

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**BALANCE SHEET****AS AT DECEMBER 31, 2008**

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	5	42,624	21,954
Balances with other banks	6	78,821	226,459
Lendings to financial institutions	7	698,769	5,355,534
Investments	8	5,477,558	8,450,866
Advances	9	4,938,783	5,087,714
Operating fixed assets	10	52,281	63,776
Deferred tax assets	11	254,093	164,189
Other assets	12	629,422	260,485
		12,172,351	19,630,977
LIABILITIES			
Bills payable		-	-
Borrowings	14	4,858,821	8,750,370
Deposits and other accounts	15	1,400,000	3,525,000
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	16	260,737	287,162
		6,519,558	12,562,532
NET ASSETS			
		5,652,793	7,068,445
REPRESENTED BY			
Share capital	17	6,141,780	5,841,780
Reserves	18	1,020,589	898,113
Unappropriated profit		90,693	400,789
		7,253,062	7,140,682
Deficit (net) on revaluation of securities - net of tax	19	(1,600,269)	(72,237)
		5,652,793	7,068,445
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 43 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.8.2.

Chief Financial Officer

Managing Director

Managing Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
Mark-up / Return / Interest earned	22	1,610,370	1,264,849
Mark-up / Return / Interest expensed	23	1,105,089	961,746
Net mark-up / interest income		505,281	303,103
Provision against non-performing loan and advances	9.5.1	399,368	64,137
Provision against lending to financial institutions	7.5	100,000	
Reversal of provision for diminution in the value of investments	8.3 & 8.11	6,601	(2,123)
Bad debts written off directly		-	-
		505,969	62,014
Net mark-up / interest income after provisions		(688)	241,089
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		4,271	8,184
Dividend income		191,697	43,004
Income from dealing in foreign currencies		-	-
Gain on sale of securities - net	24	81,863	392,248
Unrealised loss on revaluation of investments classified as 'held for trading'	8.1	(282)	-
Other income	25	3,709	15,103
Total non-markup/interest income		281,258	458,539
		280,570	699,628
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	26	207,605	166,932
Other Provision/Written off		-	-
Other charges	27	10,619	5,096
Total non-markup/interest expenses		218,224	172,028
		62,346	527,600
Extraordinary/unusual items		-	-
PROFIT BEFORE TAXATION		62,346	527,600
Taxation			
current	28	19,143	10,502
prior years		-	-
deferred		(69,177)	18,077
		(50,034)	28,579
PROFIT AFTER TAXATION		112,380	499,021
Unappropriated profit brought forward		400,789	237,572
Profit available for appropriation		513,169	736,593
Rupees			
Basic earnings per share	29	183	813
Diluted earnings per share	29	183	813

The annexed notes 1 to 43 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.8.2.

Chief Financial Officer

Managing Director

Managing Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		62,346	527,600
Less: Dividend income		(191,697)	(43,004)
		(129,351)	484,596
Adjustments:			
Depreciation	10.2	22,054	14,630
Provision against non-performing advances	9.5.1	399,368	64,136
Unrealised loss on revaluation of 'held-for trading' investments		282	-
Provision against other assets		100,000	-
Other assets directly written off		-	-
Provision for diminution in the value of investments	8.3 & 8.11	6,601	(2,123)
Gain on sale of operating fixed assets	25	(1,252)	(13,681)
		527,053	62,962
		397,702	547,558
<i>(Increase)/Decrease in operating assets</i>			
Lendings to financial institutions		4,596,765	(676,227)
Held-for-trading securities		(100,785)	-
Advances		(250,437)	(1,314,589)
Other assets		(357,102)	(155)
		3,888,441	(1,990,971)
<i>Increase/(Decrease) in operating liabilities</i>			
Borrowings		(3,891,549)	1,716,799
Deposits and other accounts		(2,125,000)	2,014,750
Other liabilities		(26,425)	79,151
		(6,042,974)	3,810,700
		(1,756,831)	2,367,287
Income tax (paid)/refund		(30,708)	(16,248)
<i>Net cash (used in) / from operating activities</i>		(1,787,539)	2,351,039
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		1,873,389	(4,890,888)
Net investments in held-to-maturity securities		(354,937)	118,064
Dividends received		191,426	38,801
Investments in operating fixed assets		(13,275)	(30,910)
Proceeds on sale of operating fixed assets		3,968	32,959
<i>Net cash from / (used in) investing activities</i>		1,700,571	(4,731,974)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	2,400,000
<i>Net cash from financing activities</i>		-	2,400,000
Increase/(Decrease) in cash and cash equivalents		(86,968)	19,065
Cash and cash equivalents at beginning of the year		248,413	229,348
Cash and cash equivalents at end of the year	30	161,445	248,413

The annexed notes 1 to 43 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.8.2.

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, 2008

	-----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 in '000						
Balance as at January 1, 2007	3,241,780	322,309	-	440,000	237,572	4,241,661
Profit after taxation 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	5,841,780	422,113	-	476,000	400,789	7,140,682
Profit for the year ended December 31, 2008	-	-	-	-	112,380	112,380
Transfer to statutory reserve	-	22,476	-	-	(22,476)	-
Transfer to reserve for contingencies	-	-	-	100,000	(100,000)	-
Reserve for issue of bonus shares	-	-	300,000	-	(300,000)	-
Issue of bonus shares	300,000	-	(300,000)	-	-	-
Right shares issued	-	-	-	-	-	-
Balance as at December 31, 2008	6,141,780	444,589	-	576,000	90,693	7,253,062

*Statutory reserve represents amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 43 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.8.2.

Chief Financial Officer

Managing Director

Managing Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1 STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan as a private limited company on October 14, 1978. It is a joint venture between the Government of Pakistan and Libya. The tenure of the company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments) extended the tenure for further similar periods. The objective of the company interalia includes the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The company is designated as a development financial institution (DFI) under the BPD circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan.

The registered office of the company is located at 5th Floor, Tower C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.

2 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.

2.1 Standards, amendments and interpretations to published approved accounting standards effective in current year

During the year ended December 31, 2008, IFRIC 14 "IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction" is effective from the company's annual periods beginning on or after January 01, 2008. IFRIC 14 provides guidance on assessing the limit in International Accounting Standard (IAS) 19 "Employee Benefits" on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The company has considered the implication of interpretation on the surplus that can be recognized as an asset.

There are other new standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 01, 2008 but are considered not to be relevant or do not have any significant impact on the company's financial statements.

2.2 Standards, amendments and interpretations to published approved accounting standards that are relevant but not yet effective

The following standards, amendments and interpretations to published approved accounting standards are mandatory for the company's accounting periods beginning on or after January 01, 2009:

IFRS 8 "Operating Segments" (effective for annual periods beginning on or after January 01, 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the company presents segment information in respect of its business and geographical segments. This standard will have no effect on the company's reported total profit or loss or equity.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2008

IAS 1 "Presentation of Financial Statements" effective for annual periods beginning on or after January 01, 2009 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in comprehensive Income Statement. Adoption of the above standard will only effect the presentation of financial statements.

IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure requirements of IAS 32 "Financial Instruments: Presentation". The application of the standard is not expected to have significant impact on the company's financial statements other than increase in disclosures.

There are other amendments resulting from annual improvement project initiated by International Accounting Standards Board in May 2008, specifically in IAS 1 "Presentation of Financial Statements", IAS 19 "Employee Benefits", IAS 28 "Investment in Associates", IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets" that are considered relevant to the company's financial statements. The management is in the process of evaluating the impact of these changes on the company's financial statements

2.3 Standards, amendments and interpretations to published approved accounting standards that are not relevant and not yet effective

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 "Share-based Payments"	January 01, 2009
IFRS 3 "Business Combinations"	July 01, 2009
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"	July 01, 2009
IAS 16 "Property, Plant and Equipment"	January 01, 2009
IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance"	January 01, 2009
IAS 23 "Borrowing Costs"	January 01, 2009
IAS 27 "Consolidated and Separate Financial Statements"	January 01, 2009
IAS 29 "Financial Reporting in Hyperinflationary Economies"	January 01, 2009
IAS 31 "Interests in Joint Ventures"	January 01, 2009
IAS 32 "Financial Instruments: Presentation"	January 01, 2009
IAS 41 "Agriculture"	January 01, 2009
IFRIC 15 "Agreements for the Construction of Real Estate"	January 01, 2009
IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 01, 2009

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP and obligations in respect of certain staff retirement benefits are carried at present value.

These financial statements have been prepared following the accrual basis of accounting except cash flow information.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2008

In accordance with the directives of the SBP, listed and government securities, excluding investments categorized as 'held to maturity' securities are stated at revalued amounts. Any surplus/deficit arising as a result of revaluation of listed and government securities categorized as 'available for sale' is presented below the shareholders' equity in the balance sheet.

Surplus/deficit arising on revaluation of 'held for trading' securities is credited/charged to the profit and loss account.

In accordance with BSD circular No. 14 dated September 24, 2004 investments in securities categorized as 'held to maturity' are carried at amortized cost.

Unlisted securities where active market does not exist are stated at the lower of cost and break-up value.

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

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

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

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

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.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Deferred

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

4.7 Staff retirement benefits

Defined benefit plan

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

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

The last actuarial valuation of the scheme was carried out as at December 31, 2008. 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, 2008.

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.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2008

4.11 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.12 Off-setting of financial assets and financial liabilities

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

4.13 Dividend and reserves

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

4.14 Critical accounting estimates and judgments

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

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

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.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		2008	2007
		Rupees in '000	
5	CASH AND BALANCES WITH TREASURY BANKS		
	Cash in hand		
	local currency	2	4
	foreign currency	-	-
	Balances with State Bank of Pakistan (SBP) (local currency)		
	current account	11,093	4,980
	cash reserves	21,000	14,750
	Balances with National Bank of Pakistan (local currency)		
	current account	10,529	2,220
		<u>42,624</u>	<u>21,954</u>

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

6 BALANCES WITH OTHER BANKS

In Pakistan

	Current accounts	16,925	12,000
	Deposit accounts	61,896	214,459
		<u>78,821</u>	<u>226,459</u>

6.1 The return on these balances ranges from 6 to 11 (2007: 0.10 to 9) percent per annum.

7 LENDING TO FINANCIAL INSTITUTIONS

	Repurchase agreement lendings (Reverse Repo)	7.1	658,769	1,295,534
	Certificates of Investments (COIs)	7.2	-	4,000,000
	Placements	7.3	204,597	124,597
		7.4	863,366	5,420,131
	Less: Provisions for doubtful placements	7.5	164,597	64,597
			<u>698,769</u>	<u>5,355,534</u>

7.1 Securities held as collateral against lendings to financial institutions

	2008			2007		
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
	-----Rupees in '000-----					
Pakistan investment bonds	408,769	250,000	658,769	174,530	1,121,004	1,295,534
	<u>408,769</u>	<u>250,000</u>	<u>658,769</u>	<u>174,530</u>	<u>1,121,004</u>	<u>1,295,534</u>

The profit rates on reverse repurchase agreement lendings range from 13 (2007: 6.7) to 15 (2007: 9.95) percent per annum.

