

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**BALANCE SHEET****AS AT DECEMBER 31, 2009**

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	5	64,342	42,624
Balances with other banks	6	108,980	78,821
Lendings to financial institutions	7	1,646,286	698,769
Investments	8	6,379,873	5,477,558
Advances	9	7,340,608	4,938,783
Operating fixed assets	10	82,960	52,281
Deferred tax assets	11	274,910	254,093
Other assets	12	518,322	629,422
		16,416,281	12,172,351
LIABILITIES			
Bills payable		-	-
Borrowings	14	3,210,806	4,858,821
Deposits and other accounts	15	6,404,711	1,400,000
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	16	483,714	260,737
		10,099,231	6,519,558
NET ASSETS			
		6,317,050	5,652,793
REPRESENTED BY			
Share capital	17	6,141,780	6,141,780
Reserves	18	444,589	1,020,589
Unappropriated (loss)/profit		(61,414)	90,693
		6,524,955	7,253,062
Deficit (net) on revaluation of available for sale securities - net of tax	19	(207,905)	(1,600,269)
		6,317,050	5,652,793
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Financial Officer**Managing Director****Director****Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
Mark-up / Return / Interest earned	22	1,611,086	1,610,370
Mark-up / Return / Interest expensed	23	1,145,347	1,105,089
Net mark-up / interest income		465,739	505,281
Provision against non-performing advances - net	9.5.1	399,506	399,368
(Reversal)/Provision against lending to financial institutions	7.4	(45,941)	100,000
Provision against diminution in the value of investments	8.3	155,055	6,601
Bad debts written off directly		-	-
		508,620	505,969
Net mark-up/interest income/(expense) after provisions		(42,881)	(688)
NON MARK-UP / INTEREST (EXPENSE)/INCOME			
Fee, commission and brokerage income		77,247	4,271
Dividend income		71,875	191,697
Income from dealing in foreign currencies		-	-
(Loss)/Gain on sale of securities - net	24	(612,964)	81,863
Unrealised loss on revaluation of investments classified as 'held for trading'		(22,216)	(282)
Other income	25	1,928	3,709
Total non-markup/interest (expense)/income		(484,130)	281,258
		(527,011)	280,570
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	26	222,880	207,605
Other provisions/write offs		-	-
Other charges	27	3,335	10,619
Total non-markup/interest expenses		226,215	218,224
		(753,226)	62,346
Extraordinary/unusual items		-	-
(LOSS)/PROFIT BEFORE TAXATION		(753,226)	62,346
Taxation			
current	28	15,747	19,143
prior years		-	-
deferred		(40,866)	(69,177)
		(25,119)	(50,034)
(LOSS)/PROFIT AFTER TAXATION		(728,107)	112,380
Unappropriated profit brought forward		90,693	400,789
(Loss)/Profit available for appropriation		(637,414)	513,169
Rupees			
Basic (loss)/earnings per share	29	(1,185)	183
Diluted (loss)/earnings per share	29	(1,185)	183

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Financial Officer

Managing Director

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	December 31, 2009	December 31, 2008
	Rupees in '000	
(Loss)/Profit after taxation	(728,107)	112,380
Other comprehensive income not transferred to equity		
Surplus / (Deficit) on revaluation of investment classified as 'available for sale'	1,412,413	(1,548,758)
Deferred tax on revaluation of investment classified as 'available for sale'	(20,049)	20,726
	1,392,364	(1,528,032)
Total comprehensive income/(expense) for the year	664,257	(1,415,652)

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Financial Officer

Managing Director

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(753,226)	62,346
Less: Dividend income		(71,875)	(191,697)
		<u>(825,101)</u>	<u>(129,351)</u>
Adjustments:			
Depreciation	10.2	20,042	22,054
Provision against non-performing advances	9.5.1	399,506	399,368
Unrealised loss on revaluation of investment classified as 'held-for trading'		22,216	282
Provision against other assets		(45,941)	100,000
Other assets directly written off		-	-
Provision for diminution in the value of investments	8.3	155,055	6,601
Gain on sale of operating fixed assets	25	(264)	(1,252)
		<u>550,614</u>	<u>527,053</u>
		<u>(274,487)</u>	<u>397,702</u>
<i>(Increase)/Decrease in operating assets</i>			
Lendings to financial institutions		(941,576)	4,596,765
Investment classified as 'held-for trading'		(222,517)	(100,785)
Advances		(2,801,331)	(250,437)
Other assets		125,128	(357,102)
		<u>(3,840,296)</u>	<u>3,888,441</u>
<i>Increase/(Decrease) in operating liabilities</i>			
Borrowings		(1,648,015)	(3,891,549)
Deposits and other accounts		5,004,711	(2,125,000)
Other liabilities		222,977	(26,425)
		<u>3,579,673</u>	<u>(6,042,974)</u>
		<u>(535,110)</u>	<u>(1,756,831)</u>
Income tax (paid)		<u>(37,137)</u>	<u>(30,708)</u>
Net cash (used in) operating activities		<u>(572,247)</u>	<u>(1,787,539)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in 'available-for -sale' securities		700,445	1,873,389
Net investments in 'held-to-maturity' securities		229,899	(354,937)
Strategic investment		(375,000)	-
Dividend received		79,237	191,426
Investments in operating fixed assets		(56,954)	(13,275)
Proceeds on sale of operating fixed assets		6,497	3,968
Net cash from investing activities		<u>584,124</u>	<u>1,700,571</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	-
Net cash from financing activities		<u>-</u>	<u>-</u>
Increase/(Decrease) in cash and cash equivalents		<u>11,877</u>	<u>(86,968)</u>
Cash and cash equivalents at beginning of the year		<u>161,445</u>	<u>248,413</u>
Cash and cash equivalents at end of the year	30	<u><u>173,322</u></u>	<u><u>161,445</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Financial Officer

Managing Director

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Reserves					Total
	Issued, subscribed and paid up capital	Capital reserves		Revenue reserve		
		*Statutory reserve	Reserve for issue of bonus shares	Reserve for contingencies	Un- appropriated profit/(loss)	
Rupees in '000						
Balance as at January 1, 2008	5,841,780	422,113	-	476,000	400,789	7,140,682
Profit after taxation for the year ended December 31, 2008	-	-	-	-	112,380	112,380
Transfer to statutory reserve	-	22,476	-	-	(22,476)	-
Transfer to reserve for contingencies	-	-	-	100,000	(100,000)	-
Reserve for issue of bonus shares	-	-	300,000	-	(300,000)	-
Issue of bonus shares	300,000	-	(300,000)	-	-	-
Right shares issued	-	-	-	-	-	-
Balance as at December 31, 2008	6,141,780	444,589	-	576,000	90,693	7,253,062
Loss after taxation for the year ended December 31, 2009	-	-	-	-	(728,107)	(728,107)
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to reserve for contingencies	-	-	-	90,000	(90,000)	-
Transfer from reserve for contingencies	-	-	-	(666,000)	666,000	-
Reserve for issue of bonus shares	-	-	-	-	-	-
Issue of bonus shares	-	-	-	-	-	-
Right shares issued	-	-	-	-	-	-
Balance as at December 31, 2009	6,141,780	444,589	-	-	(61,414)	6,524,955

*Statutory reserve represents amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Financial Officer

Managing Director

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1 STATUS AND NATURE OF BUSINESS

Pak Libya Holding Company (Private) Limited (the company) was incorporated in Pakistan as a private limited company on October 14, 1978. It is a joint venture between the Government of Pakistan and Libya. The tenure of the company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments) extended the tenure for further thirty years. The objective of the company inter alia includes the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The company is designated as a development financial institution (DFI) under the BPD circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan.

The registered office of the company is located at 5th Floor, Tower C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) including BSD circular No. 04 dated February 17, 2006. The approved accounting standards comprise such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. However, wherever the requirements of the Ordinance or directives issued by SECP and the SBP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of such directives shall prevail.

The SBP through its BSD circular No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. Accordingly, the requirements of those IASs have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.1 Standards, amendments and interpretations to published approved accounting standards effective in current year

IAS-1 (Revised) 'Presentation of financial statements' (effective from January 01, 2009), was issued in September 2007. According to new standard, the items of income and expenses that are not recognized in the profit and loss and non-owners changes in equity should be recognized through statements of comprehensive income. The revised standard requires an entity to opt for presenting such items of income and expenses either in (a) single statement (a statement of comprehensive income) or (b) two statements (a separate income statement and a statement of comprehensive income). The company has adopted IAS 1 (Revised) with effect from January 01, 2009 and presents two separate statements.

IAS 23 (amendment), 'Borrowing costs' (effective from January 01, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The company's current accounting policy is in compliance with this amendment, and there is no effect on the company's financial statements.

There are other new standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 01, 2009, some which are changes in terminology only, and some of which are substantive but are considered not to be relevant but and have had no material effect on the company's financial statements.

2.2 Standards, amendments and interpretations to published approved accounting standards that are relevant but not yet effective

The following standards, amendments and interpretations to published approved accounting standards are mandatory for the company's accounting periods beginning on or after January 01, 2010:

Certain amendments in IAS 1 "Presentation of Financial Statements" effective for annual periods beginning on or after January 01, 2010 resulting from April 2009 Annual Improvements to IAFRSs. Adoption of the above standard will only effect the presentation of financial statements.

IAS 7 "Statement of Cash Flows" effective for annual periods beginning on or after January 01, 2010. The application of the standard is not expected to have significant impact on the company's financial statements.

IAS 24 "Related Party Disclosures" amended definition of related parties and effective for the annual periods beginning on or after January 01, 2011. The application of the standard is not expected to have significant impact on the company's financial statements except for certain increase in disclosures.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2009

There are other amendments resulting from annual improvement project initiated by International Accounting Standards Board in April 2009 and November 2009, Specifically in IAS 17, "Leases", IAS 28 "Investment in Associates", IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets" that are considered relevant to the company's financial statements. The management is in the process of evaluating the impact of these changes on the company's financial statements

2.3 Standards, amendments and interpretations to published approved accounting standards that are not relevant and not yet effective

Standard, amendments or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 1 "First time Adoption of International Financial Reporting Standards"	January 01, 2010
IFRS 2 "Share-based Payments"	January 01, 2010
IFRS 3 "Business Combinations"	July 01, 2009
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"	January 01, 2010
IFRS 8 "Operating Segments"	January 01, 2010
IFRS 9 "Financial Instruments - Classification and Measurement"	January 01, 2013
IAS 28 "Investment in Associates"	July 01, 2009
IAS 31 "Interests in Joint Ventures"	July 01, 2009
IAS 32 "Financial Instruments: Presentation"	February 01, 2010
IAS 39 "Financial Instruments- Recognition and Measurement"	January 01, 2010
IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 01, 2009
IFRIC 18 "Transfer of Assets from Customers"	July 01, 2009

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP and obligations in respect of certain staff retirement benefits are carried at present value.

These financial statements have been prepared following the accrual basis of accounting except cash flow information.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

4.2 Revenue recognition

Dividend income is recognized when the company's right to receive payment is established.

Gain on sale of shares and income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions are recognized on accrual basis, except where recovery is considered doubtful in which case the income is recognized on receipt basis.

Project evaluation, arrangement and front end fee are accounted for on receipt basis.

Income from loans and term finance certificates are recognised on an accrual basis using the effective interest method.

The company follows the finance method in recognizing income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2009

4.3 Advances including net investment in finance leases

Advances are stated net of provisions for bad and doubtful debts, if any, which are charged to the profit and loss account currently. Advances are written off where there is no realistic prospect of recovery.

The company determines the provisions against advances on a prudent basis keeping in view the stipulations of the prudential regulations issued by the SBP.

The company maintains a general reserve (provision) in accordance with the applicable requirement of the 'Prudential Regulations for Consumer Financing' issued by the SBP.

4.4 Investments

In accordance with BSD circular No. 10 dated July 13, 2004 the company classifies its investments as follows:

Held for trading

These are securities acquired principally for the purpose of generating profit from short-term fluctuation in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held to maturity

These are securities acquired by the company with the intention and ability to hold them upto maturity.

Available for sale

These are securities that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which includes transaction costs associated with the investment.

In accordance with the directives of the SBP, listed and government securities, excluding investments categorized as 'held to maturity' securities are stated at revalued amounts. Any surplus/deficit arising as a result of revaluation of listed and government securities categorized as 'available for sale' is presented below the shareholders' equity in the balance sheet.

Surplus/deficit arising on revaluation of 'held for trading' securities is credited/charged to the profit and loss account.

