# FINANCIAL STATEMENTS (UN - AUDITED)

FOR THE FIRST QUARTER ENDED MARCH 31, 2009



PAK-LIBYA HOLDING COMPANY (PVT.) LTD.



### Directors' Review

The Directors are pleased to present the account of Pak-Libya Holding Company (Pvt.) Limited for the three months ended March 31, 2009 together with Directors' Review thereon.

2009 seems to be a year of consolidation, as the economy cools down and the stock exchange operation consolidated. KSE-100 index as of March 31, 2009 was 6,860 points as compare to 5,869 point as of December 31, 2008, showing a steady growth of almost 1,000 points. The Securities & Exchange Commission of Pakistan allowed deferment of impairment losses, till December 31, 2009. Accordingly, the Board of Director's had decided in last board meeting to account for impairment loss on shares on quarterly basis. Out of the total impairment loss of Rs 1,312 billion as of March 31,2009, Pak-Libya has charged an amount of Rs. 328 million in the first quarter of 2009. The remaining amount on impairment losses will be booked in the remaining three quarters after the adjustment of increase or decrease in total impairment loss.

The summarized financial results and recommendations for appropriation are as follows:

(Rs in '000)

(Loss)/Profit after taxation	(368,094)
Unappropriated profit brought forward	90,693
Available for appropriation	(277,401)
Transfer to statutory reserve	
Basic (Loss)/Earning Per Share (Rs.)	(599)

The Net mark up income during the period was Rs 78.838 million as compared to Rs. 107.670 million in the same period of the previous year. The net (Loss)/profit after tax was of Rs. (368.094) million as compared to Rs.148.946 million in the corresponding period of the last year. The negative profit during the 1<sup>st</sup> quarter was due to provisioning on loans and advance & impairment loss on shares (AFS).

The balance sheet footing was of Rs. 12,579.257 million as compared to Rs. 20,135.955 million of the corresponding period last year showing a decrease of 60%.

Finally, on behalf of the Board, I would like to express our gratitude to our shareholders that is, the State Bank of Pakistan and the Libyan Foreign Investment Co. (LFICO) for their support & professional guidance. The Board also wishes to place on record our appreciation of the hard work and dedication of the Management and staff of the Company.

For and on behalf of the Board

Chairman

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED **BALANCE SHEET** AS AT MARCH 31, 2009 (UNAUDITED-NOTE 2)

ASSETS  Cash and balances with treasury banks	Note	March 31, 2009 Rupees 28,767	December 31, 2008 Audited s '000
Balances with other banks		43,354	78,821
Lendings to financial institutions		273,404	698,769
Investments	4	6,037,943	5,477,558
Advances	5	5,594,235	4,938,783
Other assets		312,658	629,422
Operating fixed assets		59,722	52,281
Deferred tax assets		229,174	254,093
LIABILITIES Borrowings from financial institutions		3,382,137	4,858,821
Deposits and other accounts		3,104,915	1,400,000
Other liabilities		260,834	260,737
		6,747,886	6,519,558
NET ASSETS		5,831,371	5,652,793
REPRESENTED BY	6	6,141,780	6,141,780
Share capital	6	1,020,589	1,020,589
Reserves		8 2	90,693
Unappropriated (Loss)/Profit		(277,401) 6,884,968	7,253,062
		THE CONTRACTOR OF THE CONTRACTOR	(1,600,269)
Deficit on revaluation of investments		(1,053,597) 5,831,371	5,652,793
		5,031,3/1	3,032,793

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

**Chief Executive** 

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED-NOTE 2)

