

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present to you the financial statements of Innovative Investment Bank Limited (IIBL) for the first quarter ended March 31, 2009.

Financial Highlights

| | 1 st Quarter Ended March 31, | |
|---|---|----------|
| | 2009 | 2008 |
| | --- Rs. in '000 --- | |
| Income | 11,809 | 19,280 |
| Expenditure | 75,177 | 84,646 |
| | ----- | ----- |
| Loss before Provision | (63,368) | (65,366) |
| Provisions for Doubtful Receivables – Net | (10,082) | (22,579) |
| | ----- | ----- |
| Loss before Taxation | (73,450) | (87,945) |
| Provision for Taxation | (4) | (4) |
| | ----- | ----- |
| Loss after Taxation | (73,454) | (87,949) |
| | ===== | ===== |
| | | |
| Earnings per share – Basic | (0.91) | (1.09) |
| Earnings per share – Diluted | (0.87) | (1.09) |

Financial Performance

The Company has incurred loss after taxation of Rupees 73.45 million during the period as against loss after taxation of Rupees 87.95 million during the previous corresponding period. 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, nonearning assets of the Company are being converted into earning assets.

Looking Ahead

The global slowdown and deteriorating security situation in the Country is still impacting negatively on the growth of the financial institutions. Despite of some positive signs in respect of recovery of economy, the pressure on the financial institutions is not likely to ease in the short term. 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. It is also actively exploiting avenues of fee based income through corporate advisory. The management is aware of the continued focus required in these areas and remains confident of positive results going forward.

Listing of Shares

The Company has obtained permission from all the three stock exchanges of the Country for the listing of its shares. However, the final approval from the regulatory authority is awaited.

Credit Rating

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

Acknowledgement

We would like to express our sincere thanks and gratitude to our customers for their patronage and the Securities and Exchange of Pakistan for their continued support. We also take the opportunity to thank the shareholders for their continued trust and the staff for their dedication and commitment.

For and on behalf of the Board of Directors,

Zafar Baidar Chishti
Chief Executive Officer

Dated: April 30, 2009

INNOVATIVE INVESTMENT BANK LIMITED

**CONDENSED BALANCE SHEET
AS AT MARCH 31, 2009**

| | Un-audited March 31, 2009 | Audited December 31, 2008 |
|--|---------------------------------|---------------------------------|
| Note | Rupees in '000' | |
| NON-CURRENT ASSETS | | |
| Fixed assets | 4 615,700 | 627,787 |
| Investment properties | 5 825,827 | 1,260,747 |
| Long term investments | 6 201,550 | 201,550 |
| Loans and advances | 7 28,057 | 15,102 |
| Net investment in finance lease | 8 29,026 | 48,647 |
| Long term placement of funds | 9 - | - |
| | <u>1,700,160</u> | <u>2,153,833</u> |
| CURRENT ASSETS | | |
| Current maturities of non-current assets | 10 538,540 | 659,819 |
| Investment properties held for sale | 11 438,812 | - |
| Advances, deposits, prepayments and other assets | 12 51,700 | 55,222 |
| Mark-up and profit receivables | 13 110,576 | 120,975 |
| Other receivables | 14 291,476 | 293,064 |
| Short term investments | 15 116,901 | 112,974 |
| Short term placements | 129,000 | 80,000 |
| Cash and bank balances | 77,770 | 82,656 |
| | <u>1,754,775</u> | <u>1,404,710</u> |
| | <u><u>3,454,935</u></u> | <u><u>3,558,543</u></u> |
| EQUITY AND LIABILITIES | | |
| SHARE CAPITAL AND RESERVES | | |
| Authorized share capital | | |
| 220,000,000 ordinary shares of Rupees 10/- each | <u>2,200,000</u> | <u>2,200,000</u> |
| Issued, subscribed and paid up share capital | 16 806,300 | 806,300 |
| Accumulated loss | (1,922,438) | (1,848,984) |
| | (1,116,138) | (1,042,684) |
| SHARE DEPOSIT MONEY | 17 37,623 | - |
| UNREALIZED (LOSS) ON INVESTMENTS AVAILABLE FOR SALE | (19,511) | (17,060) |
| NON-CURRENT LIABILITIES | | |
| Liabilities against assets subject to finance lease | 3,603 | 10,769 |
| Long term financing | 18 535,670 | 621,869 |
| Long term customers' deposits | 2,369,134 | 2,366,103 |
| Long term security deposits | 9,456 | 10,052 |
| | <u>2,917,863</u> | <u>3,008,793</u> |
| CURRENT LIABILITIES | | |
| Current maturities of non-current liabilities | 19 972,487 | 933,970 |
| Short term customers' deposits | 2,970 | 9,852 |
| Accrued and other liabilities | 20 652,206 | 658,237 |
| Unclaimed dividend | 7,435 | 7,435 |
| | <u>1,635,098</u> | <u>1,609,494</u> |
| Contingencies and commitments | 21 - | - |
| | <u><u>3,454,935</u></u> | <u><u>3,558,543</u></u> |

The annexed notes 1 to 25 form an integral part of these financial statements.

Chief Executive

Chairman

INNOVATIVE INVESTMENT BANK LIMITED

CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED MARCH 31, 2009

| Note | Quarter Ended | |
|--|------------------------|------------------------|
| | March 31, 2009 | March 31, 2008 |
| | Rupees in '000' | |
| INCOME | | |
| Lease revenue | (1,209) | (4,178) |
| Return on loans, advances and placement of funds | 2,277 | 30,578 |
| Return on investments | 7,611 | (8,779) |
| Other income | 3,130 | 1,659 |
| | <u>11,809</u> | <u>19,280</u> |
| EXPENDITURES | | |
| Financial charges | 43,177 | 47,970 |
| Administrative and operating expenses | 32,000 | 36,676 |
| | <u>75,177</u> | <u>84,646</u> |
| (LOSS) / PROFIT BEFORE PROVISION | <u>(63,368)</u> | <u>(65,366)</u> |
| Provision for doubtful receivables - Net | (10,082) | (22,579) |
| (LOSS) / PROFIT BEFORE TAXATION | <u>(73,450)</u> | <u>(87,945)</u> |
| PROVISION FOR TAXATION | (4) | (4) |
| (LOSS) / PROFIT AFTER TAXATION | <u><u>(73,454)</u></u> | <u><u>(87,949)</u></u> |
| EARNINGS PER SHARE – BASIC (Rupees) | 22.1 <u>(0.91)</u> | <u>(1.09)</u> |
| EARNINGS PER SHARE – DILUTED (Rupees) | 22.2 <u>(0.87)</u> | <u>(1.09)</u> |

The annexed notes 1 to 25 form an integral part of these financial statements.

