

INNOVATIVE INVESTMENT BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2011**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **INNOVATIVE INVESTMENT BANK LIMITED** "the company" as at **December 31, 2011** and the related profit & loss account, statement of comprehensive income, 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:

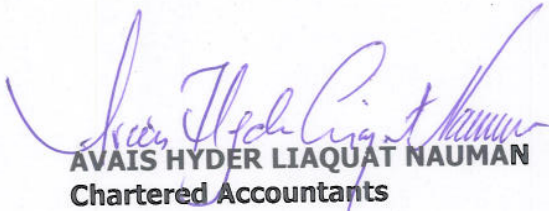
- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
 - i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies as stated in note 3 of the financial statements;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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, 2011 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Adv

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

- the annexed financial statements have been prepared on the basis as given in note 2 to the financial statements as the management was of the view that the company is not a going concern the reasons of which have been fully explained in note 1 to the financial statements.
- the amounts of Rs. 90 million appearing under the head accrued and other liabilities in note no. 17 to the annexed financial statements is valued in local currency whereas the lender is claiming this amount in USD which amounts to Rs. 134.70 million for which negotiations are underway and settlement has not been reached yet.

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AVAIS HYDER LIAQUAT NAUMAN
Chartered Accountants

Engagement Partner: Syed Ali Adnan Tirmizey

Date: *July 23, 2013.*

Place: Lahore

INNOVATIVE INVESTMENT BANK LIMITED

BALANCE SHEET

AS AT DECEMBER 31, 2011

ASSETS	NOTE	2011 Rs in '000'	2010 Rs in '000'
Cash and bank balances	4	8,380	26,448
Investments in shares and certificates	5	112,190	125,478
Placements of funds	6	-	63,000
Loans and advances	7	40,887	50,325
Net investment in finance lease	8	102,402	102,176
Advances, deposits, prepayments, deferred and other assets	9	28,506	43,578
Mark-up and profit receivables	10	788	1,152
Other receivables	11	143,107	92,241
Investments in subsidiaries	12	115,823	158,931
Investment properties	13	1,069,380	1,139,160
Fixed assets	14	641,615	589,978
		<u>2,263,078</u>	<u>2,392,467</u>
LIABILITIES			
Customers' deposits	15	3,085,937	3,085,926
Liabilities against assets subject to finance lease	16	1,255	2,418
Accrued and other liabilities	17	847,062	644,888
Security deposits	18	102,528	103,090
Financings	19	644,622	644,622
Unclaimed dividend		7,435	7,435
		<u>4,688,839</u>	<u>4,488,379</u>
Contingencies and commitments		-	-
NET ASSETS		<u>(2,425,761)</u>	<u>(2,095,912)</u>
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Authorized share capital 220,000,000 ordinary shares of Rupees 10/- each	21	<u>2,200,000</u>	<u>2,200,000</u>
Issued, subscribed and paid up share capital	22	843,923	843,923
Accumulated loss		(3,249,596)	(2,922,264)
Unrealized loss on investments available for sale		(20,088)	(17,571)
		<u>(2,425,761)</u>	<u>(2,095,912)</u>
		<u>(2,425,761)</u>	<u>(2,095,912)</u>

The annexed notes 1 to 36 form an integral part of these financial statements.


MANAGER ACCOUNTS (AVP)


PROVISIONAL MANAGER

INNOVATIVE INVESTMENT BANK LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2011**

	NOTE	2011 Rs in '000'	2010 Rs in '000'
INCOME			
Lease revenue		419	(792)
Return on loans, advances and saving accounts	23	2,261	953
Return on investments	24	2,859	18,409
Other income/(Loss)	25	(23,979)	1,248
		<u>(18,440)</u>	<u>19,818</u>
EXPENDITURES			
Financial charges	26	197,742	198,139
Administrative and operating expenses	27	44,079	62,126
Impairment in value of investments		43,108	-
		<u>284,929</u>	<u>260,265</u>
(LOSS) / PROFIT BEFORE PROVISION		<u>(303,369)</u>	<u>(240,447)</u>
Provision for doubtful receivables - Net	28	(23,745)	34,339
(LOSS) / PROFIT BEFORE TAXATION		<u>(327,114)</u>	<u>(206,108)</u>
PROVISION FOR TAXATION	29	218	200
(LOSS) / PROFIT AFTER TAXATION		<u><u>(327,332)</u></u>	<u><u>(206,308)</u></u>
EARNINGS PER SHARE – BASIC (Rupees)	30	<u><u>(3.92)</u></u>	<u><u>(2.47)</u></u>

The annexed notes 1 to 36 form an integral part of these financial statements.


MANAGER ACCOUNTS (AVP)


PROVISIONAL MANAGER

INNOVATIVE INVESTMENT BANK LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE	2011 Rs in '000'	2010 Rs in '000'
	(327,332)	(206,308)
OTHER COMPREHENSIVE INCOME		
Surplus/(Deficit) on remeasurement of investments available for sale to fair value	(2,517)	870
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(329,849)</u>	<u>(205,438)</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

MANAGER ACCOUNTS (AVP)