Mark-up/return/interest earned   323,457   353,953		Quarter ended	
Mark-up/return/interest earned         323,457         353,953           Mark-up/return/interest expensed         244,619         246,283           Net mark-up/interest income         78,838         107,670           Provision against non-performing loans and advances         96,989         9,385           Provision / (reversal) for diminution in the value of investments         342,730         (15,786)           Net mark-up/interest (loss)/ income after provisions         (360,881)         114,071           NON MARK-UP/INTEREST INCOME         21,694         937           Fee, commission and brokerage income         14,091         11,475           Dividend income         13,657         72,817           Net gain on sale of securities         (1,923)         1,529           Other income         47,813         86,758           Total non-markup/interest income         47,813         86,758           NON MARK-UP/INTEREST EXPENSES         42,076         41,555           Administrative expenses         42,076         41,555           Other charges         42,636         42,705           Total non-markup/interest expenses         (355,704)         158,124           Extraordinary/unusual items         (1,058)/PROFIT BEFORE TAXATION         (355,704)         158,124		2009	2008
Mark-up/return/interest earned         323,457         353,953           Mark-up/return/interest expensed         244,619         246,283           Net mark-up/interest income         78,838         107,670           Provision against non-performing loans and advances         96,989         9,385           Provision / (reversal) for diminution in the value of investments         342,730         (15,786)           Net mark-up/interest (loss)/ income after provisions         (360,881)         114,071           NON MARK-UP/INTEREST INCOME         21,694         937           Fee, commission and brokerage income         14,091         11,475           Dividend income         13,657         72,817           Net gain on sale of securities         (1,923)         1,529           Other income         47,813         86,758           Total non-markup/interest income         47,813         86,758           NON MARK-UP/INTEREST EXPENSES         42,076         41,555           Administrative expenses         42,076         41,555           Other charges         42,636         42,705           Total non-markup/interest expenses         (355,704)         158,124           Extraordinary/unusual items         (1,058)/PROFIT BEFORE TAXATION         (355,704)         158,124			Rupees '000
Mark-up/return/interest earned       244,619       246,283         Mark-up/interest income       78,838       107,670         Provision against non-performing loans and advances       96,989       9,385         Provision / (reversal) for diminution in the value of investments       342,730       (15,786)         Net mark-up/interest (loss)/ income after provisions       (360,881)       114,071         NON MARK-UP/INTEREST INCOME       21,694       1937         Fee, commission and brokerage income       14,091       11,475         Dividend income       13,657       72,817         Classfied as Held for Trading       (1,923)       1,529         Other income       47,813       86,758         Total non-markup/interest income       47,813       86,758         NON MARK-UP/INTEREST EXPENSES       42,076       41,555         Administrative expenses       42,076       41,555         Other charges       42,636       42,705         Total non-markup/interest expenses       42,636       42,705         Other charges       42,636       42,705         Total non-markup/interest expenses       (355,704)       158,124         Extraordinary/unusual items       (10,000)       158,124         (LOSS)/PROFIT BEFORE TAXATION	E .		
Mark-up/return/interest expensed         244,619         244,283         107,670           Net mark-up/interest income         78,838         107,670           Provision against non-performing loans and advances         96,989         9,385           Provision / (reversal) for diminution in the value of investments         342,730         (15,786)           Net mark-up/interest (loss)/ income after provisions         (360,881)         114,071           NON MARK-UP/INTEREST INCOME         21,694         937           Fee, commission and brokerage income         14,091         11,475           Dividend income         13,657         72,817           Net gain on sale of securities         (1,923)         1           Classfied as Held for Trading         294         1,529           Other income         47,813         86,758           Total non-markup/interest income         47,813         86,758           NON MARK-UP/INTEREST EXPENSES         42,076         41,555           Administrative expenses         560         1,150           Other charges         42,636         42,705           Total non-markup/interest expenses         (355,704)         158,124           Extraordinary/unusual items         (10,53)/PROFIT BEFORE TAXATION         158,124	Mark and /cobard /interest earned	323,457	
Net mark-up/interest income		244,619	246,283
Provision against non-performing loans and advances Provision / (reversal) for diminution in the value of investments  Provision / (reversal) for diminution in the value of investments  342,730  439,719  (6,401)  Net mark-up/interest (loss)/ income after provisions  NON MARK-UP/INTEREST INCOME Fee, commission and brokerage income Dividend income Net gain on sale of securities Classfied as Held for Trading Other income Total non-markup/interest income  NON MARK-UP/INTEREST EXPENSES Administrative expenses Other charges Total non-markup/interest expenses  Other charges Total non-markup/interest expenses  Other charges Total non-markup/interest expenses  (313,068)  Extraordinary/unusual items (LOSS)/PROFIT BEFORE TAXATION  Taxation -current -prior -deferred  (LOSS)/PROFIT AFTER TAXATION  (368,094)  148,946		78,838	107,670
Provision / (reversal) for diminution in the value of investments    342,730	Net mark-up/interest income	96,989	9,385
Net mark-up/interest (loss)/ income after provisions   (360,881)   114,071	Provision against non-performing found and account of investments	342,730	(15,786)
Net mark-up/interest (loss)/ income after provisions         (360,881)         114,071           NON MARK-UP/INTEREST INCOME         21,694         937           Pee, commission and brokerage income         14,091         11,475           Dividend income         13,657         72,817           Net gain on sale of securities         (1,923)         -           Classfied as Held for Trading         294         1,529           Other income         47,813         86,758           Total non-markup/interest income         47,813         86,758           NON MARK-UP/INTEREST EXPENSES         42,076         41,555           Administrative expenses         42,636         42,705           Other charges         42,636         42,705           Total non-markup/interest expenses         (355,704)         158,124           Extraordinary/unusual items         -         -           (LOSS)/PROFIT BEFORE TAXATION         (355,704)         158,124           Taxation -current         194         2,386           -prior         12,196         6,792           -deferred         12,390         9,178           (LOSS)/PROFIT AFTER TAXATION         (368,094)         148,946	Provision / (reversal) for diffinition in the value of an element		(6,401)
NON MARK-UP/INTEREST INCOME         21,694         937           Dividend income         14,091         11,475           Net gain on sale of securities         13,657         72,817           Classfied as Held for Trading         (1,923)         1,529           Other income         47,813         86,758           Total non-markup/interest income         (313,068)         200,829           NON MARK-UP/INTEREST EXPENSES         42,076         41,555           Administrative expenses         560         1,150           Other charges         42,636         42,705           Total non-markup/interest expenses         (355,704)         158,124           Extraordinary/unusual items         -         -           (LOSS)/PROFIT BEFORE TAXATION         (355,704)         158,124           Taxation -current -prior -deferred         12,196         6,792           -deferred         12,390         9,178           (LOSS)/PROFIT AFTER TAXATION         (368,094)         148,946	N /interest (loss) / income after provisions		114,071
Pee, commission and brokerage income   221,694   13,097   11,475   11,475   11,475   11,475   12,386   12,390   12,390   12,390   12,390   12,390   148,946   148,94	Net mark-up/interest (loss)/ income arter provisions		
Pee, commission and brokerage income   221,694   14,091   11,475   11,475   13,657   72,817   13,657   72,817   14,091   15,29   1,5	NON MARK UP/INTEREST INCOME		
Dividend income   14,091   11,475   12,390   11,475   12,390   12,390   12,390   12,390   12,390   12,390   12,390   12,390   148,946   12,390   148,946   12,390   148,946		21,694	100-5 N
Net gain on sale of securities		14,091	11,475
Classfied as Held for Trading       (1,923)       1,529         Other income       294       1,529         Total non-markup/interest income       47,813       86,758         NON MARK-UP/INTEREST EXPENSES       (313,068)       200,829         NON MARK-UP/INTEREST EXPENSES       42,076       41,555         Administrative expenses       560       1,150         Other charges       42,636       42,705         Total non-markup/interest expenses       42,636       42,705         Extraordinary/unusual items       -       -         (LOSS)/PROFIT BEFORE TAXATION       (355,704)       158,124         Taxation -current -prior -deferred       12,196       6,792         -deferred       12,390       9,178         (LOSS)/PROFIT AFTER TAXATION       (368,094)       148,946		13,657	72,817
Other income         294         1,329           Total non-markup/interest income         47,813         86,758           NON MARK-UP/INTEREST EXPENSES         42,076         41,555           Administrative expenses         560         1,150           Other charges         42,636         42,705           Total non-markup/interest expenses         42,636         42,705           Extraordinary/unusual items         -         -           (LOSS)/PROFIT BEFORE TAXATION         (355,704)         158,124           Taxation - current - prior - deferred         194         2,386           - deferred         12,390         9,178           (LOSS)/PROFIT AFTER TAXATION         (368,094)         148,946		(1,923)	-
Total non-markup/interest income    47,813   86,758     (313,068)   200,829		294	1,529
NON MARK-UP/INTEREST EXPENSES  Administrative expenses Other charges Total non-markup/interest expenses  Extraordinary/unusual items (LOSS)/PROFIT BEFORE TAXATION  Taxation -current -prior -deferred  (LOSS)/PROFIT AFTER TAXATION  (313,068)  42,076 560 41,555 560 42,705 (355,704) 158,124  (355,704)  158,124  2,386  - 12,196 6,792 12,196 12,390 9,178 (1008)/PROFIT AFTER TAXATION		47,813	86,758
Administrative expenses Other charges Total non-markup/interest expenses  42,076 560 1,150 42,636 42,705 Total non-markup/interest expenses  (355,704)  Extraordinary/unusual items (LOSS)/PROFIT BEFORE TAXATION  Taxation -current -prior -deferred  12,196 12,390 9,178 (LOSS)/PROFIT AFTER TAXATION  (368,094)  (100)	Total non-markup, interest income	(313,068)	200,829
Administrative expenses Other charges Total non-markup/interest expenses  42,076 560 1,150 42,636 42,705 Total non-markup/interest expenses  (355,704)  Extraordinary/unusual items (LOSS)/PROFIT BEFORE TAXATION  Taxation -current -prior -deferred  12,196 12,390 9,178 (LOSS)/PROFIT AFTER TAXATION  (368,094)  (100)	NON MARK-UP/INTEREST EXPENSES		
Other charges       560       1,130         Total non-markup/interest expenses       42,636       42,705         Extraordinary/unusual items       (355,704)       158,124         (LOSS)/PROFIT BEFORE TAXATION       194       2,386         - prior - deferred       12,196       6,792         - deferred       12,390       9,178         (LOSS)/PROFIT AFTER TAXATION       (368,094)       148,946		42,076	
Total non-markup/interest expenses 42,636 42,705  (355,704) 158,124  Extraordinary/unusual items (355,704) 158,124  (LOSS)/PROFIT BEFORE TAXATION (355,704) 2,386		560	
Extraordinary/unusual items (LOSS)/PROFIT BEFORE TAXATION (355,704)  Taxation -current -prior -deferred  12,196  12,390 (LOSS)/PROFIT AFTER TAXATION (368,094)  138,124  2,386  12,390 9,178  (1008)			
(LOSS)/PROFIT BEFORE TAXATION       (355,704)       136,124         Taxation -current -prior -deferred       194	10	(355,704)	158,124
(LOSS)/PROFIT BEFORE TAXATION       (355,704)       136,124         Taxation -current -prior -deferred       194	Extraordinary/unusual items	-	
Taxation -current	(LOSS)/PROFIT BEFORE TAXATION	(355,704)	
-prior -deferred  12,196  12,390  (LOSS)/PROFIT AFTER TAXATION  (368,094)  (368,094)  (308,094)		194	1 1
12,196   6,792   12,390   9,178		-	
(LOSS)/PROFIT AFTER TAXATION $\frac{12,390}{(368,094)}$ $\frac{9,1/8}{148,946}$			
(LOSS)/PROFIT AFTER TAXATION			
2/2	(LOSS)/PROFIT AFTER TAXATION	(368,094)	148,946
Basic (loss)/earnings per share (rupees)-note 8 (599) 243	• •	( = n n )	242
	Basic (loss)/earnings per share (rupees)-note 8	(599)	

