

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	5	76,513	64,342
Balances with other banks	6	36,324	108,980
Lendings to financial institutions	7	1,482,414	1,646,286
Investments	8	6,325,349	6,379,873
Advances	9	7,410,781	7,340,608
Operating fixed assets	10	96,089	82,960
Deferred tax assets	11	367,789	274,910
Other assets	12	605,350	518,322
		16,400,609	16,416,281
LIABILITIES			
Bills payable		-	-
Borrowings	14	4,983,790	3,210,806
Deposits and other accounts	15	4,657,690	6,404,711
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	16	274,365	483,714
		9,915,845	10,099,231
NET ASSETS		6,484,764	6,317,050
REPRESENTED BY			
Share capital	17	6,141,780	6,141,780
Reserves	18	474,801	444,589
Unappropriated profit/(loss)		59,433	(61,414)
		6,676,014	6,524,955
Deficit (net) on revaluation of available for sale securities - net of tax	19	(191,250)	(207,905)
		6,484,764	6,317,050
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 42 and Annexure I 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, 2010

	Note	2010	2009
		Rupees in '000	
Mark-up / Return / Interest earned	22	1,675,251	1,611,086
Mark-up / Return / Interest expensed	23	1,125,259	1,145,347
Net mark-up / interest income		549,992	465,739
Provision against non-performing advances - net	9.5.1	74,961	399,506
(Reversal)/Provision against lending to financial institutions	7.5	(54,059)	(45,941)
Provision against diminution in the value of investments	8.3	320,819	155,055
Bad debts written off directly		-	-
		341,721	508,620
Net mark-up/interest income/(expense) after provisions		208,271	(42,881)
NON MARK-UP / INTEREST INCOME / (EXPENSE)			
Fee, commission and brokerage income		43,573	77,247
Dividend income		44,803	71,875
Income from dealing in foreign currencies		-	-
Gain/(Loss) on sale of securities - net	24	94,870	(612,964)
Unrealized gain/(loss) on revaluation of investments classified as 'held for trading'		24,092	(22,216)
Other income	25	7,323	1,928
Total non-markup/interest income/(expense)		214,661	(484,130)
		422,932	(527,011)
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	26	281,965	222,880
Other provisions/write offs		1,566	-
Other charges	27	4,031	3,335
Total non-markup/interest expenses		287,562	226,215
		135,370	(753,226)
Extraordinary/unusual items		-	-
PROFIT/(LOSS) BEFORE TAXATION		135,370	(753,226)
Taxation			
current	28	62,230	15,747
prior years		25,000	-
deferred		(102,919)	(40,866)
		(15,689)	(25,119)
PROFIT/(LOSS) AFTER TAXATION		151,059	(728,107)
Unappropriated (loss)/profit brought forward		(61,414)	90,693
Profit /(Loss) available for appropriation		89,645	(637,414)
		Rupees	
Basic earnings/(Loss) per share	29	246	(1,185)
Diluted earnings/(Loss) per share	29	246	(1,185)

The annexed notes 1 to 42 and Annexure I 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, 2010

	2010	2009
	Rupees in '000	
Profit/(Loss) after taxation	151,059	(728,107)
Other comprehensive income not transferred to equity		
Surplus / (Deficit) on revaluation of investment classified as 'available for sale'	26,695	1,412,413
Deferred tax on revaluation of investment classified as 'available for sale'	(10,040)	(20,049)
	16,655	1,392,364
Total comprehensive income for the year	167,714	664,257

The annexed notes 1 to 42 and Annexure I 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, 2010

	Note	2010	2009
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		135,370	(753,226)
Less: Dividend income		(44,803)	(71,875)
		<u>90,567</u>	<u>(825,101)</u>
Adjustments:			
Depreciation	10.2	23,697	20,042
Provision against non-performing advances	9.5.1	74,961	399,506
Unrealized (gain)/loss on revaluation of investment classified as 'held-for trading'		(24,092)	22,216
Provision against other assets		(54,059)	(45,941)
Other provision		1,566	-
Provision for diminution in the value of investments	8.3	320,819	155,055
Gain on sale of operating fixed assets	25	(3,136)	(264)
		<u>339,756</u>	<u>550,614</u>
		<u>430,323</u>	<u>(274,487)</u>
<i>(Increase)/Decrease in operating assets</i>			
Lendings to financial institutions		217,931	(941,576)
Investment classified as 'held-for trading'		(239,254)	(222,517)
Advances		(145,134)	(2,801,331)
Other assets		(6,849)	125,128
		<u>(173,306)</u>	<u>(3,840,296)</u>
<i>Increase/(Decrease) in operating liabilities</i>			
Borrowings		1,772,984	(1,648,015)
Deposits and other accounts		(1,747,021)	5,004,711
Other liabilities		(210,066)	222,977
		<u>(184,103)</u>	<u>3,579,673</u>
		<u>72,914</u>	<u>(535,110)</u>
Income tax (paid)		(161,259)	(37,137)
Net cash (used in) operating activities		<u>(88,345)</u>	<u>(572,247)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in 'available-for-sale' securities		(96,131)	700,445
Net investments in 'held-to-maturity' securities		144,878	229,899
Strategic investment		(25,000)	(375,000)
Dividend received		37,803	79,237
Investments in operating fixed assets		(37,780)	(56,954)
Proceeds on sale of operating fixed assets		4,090	6,497
Net cash from investing activities		<u>27,860</u>	<u>584,124</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	-
Net cash from financing activities		<u>-</u>	<u>-</u>
(Decrease)/Increase in cash and cash equivalents		<u>(60,485)</u>	<u>11,877</u>
Cash and cash equivalents at beginning of the year		<u>173,322</u>	<u>161,445</u>
Cash and cash equivalents at end of the year	30	<u>112,837</u>	<u>173,322</u>

The annexed notes 1 to 42 and Annexure I 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, 2010

	Issued, subscribed and paid up capital	Reserves			Total
		Capital reserves	Revenue reserve		
		Statutory reserve (refer note 18)	Reserve for contingencies	Un- appropriated profit/(loss)	
Rupees in '000					
Balance as at January 1, 2009	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	-
Balance as at December 31, 2009	6,141,780	444,589	-	(61,414)	6,524,955
Profit after taxation for the year ended December 31, 2010	-	-	-	151,059	151,059
Transfer to statutory reserve	-	30,212	-	(30,212)	-
Balance as at December 31, 2010	6,141,780	474,801	-	59,433	6,676,014

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

Chief Financial Officer

Managing Director

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 Government of 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 upto October 14, 2038. The objective of the company interalia 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), directives issued under the Companies Ordinance, 1984 and the State Bank of Pakistan (SBP). 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 under the Companies Ordinance, 1984 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. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. 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 New / revised standards and interpretations to existing standards effective from current period or early adopted but not relevant to the Company

The following standards (revised or amended) and interpretations became effective for the current financial period or early adopted, but are either not relevant or do not have any material effect on the financial statements of the Company

- IFRS 2 (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions"
- IFRS 5 (Amendments) "Non-current Assets Held for Sale and Discontinued Operations"
- Amendments to IAS 1 "Presentation of Financial Statements"
- Amendments to IAS 7 "Statement of Cash Flows"
- IAS 27 (Amended) "Consolidated and Separate Financial Statements"
- IAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements"
- IAS 28 (as revised in 2008) "Investments in Associates"
- IFRIC 15 "Agreement for Construction of Real Estate"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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The application of improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in these financial statements.

2.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2011 or later:

IFRS 9 'Financial instruments' introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the bank's financial statement till IFRS 9 is notified.

IAS 12 Deferred Tax: Tax Recovery of Underlying Assets (Amendments to IAS 12). The amendment to IAS 12 is effective for annual periods beginning on or after January 01, 2012. Earlier application is permitted. The limited scope amendments are relevant only when an entity elects to use the fair value model for measurement in IAS 40 Investment Property. The amendments introduce a rebuttable presumption that in such circumstances, an investment property is recovered entirely through sale.

IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after January 01, 2011) - The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will result in some changes in disclosures.

IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after February 01, 2010) – 'Classification of rights issues' - The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

IFRIC 13 (Amendment) 'Customer Loyalty Programmes' (effective from annual periods on or after January 01, 2011). The amendment clarifies that the fair value of award credits take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. This amendment will have no impact on the company's financial statement.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 01, 2010) – This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This amendment will have no impact on the company's financial statement.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. This amendment is not likely to have any impact on the company's financial statements.

Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 01, 2011. The amendments include list of events or transactions that require disclosure in the financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

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. These financial statements are presented in Pakistani Rupees which is company's functional and presentation currency.

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 recognized on an accrual basis using the effective interest method.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

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 provision is charged to profit and loss account.

Leases

When substantially all risks and rewards related to ownership of the assets transferred to the lessee, are classified as finance lease.

A receivable is recognized at an amount equal to the present value of the lease payment. The difference between gross receivable and the present value of the receivable is recognized as unearned finance income.

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, 11 and 14 dated July 13, 2004, August 4, 2004 and September 24, 2004 respectively 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.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 amortizes 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.

Impairment is recognized whenever carrying amount of investments exceed its recoverable amount. Impairment is recognized in income currently.

Investments in Associates

Those companies where there are common directorship but the company does not have significant influence are classified as investment in associates. Investments in associates are stated at cost less provision for impairment, if any.

4.5 Operating fixed assets

4.5.1 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.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

4.5.2 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.

4.5.3 Intangible assets

Expenditure incurred to acquire software licenses is capitalized as intangible assets and are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets having a finite life are amortized using the straight line method over their estimated useful lives.

Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use.

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 realization 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. 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 recognizes provision for compensated absences on the basis of actuarial valuation. The last actuarial valuation was carried out as at December 31, 2010.

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. Exchange gains and losses are included in the profit and loss account. Non-monetary items that are measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 realize 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) Provision for bad and doubtful advances including net investment in lease (note 4.3)
- b) Critical judgment in classification of investments in accordance with the company's policy (note 4.4)
- c) Depreciation of property and equipments and amortization of intangible assets (note 4.5)
- d) Assumptions and estimations in recognition of deferred taxation (note 4.6)
- e) Accounting for defined benefit plan and compensated absences (note 4.7)
- f) Impairment (note 4.17)

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 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

Business segments

- Retails banking

Consists of retail lending services to private individuals and small businesses

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

- Corporate / Commercial Banking

Consists of lendings for project finance, trade finance, corporate customers and investment banking, includes advices and placements to corporate mergers and acquisitions, underwriting, privatizations and securitization.

- Treasury

Involves the businesses of equity trading, and fixed income securities.

4.16 Borrowing cost

Borrowing costs are recognized 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 capitalized as part of the cost of that asset.

4.17 Impairment

The carrying amounts of the company's assets other than deferred tax 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.

4.18 General

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

	Note	2010	2009
		Rupees in '000	
5 CASH AND BALANCES WITH TREASURY BANKS			
Cash in hand			
local currency		8	3
foreign currency		-	-
Balances with State Bank of Pakistan (SBP) (local currency)			
current account		7,890	3,667
cash reserves	5.1	42,000	60,000
Balances with National Bank of Pakistan (local currency)			
current account		26,615	672
		<u>76,513</u>	<u>64,342</u>

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

	Note	2010	2009
		Rupees in '000	
6 BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		6,949	5,581
Deposit accounts		29,375	103,399
	6.1	<u>36,324</u>	<u>108,980</u>

6.1 The return on these balances ranges from 5 to 10 (2009: 5 to 11) percent per annum.

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	Note	2010	2009
		Rupees in '000	
7 LENDING TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	7.1	1,157,414	1,646,286
Placements	7.2	64,597	118,656
Certificates of Investments (COIs)	7.3	325,000	-
	7.4	1,547,011	1,764,942
Less: Provisions for doubtful placements	7.5	64,597	118,656
		1,482,414	1,646,286

7.1 Securities held as collateral against lendings to financial institutions

	2010			2009		
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
	-----Rupees in '000-----					
Pakistan investment bonds	-	911,028	911,028	1,646,286	-	1,646,286
Treasury Bills	246,386	-	246,386	-	-	-
	246,386	911,028	1,157,414	1,646,286	-	1,646,286

7.1.1 The profit rates on reverse repurchase agreement lendings range from 13.25 to 13.80 (2009: 12.15 to 12.4) percent per annum.

7.2 The profit rates on placements range from 18 to 21.5 (2009: 18 to 21.5) percent per annum.

7.3 The profit rates on these COIs is 13.50 (2009: Nil) percent per annum.

7.4 Particulars of lending

In local currency	1,547,011	1,764,942
In foreign currencies	-	-
	1,547,011	1,764,942

7.5 Specific provisioning

Opening balance	118,656	164,597
Charge for the year	-	-
Less: Reversal for the year	(54,059)	(45,941)
Net reversal for the year	(54,059)	(45,941)
	64,597	118,656
Amounts written off	7.5.1	-
Closing balance	64,597	118,656

7.5.1 Particulars of amounts written off

Against provisions	-	-
Directly charged to the profit and loss account	-	-
	-	-

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8 INVESTMENTS

	Note	2010			2009		
		Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total
-----Rupees in '000-----							
8.1 Investments by types							
<i>Held-for-trading securities</i>							
Listed shares	8.16	-	-	-	323,302	-	323,302
Listed TFC's	8.16	72,021	-	72,021	-	-	-
Market treasury bill's	8.16	19,621	470,914	490,535	-	-	-
<i>Available-for sale securities</i>							
Listed shares	8.17	1,613,823	-	1,613,823	1,941,654	-	1,941,654
Listed preference shares	8.18	53,300	-	53,300	53,300	-	53,300
Unlisted shares	8.26	112,191	-	112,191	122,191	-	122,191
Mutual fund units	8.19	94,230	-	94,230	601,994	-	601,994
Listed term finance certificates (TFCs)	8.20	634,948	-	634,948	593,492	-	593,492
Unlisted TFCs	8.22	1,544,516	-	1,544,516	1,052,914	-	1,052,914
Sukuk issue	8.24	612,102	-	612,102	234,222	-	234,222
Pakistan investment bonds	8.6	267,032	-	267,032	386,927	-	386,927
Market treasury bills	8.7	395,403	731,276	1,126,679	487,998	487,998	975,996
<i>Held-to maturity securities</i>							
Participation term certificates (PTCs)	8.25	7,913	-	7,913	7,913	-	7,913
Unlisted TFCs	8.23	-	-	-	93,974	-	93,974
Commercial paper	8.9	45,958	-	45,958	96,862	-	96,862
<i>Investments in associates</i>							
Strategic Investment - Kamoki Energy Limited	8.27	400,000	-	400,000	375,000	-	375,000
Investments at cost		5,873,058	1,202,190	7,075,248	6,371,743	487,998	6,859,741
Less: Provision for diminution in the value of investment							
Listed shares	8.10	406,675	-	406,675	109,722	-	109,722
Unlisted shares	8.11	16,951	-	16,951	9,361	-	9,361
PTCs	8.12	7,913	-	7,913	7,913	-	7,913
Listed TFCs	8.13	-	-	-	-	-	-
Unlisted TFCs	8.14	39,887	-	39,887	23,611	-	23,611
Sukuk issue	8.15	72,450	-	72,450	72,450	-	72,450
	8.3	543,876	-	543,876	223,057	-	223,057
Investment (net of provisions)		5,329,182	1,202,190	6,531,372	6,148,686	487,998	6,636,684
Surplus/(Deficit) on revaluation of held-for-trading' securities		1,773	(178)	1,595	(22,498)	-	(22,498)
available-for-sale' securities		(206,724)	(894)	(207,618)	(232,784)	(1,529)	(234,313)
Total investments at market value		5,124,231	1,201,118	6,325,349	5,893,404	486,469	6,379,873

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	Note	2010 Rupees in '000	2009
8.2 Investments by segments			
<i>Federal government securities</i>			
Market treasury bills	8.7 & 8.16	1,617,214	975,996
Pakistan investment bonds	8.5 & 8.6	267,032	386,927
<i>Fully paid ordinary shares</i>			
Listed	8.16 & 8.17	1,613,823	2,264,956
Unlisted	8.26	112,191	122,191
<i>Fully paid preference shares</i>			
Listed	8.18	53,300	53,300
<i>Term finance certificates</i>			
Listed	8.16 & 8.20	706,969	593,492
Unlisted	8.22 & 8.23	1,544,516	1,146,888
<i>Participation term certificates</i>	8.25	7,913	7,913
<i>Investments in associates</i>			
Unlisted ordinary shares - Kamoki Energy Limited	8.27	400,000	375,000
<i>Other investments</i>			
Mutual fund units - listed	8.19	94,230	601,994
Commercial paper- unlisted	8.9	45,958	96,862
Sukuk issue - unlisted	8.24	612,102	234,222
Total investment at cost		7,075,248	6,859,741
Less: Provision for diminution in value of investments	8.3	(543,876)	(223,057)
Investments (net of provisions)		6,531,372	6,636,684
Surplus/(Deficit) on revaluation of 'held-for-trading' securities		1,595	(22,498)
Deficit on revaluation of 'available-for-sale' securities		(207,618)	(234,313)
Total investments at market value		6,325,349	6,379,873
8.3 Particulars of provision			
Opening balance		223,057	69,094
Gross charge for the year		324,782	167,261
Less: Reversal during the year		(3,963)	(12,206)
Net charge for the year		320,819	155,055
Less: Amount written off		-	(1,092)
Closing balance	8.3.1	543,876	223,057

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	Note	2010	2009
		Rupees in '000	
8.3.1 Particulars of provision in respect of type and segment			
Available for sale securities			
Listed ordinary shares	8.10	406,675	109,722
Unlisted ordinary shares	8.11	16,951	9,361
Listed TFCs	8.13	-	-
Unlisted TFCs	8.14	39,887	23,611
Sukuk issue	8.15	72,450	72,450
Held-to-maturity securities			
Unlisted PTCs	8.12	7,913	7,913
		543,876	223,057

8.4 Quality of held for trading securities/entities

	2010		2009	
	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	
National Bank of Pakistan	-		42,763	AAA/A-1+
Jahangir Siddiqui & Company Limited	-		45,105	AA+/A1+
Textile				
Azgard Nine Limited	-		34,303	A+/A1
Oil and gas marketing & exploration				
Pakistan Petroleum Limited	-		75,836	Unrated
Pakistan State Oil Company Limited	-		81,796	AA+/A1+
Technology and telecommunication				
Pakistan Telecommunication Company Limited	-		21,001	Unrated
<u>Listed TFC's & Government Securities</u>				
Banks/ Financial institutions				
NIB Bank Limited	73,801	AA-/A1+	-	
Government Securities				
Market treasury bills	490,350	Unrated	-	
	564,151		300,804	

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8.4.1 Quality of available for sale securities/entities