PROVISIONAL MANAGER

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE	2011 Rs in '000'	2010 Rs in '000'
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(327,114)	(206,107)
Adjustments for non cash and other items:		
(Gain) on disposal of property and equipment	-	78
(Gain)/Loss on sale of investments	-	(81)
(Gain) / loss on remeasurement of investment held for trading	4,772	(10,470)
Loss due to measurement on realizable basis	6,200	3,550
Unrealized gain on remeasurement of fixed assets	(42,890)	-
Unrealized loss on remeasurement of investment properties	69,270	-
Direct write offs	516	1,591
Impairment in value of investments	43,108	-
Provision for doubtful receivables	23,744	(34,339)
	<u>104,720</u>	<u>(39,671)</u>
Cash used in operating activities before working capital changes	(222,394)	(245,778)
Adjustments for working capital changes:		
(Increase) / decrease in operating assets:		
Loans and advances	19,181	53,173
Net investment in finance lease	2,547	6,753
Advances, deposits, prepayments, deferred and other assets	(15,665)	2,913
Mark up & profit receivable	364	5,829
Other receivable	(16,750)	(28,413)
Increase / (decrease) in operating liabilities:		
Customers' deposits	11	(1,336)
Security deposits	(562)	(2,385)
Accrued and other liabilities	202,174	197,794
	<u>191,301</u>	<u>234,328</u>
	<u>(31,093)</u>	<u>(11,450)</u>
Income tax (paid) / refund - Net	(811)	(821)
Net cash generated from / (used in) operating activities	(31,904)	(12,271)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments - Net	11,999	5,527
Placements of funds	3,000	10,000
Purchase of fixed assets - Net	-	1,263
Net cash generated from/(used in) investing activities	14,999	16,790
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	(1,163)	(1,232)
Net cash generated from / (used in) financing activities	(1,163)	(1,232)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(18,068)	3,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	26,448	23,161
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,380	26,448

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The annexed notes 1 to 36 form an integral part of these financial statements.

MANAGER ACCOUNTS (AVP)

PROVISIONAL MANAGER

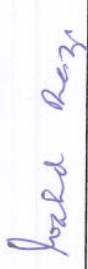
INNOVATIVE INVESTMENT BANK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Issued, Subscribed and Paid-up Share Capital	Accumulated Profit/(Loss)	Surplus/(deficit) on remeasurement of investments AFS	Total
	----- Rupees -----			
Balance as at January 01, 2010	843,923	(2,715,957)	(18,441)	(1,890,475)
Total comprehensive income for the year				
Loss for the year	-	(206,307)	870	(205,437)
Other comprehensive income	-	-	-	-
Share issued	-	-	-	-
Balance as at December 31, 2010	843,923	(2,922,264)	(17,571)	(2,095,912)
Total comprehensive income for the year				
Loss for the year	-	(327,332)	(2,517)	(329,849)
Other comprehensive income	-	-	-	-
Share issued	-	-	-	-
Balance as at December 31, 2011	843,923	(3,249,596)	(20,088)	(2,425,761)

The annexed notes 1 to 36 form an integral part of these financial statements.


MANAGER ACCOUNTS (AVP)


PROVISIONAL MANAGER

1 STATUS AND NATURE OF BUSINESS

"Innovative Investment Bank Limited hereafter referred as 'the Company' was incorporated on 29 March 2007 as a public limited company under the Companies Ordinance, 1984. The company was 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).

Agen Limited B.V.I., a parent company, holds 79,996,500 (2010 : 79,996,500) ordinary shares of the Company.

The company has not been able to meet its commitments with depositors and other stakeholders because parent company has not been able to inject the committed equity as per amalgamation order. The operations have been further curtailed to minimal level resulting in closure of branches and losses accumulated to Rs 3.2 billion (2010: 2.92 billion). The company is unable to meet equity requirements as per NBFC's Regulations 2008. SECP had filed a petition for the winding up of IIBL in the Honorable High Court and appointment of Provisional Manager was made by court.

Accordingly the company is not considered as a going concern.

2 STATEMENT OF COMPLIANCE

The company is not a going concern, therefore, International Financial Reporting Standards (IFRS) have not been applied in preparation of these financial statements in accordance with Para 23 of IAS-1; " Presentation of Financial Statements."

These Financial statements have been prepared in accordance the Companies Ordinance, 1984, Non Banking Finance Companies (Establishment and Regulations) Rules 2003 and Regulations 2008 and provisions and directives issued by Securities and Exchange Commission of Pakistan.

2.1 BASIS OF PREPARATION

Due to the reason as stated in note 1 above, the company is not considered as a going concern, therefore, these financial statements have been prepared on a basis other than going concern, which is as follow:

- i) All the assets are stated at their realizable values
- ii) All liabilities are stated at amounts payable ; and

Further facilities like loans and advances, net investment in finance lease and other receivables are fully provided where:

- a) there is no recovery during the last two years and upto the date of approval of Financial Statements; and
- b) the company did not have any sufficient collateral against the facilities provided or the collateral is held but is not enforceable due to legal complications or litigation and the judgments of the concerned courts are not expected during the next 12 months .

The realizable value of the assets is adjusted on the basis of the valuation performed by the independent valuer M/S S.A. Associates in their certificate dated January 21, 2013.

3 SIGNIFICANT ACCOUNTING POLICIES**3.1 REVENUE RECOGNITION**

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

Fees and commission are recognized as income when earned.

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

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

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

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

3.2 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.

3.3 RELATED PARTY TRANSACTIONS

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

INNOVATIVE INVESTMENT BANK LIMITED
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

