



**CORPORATE INFORMATION**

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

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

**COMPANY SECRETARY**

Mr. Muhammad Musharrarf Khan

**AUDIT COMMITTEE**

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

**AUDITORS**

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

**LEGAL ADVISORS**

Mohammad Zubair Quraishy  
S. Tauqir Hassan & Co.

**BANKERS**

Standard Chartered Bank  
Faysal Bank Ltd.  
MCB Bank  
Al Baraka Bank (Pak.) Ltd.  
Summit 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 Sharia 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 22nd Annual Report of First Prudential Modaraba together with audited accounts, auditor and directors report for the period ended June 30, 2011 before the certificate holders.

**KEY FINANCIAL HIGHLIGHTS:**

*Figures in Rs.*

	June 2011	June 2010
- Total Income from Operations	87,175,626	87,635,874
- Operating Expenses	43,553,743	52,993,736
- Profit for the period	33,269,590	32,834,898
- Unrealized gain/(loss) on re-measurement of investment	(3,148,669)	(1,603,000)
- Net profit/(loss)	33,269,590	33,292,699
- Earning Per Certificate – Rs.	0.38	0.38

**REVIEW OF OPERATIONS:**

During the Year ended on 30th June, 2011, the overall operating performance of the First Prudential Modaraba reflects that Operating Income Rs. 36.269 Million against Rs. 33.292 Million. Profit from Operation stands to Rs. 87.175 Million as against profit of Rs. 87.635 Million last year.

The period under review saw the continuation in the economic pressures and adverse security environment being one of the most difficult periods for the country due to prevailing 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 under review, the much required foreign direct investment kept at the low side in view of the uncertainty and ongoing army operations in the tribal belt. In the absence of any position economic development and lack of incentives for business growth the capital markets too remained under pressure through out the year.

Financial Year 2011 started with an upheaval for the economy of Pakistan as the nation suffered the worst natural disaster (floods) in the entire history which resulted in relentless short and long-term consequences for our economy. The devastating July 2010 floods swept across the length and breadth of the country.

The total investment has declined, gross fixed investments has decreased during last year. On the other hand, national savings notched up above total investments for the first time in the last five years.

Apart from above, in the month of October 2010, the Registrar Modaraba on the basis of Show Cause Notice, the legality of which was challenged by your Modaraba, issued an order for change of Management Company of the Modaraba. Since Board of Directors of Modaraba strongly felt that this order was legally invalid and that the sweeping powers under Section 20 of the Modaraba Ordinance vested in the Registrar Modaraba were against the Constitution of Pakistan which guarantees a "fair trial" and "due process", we challenged the order in the Sindh High Court who was kind to issue a Stay Order for the implementation of Registrar Modaraba Order handing over the Management to another Management Company. These Constitution Petitions are pending with the Sindh High Court. Meanwhile your Modaraba has filed another Constitution Petition in Islamabad High Court challenging Section 20 of the Modaraba Ordinance which, in our opinion, is against the Constitution of Pakistan and therefore void to that extent. This action of Registrar Modaraba / Securities & Exchange Commission of Pakistan has caused reduction in income as well as panic in staff.

In view of the order for change of Management Company of the Modaraba by Registrar Modaraba, activities of your Modaraba presently are almost at a stand-still. We understand that this is damaging the interest of certificate holders but we have very little in our hands to counter the situation. Let us pray together that the situation of the country changes as soon as possible.



Despite all that, your Modaraba has performed well and managed to post a net profit of Rs. 33.26 million as against a profit of Rs. 33.29 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. 5.15 million in 2011 as against an income of Rs. 5.18 million in the year 2010. Your Modaraba has also earned Rs. 37.30 million on deposit accounts maintained with different banks and Islamic Financial Institutions. During the year, Modaraba had to reversal of provisioning on account of Ijarah portfolio and other receivables amounting to Rs. 10.73 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. 5.34 million during the year from the non-performing portfolio. An amount of Rs. 10.027 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 Accumulated Losses have continuously been decreasing for the last 11 years except of 2009, having been reduced from Rs.574.63 million in 2002 to Rs.383.82 million in 2008. The reserves of the Modaraba during the same period have increased from Rs.44.60 million to Rs.113.59 million, which illustrates the profitability of the Modaraba. It was only in 2009 that the losses of the Modaraba increased because of the worldwide financial crises, almost all financial institutions, including those in Pakistan suffered huge losses. However in 2010 and 2011 the accumulated losses of the Modaraba once again decreased by over Rs.27.08 million compared to figures in 2009 and Reserves also increased to Rs.126.90 million.

**Observations of External Auditors:**

The amount outstanding on accounts 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.

**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 =11= meetings of the Board of Directors were held. Attendance of each director was as follows:

	<b>Name of Director</b>	<b>Number of Meeting Attended.</b>
1.	Mr. Asad Iqbal Siddiqui	11
2.	Mr. Muhammad Asif	8
3.	Mr. Fazal M. Mughal	11
4.	Mr. Attaullah Khan	11
5.	Dr. Muhammad Hussain	2

10. The Statement of pattern of certificate holders of the Modaraba as at 30th June 2011 as per code of corporate governance is annexed.

#### Future Outlook:

The financial year 2011-12 is not expected to bring any respite from the already adverse economic situation in the country. The last year effect of 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.

#### Acknowledgement:

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

Prudential Capital Management Limited,  
Manager First Prudential Modaraba

Director

Karachi.  
Dated: September 16, 2011



**Summary of key Operating and Financial data of the  
Modaraba for last six years.  
Year ended June 30, 2011  
.....Rupees in millions.....**

<b>Year</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Paid-up Capital	<b>872.177</b>	872.177	872.177	872.177	872.177	872.177
Statutory Reserve	<b>126.899</b>	120.245	113.586	113.586	99.077	88.199
Certificate Holders' Equity	<b>512.996</b>	505.487	472.061	601.944	585.343	530.021
Certificate	<b>87.217</b>	87.217	87.217	87.217	87.217	87.217
Current Liabilities	<b>32.278</b>	44.548	80.296	90.196	49.750	35.963
Non-Current Assets	<b>109.642</b>	139.590	166.056	249.227	317.754	378.662
Current Assets	<b>462.481</b>	429.511	415.671	504.377	403.681	274.141
Profit / ( Loss) before taxation	<b>33.266</b>	33.292	(103.717)	41.788	55.519	21.259
Taxation	-	(0.457)	0.457	0.332	1.128	0.364
Earning / (Loss) per Certificate (Rs.)	<b>0.38</b>	0.38	(1.19)	0.48	0.62	0.24

For & on behalf of the Board of Directors of



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

Name of Modaraba **FIRST PRUDENTIAL MODARABA**  
 Year Ended **30th JUNE , 2011**

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

1. The Modaraba Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board consists of five directors. All of the directors are non executive directors.
2. The directors of the Modaraba Management Company have confirmed that none of them are serving as directors in ten or more listed companies including the Modaraba Management Company.
3. All the resident Directors of the Modaraba Management Company are registered as tax payer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy has occurred in the Board of the Modaraba Management Company. A casual vacancy of Chief Executive Officer occurred in the year 2008 have not been filled yet.
5. The Modaraba 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 Modaraba Management 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 twice by the Securities And Exchange Commission of Pakistan (SECP). Further fresh application made on June 23, 2011 for the appointment is pending with the SECP.
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 Meetings of the Board of Directors were presided over by the Chairman elected by the Board of Directors for 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. The minutes of the Meeting were appropriately recorded and circulated.