Chief Executive

Chairman

INNOVATIVE INVESTMENT BANK LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED MARCH 31, 2009

| | Quarter Ended | |
|--|----------------------|-----------------------|
| | March 31, 2009 | March 31, 2008 |
| | Rupees in '000' | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| (Loss) / Profit before taxation | (73,450) | (87,945) |
| Adjustments for non cash and other items: | | |
| (Gain) on disposal of property and equipment | (1,960) | (1,202) |
| (Gain) on sale of investments | - | 1,973 |
| (Gain) / loss on remeasurement of investment held for trading | (6,375) | 6,899 |
| Depreciation | 8,919 | 9,906 |
| Direct write offs | 1,380 | - |
| Provision for doubtful receivables | 10,082 | 22,579 |
| | <u>12,046</u> | <u>40,155</u> |
| Cash used in operating activities before working capital changes | (61,404) | (47,790) |
| Adjustments for working capital changes: | | |
| (Increase) / decrease in operating assets: | | |
| Loans and advances | 44,000 | (132,008) |
| Net investment in finance lease | 20,837 | 50,622 |
| Advances, deposits, prepayments and other assets | 5,685 | (73,828) |
| Mark up & profit receivable | 10,399 | 36,756 |
| Other receivable | 1,588 | (14,229) |
| Increase / (decrease) in operating liabilities: | | |
| Customers' deposits | (1,830) | (1,637) |
| Accrued and other liabilities | (6,030) | (1,188) |
| | <u>74,649</u> | <u>(135,512)</u> |
| | 13,245 | (183,302) |
| Income tax (paid) / refund - Net | (522) | (264) |
| Net cash generated from / (used in) operating activities | <u>12,723</u> | <u>(183,566)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments - Net | (3) | 47,612 |
| Purchase of investment properties - Net | (3,892) | (11,188) |
| Placements of funds | 1,000 | 210,000 |
| Purchase of fixed assets - Net | 5,128 | (31,026) |
| Net cash generated from/(used in) investing activities | <u>2,233</u> | <u>215,398</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Loan from banking companies and financial institutions | (5,076) | (24,035) |
| Liabilities against assets subject to finance lease | (14,766) | (11,508) |
| Net cash generated from /(used in) financing activities | <u>(19,842)</u> | <u>(35,543)</u> |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | <u>(4,886)</u> | <u>(3,711)</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | <u>82,656</u> | <u>181,161</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u><u>77,770</u></u> | <u><u>177,450</u></u> |

The annexed notes 1 to 25 form an integral part of these financial statements.

Chief Executive

Chairman

INNOVATIVE INVESTMENT BANK LIMITED

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE FIRST QUARTER ENDED MARCH 31, 2009

| | Issued, Subscribed and Paid-up Share Capital | Accumulated (Loss)/Profit | Shareholders' Equity |
|---|---|------------------------------|-------------------------|
| | ----- Rupees in '000' ----- | | |
| Balance as at December 31, 2007 | 806,300 | (1,824,120) | (1,017,820) |
| Loss for the first quarter ended March 31, 2008 | - | (87,949) | (87,949) |
| Balance as at March 31, 2008 | 806,300 | (1,912,069) | (1,105,769) |
| Profit for the period from April 1, 2008 to December 31, 2008 | | 63,085 | 63,085 |
| Balance as at December 31, 2008 | 806,300 | (1,848,984) | (1,042,684) |
| Loss for the first quarter ended March 31, 2009 | - | (73,454) | (73,454) |
| Balance as at March 31, 2009 | 806,300 | (1,922,438) | (1,116,138) |

The annexed notes 1 to 25 form an integral part of these financial statements.

Chief Executive

Chairman

INNOVATIVE INVESTMENT BANK LIMITED

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED MARCH 31, 2009**

1 STATUS AND NATURE OF BUSINESS

Innovative Investment Bank 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 is a subsidiary of Agen Limited B.V.I.

These financial statements are the separate financial statements of Innovative Investment Bank 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

These financial statements are un-audited and are being submitted to the shareholders as required under Section 245 of Companies Ordinance, 1984. These financial statements have been prepared in compliance with the requirements of International Accounting Standard 34 "Interim Financial Reporting".

3 ACCOUNTING POLICIES

These financial statements have been prepared by applying accounting policies consistent with those applied in the preparation of the preceding audited financial statements of the Company for the year ended December 31, 2008.

4 FIXED ASSETS

Property, plant and equipment
Operating fixed assets - held for own use
Assets subject to finance lease
Assets leased out under operating lease arrangements

Intangible assets
Capital work in progress

March 31, 2009 December 31, 2008
Rupees in '000'

| | |
|----------------|----------------|
| 553,837 | 443,676 |
| 7,872 | 12,410 |
| 7,081 | 7,514 |
| 568,790 | 463,600 |
| 7,097 | 7,097 |
| 39,813 | 157,090 |
| 615,700 | 627,787 |

4.1 ADDITIONS / DISPOSAL IN OPERATING FIXED ASSETS

The following fixed assets have been added / disposed off during the three months ended March 31, 2009:

| Cost Amount | |
|-----------------|-----------|
| Additions | Disposals |
| Rupees in '000' | |

Assets in own use

Office premises
Furniture and fixtures
Office equipments
Vehicles

| | |
|-----|-------|
| 377 | - |
| - | 190 |
| 215 | 39 |
| - | 6,956 |

| | | |
|----------------|-------|-------|
| March 31, 2009 | 592 | 7,185 |
| March 31, 2008 | 3,051 | 5,294 |

March 31, December 31,
2009 2008
Rupees in '000'

5 INVESTMENT PROPERTIES

| | | | |
|-----------------------|-----|---------|-----------|
| Investment properties | 5.1 | 682,289 | 1,121,015 |
| Work in progress | | 143,538 | 139,732 |
| | | 825,827 | 1,260,747 |

5.1 This includes fair value of investment properties amounting to Rupees 580.203 million (December 31, 2008: Rupees 814.199 million) in the name of Maghreb Development Corporation (Private) 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.