4	CASH AND BANK BALANCES	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Cash with banks:			
	- Treasury Banks			
	State Bank of Pakistan		47	1,901
	- Other Banks (Local Currency)			
	Current accounts		334	644
	Savings / PLS accounts		7,820	23,728
			8,154	24,372
	- Other Banks (Foreign Currency)			
	Current accounts		-	-
	Saving / PLS accounts		170	170
			170	170
	Cash in hand		9	5
			<u>8,380</u>	<u>26,448</u>
5	INVESTMENTS IN SHARES AND CERTIFICATES	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Ordinary shares - unlisted	5.1	45,866	45,866
	Ordinary shares and certificates - listed	5.2	51,324	58,612
	House Building Finance Corporation Limited - Certificates [Rs. 5,000/- each]	5.4	15,000	21,000
			<u>112,190</u>	<u>125,478</u>
5.1	Ordinary shares - unlisted		2011 Rs in '000'	2010 Rs in '000'
	Name	No. of share of Rs. 10/- each	Average cost	Average cost
		2011	2010	
	Crescent Powertec Limited	500,000	500,000	5,000
	Breakup value per share: Rupees 120.43 (2010 : Rupees 104.59)			
	Central Depository Company of Pakistan Limited	250,000	250,000	7,000
	Breakup value per share: Rupees 32.26 (2010 : Rupees 31.68)			
	First Capital Investment Limited	250,000	250,000	2,500
	Breakup value per share: Rupees 11.07 (2010 : Rupees 10.59)			
	Crescent Bahuman Limited	300,000	300,000	3,000
	Breakup value per share: Rupees 25.19 (2010 : Rupees Nil)			
	Al-Hamra Hills (Private) Limited	7,000,000	7,000,000	70,000
	Breakup value per share: Rupees 7.37 (2010 : Rupees 8.17)			
		<u>8,300,000</u>	<u>8,300,000</u>	<u>87,500</u>
	Less: Provision for impairment		41,634	41,634
			<u>45,866</u>	<u>45,866</u>

5.2 Ordinary shares and certificates - listed			2011		2010	
			Rs in '000'		Rs in '000'	
Name	No. of share of Rs. 10/- each		Average cost	Market Value	Average cost	Market Value
	2011	2010				
Mutual Funds						
Asian Stocks Fund Limited	585,923	585,923	2,754	1,465	2,754	3,351
Pakistan Strategic Allocation Fund Limited	150,000	150,000	1,560	1,488	1,560	1,259
Modarabas						
Crescent Standard Modaraba (Associated company) Equity held 33.62% (2010 : 33.62%)	6,724,600	6,724,600	12,440	3,362	12,440	3,833
Note 5.3						
Modaraba Al-Tijarah	500	500	-	-	-	-
Insurance Companies						
Adamjee Insurance Company Limited	1,100	1,100	-	51	-	96
Pakistan Reinsurance Company Limited	15,000	15,000	1,312	233	1,312	244
Leasing Companies						
Security Leasing Corporation Limited	130	130	-	-	-	-
Investment Banks / Investment Cos.						
Arif Habib Securities Limited	6,875	6,250	707	178	707	163
Javed Omer Vohra & Company Limited	27,500	27,500	1,257	31	1,257	110
Commercial Banks						
National Bank of Pakistan	28,125	22,500	2,296	1,155	2,296	1,728
Textile						
Punjab Cotton Mills Limited	12,499	12,499	62	-	62	62
Sally Textile Mills Limited	10,000	10,000	30	28	30	44
Service Industries (Textile) Limited	50,000	50,000	125	25	125	20
Nishat Mills Limited	30,450	30,450	2,756	1,232	2,756	1,954
Paramount Spinning Mills Limited	42	42	-	-	-	-
Taj Textile Mills Limited	239,000	239,000	478	60	478	89
Zahur Textile Mills Limited	237,100	237,100	237	-	237	237
Sugar & Allied Industries						
Sakrand Sugar Mills Limited	198,000	198,000	495	198	495	594
Cement						
D.G. Khan Cement Company Limited	31,200	31,200	2,251	594	2,251	941
Refinery						
Attock Refinery Limited	2,000	2,000	242	215	242	249
BYCO Petroleum Pak. Ltd	30,000	30,000	412	197	412	338
National Refinery Limited	1,000	1,000	210	243	210	274
Pakistan Refinery Limited	1,000	1,000	89	68	89	108
Power Generation & Distribution						
Kot Addu Power Company Limited	1,000	1,000	38	41	38	41
Oil & Gas Marketing Companies						
Attock Petroleum Limited	1,200	1,200	320	495	320	402
Pakistan State Oil Company Limited	1,000	1,000	216	227	216	295
Shell Pakistan Limited	1,000	1,000	244	190	244	208
Sui Northern Gas Pipeline Limited	23,100	22,000	1,560	363	1,560	588
Sui Southern Gas Company Limited	26,250	25,000	522	506	522	535

INNOVATIVE INVESTMENT BANK LIMITED
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Ordinary shares and certificates - listed		2011		2010		
		Rs in '000'		Rs in '000'		
Name	No. of share of Rs. 10/- each	Average cost	Market Value	Average cost	Market Value	
	2011	2010				
Oil & Gas Exploration Companies						
Oil & Gas Develop. Company Limited	34,000	34,000	4,052	5,155	4,052	5,808
Pakistan Oilfields Limited	10,000	10,000	2,755	3,465	2,755	2,960
Pakistan Petroleum Limited	66,052	60,048	9,481	11,118	9,481	13,040
Engineering						
International Industries Limited	1,200	1,200	48	46	48	72
Automobile Assembler						
Al-Ghazi Tractors Limited	1,000	1,000	166	193	166	227
Millat Tractor Limited	1,562	1,562	225	570	225	781
Fertilizers						
Dawood Hercules Limited	4,400	1,100	157	187	157	218
Engro Chemicals Limited	48,444	40,370	7,779	4,491	7,779	7,824
Fauji Fertilizer Bin Qasim Limited	21,000	21,000	741	891	741	750
Fatima Fertilizer Company	1,875	1,875	-	43	-	21
Fauji Fertilizer Company Limited	73,975	59,180	5,273	11,062	5,273	7,448
Pharmaceuticals						
Abbott Laboratories Pakistan Limited	1,000	1,000	85	100	85	110
GlaxoSmithKline Pakistan Limited	1,150	1,000	115	77	115	88
Paper & Board						
Packages Limited	1,000	1,000	164	83	164	129
Security Papers Limited	1,000	1,000	62	35	62	45
Food and Personal Care Product						
National Food Limited	1,250	1,250	82	81	82	87
Miscellaneous						
Shakarganj Mills Ltd.	224,426	224,426	9,127	1,082	9,127	1,241
			<u>72,924</u>	<u>51,324</u>	<u>72,924</u>	<u>58,612</u>

5.3 The above modaraba is managed by its management company by virtue of which the Company does not have significant influence over the modaraba.