	2010		2009	
	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	
Arif Habib Corporation Limited	16,178	Unrated	-	-
National Bank of Pakistan	-	-	152,459	AAA/A-1+
NIB Bank Limited	47,200	AA-/A1+	76,800	AA-/A1+
Silk bank Limited	107,682	A-A-2	47,400	A-/A-3
Standard Chartered Bank Limited	22,358	AAA/A1+	22,523	AA+/A-1+
Jahangir siddique & Company Limited	43,600	AA/A1+	60,140	AA+/A-1+
Invest Capital Investment Bank Limited (formerly Al Zamin Leasing Modaraba)	10,000	Unrated	10,000	Unrated
Textile				
Gulshan Spinning Mills Limited	-	-	2,088	Unrated
Azgard Nine Limited	52,357	Unrated	106,029	A+/A1
Oil and gas marketing & exploration				
Attock Petroleum Limited	-	-	225,953	Unrated
Shell Pakistan Limited	9,832	Unrated	138,699	Unrated
Pakistan Petroleum Limited	-	-	189,590	Unrated
Pakistan Oil field Limited	-	-	15,231	Unrated
Mari Gas Company Limited	74,982	Unrated	6,320	Unrated
Power generation and distribution				
Kot Addu Power Company Limited	-	-	18,224	Unrated
Nishat Power Limited	-	-	88,373	AA/A1+
Nishat Chunian Power Limited	-	-	34,468	AA/A1+
Chemicals and Fertilizers				
Dawood Hercules Chemicals Limited	-	-	224,763	Unrated
Agritech Limited	239,000	Unrated	-	-
Engro Corporation Limited	156,598	AA-/A1	-	-
Cement				
D.G. Khan Cement Limited	120,680	Unrated	113,960	Unrated
Paper & Board				
Packages Pakistan Limited	147,732	AA/A1+	160,765	AA/A1+
Technology and telecommunication				
Wateen Telecom Limited	18,200	Unrated	-	-
	1,066,399		1,693,785	

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	2010		2009	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
<u>Listed preference shares</u>				
Textile	Rupees in '000		Rupees in '000	
Nishat (Chunian) Limited	6,930	A/A-2	7,078	Unrated
Chenab Limited	-	Unrated	-	Unrated
Cable and electrical goods				
Pak-Elektron Limited	25,000	A/A1	25,000	A/A1
	31,930		32,078	
<u>Mutual fund units/certificates</u>				
UBL Principal Protected Fund	-	-	20,598	Unrated
ABL Income Fund	-	-	150,312	A+(f)
Pak Oman Advantage Fund	19,903	AA-(f)	20,192	AA-(f)
PICIC Growth Fund	52,390	Unrated	7,130	Unrated
United Growth & Income Fund	22,346	BBB+(f)	150,940	A(f)
NIT Government Bond Fund	-	-	50,071	Unrated
Faysal Income & Growth Fund	-	-	200,491	A+(f)
	94,639		599,734	
<u>Listed term finance certificates (TFCs)</u>				
Banks/ Financial institutions				
Invest Capital Investment Bank Limited (formerly Al Zamin Leasing Modaraba)	2,865	A-	8,916	A-
Askari Bank Limited-I	32,928	AA-	33,599	AA-
Askari Bank Limited-II	19,860	AA-	19,868	AA-
Azgard Nine Limited	28,162	CCC(RW)	28,162	AA-
Bank Alfalah Limited-II	124,712	AA-	124,760	AA-
First International Investment Bank Limited)	12,495	A+(-)	24,990	A+
Faysal Bank Limited	74,860	AA-	99,820	AA-
Searle Pakistan Limited	6,088	A-	18,265	BBB+
Trust Investment Bank Limited	18,743	BBB	24,990	BBB
Soneri Bank Limited	47,405	A+	47,424	A+
NIB Bank	73,801	A+	-	
Technology and telecommunication				
Pakistan Mobile Communication (Private) Limited	66,560	A+	-	
Chemicals and Fertilizers				
Pak-Arab Fertilizer Limited	201,127	AA	165,464	AA
	709,606		596,258	

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	2010		2009	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
<i>Unlisted TFCs</i>	Rupees in '000		Rupees in '000	
Azgard Nine Limited-II	280,000	CCC(RW)	-	-
Bank Al-Habib Limited	24,940	AA	24,950	AA
Dewan Farooque Spinning Mills Limited	-	Unrated	18,750	Unrated
Engro Corporation Limited-I	404,000	AA	404,000	AA
Engro Corporation Limited-II	300,000	AA	300,000	AA
Engro Corporation Limited-III	104,196	AA	-	-
Jahangir Siddique & Company Limited	91,504	AA	-	-
KASB Securities Limited	92,982	A+	-	-
Orix Leasing Pakistan Limited	19,114	AA+	-	-
Gharibwal Cement Limited	4,829	D	-	-
New Allied Electronics Industries Limited	-	Unrated	-	D
Pakistan International Airlines Corporation	176,969	Unrated	177,040	Unrated
Pakistan Mobile Communication (Private) Limited	-	A+	97,063	AA-
Security Leasing Corporation Limited-II	6,095	Unrated	7,500	Unrated
	1,504,629		1,029,303	
<i>Sukuk issue</i>				
Security Leasing Corporation Limited	24,375	Unrated	30,000	Unrated
Kohat Cement Limited	124,137	Unrated	72,450	Unrated
Sitara Energy Limited	12,262	Unrated	18,262	Unrated
Liberty Power Technology Limited	100,000	AA-	41,060	Unrated
House Building Finance Corporation	127,615	A/A-2	-	-
Pak-Elektron Limited	151,263	A+	-	-
	539,652		161,772	
<i>Unlisted shares- stated at cost</i>				
Al-Hamra Hills (Private) Limited	47,150	Unrated	47,800	Unrated
FTC Management Company Limited	500	Unrated	500	Unrated
Pakistan Textile City Limited	41,850	Unrated	50,000	Unrated
Paramount Investment Limited	4,000	Unrated	4,000	Unrated
Reliance Investments Limited (formerly Noman Abid Investment Management Limited)	1,740	Unrated	10,530	Unrated
	95,240		112,830	

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	2010		2009	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
<i>Other investments</i>	Rupees in '000		Rupees in '000	
Pakistan investment bonds (PIBs)	221,645	Unrated	314,535	Unrated
Market treasury bills	1,615,651	Unrated	972,938	Unrated
Commercial paper	45,958	Unrated	96,862	Unrated
Strategic Investment - Kamoki Energy Limited	400,000	Unrated	375,000	Unrated
	2,283,254		1,759,335	
Total	6,325,349		5,985,095	

- 8.5 PIBs are eligible for rediscounting with the SBP.
- 8.6 These PIBs carry returns ranging from 9 to 11 (2009: 9 to 11) percent per annum and have maturity periods ranging between August, 2012 to April, 2014 (2009: August, 2012 to April, 2014).
- 8.7 The rate of return on these treasury bills ranges from 12.19 to 13.10 (2009: 11.75 to 11.84) percent per annum.
- 8.8 The rate of return on TFCs ranges from 6.0 to 16.93 (2009: 9.5 to 17.86) percent per annum.
- 8.9 These commercial papers carry return at 16.11 (2009: 15) percent per annum and have maturity in 2011 (2009: 2010).
- 8.10 **Particulars of provision against listed shares (ordinary and preference shares)**

	2010	2009
	Rupees in '000	
Specific		
Opening balance	109,722	40,510
Gross charge for the year	296,953	77,419
Less: Reversal for the year	-	(8,207)
Net charge for the year	296,953	69,212
Closing balance	406,675	109,722

8.11 **Particulars of provision against unlisted ordinary shares**

Specific		
Opening balance	9,361	7,820
Gross charge for the year	9,080	5,239
Less: Reversal during the year	(1,490)	(3,698)
Net charge for the year	7,590	1,541
Closing balance	16,951	9,361

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2010 2009
Rupees in '000

8.12 Particulars of provision against unlisted redeemable capital-participation term certificates

Specific

Opening balance	7,913	8,214
Gross charge for the year	-	-
Less: Reversal during the year	-	(301)
Net (reversal) for the year	-	(301)
Less: amount written off	-	-
Closing Balance	<u>7,913</u>	<u>7,913</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
Gross charge for the year	-	-
Less: Reversal during the year	-	-
Net charge for the year	-	-
Less: amount written off	-	(1,092)
Closing Balance	<u>-</u>	<u>-</u>

8.13.1 Particulars of amount written off against provision

Against provision	-	1,092
Directly charged to the profit & loss account	-	-
	<u>-</u>	<u>1,092</u>

8.14 Particular of provision against un-listed TFCs

Specific

Opening balance	23,611	11,458
Gross charge for the year	18,750	12,153
Less: Reversal during the year	(2,474)	-
Net charge for the year	16,276	12,153
Closing Balance	<u>39,887</u>	<u>23,611</u>

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2010 2009
Rupees in '000

8.15 Particular of provision against Sukuk

Specific

Opening balance	72,450	-
Gross charge for the year	-	72,450
Less: Reversal during the year	-	-
Net charge for the year	-	72,450
Closing Balance	72,450	72,450

