



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 Quraishy
S. Tauqir Hassan & Co.
Mansoor Ahmed Khan
Farooq Akhtar

BANKERS

RBS Bank
Standard Chartered Bank
Faysal Bank Ltd.
Habib Bank Ltd.
MCB Bank
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 (Chief Financial Officer) Mehersons 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

Mehersons 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



VISION STATEMENT

To play a leading role in the Modaraba Sector by providing Sharia based Islamic modes of financing through quality service at competitive rates, meeting religious and social obligations and delivering higher returns to the certificates holders.

MISSION STATEMENT

Our mission is to create and maintain a progressive position in the modaraba sector in Pakistan and endeavour to promote interest-free economy in the country.

This will be achieved through quality services using innovative shariah compliant products, financial discipline and good corporate governance with high levels of professional and ethical standards being maintained at all times.

**DIRECTOR'S REPORT**

The Board of Directors of Prudential Capital Management Limited, Manager of First Prudential Modaraba are pleased to present the 21st Annual Report of First Prudential Modaraba together with audited accounts, auditor and directors report for the period ended June 30, 2010 before the certificate holders.

KEY FINANCIAL HIGHLIGHTS:

	2010	2009
Total Income from Operations	87,635,874	116,314,609
Operating Expenses	52,993,736	70,422,567
Profit/(loss) for the period	32,834,898	(103,259,798)
Unrealized gain/(loss) on re-measurement of investment	(1,603,000)	(86,160,153)
Net profit/(loss)	33,292,699	(103,717,599)
Earning Per Certificate – Rs.	0.38	(1.19)

REVIEW OF OPERATIONS:

The period under review saw the continuation in the economic pressures and adverse security environment and remained one of the most difficult periods for the Country due to un-certain political conditions coupled with further deteriorating law and order situation. Our economic wizards failed to keep the inflationary pressures under control which has resulted in the considerable rise in the cost of production and eventually recession in the economic growth. During the year, the much required foreign direct investment kept at the side lines owing to uncertainty and ongoing army operations in the tribal belt. In the absence of any positive economic development and lack of incentives for business growth, the capital markets too remained under pressure throughout the year.

Despite all that, your Modaraba has performed well and managed to post a net profit of Rs. 33.29 million as against a loss of Rs. 103.7 million during the last year. Keeping in view the adverse economic indicators, your management adopted strict credit policies and conservative approach for fresh disbursement. Similarly, trading in the stock market was done on a very calculated manner, thus earning a net income of Rs. 5.18 million in 2010 as against a loss of Rs. 95.2 million in the year 2009. Your Modaraba has also earned Rs. 30.832 million on deposit accounts maintained with different banks and Islamic Financial Institutions. During the year, Modaraba had to create fresh suspension/provisioning on account of Ijarah portfolio and other receivables amounting to Rs. 19.72 million and Rs. 4.46 million respectively. However, your management is of the view that most of these accounts are not willful defaulters and Modaraba is pursuing them actively and is fully geared up to recover these amounts. Moreover, your management has recovered Rs. 22.46 million during the year from the non- performing portfolio. An amount of Rs. 9.9 million is appearing as investment in property which relates to an office premises added as a result of merger with second Prudential Modaraba. Our management does not intend to keep this property however; the disposal of property will be done on realization of a better market price.

I am pleased to announce that your Modaraba has adopted Islamic Financial Accounting Standard IFAS-1 "Murabaha and IFAS-2 "Ijarah". 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. Adoption of above mentioned new standards will have no material impact on the Modaraba's financial statements except disclosure relating to future lease rentals.

The Management Company has decided to forego their management fee this year as no dividend was declared last year due to losses and to pass on the maximum profit to the certificate holders of the Modaraba. As a result of making a profit of Rs. 33.29 million, the Board of Directors has approved 3% cash dividend for Modaraba certificate holders.

**Observations of External Auditors:**

During the year Modaraba has successfully managed to resolve most of the observations and qualifications made by the retiring auditors. However the amount outstanding on account of Prudential Securities Limited (PSL) is still recoverable. Modaraba has logged claim with Karachi Stock Exchange (KSE) and the Management is confident to recover full amount as the Modaraba holds charge on the room at KSE as a security against the outstanding amounts. Further the impairment in value of investment in shares of PSL has been valued as per their last audited accounts.

The case filed against the Ex. Managing Director is still under hearing therefore, an amount of Rs. 1.799 million is still outstanding. The Management is however, confident that the outcome of this case will be in favor of the Modaraba.

During the year under review the company has purchased a membership card on the Lahore Stock Exchange along with a room for Rs. 22.33 million. The Management has applied for obtaining necessary regulatory approvals.

Corporate Governance:

The Board has adopted Code of Corporate Governance for listed companies issued by the Securities and Exchange Commission of Pakistan and implemented in wherever applicable during the year.

Statement on Corporate and Financial Reporting Framework:

1. The Financial Statements prepared by the Management of the Modaraba, present fairly its state of affairs, the result of its operation, cash flow and change in equity.
2. Proper books of accounts of the Modaraba have been maintained.
3. Appropriate accounting policies have been consistently applied in preparations of Financial Statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed.
5. The system of Internal Control is sound in design and has been effectively implemented and monitored.
6. There have been no significant doubts upon the Modaraba's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. Key operating and financial data of last six years in a summarized form is annexed.
9. During the year 12 meetings of the Board of Directors were held. Attendance of each director was as follows:

	Name of Director	Number of Meeting Attended.
1.	Mr. Asad Iqbal Siddiqui	11
2.	Mr. Muhammad Asif	11
3.	Mr. Fazal M. Mughal	12
4.	Mr. Attaullah Khan	12
5.	Dr. Muhammad Hussain	05

10. The Statement of pattern of certificate holders of the Modaraba as at 30th June 2010 as per code of corporate governance is annexed.

**Future Outlook:**

The financial year 2010-11 is not expected to bring any respite from the already adverse economic situation in the country. The recent flooding in the country has devastated the agriculture crops, displaced our farmers and ruined their land. The effect of these floods will be more visible in the future. The management is keeping a vigilant eye on the economic front but at the same time exploring opportunities to do sound and secure business based on principles of good credit. The management is cautiously monitoring its investment portfolio to maximize the returns while adopting the timely decision making techniques to minimize the risks associated with the capital markets.

Recoveries of the outstanding amounts will remain a high priority for the management during the current financial year. With the self sufficient in funds and better liquidity, we are looking forward to explore more profitable avenues for employment of funds.

Merger / Amalgamation:

In view of the recent developments including change of management in Al-Zamin Leasing Modaraba, since merged with and into Invest Capital Investment Bank Limited, our Board has decided to discontinue the option of merger with Al-Zamin Leasing Modaraba. Consequently, the Memorandum of Understanding dated August 11, 2009 signed with them stands terminated with immediate effect. However, your management is now exploring further options of mergers and amalgamations in order to ensure consistent, positive and profitable outlook of your Modaraba.

Acknowledgement:

The Board of Directors express their thanks for the continuous guidance and support extended by the Registrar Modaraba and other officials of Securities and Exchange Commission of Pakistan. The Board is also thankful to its Certificate Holders for reposing their confidence in the Management of the Modaraba and also appreciates 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

Karachi.
August 31, 2010

Chairman

**Summary of key Operating and Financial data of the**

Modaraba for last six years.

Year ended June 30

.....Rupees in million.....