- 10 No orientation courses were arranged for the directors during the year. However, the Board encourages the participation of its Directors and Executives in the orientation courses to apprise them of their duties and responsibilities. The directors of the Board of the Company are individuals with vast diversified experience of the financial and corporate affairs. They are also directors in other companies and are well conversant with their duties and responsibilities. Copies of Memorandum of Association, Article of Association and Prudential Regulations for Modaraba have been provided to them.
- 11 There was no new appointment of Chief Financial Officer and Company Secretary during the year. 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.
- 12 The Directors' report of the Modaraba for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
- 13 As the Modaraba Management Company has no Chief Executive Officer (CEO), the financial statements of the Modaraba were duly endorsed by a Director in the absence of CEO and by the Chief Financial Officer before approval of the Board.
- 14 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 holdings.
- 15 The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
- 16 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.
- 17 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.
- 18 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.
- 19 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.
- 20 The statutory auditor or the persons associated with them have not been appointed to provide other service except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
- 21 We confirm that all other material principles contained in the Code have been complied with.

Karachi  
 Date: September 16, 2011

For and on behalf of the Board

**DIRECTOR**

**DIRECTOR**



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Prudential Capital Management Limited (the Modaraba Management Company)** representing **First Prudential Modaraba [The Modaraba]**, for the year ended June 30, 2011, to comply with the relevant Listing Regulations of the respective Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

We report that

1. Clause (vi) of the Code of Corporate Governance requires that any casual vacancy is to be filled with in 30 days. The position of chief executive officer is vacant since July 12, 2008. After rejection of proposed appointments by the Securities And Exchange Commission of Pakistan (SECP) on April 29, 2010 and August 24, 2010, the Modaraba Management Company has applied again on June 23, 2011 for approval of appointment of a chief executive officer to SECP, which is pending.

Further, Clause (xxiv) of the Code of Corporate Governance requires the financial statements of the Modaraba to be presented for Board's approval under signature of Chief Executive Officer and Chief Financial Officer. Further Clause (ix) of the Code requires Board of Directors to define the respective roles and responsibilities of the Chairman and Chief Executive Officer. Due to non appointment of Chief Executive Officer these requirements have not been met.

2. Sub-clause (b) of Clause (viii) of the Code of Corporate Governance requires the Modaraba Management Company to maintain a complete record of particulars of the significant policies, as may be determined, along with the dates on which they were approved or amended by the Board of Directors. The Modaraba Management Company has not kept such record of significant policies. However the draft investment and credit policies have been prepared and are in process of Board approval.
3. Clause (xxxv) of the Code of Corporate Governance requires the Modaraba Management Company to establish an internal audit function. The internal audit function of the Modaraba is carried out by only one person and needs to be strengthened to make it more effective.



4. Clause (xviii) of the Code of Corporate Governance requires that the Chief Financial Officer and Company Secretary of the Modaraba shall attend meetings of Board of Directors. However Chief Financial Officer of the Modaraba attended only three meetings out of eleven.

Except for the matters stated above, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2011.

**Chartered Accountants**

**Karachi**

**Dated:** September 16, 2011

**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet of **First Prudential Modaraba** (the Modaraba) as at June 30, 2011 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 remote chance of recoverability of Rs 21.43 million; however no provision has been made by the Modaraba.
- b) 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 should be fully impaired. However no impairment has been made in respect of this amount.
- c) 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.  
  
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 profit for the year would have been reduced and accumulated losses would have been increased by Rs 26.61 million.
- d) 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;



- e) in our opinion:
  - i. 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;
  - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - iii. except for the matters stated in paragraph h(ii) below, the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- f) 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, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- g) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
- h) We draw attention to the following matters:
  - i. The position of chief executive officer is vacant since July 12, 2008. After rejection of proposed appointments by the SECP on April 29, 2010 and August 24, 2010, the Modaraba has applied again on June 23, 2011 for approval of appointment of a chief executive officer to Registrar Modaraba, which is pending.
  - ii. Modaraba has contravened the object clauses of the prospectus of Modaraba and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) which prohibits holding of immovable properties for business purpose, indulging in brokerage of securities and also prohibit from carrying on any business opposed to injunctions of Islam, Instances of contravention are as under :



- In the process of merger with the Second Prudential Modaraba in the year 2003, the Modaraba acquired a property through assignment by the court. Since then the Modaraba has treated this property as 'Investment Property' and has been earning rental income from it. Currently, the investment property is valued at Rs. 10.027 million.
- The Modaraba acquired membership of Lahore Stock Exchange in 2010 with a room against investor's claim of Rs. 22.33 million from Prudential Securities Limited.
- The Modaraba has deposits of Rs.190 million in commercial banks.

Our report is not qualified in respect of paragraph 'h' above.

#### Chartered Accountants

**Engagement Partner:**  
Mushtaq Ali Hirani

Karachi  
Dated: September 16, 2011



### BALANCE SHEET AS AT JUNE 30, 2011

ASSETS	Note	2011 Rupees	2010 Rupees
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	5	294,763,563	288,557,336
Investments	6	95,175,493	73,431,716
Musharika, morabaha and other finance	7	28,750,170	31,473,662
Ijarah rentals receivable	8	2,286,321	2,762,272
Advances, prepayments and other receivables	9	41,506,045	34,150,437
<b>Total Current Assets</b>		<b>462,481,592</b>	430,375,423
<b>Non - Current Assets</b>			
Long term investments	10	6,640,072	7,277,249
Long term portion of musharika, morabaha and other finance	7	1,081,235	11,530,633
Long term deposits		3,066,192	3,066,192
Intangible asset	11	22,326,567	22,326,567
Property and equipment - owned	12	315,212	288,014
Property, plant and equipment -Ijarah	13	66,185,463	85,179,371
Investment property	14	10,027,500	9,922,500
<b>Total Non - Current Assets</b>		<b>109,642,241</b>	139,590,526
<b>TOTAL ASSETS</b>		<b>572,123,833</b>	569,965,949
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current portion of long term ijarah deposits		8,537,957	29,101,346
Accrued and other liabilities	15	8,090,971	3,874,360
Unclaimed profit distribution		15,649,085	12,436,849
<b>Total Current Liabilities</b>		<b>32,278,013</b>	45,412,555
<b>Non-current Liabilities</b>			
Long term ijarah deposits	16	26,849,367	19,065,990
<b>TOTAL LIABILITIES</b>		<b>59,127,380</b>	64,478,545
<b>NET ASSETS</b>		<b>512,996,453</b>	505,487,404
<b>REPRESENTED BY</b>			
Certificate Capital			
87,217,660 Modaraba Certificates of Rupees 10/- each	17	872,176,600	872,176,600
Statutory reserve		126,898,620	120,244,702
Accumulated loss		(486,078,767)	(486,933,898)
		<b>512,996,453</b>	505,487,404
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 approval of appointment of chief executive officer is pending with the Securities and Exchange Commission of Pakistan.

Director

Director

Director



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011 Rupees	2010 Rupees
<b>INCOME</b>			
Ijarah rentals		32,191,803	33,412,423
Return on term deposit receipts and PLS accounts		37,305,911	30,832,882
Income on musharika, morabaha and other finance	19	3,268,744	9,297,886
Gain on sale of investments		8,303,621	6,784,292
Dividend income		2,878,113	3,415,792
Rental income from an investment property		1,006,236	907,500
Other income	20	2,221,198	3,127,330
Share of loss from associate		-	(142,231)
		<u>87,175,626</u>	<u>87,635,874</u>
Unrealized loss on changes in fair value of held for trading investments - at fair value through profit and loss		(3,148,669)	(1,603,000)
Unrealized gain on remeasurement of investment property		105,000	1,522,500
Impairment losses and (Provision) / Reversal against doubtful receivables-net	21	(3,612,003)	(1,726,740)
		<u>80,519,954</u>	<u>85,828,634</u>
<b>EXPENDITURE</b>			
Amortization on ijarah assets		(25,700,205)	(33,431,814)
Administrative expenses	22	(17,146,781)	(18,851,267)
Workers welfare fund		(677,588)	(670,100)
Bank and other charges		(29,169)	(40,555)
		<u>(43,553,743)</u>	<u>(52,993,736)</u>
Profit for the period		36,966,211	32,834,898
Modaraba company's management fee		(3,696,621)	-
Profit before taxation		33,269,590	32,834,898
Provision for taxation	23	-	457,801
Profit after taxation		<u>33,269,590</u>	<u>33,292,699</u>
Other comprehensive income			
Surplus on revaluation of available for sale investment		404,652	133,865
Total comprehensive income for the year		<u>33,674,242</u>	<u>33,426,564</u>
Earnings per certificate	24	<u>0.38</u>	<u>0.38</u>

