

**PAK-LEBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**CONDENSED BALANCE SHEET**  
**AS AT MARCH 31, 2010 (UNAUDITED-NOTE 2)**

	Note	March 31, 2010	December 31, 2009 Audited
---Rupees in '000---			
<b>ASSETS</b>			
Cash and balances with treasury banks		65,609	64,342
Balances with other banks		74,549	108,980
Lendings to financial institutions		-	1,646,286
Investments	4	6,526,702	6,379,873
Advances	5	7,534,978	7,340,608
Other assets		505,972	518,322
Operating fixed assets	6	81,154	82,960
Deferred tax assets		214,710	274,910
		<b>15,003,674</b>	<b>16,416,281</b>
<b>LIABILITIES</b>			
Borrowings from financial institutions		2,864,682	3,210,806
Deposits and other accounts		5,324,137	6,404,711
Other liabilities		473,245	483,714
		<b>8,662,064</b>	<b>10,099,231</b>
<b>NET ASSETS</b>		<b>6,341,610</b>	<b>6,317,050</b>
<b>REPRESENTED BY</b>			
Share capital	7	6,141,780	6,141,780
Reserves		457,015	444,589
Unappropriated (loss)		(11,709)	(61,414)
		<b>6,587,086</b>	<b>6,524,955</b>
Deficit on revaluation of investments		(245,476)	(207,905)
		<b>6,341,610</b>	<b>6,317,050</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

  
**Chief Financial Officer**

  
**Chief Executive**

  
**Chief Executive**

  
**Director**

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**CONDENSED PROFIT AND LOSS ACCOUNT**  
**FOR THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED)**

	Quarter ended March 31,	
	2010	2009
	-----Rupees in	
Mark-up/return/interest earned	408,663	323,457
Mark-up/return/interest expensed	260,085	244,619
Net mark-up/interest income	148,578	78,838
Provision against non-performing loans and advances	90,860	96,989
Provision/(reversal) for diminution in the value of investments	6,090	342,730
Reversal of provision against lendings to financial institutions	(54,059)	-
	42,891	439,719
Net mark-up/interest (loss)/ income after provisions	105,687	(360,881)
<b>NON MARK-UP/INTEREST INCOME</b>		
Fee, commission and brokerage income	16,805	21,694
Dividend income	7,528	14,091
Income/(loss) from trading in government securities	-	-
Net gain on sale of securities	62,459	13,657
Income from dealing in foreign currencies	-	-
Unrealised gain (loss)/on investment classified as held-for-trading	10,044	(1,923)
Other income	138	294
Total non-markup/interest (loss)/income	96,974	47,813
	202,661	(313,068)
<b>NON MARK-UP/INTEREST EXPENSES</b>		
Administrative expenses	58,023	42,076
Unrealised deficit on 'held for trading securities'	14,912	-
Other provision/write off	610	560
Other charges	73,545	42,636
Total non-markup/interest expenses	129,116	(355,704)
Extraordinary/unusual items	-	-
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	129,116	(355,704)
Taxation -current	9,295	194
-prior year	-	-
-deferred	57,690	12,196
	66,985	12,390
<b>PROFIT/(LOSS) AFTER TAXATION</b>	62,131	(368,094)
Unappropriated (loss)/profit brought forward	(61,414)	90,693
Profit available for appropriation	717	(277,401)
<b>Basic earnings/(loss) per share (rupees) - (refer note 9)</b>	101	(599)

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**Chief Financial Officer**

  
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**Director**

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2010 (UNAUDITED)**

	March 31, 2010	December 31, 2009
	-----Rupees in '000-----	
Profit/(Loss) after taxation	62,131	(728,107)
<b>Other comprehensive income not transferred to equity</b>		
Surplus /(Deficit) on revaluation of investment classified as 'available for sale'	(13,673)	1,412,413
Deferred tax on revaluation of investment classified as 'available for sale'	(23,898)	(20,049)
	(37,571)	1,392,364
<b>Total comprehensive income for the period ended</b>	<b>24,560</b>	<b>664,257</b>

