

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 |
| | | 64,342 | 42,624 |

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 | 108,980 | 78,821 |

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 |
| | | 1,646,286 | 698,769 |

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 |
| | 1,646,286 | - | 1,646,286 | 408,769 | 250,000 | 658,769 |

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 | - | - |
| | 1,764,942 | 863,366 |

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
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| 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 |

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
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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 | Investments by segments | Note | 2009 | 2008 |
|-----|---|-------------|------------------|-------------|
| | | | Rupees in '000 | |
| | Federal government securities | | | |
| | Market treasury bills | 8.7 | 975,996 | 1,924,520 |
| | Pakistan investment bonds | 8.5 & 8.6 | 386,927 | 396,507 |
| | Fully paid ordinary shares | | | |
| | Listed | 8.16 & 8.17 | 2,264,956 | 1,924,003 |
| | Unlisted | 8.26 | 122,191 | 126,191 |
| | Fully paid preference shares | | | |
| | Listed | 8.18 | 53,300 | 50,000 |
| | Term finance certificates | | | |
| | Listed | 8.8 & 8.20 | 593,492 | 464,034 |
| | Unlisted | 8.22 & 8.23 | 1,146,888 | 1,060,702 |
| | Participation term certificates | 8.25 | 7,913 | 8,214 |
| | Investments in Associates | | | |
| | Unlisted ordinary shares - Kamoki Energy Limited | 8.27 | 375,000 | - |
| | Other investments | | | |
| | 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 |

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

| | | 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 |
| <hr/> | | | |
| 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 |
| <hr/> | | | |
| 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+ |

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

| | 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 |

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

| | 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 | |

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

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 |

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

| | 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 | |

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

| | 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 | |

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

| | 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 | 2009 | 2008 |
|-------------------------------------|---------|-------|
| 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 |

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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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 |
| | Property and equipment | 10.2 | 76,455 |
| | | | <u>82,960</u> |
| 10.1 | Capital work-in progress | | |
| | Advances to suppliers and contractors | | 6,505 |
| | | | <u>2,819</u> |

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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 |
| | | | | | | 248,502 207,636 |
| Add: Deferred tax debit on deficit on revaluation of government securities | | | | | 19 | 26,408 46,457 |
| | | | | | | 274,910 254,093 |

12 OTHER ASSETS

| | | | | | | |
|--|--|--|--|--|------|------------------------|
| Income/Mark-up/Return receivable in local currency | | | | | | 395,348 237,861 |
| Less: Provision | | | | | 12.1 | 7,274 7,274 |
| | | | | | | 388,074 230,587 |
| 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 |
| | | | | | | 518,322 629,422 |

12.1 Provisions against income/markup/return receivable

| | | | | | | |
|--------------------------------|--|--|--|--|--|--------------------|
| Opening balance | | | | | | 7,274 7,274 |
| Charge for the year | | | | | | - - |
| Less: Reversal during the year | | | | | | - - |
| | | | | | | 7,274 7,274 |
| Less: Amount written off | | | | | | - - |
| Closing balance | | | | | | 7,274 7,274 |

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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.

| 13 | CONTINGENT ASSETS | Note | 2009 Rupees in '000 | 2008 |
|--------|---|--------|------------------------|------------------|
| | 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 Rupees in '000 | 2008 |
| | 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 | | | | |
|-----------------|---------|-------------------------------------|------------------|------------------|
| 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 |

| | December 31, 2008 | | | |
|----------------------------|-------------------|------------------|-------------------------------|-------------------------------------|
| | Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure |
| ----- Rupees in '000 ----- | | | | |
| 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

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

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 | 5,710,983 | - | 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-HILAL, D.H.A | 42301-6592064-3 | 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. Manzurul Haq 35201-1282071-1 | Mr. Riazul Haq | 1,092 | - | - | 1,092 | 1,092 | - | - | 1,092 |
| | | Mr. Hifza Soomro 516-46-222567 | Mr. Sardar Mousa Bakhash Soomro | | | | | | | | |
| | | Mr. Makhmoos-e-Ahmad Gohceer 51101-2079791-3 | 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.