5.2 Investment Properties

Reconciliation statement of the investment properties showing the movement during the period ended March 31, 2009 is as follows:

| 2009 | | | | | | | |
|-----------------------------|------------------------|---|-----------|--|-----------|--|-------------------------|
| Description | As at January 01, 2009 | Additions resulting from acquisition / installments | Transfers | Additions resulting from subsequent expenditures | Disposals | Surplus / (deficit/ impairment) on revaluation of properties | As at March 31, 2009 |
| ----- Rupees in '000' ----- | | | | | | | |
| Investment Properties | | | | | | | |
| Land | 885,332 | - | (203,130) | - | - | - | 682,202 |
| Premises | 235,683 | - | (235,682) | 86 | - | - | 87 |
| | 1,121,015 | - | (438,812) | 86 | - | - | 682,289 |
| Work In Progress | | | | | | | |
| Land | 2,938 | - | - | 1,806 | - | - | 4,744 |
| Premises/Building | 136,794 | 2,000 | - | - | - | - | 138,794 |
| | 139,732 | 2,000 | - | 1,806 | - | - | 143,538 |
| | 1,260,747 | 2,000 | (438,812) | 1,892 | - | - | 825,827 |
| 2008 | | | | | | | |
| Description | As at January 01, 2008 | Additions resulting from acquisition / installments | Transfers | Additions resulting from subsequent expenditures | Disposals | Surplus / (deficit/ impairment) on 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 |

6 LONG TERM INVESTMENTS

| No. of Ordinary shares /certificates | | | March 31, 2009 | December 31, 2008 |
|--------------------------------------|-----------|--|-------------------|----------------------|
| 2009 | 2008 | | Rupees in '000' | |
| | | Wholly owned subsidiary companies | | |
| 5,000,000 | 5,000,000 | Innovative Brokerage (Private) Limited [Rs. 10/- each] | 48,995 | 48,995 |
| 3,006,080 | 3,006,080 | International Asset Management Company Limited [Rs. 10/- each] | 8,046 | 8,046 |
| 2 | 2 | Maghreb Development Corporation (Private) Limited [Rs. 10/- each] | - | - |
| 100 | 100 | Exclusive Ventures (Private) Limited [Rs. 100/- each] | 117,509 | 117,509 |
| | | Sukuk certificates | | |
| 6,000 | 6,000 | House Building Finance Corporation Limited - unlisted [Rs. 5,000/- each] | 30,000 | 30,000 |
| | | | <u>204,550</u> | <u>204,550</u> |
| | | Less: Current maturity of Sukuk certificates | <u>3,000</u> | <u>3,000</u> |
| | | | <u>201,550</u> | <u>201,550</u> |

| | Note | March 31, 2009 | December 31, 2008 |
|-----------|---|-------------------|----------------------|
| | | Rupees in '000' | |
| 7 | LOANS AND ADVANCES | | |
| | Receivable from related parties | | |
| | Gross amount receivable | 5,899 | 42,917 |
| | Less: Provision for doubtful receivable | <u>5,899</u> | <u>5,917</u> |
| | Net exposure - Considered good | - | 37,000 |
| | Receivable from others | | |
| | Gross amount receivable | 1,362,562 | 1,369,556 |
| | Less: Provision for doubtful receivable | <u>942,328</u> | <u>937,000</u> |
| | Net exposure - Considered good | 420,234 | 432,556 |
| | Less: Current maturity | <u>392,177</u> | <u>454,454</u> |
| | | <u>28,057</u> | <u>15,102</u> |
| 8 | NET INVESTMENT IN FINANCE LEASE | | |
| | Lease rentals receivable | 462,248 | 474,782 |
| | Add: Residual value | <u>114,708</u> | <u>124,378</u> |
| | Gross investment in finance lease | 576,956 | 599,160 |
| | Less: Unearned finance income | <u>6,712</u> | <u>8,079</u> |
| | Net investment in finance lease | 570,244 | 591,081 |
| | Less: Provision for potential lease losses | <u>397,855</u> | <u>390,069</u> |
| | | 172,389 | 201,012 |
| | Less: Current maturity | <u>143,363</u> | <u>152,365</u> |
| | | <u>29,026</u> | <u>48,647</u> |
| 9 | LONG TERM PLACEMENT OF FUNDS | | |
| | Long term placement of funds | - | 50,000 |
| | Less: Current maturities | - | 50,000 |
| | | <u>-</u> | <u>-</u> |
| 10 | CURRENT MATURITIES OF NON-CURRENT ASSETS | | |
| | Long term investments | 3,000 | 3,000 |
| | Loans and advances | 392,177 | 454,454 |
| | Net investment in finance lease | 143,363 | 152,365 |
| | Long term placement of funds | - | 50,000 |
| | | <u>538,540</u> | <u>659,819</u> |