  
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**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED)**

	Reserves					Total
	Issued, subscribed and paid up capital	Capital reserves		Revenue reserves		
		Statutory (compulsory) reserve	Reserve for issue of bonus shares	Reserve for contingencies	Unappropriated profit	
						Rupees in '000
<b>Balance as at January 1, 2009</b>	6,141,780	444,589		576,000	90,693	7,253,062
Loss for the first quarter ended March 31, 2009	-			-	(368,094)	(368,094)
Reserve for issue of bonus shares	-			-		-
Issue of bonus shares	-			-		-
Right shares issued	-			-		-
Transfer to statutory (compulsory) reserve	-			-		-
Transfer to reserve for contingencies	-			-		-
<b>Balance as at March 31, 2009</b>	6,141,780	444,589		576,000	(277,401)	6,884,968
<b>Loss for the three quarters ended December 31, 2009</b>	-			-	(360,013)	(360,013)
Transfer to statutory (compulsory) reserve	-			-		-
Transfer to reserve for contingencies	-			90,000		(90,000)
Transfer from reserve for contingencies	-			(666,000)		666,000
<b>Balance as at December 31, 2009</b>	6,141,780	444,589		-	(61,414)	6,524,955
<b>Profit for the first quarter ended March 31, 2010</b>	-			-	62,131	62,131
Reserve for issue of bonus shares	-			-		-
Issue of bonus shares	-			-		-
Transfer to statutory (compulsory) reserve	-			12,426		(12,426)
Transfer to reserve for contingencies	-			-		-
<b>Balance as at March 31, 2010</b>	6,141,780	457,015		-	(11,709)	6,587,086

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

  
**Chief Financial Officer**

  
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**Director**

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED-NOTE 2)**

	March 31, 2010	March 31, 2009
	-----Rupees in '000-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	129,116	(355,704)
Less: Dividend income	(7,528)	(14,091)
	<u>121,588</u>	<u>(369,795)</u>
Adjustments for non-cash charges		
Depreciation	5,566	5,434
Provision against non-performing loans and advances	90,860	96,989
Unrealised deficit on revaluation of held-for-trading securities	(10,044)	1,923
Provision/(Reversal) of provision for diminution in the value of investments	6,090	342,730
Provision of other assets	14,912	-
Reversal against lending to financial institution	(54,059)	-
Gain on sale of operating fixed assets	-	-
	<u>53,325</u>	<u>447,076</u>
	174,913	77,281
(Increase)/Decrease in operating assets		
Lendings to financial institutions	1,700,345	415,365
Held-for-trading securities	173,265	56,391
Advances	(285,231)	(752,441)
Other assets (excluding advance taxation)	11,809	329,395
	<u>1,600,188</u>	<u>48,710</u>
Increase/(Decrease) in operating liabilities		
Borrowings from financial institutions	(346,124)	(1,476,684)
Deposits and others accounts	(1,080,574)	1,704,915
Other liabilities (excluding current taxation)	(11,185)	97
	<u>(1,437,883)</u>	<u>228,328</u>
	337,218	354,319
Income tax paid	(21,304)	(675)
Net cash inflow/(outflow) from operating activities	<u>315,914</u>	<u>353,644</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments	(351,201)	(402,033)
Dividends received	5,883	1,940
Strategic Investment	-	-
Investments in operating fixed assets	(3,760)	(12,875)
Sale proceeds of property and equipment disposed-off	-	-
Net cash (outflow)/inflow from investing activities	<u>(349,078)</u>	<u>(412,968)</u>
(Decrease)/Increase in cash and cash equivalents	<u>(33,164)</u>	<u>(59,324)</u>
Cash and cash equivalents at beginning of the period	<u>173,322</u>	<u>161,445</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>140,158</u></u>	<u><u>102,121</u></u>

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**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR**  
**THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED)**

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**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 period. The objective of the company inter alia includes the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The company is designated as a development financial institution (DFI) under the BPD circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan. The registered office of the company is located at 5th Floor, Tower C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.

