

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED****BALANCE SHEET****AS AT DECEMBER 31, 2007**

	Note	2007	2006
		Rupees '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	5	21,954	48,313
Balances with other banks	6	226,459	21,035
Lendings to financial institutions	7	5,355,534	4,839,307
Investments	8	8,450,866	3,561,789
Advances	9	5,087,714	3,837,261
Operating fixed assets	10	63,776	66,774
Deferred tax assets	11	164,189	185,043
Other assets	12	260,485	250,381
		<b>19,630,977</b>	<b>12,809,903</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	14	8,750,370	7,033,571
Deposits and other accounts	15	3,525,000	1,510,250
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	16	287,162	208,011
		<b>12,562,532</b>	<b>8,751,832</b>
<b>NET ASSETS</b>		<b>7,068,445</b>	<b>4,058,071</b>
<b>REPRESENTED BY</b>			
Share capital	17	5,841,780	3,241,780
Reserves	18	898,113	762,309
Unappropriated profit		400,789	237,572
		<b>7,140,682</b>	<b>4,241,661</b>
Deficit (net) on revaluation of securities	19	(72,237)	(183,590)
		<b>7,068,445</b>	<b>4,058,071</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

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

Chief Financial Officer

Managing Director

Managing Director

Director

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	2007	2006
		Rupees '000	
Mark-up/Return/Interest earned	22	1,264,849	936,778
Mark-up/Return/Interest expensed	23	961,746	604,916
<b>Net mark-up/interest income</b>		<b>303,103</b>	<b>331,862</b>
Provision against non-performing loan and advances	9.5.1	(64,137)	(48,502)
Reversal of provision for diminution in the value of investments	8.11 and 8.12	5,603	6,558
Reversal of provision against lendings to financial institutions	7.5	-	-
		<b>(58,534)</b>	<b>(41,944)</b>
<b>Net mark-up/interest income after provisions</b>		<b>244,569</b>	<b>289,918</b>
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		8,184	6,017
Dividend income		43,004	25,682
Income from dealing in foreign currencies		-	-
Gain on sale of securities	24	392,248	72,376
Unrealised loss on revaluation of investments classified as 'held for trading'		-	(1,495)
Other income	25	15,103	31,339
<b>Total non-markup/interest income</b>		<b>458,539</b>	<b>133,919</b>
		<b>703,108</b>	<b>423,837</b>
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	26	167,691	146,499
Provision/(reversal) of provision for diminution in the value of investments	8.9 and 8.10	3,480	27,195
Fee, commission and brokerage expenses		4,258	2,091
Provision against other assets	12.2	-	94
Other assets written off directly	12.2.1	-	29
Other charges	27	79	126
<b>Total non-markup/interest expenses</b>		<b>175,508</b>	<b>176,034</b>
		<b>527,600</b>	<b>247,803</b>
Extraordinary/unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		<b>527,600</b>	<b>247,803</b>
Taxation			
current	28	10,502	6,613
prior years		-	(666)
deferred		18,077	(52,920)
		<b>28,579</b>	<b>(46,973)</b>
<b>PROFIT AFTER TAXATION</b>		<b>499,021</b>	<b>294,776</b>
Unappropriated profit brought forward		237,572	221,751
Profit available for appropriation		<b>736,593</b>	<b>516,527</b>
<b>Rupees</b>			
<b>Basic earnings per share</b>	29	<b>1,291</b>	<b>1,118</b>
<b>Diluted earnings per share</b>	29	<b>1,291</b>	<b>1,118</b>

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

Chief Financial Officer

Managing Director

Managing Director

Director

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

		2007	2006
		Rupees '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		527,600	247,803
Less: Dividend income		<b>(43,004)</b>	(25,682)
		<b>484,596</b>	222,121
Adjustments:			
Depreciation	10.2	<b>14,630</b>	15,833
Provision against non-performing advances	9.5.1	<b>64,136</b>	48,502
Unrealised loss on revaluation of 'held-for trading' investments		-	1,495
Provision against other assets		-	94
Other assets directly written off		-	29
Provision for diminution in the value of investments	8.11 and 8.12	<b>(2,123)</b>	20,637
Gain on liquidation of a subsidiary		-	(24,036)
Gain on sale of operating fixed assets	10.3	<b>(13,681)</b>	(438)
		<b>62,962</b>	62,116
		<b>547,558</b>	284,237
<i>(Increase)/Decrease in operating assets</i>			
Lendings to financial institutions		<b>(676,227)</b>	(994,307)
Held-for-trading securities		-	66,683
Advances		<b>(1,314,589)</b>	(391,931)
Other assets		<b>(155)</b>	(72,840)
		<b>(1,990,971)</b>	(1,392,395)
<i>Increase/(Decrease) in operating liabilities</i>			
Borrowings		<b>1,716,799</b>	231,912
Deposits and other accounts		<b>2,014,750</b>	(405,259)
Other liabilities		<b>79,151</b>	32,810
		<b>3,810,700</b>	(140,537)
		<b>2,367,287</b>	(1,248,695)
Income tax (paid)/refund		<b>(16,248)</b>	29,804
<b>Net cash from / (used in) operating activities</b>		<b>2,351,039</b>	(1,218,891)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for -sale securities		<b>(4,890,888)</b>	(1,216,759)
Net investments in held-to-maturity securities		<b>118,064</b>	1,362,600
Dividends received		<b>38,801</b>	28,411
Investments in operating fixed assets		<b>(30,910)</b>	(10,912)
Proceeds (net) on liquidation of a subsidiary		-	104,236
Proceeds on sale of operating fixed assets		<b>32,959</b>	1,213
<b>Net cash (used in) /from investing activities</b>		<b>(4,731,974)</b>	268,789
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of share capital		<b>2,400,000</b>	880,000
<b>Net cash from financing activities</b>		<b>2,400,000</b>	880,000
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b>19,065</b>	(70,102)
Cash and cash equivalents at beginning of the year		<b>229,348</b>	299,450
Cash and cash equivalents at end of the year	30	<b>248,413</b>	229,348

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

Chief Financial Officer

Managing Director

Managing Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	RESERVES					Total
	Issued, subscribed and paid up capital	Capital reserves		Revenue reserve		
		Statutory reserve	Reserve for issue of bonus shares	Reserve for contingencies	Un- appropriated profit	
Rupees '000						
Balance as at January 1, 2006	2,161,780	263,354	-	420,000	221,751	3,066,885
Profit after taxation for the year ended December 31, 2006	-	-	-	-	294,776	294,776
Transfer to statutory reserve	-	58,955	-	-	(58,955)	-
Transfer to reserve for contingencies	-	-	-	20,000	(20,000)	-
Reserve for issue of bonus shares	-	-	200,000	-	(200,000)	-
Issue of bonus shares	200,000	-	(200,000)	-	-	-
Right shares issued	880,000	-	-	-	-	880,000
Balance as at December 31, 2006	<b>3,241,780</b>	<b>322,309</b>	-	<b>440,000</b>	<b>237,572</b>	<b>4,241,661</b>
Profit for the year ended December 31, 2007	-	-	-	-	499,021	499,021
Transfer to statutory reserve	-	99,804	-	-	(99,804)	-
Transfer to reserve for contingencies	-	-	-	36,000	(36,000)	-
Reserve for issue of bonus shares	-	-	200,000	-	(200,000)	-
Issue of bonus shares	200,000	-	(200,000)	-	-	-
Right shares issued	2,400,000	-	-	-	-	2,400,000
Balance as at December 31, 2007	<b>5,841,780</b>	<b>422,113</b>	-	<b>476,000</b>	<b>400,789</b>	<b>7,140,682</b>

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

Chief Financial Officer

Managing Director

Managing Director

Director

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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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 is thirty years from the date of its establishment. The two contracting parties (i.e. both the governments) may extend it by mutual agreement 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.

The board of directors of the company in their meeting held on December 31, 2007 has decided to further extend period of the company for another 30 years. The said approval for extension, through special resolution, is due to be approved in the forthcoming annual general meeting of the company.

### 2 STATEMENT OF COMPLIANCE

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

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

Following standards and interpretations have been issued but are not effective. Consequently respective requirements have not been followed while preparing these financial statements.

Amendments to IAS 23 Borrowing Costs	IAS 23	01 January 2009
Operating Segments	IFRS 8	01 January 2009
Service Concession Arrangements	IFRS 12	01 January 2008
Customer Loyalty Programmes	IFRS 13	01 July 2008
IAS 19 - The Limit on a Defined Benefit Asset, Minimum		
Funding Requirements and their Interaction	IFRS 14	01 January 2008

Above standards and interpretations are not expected to materially affect 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.

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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### 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 fee and front end fee are accounted for on receipt basis.

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

#### 4.4 Investments

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

##### **Held for trading**

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

##### **Held to maturity**

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

##### **Available for sale**

These are investments 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.

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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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.

Consistent with prior years unlisted securities where active market does not exist are stated at the lower of cost and break-up value.

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

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

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

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

### 4.5 Operating fixed assets

#### Owned

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

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

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

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

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

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

#### Leased

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

### 4.6 Taxation

#### Current

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

#### Deferred

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

### 4.7 Staff retirement benefits

#### Defined benefit plan

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

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

The last actuarial valuation of the scheme was carried out as at December 31, 2007. The benefit under the gratuity scheme is payable on retirement at the age of 60 or earlier cessation of service, in lump sum.

#### Defined contribution plan

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

#### Compensated absences

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

The company recognises provision for compensated absences on the basis of actuarial valuation. The last actuarial valuation was carried out as at December 31, 2007.

### 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 Pakistan 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.

### 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

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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reliable estimate can be made of the amount of obligation.

#### 4.12 Off-setting of financial assets and financial liabilities

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

#### 4.13 Dividend and reserves

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

#### 4.14 Critical accounting estimates and judgments

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

- a) Critical judgment in classification of investments in accordance with the company's policy (notes 4.4 and 8).
- b) Assumptions and estimations in recognition of deferred taxation (notes 4.6 and 11).

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

#### 4.15 Borrowing cost

The borrowing cost incurred on debts of the company is charged to income.

#### 4.16 Impairment

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

#### 4.17 General

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

### 5 CASH AND BALANCES WITH TREASURY BANKS

		2007	2006
		Rupees '000	
Cash in hand		4	6
local currency			
foreign currency		-	-
Balances with State Bank of Pakistan (SBP) (local currency)			
current account	5.1	4,980	45,216
cash reserves		14,750	4,000
Balances with National Bank of Pakistan (local currency)			

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

current account	2,220	(909)
	<u>21,954</u>	<u>48,313</u>

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

2007      2006  
Rupees '000

**6 BALANCES WITH OTHER BANKS**

In Pakistan		12,000	13,384
Current accounts		214,459	7,651
Deposit accounts	6.1	<u>226,459</u>	<u>21,035</u>

6.1 The return on these balances ranges from 0.10 to 9 (2006: 1.5 to 6) percent per annum.

**7 LENDING TO FINANCIAL INSTITUTIONS**

Repurchase agreement lendings (Reverse Repo)	7.1	1,295,534	1,029,307
Certificates of Investments (COIs)	7.2	4,000,000	3,650,000
Placements	7.3	124,597	224,597
	7.4	5,420,131	4,903,904
Less: Provisions for doubtful placements	7.5	64,597	64,597
		<u>5,355,534</u>	<u>4,839,307</u>

**7.1 Securities held as collateral against lendings to financial institutions**

	2007			2006		
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
	-----Rupees '000-----					
Market treasury bills	-	-	-	-	199,307	199,307
Pakistan investment bonds	174,530	1,121,004	1,295,534	-	830,000	830,000
	<u>174,530</u>	<u>1,121,004</u>	<u>1,295,534</u>	-	<u>1,029,307</u>	<u>1,029,307</u>

The profit rates on reverse repurchase agreement lendings range from 6.7 (2006: 8.95) to 9.95 (2006: 9.4) percent per annum.