| | Note | March 31, 2009 | December 31, 2008 |
|---|---|-------------------|----------------------|
| | | Rupees in '000' | |
| 11 INVESTMENT PROPERTIES HELD FOR SALE | 11.1 & 11.2 | 438,812 | - |
| 11.1 | The Company has initiated sale of certain investment properties, which have been classified under this head. | | |
| 11.2 | This includes fair value of investment properties amounting to Rupees 233.996 million (December 31, 2008: Nil) in the name of Maghreb Development Corporation (Private) 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. | | |
| | | March 31, 2009 | December 31, 2008 |
| | | Rupees in '000' | |
| 12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS | | | |
| Advances to staff- considered good | | 3,812 | 3,597 |
| Income tax - net | | 23,725 | 23,207 |
| Security deposits | | 7,052 | 8,918 |
| Prepayments | | 10,527 | 11,699 |
| Due from lessees | | 5,243 | 5,243 |
| Assets repossessed | | 59,315 | 59,315 |
| Due from brokers and clients | | 76,680 | 80,922 |
| | | <u>186,354</u> | <u>192,901</u> |
| Less: provision for doubtful receivables | | <u>134,654</u> | <u>137,679</u> |
| | | <u>51,700</u> | <u>55,222</u> |
| 13 MARK-UP AND PROFIT RECEIVABLES | | | |
| Loans and advances | | 7,332 | 11,684 |
| Profit receivable from Sysmax (Private) Limited | 13.1 | 100,000 | 100,000 |
| Funds placements | | 2,029 | 7,634 |
| Deposits with banks | | 1,215 | 1,657 |
| | | <u>110,576</u> | <u>120,975</u> |
| 13.1 Gross amount receivable | | 237,000 | 237,000 |
| Less: Provision against doubtful receivable | | 137,000 | 137,000 |
| | | <u>100,000</u> | <u>100,000</u> |
| 14 OTHER RECEIVABLES | | | |
| Unsecured - Considered good | | | |
| Sysmax (Private) Limited | | 204,057 | 204,057 |
| Exclusive Ventures (Private) Limited - Related party | | 88,762 | 85,418 |
| | | <u>292,819</u> | <u>289,475</u> |
| Considered doubtful | | | |
| Maghreb Development Corporation (Private) Limited - Related party | | 22 | 22 |
| Others | | 143,767 | 148,699 |
| | | <u>143,789</u> | <u>148,721</u> |
| | | <u>436,608</u> | <u>438,196</u> |
| Less: Provision for doubtful other receivables | | 145,132 | 145,132 |
| | | <u>291,476</u> | <u>293,064</u> |
| 15 SHORT TERM INVESTMENTS | | | |
| Available for sale | | | |
| Ordinary shares - listed | | 6,491 | 8,941 |
| Ordinary shares - unlisted | | 80,691 | 80,691 |
| | | <u>87,182</u> | <u>89,632</u> |
| Held for trading | | | |
| Ordinary shares and certificates - listed | | 29,719 | 23,342 |
| | | <u>116,901</u> | <u>112,974</u> |

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2009 | 2008 | | Note | March 31, 2009 | December 31, 2008 |
|-------------------|-------------------|--|------|-------------------|----------------------|
| No. of shares | | | | Rupees in '000' | |
| 80,000,000 | 80,000,000 | Ordinary shares of Rs. 10 each | 16.1 | 800,000 | 800,000 |
| 629,980 | 629,980 | Ordinary shares of Rs. 10 each issued to CSIBL shareholders in 2007 in accordance with the Scheme of Amalgamation. | | 6,300 | 6,300 |
| <u>80,629,980</u> | <u>80,629,980</u> | | | <u>806,300</u> | <u>806,300</u> |

16.1 Agen Limited B.V.I., a parent company, holds 79,996,500 (December 31, 2008: 79,996,500) ordinary shares of the Company.

17 SHARE DEPOSIT MONEY

Borrowing of Rupees 37.623 million obtained from Saudi Pak Industrial & Agricultural Investment Company Limited, has been converted into share deposit money upon successful restructuring. Subsequent to the date of balance sheet, 3,762,304 number of ordinary shares have been issued at the rate of Rupees 10 per share after obtaining necessary approvals.

18 LONG TERM FINANCING

| | | |
|--|----------------|----------------|
| Loan from banking companies and financial institutions | 644,622 | 687,321 |
| Less: current maturities | 108,952 | 65,452 |
| | <u>535,670</u> | <u>621,869</u> |

19 CURRENT MATURITIES OF NON-CURRENT LIABILITIES

| | | |
|---|----------------|----------------|
| Liabilities against assets subject to finance lease | 6,618 | 4,548 |
| Long term financing | 108,952 | 65,452 |
| Long term customers' deposits | 750,463 | 748,442 |
| Security deposits | 106,454 | 115,528 |
| | <u>972,487</u> | <u>933,970</u> |

20 ACCRUED AND OTHER LIABILITIES

| | | |
|--|----------------|----------------|
| Profit / return payable on redeemable capital, deposits and borrowings | 85,602 | 80,689 |
| Payments received against loans, advances and others | 14,727 | 15,168 |
| Accounts payable on settlement / recovery from Sysmax (Pvt.) Limited | 20.1 330,062 | 330,062 |
| Accrued expenses and other liabilities | 124,439 | 128,120 |
| Margin deposits | 1,934 | 1,934 |
| Tax Deducted at source | 844 | 1,129 |
| Payable against divestment of investment | 90,000 | 90,000 |
| Lease balance payable | 2,199 | 10,211 |
| Zakat payable | 2,372 | 897 |
| Payable to stock brokers | 27 | 27 |
| | <u>652,206</u> | <u>658,237</u> |

20.1 This represents accounts payable to various parties, which will be settled / paid after recovery from Sysmax (Pvt.) Limited.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

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

| | | |
|--|---------|---------|
| Banking companies and other financial institutions | 163,397 | 163,397 |
| Corporate and other government and non government institutions | 90,404 | 90,919 |

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

- 21.2.1 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 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.

| 21.3 Commitments | Note | 2009 Rs in '000' | 2008 Rs in '000' |
|--|--------|---------------------|---------------------|
| Commitments for disbursement of leases, loans and advances | 20.3.1 | 234,119 | 234,119 |
| Commitments for balance payments for the purchase of investment properties | | 47,999 | 36,519 |

- 21.3.1 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, Karachi (DHACGC), 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.

