets in use is Rupees 117.503 million (2007 : Rupees 88.449 million)

Notes to the Financial Statements For the Year Ended December 31, 2008

5.2 INTANGIBLES

	2008						Total
	Software	Room	Membership Cards			Total	
	Oracle Financials	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
----- Rupees in '000' -----							
As at January 01, 2008							
Cost	2,492	2,500	15,000	27,948	6,097	1,000	55,037
Accumulated amortization / impairment	(2,492)	-	(12,500)	-	-	-	(14,992)
Net book value	-	2,500	2,500	27,948	6,097	1,000	40,045
Additions during the year (at cost)	-	-	-	-	-	-	-
Disposals:							
Cost	-	(2,500)	(15,000)	(27,948)	-	-	(45,448)
Accumulated amortization / impairment	-	-	(12,500)	-	-	-	(12,500)
	-	(2,500)	(2,500)	(27,948)	-	-	(32,948)
Impairment during the year	-	-	-	-	-	-	-
Closing net book value	-	-	-	-	6,097	1,000	7,097
As at December 31, 2008							
Cost	2,492	-	-	-	6,097	1,000	9,589
Accumulated amortization / impairment	(2,492)	-	-	-	-	-	(2,492)
Net book value	-	-	-	-	6,097	1,000	7,097

	2007						Total
	Software	Room	Membership Cards			Total	
	Oracle Financials	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
----- 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 for the period	(1,110)	-	(12,500)	-	-	-	(13,610)
Closing net book value	-	2,500	2,500	27,948	6,097	1,000	40,045
As at December 31, 2007							
Cost	2,492	2,500	15,000	27,948	6,097	1,000	55,037
Accumulated impairment	(2,492)	-	(12,500)	-	-	-	(14,992)
Net book value	-	2,500	2,500	27,948	6,097	1,000	40,045

Notes to the Financial Statements
For the Year Ended December 31, 2008

5.3 Capital work in progress

	2008				Total
	Building on freehold land	Leasehold improvements	Building on leasehold land	Information system and network installation	
	----- Rupees in '000' -----				
As at January 01, 2008	10,246	7,795	87,798	5,189	111,028
Additions during the year	6,547	-	57,532	5,029	69,108
Transfer to operating fixed assets - held for own use	(15,133)	-	-	(830)	(15,963)
Expensed / Written off	(1,660)	(5,423)	-	-	(7,083)
As at December 31, 2008	-	2,372	145,330	9,388	157,090

	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 CSI BL	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

6 INVESTMENT PROPERTIES	Note	2008	2007
		Rupees in '000'	Rupees in '000'
Investment properties	6.1	1,121,015	1,157,488
Work in progress		139,732	127,236
		<u>1,260,747</u>	<u>1,284,724</u>

6.1 This includes fair value of investment properties amounting to Rupees 814.199 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, 2008 by independent valuers namely National Evaluation Company (Pvt) 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 2008:

Land	1,117,199	1,114,261
Premises / building	383,317	370,963
	<u>1,500,516</u>	<u>1,485,224</u>

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

6.3 Investment Properties

Reconciliation statement of the investment properties showing the movement during the period ended December 31, 2008 is as follows:

Description	2008						
	As at January 01, 2008	Additions resulting from acquisition/installments	Transfers	Additions resulting from subsequent expenditures	Disposals	Surplus/ (deficit/ impairment) revaluation of properties	As at December 31, 2008
----- Rupees in '000' -----							
Investment Properties							
Land	863,483	-	-	-	-	21,849	885,332
Premises	294,005	-	-	2,795	-	(61,117)	235,683
	1,157,488	-	-	2,795	-	(39,268)	1,121,015
Work In Progress							
Land	-	-	-	2,938	-	-	2,938
Premises	127,236	9,558	-	-	-	-	136,794
	127,236	9,558	-	2,938	-	-	139,732
	1,284,724	9,558	-	5,733	-	(39,268)	1,260,747

Description	2007						
	Acquisition from CSIBL as at June 28, 2007	Additions resulting from acquisition/installments	Transfers	Additions resulting from subsequent expenditures	Disposals	Surplus/ (deficit/ impairment) revaluation of properties	As at December 31, 2007
----- 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
	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
	156,908	54,099	(73,771)	-	-	(10,000)	127,236
	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 Sehjpai, Tehsil Distt. Lahore, being the amount at which the agreement to sell has been executed by the company. The amount of Rs. 79.9 million has been received by the company. The fair value of the property has been impaired to bring its value to the amount received from the purchaser, however, the case with original seller to the Company is under litigation for which outcome cannot be reliably measured until the outcome of litigation in the court of law.

6.5 Subsequent to the date of balance sheet, the Company has initiated sale of certain investment properties having aggregate fair value amounting to Rs. 440.312 million.

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

		Notes	2008 Rupees in '000'	2007 Rupees in '000'
7	LONG TERM INVESTMENTS			
	No. of ordinary shares/ certificates	Available for sale		
	2008	2007		
		Wholly owned subsidiary companies		
	5,000,000	- Innovative Brokerage (Private) Limited [Rs. 10/- each]	48,995	-
	3,006,080	3,006,080 International Asset Management Company Limited [Rs. 10/- each]	8,046	8,766
	2	2 Maghreb Development Corporation (Private) Limited [Rs. 10/- each]	-	-
	100	- Exclusive Ventures (Private) Limited [Rs. 100/-each]	117,509	-
		Sukuk certificates		
	6,000	- House Building Finance Corporation Limited - unlisted [Rs. 5,000/- each]	7.2 30,000	-
			204,550	8,766
		Less: Current maturity of Sukuk certificates	3,000	-
			201,550	8,766
7.1	Movement during the year			
	Opening balance		8,766	-
	Investments acquired from CSIBL - Net		-	11,834
	Investments made during the year		225,000	-
	Less: Impairment in value of investment	7.3	(29,216)	(3,068)
	Closing balance		204,550	8,766
7.2	The company has entered into a Musharika agreement with House Building Finance Corporation Limited for development of housing projects. The company's share of investment is Rs. 30 million in the total musharika capital of Rs. 1,579 million. The period of musharika is 6 years which shall expire on May 10, 2014. Principal is repayable in 10 equal semi annual installments commencing from the 18th month of the issue date, i.e., 10th November 2009. The profit is payable semi annually at the rate of 6 month KIBOR ask side + 1%.			
7.3	The impairment has been charged to bring investment in line with the break up value of the shares.			
8	LOANS AND ADVANCES			
	Receivable from related parties (8.1)			
	Gross amount receivable		42,917	7,041
	Less: Provision for doubtful receivable	8.3	5,917	7,041
	Net exposure - Considered good		37,000	-
	Receivable from others			
	Gross amount receivable		1,369,556	1,402,681
	Less: Provision for doubtful receivable	8.3	937,000	995,600
	Net exposure - Considered good		432,556	407,081
	Less: Current maturity		454,454	362,907
			15,102	44,174
8.1	It includes Rupees 6 million (2007 : Rupees 7 million) receivable from MDCL (a wholly owned subsidiary) and Rupees 37 million (2007 : Rupees Nil million) receivable from associates of an Ex-Executive of the Company. During the year Company has received payment of Rs. 1,123,907/- against the outstanding amount from MDCL, whereas loans and advances made to the associates of the Ex-Executive have been fully settled subsequent to the year end.			

Notes to the Financial Statements
For the Year Ended December 31, 2008

- 8.2** 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 0.45% to 18% (2007 : 0.003% to 18%) per annum.

	Note	2008 Rupees in '000'	2007 Rupees in '000'
8.3			
Provision for doubtful receivable			
Opening balance		1,002,641	-
Provisions acquired from CSIBL		-	855,646
Charge during the year		46,462	268,217
Transfers		42,000	-
		1,091,103	1,123,863
Less: Reversals during the year		106,022	113,238
Transfers		11,942	-
Written off		30,222	7,984
		148,186	121,222
Closing balance		942,917	1,002,641

- 8.4** Loans and advances include Rupees 1,253 million (2007 : Rupees 1,325 million) which have been classified as non-performing loans.

9 NET INVESTMENT IN FINANCE LEASE

Lease rentals receivable		474,782	607,449
Add: Residual value		124,378	151,985
Gross investment in finance lease		599,160	759,434
Less: Unearned finance income		8,079	12,168
Net investment in finance lease	9.1	591,081	747,266
Less: Provision for potential lease losses	9.3	390,069	463,726
		201,012	283,540
Less: Current maturity		152,365	246,065
		48,647	37,475

9.1 Particulars of net investment in finance lease

	2008				2007
	Less than one year	Later than one year but not later five years	Later than five years	Total	Total
----- Rupees in '000-----					
Lease rental receivable	409,803	64,979	-	474,782	607,449
Add: Residual value of leased assets	115,528	8,850	-	124,378	151,985
Gross investment in finance lease	525,331	73,829	-	599,160	759,434
Less: Unearned finance income	839	7,240	-	8,079	12,168
Net investment in finance lease	524,492	66,589	-	591,081	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 % (2007 : 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 % (2007 : 8% to 30%) per annum. Generally assets provided on leases are held as collateral.

Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
9.3	Movement in provision for potential lease losses		
	Opening balance	463,726	-
	Provisions acquired from CSIBL	-	680,660
	Charge during the year	57,372	-
	Transfers	-	118,729
		521,098	799,389
	Less: Reversals during the period	96,425	221,183
	Written off	1,976	27,017
	Transferred / adjusted	32,628	87,463
		131,029	335,663
	Closing balance	390,069	463,726
9.4	Net investment in finance lease includes Rupees 575 million (2007 : Rupees 550 million) which have been classified as non-performing leases.		
10	LONG TERM PLACEMENT OF FUNDS		
	Long term placement of funds	50,000	50,000
	Less: Current maturities	11 (50,000)	-
		-	50,000
10.1	The Company had placed funds with Al-Zamin Leasing Company Limited (formerly Crescent Leasing Corporation Limited) at the markup rate of 12.5% per annum. The placement will mature on 26 January 2009.		
11	CURRENT MATURITY OF NON-CURRENT ASSETS		
	Long term investments	7 3,000	-
	Loans and advances	8 454,454	362,907
	Net investment in finance lease	9 152,365	246,065
	Long term placement of funds	10 50,000	-
		659,819	608,972
12	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS		
	Advances to staff- considered good	12.1 3,597	18,081
	Income tax - net	23,207	21,251
	Security deposits	8,918	15,268
	Prepayments	11,699	9,912
	Due from lessees	5,243	5,243
	Assets repossessed	59,315	59,315
	Due from brokers and clients	80,922	79,911
		192,901	208,981
	Less: provision for doubtful receivables	12.2 137,679	138,054
		55,222	70,927

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

	Note	2008 Rupees in '000'	2007 Rupees in '000'
12.1	Breakup of the staff loan by type of employees:		
Loan to executives	12.1.1	1,458	15,980
Loan to employees		2,139	2,101
		3,597	18,081
12.1.1	Reconciliation of carrying amount of loans to executives:		
Opening balance		15,980	-
Balances taken up from CSIBL		-	5,613
Disbursements during the year		-	12,000
Less: Receipts during the year		2,522	1,633
Adjustment/transfers		12,000	-
		1,458	15,980
12.1.2	The maximum aggregate amount due from executives at the end of any month during the period was Rupees 15 million (2007 : Rupees 17 million.)		
12.2	Movement in provision for doubtful receivables		
Opening balance		138,054	-
Provisions acquired from CSIBL		-	173,968
Charge during the year		-	25,291
Less: Reversals during the year		375	61,205
Closing balance		137,679	138,054
13	MARK-UP AND PROFIT RECEIVABLES		
Investment - term finance certificates		-	19
Loans and advances		11,684	7,591
Profit receivable from Sysmax (Private) Limited	13.1	100,000	-
Funds placements		7,634	4,634
Deposits with banks		1,657	97
		120,975	12,341
13.1	Gross amount receivable		
	13.2	237,000	237,000
Less: provision against doubtful receivable		137,000	237,000
Net amount receivable		100,000	-
13.2	This represents profit receivable from Sysmax (Private) Limited for Rs. 237 million on account of sale of platinum memberships of Defence Housing Authority Country and Golf Club, Karachi (DHACGC). The total claim of profit amounts to Rupees 660.77 million. However, the Company has partially booked the profit receivable and made suspension as required by the NBFC and Notified Entities Regulations, 2008 (Notes 14.1 & 31.3.1).		

Notes to the Financial Statements
For the Year Ended December 31, 2008

14	OTHER RECEIVABLES	Note	2008 Rupees in '000'	2007 Rupees in '000'
	Unsecured - Considered good			
	Sysmax (Private) Limited	14.1	204,057	204,057
	Exclusive Ventures (Private) Limited - Related party		85,117	-
	Others		-	2,227
			289,174	206,284
	Considered doubtful			
	Maghreb Development Corporation (Private) Limited - Related party		22	22
	Others		149,000	145,172
			149,022	145,194
			438,196	351,478
	Less: Provision for doubtful other receivables	14.2	145,132	145,172
			293,064	206,306

14.1 The amount represents financing provided for development, upgrading and building of the Defence Housing Authority Country and Golf Club, Karachi, (DHACGC) to Sysmax (Private) Limited net of sale proceeds of DHACGC memberships released after certification by DHA. Sysmax (Private) 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 DHACGC) with the Company for alleged breach of the agreement. In addition, Sysmax (Private) Limited 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.

14.2 Movement in provision for doubtful other receivables

Opening balance	145,172	-
Provisions acquired from CSIBL	-	139,243
Charge during the year	-	17,426
Less: Reversals during the year	40	11,497
Closing balance	145,132	145,172

15 SHORT TERM INVESTMENTS

Available for sale			
Ordinary shares - listed	15.1	8,941	344,196
Ordinary shares - unlisted	15.2	80,691	81,041
Term finance certificates - unlisted	15.3	-	18,965
		89,632	444,202
Held for trading			
Ordinary shares and certificates - listed	15.4	23,342	72,546
Term finance certificates - listed	15.5	-	286
		23,342	72,832
		112,974	517,034

**Notes to the Financial Statements
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15.1 Ordinary shares - listed

No. of shares/certificates of Rs. 10/- each		Name	2008		2007	
2008	2007		Average cost	Market value	Average cost	Market value
----- Rupees in '000' -----						
Associates						
Modaraba						
6,724,600	6,724,600	Crescent Standard Modaraba (Note 15.1.1) Equity held 33.62% (2007 : 33.62%)	12,440	3,699	12,440	11,095
Others						
Mutual fund						
585,923	585,923	Asian Stocks Fund Limited Equity held 0.65% (2007 : 0.65%)	2,754	3,615	2,754	3,808
Sugar						
224,426	7,907,022	Shakarganj Mills Limited Equity held 0.32 % (2007 : 13.65%)	9,127	1,627	331,210	329,293
			24,321	8,941	346,404	344,196

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.