**2 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 same as those applied in preparation of the financial statements of the company for the year ended December 31, 2009.

**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.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR  
 THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

4 INVESTMENTS

	Held by company	Given as collateral	Total
	-----Rupees in '000-----		
Balance as at March 31, 2010	6,187,155	339,547	6,526,702
Balance as at December 31, 2009	5,893,404	486,469	6,379,873
Balance as at March 31, 2009	4,532,424	1,505,519	6,037,943
<b>4.1 Investment by types:</b>			
Held-for-trading securities	150,037	-	150,037
Available-for sale securities	5,971,169	339,676	6,310,845
Held-to maturity securities	201,795	-	201,795
<b>Investments in Associates</b>			
Strategic Investment - Kamoki Energy Limited	4.1.1 375,000	-	375,000
	6,698,001	339,676	7,037,677
Less: Provision for diminution in value of investments	(229,147)	-	(229,147)
Investments (net of provisions)	6,468,854	339,676	6,808,530
Less: Deficit on revaluation of investments classified as			
-Held-for-trading	12,454	-	12,454
-Available for sale	269,245	129	269,374
<b>Balance as at March 31, 2010</b>	<b>6,187,155</b>	<b>339,547</b>	<b>6,526,702</b>
Balance as at December 31, 2009	5,893,404	486,469	6,379,873

4.1.1 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

March 31  
2010  
----- Rupees in '000 -----  
December 31,  
2009

4.2 Investments by segments

<b>Federal government securities</b>		
Market treasury bills	1,109,362	975,996
Pakistan investment bonds	384,473	386,927
<b>Fully paid up ordinary shares/certificates</b>		
Listed companies	1,824,369	2,264,956
Unlisted companies	117,191	122,191
<b>Fully paid up preference shares</b>		
Listed companies	53,300	53,300
<b>Term finance certificates (TFCs)</b>		
Listed TFCs	553,645	593,492
Unlisted TFCs	1,556,876	1,146,888
<b>Participation term certificates</b>	7,913	7,913
<b>Investments in Associates</b>		
Unlisted ordinary shares - Kamoki Energy Limited	375,000	375,000
<b>Other investments</b>		
Mutual fund units	653,467	601,994
Commercial paper	-	96,862
Sukuk issue	402,081	234,222
<b>Total investment at cost</b>	<b>7,037,677</b>	<b>6,859,741</b>
Less: Provision for diminution in value of investments	229,147	(223,057)
Investments (net of provisions)	7,266,824	6,636,684
Less: Deficit on revaluation of investments classified as		
-Held-for-trading	(12,454)	(22,498)
-Available for sale	(269,374)	(234,313)
<b>Total investments at market value</b>	<b>6,984,996</b>	<b>6,379,873</b>

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR  
 THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

		March 31, 2010	December 31, 2009
----- Rupees in '000 -----			
<b>5 ADVANCES</b>			
Loans, cash credits, running finance, etc. in Pakistan		8,035,286	7,713,783
Net investment in finance lease in Pakistan		535,123	571,395
		<u>8,570,409</u>	<u>8,285,178</u>
Less: Provision for non-performing advances - specific	5.1.1	1,026,121	933,694
		<u>7,544,288</u>	<u>7,351,484</u>
Less: Provision for consumer finance - general	5.1.1	9,310	10,876
		<u>7,534,978</u>	<u>7,340,608</u>

5.1 Advances include amounts aggregating Rs.1,343.770 million (December 31, 2009: Rs. 996.760 million) which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision	Provision
				required	held
-----Rupees in '000-----					
Substandard	352,569	-	352,569	88,143	88,143
Doubtful	6,445	-	6,445	3,222	3,222
Loss	984,756	-	984,756	934,756	934,756
	<u>1,343,770</u>	<u>-</u>	<u>1,343,770</u>	<u>1,026,121</u>	<u>1,026,121</u>

