



**CORPORATE INFORMATION**

**Board of Directors of Prudential Capital Management Ltd.**

Mr. Asad Iqbal Siddiqui	(Chairman)
Mr. Muhammad Asif	Director
Mr. Fazal M. Mughal	Director
Mr. Ataullah Khan	Director
Dr. Muhammad Hussain	Director

**COMPANY SECRETARY**

Mr. Muhammad Musharraf Khan

**AUDIT COMMITTEE**

Mr. Fazal M. Mughal  
Chairman  
Mr. Muhammad Asif  
Member  
Mr. Ataullah Khan  
Member

**AUDITORS**

M.Yousuf Adil Saleem & Co.  
Chartered Accountants

**LEGAL ADVISORS**

Mohammad Zubair Quraishi  
S. Tauqir Hassan & Co.  
Mansoor Ahmed Khan  
Faqoq Akhtar

**BANKERS**

RBS Bank  
Standard Chartered Bank  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Muslim Commercial Bank Ltd.  
Saudi Pak Commercial Bank Ltd.  
Emirates Global Islamic Bank Ltd.  
Atlas Bank Ltd.

**MANAGEMENT COMPANY**

Prudential Capital Management Limited

**REGISTERED OFFICE**

Office No. 54, Ground Floor,  
Beverly Centre, 56-G, Blue Area,  
Islamabad.  
Tel: 2825343 Fax: 2814000  
E-mail: info@firstprudentialmodaraba.com

**STOCK EXCHANGE**

First Prudential Modaraba is managed by Prudential Capital Management Ltd. and is listed on Karachi, Lahore and Islamabad Stock Exchanges. Daily quotation of the company's stock can be obtained from leading newspapers, listed under modarabas.

**PUBLIC INFORMATION**

Financial analysts, Stock, broker, interested investors and financial media desiring information about First Prudential Modaraba should contact Syed Imran Ali (Manager Finance) Meher Sons Estate, 1st Floor, Block No. 1, Talpur Road, P.O. Box 621, Karachi-74000  
Tel: PABX 32429632-4 Fax:32420015  
E-mail: info@firstprudentialmodaraba.com

**CERTIFICATE HOLDERS INFORMATION**

Enquiries concerning lost Modaraba certificates, dividend payment, change of address, verification of transfer deeds and certificate transfer should be directed to the Registrar of First Prudential Modaraba i.e. Shares & Corporate Services (Pvt) Ltd. Mehersons Estate, Block E, Talpur Road, Karachi-74000  
Tel: PABX 32429632-4 Fax: 32420015  
E-mail: info@firstprudentialmodaraba.com

**KARACHI OFFICE**

Meher Sons Estate, 1st Floor, Block No. 1, Talpur Road, P.O. Box 621, Karachi-74000  
Tel: PABX 32429632-4 Fax:32420015  
E-mail: info@firstprudentialmodaraba.com



**CHAIRMAN'S REVIEW**

The Board of Directors of Prudential Capital Management Limited, Managers First Prudential Modaraba pleased to present herewith the Half Year Review of First Prudential Modaraba together with Audited Accounts, Auditors and Directors Report thereon for the period ended 31st December 2009.

**Key Operating Results:**

	(Rupees in million)	
	Half Year ended 31-12-2009	Half Year ended 31-12-2008
Total Income from operations	42.577	49.644
Operating Expenses	27.672	29.971
Profit/ (Loss) from Operation	23.907	(48.138)
Net Profit/ (Loss)	21.516	(48.471)
Earning Per Certificate	0.25	(0.56)

**REVIEW OF OPERATIONS:**

During the Half Year ended 31st December 2009, the Economic trend remained constrained all over the World; this trend obviously affected the Economic Activities at the National scenario too, coupled with ill managed utility services, which hampered the overall growth of Commercial and Industrial Sectors, in addition to instability at the political front, the deteriorated law & order conditions and the disappearance of security environments to build the confidence of Local and Foreign Investors have catalyst in portraying Pakistan as potentially high risk. As a result, the Macro and Micro Economic activities suffered a lot due to unofficial devaluation of the Pak Currency together with a chill in the Demand and Supply proportion in the Commodity Market. The Inflationary pressure which touched the graph at the highest level of nearly 11.29% as against the budgetary target of 9.50%, the Wholesale Price Index (WPI) and Sensitive Price Indicator (SPI) increased by 10.08% and 12.54% respectively during the period under review. The poverty rate of the country is consistently increasing day by day, due to the absence of significant economic activities owing to prevailing Law and Order situation. The Tight Domestic Liquidity has also been a cause to shrink the Business Activities, the higher rate in long term papers, cutoff in yield are down by 7-10 bps, this is in line with the declining trend in Secondary Market, the Food Inflation is still a painful task to eradicate, consequent effects are quite oblivious on overall activities of the Markets and the Common Man.

Despite some boost in the Capital Market, the recession, however could not be turned into the Stable and/or Bullish succession in the Capital Market during the period under review, which had affected our expected Profitability, due to this reason our Investment Portfolio also could not get momentum during the period under review, however, substantial recovery in the booked losses could be possible due to this slow improvement in the Capital Market, resultant, the Modaraba successes in producing Profitability and to bring down the Investment Portfolio within the SECP prescribed limit.

With the cautious entry of Foreign Investors, slightly boost the Capital Market in the 2nd quarter of the half year ended on 31st December 2009 and has provided the door way to recover our stagnant funds, to improve the Liquid Resources and the Profitability. The Modaraba has turned into a Profit Earner as against the loss incurring Unit in the corresponding period last year. It has now substantial funds to improve its Profitability with prudent Investment and Financing in better trades.