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

M. W. W. Chief financial officer

Chief Executive

Chief Executive

CASH FLOW FROM OPERATING ACTIVITIES   (Loss)   Profit before taxation   (355,704)   158,124     (Less: Dividend income   (14,091)   (11,475)     (Adjustments for non-cash charges   (369,795)   146,649     Adjustments for non-cash charges   (369,798)   (369,798)     Provision against non-performing loans and advances   (369,898)   (15,786)     Provision against non-performing loans and advances   (19,23)   (385)     Reversal of provision for diminution in the value of investments   (342,730)   (15,786)     Gain on sale of operating fixed assets   (447,076)   (2,774)     Togalia   (15,786)   (377,281)   (14,786)     Clincrease)   Decrease in operating assets   (415,365)   (3795,534)     Lendings to financial institutions   (415,365)   (3795,534)     Held-for-trading securities   (55,391)   (3293,578)     Held-for-trading securities   (55,391)   (3293,578)     Clincrease)   (752,441)   (1,526,976)   (3293,935)   (33180)     Other assets (excluding advance taxation)   (4,476,684)   (4,766,684)   (4,766,684)     Deposits and others accounts   (4,476,684)   (50,000)     Other liabilities (excluding current taxation)   (228,328)   (50,000)     Other liabilities (excluding current taxation)   (228,328)   (50,000)     Other liabilities (excluding current taxation)   (228,328)   (50,000)     Other liabilities (excluding advance taxation)   (4,476,684)   (3,69,000)     Other liabilities (excluding current taxation)   (28,795,000)   (3,904)     Other liabilities (excluding current taxation)   (4,476,684)   (4,69,000)     Other liabilities (excluding current taxation)   (4,600,000)   (4,600,000)     Other liabilities (excluding curren		March 31, 2009	March 31, 2008
Closs    Profit before taxation   (345,704)   188,124   (14,091)   (11,475)   (14,091)   (11,475)   (14,091)   (11,475)   (369,795)   146,649   Provision against non-performing loans and advances   96,989   - 96,989		Rupees '	000
Closs    Profit before taxation   (345,704)   188,124   (14,091)   (11,475)   (14,091)   (11,475)   (14,091)   (11,475)   (369,795)   146,649   Provision against non-performing loans and advances   96,989   - 96,989	CASH FLOW FROM OPERATING ACTIVITIES		
Cash and cash equivalents at beginning of the period   (14,075) (11,475) (11,475) (136,9795)   (14,649) (11,475) (14,649)		(355,704)	158,124
Depreciation		(14,091)	(11,475)
Depreciation	500 (100 (100 (100 (100 (100 (100 (100 (	(369,795)	146,649
Provision against non-performing loans and advances   96,989   1,923   9,385   1,923   9,385   (15,786)   (1	Adjustments for non-cash charges		
Unrealised deficit on revaluation of held-for-trading securities Reversal of provision for diminution in the value of investments Gain on sale of operating fixed assets  447,076 (2,774) 77,281 143,875  (Increase)/Decrease in operating assets Lendings to financial institutions Held-for-trading securities Advances Other assets (excluding advance taxation)  Increase/(Decrease) in operating liabilities Borrowings from financial institutions Other liabilities (excluding current taxation)  Increase/(Decrease) in operating liabilities Borrowings from financial institutions Other liabilities (excluding current taxation)  Other liabilities (excluding current taxation)  CASH FLOW FROM INVESTING ACTIVITIES Net investments Dividends received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Cash and cash equivalents at beginning of the period  Cash and cash equivalents at beginning of the period  10,445, 248,413  10,233  10,235  10,245  10,247  10,277  10,277  11,270  11,	Depreciation		4,480
Reversal of provision for diminution in the value of investments   342,730   (15,786)     Gain on sale of operating fixed assets   - (2,774)     77,281   143,875	Provision against non-performing loans and advances		<u>6</u> ≅
Gain on sale of operating fixed assets         — (853)           Gain on sale of operating fixed assets         447,076         (2,774)           (Increase)/Decrease in operating assets         — (77,281         143,875           Lendings to financial institutions         415,365         2,795,534           Held-for-trading securities         56,391         -           Advances         (752,441)         (1,526,976)           Other assets (excluding advance taxation)         329,395         (33,180)           Increase/(Decrease) in operating liabilities         1,235,378           Borrowings from financial institutions         (1,476,684)         967,028           Deposits and others accounts         1,704,915         (650,000)           Other liabilities (excluding current taxation)         228,328         259,882           Income tax paid         (675)         181           Net cash (outflow)/inflow from operating activities         353,644         1,639,416           CASH FLOW FROM INVESTING ACTIVITIES         (402,033)         (1,851,085)           Net investments         (402,033)         (1,851,085)           Dividends received         1,940         6,506           Investments in operating fixed assets         (12,875)         (2,994)           Net cash (outflow) / in	Unrealised deficit on revaluation of held-for-trading securities	1,923	2500
Gain on sale of operating fixed assets         -         (853)           447,076         (2,774)           77,281         143,875           (Increase)/Decrease in operating assets         -           Lendings to financial institutions         415,365         2,795,534           Held-for-trading securities         56,391         -           Advances         (752,441)         (1,526,976)           Other assets (excluding advance taxation)         329,395         (33,180)           Other assets (excluding advance taxation)         48,710         1,235,378           Increase/(Decrease) in operating liabilities         (1,476,684)         967,028           Borrowings from financial institutions         (1,476,684)         967,028           Deposits and others accounts         1,704,915         (650,000)           Other liabilities (excluding current taxation)         97         (57,046)           Other liabilities (excluding current taxation)         97         (57,046)           Income tax paid         (675)         181           Net cash (outflow)/inflow from operating activities         4(402,033)         (1,851,085)           CASH FLOW FROM INVESTING ACTIVITIES         4(402,033)         (1,851,085)           Investments         (1,2,875)         (2,994)     <	Reversal of provision for diminution in the value of investments	342,730	(15,786)
T7,281			
Clarcrase   Decrease in operating assets   Lendings to financial institutions   Held-for-trading securities   56,391   (1,526,976)   (1,526,			
Lendings to financial institutions		77,281	143,875
Lendings to financial institutions	(Increase)/Decrease in operating assets		
Advances Other assets (excluding advance taxation) Other assets (excluding advance taxation)  Increase/(Decrease) in operating liabilities Borrowings from financial institutions Deposits and others accounts Other liabilities (excluding current taxation) Other liabilities (excluding current taxation)  Income tax paid Net cash (outflow)/inflow from operating activities  CASH FLOW FROM INVESTING ACTIVITIES Net investments Dividends received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Cash and cash equivalents at beginning of the period  (1,526,976) (33,180) (4,570,684) (1,476,684) (650,000) (650,000) (757,046)			2,795,534