15.2 Ordinary shares - unlisted

No. of shares of Rs. 10/- each		Name	2008	2007
2008	2007		Average cost	Average cost
----- Rupees in '000' -----				
500,000	500,000	Crescent Powertec Limited Equity held: 10% Breakup value per share: Rupees 162.93 (2007: Rupees 194.86)	5,000	5,000
250,000	151,125	Central Depository Company of Pakistan Limited Breakup value per share: Rupees 30.26 (2007: Rupees 55.04)	7,000	7,000
250,000	250,000	First Capital Investment Limited Breakup value per share: Rupees 11.31 (2007: Rupees 14.99)	2,500	2,500
300,000	300,000	Crescent Bahuman Limited Breakup value per share: Rupees Nil (2007: Rupees Nil)	3,000	3,000
7,000,000	7,000,000	Al-Hamra Hills (Private) Limited Breakup value per share: Rupees 9.76 (2007: Rupees 9.76)	70,000	70,000
			87,500	87,500
Less: Provision for impairment			6,809	6,459
			80,691	81,041

15.3 Term finance certificates - unlisted

No. of certificates		Name	2008	2007
2008	2007		Cost	Cost
----- Rupees in '000' -----				
Cement				
-	5,000	Dewan Cement Limited	-	22,018
-	1,000	Dewan Hattar Cement Limited	-	1,729
Less: Provision for impairment			-	23,747
			-	6,252
			-	17,495
Sugar				
-	5,000	Chaudhary Sugar Mills Limited (Note 15.3.1)	-	1,470
			-	18,965

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

15.3.1 The TFCs were fully redeemed during the year and carried 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.

15.4 Ordinary shares and certificates - listed

No. of shares/certificates of Rs. 10/- each		Name	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		----- Rupees in '000' -----			
		Mutual Funds				
150,000	150,000	Pakistan Strategic Allocation Fund Limited	1,560	342	1,560	1,357
10,000	10,000	PICIC Investment Fund	152	20	152	132
		Modarabas				
500	500	Modaraba Al-Tijarah	75	-	75	-
		Insurance				
64,897	37,084	PICIC Insurance Limited	2,051	778	1,772	1,282
10,000	-	Adamjee Insurance Company Limited	2,783	1,073	-	-
15,000	-	Pakistan Reinsurance Company Limited	1,312	355	-	-
		Leasing Companies				
130	130	Security Leasing Corporation Limited	-	1	-	1
		Investment Banks / Investment Cos.				
6,250	-	Arif Habib Securities Limited	707	263	-	-
27,500	-	Javed Omer Vohra & Company Limited	1,257	249	-	-
		Commercial Banks				
15,000	-	National Bank of Pakistan	2,296	755	-	-
200,000	-	NIB Bank Limited	1,320	934	-	-
		Textile				
239,000	239,000	Taj Textile Mills Limited	478	165	478	323
21,000	11,000	Nishat Mills Limited	2,378	475	1,471	1,157
12,499	12,499	Punjab Cotton Mills Limited	62	62	62	62
10,000	10,000	Sally Textile Mills Limited	30	5	30	18
50,000	50,000	Service Industries (Textile) Limited	125	45	125	100
547,600	547,600	Shaheen Cotton Mills Limited	2,738	2,190	2,738	1,643
237,100	237,100	Zahur Textile Mills Limited	237	237	237	237
36	34	Paramount Spinning Mills Ltd	-	1	-	5
		Sugar				
198,000	198,000	Sakrand Sugar Mills Limited	495	279	495	544
		Cement				
70,000	70,000	Pakistan Cement Company Limited	1,029	224	1,029	798
26,000	11,000	D.G. Khan Cement Company Limited	2,147	553	1,295	1,042
89,000	75,000	Fauji Cement Company Limited	1,632	418	1,515	1,118
15,000	15,000	Gharibwal Cement Limited	265	265	264	237
40,000	30,000	Lucky Cement Limited	5,236	1,251	4,107	3,495
10,451	10,451	Pioneer Cement Limited	385	252	385	331
		Fuel and Energy				
121,500	121,500	Altern Energy Limited	2,126	1,482	2,126	2,856
30,000	50,000	Bosicor Pakistan Limited	412	140	915	1,068
33,000	33,000	Oil and Gas Development Company Limited	3,976	1,650	3,930	3,942
-	4,000	Pakistan State Oil Company Limited	-	-	1,560	1,628
40,700	32,000	Pakistan Petroleum Limited	9,208	4,095	7,786	7,842
22,000	22,000	Sui Northern Gas Pipeline Limited	1,560	472	1,559	1,443
20,000	20,000	Sui Southern Gas Company Limited	522	210	522	523
500	500	The Hub Power Company Limited	-	7	-	5
9,000	7,500	Pakistan Oilfields Limited	2,601	922	2,438	2,508

Notes to the Financial Statements
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No. of shares/certificates of Rs. 10/- each		Name	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		----- Rupees in '000' -----			
		Transport and Communication				
-	489,000	Eye Television Network Limited	-	-	23,251	32,591
-	12,000	Pakistan International Container Terminal Limited	-	-	808	845
25,000	25,000	Telecard Limited	300	50	300	272
		Fertilizers				
25,500	5,000	Fauji Fertilizer Bin Qasim Limited	724	258	196	211
20,000	5,000	Engro Chemicals Limited	7,126	2,460	1,323	1,329
		Chemical and Pharmaceuticals				
122,500	122,500	Pakistan PTA Limited	637	195	637	619
		Synthetics				
90,000	90,000	Dewan Salman Fibre Limited	954	127	954	675
		Miscellaneous				
11,000	11,000	Siddiqsons Tinplates Limited	364	84	372	307
			61,260	23,342	66,467	72,546

15.5 Term Finance Certificates - listed

No. of certificates		Name	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		----- Rupees in '000' -----			
		Chemicals				
-	190	Ittehad Chemicals Limited	-	-	286	286

16 The amount represents funds placed with financial institutions and carry mark-up rate of 18% (2007 : 9.75% to 11.0%) per annum.

17	CASH AND BANK BALANCES	Note	2008	2007
			Rupees in '000'	Rupees in '000'
	Cash with bank			
	- Treasury Banks			
	State Bank of Pakistan		1,904	1,922
	- Other Banks (Local Currency)			
	Current accounts		660	4,107
	Savings / PLS accounts		78,704	174,815
			79,364	178,922
	- Other Banks (Foreign Currency)			
	Current accounts		1,273	175
	Saving / PLS accounts		115	122
			1,388	297
	Cash in hand		-	20
			82,656	181,161

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

			Note	2008 Rupees in '000'	2007 Rupees in '000'
18	AUTHORIZED SHARE CAPITAL				
		2008			
		No. of shares			
		220,000,000		2,200,000	2,200,000
		220,000,000			
		Ordinary shares of Rs. 10 each			
19	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL				
		2008			
		No. of shares			
		80,000,000		800,000	800,000
		80,000,000			
		Ordinary shares of Rs. 10 each	19.1		
		629,980		6,300	6,300
		629,980			
		Ordinary shares of Rs. 10 each issued to CSIBL shareholders in accordance with the Scheme of Amalgamation			
		80,629,980		806,300	806,300
		80,629,980			
19.1	Agen Limited B.V.I., a parent company, holds 79,996,500 (2007: 79,996,500) ordinary shares of the Company.				
20	UNREALIZED (LOSS) ON INVESTMENTS AVAILABLE FOR SALE				
	Ordinary shares - listed			(15,380)	(2,208)
	Ordinary shares - unlisted			(1,680)	(1,680)
				(17,060)	(3,888)
21	SUPPLEMENTARY CAPITAL				
	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 there upon will also be reinvested into the project. Since the period of this fund has been matured, therefore, it has been transferred to equity through profit and loss account.				
22	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE				
	Obligation under finance lease			15,317	26,733
	Less: current maturity			4,548	9,316
				10,769	17,417

Notes to the Financial Statements
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22.1 Particulars of liabilities against assets subject to finance lease

	2008			2007
	Not later than one year	Later than one year but not later than five years	Total	Total
	----- Rupees in '000 -----			
Lease rentals payable	6,056	12,629	18,685	30,485
Less: future financial charges	1,508	1,860	3,368	3,752
Present value of minimum lease payments	4,548	10,769	15,317	26,733

22.2 The weighted average finance charge used as the discounting factor (i.e. interest rate implicit in the lease) is 26.83% (2007: 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	2008 Rupees in '000'	2007 Rupees in '000'
23 LONG TERM FINANCING			
Loan from banking companies and financial institutions	23.1	687,321	692,397
Less: current maturities		65,452	5,001
		621,869	687,396

23.1 Loans from banking companies and financial institutions

	Outstanding Liability		Final maturity Date	Tenure	Markup	Grace period	First Date of Principal Repayment	Markup Payment	Principal Repayment
	-- Rupees in '000' --			Years	% p.a.	Years			
	2008	2007							
Local Currency - unsecured									
- Loan from financial institution									
National Bank of Pakistan	11,015	11,015	31-Dec-12	5	5.00	2	1-Jan-10	Half Yearly	Half Yearly
ORIX Investment Bank Pakistan Limited - Loan I	45,683	50,759	15-Jan-13	5 & 1/2	5.00	1/2	15-Jul-08	Half Yearly	Half yearly
ORIX Investment Bank Pakistan Limited - Loan II	25,000	25,000	30-Jun-14	7	5.00	2	31-Dec-09	Quarterly	Half yearly
ORIX Leasing Pakistan Limited	25,000	25,000	1-Jul-14	7	5.00	2	1-Jan-10	Quarterly	Half yearly
First Constellation Modaraba (Note 23.2)	33,000	33,000	31-Dec-13	7	5.00	2	31-Dec-09	Quarterly	Half yearly
Khushhali Bank Limited	100,000	100,000	30-Jun-14	7	5.00	2	31-Dec-09	Quarterly	Half yearly
Network Leasing Limited	15,000	15,000	1-Jul-14	7	5.00	2	1-Jan-10	Quarterly	Half yearly
International Finance Corporation-World Bank Group	395,000	395,000	15-Jan-14	7	5.00	2	15-Jul-09	Quarterly	Half yearly
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited (Note 23.3)	37,623	37,623							
	687,321	692,397							

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

23.3 The company has decided to issue ordinary shares to Saudi Pak Industrial & Agriculture Investment Company (Private) Limited in lieu of outstanding liability of Rs. 37.6 million. The shareholders have already passed a special resolution in its First Annual General Meeting under the provisions of Section 86(1) of the Companies Ordinance, 1984 to give effect to the above transaction. The liability shall be reduced and share capital increased as soon as the formalities are completed with the Securities and Exchange Commission of Pakistan.

23.4 The weighted average mark-up rate of total borrowings at the balance sheet date is 0.43% (2007: 0.67%) per annum due to grace period.

Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
24	LONG TERM CUSTOMERS' DEPOSITS		
	Long term customer deposits - Local currency	24.1 3,114,545	3,184,412
	Less: current maturities	748,442	100,061
		<u>2,366,103</u>	<u>3,084,351</u>
24.1	Categories of certificates of deposits are as under: -		
	Individuals	1,249,719	1,248,614
	Trusts and charitable institutions	663,233	663,233
	Corporate & associations	562,845	562,845
	Government and semi Government institutions	638,748	709,720
		<u>3,114,545</u>	<u>3,184,412</u>
25	LONG TERM SECURITY DEPOSITS		
	Security deposits against finance lease	25.1 124,372	151,565
	Other security deposits	1,208	1,208
		125,580	152,773
	Less: current maturities	115,528	138,806
		<u>10,052</u>	<u>13,967</u>
25.1	These represent interest free security deposits received under finance lease arrangements and are repayable / adjustable at the expiry / termination of the respective arrangements.		
26	CURRENT MATURITIES OF NON-CURRENT LIABILITIES		
	Liabilities against assets subject to finance lease	22 4,548	9,316
	Long term financing	23 65,452	5,001
	Long term customers' deposits	24 748,442	100,061
	Security deposits	25 115,528	138,806
		<u>933,970</u>	<u>253,184</u>
27	REDEEMABLE CAPITAL - Secured		
	Term Finance Certificates	27.1 -	89,904
		-	89,904
27.1	This represented 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 were secured by first pari passu charge on specific leased assets and related lease rentals receivable. During the year, Company has finalized the terms of repayment favorably in line with the other creditors and repaid the liability on 27 June 2008.		
28	The loan obtained from International Housing Finance Limited carried markup rate of 13.25 % per annum. During the year, Company has fully retired the debt.		

Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
29	SHORT TERM CUSTOMERS' DEPOSITS		
	Foreign currency deposits	29.1 5,945	6,123
	Local currency deposits	3,907	20,241
		9,852	26,364
29.1	Detail of foreign currency deposits is given below:		
	US Dollars (2,862)		
	Equivalent Pak Rupees (Rupees in '000')	226	173
	British Pounds (50,000)		
	Equivalent Pak Rupees (Rupees in '000')	5,719	5,950
		5,945	6,123
29.2	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% (2007 : 0 to 8%) per annum. Breakup of deposits by type of depositor is given below:		
	Individuals	6,215	14,534
	Corporate & Association	3,637	11,830
		9,852	26,364
30	ACCRUED AND OTHER LIABILITIES		
	Profit / return payable on redeemable capital, deposits and borrowings	30.1 80,689	96,432
	Payments received against loans, advances and others	15,168	15,842
	Accounts payable on settlement / recovery from Sysmax (Pvt.) Limited	30.2 330,062	330,062
	Accrued expenses and other liabilities	30.3 127,374	165,844
	Margin deposits	1,934	1,934
	Due to Agen Limited - Parent company	746	746
	Crescent Group for settlement of shares	-	83,999
	Provident fund payable	-	2,488
	Tax deducted at source	1,129	721
	Payable against divestment of investment	90,000	90,000
	Lease balance payable	10,211	40,055
	Zakat payable	897	903
	Payable to stock brokers	27	27
		658,237	829,053
30.1	Profit / return payable on redeemable capital, deposits and borrowings		
	Redeemable capital	-	27,336
	Long term financing	957	1,594
	Customers' deposits	79,732	67,502
		80,689	96,432
30.2	This represents accounts payable to various parties, which will be settled / paid after recovery from Sysmax (Pvt.) Limited (Note 14.1 & 31.2.3).		
30.3	This includes an amount of Rs. 91.6 million as advance received against sale of investment properties out of which Rs. 80 million is received against the disputed sale of Mouza Sajpal (Note 6.4)		

Notes to the Financial Statements
For the Year Ended December 31, 2008

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

Acceptances / undertakings against documentary credits and guarantees issued in normal course of business in favour of:

	2008	2007
	Rupees in '000'	Rupees in '000'
Banking companies and other financial institutions	163,397	163,397
Corporate and other government and non government institutions	90,404	90,919

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. The Company has paid Rupees 39 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.

		2008	2007
	Note	Rupees in '000'	Rupees in '000'
Commitments for disbursement of leases, loans and advances	31.3.1	234,119	234,119
Commitments for balance payments for the purchase of investment properties		36,519	80,157

31.3.1 The amount represents remaining commitment by former Crescent Standard Investment Bank Limited (now merged into the Company) for financing to Sysmax (Private) Limited (Sysmax) for development, upgrading and building of Defence Housing Authority Country & Golf Club (DHACGC), 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 (Private) Limited, 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 DHACGC) 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.

Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
32	RETURN ON LOANS, ADVANCES AND PLACEMENT OF FUNDS		
	Loans and advances	31,281	2,461
	Funds placements	43,233	52,407
		<u>74,514</u>	<u>54,868</u>
33	RETURN ON INVESTMENTS		
	Dividend income	5,138	2,322
	Capital gain on sale of investments	51,324	66,453
	Loss on sale of investments in TFCs	(10,036)	(21)
	Unrealized gain / (loss) on remeasurement of investments held for trading	(43,995)	6,153
	Return from investments in TFCs	2,604	5,854
		<u>5,035</u>	<u>80,761</u>
34	OTHER INCOME		
	Gain / (loss) on disposal of fixed assets	5.1.5 12,817	467,535
	Unrealized loss on remeasurement of investment properties	(39,268)	(200,500)
	Loss on disposal of investment properties	-	(7,439)
	Waiver of markup and borrowings	34.1 29,784	371,788
	Balances written back no longer payable	-	32,117
	Rental income	420	120
	Fee and commission	248	416
	Supplementary capital	21 65,847	-
	Other income	8,069	7,736
		<u>77,917</u>	<u>671,773</u>
34.1	The amount represents waiver of principal and markup obtained on restructuring and settlement of borrowings from various financial institutions.		
35	FINANCIAL CHARGES		
	Return on customers' deposits	168,600	95,355
	Profit on redeemable capital	2,280	5,966
	Mark-up on borrowings	5,887	5,954
	Lease finance charges	2,009	1,139
	Other charges	4,430	872
		<u>183,206</u>	<u>109,286</u>

Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
36 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and other benefits	36.1	74,087	40,088
Directors' fee		70	42
Rent, rates and taxes		7,083	21,599
Traveling and conveyance		12,562	5,445
Telephone and postage		3,232	4,715
Legal, professional and other consultancy charges		19,991	10,742
Subscriptions and fees		1,189	2,897
Utilities		3,595	2,938
Repairs and maintenance		5,691	4,252
Depreciation		41,206	39,154
Impairment		-	13,610
Printing and stationery		4,361	1,366
Lease rentals		-	1,243
Entertainment		1,140	359
Insurance		1,522	142
Auditors' remuneration	36.2	1,100	990
Security service charges		1,298	1,526
Advertising and promotion		385	291
CDC services fees		154	1,443
Direct write-off		4,606	19,725
Miscellaneous		6,158	3,388
		189,430	175,955

36.1 This includes Company's contribution in staff provident fund amounting to Rupees 2.746 million (2007 : Rupees 1.059 million).

36.2 Auditors' remuneration

Statutory audit fee	1,000	900
Out of pocket expenses	100	90
	1,100	990

37 PROVISION FOR DOUBTFUL RECEIVABLES

	2008					2007	
	Loans and advances	Investment in Finance Lease	Advances, deposits, prepayments & other assets	Markup and profit receivable	Other Receivables	Total	Total
	----- Rupees in '000' -----						
Opening balance	1,002,641	463,726	138,054	237,000	145,172	1,986,593	-
Provisions acquired from CSIBL	-	-	-	-	-	-	1,874,214
Add: Charge during the year	46,462	57,372	-	-	-	103,834	666,663
Transfers / Adjustments	42,000	-	-	-	-	42,000	-
	1,091,103	521,098	138,054	237,000	145,172	2,132,427	2,540,877
Less: Reversals during the year	106,022	96,425	375	100,000	40	302,862	418,223
Amount written off (Annexure A)	30,222	1,976	-	-	-	32,198	48,598
Transfers / Adjustments	11,942	32,628	-	-	-	44,570	87,463
	148,186	131,029	375	100,000	40	379,630	554,284
Closing balance	942,917	390,069	137,679	137,000	145,132	1,752,797	1,986,593
Note	8.3	9.3	12.2	13.1	14.2		

Notes to the Financial Statements
For the Year Ended December 31, 2008

2008						2007
Loans and advances	Investment in Finance Lease	Advances, deposits, prepayments & other assets	Markup and profit receivable	Other Receivables	Total	Total

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

37.1 Net Charged to Profit & Loss Account

	2008	2008	2008	2008	2008	2007
Charged during the year	(46,462)	(57,372)	-	-	-	(103,834)
Reversals During the year	106,022	96,425	375	100,000	40	302,862
Provision held against investment in unlisted TFCs now reversed	-	-	-	-	-	6,252
Charged to Profit & Loss Account	59,560	39,053	375	100,000	40	205,280
						(248,440)

38 PROVISION FOR TAXATION

	Note	2008 Rupees in '000'	2007 Rupees in '000'
Current year		19	2,907
Prior year		-	381
		<u>19</u>	<u>3,288</u>

In view of the available tax losses, no provision for current taxation was required except for separate block of income. The provision for the corresponding year represented 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 4,596 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.

39 EARNINGS PER SHARE

		2008	2007
(Loss) / Profit after taxation	Rupees in '000'	<u>(24,864)</u>	<u>352,352</u>
Weighted average ordinary shares	No. of Shares	<u>80,629,980</u>	<u>56,581,282</u>
Basic earnings per share	Rupees	<u>(0.31)</u>	<u>6.23</u>

40 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2008			2007	
	Chief Executive	Chief Executive (outgoing)	Executives	Chief Executive	Executive
Managerial Remuneration	2,550	9,000	12,448	1,800	7,440
House Rent Allowance	-	4,500	5,602	900	3,104
Utilities	-	900	1,245	120	690
Provident Fund	255	690	1,202	120	499
Medical	-	750	1,037	100	575
Others	590	2,112	-	345	1,456
	<u>3,395</u>	<u>17,952</u>	<u>21,534</u>	<u>3,385</u>	<u>13,764</u>
Number of Persons: at year end	1	-	5	1	8
- Maximum during the year	1	1	9	1	16

40.1 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
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41 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:

	2008			
	US Dollars	Pounds Sterling	Euro	Total
----- Rupees in '000' -----				
Financial assets				
Bank balances	-	1,066	206	1,272
Financial liabilities				
Foreign currency deposits	226	5,719	-	5,945
Net Exposure	(226)	(4,653)	206	(4,673)
	2007			
	US Dollars	Pounds Sterling	Euro	Total
----- Rupees in '000' -----				
Financial assets				
Bank balances	-	123	161	284
Financial liabilities				
Foreign currency deposits	173	5,950	-	6,123
Net Exposure	(173)	(5,827)	161	(5,839)

42 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 1203(i)2008 dated November 21, 2008 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2008 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. 1.15 billion for Investment Finance Services, Housing Finance and Leasing till January 01, 2010 and further requirement of Rs. 1.70 billion till June 30, 2010.

43 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. Subsequent to the balance sheet date, the company has initiated sale of certain properties as mentioned in note numbers 5.1.2, 6.5 and 2.2 in

Notes to the Financial Statements
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order to generate adequate liquidity to ensure timely discharge of all its obligations. The maturity profile of the Company's assets and liabilities is summarized below:

Description	2008			
	Total	Within one year	More than one year & upto five years	Above five years
----- Rupees in '000' -----				
Assets				
Fixed assets	627,787	-	146,305	481,482
Investment properties	1,260,747	-	1,260,747	-
Loans and advances	469,556	454,454	15,102	-
Net investment in finance lease	201,012	152,365	48,647	-
Advance, deposits, prepayments and other assets	55,222	55,222	-	-
Mark-up and profit receivables	120,975	120,975	-	-
Other receivables	293,064	293,064	-	-
Investments	317,524	115,974	201,550	-
Placements of funds	130,000	130,000	-	-
Cash and bank balances	82,656	82,656	-	-
	3,558,543	1,404,710	1,672,351	481,482
Liabilities				
Liabilities against assets subject to finance lease	15,317	4,548	10,769	-
Long term financing	687,321	65,452	558,569	63,300
Customers' deposits	3,124,397	758,294	2,366,103	-
Security deposits	125,580	115,528	10,052	-
Redeemable capital	-	-	-	-
Short term financing	-	-	-	-
Accrued and other liabilities	658,237	658,237	-	-
Unclaimed dividend	7,435	7,435	-	-
	4,618,287	1,609,494	2,945,493	63,300
	(1,059,744)	(204,784)	(1,273,142)	418,182
REPRESENTED BY:				
Shareholders' equity	(1,042,684)			
Unrealized loss on remeasurement of investments available for sale	(17,060)			
Supplementary capital	-			
	(1,059,744)			

Description	2007			
	Total	Within one year	More than one year & upto five years	Above five years
----- Rupees in '000' -----				
Assets				
Fixed assets	630,569	49,069	105,099	476,401
Investment properties	1,284,724	-	1,284,724	-
Loans and advances	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
Liabilities				
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
REPRESENTED BY:				
Shareholders' equity	(1,017,820)			
Unrealized loss on remeasurement of investments available for sale	(3,888)			
Supplementary capital	66,050			
	(955,658)			

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

44 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:

2008								
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' -----								
Assets								
Loans and advances	4.5	469,556	454,454	15,102	-	-	-	-
Net investment in finance lease	9.91	201,012	152,365	48,647	-	-	-	-
Advance, deposits, prepayments and other assets	-	55,222	-	-	-	55,222	-	-
Mark-up and profit receivables	-	120,975	-	-	-	120,975	-	-
Other receivables	-	293,064	-	-	-	293,064	-	-
Investments	16.71	317,524	3,000	24,000	3,000	112,974	174,550	-
Placements of funds	4.81	130,000	130,000	-	-	-	-	-
Cash and bank balances	14.24	82,656	78,819	-	-	3,837	-	-
		1,670,009	818,638	87,749	3,000	586,072	174,550	-
Liabilities								
Long term financing	0.44	687,321	65,452	558,569	63,300	-	-	-
Customers' deposits	5.39	3,124,397	16,910	2,484,146	-	70,972	552,369	-
Security deposits	-	125,580	-	-	-	115,528	10,052	-
Liabilities against assets subject to finance lease	16.83	15,317	4,548	10,769	-	-	-	-
Redeemable capital	-	-	-	-	-	-	-	-
Short term financing	-	-	-	-	-	-	-	-
Accrued and other liabilities	-	658,237	-	-	-	658,237	-	-
Unclaimed dividend	-	7,435	-	-	-	7,435	-	-
		4,618,287	86,910	3,053,484	63,300	852,172	562,421	-
Sensitivity Gap		(2,948,278)	731,728	(2,965,735)	(60,300)	(266,100)	(387,871)	-

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' -----								
Assets								
Loans and advances	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	-
Liabilities								
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	1,211,131	2,714,394	474,565	1,070,302	652,715	-
Sensitivity Gap		(2,870,951)	1,101,225	(2,582,745)	(474,565)	(270,917)	(643,949)	-

Notes to the Financial Statements
For the Year Ended December 31, 2008

45 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:

	2008			
	Leased Assets		Loans and advances	
	Rupees in '000'	%	Rupees in '000'	%
Chemical and pharmaceuticals	89,435	15.13	105	0.01
Real estate	-	-	587,798	41.61
Construction	3,312	0.56	2,400	0.17
Electrical, engineering and steel	66,477	11.25	41,614	2.95
Sugar	43	0.01	-	-
Food and allied	80,196	13.57	57,162	4.05
Hospital	5,713	0.97	-	-
Services	49,267	8.34	21,324	1.51
Paper and board	3,757	0.64	239	0.02
Ceramics	1,704	0.29	26,910	1.91
Cement	11,211	1.90	-	-
Textiles and jute	79,568	13.46	222,554	15.76
Trading	-	-	3,830	0.27
Transport, travel and communication	80,028	13.54	6,238	0.44
Leather and tanneries	611	0.10	21,985	1.56
Energy, petroleum, oil and gas	10,702	1.81	-	-
Banks/Non-Banking finance companies	109	0.02	-	-
Individuals	34,712	5.87	96,908	6.84
Miscellaneous	74,236	12.54	323,406	22.90
	591,081	100.00	1,412,473	100.00

	2007			
	Leased Assets		Loans and advances	
	Rupees in '000'	%	Rupees in '000'	%
Chemical and pharmaceuticals	100,002	13.35	650	0.05
Real estate	-	-	659,957	46.81
Construction	6,781	0.91	2,400	0.17
Electrical, engineering and steel	69,118	9.22	33,929	2.41
Sugar	413	0.06	-	-
Food and allied	82,909	11.07	9,812	0.70
Hospital	5,665	0.76	-	-
Services	57,658	7.70	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	1.61	-	-
Textiles and jute	124,457	16.61	206,338	14.64
Trading	-	-	32,486	2.30
Transport, travel and communication	95,144	12.70	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	5.60	89,710	6.36
Miscellaneous	121,936	16.52	280,501	19.89
	749,273	100.00	1,409,722	100.00

**Notes to the Financial Statements
For the Year Ended December 31, 2008**

46 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.

47 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:

Description	Relaxation granted
Rule 5 (2) (b) of the NBFC Rules: 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.

48 NUMBER OF EMPLOYEES

The total number of employees at the year end were 64 (2007 : 65).

Notes to the Financial Statements
For the Year Ended December 31, 2008

49 TRANSACTION WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

The related parties comprise of subsidiaries, associates, joint ventures, directors, key management personnel and employees benefits funds. The Company in the normal course of business carries out transactions with various related parties at an arm's length basis. The amounts due from / to related parties and amounts due from directors and executives together with the remuneration of directors and executives are disclosed in the relevant notes to these financial statements.

The nature and description of related party transactions during the year are as follows: -

**49.1 Maghreb Development Corporation (Private) Limited
(wholly owned subsidiary)**

	2008 Rupees in '000'	2007 Rupees in '000'
Loans and advances receivable at the start of year	7,063	7,063
Amounts adjusted during the year	(1,124)	-
Loans and advances receivable at the end of year	5,939	7,063
Provision against doubtful receivable	(5,917)	(7,041)
Net exposure	<u>22</u>	<u>22</u>

**49.2 Innovative Brokerage (Private) Limited
(wholly owned subsidiary)**

	2008			2007
	Net Book Value	Sale proceeds	Gain / (Loss)	Gain / (Loss)
	----- Rupees in '000' -----			
Sale of Stock Exchange Membership	27,948	35,000	7,052	-
National Commodity Exchange - membership card	2,500	2,500	-	-
National Commodity Exchange - room	2,500	2,500	-	-
	<u>32,948</u>	<u>40,000</u>	<u>7,052</u>	<u>-</u>

	2008 Rupees in '000'	2007 Rupees in '000'
Finance provided	25,000	-
Finance received	25,000	-
Income earned on finance provided	598	-

**49.3 Exclusive Ventures (Private) Limited
(wholly owned subsidiary)**

Payments made on behalf of the subsidiary	302	-
Swap of loan	85,117	-
Receivable at year-end.	85,419	-

49.4 Associates of Ex-Executive Employee

Loans and advances	<u>25,000</u>	<u>-</u>
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Notes to the Financial Statements
For the Year Ended December 31, 2008

50 RE-CLASSIFICATION

During the year the Company has re-classified different facilities provided to its customers under the name musharika, morabaha and other finances as "Loans and advances." Had this reclassification not made the following amounts would have appeared in the financial statements: -

	2008			Total	2007
	Musharika finance	Morabaha finance	Other finance		Total
----- Rupees in '000' -----					
Receivable from related parties					
Gross amount receivable	5,917	25,000	12,000	42,917	7,041
Less: Provision for doubtful receivable	5,917	-	-	5,917	7,041
Net exposure - Considered good	-	25,000	12,000	37,000	-
Receivable from others					
Gross amount receivable	947,735	376,439	45,382	1,369,556	1,409,722
Less: Provision for doubtful receivable	600,600	291,501	44,899	937,000	1,002,641
Net exposure - Considered good	347,135	84,938	483	432,556	407,081
Less: Current maturity	332,033	109,938	12,483	454,454	362,907
	15,102	-	-	15,102	44,174

51 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issuance by the Board on April 21, 2009.

52 GENERAL

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

52.2 The current year figures reflect the results of full year operations whereas the figures for corresponding period comprise results from March 29, 2007 to December 31, 2007.