7.2 The profit rates on these COIs range from 10 (2006: 11.30) to 12.75 (2006: 12.75) percent per annum.

7.3 The profit rates on placements range from 8.75 (2006: 12.25) to 13.4 (2006: 13.4) percent per annum.

	2007	2006
	Rupees '000	
<b>7.4 Particulars of lending</b>		
In local currency	5,420,131	4,903,904
In foreign currencies	-	-
	<u>5,420,131</u>	<u>4,903,904</u>

	2007	2006
	Rupees '000	
<b>7.5 Specific provisioning</b>		
Opening balance	64,597	64,597
Charge for the year	-	-
Less: Reversals	-	-
Net reversal for the year	-	-

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

			64,597	64,597
Amounts written off	7.5.1		-	-
			<u>64,597</u>	<u>64,597</u>

**7.5.1 Particulars of amounts written off**

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

**8 INVESTMENTS**

	2007			2006		
	Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total

-----Rupees '000-----

**8.1 Investments by types**

*Held-for-trading securities*

-	-	-	-	-	-
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*Available-for sale securities*

Listed shares	1,027,453	-	1,027,453	752,378	-	752,378
Listed preference shares	56,105	-	56,105	56,105	-	56,105
Mutual fund units	3,429,678	-	3,429,678	334,804	-	334,804
Listed term finance certificates (TFCs)	571,442	-	571,442	653,188	-	653,188
Unlisted TFCs	940,376	-	940,376	935,844	-	935,844
WAPDA bonds	250,000	-	250,000	250,000	-	250,000
Unlisted shares	107,191	-	107,191	112,191	-	112,191
Pakistan investment bonds (PIBs)	63,798	355,591	419,389	13,553	412,623	426,176
Market treasury bills	49,233	1,427,751	1,476,984	-	74,950	74,950
National Investment Trust units	50,000	-	50,000	50,000	-	50,000
Sukuk issue	207,906	-	207,906	-	-	-

*Held-to maturity securities*

Participation term certificates (PTCs)	14,433	-	14,433	74,563	-	74,563
Unlisted TFCs	60,370	-	60,370	71,420	-	71,420
Commercial paper	-	-	-	93,528	-	93,528

**Investments at cost**

6,827,985	1,783,342	8,611,327	3,397,574	487,573	3,885,147
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	2007			2006		
	Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total

**Less: Provision for diminution in value the**

Listed shares	40,358	-	40,358	35,563	-	35,563
Unlisted shares	4,042	-	4,042	5,357	-	5,357
PTCs	14,433	-	14,433	66,117	-	66,117
Listed TFCs	3,660	-	3,660	4,223	-	4,223

**8.3**

**Investment (net of provisions)**

6,765,492	1,783,342	8,548,834	3,286,314	487,573	3,773,887
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Surplus/(Deficit) on revaluation of 'held-for-trading' securities	-	-	-	-	-
Deficit on revaluation of 'available-for-sale' securities	(31,656)	(66,312)	(97,968)	(130,716)	(81,382)

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Total investments at market value		6,733,836	1,717,030	8,450,866	3,155,598	406,191	3,561,789
						2007	2006
						Rupees '000	
<b>8.2</b>	<b>Investments by segments</b>						
	<i>Federal government securities</i>						
	Market treasury bills					1,476,984	74,950
	Pakistan investment bonds				8.5 & 8.6	419,389	426,176
	<i>Fully paid up ordinary shares/certificates</i>						
	Listed companies				8.14	1,027,453	752,378
	Unlisted companies				8.2	107,191	112,191
	<i>Fully paid up preference shares</i>						
	Listed companies				8.14	56,105	56,105
	<i>Term finance certificates (TFCs)</i>						
	Listed TFCs				8.7 & 8.16	571,442	653,188
	Unlisted TFCs				8.18	1,000,746	1,007,264
	<i>Participation term certificates</i>				8.19	14,433	74,563
	<i>Other investments</i>						
	Mutual fund units				8.15	3,429,678	334,804
	Commercial paper					-	93,528
	National Investment Trust units					50,000	50,000
	WAPDA bonds				8.13	250,000	250,000
	Sukuk issue					207,906	-
	<b>Total investment at cost</b>					<b>8,611,327</b>	<b>3,885,147</b>
	<b>Less: Provision for diminution in value of investments</b>				8.3	<b>62,493</b>	<b>111,260</b>
	<b>Investments (net of provisions)</b>					<b>8,548,834</b>	<b>3,773,887</b>
	Surplus on revaluation of 'held-for-trading' securities					-	-
	Deficit on revaluation of 'available-for-sale' securities					(97,968)	(212,098)
	<b>Total investments at market value</b>					<b>8,450,866</b>	<b>3,561,789</b>
						2007	2006
						Rupees '000	
<b>8.3</b>	<b>Particulars of provision</b>						
	Opening balance					111,260	90,623
	Charge for the year					10,240	45,267
	Less: Reversals					59,007	24,630
	Net charge /(reversal) for the year					(48,767)	20,637
	Closing balance				8.3.1	62,493	111,260
<b>8.3.1</b>	<b>Particulars of provision in respect of type and segment</b>						
	<b>Available for sale securities</b>						
	Listed ordinary shares				8.8	40,358	35,563
	Unlisted ordinary shares				8.9	4,042	5,357
	Listed term finance certificates				8.12	3,660	4,223
	<b>Held-to-maturity securities</b>						
	Unlisted PTCs				8.10	14,433	66,117
						<b>62,493</b>	<b>111,260</b>
<b>8.4</b>	<b>Quality of available for sale securities/entities</b>				2007	2006	
					Market value	Market value	Entity rating long term / short term
					Entity rating long term / short term		

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

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Listed shares

	Rupees '000		Rupees '000	
<b>Banks/ Financial institutions</b>				
Bank Alfalah Limited	26,850	AA/A1+	4,180	AA/A1+
Faysal Bank Limited	19,785	AA/A-1+	24,200	AA/A1+
National Bank of Pakistan	116,075	AAA/A-1+	28,031	AAA/A1+
NIB Bank Limited	21,850	A+/A1	-	-
The Bank of Punjab	-	-	71,887	AA/A1+
Habib Bank Limited	71,970	AA+/A-1+	-	-
Saudi Pak Commercial Bank Limited	51,300	BBB+/A-3	-	-
Arif Habib Securities Limited	60,620	A-/A2	-	-
<b>Leasing</b>				
Al Zamin Leasing Modaraba	10,000	A	-	-
<b>Textile</b>				
Gulshan Spinning Mills Limited	3,084	Unrated	2,126	Unrated
Nishat Mills Limited	-	-	25,462	A+/A1
<b>Oil and gas marketing</b>				
National Refinery Limited	-	-	4,558	AAA/A1+
Oil & Gas Development Company Limited	65,697	AAA/A-1+	20,072	Unrated
Pakistan Oil fields Limited	41,800	Unrated	33,226	Unrated
Pakistan Petroleum Limited	12,253	Unrated	46,400	Unrated
Pakistan State Oil Company Limited	60,990	AAA/A1+	69,090	AAA/A1+
Sui Southern Gas Company Limited	-	-	11,750	Unrated
	<b>2007</b>		<b>2006</b>	

<b>Market value</b>	<b>Entity rating long term / short term</b>	<b>Market value</b>	<b>Entity rating long term / short term</b>
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	Rupees '000		Rupees '000	
<b>Power generation and distribution</b>				
Kot Addu Power Company Limited	19,380	Unrated	6,105	Unrated
Hub Power Company Limited	96,075	Unrated	85,050	Unrated
<b>Chemicals and Fertilizers</b>				
Engro Chemicals Pakistan Limited	13,288	AA/A1+	33,800	AA/A1+
Fauji Fertilizer Bin Qasim Limited	46,255	Unrated	4,275	Unrated
Fauji Fertilizer Company Limited	83,125	Unrated	21,110	Unrated
Pakistan PTA Limited	2,273	Unrated	2,205	Unrated
<b>Synthetic and rayon</b>				
Rupali Polyester Limited	19,440	Unrated	16,345	Unrated
<b>Cement</b>				
D.G. Khan Cement Limited	-	-	22,032	Unrated
Lucky Cement Limited	-	-	14,975	Unrated
Maple Leaf Cement Company Limited	12,672	A/A1	6,960	Unrated
Fauji Cement Company Limited	3,725	Unrated	-	-
<b>Technology and telecommunication</b>				
Pakistan Telecommunication Company Limited	84,100	Unrated	35,440	Unrated
	<b>942,607</b>		<b>589,279</b>	

Listed preference shares

<b>Textile</b>				
Chenab Limited	25,000	Unrated	17,875	Unrated
Nagina Cotton Mills Limited	5,178	Unrated	5,425	Unrated
<b>Cable and electrical goods</b>				
Electron Limited (formerly Pak-Elektron Limited)	25,000	A/A1	25,000	A/A1

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	55,178		48,300	
<u>Mutual fund units/certificates</u>				
	-	-	18,778	Unrated
	250,245	A(f)	75,072	A(f)
	501,376	A(f)	75,049	Unrated
	400,709	A(f)	25,008	A(f)
	400,616	A(f)	99,843	Unrated
	-	-	17,152	Unrated
	-	-	20,865	5-Star
	400,687	Unrated	-	-
	250,287	Unrated	-	-
	250,540	Unrated	-	-
	80,114	Unrated	-	-
	2007		2006	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees '000		Rupees '000	
	175,216	5-Star	-	-
	230,220	Unrated	-	-
	150,271	Unrated	-	-
	50,086	Unrated	-	-
	105,187	5-Star	-	-
	50,023	Unrated	-	-
	50,064	5-Star	-	-
	50,081	Unrated	-	-
	15,865	AA-(f)	-	-
	19,950	MFR 2-Star	-	-
	3,431,537		331,767	
<u>Listed term finance certificates (TFCs)</u>				
<b>Chemicals</b>				
	16,654	A	25,979	A
<b>Banks/ Financial institutions</b>				
	19,020	A	19,020	A
	33,626	AA /A1+	33,640	AA
	19,884	AA /A1+	19,892	AA
	44,037	A+ /A1	39,984	A+
	50,748	AA/A1+	50,769	AA-
	124,856	AA/A1+	124,904	AA-
	3,660	A-	4,223	A-
	-		11,000	AA-
	49,980	A/A1	50,000	A+
	4,994	AA+ /A1+	14,982	AA+
	4,493	AA+ /A1+	15,575	AA
	99,900	A+ /A1	99,940	A
	43,733	A-	49,990	A-
	52,465	AA- /A1+	49,970	A+
	17,133	AAA/A1+	51,917	AA
<b>Fuel and energy sector</b>				
	-	-	2,798	AA
	585,182		664,583	