| | | Quarter Ended | |
|------|--|-------------------|-------------------|
| | | March 31, 2009 | March 31, 2008 |
| | | Rupees in '000' | |
| 22 | EARNINGS PER SHARE | | |
| 22.1 | Basic earnings per share is given below: | | |
| | Loss after taxation | Rupees in '000' | |
| | | (73,454) | (87,949) |
| | Weighted average ordinary shares | No. of Shares | |
| | | 80,629,980 | 80,629,980 |
| | Basic earnings per share | Rupees | |
| | | (0.91) | (1.09) |
| 22.2 | Diluted earnings per share is given below: | | |
| | Loss after taxation | Rupees in '000' | |
| | | (73,454) | (87,949) |
| | Weighted average ordinary shares | No. of Shares | |
| | | 84,392,284 | 80,629,980 |
| | Diluted earnings per share | Rupees | |
| | | (0.87) | (1.09) |

23 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 period are as follows: -

| | | Quarter Ended | |
|------|---|-------------------|-------------------|
| | | March 31, 2009 | March 31, 2008 |
| | | Rupees in '000' | |
| 23.1 | <u>Maghreb Development Corporation (Private) Limited</u> (wholly owned subsidiary) | | |
| | Loans and advances receivable at the start of year | 5,917 | 7,063 |
| | Amounts adjusted during the year | (18) | (1,106) |
| | Loans and advances receivable at the end of year | 5,899 | 5,957 |
| | Provision against doubtful receivable | (5,899) | (5,917) |
| | Net exposure at the end of the quarter | - | 22 |
| 23.2 | <u>Exclusive Ventures (Private) Limited</u> (wholly owned subsidiary) | | |
| | Loans and advances receivable at the start of year | 85,419 | - |
| | Payments made on behalf of the subsidiary | 3,342 | 9 |
| | Swap of loan | - | 85,117 |
| | Receivable at end of quarter | 88,761 | 85,126 |

24 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issuance by the Board on 30 April 2009.

25 GENERAL

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

INNOVATIVE INVESTMENT BANK LIMITED & ITS SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEET
AS AT MARCH 31, 2009

| | Note | Un-audited March 31, 2009 | Audited December 31, 2008 |
|--|------|---------------------------------|---------------------------------|
| Rupees in '000' | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 4 | 659,097 | 671,574 |
| Investment properties | 5 | 1,031,510 | 1,463,087 |
| Long term investments | 6 | 27,000 | 27,000 |
| Loans and advances | 7 | 28,080 | 15,102 |
| Net investment in finance lease | 8 | 29,026 | 48,647 |
| Long term placement of funds | 9 | - | - |
| | | <u>1,774,713</u> | <u>2,225,410</u> |
| CURRENT ASSETS | | | |
| Current maturities of non-current assets | 10 | 538,540 | 659,819 |
| Investment properties held for sale | 11 | 438,812 | - |
| Advances, deposits, prepayments and other assets | 12 | 55,705 | 56,000 |
| Mark-up and profit receivables | 13 | 110,576 | 120,975 |
| Other receivables | 14 | 202,670 | 207,623 |
| Short term investments | 15 | 117,631 | 113,620 |
| Short term placements | | 129,000 | 80,000 |
| Cash and bank balances | | 87,112 | 92,389 |
| | | <u>1,680,046</u> | <u>1,330,426</u> |
| | | <u>3,454,759</u> | <u>3,555,836</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | | | |
| 220,000,000 ordinary shares of Rupees 10/- each | | <u>2,200,000</u> | <u>2,200,000</u> |
| Issued, subscribed and paid up share capital | 16 | 806,300 | 806,300 |
| Accumulated loss | | (1,930,654) | (1,859,444) |
| | | (1,124,354) | (1,053,144) |
| Share Deposit Money | 17 | 37,623 | - |
| UNREALIZED (LOSS) ON INVESTMENTS AVAILABLE FOR SALE | | (19,511) | (17,410) |
| SUPPLEMENTARY CAPITAL | | - | - |
| NON-CURRENT LIABILITIES | | | |
| Liabilities against assets subject to finance lease | | 3,603 | 10,769 |
| Long term financing | 18 | 535,670 | 621,869 |
| Long term customers' deposits | | 2,369,134 | 2,366,103 |
| Long term security deposits | | 9,456 | 10,052 |
| Deffered tax liability | | 726 | 726 |
| | | <u>2,918,589</u> | <u>3,009,519</u> |
| CURRENT LIABILITIES | | | |
| Current maturities of non-current liabilities | 19 | 972,487 | 933,970 |
| Short term customers' deposits | | 2,970 | 9,852 |
| Accrued and other liabilities | 20 | 659,520 | 665,614 |
| Unclaimed dividend | | 7,435 | 7,435 |
| | | <u>1,642,412</u> | <u>1,616,871</u> |
| Contingencies and commitments | 21 | - | - |
| | | <u>3,454,759</u> | <u>3,555,836</u> |

The annexed notes 1 to 24 form an integral part of these financial statements.

Chief Executive

Chairman

INNOVATIVE INVESTMENT BANK LIMITED & ITS SUBSIDIARIES

CONSOLIDATED CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED MARCH 31, 2009

| Note | Quarter Ended | |
|--|--------------------|-------------------|
| | March 31, 2009 | March 31, 2008 |
| Rupees in '000' | | |
| INCOME | | |
| Lease revenue | (1,208) | (4,178) |
| Return on loans, advances and placement of funds | 2,277 | 30,578 |
| Return on investments | 7,701 | (8,779) |
| Other income | 6,259 | 2,173 |
| | <u>15,029</u> | <u>19,794</u> |
| EXPENDITURES | | |
| Financial charges | 43,176 | 47,970 |
| Administrative and operating expenses | 32,977 | 37,761 |
| | <u>76,153</u> | <u>85,731</u> |
| (LOSS) / PROFIT BEFORE PROVISION | <u>(61,124)</u> | <u>(65,937)</u> |
| Provision for doubtful receivables - Net | (10,082) | (22,579) |
| (LOSS) / PROFIT BEFORE TAXATION | <u>(71,206)</u> | <u>(88,516)</u> |
| PROVISION FOR TAXATION | (4) | (4) |
| (LOSS) / PROFIT AFTER TAXATION | <u>(71,210)</u> | <u>(88,520)</u> |
| EARNINGS PER SHARE – BASIC (Rupees) | <u>22.1 (0.88)</u> | <u>(1.10)</u> |
| EARNINGS PER SHARE – DILUTED (Rupees) | <u>22.2 (0.84)</u> | <u>(1.10)</u> |

The annexed notes 1 to 24 form an integral part of these financial statements.