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

Director

Director

Director

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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	2011 Rupees	2010 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	33,269,590	32,834,898
Adjustments for non-cash changes and other items:		
Dividend income	(2,878,113)	(3,415,792)
Gain on disposal-own assets	(19,902)	(93,499)
Gain on disposal-ijarah assets	(243,252)	(772,760)
Unrealized loss on changes in fair value of held for trading investments - at fair value through profit and loss	3,148,669	1,603,000
(Gain)/loss on sale of investments	(8,303,621)	(6,784,292)
Impairment losses and (Provision) / Reversal against doubtful receivables-net	3,612,003	1,726,740
Share of loss from associate	-	142,231
Unrealised gain on remeasurement of investment property	(105,000)	(1,522,500)
Depreciation-owned	232,339	716,232
Amortization on ijarah assets	25,700,205	33,431,814
	<u>21,143,328</u>	<u>25,031,174</u>
	<u>54,412,918</u>	<u>57,866,072</u>
Cash flows before movements in working capital		
(Increase) / decrease in operating assets		
Musharika, morabaha and other finance	12,959,750	26,694,931
Ijarah rentals receivable	11,209,010	38,342,764
Advances, prepayments and other receivables	(5,430,011)	20,009,815
	<u>18,738,749</u>	<u>85,047,510</u>
Increase/(decrease) in operating liabilities		
Ijarah deposits	(12,780,012)	(22,040,310)
Accrued and other liabilities	4,216,611	(22,269,801)
	<u>(8,563,401)</u>	<u>(44,310,111)</u>
Cash generated from operations	64,588,266	98,603,471
Income tax paid	(1,939,344)	(7,809,876)
Net cash generated from operating activities	<u>62,648,922</u>	<u>90,793,595</u>

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**B. CASH FLOWS FROM INVESTING ACTIVITIES**

	2011 Rupees	2010 Rupees
Dividend received	2,891,860	3,373,045
Investments (made) / encashed -net	(16,588,810)	30,014,736
Proceeds from disposal-own assets	20,000	300,000
Proceeds from disposal-ijarah assets	17,732,347	40,083,898
Purchase of own assets	(259,635)	(134,500)
Purchase of ijarah assets	(37,285,500)	(40,793,500)
Purchase of intangible asset	-	(22,326,567)
Net cash (used in) / generated from investing activities	(33,489,738)	10,517,112

**C. CASH FLOWS FROM FINANCING ACTIVITIES**

Profit distribution	(22,952,957)	(420,171)
Net cash used in financing activities	(22,952,957)	(420,171)
Net increase in cash and cash equivalents	6,206,227	100,890,536
Cash and cash equivalents at beginning of the year	288,557,336	187,666,800
Cash and cash equivalents at end of the year	294,763,563	288,557,336

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 officer is pending with the Securities and Exchange Commission of Pakistan.

Director

Director

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Director

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011**

	Reserves			Total
	Capital	Revenue	Accumulated	
	Certificate capital	*Statutory reserve	Unrealized gain on available for sale investments	Sub total
Balance at July 1, 2009	872,176,600	113,586,162	-	472,060,840
Profit for the year ended June 30, 2010	-	-	(513,701,922)	33,292,699
Other comprehensive income for the year ended June 30, 2010	-	-	133,865	(6,658,540)
Transfer to statutory reserve	-	6,658,540	-	(486,933,898)
Balance at June 30, 2010	872,176,600	120,244,702	133,865	505,487,404
Profit for the year ended June 30, 2011	-	-	-	33,269,590
Other comprehensive income for the year ended June 30, 2011	-	-	404,652	404,652
Transfer to statutory reserve	-	6,653,918	-	(6,653,918)
Distribution @ 3 % declared for the year ended June 30, 2010	-	-	-	(26,165,193)
Balance at June 30, 2011	872,176,600	126,898,620	538,517	512,996,453

\*Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current year, the Modaraba has transferred an amount of Rs. 6,653,918 which represents 20% of the profit after tax.

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 officer is pending with the Securities and Exchange Commission of Pakistan.

Director

Director

Director

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

1.1 First Prudential Modaraba (the modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and is managed by Prudential Capital Management Limited, a company incorporated in Pakistan under the Companies Ordinance 1984. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in musharika, morabaha, investment in securities. Registered office of the modaraba is situated at Beverly Centre, 56-G, Blue Area, Islamabad.

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

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan (SECP) [the Modaraba Regulations] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under 'the Modaraba Regulations'. Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

**2.2 Adoption of new International Financial Reporting Standards**

In the current period, the Modaraba has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Modaraba's accounting period beginning on July 01, 2010.

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

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

The IASB clarified (as part of Improvements to IFRSs (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. Had there been any such assets classified under IFRS 5, the adoption of this amendment would only have affected 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 IFRSs (2009)) specify that only expenditures that result in a recognised asset in the balance sheet 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 restated for consistent presentation. There is no such classification in financial statements of Modaraba for the year ended June 30, 2011.

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.

Amendments to IFRS 2 - Share based Payment	January 01, 2010
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Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
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Amendments to IAS 7 - Statement of Cash Flows	January 01, 2010
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IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010
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**New accounting standards and IFRS interpretations that are not yet effective**

The following International Financial Reporting Standards and Interpretations as 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 standard would affect the recognition and classification of existing financial assets

The directors anticipate that these amendments will be adopted in the Modaraba'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 Standard

Amendments to IAS 24 - Related Party Disclosures	January 01, 2011
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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 Modaraba's financial statements for the period beginning 1 January 2010. The Modaraba is not government-related, therefore the disclosure exemptions will not affect its financial statements. However, some disclosures may be affected by the changes in the detailed definition of a related party. This may result in amendments to the relevant related party disclosures in the financial statements.

IAS 27 (Revised) – Separate Financial Statements	January 01, 2013
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IAS 28 – Investment in Associates and Joint Ventures	January 01, 2013
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Amendments to IAS 12 – Income Taxes	January 01, 2012
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### 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) Ijarah and amortisation

Ijarah assets are stated at cost less accumulated amortisation and impairment loss (if any). Amortisation is charged to income applying the straight line method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, amortisation is charged proportionately to the period of lease.

##### (ii) In own use 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 additions and disposal during the year, 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

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 at the end of each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

#### 4.4 Investments

##### 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. As per requirement of IAS-39 "Financial Instruments, Recognition and Measurement" the gain or loss on revaluation of investment held for trading is to be included in profit and loss account.

##### ii) Available for sale

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices 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 quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. 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, and which, the Modaraba 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 amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

##### iv) Derecognition

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

##### v) Investment in associates

These investments are accounted for using equity method of accounting and initially are recognized at cost.

#### 4.5 Ijarah rentals receivable, ijarah, morabaha and musharika finances

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

#### 4.6 Staff retirement benefits

##### Defined contribution plan

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

#### 4.7 Provisions

Provisions are recognised when the Modaraba 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 Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an 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 of that asset. 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 risk characteristics.

##### Available-for-sale financial investments

For available-for-sale financial investments, the Modaraba 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 or prolonged 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 loss on that investment previously recognised in the profit and loss account - is removed from equity and recognised in the 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 and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in 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.

#### **Non-financial assets**

The Modaraba 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 to sell and value in use.

Where impairment loss for asset subsequently 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. Reversal of impairment loss is recognised as income.

#### **4.9 Revenue recognition**

##### **4.9.1 Ijarah rentals**

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

##### **4.9.2 Hire purchase 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.

##### **4.9.3 Morabaha and musharika transactions**

Profit from musharika transactions is recognised on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Profit from morabaha finance is accounted for on culmination of morabaha transaction. However, the profit on that portion of morabaha finance not due for payment is deferred by accounting for "Deferred Morabaha Income" with a corresponding credit to "Unearned Morabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis.