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	2007		2006	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees '000		Rupees '000	
<b><u>Unlisted TFCs</u></b>				
Bank Al-Habib Limited	24,970	AA/A1+	24,980	AA-
Dewan Farooque Spinning Mills Limited	37,500	Unrated	56,250	Unrated
Dewan Mushtaq Textile Mills Limited	-	-	3,125	Unrated
Dewan Textile Mills Limited	-	-	9,375	Unrated
Escorts Investment Bank Limited	33,307	A+	49,960	Unrated
Engro Chemical Pakistan Limited	404,000	AA/A1+	-	-
Grays Leasing Limited-I	6,250	Unrated	18,750	Unrated
Grays Leasing Limited-II	1,250	Unrated	3,750	Unrated
Gulshan Spinning Mills Limited	28,554	Unrated	42,831	Unrated
Kohinoor Textile Mills Limited	3,750	Unrated	11,250	Unrated
New Allied Electronics Industries Limited	50,000	A-	-	-
Pak-Arab Fertilizer (Private) Limited	-	-	250,000	Unrated
Pakistan International Airlines Corporation	218,741	Unrated	231,241	Unrated
Pakistan Mobile Communication (Private) Limited-II	20,000	Unrated	40,000	Unrated
Pakistan Mobile Communication (Private) Limited-III	60,000	Unrated	100,000	Unrated
Paramount Spinning Mills Limited	28,554	Unrated	42,832	Unrated
Security Leasing Corporation Limited-I	-	-	22,500	Unrated
Security Leasing Corporation Limited-II	17,500	Unrated	20,000	Unrated
Trust Leasing and Investment Bank Limited (Formerly Trust Leasing Corporation Limited)	6,000	AA-/A1+	9,000	AA
	940,376		935,844	
<b><u>WAPDA bonds</u></b>	250,000	-	250,000	Unrated
<b><u>Privately placed Sukuk issued</u></b>				
Security Leasing Corporation Limited	40,000	Unrated	-	-
Kohat Cement Limited	150,000	A-/A2	-	-
Sitara Energy Limited	17,906	Unrated	-	-
	207,906		-	
<b><u>Unlisted shares- stated at cost</u></b>				
Agro Dairies Limited	2,301	Unrated	2,301	Unrated
Al-Hamra Hills (Private) Limited	50,000	Unrated	50,000	Unrated
Al-Zamin Modaraba Management (Private) Limited	-	-	5,000	Unrated
FTC Management Company Limited	500	Unrated	500	Unrated
News-VIS Credit Information Service (Private) Limited	390	Unrated	390	Unrated
Pakistan Textile City Limited	50,000	Unrated	50,000	Unrated
Paramount Investment Limited	4,000	Unrated	4,000	Unrated
	107,191		112,191	

	2007		2006	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term

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	Rupees '000		Rupees '000	
<b><i>Other investments</i></b>				
National Investment Trust units	55,364	4-Star	46,333	4-Star
Pakistan investment bonds (PIBs)	348,554	Unrated	344,752	Unrated
Market treasury bills	1,474,303	Unrated	74,926	Unrated
	1,878,221		466,011	
<b>Total</b>	<b>8,398,198</b>		<b>3,397,975</b>	

8.5 PIBs are eligible for rediscounting with the SBP.

8.6 These PIBs carry returns ranging from 7 (2006:7) to 11 (2006:11) percent per annum and have maturity periods ranging between August 2008 to April 2014 (2006: August 2008 to April 2014).

8.7 The rate of return on listed term finance certificates (TFCs) ranges from 9.0 (2006: 7.5) to 14.41 (2006:12.84) percent per annum.

**8.8 Particulars of provision against listed ordinary shares**

<b>Specific</b>	2007	2006
	Rupees '000	
Opening balance	35,563	8,368
Charge for the year	28,408	41,044
Less: Reversals	23,613	13,849
Net charge for the year	4,795	27,195
Closing balance	40,358	35,563

8.8.1 The balance includes provision for diminution in value of investments as at December 31, 2007 which arose on reclassification during the year of marketable securities from 'held for trading' to the 'available for sale' category, net of appreciation in value of those securities subsequent to the date of reclassification amounting to Rs. 4.795 million.

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

<b>Specific</b>	2007	2006
	Rupees '000	
Opening balance	5,357	5,357
Charge for the year	-	-
Less: Reversals	1,315	-
Net (reversal) for the year	(1,315)	-
Closing balance	4,042	5,357

**8.10 Particulars of provision against unlisted redeemable capital-participation term certificates**

<b>Specific</b>	2007	2006
	Rupees '000	
Opening balance	66,117	76,898
Charge for the year	5,445	-
Less: Reversals	(10,484)	(10,781)
Net (reversal) for the year	(5,039)	(10,781)
Less: amount written off	(46,645)	-
Closing Balance	14,433	66,117

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**FOR THE YEAR ENDED DECEMBER 31, 2007**

**8.11 Particulars of amount written off against provision**

Against provision	46,645	-
Directly charged to the profit & loss account	-	-
	<u>46,645</u>	<u>-</u>

**8.12 Particular of provision against listed TFCs**

**Specific**

Opening balance	4,223	-
Charge for the year	-	4,223
Less: Reversals	(564)	-
Net charge for the year	(564)	4,223
Closing Balance	<u>3,660</u>	<u>4,223</u>

8.13 The WAPDA bonds carry a return of 9.25 (2006:9.25) percent per annum maturing in April 2008 (2006: April 2008).

**8.14 Particulars of investments held in shares of listed companies**

**Investee**

	2007	2006	2007	2006
<b>Ordinary shares</b>	<b>Number of shares held</b>		<b>Cost (Rupees '000)</b>	
<b>Financial</b>				
Bank Alfalah Limited	500,000	100,000	25,623	4,911
Faysal Bank Limited	300,000	400,000	18,932	25,483
National Bank of Pakistan	500,000	125,000	121,764	33,712
The Bank of Punjab	-	710,000	-	71,339
Habib Bank Limited	300,000	-	76,256	-
NIB Bank Limited	1,000,000	-	20,071	-
Saudi Pak Commercial Bank Limited	2,000,000	-	53,619	-
Arif Habib Securities Limited	350,000	-	58,499	-
<b>Textile</b>				
Gulshan Spinning Mills Limited	215,682	196,075	5,004	5,004
Nishat Mills Limited	-	290,000	-	29,774
<b>Leasing</b>				
Al-Zamin Leasing Modaraba	1,000,000	-	10,000	-
	2007	2006	2007	2006
	<b>Number of shares held</b>		<b>Cost (Rupees '000)</b>	
<b>Oil and gas marketing</b>				
National Refinery Limited	-	17,600	-	4,821
Oil & Gas Development Company Limited	550,000	175,000	65,940	22,839
Pakistan Oilfields Limited	125,000	95,000	43,429	35,750
Pakistan Petroleum Limited	50,000	200,000	12,858	50,818
Pakistan State Oil Company Limited	150,000	235,000	63,233	99,065
Sui Southern Gas Company Limited	-	500,000	-	13,616
<b>Power generation and distribution</b>				
The Hub Power Company Limited	3,150,000	150,000	125,312	6,121
Kot Addu Power Company Limited	400,000	3,150,000	18,972	125,312
<b>Chemicals and fertilizers</b>				
Engro Chemical Pakistan Limited	50,000	200,000	12,659	36,175
Fauji Fertilizer Bin Qasim Limited	1,100,000	150,000	49,141	5,697
Fauji Fertilizer Company Limited	700,000	200,000	80,894	22,179
Pakistan PTA Limited	450,000	450,000	6,184	6,184
<b>Synthetic and rayon</b>				
Rupali Polyester Limited	480,030	480,030	44,120	44,120
<b>Cement</b>				
D.G. Khan Cement Limited	-	350,000	-	26,793
Lucky Cement Limited	-	250,000	-	24,197
Fauji Cement Company Limited	250,000	-	3,780	-
Maple Leaf Cement Company Limited	660,000	400,000	19,787	14,764
<b>Technology and communications</b>				
Pakistan Telecommunication Company Limited	2,000,000	800,000	91,376	43,704
			<u>1,029,460</u>	<u>754,384</u>

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**Preference shares**

**Textile**

Chenab Limited	2,500,000	2,500,000	25,000	25,000
Nagina Cotton Mills Limited	986,300	986,300	6,105	6,105

**Cable and electrical goods**

Electron Limited (formerly Pak-Elektron Limited)	2,500,000	2,500,000	25,000	25,000
			56,105	56,105
			<u>1,085,565</u>	<u>810,489</u>

8.14.1 The nominal value of each share held in a listed company was Rs. 10 per share as at December 31, 2007 and December 31, 2006.

**8.15 Particulars of investment held in mutual funds**

Investee	Face value per unit/certificate (Rupees)	2007	2006	2007	2006
		Number of units/certificates held	Number of units/certificates held	Cost (Rupees '000)	Cost (Rupees '000)
<b>Mutual Funds</b>					
AKD Opportunity Fund	-	-	394,088	-	20,000
AMZ Plus Income Fund	100	2,362,154	706,150	250,000	75,000
Askari Income Fund	100	4,743,833	706,547	500,000	75,000
Nafa Cash fund	10	38,120,652	2,376,380	400,000	25,000
United Growth and Income Fund	100	3,823,024	940,784	400,000	100,000
UTP- Fund of Fund	-	-	345,879	-	20,000
UTP Income Fund	-	-	39,209	-	19,804
MCB Asset Management Company Limited	100	3,826,704	-	400,000	-
HBL Asset Management Limited	100	2,393,719	-	250,000	-
Alfalah GHP Fund	50	4,764,037	-	250,000	-
Habib Asset Management Limited	100	764,672	-	80,000	-
	Face value per unit/certificate (Rupees)	2007	2006	2007	2006
		Number of units/certificates held	Number of units/certificates held	Cost (Rupees '000)	Cost (Rupees '000)
JS Investment Limited	100	1,655,159	-	175,000	-
Arif Habib Investment	100	4,384,293	-	230,000	-
KASB Funds Limited	100	1,427,484	-	150,000	-
Al-Meezan Investment Limited	50	959,325	-	50,000	-
Dawood Capital Management Limited	100	997,396	-	105,000	-
AKD Investment Management Limited	50	950,464	-	50,000	-
Atlas Asset Management Limited	500	95,449	-	50,000	-
BMA Asset Management Limited	10	4,857,151	-	50,000	-
Pak Oman Advantage Fund	100	1,923,000	-	19,230	-
PICIC Growth Fund	100	700,000	-	20,448	-
				<u>3,431,685</u>	<u>336,810</u>

**8.16 Particulars of investments held in listed term finance certificates (TFCs)**

Investee	2007	2006	2007	2006
	Number of certificates held	Number of certificates held	Cost (Rupees '000)	Cost (Rupees '000)
<b>Chemicals</b>				
Itehad Chemicals Limited	10,000	10,000	16,654	24,980
<b>Financial</b>				
Al-Zamin Leasing Modaraba	3,804	3,804	19,020	19,020
Askari Bank Limited-I	6,600	6,600	32,967	32,980
Askari Bank Limited-II	3,980	3,980	19,884	19,892
Azgard Nine Limited	8,000	8,000	39,968	39,984
Bank Alfalah Limited-I	9,000	9,000	44,910	44,928
Bank Alfalah Limited-II	25,000	25,000	124,856	124,905
Crescent Standard Investment Bank Limited (formerly Pacific Leasing Company Limited)	1,690	1,690	3,660	4,223
First Dawood Investment Bank (formerly Dawood Leasing Company Limited)	-	2,000	-	10,000
IGI Investment Bank Limited (formerly First International Investment Bank Limited)	10,000	10,000	49,980	50,000
Jahangir Siddiqui Investment Company Limited	4,000	4,000	4,994	14,982
MCB Bank Limited	3,000	3,000	4,492	14,976

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Prime Commercial Bank Limited	20,000	20,000	99,900	99,940
Searle Pakistan Limited	10,000	10,000	43,733	49,990
Soneri Bank Limited	10,000	10,000	49,950	49,970
Standard Chartered Bank (Pakistan) Limited (Formerly Union Bank Limited)	10,000	10,000	16,474	49,920
<b>Fuel and energy sector</b>				
Sui Southern Gas Company Limited	-	3,000	-	2,498
			<u>571,442</u>	<u>653,188</u>

8.17 The face value of each term finance certificate held in a listed company was Rs. 5,000 per certificates as at December 31, 2007 and December 31, 2006.