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

	2010	2009	2010	2009
Name of investee	Number of shares held		Cost (Rupees in '000)	
Banks/Financial institutions				
Jahangir Siddique & Company Limited	-	1,500,000	-	48,399
National Bank of Pakistan	-	575,000	-	47,670
Textile				
Azgard Nine Limited	-	1,650,000	-	38,640
Technology and communication				
Pakistan Telecommunication Company Limited	-	1,189,855	-	23,485
Oil and gas marketing and exploration				
Pakistan State Oil Company Limited	-	275,000	-	88,951
Pakistan Petroleum Limited	-	400,000	-	76,157
 Particulars of investments held in TFC's of listed companies and Govt. Securities - held for trading				
Banks/Financial institutions				
NIB Bank Limited	15,000	-	72,021	-
Government Securities				
Market treasury bills	-	-	490,535	-
			562,556	323,302

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

Name of investee	2010	2009	2010	2009
	Number of shares held		Cost (Rupees in '000)	
Banks/Financial institutions				
Arif Habib Corporation Limited	650,000	-	29,036	-
National Bank of Pakistan	-	2,050,000	-	175,312
NIB Bank Limited	16,000,000	16,000,000	124,806	124,806
Silk Bank Limited	41,100,226	10,000,000	180,632	102,882
Standard Chartered Bank Limited	2,599,729	2,516,584	24,510	23,841
Jahangir Siddique & Company Limited	4,000,000	2,000,000	106,415	63,351
Invest Capital Investment Bank Limited (formerly Al Zamin Leasing Modaraba)	2,600,000	1,000,000	10,000	10,000
Textile				
Azgard Nine Limited	5,420,000	5,100,000	154,389	147,807
Gulshan Spinning Mills Limited	-	260,975	-	5,003
Cement				
D.G. Khan Cement Limited	4,000,000	3,500,000	135,668	128,451
Telecommunication				
Wateen Telecom Limited	5,000,000	-	50,000	-
Power generation and distribution				
Kot Addu Power Company Limited	-	397,302	-	17,856
Nishat Chunian Power Limited	-	3,346,409	-	33,464
Nishat Power Limited	-	6,942,087	-	69,494
Fertilizer companies				
Dawood Hercules Chemicals Limited	-	1,250,000	-	220,892
Engro Corporation Limited	808,000	-	166,727	-
Agritech Limited	10,000,000	-	300,000	-
Paper and board				
Packages Limited	1,148,683	1,116,424	229,820	225,605
	2010	2009	2010	2009
	Number of shares held		Cost (Rupees in '000)	

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Oil and gas marketing and exploration

Attock Petroleum Limited	-	650,000	-	235,560
Mari Gas Company Limited	600,000	46,191	89,840	6,152
Shell Pakistan Limited	47,217	554,000	11,980	140,558
Pakistan Petroleum Limited	-	1,000,000	-	196,481
Pakistan Oil Field Limited	-	66,000	-	14,139
			1,613,823	1,941,654

8.17.1 The nominal value of each share held in a listed company is Rs. 10 per share as at December 31, 2010 and December 31, 2009.

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	330,000	3,300	3,300

Cable and electrical goods

Pak-Elektron Limited	2,500,000	2,500,000	25,000	25,000
			53,300	53,300
			1,667,123	1,994,954

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

Name of investee	Face value per unit (Rupees)	2010		2009	
		Number of units/ certificates held	Cost (Rupees in '000)	Number of units/ certificates held	Cost (Rupees in '000)
Mutual Funds					
UBL Principal Protected Fund	100	223,020	208,088	25,000	25,000
ABL Income Fund	100	-	15,017,241	-	150,000
Pak Oman Advantage Fund	100	1,923,000	1,923,000	19,230	19,230
	Face value per unit (Rupees)	2010	2009	2010	2009
		Number of units/ certificates held		Cost (Rupees in '000)	

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PICIC Growth Fund	100	522,974	500,000	50,000	7,764
United Growth & Income Fund	150	-	1,486,404	-	150,000
NIT Government Bond Fund	10	-	4,941,151	-	50,000
Faysal Income & Growth Fund	100		1,888,396		200,000
				94,230	601,994

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

Name of investee	2010		2009	
	Number of units/ certificates held		Cost (Rupees in '000)	
Chemicals				
Pak-Arab Fertilizer Limited	43,447	3,447	196,975	158,045
Searle Pakistan Limited	10,000	10,000	6,248	18,742
Banks/Financial institutions				
Invest Capital Investment Bank Limited (formerly Al Zamin Leasing Modaraba)	600	4,404	3,000	9,467
Trust Investment Bank Limited	5,000	5,000	18,743	24,990
Askari Bank Limited-I	6,600	6,600	32,928	32,941
Askari Bank Limited-II	3,980	3,980	19,860	19,868
Azgard Nine Limited	8,000	8,000	29,959	29,959
Bank Alfalah Limited-II	25,000	25,000	124,712	124,760
First International Investment Bank Limited)	10,000	10,000	12,495	24,990
Faysal Bank Limited	20,000	20,000	74,860	99,820
Soneri Bank Limited	10,000	10,000	49,890	49,910
Telecommunication				
Pakistan Mobile Communication (Private) Limited	16,000	-	65,278	-
			634,948	593,492

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, 2010 and December 31, 2009.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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8.22 Particulars of investment held in unlisted TFCs - Available for sale

Name of investee	2010	2009	2010	2009	Name of the chief executive officer
	Number of certificates held		Cost (Rupees in '000)		
Azgard Nine Limited-II	56,000	-	280,000	-	Ahmed H. Sheikh
Bank Al Habib Limited	5,000	5,000	24,940	24,950	Mr. Abbas D. Habib
Dewan Farooque Spinning Mills Limited	15,000	15,000	18,750	18,750	Dewan Abdul Baqi Farooqui
Engro Corporation Limited-I	80,800	80,800	404,000	404,000	Mr. Asad Umar
Engro Corporation Limited-II	60,000	60,000	300,000	300,000	Mr. Asad Umar
Engro Corporation Limited	24,000	-	104,196	-	Mr. Asad Umar
Jahangir Siddique & Company Limited	20,000	-	91,504	-	Mr. Munaf Ibrahim
KASB Securities Limited	20,000	-	92,982	-	Mr. Farrukh Sabzwari
Orix Leasing Pakistan Limited	250	-	19,114	-	Mr. Teizoon Kisat
Gharibwal Cement Limited	1,216	-	4,829	-	Muhammad Tousif Peracha
New Allied Electronic Industries Limited	10,000	10,000	21,138	23,611	Mian Pervaiz Akhtar
Pakistan International Airlines Corporation	35,415	35,415	176,969	177,040	Capt. Nadeem Khan Yousufzai
Pakistan Mobile Communication (Private) Limited	-	20,000	-	97,063	Mr. Rashid Khan
Security Leasing Corporation Limited-II	4,000	4,000	6,094	7,500	Mr. M.Khalid Ali
Total			<u>1,544,516</u>	<u>1,052,914</u>	

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

	2010	2009	2010	2009	Name of the chief executive
	Number of certificates held		Cost (Rupees in '000)		
Pakistan Mobile Communication (Private) Limited	-	20,000	-	93,974	Mr. Rashid Khan

8.24 Particulars of investment held in unlisted sukuks

	2010	2009	2010	2009	
Security Leasing Corporation Limited	8,000	8,000	24,375	30,000	Mr. Mohammad Khalid Ali
Kohat Cement Limited	43,665	28,980	196,587	144,900	Mr. Aizaz Manzoor Sheikh
House Building Finance Corporation	39,300	-	127,615	-	Syed Azhar Abbas Jafri
Pak-Elektron Limited	53,600	-	151,263	-	Mr. Haroon Ahmad Khan
Sitara Energy Limited	3,652	3,652	12,262	18,262	Mr. Javed Iqbal
Liberty Power Technology Limited	1,000,000	8,212	100,000	41,060	Mr. Zafar Iqbal Subhani
Total			612,102	234,222	

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

	2010	2009	2010	2009	
Agro Dairies Limited	12	12	1,925	1,925	Mr. Mukhtar Rizvi
Qureshi Vegetable Ghee Mills Limited	96	96	5,988	5,988	Mr. Tariq Mahmud Qureshi
			7,913	7,913	

8.26 Particulars of investments held in unlisted shares

Name of investee	%	Breakup value per share (Rupees)	Based on audited financial statements as at	2010	2009	2010	2009
				Number of shares held		Cost (Rupees in '000)	
Ordinary shares							
Shareholding more than 10%							
Paramount Investments Limited CEO- Mr. Ghaffar A. Omar (Liquidator)	19.28	10.88	June 30, 2010	400,000	400,000	4,000	4,000
		Breakup	Based on audited	2010	2009	2010	2009

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	%	value per share (Rupees)	Based on audited financial statements as at	Number of shares held	Cost (Rupees in '000)		
Shareholding up to 10%							
Reliance Investments Limited (formerly Noman Abid Investment Management Limited (note 8.26.1) CEO - Mr. Adnan Abid	5	6.52	June 30, 2010	500,000	1,500,000	5,000	15,000
Agro Dairies Limited CEO-Mr. Mukhtar Rizvi	-	-	*	300,000	300,000	2,301	2,301
Al-Hamra Hills (Private) Limited CEO-Mr. Habib Ahmed	5.65	9.43	June 30, 2010	5,000,000	5,000,000	50,000	50,000
FTC Management Company Limited CEO-Mr. Fateh Sultan	9.1	10.00	June 30, 2010	50,000	50,000	500	500
New -VIS Credit Information Services (Private) Limited CEO-Mr. Fahim Ahmed	5.69	10.00	June 30, 2010	39,000	39,000	390	390
Pakistan Textile City Limited CEO-Mr. Zaheer A. Hussain	4.55	8.37	June 30, 2010	5,000,000	5,000,000	50,000	50,000
						112,191	122,191

* Under litigation

- 8.26.1** This represents Investment in Reliance Investments Limited (formerly Noman Abid Investment Management Limited) made under the agreement dated June 27, 2008 for 3 million shares. However, Reliance Investment Limited (formerly Noman Abid Investment Management Limited) 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. During the year the company has received an amount of Rs. 10 million, however the shares will be released on payment of full amount. 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.
- 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.