7.2 The profit rates on these COIs range from Nil (2007: 10) to Nil (2007: 12.75) percent per annum.

7.3 The profit rates on placements range from 19.7 (2007: 8.75) to 20.0 (2007: 13.4) percent per annum.

7.4 Particulars of lending

	In local currency	863,366	5,420,131
	In foreign currencies	-	-
		<u>863,366</u>	<u>5,420,131</u>

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		2008	2007
		Rupees in '000	
7.5	Specific provisioning		
	Opening balance	64,597	64,597
	Charge for the year	100,000	-
	Less: Reversal for the year	-	-
	Net charge for the year	100,000	-
		164,597	64,597
	Amounts written off	7.5.1	-
		164,597	64,597
7.5.1	Particulars of amounts written off		
	Against provisions	-	-
	Directly charged to the profit and loss account	-	-
		-	-

8 INVESTMENTS

		2008			2007		
		Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total
-----Rupees in '000-----							
8.1	Investments by types						
	<i>Held-for-trading securities</i>						
	Listed shares	8.14	100,691	-	100,691	-	-
	Mutual funds	8.14	94	-	94	-	-
	<i>Available-for sale securities</i>						
	Listed shares	8.15	1,823,312	-	1,823,312	1,027,453	1,027,453
	Listed preference shares	8.16	50,000	-	50,000	56,105	56,105
	Unlisted shares	8.22	126,191	-	126,191	107,191	107,191
	Mutual fund units	8.17	313,707	-	313,707	3,429,678	3,429,678
	National Investment Trust units		295,000	-	295,000	50,000	50,000
	Listed term finance certificates (TFCs)	8.18	464,034	-	464,034	571,442	571,442
	Unlisted TFCs	8.20	1,060,702	-	1,060,702	940,376	940,376
	Sukuk issue		209,162	-	209,162	207,906	207,906
	WAPDA bonds		-	-	-	250,000	250,000
	Pakistan investment bonds (PIBs)		-	396,507	396,507	63,798	355,591
	Market treasury bills		435,000	1,489,520	1,924,520	49,233	1,427,751
	<i>Held-to maturity securities</i>						
	Participation term certificates (PTCs)		8,214	-	8,214	14,433	14,433
	Unlisted TFCs		-	-	-	60,370	60,370
	Commercial paper		421,526	-	421,526	-	-
	Investments at cost		5,307,633	1,886,027	7,193,660	6,827,985	1,783,342
							8,611,327

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	2008			2007			
	Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total	
-----Rupees in '000-----							
Less: Provision for diminution in the value of investment							
Listed shares	8.8	40,510	-	40,510	40,358	-	40,358
Unlisted shares	8.9	7,820	-	7,820	4,042	-	4,042
PTCs	8.10	8,214	-	8,214	14,433	-	14,433
Listed TFCs	8.12	1,092	-	1,092	3,660	-	3,660
Unlisted TFCs	8.13	11,458	-	11,458	-	-	-
	8.3	69,094	-	69,094	62,493	-	62,493
Investment (net of provisions)		5,238,539	1,886,027	7,124,566	6,765,492	1,783,342	8,548,834
Deficit on revaluation of 'held-for-trading' securities		(282)	-	(282)	-	-	-
Deficit on revaluation of 'available-for-sale' securities	8.8.2	(1,516,602)	(130,124)	(1,646,726)	(31,656)	(66,312)	(97,968)
Total investments at market value		3,721,655	1,755,903	5,477,558	6,733,836	1,717,030	8,450,866

		2008	2007
		Rupees in '000	
8.2	Investments by segments		
	<i>Federal government securities</i>		
	Market treasury bills		1,924,520
	Pakistan investment bonds	8.5 & 8.6	396,507
	<i>Fully paid ordinary shares</i>		
	Listed	8.14 & 8.15	1,924,003
	Unlisted	8.22	126,191
	<i>Fully paid preference shares</i>		
	Listed	8.16	50,000
	<i>Term finance certificates</i>		
	Listed	8.7 & 8.18	464,034
	Unlisted	8.2	1,060,702
	<i>Participation term certificates</i>	8.21	8,214
	<i>Other investments</i>		
	Mutual fund units	8.17	313,801
	Commercial paper		421,526
	National Investment Trust units		295,000
	WAPDA bonds		-
	Sukuk issue		209,162
	Total investment at cost		7,193,660
	Less: Provision for diminution in value of investments	8.3	69,094
	Investments (net of provisions)		7,124,566
	Deficit on revaluation of 'held-for-trading' securities		(282)
	Deficit on revaluation of 'available-for-sale' securities	8.8.2	(1,646,726)
	Total investments at market value		5,477,558

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		2008	2007
		Rupees in '000	
8.3	Particulars of provision		
	Opening balance	62,493	111,260
	Charge for the year	25,342	10,240
	Less: Reversal during the year	(18,741)	(59,007)
	Net charge /(reversal) for the year	6,601	(48,767)
	Closing balance	69,094	62,493

8.3.1 Particulars of provision in respect of type and segment

Available for sale securities

Listed ordinary shares	8.8	40,510	40,358
Unlisted ordinary shares	8.9	7,820	4,042
Listed TFCs	8.12	1,092	3,660
Unlisted TFCs	8.13	11,458	-

Held-to-maturity securities

Unlisted PTCs	8.10	8,214	14,433
		69,094	62,493

8.4 Quality of held for trading securities/entities

	2008		2007	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
<u>Listed shares</u>				
Banks/ Financial institutions	Rupees in '000		Rupees in '000	
Allied Bank Limited	144	AA/A1+	-	
Arif Habib Bank Limited	630	A-/A2	-	
Arif Habib Limited	834	Unrated	-	
Askari Bank Limited	3,453	AA/A1+	-	
Bank Alfalah Limited	4,727	AA/A1+	-	
Bank of Punjab	57	AA-/A1+	-	
Bank Al-Habib Limited	1,250	AA/A1+	-	
Faysal Bank Limited	322	AA/A1+	-	
National Bank of Pakistan	2,187	AAA/A1+	-	
NIB Bank Limited	3,059	AA-/A1	-	
Habib Bank Limited	9,806	AA+/A1+	-	
Saudi Pak Commercial Bank Limited	40	A-/A3	-	
Soneri Bank Limited	97	AA-/A1+	-	
United Bank Limited	320	AA+/A1+	-	
Arif Habib Securities Limited	11,886	AA/A1	-	
Dawood Equities Limited	4	Unrated	-	
First National Equities Limited	4,393	Unrated	-	
Investment & Finance Securities Limited	1	Unrated	-	
Jahangir Siddiqui & Company	6,085	AA+/A1+	-	
Jahangir Siddiqui & Investment Limited	39	AA-/A1+	-	
Pervaiz Ahmed Securities	61	Unrated	-	
Javed Omer Vohra & Company	96	BB+/B	-	
Bank Islami Pakistan Limited	524	A-/A2	-	
JS Bank Limited	1,027	A/A1	-	
Meezan Bank Limited	20	A+/A1	-	
MCB Bank Limited	40	AA+/A1+	-	

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	2008		2007	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
Textile				
Nishat (Chunian) Limited	41	Unrated	-	
Nishat Mills Limited	1,065	A+/A1	-	
D.S. Industries Limited	216	Unrated	-	
Dawood Lawrencepur Limited	86	Unrated	-	
Azgard Nine Limited	3,538	A+/A1	-	
Oil and gas marketing & exploration				
Oil & Gas Development Company Limited	687	AAA/A1+	-	
Pakistan Oil fields Limited	1,310	Unrated	-	
Pakistan Petroleum Limited	78	Unrated	-	
Pakistan State Oil Company Limited	225	AAA/A1+	-	
Attock Petroleum Limited	33	Unrated	-	
Sui Southern Gas Company Limited	567	AA-/A1+	-	
Mari Gas company Limited	91	Unrated	-	
Sui Northern Gas Company Limited	876	AA/A1+	-	
Power generation and distribution				
Kot Addu Power Company Limited	19	Unrated	-	
Hub Power Company Limited	273	Unrated	-	
Chemicals and Fertilizers				
Engro Chemicals Pakistan Limited	87	AA/A1+	-	
Fauji Fertilizer Bin Qasim Limited	400	Unrated	-	
Fauji Fertilizer Company Limited	209	Unrated	-	
Pakistan PTA Limited	261	Unrated	-	
ICI (Pakistan) Limited	31	Unrated	-	
BOC Pakistan Limited	25	Unrated	-	
Sitara Peroxide Limited	527	Unrated	-	
Pharmaceutical				
Searle Pakistan Limited	3	A3	-	
Synthetic and rayon				
Dewan Salman Fibre Limited	59	Unrated	-	
Cement				
D.G. Khan Cement Company Limited	1,621	Unrated	-	
Dewan Cement Limited	31	BB/B	-	
Lucky Cement Limited	765	Unrated	-	
Maple Leaf Cement Factory Limited	14	BBB+/A2	-	
Fauji Cement Company Limited	874	Unrated	-	
Al-Abass Cement Industries Limited	16	Unrated	-	
Pakistan Cement Company Limited	362	Unrated	-	
Pioneer Cement Limited	44	BBB/A3	-	
Thatta Cement Company Limited	1	Unrated	-	
Insurance				
Adamjee Insurance Company Limited	8,954	Unrated	-	
Pakistan Re-Insurance Company Limited	49	Unrated	-	
EFU General Insurance Limited	13,364	Unrated	-	

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	2008		2007	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
Transport				
Pakistan International Container Terminal Limited	15	A-/A2	-	
Refinery				
National Refinery Limited	3	AAA/A1+	-	
Attock Refinery Limited	7,522	AA/A1+	-	
Bosicor Pakistan Limited	190	Unrated	-	
Pakistan Refinery Limited	1,746	Unrated	-	
Automobile				
Honda Atlas Car Limited	15	Unrated	-	
Indus Motor Company Limited	394	Unrated	-	
Engineering				
Crescent Steel & Allied Products Limited	50	Unrated	-	
Dost Steel Limited	87	Unrated	-	
Cable and electrical goods				
Electron Limited (formerly Pak-Elektron Limited)	71	A/A1	-	
Paper & Board				
Packages Limited	66	AA/A1+	-	
Miscellaneous				
Pace (Pakistan) Limited	375	A+/A1	-	
Tri-Pack Films Limited	15	A+/A1	-	
Technology and telecommunication				
Pakistan Telecommunication Company Limited	270	Unrated	-	
Eye Television Network	343	Unrated	-	
Netsol Technologies Limited	208	Unrated	-	
TeleCard Limited	93	Unrated	-	
TRG (Pakistan) Limited	684	BBB/A2	-	
Worldcall Telecom Limited	323	A+/A1	-	
<u>Mutual fund units/certificates</u>				
PICIC Growth Fund	17	Unrated	-	
JS Value Fund Limited	82	5 star	-	
Pakistan Premier Fund Limited	30	5 star/4 star	-	
	100,503		-	

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8.4.1 Quality of available for sale securities/entities

	2008		2007	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
<i>Listed shares</i>				
Banks/ Financial institutions	Rupees in '000		Rupees in '000	
Allied Bank Limited	2,349	AA/A1+	-	-
Arif Habib Bank Limited	10,445	A-/A2	-	-
Askari Bank Limited	15,299	AA/A1+	-	-
Bank Alfalah Limited	13,384	AA/A1+	26,850	AA/A1+
Bank of Punjab	24,420	AA-/A1+	-	-
Faysal Bank Limited	21,869	AA/A1+	19,785	AA/A-1+
National Bank of Pakistan	40,256	AAA/A1+	116,075	AAA/A-1+
NIB Bank Limited	10,741	AA-/A1	21,850	A+/A1
Habib Bank Limited	-		71,970	AA+/A-1+
Saudi Pak Commercial Bank Limited	11,836	A-/A3	51,300	BBB+/A-3
Soneri Bank Limited	4,675	AA-/A1+	-	-
United Bank Limited	40,601	AA+/A1+	-	-
Arif Habib Securities Limited	1,314	AA/A1	60,620	A-/A2
Leasing				
Al Zamin Leasing Modaraba	10,000	A-/A2	10,000	A
Textile				
Gulshan Spinning Mills Limited	3,238	Unrated	3,084	Unrated
Nishat (Chunian) Limited	6,382	Unrated	-	-
Nishat Mills Limited	3,390	A+/A1	-	-
Oil and gas marketing & exploration				
Oil & Gas Development Company Limited	9,098	AAA/A1+	65,697	AAA/A-1+
Pakistan Oilfields Limited	-		41,800	Unrated
Pakistan Petroleum Limited	5,534	Unrated	12,253	Unrated
Pakistan State Oil Company Limited			60,990	AAA/A1+
Sui Northern Gas Company Limited	8,584	AA/A1+	-	-
Power generation and distribution				
Kot Addu Power Company Limited	19,094	Unrated	19,380	Unrated
Hub Power Company Limited	52,127	Unrated	96,075	Unrated
Chemicals and Fertilizers				
Engro Chemicals Pakistan Limited	7,235	AA/A1+	13,288	AA/A1+
Fauji Fertilizer Bin Qasim Limited	28,380	Unrated	46,255	Unrated
Fauji Fertilizer Company Limited	8,810	Unrated	83,125	Unrated
Pakistan PTA Limited	716	Unrated	2,273	Unrated
ICI (Pakistan) Limited	17,178	Unrated	-	-
Synthetic and rayon				
Rupali Polyester Limited	10,238	Unrated	19,440	Unrated
Cement				
D.G. Khan Cement Limited	11,167	Unrated	-	-
Lucky Cement Limited	3,127	Unrated	-	-
Maple Leaf Cement Company Limited	8,610	BBB+/A2	12,672	A/A1
Fauji Cement Company Limited	5,170	Unrated	3,725	Unrated
Insurance				
Adamjee Insurance Company Limited	28,006	Unrated	-	-
Refinery				
National Refinery Limited	4,756	AAA/A1+	-	-