**8.18 Particulars of investment held in unlisted TFCs**

Investee	2007		2006		Name of the chief executive
	Number of certificates held	Cost (Rupees '000)	Number of certificates held	Cost (Rupees '000)	
Bank Al Habib Limited	5,000	24,970	5,000	24,980	Mr. Abbas D. Habib
Dewan Cement Limited (formerly Pakland Cement Limited)	26	16,310	26	17,729	Mr. Farrukh Viqaruddin Dewan Muhammad Yousuf Farooqi, Esq.
Dewan Farooque Spinning Mills Limited Dewan Hattar Cement Limited (formerly Saadi Cement Limited)	15,000 26	37,500 44,060	15,000 26	56,250 53,691	Mr. Farrukh Viqaruddin Dewan Muhammad Ayub Khalid, Esq.
Dewan Mushtaq Textile Mills Limited		-	5,000	3,125	Khalid, Esq.
Dewan Textile Mills Limited		-	15,000	9,375	Dewan Ghulam Mustafa
Escorts Investment Bank Limited	10,000	33,307	10,000	49,960	Mr. Rashid Mansur
Engro Chemical Pakistan Limited	40,400	404,000	-	-	Mr. Asad Umar
Grays Leasing Limited-I	10,000	6,250	10,000	18,750	Mr. Abdul Rashid Mir
Grays Leasing Limited-II	5,000	1,250	2,000	3,750	Mr. Abdul Rashid Mir
Gulshan Spinning Mills Limited	10,000	28,554	10,000	42,831	Mr. Naseer Ahmed
Kohinoor Textile Mills Limited	6,000	3,750	6,000	11,250	Mr. Tariq Sayeed Saigal
New Allied Electronic Industries Limited	5,000	50,000	-	-	Mian Pervez Akhtar
Pak Arab Fertilizers (Private) Limited	-	-	25	250,000	Mian Fawwad Sheikh, Esq.
Pakistan International Airlines Corporation Pakistan Mobile Communication (Private) Limited-II	50,000 20,000	218,741 20,000	50,000 20,000	231,241 40,000	Mr. Tariq Kirmani Mr. Zuhair A. Khaliq
Pakistan Mobile Communication (Private) Limited-III	20,000	60,000	20,000	100,000	Mr. Zuhair A. Khaliq
Paramount Spinning Mills Limited	10,000	28,554	10,000	42,832	Mr. Tanveer Ahmed
Security Leasing Corporation Limited-I	-	-	6,000	22,500	Mr. M.Khalid Ali
Security Leasing Corporation Limited-II	4,000	17,500	4,000	20,000	Mr. M.Khalid Ali
Trust Leasing & Investment Bank Limited (formerly Trust Leasing Corporation Limited)	3,000	6,000	3,000	9,000	Mr. Rashid Ahmed
		<u>1,000,746</u>		<u>1,007,264</u>	

8.18.1 These represent TFCs issued by Dewan Cement Limited (DCL) (formerly Pakland Cement Limited) and Dewan Hattar Cement Limited (DHCL) (formerly Saadi Cement Limited) under a scheme of arrangement sanctioned by the High Court of Sindh. The TFCs have been issued at a face value of Rs. 159.608 million (2006: Rs. 159.608 million) in place of various financing facilities granted by the company to DCL and DHCL amounting to Rs. 102.519 million (2006: Rs. 102.519 million) (excluding unrealised markup).

The TFCs issued in year 2004 by DCL and DHCL are for a period of nine and half years. These TFCs have been issued

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED DECEMBER 31, 2007**

by DCL and DHCL in two series. TFCs series 'A' represents the principal amount and will carry a yield of two and a half percent above KIBOR, whereas, TFCs series 'B' have been issued for accrued income and carry no yield.

As at December 31, 2007 the balance in TFCs series 'A' amounts to Rs.76.119 million (2006: Rs. 91.106 million) and in TFCs series 'B' amounts to Rs. 9.437 million (2006: Rs.9.437 million), after waiver of 70% of the TFC series 'B'. These balances include an aggregate amount of Rs. 25.186 million( 2006: Rs. 29.123 million) not recognized in these financial statements as a matter of prudence.

**8.19 Particulars of investments held in unlisted participation term certificate (PTCs)****Investee**

	2007	2006	2007	2006	Name of the chief executive
	Number of certificates held		Cost (Rupees in '000)		
Agro Dairies Limited	12	12	2,226	2,226	Mr. Mukhtar Rizvi
Delta Tyre & Rubber Company Limited	-	10	-	1,000	Mr. Iqtidar Ahmed Chaudri
Excel Industries Limited	25	25	5,445	8,445	Mr. Imran Ali Saeed
Islamabad Wollen Mills Limited	-	46	-	13,192	Mr. Muhammad Younus Dar
Qureshi Vegetable Ghee Mills Limited	96	96	6,762	8,310	Mr. Tariq Mahmood Qureshi
Rawal Industries Works Limited	-	41	-	41,390	Syed Muhammad Umair, Esq.
			<b>14,433</b>	<b>74,563</b>	

**8.20 Particulars of investments held in unlisted shares**

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Investee	%	Breakup value per share (Rupees)	Based on audited financial statements as at	2007	2006	2007	2006
				Number of shares held		Cost (Rupees '000)	
<b>Ordinary share</b>							
<b>Shareholding more than 10%</b>							
Al-Zamin Modaraba Management (Private) Limited	13.44	-	-	-	500,000	-	5,000
CEO- Mr. Bashir A. Chaudhry							
Paramount Investments Limited	19.28	8.31	6/30/2006	<b>400,000</b>	400,000	<b>4,000</b>	4,000
CEO- Mr. Ghaffar A.Omar (Liquidator)							
<b>Shareholding up to 10%</b>							
Agro Dairies Limited		-	*	<b>300,000</b>	300,000	<b>2,301</b>	2,301
CEO-Mr. Mukhtar Rizvi							
Al-Hamra Hills (Private) Limited		10.3	6/30/2006	<b>5,000,000</b>	5,000,000	<b>50,000</b>	50,000
CEO-Mr. Habib Ahmed							
FTC Management Company Limited		277.54	6/30/2006	<b>50,000</b>	50,000	<b>500</b>	500
CEO-Mr. Rehan A. Riaz							
New -VIS Credit Information Services (Private.) Limited		-	6/30/2005	<b>39,000</b>	39,000	<b>390</b>	390
CEO-Mr. Fahim Ahmed							
Pakistan Textile City Limited		10.23	6/30/2006	<b>5,000,000</b>	5,000,000	<b>50,000</b>	50,000
CEO-Mr. Zaheer A. Hussain							
						<b>107,191</b>	<b>112,191</b>
* Not available							

9

**ADVANCES**

		2007	2006
		Rupees '000	
<b>In Pakistan</b>	9.3		
Loans		<b>2,302,753</b>	2,676,449
Net investment in finance leases	9.4	<b>716,712</b>	202,009
Staff loans	9.7	<b>20,114</b>	21,770
Consumer loans and advances		<b>758,084</b>	776,514
Long term financing of export oriented projects		<b>31,507</b>	42,401
Financing in respect of continuous funding system		<b>1,404,562</b>	-

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Margin financing		-	200,000
<b>Advances-gross</b>		<b>5,233,732</b>	<b>3,919,143</b>
Less: Provision against:			
Non-performing loans and net investment in finance lease-specific provision	9.5	128,229	64,993
Consumer loans and advances - general provision	9.5.1	17,789	16,889
		<b>146,018</b>	<b>81,882</b>
<b>Advances-net of provision</b>		<b>5,087,714</b>	<b>3,837,261</b>
<b>9.1 Particulars of advances (gross)</b>			
9.1.1 In local currency		5,233,732	3,919,143
In foreign currency		-	-
		<b>5,233,732</b>	<b>3,919,143</b>
9.1.2 Short term (upto one year)		150,000	369,760
Long term (over one year)		5,083,732	3,549,383
		<b>5,233,732</b>	<b>3,919,143</b>
9.2 Considered good		5,087,714	3,837,261
Considered doubtful		146,018	81,882
		<b>5,233,732</b>	<b>3,919,143</b>
Less: Provision for non-performing loans and advances	9.5.1	146,018	81,882
		<b>5,087,714</b>	<b>3,837,261</b>
9.3	Included in total advances are amounts aggregating Rs. 45.352 million (2006: Rs. 50.188 million) against which provision of Rs. 29.431 million has been made (2006: Rs. 10.036 million) and which are outstanding for over three years.		

**9.4 Net investment in finance lease**

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

	2007			Total
	Not later than one year	Later than one and less than five years	Over five years	
	-----Rupees '000-----			
Lease rentals receivable	228,857	563,565	-	792,422
Residual value	-	77,124	-	77,124
Minimum lease payments	228,857	640,689	-	869,546
Financial charges for future periods	74,311	78,523	-	152,834
Present value of minimum lease payments	<b>154,546</b>	<b>562,166</b>	-	<b>716,712</b>
	2006			Total
	Not later than one year	Later than one and less than five years	Over five years	

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

	-----Rupees '000-----			
Lease rentals receivable	66,078	124,103	-	190,181
Residual value	-	51,983	-	51,983
Minimum lease payments	66,078	176,086	-	242,164
Financial charges for future periods	21,026	19,129	-	40,155
Present value of minimum lease payments	45,052	156,957	-	202,009

**9.4.1** In respect of the aforementioned finance leases the company holds an aggregate sum of Rs. 77.124 million (2006: Rs. 51.983 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (refer note 17).

**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 12.60 (2006: 12.50) to 15.68 (2006: 15.85) percent per annum.

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007	2006
	Rupees '000	
<b>9.5.4 Particulars of written off</b>		
Against provisions	-	396
Directly charges to the profit and loss account	-	-
	<u>-</u>	<u>396</u>
<b>9.5.5 Write offs of Rs. 500,000 and above</b>	-	-
Write offs of below Rs. 500,000	-	396
	<u>-</u>	<u>396</u>

**9.6 Details of loans written off of Rs. 500,000 and above**

There were no write offs of loans or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2007.

**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 the beginning of year	21,770	21,053
Loans granted during the year	4,271	4,133
Repayments	(5,927)	(3,020)
Amount written off	-	(396)
Balance at the end of the year	20,114	21,770

9.5.4

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

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

Balance at the beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at the end of the year	-	-
	<u>20,114</u>	<u>21,770</u>

**9.7.1** The maximum total amount of advances including temporary advances granted during the year were Rs. 21.770 million (2006: Rs. 22.872 million). The maximum amount has been calculated by reference to the month end balance.

	2007	2006
	Rupees '000	
<b>9.7.2 Particulars of loans to executives</b>		
Amount due at the beginning of year	7,864	3,249
Disbursements	3,057	5,354
Repayments	(996)	(739)
	<u>2,061</u>	<u>4,615</u>
Amount due at the end of the year	<u>9,925</u>	<u>7,864</u>

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**10 OPERATING FIXED ASSETS**

Capital work-in-progress	10.1	<b>18,845</b>	1,838
Property and equipment	10.2	<b>44,931</b>	64,936
		<b>63,776</b>	66,774

**10.1 Capital work-in progress**

Advances to suppliers		<b>18,845</b>	1,838
		<b>18,845</b>	1,838

**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 favour of the company is pending.

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
-----Rupees '000-----						
<b>Motor vehicles</b>						
Mitsubishi Gallant	2,999	1,400	1,599	1,078	Tender	Syed Riaz Ahmed Madina BAA Apartment, Showroom No. 10, Street Muslimabad, M.A. Jinnah Road, Karachi.
Suzuki Cultus	554	533	21	322	Tender	Mr. Malik Abdul Khaliq A-19-Bleok-I North Nazimabad, Karachi.