#### **4.9.4 Rental Income**

Rental Income arising from investment properties is accounted for on accrual basis.

#### **4.9.5 Dividend income**

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

#### **4.9.6 Return on finance**

Return on finance is accrued on a time basis, by reference to the principal outstanding and at 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.

#### **4.10 Taxation**

##### **Current**

Provision for taxation is made on taxable income if any, at the prevailing rates of tax after taking into account any tax credit available.

The income of non-trading Modaraba is exempt from taxation under clause 100 of Part 1 of the Second schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income excluding realized and unrealized capital gains for the period is distributed amongst the certificate holders.

##### **Deferred**

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

Deferred tax liability is generally recognised for all taxable temporary differences. Deferred income tax asset is recognized 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.

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.

#### **4.11 Foreign currencies translation**

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent 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.

#### **4.12 Financial assets**

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

#### **4.13 Financial liabilities**

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

**4.14 Cash and cash equivalents**

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).

**4.15 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba 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. Corresponding income on the assets and charge on the liability is also off- set.

**4.16 Profit distribution**

Profit distribution to the Modaraba'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 Modaraba company.

**4.17 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 Modaraba'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 various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows: -

- i) classification of investments (Note 6)
- ii) impairment losses / provision for doubtful receivables (Note 21)
- iii) depreciation/amortisation on property and equipment (Note 12 & 13)
- iv) amortisation of intangible assets (Note 11)

**5. CASH AND BANK BALANCES**

	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
Cash in hand		20,200	20,200
Cash at banks			
Current accounts		1,508,191	1,509,796
Saving accounts	5.1	23,235,172	17,027,340
Term deposits	5.2	270,000,000	270,000,000
		<u>294,743,363</u>	<u>288,537,136</u>
		<u>294,763,563</u>	<u>288,557,336</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 5% to 11.5% (2010 : 5.5% to 11.75%) per annum.

5.2 Effective mark-up rate in respect of term deposit accounts ranges from 12.6% to 15% (2010 : 11.5% to 17%) per annum.

**6. INVESTMENTS****Held for trading at fair value through profit and loss account**

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

	June 30, 2011 Rupees	June 30, 2010 Rupees
<b>6.1 In listed companies</b>	<u>95,175,493</u>	<u>73,431,716</u>

June 2011	June 2010	Name of investee	June 2011 Rupees	June 2010 Rupees
<b>Open-end mutual funds</b>				
371,505	362,555	Unit Trust of Pakistan	38,320,778	37,488,187
25,000	25,000	National Investment (Unit) Trust (Face value of certificate Rs.100/- each)	804,000	704,250
<b>Oil and gas</b>				
-	7,000	Mari Gas Company Limited	-	905,660
2500	23,554	Pakistan Petroleum Limited	517,675	4,336,762
15000	10,000	Byco Petroleum Pakistan Limited	136,050	99,800
16000	-	Oil & Gas Development Company Limited	2,447,840	-
-	12,000	Pakistan Oil Fields Limited	-	2,590,800
21,644	1,000	Pakistan State Oil Company	5,726,570	260,200
26,500	8,229	Pakistan Refinery Limited	2,131,925	646,553
-	32,387	Attock Refinery Limited	-	2,609,097
<b>Chemicals</b>				
165,500	76,500	Fauji Fertilizer Bin Qasim Limited	6,975,825	1,992,060
87,100	11,000	Engro Corporation Limited	14,219,075	1,909,380
-	20,500	Engro Polymers Chemicals Limited	-	205,820
2,500	27,000	ICI Pakistan Limited	379,625	3,201,120
150,000	-	Lotte Pakistan PTA Limited	2,074,500	-
<b>Construction and materials</b>				
140,000	51,780	D.G. Khan Cement Company Limited	3,218,600	1,223,044
45,000	20,000	Lucky Cement Limited	3,187,800	1,242,800
25,000	-	Lafarge Pakistan Cement	67,500	-
<b>Electronic and electrical equipment</b>				
-	6,048	Johnson & Philips (Pakistan) Limited	-	51,892
<b>Household goods</b>				
1,721	27,721	Hussain Industries Limited	4,854	203,472



June 2011 Rupees	June 2010 Rupees		June 2011 Rupees	June 2010 Rupees
		<b>Number of Certificates / Shares/ Units</b>		
		<b>Name of investee Personal goods</b>		
105,000	40,000	Azgard Nine Limited	579,600	446,400
147,500	8,125	Nishat Mills Limited	7,425,150	350,350
25,000	-	Nishat (Chunian) Limited	557,250	-
-	1,256	Reliance Cotton Spinning Mills Limited	-	24,881
-	47,248	Gul Ahmed Textile Mills Limited	-	875,506
		<b>Fixed Line Telecommunication</b>		
-	20,000	Pakistan Telecommunication Company Limited.	-	356,000
		<b>Electricity</b>		
104,347	71,847	Kot Addu Power Company Limited	4,446,226	2,998,894
27,500	10,000	The Hub Power Company Limited	1,031,250	319,600
		<b>Banks</b>		
-	90,000	The Bank of Punjab	-	907,200
-	192,813	Silk Bank Limited	-	522,523
-	5,000	National Bank of Pakistan	-	320,500
-	15,000	United Bank Limited	-	813,150
-	50,625	Bank Islami Pakistan Limited	-	162,506
-	5,000	Habib Bank Limited	-	486,250
		<b>Non Life Insurance</b>		
-	2,400	Adamjee Insurance Company Limited	-	191,712
		<b>Financial Services</b>		
300,000	848,749	First Capital Securities Corporation Limited	729,000	4,014,583
30,000	72,282	Jahangir Siddiqui & Co Limited	194,400	913,644
		<b>Beverages</b>		
-	51,000	Shakarganj Foods Products Limited	-	57,120
		<b>Suspended / Delisted Company</b>		
1,670,720	1,670,720	Prudential Stock Fund	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	-	-
			<u>95,175,493</u>	<u>73,431,716</u>

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	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
<b>6.2 Unrealized loss on changes in fair value of held for trading investments</b>			
Weighted average cost of investments		98,324,162	75,034,716
Unrealized loss on changes in fair value of held for trading investments		(3,148,669)	(1,603,000)
Market value of investments		95,175,493	73,431,716
<b>7. MUSHARIKA, MORABAHA AND OTHER FINANCE</b>			
Musharika and morabaha finance	7.1	18,776,023	24,833,818
Other finance-secured	7.2	11,055,382	18,170,477
		29,831,405	43,004,295
Less: Long term portion		-	(3,712,119)
Morabaha finance		(1,081,235)	(7,818,514)
Other finance		(1,081,235)	(11,530,633)
		28,750,170	31,473,662
<b>7.1 Musharika and morabaha finance</b>			
Musharika finance-unsecured			
Principal		105,172,201	105,936,406
Profit		45,436,865	45,436,865
		150,609,066	151,373,271
Morabaha finance-secured			
Principal	7.1.1	82,562,921	86,470,960
Profit		134,111,073	134,487,054
		216,673,994	220,958,014
Deferred Morabaha income		202,500	863,574
Less: Provision for doubtful receivables	7.1.2	(150,609,067)	(148,568,097)
Musharika finance-unsecured		(198,100,470)	(199,792,944)
Morabaha finance-secured		(348,709,537)	(348,361,041)
		18,776,023	24,833,818

7.1.1 The return on these morabaha ranges from 14% to 21% (2010: 14% to 21%) per annum. The above finances are secured against equitable mortgage of immovable properties and charge on vehicles, machineries, other assets and personal guarantee of sponsor directors.