In accordance with BSD circular No. 14 dated September 24, 2004 investments in securities categorized as 'held to maturity' are carried at amortized cost.

Unlisted securities where active market does not exist are stated at the lower of cost and break-up value.

The cost of acquisition of 'dealing securities' (i.e. listed securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other listed securities (i.e. listed securities sold after the date of purchase).

The company amortises the premium on acquisition of government securities using the effective yield method.

The company follows the 'settlement date' accounting for investments.

Gains and losses arising on sale of investments are recognized in the profit and loss account.

Investments in Associates

Investments in Associates are stated at cost less provision for impairment, if any.

4.5 Operating fixed assets

Owned

Tangible fixed assets are stated at cost less accumulated depreciation. Capital work in progress is stated at cost, and these are transferred to specific assets as and when assets are available for use.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted if impact on depreciation is considered significant.

Depreciation is charged to the profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated service life.

Depreciation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no depreciation is charged on additions during the second half of the month and disposals in the first half of the month.

Maintenance and normal repairs are charged to income as and when incurred.

Profit or loss on sale or retirement of fixed assets is included in the profit and loss account.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Leased

Assets held under finance leases are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of assets and the present value of minimum lease payments. Finance charge is allocated to accounting periods in a manner as to provide a constant rate on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.6 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any.

Deferred

The company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.7 Staff retirement benefits

Defined benefit plan

The company operates a funded gratuity scheme for all its permanent employees in accordance with the staff rules of the company. The minimum qualifying period for entitlement to gratuity is five years continuous service with the company for regular employees. Contribution to the fund is made every year.

Actuarial gains or losses are recognized in accordance with the actuary's recommendation.

The last actuarial valuation of the scheme was carried out as at December 31, 2009. The benefit under the gratuity scheme is payable on retirement at the age of 60 or earlier cessation of service, in lump sum.

Defined contribution plan

The company also operates a recognized provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the company and the employees, to the fund at a rate of 7, 8 and 10 percent, as applicable, of basic pay.

Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which it is earned in terms of salary earned upto the balance sheet date.

The company recognises provision for compensated absences on the basis of actuarial valuation. The last actuarial valuation was carried out as at December 31, 2009.

4.8 Securities under repurchase/resale agreements

Securities sold subject to repurchase agreements (repo) are retained in the financial statements as investments and a counterparty liability is included in borrowings. Securities purchased under agreement to resell (reverse repo) are included in lendings. The difference between the sale and repurchase price is treated as mark-up or return expensed and earned respectively and is recognized on accrual basis.

4.9 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. These financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

4.10 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the balance sheet date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Exchange gains and losses are included in the profit and loss account.

4.11 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.12 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.13 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the balance sheet date are recognized as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors / shareholders as appropriate.

4.14 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Critical judgment in classification of investments in accordance with the company's policy (notes 4.4 and 8).
- b) Assumptions and estimations in recognition of deferred taxation (notes 4.6 and 11).
- c) Depreciation of property and equipments (note 4.5 and 10.2).
- d) Provision for bad and doubtful debts (note 4.3).
- e) Impairment (note 16)
- f) Accounting for defined benefit plan and compensated absences (note 4.7).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4.15 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4.16 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

4.17 General

Amounts in these financial statements have been rounded off to the nearest thousand rupee.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		Rupees in '000	
5 CASH AND BALANCES WITH TREASURY BANKS			
Cash in hand			
local currency		3	2
foreign currency		-	-
Balances with State Bank of Pakistan (SBP) (local currency)			
current account		3,667	11,093
cash reserves	5.1	60,000	21,000
Balances with National Bank of Pakistan (local currency)			
current account		672	10,529
		<u>64,342</u>	<u>42,624</u>

5.1 This represents the amount required to be maintained with the SBP by the company in accordance with the SBP's regulations.

6 BALANCES WITH OTHER BANKS

In Pakistan			
Current accounts		5,581	16,925
Deposit accounts		103,399	61,896
	6.1	<u>108,980</u>	<u>78,821</u>

6.1 The return on these balances ranges from 5 to 11 (2008: 6 to 11) percent per annum.

7 LENDING TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)	7.1	1,646,286	658,769
Certificates of Investments (COIs)		-	-
Placements	7.2	118,656	204,597
	7.3	1,764,942	863,366
Less: Provisions for doubtful placements	7.4	118,656	164,597
		<u>1,646,286</u>	<u>698,769</u>

7.1 Securities held as collateral against lendings to financial institutions

	2009			2008		
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
-----Rupees in '000-----						
Pakistan investment bonds	1,646,286	-	1,646,286	408,769	250,000	658,769
	<u>1,646,286</u>	<u>-</u>	<u>1,646,286</u>	<u>408,769</u>	<u>250,000</u>	<u>658,769</u>

7.1.1 The profit rates on reverse repurchase agreement lendings range from 12.15 to 12.40 (2008: 9.2 to 14.5) percent per annum.

7.2 The profit rates on placements range from 18 to 21.5 (2008: 14.5 to 21.5) percent per annum.

7.3 Particulars of lending

In local currency	1,764,942	863,366
In foreign currencies	-	-
	<u>1,764,942</u>	<u>863,366</u>

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2009

7.4	Specific provisioning	Note	2009	2008
			Rupees in '000	
	Opening balance		164,597	64,597
	Charge for the year		-	100,000
	Less: Reversal for the year		(45,941)	-
	Net charge for the year		(45,941)	100,000
			118,656	164,597
	Amounts written off	7.4.1	-	-
			118,656	164,597
7.4.1	Particulars of amounts written off			
	Against provisions		-	-
	Directly charged to the profit and loss account		-	-
			-	-

8 INVESTMENTS

8.1	Investments by types	Note	2009			2008		
			Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total
			Rupees in '000					
	<i>Held-for-trading securities</i>							
	Listed shares	8.16	323,302	-	323,302	100,691	-	100,691
	Mutual funds	8.16	-	-	-	94	-	94
	<i>Available-for sale securities</i>							
	Listed shares	8.17	1,941,654	-	1,941,654	1,823,312	-	1,823,312
	Listed preference shares	8.18	53,300	-	53,300	50,000	-	50,000
	Unlisted shares	8.26	122,191	-	122,191	126,191	-	126,191
	Mutual fund units	8.19	601,994	-	601,994	313,707	-	313,707
	National Investment Trust units		-	-	-	295,000	-	295,000
	Listed term finance certificates (TFCs)	8.20	593,492	-	593,492	464,034	-	464,034
	Unlisted TFCs	8.22	1,052,914	-	1,052,914	1,060,702	-	1,060,702
	Sukuk issue	8.24	234,222	-	234,222	209,162	-	209,162
	Pakistan investment bonds	8.6	386,927	-	386,927	-	396,507	396,507
	Market treasury bills	8.7	487,998	487,998	975,996	435,000	1,489,520	1,924,520
	<i>Held-to maturity securities</i>							
	Participation term certificates (PTCs)		7,913	-	7,913	8,214	-	8,214
	Unlisted TFCs	8.23	93,974	-	93,974	-	-	-
	Commercial paper	8.9	96,862	-	96,862	421,526	-	421,526
	<i>Investments in Associates</i>							
	Strategic Investment - Kamoki Energy Limited	8.27	375,000	-	375,000	-	-	-
	Investments at cost		6,371,743	487,998	6,859,741	5,307,633	1,886,027	7,193,660

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	2009			2008			
	Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total	
-----Rupees in '000-----							
Less: Provision for diminution in the value of investment							
Listed shares	8.10	109,722	-	109,722	40,510	-	40,510
Unlisted shares	8.11	9,361	-	9,361	7,820	-	7,820
PTCs	8.12	7,913	-	7,913	8,214	-	8,214
Listed TFCs	8.13	-	-	-	1,092	-	1,092
Unlisted TFCs	8.14	23,611	-	23,611	11,458	-	11,458
Sukuk issue	8.15	72,450	-	72,450	-	-	-
	8.3	223,057	-	223,057	69,094	-	69,094
Investment (net of provisions)		6,148,686	487,998	6,636,684	5,238,539	1,886,027	7,124,566
Deficit on revaluation of held-for-trading' securities		(22,498)	-	(22,498)	(282)	-	(282)
Deficit on revaluation of available-for-sale' securities		(232,784)	(1,529)	(234,313)	(1,516,602)	(130,124)	(1,646,726)
Total investments at market value		5,893,404	486,469	6,379,873	3,721,655	1,755,903	5,477,558

8.2		Note	2009	2008
			Rupees in '000	
	Investments by segments			
	<i>Federal government securities</i>			
	Market treasury bills	8.7	975,996	1,924,520
	Pakistan investment bonds	8.5 & 8.6	386,927	396,507
	<i>Fully paid ordinary shares</i>			
	Listed	8.16 & 8.17	2,264,956	1,924,003
	Unlisted	8.26	122,191	126,191
	<i>Fully paid preference shares</i>			
	Listed	8.18	53,300	50,000
	<i>Term finance certificates</i>			
	Listed	8.8 & 8.20	593,492	464,034
	Unlisted	8.22 & 8.23	1,146,888	1,060,702
	<i>Participation term certificates</i>	8.25	7,913	8,214
	<i>Investments in Associates</i>			
	Unlisted ordinary shares - Kamoki Energy Limited	8.27	375,000	-
	<i>Other investments</i>			
	Mutual fund units - listed	8.19	601,994	313,801
	Commercial paper- unlisted	8.9	96,862	421,526
	National Investment Trust units- listed		-	295,000
	Sukuk issue - unlisted	8.24	234,222	209,162
	Total investment at cost		6,859,741	7,193,660
	Less: Provision for diminution in value of investments	8.3	(223,057)	(69,094)
	Investments (net of provisions)		6,636,684	7,124,566
	Deficit on revaluation of 'held-for-trading ' securities		(22,498)	(282)
	Deficit on revaluation of 'available-for-sale' securities		(234,313)	(1,646,726)
	Total investments at market value		6,379,873	5,477,558

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		2009	2008
		Rupees in '000	
8.3	Particulars of provision	Note	
	Opening balance		62,493
	Charge for the year		25,342
	Less: Reversal during the year		(18,741)
	Net charge /(reversal) for the year		6,601
	Less: amount written off		-
	Closing balance	8.3.1	69,094
8.3.1 Particulars of provision in respect of type and segment			
Available for sale securities			
	Listed ordinary shares	8.10	40,510
	Unlisted ordinary shares	8.11	7,820
	Listed TFCs	8.13	1,092
	Unlisted TFCs	8.14	11,458
	Sukuk	8.15	-
Held-to-maturity securities			
	Unlisted PTCs	8.12	8,214
			69,094
			223,057
8.4 Quality of held for trading securities/entities			
		2009	2008
		Market value	Entity rating long term / short term
		Rupees in '000	Rupees in '000
<u>Listed shares</u>			
Banks/ Financial institutions			
	Allied Bank Limited	-	144 AA/A1+
	Arif Habib Bank Limited	-	630 A-/A2
	Arif Habib Limited	-	834 Unrated
	Askari Bank Limited	-	3,453 AA/A1+
	Bank Alfalah Limited	-	4,727 AA/A1+
	Bank of Punjab	-	57 AA-/A1+
	Bank Al-Habib Limited	-	1,250 AA/A1+
	Faysal Bank Limited	-	322 AA/A1+
	National Bank of Pakistan	42,763	2,187 AAA/A1+
	NIB Bank Limited	-	3,059 AA-/A1
	Habib Bank Limited	-	9,806 AA+/A1+
	Silkbank Limited	-	40 A-/A3
	Soneri Bank Limited	-	97 AA-/A1+
	United Bank Limited	-	320 AA+/A1+
	Arif Habib Securities Limited	-	11,886 AA/A1
	Dawood Equities Limited	-	4 Unrated
	First National Equities Limited	-	4,393 Unrated
	Investment & Finance Securities Limited	-	1 Unrated
	Jahangir Siddiqui & Company	45,105	6,085 AA+/A1+
	Jahangir Siddiqui & Investment Limited	-	39 AA-/A1+
	Pervaiz Ahmed Securities Limited	-	61 Unrated
	Javed Omer Vohra & Company	-	96 BB+/B
	Bank Islami Pakistan Limited	-	524 A-/A2
	JS Bank Limited	-	1,027 A/A1
	Meezan Bank Limited	-	20 A+/A1
	MCB Bank Limited	-	40 AA+/A1+