Other assets (excluding advance taxation)         329,395 (33,180)           Increase/(Decrease) in operating liabilities         48,710 1,235,378           Borrowings from financial institutions Deposits and others accounts Other liabilities (excluding current taxation)         (1,476,684) (650,000) (650,000)           Other liabilities (excluding current taxation)         228,328 259,982 (650,000)           Income tax paid Net cash (outflow)/inflow from operating activities         (675) 181 (675) 181           Net cash (outflow)/inflow from operating activities         353,644 1,639,416           CASH FLOW FROM INVESTING ACTIVITIES Net investments         (402,033) (1,851,085) (2,994) (2,		ATT	=
Increase/(Decrease) in operating liabilities  Borrowings from financial institutions Deposits and others accounts Other liabilities (excluding current taxation) Other	Advances		
Increase (Decrease) in operating liabilities   Sorrowings from financial institutions   Deposits and others accounts   1,704,915   (650,000)     Other liabilities (excluding current taxation)   97   (57,046)     228,328   259,982     354,319   1,639,235     Income tax paid   (675)   181     Net cash (outflow)/inflow from operating activities   353,644   1,639,416     CASH FLOW FROM INVESTING ACTIVITIES     Net investments   (402,033)   (1,851,085)     Dividends received   1,940   6,506     Investments in operating fixed assets   (12,875)   (2,994)     Sale proceeds of property and equipment disposed-off   2,864     Net cash (outflow) / inflow from investing activities   (412,968)   (1,844,709)     Increase / (Decrease) in cash and cash equivalents   (59,324)   (205,293)     Cash and cash equivalents at beginning of the period   161,445   248,413     Cash and cash equivalents at beginning of the period   161,445   248,413     Cash and cash equivalents   (412,668)   (1,845)     Cash and cash equivalents at beginning of the period   161,445   248,413     Cash and cash equivalents   (412,668)   (1,845)     Cash and cash equivalents at beginning of the period   161,445   248,413     Cash and cash equivalents   (412,668)   (412,668)     Cash and cash equivalents   (412,668)	Other assets (excluding advance taxation)		
Borrowings from financial institutions   C1,476,684   Deposits and others accounts   1,704,915   (650,000)   (57,046)   (675		48,710	1,235,378
Deposits and others accounts Other liabilities (excluding current taxation)  Other liabilities (excluding current taxation)  228,328 259,982 354,319 1,639,235  Income tax paid (675) 181 Net cash (outflow)/inflow from operating activities  CASH FLOW FROM INVESTING ACTIVITIES Net investments Dividends received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  1,704,915 (650,000) (75,046) (650,000) (675) 181 (402,033) (1,851,085) (1,851,085) (2,994) (2,994) (2,994) (2,994) (2,994) (2,994) (2,994) (2,994) (205,293)	Increase/(Decrease) in operating liabilities		
Other liabilities (excluding current taxation)         97         (57,046)           228,328         259,982           354,319         1,639,235           Income tax paid         (675)         181           Net cash (outflow)/inflow from operating activities         353,644         1,639,416           CASH FLOW FROM INVESTING ACTIVITIES         (402,033)         (1,851,085)           Net investments         (402,033)         (1,851,085)           Dividends received         1,940         6,506           Investments in operating fixed assets         (12,875)         (2,994)           Sale proceeds of property and equipment disposed-off         -         2,864           Net cash (outflow) / inflow from investing activities         (412,968)         (1,844,709)           Increase / (Decrease) in cash and cash equivalents         (59,324)         (205,293)           Cash and cash equivalents at beginning of the period         161,445         248,413	Borrowings from financial institutions	28070	
228,328   259,982   354,319   1,639,235   1,639,235   1,639,235   1,639,235   1,639,416   1,639,416   1,639,416   1,639,416   1,639,416   1,639,416   1,639,416   1,639,416   1,639,416   1,639,416   1,639,416   1,940   1,	Deposits and others accounts		700 mg 100 mg
Income tax paid       354,319       1,639,235         Net cash (outflow)/inflow from operating activities       353,644       1,639,416         CASH FLOW FROM INVESTING ACTIVITIES       (402,033)       (1,851,085)         Net investments       1,940       6,506         Investments in operating fixed assets       (12,875)       (2,994)         Sale proceeds of property and equipment disposed-off       -       2,864         Net cash (outflow) / inflow from investing activities       (412,968)       (1,844,709)         Increase / (Decrease) in cash and cash equivalents       (59,324)       (205,293)         Cash and cash equivalents at beginning of the period       161,445       248,413	Other liabilities (excluding current taxation)		
Income tax paid Net cash (outflow)/inflow from operating activities  CASH FLOW FROM INVESTING ACTIVITIES Net investments Dividends received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  Increase / (Decrease) in cash and cash equivalents  (675) 181 (402,033) (1,851,085) (1,851,085) (12,875) (2,994) (2,994) (2,994) (2,994) (3,844,709)  Increase / (Decrease) in cash and cash equivalents  (59,324) (205,293)			
Net cash (outflow)/inflow from operating activities  CASH FLOW FROM INVESTING ACTIVITIES  Net investments  Dividends received  Investments in operating fixed assets  Sale proceeds of property and equipment disposed-off  Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  1,639,416  (402,033)  (1,851,085)  (12,875)  (2,994)  (22,994)  (412,968)  (1,844,709)  (412,968)  (59,324)  (205,293)			
CASH FLOW FROM INVESTING ACTIVITIES  Net investments  Dividends received  Investments in operating fixed assets  Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  (402,033)  (1,851,085)  (2,994)  (2,994)  (2,994)  (412,968)  (412,968)  (412,968)  (1,844,709)  (205,293)	Income tax paid		
Net investments  Dividends received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  (402,033) (1,851,085) (2,994) (2,994) (2,994) (412,968) (1,844,709) (1,844,709)	Net cash (outflow)/inflow from operating activities	353,644	1,639,416
Net investments  Dividends received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  (402,033) (1,851,085) (2,994) (2,994) (2,994) (412,968) (1,844,709) (1,844,709)			
Dividends received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  1,940 (2,994) (2,994) (2,994) (412,968) (1,844,709)  (59,324) (205,293)	CASH FLOW FROM INVESTING ACTIVITIES		(4.054.005)
Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  (12,875) (2,994) 2,864 (412,968) (1,844,709)  (59,324) (205,293)	Net investments		(1410)0441 50 1800
Sale proceeds of property and equipment disposed-off Net cash (outflow) / inflow from investing activities  Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  161,445 248,413			
Net cash (outflow) / inflow from investing activities  (412,968) (1,844,709)  Increase / (Decrease) in cash and cash equivalents  (59,324) (205,293)  Cash and cash equivalents at beginning of the period  161,445 248,413	Investments in operating fixed assets	(12,875)	2000
Increase / (Decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of the period  161,445 248,413			
Cash and cash equivalents at beginning of the period 161,445 248,413	Net cash (outflow) / inflow from investing activities	(412,968)	(1,844,709)
Cash and cash equivalents at 555	Increase / (Decrease) in cash and cash equivalents	(59,324)	(205,293)
10.100	Cash and cash equivalents at beginning of the period		
	Cash and cash equivalents at end of the period	102,121	43,120