#### 7.1.2 Movement of provision

	June 30, 2011			June 30, 2010		
	Principal	Profit	Total	Principal	Profit	Total
Opening Balance	171,058,496	177,302,545	348,361,041	190,514,164	180,310,138	370,824,302
Charge for the year	2,244,777	-	2,244,777	-	-	-
Reversals during the year	(1,750,148)	(281,489)	(2,031,637)	(19,455,668)	(3,007,593)	(22,463,261)
Suspended during the year	-	135,356	135,356	-	-	-
Closing Balance	171,553,125	177,156,412	348,709,537	171,058,496	177,302,545	348,361,041

7.2 This finance has been made to Invest Capital Investment Bank Limited against certain ijarah assets under a funded risk participation agreement. It carries return at the rate 17.16 % and is receivable by October 2012 in monthly installments.



	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
<b>8. IJARAH RENTALS RECEIVABLE</b>			
Considered good		2,286,321	2,762,272
Considered doubtful		24,577,317	32,961,066
		26,863,638	35,723,338
Less: Provision for doubtful receivables	8.1	(24,577,317)	(32,961,066)
		2,286,321	2,762,272
<b>8.1 Movement in provision for doubtful receivables</b>			
Opening balance		32,961,066	16,403,858
Written off		-	(3,169,617)
Charge for the period		2,349,310	19,726,825
Reversal during the period		(10,733,059)	-
Closing balance		24,577,317	32,961,066
<b>8.2 Future minimum ijarah rentals receivable</b>			
Within one year		48,775,927	61,013,907
After one year but not more than five years		20,839,073	23,740,541
		69,615,000	84,754,448

#### 9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	Considered Good		Considered Doubtful		Total	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
<b>Advance</b>							
Income tax	9.1	12,954,416	11,015,072	-	-	12,954,416	11,015,072
To staff		1,865,590	1,938,235	15,000	15,000	1,880,590	1,953,235
<b>Prepayments</b>		158,191	39,162	-	-	158,191	39,162
<b>Receivables from</b>							
Brokers on account							
of sale of shares	9.2	2,711,804	-	64,620,930	64,620,930	67,332,734	64,620,930
Related parties	9.3	18,732,273	18,432,273	-	-	18,732,273	18,432,273
Bank	9.4	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Profit on TDRs							
and other finance		3,909,889	2,684,082	-	-	3,909,889	2,684,082
Others		1,173,882	41,613	13,177,945	13,177,945	14,351,827	13,219,558
Provision for doubtful receivables	9.5	-	-	(88,055,222)	(88,055,222)	(88,055,222)	(88,055,222)
		41,506,045	34,150,437	-	-	41,506,045	34,150,437



- 9.1 It includes tax of Rs. 1,876,593 on income for the tax year 2010.
- 9.2 The amount represents claim of Rs.64,620,930/- (2010 : Rs.64,620,930/-) receivable from a defaulted stock broker.
- 9.3 The amount was paid as advance for purchase of securities to Prudential Securities Limited (PSL). The PSL defaulted and claim for the amount has been filed with the Karachi Stock Exchange result of which is still awaited.
- 9.4 This represents an unauthorized amount debited to Modaraba's account by a scheduled commercial bank on behalf of a party considered to be a group company. The Modaraba filed a suit for recovery under the Financial Institutions (Recovery of Finances) Ordinance, XLVI of 2001 which was decreed against the Modaraba only due to the reason that it was time-barred. Management filed an appeal in the Sindh High Court against the judgment of the Banking Court. The Sindh High Court has set aside the decree of the Banking Court with the directions that the Banking Court, in the first instance, shall decide the application for leave to defend moved by the Bank. The case is under process with the Banking Court.
- 9.5 There was no movement during the period.

#### 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, 2011 Rupees	June 30, 2010 Rupees
Investment in associate	10.1	-	1,041,815
Available for sale			
Listed entities	10.2	3,261,442	2,856,804
An unlisted company	10.3	3,378,630	3,378,630
		<u>6,640,072</u>	<u>6,235,434</u>
		<u>6,640,072</u>	<u>7,277,249</u>

#### 10.1 Investment in Associate

This includes investment in Prudential Discount and Guarantee House Limited, an associated company through common directorship. Due to adverse financial condition of the investee Company, investments have been fully impaired as at the year end.

#### 10.2 Listed entities

June 30, 2011	June 30, 2010		June 30, 2011	June 30, 2010
Number of Certificates / Shares/ Units		Name of investee		
101,413	101,413	National Investment (Unit)Trust		
		Cost	2,722,939	2,722,939
		Add: Unrealized gain	538,503	133,865
			<u>3,261,442</u>	<u>2,856,804</u>



#### 10.3 Unlisted company

Number of Certificates / Shares/ Units		Name of investee	Note	June 30, 2011	June 30, 2010
2011	2010				
1,107,244	1,107,244	Prudential Securities Limited(PSL)		4,173,707	4,173,707
		Cost		(795,077)	(795,077)
		Less: Impairment		<u>3,378,630</u>	<u>3,378,630</u>

#### 11. INTANGIBLE ASSETS

Lahore stock exchange membership and room		22,326,567
<b>Cost</b>		<b>22,326,567</b>
At July 01		-
Addition	11.1	<u>22,326,567</u>
At June 30		<u>22,326,567</u>

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. The Management estimates that the carrying value of this asset is more than its recoverable amount.





## 12 PROPERTY AND EQUIPMENT - OWN

	Cost		Depreciation		Rate%
	at July 1, 2010	Additions/ (Disposals) at June 30, 2011	Accumulated at June 30, 2010	For the year / (on disposals) June 30, 2011	
Office equipment	2,708,186	76,450 (578,339)	2,600,784	68,010 (578,254)	33
Furniture and fixtures	1,775,035	-	1,712,448	39,639	20
Computer equipment	1,310,509	183,185 (439,531)	1,224,290	92,891 (439,518)	33
Motor vehicles	4,410,575	-	4,378,769	31,799	20
	10,204,305	259,635 (1,017,870)	9,916,291	232,339 (1,017,772)	

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## - For comparative period

	Cost		Depreciation		Rate%
	at July 1, 2009	Additions/ (Disposals) at June 30, 2010	Accumulated at July 1, 2009	For the year / (on disposals) June 30, 2010	
Office equipment	2,663,786	44,400	2,420,100	180,684	33
Furniture and fixtures	1,770,835	4,200	1,656,173	56,275	20
Computer equipments	1,224,609	85,900	1,165,554	58,736	33
Motor vehicles	6,187,575	(1,777,000)	5,528,731	420,537 (1,570,499)	20
	11,846,805	134,500 (1,777,000)	10,770,558	716,232 (1,570,499)	



## 12.1 Disposal of property and equipment - Own

	Cost	Accumulated Depreciation	Written down Value	Disposal proceed/ Insurance Claim	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser	Address of Purchaser
Office equipment	537,514	537,430	84	17,143	17,059	Negotiation	Mudassir Bilwani	Shop M-120 Jillani Center, Saddar ,Karachi
Computer equipments	480,356	480,342	14	2,857	2,843	Negotiation	Mudassir Bilwani	Shop M-120 Jillani Center, Saddar ,Karachi
	1,017,870	1,017,772	98	20,000	19,902			

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## - For comparative period

	Cost	Accumulated Depreciation	Written down Value	Disposal proceed/ Insurance Claim	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser	Address of Purchaser
Vehicle	590,000	550,666	39,334	50,000	10,666	Negotiation	Saeed-ul-Haque	House No. 497, Buffer Zone, North Karachi, Sector 15-A/5, Karachi.
Vehicle	1,187,000	1,019,833	167,167	250,000	82,833	Negotiation	Musawir ul Hasan	House No. 36-C, Federal Govt Officer Colony, Garden, Karachi
	1,777,000	1,570,499	206,501	300,000	93,499			