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	2009		2008	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
Textile				
Nishat (Chunian) Limited	-		41	Unrated
Nishat Mills Limited	-		1,065	A+/A1
D.S. Industries Limited	-		216	Unrated
Dawood Lawrencepur Limited	-		86	Unrated
Azgard Nine Limited	34,303	A+/A1	3,538	A+/A1
Oil and gas marketing & exploration				
Oil & Gas Development Company Limited	-		687	AAA/A1+
Pakistan Oil fields Limited	-		1,310	Unrated
Pakistan Petroleum Limited	75,836	Unrated	78	Unrated
Pakistan State Oil Company Limited	81,796	AA+/A1+	225	AAA/A1+
Attock Petroleum Limited	-		33	Unrated
Sui Southern Gas Company Limited	-		567	AA-/A1+
Mari Gas company Limited	-		91	Unrated
Sui Northern Gas Company Limited	-		876	AA/A1+
Power generation and distribution				
Kot Addu Power Company Limited	-		19	Unrated
Hub Power Company Limited	-		273	Unrated
Chemicals and Fertilizers				
Engro Chemicals Pakistan Limited	-		87	AA/A1+
Fauji Fertilizer Bin Qasim Limited	-		400	Unrated
Fauji Fertilizer Company Limited	-		209	Unrated
Pakistan PTA Limited	-		261	Unrated
ICI (Pakistan) Limited	-		31	Unrated
BOC Pakistan Limited	-		25	Unrated
Sitara Peroxide Limited	-		527	Unrated
Pharmaceutical				
Searle Pakistan Limited	-		3	A3
Synthetic and rayon				
Dewan Salman Fibre Limited	-		59	Unrated
Cement				
D.G. Khan Cement Company Limited	-		1,621	Unrated
Dewan Cement Limited	-		31	BB/B
Lucky Cement Limited	-		765	Unrated
Maple Leaf Cement Factory Limited	-		14	BBB+/A2
Fauji Cement Company Limited	-		874	Unrated
Al-Abass Cement Industries Limited	-		16	Unrated
Pakistan Cement Company Limited	-		362	Unrated
Pioneer Cement Limited	-		44	BBB/A3
Thatta Cement Company Limited	-		1	Unrated
Insurance				
Adamjee Insurance Company Limited	-		8,954	Unrated
Pakistan Re-Insurance Company Limited	-		49	Unrated
EFU General Insurance Limited	-		13,364	Unrated

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	2009		2008	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
Transport				
Pakistan International Container Terminal Limited	-		15	A-/A2
Refinery				
National Refinery Limited	-		3	AAA/A1+
Attock Refinery Limited	-		7,522	AA/A1+
Bosicor Pakistan Limited	-		190	Unrated
Pakistan Refinery Limited	-		1,746	Unrated
Automobile				
Honda Atlas Car Limited	-		15	Unrated
Indus Motor Company Limited	-		394	Unrated
Engineering				
Crescent Steel & Allied Products Limited	-		50	Unrated
Dost Steel Limited	-		87	Unrated
Cable and electrical goods				
Pak-Elektron Limited	-		71	A/A1
Paper & Board				
Packages Limited	-		66	AA/A1+
Miscellaneous				
Pace (Pakistan) Limited	-		375	A+/A1
Tri-Pack Films Limited	-		15	A+/A1
Technology and telecommunication				
Pakistan Telecommunication Company Limited	21,001	Unrated	270	Unrated
Eye Television Network	-		343	Unrated
Netsol Technologies Limited	-		208	Unrated
TeleCard Limited	-		93	Unrated
TRG (Pakistan) Limited	-		684	BBB/A2
Worldcall Telecom Limited	-		323	A+/A1
<u>Mutual fund units/certificates</u>				
PICIC Growth Fund	-		17	Unrated
JS Value Fund Limited	-		82	5 star
Pakistan Premier Fund	-		30	5 star/4 star
	300,804		100,503	

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8.4.1 Quality of available for sale securities/entities

	2009		2008	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
<u>Listed shares</u>				
Banks/ Financial institutions	Rupees in '000		Rupees in '000	
Allied Bank Limited	-		2,349	AA/A1+
Arif Habib Bank Limited	-		10,445	A-/A2
Askari Bank Limited	-		15,299	AA/A1+
Bank Alfalah Limited	-		13,384	AA/A1+
Bank of Punjab	-		24,420	AA-/A1+
Faysal Bank Limited	-		21,869	AA/A1+
National Bank of Pakistan	152,459	AAA/A-1+	40,256	AAA/A1+
NIB Bank Limited	76,800	AA-/A1+	10,741	AA-/A1
Silkbank Limited	47,400	A-/A-3	11,836	A-/A3
Soneri Bank Limited	-		4,675	AA-/A1+
Standard Chartered Bank Limited	22,523	AA+/A-1+	-	-
United Bank Limited	-		40,601	AA+/A1+
Jahangir siddique & Company	60,140	AA+/A-1+	-	-
Arif Habib Securities Limited	-		1,314	AA/A1
Leasing				
Al Zamin Leasing Modaraba	10,000	Unrated	10,000	A-/A2
Textile				
Gulshan Spinning Mills Limited	2,088	Unrated	3,238	Unrated
Nishat (Chunian) Limited	-		6,382	Unrated
Nishat Mills Limited	-		3,390	A+/A1
Azgard Nine Limited	106,029	A+/A1	-	-
Oil and gas marketing & exploration				
Attock Petroleum Limited	225,953	Unrated	-	-
Shell Pakistan Limited	138,699	Unrated	-	-
Oil & Gas Development Company Limited	-		9,098	AAA/A1+
Pakistan Petroleum Limited	189,590	Unrated	5,534	Unrated
Pakistan Oil field	15,231	Unrated	-	-
Mari Gas Company Limited	6,320	Unrated	-	-
Sui Northern Gas Company Limited	-		8,584	AA/A1+
Power generation and distribution				
Kot Addu Power Company Limited	18,224	Unrated	19,094	Unrated
Hub Power Company Limited	-		52,127	Unrated
Nishat Power Limited	88,373	AA/A1+	-	-
Nishat Chunian Power Limited	34,468	AA/A1+	-	-
Chemicals and Fertilizers				
Engro Chemicals Pakistan Limited	-		7,235	AA/A1+
Fauji Fertilizer Bin Qasim Limited	-		28,380	Unrated
Dawood Hercules Chemicals Limited	224,763	Unrated	-	-
Fauji Fertilizer Company Limited	-		8,810	Unrated
Pakistan PTA Limited	-		716	Unrated
ICI (Pakistan) Limited	-		17,178	Unrated
Synthetic and rayon				
Rupali Polyester Limited	-		10,238	Unrated

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	2009		2008	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
Cement				
D.G. Khan Cement Limited	113,960	Unrated	11,167	Unrated
Lucky Cement Limited	-		3,127	Unrated
Maple Leaf Cement Company Limited	-		8,610	BBB+/A2
Fauji Cement Company Limited	-		5,170	Unrated
Insurance				
Adamjee Insurance Company Limited	-		28,006	Unrated
Refinery				
National Refinery Limited	-		4,756	AAA/A1+
Automobile				
Pak Suzuki Motor Company Limited	-		22,689	Unrated
Paper & Board				
Packages Limited	160,765	AA/A1+	22,327	AA/A1+
Technology and telecommunication				
Pakistan Telecommunication Company Limited	-		39,692	Unrated
	1,693,785		532,737	
<u>Listed preference shares</u>				
Textile				
Chenab Limited	-	Unrated	25,000	Unrated
Nishat (Chunian) Limited	7,078	Unrated		
Cable and electrical goods				
Pak-Elektron Limited	25,000	A/A1	25,000	A/A1
	32,078		50,000	
<u>Mutual fund units/certificates</u>				
AKD Opportunity Fund	-		9,888	Unrated
Atlas Stock Market Fund	-		7,938	4 star
JS-Fund of Funds	-		10,510	4 star
MCB Dynamic Allocation Fund	-		40,084	Unrated
MCB Dynamic Stock Fund	-		13,133	Unrated
Meezan Islamic Fund	-	-	8,474	5 star
Unit Trust of Pakistan Limited	-		13,619	5 star
Unit Stock Advantage Fund	-		4,297	Unrated
UBL Principal Protected Fund	20,598	Unrated	16,815	Unrated
ABL Income Fund	150,312	A+(f)	52,151	A(f)
Pak Oman Advantage Fund	20,192	AA-(f)	14,461	AA-(f)
PICIC Growth Fund	7,130	Unrated	2,795	Unrated
United Growth & Income Fund	150,940	A(f)		
NIT Government Bond Fund	50,071	Unrated		
Faysal Income & Growth Fund	200,491	A+(f)		
	599,734		194,166	

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	2009		2008	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
<u>Listed term finance certificates (TFCs)</u>				
Banks/ Financial institutions				
Al-Zamin Leasing Modaraba	8,916	A-	12,934	A
Askari Bank Limited-I	33,599	AA-	33,613	AA /A1+
Askari Bank Limited-II	19,868	AA-	19,876	AA /A1+
Azgard Nine Limited	28,162	AA-	40,354	A+/A1
Bank Alfalah Limited-II	124,760	AA-	124,808	AA/A1+
Crescent Standard Investment Bank Limited (Formerly Pacific Leasing Company)	-	-	-	A-
IGI Investment Bank Limited (Formerly First International Investment Bank Limited)	24,990	A+	37,485	A/A1
Royal Bank of Scotland Limited	99,820	AA-	99,860	AA+/A1+
Searle Pakistan Limited	18,265	BBB+	31,238	A-
Trust Investment Bank Limited	24,990	BBB	-	-
Soneri Bank Limited	47,424	A+	52,444	AA-/A1+
Chemicals and Fertilizers				
Pak-Arab Fertilizer Limited	165,464	AA	17,232	AA
	596,258		469,844	
<u>Unlisted TFCs</u>				
Bank Al-Habib Limited	24,950	AA	24,960	AA/A1+
Dewan Farooque Spinning Mills Limited	18,750	Unrated	28,125	Unrated
Escorts Investment Bank Limited	-	-	16,653	A+
Engro Chemical Pakistan Limited-I	404,000	AA	404,000	AA/A1+
Engro Chemical Pakistan Limited-II	300,000	AA	300,000	AA/A1+
Gulshan Spinning Mills Limited	-	-	14,277	Unrated
New Allied Electronics Industries Limited	-	D	34,375	Unrated
Pakistan International Airlines Corporation	177,040	Unrated	177,077	Unrated
Pakistan Mobile Communication (Private) Limited	97,063	AA-	20,000	Unrated
Paramount Spinning Mills Limited	-	-	14,277	Unrated
Security Leasing Corporation Limited-II	7,500	Unrated	12,500	Unrated
Trust Investment Bank Limited	-	-	3,000	A+/A1
	1,029,303		1,049,244	
<u>Sukuk issue</u>				
Security Leasing Corporation Limited	30,000	Unrated	40,000	Unrated
Kohat Cement Limited	72,450	Unrated	144,900	A-/A2
Sitara Energy Limited	18,262	Unrated	24,262	Unrated
Liberty Power Technology Limited	41,060	Unrated	-	-
	161,772		209,162	

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	2009		2008	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
<u>Unlisted shares- stated at cost</u>				
Agro Dairies Limited	-	Unrated	-	Unrated
Al-Hamra Hills (Private) Limited	47,800	Unrated	48,550	Unrated
FTC Management Company Limited	500	Unrated	500	Unrated
News-VIS Credit Information Service (Private) Limited	-	Unrated	-	Unrated
Pakistan Textile City Limited	50,000	Unrated	49,100	Unrated
Paramount Investment Limited	4,000	Unrated	3,824	Unrated
Noman Abid Investment Management Limited	10,530	Unrated	16,397	Unrated
	112,830		118,371	
<u>Other investments</u>				
National Investment Trust units	-		143,711	4-Star
Pakistan investment bonds (PIBs)	314,535	Unrated	275,317	Unrated
Market treasury bills	972,938	Unrated	1,912,976	Unrated
Commercial paper	96,862	Unrated	421,526	Unrated
Strategic Investment - Kamoki Energy Limited	375,000	Unrated	-	
	1,759,335		2,753,530	
Total	5,985,095		5,477,557	

- 8.5 PIBs are eligible for rediscounting with the SBP.
- 8.6 These PIBs carry returns ranging from 9 to 11 (2008: 8 to 11) percent per annum and have maturity periods ranging between August, 2012 to April, 2014 (2008: August, 2012 to April, 2014).
- 8.7 The rate of return on these treasury bills ranges from 11.75 to 11.84 (2008: 9.94 to 10.01) percent per annum.
- 8.8 The rate of return on TFCs ranges from 9.5 to 17.86 (2008: 9.5 to 19.43) percent per annum.
- 8.9 These commercial papers carry return at 15% and have maturity in 2010.