Year	2010	2009	2008	2007	2006	2005
Paid up Capital	872.177	872.177	872.177	872.177	872.177	872.177
Statutory Reserve	120.245	113.586	113.586	99.077	88.199	84.224
Certificate Holders' Equity	505.487	472.061	601.944	585.343	530.021	533.995
Certificate	87.217	87.217	87.217	87.217	87.217	87.217
Current Liabilities	44.548	80.296	90.196	49.750	35.963	50.059
Non-Current Assets	139.590	166.056	249.227	317.754	378.662	362.815
Current Assets	429.511	415.671	504.377	403.681	274.141	268.391
Profit/(Loss) before taxation	33.292	(103.717)	41.788	55.519	21.259	43.197
Taxation	(0.457)	0.457	0.332	1.128	0.364	0.160
Earning/(Loss) per Certificate (Rs.)	0.38	(1.19)	0.48	0.62	0.24	0.49



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

Name of Modaraba **FIRST PRUDENTIAL MODARABA**
 Year Ended **30th JUNE , 2010**

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in listing regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby listed Modaraba is managed in compliance with the best practices of corporate governance.

The Prudential Capital Management Limited (the Management Company), Manager of First Prudential Modaraba, (the Modaraba) has applied the principles contained in the code in the following manner.

1. The Management Company encourages requirement of independent non-executive on its Board of directors. At present the Board consists of 05 directors. All of the directors are non executive directors. There are no independent directors in the Board.
2. The directors of the Management Company have confirmed that none of them are serving as directors in more than ten listed companies including the Management Company.
3. All the Directors of the Management Company are registered as tax payer and none of them has defaulted in payment of any loan to a banking company, and DFI. None of the director is a member of stock exchange.
4. During the year no casual vacancy has occurred in the Board of Management Company. Casual vacancies occurred during last two financial years have yet not been filled.
5. The Management Company has prepared a "Statement of Ethics and Business Practice" for Modaraba which has been approved by the Board of Directors and is signed by all the Directors of the company and employees of the Modaraba.
6. The Board has adopted a mission and vision statements, overall corporate strategy and significant policies of the Modaraba.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, terms and conditions of employment and roles and responsibilities of the Chief Executive Officer (CEO), have been taken by the Board. However the office of the CEO is vacant since July 2008 and application filed of the CEO of the company has been refused by Registrar Modaraba. Further fresh application made for the appointment is pending with Registrar Modaraba.
8. The related party transactions are made on terms equivalent to those that prevail in the arm's length transactions and have been discussed in the audit committee and approved by the Board.
9. The board has conducted one orientation course for its directors during the year to acquaint them with their duties and responsibilities.
10. The Meetings of the Board were presided over by the chairman elected by the Board of this purpose and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings.
11. The minutes of the Meeting were appropriately recorded and circulated.
12. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer and the Company Secretary have been approved by the Board of directors.



13. The directors' report of the Modaraba for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. As the Management Company has no Chief Executive Officer (CEO). The financial statements of the Modaraba were duly endorsed by the Chairman and the Chief Financial Officer before approval of the Board.
15. The Directors, Chief Financial Officer and Executives do not hold any interest in the certificates of the Modaraba other than disclosed in the pattern of certificate holding.
16. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
19. The Board has established an internal audit function which currently comprise of one person only, who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba and report to audit committee on quarterly basis.
20. The statutory auditors of the Modaraba have confirmed that i) they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, ii) they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and iii) the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditor or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
22. We confirm that all other material principles contained in the Code have been complied with.

Karachi
 Date: August 31, 2010

For and on behalf of the Board

CHAIRMAN

DIRECTOR

**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet of **First Prudential Modaraba** (the Modaraba) as at June 30, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba company's [Prudential Capital Management Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) Advances, prepayments and other receivables include a long outstanding balance of Rs.18.43 million receivable from Prudential Securities Limited (PSL). Further long term deposit includes security deposits receivable of Rs 3 million from the said company. The said company has ceased its operations and the Modaraba has filed claim with Karachi Stock Exchange for these amounts. In our opinion, there is a very remote chance of recoverability of Rs 21.43 million, however no provision has been made by the Modaraba.
 - b) Advances, prepayments and other receivables include Rs.1.8 million paid for the purchase of a motor vehicle for the ex-managing director of the Modaraba. The said amount was paid wrongfully without approval of the board and is receivable from the ex managing director. The Modaraba has initiated criminal proceedings against the ex managing director. In our opinion, recovery of the said amount is doubtful however no provision has been made in respect of this amount.
 - c) Long term investments include investment of Rs.3.38 million (1,107,244 shares of Rs.10/- each) in Prudential Securities Limited (PSL)-an unlisted public company. The company has ceased its operations; therefore, in our opinion this investment is fully impaired. However no impairment has been made in respect of this amount.
- In respect of matters stated in paragraphs (a), (b) and (c), had the provision been made advances, prepayments and other receivables would have been reduced by Rs 20.23 million, long term deposit by Rs 3 million, long term investments by Rs 3.38 million and accumulated losses would have been increased by Rs 26.61 million.
- d) 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 covered in paragraphs (a) and (c) above and the following additional matters which have been appropriately resolved during the current year and do not have any impact on the attached financial statements
 - i. The Modaraba did not adopt Islamic Financial Accounting Standard (IFAS) - 2 'Ijarah'.
 - ii. Moradaba's investments in listed securities exceeded the limits prescribed by the prudential regulations.



- iii. CFS morabaha financing of rupees Rs 65.022 million has been advanced to Cordial Trading without approval of directors and documentation in respect of the transaction was not made available by the management.
- 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 remained unverified (c) supporting documents of provision of non-performing balances of 'Lease rentals receivable', disposal of certain items of property, plant and equipment - lease out' and its related gain were not verifiable.
- e) in our opinion, proper books of account have been kept by the Modaraba company in respect of First Prudential Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- f) in our opinion:
 - a. the balance sheet and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied except for the change as indicated in note.4.1 to the financial statements, with which we concur;
 - b. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - c. except for investment property acquired in satisfaction of claim through a court decree and which have not yet been disposed off, the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
 - g) in our opinion, except for the effects of the matters stated in paragraphs (a), (b) and (c) the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
 - h) in our opinion, no Zakat is deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
 - i) Without further qualifying our opinion, we draw attention to following matters:
 - ∕ The position of chief executive officer is vacant since July 12, 2008. After rejection of a proposed appointment, the Modaraba has applied again on August 13, 2010 for approval of appointment of a chief executive officer to Registrar Modaraba, which is pending.



**AS AT 30 JUNE, 2010
BALANCE SHEET**

ASSETS	Note	2010 Rupees	2009 Rupees
Current Assets			
Cash and bank balances	5	288,527,336	187,666,800
Investments	6	73,431,716	98,265,160
Islamic rentals receivable	7	2,262,222	41,105,036
Musharaka, morabaha and other finance	8	30,610,088	42,326,767
Advances, prepayments and other receivables	9	34,120,437	46,307,629
Total Current Assets		429,951,809	415,671,392
Long term investments	10	7,277,249	7,282,615
Long term portion of musharaka, morabaha and other finance	8	11,230,633	29,099,199
Long term deposits		3,066,122	3,066,122
Intangible asset	11	22,326,267	-
Property and equipment - own	12	288,014	1,076,247
Property, plant and equipment - Islamic	13	88,126,321	117,128,823
Investment property	14	9,252,500	8,400,000
TOTAL ASSETS		669,102,322	681,727,468
LIABILITIES			
Current Liabilities			
Current portion of long term Islamic deposits		29,101,346	40,836,256
Accrued and other liabilities	15	12,447,625	39,001,181
Taxation		-	427,801
Total Current Liabilities		41,548,971	80,265,238
Non-current liabilities		19,062,990	29,371,080
Long term Islamic deposits	16	63,614,921	109,666,628
TOTAL LIABILITIES		60,611,961	472,060,840
NET ASSETS		608,490,361	209,666,628
REPRESENTED BY			
Accumulated loss		209,487,404	472,060,840
Statutory reserve		(486,933,898)	(213,701,922)
87,217,660 Modaraba Certificates of Rupees 10/- each	17	120,244,702	113,286,162
Certificate Capital		872,176,600	872,176,600
Contingencies and commitments	18		

The annexed notes form an integral part of these financial statements.