5.1.1 Particulars of provision against non-performing advances:

	March 31, 2010			December 31, 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 period	92,663	-	92,663	415,999	-	415,999
Less: Reversals	(236)	(1,566)	(1,802)	(11,317)	(5,176)	(16,493)
Net (reversals)/charge	92,427	(1,566)	90,861	404,682	(5,176)	399,506
Less: Amount written off	-	-	-	-	-	-
Closing balance	<u>1,026,121</u>	<u>9,310</u>	<u>1,035,431</u>	<u>933,694</u>	<u>10,876</u>	<u>944,570</u>

**6 OPERATING FIXED ASSETS**

	March 31, 2010	December 31, 2009
----- Rupees in '000 -----		
Additions – cost	9,954	53,269
Disposals – cost	-	(11,879)
Net book value	<u>81,154</u>	<u>82,960</u>

**7 SHARE CAPITAL**

7.1 Authorized share capital

March 31, 2010	December 31, 2009		March 31, 2010	December 31, 2009
----- Rupees in '000 -----				
No. of shares in '000				
800,000	800,000	Ordinary shares of Rs. 10,000 each	8,000,000	8,000,000
<u>800,000</u>	<u>800,000</u>		<u>8,000,000</u>	<u>8,000,000</u>



PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR  
 THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

7.2 Issued, subscribed and paid-up capital

	March 31, 2010			December 31, 2009			March 31, 2010	December 31, 2009
	-----Number of shares in '000-----						-----Rupees in '000-----	
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
Opening Shares issued during the period / year	471,836	142,342	614,178	471,836	142,342	614,178	6,141,780	6,141,780
	-	-	-	-	-	-	-	-
	<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>

8 CONTINGENCIES AND COMMITMENTS

8.1 Direct credit substitutes		<u>1,055,904</u>	<u>1,055,904</u>
8.1.1 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.			
Undisbursed sanctions for financial assistance in the form of loans and advances, term finance certificates and leases		<u>923,470</u>	<u>948,653</u>
Underwriting agreement		<u>-</u>	<u>25,000</u>
Unsettled purchase of shares		<u>-</u>	<u>51,500</u>
Unsettled sale of shares		<u>-</u>	<u>119,175</u>
Letter of credit (LC's)		<u>67,003</u>	<u>67,003</u>

9 BASIC EARNINGS PER SHARE

	Three months ended March 31,	
	2010	2009
	----- Rupees in '000 -----	
Profit/(Loss) after taxation	<u>62,131</u>	<u>(368,094)</u>
	Three months ended March 31,	
	2010	2009
	----- Number of shares in '000 -----	
Weighted average number of ordinary shares	<u>614,178</u>	<u>614,178</u>
Earnings/(Loss) per share for the period ended March 31, 2010/09	<u>101</u>	<u>(599)</u>

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR**  
**THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED)**

**10 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY**

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

	Corporate Finance	Trading and sales	Retail banking	Commerci al banking	Payment and settlement	Agency services	Commerci al banking	Payment and settlement	Agency services
2010									
Total (loss)/income	437,699	-	25,047	-	-	-	-	-	-
Total expenses	314,408	-	19,222	-	-	-	-	-	-
Net (loss)/income	123,291	-	5,825	-	-	-	-	-	-
Segment assets (gross)	15,989,645	-	646,501	-	-	-	-	-	-
Segment non performing loans	1,244,165	-	99,605	-	-	-	-	-	-
Segment provision required	1,554,415	-	78,057	-	-	-	-	-	-
Segment liabilities	8,114,244	-	547,820	-	-	-	-	-	-
Net assets	7,875,401	-	98,681	-	-	-	-	-	-
Segment return on net assets (ROA)%	6.26%	-	23.61%	-	-	-	-	-	-
Segment cost of funds (%)	12.61%	-	12.61%	-	-	-	-	-	-
2009									
Total income	(101,102)	-	32,653	-	-	-	-	-	-
Total expenses	266,701	-	20,554	-	-	-	-	-	-
Net income/(loss)	(367,803)	-	12,099	-	-	-	-	-	-
Segment assets (gross)	14,044,083	-	850,457	-	-	-	-	-	-
Segment non performing loans	919,522	-	88,002	-	-	-	-	-	-
Segment provision required	2,245,595	-	69,688	-	-	-	-	-	-
Segment liabilities	6,008,411	-	739,475	-	-	-	-	-	-
Net assets	8,035,672	-	110,982	-	-	-	-	-	-
Segment return on net assets (ROA)%	-18.31%	-	43.61%	-	-	-	-	-	-
Segment cost of funds (%)	17.55%	-	17.55%	-	-	-	-	-	-