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9	ADVANCES	Note	2010	2009
			Rupees in '000	
In Pakistan				
	Loans	9.3	7,367,377	7,002,732
	Net investment in finance leases	9.4	446,328	571,395
	Staff loans	9.7	69,128	18,706
	Consumer loans and advances		486,300	631,166
	Long term financing of export oriented projects		61,179	61,179
	Advances-gross		8,430,312	8,285,178
	Less: Provision against:			
	Non-performing loans and net investment in finance lease-specific provision	9.5	1,012,781	933,694
	Consumer loans and advances - general provision	9.5.1	6,750	10,876
			1,019,531	944,570
	Advances-net of provision		7,410,781	7,340,608
9.1	Particulars of advances (gross)			
9.1.1	In local currency		8,430,312	8,285,178
	In foreign currency		-	-
			8,430,312	8,285,178
9.1.2	Short term (for upto one year)		1,266,916	1,004,916
	Long term (for over one year)		7,163,396	7,280,262
			8,430,312	8,285,178
9.2	Considered good		7,410,781	7,340,608
	Considered doubtful		1,019,531	944,570
			8,430,312	8,285,178
	Less: Provision for non-performing loans and advances	9.5.1	1,019,531	944,570
			7,410,781	7,340,608

9.3 Included in total advances are amounts aggregating Rs. 255.613 million (2009: Rs. 247.337 million) against which provision of Rs. 205.608 million (2009: Rs. 197.337 million) has been made and which are outstanding for over three years.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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9.4 Net investment in finance lease

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

	2010			Total
	Not later than one year	Later than one and less than five years	Over five years	
-----Rupees in '000-----				
Lease rentals receivable	224,587	177,505	-	402,092
Residual value	-	77,070	-	77,070
Minimum lease payments	224,587	254,575	-	479,162
Financial charges for future periods	23,021	9,813	-	32,834
Present value of minimum lease payments	201,566	244,762	-	446,328
2009				
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

9.4.1 In respect of the aforementioned finance leases the company holds an aggregate sum of Rs. 79.279 million (2009: Rs. 77.348 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (refer note 16).

9.4.2 The company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2012 and are subject to finance income at rates ranging between 15.04 to 16.81 (2009: 15.04 to 17.76) percent per annum.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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9.5 Advances include Rs. 1,122.912 million (2009: Rs. 996.760 million) which have been placed under non-performing status is detailed below:

Category of classification	2010								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	-----'Rupees in '000-----								
Substandard	512,592	-	512,592	126,270	-	126,270	1,270	-	1,270
Doubtful	51,000	-	51,000	25,500	-	25,500	25,500	-	25,500
Loss	1,059,320	-	1,059,320	986,011	-	986,011	986,011	-	986,011
2010	1,622,912	-	1,622,912	1,137,781	-	1,137,781	1,012,781	-	1,012,781
2009	996,760	-	996,760	933,694	-	933,694	933,694	-	933,694

9.5.1 Particulars of provision against non-performing advances

	2010			2009		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	933,694	10,876	944,570	529,012	16,052	545,064
Charge for the year	160,998	-	160,998	415,999	-	415,999
Less: Reversal for the year	(81,911)	(4,126)	(86,037)	(11,317)	(5,176)	(16,493)
Net charge	79,087	(4,126)	74,961	404,682	(5,176)	399,506
Less: Amounts written off	-	-	-	-	-	-
Closing balance	1,012,781	6,750	1,019,531	933,694	10,876	944,570

9.5.2 Particulars of provision against non-performing advances

In local currency	1,012,781	6,750	1,019,531	933,694	10,876	944,570
In foreign currency	-	-	-	-	-	-
	1,012,781	6,750	1,019,531	933,694	10,876	944,570

9.5.3 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

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2010 2009
Rupees in '000

9.5.4 Particulars of write offs

Against provisions	-	-
Directly charged to the profit and loss account	-	-
	<u>-</u>	<u>-</u>

9.5.5 Write offs of Rs. 500,000 and above

Write offs of below Rs. 500,000	-	-
	<u>-</u>	<u>-</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, 2010 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.

Debts due by directors, executives or officers of the company or any of them either severally or jointly with any other persons

Balance at beginning of year	18,706	14,627
Loans granted during the year	55,910	7,025
Repayments during the year	(5,488)	(2,946)
Amount written off	-	-
Balance at end of the year	69,128	18,706

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

Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-

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2010 2009
Rupees in '000

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

Balance at beginning of the year	640,000	-
Loans granted during the year	531,427	640,000
Repayments during the year	-	-
Balance at end of the year	1,171,427	640,000
	1,240,555	658,706

9.7.1 The maximum total amount of advances including temporary advances granted during the year were Rs. 69.128 million (2009: Rs. 18.706 million). The maximum amount has been calculated by reference to the month end balance.

Note 2010 2009
Rupees in '000

9.7.2 Particulars of loans to executives

Amount due at beginning of year	5,813	4,087
Disbursements during the year	33,283	2,500
Repayments during the year	(1,700)	(774)
	31,583	1,726
Amount due at end of the year	37,396	5,813

10 OPERATING FIXED ASSETS

Capital work-in-progress	10.1	497	6,505
Property and equipment	10.2	95,592	76,455
		96,089	82,960

10.1 Capital work-in progress

Advances to suppliers and contractors		497	6,505
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PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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10.2 Property and equipment

	Cost		Depreciation			Net book value as at December 31, 2010	Rate (%)	
	As at January 1, 2010	Additions/ (Deletion)	As at December 31, 2010	As at January 1, 2010	For the year/ (On disposal)			As at December 31, 2010
-----Rupees in '000-----								
Leasehold lands (Refer note 10.2.2)	1,951	-	1,951	431	22	453	1,498	1.11
Buildings on leasehold lands (Refer note 10.2.2)	77,209	4,180	81,389	43,419	2,529	45,948	35,441	5
Furniture and fixtures	27,190	9,767 (104)	36,853	20,149	4,065 (104)	24,110	12,743	10,15 and 25
Electrical appliances	9,282	1,424 (348)	10,358	6,309	893 (347)	6,855	3,503	10 and 15
Office equipment	740	-	740	514	30	544	196	10
Computer equipment	23,115	1,438	24,553	17,461	3,129	20,590	3,963	30
Motor vehicles	50,679	27,079 (13,828)	63,930	25,429	13,029 (12,775)	25,683	38,247	25 and 33.3
2010	190,166	43,888 (14,280)	219,774	113,712	23,697 (13,226)	124,183	95,592	
2009	148,776	53,269 (11,879)	190,166	99,315	20,042 (5,645)	113,712	76,455	

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10.2.1 Reconciliation of net book value

	Lease hold land	Building on leasehold land	Furniture and fixtures	Electrical appliances	Office equipment	Computer equipment	Motor vehicles	Total
-----Rupees in '000-----								
As at January 1, 2009								
Cost	1,951	47,229	26,427	9,267	647	21,253	41,977	148,751
Depreciation	(410)	(41,058)	(17,441)	(5,737)	(487)	(15,387)	(18,769)	(99,289)
Net book value	1,541	6,171	8,986	3,530	160	5,866	23,208	49,461
Year ended December 31, 2009								
Additions	-	29,980	1,506	523	93	3,178	17,989	53,269
Disposals	-	-	(768)	(508)	-	(1,316)	(9,287)	(11,879)
Depreciation charge	(21)	(2,361)	(3,451)	(869)	(27)	(3,389)	(9,925)	(20,043)
Depreciation on disposal	-	-	768	297	-	1,315	3,265	5,645
Net book value	1,520	33,790	7,041	2,973	226	5,654	25,250	76,455
Year ended December 31, 2010								
Additions	-	4,180	9,767	1,424	-	1,438	27,079	43,888
Disposals	-	-	(104)	(348)	-	-	(13,828)	(14,280)
Depreciation charge	(22)	(2,529)	(4,065)	(893)	(30)	(3,129)	(13,029)	(23,697)
Depreciation on disposal	-	-	104	347	-	-	12,775	13,226
Net book value	1,498	35,441	12,743	3,503	196	3,963	38,247	95,592

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.

10.2.3 During the year company has changed the useful life of certain vehicles. Useful life of certain vehicles are estimated to be three years instead of four years. Had this estimate not been changed the net book value would have been decreased by Rs. 158,021 and depreciation would have been increased by Rs. 158,021.