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Toyota Corolla	939	579	360	505	Company Policy	Mr. A. Latif Memon (Employee)		
	Toyota Corolla	939	516	423	422	Company Policy	Mr. Jameel Qureshi (Employee)		
	Toyota Corolla	939	563	376	376	Company Policy	Mr. Ali Ahmed (Employee)		
	Suzuki Cultus	590	344	246	310	Company Policy	Syed Ghazanfar Ali (Employee)		
	Suzuki Motor Cycle	64	47	17	20	Tender	M/s Kay Kay Autos		
								2007	2006
								Rupees '000	
<b>11</b>	<b>DEFERRED TAX ASSET</b>								
	Deferred credit arising in respect of:								
	Net investment in finance leases							(150,826)	(43,159)
	Deferred debits arising in respect of:								
	Decelerated tax depreciation							2,530	2,384
	Provision for compensated absences							3,456	4,020
	Provision for contingencies							62,098	66,559
	Assessed tax losses carried forward				11.1			202,732	114,884
	Deferred tax on minimum tax liability							18,469	11,847
								<u>138,459</u>	<u>156,535</u>
	Add: Deferred tax debit on deficit on revaluation of government securities				19			25,731	28,508
								<u>164,189</u>	<u>185,043</u>
<b>11.1</b>	The total assessed tax losses amount to approximately Rs. 674 million (2006: Rs. 717 million) as at December 31, 2007. The deferred tax asset on the aforementioned assessed tax losses amounts to Rs. 236 million (2006: 251 million). However, the company has as a matter of abundant caution and on grounds of prudence restricted the recognition of the related deferred tax asset on the assessed tax losses to Rs. 600 million which amounts to Rs. 210 million as at December 31, 2007.								
<b>11.2</b>	A deferred tax asset on deficit on revaluation of listed equity shares amounting to approximately Rs. 8.558 million has not been recognized by the company in the financial statements as the management is confident that the existing exemption on capital gains arising on listed shares will be extended by the Government of Pakistan beyond the assessment year ending June 30, 2008.								
<b>12</b>	<b>OTHER ASSETS</b>							2007	2006
								Rupees '000	
	Income/Mark-up /Return receivable in local currency							218,099	232,027
	Less: Provision				12.1			7,274	19,840
								<u>210,825</u>	<u>212,187</u>
	Security deposits							3,859	359
	Short term advances							3,124	4,210
	Prepayments							1,846	800
	Other receivable				12.2			3,481	-
	Advance taxation							30,258	29,936
	Dividends							7,092	2,889
								<u>260,485</u>	<u>250,381</u>
<b>12.1</b>	<b>Provisions against income/markup/return receivable</b>								
	Opening balance							19,840	19,840

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

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**FOR THE YEAR ENDED DECEMBER 31, 2007**

Charge for the year		-	-
		<u>19,840</u>	19,840
Less: Amount written off		<u>12,566</u>	-
Closing balance		<u>7,274</u>	<u>19,840</u>

**12.2 Particulars of provision against others**

Opening balance		-	1,956
Charge for the year		-	94
		-	2,050
Less: Amount written off	12.2.1	-	2,050
Closing balance		-	-

**12.2.1 Particulars of write off**

Against provisions	12.2	-	2,050
Directly charged to the profit and loss account		-	29
		-	<u>2,079</u>

2007                      2006  
Rupees '000

**13 CONTINGENT ASSETS**

There were no contingent assets as at the balance sheet date.

**14 BORROWINGS**

In Pakistan	14.1	8,750,370	7,033,571
Outside Pakistan		-	-
		<u>8,750,370</u>	<u>7,033,571</u>

**14.1 Particulars of borrowings with respect to currencies**

In local currency		8,750,370	7,033,571
In foreign currencies		-	-
		<u>8,750,370</u>	<u>7,033,571</u>

**14.2 Details of borrowings**

**Secured**

Borrowings from the State Bank of Pakistan under long term financing of exports oriented projects	14.2.1	27,876	42,401
Repurchase agreement borrowings	14.2.2	2,830,830	1,452,842
Borrowings from financial institutions			
Term finance certificates	14.2.3	333,331	666,661
Other	14.2.4	1,233,333	1,966,667
		<u>4,425,370</u>	<u>4,128,571</u>

**Unsecured**

Clean borrowings	14.2.5	4,325,000	2,905,000
		<u>8,750,370</u>	<u>7,033,571</u>

**14.2.1** The company has entered into agreements for financing with the State Bank of Pakistan 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. A limit of Rs 49 million has been allocated to the company by the SBP for financial year 2007-2008. Such financing shall carry interest at the rate of 4 to 5 percent per annum (2006: 4 to 5 percent ).

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

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**FOR THE YEAR ENDED DECEMBER 31, 2007**

14.2.2 The company has arranged borrowings from various financial institutions against sale and repurchase of government securities. The overall facility is for periods ranging from 1 to 122 days (2006: 5 to 93 days). The rates of markup on these finances range between 4 (2006: 8.65) to 10.1 (2006: 9.15) percent per annum.

14.2.3 This represents finances obtained through issue of privately placed term finance certificates (TFCs) of five years maturity. These finances are secured by way of a first floating charge on all present and future assets (excluding immovable property) of the company. The mark-up is payable semi-annually. The rate of mark-up is 110 basis points over the cut-off yield of last successful auction of six months T-bills. As at December 31, 2007, the effective rate was 10.24 (2006: 9.91) percent per annum.

14.2.4 This represents borrowing, which are secured by way of first hypothecation charge on all present and future assets of the company. The mark-up is payable quarterly and semi annually. The rates of mark-up range from six months KIBOR plus 0.75 percent to 1.5 percent and 110 basis points over the cut-off yield of last successful auction of six months T-bills. As at December 31, 2007, the effective rates ranged between 8.5 to 11.77 (2006: 8.5 to 11.74) percent per annum.

14.2.5 The mark-up rates on these borrowings range between 8.5 (2006: 10.5) to 13 (2006: 12.25) percent per annum. These borrowings are due for maturity between 1 to 186 days (2006: 5 to 134 days).

**15 DEPOSITS AND OTHER ACCOUNTS**

	2007	2006
	Rupees '000	
<b>Customers</b>		
Certificates of investment-(in local currency)	-	160,250
<b>Financial institutions-remunerative</b>		
Certificates of investment-(in local currency)	3,525,000	1,350,000
	<u>3,525,000</u>	<u>1,510,250</u>

15.1 The profit rates on these certificates of investment (COIs) range between 9.7 (2006: 9) to 10.39 percent (2006:12) percent per annum. The COIs are due for maturity during 2008 (2006: 2007 to 2008).

**16 OTHER LIABILITIES**

Mark-up/Return/Interest payable in local currency		
borrowings from financial institutions	89,399	101,373
certificates of investment	44,181	17,706
Accrued liabilities	64,330	25,339
Employees' compensated absences	9,779	11,486
Security deposits against investment in finance lease	9.4.1 77,124	51,983
Staff retirement gratuity	32 2,349	-
Retention money payable	-	124
	<u>287,162</u>	<u>208,011</u>

**17 SHARE CAPITAL**

**17.1 Authorized share capital**

Number of share				
2007	2006			
800,000	400,000	Ordinary shares of Rs. 10,000 each as at		
		January 1, 2007	8,000,000	4,000,000
-	400,000	Increased during the year	-	4,000,000
<u>800,000</u>	<u>800,000</u>	As at December 31, 2007	<u>8,000,000</u>	<u>8,000,000</u>

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**FOR THE YEAR ENDED DECEMBER 31, 2007**

**17.2 Issued, subscribed and paid - up capital**

	2007			2006			2007	2006
	Number of shares						Rupees '000	
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
Opening	231,836	92,342	324,178	143,836	72,342	216,178	3,241,780	2,161,780
Shares issued during the year	240,000	20,000	260,000	88,000	20,000	108,000	2,600,000	1,080,000
	<b>471,836</b>	<b>112,342</b>	<b>584,178</b>	<b>231,836</b>	<b>92,342</b>	<b>324,178</b>	<b>5,841,780</b>	<b>3,241,780</b>

**17.3** The State Bank of Pakistan (SBP) on behalf of the government of Pakistan and the Libyan Arab Foreign Investment Company (LAFICO) on behalf of the government of the Socialist Peoples Libyan Arab Jamahiriya each held 292,089 (2006: 162,089) ordinary shares of the company.

**17.4 Capital management policies and procedures**

The company's objectives when managing capital are:

to comply with the capital requirements set by the regulators of the company;

to safeguard company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

to acquire, develop and maintain a strong capital base to support the development of its business.

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

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 4 billion by December 31, 2007, 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 8%.

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 39, summaries the composition of regulatory capital and the ratios of the company for the year ended December 31, 2007. The company has adhered to the minimum capital requirements as imposed by SBP.

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

The increase in the capital in the year 2007 is mainly due to right shares issued to the existing shares holders of the company and the issue of bonus shares.

<b>18</b>	<b>RESERVES</b>		<b>2007</b>	<b>2006</b>
			Rupees '000	
	<u>Capital reserves</u>			
	<i>Statutory reserve</i>	18.1		
	As at January 1		322,309	263,354
	Add: Appropriation of profit		99,804	58,955
			422,113	322,309
	<i>Reserve for issue of bonus shares</i>			
	As at January 1		-	-
	Add: Appropriation of profit		200,000	200,000
	Less: Issue of bonus shares		(200,000)	(200,000)
			-	-
	<u>Revenue reserve</u>			
	<b>Reserve for contingencies</b>			
	As at January 1		440,000	420,000
	Add: Appropriation of profit	18.2	36,000	20,000
			476,000	440,000
			898,113	762,309

**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.

			<b>2007</b>	<b>2006</b>
			Rupees '000	
<b>19</b>	<b>DEFICIT (NET) ON REVALUATION OF SECURITIES</b>			
	Surplus/(deficit) on revaluation of 'available for sale' securities			
	Pakistan investment bonds		(70,835)	(81,424)
	Market treasury bills		(2,681)	(24)
			(73,516)	(81,448)
	Less: Deferred tax on government securities		25,731	28,508
			(47,785)	(52,940)
	Listed companies-fully paid up ordinary shares		(44,488)	(127,536)
	Listed companies-fully paid up preference shares		(927)	(7,805)
	Listed term finance certificates		13,740	11,395
	Mutual fund units		1,859	(3,037)

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

National Investment Trust units	5,364	(3,667)
	<u>(24,452)</u>	<u>(130,650)</u>
	<u>(72,237)</u>	<u>(183,590)</u>

**20 CONTINGENCIES AND COMMITMENTS**

20.1 Direct credit substitute-guarantee issued	<u>200,000</u>	<u>200,000</u>
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The amount utilised under this guarantee issued in favour of the government of Pakistan as at December 31, 2007 was Rs. 200 million (December 31, 2006: Rs. 200 million).

20.2 Undisbursed sanctions for financial assistance in the form of loans and advances, term finance certificates and leases	<u>2,097,705</u>	<u>1,147,810</u>
20.3 Underwriting agreement	<u>200,000</u>	<u>-</u>
20.4 Forward purchase of shares	<u>5,141</u>	<u>32,283</u>
Forward sale of shares	<u>-</u>	<u>20,834</u>
Letter of credit	<u>-</u>	<u>-</u>

**21 DERIVATIVE INSTRUMENTS**

The company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the year. However, the company regularly transacts in shares future and as at December 31, 2007 the unrealised gain / loss on outstanding futures transactions along with the derivative asset / liability was considered immaterial to be recognized in these financial statements.