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	2008		2007	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
Automobile				
Pak Suzuki Motor Company Limited	22,689	Unrated	-	
Paper & Board				
Packages Limited	22,327	AA/A1+	-	
Technology and telecommunication				
Pakistan Telecommunication Company Limited	39,692	Unrated	84,100	Unrated
	532,737		942,607	
<u>Listed preference shares</u>				
Textile				
Chenab Limited	25,000	Unrated	25,000	Unrated
Nagina Cotton Mills Limited	-		5,178	Unrated
Cable and electrical goods				
Electron Limited (formerly Pak-Elektron Limited)	25,000	A/A1	25,000	A/A1
	50,000		55,178	
<u>Mutual fund units/certificates</u>				
AMZ Plus Income Fund	-		250,245	A(f)
AKD Opportunity Fund	9,888	Unrated	-	
Atlas Stock Market Fund	7,938	4 star	-	
Askari Income Fund	-		501,376	A(f)
NAFA Cash Fund	-		400,709	A(f)
JS-Fund of Funds	10,510	4 star	-	
United Growth and Income Fund	-		400,616	A(f)
MCB Asset Management Company Limited	-		400,687	Unrated
MCB Dynamic Allocation Fund	40,084	Unrated	-	
MCB Dynamic Stock Fund	13,133	Unrated	-	
Meezan Islamic Fund	8,474	5 star	-	
Unit Trust of Pakistan Limited	13,619	5 star	-	
Unit Stock Advantage Fund	4,297	Unrated	-	
UBL Principal Protected Fund	16,815	Unrated	-	
ABL Income Fund	52,151	A(f)	-	
HBL Asset Management Limited	-		250,287	Unrated
Alfalah GHP Fund	-		250,540	Unrated
Habib Asset Management Limited	-		80,114	Unrated
JS Investment Limited	-		175,216	5-Star
Arif Habib Investment	-		230,220	Unrated
KASB Funds Limited	-		150,271	Unrated
Al-Meezan Investment Limited	-		50,086	Unrated
Dawood Capital Management Limited	-		105,187	5-Star
AKD Investment Management Limited	-		50,023	Unrated
Atlas Asset Management Limited	-		50,064	5-Star
BMA Asset Management Limited	-		50,081	Unrated
Pak Oman Advantage Fund	14,461	AA-(f)	15,865	AA-(f)
PICIC Growth Fund	2,795	Unrated	19,950	MFR 2-Star
	194,166		3,431,537	

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	2008		2007	
	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
	Rupees in '000		Rupees in '000	
<u>Listed term finance certificates (TFCs)</u>				
Chemicals				
Ittehad Chemicals Limited	-		16,654	A
Banks/ Financial institutions				
Al-Zamin Leasing Modaraba	12,934	A	19,020	A
Askari Bank Limited-I	33,613	AA /A1+	33,626	AA /A1+
Askari Bank Limited-II	19,876	AA /A1+	19,884	AA /A1+
Azgard Nine Limited	40,354	A+ /A1	44,037	A+ /A1
Bank Alfalah Limited-I	-	AA/A1+	50,748	AA/A1+
Bank Alfalah Limited-II	124,808	AA/A1+	124,856	AA/A1+
Crescent Standard Investment Bank Limited (Formerly Pacific Leasing Company)	1,092	A-	3,660	A-
IGI Investment Bank Limited (Formerly First International Investment Bank Limited)	37,485	A/A1	49,980	A/A1
Jahangir Siddiqui & Company Limited	-		4,994	AA+ /A1+
MCB Bank Limited	-		4,493	AA+ /A1+
RBS (Formerly Prime Commercial Bank Limited)	99,860	AA+ /A1+	99,900	A+ /A1
Searle Pakistan Limited	31,238	A-	43,733	A-
Soneri Bank Limited	52,444	AA- /A1+	52,465	AA- /A1+
Standard Chartered Bank (Pakistan) Limited (Formerly Union Bank Limited)	-		17,133	AAA/A1+
Chemicals and Fertilizers				
Pak-Arab Fertilizer Limited	17,232	AA	-	
	470,936		585,182	
<u>Unlisted TFCs</u>				
Bank Al-Habib Limited	24,960	AA/A1+	24,970	AA/A1+
Dewan Farooque Spinning Mills Limited	28,125	Unrated	37,500	Unrated
Escorts Investment Bank Limited	16,653	A+	33,307	A+
Engro Chemical Pakistan Limited-I	404,000	AA/A1+	404,000	AA/A1+
Engro Chemical Pakistan Limited-II	300,000	AA/A1+	-	-
Grays Leasing Limited-I	-		6,250	Unrated
Grays Leasing Limited-II	-		1,250	Unrated
Gulshan Spinning Mills Limited	14,277	Unrated	28,554	Unrated
Kohinoor Textile Mills Limited	-		3,750	Unrated
New Allied Electronics Industries Limited	45,833	Unrated	50,000	A-
Pakistan International Airlines Corporation	177,077	Unrated	218,741	Unrated
Pakistan Mobile Communication (Private) Limited-II	-		20,000	Unrated
Pakistan Mobile Communication (Private) Limited-III	20,000	Unrated	60,000	Unrated
Paramount Spinning Mills Limited	14,277	Unrated	28,554	Unrated
Security Leasing Corporation Limited-II	12,500	Unrated	17,500	Unrated
Trust Leasing and Investment Bank Limited (Formerly Trust Leasing Corporation Limited)	3,000	A+ /A1	6,000	AA- /A1+
	1,060,702		940,376	

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WAPDA bonds

-		250,000	Unrated
2008		2007	
Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
Rupees in '000		Rupees in '000	

Privately placed Sukuk issued

Security Leasing Corporation Limited	40,000	Unrated	40,000	Unrated
Kohat Cement Limited	144,900	A-/A2	150,000	A-/A2
Sitara Energy Limited	24,262	Unrated	17,906	Unrated
	209,162		207,906	

Unlisted shares- stated at cost

Agro Dairies Limited	2,301	Unrated	2,301	Unrated
Al-Hamra Hills (Private) Limited	50,000	Unrated	50,000	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
Noman Abid Investment Management Limited	19,000	Unrated	-	
	126,191		107,191	

Other investments

National Investment Trust units	143,711	4-Star	55,364	4-Star
Pakistan investment bonds (PIBs)	275,317	Unrated	348,554	Unrated
Market treasury bills	1,912,976	Unrated	1,474,303	Unrated
Commercial paper	421,526	Unrated	-	
	2,753,530		1,878,221	
Total	5,497,927		8,398,198	

8.5 PIBs are eligible for rediscounting with the SBP.

8.6 These PIBs carry returns ranging from 8 (2007: 7) to 11 (2007: 11) percent per annum and have maturity periods ranging between August, 2012 to April, 2014 (2007: August, 2008 to April, 2014).

8.7 The rate of return on TFCs ranges from 9.5 (2007: 9.0) to 19.43 (2006:14.41) percent per annum.

8.8 Particulars of provision against listed ordinary shares

Specific	2008	2007
	Rupees in '000	
Opening balance	40,358	35,563
Charge for the year	10,106	28,408
Less: Reversal for the year	(9,954)	(23,613)
Net charge for the year	152	4,795
Closing balance	40,510	40,358

8.8.1 The balance includes provision for diminution in value of investments as at December 31, 2008 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. 10 million.

8.8.2 Unrealised loss on remeasurement of available for sale investments

Due to global economic recession, stock exchanges in Pakistan also witnessed significant decline in trading of equity securities.

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Consequently market values of equity instruments declined significantly.

SBP through BSD Circular No. 02 of 2009 dated January 27, 2009 clarified that banks / DFIs for the purpose of preparation of financial statements for the period ended December 31, 2008, may use market price as quoted on the stock exchange on December 31, 2008 as fair value of securities.

Later on, SECP through notification vide SRO 150(1)/2009 dated February 13, 2009 allowed that impairment loss, if any recognized as on December 31, 2008 due to valuation of listed equity securities held as 'available for sale' in terms of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" to market prices as quoted on the stock exchange on December 31, 2008 may be shown under the equity. This amount taken to equity including any adjustment/effect for price movements during the quarter of calendar year 2009 shall be taken to profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. This amount shall be treated as a charge to profit and loss account for the purpose of distribution as dividend. This treatment was also allowed by SBP through BSD Circular No. 04 of 2009 dated February 13, 2009.

Consequently, the company has valued its securities at prices quoted on the Karachi Stock Exchange on December 31, 2008 and the impairment loss based on market values as at December 31, 2008 has been determined at Rs. 1,480 million. However, the management believes that these are exceptional/abnormal circumstances and the fall in stock market should not be considered as a fair reflection of security prices. Therefore, recognition of impairment for available for sale equity securities through profit and loss account would not be real reflective of financial performance of the company.

The recognition of impairment loss based on the market values as at December 31, 2008 would have had the following effect on these financial statements:

	Rupees in '000
Increase in 'impairment loss' in Profit and Loss Account	1,480,245
Decrease in profit - before tax	1,480,245
Decrease in deficit on revaluation of available for sale securities	1,480,245
Decrease in profit - after tax	1,480,245
Decrease in profit per share - after tax	(185.20)

8.9 Particulars of provision against unlisted ordinary shares

Specific

	2008	2007
	Rupees in '000	
Opening balance	4,042	5,357
Charge for the year	3,778	-
Less: Reversal during the year	-	(1,315)
Net charge/ (reversal) for the year	3,778	(1,315)
Closing balance	7,820	4,042

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

Specific

	2008	2007
Opening balance	14,433	66,117
Charge for the year	-	5,445
Less: Reversal during the year	(6,219)	(10,484)
Net (reversal) for the year	(6,219)	(5,039)
Less: amount written off	-	(46,645)
Closing Balance	8,214	14,433

8.11 Particulars of amount written off against provision

Against provision	-	46,645
Directly charged to the profit & loss account	-	-
	-	46,645

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	2008	2007
	Rupees in '000	
8.12 Particular of provision against listed TFCs		
Specific		
Opening balance	3,660	4,223
Charge for the year	-	-
Less: Reversal during the year	(2,568)	(564)
Net charge for the year	(2,568)	(564)
Closing Balance	1,092	3,660

8.13 Particular of provision against un-listed TFCs		
Specific		
Opening balance	-	-
Charge for the year	11,458	-
Less: Reversal during the year	-	-
Net charge for the year	11,458	-
Closing Balance	11,458	-

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

Name of investee	2008		2007	
	Number of shares held		Cost (Rupees in '000)	
Mutual fund				
PICIC Growth Fund	2,960	-	21	-
JS Value Fund Limited	18,261	-	50	-
Pakistan Premier Fund Limited	14,613	-	23	-
			94	
Financial				
Arif Habib Limited	9,764	-	730	-
Arif Habib Securities Limited	282,602	-	12,767	-
Dawood Equities Limited	495	-	4	-
First National Equities Limited	85,325	-	4,046	-
Invest & Finance Securities Limited	227	-	1	-
Jahangir Siddique & Company	116,395	-	6,534	-
JS Investments Limited	898	-	36	-
Javaid Omer Vohra & Company	10,618	-	121	-
Pervaiz Ahmed Securities	16,873	-	112	-
Allied Bank Limited	4,603	-	155	-
Arif Habib Bank Limited	113,876	-	394	-
Askari Bank Limited	236,962	-	3,850	-
Bank Alfalah Limited	282,546	-	5,132	-
Bank Al-habib Limited	50,249	-	1,223	-
Bank Islami Pakistan Limited	72,280	-	367	-
Bank Of Punjab	4,330	-	65	-
Faysal Bank Limited	28,001	-	380	-
Habib Bank Limited	130,997	-	10,533	-
JS Bank	178,920	-	629	-
Meezan Bank Limited	942	-	21	-
MCB Bank Limited	317	-	43	-
National Bank Of Pakistan	43,461	-	2,348	-