Chief Executive Officer



Chairman

ANNEXURE - A

STATEMENT SHOWING WRITTEN OFF LOANS AND ANY OTHER FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE PROVIDED DURING THE YEAR 2008

Sr. No.	Name & address of the borrower	Name of individuals / partners (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at the time of settlement		Principal Amount Written off	Other financial relief allowed	Total
				Principal	Others			
----- Rupees in '000' -----								
1.	Crescent Jute Product Limited 306,3rd Floor,Siddiq Trade Centre ,72-Main Boulevard Gulberg, Lahore.	Mr. Amir Hasnain Zaidi(33100-3953467-1) Mr. A. Rashid M. Hanif(42201-2703256-3) Mr. Humayun Mazhar (35201-2124933-9) Mr. Khalid Bashir (35202-2631654-5) Mr. Khurram Mazhar Karim (35201-1471781-3) Mr. Mazher Karim (33100-7443925-5) Syed Raza Abbas Jaffery (42201-0215685-1)	Mr. Murad Hasnain Zaidi Mr. M.Hanif Mr. Mazher Karim Mr. M.Bashir Mr. Mazher Karim Mr. Fazal Karim Syed Shababhat Hussain	71,450	11,831	28,450	11,831	40,281
2.	Flying Paper Industries Ltd. 103-Fazal Road,St.Johnn Park, Lahore Cantt, Lahore.	Mr. M Akram (35202-5462220-1) Mrs. Maryam Absar (42000-373166-0) Mrs. Misbah Momin(35201-12189435-6) Mr. Asim Qamer (35201-0949909-1)	Mr. Abdul Ghani Mr. Absar Akhter Mr. Momoin Qamer Mr. Imran Qamer	5,091	-	1,592	5,001	6,593
3.	Rehman Oil Mills 7,Shah Abdul Ghani Road Bagbanpura, Lahore.	Mr. M. Ramzan (35201-4687892-3)	Mr. Abdul Ghani	1,391	249	1,391	249	1,640
4.	Brite Can 7,Shah Abdul Ghani Road Bagbanpura, Lahore.	Mr. M. Ramzan (35201-4687892-3)	Mr. Abdul Ghani	559	94	559	94	653
				78,491	17,175	31,992	17,175	49,167

Consolidated Financial Statements

for the year ended December 31, 2008

Holding Company

Innovative Investment Bank Limited
(Formerly Innovative Housing Finance Limited)

Subsidiary Companies

1. International Asset Management Company Limited
2. Maghreb Development Corporation (Private) Limited
3. Innovative Brokerage (Private) Limited
4. Exclusive Ventures (Private) Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of **INNOVATIVE INVESTMENT BANK LIMITED & ITS SUBSIDIARIES** (formerly Innovative Housing Finance Limited and Its Subsidiaries) "the Group" as at December 31, 2008 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 year then ended. We have also expressed separate opinion on the financial statements of Innovative Investment Bank Limited (formerly Innovative Housing Finance Limited). The financial statements of the Maghreb Development Corporation (Private) Limited were audited by M/s Waseem Ashfaq & Company Chartered Accountants, the financial statements of International Assets Management Company Limited were audited by M/s Daudally Lalani & Company Chartered Accountants, the financial statements of Innovative Brokerage (Private) Limited were audited by M/s M. Yousuf Adil Saleem & Company Chartered Accountants and Exclusive Ventures (Private) Limited were audited by M/s Tariq Mir & 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 balance sheet, consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and in the manner so required and give a true and fair view of the state of the Group's affairs as at December 31, 2008 and of the profit and its cash flows for the year then ended; and

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

- i) Note 2.2 these consolidated financial statements which state that equity of the Holding Company is negative by Rs. 1,060 million and current liabilities exceed current assets by Rs. 205 million. The management plan in regard to this matter, as discussed in detail in note 2.2 to the consolidated financial statement, includes a strategy to dispose off the surplus assets and investment properties as well as injection of new capital for generation of liquidity to meet short term liabilities and to make the equity positive. The Holding Company's ability to continue as a going concern is depended upon strict implementation of the management plan.
- ii) The auditors of International Assets Management Company Limited M/s Daudally Lalani & Company Chartered Accountants have drawn attention to the fact that the company has accumulated losses of Rs. 31 million as at December 31, 2008 thereby making the equity negative by Rs. 1 million. This situation raises doubts about the company's ability to continue as a going concern.
- iii) The auditors of Maghreb Development Corporation (Private) Limited M/s Waseem Ashfaq & Company Chartered Accountants have drawn attention to the fact that the company has accumulated losses of Rs. 8 million as at December 31, 2008 and its current liabilities exceed current assets by Rs. 8 million. This situation raises doubts about the company's ability to continue as a going concern.

AVAI HYDER LIAQUAT NAUMAN
AVAIS HYDER LIAQUAT NAUMAN
Chartered Accountants

Date 30th April 2009.
 Place: Lahore

Consolidated Balance Sheet
As at December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
NON-CURRENT ASSETS			
Fixed assets	5	671,574	642,277
Investment properties	6	1,463,087	1,284,724
Long term investments	7	27,000	-
Loans and advances	8	15,102	44,174
Net investment in finance lease	9	48,647	37,475
Long term placement of funds	10	-	50,000
		<u>2,225,410</u>	<u>2,058,650</u>
CURRENT ASSETS			
Current maturities of non-current assets	11	659,819	608,972
Advances, deposits, prepayments and other assets	12	56,000	71,156
Mark-up and profit receivables	13	120,975	12,341
Other receivables	14	207,623	206,284
Short term investments	15	113,620	517,141
Short term placements	16	80,000	425,000
Cash and bank balances	17	92,389	184,604
		<u>1,330,426</u>	<u>2,025,498</u>
		<u>3,555,836</u>	<u>4,084,148</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 220,000,000 ordinary shares of Rupees 10/- each	18	<u>2,200,000</u>	<u>2,200,000</u>
Issued, subscribed and paid up share capital	19	806,300	806,300
Accumulated loss		(1,859,444)	(1,827,444)
		<u>(1,053,144)</u>	<u>(1,021,144)</u>
UNREALIZED (LOSS) ON INVESTMENTS AVAILABLE FOR SALE	20	(17,410)	(3,888)
SUPPLEMENTARY CAPITAL	21	-	66,050
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	22	10,769	17,417
Long term financing	23	621,869	687,396
Long term customers' deposits	24	2,366,103	3,084,351
Long term security deposits	25	10,052	13,967
Deferred tax liability	26	726	852
		<u>3,009,519</u>	<u>3,803,983</u>
CURRENT LIABILITIES			
Current maturities of non-current liabilities	27	933,970	253,184
Redeemable capital	28	-	89,904
Short term financing	29	-	24,036
Short term customers' deposits	30	9,852	26,364
Accrued and other liabilities	31	665,614	838,224
Unclaimed dividend		7,435	7,435
		<u>1,616,871</u>	<u>1,239,147</u>
Contingencies and commitments	32	-	-
		<u>3,555,836</u>	<u>4,084,148</u>

The annexed notes 1 to 53 form an integral part of these financial statements.



Chief Executive Officer



Chairman

**Consolidated Profit and Loss Account
For the year ended December 31, 2008**

	Note	2008 Rupees in '000'	2007 Rupees in '000'
INCOME			
Lease revenue		14,611	84,987
Return on loans, advances and placement of funds	33	73,916	54,868
Return on investments	34	4,084	76,123
Other income	35	49,538	672,296
		<hr/> 142,149	<hr/> 888,274
EXPENDITURES			
Financial charges	36	183,206	109,289
Administrative and operating expenses	37	193,703	177,452
		<hr/> 376,909	<hr/> 286,741
(LOSS) / PROFIT BEFORE PROVISION		(234,760)	601,533
Provision for doubtful receivables - Net	38	204,174	(242,484)
(LOSS) / PROFIT BEFORE TAXATION		(30,586)	359,049
PROVISION FOR TAXATION	39	(51)	(3,223)
(LOSS) / PROFIT AFTER TAXATION		<hr/> (30,637)	<hr/> 355,826
EARNINGS PER SHARE – BASIC (Rupees)	40	<hr/> (0.38)	<hr/> 6.29

The annexed notes 1 to 53 form an integral part of these financial statements.



Chief Executive Officer



Chairman

Consolidated Cash Flow Statement
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		(30,586)	359,049
Adjustments for non cash and other items:			
(Gain) on disposal of property and equipment		(5,765)	(467,535)
(Gain) on sale of investments		(41,288)	(66,432)
Loss / (Gain) on remeasurements of investment held for trading		45,101	(6,174)
Loss on disposal of investment properties		-	7,439
Unrealized loss on remeasurement of investment properties		68,340	200,500
Depreciation		42,786	39,928
Direct write offs		4,606	-
Impairment of fixed assets		-	13,610
Impairment in value of investments		-	4,659
Provision for doubtful receivables		(204,174)	242,484
Losses acquired from CSIBL		-	(2,176,970)
Sundry liabilities written off		(15,675)	-
Supplementary Capital		(66,050)	-
		(172,119)	(2,208,491)
Cash used in operating activities before working capital changes		(202,705)	(1,849,442)
Adjustments for working capital changes:			
(Increase) / decrease in operating assets:			
Loans and advances		(4,039)	(555,020)
Net investment in finance lease		121,581	(181,086)
Advances, deposits, prepayments and other assets		17,486	(13,897)
Mark up & profit receivable		(8,634)	(249,341)
Other receivable		(1,299)	(213,200)
Increase / (decrease) in operating liabilities:			
Customers' deposits		(86,379)	3,210,776
Security deposits		(27,193)	152,773
Accrued and other liabilities		(114,152)	838,224
Unclaimed dividend		-	7,435
		(102,629)	2,996,664
		(305,334)	1,147,222
Income tax (paid) / refund - Net		(1,516)	(23,814)
Net cash generated from / (used in) operating activities		(306,850)	1,123,408
CASH FLOW FROM INVESTING ACTIVITIES			
Investments - Net		318,482	(519,514)
Purchase of investment properties - Net		(246,703)	(1,492,663)
Placements of funds		345,000	(469,997)
Purchase of fixed assets - Net		(59,433)	(129,017)
Net cash generated from/(used in) investing activities		357,346	(2,611,191)
CASH FLOW FROM FINANCING ACTIVITIES			
Paid up share capital		-	800,000
Supplementary capital		-	66,050
Loan from banking companies and financial institutions		(29,112)	716,433
Liabilities against assets subject to finance lease		(23,695)	-
Redeemable capital		(89,904)	89,904
Net cash generated from /(used in) financing activities		(142,711)	1,672,387
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(92,215)	184,604
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		184,604	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17	92,389	184,604

The annexed notes 1 to 53 form an integral part of these financial statements.



Chief Executive Officer



Chairman

**Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2008**

	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	-	(2,176,970)	(2,176,970)
Shares issued otherwise than in cash as per scheme of amalgamation	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)
Loss for the year	-	(30,637)	(30,637)
Incremental depreciation related to surplus on revaluation of fixed assets	-	(1,237)	(1,237)
Deferred tax liability related to surplus on revaluation of fixed assets	-	(126)	(126)
Balance as at December 31, 2008	806,300	(1,859,444)	(1,053,144)

The annexed notes 1 to 53 form an integral part of these financial statements.



Chief Executive Officer



Chairman

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

1. THE GROUP AND ITS OPERATIONS

- 1.1** Innovative Investment Bank Limited (Formerly Innovative Housing Finance Limited) (IIBL) the 'holding company' was incorporated on 29 March 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 (Private) 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.

Innovative Brokerage (Private) Limited was incorporated under the Companies Ordinance 1984, on July 11, 2008 in Pakistan as a private limited company to carry out trading and brokerage of equities, underwriting of publications etc. The Registered Office of the company is situated 89-Y (Commercial) Phase-III, DHA, Lahore.

Exclusive Ventures (Private) Limited was incorporated under the Companies Ordinance 1984, on March 24, 1996 in Pakistan as a private limited company to carry out the business of construction and development of housing colonies, and commercial centers. The Registered Office of the company is situated at Flat no. 5, Margala Mansion, Market F-10, Islamabad.

1.2 The group consists of:

Holding company:

Innovative Investment Bank Limited (Formerly Innovative Housing Finance Limited)

Wholly owned subsidiary companies:

International Asset Management Company Limited
Maghreb Development Corporation (Private) Limited
Innovative Brokerage (Private) Limited
Exclusive Ventures (Private) Limited

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

1.3 Basis of consolidation

These consolidated financial statements comprise the financial statements of the holding company and its subsidiary companies as at 31 December 2008.

**Consolidated Notes to the Financial Statements
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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 recognized 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.

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 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention as modified by remeasurement of investments (Note 4.4)

As on December 31, 2008, the current liabilities of the Holding Company have exceeded its current assets by Rs. 205 million and equity of the company is negative by Rs. 1,060 million. In order to generate adequate liquidity to ensure timely discharge of all its obligations, subsequent to the balance sheet date, the Company has planned to inject further equity and initiate the sale of certain properties as mentioned in note numbers 5.1.2 and 6.5 of these financial statements. The funds generated shall also be used for undertaking new business.

2.3 Standards, interpretations and amendments to published approved accounting standards effective in 2008

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, 2008 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 judgments

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 judgment in the process of applying the Group's accounting policies. Estimates and judgments 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

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

- Taxation
- Impairment
- Provisions & contingencies

3 SIGNIFICANT EVENT DURING THE YEAR

During the year Holding Company had acquired ownership of Exclusive Ventures (Private) Limited. The acquisition was finalized on March 31, 2008; however, the net assets considered for the purpose of calculation of goodwill were taken as at January 1, 2008 as no material transaction was executed during this period. The consolidation was executed in accordance with para 1.3.

The cost of investment eliminated in the books of Holding Company amounted to Rs. 145 million whereas net assets acquired by the Holding Company aggregated to Rs. 146.702 million. Consequently, purchase bargain i.e. negative goodwill included in consolidation reserves amounted to Rs. 1.702 million (Note 35).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

4.2 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'.

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

4.3 Investment properties

The Group has followed the fair value method in accounting for Investment Properties. 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.

4.4 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.

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 de-recognized 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.

4.5 Loans and advances

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

Consolidated Notes to the Financial Statements**For the Year Ended December 31, 2008****4.6 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.

4.7 Cash and cash equivalents

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

4.8 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.

4.9 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.

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.

4.10 Employee benefits**Defined contribution plan**

The Group operates a recognized 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.

Employees compensated absences

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

4.11 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.

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 Related party transactions

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

4.17 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.