10.2.4 Assets having cost of Rs. 51.155 million (2009: Rs. 21.513 million) are fully depreciated.

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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	Gain / Loss	Mode of disposal	Particulars of purchaser
-----Rupees in '000-----							
Motor vehicles							
Mercedes Benz	7,585	6,532	1,053	1,812	759	Company Policy	Dr. Saleh Jomaa M. Abdall (Deputy Managing Director)
Toyota Premio	1,800	1,800	-	90	90	Company Policy	Mr. Abid Aziz (Employee)
Toyota Coralla	1,279	1,279	-	64	64	Company Policy	Mr. Manzoor Saber (Employee)

	Note	2010	2009
		Rupees in '000	
11 DEFERRED TAX ASSET			
Deferred credit arising in respect of:			
Net investment in finance leases		(81,775)	(126,078)
Deferred debits arising in respect of:			
Accelerated tax depreciation		5,191	5,754
Provision for compensated absences		4,855	4,149
Provision for contingencies		407,260	112,765
Assessed tax losses carried forward		-	236,022
Deferred tax on minimum tax liability		15,890	15,890
		351,421	248,502
Add: Deferred tax debit on deficit on revaluation of government securities	19	16,368	26,408
		367,789	274,910

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	Note	2010	2009
		Rupees in '000	
12 OTHER ASSETS			
Income/Mark-up/Return receivable in local currency		405,507	389,536
Less: Provision	12.1	8,123	7,274
		397,384	382,262
Security deposits		4,246	4,054
Short term advances		4,196	4,123
Prepayments		9,211	12,756
Other receivable		49	80
Advance taxation		128,114	54,085
KSE membership card		55,150	55,150
Dividend		7,000	5,812
		605,350	518,322
12.1 Provisions against income/markup/return receivable			
Opening balance		7,274	7,274
Charge for the year		849	-
Less: Reversal during the year		-	-
Less: Amount written off		-	-
Closing balance		8,123	7,274
13 CONTINGENT ASSETS			
There were no contingent assets as at the balance sheet date.			
14 BORROWINGS			
In Pakistan	14.1	4,983,790	3,210,806
Outside Pakistan		-	-
		4,983,790	3,210,806
14.1 Particulars of borrowings with respect to currencies			
In local currency		4,983,790	3,210,806
In foreign currencies		-	-
		4,983,790	3,210,806
14.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under:			
Long term financing of exports oriented projects	14.2.1	47,261	59,150
Repurchase agreement borrowings	14.2.2	2,110,529	461,656
Borrowings from financial institutions			
Term finance certificates		-	-
Other	14.2.3	1,575,000	1,330,000
		3,732,790	1,850,806
Unsecured			
Clean borrowings	14.2.4	1,251,000	1,360,000
		4,983,790	3,210,806

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- 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 (2009: 4 to 5 percent).
- 14.2.2** The company has arranged borrowings from various financial institutions against sale and repurchase of government securities. The outstanding facilities as at balance sheet date rang from 3 to 62 days (2009: 1 to 184 days). The rates of markup on these facilities ranged from 12.90 to 13.15 (2009: 11.65) 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 three months KIBOR plus 1.45 percent to six months KIBOR plus 1.25 percent (2009: six months KIBOR plus 0.75 to 1.45 percent). As at December 31, 2010, the effective rates ranged between 14.10 to 14.86 (2009: 10.36 to 16.25) percent per annum.
- 14.2.4** The mark-up rates on these borrowings range between 12.75 to 13.85 (2009: 12.5 to 13.5) percent per annum. These borrowings are due for maturity between 3 to 90 days (2009: 1 to 182 days).

2010 **2009**
Rupees in '000

15 DEPOSITS AND OTHER ACCOUNTS

Customers

Certificates of investment-(in local currency) **2,620,800** 4,461,061

Financial institutions

Certificates of investment-(in local currency) **2,036,890** 1,943,650

4,657,690 **6,404,711**

- 15.1** The profit rates on these certificates of investment (COIs) range between 11.00 to 14.25 (2009: 11 to 13.75) percent per annum. These COIs are due for maturity during 2011 (2009: 2010).

2010 **2009**
Rupees in '000

16 OTHER LIABILITIES

	Note		
Mark-up/Return/Interest payable in local currency			
borrowings from financial institutions		47,722	76,260
certificates of investment		100,913	245,046
Accrued liabilities		31,322	73,207
Employees' compensated absences		13,870	11,853
Security deposits against investment in finance lease	9.4.1	79,278	77,348
Staff retirement gratuity	32	1,260	-
		274,365	483,714

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2010 2009
Rupees in '000

17 SHARE CAPITAL

17.1 Authorized share capital

Number of share				
2010	2009			
<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

Ordinary shares of Rs. 10,000 each fully paid in cash.

	2010			2009				
	-----Number of shares-----							
	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	142,342	614,178	6,141,780	6,141,780
Shares issued during the year	-	-	-	-	-	-	-	-
Closing	<u>471,836</u>	<u>142,342</u>	<u>614,178</u>	<u>471,836</u>	<u>142,342</u>	<u>614,178</u>	<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 Foreign Investment Company (LFICO) on behalf of the government of the Socialist Peoples Libyan Arab Jamahiriya each held 307,089 (2009: 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.

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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).

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion (net of losses) by December 31, 2010 (2009: Rs. 6 billion), 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, 2010. The company has adhered to the minimum capital requirements as imposed by SBP.

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	Note	2010	2009
		Rupees in '000	
18 RESERVES			
Capital reserves			
<i>Statutory reserve</i>	18.1		
As at January 1		444,589	444,589
Add: Appropriation of profit		30,212	-
		474,801	444,589
<i>Reserve for issue of bonus shares</i>			
As at January 1		-	-
Add: Appropriation of profit		-	-
Less: Issue of bonus shares		-	-
		-	-
Revenue reserve			
<i>Reserve for contingencies</i>			
As at January 1		-	576,000
Add: Appropriation of profit	18.2	-	90,000
Less: Transfer to accumulated losses	18.3	-	(666,000)
		-	-
		474,801	444,589

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 authorized to adjust/transfer the reserve for contingencies to meet the MCR.

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	2010	2009
	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	(45,387)	(72,392)
Market treasury bills	(1,378)	(3,058)
	(46,765)	(75,450)
Less: Deferred tax on government securities	16,368	26,408
	(30,397)	(49,042)
Listed companies-fully paid up ordinary shares	(162,119)	(159,369)
Listed term finance certificates	857	2,766
Mutual fund units	409	(2,260)
	(160,853)	(158,863)
	(191,250)	(207,905)

20 CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitute-guarantee issued	1,056,983	1,055,904
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This includes an amount of Rs. 200 million (December 31, 2009: Rs. 200 million) utilized under guarantee issued in favor of the Government of Pakistan.

Other contingencies

20.2 Undisbursed sanctions for financial assistance in the form of loans and advances, term finance certificates and leases	421,102	948,653
20.3 Underwriting agreement	-	25,000
20.4 Unsettled purchase of shares	-	51,500
Unsettled sale of shares/TFC's	75,556	119,175
Letter of credit (LC's)	67,003	67,003

20.5 During the year the Additional Commissioner Inland Revenue (ACIR) has raised tax demand including additional tax of amounting to Rs. 108 million in respect of Tax year 2009. The said tax is payable due to disallowance of write-off of non-performing loans and advances, prorate the expenses on exempt income, disallowed disposal of the assets and loans to staff and increased business income by Rs. 360 million. The company has paid tax amounting to Rs. 25 million and has obtained stay order for the remaining amount from honorable High Court in its order dated June 26, 2010 till the decision of the appeal filed in Commissioner Inland Revenue (Appeal). No provision for tax amounting to Rs. 83 million has been made in these financial statements as the company believes that the decision would be in favor of the company.

21 DERIVATIVE INSTRUMENTS

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

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	2010	2009
	Rupees in '000	
22 MARK-UP/RETURN/INTEREST EARNED		
On loans and advances to		
customers	1,137,047	975,337
financial institutions	61	1,794
On investments in		
'held for trading' securities	709	-
'available for sale' securities	455,176	449,775
'held to maturity' securities	26,728	37,749
On deposits with financial institutions	11,209	11,825
On repurchase agreement lendings (Reverse Repo)	39,693	115,103
Income on continuous funding system (CFS)	-	7,964
Income on bank deposits	4,628	11,539
	<u>1,675,251</u>	<u>1,611,086</u>
23 MARK-UP/RETURN/INTEREST EXPENSED		
Deposits and other accounts:		
Long term	24,368	12,658
Short term	753,167	679,103
On securities sold under repurchase agreement (Repo)	12,780	145,183
On other borrowings:		
Long term	185,150	159,866
Short term	149,794	148,537
	<u>1,125,259</u>	<u>1,145,347</u>
24 GAIN/(LOSS) ON SALE OF SECURITIES - NET		
Listed shares	48,778	(647,934)
(Loss)/gain on sale of government securities	(17,361)	221
Mutual funds' units	63,453	34,749
	<u>94,870</u>	<u>(612,964)</u>
25 OTHER INCOME		
Gain on sale of operating fixed assets	3,136	264
Exchange gain on US dollar account	54	172
Settlement fee	-	1,475
Others	4,133	17
	<u>7,323</u>	<u>1,928</u>

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	Note	2010	2009
		Rupees in '000	
26 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits		107,776	75,908
Charge for defined benefit plan	32	5,040	6,197
Contribution to defined contribution plan		3,620	3,298
Executive directors remuneration (including remuneration of the Managing Director and Deputy Managing Director)		52,917	47,185
Non-executive directors' fee	34	162	156
Board meeting' expenses		24,667	24,208
Traveling and conveyance		7,275	4,868
Rent and utilities		7,064	3,715
Legal consultancy and professional charges		10,891	6,182
Communications		4,471	4,658
Repairs and maintenance		8,877	8,208
Motor vehicle expenses		9,637	6,044
Entertainment		916	707
Insurance		3,355	2,653
Software maintenance expenses		2,828	1,291
Bank charges		796	230
Printing and stationery		2,739	2,383
Advertisement, periodicals, membership dues and publicity		2,181	1,739
Auditors' remuneration	26.1	1,300	1,832
Donation	26.2	100	-
Depreciation	10.2	23,697	20,042
Others		1,656	1,376
		281,965	222,880
26.1 Auditors' remuneration			
Audit fee		600	550
Half yearly review fee		240	200
Code of corporate governance fee		125	125
Special certifications and sundry advisory services		231	733
Out of pocket expenses		104	224
		1,300	1,832