	2007	2006
	Rupees '000	
<b>22 MARK-UP/RETURN/INTEREST EARNED</b>		
<b>On loans and advances to</b>		
-customers	429,900	345,692
-financial institutions	20,712	16,787
<b>On investments in</b>		
-available for sale securities	330,890	272,577
-held to maturity securities	20,796	18,445
On deposits with financial institutions	361,482	218,796
On repurchase agreement lendings (Reverse Repo)	68,047	32,610
Income on continuous funding system (CFS)	29,509	19,449
Income on margin financing	-	10,274
Income on bank deposits	3,513	2,148
	<u>1,264,849</u>	<u>936,778</u>

**23 MARK-UP/RETURN/INTEREST EXPENSED**

Deposits and other accounts		
Long term	209,609	21,331
Short term	-	118,083
On securities sold under repurchase agreement	191,729	58,590
On other borrowings		

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Long term		196,274	293,823
	Short term		364,134	113,089
			<u>961,746</u>	<u>604,916</u>
<b>24</b>	<b>GAIN ON SALE OF SECURITIES</b>			
	Listed shares		188,372	68,132
	Unquoted		5,000	-
	Mutual funds		198,876	4,244
			<u>392,248</u>	<u>72,376</u>
<b>25</b>	<b>OTHER INCOME</b>			
	Gain on sale of operating fixed assets		13,681	438
	Exchange gain on US dollar bonds		66	4,625
	Gain on liquidation of a subsidiary		-	24,036
	Others		1,356	2,240
			<u>15,103</u>	<u>31,339</u>
			2007	2006
			Rupees '000	
<b>26</b>	<b>ADMINISTRATIVE EXPENSES</b>			
	Salaries, allowances etc.		66,011	57,240
	Charge for defined benefit plan	32.1	6,959	1,729
	Contribution to defined contribution plan		1,622	1,376
	Executive directors remuneration (including remuneration of the Managing Director)	34	26,698	18,669
	Non-executive directors' fee	34	122	116
	Board meeting' expenses		16,086	12,871
	Traveling and conveyance		1,892	1,471
	Rent and utilities		1,424	2,344
	Legal consultancy and professional charges		5,767	4,904
	Communications		4,856	3,305
	Repairs and maintenance		5,905	12,427
	Motor vehicle expenses		4,893	4,415
	Entertainment		754	808
	Insurance		1,951	1,533
	Software maintenance expenses		632	76
	Bank charges		1,012	506
	Printing and stationery		1,975	1,816
	Advertisement, periodicals, membership dues and publicity		1,791	2,999
	Auditors' remuneration	26.1	1,407	1,150
	Donation	26.2	50	-
	Depreciation	10.2	14,630	15,833
	Others		1,254	911
			<u>167,691</u>	<u>146,499</u>
<b>26.1</b>	<b>Auditors' remuneration</b>			
	Audit fee		500	500
	Special certifications and sundry advisory services		525	550

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Out of pocket expenses		382	100
		<u>1,407</u>	<u>1,150</u>

26.2 No donation was made in excess of Rs. 50,000 to a single donee. Donation was not made to any donee in which a director or his spouse has any interest at any time during the year.

**27 OTHER CHARGES**

Custodial charges		79	126
Discount on bank guarantee		-	-
		<u>79</u>	<u>126</u>

2007          2006  
Rupees '000

**28 TAXATION**

Current			
For the year	28.1	10,502	6,613
Prior year		-	(666)
Deferred		<u>18,077</u>	<u>(52,920)</u>
		<u>28,579</u>	<u>(46,972)</u>

28.1 The provision for current taxation for the year ended December 31,2007 has been made under section 113 of the Income Tax Ordinance, 2001 on the basis of minimum taxation at one-half percent of the turnover and on the basis of presumptive tax regime.

**28.2 Relationship between tax expense and accounting profit**

Accounting profit before taxation		<u>527,600</u>	<u>247,803</u>
Tax rate		35%	35%
Tax on accounting profit		184,660	86,731
Tax effect of:			
-Expenses that are inadmissible in determining taxable income		(135,875)	-
-Dividend income taxed at different tax rates		(11,171)	(7,784)
- Exempt income		-	(28,548)
-Minimum tax		6,622	5,408
Tax effect of prior year reversal of provision		-	(666)
Effect of deferred tax on previously unrecognised losses		(95,166)	(121,356)
Effect of deferred tax origination of temporary differences		79,509	19,242
		<u>(156,081)</u>	<u>(133,704)</u>
		<u>28,579</u>	<u>(46,973)</u>

**29 BASIC AND DILUTED EARNINGS PER SHARE**

		2007	2006
Profit for the year after taxation (Rupees in thousand)		<u>499,021</u>	<u>294,776</u>

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Weighted average number of ordinary shares in issue		<u>386,479</u>	<u>263,652</u>
Basic earnings per share (Rupees)		<u>1,291</u>	<u>1,118</u>
Diluted earnings per share (Rupees)	29.1	<u>1,291</u>	<u>1,118</u>

29.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2007 and 2006.

29.2 Prior period earnings per share has been adjusted to give effect of bonus shares issued by the company.

	2007	2006
	Rupees '000	
<b>30 CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	21,954	48,313
Balances with other banks	226,459	21,035
Placements- net of provisions	-	160,000
	<u>248,413</u>	<u>229,348</u>

	2007	2006
	Numbers	
<b>31 STAFF STRENGTH</b>		
Permanent	35	39
Temporary/on contractual basis	40	35
Daily wagers	6	4
Others	-	-
<b>Company's own staff strength at the end of the year</b>	<u>81</u>	<u>78</u>
Outsourced	20	24
<b>Total staff strength</b>	<u>101</u>	<u>102</u>

**32 DEFINED BENEFIT PLAN**

**Staff retirement gratuity**

32.1 The projected unit credit method, as allowed under the International Accounting Standard 19 'Employee Benefits' (revised 2005) was unused for actuarial valuation based on following significant assumptions:

	2007	2006
	Percent per annum	
Discount rate	10	10
Expected rate of return on plan assets	10	10
Expected rate of increase in salary levels	10	10

The disclosures made in note 32.1 to 32.11 are based on the information included in the actuarial valuation as of December 31, 2006 and has been roll forwarded as at December 31, 2007 by the actuary.

**32.2 Mortality rate**

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

**32.3 Expected return on plan assets**

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the company, at the beginning of the period, for returns over the entire life of related obligation.

	2007	2006
	Rupees '000	
<b>32.4 Reconciliation of amount payable to defined benefit plan</b>		

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Present value of defined benefit obligation	32.5	22,922	22,820
Fair value of plan assets	32.6	<u>(20,783)</u>	<u>(14,621)</u>
		2,139	8,199
Net unrecognised actuarial gains / (losses)		2,321	(1,509)
Unrecognised past service cost	32.5	<u>(4,460)</u>	<u>(6,690)</u>
		-	-

**32.5 The movement in the defined benefit obligation over the year is as follows:**

Present value of obligation at January 1		22,820	14,397
Current service cost	32.7	1,560	988
Interest cost	32.7	2,282	1,296
Benefits paid		-	(1,000)
Past service cost-vested	32.7	(2,230)	465
Past service cost-not vested	32.4	(4,460)	6,690
Actuarial (gain) or loss on obligation (balancing figure)		2,950	(16)
Present value of obligation at December 31		<u>22,922</u>	<u>22,820</u>

**32.6 The movement in the fair value of plan assets of the year is as follows:**

Fair value of plan assets as at January 1		14,621	12,024
Expected return on plan assets		1,462	1,082
Contributions		4,610	1,729
Benefits paid		3,740	(1,000)
Actuarial gain on assets		(3,650)	786
Fair value of plan assets as at December 31		<u>20,783</u>	<u>14,621</u>

**32.7 The amount recognized in the income statement is as follows:**

Current service cost		1,560	988
Interest cost		2,282	1,296
Expected return on plan assets		(1,462)	(1,082)
Actuarial gain recognized		-	62
Past service cost recognized	32.5	2,230	465
		<u>4,610</u>	<u>1,729</u>

32.8 Actual return on plan assets during the year was Rs.5.292 million (2006: Rs. 0.391 million).

32.9 Expected contribution to post employment benefit plan for the year ended December 31 2007 is Rs. 4.160 million.

**32.10 Plan assets comprise the following:**

**Particulars**

	2007		2006	
	Rupees '000	Percent	Rupees '000	Percent
Term deposit receipts (TDRs)	13,750	93%	-	-
Mutual fund	1,000	7%	-	-
Bonds	-	-	12,755	87
Cash and bank balances	-	-	1,866	13
	<u>14,750</u>	<u>100%</u>	<u>14,621</u>	<u>100</u>

32.11 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:

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007	2006	2005	2004	2003
	-----Rupees '000-----				
Present value of defined benefit obligation	22,922	22,820	14,397	12,345	7,541
Fair value of plan assets	(20,783)	(14,621)	(12,024)	(9,830)	(10,408)
Deficit/(Surplus)	2,139	8,199	2,373	2,515	(2,867)

defined benefit obligation	32.5	-	16	-	(3,707)	956
Experience adjustments on plan assets	32.6	3,650	786	-	(1,757)	(1,488)

**33 DEFINED CONTRIBUTION PLAN**

	2007	2006
	Rupees '000	
Contribution from the company	8,635	1,376
Contribution from the employee	8,635	1,376
	17,270	2,752

**34 COMPENSATION OF DIRECTORS AND EXECUTIVES**

	Managing Director		Director		Executives	
	2007	2006	2007	2006	2007	2006
	-----Rupees '000-----					
Fees	-	24	122	140	-	-
Managerial remuneration	9,067	6,022	10,122	6,601	15,467	13,037
Charge for defined benefit plan	300	240	327	312	348	579
Contribution to defined contribution plan	250	233	384	309	413	402
Rent and house maintenance	481	757	720	491	3,568	3,228
Utilities	369	275	519	383	793	626
Medical	93	99	210	211	1,189	939
Conveyance	2,088	624	1,448	1,441	2,833	1,877
Club membership fee	-	1,200	-	-	-	75
Others	768	517	814	-	-	-
	13,416	9,991	14,666	9,888	24,611	20,763
Number of persons	1	1	5	5	11	10

**35 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**35.1 On-balance sheet financial instruments**

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Assets	2007		2006	
	Book value	Fair value	Book value	Fair value
	-----Rupees '000-----			
Cash balances with treasury banks	21,954	21,954	48,313	48,313
Balances with other banks	226,459	226,459	21,035	21,035
Lending to financial institutions	5,355,534	5,355,534	4,839,307	4,839,307
Investments	8,450,866	8,450,866	3,561,789	3,561,789
Advances	5,087,714	5,087,714	3,837,261	3,837,261
Other assets	224,900	224,900	250,381	250,381
	<b>19,367,427</b>	<b>19,367,427</b>	12,558,086	12,558,086
<b>Liabilities</b>				
Borrowing from financial institutions	8,750,370	8,750,370	7,033,571	7,033,571
Deposits and other accounts	3,525,000	3,525,000	1,510,250	1,510,250
Other liabilities	287,162	287,162	208,011	208,011
	<b>12,562,532</b>	<b>12,562,532</b>	8,751,832	8,751,832
	<b>6,804,895</b>	<b>6,804,895</b>	3,806,254	3,806,254

**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	-	-	-	-

**35.3** The fair values of investments classified by the company as 'held for trading' and 'available for sale' have been based on quoted market prices and rates quoted at Reuters Pages (PKRV) as applicable with the exception of unlisted term finance certificates, WAPDA Bonds and unlisted equity investments which have been valued respectively at redemption amounts, cost and breakup values based on the latest available audited financial statements. Investments classified as 'held to maturity' have been valued at amortized cost. Fair value of advances, other assets, other liabilities and other financial instruments cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

The provision for non-performing advances has been calculated in accordance with the company's accounting policy as stated in note 4.3 to these financial statements.