8.10 Particulars of provision against listed shares (ordinary and preference shares)

Specific	Note	2009	2008
		Rupees in '000	
Opening balance		40,510	40,358
Charge for the year		77,419	10,106
Less: Reversal for the year		(8,207)	(9,954)
Net charge for the year		69,212	152
Closing balance	19.1	109,722	40,510

8.11 Particulars of provision against unlisted ordinary shares

Specific			
Opening balance		7,820	4,042
Charge for the year		5,239	3,778
Less: Reversal during the year		(3,698)	-
Net charge/ (reversal) for the year		1,541	3,778
Closing balance		9,361	7,820

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8.12	Particulars of provision against unlisted redeemable capital-participation term certificates	2009	2008
		Rupees in '000	
	Specific		
	Opening balance	8,214	14,433
	Charge for the year	-	-
	Less: Reversal during the year	(301)	(6,219)
	Net (reversal) for the year	(301)	(6,219)
	Less: amount written off	-	-
	Closing Balance	<u>7,913</u>	<u>8,214</u>
8.12.1	Particulars of amount written off against provision		
	Against provision	-	-
	Directly charged to the profit & loss account	-	-
		<u>-</u>	<u>-</u>
8.13	Particular of provision against listed TFCs		
	Specific		
	Opening balance	1,092	3,660
	Charge for the year	-	-
	Less: Reversal during the year	-	(2,568)
	Net charge for the year	-	(2,568)
	Less: amount written off	(1,092)	-
	Closing Balance	<u>-</u>	<u>1,092</u>
8.13.1	Particulars of amount written off against provision		
	Against provision	1,092	-
	Directly charged to the profit & loss account	-	-
		<u>1,092</u>	<u>-</u>
8.14	Particular of provision against un-listed TFCs		
	Specific		
	Opening balance	11,458	-
	Charge for the year	12,153	11,458
	Less: Reversal during the year	-	-
	Net charge for the year	12,153	11,458
	Closing Balance	<u>23,611</u>	<u>11,458</u>
8.15	Particular of provision against Sukuk		
	Specific		
	Opening balance	-	-
	Charge for the year	72,450	-
	Less: Reversal during the year	-	-
	Net charge for the year	72,450	-
	Closing Balance	<u>72,450</u>	<u>-</u>

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8.16 Particulars of investments held in shares of listed companies - held for trading

Name of investee	2009	2008	2009	2008
	Number of shares held		Cost (Rupees in '000)	
Mutual fund				
PICIC Growth Fund	-	2,960	-	21
JS Value Fund Limited	-	18,261	-	50
Pakistan Premier Fund Limited	-	14,613	-	23
				<u>94</u>
Financial				
Arif Habib Limited	-	9,764	-	730
Arif Habib Securities Limited	-	282,602	-	12,767
Dawood Equities Limited	-	495	-	4
First National Equities Limited	-	85,325	-	4,046
Invest & Finance Securities Limited	-	227	-	1
Jahangir Siddique & Company	1,500,000	116,395	48,399	6,534
JS Investments Limited	-	898	-	36
Javaid Omer Vohra & Company	-	10,618	-	121
Pervaiz Ahmed Securities Limited	-	16,873	-	112
Allied Bank Limited	-	4,603	-	155
Arif Habib Bank Limited	-	113,876	-	394
Askari Bank Limited	-	236,962	-	3,850
Bank Alfalah Limited	-	282,546	-	5,132
Bank Al-Habib Limited	-	50,249	-	1,223
Bank Islami Pakistan Limited	-	72,280	-	367
Bank of Punjab	-	4,330	-	65
Faysal Bank Limited	-	28,001	-	380
Habib Bank Limited	-	130,997	-	10,533
JS Bank Limited	-	178,920	-	629
Meezan Bank Limited	-	942	-	21
MCB Bank Limited	-	317	-	43
National Bank of Pakistan	575,000	43,461	47,670	2,348
NIB Bank Limited	-	655,054	-	1,897
Silkbank Limited	-	8,057	-	42
Soneri Bank Limited	-	8,858	-	75
United Bank Limited	-	8,659	-	343
Adamjee Insurance Company Limited	-	87,925	-	9,618
Pakistan Reinsurance Company Limited	-	2,083	-	53
Insurance				
EFU General Insurance Company Limited	-	100,471	-	12,309
Textile				
D. S. Industries Limited	-	14,552	-	189
Azgard Nine Limited	1,650,000	217,299	38,640	3,858
Dawood Lawrencepur Limited	-	1,721	-	75
Nishat (Chunian) Limited	-	4,282	-	31
Nishat Mills Limited	-	47,137	-	1,035
Synthetic and rayon				
Dewan Salman Fibre Limited	-	41,797	-	39
Cement				
Al-Abbas Cement Limited	-	4,180	-	12
D.G Khan Cement	-	76,219	-	1,739
Dewan Cement Limited	-	10,166	-	35
Fauji Cement Company Limited	-	185,662	-	650
Lucky Cement Limited	-	24,461	-	821

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	2009	2008	2009	2008
	Number of shares held		Cost (Rupees in '000)	
Maple Leaf Cement Factory	-	3,496	-	9
Pakistan Cement Company Limited	-	113,306	-	225
Pioneer Cement Limited	-	1,820	-	38
Thatta Cement Company Limited	-	90	-	1
Refinery				
Attock Refinery Limited	-	125,583	-	8,078
Bosicor Pakistan Limited	-	40,834	-	135
National Refinery limited	-	30	-	3
Pakistan Refinery Limited	-	17,741	-	1,528
Power generation and Distribution				
Hub Power Company Limited	-	19,429	-	227
Kot Addu Power Company Limited	-	592	-	14
Engineering				
Crescent Steel & Allied Products	-	2,896	-	50
Dost Steel Limited	-	10,978	-	89
Automobile assembler				
Honda Atlas Car Limited	-	1,305	-	18
Indus Motors Limited	-	3,206	-	382
Cable and electrical goods				
Pak-Elektron (R.C.P)	-	3,118	-	76
Technology and communication				
Eye Television Network	-	10,008	-	282
TeleCard Limited	-	46,387	-	62
Worldcall Telecom Limited	-	108,565	-	306
Pakistan Telecommunication Company Limited	1,189,855	15,998	23,485	293
NetSol Technologies Limited	-	8,243	-	224
TRG Pakistan Limited	-	384,436	-	474
Transport				
Pakistan International container terminal	-	332	-	15
Fertilizer				
Engro Chemical Limited	-	898	-	93
Fauji Fertilizer Bin Qasim	-	31,006	-	395
Fauji Fertilizer Company Limited	-	3,566	-	199
Pharmaceutical				
Searle Pakistan Limited	-	49	-	3
Chemical				
BOC Pakistan Limited	-	217	-	26
ICI Pakistan Limited	-	449	-	33
Pakistan PTA	-	164,242	-	188
Sitara Peroxide Limited	-	29,072	-	468
Paper and board				
Packages Pakistan Limited	-	816	-	67
Oil and gas marketing and exploration				
Attock Petroleum Limited	-	230	-	36
Pakistan State Oil Company Limited	275,000	1,559	88,951	242
Sui Northern Gas Company Limited	-	40,807	-	661
Sui Southern Gas Company Limited	-	53,987	-	632
Mari Gas Company Limited	-	917	-	97
Oil and Gas Development Corporation	-	13,746	-	738
Pakistan Petroleum Limited	400,000	778	76,157	84
Pakistan Oil Field	-	12,778	-	1,407
Miscellaneous				
Pace (Pakistan) Limited	-	43,359	-	464
Tripackfilms Limited	-	123	-	16
			323,302	100,691

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8.17 Particulars of investments held in shares of listed companies - available for sale

Name of investee	2009	2008	2009	2008
	Number of shares held		Cost (Rupees in '000)	
Financial				
Arif Habib Securities Limited	-	31,250	-	3,731
Allied Bank Limited	-	75,000	-	5,886
Arif Habib Bank Limited	-	1,888,870	-	47,454
Askari Bank Limited	-	1,050,000	-	72,929
Bank Alfalah Limited	-	800,000	-	41,362
Bank of Punjab	-	1,850,000	-	130,285
Faysal Bank Limited	-	1,900,000	-	110,970
National Bank of Pakistan	2,050,000	800,000	175,312	180,876
NIB Bank Limited	16,000,000	2,300,000	124,806	45,618
Silkbank Limited (Formerly Saudi Pak Commercial Bank Limited)	10,000,000	2,362,500	102,882	63,114
Standard Chartered Bank Limited	2,516,584	-	23,841	-
Soneri Bank Limited	-	425,000	-	15,797
Jahangir Siddique & Company	2,000,000	-	63,351	-
United Bank Limited	-	1,100,000	-	171,354
Insurance				
Adamjee Insurance Company Limited	-	275,000	-	92,054
Leasing				
Al Zamin Leasing Modaraba	1,000,000	1,000,000	10,000	10,000
Textile				
Azgard Nine Limited	5,100,000	-	147,807	-
Gulshan Spinning Mills Limited	260,975	237,250	5,003	5,004
Nishat (Chunian) Limited	-	660,000	-	20,162
Nishat Mills Limited	-	150,000	-	12,486
Synthetic and rayon				
Rupali Polyester Limited	-	262,530	-	24,129
Cement				
D.G. Khan Cement Limited	3,500,000	525,000	128,451	33,465
Fauji Cement Company Limited	-	1,100,000	-	16,831
Lucky Cement Limited	-	100,000	-	9,614
Maple Leaf Cement Company Limited	-	2,100,000	-	45,249
Refinery				
National Refinery Limited	-	50,000	-	16,302
Power generation and distribution				
Hub Power Company Limited	-	3,699,500	-	139,852
Kot Addu Power Company Limited	397,302	605,000	17,856	28,627
Nishat Chunian Power Limited	3,346,409	-	33,464	-
Nishat Power Limited	6,942,087	-	69,494	-
Automobile assembler				
Pak Suzuki Motor Company Limited	-	285,000	-	60,273
Technology and communication				
Pakistan Telecommunication Company Limited	-	2,350,000	-	102,426
Fertilizer companies				
Dawood Hercules Chemicals Limited	1,250,000	-	220,892	-
Engro Chemical Limited	-	75,000	-	18,426
Fauji Fertilizer Bin Qasim Limited	-	2,200,000	-	92,845
Fauji Fertilizer Company Limited	-	150,000	-	17,334

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	2009	2008	2009	2008
	Number of shares held		Cost (Rupees in '000)	
Chemical				
ICI Pakistan Limited	-	250,000	-	45,847
Pakistan PTA Limited	-	450,000	-	6,184
Paper and board				
Packages Pakistan Limited	1,116,424	275,000	225,605	85,100
Oil and gas marketing and Exploration				
Attock Petroleum Limited	650,000	-	235,560	-
Mari Gas Company Limited	46,191	-	6,152	-
Shell Pakistan Limited	554,000	-	140,558	-
Sui Northern Gas Company Limited	-	400,000	-	20,765
Oil & Gas Development Company Limited	-	182,000	-	19,558
Pakistan Petroleum Limited	1,000,000	55,000	196,481	11,403
Pakistan Oil Field	66,000	-	14,139	-
			<u>1,941,654</u>	<u>1,823,312</u>

8.17.1 The nominal value of each share held in a listed company is Rs. 10 per share as at December 31, 2009 and December 31, 2008.