These financial statements have been signed by three directors instead of chief executive officer and two directors as appointment of chief executive is pending with Securities and Exchange Commission of Pakistan.

Director

Director

Director

Moreover the retiring auditors had also included following emphasis of matter paragraphs:

Securities and Exchange Commission of Pakistan (SECP) had conducted the inspection of records and affairs of the Modaraba and the report on the findings was awaited as the matter was not finalized there remained uncertainties as to the outcome of such inspection and its impact on the affairs and future of Modaraba.

The report on findings has been received and SECP has imposed financial penalties on directors and former chief executive officer. The directors and former chief executive officer has lodged an appeal against the penalty imposed on them. There is no impact on the financial statements of the Modaraba.

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 with other factors, has resulted net loss for the year amounting to Rs.103.718 million. The accumulated loss of the Modaraba amounting to Rs.213.702 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, have earned profit during the year and declared dividend, its current ratio is favorable, have sufficient liquid assets to carry out business, we have not considered appropriate to include a paragraph similar to above in our report.

M. Younsuf Ahsan & Co.
Chartered Accountants

Engagement Partner:
Mustafiz Ali Hiraani

Karachi
Date: August 31, 2010



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2010**

INCOME \ (LOSS)	Note	2010 Rupees	2009 Rupees
Share of loss from associate	20	(142,231)	(62,032)
Other income		403,483	18,312,921
Dividend income		3,412,252	4,738,022
Gain/(loss) on sale of investments		6,784,252	(9,030,020)
Income on musharika, modaraba and other finance	19	9,297,886	13,369,222
Return on term deposit receipts and PLS accounts		30,832,882	16,272,407
Interest rentals		33,412,423	7,082,116
Total comprehensive income \ (loss) for the period		33,292,699	(103,717,299)
Earnings per certificate	22	0.38	(1.19)
Other comprehensive income		-	-
Profit/(loss) after taxation		33,292,699	(103,717,299)
Provision for taxation	24	427,801	(427,801)
Profit/(loss) before taxation		32,864,898	(103,289,798)
Modaraba company's management fee	23	-	-
Profit/(loss) for the period		32,864,898	(103,289,798)
Bank and other charges		(25,993,736)	(70,422,267)
Workers welfare fund		(670,100)	(114,917)
Administrative expenses	25	(18,821,267)	(16,269,742)
Amortization on interest assets		(33,431,814)	(24,037,902)
EXPENDITURE		82,828,634	(32,837,231)
Provision against doubtful receivables-net	21	(1,726,740)	(64,041,687)
Unrealized gain on remeasurement of investment property		1,222,200	1,020,000
Unrealized gain on remeasurement of investment property		(1,603,000)	(86,160,123)
of held for trading investments			
Unrealized loss on changes in fair value			
Share of loss from associate		87,632,874	116,314,609
Other income		403,483	18,312,921
Dividend income		3,412,252	4,738,022
Gain/(loss) on sale of investments		6,784,252	(9,030,020)
Income on musharika, modaraba and other finance		9,297,886	13,369,222
Return on term deposit receipts and PLS accounts		30,832,882	16,272,407
Interest rentals		33,412,423	7,082,116

The annexed notes form an integral part of these financial statements.

Director

Director

Director

To Pakistan.
directors as approval of appointment of chief executive is pending with Securities and Exchange Commission
These financial statements have been signed by three directors instead of chief executive officer and two



**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2010**

A. CASH FLOWS FROM OPERATING ACTIVITIES	2010 Rupees	2009 Rupees
Net cash generated from operating activities	90,373,424	63,231,366
Profit distribution	(420,171)	(24,388,048)
Income tax paid	(7,809,876)	(1,212,663)
Cash generated from operations	98,603,477	88,132,077
Accrued and other liabilities	(42,173,682)	(43,174,198)
Long term interest deposits	(23,133,322)	(13,244,218)
Decrease in operating liabilities	(22,040,310)	(29,629,980)
Advances, repayments and other receivables	82,911,084	38,982,238
Interest rentals receivable	20,009,812	78,404,979
Musharika and modaraba finance	38,342,764	(20,407,841)
(Increase) \ decrease in operating assets	22,228,202	(19,014,900)
Cash flows before movements in working capital	22,666,072	93,327,037
Depreciation-owned	716,232	874,730
Amortization on assets leased out	33,431,814	24,037,902
Provision against doubtful receivables-net	1,726,740	64,041,687
Unrealized gain on remeasurement of investment property	(1,222,200)	(1,020,000)
of held for trading investments		
Unrealized loss on changes in fair value	1,603,000	86,160,123
Share of loss from associate	142,231	62,032
Gain on disposal-owned assets	(722,760)	(12,292,602)
Gain on disposal-own assets	(93,499)	(212,098)
Dividend income	(3,412,252)	(4,738,022)
(Gain)/Loss on sale of investments	(6,784,252)	9,030,020
Adjustments for non-cash changes and other items:	32,834,898	(103,229,798)
Profit \ (loss) before taxation		



	2010 Rupees	2009 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	3,373,045	5,028,022
Long term deposits received	-	118,001
Investments encashed / (made) -net	30,014,736	(77,959,477)
Purchase of own assets	(134,500)	-
Proceeds from disposal-own assets	300,000	157,024
Purchase of assets leased out	(40,793,500)	(12,897,350)
Proceeds from disposal-leased assets	40,083,898	48,231,321
Purchase of intangible asset	(22,326,567)	-
Net cash used in investing activities	<u>10,517,112</u>	<u>(37,322,459)</u>
Net increase in cash and cash equivalents	100,890,536	25,908,907
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>288,557,336</u>	<u>187,666,800</u>

The annexed notes form an integral part of these financial statements.

These financial statements have been signed by three directors instead of chief executive officer and two directors as approval of appointment of chief executive is pending with Securities and Exchange Commission of Pakistan.

Director

Director

Director



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2010**

	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
Total comprehensive loss for the year ended year ended June 30, 2009	-	-	(103,717,599)	(103,717,599)
Distribution at the rate of 3% declared for the year ended June 30, 2008	-	-	(26,165,298)	(26,165,298)
Balance at June 30, 2009	872,176,600	113,586,162	(513,701,922)	472,060,840
Total comprehensive income for the year ended June 30, 2010	-	-	33,292,699	33,292,699
Reversal of impairment on available for sale investment	-	-	133,865	133,865
Transfer to statutory reserve	-	6,658,540	(6,658,540)	-
Balance at June 30, 2010	<u>872,176,600</u>	<u>120,244,702</u>	<u>(486,933,898)</u>	<u>505,487,404</u>

The annexed notes form an integral part of these financial statements.

These financial statements have been signed by three directors instead of chief executive officer and two directors as approval of appointment of chief executive is pending with Securities and Exchange Commission of Pakistan.