During the Half Year ended on 31st December 2009, the Overall Operating Performance of the First Prudential Modaraba reflects the Operating Income as Rs. 42.577 Million, slightly short by Rs. 7.070 million, due to 50% decrease in Lease/Ijra Income as compared to figures of corresponding period last year due to maturity of different Lease. Profit from Operation stands to Rs.23.907 Million as against a loss of Rs.48.138 Million. Further, Modaraba has recorded unrealized gain on re-measurement of Investment at Rs.16.628 Million. The Modaraba succeeded in recovery of Rs.9.346 million from stagnant/non-performing portfolio. Provision of Rs. 7.627 was provided on Doubtful Receivables. The administrative Expenses were tidily curbed to curtail by Rs.6.560 Million. The Net Profit of the Modaraba stands to Rs.21.516 Million as against a Loss of Rs.48.471 Million in the corresponding period last year. The Earning per Certificate stands to Rs.0.25 during the period under review.



**REPORT TO THE CERTIFICATE HOLDERS  
ON REVIEW OF INTERIM FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **First Prudential Modaraba** (the Modaraba) as at December 31, 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the quarter ended December 31, 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2009.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

**Basis for Qualified Conclusion**

*a)* Advances, prepayments and other receivables include a long standing balance of Rs.18.17 million receivable from Prudential Securities Limited (PSL), a related party. This balance has been outstanding on account of stock market transactions. The Modaraba made efforts to obtain collateral from PSL against this balance which could not be materialized. Due to this, the said balance is doubtful of recovery for which no provision has been recognized in this financial information. Further, a deposit of Rs.3 million is included in long term deposits on account of security paid to PSL against trading in shares, operations of PSL has been suspended by Karachi and Lahore Stock Exchanges and the recoverability of this amount is doubtful for which no provision has been made. In addition to above, the Modaraba has made long term investment of Rs.3.38 million in the shares of PSL (unlisted public company; 1,107,244 shares of Rs.10/- each) classified as available for sale. We are not provided with the latest audited financial statements of PSL to determine the value of this investment and impairment against these if any.

*b)* Advances, prepayments and other receivables include an amount of Rs.1.799 million paid for the purchase of a motor vehicle for the ex-managing director of the Modaraba. There is no resolution of board of directors of the Modaraba Management Company authorizing such purchase. The vehicle is not registered in the name of Modaraba. No provision has been made against doubtful recoverability of this amount in these condensed interim financial information.

*c)* Lease receivables include doubtful receivables of Rs.7.11 million against which no provision has been recognised in these condensed interim financial information. Leased/Ijarah property, plant and equipment include carrying value of Rs.19.42 million relating to doubtful lease receivables against which no impairment has been recognised in these condensed interim financial information. Net unprovided exposure after deducting lease security deposit of Rs 14.48 million is Rs 4.94 million.



As discussed in paragraphs 'a', 'b' and 'c' above, no provisions has been made in the interim financial information, had these provisions of Rs.38.40 million would have been made, the profit for the half year ended December 31, 2009 would have been lower and accumulated loss would have been higher by this amount.

**Qualified Conclusion**

Based on our review, with the exception of the matters described in the preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Without further qualifying our conclusion, we draw attention to the following matters;

*a)* As stated in note 1.3 to the interim financial information management company of the Modaraba has signed memorandum of understanding with Al-Zaamin Leasing Modaraba (now merged with Invest Capital Investment Bank Limited) for proposed merger.

*b)* As stated in note 1.4 to the interim financial information, Securities and Exchange Commission of Pakistan (SECP) had conducted the inspection into the records and affairs of the Modaraba during the year ended June 30, 2009. The report on the findings is still awaited.

*c)* During last year, Islamic CFS Morabaha financing of Rs.65.022 million was provided to Cordial Trading Corporation (CTC). Instead of making disbursement to CTC, Modaraba made disbursement to Prudential Securities Limited and the shares purchased against this finance were held in the name of the Modaraba as collateral. The modaraba has realised collateral of Rs.23.012 million during the period leaving a balance of Rs.28.760 million outstanding as at December 31, 2009. The market value of collateral as at December 31, 2009 is Rs.22.182 million. Provision against doubtful recovery for the difference in value of amount outstanding and collateral of Rs.6.578 million has been duly made.

*d)* As stated in note 12 to the interim financial information, the modaraba has paid Rs.22 million. In consideration Lahore Stock Exchange has agreed to transfer the membership card of Prudential Securities Limited in favour of First Prudential Modaraba. The membership card has not been transferred till the date of authorisation of these interim financial information for issue due to non appointment of nominee director to represent it in the said matter before Lahore Stock Exchange.

*e)* Subsequent to the period end on March 19, 2010, the modaraba has applied for approval of appointment of Chief Executive Officer to Registrar Modaraba. The position of Chief Executive Officer is vacant since July 12, 2008.



## First Prudential Modaraba

The financial statements for the year ended June 30, 2009 were audited by another firm of Chartered Accountants whose report dated October 10, 2009 contained an adverse opinion based on the matters already covered in our report above and the following additional matters: -

- i. The Modaraba did not adopt Islamic Financial Accounting Standard (IFAS) - 2 'Ijarah'.
- ii. Modaraba had unreconciled brokers' net credit balances of Rs. 3.015 million.
- iii. Moradaba's investments in listed securities exceeded the limits prescribed by the prudential regulations.
- iv. Other qualifications based on limitation of scope include (a) Minutes of the meetings of board of directors and audit committee of the Modaraba management company were not provided or were unapproved (b) Other income of Rs.2.543 million which remained unverified (c) Supporting documents of provision of non-performing balances of 'Lease rental receivable', disposal of certain items of Property, plant and equipment - lease out' and its related gain were not verifiable
- v. Modaraba has now adopted the said standard as reflected in the note 2 to the interim financial information and amount stated in 'ii' have been properly adjusted. Matters described in 'iii' and 'iv' above do not have any impact on review report on current period interim financial information.