Chief Executive

Chairman

INNOVATIVE INVESTMENT BANK LIMITED & ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED MARCH 31, 2009

| | Quarter Ended | |
|---|-------------------|-------------------|
| | March 31, 2009 | March 31, 2008 |
| | Rupees in '000' | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| (Loss) / Profit before taxation | (71,206) | (88,516) |
| Adjustments for non cash and other items: | | |
| (Gain) on disposal of property and equipment | (1,960) | (1,202) |
| (Gain) on sale of investments | - | 1,973 |
| (Gain) / loss on remeasurement of investment held for trading | (6,465) | 6,899 |
| Depreciation | 9,315 | 10,300 |
| Direct write offs | 1,380 | - |
| Provision for doubtful receivables | 10,082 | 22,579 |
| | <u>12,352</u> | <u>40,549</u> |
| Cash used in operating activities before working capital changes | (58,854) | (47,967) |
| Adjustments for working capital changes: | | |
| (Increase) / decrease in operating assets: | | |
| Loans and advances | 43,960 | (132,008) |
| Net investment in finance lease | 20,837 | 50,622 |
| Advances, deposits, prepayments and other assets | 2,440 | (74,329) |
| Mark up & profit receivable | 10,399 | 36,756 |
| Other receivable | 4,953 | (14,229) |
| Increase / (decrease) in operating liabilities: | | |
| Customers' deposits | (1,830) | (1,637) |
| Accrued and other liabilities | (6,094) | 1,431 |
| | <u>74,665</u> | <u>(133,394)</u> |
| | 15,811 | (181,361) |
| Income tax (paid) / refund - Net | (486) | (264) |
| Net cash generated from / (used in) operating activities | 15,325 | (181,625) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments - Net | 353 | 47,612 |
| Purchase of investment properties - Net | (7,235) | (11,188) |
| Placements of funds | 1,000 | 210,000 |
| Purchase of fixed assets - Net | 5,122 | (31,026) |
| Net cash generated from/(used in) investing activities | (760) | 215,398 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Loan from banking companies and financial institutions | (5,076) | (24,035) |
| Liabilities against assets subject to finance lease | (14,766) | (11,508) |
| Net cash generated from/(used in) financing activities | (19,842) | (35,543) |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | (5,277) | (1,770) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 92,389 | 184,620 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 87,112 | 182,850 |

The annexed notes 1 to 24 form an integral part of these financial statements.

Chief Executive

Chairman

INNOVATIVE INVESTMENT BANK LIMITED & ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE FIRST QUARTER ENDED MARCH 31, 2009

| | Issued, Subscribed and Paid-up Share Capital | Accumulated (Loss)/Profit | Shareholders' Equity |
|--|---|------------------------------|-------------------------|
| | ----- Rupees in '000' ----- | | |
| Balance as at December 31, 2007 | 806,300 | (1,827,444) | (1,021,144) |
| Loss for the first quarter ended March 31, 2008 | - | (88,520) | (88,520) |
| Balance as at March 31, 2008 | 806,300 | (1,915,964) | (1,109,664) |
| Profit for the period from April 1, 2008 to December 31, 2008 | | 57,883 | 57,883 |
| 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) |
| Loss for the first quarter ended March 31, 2009 | - | (71,210) | (71,210) |
| Balance as at March 31, 2009 | 806,300 | (1,930,654) | (1,124,354) |

The annexed notes 1 to 24 form an integral part of these financial statements.

Chief Executive

Chairman

INNOVATIVE INVESTMENT BANK LIMITED & ITS SUBSIDIARIES

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED MARCH 31, 2009**

1 STATUS AND NATURE OF BUSINESS

Innovative Investment Bank 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).

Innovative Investment Bank Limited is a subsidiary of Agen Limited B.V.I.

These financial statements are the condensed consolidated financial statements of the Holding 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 holding 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

These financial statements are un-audited and are being submitted to the shareholders as required under Section 245 of Companies Ordinance, 1984. These consolidated financial statements have been prepared in compliance with the requirements of International Accounting Standard 34 "Interim Financial Reporting".

3 ACCOUNTING POLICIES

These consolidated financial statements have been prepared by applying accounting policies consistent with those applied in the preparation of the preceding audited financial statements of the Group for the year ended December 31, 2008.

4 FIXED ASSETS

Property, plant and equipment
Operating fixed assets - held for own use
Assets subject to finance lease
Assets leased out under operating lease arrangements

Intangible assets
Capital work in progress

March 31, December 31,
2009 2008
Rupees in '000'

| | |
|----------------|----------------|
| 564,286 | 454,515 |
| 7,872 | 12,410 |
| 7,081 | 7,514 |
| 579,239 | 474,439 |
| 40,045 | 40,045 |
| 39,813 | 157,090 |
| <u>659,097</u> | <u>671,574</u> |

5.1 ADDITIONS / DISPOSAL IN OPERATING FIXED ASSETS

The following fixed assets have been added / disposed off during the three months ended March 31, 2009:

| Cost Amount | |
|-------------------|-----------|
| Additions | Disposals |
| (Rupees in "000") | |

Office premises
Furniture and fixtures
Office equipments
Vehicles

| | |
|-----|-------|
| 377 | - |
| - | 190 |
| 215 | 38 |
| - | 6,956 |

| | | |
|----------------|--------------|--------------|
| March 31, 2009 | <u>592</u> | <u>7,184</u> |
| March 31, 2008 | <u>3,051</u> | <u>5,294</u> |

March 31, December 31,
2009 2008
Rupees in '000'

5 INVESTMENT PROPERTIES

| | | | |
|-----------------------|-----|-----------|-----------|
| Investment properties | 5.1 | 884,629 | 1,323,355 |
| Work in progress | | 146,881 | 139,732 |
| | | 1,031,510 | 1,463,087 |

5.1 This includes fair value of investment properties amounting to Rupees 580.203 million (December 31, 2008: Rupees 814.199 million) in the name of Maghreb Development Corporation (Private) 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.