Director

Director

Director



Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

IAS 30 - Accounting for Government Grants and Disclosure of Government Assistance	January 01, 2009
IAS 40 - Investment Property	January 01, 2009
IAS 23 - Borrowing Costs	January 01, 2009
IFRS 2 - Share-based Payment: Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 38)	July 01, 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	July 01, 2009
IAS 32- Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation	January 01, 2009
IAS 38 - Intangible Assets	January 01, 2009
IAS 39 - Financial Instruments: Recognition and Measurement - Eligible Hedged Items	July 01, 2009
IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement	July 01, 2009
IFRIC 12 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 17 - Distribution of Non-cash Assets to Owners	January 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations are notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods beginning on or after the date mentioned against each of them

IFRS 9 - Financial Instruments	January 01, 2013
IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value. The adoption of this standards will affect the recognition and classification of existing financial assets	
The directors anticipate that these amendments will be adopted in the modarba's financial statements on the effective date. The directors have not yet had an opportunity to consider the potential impact of the adoption of this Standards	
Amendments to IFRS 2 - Share based Payment	January 01, 2010

The amendments clarify how an individual subsidiary in a group should account for some share-based payment transactions in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The adoption of this amendment will have no effect on the financial statements as the entity is not part of a consolidated group.



Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
January 01, 2010

The IASB clarified (as part of improvements to IFRS 5 (2009)) that the disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations. The adoption of this amendment would only affect the disclosures and would have no impact on earnings per share

Amendments to IAS 7 - Statement of Cash Flows
January 01, 2010

The amendments (part of improvements to IFRS 7 (2009)) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, any cash flows in respect of items that do not qualify for recognition as an asset (and, therefore, are recognised in profit or loss as incurred) would be reclassified from investing to operating activities in the statement of cash flows and prior year amounts tested for consistent presentation.

Amendments to IAS 24 - Related Party Disclosures
January 01, 2010

The amendments modify the definition of a related party and simplify related party disclosures for government-related entities. The directors anticipate that these amendments will be adopted in the modarba's financial statements for the period beginning 1 January 2010. The amendments do not affect the disclosure exemptions and, therefore, the disclosure exemptions in the financial statements. However, some disclosures may be affected by the changes in the definition of a related party. This may result in amendments to the relevant related party disclosures in the financial statements.

3. BASIS OF PREPARATION

These financial statements 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

4.1 Property, plant and equipment

(i) Depreciation and amortisation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss (if any). Amortisation is charged to income applying the annuity method whereby the cost of an asset, less its residual value, is written off over its useful life. In respect of buildings and leasehold improvements, amortisation is charged proportionately to the period of lease.

Profit or loss on disposal of property, plant and equipment is recognised as income or expense.

(ii) Impairment and depreciation

Operating assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. In respect of buildings and leasehold improvements, depreciation is charged proportionately to the period of use.

Profit or loss on disposal of assets is recognised as income or expense.

Assets, residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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



4.2 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, it is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

4.3 Intangible assets

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, if any. No amortisation is charged on such assets.

The useful life of an intangible asset that is not being amortised is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

4.4 Impairment

(i) Held for trading "at fair value through profit or loss"

These investments are initially recognised at fair value and subsequently measured at fair value. A "fair value through profit or loss" financial instrument is measured at fair value through profit or loss if the gain or loss on revaluation of the investment held for trading is to be included in profit and loss account.

(ii) Available for sale

Investment securities held by the Modarbs which may be sold in response to needs for liquidity or changes in interest rates are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently measured at fair value. The investments for which market price is not available, are measured at cost as it is not possible to apply any other valuation technique. Gains and losses arising from re-measurement at fair value is recognised in profit and loss as other comprehensive income.

(iii) Held to maturity

These are investments with fixed or determinable payments and fixed maturity, which the Modarbs has positive intent and ability to hold till maturity. Held to maturity investments are initially recognised at fair value plus transaction cost and are subsequently measured at amortised cost using effective interest rate method, less any impairment loss recognised to reflect recoverable amounts.

(iv) Derecognition

All investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Modarbs has transferred substantially all risks and rewards of ownership.

(v) Investment in associates

These investments are accounted for using equity method and initially are recognised as cost.

4.5 Financial instruments and measurement

Receivables considered doubtful are provided for in accordance with the requirement of the Prudential Regulations for Modarbs. Specific provision is made for receivables considered doubtful.



4.6 Staff retirement benefits

Defined contribution plan

The Modarbs operates a defined contribution provident fund for all employees. Equal monthly contributions are made both by the Modarbs and the employees to the fund at the rate of 10% of basic salary.

4.7 Provisions

Provisions are recognised when the Modarbs has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.8 Impairment

Financial Assets

Impairment is recognised by the Modarbs on the basis of provision requirements given under Prudential Regulations for Modarbs and subjective evaluation carried out as ongoing basis.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows to which the asset is related. All individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

Available-for-sale financial investments

For available-for-sale financial investments, the Modarbs assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment previously recognised in profit and loss account - is recognised in profit and loss account. Impairment losses on equity investments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'interest income'. If, in any period, the fair value of the asset is less than its cost, the impairment loss is recognised in profit and loss account. If the impairment loss is reversed through the profit and loss account, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.



Deferred

Deferred income tax is provided using the liability method for all temporary differences as the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4.10 Taxation

Cash receipts through the expected life of the financial asset to that asset's net carrying amount. as the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4.9.6 Return on finance

Dividend is recognised as income when the right of receipt is established.

4.9.5 Dividend income

Rental income arising from investment properties is accounted for on a straight line basis.

4.9.4 Rental income

Profit from murabaha finance is 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.

4.9.3 Murabaha and musharaka transactions

For hire purchase transactions, the unearned finance income is deferred and taken to income over the period of hire purchase, applying the annuity method to produce a constant rate of return on the net investment.

4.9.2 Hire purchase transactions

Income from ijarah is recognised as and when lease rentals become due on a systematic basis over the lease and ijarah period.

4.9.1 Ijarah rentals

4.9 Revenue recognition

Reversal of impairment loss is recognised as income. Impairment loss for asset subsepdently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset.

The modarbas assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs of sale and value in use.

Non-financial assets



4.18 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 the management to exercise its judgment in the process of applying the Modarbas's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where variations and assumptions are significant to the Modarbas's financial statements or where judgment was exercised in application of accounting policies are as follows: -

4.17 Profit distribution

Profit distribution to the modarbas's certificate holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the board of modarbas company.

4.16 Related party transactions

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

Corresponding income on the assets and charge on the liability is also off-set. A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modarbas has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.15 Offsetting of financial assets and financial liabilities

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current, savings and deposit accounts, as well as balance held with the State Bank of Pakistan (SBP).

4.14 Cash and cash equivalents

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities includes ijarah deposits and accrued and other liabilities.

4.13 Financial liabilities

Financial assets comprise of ijarah rentals receivable, investments, murabahas and murabahas finances, deposits, other receivables, excluding taxation. Ijarah rentals receivable, murabahas and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

4.12 Financial assets

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the balance sheet date. Foreign currency transactions are converted into Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are taken to income currently.

4.11 Foreign currencies translation

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Against which such temporary differences and tax losses can be utilized. Deferred tax liability is generally recognised for all taxable temporary differences. Deferred income tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.