5 FIXED ASSETS

	Note	2008 Rupees in '000'	2007 Rupees in '000'
Property, plant and equipment	5.1	474,439	491,204
Intangible assets	5.2	40,045	40,045
		514,484	531,249
Capital work in progress	5.3	157,090	111,028
		<u>671,574</u>	<u>642,277</u>
5.1 Property, plant and equipment			
Operating fixed assets - held for own use	5.1.1	454,515	464,414
Assets subject to finance lease	5.1.3	12,410	17,545
Assets leased out under operating lease arrangements	5.1.4	7,514	9,245
		<u>474,439</u>	<u>491,204</u>

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

5.1.1 Operating fixed assets - held for own use

	2008									
	Freehold land	Building on freehold land	Building on leasehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Books	Total
	----- Rupees in '000' -----									
As at January 01, 2008										
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
Additions during the year (at cost)	-	15,133	-	-	325	1,839	3,128	8,194	-	28,619
Assets acquired from E.V.L	-	-	875	-	-	46	-	36	-	957
Disposals:										
Cost	-	-	-	-	-	(660)	(1,827)	(6,373)	-	(8,860)
Accumulated depreciation	-	-	-	-	-	16	1,340	4,832	-	6,188
Transfer to lease assets	-	-	-	-	-	(644)	(487)	(1,541)	-	(2,672)
Transfer from lease assets	-	-	-	-	-	-	(3,071)	-	-	(3,071)
Accumulated depreciation on assets transferred from lease assets	-	-	-	-	-	-	(3,361)	(2,757)	-	(6,118)
Accumulated depreciation on assets taken over from E.V.L	-	-	(259)	-	-	(17)	-	(16)	-	(292)
Depreciation for the year	-	(11,857)	(3,258)	(3,326)	(2,118)	(6,278)	(1,499)	(6,197)	(18)	(34,551)
Closing net book value	190,320	196,246	43,211	3,912	2,736	5,795	1,013	11,282	-	454,515
As at December 31, 2008										
Cost	190,320	240,338	65,144	22,581	25,058	42,315	13,620	80,566	641	680,583
Accumulated depreciation	-	(44,092)	(21,933)	(18,669)	(22,322)	(36,520)	(12,607)	(69,284)	(641)	(226,068)
Net book value	190,320	196,246	43,211	3,912	2,736	5,795	1,013	11,282	-	454,515
Depreciation rate per annum (%)	Nil	5	5	10	10	20	25	33	20	

Operating fixed assets - held for own use

	2007									
	Freehold land	Building on freehold land	Building on leasehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	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	-	(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	

5.1.2 Subsequent to the date of balance sheet, the Group has initiated sale of certain real estate properties having aggregate book value amounting to Rs. 409.197 million.

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

5.1.3 Assets subject to finance lease

	2008		
	Office equipment	Vehicles	Total
	----- Rupees in "000" -----		
As at January 01, 2008			
Cost	7,051	35,346	42,397
Accumulated depreciation	(5,520)	(19,331)	(24,851)
Net book value	1,531	16,015	17,546
Additions during the year (at cost)	-	8,029	8,029
Disposals:			
Cost	(2,582)	(18,342)	(20,924)
Accumulated depreciation	1,775	10,646	12,421
	(807)	(7,696)	(8,503)
Assets transfer from fixed assets	-	3,071	3,071
Assets transfer to fixed assets	(2,864)	(4,835)	(7,699)
Accumulated depreciation transfer to fixed assets	2,757	3,713	6,470
Depreciation for the year	(530)	(5,974)	(6,504)
Closing net book value	87	12,323	12,410
As at December 31, 2008			
Cost	1,605	23,269	24,874
Accumulated depreciation	(1,518)	(10,946)	(12,464)
Net book value	87	12,323	12,410
Depreciation rate per annum (%)	33	25	
	2007		
	Office equipment	Vehicles	Total
	----- Rupees in "000" -----		
As at March 29, 2007			
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book value	-	-	-
Assets taken over from CSIBL (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	(4,357)	(733)	(5,090)
Depreciation for the period	(1,163)	(11,562)	(12,725)
Closing net book value	1,531	16,015	17,546
As at December 31, 2007			
Cost	7,051	35,346	42,397
Accumulated depreciation	(5,520)	(19,331)	(24,851)
Net book value	1,531	16,015	17,546
Depreciation rate per annum (%)	33	25	

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

5.1.4 Assets leased out under operating lease arrangements

	<u>2008</u>
	Plant & Machinery
	Rupees in '000'
As at January 01, 2008	
Cost	17,310
Accumulated depreciation	(8,065)
Net book value	<u>9,245</u>
Additions during the year (at cost)	-
Disposals:	
Cost	-
Accumulated depreciation	-
Depreciation for the year	(1,731)
Closing net book value	<u>7,514</u>
As at December 31, 2008	
Cost	17,310
Accumulated depreciation	(9,796)
Net book value	<u>7,514</u>
Depreciation rate per annum (%)	<u>10</u>
	<u>2007</u>
	Plant & Machinery
	Rupees in '000'
As at March 29, 2007	
Cost	-
Accumulated depreciation	-
Net book value	-
Additions during the period (at cost)	17,310
Disposals:	
Cost	-
Accumulated depreciation	-
Accumulated depreciation on assets taken over from CSIBL	-
Depreciation for the period	(8,065)
Closing net book value	<u>9,245</u>
As at December 31, 2007	
Cost	17,310
Accumulated depreciation	(8,065)
Net book value	<u>9,245</u>
Depreciation rate per annum (%)	<u>10</u>

Consolidated Notes to the Financial Statements

For the Year Ended December 31, 2008

5.1.5 Detail of fixed assets sold during the year:

Description of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Buyer's Particulars
----- Rupees in '000' -----							
Office equipment							
Fire equipment	308	308	-	94	94	Negotiation	The Bank of Punjab
Lockers	977	977	-	300	300	Negotiation	The Bank of Punjab
Mobile units basement	571	571	-	176	176	Negotiation	The Bank of Punjab
Panasonic telephone	3	3	-	1	1	Negotiation	The Bank of Punjab
Panasonic telephone	3	3	-	1	1	Negotiation	The Bank of Punjab
Panasonic telephone	3	3	-	1	1	Negotiation	The Bank of Punjab
Telephone set	3	3	-	1	1	Negotiation	The Bank of Punjab
Telephone set	3	3	-	1	1	Negotiation	The Bank of Punjab
Telephone set	7	7	-	2	2	Negotiation	The Bank of Punjab
Telephone set	1	1	-	-	-	Negotiation	The Bank of Punjab
A.C split unit	77	77	-	24	24	Negotiation	The Bank of Punjab
Air conditioners	137	137	-	42	42	Negotiation	The Bank of Punjab
Surge protection pabx	17	17	-	5	5	Negotiation	The Bank of Punjab
Telephone pabx	16	16	-	5	5	Negotiation	The Bank of Punjab
Telephone set	3	3	-	1	1	Negotiation	The Bank of Punjab
Access control system charged card	1,367	940	427	420	(7)	Negotiation	The Bank of Punjab
Access control system charged card	1,371	490	881	421	(460)	Negotiation	The Bank of Punjab
Split air conditioner	29	29	-	15	15	Negotiation	Mr. Adil Majeed
Air conditioners & others mis. items	390	253	137	200	63	Negotiation	Mr. Noshat Khan
Computers	413	413	-	59	59	Negotiation	Shah Jee Computer
Furnitur & fixture	250	250	-	-	-	As per policy	Mr. Mahmood Ahmed Ex-CEO
Laptop	155	155	-	-	-	As per policy	Mr. Mahmood Ahmed Ex-CEO
Laptop	135	135	-	14	14	As per policy	Mr. Mahmood Ahmed Ex-CEO
Mobile set	27	9	18	18	-	As per policy	Syed Mahboob Husain Ex-CEO
Mobile set	4	2	2	2	-	As per policy	Mr. Shabbir Husain Ex-Employee
Laptop Dell Vostro 1500	93	25	68	-	(68)	As per policy	Mr. Habib A. Chaudhry (Late) Ex-Executive
Mobile set	10	1	9	9	-	As per policy	Mr. Muhammad Hamza - Ex-executive
	6,373	4,831	1,542	1,812	270		
Furniture & Fixture							
Furniture	500	-	500	333	(167)	As per policy	Syed Mahboob Husain Ex-CEO
Furniture	20	-	20	20	-	As per policy	Mr. Aamir Nawaz Sheikh Ex-Employee
Furniture	20	-	20	20	-	As per policy	Mr. Malik Mubashir ul Islam Ex-Employee
Furniture	20	2	18	18	-	As per policy	Mr. Mehar Ejaz Ex-Employee
Furniture	20	4	16	16	-	As per policy	Mr. Shabbir Husain Ex-Employee
Furniture	50	4	46	49	3	As per policy	Mr. Khawaja Touqeer Ahmed Ex-Executive
Furniture	30	6	24	-	(24)	As per policy	Mr. Habib A. Chaudhry - (Late) Ex-Executive
	660	16	644	456	(188)		

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

Description of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Buyer's Particulars
----- Rupees in '000' -----							
Vehicle							
Motor Cycle - LXJ 8294	37	37	-	13	13	As per policy	Mr. Akram Bhatti Ex-Employee
Motor Cycle - KAV 2486	79	79	-	14	14	Negotiation	Mr. Syed Muqem ur Rehman Pasha
Honda City - AKS 178	881	404	477	425	(52)	Negotiation	Mr. Muhammad Haroon
Honda City - LZS 199	830	820	10	-	(10)	As per policy	Mr. Habib A. Chaudhry - (Late) Ex-Executive
	<u>1,827</u>	<u>1,340</u>	<u>487</u>	<u>452</u>	<u>(35)</u>		
ASSETS SUBJECT TO FINANCE LEASE							
Office equipment							
Pabx Exchange	2,582	1,775	807	1,286	479	Negotiation	The Bank of Punjab
Vehicle							
Honda Civic - LZX 8785	1,283	962	321	780	459	As per policy	Mr. Sheikh Naeem Ex-Employee
Hyundai Santro - LRH 7880	430	430	-	101	101	As per policy	Ms. Uzma Sultan - Employee
Pajero - LZ0 504	4,549	3,696	853	3,602	2,749	As per policy	Mr. Mahmood Ahmed Ex-CEO
Honda Civic - LRU 9149	988	844	144	227	83	As per policy	Ms. Roohi R. Khan Ex-Executive
Honda City - LRW 128	840	840	-	169	169	As per policy	Mr. M. Saleem Qadri - Executive
Parado - LEH 6771	4,400	734	3,666	4,005	339	As per policy	Mr. Syed Mahboob Husain Ex-CEO
Toyota Altis - JU 624	1,309	1,145	164	685	521	As per policy	Mr. Syed Mahboob Husain Ex-CEO
Honda Civic - LEF 7492	1,515	347	1,168	1,210	42	Insurance Claim	E.F.U. Insurance
Toyota Corola GLI - LEF 8309	969	283	686	788	102	As per policy	Mr. Touqeer Ahmed Khawaja Ex-Executive
Honda Civic VTI - AFD 607	1,285	1,285	-	710	710	Tender Notice	Mr. Khurram Zubair
Suzuki Cultus - LEE 4281	774	80	694	658	(36)	Insurance claim	E.F.U. Insurance
	<u>18,342</u>	<u>10,646</u>	<u>7,696</u>	<u>12,935</u>	<u>5,239</u>		
GRAND TOTAL	<u>29,784</u>	<u>18,608</u>	<u>11,176</u>	<u>16,941</u>	<u>5,765</u>		

5.1.6. Cost of fully depreciated assets in use is Rupees 117.503 million (2007 : Rupees 88.449 million)

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

5.2 INTANGIBLES

	2008						Total
	Software	Room	Membership Cards				
	Oracle Financials	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	
----- Rupees in '000' -----							
As at January 01, 2008							
Cost	2,492	2,500	15,000	27,948	6,097	1,000	55,037
Accumulated amortization / impairment	(2,492)	-	(12,500)	-	-	-	(14,992)
Net book value	-	2,500	2,500	27,948	6,097	1,000	40,045
Additions during the year (at cost)	-	-	-	-	-	-	-
Disposals:							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-	-
Closing net book value	-	2,500	2,500	27,948	6,097	1,000	40,045
As at December 31, 2008							
Cost	2,492	2,500	15,000	27,948	6,097	1,000	55,037
Accumulated amortization / impairment	(2,492)	-	(12,500)	-	-	-	(14,992)
Net book value	-	2,500	2,500	27,948	6,097	1,000	40,045

	2007						Total
	Software	Room	Membership Cards				
	Oracle Financials	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	
----- 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 for the period	(1,110)	-	(12,500)	-	-	-	(13,610)
Closing net book value	-	2,500	2,500	27,948	6,097	1,000	40,045
As at December 31, 2007							
Cost	2,492	2,500	15,000	27,948	6,097	1,000	55,037
Accumulated impairment	(2,492)	-	(12,500)	-	-	-	(14,992)
Net book value	-	2,500	2,500	27,948	6,097	1,000	40,045

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

5.3 Capital work in progress

	2008				Total
	Building on freehold land	Leasehold improvements	Building on leasehold land	Information system and network installation	
	----- Rupees in '000' -----				
As at January 01, 2008	10,246	7,795	87,798	5,189	111,028
Acquired from CSIBL	-	-	-	-	-
Additions during the year	6,547	-	57,532	5,029	69,108
Transfer to operating fixed assets - held for own use	(15,133)	-	-	(830)	(15,963)
Written off	(1,660)	(5,423)	-	-	(7,083)
As at December 31, 2008	-	2,372	145,330	9,388	157,090

	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 December 31, 2007	10,246	7,795	87,798	5,189	111,028

	Note	2008 Rupees in '000'	2007 Rupees in '000'
6 INVESTMENT PROPERTIES			
Investment properties	6.1	1,323,355	1,157,488
Work in progress		1,463,087	127,236
		1,463,087	1,284,724

6.1 This includes fair value of investment properties amounting to Rupees 814.199 million in the name of Maghreb Development Corporation (Pvt.) Limited (MDCL) wholly owned subsidiary of the holding 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 holding Company.

6.2 The Group has adopted the fair value model in accounting for these properties. The properties have been revalued as at December 31, 2008 by independent valuers namely National Evaluation Company (Pvt) 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 2008:

Land at cost	1,196,871	1,114,261
Premises at cost	383,317	370,963
	1,580,188	1,485,224

**Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008**

6.3 Investment Properties

Reconciliation statement of the investment properties showing the movement during the period ended December 31, 2008 is as follows:

Description	2008						
	As at January 01,2008	Additions resulting from acquisition/installments	Transfers	Additions resulting from subsequent expenditures	Disposals	Surplus/ (deficit/ impairment) revaluation of properties	As at December 31,2008
----- Rupees in '000' -----							
Investment Properties							
Land	863,483	231,412	-	-	-	(7,223)	1,087,672
Premises	294,005	-	-	2,795	-	(61,117)	235,683
	1,157,488	231,412	-	2,795	-	(68,340)	1,323,355
Work In Progress							
Land	-	-	-	2,938	-	-	2,938
Premises	127,236	9,558	-	-	-	-	136,794
	127,236	9,558	-	2,938	-	-	139,732
	1,284,724	240,970	-	5,733	-	(68,340)	1,463,087

Description	2007						
	Acquisition from CSIBL as at June 28, 2007	Additions resulting from acquisition/installments	Transfers	Additions resulting from subsequent expenditures	Disposals	Surplus/ (deficit/ impairment) revaluation of properties	As at December 31,2007
----- 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
	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
	156,908	54,099	(73,771)	-	-	(10,000)	127,236
	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 Sehpal, Tehsil Distt. Lahore, being the amount at which the agreement to sell has been executed by the Group. The amount of Rs. 79.9 million has been received by the Group. The fair value of the property has been impaired to bring its value to the amount received from the purchaser, however, the case with original seller to the Holding Company is under litigation for which outcome cannot be reliably measured until the outcome of litigation in the court of law.

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

6.5 Subsequent to the date of balance sheet, the Group has initiated sale of certain investment properties having aggregate fair value amounting to Rs. 440.312 million.

	Note	2008 Rupees in '000'	2007 Rupees in '000'
7 LONG TERM INVESTMENTS			
Sukuk certificates (6,000)			
House Building Finance Corporation Limited - unlisted [Rs. 5,000/- each]	7.2	30,000	-
Less: Current maturity of Sukuk certificates		3,000	-
		<u>27,000</u>	<u>-</u>
7.1 Opening balance		-	-
Investments made during the year		30,000	-
Less: Impairment in value of investment		-	-
Closing balance		<u>30,000</u>	<u>-</u>

7.2 The Holding Company has entered into a Musharika agreement with House Building Finance Corporation Limited for development of housing projects. The Holding Company's share of investment is Rs. 30 million in the total musharika capital of Rs. 1,579 million. The period of musharika is 6 years which shall expire on May 10, 2014. Principal is repayable in 10 equal semi annual installments commencing from the 18th month of the issue date, i.e, 10th November 2009. The profit is payable semi annually at the rate of 6 month KIBOR ask side + 1%.