5.4 The Company had 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%. The principal and profit redemptions has been transferred to IFC (International Finance Corporation) against borrowing facility provided by IFC to the company but the reporting entity retained the risks and rewards associated with the certificates.

INNOVATIVE INVESTMENT BANK LIMITED
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

6	PLACEMENT OF FUND	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Principal at the beginning of the year		63,000	73,000
	Less: Principal received		3,000	10,000
	Less: Provision against Principal	6.1	60,000	-
	Principal at the end of the year		-	63,000
	Add: Accrued Profit		4,840	5,840
	Less: Profit Suspended	6.1	4,840	5,840
	Balance at the end of the year		-	63,000

6.1 This represents the placement of funds with Saudi Pak Leasing Company Limited carrying markup at the rate of 8%. The last rollover was made September 24, 2010 for a period of 31 days and therefore the maturity date was October 25, 2010. Negotiations are under with Saudi Pak Leasing Company Limited to settle / restructure the facility.

7	LOANS AND ADVANCES	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Receivable from related parties (7.1)			
	Gross amount receivable		4,919	4,919
	Less: Provision for doubtful receivable	7.3	4,919	4,919
	Net exposure - Considered good		-	-
	Receivable from others			
	Gross amount receivable		947,114	959,089
	Less: Provision for doubtful receivable	7.3	906,227	908,764
	Net exposure - Considered good		40,887	50,325
			40,887	50,325

7.1 The rate of return ranges from 0% to 18% (2010 : 0% to 18%) per annum.

7.2 It represents Rupees 4.9 million (2010 : Rupees 4.9 million) receivable from MDCL (a wholly owned subsidiary).

7.3	Provision for doubtful receivable	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Opening balance		913,683	1,060,586
	Charge during the year		5,052	5,000
	Transfers		-	-
			918,735	1,065,586
	Less: Reversals during the year		7,572	46,667
	Written off		-	105,236
	Transfers		17	-
			7,589	151,903
	Closing balance		911,146	913,683

INNOVATIVE INVESTMENT BANK LIMITED
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

8	NET INVESTMENT IN FINANCE LEASE	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Lease rentals receivable		411,656	413,767
	Add: Residual value		101,963	102,526
	Gross investment in finance lease		513,619	516,293
	Less: Unearned finance income		171	1,539
	Net investment in finance lease	8.1	513,448	514,754
	Less: Provision for potential lease losses	8.3	411,046	412,578
			<u>102,402</u>	<u>102,176</u>

8.1	Particulars of net investment in finance lease	----- 2011 ----- ----- Rs in '000' -----			2010 Rs in '000'
		Less than one year	Later than one year but not later than five years	Later than five years	Total
	Lease rental receivable	409,530	2,126	-	411,656
	Add: residual value of leased assets	101,346	617	-	101,963
	Gross investment in finance lease	510,876	2,743	-	513,619
	Less: unearned finance income	113	58	-	171
	Net investment in finance lease	<u>510,763</u>	<u>2,685</u>	<u>-</u>	<u>513,448</u>
					<u>514,754</u>

8.2 The Company has entered into various lease agreements for periods ranging from one to five years. Security deposits ranging from 0% to 60 % (2010 : 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 % (2010 : 8% to 30%) per annum.

8.3	Movement in provision for potential lease losses	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Opening balance		412,578	405,971
	Charge during the year		28	7,941
	Transfers		-	-
			<u>412,606</u>	<u>413,912</u>
	Less: Reversals during the year		1,467	1,213
	Written off		-	121
	Transferred / adjusted		93	-
			<u>1,560</u>	<u>1,334</u>
	Closing balance		<u>411,046</u>	<u>412,578</u>

9	ADVANCES, DEPOSITS, PREPAYMENTS, DEFERRED AND OTHER ASSETS	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Advances to staff- considered good	9.1	546	775
	Income tax - net		24,998	24,405
	Security deposits		3,724	3,833
	Prepayments		158	481
	Due from lessees		6,265	5,242
	Assets repossessed		59,315	59,315
	Due from brokers and clients		85,099	85,384
	Other assets		-	20,000
			<u>180,105</u>	<u>199,435</u>
	Less: Provision for doubtful receivables	9.2	151,599	155,857
			<u>28,506</u>	<u>43,578</u>

INNOVATIVE INVESTMENT BANK LIMITED
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

9.1 Breakup of the staff loan by type of employees:	NOTE	2011 Rs in '000'	2010 Rs in '000'
Loan to executives		-	-
Loan to employees		546	775
		<u>546</u>	<u>775</u>
9.2 Movement in provision for doubtful receivables	NOTE	2011 Rs in '000'	2010 Rs in '000'
Opening balance		155,857	155,257
Charge during the year		3,609	600
Transfers and adjustments		(4,983)	-
Less: reversals during the year		(2,884)	-
Closing balance		<u>151,599</u>	<u>155,857</u>
10 MARK-UP AND PROFIT RECEIVABLES	NOTE	2011 Rs in '000'	2010 Rs in '000'
Loans and advances		494	506
Profit from HBFC sukuk		286	442
Deposits with banks		8	204
		<u>788</u>	<u>1,152</u>
11 OTHER RECEIVABLES	NOTE	2011 Rs in '000'	2010 Rs in '000'
Exclusive Ventures (Private) Limited - Related party		89,059	88,782
Others	11.1	<u>195,700</u>	<u>178,132</u>
		284,759	266,914
Less: Provision for doubtful other receivables	11.2	<u>141,652</u>	<u>174,673</u>
		<u>143,107</u>	<u>92,241</u>
11.1	This amount includes Rs. 52,922,840 which represents the balance available in MCB Bank Limited and the custodian of this bank account is International Finance Corporation. The company cannot use this balance for its normal course of business.		
11.2 Movement in provision for doubtful other receivables	NOTE	2011 Rs in '000'	2010 Rs in '000'
Opening balance		174,673	174,673
Charge during the year		1,095	-
Less: Adjustments during the year		(34,116)	-
Closing balance		<u>141,652</u>	<u>174,673</u>