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Mr W. Ju. Gh. Chief financial officer

Chief Executive

Chief Executive

PAK 'A H NG C ANY VATI LITE STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED-NOTE 2)

			F	Reserves		
		Capital reserves	eserves	Revenu	Revenue reserves	
	Issued,	Statutory	Reserve	Reserve for	Unappropriated	Total
	subscribed and	(compulsory)	for issue of	contingencies	profit	
	paid up capital	reserve	bonus shares	rres Documento		
0000	5 841 780	422.113	dny	476,000	400,789	7,140,682
Balance as at January 1, 2008	00.55	ĺ	æ		148,946	148,946
Profit for the quarter ended March 31, 2008  December for items of home chares	: te		300,000	t	(300,000)	з
Testive of hours shares	300,000		(300,000)	t	ä	3
	j			13	j	3
Kight shares issued	•	29,789		t	(29,789)	3
ransfer to statutory (compulsory) reserve	1			100,000	(100,000)	ā
Transfer to reserve for conungencies  Ralance as at March 31, 2008	6,141,780	451,902		576,000	119,946	7,289,628
Datasic as at the state of the						<b>1</b>
To the second of the shape market and and December 31 2008	Q	3	Ĭ	ě	(36,566)	(36,566)
Transfer to statutory (commiscent) reserve		(7,313)	ï	Ē	7,313	1
Tailsier to statutory (constructory) reserve	14		,	ī	•	1
right snares issued Balance as at December 31, 2008	6,141,780	444,589		576,000	69,06	7,253,062
Closel/Profit after tax for the first quarter ended March 31, 2009	1	1		ř	(368,094)	(368,094)
Recent for issue of hours shares	r)	1	٧	Ē	50r S	ű
Toma of home charac	10	ij	Ĭ	E	010	
Tanafar to the batters (commissions) reserve	T)	ī	,	1		ĵ
Tailblet to statutory (contributory)	5.1	ı	¥	•		1
Transfer to reserve for confungencies	6,141,780	444,589	ī	576,000	(277,401)	6,884,968
Dalance as at Miner 24, 200						