8.18 Particulars of investments held in preference shares of listed companies - Available for sale

Preference shares

Textile

Chenab Limited	2,500,000	2,500,000	25,000	25,000
Nishat Chunian Limited	330,000	-	3,300	-

Cable and electrical goods

Pak-Elektron Limited	2,500,000	2,500,000	25,000	25,000
			<u>53,300</u>	<u>50,000</u>
			<u>1,994,954</u>	<u>1,873,312</u>

8.19 Particulars of investment held in mutual funds - Available for sale

Name of investee	Face value per unit/ certificate (Rupees)	2009	2008	2009	2008
		Number of units/ certificates held		Cost (Rupees in '000)	
Mutual Funds					
AKD Opportunity Fund	50	-	346,345	-	20,000
Atlas Stock Market Fund	500	-	33,665	-	20,000
JS-Fund of Funds	100	-	142,548	-	15,000
MCB Dynamic Allocation Fund	100	-	728,186	-	70,000
MCB Dynamic Stock Fund	100	-	258,103	-	25,000
Meezan Islamic Fund	50	-	380,165	-	20,000
Unit Trust of Pakistan Limited	100	-	177,471	-	25,000
United Stock Advantage Fund	100	-	87,283	-	10,000
UBL -Principal Protected Fund	100	208,088	187,608	25,000	25,000
ABL-Income Fund	100	15,017,241	5,208,250	150,000	50,000
Pak Oman Advantage Fund	100	1,923,000	1,923,000	19,230	19,230
PICIC Growth Fund	100	500,000	500,000	7,764	14,477
United Growth & Income Fund	150	1,486,404	-	150,000	-
NIT Govt. Bond Fund	10	4,941,151	-	50,000	-
Faysal Income & Growth Fund	100	1,888,396	-	200,000	-
				<u>601,994</u>	<u>313,707</u>

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8.20 Particulars of investments held in listed term finance certificates (TFCs) - Available for sale

Name of investee	2009	2008	2009	2008
	Number of certificates held		Cost (Rupees in '000)	
Chemicals				
Pak-Arab Fertilizer Limited	33,447	3,447	158,045	17,232
Searle Pakistan Limited	10,000	10,000	18,742	31,238
Financial				
Al-Zamin Leasing Modaraba	4,404	3,804	9,467	12,934
Askari Bank Limited-I	6,600	6,600	32,941	32,954
Askari Bank Limited-II	3,980	3,980	19,868	19,876
Azgard Nine Limited	8,000	8,000	29,959	36,626
Bank Alfalah Limited-II	25,000	25,000	124,760	124,808
Crescent Standard Investment Bank Limited (formerly Pacific Leasing Company Limited)	-	1,690	-	1,092
Interbank Limited (formerly IGI Investment Bank Limited)	10,000	10,000	24,990	37,484
The Royal Bank of Scotland (formerly ABN AMRO Bank Pak Ltd)	20,000	20,000	99,820	99,860
Soneri Bank Limited	10,000	10,000	49,910	49,930
Trust Investment Bank Limited	5,000	-	24,990	-
			593,492	464,034

8.21 The face value of each term finance certificate held in a listed company was Rs. 5,000 per certificates as at December 31, 2009 and December 31, 2008.

8.22 Particulars of investment held in unlisted TFCs - Available for sale

Name of investee	2009	2008	2009	2008	Name of the chief executive
	Number of certificates		Cost (Rupees in '000)		
Bank Al Habib Limited	5,000	5,000	24,950	24,960	Mr. Abbas D. Habib
Dewan Farooque Spinning Mills Limited	15,000	15,000	18,750	28,125	Dewan M. Yousuf Farooqi
Escorts Investment Bank Limited	-	10,000	-	16,653	Mr. Rashid Mansur
Engro Chemical Pakistan Limited-I	80,800	80,800	404,000	404,000	Mr. Asad Umar
Engro Chemical Pakistan Limited-II	60,000	60,000	300,000	300,000	Mr. Asad Umar
Gulshan Spinning Mills Limited	-	10,000	-	14,277	Mr. Naseer Ahmed
New Allied Electronic Industries Limited	10,000	10,000	23,611	45,833	Mian Pervaiz Akhtar
Pakistan International Airlines Corporation	50,000	50,000	177,040	177,077	Capt. Ijaz Haroon
Pakistan Mobile Communication (Private) Limited	20,000	20,000	97,063	20,000	Mr. Rashid Khan
Paramount Spinning Mills Limited	-	10,000	-	14,277	Mr. Tanveer Ahmed
Security Leasing Corporation Limited-II	4,000	4,000	7,500	12,500	Mr. M.Khalid Ali
Trust Investment Bank Limited	-	3,000	-	3,000	Mr. Javed Bashir Sheikh
			1,052,914	1,060,702	

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8.23 Particulars of investment held in unlisted TFCs - Held to maturity

	2009	2008	2009	2008	Name of the chief executive
	Number of certificates		Cost (Rupees in '000)		
Pakistan Mobile Communication (Private) Limited	20,000	-	93,974	-	Mr. Rashid Khan

8.24 Particulars of investment held in unlisted sukus

	2009	2008	2009	2008	
Security Leasing Corporation Limited	6000	8,000	30,000	40,000	Mr. Mohammad Khalid Ali
Kohat Cement Limited	28980	28980	144,900	144,900	Mr. Aizaz Manzoor Sheikh
Sitara Energy Limited	3652	4,852	18,262	24,262	Mr. Javed Iqbal
Liberty Power Technology Limited	8212	-	41,060	-	Mr. Zafar Iqbal Subhani
			<u>234,222</u>	<u>209,162</u>	

8.25 Particulars of investments held in unlisted participation term certificate (PTCs)

	2009	2008	2009	2008	
Agro Dairies Limited	12	12	1,925	2,226	Mr. Mukhtar Rizvi
Qureshi Vegetable Ghee Mills Limited	96	96	5,988	5,988	Mr. Tariq Mahmud Qureshi
			<u>7,913</u>	<u>8,214</u>	

8.26 Particulars of investments held in unlisted shares

Name of investee	%	Breakup value per share (Rupees)	Based on audited financial statements	2009	2008	2009	2008
				Number of shares held		Cost (Rupees in '000)	
Ordinary shares							
Shareholding more than 10%							
Paramount Investments Limited	19.28	10.36	June 30, 2009	400,000	400,000	4,000	4,000
CEO- Mr. Ghaffar A. Omar (Liquidator)							
Noman Abid Investment Management Limited (note 8.26.1)							
CEO - Mr. Adman Abid	15	7.02	June 30, 2009	1,500,000	1,900,000	15,000	19,000
Shareholding up to 10%							
Agro Dairies Limited	-	-	*	300,000	300,000	2,301	2,301
CEO-Mr. Mukhtar Rizvi							
Al-Hamra Hills (Private) Limited	5.65	9.56	June 30, 2009	5,000,000	5,000,000	50,000	50,000
CEO-Mr. Habib Ahmed							
FTC Management Company I	9.1	10.00	June 30, 2009	50,000	50,000	500	500
CEO-Mr. Fateh Sultan							
New -VIS Credit Information Services (Private) Limited							
CEO-Mr. Fahim Ahmed	5.69	10.00	June 30, 2009	39,000	39,000	390	390
Pakistan Textile City Limited							
CEO-Mr. Zaheer A. Hussain	4.55	10.30	June 30, 2009	5,000,000	5,000,000	50,000	50,000
						<u>122,191</u>	<u>126,191</u>

* Under litigation

8.26.1 This represents Investment in Noman Abid Investment Management Limited (NAIML) made under the agreement dated June 27, 2008 for 3 million shares. However, NAIML issued only 1.9 million shares till December 31, 2008 and subsequently refunded the amount of Rs. 11 million being the amount against which shares could not be issued. The company has sold 400,000 shares during the year. The company has the option to retain these shares or to redeem them along with markup at the rate of 13% on the redeemed amount.

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8.27 This represents 50% shareholding in the ordinary shares of (Rs.10 each) Kamoki Energy Limited (unlisted company), a joint venture between the company and Tapal family. This investment is held as a strategic investment in term of the Prudential Regulations for Corporate/Commercial banking.

9	ADVANCES	Note	2009	2008
			Rupees in '000	
In Pakistan				
	Loans	9.3	7,002,732	3,799,937
	Net investment in finance leases	9.4	571,395	714,216
	Staff loans	9.7	18,706	14,627
	Consumer loans and advances		631,166	818,556
	Long term financing of export oriented projects		61,179	66,412
	Financing in respect of continuous funding system		-	70,099
	Advances-gross		8,285,178	5,483,847
	Less: Provision against:			
	Non-performing loans and net investment in finance lease-specific provision	9.5	933,694	529,012
	Consumer loans and advances - general provision	9.5.1	10,876	16,052
			944,570	545,064
	Advances-net of provision		7,340,608	4,938,783
9.1	Particulars of advances (gross)			
9.1.1	In local currency		8,285,178	5,483,847
	In foreign currency		-	-
			8,285,178	5,483,847
9.1.2	Short term (for upto one year)		1,004,916	888,781
	Long term (for over one year)		7,280,262	4,595,066
			8,285,178	5,483,847
9.2	Considered good		7,340,608	4,938,783
	Considered doubtful		944,570	545,064
			8,285,178	5,483,847
	Less: Provision for non-performing loans and advances	9.5.1	944,570	545,064
			7,340,608	4,938,783

9.3 Included in total advances are amounts aggregating Rs. 280.024 million (2008: Rs. 36.186 million) against which provision of Rs. 58.699 million has been made (2008: Rs. 35.747 million) and which are outstanding for over three years.

9.4 Net investment in finance lease

The periodic break up of minimum lease payments due is as follows:

	2009			
	Not later than one year	Later than one and less than five years	Over five years	Total
-----Rupees in '000-----				
Lease rentals receivable	261,912	308,829	-	570,741
Residual value	-	74,860	-	74,860
Minimum lease payments	261,912	383,689	-	645,601
Financial charges for future periods	55,816	18,390	-	74,206
Present value of minimum lease payments	206,096	365,299	-	571,395
-----2008-----				
Lease rentals receivable	392,673	408,721	-	801,394
Residual value	-	74,860	-	74,860
Minimum lease payments	392,673	483,581	-	876,254
Financial charges for future periods	97,837	64,201	-	162,038
Present value of minimum lease payments	294,836	419,380	-	714,216

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		2009	2008
		Rupees in '000	
9.5.4	Particulars of write offs		
	Against provisions	-	322
	Directly charged to the profit and loss account	-	-
		<u>-</u>	<u>322</u>
9.5.5	Write offs of Rs. 500,000 and above	-	-
	Write offs of below Rs. 500,000	-	322
		<u>-</u>	<u>322</u>
9.6	Details of loans written off of Rs. 500,000 and above (refer Annexure - I)		
	In term of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five thousand rupee and above allowed to a person(s) during the year ended December 31, 2009 is given in Annexure - I. However, this write off does not affect the company's right to recover debts from these customers.		
9.7	Particulars of loans and advances to directors, associated companies etc.		
	<i>Debts due by directors, executives or officers of the company or any of them either severally or jointly with any other persons</i>		
	Balance at beginning of year	14,627	20,114
	Loans granted during the year	7,025	2,093
	Repayments during the year	(2,946)	(7,580)
	Amount written off	-	-
	Balance at end of the year	18,706	14,627
	<i>Debts due to companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members</i>		
	Balance at beginning of the year	-	-
	Loans granted during the year	-	-
	Repayments during the year	-	-
	Balance at end of the year	-	-
	<i>Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties</i>		
	Balance at beginning of the year	-	-
	Loans granted during the year	640,000	-
	Repayments during the year	-	-
	Balance at end of the year	640,000	-
		<u>658,706</u>	<u>14,627</u>
9.7.1	The maximum total amount of advances including temporary advances granted during the year were Rs. 18.706 million (2008: Rs. 19.927 million). The maximum amount has been calculated by reference to the month end balance.		
9.7.2	Particulars of loans to executives		
	Amount due at beginning of year	4,087	9,925
	Disbursements during the year	2,500	-
	Repayments during the year	(774)	(5,838)
		<u>1,726</u>	<u>(5,838)</u>
	Amount due at end of the year	5,813	4,087
10	OPERATING FIXED ASSETS		
	Capital work-in-progress	10.1 6,505	2,819
	Property and equipment	10.2 76,455	49,462
		<u>82,960</u>	<u>52,281</u>
10.1	Capital work-in progress		
	Advances to suppliers and contractors	6,505	2,819

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10.2.2 The transfer of title to leasehold land and building thereon in respect of the company's premises at the Finance and Trade Centre, Karachi in favor of the company is pending.