INNOVATIVE INVESTMENT BANK LIMITED
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**
12 INVESTMENT IN SUBSIDIARIES

Available for sale	2011	2010	2011	2010
			Rs in '000'	Rs in '000'
Wholly owned subsidiary companies				
Innovative Brokerage (Private) Limited [Rs. 10/- each] Equity held 100% (2010: 100%)	5,000,000	5,000,000	23,613	26,334
International Asset Management Company Limited [Rs. 10/- each] Equity held 100% (2010: 100%)	3,006,080	3,006,080	8,961	15,283
Maghreb Development Corporation Private Limited [Rs. 10/- each] Equity held 100% (2010: 100%)	2	2	-	-
Exclusive Ventures (Private) Limited [Rs. 100/- each] Equity held 100% (2010: 100%)	100	100	83,249	117,314
	<u>8,006,182</u>	<u>8,006,182</u>	<u>115,823</u>	<u>158,931</u>

12.1 Movement during the year	NOTE	2011 Rs in '000'	2010 Rs in '000'
Opening balance		158,931	158,931
Investments made during the year		-	-
Investments recovered during the period		-	-
Less: Impairment in value of investment	12.2	43,108	-
Closing balance		<u>115,823</u>	<u>158,931</u>

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

13	INVESTMENT PROPERTIES	NOTE	2011	2010
			Rs in '000'	Rs in '000'
	Investment properties	13.1	1,069,380	1,139,160
			<u>1,069,380</u>	<u>1,139,160</u>

13.1 This includes realizable value of investment properties amounting to Rupees 649.355 million in the name of Maghreb Development Corporation (Private) Limited (MDCL) wholly owned subsidiary of the Company (not yet transferred in the name of 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.

13.2 Investment Properties

Reconciliation statement of the investment properties showing the movement during the period ended December 31, 2011 is as follows:

Description	As at January 01, 2011	Additions resulting from acquisition / installments	Transfers	Direct write-off	Disposals	Loss due to measurement on realizable basis	Realizable value as at December 31, 2011
2011							
-----Rs in '000'-----							
Investment Properties							
Land	787,419	-	-	510	-	2,579	784,330
Premises	351,741	-	-	-	-	66,691	285,050
	<u>1,139,160</u>	<u>-</u>	<u>-</u>	<u>510</u>	<u>-</u>	<u>69,270</u>	<u>1,069,380</u>

Reconciliation statement of the investment properties showing the movement during the period ended December 31, 2010 is as follows:

Description	As at January 01, 2010	Additions resulting from acquisition / installments	Transfers	Direct write-off	Disposals	Loss due to measurement on realizable basis	Realizable value as at December 31, 2010
2010							
-----Rs in '000'-----							
Investment Properties							
Land	787,419	-	-	-	-	-	787,419
Premises	351,741	-	-	-	-	-	351,741
	<u>1,139,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,139,160</u>

13.3 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.

INNOVATIVE INVESTMENT BANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

14 FIXED ASSETS	NOTE	2011	2010
		Rs in '000'	Rs in '000'
Property, plant and equipment	14.1	530,768	494,131
Intangible assets	14.2	110,847	95,847
		641,615	589,978
14.1 Property, plant and equipment	NOTE	2011	2010
		Rs in '000'	Rs in '000'
Operating fixed assets - held for own use	14.1.1	526,468	483,631
Assets subject to finance lease	14.1.2	4,300	4,300
Assets leased out under operating lease arrangements	14.1.3	-	6,200
		530,768	494,131
14.1.1 Operating fixed assets - held for own use			
		Rs in '000'	-2011
Realizable Value as at January 01, 2011		148,937	159,044
Additions/Transfers during the year (at cost)		-	-
Adjustments during the year		-	-
Disposals:		-	-
Realizable Value of assets disposed off		-	-
Gain/(Loss) due to measurement on realizable value		23,819	10,669
Realizable Value as at December 31, 2011		172,756	169,713
		Rs in '000'	-2010
Realizable Value as at January 01, 2010		148,937	159,044
Additions/Transfers during the year (at cost)		-	-
Disposals:		-	-
Realizable Value of assets disposed off		-	-
Gain/(Loss) due to measurement on realizable value		148,937	10,669
Realizable Value as at December 31, 2010		148,937	169,713
		Rs in '000'	-2011
Realizable Value as at January 01, 2011		148,937	159,044
Additions/Transfers during the year (at cost)		-	-
Disposals:		-	-
Realizable Value of assets disposed off		-	-
Gain/(Loss) due to measurement on realizable value		148,937	10,669
Realizable Value as at December 31, 2011		172,756	169,713
		Rs in '000'	-2010
Realizable Value as at January 01, 2010		148,937	159,044
Additions/Transfers during the year (at cost)		-	-
Disposals:		-	-
Realizable Value of assets disposed off		-	-
Gain/(Loss) due to measurement on realizable value		148,937	10,669
Realizable Value as at December 31, 2010		148,937	169,713
		Rs in '000'	-2010
Realizable Value as at January 01, 2010		148,937	159,044
Additions/Transfers during the year (at cost)		-	-
Disposals:		-	-
Realizable Value of assets disposed off		-	-
Gain/(Loss) due to measurement on realizable value		148,937	10,669
Realizable Value as at December 31, 2010		148,937	169,713
		Rs in '000'	-2010
Realizable Value as at January 01, 2010		148,937	159,044
Additions/Transfers during the year (at cost)		-	-
Disposals:		-	-
Realizable Value of assets disposed off		-	-
Gain/(Loss) due to measurement on realizable value		148,937	10,669
Realizable Value as at December 31, 2010		148,937	169,713