Moreover the retiring auditors had also included emphasis of matter paragraph as mentioned below:-

- i. We have not been provided the long term and short term business strategies of the Modaraba and business plan focusing the current financial crises and recession which has affected the business of the Modaraba. The fair values of investments held by the Modaraba have considerably declined which, coupled with other factors, has resulted net loss for the year of Rs.103.718 million. The accumulated loss of the Modaraba of Rs.513.702 million as at 30 June 2009 has eroded its equity considerably. This necessitates re-assessing the long term and short term business strategies and preparing a comprehensive business plan.

As the modaraba has no long term exposure its equity and current ratio is favourable, have sufficient liquid assets to carry out business and the management is also looking for other options i.e. merger. We have not considered appropriate to include a para similar to above in our report.

**Chartered Accountants**

**Karachi**

**Dated: 30-03-2010**



## First Prudential Modaraba

### CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2009

	Note	Unaudited December 31, 2009 Rupees	Audited June 30, 2009 Rupees
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	5	245,698,031	187,666,800
Investments	6	96,770,976	98,265,160
Lease rentals receivable	7	17,050,132	41,105,036
Short term musharika and morabaha finance		23,160,566	38,484,832
Current portion of long term			
musharika and morabaha finance	10	24,031,795	21,568,970
Advances, prepayments and other receivables	8	32,911,697	46,307,629
Decretal amounts receivable against			
morahaba and musharika finance		1,034,801	2,534,802
Total Current Assets		440,657,998	435,933,229
Long term investments	9	7,663,884	7,285,615
Long term musharika and morabaha finance	10	2,366,121	8,837,362
Long term deposits and advances	11	25,066,193	3,066,192
Property and equipment - own	12	602,879	1,076,247
Property, plant and equipment - leased / Ijarah	13	94,641,199	117,128,823
Investment property		8,400,000	8,400,000
TOTAL ASSETS		579,398,274	581,727,468
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current portion of long term lease deposits		43,581,406	40,836,556
Accrued and other liabilities		22,575,670	39,001,181
Taxation		457,801	457,801
Total Current Liabilities		66,614,877	80,295,538
Non-current liabilities			
Long term lease deposits		18,828,021	29,371,090
TOTAL LIABILITIES		85,442,898	109,666,628
NET ASSETS		493,955,376	472,060,840
<b>REPRESENTED BY</b>			
Certificate Capital			
87,217,660 Modaraba Certificates of Rupees 10/- each		872,176,600	872,176,600
Statutory reserve		113,586,162	113,586,162
Accumulated loss		(491,807,386)	(513,701,922)
		493,955,376	472,060,840
Contingencies	14		

The annexed notes form an integral part of these condensed interim financial information.

#### Statement under rule 12 (2) of the Modaraba Companies Rules, 1981:

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end the management company has appointed the Chief Executive Officer and applied to Securities and Exchange Commission of Pakistan for the approval.

  
Director

  
Director

  
Director



## First Prudential Modaraba

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Half year ended		Quarter ended	
	December 31 2009 Rupees	December 31 2008 Rupees	December 31 2009 Rupees	December 31 2008 Rupees
<b>INCOME / (LOSS)</b>				
Lease rentals	16,733,745	36,717,932	6,131,722	17,635,765
Income on musharika and morabaha finance	4,311,932	11,284,444	1,594,276	8,571,531
Gain/(loss) on sale of investments	2,783,561	(4,767,321)	1,015,235	169,311
Income on term deposit receipts and bank accounts	12,395,662	352,139	6,437,164	-
Other income	6,352,731	6,852,322	4,512,079	5,863,922
Share of loss from associates	-	(795,078)	-	(795,078)
	<u>42,577,631</u>	<u>49,644,438</u>	<u>19,690,476</u>	<u>31,445,451</u>
Unrealized gain/(loss) on changes in fair value of held for trading investments	16,628,709	(68,861,930)	(3,378,797)	(40,153,830)
Unrealized gain on remeasurement of investment property	-	1,050,000	-	1,050,000
Provision against doubtful receivables-net	(7,627,188)	-	(11,244,411)	-
	<u>51,579,152</u>	<u>(18,167,492)</u>	<u>5,067,268</u>	<u>(7,658,379)</u>
<b>EXPENDITURE</b>				
Amortization on assets leased out	(18,308,274)	(24,867,554)	(8,867,860)	(7,685,658)
Administrative expenses	(9,346,126)	(5,060,693)	(5,618,559)	(1,403,516)
Bank and other charges	(17,790)	(42,861)	(2,017)	(7,224)
	<u>(27,672,190)</u>	<u>(29,971,108)</u>	<u>(14,488,436)</u>	<u>(9,096,398)</u>
Profit/(loss) for the period	23,906,962	(48,138,600)	(9,421,168)	(16,754,777)
Modaraba company's management fee	(2,390,696)	-	-	67,918
Profit/(loss) before taxation	21,516,266	(48,138,600)	(9,421,168)	(16,686,859)
Provision for taxation	-	(332,976)	-	(332,976)
Profit/(loss) after taxation	<u>21,516,266</u>	<u>(48,471,576)</u>	<u>(9,421,168)</u>	<u>(17,019,835)</u>
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	<u>21,516,266</u>	<u>(48,471,576)</u>	<u>(9,421,168)</u>	<u>(17,019,835)</u>
Earnings per certificate	<u>0.25</u>	<u>(0.56)</u>	<u>(0.11)</u>	<u>(0.20)</u>

The annexed notes form an integral part of these condensed interim financial information.