## 13 PROPERTY AND EQUIPMENT - IJARAH

	Cost		Amortisation		Useful Life
	at July 1, 2010	Additions/ (Disposals) June 30, 2011	For the year/ (on disposals) Rupees.....	Accumulated Adjustments at June 30, 2011	
Plant and machinery	15,005,500	-	3,277,258 (680,850)	9,143,434	5,056,566 24 to 60 months
Office equipment	8,801,000	-	1,892,959	6,112,150	2,688,850 24 to 60 months
Computer	92,000	-	27,210	82,799	9,201 24 to 60 months
Vehicles	152,281,512	37,285,500 (44,276,545)	20,502,778 (26,914,100)	73,767,513	13,090,108 58,430,846 24 to 60 months
	176,180,012	37,285,500 (45,084,045)	25,700,205 (27,594,950)	89,105,896	13,090,108 66,185,463
<b>- For comparative period</b>					
	at July 1, 2009	Additions/ (Disposals) June 30, 2010	For the year/ (on disposals) Rupees.....	Accumulated Adjustments at June 30, 2010	Useful Life
Plant and machinery	18,508,651	4,585,000 (7,412,151)	3,756,949 (5,696,036)	6,547,026	8,458,474 24 to 60 months
Office equipment	18,776,000	(7,475,000) (2,500,000)	4,373,136 (6,091,450)	4,219,191	4,581,809 24 to 60 months
Computer	336,400	(244,400)	24,923 (171,080)	55,589	36,411 24 to 60 months
Vehicles	218,489,960	36,208,500 (96,910,849)	25,276,806 (62,974,593)	80,178,835	72,102,677 24 to 60 months
	256,111,011	40,793,500 (112,042,400)	33,431,814 (74,933,159)	91,000,641	85,179,371



## 14. INVESTMENT PROPERTY

	June 30, 2011 Rupees	June 30, 2010 Rupees
-Acquired in satisfaction of claim		
At July 01	9,922,500	8,400,000
Unrealized gain on remeasurement of investment property	105,000	1,522,500
At June 30	10,027,500	9,922,500

14.1 In pursuance of execution of the decree the office premises, mortgaged with the Modaraba as security against a morabaha facility, were assigned by the Sindh High Court in 1999. Property has been recognized as investment property under IAS-40 and stated at fair value.

The fair value of the investment property at June 30, 2011 has been arrived at on the basis of a valuation carried out on June 28, 2011 by Rizvi Associates (Private) Limited, independent valuers. The valuation has been arrived at by reference to market evidence of transaction prices for similar properties.

## 15. ACCRUED AND OTHER LIABILITIES

Workers welfare fund	1,347,688	670,100
Unearned income	-	534,063
Unearned morabaha income	202,500	863,574
Management fee payable	3,696,621	-
Ijarah insurance payable and others	2,844,162	1,806,623
	8,090,971	3,874,360

## 16. LONG TERM IJARAH DEPOSITS

Ijarah deposits	35,387,324	48,167,336
Current portion	(8,537,957)	(29,101,346)
	26,849,367	19,065,990

## 17. CERTIFICATE CAPITAL

	June 2011	June 2010	June 2011 Rupees	June 2010 Rupees
<b>Number of Certificates</b>	<b>87,217,660</b>	<b>87,217,660</b>		
<b>Authorised</b>				
Modaraba certificates of Rs.10/- each			872,176,600	872,176,600
<b>Issued, subscribed and paid-up</b>				
Modaraba certificates of Rs.10/- each fully paid in cash	13,451,650	13,451,650	134,516,500	134,516,500
Modaraba certificates of Rs.10/- each fully paid bonus certificates	8,864,716	8,864,716	88,647,160	88,647,160
Modaraba certificates of Rs.10/- issued under scheme of arrangement for amalgamation with Second and Third Prudential Modaraba	64,901,294	64,901,294		
	87,217,660	87,217,660	649,012,940	649,012,940
			872,176,600	872,176,600

As at June 30, 2011, the Prudential Capital Management Company Limited held 10,521,305 (2010: 10,521,305) certificates of Rs. 10 each.

**18. CONTINGENCIES AND COMMITMENTS**

No contingencies and commitments exist at the year end.

	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
<b>19. INCOME ON MUSHARIKA, MORABAHA AND OTHER FINANCE</b>			
Profit on musharika and morabaha		479,228	8,467,940
Return on other finance		2,789,516	829,946
		<u>3,268,744</u>	<u>9,297,886</u>
<b>20. OTHER INCOME</b>			
Gain on disposal of property and equipment -owned		19,902	93,499
Gain on disposal of property, plant and equipment- Ijarah		243,252	772,760
Front end fee, documentation charges and others		1,958,044	2,261,071
		<u>2,221,198</u>	<u>3,127,330</u>
<b>21. IMPAIRMENT LOSSES AND (REVERSAL) / PROVISION AGAINST DOUBTFUL RECEIVABLES-NET</b>			
<b>Impairment losses:</b>			
Investment in associate		1,041,814	-
Ijarah assets		13,090,108	-
		<u>14,131,922</u>	<u>-</u>
<b>Provision / (Reversal) against doubtful receivables :</b>			
Musharika and morabaha finance		213,140	(22,463,261)
Ijarah finance		(10,733,059)	19,726,825
Others		-	4,463,176
		<u>(10,519,919)</u>	<u>1,726,740</u>
		<u>3,612,003</u>	<u>1,726,740</u>
<b>22. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	22.1	6,273,958	7,316,908
Transaction cost on investment		592,983	522,632
Fees and subscription		1,093,816	965,387
Repairs and maintenance		863,065	831,423
Rent, rates and taxes		649,818	829,104
Registrar services		900,000	810,000
Telephone and postage		1,059,897	771,842
Write off of doubtful receivables		-	732,688
Travelling and conveyance		1,136,825	726,781
Depreciation-owned assets		232,339	716,232
Auditor's remuneration	22.2	740,000	650,000
Electricity, water and gas		558,808	632,942
Printing and stationery		731,434	604,791
Vehicles running		314,866	377,234
Legal and professional		1,129,460	1,355,495
Entertainment		233,651	244,778
Advertisement		271,267	214,537
Newspapers and periodicals		28,148	13,199
Insurance		108,181	107,602
Donation		-	20,000
Miscellaneous		228,265	407,692
		<u>17,146,781</u>	<u>18,851,267</u>

**22.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES**

	2011			2010		
	Officers	Other employees	Total	Officers	Other employees	Total
	.....Rupees.....			.....Rupees.....		
Remuneration	902,447	4,919,435	5,821,882	1,159,381	4,865,839	6,025,220
Provident fund	31,040	64,501	95,541	74,964	65,857	140,821
Medical expenses	-	106,578	106,578	-	199,175	199,175
Fuel	-	152,698	152,698	-	220,066	220,066
Others	-	97,259	97,259	-	731,626	731,626
	<u>933,487</u>	<u>5,340,471</u>	<u>6,273,958</u>	<u>1,234,345</u>	<u>6,082,563</u>	<u>7,316,908</u>
No. of persons	1	16		3	18	

**22.2 AUDITOR'S REMUNERATION**

	June 30, 2011 Rupees	June 30, 2010 Rupees
Statutory audit fee	440,000	400,000
Half year review fee	200,000	150,000
Review of code of corporate governance	50,000	50,000
CDC certification	10,000	10,000
Out of pocket expenses	40,000	40,000
	<u>740,000</u>	<u>650,000</u>

**23. PROVISION FOR TAXATION**

The income of the Modaraba is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. The management intends to distribute the profit and accordingly no provision for tax has been made in the current year. The Modaraba is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule of the Income Tax Ordinance, 2001.

**24. EARNINGS PER CERTIFICATE - BASIC AND DILUTED**

	June 30, 2011 Rupees	June 30, 2010 Rupees
Profit for the year (Rupees)	33,269,590	33,292,699
Weighted average number of ordinary certificates	87,217,660	87,217,660
Earnings per certificate (Rupees per certificate)	<u>0.38</u>	<u>0.38</u>

**25. RELATED PARTY TRANSACTIONS**

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

Relationship with the Company	Nature of Transactions	June 30, 2011 Rupees	June 30, 2010 Rupees
Associated undertaking	Purchase of stock exchange membership card and a room	-	22,326,567
Provident fund	Contribution made	95,541	140,821
Modaraba company	Dividend paid	3,156,362	-
Modaraba company	Management fee	3,696,621	-

**26. FINANCIAL RISK MANAGEMENT**

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit rate risk and price risk, credit risk and liquidity risk. The board of directors' of the Management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

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

The Modaraba's principal financial liabilities comprise ijarah deposits and creditors, accrued and other liabilities. The Modaraba's principal financial assets comprise of ijarah rentals receivable, musharika and morabaha finances, advances, deposits, prepayments and other receivable and cash and bank balances that arrive directly from its operations. The Modaraba also holds held for trading, available-for-sale investments and investment in associates.