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Name of investee	655,054	-	1,897	-
	2008	2007	2008	2007
	Number of shares held		Cost (Rupees in '000)	
NIB Bank Limited	655,054	-	1,897	-
Saudi Pak Commercial Bank Limited	8,057	-	42	-
Soneri Bank Limited	8,858	-	75	-
United Bank Limited	8,659	-	343	-
Adamjee Insurance Company Limited	87,925	-	9,618	-
Pakistan Reinsurance Company Limited	2,083	-	53	-
EFU General Insurance	100,471	-	12,309	-
Textile				
D. S. Industries Limited	14,552	-	189	-
Azgard Nine Limited	217,299	-	3,858	-
Dawood Lawrencepur Limited	1,721	-	75	-
Nishat (Chunian) Limited	4,282	-	31	-
Nishat Mills Limited	47,137	-	1,035	-
Synthetic and rayon				
Dewan Salman Fibre	41,797	-	39	-
Cement				
Al-Abbas Cement Limited	4,180	-	12	-
D.G Khan Cement	76,219	-	1,739	-
Dewan Cement Limited	10,166	-	35	-
Fauji Cement Company Limited	185,662	-	650	-
Lucky Cement	24,461	-	821	-
Maple Leaf Cment	3,496	-	9	-
Pakistan Cement Company Limited	113,306	-	225	-
Pioneer Cement	1,820	-	38	-
Thatta Cement Company Limited	90	-	1	-
Refinery				
Attock Refinery Limited	125,583	-	8,078	-
Bosicor Pakistan Limited	40,834	-	135	-
National Refinery	30	-	3	-
Pakistan Refinery Limited	17,741	-	1,528	-
Power generation and Distribution				
Hub Power Co.	19,429	-	227	-
Kot Addu Powar Company Limited	592	-	14	-
Engineering				
Crescent Steel & Allied Products	2,896	-	50	-
Dost Steel Limited	10,978	-	89	-
Automobile assembler				
Honda Atlas Car Limited	1,305	-	18	-
Indus motor	3,206	-	382	-
Cable and electrical goods				
Pak-Elektron (R.C.P)	3,118	-	76	-
Technology and communication				
Eye Television Network	10,008	-	282	-
Telecard Limited	46,387	-	62	-
Worldcall Telecom Limited	108,565	-	306	-
Pakistan Telecommunication Company Limited	15,998	-	293	-
NetSol Technologies Limited	8,243	-	224	-
TRG Pakistan Limited	384,436	-	474	-
Transport				
Pakistan International container terminal	332	-	15	-
Fertilizer				

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Name of investee	898	-	93	-
	2008	2007	2008	2007
	Number of shares held		Cost (Rupees in '000)	
Engro Chemical Limited				
Fauji Fertilizer Bin Qasim	31,006	-	395	-
Fauji Fertilizer Company Limited	3,566	-	199	-
Pharmaceutical				
Searl Pakistan Limited	49	-	3	-
Chemical				
BOC Pakistan Limited	217	-	26	-
ICI Pakistan Limited	449	-	33	-
Pakistan PTA	164,242	-	188	-
Sitara Peroxide Limited	29,072	-	468	-
Paper and board				
Packages Pakistan Limited	816	-	67	-
Oil and gas marketing and exploration				
Attock Petroleum Limited	230	-	36	-
Pakistan State Oil	1,559	-	242	-
Sui Northren Gas Company	40,807	-	661	-
Sui Southern Gas Company	53,987	-	632	-
Mari Gas Company Limited	917	-	97	-
Oil and Gas Development Corporation	13,746	-	738	-
Pakistan Petroleum Limited	778	-	84	-
Pakistan Oil Field	12,778	-	1,407	-
Miscellaneous				
Pace (Pakistan) Limited	43,359	-	464	-
Tripackfilms Limited	123	-	16	-
			100,691	-

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

Name of investee	2008	2007	2008	2007
	Number of shares held		Cost (Rupees in '000)	
Financial				
Arif Habib Securities limited	31,250	350,000	3,731	58,499
Allied Bank Limited	75,000	-	5,886	-
Arif Habib Bank Limited	1,888,870	-	47,454	-
Askari Bank Limited	1,050,000	-	72,929	-
Bank Alfalah Limited	800,000	500,000	41,362	25,623
Bank of Punjab	1,850,000	-	130,285	-
Faysal Bank Limited	1,900,000	300,000	110,970	18,932
Habib Bank Limited	-	300,000	-	76,256
National Bank of Pakistan	800,000	500,000	180,876	121,764
NIB Bank Limited	2,300,000	1,000,000	45,618	20,071
Saudi Pak Commercial Bank Limited	2,362,500	2,000,000	63,114	53,619
Soneri Bank Limited	425,000	-	15,797	-
United Bank Limited	1,100,000	-	171,354	-
Adamjee Insurance Company Limited	275,000	-	92,054	-
Leasing				
Al Zamin Leasing Modaraba	1,000,000	1,000,000	10,000	10,000

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Name of investee	2008	2007	2008	2007
	Number of shares held		Cost (Rupees in '000)	
Textile				
Gulshan Spinning Mills Limited	237,250	215,682	5,004	5,004
Nishat (Chunian) Limited	660,000	-	20,162	-
Nishat Mills Limited	150,000	-	12,486	-
Synthetic and rayon				
Rupali Polyester Limited	262,530	480,030	24,129	44,120
Cement				
D.G. Khan Cement Limited	525,000	-	33,465	-
Fauji Cement Company Limited	1,100,000	250,000	16,831	3,780
Lucky Cement Limited	100,000	-	9,614	-
Maple Leaf Cement Company Limited	2,100,000	660,000	45,249	19,787
Refinery				
National Refinery Limited	50,000	-	16,302	-
Power generation and distribution				
Hub Power Company Limited	3,699,500	3,150,000	139,852	125,312
Kot Addu Powar Company Limited	605,000	400,000	28,627	18,972
Automobile assembler				
Pak Suzuki Motor Company Limited	285,000	-	60,273	-
Technology and communication				
Pakistan Telecommunication Company Limited	2,350,000	2,000,000	102,426	91,376
Fertilizer companies				
Engro Chemical Limited	75,000	50,000	18,426	12,659
Fauji Fertilizer Bin Qasim Limited	2,200,000	1,100,000	92,845	49,141
Fauji Fertilizer Company Limited	150,000	700,000	17,334	80,894
Chemical				
ICI Pakistan Limited	250,000	-	45,847	-
Pakistan PTA Limited	450,000	450,000	6,184	6,184
Paper and board				
Packages Pakistan Limited	275,000	-	85,100	-
Oil and gas marketing and Exploration				
Sui Northern Gas Company Limited	400,000	-	20,765	-
Oil & Gas Development Company Limited	182,000	550,000	19,558	65,940
Pakistan Oilfields Limited	-	125,000	-	43,429
Pakistan State Oil Company Limited	-	150,000	-	63,233
Pakistan Petroleum Limited	55,000	50,000	11,403	12,858
			<u>1,823,312</u>	<u>1,027,453</u>

8.15.1 The nominal value of each share held in a listed company is Rs. 10 per share as at December 31, 2008 and December 31, 2007.

8.16 **Particulars of investments held in shares of unlisted companies - Available for sale**

Preference shares

Textile

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

Cable and electrical goods

Electron Limited (formerly Pak-Elektron Limited)	2,500,000	2,500,000	25,000	25,000
			<u>50,000</u>	<u>56,105</u>

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				<u>1,873,312</u>	<u>68,963</u>
8.17 Particulars of investment held in mutual funds					
Name of investee	Face value per unit/certificate (Rupees)	2008	2007	2008	2007
		Number of units/certificates held	held	Cost (Rupees in '000)	
Mutual Funds					
AMZ Plus Income Fund	100	-	2,362,154	-	250,000
Askari Income Fund	100	-	4,743,833	-	500,000
AKD Opportunity Fund	50	346,345	-	20,000	-
Atlas Stock Market Fund	500	33,665	-	20,000	-
JS-Fund of Funds	100	142,548	-	15,000	-
NAFA Cash fund	-	-	38,120,652	-	400,000
United Growth and Income Fund	-	-	3,823,024	-	400,000
MCB Asset Management Company Limited	-	-	3,826,704	-	400,000
MCB Dynamic Allocation Fund	100	728,186	-	70,000	-
MCB Dynamic Stock Fund	100	258,103	-	25,000	-
Meezan Islamic Fund	50	380,165	-	20,000	-
Unit Trust of Pakistan Limited	100	177,471	-	25,000	-
United Stock Advantage Fund	100	87,283	-	10,000	-
UBL -Principal Protected Fund	100	187,608	-	25,000	-
ABL-Income Fund	100	5,208,250	-	50,000	-
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
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	1,923,000	19,230	19,230
PICIC Growth Fund	100	500,000	700,000	14,477	20,448
				<u>313,707</u>	<u>3,429,678</u>

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

Name of investee	2008	2007	2008	2007
	Number of certificates held		Cost (Rupees in '000)	
Chemicals				
Itehad Chemicals Limited	-	10,000	-	16,654
Pak-Arab Fertilizer Limited	3,447	-	17,232	-
Searle Pakistan Limited	10,000	10,000	31,238	43,733
Financial				
Al-Zamin Leasing Modaraba	3,804	3,804	12,934	19,020
Askari Bank Limited-I	6,600	6,600	32,954	32,967
Askari Bank Limited-II	3,980	3,980	19,876	19,884
Azgard Nine Limited	8,000	8,000	36,626	39,968
Bank Alfalah Limited-I	-	9,000	-	44,910
Bank Alfalah Limited-II	25,000	25,000	124,808	124,856
Crescent Standard Investment Bank Limited (formerly Pacific Leasing Company Limited)	1,690	1,690	1,092	3,660
Interbank Limited (formerly IGI Investment Bank Limited)	10,000	10,000	37,484	49,980
Jahangir Siddiqui Investment Company Limited	-	4,000	-	4,994
MCB Bank Limited	-	3,000	-	4,492
The Royal Bank of Scotland	20,000	20,000	99,860	99,900
Soneri Bank Limited	10,000	10,000	49,930	49,950
Standard Chartered Bank (Pakistan) Limited	-	10,000	-	16,474
			464,034	571,442

8.19 The face value of each term finance certificate held in a listed company was Rs. 5,000 per certificates as at December 31, 2008 and December 31, 2007.