10.3 The following operating fixed assets having cost of Rs. 1 million or above /net book value of Rs. 250,000 or above were disposed off during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
-----Rupees in '000-----						
Motor vehicles						
Mercedes Benz	7,585	1,580	6,005	6,163	Company Policy	Mr. M. Naeemuddin Khan (Ex-Managing Director)
Mitsubishi Lancer	1,039	1,039	-	52	Company Policy	Mr. Suneel Kumar Dhanwani (Employee)
Suzuki Cultus	609	609	-	30	Company Policy	Mr. Atif Mahmud (Employee)
						2009 2008
					Note	Rupees in '000

11 DEFERRED TAX ASSET

Deferred credit arising in respect of:						
Net investment in finance leases						(126,078) (154,738)
Deferred debits arising in respect of:						
Decelerated tax depreciation						5,754 5,551
Provision for compensated absences						4,149 3,718
Provision for contingencies						112,765 237,553
Assessed tax losses carried forward						236,022 97,083
Deferred tax on minimum tax liability						15,890 18,469
						<u>248,502</u> <u>207,636</u>
Add: Deferred tax debit on deficit on revaluation of government securities					19	26,408 46,457
						<u>274,910</u> <u>254,093</u>

12 OTHER ASSETS

Income/Mark-up/Return receivable in local currency						395,348 237,861
Less: Provision					12.1	7,274 7,274
						<u>388,074</u> <u>230,587</u>
Security deposits						4,054 3,894
Short term advances - note 12.2						4,123 3,614
Prepayments						12,756 1,069
Other receivable						80 268,218
Receivable against issue of shares						- 11,000
Advance taxation						54,085 48,528
KSE membership card						55,150 55,150
Dividend						- 7,362
						<u>518,322</u> <u>629,422</u>

12.1 Provisions against income/markup/return receivable

Opening balance						7,274 7,274
Charge for the year						- -
Less: Reversal during the year						- -
						<u>7,274</u> <u>7,274</u>
Less: Amount written off						- -
Closing balance						<u>7,274</u> <u>7,274</u>

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12.2 Included in the short term advances ia an amount of Rs.0.375 million (2008: Rs. 0.336 million), which is due from a director on account of advance against salary and others.

	Note	2009 Rupees in '000	2008
13 CONTINGENT ASSETS			
There were no contingent assets as at the balance sheet date.			
14 BORROWINGS			
In Pakistan	14.1	3,210,806	4,858,821
Outside Pakistan		-	-
		<u>3,210,806</u>	<u>4,858,821</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		3,210,806	4,858,821
In foreign currencies		-	-
		<u>3,210,806</u>	<u>4,858,821</u>
14.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under:			
Long term financing of exports oriented projects	14.2.1	59,150	62,352
Repurchase agreement borrowings	14.2.2	461,656	1,935,469
Borrowings from financial institutions			
Term finance certificates		-	-
Other	14.2.3	1,330,000	865,000
		<u>1,850,806</u>	<u>2,862,821</u>
Unsecured			
Clean borrowings	14.2.4	1,360,000	1,996,000
		<u>3,210,806</u>	<u>4,858,821</u>
14.2.1	The company has entered into agreements for financing with State Bank of Pakistan (SBP) for long term finance for export oriented projects to customers. According to terms of respective agreements, the SBP has the right to receive outstanding amount from the company at the date of maturity of finances by directly debiting current account maintained by the company with the SBP. Such financing shall carry interest at the rate of 4 to 5 percent per annum (2008: 4 to 5 percent).		
14.2.2	The company has arranged borrowings from various financial institutions against sale and repurchase of government securities. The only outstanding facility as at balance sheet date is for 184 days (2008: 1 to 92 days). The rates of markup on this facilities is 11.65 (2008: 13.30 to 14.5) percent per annum.		
14.2.3	This represents borrowing, which are secured by way of first hypothecation charge on all present and future assets of the company. The mark-up is payable quarterly and semi annually. The rates of mark-up range from six months KIBOR plus 0.75 percent to 1.45 percent. As at December 31, 2009, the effective rates ranged between 10.36 to 16.25 (2008: 13.10 to 16.68) percent per annum.		
14.2.4	The mark-up rates on these borrowings range between 12.5 to 13.50 (2008: 16.5 to 25) percent per annum. These borrowings are due for maturity between 1 to 182 days (2008: 1 to 94 days).		
15 DEPOSITS AND OTHER ACCOUNTS		2009	2008
		Rupees in '000	
Customers			
Certificates of investment-(in local currency)		4,461,061	950,000
Financial institutions-remunerative			
Certificates of investment-(in local currency)		1,943,650	450,000
		<u>6,404,711</u>	<u>1,400,000</u>

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15.1 The profit rates on these certificates of investment (COIs) range between 11 to 13.75 (2008: 13.25 to 25) percent per annum. These COIs are due for maturity during 2010 to 2014 (2008: 2009).

16	OTHER LIABILITIES	Note	2009 Rupees in '000	2008
	Mark-up/Return/Interest payable in local currency			
	borrowings from financial institutions		76,260	87,947
	certificates of investment		245,046	12,574
	Accrued liabilities		73,207	68,137
	Employees' compensated absences		11,853	10,624
	Security deposits against investment in finance lease	9.4.1	77,348	77,348
	Staff retirement gratuity	32	-	4,107
			<u>483,714</u>	<u>260,737</u>

17 SHARE CAPITAL

17.1 Authorized share capital

Number of share			Rupees in '000	
2009	2008		2009	2008
<u>800,000</u>	800,000	Ordinary shares of Rs. 10,000 each.	<u>8,000,000</u>	<u>8,000,000</u>

17.2 Issued, subscribed and paid - up capital

	2009			2008			2009	2008
	-----Number of shares-----						-----Rupees in '000-----	
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
Opening	471,836	142,342	614,178	471,836	112,342	584,178	6,141,780	5,841,780
Shares issued during the year	-	-	-	-	30,000	30,000		300,000
Closing	<u>471,836</u>	<u>142,342</u>	<u>614,178</u>	471,836	142,342	614,178	<u>6,141,780</u>	<u>6,141,780</u>

17.3 The State Bank of Pakistan (SBP) on behalf of the government of Pakistan and the Libyan Arab Foreign Investment Company (LAFICO) on behalf of the government of the Socialist Peoples Libyan Arab Jamahiriya each held 307,089 (2008: 307,089) ordinary shares of the company.

17.4 Capital management policies and procedures

The company's objectives when managing capital are:

- to comply with the capital requirements set by the regulators of the company;
- to safeguard company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to acquire, develop and maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored frequently by the company's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented in Pakistan by the State Bank of Pakistan (SBP).

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SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion (free of losses) by December 31, 2009, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 10%.

The company's regulatory capital is divided into two tiers:

Tier 1 or core capital: share capital, share premium, reserves for bonus shares, general reserves created out of the profits for the year and unappropriated profit; and

Tier 2 supplementary capital: general provisions or general reserves for loans losses, revaluation reserves exchange translation reserves, undisclosed reserves and subordinated debt.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table refer to in note 38, summaries the composition of regulatory capital and the ratios of the company for the year ended December 31, 2009. The company has adhered to the minimum capital requirements as imposed by SBP.

18 RESERVES	Note	2009	2008
		Rupees in '000	
Capital reserves			
<i>Statutory reserve</i>			
As at January 1	18.1	444,589	422,113
Add: Appropriation of profit		-	22,476
		444,589	444,589
<i>Reserve for issue of bonus shares</i>			
As at January 1		-	-
Add: Appropriation of profit		-	300,000
Less: Issue of bonus shares		-	(300,000)
		-	-
Revenue reserve			
<i>Reserve for contingencies</i>			
As at January 1		576,000	476,000
Add: Appropriation of profit	18.2	90,000	100,000
Less: Transfer to accumulated losses	18.3	(666,000)	-
		-	576,000
		444,589	1,020,589

18.1 In terms of article 68 of the Articles of Association of the company, an amount not less than 20% of the net profit for the year shall be set aside for the formation of a reserve fund till such time the reserve fund equals the amount of the paid-up capital and thereafter, the amount to be credited to the reserve fund shall be not less than five percent of its profit after tax.

This statutory reserve has been created in compliance with the SBP' requirements and the company's Articles of Association.

18.2 The company has set up a separate contingencies reserve to meet unforeseen contingencies. The amount transferred to this reserve is decided by the Board of Directors as they deem suitable.

18.3 In order to meet Minimum Capital requirement (MCR) and to comply with SBP regulations as stipulated in BSD circular No.19 dated September 5, 2008, the Board of Directors in its meeting held on December 10, 2009 authorised to adjust/transfer the reserve for

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contingencies to meet the MCR.

	Note	2009	2008
		Rupees in '000	
19 DEFICIT (NET) ON REVALUATION OF AVAILABLE FOR SALE SECURITIES			
Surplus/(deficit) on revaluation of 'available for sale' securities			
Pakistan investment bonds		(72,392)	(121,190)
Market treasury bills		(3,058)	(11,544)
		<u>(75,450)</u>	<u>(132,734)</u>
Less: Deferred tax on government securities		26,408	46,457
		<u>(49,042)</u>	<u>(86,277)</u>
Listed companies-fully paid up ordinary shares		(159,369)	(1,250,064)
Listed term finance certificates		2,766	6,902
Mutual fund units		(2,260)	(119,541)
National Investment Trust units		-	(151,289)
	19.1	<u>(158,863)</u>	<u>(1,513,992)</u>
		<u>(207,905)</u>	<u>(1,600,269)</u>

19.1 This includes an impairment loss of Rs. 1,480.245 millions on available for sale listed securities as of December 31, 2008 has been recognised in four quarters of the current year in accordance with the SECP's Notification vide SRO 150(1)/2009 dated February 13, 2009 and BSD Circular No. 02 of 2009 dated January 27, 2009 issued by the SBP.

20 CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitute-guarantee issued		<u>1,055,904</u>	<u>200,000</u>
This includes an amount of Rs. 200 million (December 31, 2008: Rs. 200 million) utilized under guarantee issued in favor of the government of Pakistan.			
20.2 Undisbursed sanctions for financial assistance in the form of loans and advances, term finance certificates and leases		<u>948,653</u>	<u>1,872,744</u>
20.3 Underwriting agreement		<u>25,000</u>	<u>300,000</u>
20.4 Unsettled purchase of shares		<u>51,500</u>	<u>-</u>
Unsettled sale of shares		<u>119,175</u>	<u>-</u>
Letter of credit (LC's)		<u>67,003</u>	<u>219,445</u>

21 DERIVATIVE INSTRUMENTS

The company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the year.

22 MARK-UP/RETURN/INTEREST EARNED

On loans and advances to

customers	975,337	572,057
financial institutions	1,794	12,208

On investments in

'Available for sale' securities	449,775	484,204
'Held to maturity' securities	37,749	51,776
On deposits with financial institutions	11,825	325,472
On repurchase agreement lendings (Reverse Repo)	115,103	42,145
Income on continuous funding system (CFS)	7,964	117,642
Income on bank deposits	11,539	4,866

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		<u>1,611,086</u>	<u>1,610,370</u>
		2009	2008
		Rupees in '000	
23	MARK-UP/RETURN/INTEREST EXPENSED		
	Deposits and other accounts:		
	Long term	12,658	-
	Short term	679,103	250,069
	On securities sold under repurchase agreement (Repo)	145,183	292,706
	On other borrowings:		
	Long term	159,866	145,066
	Short term	148,537	417,248
		<u>1,145,347</u>	<u>1,105,089</u>
24	(LOSS)/GAIN ON SALE OF SECURITIES - NET		
	Listed shares	(647,934)	99,100
	Unlisted shares	-	-
	Mutual funds' units	34,970	(17,237)
		<u>(612,964)</u>	<u>81,863</u>
25	OTHER INCOME		
	Gain on sale of operating fixed assets	264	1,252
	Exchange gain on US dollar account	172	705
	Settlement fee	1,475	1,287
	Others	17	465
		<u>1,928</u>	<u>3,709</u>
26	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and benefits	75,908	76,141
	Charge for defined benefit plan	6,197	13,344
	Contribution to defined contribution plan	1,101	871
	Executive directors remuneration (including remuneration of the Managing Director and Deputy Managing Director)	49,382	27,254
	Non-executive directors' fee	156	147
	Board meeting' expenses	24,208	24,059
	Traveling and conveyance	4,868	3,589
	Rent and utilities	3,715	1,689
	Legal consultancy and professional charges	6,182	3,575
	Communications	4,658	5,205
	Repairs and maintenance	8,208	7,745
	Motor vehicle expenses	6,044	6,021
	Entertainment	707	1,002
	Insurance	2,653	2,636
	Software maintenance expenses	1,291	6,105
	Bank charges	230	366
	Printing and stationery	2,383	1,979
	Advertisement, periodicals, membership dues and publicity	1,739	1,892
	Auditors' remuneration	1,832	850
	Donation	-	-
	Depreciation	20,042	22,054
	Others	1,376	1,081