**26.1 Liquidity risk management**

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Total	Up to three months	More than three months and up to one year	More than one year
<b>2011</b>				
Accrued and other liabilities	8,090,971	8,090,971	-	-
Unclaimed profit distribution	15,649,085	15,649,085	-	-
Ijarah deposits	35,387,324	7,424,307	1,113,650	26,849,367
	59,127,380	31,164,363	1,113,650	26,849,367
<b>2010</b>				
Accrued and other liabilities	3,874,360	3,874,360	-	-
Unclaimed profit distribution	12,436,849	12,436,849	-	-
Ijarah deposits	48,167,336	20,430,239	8,671,107	19,065,990
	64,478,545	36,741,448	8,671,107	19,065,990

**26.2 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 Modaraba control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities (morabaha and musharika finance, ijarah rental receivables), deposits with bank and financial institutions and other receivables.

The Modaraba 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 defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers. The Modaraba's exposure and the credit ratings 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.

Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modaraba'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 minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2011 and June 30, 2010 is the carrying amounts of following financial assets

	June 30, 2011 Rupees	June 30, 2010 Rupees
Ijarah rentals receivable	2,286,321	2,762,272
Musharika, morabaha and other finance	29,831,405	43,004,295
Other receivables	20,061,968	21,142,968
Balances with banks and financial institutions	294,743,363	288,537,136
	<u>346,923,057</u>	<u>355,446,671</u>

The analysis below summarises the quality rating of the major Banks in which the Modaraba deals.

Banks	Rating Agency	Short Term	Long Term	June 30, 2011 Rupees	June 30, 2010 Rupees
Faysal Bank Limited	PACRA	A1+	AA	4,539,607	5,620,422
KASB Bank Limited	PACRA	A2	A -	-	20,000,000
The Bank of Khyber Summit Bank (Formerly Atlas Bank Limited)	PACRA	A2	A -	190,000,000	-
Invest Capital Investment Bank Limited	JCR-VIS	A-2	A	16,428,870	169,291,340
	JCR-VIS	A-2	A -	80,000,000	90,000,000



Past due but not impaired financings are those for which contractual profit or principal payments are past due, but the Modaraba believes that impairment is not appropriate on the basis of the level of security/collateral available to the Modaraba. The amount of Rs. 15,043,964 (2010: 17,621,862) represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held which is fully secured against properties held as collateral.

An analysis of the financial assets that are individually impaired as per the accounting policy is as under:

	As at June 30, 2011				
	QAEM	Substandard	Doubtful	Loss	Total
	.....Rupees.....				
Ijarah rental receivable	845,905	1,471,886	419,604	31,286,657	34,024,052
Musharika and morabaha finance	190,942	454,986	-	372,807,219	373,453,147

	As at June 30, 2010				
	QAEM	Substandard	Doubtful	Loss	Total
	.....Rupees.....				
Ijarah rental receivable	478,395	1,141,986	5,205,710	25,582,495	32,408,586
Musharika and morabaha finance	1,395,417	611,640	4,156,273	363,313,013	369,476,343

Total impairment against these assets as at June 30, 2011 is Rs. 382,733,589 ( 2010 : Rs. 381,322,107)

The Modaraba 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 Ijarah(Cost), morabaha and musharika portfolio (original Principal) are as under.

Sector	2011		2010	
	Rupees	%age	Rupees	%age
Investment/Securities				
Companies/Banks	92,000	0.02%	92,000	0.02%
Textile weaving	23,567,000	6.31%	23,567,000	5.99%
Textile Composite	37,032,000	9.88%	37,643,000	9.57%
Tobacco	42,642,000	11.38%	42,642,000	10.84%
Fuel & energy	29,998,000	8.00%	24,854,000	6.32%
Auto & allied engg.	6,240,000	1.66%	6,240,000	1.59%
Cables & electrical goods	3,204,000	0.85%	1,790,000	0.46%
Transport & communication	27,379,000	7.30%	33,143,000	8.43%
Construction	7,293,000	1.95%	8,669,000	2.20%
Leather & tanneries	162,000	0.04%	162,000	0.04%
Food & allied industries	36,770,000	9.81%	36,240,000	9.21%
Miscellaneous	160,421,382	42.80%	178,269,000	45.33%
	<b>374,800,382</b>	<b>100.00%</b>	<b>393,311,000</b>	<b>100.00%</b>



### 26.3 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 the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Modaraba is exposed to interest rate and currency risks.

#### 26.3.1 Profit rate risk

The profit 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 profit rate exposure arises from short term deposits with banks, ijarah finance and musharika and morabaha finance. At the balance sheet date the profit rate risk profile of the Modaraba's profit bearing financial instruments is:



June 30, 2011

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / profit risk
			.....Rupees.....					
Cash and bank balances	5% - 15%	294,763,563	54,723,910	80,000,000	160,000,000	-	-	39,653
Investments		101,815,565	-	-	-	-	-	101,815,565
Musharika, morabaha and other finance	14% - 21%	29,831,405	18,864,355	2,374,529	7,511,286	1,081,235	-	-
Ijarah rentals receivable		2,286,321	-	-	-	-	-	2,286,321
Advances, prepayments and other receivables		41,506,045	-	-	-	-	-	41,506,045
Total Financial Assets as at June 30, 2011		470,202,899	73,588,265	82,374,529	167,511,286	1,081,235	-	145,647,584
Accrued and other liabilities		8,090,971	-	-	-	-	-	8,090,971
Unclaimed profit distribution		15,649,085	-	-	-	-	-	15,649,085
Ijarah deposit		35,387,324	-	-	-	-	-	35,387,324
Total Financial Liabilities as at June 30, 2011		59,127,380	-	-	-	-	-	59,127,380
Total yield / profit risk sensitivity gap		73,588,265	82,374,529	167,511,286	1,081,235	-	-	-
Cumulative yield / profit risk sensitivity gap		73,588,265	155,962,794	323,474,080	324,555,315	324,555,315	-	-

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June 30, 2010

	Effective yield / profit rate %	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / profit risk
			.....Rupees.....					
Cash and bank balances	5.5% - 17%	288,557,336	218,517,483	70,000,000	-	-	-	39,653
Investments		80,708,965	-	-	-	-	-	80,708,965
Musharika, morabaha and other finance	14% - 21%	43,004,295	21,812,598	1,999,154	7,246,642	11,082,327	-	-
Ijarah rentals receivable		2,762,272	-	-	-	-	-	2,762,272
Advances, prepayments and other receivables		34,150,437	-	-	-	-	-	34,150,437
Total Financial Assets as at June 30, 2010		449,183,305	240,330,081	71,999,154	7,246,642	11,082,327	-	117,661,327
Accrued and other liabilities		3,874,360	-	-	-	-	-	3,874,360
Unclaimed profit distribution		12,436,849	-	-	-	-	-	12,436,849
Ijarah deposit		48,167,336	-	-	-	-	-	48,167,336
Total Financial Liabilities as at June 30, 2010		64,478,545	-	-	-	-	-	64,478,545
Total yield / profit risk sensitivity gap		240,330,081	71,999,154	7,246,642	11,082,327	-	-	-
Cumulative yield / profit risk sensitivity gap		240,330,081	312,329,235	319,575,877	330,658,204	330,658,204	-	-

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**26.3.2 Equity price risk**

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

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

	June 30, 2011 Rupees	June 30, 2010 Rupees
Investments	95,175,493	73,431,716

**Sensitivity analysis**

The table below summarises the impact of increase/decrease in Karachi Stock Exchange index on the Modaraba'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 Modaraba's equity instruments moved on perfect correlation with the index.