8 LOANS AND ADVANCES

Receivable from related parties

Gross amount receivable - considered good 8.1 37,000 -

Receivable from others

Gross amount receivable 1,369,556 1,402,682

Less: Provision for doubtful receivable 8.3 937,000 995,601

Net exposure - Considered good 432,556 407,081

Less: Current maturity 454,454 362,907

15,102 44,174

8.1 This amount represents receivable from associates of an Ex-Executive of the Group (2007 : Rupees Nil).

8.2 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 0.45% to 18% (2007 : 0.003% to 18%) per annum.

8.3 Provision for doubtful receivable

Opening balance 995,601 -

Provisions acquired from CSIBL - 855,646

Charge during the year 50,120 261,177

Transfers 73,158 -

1,118,879 1,116,823

Less: Reversals during the year 108,556 113,238

 Transfers 73,149 -

 Written off 174 7,984

181,879 121,222

Closing balance 937,000 995,601

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

- 8.4** Loans and advances include Rupees 1,247 million (2007 : Rupees 1,325 million) which have been classified as non-performing loans.

	Note	2008 Rupees in '000'	2007 Rupees in '000'
9			
NET INVESTMENT IN FINANCE LEASE			
Lease rentals receivable		474,782	607,449
Add: Residual value		124,378	151,985
Gross investment in finance lease		599,160	759,434
Less: Unearned finance income		8,079	12,168
Net investment in finance lease	9.1	591,081	747,266
Less: Provision for potential lease losses	9.3	390,069	463,726
		201,012	283,540
Less: Current maturity		152,365	246,065
		48,647	37,475

9.1 Particulars of net investment in finance lease

	2008			Total	2007
	Less than one year	Later than one year but not later five years	Later than five years		Total
	----- Rupees in '000-----				
Lease rental receivable	409,803	64,979	-	474,782	607,449
Add: Residual value of leased assets	115,528	8,850	-	124,378	151,985
Gross investment in finance lease	525,331	73,829	-	599,160	759,434
Less: Unearned finance income	839	7,240	-	8,079	12,168
Net investment in finance lease	524,492	66,589	-	591,081	747,266

- 9.2** The Group has entered into various lease agreements for periods ranging from one to five years. Security deposits ranging from 0% to 60 % (2007 : 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 % (2007 : 8% to 30%) per annum. Generally assets provided on leases are held as collateral.

	2008 Rupees in '000'	2007 Rupees in '000'
9.3		
Movement in provision for potential lease losses		
Opening balance	463,726	-
Provisions acquired from CSIBL	-	680,660
Charge during the year	57,372	-
Transfers	-	118,729
	521,098	799,389
Less: Reversals during the period	96,425	221,183
Written off	1,976	27,017
Adjustments	32,628	87,463
	131,029	335,663
Closing balance	390,069	463,726

Consolidated Notes to the Financial Statements

For the Year Ended December 31, 2008

9.4 Net investment in finance lease includes Rs. 575 million (2007: Rupees 550 million) which have been classified as non-performing leases.

	Note	2008 Rupees in '000'	2007 Rupees in '000'
10 LONG TERM PLACEMENT OF FUNDS			
Long term placement of funds		50,000	50,000
Less: Current maturities	11	(50,000)	-
		<u>-</u>	<u>50,000</u>

10.1 The Group had placed funds with Crescent Leasing Corporation Limited at the markup rate of 12.5% per annum. The placement will mature on 26 January 2009.

11 CURRENT MATURITY OF NON-CURRENT ASSETS

Long term investments	7	3,000	-
Loans and advances	8	454,454	362,907
Net investment in finance lease	9	152,365	246,065
Long term placement of funds	10	50,000	-
		<u>659,819</u>	<u>608,972</u>

12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS

Advances to staff- considered good	12.1	3,871	18,411
Income tax - net		23,379	21,442
Security deposits		9,567	15,653
Prepayments		11,701	9,912
Due from lessees		5,243	5,243
Assets repossessed		59,315	59,315
Due from brokers and clients		80,922	79,911
		<u>193,998</u>	<u>209,887</u>
Less: provision for doubtful receivables	12.2	137,998	138,731
		<u>56,000</u>	<u>71,156</u>

12.1 Breakup of the staff loan by type of employees:

Loan to executives	12.1.1	1,458	15,980
Loan to employees		2,413	2,431
		<u>3,871</u>	<u>18,411</u>

12.1.1 Reconciliation of carrying amount of loans to executives:

Opening balance		15,980	-
Balances taken up from CSIBL		-	5,613
Disbursements during the year		-	12,000
Less: Receipts during the year		2,522	1,633
Adjusments / transfers		12,000	-
		<u>1,458</u>	<u>15,980</u>

12.1.2 The maximum aggregate amount due from executives at the end of any month during the period was Rupees 15 million (2007 : Rupees 17 million.)

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
12.2			
Movement in provision for doubtful receivables			
Opening balance		138,731	-
Provisions acquired from CSIBL		-	173,968
Charge during the year		-	25,968
Less: Reversals during the year		393	61,205
Transfers		340	-
Closing balance		<u>137,998</u>	<u>138,731</u>
13			
MARK-UP AND PROFIT RECEIVABLES			
Investment - term finance certificates		-	19
Loans and advances		11,684	7,591
Profit receivable from Sysmax (Private) Limited-net	13.1	100,000	-
Funds placements		7,634	4,634
Deposits with banks		1,657	97
		<u>120,975</u>	<u>12,341</u>
13.1			
Gross amount receivable	13.2	237,000	237,000
Less: provision against doubtful receivable		137,000	237,000
Net amount receivable		<u>100,000</u>	<u>-</u>
13.2			
This represents profit receivable from Sysmax (Private) Limited for Rs. 237 million on account of sale of platinum memberships of Defence Housing Authority Country and Golf Club, Karachi (DHACGC). The total claim of profit amounts to Rupees 660.77 million. However, the Group has partially booked the profit receivable and made suspension as required by the NBFC and Notified Entities Regulations, 2008 (Notes 14.1 & 32.3.1).			
14			
OTHER RECEIVABLES			
Unsecured - Considered good			
Sysmax (Private) Limited	14.1	204,057	204,057
Others		-	2,227
Considered doubtful			
Others		149,105	145,579
		<u>353,162</u>	<u>351,863</u>
Less: Provision for doubtful other receivables	14.2	145,539	145,579
		<u>207,623</u>	<u>206,284</u>
14.1			
The amount represents financing provided for development, upgrading and building of the Defence Housing Authority Country and Golf Club, Karachi, (DHACGC) to Sysmax (Private) Limited net of sale proceeds of DHACGC memberships released after certification by DHA. Sysmax (Private) 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 DHACGC) with the Group for alleged breach of the agreement. In addition, Sysmax (Private) Limited 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 32.3.1 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.			

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
14.2 Movement in provision for doubtful other receivables			
Opening balance		145,579	-
Provisions acquired from CSIBL		-	139,243
Charge during the year		-	17,833
Less: Reversals during the year		40	11,497
Closing balance		<u>145,539</u>	<u>145,579</u>
15 SHORT TERM INVESTMENTS			
Available for sale			
Ordinary shares - listed	15.1	8,941	344,196
Ordinary shares - unlisted	15.2	80,691	81,041
Term finance certificates - unlisted	15.3	-	18,965
		<u>89,632</u>	<u>444,202</u>
Held for trading			
Ordinary shares and certificates - listed	15.4	23,988	72,653
Term finance certificates - listed	15.5	-	286
		<u>23,988</u>	<u>72,939</u>
		<u>113,620</u>	<u>517,141</u>

15.1 Ordinary shares - listed

No. of shares/certificates of Rs. 10/- each	Name	2008		2007	
		Average cost	Market value	Average cost	Market value
2008	2007	----- Rupees in '000' -----			
	Associates				
	Modaraba				
6,724,600	6,724,600				
	Crescent Standard Modaraba (Note 15.1.1)	12,440	3,699	12,440	11,095
	Equity held 33.62% (2007 : 33.62%)				
	Others				
	Mutual fund				
585,923	585,923				
	Asian Stocks Fund Limited	2,754	3,615	2,754	3,808
	Equity held 0.65% (2007 : 0.65%)				
	Sugar				
224,426	7,907,022				
	Shakarganj Mills Limited	9,127	1,627	331,210	329,293
	Equity held 0.32 % (2007 : 13.65%)				
		<u>24,321</u>	<u>8,941</u>	<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.

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

15.2 Ordinary shares - unlisted

No. of shares of Rs. 10/- each		Name	2008	2007
2008	2007		Average cost	Average cost
			Rupees in '000'	
500,000	500,000	Crescent Powertec Limited Equity held: 10% Breakup value per share: Rupees 162.93 (2007: Rupees 194.86)	5,000	5,000
250,000	151,125	Central Depository Company of Pakistan Limited Breakup value per share: Rupees 30.26 (2007: Rupees 55.04)	7,000	7,000
250,000	250,000	First Capital Investment Limited Breakup value per share: Rupees 11.31 (2007: Rupees 14.99)	2,500	2,500
300,000	300,000	Crescent Bahuman Limited Breakup value per share: Rupees Nil (2007: Rupees Nil)	3,000	3,000
7,000,000	7,000,000	Al-Hamra Hills (Private) Limited Breakup value per share: Rupees 9.76 (2007: Rupees 9.76)	70,000	70,000
			87,500	87,500
Less: Provision for impairment			6,809	6,459
			80,691	81,041

15.3 Term finance certificates - unlisted

No. of certificates		Name	2008	2007
2008	2007		Cost	Cost
			Rupees in '000'	
			Cement	
-	5,000	Dewan Cement Limited	-	22,018
-	1,000	Dewan Hattar Cement Limited	-	1,729
Less: Provision for impairment			-	23,747
			-	6,252
			-	17,495
			Sugar	
-	5,000	Chaudhary Sugar Mills Limited (Note 15.3.1)	-	1,470
			-	18,965

15.3.1 The TFCs were fully redeemed during the year and carried 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.

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008
15.4 Ordinary shares and certificates - listed

No. of shares/certificates of Rs. 10/- each		Name	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		----- Rupees in '000' -----			
		Mutual Funds				
150,000	150,000	Pakistan Strategic Allocation Fund Limited	1,560	342	1,560	1,357
10,000	10,000	PICIC Investment Fund	152	20	152	132
27,105	-	National Investment Trust	1,639	615	-	-
		Modarabas				
500	500	Modaraba Al-Tijarah	75	-	75	-
		Insurance				
64,897	37,084	PICIC Insurance Limited	2,051	778	1,772	1,282
10,000	-	Adamjee Insurance Company Limited	2,783	1,073	-	-
15,000	-	Pakistan Reinsurance Company Limited	1,312	355	-	-
		Leasing Companies				
130	130	Security Leasing Corporation Limited	-	1	-	1
		Investment Banks / Investment Cos.				
6,250	-	Arif Habib Securities Limited	707	263	-	-
27,500	10,000	Javed Omer Vohra & Company Limited	1,257	249	461	461
-	8,500	Pakistan Industrial Credit & Investment Company	-	-	361	361
		Commercial Banks				
15,506	-	National Bank of Pakistan	2,403	780	517	538
200,000	20,000	NIB Bank Limited	1,320	934	410	410
-	6,100	The Bank of Punjab	-	-	504	504
-	25,000	Union Bank Limited	-	-	740	740
-	10,000	JS Bank Limited	-	-	580	580
		Textile				
239,000	239,000	Taj Textile Mills Limited	478	165	478	323
21,000	11,000	Nishat Mills Limited	2,378	475	1,471	1,157
-	10,000	Nishat Chunian Limited	-	-	445	445
12,499	12,499	Punjab Cotton Mills Limited	62	62	62	62
10,000	10,000	Sally Textile Mills Limited	30	5	30	18
50,000	50,000	Service Industries (Textile) Limited	125	45	125	100
547,600	547,600	Shaheen Cotton Mills Limited	2,738	2,190	2,738	1,643
237,100	237,100	Zahur Textile Mills Limited	237	237	237	237
36	34	Paramount Spinning Mills Ltd	-	5	-	5
		Sugar				
198,000	198,000	Sakrand Sugar Mills Limited	495	279	495	544
		Cement				
70,000	70,000	Pakistan Cement Limited	1,029	224	1,029	798
26,000	11,000	D.G. Khan Cement Company Limited	2,147	553	1,295	1,042
89,000	75,000	Fauji Cement Limited	1,632	418	1,515	1,118
15,000	15,000	Gharibwal Cement Limited	265	265	264	237
40,000	30,000	Lucky Cement Limited	5,236	1,251	4,107	3,495
10,451	10,451	Pioneer Cement Limited	385	252	385	331
		Fuel and Energy				
121,500	121,500	Altern Energy Limited	2,126	1,482	2,126	2,856
30,000	50,000	Bosicor Pakistan Limited	412	140	915	1,068
33,000	33,000	Oil and Gas Development Company Limited	3,976	1,650	3,930	3,942
-	4,000	Pakistan State Oil Company Limited	-	-	1,560	1,628
40,700	32,000	Pakistan Petroleum Limited	9,208	4,095	7,786	7,842
27,000	27,000	Sui Northern Gas Pipeline Limited	1,560	472	2,059	1,943
20,000	20,000	Sui Southern Gas Company Limited	522	210	522	523

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

No. of shares/certificates of Rs. 10/- each		Name	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		----- Rupees in '000' -----			
500	500	The Hub Power Company Limited	-	7	-	5
9,000	7,500	Pakistan Oilfield Limited	2,601	922	2,438	2,508
		Transport and Communication				
-	489,000	Eye Television Network Limited	-	-	23,251	32,591
-	12,000	Pakistan International Container Limited	-	-	808	845
25,000	25,000	Telecard Limited	300	50	300	272
-	10,000	Netsol Technologies Limited	-	-	223	223
-	500	Worldcall Telecom Limited	-	-	4	4
-	1	Pakistan National Shipping Corporation	-	-	-	-
		Fertilizers				
25,500	5,000	Fauji Fertilizer Bin Qasim Limited	724	258	196	211
20,000	5,000	Engro Chemicals Limited	7,126	2,460	1,323	1,329
		Chemical and Pharmaceuticals				
122,500	122,500	Pakistan PTA Limited	637	195	637	619
		Synthetics				
90,000	90,000	Dewan Salman Fibre Limited	954	127	954	675
		Miscellaneous				
11,000	11,000	Siddiqsons Tinplates Limited	364	84	372	307
			63,006	23,988	71,212	77,312
		Less: Provision for disputed investments		-		4,659
				23,988		72,653

15.5 Term Finance Certificates - listed

No. of certificates		Name	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		----- Rupees in '000' -----			
-	190	Chemical Ittehad Chemicals Limited	-	-	286	286

16 The amount represents funds placed with financial institutions and carry mark-up rate of 18% (2007 : 9.75% to 11.0%) per annum.