Total

Books

Office equipment

Vehicles

Furniture and fixtures

Plant and machinery

Leasehold improvements

Building on leasehold land

Building on freehold land

Freehold land

Total

Total

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14.1.2	Assets subject to finance lease	Vehicles	
		2011 Rs in '000'	2010 Rs in '000'
	Realizable Value at beginning of the year	4,300	4,300
	Additions/Transfers during the year (at cost)	-	-
	Disposals:		
	Realizable Value of assets disposed off	-	-
	Realizable Value at the end of the year	<u>4,300</u>	<u>4,300</u>
14.1.3	Assets leased out under operating lease arrangements	Plant and machinery	
		2011 Rs in '000'	2010 Rs in '000'
	Realizable Value at beginning of the year	6,200	6,200
	Additions/Transfers during the year (at cost)	-	-
	Disposals:		
	Realizable Value of assets disposed off	-	-
	Loss on measurement of fixed assets to realizable basis	14.1.3.1 (6,200)	-
	Realizable Value at the end of the year	<u>-</u>	<u>6,200</u>

14.1.3.1 The amount represents the value of embroidery machines, the physical possession of which was not given to the bank at the time of amalgamation.

INNOVATIVE INVESTMENT BANK LIMITED

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14.1.4 Detail of fixed assets sold during the year:

	Realizable Value	Sale proceeds	Gain / (Loss)	Mode of disposal	Buyer's Particulars
Office equipment					
Mobile Set - Nokia 5130	3	3	-	As per policy	Mr. Suhail Butt
Mobile Set - Sony Ericsson T-303	-	-	-	As per policy	Mr. Syed Zafeer-ud-Din
	3	3	-		
Furniture and fixtures					
Bed Set	13	13	-	As per policy	Ms. Shama Naz
Bed Set	16	16	-	As per policy	Mr. Syed Zafeer-ud-Din
Bed Set	11	11	-	As per policy	Mr. Abid-ur-Rehman
Sofa Set	10	10	-	As per policy	Mr. Muhammad Kashif
	50	50	-		
GRAND TOTAL	53	53	-		

14.1.5 Cost of fully depreciated assets in use is Rupees 147.211 million (2010 : Rupees 147.211 million)

INNOVATIVE INVESTMENT BANK LIMITED

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14.2 Intangibles	Rs in '000'			Total
	Dubai Gold and Commodity Exchange, Dubai	Royal Palm Golf & Country Club, Lahore	DHA Country & Golf Club, Karachi	
Realizable Value as at January 01, 2011	6,097	1,000	88,750	95,847
Additions/Transfers during the year*	-	-	15,000	15,000
Disposals: Realizable Value of assets disposed off	-	-	-	-
Gain/(Loss) due to measurement on realizable value	-	-	-	-
Realizable Value as at December 31, 2011	<u>6,097</u>	<u>1,000</u>	<u>103,750</u>	<u>110,847</u>
	----- 2010 -----			
Realizable Value as at January 01, 2010	6,097	1,000	92,300	99,397
Additions/Transfers during the year (at cost)	-	-	-	-
Disposals: Realizable Value of assets disposed off	-	-	-	-
Gain/(Loss) due to measurement on realizable value	-	-	(3,550)	(3,550)
Realizable Value as at December 31, 2010	<u>6,097</u>	<u>1,000</u>	<u>88,750</u>	<u>95,847</u>

* Reclassification of intangibles which were previously classified under Advances, Deposits, Prepayments and Other Assets

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15	CUSTOMERS' DEPOSITS	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Customer deposits - Local currency	15.1	3,085,681	3,085,681
	Foreign currency	15.2	256	245
			<u>3,085,937</u>	<u>3,085,926</u>
15.1	Categories of certificates of deposits are as under:	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Individuals		1,219,855	1,219,855
	Trusts and charitable institutions		663,233	663,233
	Corporate & associations		563,845	563,845
	Government and semi Government institutions		638,748	638,748
			<u>3,085,681</u>	<u>3,085,681</u>
15.2	Detail of foreign currency deposits is given below:	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Equivalent Pak Rupees (\$ 2,862)	15.3	256	245
			<u>256</u>	<u>245</u>
15.3	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% (2010: 0 to 8%) per annum.			
16	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Obligation under finance lease	16.1	<u>1,255</u>	<u>2,418</u>
16.1	Particulars of liabilities against assets subject to finance lease	----- 2011 ----- ----- Rs in '000' -----		2010 Rs in '000'
		Not later than one year	Later than one year but not later than five years	Total
	Lease rental payable	1,268	-	1,268
	Less: future financial charges	13	-	13
	Present value of minimum lease payments	<u>1,255</u>	<u>-</u>	<u>1,255</u>
				<u>2,418</u>
16.2	The weighted average finance charge used as the discounting factor (i.e. interest rate implicit in the lease) is 16.93% (2010: 16.49%) per annum. Rentals are payable in monthly instalments. The company has the option to purchase the leased assets at the end of lease term and has the intention to exercise it.			
17	ACCRUED AND OTHER LIABILITIES	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Profit / return payable on redeemable capital, deposits and borrowings	17.1	546,173	348,613
	Payments received against investment in finance leases and others		13,453	13,453
	Accounts payable on settlement to Islamic Investment Bank	17.2	20,000	20,000
	Accrued expenses and other liabilities	17.3	164,680	161,442
	Margin deposits		667	667
	Tax deducted at source		61	7
	Payable against divestment of investment		90,000	90,000
	Lease balance payable		11,735	10,679
	Payable to stock brokers		293	27
			<u>847,062</u>	<u>644,888</u>
17.1	Profit / return payable on redeemable capital, deposits and borrowings:	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Financing		81,003	48,771
	Customers' deposits		465,170	299,842
			<u>546,173</u>	<u>348,613</u>

17.2 This represents accounts payable to Islamic Investment Bank, which will be settled / paid after sale / adjustment of Platinum membership of DHA Country & Golf Club, Karachi.