## 11 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 maximizing returns to shareholders, the Board takes cognizance 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.

### 11.1 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 major credit risk in respect of advances is concentrated in sectors such as manufacturing, services and trading. The company's Risk Management Division regularly reviews and actively manages risk at the portfolio level to ensure that risk characteristic and degree of diversification in terms of credit conform with the company policies.

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.

### 11.2 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 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 the company's business strategy.

#### 11.3 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.

#### 11.4 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.

#### 11.5 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 implementing internal control system (COSO framework) which will additionally aid in strengthening the operational risk management of the company.

**12 RELATED PARTY TRANSACTIONS**

The company has related party relationship with its associates, associated undertakings, subsidiary companies 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.

**12.1 Transactions entered into with related parties are as follows:**

	March 31, 2010	(Rs. In '000') March 31, 2009
<b>Advances / Investments</b>		
Balance as at January 01	1,069,500	54,500
Addition during the period/year	50,000	-
Repayments during the period/year	-	-
<b>Closing balance</b>	<b><u>1,119,500</u></b>	<b><u>54,500</u></b>
<b>Borrowings / Deposits</b>		
Balance as at January 01	109,002	84,002
Addition during the period/year	-	15,000
Repayments during the period/year	80,000	-
<b>Closing balance</b>	<b><u>29,002</u></b>	<b><u>99,002</u></b>
<b>Non-Funded Commitments</b>		
Balance as at January 01	855,904	-
Addition during the period/year	-	-
Repayments during the period/year	-	-
<b>Closing balance</b>	<b><u>855,904</u></b>	<b><u>-</u></b>
<b>12.2 Reimbursement of actual expenses incurred on behalf of a related party</b>	<b>158</b>	<b>1,996</b>
<b>12.2.1 Transactions, income and expenses</b>		
<i>Expenses charged by:</i>		
Associates		-
Other related party	3,150	3,367
<i>Income:</i>		
Associates	26,066	-
Other related party	240	-
<b>12.3 Transaction with retirement benefit funds</b>		
Defined contribution plan	894	652
Defined Benefit plan	1,260	1,549
<b>12.4 Key management compensation</b>		
Salaries benefits and other expenses	11,081	8,797
Non-executive director's remunerations	34	32
	<b><u>11,115</u></b>	<b><u>8,829</u></b>
<b>12.5 Loans to key management personal</b>		
Balance as at January 01	6,188	5,431
Addition during the period/year	31,363	1,500
Repayments during the period/year	357	1,201
<b>Closing balance</b>	<b><u>37,194</u></b>	<b><u>5,729</u></b>
<b>12.6 Mark-up received on loans to key management personal</b>		
	<b><u>91</u></b>	<b><u>44</u></b>

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR  
 THE QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

Three months ended March 31,  
 2010                      2009  
 Rupees in '000

13 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	65,609	28,767
Balances with other banks	74,549	43,354
Placements	-	30,000
	<u>140,158</u>	<u>102,121</u>

14 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.

15 GENERAL

Figures have been rounded off to the nearest thousand.

16 DATE OF AUTHORISATION

These financial information were authorized for issue on 08 APR 2010 by the board of directors of the company.

  
 Chief Financial Officer

  
 Chief Executive

  
 Chief Executive

  
 Director