2010	2009	Number of Certificates \ share Name of investee		2010	2009	June 30, 2010	June 30, 2009
		Shares \ Units	Modarbas				
-	-	1st Growth Fund	2,500	-	-	2,500	-
-	-	Golden Arrow Selected Stocks Fund Limited	2,000	-	-	2,000	-
-	-	PICIC Energy Fund	2,000	-	-	2,000	-
-	-	First Cap. Mutual Fund	2,500	-	-	2,500	-
-	-	Pakistan Premier Fund Limited	1,34,500	-	-	1,34,500	-
362,525	362,525	Unit Trust of Pakistan	25,000	362,525	362,525	362,525	362,525
25,000	25,000	National Investment (Unit) Trust	25,000	25,000	25,000	25,000	25,000
(Face value of certificate Rs.100/- each)							
37,488,187	32,862,611	Open-end Mutual Funds					
37,488,187	32,862,611	Unit Trust of Pakistan	37,488,187	32,862,611	37,488,187	32,862,611	32,862,611
7,200	8,125	Open-end Mutual Funds					
7,200	8,125	Nisat Mills Limited	7,200	8,125	7,200	8,125	8,125
40,000	40,000	Azgard Nile Limited	40,000	40,000	40,000	40,000	40,000
47,248	47,248	Gul Ahmed Textile Mills Limited	47,248	47,248	47,248	47,248	47,248
-	-	Textile					
-	-	Dewan Salman Fiber Limited	2,000	-	-	2,000	-
-	-	Kohinoor Textile Mills Limited	2,000	-	-	2,000	-
-	-	Samin Textiles Limited	2,500	-	-	2,500	-
-	-	Mubarak Textile Mills Limited	27,500	-	-	27,500	-
-	-	Sapqire Fibers Mills Limited	37,200	-	-	37,200	-
3,162,000	3,162,000	Rilance Cotton Spinning Mills Limited	1,256	3,162,000	3,162,000	1,256	3,162,000
30,144	24,881	Fertilizer					
30,144	24,881	Fertilizer Company Limited	30,144	24,881	30,144	24,881	24,881
30,144	24,881	Fertilizer Bin Gasim Limited	31,500	24,881	31,500	24,881	24,881
1,902,080	1,902,080	Insurance					
1,902,080	1,902,080	Pakistan Reinsurance Company Limited	1,000	1,902,080	1,000	1,902,080	1,902,080
1,902,080	1,902,080	Aqamie Insurance Company Limited	12,400	1,902,080	12,400	1,902,080	1,902,080
38,030	-	Commercial Banks					
38,030	-	Akari Bank Limited	1,500	-	-	1,500	-
38,030	-	Atase Bank Limited	28,000	-	-	28,000	-
38,030	-	1st Bank Limited	22,500	-	-	22,500	-
38,030	-	NIB Bank Limited	82,000	-	-	82,000	-
38,030	-	Bank Al Falah Limited	18,875	-	-	18,875	-
38,030	-	Fayval Bank Limited	4,600	-	-	4,600	-
38,030	-	Art Habib Bank Limited	112,222	-	-	112,222	-
38,030	-	Sonnet Bank Limited	20,264	-	-	20,264	-
38,030	-	Standard Chartered Bank Limited	36,000	-	-	36,000	-
38,030	-	Bank Islami Pakistan Limited	70,625	-	-	70,625	-
38,030	-	National Bank of Pakistan	19,800	-	-	19,800	-
38,030	-	Habib Bank Limited	2,000	-	-	2,000	-
38,030	-	Silk Bank Limited	239,400	-	-	239,400	-
38,030	-	United Bank Limited	28,920	-	-	28,920	-
38,030	-	The Bank of Punjab	2,000	-	-	2,000	-
25,290	-	Investment Banks \ Securities					
25,290	-	Pervez Ahmed Securities Limited	1,000	-	-	1,000	-
25,290	-	Assets Investment Bank Limited	7,678	-	-	7,678	-
25,290	-	Javed Omar Votra and Company Limited	68,200	-	-	68,200	-
25,290	-	1st Global Capital Limited	4,000	-	-	4,000	-
25,290	-	IGI Investment Bank Limited	322,000	-	-	322,000	-
25,290	-	1st Investments Limited	20,000	-	-	20,000	-
25,290	-	Art Habib Securities Limited	26,875	-	-	26,875	-
25,290	-	Jalandhir Sidiqini & Co Limited	12,282	-	-	12,282	-
25,290	-	First Capital Securities Corporation Limited	894,749	-	-	894,749	-
25,290	-	Unity Modarbas	162,000	-	-	162,000	-
25,290	-	First Equity Modarbas	2,000	-	-	2,000	-
25,290	-	KASB Modarbas	10,000	-	-	10,000	-
25,290	-	First Habib Modarbas	104,500	-	-	104,500	-

2.1 Effective mark-up rate in respect of term deposit accounts ranges from 11.25% to 17% (June 2009 : 4.25% to 10%) per annum.

2.2 Effective mark-up rate in respect of PLS accounts ranges from 2.2% to 11.75% (June 2009 : 4.25% to 10%) per annum.

6.1 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.

6.2 Investments

6.1 Invested companies

2010	2009	Closed-end Mutual Funds	2010	2009
-	-	Pakistan Premier Fund Limited	-	521,450
-	-	First Cap. Mutual Fund	-	1,34,470
-	-	PICIC Energy Fund	-	22,500
-	-	Golden Arrow Selected Stocks Fund Limited	-	2,650
-	-	1st Growth Fund	-	3,820

2010	2009	Open-end Mutual Funds	2010	2009
362,525	362,525	Unit Trust of Pakistan	37,488,187	32,862,611
25,000	25,000	National Investment (Unit) Trust	704,250	671,250

2010	2009	Number of Certificates \ Name of investee		2010	2009
		Shares \ Units	Modarbas		
-	-	1st Growth Fund	2,500	-	-
-	-	Golden Arrow Selected Stocks Fund Limited	2,000	-	-
-	-	PICIC Energy Fund	2,000	-	-
-	-	First Cap. Mutual Fund	2,500	-	-
-	-	Pakistan Premier Fund Limited	1,34,500	-	-
362,525	362,525	Unit Trust of Pakistan	25,000	362,525	362,525
25,000	25,000	National Investment (Unit) Trust	25,000	25,000	25,000
37,488,187	32,862,611	Open-end Mutual Funds			
37,488,187	32,862,611	Unit Trust of Pakistan	37,488,187	32,862,611	32,862,611
7,200	8,125	Open-end Mutual Funds			
7,200	8,125	Nisat Mills Limited	7,200	8,125	8,125
40,000	40,000	Azgard Nile Limited	40,000	40,000	40,000
47,248	47,248	Gul Ahmed Textile Mills Limited	47,248	47,248	47,248
-	-	Textile			
-	-	Dewan Salman Fiber Limited	2,000	-	-
-	-	Kohinoor Textile Mills Limited	2,000	-	-
-	-	Samin Textiles Limited	2,500	-	-
-	-	Mubarak Textile Mills Limited	27,500	-	-
-	-	Sapqire Fibers Mills Limited	37,200	-	-
3,162,000	3,162,000	Rilance Cotton Spinning Mills Limited	1,256	3,162,000	3,162,000
30,144	24,881	Fertilizer			
30,144	24,881	Fertilizer Company Limited	30,144	24,881	24,881
30,144	24,881	Fertilizer Bin Gasim Limited	31,500	24,881	24,881
1,902,080	1,902,080	Insurance			
1,902,080	1,902,080	Pakistan Reinsurance Company Limited	1,000	1,902,080	1,902,080
1,902,080	1,902,080	Aqamie Insurance Company Limited	12,400	1,902,080	1,902,080
38,030	-	Commercial Banks			
38,030	-	Akari Bank Limited	1,500	-	-
38,030	-	Atase Bank Limited	28,000	-	-
38,030	-	1st Bank Limited	22,500	-	-
38,030	-	NIB Bank Limited	82,000	-	-
38,030	-	Bank Al Falah Limited	18,875	-	-
38,030	-	Fayval Bank Limited	4,600	-	-
38,030	-	Art Habib Bank Limited	112,222	-	-
38,030	-	Sonnet Bank Limited	20,264	-	-
38,030	-	Standard Chartered Bank Limited	36,000	-	-
38,030	-	Bank Islami Pakistan Limited	70,625	-	-
38,030	-	National Bank of Pakistan	19,800	-	-
38,030	-	Habib Bank Limited	2,000	-	-
38,030	-	Silk Bank Limited	239,400	-	-
38,030	-	United Bank Limited	28,920	-	-
38,030	-	The Bank of Punjab	2,000	-	-
25,290	-	Investment Banks \ Securities			
25,290	-	Pervez Ahmed Securities Limited	1,000	-	-
25,290	-	Assets Investment Bank Limited	7,678	-	-
25,290	-	Javed Omar Votra and Company Limited	68,200	-	-
25,290	-	1st Global Capital Limited	4,000	-	-
25,290	-	IGI Investment Bank Limited	322,000	-	-
25,290	-	1st Investments Limited	20,000	-	-
25,290	-	Art Habib Securities Limited	26,875	-	-
25,290	-	Jalandhir Sidiqini & Co Limited	12,282	-	-
25,290	-	First Capital Securities Corporation Limited	894,749	-	-
25,290	-	Unity Modarbas	162,000	-	-
25,290	-	First Equity Modarbas	2,000	-	-
25,290	-	KASB Modarbas	10,000	-	-
25,290	-	First Habib Modarbas	104,500	-	-