**Statement under rule 12 (2) of the Modaraba Companies Rules, 1981:**

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end the management company has appointed the Chief Executive Officer and applied to Securities and Exchange Commission of Pakistan for the approval.

  
Director

  
Director

  
Director



## First Prudential Modaraba

### CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009

A. CASH FLOWS FROM OPERATING ACTIVITIES	December 31, 2009 Rupees	December 31, 2008 Rupees
	Profit / (loss) before taxation	21,516,266
Adjustments for non-cash changes and other items:		
Depreciation-owned	321,969	437,365
Amortization on assets leased out	18,308,274	24,867,554
Unrealized gain/(loss) on changes in fair value of held for trading investments	(16,628,709)	68,861,930
Provision against doubtful receivables-net	7,627,188	-
Gain on disposal-own assets	(93,501)	-
Gain on disposal-leased assets	(978,684)	(206,648)
Unrealised gain on remeasurement of investment property	-	(1,050,000)
Share of loss from associates	-	795,078
Dividend income	(1,995,428)	(5,429,289)
	<u>6,561,109</u>	<u>88,275,990</u>
	<u>28,077,375</u>	<u>40,137,390</u>
Cash flows before movements in working capital		
(Increase) / decrease in operating assets		
Long term musharika and morabaha finance	4,008,416	9,395,906
Lease rentals receivable	24,054,904	(4,717,361)
Short term musharika and morabaha finance	7,697,078	(61,431,347)
Decretal amount receivable against morabaha and musharika finance	1,500,001	10,412
Advances, prepayments and other receivables	14,340,284	77,865,836
	<u>51,600,683</u>	<u>21,123,446</u>
Increase/(decrease) in current liabilities		
Long term deposits and advances	(7,798,219)	2,734,950
Accrued and other liabilities	(16,425,511)	(4,439,502)
	<u>(24,223,730)</u>	<u>(1,704,552)</u>
Cash generated from operations	55,454,328	59,556,284
Income tax paid	(837,716)	-
Dividend paid	-	(23,357,516)
Net cash generated from operating activities	<u>54,616,612</u>	<u>36,198,768</u>



	December 31, 2009 Rupees	December 31, 2008 Rupees
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	1,888,792	5,429,289
Long term deposits paid	(22,000,001)	-
Investments encashed / (made) -net	18,122,894	(65,742,275)
Proceeds from disposal-own assets	300,001	-
Proceeds from disposal-leased assets	14,065,350	410,889
Purchase of own assets	(55,101)	(40,500)
Purchase of assets leased out	(8,907,316)	(10,312,500)
Net cash used in investing activities	<u>3,414,619</u>	<u>(70,255,097)</u>
Net increase/ (decrease) in cash and cash equivalents	58,031,231	(34,056,329)
Cash and cash equivalents at beginning of the period	187,666,800	161,757,893
Cash and cash equivalents at end of the period	<u>245,698,031</u>	<u>127,701,564</u>

The annexed notes form an integral part of these condensed interim financial information.

**Statement under rule 12 (2) of the Modaraba Companies Rules, 1981:**

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end the management company has appointed the Chief Executive Officer and applied to Securities and Exchange Commission of Pakistan for the approval.

  
Director

  
Director

  
Director





**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY(UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2009**

	Certificate capital	Reserves		Total
		Capital Statutory reserve	Revenue Accumulated loss	
Rupees				
Balance at July 1,2008	872,176,600	113,586,162	(383,819,025)	601,943,737
Net loss after other comprehensive income for the half year ended December 31, 2008	-	-	(48,471,575)	(48,471,575)
Distribution at the rate of 3% declared for the year ended June 30,2008	-	-	(26,165,298)	(26,165,298)
Balance at December 31,2008	872,176,600	113,586,162	(458,455,898)	520,532,415
Net loss after other comprehensive income for the half year ended June 30, 2009	-	-	(55,246,024)	(55,246,024)
Balance at June 30,2009	872,176,600	113,586,162	(513,701,922)	472,060,840
Total comprehensive income for the half year ended December 31,2009	-	-	21,516,266	21,516,266
Reversal of impairment on available for sale investments'	-	-	378,270	378,270
Balance at December 31,2009	872,176,600	113,586,162	(491,807,386)	493,955,376

The annexed notes form an integral part of these condensed interim financial information.

**Statement under rule 12 (2) of the Modaraba Companies Rules, 1981:**

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end the management company has appointed the Chief Executive Officer and applied to Securities and Exchange Commission of Pakistan for the approval.

  
Director

  
Director

  
Director



**SELECTED EXPLAMANTORY NOTES (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2009**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

1.1 First Prudential Modaraba (the modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and is managed by Prudential Capital Management Limited, a company incorporated in Pakistan under the Companies Ordinance 1984. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include leasing of assets, deployment of fund in musharika, morabaha, investment in securities and investment properties. The modaraba has applied for approval of amendments in prospectus to allow it to engage in security and commodity business and housing and mortgage finance which has not been granted till date of authorization of condensed interim financial information for the issue. Its registered office is situated at Office No. 54, Ground Floor, Beverly Centre, 56-G, Blue Area, Islamabad.

1.2 The interim financial information is presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

1.3 The board of directors of management company of the modaraba passed a resolution in their meeting dated August 04, 2009 to explore the possibilities of proposed merger into Al-Zamin Leasing Modaraba (now Invest Capital Investment Bank). Notices of intention to the Stock Exchanges have been given by the respective modarabas . In this connection both the modarabas have also signed a Memorandum of Understanding on August 11, 2009. However the outcome of this matter is dependent upon the required regulatory and statutory approvals.

1.4 SECP has conducted the inspection into the records and affairs of the modaraba during the last year and the report on findings has been received in the current period but final outcome of the matter is still pending. The management believes that the final outcome of the enquiry will not be adverse for the modaraba.