8.20 Particulars of investment held in unlisted TFCs

Name of investee	2008	2007	2008	2007	Name of the chief executive
	Number of certificates		Cost (Rupees in '000)		
Bank Al Habib Limited	5,000	5,000	24,960	24,970	Mr. Abbas D. Habib
Dewan Cement Limited	-	26	-	16,310	Mr. Farrukh Viqaruddin
Dewan Farooque Spinning Mills Limited	15,000	15,000	28,125	37,500	Dewan M. Yousuf Farooqi
Dewan Hattar Cement Limited	-	26	-	44,060	Mr. Farrukh Viqaruddin
Escorts Investment Bank Limited	10,000	10,000	16,653	33,307	Mr. Rashid Mansur
Engro Chemical Pakistan Limited-I	80,800	80,800	404,000	404,000	Mr. Asad Umar
Engro Chemical Pakistan Limited-II	60,000	-	300,000	-	Mr. Asad Umar
Grays Leasing Limited-I	-	10,000	-	6,250	Mr. Abdul Rashid Mir
Grays Leasing Limited-II	-	5,000	-	1,250	Mr. Abdul Rashid Mir
Gulshan Spinning Mills Limited	10,000	10,000	14,277	28,554	Mr. Naseer Ahmed

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Name of investee	2008	2007	2008	2007	Name of the chief executive
	Number of certificates		Cost (Rupees in '000)		
Kohinoor Textile Mills Limited	-	6,000	-	3,750	Mr. Tariq Sayed Saigal
New Allied Electronic Industries Limited	10,000	10,000	45,833	50,000	Mian Pervez Akhtar
Pakistan International Airlines Corporation	50,000	50,000	177,077	218,741	Mr. Tariq Kirmani
Pakistan Mobile Communication (Private) Limited-II	-	20,000	-	20,000	Mr. Zuhair A. Khaliq
Pakistan Mobile Communication (Private) Limited-III	20,000	20,000	20,000	60,000	Mr. Zuhair A. Khaliq
Paramount Spinning Mills Limited	10,000	10,000	14,277	28,554	Mr. Tanveer Ahmed
Security Leasing Corporation Limited-II	4,000	4,000	12,500	17,500	Mr. M.Khalid Ali
Trust Leasing & Investment Bank Limited (formerly Trust Leasing Corporation Limited)	3,000	3,000	3,000	6,000	Mr. Javed Bashir Sheikh
			<u>1,060,702</u>	<u>1,000,746</u>	

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

Name of investee	2008	2007	2008	2007	Name of the chief executive
	Number of certificates		Cost (Rupees in '000)		
Agro Dairies Limited	12	12	2,226	2,226	Mr. Mukhtar Rizvi
Excel Industries Limited	-	25	-	5,445	Mr. Imran Ali Saeed
Qureshi Vegetable Ghee Mills Limited	96	96	5,988	6,762	Mr. Tariq Mahmood Qureshi
			<u>8,214</u>	<u>14,433</u>	

8.22 Particulars of investments held in unlisted shares

Name of investee	%	Breakup value per share (Rupees)	Based on audited financial statements as at	2008	2007	2008	2007
				Number of shares held		Cost (Rupees in '000)	
Ordinary shares							
Shareholding more than 10%							
Paramount Investments Limited	19.28	9.56	June 30, 2008	400,000	400,000	4,000	4,000
CEO- Mr. Ghaffar A.Omar (Liquidator)							
Noman Abid Investment Management Limited	19	8.63	June 30, 2008	1,900,000	-	19,000	-
CEO - Mr. Adnan Abid							
Shareholding up to 10%							
Agro Dairies Limited	-	*		300,000	300,000	2,301	2,301
CEO-Mr. Mukhtar Rizvi							
Al-Hamra Hills (Private) Limited	5.65	9.71	June 30, 2008	5,000,000	5,000,000	50,000	50,000
CEO-Mr. Habib Ahmed							

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Name of investee	%	Breakup value per share (Rupees)	based on audited financial statements as at	2008	2007	2008	2007
				Number of shares held		Cost (Rupees in '000)	
FTC Management Company CEO-Mr. Rehan A. Riaz	9.1	10.00	June 30, 2008	50,000	50,000	500	500
New -VIS Credit Information Services (Private) Limited CEO-Mr. Fahim Ahmed	5.69	10.00	June 30, 2007	39,000	39,000	390	390
Pakistan Textile City Limited CEO-Mr. Zaheer A. Hussain	4.55	9.82	June 30, 2008	5,000,000	5,000,000	50,000	50,000
						126,191	107,191

* Under litigation

8.22.1 Investment in Noman Abid Investment Management Limited (NAIML) has been made under the agreement dated June 27, 2008 for 3 million shares. However, NAIML issued only 1.9 million shares till December 31, 2008 and subsequently refunded the amount of Rs. 11 million being the amount against which shares could not be issued (refer Note 12). The company has the option under the agreement to retain these shares after June 30, 2009 or to redeem them along with markup at the rate of 16% on the redeemed amount.

9 ADVANCES		2008	2007
		Rupees in '000	
In Pakistan			
Loans	9.3	3,799,937	2,302,753
Net investment in finance leases	9.4	714,216	716,712
Staff loans	9.7	14,627	20,114
Consumer loans and advances		818,556	758,084
Long term financing of export oriented projects		66,412	31,507
Financing in respect of continuous funding system		70,099	1,404,562
Advances-gross		5,483,847	5,233,732
Less: Provision against:			
Non-performing loans and net investment in finance lease-specific provision	9.5	529,012	128,229
Consumer loans and advances - general provision	9.5.1	16,052	17,789
		545,064	146,018
Advances-net of provision		4,938,783	5,087,714
9.1 Particulars of advances (gross)			
9.1.1 In local currency		5,483,847	5,233,732
In foreign currency		-	-
		5,483,847	5,233,732
9.1.2 Short term (for upto one year)		888,781	150,000
Long term (for over one year)		4,595,066	5,083,732
		5,483,847	5,233,732
9.2 Considered good		4,938,783	5,087,714
Considered doubtful		545,064	146,018
		5,483,847	5,233,732
Less: Provision for non-performing loans and advances	9.5.1	545,064	146,018

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4,938,783 5,087,714

9.3 Included in total advances are amounts aggregating Rs. 36.186 million (2007: Rs. 45.352 million) against which provision of Rs. 35.747 million has been made (2007: Rs. 29.431 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:

	2008			Total
	Not later than one year	Later than one and less than five years	Over five years	
	-----Rupees in '000-----			
Lease rentals receivable	392,673	408,721	-	801,394
Residual value	-	74,860	-	74,860
Minimum lease payments	392,673	483,581	-	876,254
Financial charges for future periods	97,837	64,201	-	162,038
Present value of minimum lease payments	294,836	419,380	-	714,216
	2007			
	Not later than one year	Later than one and less than five years	Over five years	Total
	-----Rupees in '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	154,546	562,166	-	716,712

9.4.1 In respect of the aforementioned finance leases the company holds an aggregate sum of Rs. 77.348 million (2007: Rs. 77.124 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (refer note 16).

9.4.2 The company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2012 and are subject to finance income at rates ranging between 12.60 (2007: 12.60) to 20.89 (2007: 15.68) percent per annum.

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		2008	2007
		Rupees in '000	
9.5.4	Particulars of written off		
	Against provisions	322	-
	Directly charges to the profit and loss account	-	-
		<u>322</u>	<u>-</u>
9.5.5	Write offs of Rs. 500,000 and above	-	-
	Write offs of below Rs. 500,000	322	-
		<u>322</u>	<u>-</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, 2008.		
9.7	Particulars of loans and advances to directors, associated companies etc.		
	<i>Debts due by directors, executives or officers of the company or any of them either severally or jointly with any other persons</i>		
	Balance at beginning of year	20,114	21,770
	Loans granted during the year	2,093	4,271
	Repayments during the year	(7,580)	(5,927)
	Amount written off	-	-
	Balance at end of the year	14,627	20,114
	<i>Debts due to companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members</i>		
	Balance at beginning of the year	-	-
	Loans granted during the year	-	-
	Repayments during the year	-	-
	Balance at end of the year	-	-
	<i>Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties</i>		
	Balance at beginning of the year	-	-
	Loans granted during the year	-	-
	Repayments during the year	-	-
	Balance at end of the year	-	-
		<u>14,627</u>	<u>20,114</u>
9.7.1	The maximum total amount of advances including temporary advances granted during the year were Rs. 19.927 million (2007: Rs. 21.770 million). The maximum amount has been calculated by reference to the month end balance.		
9.7.2	Particulars of loans to executives		
	Amount due at beginning of year	9,925	7,864
	Disbursements during the year	-	3,057
	Repayments during the year	(5,838)	(996)
		<u>(5,838)</u>	<u>2,061</u>
	Amount due at end of the year	4,087	9,925
10	OPERATING FIXED ASSETS		
	Capital work-in-progress	10.1	2,819
	Property and equipment	10.2	49,462
		<u>52,281</u>	<u>63,776</u>
10.1	Capital work-in progress		
	Advances to suppliers	2,819	18,845

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10.2.2 The transfer of title to leasehold land and building thereon in respect of the company's premises at the Finance and Trade Centre, Karachi in 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 in '000-----						
Motor vehicles						
Honda Civic	1,138	1,138	-	57	Company Policy	Mr. M. Sabihuddin (Employee)
Honda Civic	1,268	1,140	128	689	Tender	Syed Riaz Ahmed H# A-216, Block 3 Gulshan-Iqbal, Karachi
Suzuki Cultus	590	344	246	419	Tender	Mr. Rehan Mithani D-87/1 Clifton, Karachi
Honda Civic	1,287	686	601	472	Company Policy	Mr. A. Sami Kehar (Ex-Employee)

		2008	2007
		Rupees in '000	
11	DEFERRED TAX ASSET		
	Deferred credit arising in respect of:		
	Net investment in finance leases	(154,738)	(150,826)
	Deferred debits arising in respect of:		
	Decelerated tax depreciation	5,551	2,530
	Provision for compensated absences	3,718	3,456
	Provision for contingencies	237,553	62,098
	Assessed tax losses carried forward	97,083	202,732
	Deferred tax on minimum tax liability	18,469	18,469
		<u>207,636</u>	<u>138,459</u>
	Add: Deferred tax debit on deficit on revaluation of government securities	19	46,457
		<u>254,093</u>	<u>164,189</u>

11.1 The total assessed tax losses amount to approximately Rs. 346 million (2007: Rs. 674 million) as at December 31, 2008. The deferred tax asset on the aforementioned assessed tax losses amounts to Rs. 121 million (2007: 236 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. 371 million which amounts to Rs. 130 million as at December 31, 2008.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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		2008	2007
		Rupees in '000	
12	OTHER ASSETS		
	Income/Mark-up /Return receivable in local currency	237,861	218,099
	Less: Provision	12.1 7,274	7,274
		<u>230,587</u>	<u>210,825</u>
	Security deposits	3,894	3,859
	Short term advances	3,614	3,124
	Prepayments	1,069	1,846
	Other receivable	268,218	3,481
	Receivable against issue of shares	8.22.1 11,000	-
	Advance taxation	48,528	30,258
	KSE membership card	55,150	-
	Dividends	7,362	7,092
		<u>629,422</u>	<u>260,485</u>
12.1	Provisions against income/markup/return receivable		
	Opening balance	7,274	19,840
	Charge for the year	-	-
		<u>7,274</u>	<u>19,840</u>
	Less: Amount written off	-	12,566
	Closing balance	<u>7,274</u>	<u>7,274</u>
13	CONTINGENT ASSETS		
	There were no contingent assets as at the balance sheet date.		
14	BORROWINGS		
	In Pakistan	14.1 4,858,821	8,750,370
	Outside Pakistan	-	-
		<u>4,858,821</u>	<u>8,750,370</u>
14.1	Particulars of borrowings with respect to currencies		
	In local currency	4,858,821	8,750,370
	In foreign currencies	-	-
		<u>4,858,821</u>	<u>8,750,370</u>
14.2	Details of borrowings		
	Secured		
	Borrowings from State Bank of Pakistan under:		
	Long term financing of exports oriented projects	14.2.1 62,352	27,876
	Repurchase agreement borrowings	14.2.2 1,935,469	2,830,830
	Borrowings from financial institutions		
	Term finance certificates	-	333,331
	Other	14.2.3 865,000	1,233,333
		<u>2,862,821</u>	<u>4,425,370</u>
	Unsecured		
	Clean borrowings	14.2.4 1,996,000	4,325,000
		<u>4,858,821</u>	<u>8,750,370</u>

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED

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14.2.1 The company has entered into agreements for financing with State Bank of Pakistan (SBP) for long term finance for export oriented projects to customers. According to terms of respective agreements, the SBP has the right to receive outstanding amount from the company at the date of maturity of finances by directly debiting current account maintained by the company with the SBP. A limit of Rs. 100 million has been allocated to the company by the SBP for financial year 2008. Such financing shall carry interest at the rate of 4 to 5 percent per annum (2007: 4 to 5 percent).

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 (2007: 1 to 122 days). The rates of markup on these finances range between 2.5 (2007: 4) to 15.75 (2007: 10.01) percent per annum.

14.2.3 This represents borrowing, which are secured by way of first hypothecation charge on all present and future assets of the company. The mark-up is payable quarterly and semi annually. The rates of mark-up range from six months KIBOR plus 0.75 percent to 1.5 percent and 110 basis points over the cut-off yield of last successful auction of six months T-bills. As at December 31, 2008, the effective rates ranged between 12.59 to 16.25 (2007: 8.5 to 11.74) percent per annum.