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

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**37 RELATED PARTY TRANSACTIONS**

**37.1 Key management personnel:**

Mr. Naeemuddin Khan (Director and Managing Director)  
 Mr. Taher M. Gurbi (Director and Deputy Managing Director) - until June 30, 2007  
 Dr. Saleh Jomaa M. Abdalla (Director and Deputy Managing Director)

2007                  2006  
 Rupees '000

**37.2 Summary of transaction with related parties**

Cash proceeds on liquidation of a subsidiary (UIPL)	-	99,307
Term finance certificate obtained on liquidation of subsidiary (UIPL)	-	5,000
Purchase of Pakistan investment bonds from Pak-Libya Holding Company (Private) Limited Employees Contributory Provident Fund Trust	-	13,469
Cash proceeds on liquidation of a subsidiary (FMCL)	-	13
Purchase of fixed assets from a subsidiary (FMCL) in liquidation	-	70
Expenses incurred on liquidation of a subsidiary (FMCL)	-	83
Transaction with retirement benefits funds-see note 33		
Remuneration to the director and key management personnel-see note 34		

**38 CAPITAL ADEQUACY**

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

**Regulatory Capital Base**

**Tier I Capital**

Shareholders capital	17	5,841,780	3,241,780
Reserves	38.1	898,113	762,309
Less: Deficit (net) on revaluation of securities	19	(72,237)	(183,590)
Unappropriated profit (net of losses)		400,789	237,572
<b>Total Tier I Capital</b>		<b>7,068,445</b>	<b>4,058,071</b>

**Tier II Capital**

Subordinated debt (upto 50% of total Tier I Capital)		-	-
General provision subject to 1.25% of total risk weighted assets		-	-
Revaluation Reserve (upto 50%)		-	-
<b>Total Tier II Capital</b>		<b>-</b>	<b>-</b>
		<b>7,068,445</b>	<b>4,058,071</b>

**Eligible Tier III Capital**

<b>Total regulatory capital</b>	(a)	<b>7,068,445</b>	<b>4,058,071</b>
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**Risk-Weighted Exposures**

	2007		2006	
	Book value	Risk adjusted value	Book value	
	-----Rupees '000-----			
<b>Credit Risk</b>				
<b>Balance sheet Items</b>				
Cash and other liquid assets	248,413	45,292	69,348	
Money at call reverse repurchase agreement lending and placements	38.3	5,355,534	4,839,307	
		<b>4,060,000</b>	<b>3,810,000</b>	

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Investments	8	8,450,866	6,176,621	3,561,789	2,749,589
Loans and advances	38.4	5,010,590	4,736,425	3,785,278	3,531,765
Operating fixed assets	10	63,776	63,776	66,774	66,774
Other assets		424,674	372,374	435,424	388,777
		<b>19,553,853</b>	<b>15,454,488</b>	12,757,920	10,551,112

**Off Balance Sheet items**

Loans repayment guarantees	20.1	200,000	200,000	200,000	200,000
Purchase and resale agreements	20.4	5,141	2,571	-	-
Performance bonds etc		-	-	-	-
Revolving underwriting commitments	20.3	200,000	100,000	-	-
Stand by letters of credit		-	-	-	-
Outstanding foreign exchange contracts		-	-	-	-
- Purchase		-	-	-	-
- Sale		-	-	-	-
		<b>405,141</b>	<b>302,571</b>	200,000	200,000
Credit risk-weighted exposures			<b>15,757,057</b>		<b>10,751,112</b>

**Market Risk**

General market risk			-		-
Specific market risk			-		53,117
Capital charge for foreign exchange risk			<b>4,174</b>		6,768
Market risk-weighted exposures			<b>4,174</b>		59,885
<b>Total Risk-Weighted Exposures</b>	(b)		<b>15,761,231</b>		<b>10,810,997</b>

**Capital Adequacy Ratio [ (a)/(b) x100]**

<b>44.85%</b>	<b>37.54%</b>
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38.1 General reserve of Rs. 902.768 million (2006: Rs 762.309 million) also includes 'reserve for contingencies' aggregating Rs. 476 million (2006: Rs 440 million) appropriated from profits and this reserve has not been created specifically to meet loan losses.

38.2 Weightages as mentioned in BSD circular No. 12 dated August 25, 2004 have been applied to respective 'book values' to arrive at the 'risk adjusted values'.

38.3 The company holds Federal Government Securities aggregating Rs. 1,295,534 million (2006: Rs. 1,029.307 million) against reverse repurchase agreement lendings to financial institutions and therefore the risk weight has been reduced to zero.

38.4 The amounts of cash margins and deposits held against loans and advances aggregate Rs 77.124 million (2006: Rs 51.983 million).

**39 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.

**39.1 Credit risk**

Credit risk refers to the risk of financial loss arising from defaults by counter parties in meeting their obligations.

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

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. 19,630.977 million, financial assets which were subject to credit risk amounted to Rs. 5,087.714 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 as disclosed in note 4.3 to these financial statements. A reconciliation of provision against non performing advances has been disclosed in note 9.5.1 of these financial statements. The company does not enter into any securitisation activities.

**39.1.1 Segment information**

**39.1.1.1 Segment by class of business**

	2007					
	Advances (gross)		Deposits	Contingencies and Commitments		
	Rs '000	%	Rs '000	%	Rs '000	%
Agriculture, forestry, hunting and fishing	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	-	-
Textile	245,125	4.68%	-	-	-	-
Chemicals and pharmaceuticals	261,171	4.99%	-	-	1,018,951	40.71%
Cement	636,900	12.17%	-	-	350,000	13.98%
Sugar	-	-	-	-	-	-
Footwear and leather garments	-	-	-	-	-	-
Automobile and transportation equipment	150,000	2.87%	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	172,691	3.30%	-	-	-	-
Power (electricity), gas, water, sanitary	575,209	10.99%	-	-	826,925	33.04%
Wholesale and retail trade	-	-	-	-	-	-
Exports/Imports	-	-	-	-	-	-
Transport, Storage and communication	99,000	1.89%	-	-	-	-
Financial	147,416	2.82%	3,525,000	100.00%	-	0.00%
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	807,204	15.42%	-	-	101,830	4.07%

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Others	2,139,016	40.87%	-	-	205,140	8.20%
	5,233,732	100%	3,525,000	100%	2,502,846	100%

**39.1.1.2 Segment by sector**

Public / Government	-	-	-	-	-	-
Private	5,233,732	100%	3,525,000	100%	2,502,846	100%
	5,233,732	100%	3,525,000	100%	2,502,846	100%

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

	2007		2006	
	Classified advances	Specific provisions held	Classified Advances	Specific Provisions held
Agriculture, forestry, hunting and fishing	-	-	-	-
Mining and quarrying	-	-	-	-
Textile	27,582	16,341	30,000	2,682
Chemicals and pharmaceuticals	-	-	-	-
Cement	-	-	-	-
Sugar	-	-	-	-
Footwear and leather garments	-	-	-	-
Automobile and transportation equipment	-	-	-	-
Electronics and electrical appliances	-	-	-	-
Construction	172,691	61,346	192,035	33,108
Power (electricity), Gas, Water, Sanitary	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports/Imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial	5,000	2,500	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	111,014	40,688	98,679	21,849
Others	7,354	7,354	7,354	7,354
	323,641	128,229	328,068	64,993

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

Public / government	-	-	-	-
Private	323,641	128,229	328,068	64,993
	323,641	128,229	328,068	64,993

**39.1.1.5 Geographical segment analysis**

2007

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Profit before taxation</b>	<b>Total assets employed</b>	<b>Net assets employed</b>	<b>Liabilities and commit- ments</b>
----- Rupees '000-----				
Pakistan	527,600	19,630,977	7,068,445	2,502,846
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United State of America and Canada	-	-	-	-
Middle East	-	-	-	-
Africa	-	-	-	-
	<u>527,600</u>	<u>19,630,977</u>	<u>7,068,445</u>	<u>2,502,846</u>

**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 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.

**39.2.1 Foreign exchange risk**

	<b>2007</b>			
	<b>Assets taxation</b>	<b>Liabilities assets</b>	<b>Off-balance sheet items</b>	<b>Net foreign currency exposure</b>
----- Rupees '000-----				
Pakistan rupee	19,626,803	12,562,532	-	7,064,271
United State dollar	4,174	-	-	4,174
Great Britain pound	-	-	-	-
Deutsche mark	-	-	-	-
Japanese yen	-	-	-	-
Euro	-	-	-	-
	<u>19,630,977</u>	<u>12,562,532</u>	<u>-</u>	<u>7,068,445</u>

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to change in foreign currency rates.

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

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**39.4 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.

**40 GENERAL**

The Pakistan Credit Rating Agency Limited has maintained the company's long term rating at "AA-"(double AA minus) and the short term rating at "A1+" (A one plus). The rating have been assigned a " Positive outlook"

**41 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

The board of directors have approved:

- Transfer to reserve for issue of bonus shares amounting to Rs.\_\_\_\_\_ million (2006: Rs 200 million) for the year ended December 31, 2007; and
- transfer to reserve for contingencies amounting to Rs \_\_\_\_\_ million (2006: Rs 36 million) for the year ended December 31, 2007.

**42 DATE OF AUTHORIZATION**

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

**Chief Financial Officer**

**Managing Director**

**Managing Director**

**Director**

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
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**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

**NOTES TO THE ACCOUNTS**

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	<b>COST</b>		
	Opening Balance 01.01.2004 Rupees in'000	Additions/ (Deletions)/ Revaluations	Closing Balance 31.12.2004
Free hold land			
Lease hold land			
Building on free hold land	-	-	-
Building on lease hold land	1,951	-	1,951
Furniture and fixture	69,768	-	69,768
Electrical, office and computer equipments	11,719	4,272 (825)	15,991 (825)
Vehicles	17,512	2,162 (790)	19,674 (790)
Others (to be specified)	12,796	10,137 (5,183)	22,933 (5,183)
	-	-	-
<b>Assets held under finance lease:</b>	<b>113,746</b>	<b>16,571 (6,798)</b>	<b>123,519</b>
Furniture and fixtures			
Electrical, office and computer equipments	-	-	-
Vehicles	-	-	-
Others (to be specified)	-	-	-
	-	-	-
<b>Intangible assets</b>	<b>113,746</b>	<b>16,571</b>	<b>123,519</b>

12.3

	<b>COST</b>		
	Opening Balance 01.01.2004 Rupees in'000	Additions/ (Deletions)/ Re-valuations	Closing Balance 31.12.2004
Computer software			
Others	-	-	-
	-	-	-
	-	-	-

During the year the company has reclassified the loan amounting to Rs. 42.734 million and receivable against other lease to Rs.59.785 million as part of its investments in TFCs. As the company has received a payment of Rs. 8.350 million during the year, Rs. 1.631 million has been considered as being on account of mark-up, therefore, the company has reversed the provision of Rs. 20.504 million, carried against the subject receivables. Further, the security deposit amounting to Rs. 4.300 million has been reversed against the outstanding amount. The company has also received an amount of Rs. 0.741 million against TFCs series 'B'.

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**

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The State Bank of Pakistan has through its letter BSD/RU-20/121-06 (PR-1)2604/2001 dated September 5,2001 relaxed rules 9 and 14 of the Non Bank Financial Institutions Rules of Business regarding classification of the amounts outstanding

10.3 This includes an amount of Rs. 18 million advanced under an investment cum Fund Management agreement with Union International (Private) Limited (UIL), a subsidiary company, whereby the company has agreed to provide funds to UIL with specific instruction to invest the said funds in the equity capital Future Management Consultants (Private) Limited (FMCL). This advance was fully provided last year as FMCL is now considered insolvent. UIL continues to hold shares of FMCL in its exclusive name, but in trust for and on behalf of the company.