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	<u>222,880</u>	<u>207,605</u>	
	2009	2008	
	Rupees in '000		
26.1 Auditors' remuneration			
Audit fee	550	500	
Special certifications and sundry advisory services	1,058	125	
Out of pocket expenses	224	225	
	<u>1,832</u>	<u>850</u>	
27 OTHER CHARGES			
NCCPL Fee	25	-	
Arrangement fee	644	1,038	
Brokerage commission	1,924	3,491	
LC's commission	-	1,784	
CFS fee	288	2,864	
Penalty imposed by SBP	454	1,442	
	<u>3,335</u>	<u>10,619</u>	
28 TAXATION			
Current			
For the year	15,747	19,143	
Prior year	-	-	
Deferred	(40,866)	(69,177)	
	<u>(25,119)</u>	<u>(50,034)</u>	
28.1 Relationship between tax expense and accounting profit			
Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 related to minimum tax. The company's tax computation gives rise to a tax loss due to adjustment of previously unrecognized tax losses.			
29 BASIC AND DILUTED EARNINGS PER SHARE	Note	2009	2008
(Loss)/Profit for the year after taxation (Rupees in thousand)		<u>(728,107)</u>	<u>112,380</u>
Weighted average number of ordinary shares in issue		<u>614,178</u>	<u>614,178</u>
Basic (Loss)/earnings per share (Rupees)		<u>(1,185)</u>	<u>183</u>
Diluted (Loss)/earnings per share (Rupees)	29.1	<u>(1,185)</u>	<u>183</u>
29.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2009 and 2008.			
30 CASH AND CASH EQUIVALENTS		2009	2008
		Rupees in '000	
Cash and balances with treasury banks		64,342	42,624
Balances with other banks		108,980	78,821
Placements- net of provisions		-	40,000
		<u>173,322</u>	<u>161,445</u>

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		2009	2008
		Numbers	
31	STAFF STRENGTH		
	Permanent	36	33
	Temporary/on contractual basis	42	48
	Daily wagers	8	7
	Others	-	-
	Company's own staff strength at the end of the year	86	88
	Outsourced	17	20
	Total staff strength	103	108
32	DEFINED BENEFIT PLAN		
	Staff retirement gratuity		
32.1	The projected unit credit method, as allowed under the International Accounting Standard 19 'Employee Benefits' (revised 2008) was unused for actuarial valuation based on following significant assumptions:		
		2009	2008
		Percent per annum	
	Discount rate	14	12
	Expected rate of return on plan assets	12	12
	Expected rate of increase in salary levels	12.5	12
	The disclosures made in note 32.1 to 32.11 are based on the information included in the actuarial valuation as of December 31, 2009.		
32.2	Mortality rate		
	The rates assumed were based on the EFU 1961-66 ultimate mortality tables.		
32.3	Expected return on plan assets		
	The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the company, at the beginning of the period, for returns over the entire life of related obligation.		
		2009	2008
		Rupees in '000	
32.4	Reconciliation of amount payable to defined benefit plan		
	Present value of defined benefit obligation	32.5	42,562
	Fair value of plan assets	32.6	(40,161)
			3,659
	Net unrecognised actuarial gains		(2,401)
	Unrecognised past service cost	32.5	-
			(3,169)
			4,107
32.5	The movement in the defined benefit obligation over the year is as follows:		
	Present value of obligation at January 1		36,898
	Current service cost	32.7	2,589
	Interest cost	32.7	4,428
	Benefit paid		-
	Past service cost-vested	32.7	(600)
	Past service cost-not vested	32.4	-
	Actuarial (gain) or loss on obligation (balancing figure)		(753)
	Present value of obligation at December 31		42,562

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32.6	The movement in the fair value of plan assets of the year is as follows:	Note	2009	2008
			Rupees in '000	
	Fair value of plan assets as at January 1		33,239	20,783
	Expected return on plan assets		3,989	2,078
	Contributions		10,304	10,429
	Benefits paid		(600)	(3,922)
	Actuarial gain on assets (balancing figure)	32.10	(6,771)	3,871
	Fair value of plan assets as at December 31		<u>40,161</u>	<u>33,239</u>

32.7	The amount recognized in the profit and loss account is as follows:		2009	2008
	Current service cost		2,589	3,438
	Interest cost		4,428	2,292
	Expected return on plan assets		(3,989)	(2,078)
	Actuarial gain recognized		-	-
	Past service cost recognized		3,169	10,884
			<u>6,197</u>	<u>14,536</u>

32.8 Actual return on plan assets during the year was Rs.2.782 million (2008: Rs. 5.949 million).

32.9 Plan assets comprise the following:

Particulars	2009		2008	
	Rupees in '000	Percent	Rupees in '000	Percent
Term deposit receipts (TDRs)	16,053	40%	21,714	65%
Mutual fund	-	-	1,006	3%
Extra amount contributed during the year	1,549	4%	10,429	32%
Cash and bank balances	22,559	56%	90	-
	<u>40,161</u>	<u>100%</u>	<u>33,239</u>	<u>100%</u>

32.10 Amounts for the current year and previous four annual periods of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	2009	2008	2007	2006	2005
	-----Rupees in '000-----				
Present value of defined benefit obligation	42,562	36,898	22,922	22,820	14,397
Fair value of plan assets	(40,161)	(33,239)	(20,783)	(14,621)	(12,024)
Deficit/(Surplus)	<u>2,401</u>	<u>3,659</u>	<u>2,139</u>	<u>8,199</u>	<u>2,373</u>
Defined benefit obligation	-	4,107	2,349	16	-
Experience adjustments on plan assets	32.6	6,771	(3,871)	3,650	786

33	DEFINED CONTRIBUTION PLAN	2009	2008
		Rupees in '000	
	Contribution from the company	3,299	1,668
	Contribution from the employee	3,299	1,668
		<u>6,598</u>	<u>3,336</u>

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34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	* Managing Director		Deputy Managing Director		Director		Executives	
	2009	2008	2009	2008	2009	2008	2009	2008
	-----Rupees in '000-----							
Fees	-	-	-	-	156	147	-	-
Managerial remuneration	16,560	9,031	17,525	11,049	-	-	25,137	20,949
Charge for defined benefit plan	750	300	981	471	-	-	1,698	6,050
Contribution to defined contribution plan	973	289	1,224	508	-	-	690	593
Rent and house maintenance	1,053	307	401	340	-	-	6,638	4,081
Utilities	486	346	937	671	-	-	1,475	907
Medical	147	124	3,808	579	-	-	2,213	1,360
Conveyance	2,406	1,646	1,305	1,094	-	-	3,826	2,721
Others	2,170	912	387	358	-	-	500	500
	<u>24,545</u>	<u>12,955</u>	<u>26,568</u>	<u>15,071</u>	<u>156</u>	<u>147</u>	<u>42,177</u>	<u>37,161</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>18</u>	<u>11</u>

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 On-balance sheet financial instruments

Assets	2009		2008	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
Cash balances with treasury banks	64,342	64,342	42,624	42,624
Balances with other banks	108,980	108,980	78,821	78,821
Lending to financial institutions	1,646,286	1,646,286	698,769	698,769
Investments	6,379,873	6,379,873	5,477,558	5,477,558
Advances	7,340,608	7,340,608	4,938,783	4,938,783
Other assets	464,237	464,237	580,894	580,894
	<u>16,004,326</u>	<u>16,004,326</u>	<u>11,817,449</u>	<u>11,817,449</u>
Liabilities				
Borrowing from financial institutions	3,210,806	3,210,806	4,858,821	4,858,821
Deposits and other accounts	6,404,711	6,404,711	1,400,000	1,400,000
Other liabilities	483,714	483,714	260,737	260,737
	<u>10,099,231</u>	<u>10,099,231</u>	<u>6,519,558</u>	<u>6,519,558</u>
	<u>5,905,095</u>	<u>5,905,095</u>	<u>5,297,891</u>	<u>5,297,891</u>

35.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	-	-	-	-
Forward agreements for borrowing	-	-	-	-
Forward sale of foreign exchange	-	-	-	-
Forward agreements for lending	-	-	-	-

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37 RELATED PARTY TRANSACTIONS

Transactions with related parties other than key management personnel (note - 34) are as follow:

Name and relation of related party	Description of transaction	2009		2008	
		Total value of transaction	Closing balance	Total value of transaction	Closing balance
-----Rupees in '000-----					
50% share holder					
Libyan Foreign Investment Company (LAFICO)	Deposit received	-	29,002	-	29,002
	Markup on deposit	4,047	7,529	3,482	3,482
Associates					
Kamoki Energy Limited	Equity investment	375,000	375,000	-	-
	Term finance loan issued	640,000	640,000	-	-
	Markup on term finance loan	20,754	20,754	-	-
	Fee and commission	32,253	-	-	-
	Guarantee issued	855,904	855,904	-	-
Other related parties					
FTC Management Company Limited	Deposit against COIs	230,000	80,000	95,000	55,000
	Markup on COIs	7,306	1,601	1,404	283
	Equity investment	-	500	-	500
Paramount Investments Limited	Equity investment	-	4,000	-	4,000
Al-Hamra Hills (Private) Limited	Equity investment	-	50,000	-	50,000
Retirement benefit funds					
Defined benefit plan		6,197	-	13,344	-
Defined contribution plan		6,598	-	3,336	-

37.1 Transactions with its related parties are carried out on an arm's length basis determined in accordance with the generally accepted method.

38 CAPITAL ADEQUACY

The risk weighted assets to capital ratio, calculated in accordance with the SBP's guideline on capital adequacy was as follows:

	Note	2009 Rupees in '000	2008
Regulatory Capital Base			
Tier I Capital			
Fully paid-up-capital	17	6,141,780	6,141,780
General Reserves as disclosed on the Balance Sheet	18	444,589	1,020,589
Un-accumulated losses		(61,414)	90,693
		6,524,955	7,253,062
Deductions:			
Deficit on account of revaluation of available-for-sale investments	19	(207,905)	(1,600,269)
Total eligible Tier 1 capital		6,317,050	5,652,793
Supplementary Capital			
Tier II Capital			
Subordinated debt (up to 50% of total Tier I Capital)		-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets		10,876	16,052
Revaluation reserve (up to 45%)		-	-

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Total eligible Tier 2 Capital	10,876	16,052
	2009	2008
	Rupees in '000	
Eligible Tier III Capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier 1 capital)	10,876	16,052
Total Eligible Capital	6,327,926	5,668,845
Risk Weighted Amounts		
Total Credit Risk Weighted Amount	10,446,058	6,698,285
Total Market Risk Weighted Amount	5,711,392	2,376,463
Total Operational Risk Weighted Amount	1,106,315	945,168
Total Risk Weighted Amount	17,263,765	10,019,915
Capital Adequacy Ratios		
Credit Risk Capital Adequacy Ratio	61%	85%
Tier 1 Capital to Total Risk Weighted Amount	37%	56%
TOTAL CAPITAL ADEQUACY RATIO	37%	57%

39 RISK MANAGEMENT

The company has set up objectives and policies in place to manage and mitigate risks emanating from the regular course of its operational and financial activities. The risk management framework and policies of the company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate salient risk elements in the operational facets of the company. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- Adequate capital is available as a buffer.
- Exposures remain within the limits prescribed by the Board of Directors.
- Risk taking decisions are in line with business strategy and objectives set by the Board.

The company is exposed to a number of risks, which it manages at different levels.

The main categories of risk are;

Credit risk

The risk of losses because counterparties fail to meet all or part of their obligations towards the company.

The company has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk Management structure facilitates in the Credit approval function by its Internal Credit Risk Rating framework through which an appropriate risk level of the borrower/counterparty is ascertained for credit sanctioning and disbursement.

The company manages credit risk through:

- Establishment of acceptable risk levels;
- Sound procedures and controls for the management of risk assets and credit documentation;
- Target market planning and overall market intelligence.
- Accurate and detailed information about the borrower, its financial position and operations.

Market risk

The risk of losses because the market value of the company's assets and liabilities will vary with changes in market conditions.

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Market Risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

The principal market risk in the respect to the company's assets and liability management is primarily associated with the maturity and repricing mismatches of its assets and liabilities. The Board is responsible for reviewing and recommending all market risk policies and ensuring that sound market risk and effective risk management systems are established and complied with.

Operational risk

The risk of losses owing to deficient or erroneous internal procedures, human or system errors, or external events.

The company has in place robust, duly approved operational risk policy, procedure and a Business Continuity Plan. These are continuously reviewed to strengthen operational controls prevailing in the company.

Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit must report any potential deviation giving rise to operational risk events in the management reporting system.

The company is continuously in the process of improving its Internal Controls which aids in strengthening the Operational Risk Management of the company.

Liquidity risk

The risk arising due to failure to access funds at reasonable cost to finance the company's operations and meet its liabilities when these become due.