5.2 Investment Properties

Reconciliation statement of the investment properties showing the movement during the period ended March 31, 2009 is as follows:

| 2009 | | | | | | | |
|-----------------------------|--|---|-----------|--|-----------|---|-------------------------|
| Description | As at January 01, 2009 | Additions resulting from acquisition / installments | Transfers | Additions resulting from subsequent expenditures | Disposals | Surplus / (deficit / impairment) on revaluation of properties | As at March 31, 2009 |
| ----- Rupees in '000' ----- | | | | | | | |
| Investment Properties | | | | | | | |
| Land | 1,087,672 | - | (203,130) | - | - | - | 884,542 |
| Premises | 235,683 | - | (235,682) | 86 | - | - | 87 |
| | 1,323,355 | - | (438,812) | 86 | - | - | 884,629 |
| Work In Progress | | | | | | | |
| Land | 2,938 | - | - | 5,149 | - | - | 8,087 |
| Premises/Building | 136,794 | 2,000 | - | - | - | - | 138,794 |
| | 139,732 | 2,000 | - | 5,149 | - | - | 146,881 |
| | 1,463,087 | 2,000 | (438,812) | 5,235 | - | - | 1,031,510 |
| 2008 | | | | | | | |
| Description | Acquisition from CSIBL as at June 28, 2007 | Additions resulting from acquisition / installments | Transfers | Additions resulting from subsequent expenditures | Disposals | Surplus / (deficit / impairment) on revaluation of properties | As at December 31, 2007 |
| ----- 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 |

March 31, December 31,
2009 2008
Rupees in '000'

6 LONG TERM INVESTMENTS

| | | | |
|--|--|--------|--------|
| Sukuk certificates (6,000) | | | |
| House Building Finance Corporation Limited - unlisted [Rs. 5,000/- each] | | 30,000 | 30,000 |
| Less: Current maturity of Sukuk certificates | | 3,000 | 3,000 |
| | | 27,000 | 27,000 |

| | March 31, 2009 | December 31, 2008 |
|--|------------------------|----------------------|
| | Rupees in '000' | |
| 7 LOANS AND ADVANCES | | |
| Receivable from related parties | | |
| Gross amount receivable | - | 37,000 |
| Less: Provision for doubtful receivable | - | - |
| Net exposure - Considered good | <u>-</u> | <u>37,000</u> |
| Receivable from others | | |
| Gross amount receivable | 1,362,584 | 1,369,556 |
| Less: Provision for doubtful receivable | <u>942,327</u> | <u>937,000</u> |
| Net exposure - Considered good | 420,257 | 432,556 |
| Less: Current maturity | <u>392,177</u> | <u>454,454</u> |
| | <u><u>28,080</u></u> | <u><u>15,102</u></u> |
| 8 NET INVESTMENT IN FINANCE LEASE | | |
| Lease rentals receivable | 462,248 | 474,782 |
| Add: Residual value | <u>114,708</u> | <u>124,378</u> |
| Gross investment in finance lease | 576,956 | 599,160 |
| Less: Unearned finance income | <u>6,712</u> | <u>8,079</u> |
| Net investment in finance lease | 570,244 | 591,081 |
| Less: Provision for potential lease losses | <u>397,855</u> | <u>390,069</u> |
| | 172,389 | 201,012 |
| Less: Current maturity | <u>143,363</u> | <u>152,365</u> |
| | <u><u>29,026</u></u> | <u><u>48,647</u></u> |
| 9 LONG TERM PLACEMENT OF FUNDS | | |
| Long term placement of funds | - | 50,000 |
| Less: Current maturities | - | 50,000 |
| | <u>-</u> | <u>-</u> |
| 10 CURRENT MATURITY OF NON-CURRENT ASSETS | | |
| Long term investments | 3,000 | 3,000 |
| Loans and advances | 392,177 | 454,454 |
| Net investment in finance lease | 143,363 | 152,365 |
| Long term placement of funds | - | 50,000 |
| | <u>538,540</u> | <u>659,819</u> |
| 11 INVESTMENT PROPERTIES HELD FOR SALE | 11.1 & 11.2 | |
| | <u><u>438,812</u></u> | <u>-</u> |

11.1 The Holding Company has initiated sale of certain investment properties, which have been classified under this head.

11.2 This includes fair value of investment properties amounting to Rupees 233.996 million (December 31, 2008: Nil) in the name of Maghreb Development Corporation (Private) 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.