Number of Certificates \ Name of investee	2010		2009	
	Shares Units	Rupees	Shares Units	Rupees
Automobiles & Assemblers				
Millat Tractors Limited	-	8,250	-	2,303,730
Al-Ghazi Tractors Limited	-	3,000	-	486,000
Pak Suzuki Motor Company Limited	-	3,000	-	203,700
Indus Motor Company Limited	-	1,500	-	181,580
Honda Atlas Car (Pakistan) Limited	-	8,500	-	83,525
Gandhara Industries Limited	-	8,400	-	63,000
Engineering				
International Industries Limited	-	19,280	-	869,335
Crescent Steel & Allied Products Limited	-	37,950	-	681,952
Dost Steels Limited	-	107,000	-	271,380
Oil & Gas Exploration Companies				
Pakistan Petroleum Limited	-	13,825	-	4,336,762
Pakistan Oil Fields Limited	-	12,000	-	2,580,800
Mah Gas Company XD	-	7,000	-	902,660
Byco Petroleum Pakistan	-	10,000	-	99,800
Oil and Gas Development Company Limited	-	58,500	-	4,600,440
Oil & Gas Marketing Companies				
Karachi Electric Supply Company Limited	-	2,000	-	2,300
Jabbar Power Generation Limited	-	10,000	-	18,000
Southern Electric Power Company Limited	-	300,000	-	18,000
The Hub Power Company Limited	-	10,000	-	319,600
Kot abdu Power Company Limited	-	71,847	-	2,998,884
Power Generation & Distribution				
National Refinery Limited	-	2,020	-	1,104,500
Pakistan Refinery Limited	-	25,082	-	2,525,364
Attock Refinery Limited	-	32,387	-	2,609,097
Refinery				
Pakistan Cement Company Limited	-	25,000	-	67,500
Mable Leaf Cement Factory Limited	-	30,000	-	127,800
Fajli Cement Company Limited	-	121,500	-	800,685
Dewan Cement Limited	-	21,500	-	59,125
Dewan Cement Company Limited	-	2,000	-	41,500
Dadshah Cement Industries Limited	-	2,000	-	4,240
Cherat Cement Company Limited	-	2,000	-	67,650
Kohat Cement Company Limited	-	11,000	-	80,080
Al-Abbas Cement Industries Limited	-	150,000	-	1,050,000
Pioneer Cement Limited	-	50,000	-	679,000
Attock Cement Pakistan Limited	-	1,000	-	70,220
D.G. Khan Cement Company Limited	-	29,400	-	871,710
Lucky Cement Limited	-	20,000	-	1,242,800
Cement				
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	1,000
Hidhnoon Laboratories Limited	-	463,753	-	12,210
Abbot Laboratories (Pakistan) Limited	-	606,312	-	7,560
Pharmaceuticals				
WorldCall Telecom Limited	-	250,000	-	100,000
TRG Pakistan Limited	-	135,000	-	100,000
TeleCard Limited	-	86,500	-	50,000
Pakistan Telecommunication Company Ltd.	-	51,720	-	3,000
Technology & Communication				
Johnson & Philips (Pakistan) Limited	-	218,750	-	12,500
Cable & Electrical Goods Limited				
Chemicals				
Bawany Air Products Limited	-	94,075	-	26,200
Nimir Resins Limited	-	154,500	-	50,000
Stars Peroxide Limited	-	92,200	-	5,000
Engro Polymers Chemicals Limited	-	823,880	-	43,000
ICI Pakistan Limited	-	280,500	-	27,000
Chemicals				
Glaxosmitkline Pakistan Limited	-	119,810	-	



10. LONG TERM INVESTMENTS

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

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
Investment in associate	10.1	1,041,815	1,184,046
Available for sale	10.2	3,378,630	3,378,630
Listed entities		6,235,434	6,101,589
An unlisted company		7,277,249	7,285,615
Prudential Discount and Guarantee House Limited (PDGHL)		191,700	191,700
Ownership %		1.92%	1.92%
Cost of investment		452,058	452,058
Post acquisition profits		687,107	829,338
Dividend received		(97,350)	(97,350)
Number of shares held		1,041,815	1,184,046

10.1 Investment in associate - Equity method - listed

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

10.1.2 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 financial statements, financial results as of June, 30, 2009 have been used for adjustments in the financial statements.

Summarized financial information

	Prudential Discount and Guarantee House Limited (PDGHL)	118,467,764
Total assets	58,232,021	
Total liabilities	8,207,893	8,391,437
Total operating (loss)/income for year ended	(42,728,492)	1,111,482



10.2 Available for sale

	June 30, 2010	June 30, 2009
10.2.1 Listed entities	181,973	181,973
10.2.2 Unlisted company	1,107,244	1,107,244
Prudential Securities Limited (PSL)		
Cost	4,173,707	4,173,707
Less: Impairment	(792,077)	(792,077)
	3,378,630	3,378,630
10.2.2 Unlisted company		
Cost	2,722,939	2,722,939
Add: Unrealized gain	133,865	-
	2,856,804	2,722,939
National Investment (Unit) Trust	101,413	101,413
Cost	5,722,939	5,722,939
Add: Unrealized gain	133,865	-
	5,856,804	5,722,939
Pakistan Industrial and Commercial Leasing Limited	-	-
Carrying amount	22,326,567	22,326,567
Accumulated impairment losses	-	-
At June 30	22,326,567	22,326,567
Addition	-	-
At July 01	-	-
Cost	22,326,567	22,326,567
Less: Impairment	-	-
Carrying amount	22,326,567	22,326,567

11. INTANGIBLE ASSETS

11.1 The useful life of membership is assessed to be indefinite as there is no foreseeable limit of time for which the membership is expected to generate economic benefit.