The company's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

The management is responsible for managing liquidity profile of the company although strategic management of liquidity has been delegated to ALCO. The ALCO of the company executes liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

39.1 Credit Risk

Credit risk management objectives and policies

Credit risk refers to the risks of financial loss arising from defaults by counterparties in meeting their obligations. Exposure to credit risks for the company arises primarily from the lending activities.

Credit exposures include both individual borrowers, corporate and groups of connected counterparties and portfolios in the company's banking/trading books.

The management of credit risk is governed by credit management policies and procedures approved by the Board. The procedures spell out relevant approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting and approving standards in aggregate compliance with the Prudential Regulations of the State Bank of Pakistan and total conformity with the Basel-II requirements.

Sanctioning authority & approval levels of all facilities are conferred by Board of Directors rests with the Executive Committee. However, ALCO/Credit Committee (CC) consider and recommends the said sanctioning or approval of the facility to EC upon identifying key opportunities and risks prevalent in taking requisite exposure towards the borrower/counterparty.

The company currently uses Standardized Approach for computing capital charge on credit risk weighted assets. Currently, the company does not employ Credit Risk Mitigation (CRM) approach as there is no hedging (in whole or in part) by a collateral posted by the third party on the behalf of the counterparty.

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Credit Risk Rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to facilitate early identification of changes in risk profiles, credits with deteriorating ratings should be subject to additional oversight and monitoring.

The Internal Credit Risk Rating System (ICRRS) is intended to reflect the overall risk profile of the borrower/guarantor/counterparty. Risk Ratings are assigned according to the perception of risk on a numerical scale, determined within the qualitative and quantitative set of parameters and variables encompassing the risk levels of the borrower/guarantor/counterparty. The Credit scoring in the ICRRS is being conducted by the RMD time to time upon receiving the required information and documents of the credit case requiring for its due credit approval.

Objective of Internal Credit Risk Rating (CRR)

Usually credit ratings are aimed at achieving one or more of the following:

- Internal risk reporting;
- Portfolio management;
- Setting of credit risk concentration limits;

The company persistently endeavors to constantly update and improve upon its rating system to facilitate prudent lending decisions along with proactive and effective identification and monitoring of potential credit risks emanating from the lending activities of the company.

39.1.1 Segment information

39.1.1.1 Segment by class of business

	2009					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs '000	%	Rs '000	%	Rs '000	%
Agriculture, forestry, hunting and fishing	7,354	0.09%	-	-	-	-
Textile	541,185	6.53%	-	-	67,003	2.96%
Chemicals and pharmaceuticals	1,264,681	15.26%	-	-	155,152	6.84%
Cement	610,900	7.37%	-	-	200,000	8.82%
Sugar	-	-	-	-	-	-
Automobile and transportation equipment	138,781	1.68%	-	-	-	-
Electronics and electrical appliances	500,000	6.03%	-	-	-	-
Construction	162,346	1.96%	-	-	-	-
Power (electricity), gas, water, sanitary	2,608,258	31.48%	-	-	1,820,080	80.28%
Wholesale and retail trade	-	-	-	-	-	-
Transport, storage and communication	1,100,000	13.28%	-	-	-	-
Financial	2,500	0.03%	1,943,650	30.35%	-	-
Insurance	-	-	6,000	0.09%	-	-
Services	-	-	-	-	-	-
Individuals	538,078	6.49%	-	-	-	-
Others	811,095	9.79%	4,455,061	69.56%	25,000	1.10%
	8,285,178	100%	6,404,711	100%	2,267,235	100%

39.1.1.2 Segment by sector

Public / Government	-	-	4,000,000	62.45%	-	-
Private	8,285,178	100%	2,404,711	37.55%	2,267,235	100%
	8,285,178	100%	6,404,711	100%	2,267,235	100%

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39.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	2009		2008	
	Classified advances	Specific provisions held	Classified Advances	Specific Provisions held
Agriculture, forestry, hunting and fishing	7,354	7,354	7,354	7,354
Textile	88,299	83,224	91,791	56,134
Chemicals and pharmaceuticals	-	-	-	-
Cement	200,000	200,000	200,000	100,000
Sugar	-	-	-	-
Automobile and transportation equipment	138,781	138,781	138,781	69,391
Electronics and electrical appliances	-	-	-	-
Construction	162,346	112,346	162,346	112,346
Power (electricity), gas, water, sanitary	319,250	319,250	319,250	114,500
Wholesale and retail trade	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial	-	-	-	-
Services	-	-	-	-
Individuals	80,730	72,739	93,443	69,287
Others	-	-	-	-
	996,760	933,694	1,012,965	529,012

39.1.1.4 Details of non-performing advances and specific provisions by sector

	2009		2008	
	Classified advances	Specific provisions	Classified Advances	Specific Provisions
Public / government	-	-	-	-
Private	996,760	933,694	1,012,965	529,012
	996,760	933,694	1,012,965	529,012

39.1.1.5 Geographical segment analysis

	2009			
	Loss before taxation	Total assets employed	Net assets employed	Contingences and commitments
	----- Rupees in '000-----			
Pakistan	(753,226)	16,416,281	6,317,050	2,267,235
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United State of America and Canada	-	-	-	-
Middle East	-	-	-	-
Africa	-	-	-	-
	(753,226)	16,416,281	6,317,050	2,267,235

39.2 Market Risk

Market risk refers to the impact on the company's financial conditions resulting from future adverse price or volatility movements of the assets contained in its trading book and/or investment portfolio. The principal market risk in respect of the company's assets and liabilities is primarily associated with the maturity and repricing mismatches of its assets and liabilities. The risk emanating from any potential changes in market prices, due to changes in the interest rates, foreign exchange rates and equity prices are duly identified and accounted for.

The company has a well established framework for Market Risk management with the Treasury Investment Policy and Market Risk Management policies and procedures duly approved by the Board.

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The market risk management framework of the company comprises a series of cut-loss and potential loss limits approved by Asset Liability Committee (ALCO) of the company to ensure that front line risk-takers do not exceed the defined parameters set by the management. Limit management is a control mechanism to ensure that all business activities are conducted in compliance with the risk management guidelines and policies. Gap analysis on regular basis is conducted as part of the methodology to minimize effect of market risk. These limits are set and reviewed regularly according to number of factors, including market trading liquidity of the instruments and company's business strategy. .

Management of interest rate risk of the banking and/or trading Book is primarily focused on interest and fair value through Re-pricing Gap Analysis, through computation of Modified Duration and Fair Value Sensitivity. The management of interest risk of the trading book is achieved through mark-to-market practice. On half yearly basis, the Stress Test reports are being prepared for senior management to gain an accurate understanding of company's risk appetite and tolerance levels.

39.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The company's exposure to this risk is negligible.

	December 31, 2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan rupee	16,414,586	10,099,231	-	6,315,355
United States dollar	1,695	-	-	1,695
Great Britain pound	-	-	-	-
Japanese yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	16,416,281	10,099,231	-	6,317,050
----- Rupees in '000 -----				
	December 31, 2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan rupee	12,169,187	6,519,558	-	5,649,629
United States dollar	3,164	-	-	3,164
Great Britain pound	-	-	-	-
Japanese yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	12,172,351	6,519,558	-	5,652,793

39.2.2 Equity position Risk

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behavior similar to equities. Equity price risk is managed within the statutory limits and as defined by ALCO by applying trading limit, scrip-wise and portfolio wise limits. VaR numbers generation and stress testing of the equity portfolio are also performed and reported to senior management.

39.2.3 Mismatch of Interest rate Sensitive Assets and Liabilities

Yield and interest rate sensitivity position for on-balance sheet instruments is based on the earlier contractual re-pricing or maturity date and for off-balance sheet instruments is based on the settlement date.

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve

The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board approves limits on the recommendation of the Executive Committee on the level of mismatch of interest rate

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repricing that may be undertaken, which is monitored daily by the company's treasury division.

39.5 Operational Risk

The risk of losses owing to deficient or erroneous internal procedures, human or system errors, or external events.

The company has in place robust, duly approved operational risk policy, procedure and a Business Continuity Plan. These are continuously reviewed to strengthen operational controls prevailing in the company.

Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit must report any potential deviation giving rise to operational risk events in the management reporting system.

The company is continuously in the process of improving its Internal Control Systems which aids in strengthening the Operational Risk Management of the company.

40 GENERAL

The Pakistan Credit Rating Agency Limited has maintained the company's rating of AA-(Double A Minus) in the long term and A1+(A One Plus) in the short term.

41 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There is no event subsequent to the balance sheet date that requires disclosure in these financial statements.

42 DATE OF AUTHORIZATION

These financial statements were authorized for issue on _____ by the board of directors of the company.

Chief Financial Officer

Managing Director

Director

Director

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The provision for non-performing advances has been calculated in accordance with the company's accounting policy as stated in note to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values.

36 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY

The segment analysis with respect to business activity is as follows:

	Corporate Finance	Trading and sales	Retail banking	Commercial banking	Payment and	Agency services	Assets management	Retail brokerage	Other	
2009										
Total income	486,295	-	132,041	-	-	-	-	-	-	618,336
Total expenses	1,294,333	-	77,229	-	-	-	-	-	-	1,371,562
Net (loss)/income	(808,038)	-	54,812	-	-	-	-	-	-	(753,226)
Segment assets (gross)	17,263,148	-	703,501	-	-	-	-	-	-	17,966,649
Segment Non performing loans	916,030	-	80,730	-	-	-	-	-	-	996,760
Segment Provision required	1,477,629	-	72,739	-	-	-	-	-	-	1,550,368
Segment liabilities	9,534,157	-	565,074	-	-	-	-	-	-	10,099,231
Net assets	7,728,991	-	138,427	-	-	-	-	-	-	7,867,418
Segment return on net assets (ROA)%	-10.45%	-	39.60%	-	-	-	-	-	-	0
Segment cost of funds (%)	13.33%	-	13.33%	-	-	-	-	-	-	0
2008										
Total income	1,260,249	-	125,410	-	-	-	-	-	-	
Total expenses	1,212,647	-	110,666	-	-	-	-	-	-	
Net income / (loss)	47,602	-	14,744	-	-	-	-	-	-	
Segment assets (gross)	13,695,882	-	909,558	-	-	-	-	-	-	
Segment Non performing loans	919,522	-	93,443	-	-	-	-	-	-	
Segment Provision required	2,363,750	-	69,287	-	-	-	-	-	-	
Segment liabilities	5,710,083	-	809,475	-	-	-	-	-	-	
Net assets	7,985,799	-	100,083	-	-	-	-	-	-	
Segment return on net assets (ROA)%	0.6%	-	14.73%	-	-	-	-	-	-	
Segment cost of funds (%)	12.96%	-	12.96%	-	-	-	-	-	-	

Annexure I

As referred in note 9.6 of the financial statements.

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RS. OR ABOVE, PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2009

(Rs. In '000)

S.No	NAME & ADDRESS OF THE BORROWERS	NAME OF INDIVIDUALS / PARTNERS / DIRECTORS / NIC NUMBER	FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				AMOUNT WRITTEN-OFF			
				Principal	Mark-up *	Others *	Total	Principal	Mark-up *	Others *	Total
1	Noureen Aleem Nishtar / Aziz H. Nishtar H.No. C-6/1A, 2nd Street Bath Island Clifton Karachi.	42301-8545275-8 42301-4125648-7	Chaudhry Abdul Aleem/ Sher Muhammad	11,131	257	101	11,489	-	386	571	957
2	Amir Shah H.No. 72/1, 20th Street Phase- VI, KH-E-HHLL, D.H.A	42301-6592064-1	Muhammad Shah	19,897	1,329	571	21,797	-	1,820	1,263	3,082
3	Malik Muhammad Atif H.No.A-180, Block-13-D-2, Gulshan-e-Iqbal Karachi.	42201-7636125-3	Malik Muhammad Ashraf	13,699	657	606	14,962	-	585	948	1,533
4	Crescent Standard Investment Bank Limited 4th Floor, Crescent Standard Tower, 10-B Block-E2, Gulberg-3, Lahore.	Mr. Manzoor Haq 35201-1282071-1	Mr. Riazul Haq	1,092	-	-	1,092	1,092	-	-	1,092
		Mr. Hishar Soomro 516-46-222567	Mr. Sardar Mousa Bakhash Soomro								
		Mr. Makhmoos-e-Ahmad Gohceer	Ch. Sardar Muhammad Gohceer								
		Mr. Razak Rame A13639049	Mr. K.D. Rame								
		Mr. Shahid Anwar 42201-6442011-5	Mr. Abdul Rehman								

* these amounts represent mark-up that was previously suspended and other settlement charges that do not meet the recognition criteria in books of accounts.