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

hief financial officer

Director

Chief Executive

Chief Executive

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED-NOTE 2)

### 1 STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan as a private limited company on October 14, 1978. It is a joint venture between the Government of Pakistan and Libya. The tenure of the company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments) extended the tenure for further similar periods. 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 BASIS OF PRESENTATION

These condensed interim financial information has been prepared in condensed form in accordance with the requirements of International Accounting Standard 34, 'Interim Financial Reporting' paragraph 3 of BSD Circular Letter No. 15 dated June 13, 2002 and requirements of BSD Circular Letter No. 2 dated May 12, 2004 of the State Bank of Pakistan (SBP).

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in preparation of the financial statements of the company for the year ended December 31, 2008.

## 3.2 Critical accounting estimates and judgments

The preparation of condensed interim financial information 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 condensed interim financial information are as follows:

- a) Critical judgment in classification of investments in accordance with the company's policy.
- b) Assumptions and estimations in recognition of deferred taxation.

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 INVESTMENTS		Held by company	Given as collateral	Total
Balance as at March 31,2009		4,532,424	Rupees in '000 1,505,519	6,037,943
Balance as at December 31, 2008		3,721,655	1,755,903	5,477,558
Balance as at March 31,2008		7,374,398	3,035,952	10,410,350
4.1 Investment by types:				
Held-for-trading securities		44,394	-	44,394
Available-for sale securities		5,674,502	1,575,974	7,250,476
Held-to maturity securities		244,432	4 575 074	244,432
		5,963,328	1,575,974	7,539,302
Less: Provision for diminution in value of in	ivestments	411,824		411,824
Investments (net of provisions)		5,551,504	1,575,974	7,127,478
Less: Deficit on revaluation of investments of	classified as			da "
-Held-for-trading taken to profit and lo	oss	2,205	2	2,205
-Available for sale		1,016,875	70,455	1,087,330
Balance as at March 31,2009		4,532,424	1,505,519	6,037,943
Balance as at December 31, 2008		3,721,655	1,755,903	5,477,558
			March 31 2009 Rupees	December 31, 2008
4.2 Investments by segments			Rupees	in '000
Federal government securities				
Market treasury bills			2,330,518	1,924,520
Pakistan investment bonds			394,189	396,507
Fully paid up ordinary shares/certificate	es			
Listed companies			1,950,401	1,924,003
Unlisted companies			195,612	126,191
Fully paid up preference shares				
Listed companies			50,000	50,000
Term finance certificates (TFCs)				
Listed TFCs			448,175	464,034
Unlisted TFCs			1,096,596	1,060,702
Participation term certificates			7,913	8,214
Other investments				
Mutual fund units			313,707	313,801
Commercial paper			236,519	421,526
National Investment Trust units			295,000	295,000
Sukuk issue		=	220,672	209,162
Total investment at cost	2		7,539,302	7,193,660
Less: Provision for diminution in value of	of investments	·_	411,824	69,094
Investments (net of provisions)			7,127,478	7,124,566
Held-for-trading taken to profit and loss			(2,205)	(282)
Deficit on revaluation of 'available-for-sal	le' securities	460	(1,087,330)	(1,646,726)
Total investments at market value			6,037,943	5,477,558