26.2 Donation was not made to any donee in which a director or his spouse has any interest at any time during the year.

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	Note	2010	2009
		Rupees in '000	
27 OTHER CHARGES			
NCCPL fee		120	25
Arrangement fee		928	644
Brokerage commission		1,624	1,924
CFS fee		-	288
Penalty imposed by SBP		1,359	454
		4,031	3,335
28 TAXATION			
Current			
For the year		62,230	15,747
Prior year		25,000	-
Deferred		(102,919)	(40,866)
		(15,689)	(25,119)
28.1 Relationship between tax expense and accounting profit			
Accounting profit before taxation		135,370	(753,226)
Tax on accounting profit at 35%		142,130	(263,629)
Tax effect of:			
Expenses that are inadmissible in determining taxable income		224,700	307,860
Dividend income taxed at different tax rates		(12,195)	(47,951)
Exempt income		(33,205)	(28,572)
Tax effect of prior year reversal of provision		-	-
Effect of deferred tax on previously unrecognized losses		(96,668)	(7,734)
Effect of deferred tax origination of temporary differences		(240,454)	14,906
		(157,820)	238,510
		(15,689)	(25,119)
29 BASIC AND DILUTED EARNINGS PER SHARE		2010	2009
Profit/(Loss) for the year after taxation (Rupees in thousand)		151,059	(728,107)
Weighted average number of ordinary shares in issue (Number in thousand)		614.178	614.178
Basic earnings/(Loss) per share (Rupees)		246	(1,185)
Diluted earnings/(Loss) per share (Rupees)	29.1	246	(1,185)

29.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2010 and 2009.

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	Note	2010 Rupees in '000	2009
30 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	76,513	64,342
Balances with other banks	6	36,324	108,980
Placements- net of provisions		-	-
		112,837	173,322
		2010	2009
		Numbers	
31 STAFF STRENGTH			
Permanent		38	36
Temporary/on contractual basis		43	42
Daily wagers		10	8
Company's own staff strength at the end of the year		91	86
Outsourced		13	17
Total staff strength		104	103

32 DEFINED BENEFIT PLAN

Staff retirement gratuity

	2010	2009
	Percent per annum	
Discount rate	14	14
Expected rate of return on plan assets	12	12
Expected rate of increase in salary levels	14	12.5

The disclosures made in note 32.1 to 32.11 are based on the information included in the actuarial valuation as of December 31, 2010.

32.1 Mortality rate

The rates assumed were based on the EFU 1961-66 ultimate mortality tables.

32.2 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.

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	Note	2010	2009
		Rupees in '000	
32.3 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	32.4	52,268	42,562
Fair value of plan assets	32.5	(47,237)	(40,161)
		5,031	2,401
Net unrecognized actuarial gains		(3,771)	(2,401)
Unrecognized past service cost	32.4	-	-
		1,260	-
32.4 The movement in the defined benefit obligation over the year is as follows:			
Present value of obligation at January 1, 2010		42,562	36,898
Current service cost	32.6	3,901	2,589
Interest cost	32.6	5,958	4,428
Benefit paid		-	-
Past service cost-vested	32.6	-	(600)
Past service cost-not vested	32.3	-	-
Actuarial (gain) or loss on obligation (balancing figure)		(154)	(753)
Present value of obligation at December 31, 2010		52,268	42,562
32.5 The movement in the fair value of plan assets of the year is as follows:			
Fair value of plan assets as at January 1, 2010		40,161	33,239
Expected return on plan assets		4,819	3,989
Contributions		5,040	10,304
Benefits paid		-	(600)
Actuarial gain on assets (balancing figure)	32.10	(2,784)	(6,771)
Fair value of plan assets as at December 31, 2010		47,237	40,161
32.6 The amount recognized in the profit and loss account is as follows:			
Current service cost		3,901	2,589
Interest cost		5,959	4,428
Expected return on plan assets		(4,819)	(3,989)
Actuarial gain recognized		-	-
Past service cost recognized		-	3,169
		5,040	6,197

32.7 Actual return on plan assets during the year was Rs. 3.296 million (2009: Rs. 2.782 million).

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32.9 Plan assets comprise the following:

Particulars	2010		2009	
	Rupees in '000	Percent	Rupees in '000	Percent
Term deposit receipts (TDRs)	47,107	100%	16,053	40%
Extra amount contributed during the year	-	0%	1,549	4%
Cash and bank balances	130	0%	22,559	56%
	47,237	100%	40,161	100%

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:

	2010	2009	2008	2007	2006	
	-----Rupees in '000-----					
Present value of defined benefit obligation	52,268	42,562	36,898	22,922	22,820	
Fair value of plan assets	(47,237)	(40,161)	(33,239)	(20,783)	(14,621)	
Deficit/(Surplus)	5,031	2,401	3,659	2,139	8,199	
Defined benefit obligation	1,260	-	4,107	2,349	16	
Experience adjustments on plan assets	32.5	2,784	6,771	(3,871)	(3,650)	786

33 DEFINED CONTRIBUTION PLAN

	2010	2009
	Rupees in '000	
Contribution from the company	3,620	3,299
Contribution from the employee	3,620	3,299
	7,240	6,598

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34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	* Managing Director		Deputy Managing Director		Director		Exec
	2010	2009	2010	2009	2010	2009	2010
	-----Rupees in '000-----						
Fees	-	-	-	-	162	156	-
Managerial remuneration	16,609	16,560	20,409	17,525	-	-	42,877
Charged for defined benefit plan	750	750	996	981	-	-	2,764
Contribution to defined contribution plan	900	973	1,192	1,224	-	-	1,103
Rent and house maintenance	1,056	1,053	1,209	401	-	-	9,546
Utilities	751	486	1,130	937	-	-	2,121
Medical	458	147	589	3,808	-	-	3,182
Conveyance	3,117	2,406	1,761	1,305	-	-	6,335
Others	3,004	2,170	2,824	387	-	-	500
	26,645	24,545	30,110	26,568	162	156	68,428
Number of persons	1	1	1	1	4	4	23

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35 FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 On-balance sheet financial instruments

Assets	2010		2009
	Book value	Fair value	Book value
-----Rupees in '000-----			
Cash balances with treasury banks	76,513	76,513	64,342
Balances with other banks	36,324	36,324	108,980
Lending to financial institutions	1,482,414	1,482,414	1,646,286
Investments	6,325,349	6,325,349	6,379,873
Advances	7,410,781	7,410,781	7,340,608
Other assets	477,236	477,236	464,237
	15,808,617	15,808,617	16,004,326
Liabilities			
Borrowing from financial institutions	4,983,790	4,983,790	3,210,806
Deposits and other accounts	4,657,690	4,657,690	6,404,711
Other liabilities	274,365	274,365	483,714
	9,915,845	9,915,845	10,099,231
	5,892,772	5,892,772	5,905,095

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

The company has related party relationship with its associates, associated undertakings, employees benefit plans , key management personal and its directors.

The company enters into transactions with related parties in the normal course of business. The transactions were carried out on commercial terms and at market rates.

37.1 Transactions entered into with related parties are as follows:

	2010	2009
	Rupees in '000	
Advances / Investments		
Balance as at January 01	1,069,869	55,096
Addition during the period/year	556,427	1,015,000
Repayments during the period/year	(172)	(227)
Closing balance	1,626,124	1,069,869
Borrowings / Deposits		
Balance as at January 01	109,002	84,002
Addition during the period/year	100,000	85,000
Repayments during the period/year	(130,000)	(60,000)
Closing balance	79,002	109,002
Non-Funded Commitments		
Balance as at January 01	855,904	-
Addition during the period/year	1,079	855,904
Repayments during the period/year	-	-
Closing balance	856,983	855,904
	2010	2009

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	Rupees in '000	
37.2 Reimbursement of actual expenses incurred on behalf of a related party	7,580	8,113
37.2.1 Transactions, income and expenses		
<i>Expenses charged by:</i>		
Associates	-	-
Other related party	17,275	14,073
<i>Income:</i>		
Associates	131,567	20,754
Other related party	285	116
37.3 Transaction with retirement benefit funds		
Defined contribution plan	3,620	3,299
Defined Benefit plan	5,040	6,197
37.4 Key management compensation		
Salaries benefits and other expenses	52,917	47,185
Non-executive director's remunerations	162	156
	53,079	47,341
37.5 Loans to key management personal		
Balance as at January 01	6,188	5,431
Addition during the period/year	33,283	4,000
Repayments during the period/year	(2,075)	(3,243)
Closing balance	37,396	6,188
37.6 Mark-up received on loans to key management personal	1,395	178

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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	2010 Rupees in '000	2009
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	474,801	444,589
Un-accumulated losses		59,433	(61,414)
		6,676,014	6,524,955
Deductions:			
Shortfall in provisions required against classified assets irrespective of any relaxation allowed		(202,041)	-
Deficit on account of revaluation of available-for-sale investments	19	(191,250)	(207,905)
Total eligible Tier 1 capital		6,282,724	6,317,050
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		6,750	10,876
Revaluation reserve (up to 45%)		-	-
Total eligible Tier 2 Capital		6,750	10,876
Eligible Tier III Capital		-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier 1 capital)		6,750	10,876
Total eligible capital		6,289,474	6,327,926
Risk weighted amounts			
Total Credit Risk Weighted Amount		11,105,490	10,446,058
Total Market Risk Weighted Amount		2,844,184	5,711,392
Total Operational Risk Weighted Amount		1,267,333	1,106,315
Total risk weighted amount		15,217,007	17,263,765
Capital Adequacy Ratios			
Credit Risk Capital Adequacy Ratio		57%	61%
Tier 1 Capital to Total Risk Weighted Amount		41%	37%
Total Capital Adequacy Ratio		41%	37%

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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; and

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, it's 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.