| | Note | March 31, 2009 | December 31, 2008 |
|-----------------|---|-------------------|----------------------|
| Rupees in '000' | | | |
| 12 | ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS | | |
| | Advances to staff- considered good | 4,068 | 3,871 |
| | Income tax - net | 23,865 | 23,379 |
| | Security deposits | 7,701 | 9,567 |
| | Prepayments | 13,788 | 11,701 |
| | Due from lessees | 5,243 | 5,243 |
| | Assets repossessed | 59,315 | 59,315 |
| | Due from brokers and clients | 76,680 | 80,922 |
| | | <u>190,660</u> | <u>193,998</u> |
| | Less: provision for doubtful receivables | 134,955 | 137,998 |
| | | <u>55,705</u> | <u>56,000</u> |
| 13 | MARK-UP AND PROFIT RECEIVABLES | | |
| | Loans and advances | 7,332 | 11,684 |
| | Profit receivable from Sysmax (Private) Limited | 13.1 100,000 | 100,000 |
| | Funds placements | 2,029 | 7,634 |
| | Deposits with banks | 1,215 | 1,657 |
| | | <u>110,576</u> | <u>120,975</u> |
| 13.1 | Gross amount receivable | 237,000 | 237,000 |
| | Less: Provision against doubtful receivable | 137,000 | 137,000 |
| | Net amount receivable | <u>100,000</u> | <u>100,000</u> |
| 14 | OTHER RECEIVABLES | | |
| | Unsecured - Considered good | | |
| | Sysmax (Private) Limited | 204,057 | 204,057 |
| | Considered doubtful | | |
| | Others | 144,152 | 149,105 |
| | | <u>348,209</u> | <u>353,162</u> |
| | Less: Provision for doubtful other receivables | 145,539 | 145,539 |
| | | <u>202,670</u> | <u>207,623</u> |
| 15 | SHORT TERM INVESTMENTS | | |
| | Available for sale | | |
| | Ordinary shares - listed | 6,491 | 8,941 |
| | Ordinary shares - unlisted | 80,691 | 80,691 |
| | | 87,182 | 89,632 |
| | Held for trading | | |
| | Ordinary shares and certificates - listed | 30,449 | 23,988 |
| | | <u>117,631</u> | <u>113,620</u> |

| 16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | Note | March 31, 2009 | December 31, 2008 | |
|---|---|--|-------------------|----------------------|----------------|
| 2009 | 2008 | | Rupees in '000' | | |
| No. of shares | | | | | |
| 80,000,000 | 80,000,000 | Ordinary shares of Rs. 10 each | 16.1 | 800,000 | 800,000 |
| 629,980 | 629,980 | Ordinary shares of Rs. 10 each issued to CSIBL shareholders in 2007 in accordance with the Scheme of Amalgamation. | | 6,300 | 6,300 |
| <u>80,629,980</u> | <u>80,629,980</u> | | | <u>806,300</u> | <u>806,300</u> |
| 16.1 | Agen Limited B.V.I., a parent company, holds 79,996,500 (December 31, 2008: 79,996,500) ordinary shares of the Holding Company. | | | | |
| 17 SHARE DEPOSIT MONEY | | | | | |
| Borrowing of Rupees 37.623 million obtained from Saudi Pak Industrial & Agricultural Investment Company Limited, has been converted into share deposit money upon successful restructuring. Subsequent to the date of balance sheet, the Holding Company has issued 3,762,304 number of ordinary shares at the rate of Rupees 10 per share after obtaining necessary approvals. | | | | | |
| 18 LONG TERM FINANCING | | | | | |
| Loan from banking companies and financial institutions | | | | 644,622 | 687,321 |
| Less: current maturities | | | | 108,952 | 65,452 |
| | | | | <u>535,670</u> | <u>621,869</u> |
| 19 CURRENT MATURITIES OF NON-CURRENT LIABILITIES | | | | | |
| Liabilities against assets subject to finance lease | | | | 6,618 | 4,548 |
| Long term financing | | | | 108,952 | 65,452 |
| Long term customers' deposits | | | | 750,463 | 748,442 |
| Security deposits | | | | 106,454 | 115,528 |
| | | | | <u>972,487</u> | <u>933,970</u> |
| 20 ACCRUED AND OTHER LIABILITIES | | | | | |
| Profit / return payable on redeemable capital, deposits and borrowings | | | | 85,602 | 80,689 |
| Payments received against loans, advances and others | | | | 14,727 | 15,168 |
| Accounts payable on settlement / recovery from Sysmax (Pvt.) Limited | | | 20.1 | 330,062 | 330,062 |
| Accrued expenses and other liabilities | | | | 131,753 | 123,634 |
| Margin deposits | | | | 1,934 | 1,934 |
| Tax Deducted at source | | | | 844 | 1,129 |
| Payable against divestment of investment | | | | 90,000 | 90,000 |
| Lease balance payable | | | | 2,199 | 22,074 |
| Zakat payable | | | | 2,372 | 897 |
| Payable to stock brokers | | | | 27 | 27 |
| | | | | <u>659,520</u> | <u>665,614</u> |
| 20.1 | This represents accounts payable to various parties, which will be settled / paid after recovery from Sysmax (Pvt.) Limited. | | | | |
| 21 CONTINGENCIES AND COMMITMENTS | | | | | |
| 21.1 Contingencies | | | | | |
| Acceptances / undertakings against documentary credits and guarantees issued in normal course of business in favor of: | | | | | |
| Banking companies and other financial institutions | | | | 163,397 | 163,397 |
| Corporate and other government and non government institutions | | | | 90,404 | 90,919 |

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

21.2.1 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 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.

| | Note | March 31, 2009 | December 31, 2008 |
|------|--|-------------------|----------------------|
| 21.3 | Commitments | Rupees in '000' | |
| | Commitments for disbursement of leases, loans and advances | 234,119 | 234,119 |
| | Commitments for balance payments for the purchase of investment properties | 47,999 | 36,519 |

21.3.1 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, Karachi (DHACGC), 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.

22 EARNINGS PER SHARE

22.1 Basic earnings per share is given below:

| | | | |
|----------------------------------|-----------------|-------------------|-------------------|
| (Loss) / Profit after taxation | Rupees in '000' | <u>(71,210)</u> | <u>(88,520)</u> |
| Weighted average ordinary shares | No. of Shares | <u>80,629,980</u> | <u>80,629,980</u> |
| Basic earnings per share | Rupees | <u>(0.88)</u> | <u>(1.10)</u> |

22.2 Diluted earnings per share is given below:

| | | | |
|----------------------------------|-----------------|-------------------|-------------------|
| Loss after taxation | Rupees in '000' | <u>(71,210)</u> | <u>(88,520)</u> |
| Weighted average ordinary shares | No. of Shares | <u>84,392,284</u> | <u>80,629,980</u> |
| Diluted earnings per share | Rupees | <u>(0.84)</u> | <u>(1.10)</u> |

23 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issuance by the Board on 30 April 2009.

24 GENERAL

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

Chief Executive

Chairman