17.3 This includes an amount of Rs. 91.6 million as advance received against sale of investment properties out of which Rs. 79.9 million is received against the disputed sale of property situated at Mouza Sajpal (Note 13.3).

18	SECURITY DEPOSITS	NOTE	2011	2010
			Rs in '000'	Rs in '000'
	Security deposits against finance lease	18.1	101,956	102,518
	Other security deposits		572	572
			<u>102,528</u>	<u>103,090</u>

18.1 These represent interest free security deposits received under finance lease arrangements and are repayable / adjustable at the expiry / termination of the respective arrangements.

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19	FINANCINGS	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Loan from banking companies and financial institutions	19.1	644,622	644,622

19.1	Loans from banking companies and financial institutions	Final maturity Date	Tenure Years	Grace Period Years	First Date of Principal Repayment	Overdue Rs in '000'	Markup Payment	Principal Repayment	2011	
									Outstanding Liability ----- Rs in '000' -----	2010
	Local Currency - unsecured									
	- Loan from financial institution									
	National Bank of Pakistan	31-Dec-12	5	2	1-Jan-10	7,343	Half Yearly	Half Yearly		
	ORIX Investment Bank Pakistan Limited - Loan I	15-Jan-13	5 & 1/2	1/2	15-Jul-08	20,304	Half Yearly	Half Yearly		
	ORIX Investment Bank Pakistan Limited - Loan II	30-Jun-14	7	2	31-Dec-09	12,500	Quarterly	Quarterly		
	ORIX Leasing Pakistan Limited	1-Jul-14	7	2	1-Jan-10	12,500	Quarterly	Quarterly		
	First Constellation Modaraba	31-Dec-13	7	2	31-Dec-09	16,500	Quarterly	Quarterly		
	Khushhali Bank Limited	30-Jun-14	7	2	31-Dec-09	50,000	Quarterly	Quarterly		
	Network Leasing Limited	1-Jul-14	7	2	1-Jan-10	600	Quarterly	Quarterly		
	International Finance Corporation-World Bank Group	15-Jan-14	7	2	15-Jul-09	197,500	Quarterly	Quarterly		
										317,247
										644,622
										644,622

19.2 The weighted average mark-up rate of total borrowings at the balance sheet date is 5.00% (2010 : 5%) per annum.

INNOVATIVE INVESTMENT BANK LIMITED
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20	CONTINGENCIES AND COMMITMENTS	NOTE	2011 Rs in '000'	2010 Rs in '000'
20.1	Contingencies			
	Acceptances / undertakings against documentary credits and guarantees issued in normal course of business in favor of:			
	Banking companies and other financial institutions		1,898	1,898
	Corporate and other government and non government institutions		85,314	85,314
20.2	Status of Significant Litigation by / against former Crescent Standard Investment Bank Limited, a merging company, is as follows:			
20.2.1	The Pakistan Water & Power Development Authority (WAPDA), the largest investment of IIBL, had filed a suit for recovery of its investment 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.			
20.2.2	Other depositors have filed suits for recovery of their deposits to the tune of Rupees 472.79 million. As per management's assessment, no additional liability is likely to arise as a result of suits. The fate of entire litigation is subject to the Winding Up proceedings instituted by Securities & Exchange Commission of Pakistan before Honorable Lahore High Court, Lahore.			
20.2.3	The International Finance Corporation (IFC), the largest lender of IIBL, has claimed Rs. 21 million on account of Default Rate Interest in addition to the principal and interest payable. As per management's assessment, this additional liability is not likely to arise because of the Winding Up proceedings instituted by Securities & Exchange Commission of Pakistan before Honorable Lahore High Court, Lahore.			
20.3	Commitments			
	Commitments for balance payments for the purchase of investment properties		28,474	30,474
21	AUTHORIZED SHARE CAPITAL	NOTE	2011 Rs in '000'	2010 Rs in '000'
			2011 No. of shares	2010 No. of shares
	Ordinary shares of Rs. 10 each		<u>220,000,000</u>	<u>220,000,000</u>
			<u>2,200,000</u>	<u>2,200,000</u>
22	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	NOTE	2011 Rs in '000'	2010 Rs in '000'
			2011 No. of shares	2010 No. of shares
	Ordinary shares of Rs. 10 each.	22.1	80,000,000	80,000,000
	Ordinary shares of Rs. 10 each issued to CSIBL shareholders in accordance with the Scheme of Amalgamation.		629,980	629,980
	Ordinary shares of Rs. 10 each issued to Saudi Pak Industrial and Agriculture Investment Co. (PVT) Limited against the outstanding liability.		3,762,300	3,762,300
			<u>84,392,280</u>	<u>84,392,280</u>
			<u>843,923</u>	<u>843,923</u>
22.1	Agen Limited B.V.I., a parent company, holds 79,996,500 (2010 : 79,996,500) ordinary shares of the Company.			