17 CASH AND BANK BALANCES

	Note	2008 Rupees in '000'	2007 Rupees in '000'
Cash with bank			
- Treasury Banks			
State Bank of Pakistan		1,904	1,922
- Other Banks (Local Currency)			
Current accounts		660	7,238
Savings / PLS accounts		88,420	175,127
		89,080	182,365
- Other Banks (Foreign Currency)			
Current accounts		1,273	175
Saving / PLS accounts		115	122
		1,388	297
Cash in hand		17	20
		92,389	184,604

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

			Note	2008 Rupees in '000'	2007 Rupees in '000'
18	AUTHORIZED SHARE CAPITAL				
	2008	2007			
	No. of shares				
	220,000,000	220,000,000		2,200,000	2,200,000
		Ordinary shares of Rs. 10 each			
19	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL				
	2008	2007			
	No. of shares				
	80,000,000	80,000,000		800,000	800,000
		Ordinary shares of Rs. 10 each	19.1		
	629,980	629,980		6,300	6,300
		Ordinary shares of Rs. 10 each issued to CSIBL shareholders in accordance with the Scheme of Amalgamation			
	80,629,980	80,629,980		806,300	806,300
19.1	Agen Limited B.V.I., a parent company, holds 79,996,500 (2007: 79,996,500) ordinary shares of the Company.				
20	UNREALIZED (LOSS) ON INVESTMENTS AVAILABLE FOR SALE				
	Ordinary shares - listed			(15,380)	(2,208)
	Ordinary shares - unlisted			(2,030)	(1,680)
				(17,060)	(3,888)
21	SUPPLEMENTARY CAPITAL				
	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 would also contribute double the amount contributed by the Fund as supplementary capital in the Group. The fund so contributed would be invested under SME financing window project. The amount equal to the income generated there upon will also be reinvested into the project. Since the period of this fund has been matured, therefore, it has been transferred to equity through profit and loss account.				
22	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE				
	Obligation under finance lease			15,317	26,733
	Less: current maturity			4,548	9,316
				10,769	17,417

Consolidated Notes to the Financial Statements

For the Year Ended December 31, 2008

22.1 Particulars of liabilities against assets subject to finance lease

	2008			2007
	Not later than one year	Later than one year but not later than five years	Total	Total
	----- Rupees in '000 -----			
Lease rentals payable	6,056	12,629	18,685	30,485
Less: future financial charges	1,508	1,860	3,368	3,752
Present value of minimum lease payments	4,548	10,769	15,317	26,733

22.2 The weighted average finance charge used as the discounting factor (i.e. interest rate implicit in the lease) is 26.83% (2007: 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	2008 Rupees in '000'	2007 Rupees in '000'
23 LONG TERM FINANCING			
Loan from banking companies and financial institutions	23.1	687,321	692,397
Less: current maturities		65,452	5,001
		621,869	687,396

23.1 Loans from banking companies and financial institutions

	Outstanding Liability		Final maturity Date	Tenure Years	Markup % p.a.	Grace period Years	First Date of Principal Repayment	Markup Payment	Principal Repayment
	2008	2007							
Local Currency - unsecured									
- Loan from financial institution									
National Bank of Pakistan	11,015	11,015	31-Dec-12	5	5.00	2	1-Jan-10	Half Yearly	Half Yearly
ORIX Investment Bank Pakistan Limited - Loan I	45,683	50,759	15-Jan-13	5 & 1/2	5.00	1/2	15-Jul-08	Half Yearly	Half yearly
ORIX Investment Bank Pakistan Limited - Loan II	25,000	25,000	30-Jun-14	7	5.00	2	31-Dec-09	Quarterly	Half yearly
ORIX Leasing Pakistan Limited	25,000	25,000	1-Jul-14	7	5.00	2	1-Jan-10	Quarterly	Half yearly
First Constellation Modaraba (Note 23.2)	33,000	33,000	31-Dec-13	7	5.00	2	31-Dec-09	Quarterly	Half yearly
Khushhali Bank Limited	100,000	100,000	30-Jun-14	7	5.00	2	31-Dec-09	Quarterly	Half yearly
Network Leasing Limited	15,000	15,000	1-Jul-14	7	5.00	2	1-Jan-10	Quarterly	Half yearly
International Finance Corporation-World Bank Group	395,000	395,000	15-Jan-14	7	5.00	2	15-Jul-09	Quarterly	Half yearly
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited (Note 23.3)	37,623	37,623							
	687,321	692,397							

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

23.3 The holding company has decided to issue ordinary shares to Saudi Pak Industrial & Agriculture Investment Company (Private) Limited in lieu of outstanding liability of Rs. 37.6 million. The shareholders have already passed a special resolution in its First Annual General Meeting under the provisions of Section 86(1) of the Companies Ordinance, 1984 to give effect to the above transaction. The liability shall be reduced and share capital increased as soon as the formalities are completed with the Securities and Exchange Commission of Pakistan.

23.4 The weighted average mark-up rate of total borrowings at the balance sheet date is 0.43% (2007: 0.67%) per annum due to grace period.

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

		2008	2007
	Note	Rupees in '000'	Rupees in '000'
24	LONG TERM CUSTOMERS' DEPOSITS		
	Long term customer deposits - Local currency	24.1 3,114,545	3,184,412
	Less: current maturities	748,442	100,061
		<u>2,366,103</u>	<u>3,084,351</u>
24.1	Categories of certificates of deposits are as under: -		
	Individuals	1,249,719	1,248,614
	Trusts and charitable institutions	663,233	663,233
	Corporate & associations	562,845	562,845
	Government and semi Government institutions	638,748	709,720
		<u>3,114,545</u>	<u>3,184,412</u>
25	LONG TERM SECURITY DEPOSITS		
	Security deposits against finance lease	25.1 124,372	151,565
	Other security deposits	1,208	1,208
		125,580	152,773
	Less: current maturities	115,528	138,806
		<u>10,052</u>	<u>13,967</u>
25.1	These represent interest free security deposits received under finance lease arrangements and are repayable / adjustable at the expiry / termination of the respective arrangements.		
26	DEFERRED TAX LIABILITY		
	On surplus on revaluation of building	852	927
	Less: incremental depreciation charged to profit and loss account / equity	126	75
		<u>726</u>	<u>852</u>
27	CURRENT MATURITIES OF NON-CURRENT LIABILITIES		
	Liabilities against assets subject to finance lease	22 4,548	9,316
	Long term financing	23 65,452	5,001
	Long term customers' deposits	24 748,442	100,061
	Security deposits	25 115,528	138,806
		<u>933,970</u>	<u>253,184</u>
28	REDEEMABLE CAPITAL - Secured		
	Term Finance Certificates	28.1 -	89,904
		<u>-</u>	<u>89,904</u>
28.1	This represented 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 were secured by first pari passu charge on specific leased assets and related lease rentals receivable. During the year, Group has finalized the terms of repayment favorably in line with the other creditors and repaid the liability on 27 June 2008.		

Consolidated Notes to the Financial Statements

For the Year Ended December 31, 2008

29 The loan obtained from International Housing Finance Limited carried markup rate of 13.25 % per annum. During the year, Group has fully retired the debt.

	Note	2008 Rupees in '000'	2007 Rupees in '000'
30			
SHORT TERM CUSTOMERS' DEPOSITS			
Foreign currency deposits	30.1	5,945	6,123
Local currency deposits		3,907	20,241
		9,852	26,364
30.1	Detail of foreign currency deposits is given below: US Dollars (2,862)		
	Equivalent Pak Rupees (Rupees in '000')	226	173
	British Pounds (50,000)		
	Equivalent Pak Rupees (Rupees in '000')	5,719	5,950
		5,945	6,123
30.2	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% (2007 : 0 to 8%) per annum. Breakup of deposits by type of depositor is given below:		
	Individuals	6,215	14,534
	Corporate & Associations	3,637	11,830
		9,852	26,364
31	ACCRUED AND OTHER LIABILITIES		
	Profit / return payable on redeemable capital, deposits and borrowings	31.1	80,689
	Payments received against loans, advances and others		96,432
	Accounts payable on settlement / recovery from Sysmax (Pvt.) Limited	31.2	15,168
	Accrued expenses and other liabilities	31.3	330,062
	Margin deposits		17,996
	Due to Agen Limited - Parent company		1,934
	Crescent Group for settlement of shares		746
	Provident fund payable		83,999
	Tax deducted at source		-
	Payable against divestment of investment		2,488
	Lease balance payable		1,129
	Zakat payable		721
	Payable to stock brokers		90,000
			22,074
			897
			27
		665,614	838,224
31.1	Profit / return payable on redeemable capital, deposits and borrowings		
	Redeemable capital		-
	Long term financing		27,336
	Customers' deposits		957
			1,594
			79,732
			67,502
			80,689
31.2	This represents accounts payable to various parties, which will be settled / paid after recovery from Sysmax (Private) Limited (Note 14.1 & 32.3.1)		
31.3	This includes an amount of Rs. 92 million as advance received against sale of investment properties out of which Rs. 80 million is received against the disputed sale of Mouza Sajpal (Note 6.4).		

Consolidated Notes to the Financial Statements

For the Year Ended December 31, 2008

32 CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

Acceptances/undertakings against documentary credits and guarantees issued in normal course of business in favour of:

	2008	2007
	Rupees in '000'	Rupees in '000'
Banking companies and other financial institutions	163,397	163,397
Corporate and other government and non-government institutions	90,919	90,919

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

32.2.1 The Pakistan Water & Power Development Authority (WAPDA) had filed a suit for recovery of its Deposit of Rupees 300 million along with 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. The Group has paid Rupees 39 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.

32.2.2 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.

	2008	2007
	Rupees in '000'	Rupees in '000'
32.3 Commitments		
Commitments for disbursement of leases, loans and advances	234,119	234,119
Commitments for balance payments for the purchase of investment properties	36,519	80,157

32.3.1 The amount represents remaining commitment by former Crescent Standard Investment Bank Limited (now merged into the Holding Company) for financing to Sysmax (Private) Limited (Sysmax) for development, upgrading and building of Defence Housing Authority Country & Golf Club (DHACGC), 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 (Private) Limited, 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 DHACGC) 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.

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
33	RETURN ON LOANS, ADVANCES AND PLACEMENT OF FUNDS		
	Loans and advances	30,683	2,461
	Funds placements	43,233	52,407
		<u>73,916</u>	<u>54,868</u>
34	RETURN ON INVESTMENTS		
	Dividend income	5,293	2,322
	Capital gain on sale of investments	51,324	66,453
	Loss on sale of investments in TFCs	(10,036)	(21)
	Unrealized gain / (loss) on remeasurement of investments held for trading	(45,101)	6,174
	Provision for disputed investments	-	(4,659)
	Return from investments in TFCs	2,604	5,854
		<u>4,084</u>	<u>76,123</u>
35	OTHER INCOME		
	Gain / (loss) on disposal of fixed assets	5.1.5 5,765	467,535
	Unrealised loss on remeasurement of investment properties	(68,340)	(200,500)
	Loss on disposal of investment properties	-	(7,439)
	Waiver of markup and borrowings	35.1 29,784	371,788
	Balances written back no longer payable	2,436	32,117
	Rental income	3,253	270
	Fee and commission	248	416
	Supplementary capital	21 65,847	-
	Other income	8,843	8,109
	Purchase bargain	3 1,702	-
		<u>49,538</u>	<u>672,296</u>
35.1	The amount represents waiver of principal and markup obtained on restructuring and settlement of borrowings from various financial institutions.		
36	FINANCIAL CHARGES		
	Return on customers' deposits	168,600	95,355
	Profit on redeemable capital	2,280	5,966
	Mark-up on borrowings	5,887	5,954
	Lease finance charges	2,009	1,139
	Bank charges	348	154
	Other charges	4,082	721
		<u>183,206</u>	<u>109,289</u>

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

	Note	2008 Rupees in '000'	2007 Rupees in '000'
37 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and other benefits	37.1	74,671	40,516
Directors' fee		90	62
Rent, rates and taxes		7,213	21,625
Traveling and conveyance		12,566	5,468
Telephone and postage		3,235	4,742
Legal, professional and other consultancy charges		20,738	10,764
Subscriptions and fees		1,449	2,903
Utilities		3,603	2,962
Repairs and maintenance		6,082	4,301
Depreciation		42,786	39,928
Impairment		-	13,610
Printing and stationery		4,368	1,370
Lease rentals		-	1,243
Entertainment		1,142	365
Insurance		1,581	156
Auditors' remuneration	37.2	1,578	1,050
Security service charges		1,298	1,526
Advertising and promotion		389	305
CDC services fees		154	1,443
Direct write-off		4,606	19,725
Miscellaneous		6,154	3,388
		<u>193,703</u>	<u>177,452</u>

37.1 This includes Holding Company's contribution in staff provident fund amounting to Rupees 2.746 million (2007:Rupees 1.059 million.)

37.2 Auditors' remuneration

Statutory audit fee	1,445	955
Out of pocket expenses	133	95
	<u>1,578</u>	<u>1,050</u>

38 PROVISION FOR DOUBTFUL RECEIVABLES

	2008					2007	
	Loans and advances	Investment in Finance Lease	Advances, deposits, prepayments & other assets	Markup and profit receivable	Other Receivables	Total	Total
	----- Rupees in '000' -----						
Opening balance	995,601	463,726	138,731	237,000	145,579	1,980,637	-
Provisions acquired from CSIBL	-	-	-	-	-	-	1,874,214
Add: Charge during the year	50,120	57,372	-	-	-	107,492	660,707
Transfers / Adjustments	73,158	-	-	-	-	73,158	-
	1,118,879	521,098	138,731	237,000	145,579	2,161,287	2,534,921
Less: Reversals during the year	108,556	96,425	393	100,000	40	305,414	418,223
Amount written off (Annexure A)	174	1,976	-	-	-	2,150	49,006
Transfers / Adjustments	73,149	32,628	340	-	-	106,117	87,055
	181,879	131,029	733	100,000	40	413,681	554,284
Closing balance	<u>937,000</u>	<u>390,069</u>	<u>137,998</u>	<u>137,000</u>	<u>145,539</u>	<u>1,747,606</u>	<u>1,980,637</u>
Note	8.3	9.3	12.2	13.1	14.2		

Consolidated Notes to the Financial Statements
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Loans and advances	Investment in Finance Lease	Advances, deposits, prepayments & other assets	2008			2007	
			Markup and profit receivable	Other Receivables	Total	Total	

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

38.1 Net Charged to Profit & Loss Account

Charged during the year	(50,120)	(57,372)	-	-	-	(107,492)	(660,707)
Reversals During the year	108,556	96,425	393	100,000	40	305,414	418,223
Provision held against investment in unlisted TFCs now reversed	-	-	-	-	-	6,252	-
Charged to Profit & Loss Account	58,436	39,053	393	100,000	40	204,174	(242,484)

2008 **2007**
Rupees in '000' Rupees in '000'

39 PROVISION FOR TAXATION

Current year	51	2,917
Prior year	-	381
Deferred Tax	-	(75)
	<u>51</u>	<u>3,223</u>

In view of the available tax losses, no provision for current year taxation was required except for separate block of income. The provision for the corresponding year represented 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 4,615 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.