1,111,000	1,210,488	508,201	300,000	83,488
-----------	-----------	---------	---------	--------

Garben, Katschi
Leqeni Govt Office, Colona,
House No. 38-C

Vehicle	1,111,000	1,018,833	181,781	520,000	85,833	Registration	Wages and salaries	Katschi	Garben, Katschi Leqeni Govt Office, Colona, House No. 38-C
Vehicle	280,000	220,888	38,334	20,000	1,088	Registration	Wages and salaries	Katschi	Wofu Katschi, Sector 12-V2, House No. 8A, Bujtete, Colona

1.5.1 Depreciation of property and equipment - OMI



Motor vehicles	1,111,000	1,150,000	1,184,802	1,184,802	1,184,802	(388,208)	874,330	1,011,828	1,011,828	1,011,828
Computer equipment	1,188,000	88,800	1,554,800	1,554,800	1,430,801	(388,208)	888,245	1,258,324	1,258,324	1,258,324
Furniture and fixtures	1,184,332	8,200	1,110,832	1,110,832	1,288,778	(388,208)	24,382	1,688,773	1,688,773	1,688,773
Office equipment	5,323,888	110,854	5,889,388	5,889,388	5,323,080	(388,208)	81,040	5,450,100	5,450,100	5,450,100

Motor vehicles	1,111,000	1,344,200	1,050,432	1,050,432	1,050,432	(1,111,000)	1,111,000	1,111,000	1,111,000	1,111,000
Computer equipment	1,524,800	88,800	1,310,000	1,310,000	1,482,224	(1,111,000)	1,111,000	1,111,000	1,111,000	1,111,000
Furniture and fixtures	1,111,000	4,500	1,111,000	1,111,000	1,311,888	(1,111,000)	282,224	1,688,773	1,688,773	1,688,773
Office equipment	5,883,388	44,400	5,805,808	5,805,808	5,424,100	(1,111,000)	189,081	489,000	489,000	489,000

1.5 PROPERTY AND EQUIPMENT - OMI





Yearly	Investment Property		Accrued and Other Liabilities		Long Term Liabilities		Certificate Capital		Contingencies and Commitments	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Investment Property	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680
Accrued and Other Liabilities	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680
Long Term Liabilities	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680
Certificate Capital	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680
Contingencies and Commitments	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680

No contingencies and commitments exist at the year end.

18. CONTINGENCIES AND COMMITMENTS

Yearly	2010	2009
Third Prudential Modarbas for amalgamation with Second and under scheme of arrangement for Modarbas certificates of Rs.10/- issued each fully paid bonus certificates	88,647,160	134,216,500
Modarbas certificates of Rs.10/- each fully paid in cash	134,216,500	134,216,500
Modarbas certificates of Rs.10/- each fully paid and paid-up	87,217,680	87,217,680
Number of Certificates	87,217,680	87,217,680
Authorized	87,217,680	87,217,680

17. CERTIFICATE CAPITAL

Yearly	2010	2009
Current portion	18,062,980	48,167,336
Modarbas certificates of Rs.10/- each fully paid and paid-up	18,062,980	48,167,336
Number of Certificates	18,062,980	48,167,336
Authorized	18,062,980	48,167,336

16. LONG TERM LIABILITIES

Yearly	2010	2009
Payable to stock brokers	15,447,635	38,001,181
Life insurance payable and others	1,806,623	16,423,208
Unearned income	234,063	624,280
Workers welfare fund	620,100	-
Profit distributions payable	12,436,849	12,827,020

15. ACCRUED AND OTHER LIABILITIES

15.1 The fair value of the investment property at June 30, 2010 has been arrived at on the basis of a valuation carried out on August 10, 2010 by Rizvi Associates (Private) Limited, independent valuers not connected with the Modarbas. The valuation has been arrived at by reference to market evidence of transaction prices for similar properties.

15.2 In pursuance of execution of the decree the office premises, mortgaged with the Modarbas as security against a modarba facility, were auctioned by the Single High Court. The Modarbas purchased the said property in the auction. Property has been recognized as investment property under IA-24 and stated at fair value.

Yearly	2010	2009
Investment Property	8,400,000	7,350,000
Accrued in satisfaction of claim	8,400,000	7,350,000

Due to unimpaired management of the option first it is participated to in which as reported by Modarbas Companies and Modarbas (J) estimated.



Yearly	Investment Property		Accrued and Other Liabilities		Long Term Liabilities		Certificate Capital		Contingencies and Commitments	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Investment Property	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680
Accrued and Other Liabilities	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680
Long Term Liabilities	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680
Certificate Capital	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680
Contingencies and Commitments	8,400,000	7,350,000	1,525,500	1,050,000	15,447,635	38,001,181	18,062,980	58,321,080	87,217,680	87,217,680



26. RELATED PARTY TRANSACTIONS

The related parties comprise of associated undertakings, directors of the Modarba Management Company. The Modarbas, 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	June 30, 2010 Rupees	June 30, 2009 Rupees
Management company	Management Fee	23	-
Provident Fund	Contribution made	140,821	88,238,775
Associated Undertakings	Sale of investments	-	51,412,848
	Purchase of investments	-	22,326,267
	Membership card and a room	-	-
	Purchase of stock exchange	-	-

27. FINANCIAL RISK MANAGEMENT

The Modarbas' activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The modarbas' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the modarbas' financial performance.

The Modarbas' principal financial liabilities comprise interest deposits and creditor accrued and other liabilities. The Modarbas has interest receivables, mortgages and modarbas finance, advances, deposits, receivables and cash and bank balances that arise directly from its operations. The Modarbas also holds held for trading, available-for-sale investments and investment in associates.

27.1 Liquidity Risk Management

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The modarbas manages liquidity risk by maintaining sufficient cash and bank balances.

27.1.1 Liquidity and Interest Risk Table

The following tables detail the Modarbas's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Modarbas can be required to pay. The table includes both interest and principal cash flows.

	2010				2009			
	Less than 6 months	6 months - 1 year	1 - 2 years	Total Contractual cash flows	Less than 6 months	6 months - 1 year	1 - 2 years	Total Contractual cash flows
Long term interest deposits	38,877,814	8,671,107	19,062,900	66,611,821	38,877,814	8,671,107	19,062,900	66,611,821
Accrued and other liabilities	12,447,632	-	-	12,447,632	12,447,632	-	-	12,447,632
	51,325,446	8,671,107	19,062,900	79,059,453	51,325,446	8,671,107	19,062,900	79,059,453
Long term interest deposits	40,836,256	-	29,371,080	70,207,336	40,836,256	-	29,371,080	70,207,336
Accrued and other liabilities	38,001,181	-	-	38,001,181	38,001,181	-	-	38,001,181
	78,837,437	-	29,371,080	108,208,517	78,837,437	-	29,371,080	108,208,517



27.2 Credit Risk and Concentration of Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modarbas control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modarbas is exposed to credit risk from its financing activities (interest receivables and other finance), deposits with bank and financial institutions and other receivables.

27.3 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or to the instrument, change in market sentiment, speculative activities, supply and demand of securities and liquidity in the market. The modarbas incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The modarbas is exposed to interest rate and currency risks.

27.3.1 Interest Rate Risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate risk profile of the modarbas' interest bearing financial instruments is:

Fixed rate financial instruments	June 30, 2010 Rupees	June 30, 2009 Rupees
Mortgages, modarbas and other finance	42,140,721	71,422,966
Balances with banks and financial institutions	287,027,340	182,422,272

Fair value sensitivity analysis for fixed rate instruments
The modarbas does not hold any of the above financial assets at fair value through profit and loss.

27.3.2 Equity price risk

The modarbas' listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The modarbas manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the modarbas' senior management on a regular basis. The modarbas' Board of Directors reviews and approves all equity investment decisions.

The carrying amount of investment in listed equity securities carried at fair value is as follows:

Investments	June 30, 2010 Rupees	June 30, 2009 Rupees
	73,431,716	98,262,160



Sensitivity analysis

The table below summarizes the impact of increase/decrease in Karachi stock exchange index on the modarba's profit after tax and on equity. The analysis is based on the assumption that the equity index had increased/decreased by 5% with all other variables held constant and all modarba's equity instruments moved on perfect correlation with the index.