1.5 These condensed interim financial information comprise of condensed interim balance sheet, condensed interim profit and loss , condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof. The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published audited financial statements and should be read in conjunction with the annual audited financial statements of the Modaraba for the year ended June 30, 2009.

The SECP has deferred the application of IAS 17 "Leases" and specific requirements of IAS 39 "Financial Instruments, Recognition and Measurement" for recognition of unrealized gain on "held for trading" investments for Modarabas.

This condensed interim financial information is unaudited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and these condensed interim financial information are being circulated to the certificate holders as required under the Modaraba Companies and Modaraba Rules, 1981.

**2. STANDARDS, INTERPRETRATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR**

In the current period, the Modaraba has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Moradaba's accounting period beginning on July 01, 2009.

**Effective for accounting period beginning on or after**

- IAS 1 (revised) - Presentation of Financial Statements
- IFRS 8 Operating Segments

January 01, 2009  
January 01, 2009



IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Modaraba has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statements(condensed interim profit and loss).

The Modaraba has adopted Islamic Financial Accounting Standard 2 (IFAS-2) "Ijarah", issued by the Institute of Chartered Accountants of Pakistan, and as notified by the Securities and Exchange Commission of Pakistan with effect from July 01, 2009

Adoption of above mentioned new standards will have no material impact on the Modaraba's financial information except certain additional disclosures.

Modaraba has also adopted Islamic Financial Accounting Standard (IFAS - 1) 'Murabaha', issued by the Institute of Chartered Accountants of Pakistan, relating to accounting for Murabaha transactions undertaken by a bank and similar financial institutions. Modaraba has accordingly changed its accounting policy for revenue recognition and associated assets in relation to disbursement of Murabaha Finance with effect from July 01, 2009.

**3. BASIS OF PREPARATION**

These condensed interim financial information have been prepared under the historical cost convention, except for certain investments which have been measured at fair value / equity method.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation followed in the preparation of these condensed interim interim financial information are the same as those applied in preparing the audited interim financial statements for the year ended June 30, 2009 except as per requirement of IFAS-1 'Murabaha' for all the morabaha agreements initiated after July 01, 2009 which require profit from Murabaha Finance be accounted for on culmination of Murabaha transaction. However, the profit on that portion of Murabaha Finance not due for payment is deferred by accounting for "Deferred Murabaha Income" with a corresponding credit to "Unearned Murabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis. After July 01, 2009 Modarba has not entered in to any new murabaha agreement and the change does not have any impact on the profit for the period.

	Note	(Unaudited) December 31, 2009 Rupees	(Audited) June 30, 2009 Rupees
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand		10,000	9,572
Cash at banks			
Current accounts		1,509,964	2,231,956
Saving accounts	5.1	84,178,068	17,425,273
Term deposits	5.2	159,999,999	167,999,999
		<u>245,688,031</u>	<u>187,657,228</u>
		<u>245,698,031</u>	<u>187,666,800</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 5.5% to 12 % (June 2009:4.5% to 10%) per annum.

5.2 Effective mark-up rate in respect of term deposit accounts ranges from 11.50% to 17% (June 2009: 11.5% to 19%) per annum.



**6. INVESTMENTS**

Held for trading at fair value through profit and loss account

Unless stated otherwise, the holdings are in the fully paid ordinary shares/ certificates/ units of Rs 10/- each.

In listed securities (Note 6.1)	<u>96,770,976</u>	<u>98,265,160</u>
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**6.1 In listed companies**

31 December 2009 Rupees	30 June 2009 Rupees		December 31, 2009 Rupees	June 30, 2009 Rupees
		No. of shares / units		

**Closed-end Mutual Funds**

134,500	134,500	Pakistan Premier Fund Limited	800,275	551,450
-	5,000	Golden Arrow Selected Stocks Fund Limited	-	5,650
-	2,500	JS Growth Fund	-	3,820
-	56,500	First Cap. Mutual Fund	-	134,470
-	5,000	PICIC Energy Fund	-	22,500

**Open-end Mutual Funds**

362,555	362,555	Unit Trust of Pakistan	41,516,133	32,865,611
25,000	25,000	National Investment (Unit) Trust	764,500	671,250
		(Face value of certificate Rs.100/- each)		

**Modarabas**

79500	104,500	First Habib Modaraba	463,485	602,965
8000	10,000	KASB Modaraba	24,000	31,000
-	5,000	First Equity Modaraba	-	4,950
-	165,000	Unity Modaraba.	-	52,800

**Investment Banks / Securities**

1,029,077	894,850	First Capital Securities Corporation Limited	9,765,941	9,315,389
47,282	12,282	Jahangir Siddiqui & Co Limited	1,421,770	284,820
17,500	26,875	Arif Habib Securities Limited	862,225	1,340,015
53,400	20,000	JS Investments Limited	767,358	338,800
85,000	322,000	IGI Investment Bank Limited	300,050	1,345,960
4,000	4,000	JS Global Capital Limited	280,880	274,040
23,200	68,200	Javed Omer Vohra and Company Limited	229,216	918,654
7,678	7,678	Assets Investment Bank Limited	10,749	-
-	1,000	Pervez Ahmed Securities Limited	-	5,290