14.2.4 The mark-up rates on these borrowings range between 6.5 (2007: 8.5) to 24.5 (2007: 13) percent per annum. These borrowings are due for maturity between 1 to 186 days (2007: 1 to 186 days).

15 DEPOSITS AND OTHER ACCOUNTS

Customers

Certificates of investment-(in local currency)	950,000	-
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Financial institutions-remunerative

Certificates of investment-(in local currency)	450,000	3,525,000
	1,400,000	3,525,000

15.1 The profit rates on these certificates of investment (COIs) range between 9.60 (2007: 9.7) to 25 percent (2007: 10.39) percent per annum. These COIs are due for maturity during 2009 (2007: 2008).

16 OTHER LIABILITIES

Mark-up/Return/Interest payable in local currency		
borrowings from financial institutions	87,947	89,399
certificates of investment	12,574	44,181
Accrued liabilities	68,137	64,330
Employees' compensated absences	10,624	9,779
Security deposits against investment in finance lease	9.4.1 77,348	77,124
Staff retirement gratuity	32 4,107	2,349
	260,737	287,162

17 SHARE CAPITAL

17.1 Authorized share capital

Number of share		2008	2007
2008	2007	Rupees in '000	
800,000	800,000	8,000,000	8,000,000

Ordinary shares of Rs. 10,000 each.

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17.2 Issued, subscribed and paid - up capital

	2008			2007			2008	2007
	-----Number of shares-----						-----Rupees in '000-----	
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
Opening	471,836	112,342	584,178	231,836	92,342	324,178	5,841,780	3,241,780
Shares issued during the year	-	30,000	30,000	240,000	20,000	260,000	300,000	2,600,000
Closing	471,836	142,342	614,178	471,836	112,342	584,178	6,141,780	5,841,780

17.3 The State Bank of Pakistan (SBP) on behalf of the government of Pakistan and the Libyan Arab Foreign Investment Company (LAFICO) on behalf of the government of the Socialist Peoples Libyan Arab Jamahiriya each held 307,089 (2007: 292,089) 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. 6 billion by December 31, 2009, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 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 38, summaries the composition of regulatory capital and the ratios of the company for the year ended December 31, 2008. The company has adhered to the minimum capital requirements as imposed by SBP.

The increase in the capital in the year 2008 is mainly due to issue of bonus shares.

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18	RESERVES	2008	2007
		Rupees in '000	
	Capital reserves		
	<i>Statutory reserve</i>		
	As at January 1	422,113	322,309
	Add: Appropriation of profit	22,476	99,804
		444,589	422,113
	<i>Reserve for issue of bonus shares</i>		
	As at January 1	-	-
	Add: Appropriation of profit	300,000	200,000
	Less: Issue of bonus shares	(300,000)	(200,000)
		-	-
	Revenue reserve		
	<i>Reserve for contingencies</i>		
	As at January 1	476,000	440,000
	Add: Appropriation of profit	100,000	36,000
		576,000	476,000
		1,020,589	898,113

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.

19	DEFICIT (NET) ON REVALUATION OF SECURITIES	2008	2007
		Rupees in '000	
	Surplus/(deficit) on revaluation of 'available for sale' securities		
	Pakistan investment bonds	(121,190)	(70,835)
	Market treasury bills	(11,544)	(2,681)
		(132,734)	(73,516)
	Less: Deferred tax on government securities	46,457	25,731
		(86,277)	(47,785)
	Listed companies-fully paid up ordinary shares	(1,250,064)	(44,488)
	Listed companies-fully paid up preference shares	-	(927)
	Listed term finance certificates	6,902	13,740
	Mutual fund units	(119,541)	1,859
	National Investment Trust units	(151,289)	5,364
		(1,513,992)	(24,452)
		(1,600,269)	(72,237)

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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	2008	2007
	Rupees in '000	
20 CONTINGENCIES AND COMMITMENTS		
20.1 Direct credit substitute-guarantee issued	<u>200,000</u>	<u>200,000</u>
The amount utilised under this guarantee issued in favour of the government of Pakistan as at December 31, 2008 was Rs. 200 million (December 31, 2007: Rs. 200 million).		
20.2 Undisbursed sanctions for financial assistance in the form of loans and advances, term finance certificates and leases	<u>2,072,744</u>	<u>2,097,705</u>
20.3 Underwriting agreement	<u>300,000</u>	<u>200,000</u>
20.4 Forward purchase of shares	<u>-</u>	<u>5,141</u>
Forward sale of shares	<u>-</u>	<u>-</u>
Letter of credit (LC's)	<u>219,445</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, 2008 the unrealised gain / loss on outstanding futures transactions along with the derivative asset / liability was considered immaterial to be recognized in these financial statements.

	2008	2007
	Rupees in '000	
22 MARK-UP/RETURN/INTEREST EARNED		
On loans and advances to		
customers	572,057	429,900
financial institutions	12,208	20,712
On investments in		
available for sale securities	484,204	330,890
held to maturity securities	51,776	20,796
On deposits with financial institutions	325,472	361,482
On repurchase agreement lendings (Reverse Repo)	42,145	68,047
Income on continuous funding system (CFS)	117,642	29,509
Income on bank deposits	4,866	3,513
	<u>1,610,370</u>	<u>1,264,849</u>

23 MARK-UP/RETURN/INTEREST EXPENSED

Deposits and other accounts:

Long term	-	-
Short term	250,069	209,609
On securities sold under repurchase agreement (Repo)	292,706	191,729

On other borrowings:

Long term	145,066	196,274
Short term	417,248	364,134
	<u>1,105,089</u>	<u>961,746</u>

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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		2008	2007
		Rupees in '000	
24	GAIN ON SALE OF SECURITIES - NET		
	Listed shares	99,100	188,372
	Unlisted shares	-	5,000
	Mutual funds' units	<u>(17,237)</u>	<u>198,876</u>
		<u>81,863</u>	<u>392,248</u>
25	OTHER INCOME		
	Gain on sale of operating fixed assets	1,252	13,681
	Exchange gain on US dollar account	705	66
	Settlement fee	1,287	-
	Others	465	1,356
		<u>3,709</u>	<u>15,103</u>
26	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and benefits	76,141	66,011
	Charge for defined benefit plan	32	13,344
	Contribution to defined contribution plan	1,668	1,622
	Executive directors remuneration (including remuneration of the Managing Director and Deputy Managing Director)	34	26,457
	Non-executive directors' fee	34	147
	Board meeting' expenses	24,059	16,086
	Traveling and conveyance	3,589	1,892
	Rent and utilities	1,689	1,424
	Legal consultancy and professional charges	3,575	5,767
	Communications	5,205	4,856
	Repairs and maintenance	7,745	5,905
	Motor vehicle expenses	6,021	4,893
	Entertainment	1,002	754
	Insurance	2,636	1,951
	Software maintenance expenses	6,105	632
	Bank charges	366	1,012
	Printing and stationery	1,979	1,975
	Advertisement, periodicals, membership dues and publicity	1,892	1,791
	Auditors' remuneration	26.1	850
	Donation	-	50
	Depreciation	10.2	22,054
	Others	1,081	495
		<u>207,605</u>	<u>166,932</u>
26.1	Auditors' remuneration		
	Audit fee	500	500
	Special certifications and sundry advisory services	125	525
	Out of pocket expenses	225	382
		<u>850</u>	<u>1,407</u>

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	2008	2007
	Rupees in '000	
27 OTHER CHARGES		
Custodial charges	-	79
Arrangement fee	1,038	-
Brokerage commission	3,491	4,258
LC's commission	1,784	-
CFS fee	2,864	-
Penalty imposed by SBP	1,442	759
	<u>10,619</u>	<u>5,096</u>
28 TAXATION		
Current		
For the year	19,143	10,502
Prior year	-	-
Deferred	<u>(69,177)</u>	<u>18,077</u>
	<u>(50,034)</u>	<u>28,579</u>
28.1 Relationship between tax expense and accounting profit		
Accounting profit before taxation	<u>62,346</u>	<u>527,600</u>
Tax rate	35%	35%
Tax on accounting profit	-	184,660
Tax effect of:		
Expenses that are inadmissible in determining taxable income	21,821	(135,875)
Dividend income taxed at different tax rates	(47,951)	(11,171)
Exempt income	(28,572)	-
Tax effect of prior year reversal of provision	-	6,622
Effect of deferred tax on previously unrecognised losses	(7,734)	(95,166)
Effect of deferred tax origination of temporary differences	14,906	79,509
	<u>(47,529)</u>	<u>(156,081)</u>
	<u>(47,529)</u>	<u>28,579</u>
29 BASIC AND DILUTED EARNINGS PER SHARE	2008	2007
Profit for the year after taxation (Rupees in thousand)	<u>112,380</u>	<u>499,021</u>
Weighted average number of ordinary shares in issue	<u>614,178</u>	<u>614,178</u>
Basic earnings per share (Rupees)	<u>183</u>	<u>813</u>
Diluted earnings per share (Rupees)	29.1 <u>183</u>	<u>813</u>
29.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2008 and 2007.		
29.2 Prior period earnings per share has been adjusted to give effect of bonus shares issued by the company.		

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
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	2008	2007
	Rupees in '000	
30 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	42,624	21,954
Balances with other banks	78,821	226,459
Placements- net of provisions	40,000	-
	<u>161,445</u>	<u>248,413</u>

	2008	2007
	Numbers	
31 STAFF STRENGTH		
Permanent	33	35
Temporary/on contractual basis	48	40
Daily wagers	7	6
Others	-	-
Company's own staff strength at the end of the year	<u>88</u>	<u>81</u>
Outsourced	20	20
Total staff strength	<u>108</u>	<u>101</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:

	2008	2007
	Percent per annum	
Discount rate	12	10
Expected rate of return on plan assets	12	10
Expected rate of increase in salary levels	12	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, 2008.

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.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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		2008	2007
		Rupees in '000	
32.4	Reconciliation of amount payable to defined benefit plan		
	Present value of defined benefit obligation	32.5	36,898
	Fair value of plan assets	32.6	(33,239)
			22,922
			(20,783)
			2,139
	Net unrecognised actuarial gains		3,617
	Unrecognised past service cost	32.5	(3,169)
			2,321
			(4,460)
			4,107
			-
32.5	The movement in the defined benefit obligation over the year is as follows:		
	Present value of obligation at January 1		22,922
	Current service cost	32.7	3,438
	Interest cost	32.7	2,292
	Benefit paid		(3,922)
	Past service cost-vested	32.7	8,654
	Past service cost-not vested	32.4	939
	Actuarial (gain) or loss on obligation (balancing figure)		2,575
	Present value of obligation at December 31		36,898
			22,820
			1,560
			2,282
			-
			(2,230)
			(4,460)
			2,950
			22,922
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		20,783
	Expected return on plan assets		2,078
	Contributions		10,429
	Benefits paid		(3,922)
	Actuarial gain on assets (balancing figure)		3,871
	Fair value of plan assets as at December 31		33,239
			14,621
			1,462
			4,610
			3,740
			(3,650)
			20,783
32.7	The amount recognized in the income statement is as follows:		
	Current service cost		3,438
	Interest cost		2,292
	Expected return on plan assets		(2,078)
	Actuarial gain recognized		-
	Past service cost recognized		10,884
			2,230
			4,610

32.8 Actual return on plan assets during the year was Rs.5.949 million (2007: Rs. 5.292 million).

32.9 Expected contribution to post employment benefit plan for the year ended December 31 2008 is Rs. 14.537 million.

32.10 Plan assets comprise the following:

Particulars	2008		2007	
	Rupees in '000	Percent	Rupees in '000	Percent
Term deposit receipts (TDRs)	21,714	65%	13,750	93%
Mutual fund	1,006	3%	1,000	7%
Extra amount contributed during the year	10,429	32%	-	-
Cash and bank balances	90	0%	-	-

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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:

		<u>33,239</u>	<u>100%</u>	<u>14,750</u>	<u>100%</u>
		-----Rupees in '000-----			
		<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Present value of defined benefit obligation		36,898	22,922	22,820	14,397
Fair value of plan assets		(33,239)	(20,783)	(14,621)	(9,830)
Deficit/(Surplus)		3,659	2,139	8,199	2,373