INNOVATIVE INVESTMENT BANK LIMITED
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

23	RETURN ON LOANS, ADVANCES AND SAVING ACCOUNTS	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Loans and advances		787	(1,785)
	Saving accounts		1,474	2,738
			<u>2,261</u>	<u>953</u>
24	RETURN ON INVESTMENTS	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Dividend income		4,981	4,521
	Capital gain/(loss) on sale of investments		-	81
	Unrealized gain / (loss) on remeasurement of investments		(4,772)	10,470
	Return from investments in Sukuk Certificates		2,650	3,337
			<u>2,859</u>	<u>18,409</u>
25	OTHER INCOME/(LOSS)	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Gain / (loss) on disposal of fixed assets	14.1.4	-	(78)
	Loss on measurement of Investment properties to realizable basis	13.2	(69,270)	-
	Gain on measurement of fixed asset to realizable basis	14.1.1	42,890	-
	Rental income		1,454	928
	Fee and commission		33	-
	Other income		914	398
			<u>(23,979)</u>	<u>1,248</u>
26	FINANCIAL CHARGES	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Return on customers' deposits		165,327	165,273
	Mark-up on financing		32,231	32,231
	Lease finance charges		117	374
	Other charges		66	261
			<u>197,742</u>	<u>198,139</u>

27 ADMINISTRATIVE AND OPERATING EXPENSES	NOTE	2011 Rs in '000'	2010 Rs in '000'
Salaries and other benefits	27.1	18,941	24,328
Rent, rates and taxes		487	1,049
Traveling and conveyance		3,313	4,713
Telephone and postage		679	1,181
Legal, professional and other consultancy charges		4,476	12,584
Subscriptions and fees		2	152
Utilities		1,481	2,578
Repairs and maintenance		6,552	6,339
Loss on measurement of fixed assets to realizable basis		6,200	3,550
Printing and stationery		(1,104)	165
Entertainment		200	349
Insurance		204	297
Auditors' remuneration	27.2	330	585
Security service charges		1,086	1,023
Advertising and promotion		-	142
CDC services fees		135	70
Direct write-off		516	1,590
Miscellaneous		582	1,430
		<u>44,079</u>	<u>62,126</u>

27.1 This includes Company's contribution in staff provident fund amounting to Rupees 0.921 million (2010 : Rupees 1.114 million.)

27.2 Auditors' remuneration	NOTE	2011 Rs in '000'	2010 Rs in '000'
Statutory audit fee		300	500
Out of pocket expenses		30	50
Other services		-	35
		<u>330</u>	<u>585</u>

INNOVATIVE INVESTMENT BANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

28	PROVISION FOR DOUBTFUL RECEIVABLES	Placement of Funds	Loans and advances	Investment in finance lease	Advances, deposits, prepayments and other assets	Other receivables	Total	Total	
								Rs in '000'	
								2011	
								2010	
	Opening balance	-	913,683	412,578	155,857	174,673	1,656,791	1,796,486	
	Add: Charge during the year	60,000	5,052	28	3,609	1,095	69,784	13,541	
	Transfers / Adjustments	-	-	-	(4,983)	-	(4,983)	-	
	Less: Reversals during the year	60,000	5,052	28	(1,374)	1,095	64,801	13,541	
	Amount written off	-	7,572	1,467	2,884	34,116	46,039	47,880	
	Transfers / Adjustments	-	-	-	-	-	-	105,357	
		-	17	93	-	-	110	-	
	Closing balance	60,000	911,146	411,046	151,599	141,652	1,675,443	1,656,790	
		6.1	7.3	8.3	9.2	11.2			
		NOTE							
	Charged during the year	60,000	5,052	28	3,609	1,095	69,784	13,541	
	Reversals During the year	-	(7,572)	(1,467)	(2,884)	(34,116)	(46,039)	(47,880)	
	Charged to Profit & Loss	60,000	(2,520)	(1,439)	725	(33,021)	23,745	(34,339)	
29	PROVISION FOR TAXATION							2011	2010
	Current year							Rs in '000'	Rs in '000'
								218	200
30	EARNINGS PER SHARE - BASIC							NOTE	NOTE
	(Loss) / Profit after taxation							(327,332)	(206,308)
	Weighted average ordinary shares							83,452	83,452
	Basic earnings per share							(3.92)	(2.47)

Accumulated tax losses available for off-setting against future taxable profits are Rupees 5,103 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.

Rupees in '000'

No. of Shares in '000'

Rupees

31 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rs in '000' -----			
Managerial Remuneration	-	1,409	-	3,969
House Rent Allowance	-	634	-	1,561
Utilities	-	141	-	347
Provident Fund	-	141	-	314
Medical	-	117	-	289
Others	-	-	-	-
	-	2,442	-	6,480
Number of Persons: at year end		3		5
- Maximum during the year		3		7

32 NUMBER OF EMPLOYEES

The total number of employees at the year end were 27 (2010 : 45)

33 TRANSACTION WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

The related parties comprise of subsidiaries, associates, joint ventures, directors, key management personnel and employee benefit 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:

33.1	Maghreb Development Corporation Limited (wholly owned subsidiary)	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Loans and advances receivable at the start of year		-	4,919
	Amounts adjusted during the year		-	-
	Loans and advances receivable at the end of year		-	4,919
	Provision against doubtful receivable		-	(4,919)
	Net exposure		-	-
33.2	Exclusive Ventures (Private) Limited (wholly owned subsidiary)	NOTE	2011 Rs in '000'	2010 Rs in '000'
	Other receivable at the start of year		88,782	88,782
	Payments made on behalf of the subsidiary		277	-
	Loan provided		-	-
	Receivable at year-end.		89,059	88,782

34 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to balance sheet date, the winding up order has been passed by the honourable Lahore High Court and in the same order the Court has appointed Joint Official Liquidators, vide order no. C.O.No.46-2010 dated June 18, 2013.

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issuance by the Provisional Manager on 23/7/13.

36 GENERAL

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

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23/7

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MANAGER ACCOUNTS (AVP)

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PROVISIONAL MANAGER