10.8.2 This amount comprises of loans to subsidiaries amounting to Rs. 18 million (2004: Rs. 18 million) to Union International (Private) Limited and Rs. 2 million (2004: Rs 2 million) million to Future Management Consultants (Private) Limited (a subsidiary held for disposal) respectively. These amounts have been fully provided.

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

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates.

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
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**10.2 Property and equipment**

	Cost			Depreciation			Net book value as at 31-Dec-07	Rate (%)
	As at 1-Jan-07	Additions/ (deletions)	As at 31-Dec-07	as at 1-Jan-07	For the year/ (on disposals)	as at 31-Dec-07		
	-----Rupees '000-----							
Leasehold lands-note 11.2.2	1,951	-	1,951	365	22	387	1,564	1/90
Buildings on leasehold lands-note 11.2.2	69,768	2,425 (24,964)	47,229	45,041	2,624 (8,968)	38,697	8,532	5
Furniture and fixtures	25,765	999 (337)	26,427	10,646	3,640 (97)	14,189	12,238	10,15 and 25
Electrical appliances	8,377	1,050 (573)	8,854	4,758	843 (573)	5,028	3,826	10 and 15
Office equipment	638	-	638	424	33	457	181	10
Computer equipment	16,302	2,370	18,672	11,769	2,559	14,328	4,344	30
Motor vehicles	26,489	7,062 (7,024)	26,527	11,355	4,909 (3,983)	12,281	14,246	20
<b>2007</b>	<b>Rupees '000</b>	<b>149,290</b>	<b>13,906</b> <b>(32,898)</b>	<b>130,298</b>	<b>84,358</b> <b>(13,621)</b>	<b>14,630</b> <b>85,367</b>	<b>44,931</b>	
2006	Rupees '000	143,116	9,297 (3,123)	149,290	70,869	15,833 (2,348)	84,354	64,936

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
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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 '000-----								
As at January 1, 2006								
Cost	1,951	69,768	25,590	6,504	465	12,645	26,193	143,116
Depreciation	(344)	(41,552)	(7,196)	(4,137)	(404)	(9,097)	(8,139)	(70,869)
Net book value	1,607	28,216	18,394	2,367	61	3,548	18,054	72,247
<b>Year ended December 31 2006</b>								-
Additions	-	-	377	1,886	173	3,657	3,204	9,297
Disposals	-	-	(202)	(13)	-	-	(2,908)	(3,123)
Depreciation charge	(22)	(3,488)	(3,652)	(634)	(18)	(2,671)	(5,348)	(15,833)
Depreciation on disposal	-	-	202	13	-	-	2,133	2,348
Net book value								
<b>December 31, 2006</b>	<b>1,585</b>	<b>24,728</b>	<b>15,119</b>	<b>3,619</b>	<b>216</b>	<b>4,534</b>	<b>15,135</b>	<b>64,936</b>
<b>Year ended December 31 2007</b>								
Additions	-	2,425	999	1,050	-	2,370	7,062	13,906
Disposals	-	(24,964)	(337)	(573)	-	-	(7,024)	(32,898)
Depreciation charge	(22)	(2,624)	(3,640)	(843)	(33)	(2,559)	(4,909)	(14,630)
Depreciation on disposal	-	8,968	97	573	-	-	3,983	13,621
Net book value as at								
<b>December 31, 2007</b>	<b>1,563</b>	<b>8,533</b>	<b>12,238</b>	<b>3,826</b>	<b>183</b>	<b>4,345</b>	<b>14,247</b>	<b>44,931</b>

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9.5 Advances include Rs. 323.641 million (2006: Rs. 328.068 million) which have been placed under non-performing status is detailed below:

Category of classification	2007								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees '000			Rupees '000			Rupees '000			
Substandard	36,685	-	36,685	2,813	-	2,813	2,813	-	2,813
Doubtful	200,016	-	200,016	69,841	-	69,841	69,841	-	69,841
Loss	86,940	-	86,940	55,575	-	55,575	55,575	-	55,575
	<b>323,641</b>	-	<b>323,641</b>	<b>128,229</b>	-	<b>128,229</b>	<b>128,229</b>	-	<b>128,229</b>
2006	328,068	-	328,068	64,993	-	64,993	64,993	-	64,993

9.5.1 Particulars of provision against non-performing advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
----- Rupees '000 -----						
Opening balance	64,993	16,889	81,882	19,572	14,204	33,776
Charge for the year	76,139	900	77,039	47,483	4,676	52,159
Less: Reversals	(12,903)	-	(12,903)	1,666	1,991	3,657
Net charge	63,236	900	64,136	45,817	2,685	48,502
Less: Amounts written off	-	-	-	396	-	396
Closing balance	<b>128,229</b>	<b>17,789</b>	<b>146,018</b>	<b>64,993</b>	<b>16,889</b>	<b>81,882</b>

9.5.2 Particulars of provision against non-performing advances

In local currency	128,229	17,789	146,018	64,993	16,889	81,882
In foreign currency	-	-	-	-	-	-
	<b>128,229</b>	<b>17,789</b>	<b>146,018</b>	<b>64,993</b>	<b>16,889</b>	<b>81,882</b>

9.5.3 During the year State Bank of Pakistan amended Prudential Regulations for Corporate / Commercial Banking through BSD Circular No. 7 dated October 12, 2007. As a consequence, Regulation No. 8 relating to provisioning against non-performing loans, was changed and benefit of forced sale value (FSV) of the mortgaged assets held as collateral, while calculating provision against non-performing loans was withdrawn with effect from December 31, 2007 except in case of housing finance. Previously, DFIs were allowed to have benefit of FSV while calculating provision against non-performing loans.

Had the provision against non-performing loans and advances been determined in accordance with the previous requirements, the specific provision against non-performing loans and advances would have been lower and consequently profit before taxation and advances (net of provisions) as at December 31, 2007 would have been higher by approximately Rs. 28.238 million.

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

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

**2007**

	<b>Corporate Finance</b>	<b>Trading and sales</b>	<b>Retail banking</b>	<b>Commercial banking</b>	<b>Payment and settlement</b>	<b>Agency services</b>	<b>Assets management</b>	<b>Retail brokerage</b>	<b>Other</b>
Total income	<b>1,544,239</b>	-	<b>120,615</b>	-	-	-	-	-	-
Total expenses	<b>1,033,527</b>	-	<b>103,727</b>	-	-	-	-	-	-
Net income / (loss)	<b>510,712</b>	-	<b>16,888</b>	-	-	-	-	-	-
Segment assets (gross)	<b>19,082,440</b>	-	<b>926,887</b>	-	-	-	-	-	-
Segment Non performing loans	<b>212,627</b>	-	<b>111,014</b>	-	-	-	-	-	-
Segment Provision required	<b>337,662</b>	-	<b>40,688</b>	-	-	-	-	-	-
Segment liabilities	<b>11,711,010</b>	-	<b>851,522</b>	-	-	-	-	-	-
Net assets	<b>7,371,430</b>	-	<b>75,365</b>	-	-	-	-	-	-
Segment return on net assets (ROA)%	<b>6.93%</b>	-	<b>22.41%</b>	-	-	-	-	-	-
Segment cost of funds (%)	<b>9.22%</b>	-	<b>6.12%</b>	-	-	-	-	-	-

**2006**

Total income	986,843	-	88,883	-	-	-	-	-	-
Total expenses	694,733	-	86,855	-	-	-	-	-	-
Net income / (loss)	292,110	-	2,028	-	-	-	-	-	-
Segment assets (gross)	12,402,841	-	896,101	-	-	-	-	-	-
Segment Non performing loans	229,389	-	98,679	-	-	-	-	-	-
Segment Provision required	450,939	-	38,738	-	-	-	-	-	-
Segment liabilities	7,896,497	-	855,335	-	-	-	-	-	-
Segment return on net assets (ROA)%	7.20%	-	6.44%	-	-	-	-	-	-
Segment cost of funds (%)	9.74%	-	7.83%	-	-	-	-	-	-

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**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. 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.

**39.2.3 Mismatch of interest rate sensitive assets and liabilities**

Effective yield/interest rate	2 0 0 7									
	Exposed to yield/interest rate risk									
	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

-----Rupees '000-----

**On-balance sheet**

**financial instruments**

**Assets**

Cash and balances with treasury banks	-	21,954	-	-	-	-	-	-	-	-	-	21,954
Balances with other banks	6.73	226,459	85,784	64,338	64,338	-	-	-	-	-	-	12,000
Lendings to financial institutions	10.55	5,355,534	1,795,534	2,000,000	-	1,560,000	-	-	-	-	-	-
Investments	9.85	8,450,866	1,041,277	61,224	813,330	485,439	205,799	178,551	750,533	382,241	-	4,532,471
Advances	12.10	5,087,714	1,157,622	557,724	377,527	803,758	993,661	498,024	247,919	233,145	218,334	-
Other assets	-	224,900	-	-	-	-	-	-	-	-	-	224,900
		19,367,427	4,080,216	2,683,286	1,255,195	2,849,197	1,199,460	676,575	998,452	615,386	218,334	4,791,325

**Liabilities**

Borrowings	9.75	8,750,370	4,791,961	2,120,296	733,929	488,755	285,429	205,000	125,000	-	-	-
Deposits and other accounts	10.10	3,525,000	-	3,525,000	-	-	-	-	-	-	-	-
Other Liabilities		287,162	-	-	-	-	-	-	-	-	-	287,162
		12,562,532	4,791,961	5,645,296	733,929	488,755	285,429	205,000	125,000	-	-	287,162

**On-balance sheet gap**

		6,804,895	(711,745)	(2,962,010)	521,266	2,360,442	914,031	471,575	873,452	615,386	218,334	4,504,163
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**Off-balance sheet financial instruments**

Forward lending

(including call lending, repurchase agreement lending, commitments to extend credit, etc)

		-	-	-	-	-	-	-	-	-	-	-
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Forward borrowing

(including call borrowing, repurchase agreement Borrowing etc.)

		-	-	-	-	-	-	-	-	-	-	-
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**Off-balance sheet gap**

		-	-	-	-	-	-	-	-	-	-	-
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Total yield/interest rate risk

Sensitivity gap		(711,745)	(2,962,010)	521,266	2,360,442	914,031	471,575	873,452	615,386	218,334		
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Cumulative yield/interest

rate risk sensitivity gap		(711,745)	(3,673,754)	(3,152,488)	(792,046)	121,985	593,560	1,467,013	2,082,398	2,300,732		
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**Reconciliation of assets exposed to yield/interest rate risk with total assets**

Interest	No-interest	Non-	Total
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**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**  
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	bearing financial instruments	bearing financial instruments	financial instruments	
<b>Assets</b>				
Cash and balances with treasury banks	-	21,954	-	21,954
Balances with other banks	214,459	12,000	-	226,459
Lendings to financial institutions	5,355,534	-	-	5,355,534
Investments	3,918,395	4,532,471	-	8,450,866
Advances	5,087,714	-	-	5,087,714
Operating fixed assets	-	-	63,776	63,776
Deferred taxation	-	-	164,189	164,189
Other assets	-	224,900	35,585	260,485
	<u>14,576,102</u>	<u>4,791,325</u>	<u>263,550</u>	<u>19,630,977</u>

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

Bills payable	-	-	-	-
Borrowings	8,750,370	-	-	8,750,370
Deposits and other accounts	3,525,000	-	-	3,525,000
Sub-ordinated loans	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	-	287,162	-	287,162
Bills payable	-	-	-	-
Borrowings	-	-	-	-
	<u>12,275,370</u>	<u>287,162</u>	<u>-</u>	<u>12,562,532</u>

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.

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates.

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.

**39.3 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.

**39.3.1 Maturities of assets and liabilities**



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Unappropriated profit	237,572
Surplus/(deficit) on revaluation of assets	<u>(183,590)</u>
	<u><u>4,058,071</u></u>