Index Impact on profit after tax and equity

Table with 3 columns: KSE 100 (% increase), 2010, 2009. Rows show KSE 100 (% decrease) and KSE 100 (% increase) impacts on profit and equity.

2.7.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values except for murabaha and murabaha receivable at fixed rate of return. The fair values these financial assets/liability cannot be reasonably estimated due to absence of market for such assets/liability.

2.7.5.1 Credit risk related to receivables

The modarba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. It is applied by independent rating agencies where available and it is not to be used as a substitute for prudent judgment. The modarba's exposure and the credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

The Modarba's maximum exposure to credit risk related to receivables at June 30, 2010 and June 30, 2009 is the carrying amounts of following financial assets

Table with 3 columns: June 30, 2010, June 30, 2009, Rubpees. Rows include Other receivables, Murabaha, morabaha and other finance lease rentals receivable.

2.7.5.2 Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modarba's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Modarba's maximum exposure to credit risk from balances with banks and financial institutions at June 30, 2010 and June 30, 2009 is the carrying amounts of following financial assets.

Table with 3 columns: Balances with banks and financial institutions, 2010, 2009. Row shows 187,627,228 for 2010 and 288,237,136 for 2009.



The Modarba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments.

Detail of the industrial sector analysis of Murabaha (Cost), murabaha and murabaha (original) Principles portfolio

Table with 4 columns: Sector, Rubpees, %age, 2010, Rubpees, %age, 2009. Rows list various sectors like Investment Securities, Companies/Banks, Insurance, Textile Weaving, etc.

2.7.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Table with 4 columns: Financial assets at FVTPL, Level 1, Level 2, Level 3, Total. Rows include Available-for-sale, Available for sale, Listed entities, Investments.



28. CAPITAL RISK MANAGEMENT

The modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising thereturn to stakeholders through the optimisation of the debt and equity balance.

Consistently with others in the industry, the modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. During the current year, the modaraba's strategy, unchanged from last year, was to maintain the debt-to-adjusted capital ratio to zero.

29. NON-ADJUSTING EVENTS AFER THE BALANCE SHEET DATE

The Board of Directors have approved profit distribution of Rs. 26,165,298 at the rate of 3 % (Rs 0.3 per certificate of Rs 10) for the year ended June 30, 2010.These financial statements do not reflect this distribution.

30. DATE OF AUTHORISATION OF ISSUE

These financial statements has been authorised for issue on August 31, 2010 by the Board of Directors of the Prudential Capital Management Limited.

31. FIGURES

Figures have been rounded off to the nearest Rupee.

These financial statements have been signed by three directors instead of chief executive officer and two directors as approval of appointment of chief executive is pending with Securities and Exchange Commission of Pakistan.

Director

Director

Director

CONTENTS

VISION STATEMENT & MISSION STATEMENT 02

DIRECTOR'S REPORT 03

SUMMARY OF KEY FINANCIALS 06

STATEMENT OF COMPLIANCE WITH
THE CODE OF CORPORATE GOVERNANCE 07

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH
BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE 09

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS 11

BALANCE SHEET 14

PROFIT AND LOSS ACCOUNT 15

CASH FLOW STATEMENT 16

STATEMENT OF CHANGES IN EQUITY 18

NOTES TO THE FINANCIAL STATEMENTS 19

CATEGORIES OF CERTIFICATES HOLDING 46

PATTERN OF CERTIFICATE HOLDINGS 48



CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2010

	NO OF CERTIFICATE HOLDER	NO OF CERTIFICATES	PERCENTAGE
ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES	2	10,530,205	12.07
PRUDENTIAL CAPITAL MANAGEMENT LTD. Prudential Discount & Guarantee House Limited		10,521,205 9,000	
NIT AND ICP	2	948,123	1.09
NATIONAL BANK OF PAKISTAN TRUSTEE WING INVESTMENT CORPORATION OF PAKISTAN		905,220 42,903	
DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN	5	10,824,170	12.41
MR. ASAD IQBAL SIDDIQUI MR.FAZAL M.MUGHAL DR.MOHAMMAD HUSSAIN MR. ATAULLAH KHAN		4,220,500 155,412 51,340 6,015,139	
CHIEF EXECUTIVE OFFICER			
SPOUSE			
MRS. WASIA HUSSAIN W/O DR. M. HUSSAIN		381,779	
EXECUTIVES.		-----	-----
PUBLIC SECTOR COMPANIES AND CORPORATIONS.	1	1,929,159	2.21
STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD.		1,929,159	
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	24	2,341,288	2.68
THE BANK OF PUNJAB		2974	
FAISAL BANK LTD.		101	
HABIB BANK LTD. LSE BRANCH		848	
HABIB BANK LTD. AG ZURICH		396	
CITY BANK LTD.		2635	
BANKERS EQUITY LTD.		600	
NATIONAL DEVELOPMENT FINANCE CORPORATION		10625	
CRESCENT INVESTMENT BANK LTD.		100	
FIDELITY INVESTMENT BANK LTD.		1,374	
PARAMOUNT INVESTMENT BANK LTD.		264	
GULF INSURANCE COMPANY LTD.		13653	
DELTA INSURANCE COMPANY LTD.		164	
CRESCENT STAR INSURANCE COMPANY LTD.		154	
NATIONAL INSURANCE COMPANY LTD.		2275232	
FIRST INTER FUND MODARABA		263	
UNI CAP MODARABA		136	
INDUSTRIAL CAPITAL MODARABA		170	
FIRST MEHRAN MODARABA		7935	

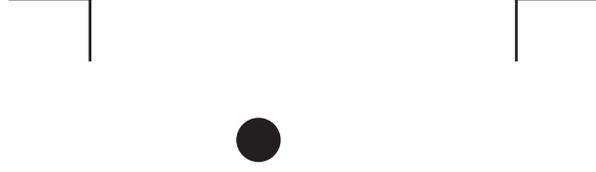


CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2010

	NO OF CERTIFICATE HOLDER	NO OF CERTIFICATES	PERCENTAGE
GENERAL MODARABA		3306	
MODARABA AL MALI		47	
FIRST PROVIDENCEMODARABA		449	
FIRST HAJVERI MODARABA		3000	
FIRST EQUITY MODARABA		16484	
FIRST EQUITY LEASING MODARABA		378	
SHAREHOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANIES.			
INDIVIDUAL	10995	97165.09	53,952,305
OTHER CORPORATE SHAREHOLDERS	89		6,692,410
	<u>11118</u>		<u>87,217,660</u>
			<u>100.00</u>

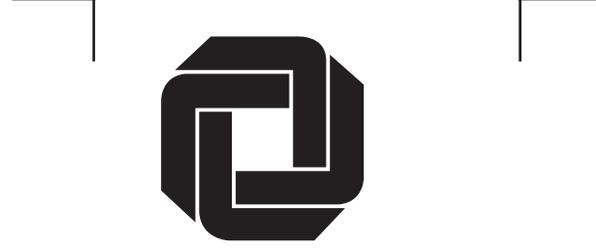
Prudential Capital Management Ltd
Managed by :

First Prudential Modaraba



JUNE 30, 2010
21st ANNUAL REPORT

Prudential Capital Management Ltd,
10000 Lakeside Drive, Suite 1000,
Prudential Plaza, Newark, NJ 07102
Tel: 973-752-2000



Prudential Capital Management Ltd.
Managed by :

First Prudential Modaraba



JUNE 30, 2010
21st ANNUAL REPORT

Prudential Capital Management Ltd.
First Floor, Prudential Centre,
100, Market Street, Singapore 049912