Defined benefit obligation	16	4,107	2,349	16	-	(3,707)
Experience adjustments on plan assets	32.6	(3,871)	3,650	786	-	(1,757)

		<u>2008</u>	<u>2007</u>
		-----Rupees in '000-----	
33	DEFINED CONTRIBUTION PLAN		
	Contribution from the company	1,668	8,635
	Contribution from the employee	1,668	8,635
		3,336	17,270

34 **COMPENSATION OF DIRECTORS AND EXECUTIVES**

	* Managing Director		Deputy Managing Director		Director		Executives	
	2008	2007	2008	2007	2008	2007	2008	2007
	-----Rupees in '000-----							
Fees	-	-	-	-	147	122	-	-
Managerial remuneration	9,031	9,067	11,049	10,122	-	-	20,949	15,467
Charge for defined benefit plan	300	300	471	327	-	-	6,050	348
Contribution	289	250	508	384	-	-	593	413
Rent and house maintenance	307	481	340	720	-	-	4,081	3,568
Utilities	346	369	671	519	-	-	907	793
Medical	124	93	579	210	-	-	1,360	1,189
Conveyance	1,646	2,088	1,094	1,448	-	-	2,721	2,833
Others	912	768	358	814	-	-	500	-
	12,955	13,416	15,071	14,544	147	122	37,161	24,611
Number of persons	1	1	1	1	4	4	11	11

* Refer to 37.1.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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35 FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 On-balance sheet financial instruments

Assets	2008		2007	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
Cash balances with treasury banks	42,624	42,624	21,954	21,954
Balances with other banks	78,821	78,821	226,459	226,459
Lending to financial institutions	698,769	698,769	5,355,534	5,355,534
Investments	5,477,558	5,477,558	8,450,866	8,450,866
Advances	4,938,783	4,938,783	5,087,714	5,087,714
Other assets	580,894	580,894	224,900	224,900
	11,817,449	11,817,449	19,367,427	19,367,427
Liabilities				
Borrowing from financial institutions	4,858,821	4,858,821	8,750,370	8,750,370
Deposits and other accounts	1,400,000	1,400,000	3,525,000	3,525,000
Other liabilities	260,737	260,737	287,162	287,162
	6,519,558	6,519,558	12,562,532	12,562,532
	5,297,891	5,297,891	6,804,895	6,804,895

35.2 Off-balance sheet financial instruments

	2008		2007	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
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 4.14 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.

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37 RELATED PARTY TRANSACTIONS

37.1 Key management personnel:

Mr. Naeemuddin Khan (Ex-Managing Director relieved the change on September 22, 2008)

Mr. Kamaluddin Khan (Director and Managing Director)

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

38 CAPITAL ADEQUACY

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

		2008	2007
		Rupees in '000	
Regulatory Capital Base			
Tier I Capital			
Fully paid-up-capital	17	6,141,780	5,841,780
General Reserves as disclosed on the Balance Sheet	18	1,020,589	898,113
Un-accumulated losses		90,693	400,789
		7,253,062	7,140,682
Deductions:			
Deficit on account of revaluation of available-for-sale investments	19	(1,600,269)	(72,237)
Total eligible Tier 1 capital		5,652,793	7,068,445
Supplementary Capital			
Tier II Capital			
Subordinated debt (up to 50% of total Tier I Capital)		-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets		16,052	17,789
Revaluation reserve (up to 45%)		-	-
Total eligible Tier 2 Capital		16,052	17,789
Eligible Tier III Capital		-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier 1 capital)		16,052	17,789
Total Eligible Capital		5,668,845	7,086,234
Risk Weighted Amounts			
Total Credit Risk Weighted Amount		6,698,285	8,181,768
Total Market Risk Weighted Amount		2,376,463	9,417,590
Total Operational Risk Weighted Amount		945,168	726,616
Total Risk Weighted Amount		10,019,915	18,325,973
Capital Adequacy Ratios			
Credit Risk Capital Adequacy Ratio		85%	87%
Tier 1 Capital to Total Risk Weighted Amount		56%	39%
TOTAL CAPITAL ADEQUACY RATIO		57%	39%

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39 RISK MANAGEMENT

The company has set up objectives and policies in place to manage and mitigate risks emanating from the regular course of its operational and financial activities. The risk management framework and policies of the company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate salient risk elements in the operational facets of the company. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- Adequate capital is available as a buffer.
- Exposures remain within the limits prescribed by the Board of Directors.
- Risk taking decisions are in line with business strategy and objectives set by the Board.

The company is exposed to a number of risks, which it manages at different levels.

The main categories of risk are;

Credit risk

The risk of losses because counterparties fail to meet all or part of their obligations towards the company.

The company has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk Management structure facilitates in the Credit approval function by its Internal Credit Risk Rating framework through which an appropriate risk level of the borrower/counterparty is ascertained for credit sanctioning and disbursement.

The company manages credit risk through:

- Establishment of acceptable risk levels;
- Sound procedures and controls for the management of risk assets and credit documentation;
- Target market planning and overall market intelligence.
- Accurate and detailed information about the borrower, its financial position and operations.

Market risk

The risk of losses because the market value of the company's assets and liabilities will vary with changes in market conditions.

Market Risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

The principal market risk in the respect to the company's assets and liability management is primarily associated with the maturity and repricing mismatches of its assets and liabilities. The Board is responsible for reviewing and recommending all market risk policies and ensuring that sound market risk and effective risk management systems are established and complied with.

Operational risk

The risk of losses owing to deficient or erroneous internal procedures, human or system errors, or external events.

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The company has in place robust, duly approved operational risk policy, procedure and a Business Continuity Plan. These are continuously reviewed to strengthen operational controls prevailing in the company.

Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit must report any potential deviation giving rise to operational risk events in the management reporting system.

The company is currently in the process of implementing Internal Control Systems (COSO framework) which will additionally aid in strengthening the Operational Risk Management of the company.

Liquidity risk

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

The company's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

The management is responsible for managing liquidity profile of the company although strategic management of liquidity has been delegated to ALCO. The ALCO of the company executes liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

39.1 Credit Risk

Credit risk management objectives and policies

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

Credit exposures include both individual borrowers, corporate and groups of connected counterparties and portfolios in the company's banking/trading books.

The management of credit risk is governed by credit management policies and procedures approved by the Board. The procedures spell out relevant approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting and approving standards in aggregate compliance with the Prudential Regulations of the State Bank of Pakistan and total conformity with the Basel-II requirements.

Sanctioning authority & approval levels of all facilities as conferred by Board of Directors rests with the Executive Committee. However, ALCO/Credit Committee (CC) consider and recommends the said sanctioning or approval of the facility to EC upon identifying key opportunities and risks prevalent in taking requisite exposure towards the borrower/counterparty.

The company currently uses Standardized Approach for computing capital charge on credit risk weighted assets. Currently, the company does not employ Credit Risk Mitigation (CRM) approach as there is no hedging (in whole or in part) by a collateral posted by the third party on the behalf of the counterparty.

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Credit Risk Rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to facilitate early identification of changes in risk profiles, credits with deteriorating ratings should be subject to additional oversight and monitoring. The Risk Management Division has recently updated its Internal Credit Risk Rating framework in compliance with the guidelines of Internal Credit Risk Rating Systems provided as per BSD Circular No. 8 of 2007 dated October 29, 2007. The Internal Credit Risk Rating System has been duly developed and translated into a central server based application for its efficient and effective way of monitoring the credit lines as per the Basel-II requirement of the SBP.

The Internal Credit Risk Rating System (ICRRS) is intended to reflect the overall risk profile of the borrower/guarantor/counterparty. Risk Ratings are assigned according to the perception of risk on a numerical scale, determined within the qualitative and quantitative set of parameters and variables encompassing the risk levels of the borrower/guarantor/counterparty. The Credit scoring in the ICRRS is being conducted by the RMD time to time upon receiving the required information and documents of the credit case requiring for its due credit approval.

Objective of Internal Credit Risk Rating (CRR)

Usually credit ratings are aimed at achieving one or more of the following:

- Internal risk reporting;
- Portfolio management;
- Setting of credit risk concentration limits;

The company will persistently endeavor to constantly update and improve upon its rating system to facilitate prudent lending decisions along with proactive and effective identification and monitoring of potential credit risks emanating from the lending activities of the company.

39.1.1 Segment information

39.1.1.1 Segment by class of business

	2008					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs '000	%	Rs '000	%	Rs '000	%
Agriculture, forestry, hunting and fishing	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	-	-
Textile	266,042	4.85%	-	-	219,445	8.47%
Chemicals and pharmaceuticals	740,779	13.51%	-	-	356,721	13.76%
Cement	548,900	10.01%	-	-	350,000	13.50%
Sugar	-	-	-	-	-	-
Footwear and leather garments	-	-	-	-	-	-
Automobile and transportation equipment	138,782	2.53%	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	162,346	2.96%	-	-	-	-
Power (electricity), gas, water, sanitary	860,707	15.70%	-	-	1,352,023	52.16%
Wholesale and retail trade	-	-	-	-	-	-
Exports/Imports	-	-	-	-	-	-
Transport, storage and communication	1,100,000	20.06%	-	-	200,000	7.72%
Financial	25,834	0.47%	450,000	32%	100,000	3.86%
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	720,363	13.14%	-	-	14,000	0.54%
Others	920,095	16.78%	950,000	68%	-	-
	5,483,848	100%	1,400,000	100%	2,592,189	100%

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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39.1.1.2 Segment by sector

Public / Government	-	-	845,000	60.36%	-	-
Private	5,483,848	100%	555,000	39.64%	2,592,189	100%
	<u>5,483,848</u>	<u>100%</u>	<u>1,400,000</u>	<u>100%</u>	<u>2,592,189</u>	<u>100%</u>

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

	2008		2007	
	Classified advances	Specific provisions held	Classified Advances	Specific Provisions held
Agriculture, forestry, hunting and fishing	-	-	-	-
Mining and quarrying	-	-	-	-
Textile	91,791	56,134	27,582	16,341
Chemicals and pharmaceuticals	-	-	-	-
Cement	200,000	100,000	-	-
Sugar	-	-	-	-
Footwear and leather garments	-	-	-	-
Automobile and transportation equipment	138,781	69,391	-	-
Electronics and electrical appliances	-	-	-	-
Construction	162,346	112,346	172,691	61,346
Power (electricity), gas, water, sanitary	319,250	114,500	-	-
Wholesale and retail trade	-	-	-	-
Exports/Imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial	-	-	5,000	2,500
Services	-	-	-	-
Individuals	93,443	69,287	111,014	40,688
Others	7,354	7,354	7,354	7,354
	<u>1,012,965</u>	<u>529,012</u>	<u>323,641</u>	<u>128,229</u>

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

Public / government	-	-	-	-
Private	1,012,965	529,012	323,641	128,229
	<u>1,012,965</u>	<u>529,012</u>	<u>323,641</u>	<u>128,229</u>

39.1.1.5 Geographical segment analysis

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingences and commitments
----- Rupees in '000-----				
Pakistan	62,346	12,172,351	5,652,793	2,592,189
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United State of America and Canada	-	-	-	-
Middle East	-	-	-	-
Africa	-	-	-	-
	<u>62,346</u>	<u>12,172,351</u>	<u>5,652,793</u>	<u>2,592,189</u>

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39.2 Market Risk

Market risk refers to the impact on the company's financial conditions resulting from future adverse price or volatility movements of the assets contained in its trading book and/or investment portfolio. The principal market risk in respect of the company's assets and liabilities is primarily associated with the maturity and repricing mismatches of its assets and liabilities. The risk emanating from any potential changes in market prices, due to changes in the interest rates, foreign exchange rates and equity prices are duly identified and accounted for.

The company has a well established framework for Market Risk management with the Treasury Investment Policy and Market Risk Management policies and procedures duly approved by the Board.

The market risk management framework of the company comprises a series of cut-loss and potential loss limits approved by Asset Liability Committee (ALCO) of the company to ensure that front line risk-takers do not exceed the defined parameters set by the management. Limit management is a control mechanism to ensure that all business activities are conducted in compliance with the risk management guidelines and policies. Gap analysis on regular basis is conducted as part of the methodology to minimize effect of market risk. These limits are set and reviewed regularly according to number of factors, including market trading liquidity of the instruments and company's business strategy. .