40 EARNINGS PER SHARE

		2008	2007
(Loss) / Profit after taxation	Rupees in '000'	<u>(30,637)</u>	355,826
Weighted average ordinary shares	No. of Shares	<u>80,629,980</u>	56,581,282
Basic earnings per share	Rupees	<u>(0.38)</u>	6.29

41 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2008			2007	
	Chief Executive	Chief Executive (outgoing)	Executives	Chief Executive	Executive
Managerial Remuneration	2,550	9,000	12,448	1,800	7,440
House Rent Allowance	-	4,500	5,602	900	3,104
Utilities	-	900	1,245	120	690
Provident Fund	255	690	1,202	120	499
Medical	-	750	1,037	100	575
Others	590	2,112	-	345	1,456
	<u>3,395</u>	<u>17,952</u>	<u>21,534</u>	<u>3,385</u>	<u>13,764</u>
Number of Persons: at year end	1	-	5	1	8
- Maximum during the year	1	1	9	1	16

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

Consolidated Notes to the Financial Statements
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- 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.

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:

	2008			
	US Dollars	Pounds Sterling	Euro	Total
	----- Rupees in '000' -----			
Financial assets				
Bank balances	-	1,066	206	1,272
Financial liabilities				
Foreign currency deposits	226	5,719	-	5,945
Net Exposure	(226)	(4,653)	206	(4,673)
	2007			
	US Dollars	Pounds Sterling	Euro	Total
	----- Rupees in '000' -----			
Financial assets				
Bank balances	-	123	161	284
Financial liabilities				
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 Holding 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 Holding 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 Holding 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 1203(i)2008 dated November 21, 2008 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2008 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. 1.15 billion for Investment Finance Services, Housing Finance and Leasing till January 01, 2010 and further requirement of Rs. 1.70 billion till June 30, 2010.

44 LIQUIDITY RISKS

Liquidity risk is the risk that the Holding Company 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. Subsequent to the balance sheet date, the company has initiated sale of certain properties as mentioned in note numbers 5.1.2, 6.5

Consolidated Notes to the Financial Statements

For the Year Ended December 31, 2008

and 2.2 in order to generate adequate liquidity to ensure timely discharge of all its obligations. The maturity profile of the Company's assets and liabilities is summarized below:

Description	2008			
	Total	Within one year	More than one year & upto five years	Above five years
----- Rupees in '000' -----				
Assets				
Fixed assets	671,574	42,786	105,099	523,689
Investment properties	1,463,087	-	1,463,087	-
Loans and advances	469,556	454,454	15,102	-
Net investment in finance lease	201,012	152,365	48,647	-
Advance, deposits, prepayments and other assets	56,000	56,000	-	-
Mark-up and profit receivables	120,975	120,975	-	-
Other receivables	207,623	207,623	-	-
Investments	143,620	113,620	27,000	3,000
Placements of funds	130,000	130,000	-	-
Cash and bank balances	92,389	92,389	-	-
	<u>3,555,836</u>	<u>1,370,212</u>	<u>1,658,935</u>	<u>526,689</u>
Liabilities				
Liabilities against assets subject to finance lease	15,317	4,548	10,769	-
Long term financing	687,321	65,452	558,569	63,300
Customers' deposits	3,124,397	758,294	2,366,103	-
Security deposits	125,580	115,528	10,052	-
Redeemable capital	-	-	-	-
Short term financing	-	-	-	-
Accrued and other liabilities	665,614	665,614	-	-
Deferred tax liability	726	726	-	-
Unclaimed dividend	7,435	7,435	-	-
	<u>4,626,390</u>	<u>1,617,597</u>	<u>2,945,493</u>	<u>63,300</u>
	<u>(1,070,554)</u>	<u>(247,385)</u>	<u>(1,286,558)</u>	<u>463,389</u>
REPRESENTED BY:				
Shareholders' equity	(1,053,144)			
Unrealized loss on remeasurement of investments available for sale	(17,410)			
Supplementary capital	-			
	<u>(1,070,554)</u>			

Description	2007			
	Total	Within one year	More than one year & upto five years	Above five years
----- Rupees in '000' -----				
Assets				
Fixed assets	642,277	49,069	105,099	488,109
Investment properties	1,284,724	-	1,284,724	-
Loans and advances	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	-	-
	<u>4,084,148</u>	<u>2,074,567</u>	<u>1,521,472</u>	<u>488,109</u>
Liabilities				
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	838,224	838,224	-	-
Unclaimed dividend	7,435	7,435	-	-
Deferred tax liability	852	852	-	-
	<u>5,043,130</u>	<u>1,213,635</u>	<u>3,354,930</u>	<u>474,565</u>
	<u>(958,982)</u>	<u>860,932</u>	<u>(1,833,458)</u>	<u>13,544</u>
REPRESENTED BY:				
Shareholders' equity	(1,021,144)			
Unrealized loss on remeasurement of investments available for sale	(3,888)			
Supplementary capital	66,050			
	<u>(958,982)</u>			

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

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:

2008							
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
----- Rupees in '000' -----							
Assets							
Loans and advances	4.5	469,556	454,454	15,102	-	-	-
Net investment in finance lease	9.91	201,012	152,367	48,647	-	-	-
Advance, deposits, prepayments and other assets	-	56,000	-	-	-	56,000	-
Mark-up and profit receivables	-	120,975	-	-	-	120,975	-
Other receivables	-	207,623	-	-	-	207,623	-
Investments	16.71	143,620	3,000	24,000	3,000	113,620	-
Placements of funds	4.81	130,000	130,000	-	-	-	-
Cash and bank balances	14.24	92,389	88,552	-	-	3,837	-
		1,421,175	828,371	87,749	3,000	502,055	-
Liabilities							
Liabilities against assets subject to finance lease	16.83	15,317	4,548	10,769	-	-	-
Long term financing	0.44	687,321	65,452	558,569	63,300	-	-
Customers' deposits	5.39	3,124,397	16,910	2,484,146	-	70,972	552,369
Security deposits	-	125,580	-	-	-	115,528	10,052
Redeemable capital	-	-	-	-	-	-	-
Short term financing	-	-	-	-	-	-	-
Accrued and other liabilities	-	665,614	-	-	-	665,614	-
Deferred tax liability	-	726	726	-	-	-	-
Unclaimed dividend	-	7,435	-	-	-	7,435	-
		4,626,390	87,636	3,053,484	63,300	859,549	562,421
Sensitivity Gap		(3,205,215)	740,735	(2,965,735)	(60,300)	(357,494)	(562,421)

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
----- Rupees in '000' -----							
Assets							
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	-
Liabilities							
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
Sensitivity Gap		(2,888,574)	1,101,225	(2,582,745)	(474,565)	(279,774)	(652,715)

Consolidated Notes to the Financial Statements

For the Year Ended December 31, 2008

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 Holding 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 Holding 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:

	2008			
	Leased Assets		Loans and advances	
	Rupees '000'	%age	Rupees '000'	%age
Chemical and pharmaceuticals	89,435	15.13	105	0.01
Real estate	-	-	587,798	41.61
Construction	3,312	0.56	2,400	0.17
Electrical, engineering and steel	66,477	11.25	41,614	2.95
Sugar	43	0.01	-	-
Food and allied	80,196	13.57	57,162	4.05
Hospital	5,713	0.97	-	-
Services	49,267	8.34	21,324	1.51
Paper and board	3,757	0.64	239	0.02
Ceramics	1,704	0.29	26,910	1.91
Cement	11,211	1.90	-	-
Textiles and jute	79,568	13.46	222,554	15.76
Trading	-	-	3,830	0.27
Transport, travel and communication	80,028	13.54	6,238	0.44
Leather and tanneries	611	0.10	21,985	1.56
Energy, petroleum, oil and gas	10,702	1.81	-	-
Banks/Non-Banking finance companies	109	0.02	-	-
Individuals	34,712	5.87	96,908	6.84
Miscellaneous	74,236	12.54	323,406	22.90
	591,081	100.00	1,412,473	100.00

	2007			
	Leased Assets		Loans and advances	
	Rupees '000'	%age	Rupees '000'	%age
Chemical and pharmaceuticals	100,002	13.35	650	0.05
Real estate	-	-	659,957	46.81
Construction	6,781	0.91	2,400	0.17
Electrical, engineering and steel	69,118	9.22	33,929	2.41
Sugar	413	0.06	-	-
Food and allied	82,909	11.07	9,812	0.70
Hospital	5,665	0.76	-	-
Services	57,658	7.70	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	1.61	-	-
Textiles and jute	124,457	16.61	206,338	14.64
Trading	-	-	32,486	2.30
Transport, travel and communication	95,144	12.70	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	5.60	89,710	6.36
Miscellaneous	121,936	16.52	280,501	19.89
	747,266	100.00	1,409,722	100.00

Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008

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.

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 Company are as follows.

Description	Relaxation granted
Rule 5 (2) (b) of the NBFC Rules: 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 (2007 : 65)

50 TRANSACTION WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

The related parties comprise of subsidiaries, associates, joint ventures, directors, key management personnel and employees benefits funds. The Holding Company in the normal course of business carries out transactions with various related parties at an arm's length basis. The amounts due from / to related parties and amounts due from directors and executives together with the remuneration of directors and executives are disclosed in the relevant notes to these financial statements.

**Consolidated Notes to the Financial Statements
For the Year Ended December 31, 2008**

The nature and description of related party transactions during the year are as follows: -

50.1 Associates of Ex-Executive Employee

	2008	2007
	Rupees in '000'	Rupees in '000'
Loans and advances	25,000	-

51 RE-CLASSIFICATION

During the year the Company has re-classified different facilities provided to its customers under the name musharika, morabaha and other finances as "Loans and advances." Had this reclassification not made the following amounts would have appeared in the financial statements: -

	2008				2007
	Musharika	Morabaha	Other	Total	Total
	finance	finance	finance		
	----- Rupees in '000' -----				
Receivable from related parties					
Gross amount receivable	-	25,000	12,000	37,000	7,041
Less: Provision for doubtful receivable	-	-	-	-	7,041
Net exposure - Considered good	-	25,000	12,000	37,000	-
Receivable from others					
Gross amount receivable	999,594	376,439	45,382	1,421,415	1,409,722
Less: Provision for doubtful receivable	633,344	258,756	44,899	936,999	1,002,641
Net exposure - Considered good	366,250	117,683	483	484,416	407,081
Less: Current maturity	332,033	109,938	12,483	454,454	362,907
	34,217	29,254	12,000	75,471	44,174

52 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issuance by the Board on April 21, 2009.

53 GENERAL

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

53.2 The current year figures reflect the results of full year operations whereas the figures for corresponding period comprise results from March 29, 2007 to December 31, 2007.



Chief Executive Officer



Chairman

ANNEXURE - A

STATEMENT SHOWING WRITTEN OFF LOANS AND ANY OTHER FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE PROVIDED DURING THE YEAR 2008

Sr. No.	Name & address of the borrower	Name of individuals / partners (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at the time of settlement			Principal Amount Written off	Other financial relief allowed	Total	
				Principal	Mark-up	Others				Total
----- Rupees in '000' -----										
1.	Crescent Jute Product Limited 306,3rd Floor,Siddiq Trade Centre ,72-Main Boulevard Gulberg, Lahore.	Mr. Amir Hasnain Zaidi(33100-3953467-1) Mr. A. Rashid M. Haniff(42201-2703256-3) Mr. Humayun Mazhar (35201-2124933-9) Mr. Khalid Bashir (35202-2631654-5) Mr. Khurram Mazhar Karim (35201-1471781-3) Mr. Mazher Karim (33100-7443925-5) Syed Raza Abbas Jaffery (42201-0215685-1)	Mr. Murad Hasnain Zaidi Mr. M.Hanif Mr. Mazher Karim Mr. M.Bashir Mr. Mazher Karim Mr. Fazal Karim Syed Shabaha Hussain	71,450	11,831	-	83,281	28,450	11,831	40,281
2.	Flying Paper Industries Ltd. 103-Fazal Road,St.Johnn Park, Lahore Cantt, Lahore.	Mr. M Akram (35202-5462220-1) Mrs. Maryam Absar (42000-373166-0) Mrs. Misbah Momin(35201-12189435-6) Mr. Asim Qamer (35201-0949909-1)	Mr. Abdul Ghani Mr. Absar Akhter Mr. Momoin Qamer Mr. Imran Qamer	5,091	5,001	-	10,092	1,592	5,001	6,593
3.	Rehman Oil Mills 7,Shah Abdul Ghani Road Bagbanpura, Lahore.	Mr. M. Ramzan (35201-4687892-3)	Mr. Abdul Ghani	1,391	249	-	1,640	1,391	249	1,640
4.	Brite Can 7,Shah Abdul Ghani Road Bagbanpura, Lahore.	Mr. M. Ramzan (35201-4687892-3)	Mr. Abdul Ghani	559	94	-	653	559	94	653
				78,491	17,175	-	95,666	31,992	17,175	49,167

Pattern of Shareholding
as on December 31, 2008

Number of Shareholders	Shareholding		Total Number of Shares held	Percentage of Total Capital
	From	To		
10060	1	100	108,437	0.13
409	101	500	93,379	0.12
50	501	1000	35,097	0.04
23	1001	5000	43,308	0.05
3	5001	10000	21,565	0.03
4	10001	15000	49,804	0.06
2	15001	20000	35,651	0.04
2	35001	40000	71,514	0.09
1	45001	50000	49,700	0.06
1	125001	130000	125,025	0.16
1	79995001	80000000	79,996,500	99.22
10,556	<-----Total----->		80,629,980	100.00

CATEGORIES OF SHAREHOLDERS		NO. OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
A)	Directors/Chief Executive Officer and their spouse and minor children			
	Mr. Zafar Baidar Chishti	1	500	0.00
	Mr. Abid Kasem	1	500	0.00
	Mr. Javed Nizam	1	500	0.00
	Mr. Abdur Razzaq	1	500	0.00
	Mr. Mohammad Tamraz Riaz	1	500	0.00
	Mr. Asif Majid	1	500	0.00
	Raja Muhammad Safdar	1	500	0.00
B)	Executives	-	-	-
C)	Associated Companies, undertakings and related parties	1	79,996,500	99.22
D)	Public Sectors Companies & Corporations	-	-	0.00
E)	NIT and IDBP (ICP UNIT)	9	72,472	0.09
F)	Banks, Development Financial Institutions & Non-Banking Financial Institutions	33	26,509	0.03
G)	Joint Stock Companies	135	195,803	0.24
H)	Insurance Companies	8	13,031	0.02
I)	Modarabas	13	83	0.00
J)	*Shareholding 10% or more	*1	*79,996,500	*99.22
K)	Others	31	54,471	0.07
L)	General Public	10,319	267,611	0.33
	TOTAL	10,556	80,629,980	100.00

* 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 Limited B.V.I.	79,996,500	99.22

NOTICE OF SECOND ANNUAL GENERAL MEETING
INNOVATIVE INVESTMENT BANK LIMITED

NOTICE is hereby given that the 2nd Annual General Meeting of the shareholders of Innovative Investment Bank Limited will be held on Friday, May 29, 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 first Annual General Meeting held on February 19, 2009.
2. To receive, consider and adopt the Financial Statements of the Company and the Consolidated Financial Statements for the year ended December 31, 2008 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, 2009.
4. To consider any other business with the permission of Chair.

By Order of the Board



Numan Ali Amjad
Company Secretary

Lahore

Dated: April 28, 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.

BOOK CLOSURE:

The Share Transfer Books of the Company will remain closed from May 22, 2009 to May 29, 2009 (both days inclusive). Physical transfers/CDS Transaction IDs received in order at the Registered Office of the Company upto 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 member(s) of Innovative Investment Bank 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 2nd Annual General Meeting of the Company to be held on Friday, May 29, 2009 at 11:30 am at Qasr-e-Noor, 9 E 2, Main Boulevard, Gulberg III, Lahore, and/or and any adjournment thereof.

Signed this day of 2009

Signature on
Revenue Stamp

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.