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.

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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.

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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.

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 Risk Management Department 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.

The company also uses external rating to evaluate the risk. The company obtains external ratings from PARCA and JCR-VIS.

Exposures	JCR-VIS	PARCA	Other
Corporate	Yes	Yes	x
Banks	Yes	Yes	x
Sovereigns	x	x	x
SME's	x	x	x
Securitized	x	x	x
Others (Specify)	x	x	x

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Credit Exposures subject to Standardized approach

Exposures	Rating Category	2010			2009		
		Amount outstanding	Deduction CRM*	Net amount	Amount outstanding	Deduction CRM*	Net amount
-----Rupees in '000-----							
Corporate	0	-	-	-	-	-	-
	1	1,423,576	-	1,423,576	2,393,382	-	2,393,382
	2	1,465,202	-	1,465,202	1,133,333	-	1,133,333
	3-4	239,808	-	239,808	37,500	-	37,500
	5-6	879,829	-	879,829	240,000	-	240,000
	Unrated	-	-	-	-	-	-
		4,008,415	-	4,008,415	3,804,216	-	3,804,216
Banks	0	-	-	-	-	-	-
	1	1,482,414	-	1,482,414	1,646,286	-	1,646,286
	2-3	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
		1,482,414	-	1,482,414	1,646,286	-	1,646,286
Sovereigns		-	-	-	-	-	-
Unrated		4,972,969	-	4,972,969	4,419,257	-	4,419,257
Total Credit Exposure		10,463,798	-	10,463,798	9,869,759	-	9,869,759

*CRM= Credit Risk Mitigation

The accounting policies and methods used by the company are in accordance with the requirements of the prudential regulations of the SBP. These policies are disclosed in note 4 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 9.5 of these financial statements.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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39.1.1 Segment information

39.1.1.1 Segment by class of business

	2010					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	1,007,354	11.95%	-	-	-	-
Textile	254,642	3.02%	-	-	67,003	4.13%
Chemicals and pharmaceuticals	1,334,999	15.84%	-	-	-	-
Cement	589,808	7.00%	-	-	200,000	12.34%
Sugar	-	-	-	-	-	-
Automobile and	138,781	1.65%	-	-	-	-
Electronics and electrical appliances	475,000	5.63%	-	-	-	-
Construction	454,218	5.39%	-	-	-	-
Power (electricity), gas, water, sanitary	2,106,871	24.99%	-	-	1,278,085	78.86%
Wholesale and retail trade	-	-	-	-	-	-
Transport, storage and communication	1,100,000	13.05%	-	-	-	-
Financial	833	0.01%	2,036,890	43.73%	75,556	4.66%
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	469,944	5.57%	-	-	-	-
Others	497,862	5.91%	2,620,800	56.27%	-	-
	8,430,312	100%	4,657,690	100%	1,620,644	100%

39.1.1.2 Segment by sector

Public / Government	1,000,000	11.86%	2,500,000	53.67%	-	-
Private	7,430,312	88.14%	2,157,690	46.33%	1,620,644	100%
	8,430,312	100%	4,657,690	100%	1,620,644	100%

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

	2010		2009	
	Classified advances	Specific provisions held	Classified Advances	Specific Provisions held
----- Rupees in '000-----				
Agriculture, forestry, hunting and fishing	7,354	7,354	7,354	7,354
Textile	137,299	112,799	88,299	83,224
Chemicals and pharmaceuticals	500,000	-	-	-
Cement	200,000	200,000	200,000	200,000
Sugar	-	-	-	-
Automobile and transportation equipment	138,781	138,781	138,781	138,781
Electronics and electrical appliances	-	-	-	-
Construction	162,346	112,346	162,346	112,346
Power (electricity), gas, water, sanitary	347,385	347,385	319,250	319,250
Wholesale and retail trade	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial	-	-	-	-
Services	-	-	-	-
Individuals	129,747	94,116	80,730	72,739
Others	-	-	-	-
	1,622,912	1,012,781	996,760	933,694

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

	2010		2009	
	Classified advances	Specific provisions	Classified Advances	Specific Provisions
----- Rupees in '000-----				
Public / government	-	-	-	-
Private	1,622,912	1,012,781	996,760	933,694
	1,622,912	1,012,781	996,760	933,694

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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39.1.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingences and commitments
	----- Rupees in '000-----			
Pakistan	135,370	16,400,609	6,484,764	1,620,644
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United State of America and Canada	-	-	-	-
Middle East	-	-	-	-
Africa	-	-	-	-
	135,370	16,400,609	6,484,764	1,620,644

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.

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.

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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, 2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	16,399,692	9,915,845	-	6,483,847
United States dollar	917	-	-	917
Great Britain pound	-	-	-	-
Japanese yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	16,400,609	9,915,845	-	6,484,764

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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FOR THE YEAR ENDED DECEMBER 31, 2010

	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

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

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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39.2.4 Mismatch of interest rate sensitive assets and liabilities

		2 0 1 0										
		Exposed to yield/interest rate risk										
Effective yield/interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 Years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial	
												-----Rupees in '000-----
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	76,513	-	-	-	-	-	-	-	-	-	76,513
Balances with other banks	11.69	36,324	11,750	8,813	8,813	-	-	-	-	-	-	6,949
Lendings to financial institutions	10.11	1,482,414	571,386	911,028	-	-	-	-	-	-	-	-
Investments	13.50	6,325,349	1,219,642	369,686	324,659	354,123	750,412	1,064,965	429,470	124,184	-	1,688,208
Advances	13.03	7,410,781	103,700	250,834	1,221,081	476,076	1,282,206	2,380,309	1,134,525	409,891	152,159	-
Other assets	-	605,350	-	-	-	-	-	-	-	-	-	605,350
		15,936,731	1,906,478	1,540,361	1,554,553	830,199	2,032,618	3,445,274	1,563,995	534,075	152,159	2,377,020
Liabilities												
Borrowings	13.06	4,983,790	1,914,886	1,579,725	143,552	272,719	424,208	424,204	215,080	9,416	-	-
Deposits and other accounts	12.84	4,657,690	1,665,000	1,981,587	-	1,011,103	-	-	-	-	-	-
Other Liabilities		274,365	-	-	-	-	-	-	-	-	-	274,365
		9,915,845	3,579,886	3,561,312	143,552	1,283,822	424,208	424,204	215,080	9,416	-	274,365
On-balance sheet gap		(6,020,886)	1,673,408	2,020,952	(1,411,001)	453,623	(1,608,410)	(3,021,070)	(1,348,915)	(524,659)	(152,159)	(2,102,655)
Off-balance sheet financial instruments												
Forward lending (including call lending, repurchase agreement lending ,commitments to extend credit, etc)												
		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing (including call borrowing, repurchase agreement Borrowing etc.)												
		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest rate risk Sensitivity gap												
			1,673,408	2,020,952	(1,411,001)	453,623	(1,608,410)	(3,021,070)	(1,348,915)	(524,659)	(152,159)	
Cumulative yield/interest rate risk sensitivity gap												
			1,673,408	3,694,360	2,283,359	2,736,982	1,128,572	(1,892,498)	(3,241,413)	(3,766,072)	(3,918,231)	

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Reconciliation of assets exposed to yield/interest rate risk with total assets

	Interest bearing financial instruments	No-interest bearing financial instruments	Non- financial instruments	Total
-----Rupees in '000-----				
Assets				
Cash and balances with treasury banks	-	76,513	-	76,513
Balances with other banks	29,375	6,949	-	36,324
Lendings to financial institutions	1,482,414	-	-	1,482,414
Investments	4,637,141	1,688,208	-	6,325,349
Advances	7,410,781	-	-	7,410,781
Operating fixed assets	-	-	96,089	96,089
Deferred taxation	-	-	367,789	367,789
Other assets	-	412,671	192,679	605,350
	<u>13,559,711</u>	<u>2,184,341</u>	<u>656,557</u>	<u>16,400,609</u>

Reconciliation of liabilities exposed to yield/interest rate risk with total liabilities

Bills payable	-	-	-	-
Borrowings	4,983,790	-	-	4,983,790
Deposits and other accounts	4,657,690	-	-	4,657,690
Sub-ordinated loans	-	-	-	-
Other liabilities	-	274,365	-	274,365
	<u>9,641,480</u>	<u>274,365</u>	<u>-</u>	<u>9,915,845</u>

39.3 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.

Pak-Libya'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.

The company seeks to ensure that it has access to funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all class of assets and liabilities in accordance with regulatory guidelines and by taking advantage of any potential lending and investment opportunities as they arise.

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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 March 09, 2011 by the board of directors of the company.

Chief Financial Officer

Managing Director

Director

Director

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, 2010

(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	Azra Tasneem/Amir Khan H.NO.127/2,Main Khayaban-E- Bahria,Phase-V, D.H.A., Karachi.	42301-8730418-2 42301- 7935956-1	Iftikhar Ahmed Khan/ Iftikhar Ahmed Khan	10,781	-	-	10,781	-	111	432	543

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