1.007,524   1.007,524   627,355	CHE	QUARTER EN	DED MARCI	H 31, 2009 (UNA	UDITED-NO	TE 2)				0
5 AUVANCES    Const, each credity, moning firm c, etc. in Pakistan   Neighbor to the Pakistan   Neigh							Note			
								9	Rupees i	n '000
Less: Provision for non-performing advances - specific   5.1.1   6.236,288   5.483,847	5	ADVANCES								
Persistand		Loans, cash credits	s, running finan	ce, etc. in Pakistan	1					
Less: Provision for consumer finance - special   5.1.1   5.608,933   4.954,835   4.954,8		Net investment in	finance lease in	Pakistan				-		DO SUNDANIA
Solity   S									151 5	
Seal		Less: Provision for	r non-performii	ng advances - spec	rific		5.1.1	-		
See Provision for consumer mane e- general   See Section   Secti									According to the second	200
Advances include amounts aggregating Rt.1,007,524 million (December 31, 2008: Rs. 1,012.965 million) which have been placed under non-performing status as detailed below:    Category of classification		Less: Provision for	r consumer fina	nce - general			5.1.1	_		
Category of classification								_	3,374,233	1,750,705
Substandard   291,171   3	5.1	Advances include	amounts aggre	gating Rs.1,007,52	24 million (Dec	ember 31, 2008: 1	Rs. 1,012.965 millio	on) which have	e been placed unde	r non-performing
Substandard   291,171   - 291,171   72,793   7		status as detailed l	oelow:							
Substandard		Category of class	sification			Domestic	Overseas	Total	Provision	
Substandard   291,171   291,171   72,795   72,795     Doubtfel   223,446   242,907   242,835   342,839     Loss   10,007,524   1,007,524   627,355   627,355   627,355     Staticulars of provision against non-performing advances:		Category or case								held
Doubtful   223,446   - 223,446   111,723   111,725   111,725   111,725   142,907   - 492,907   442,839   442,839   442,839   442,839   142,832   111,725   142,907   - 492,907   442,839   442,835   442,835   111,725   111,725   111,725   121,007,524   - 1,007,524   - 1,007,524   - 627,355   627,355   11,007,524   - 1,007,524   - 1,007,524   - 627,355					•	001 171				72.793
1   1   2   2   2   2   2   2   2   2							;=			
1,007,524   - 1,007,524   627,355   627,355							12			442,839
Specific   Specific   General   Total   General   Total   General   Total   General   General   General   Total   General   General   General   General   General   Total   General   Genera		12000			-	1,007,524		1,007,524	627,355	627,355
Specific   Specific   General   Total   General   Total   General   Total   General   General   General   Total   General   General   General   General   General   Total   General   Genera	12002.02		***	C14-						
Specific   General   Total   Specific   General   Total   Specific   General   Total   Specific   Ceneral   Total   Specific   Ceneral   Total   Specific   Ceneral   Total   Charge for the period / year   99,050   - 99,050   419,521   (1,373)   (20,153   Net (reversals)/ charge   98,343   (1,354)   96,989   401,105   (1,737)   399,368   (1,737)   399,368   (1,737)   (1,334)   (1,737)   (1,334)   (1,737)   (1,334)   (1,737)   (1,334)   (1,737)   (1,334)   (1,737)   (1,334)   (1,737)   (1,73	5.1.1	Particulars of pro-	vision against n	on-performing act	vances.	March 31, 2009			December 31, 200	3
Containing balance						General				
Charge for the period / year					********		Rupees	s in'000		
Charge for the period / year					520.012	16.052	545.064	128.229	17,789	146,018
Less: Reversals   (707)			riod / year	Г						419,521
Net (reversals)/charge			nou / year	1		(1,354)	(2,061)	(18,416)		(20,153)
Less: Amounts written of		2000 Sec. 0000 Water	narge		98,343	(1,354)	96,989	NAME OF STREET	12500 25	
6 SHARE CAPITAL  6.1 Authorized share capital  March December 2009 31, 2008 2008  No. of shares in '000  800,000 800,000 Ordinary shares of Rs. 10,000 each 8,000,000 8,000,000  800,000 800,000 Drdinary shares of Rs. 10,000 each 8,000,000 8,000,000  6.2 Issued, subscribed and paid - up capital  March 31, 2009 December 31, 2008  Issued Issued as Total Issued Issued as Total for cash bonus shares for cash bonus shares  Opening 471,836 142,342 614,178 471,836 112,342 584,178 6,141,780 5,841,78 Shares issued during the period / year 300,000 30,000 - 300,000 - 3			ritten off	-	(27.255	14 608	642 053			545,064
March   December   2009   31, 2008   2009   2008		Closing balance		=	021,333	14,090	042,033	527,012		
March   December   2009   31, 2008   2009   2009   2009	6	SHARE CAPI	TAL							
March   December   2009   31, 2008   2008										
No. of shares in '000   Rupees in '000	6.	1 Authorized sha	are capital							
No. of shares in '000   Rupees in '000		March	December						March	December 31,
No. of shares in '000   800,000   800,000   Ordinary shares of Rs. 10,000 each   8,000,000   8,000,000									2009	2008
800,000   800,000   800,000   8,000,000									Rupees	in '000
Sol,000   Sol,000   Sol,000   Sol,000   Sol,000   Sol,000,000   Sol,00				0 1	CD 10 000	aach			8,000,000	8,000,000
March 31, 2009   December 31, 2008   2009   2008		7 (C)		. Ordinary snare	s of Rs. 10,000	CaCII		25		8,000,000
March 31, 2009  December 31, 2008  2009  Z008  Rupees in '000		=======================================	800,000							
March 31, 2009  December 31, 2008  2009  Rupees in '000  Rupees in '000  Rupees in '000  Rupees in '000  Opening	6.	2 Issued, subscr	ibed and paid	d - up capital					N.F. 1.24	D
Number of shares '000						D	bos 31 2008			
Issued   Issued as   Total   Issued   Issued as   Total				March 31, 2009						
for cash         bonus shares         for cash         bonus shares           Opening         471,836         142,342         614,178         471,836         112,342         584,178         6,141,780         5,841,7           Shares issued during the period / year         -         -         -         30,000         -         300,0           -         -         -         -         471,770         6141,780         6141,780			Issued	Issued as				Total	*	
Opening 471,836 142,342 614,178 471,630 112,342 504,170  Shares issued during the period / year 30,000 30,000 300,0  6141,780 6141,780 6141,780 6141,780						for cash	bonus shares			
Opening 471,836 142,342 614,178 471,630 112,342 504,170  Shares issued during the period / year 30,000 30,000 300,0  6141,780 6141,780 6141,780 6141,780						474 027	110 240	E0/ 170	6.141.780	5,841,780
during the period / year 30,000 30,000 - 300,00 - 300,00 - 111.780			471,836	142,342	614,178	4/1,836	112,342	204,178	0,271,700	2,5 . 2, . 00
period / year 30,000 30,000 - 300,0										
471,836 142,342 614,178 471,836 142,342 614,178 6,141,780 6,141,780			=		<b>H</b> ()	-			- 2 4 4 MOO	300,000
		:- :::::::::::::::::::::::::::::::::::	471,836	142,342	614,178	471,836	142,342	614,178	6,141,780	0,141,780

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED-NOTE 2)

		March 31, 2009 Rupees	December 31, 2008 in '000
7	CONTINGENCIES AND COMMITMENTS		
7.1	Direct credit substitutes	200,000	200,000
7.1.1	The amount utilised under this guarantee in favour of the Government of Pakistan as at March 31, 2009 was Rs. 20 million).	0 million (Decembe	r 31, 2008: Rs. 200
	Undisbursed sanctions for financial assistance in the form		
	form of loans and advances, term finance certificates and leases	971,903	2,518,650
	Ta .		##0 000
	Underwriting agreement	100,000	550,000
	Forward purchase of shares		(2)
	Forward sale of shares	-	
	Letter of credit (LC's)	219,445	300,000
8	BASIC EARNINGS PER SHARE	Three months e	nded March 31,
		2009	2008
		Rupees	in '000
	(Loss)/Profit after taxation	(368,094)	148,946
		Three months e 2009 Number of	2008
	Weighted average number of ordinary shares	614,178	614,178
	(Loss)/Earnings per share for the Three month ended March 31, 2009/08	(599)	243