## First Prudential Modaraba

31 December 2009 Rupees	30 June 2009 Rupees		December 31, 2009 Rupees	June 30, 2009 Rupees
<b>Commercial Banks</b>				
36,800	19,800	National Bank of Pakistan	2,736,816	1,327,194
16,000	26,950	United Bank Limited	935,200	1,031,916
-	36,000	Standard Chartered Bank Limited	-	305,640
50,264	50,264	Soneri Bank Limited	556,460	550,893
80,000	112,222	Arif Habib Bank Limited	536,000	784,432
70,625	70,625	Bank Islami Pakistan Limited	414,569	449,881
22,000	4,600	Faysal Bank Limited	385,660	44,528
20,000	16,875	Bank Al Falah Limited	275,400	178,031
54,000	85,000	NIB Bank Limited	259,200	403,750
22,500	22,500	JS Bank Limited	114,300	135,675
5,000	-	Meezan Bank Limited	78,700	-
10,000	26,000	Atlas Bank Limited	34,400	88,140
-	5,000	The Bank of Punjab	-	54,900
-	1,500	Askari Bank Limited	-	22,920
171,000	239,400	Silk Bank Limited	810,540	1,295,154
<b>Insurance</b>				
21,000	1,000	Pakistan Reinsurance Company Limited	548,100	35,030
1,000	15,400	Adamjee Insurance Company Limited	123,300	1,293,446
<b>Textile</b>				
32,724	37,200	Sapphire Fibers Mills Limited	3,599,640	3,162,000
102,882	103,782	Gul Ahmed Textile Mills Limited	2,777,814	4,030,893
31,000	6,000	Azgard Nine Limited	644,490	132,840
5,000	7,500	Nishat Mills Limited	349,500	283,650
34,725	41,925	Hussain Industries Limited	310,789	398,288
1,256	1,256	Reliance Cotton Spinning Mills Limited	32,656	30,144
-	27,500	Mubarak Textile Mills Limited	-	34,375
-	2,500	Samint Textiles Limited	-	14,175
-	5,000	Kohinoor Textile Mills Limited	-	22,100
-	2,000	Dewan Salman Fiber Limited	-	2,980
<b>Cement</b>				
39,400	29,400	D.G. Khan Cement Company Limited	1,282,864	871,710
18,000	11,000	Lucky Cement Limited	1,192,320	643,830
15,700	1,000	Attock Cement Pakistan Limited	816,400	70,220
40,000	50,000	Pioneer Cement Limited	427,200	679,000
45,000	150,000	Al-Abbas Cement Industries Limited	310,500	1,050,000
6,000	11,000	Kohat Cement Company Limited	43,020	80,080
-	5,000	Cherat Cement Company Limited	-	67,650
-	2,000	Dadabhoy Cement Industries Limited	-	4,240
-	5,000	Dandot Cement Company Limited	-	41,500
-	21,500	Dewan Cement Limited	-	59,125
-	121,500	Fauji Cement Company Limited	-	800,685
-	30,000	Maple Leaf Cement Factory Limited	-	127,800
-	25,000	Pakistan Cement Company Limited	-	67,500
<b>Refinery</b>				
14,387	6,887	Attock Refinery Limited	1,984,399	1,250,703
14,082	25,082	Pakistan Refinery Limited	1,699,697	2,252,364
7,520	5,020	National Refinery Limited	1,329,686	1,104,500



## First Prudential Modaraba

31 December 2009 Rupees	30 June 2009 Rupees		December 31, 2009 Rupees	June 30, 2009 Rupees
<b>Power Generation &amp; Distribution</b>				
61,847	53,500	Kot addu Power Company Limited	2,836,922	2,260,910
23,771	32,500	The Hub Power Company Limited	738,803	880,425
150,000	300,000	Southern Electric Power Company Limited	598,500	963,000
-	10,000	Japan Power Generation Limited	-	18,000
-	2,000	Karachi Electric Supply Company Limited	-	5,300
<b>Oil &amp; Gas Marketing Companies</b>				
4,000	4,000	Sui Northern Gas Pipelines Limited	99,200	127,800
-	1,000	Pakistan State Oil Limited	-	213,650
<b>Oil &amp; Gas Exploration Companies</b>				
5,150	13,875	Pakistan Petroleum Limited	976,389	2,629,868
2,000	58,500	Oil and Gas Development Company Limited	221,220	4,600,440
-	500	Pakistan Oil Fields Limited	-	72,950
<b>Engineering</b>				
37,950	37,950	Crescent Steel & Allied Products Limited	987,080	681,962
5,000	19,280	International Industries Limited	293,400	869,335
-	107,000	Dost Steels Limited	-	571,380
<b>Automobiles &amp; Assemblers</b>				
6,250	8,250	Millat Tractors Limited	2,373,750	2,303,730
3,000	3,000	Al-Ghazi Tractors Limited (Face value of shares of Rs.5/- each)	714,120	486,000
2,000	3,000	Pak Suzuki Motor Company Limited	177,920	203,700
-	8,400	Gandhara Industries Limited	-	63,000
-	6,500	Honda Atlas Car (Pakistan) Limited	-	83,525
-	1,500	Indus Motor Company Limited	-	161,580
<b>Cable &amp; Electrical Goods Limited</b>				
12,499	12,500	Johnson & Philips (Pakistan) Limited	195,734	218,750
<b>Technology &amp; Communication</b>				
21,500	3,000	Pakistan Telecommunication Company Ltd.	379,475	51,720
-	50,000	TeleCard Limited	-	86,500
-	100,000	TRG Pakistan Limited	-	135,000
-	100,000	WorldCall Telecom Limited	-	250,000
<b>Fertilizer</b>				
66500	31,500	Fauji Fertilizer Bin Qasim Limited	1,737,645	557,235
3600	13,020	Engro Chemicals Limited	659,772	1,672,159
5262	3,875	Fauji Fertilizer Company Limited	541,618	336,931
<b>Pharmaceuticals</b>				
15,210	15,210	Highnoon Laboratories Limited	496,759	463,753
-	7,560	Abbot Laboratories (Pakistan) Limited	-	606,312
-	1,000	Glaxosmithkline Pakistan Limited	-	119,810