Management of interest rate risk of the banking and/or trading Book is primarily focused on interest and fair value through Re-pricing Gap Analysis, through computation of Modified Duration and Fair Value Sensitivity. The management of interest risk of the trading book is achieved through mark-to-market practice. On half yearly basis, the Stress Test reports are being prepared for senior management to gain an accurate understanding of company's risk appetite and tolerance levels.

39.2.1 Foreign exchange risk

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

	December 31, 2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan rupee	12,169,187	6,519,558	-	5,649,629
United States dollar	3,164	-	-	3,164
Great Britain pound	-	-	-	-
Japanese yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	12,172,351	6,519,558	-	5,652,793
----- Rupees in '000 -----				
	December 31, 2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan rupee	19,626,803	12,562,532	-	7,064,271
United States dollar	4,174	-	-	4,174
Great Britain pound	-	-	-	-
Japanese yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	19,630,977	12,562,532	-	7,068,445

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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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. Equity price risk is managed within the statutory limits and as defined by ALCO by applying trading limit, scrip-wise and portfolio wise limits. VaR numbers generation and stress testing of the equity portfolio are also performed and reported to senior management.

39.2.3 Mismatch of Interest rate Sensitive Assets and Liabilities

Yield and interest rate sensitivity position for on-balance sheet instruments is based on the earlier contractual re-pricing or maturity date and for off-balance sheet instruments is based on the settlement date.

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

The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board approves limits on the recommendation of the Executive Committee on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the company's treasury division.

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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39.4 Operational Risk

The risk of losses owing to deficient or erroneous internal procedures, human or system errors, or external events.

The company has in place robust, duly approved operational risk policy, procedure and a Business Continuity Plan. These are continuously reviewed to strengthen operational controls prevailing in the company.

Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit must report any potential deviation giving rise to operational risk events in the management reporting system.

The company is currently in the process of implementing Internal Control Systems (COSO framework) which will additionally aid in strengthening the Operational Risk Management of the company.

40 GENERAL

The Pakistan Credit Rating Agency Limited has maintained the company's rating of AA-(Double A Minus) in the long term and A1+(A One Plus) in the short term.

41 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The board of directors have approved transfer to reserve for contingencies amounting to Rs _____ million (2007: Rs 100 million) for the year ended December 31, 2008.

42 CORRESPONDING FIGURES

For the purpose of better presentation, following reclassifications have been done in the current year. Comparative figures have also been reclassified. These reclassifications affect relevant line items of cash flow statement. The reclassifications have no other effects.

Particulars	From	To	Reason
Provision/(reversal) of provision for diminution in the value of investments	Non Mark-up / Interest expenses provision / (reversal) of provision for diminution in the value of investments on the face of profit and loss account	Reversal of provision for diminution in the value of investments on the face of profit and loss account	To comply the reporting format of State Bank of Pakistan
Penalty imposed by State Bank of Pakistan	Other charges classified under Administrative expenses	Penalty imposed by SBP under Other charges	To comply the reporting format of State Bank of Pakistan

43 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

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9.5 Advances include Rs. 1,012.965 million (2007: Rs. 323.641 million) which have been placed under non-performing status is detailed below:

Category of classification	2008								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000			Rupees in '000			Rupees in '000			
Substandard	310,259	-	310,259	77,565	-	77,565	77,565	-	77,565
Doubtful	402,518	-	402,518	201,259	-	201,259	201,259	-	201,259
Loss	300,188	-	300,188	250,188	-	250,188	250,188	-	250,188
	1,012,965	-	1,012,965	529,012	-	529,012	529,012	-	529,012
2007	323,641	-	323,641	128,229	-	128,229	128,229	-	128,229

9.5.1 Particulars of provision against non-performing advances

	2008			2007		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	128,229	17,789	146,018	64,993	16,889	81,882
Charge for the year	419,521	-	419,521	76,139	900	77,039
Less: Reversal for the year	(18,416)	(1,737)	(20,153)	(12,903)	-	(12,903)
Net charge	401,105	(1,737)	399,368	63,236	900	64,136
Less: Amounts written off	(322)	-	(322)	-	-	-
Closing balance	529,012	16,052	545,064	128,229	17,789	146,018

9.5.2 Particulars of provision against non-performing advances

In local currency	529,012	16,052	545,064	128,229	17,789	146,018
In foreign currency	-	-	-	-	-	-
	529,012	16,052	545,064	128,229	17,789	146,018

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

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10.2 Property and equipment

	As at January 1, 2008	Cost Additions/ (deletions)	As at December 31, 2008	As at January 1, 2008	Depreciation For the year/ (on disposals)	As at December 31, 2008	Net book value as at December 31, 2008	Rate (%)
-----Rupees in '000-----								
Leasehold lands (Refer note 10.2.2)	1,951	-	1,951	387	22	409	1,542	
Buildings on leasehold lands (Refer note 10.2.2)	47,229	-	47,229	38,697	2,361	41,058	6,171	5
Furniture and fixtures	26,427	424 (399)	26,452	14,190	3,573 (296)	17,467	8,985	10,15 and 25
Electrical appliances	8,854	623 (210)	9,267	5,028	919 (210)	5,737	3,530	10 and 15
Office equipment	638	9	647	457	32	489	158	10
Computer equipment	18,672	4,372 (1,791)	21,253	14,329	2,851 (1,791)	15,389	5,864	30
Motor vehicles	26,527	23,529 (8,079)	41,977	12,281	12,296 (5,811)	18,766	23,211	20
2008	Rupees in '000	130,298	28,957	148,776	85,369	22,054	99,315	49,462
			(10,479)		(8,108)			
2007	Rupees in '000	149,290	13,906	130,298	84,358	14,630	85,367	44,931
			(32,898)		(13,621)			

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10.2.1 Reconciliation of net book value

	Lease hold land	Building on leasehold land	Furniture and fixtures	Electrical appliances	Office equipment	Computer equipment	Motor vehicles	Total
-----Rupees in '000-----								
As at January 1, 2007								
Cost	1,951	69,768	25,765	8,377	638	16,302	26,489	149,290
Depreciation	(366)	(45,040)	(10,646)	(4,758)	(422)	(11,768)	(11,354)	(84,354)
Net book value	1,585	24,728	15,119	3,619	216	4,534	15,135	64,936
Year ended December 31 2007								
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	-	-	3,979	13,617
Net book value								
December 31, 2007	1,563	8,533	12,238	3,826	183	4,345	14,243	44,931
Year ended December 31 2008								
Additions	-	-	424	623	9	4,372	23,529	28,957
Disposals	-	-	(399)	(210)	-	(1,791)	(8,079)	(10,479)
Depreciation charge	(22)	(2,361)	(3,573)	(919)	(32)	(2,851)	(12,296)	(22,054)
Depreciation on disposal	-	-	296	210	-	1,791	5,811	8,108
Net book value as at								
December 31, 2008	1,541	6,172	8,986	3,530	160	5,866	23,208	49,462

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36 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY

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

	2008								
	Corporate Finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Other
Total income	1,260,249	-	125,410	-	-	-	-	-	-
Total expenses	1,213,241	-	110,072	-	-	-	-	-	-
Net income / (loss)	47,008	-	15,338	-	-	-	-	-	-
Segment assets (gross)	13,695,882	-	909,506	-	-	-	-	-	-
Segment Non performing loans	919,522	-	93,443	-	-	-	-	-	-
Segment Provision required	2,363,750	-	69,287	-	-	-	-	-	-
Segment liabilities	5,710,246	-	809,312	-	-	-	-	-	-
Net assets	7,985,636	-	100,194	-	-	-	-	-	-
Segment return on net assets (ROA)%	0.59%	-	15.31%	-	-	-	-	-	-
Segment cost of funds (%)	12.06%	-	5.51%	-	-	-	-	-	-
	2007								
Total income	1,544,239	-	120,615	-	-	-	-	-	-
Total expenses	1,033,527	-	103,727	-	-	-	-	-	-
Net income / (loss)	510,712	-	16,888	-	-	-	-	-	-
Segment assets (gross)	19,082,440	-	926,887	-	-	-	-	-	-
Segment Non performing loans	212,627	-	111,014	-	-	-	-	-	-
Segment Provision required	337,662	-	40,688	-	-	-	-	-	-
Segment liabilities	11,711,010	-	851,522	-	-	-	-	-	-
Net assets	7,371,430	-	75,365	-	-	-	-	-	-
Segment return on net assets (ROA)%	6.93%	-	22.41%	-	-	-	-	-	-
Segment cost of funds (%)	9.22%	-	6.12%	-	-	-	-	-	-

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

		2 0 0 8										
		Exposed to yield/interest rate risk										
Effective yield/int-crest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 Years	Over 5 to 10 years	Above 10 years	Not-interest bearing financial	
												-----Rupees '000-----
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	42,624	-	-	-	-	-	-	-	-	-	42,624
Balances with other banks	9.78	78,821	24,758	18,569	18,569	-	-	-	-	-	-	16,925
Lendings to financial institutions	12.81	698,769	698,769	-	-	-	-	-	-	-	-	-
Investments	10.96	5,477,558	45,388	2,278,932	193,229	253,061	217,041	232,155	895,903	366,071	-	995,778
Advances	13.05	4,938,783	126,588	857,551	377,764	412,765	942,042	1,146,265	451,455	447,882	176,471	-
Other assets	-	522,684	-	-	-	-	-	-	-	-	-	522,684
		11,759,239	895,503	3,155,052	589,562	665,826	1,159,083	1,378,420	1,347,358	813,953	176,471	1,578,011
Liabilities												
Borrowings	12.13	4,858,821	2,082,790	1,914,809	114,880	181,580	277,069	195,040	77,573	15,080	-	-
Deposits and other accounts	11.83	1,400,000	50,000	1,350,000	-	-	-	-	-	-	-	-
Other Liabilities		260,737	-	-	-	-	-	-	-	-	-	260,737
		6,519,558	2,132,790	3,264,809	114,880	181,580	277,069	195,040	77,573	15,080	-	260,737
On-balance sheet gap		(5,239,681)	1,237,287	109,757	(474,682)	(484,246)	(882,014)	(1,183,380)	(1,269,785)	(798,873)	(176,471)	(1,317,274)
Off-balance sheet financial instruments												
Forward lending (including call lending, repurchase agreement lending, commitments to extend credit, etc)		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing (including call borrowing, repurchase agreement Borrowing etc.)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest rate risk												
Sensitivity gap			1,237,287	109,757	(474,682)	(484,246)	(882,014)	(1,183,380)	(1,269,785)	(798,873)	(176,471)	
Cumulative yield/interest rate risk sensitivity gap			1,237,287	1,347,044	872,363	388,117	(493,898)	(1,677,278)	(2,947,063)	(3,745,936)	(3,922,407)	

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
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Reconciliation of assets exposed to yield/interest rate risk with total assets

	Interest bearing financial instruments	No-interest bearing financial instruments	Non- financial instruments	Total
Assets				
Cash and balances with treasury banks	-	42,624	-	42,624
Balances with other banks	61,896	16,925	-	78,821
Lendings to financial institutions	698,769	-	-	698,769
Investments	4,481,780	995,778	-	5,477,558
Advances	4,938,783	-	-	4,938,783
Operating fixed assets	-	-	52,281	52,281
Deferred taxation	-	-	254,093	254,093
Other assets	-	522,684	106,738	629,422
	<u>10,181,228</u>	<u>1,578,011</u>	<u>413,112</u>	<u>12,172,351</u>

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

Bills payable	-	-	-	-
Borrowings	4,858,821	-	-	4,858,821
Deposits and other accounts	1,400,000	-	-	1,400,000
Sub-ordinated loans	-	-	-	-
Other liabilities	-	260,737	-	260,737
	<u>6,258,821</u>	<u>260,737</u>	<u>-</u>	<u>6,519,558</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

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

Pak-Libya's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

The management is responsible for managing liquidity profile of the company although strategic management of liquidity has been delegated to ALCO. The ALCO of the company executes liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that company has adequate information systems for measuring, monitoring, controlling