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED-NOTE 2)

# 9 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY

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

THE SERVICE COMPANY									
	Corporate Finance	Trading and sales	Retail banking a	Commerci al banking	Payment and settlement	Agency	Commerci al banking	Payment and settlement	Agency services
	7001	Í	32,653	I.	ï	t	3	Ē	1
Total income	(101,102)	í	20.554	1	1	o <b>i</b>	1		î
Total expenses	266,701	i i	12,099	1	τ	1	ı	1	ì
Net income / (loss)	14.044.083	1	850,457	1	Ü	ī	•	1	ı
Segment assets (gross)	919.522	1	88,002	ī	1	ï	1	1	1 !
Segment Non performing loans	2.245.595	Ţ	69,688	1	1	C	í	•	
Segment Provision required	6.008.411	•	739,475	ŗ	î	1	ı	1	. !
Segment liabilities	8 035,672	ì	110,982	1	1		e.	1	y .
Net assets	-18,31%	1	43.61%	ı	1	ï	i	ı	<b>i</b>
Segment return on net assets $(K \cup A)$ 70 Segment cost of funds $(\%)$	17.55%	ï	27.08%	ij	1	FG TG	<b>1</b>	ı	I
2008									
	100	•	31,922	1	1	.18	1	r	Ĭ
Total income	413,170		26,949	1	ï	ī	1	ì	Ĩ.
Total expenses	462,039		4,973	1	r	Ĩ	16	1	ı
Net income / (loss)	10,75,788	1	940,003	Î	1	ř.	1		1
Segment assets (gross)	712,627		103,960	Ĭ	3	I.	1	I.	ı
Segment Non performing loans	22,222	-	50,459	1	ï	1	î	SI6	1
Segment Provision required	11 955.346	1	867,168	3	Ē	1	r.	1	r 3
Segment habilities	7.519.942	-	72,835	1	1	31	1	ı	1
Net assets	8.15%	- %	27.31%	r	1	Î	1	l.	i
Segment return on net assets (NOA) (Segment cost of funds (%)	9.18%	- %	21.40%	1	1	1	ı	ı	
D									

### 10 RISK MANAGEMENT

The company has set up objectives and policies to manage risks that arise in connection with financial instruments. 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 operations of the company. The establishment of overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the company is confronted with in its operations. In view of the multi-faceted risks inherent in the financial sector, the company places great emphasis on importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

### 10.1 Credit risk

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

The management of credit risk is governed by credit management policies and procedures set and 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 standards.

The company is following a prudent and cautious policy. The Credit and Operations divisions are responsible for developing credit policies as well as for monitoring and managing the overall risk. The department responsible for credit processing evaluates the credit worthiness of each borrower and assigns a credit limit. The credit policy of the company takes into account product and sector risk concentrations in order to evaluate degree of diversification in the portfolio. The company concentrates on short-term / long-term financing on a secured self-liquidating basis. The company is also focusing on consumer financing. The company's Risk Management Division regularly reviews and actively manages risk at the portfolio level to ensure that risk characteristics and degree of diversification in terms of credit conform with the company policies.

Out of the total financing assets of Rs. 12,565,944 million, financial assets which were subject to credit risk amounted to Rs. 5,594,235 million. The major credit risk in respect of advances is concentrated in sectors such as manufacturing, services and trading. To manage credit risk the company entered into 'Master Repurchase Agreements' with counter parties whereby in case of default all balances are settled on a net basis.

The company is dependent on external rating agencies for the purpose of rating its portfolio. The accounting policies and methods used by the company are in accordance with requirements of Prudential Regulations of the State Bank of Pakistan. A reconciliation of provision against non performing advances has been disclosed in note 5.1.1 of these financial information. The company does not enter into any securitisation activities.

### 10.2 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 portfolio. The principal market risk in respect of the company's assets and liabilities management is primarily associated with the maturity and re-pricing 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.

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 risk-takers do not exceed parameters set by management. Limit management is a control mechanism to ensure that all business activities are conducted in compliance with the limits in the risk management guidelines and policies. Gap analysis on regular basis is conducted as part of mechanism to minimise effect of market risk. These limits are set and reviewed regularly according to number of factors, including market trading liquidity of the instruments and the company's business strategy.

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED-NOTE 2)

### 10.3 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. Trading in equities is managed within the statutory limits and as defined by ALCO. Counter parties limits, as also fixed by the State Bank of Pakistan, are considered to limit risk concentration.

### 10.4 Liquidity risk

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

The management is responsible for company's liquidity performance although strategic management of liquidity has been delegated to ALCO. The ALCO of the company executes liquidity strategy including ensuring that appropriate policies and procedures are established to control and limit 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 to take advantage of any lending and investment opportunities as they arise.

### 10.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As such, operational risk is inherent in the company's business and operational activities. Such risk can potentially result in financial loss to the company.

The monitoring and control of such a risk is done through implementing policies and procedures at operational activities level which serve as a reference guide for operations of all key businesses. These financial policies procedures were designed taking into consideration the individual business activities, the market in which it is operating and any regulatory requirement in force. The management of the company is responsible for formulating an operational risk management framework to ensure that operational risks within the company are properly identified, monitored, managed and reported.

The internal audit function of the company performs regular audits on various operations of the company and monitors key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risks associated with operational activities.

The company is currently in the process of computerization and integration of its information system. The Board has approved an Information Technology Security Policy to ensure a continuous and risk free IT environment. A Business Continuity Plan and Disaster Recovery Plan have also been formulated for information system of the company.

### 11 RELATED PARTY TRANSACTIONS

11.1 Key management personnel:

Mr. Kamaluddin Khan (Director and Managing Director)

Dr. Saleh Jomaa M. Abdalla (Director and Deputy Managing Director)

Three months ended March 31, 2009 2008

Rupees in '000

8,797

6,390

Remuneration to the directors and key management

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED-NOTE 2)

### 12 CREDIT RATING

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.

### 13 GENERAL

Figures have been rounded off to the nearest thousand.

### 14 DATE OF AUTHORISATION

These financial information were authorised for issue on \_\_\_\_\_\_ by the board of directors of the company.

Mr Welly in

Chief Executive

Chief Executive