## First Prudential Modaraba

31 December 2009	30 June 2009		December 31, 2009	June 30, 2009
Rupees	Rupees		Rupees	Rupees
<b>Chemicals</b>				
29,900	5,000	Sitara Peroxide Limited	473,317	92,200
20,000	43,000	Engro Polymers Chemicals Limited	358,800	823,880
-	50,000	Nimir Resins Limited	-	154,500
-	2,000	ICI Pakistan Limited	-	280,500
-	26,500	Bawany Air Products Limited	-	94,075
<b>Paper &amp; Board</b>				
-	75	Packages Limited	-	11,778
<b>Foods &amp; Personal Care Products</b>				
51,000	51,000	Shakarganj Foods Products Limited	94,350	-
<b>Miscellaneous</b>				
-	53,000	Pace Pakistan Ltd.	-	295,740
-	26,000	Ecopack Limited	-	158,340
-	9,000	Al-Khair Gadoon Limited	-	43,190
-	5,000	Siddiqsons Tin Plate Limited	-	42,550
-	8,000	Pak International Airlines Corporation	-	26,560
<b>Glass and Ceramics</b>				
-	45,200	Tariq Glass Limited	-	315,496
<b>Suspended / Delisted Company</b>				
1,670,720	1,670,720	Prudential Stock Fund	-	-
434,208	434,208	Pakistan Industrial and Commercial Leasing Limited	-	65,510
360,000	360,000	Zeal-Pak Cement Factory Limited	-	112,800
130,500	130,500	Prudential Investment Bank Limited	-	-
-	27,500	Pearl Fabrics Limited	-	-
			<u>96,770,976</u>	<u>98,265,160</u>

6.2.1 These shares are still in the name of Third Prudential Modaraba (since merged with the Modaraba) and are not yet transferred in the name of the Modaraba.

	Un-Audited December 31, 2009	Audited June 30, 2009
7. LEASE RENTALS RECEIVABLE	Rupees	Rupees
Considered good	17,050,132	41,105,036
Considered doubtful	<u>28,891,636</u>	<u>16,403,858</u>
	45,941,768	57,508,894
Less: Provision for doubtful receivables	<u>(28,891,636)</u>	<u>(16,403,858)</u>
	<u>17,050,132</u>	<u>41,105,036</u>
7.1 Movement in provision for doubtful receivables		
Opening balance	16,403,858	13,345,230
Charge for the period	20,792,052	3,058,628
Reversal during the period	<u>(8,304,274)</u>	-
Closing balance	<u>28,891,636</u>	<u>16,403,858</u>



## First Prudential Modaraba

	Un-Audited December 31, 2009	Audited June 30, 2009
8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Rupees	Rupees
Advances	5,970,715	5,171,609
Prepayments	391,000	1,831,688
Other receivables		
Related parties	18,173,723	23,040,907
Others	91,944,357	99,450,716
Provision for doubtful receivables	<u>(83,568,098)</u>	<u>(83,187,291)</u>
	<u>32,911,697</u>	<u>46,307,629</u>

8.1 The amount is paid as advance for purchase of securities to Prudential Securities Limited, an associated undertaking.

8.2 The amount includes investor claim of Rs.64,620,930/- (June 2009 : Rs.64,620,930/-) receivable from a stock broker against which provision of Rs.64,620,930/- (June 2009 : Rs.64,620,930/-) has been made against doubtful recovery .

### 9. LONG TERM INVESTMENTS

Unless stated otherwise, the holdings are in the fully paid ordinary shares/ certificates/ units of Rs.10/- each.

Investment in associate	9.1	1,184,045	1,184,046
Available for sale			
Listed entities		3,101,209	2,722,939
Unlisted companies		3,378,630	3,378,630
		<u>6,479,839</u>	<u>6,101,569</u>
		<u>7,663,884</u>	<u>7,285,615</u>

9.1 Investment in associate - Equity method - listed

Prudential Discount and Guarantee House Limited (PDGH)

Ownership %	1.92%	1.92%
Cost of investment	452,058	452,058
Post acquisition profits	829,338	829,338
Dividend received	(97,350)	(97,350)
	<u>1,184,046</u>	<u>1,184,046</u>
Number of shares held	<u>191,700</u>	<u>191,700</u>

9.1.1 The Modaraba has significant influence in Prudential Discount and Guarantee House Limited (PDGHL) as three directors out of seven directors are the directors in the Modaraba Management Company. Due to common directorship and significant influence investment is classified ' investment in associate' under equity method as required by IAS-28.

9.1.2 The financial year of the investee company ends on June 30. However, due to non-availability of latest financial statements of PDGHL at the time of preparation of these condensed interim financial information, unaudited financial results as of March,31 2009 have been used for adjustments in the condensed interim financial information.



Summarized latest available financial information (Unaudited) of associated undertaking is as follows: -

Prudential Discount and Guarantee House Limited (PDGHL).

Total assets as at March 31, 2009	<u>55,253,168</u>
Total liabilities as at March 31, 2009	<u>7,885,891</u>
Total operating loss for nine months ended March 31, 2009	<u>(89,901)</u>
Accumulated loss as at March 31, 2009	<u>(5,723,422)</u>

	Un-Audited December 31, 2009 Rupees	Audited June 30, 2009 Rupees
<b>10. LONG TERM MUSHARAKA AND MURABAHA FINANCES</b>		
Musharika Finances	3,427,646	3,477,646
Murabaha Finances	28,073,636	33,018,539
	<u>31,501,282</u>	<u>36,496,185</u>
	(20,604,149)	(18,091,324)
Less: Current Portion	(3,427,646)	(3,477,646)
Musharika Finances	(24,031,795)	(21,568,970)
Murabaha Finances	(5,103,366)	(6,089,853)
	<u>2,366,121</u>	<u>8,837,362</u>
Less: Provision for doubtful receivables		

**11. LONG TERM DEPOSITS AND ADVANCES**

It includes Rs 22,000,000 (June 2009: Nil) paid against investors' claims from Prudential Securities Limited, a related party. In consideration the Lahore Stock Exchange has agreed to transfer the membership card and a room of Prudential Securities Limited in favour of First Prudential Modaraba. The membership card and a room has not transferred till the date of authorisation for issue of these condensed interim financial information due to non appointment of nominee director by the related party to represent it in the said matter before the Lahore Stock Exchange.

**12. PROPERTY AND EQUIPMENT**

- Own

Following additions and disposals in assets in own use, at cost, were made during the period: -

	Additions		Disposals (W.D.V)	
	(Unaudited) December 31, 2009	(Audited) June 30, 2009	(Unaudited) December 31, 2009	(Audited) June 30, 2009
Furniture and fixtures	4,200	6,500	-	-
Computers	85,900	39,600	-	-
Office equipment and appliances	-	110,924	-	-
Vehicles	-	-	206,500	83,153
	<u>90,100</u>	<u>157,024</u>	<u>206,500</u>	<u>83,153</u>



**13. PROPERTY, PLANT AND EQUIPMENT**

- Leased / Ijarah

Following additions and disposals in assets leased out, at cost, were made during the period: -

	Additions		Disposals (W.D.V)	
	(Unaudited) December 31, 2009	(Audited) June 30, 2009	(Unaudited) December 31, 2009	(Audited) June 30, 2009
Vehicles	8,907,500	4,548,500	11,871,156	33,712,808
Computers	-	92,000	165,320	420,879
Office equipment and appliances	-	8,256,850	568,750	1,665,923
Plant and machinery	-	-	481,440	408,774
	<u>8,907,500</u>	<u>12,897,350</u>	<u>13,086,666</u>	<u>36,208,384</u>

**14. CONTINGENCIES**

There is no material change in the status of contingencies as disclosed in the published annual audited financial statements for the year ended June 30, 2009.

**15. TAXATION**

The income of the modaraba is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. The management intends to distribute the profit based on annual profit.

The Modaraba is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule of the Income Tax Ordinance, 2001.

**16. RELATED PARTY TRANSACTIONS**

The related parties comprise of associated undertakings, directors of the Modaraba Management Company. The Modaraba, in the normal course of business carries out transactions with these related parties. Significant transactions with related parties are as follows: -

**Relationship with the Company Nature of Transactions**

Associated Undertakings	Purchase of investments	-	51,415,846
	Sale of investments	-	88,236,775
	Advance against purchase of membership card and a room	22,000,000	-

**17. DATE OF AUTHORISATION OF ISSUE**

These condensed interim financial information has been authorised for issue on 30-03-2010 by the Board of Directors of the Prudential Capital Management Limited.

**18. FIGURES**

Figures have been rounded off to the nearest Rupee.

**Statement under rule 12 (2) of the Modaraba Companies Rules, 1981:**

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end the management company has appointed the Chief Executive Officer and applied to Securities and Exchange Commission of Pakistan for the approval.

  
Director

  
Director

  
Director



**Observations of External Auditors:**

The Observations of the External Auditors are clarified as under:

**1. Qualified Opinion of the Retiring Auditors:**

Most of the qualification opinion of the retiring auditor stand removed / regularized and reflected in the Review Audit of the Half Year ended 31st December 2009. However, the amount outstanding in the name of Prudential Securities Limited could not be recovered due to suspension of their Business License by the Karachi Stock Exchange, the Management is confident to recover the amount shortly. The Accounts of other Brokerage Houses stand fully reconciled and settled.

**2. Case against Ex-Managing Director:**

The case filed against the Ex-Managing Director for the recovery of unauthorized purchase of Motor Vehicle for the value of Rs.1.799 million for his personal use from Modaraba funds is pending in the concerned Court of Law. The outcome of the case would hopefully be in our favour.

**3. Recovery of Classified Finance:**

Amount of Rs.7.110 million was classified as Doubtful by the Auditors due to not providing full provision against the non recovered amount. As a matter of fact, the Modaraba is pursuing the related defaulters for the recovery of this stagnant amount, the Management is of the view that the parties concern are not willful defaulters and hopefully the amount is recovered from these parties very soon.

**Future Outlook:**

To put a vision to the aggravated Economic condition in general and Capital Market in particular, during the period under review, the trade and business activities shrunk to a large extend, resulting, the Modaraba also one of the victim to book losses on account of Investment Portfolio.

The improved trend is now being witnessed in the Capital Market, which provides us the room to curtail our losses to the maximum extend, yet, the Management cautiously monitoring its Investment Portfolio to earn maximum gains by disinvesting the existing share holding and to avail the opportunity of better addition in our Investments.

The Board of Directors attaching their emphasis for the recovery of Overdue finances, to improve our funding portfolio for better utilization in different business and corporate sectors with higher profitability earnings, to further improve the Net Profit. With the self sufficiency in funds and better liquidity, we are looking forward to explore more profitable avenues for employment of funds.

**Acknowledgement:**

The Board of Directors expresses its thanks for the continuous guidance and support extended by the Registrar Modaraba and other officials of Security and Exchange Commission of Pakistan. Directors are also thankful to the Certificate Holders for reposing their confidence in the Management of the Modaraba and also appreciate the hard work and dedication of the staff of the Modaraba.

For & on behalf of the Board of Directors of  
**Prudential Capital Management Limited,**  
**Managers First Prudential Modaraba**

**Chairman**

Karachi.

Date: 30-03-2010