Index	Impact on profit after tax and equity	
	2011 Rupees	2010 Rupees
KSE 100(5% increase)	4,758,775	3,671,586
KSE 100(5% decrease)	(4,758,775)	(3,671,586)

**26.4 Fair value of financial instruments**

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

**26.4.1 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).



	Level 1	Level 2 .....Rupees.....	Level 3	Total
<b>Financial assets at FVTPL</b>				
Investments	95,175,493	-	-	95,175,493
<b>Available-for-sale financial assets</b>				
Listed entities	3,261,442	-	-	3,261,442

**26.5 Financial instrument by category**

	As at June 30, 2011			Total
	Loan and receivables	Assets at fair value through profit & loss	Assets at fair value through equity	
.....Rupees.....				
<b>ASSETS</b>				
Cash and bank balances	294,763,563	-	-	294,763,563
Investments	-	95,175,493	6,640,072	101,815,565
Musharika, morabaha and other finance	29,831,405	-	-	29,831,405
Ijarah rentals receivable	2,286,321	-	-	2,286,321
Advances, prepayments and other receivables	41,506,045	-	-	41,506,045
Long term deposits	3,066,192	-	-	3,066,192
	<u>371,453,526</u>	<u>95,175,493</u>	<u>6,640,072</u>	<u>473,269,091</u>

**LIABILITIES**

Ijarah deposits	35,387,324	-	-	35,387,324
Accrued and other liabilities	8,090,971	-	-	8,090,971
Unclaimed profit distribution	15,649,085	-	-	15,649,085
	<u>59,127,380</u>	<u>-</u>	<u>-</u>	<u>59,127,380</u>

	As at June 30, 2010			Total
	Loan and receivables	Assets at fair value through profit & loss	Assets at fair value through equity	
.....Rupees.....				
<b>ASSETS</b>				
Cash and bank balances	288,557,336	-	-	288,557,336
Investments	-	73,431,716	7,277,249	80,708,965
Musharika, morabaha and other finance	43,004,295	-	-	43,004,295
Ijarah rentals receivable	2,762,272	-	-	2,762,272
Advances, prepayments and other receivables	34,150,437	-	-	34,150,437
Long term deposits	3,066,192	-	-	3,066,192
	<u>371,540,532</u>	<u>73,431,716</u>	<u>7,277,249</u>	<u>452,249,497</u>

**LIABILITIES**

Ijarah deposits	48,167,336	-	-	48,167,336
Accrued and other liabilities	3,874,360	-	-	3,874,360
Unclaimed profit distribution	12,436,849	-	-	12,436,849
	<u>64,478,545</u>	<u>-</u>	<u>-</u>	<u>64,478,545</u>

**27. Capital risk management**

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return 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.

**28. SEGMENT INFORMATION**

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief decision-maker. The Board of Directors of the Management Company has been identified as the chief decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Financial Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Board of Directors of the Management company for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

**29. NON-ADJUSTING EVENTS AFTER 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, 2011. These financial statements do not reflect this distribution.

**30. DATE OF AUTHORISATION OF ISSUE**

These financial statements has been authorised for issue on September 16, 2011 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 officer is pending with the Securities and Exchange Commission of Pakistan.

Director

Director

Director

**CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2011**

	NO OF CERTIFICATE HOLDER	NO OF CERTIFICATES	PERCENTAGE
<b>ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES</b>	2	<b>10,530,205</b>	<b>12.07</b>
PRUDENTIAL CAPITAL MANAGEMENT LTD.	10,521,205		
Prudential Discount & Guarantee House Limited	9,000		
<b>NIT AND ICP</b>	2	<b>774,121</b>	<b>0.89</b>
NATIONAL BANK OF PAKISTAN TRUSTEE WING	731,218		
INVESTMENT CORPORATION OF PAKISTAN	42,903		
<b>DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN</b>	5	<b>10,824,170</b>	<b>12.41</b>
MR. ASAD IQBAL SIDDIQUI	4,220,500		
MR. FAZAL M. MUGHAL	155,412		
DR. MOHAMMAD HUSSAIN	51,340		
MR. ATAULLAH KHAN	6,015,139		
<b>CHIEF EXECUTIVE OFFICER</b>			
<b>SPOUSE</b>			
MRS. WASIA HUSSAIN	381,779		
W/O DR. M. HUSSAIN			
<b>EXECUTIVES.</b>	-----	-----	-----
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS.</b>	1	<b>1,929,159</b>	<b>2.21</b>
STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD.	1,929,159		
<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>	24	<b>2,350,731</b>	<b>2.70</b>
THE BANK OF PUNJAB	2,974		
FAISAL BANK LTD.	101		
HABIB BANK LTD. LSE BRANCH	848		
CITY BANK LTD.	2,635		
BANKERS EQUITY LTD.	600		
NATIONAL DEVELOPMENT FINANCE CORPORATION	10,625		
CRESCENT INVESTMENT BANK LTD.	100		
FIDELITY INVESTMENT BANK LTD.	9,428		
PARAMOUNT INVESTMENT BANK LTD.	1,638		
GULF INSURANCE COMPANY LTD.	13,653		
DELTA INSURANCE COMPANY LTD.	164		
CRESCENT STAR INSURANCE COMPANY LTD.	154		
NATIONAL INSURANCE COMPANY LTD.	2,275,232		





## CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2011

	NO OF CERTIFICATE HOLDER	NO OF CERTIFICATES	PERCENTAGE
FIRST INTER FUND MODARABA		1,122	
UNI CAP MODARABA		136	
INDUSTRIAL CAPITAL MODARABA		100	
FIRST MEHRAN MODARABA		7,935	
GENERAL MODARABA		3,306	
MODARABA AL MALI		47	
FIRST PROVIDENCE MODARABA		449	
FIRST HAJVERI MODARABA		3,000	
FIRST EQUITY MODARABA		16,484	
<b>SHAREHOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANIES.</b>	<b>2</b>	<b>21,031,356</b>	<b>21,031,356</b>
			<b>24.11</b>
<b>INDIVIDUAL</b>	<b>10856</b>	<b>33,312,685</b>	<b>33,312,685</b>
			<b>38.19</b>
<b>OTHER CORPORATE SHAREHOLDERS</b>	<b>68</b>	<b>6,465,233</b>	<b>6,465,233</b>
			<b>7.41</b>
	<b><u>10,960</u></b>	<b><u>87,217,660</u></b>	<b><u>100.00</u></b>



## PATTERN OF SHARE HOLDING AS AT 30 - 06 - 2011

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS		TOTAL SHARES HELD
3,379	1	100	273,739
2,713	101	500	848,284
2,214	501	1000	1,912,437
1,960	1001	5000	3,999,626
316	5001	10000	2,243,608
110	10001	15000	1,343,397
62	15001	20000	1,070,115
40	20001	25000	911,405
13	25001	30000	368,964
14	30001	35000	455,193
18	35001	40000	673,694
13	40001	45000	554,991
10	45001	50000	485,115
8	50001	55000	421,394
8	55001	60000	456,579
2	60001	65000	124,666
3	65001	70000	202,440
4	70001	75000	291,795
4	75001	80000	313,230
1	80001	85000	82,600
3	85001	90000	263,724
2	90001	95000	187,140
3	95001	100000	294,399
1	100001	105000	100,003
2	105001	110000	217,312
1	115001	120000	120,000
1	120001	125000	123,071
2	125001	130000	255,000
1	135001	140000	140,000
3	140001	145000	426,378
3	145001	150000	446,000
1	150001	155000	150,624
1	155001	160000	160,000
1	170001	175000	173,902
5	175001	180000	879,091
1	180001	185000	180,200
1	195001	200000	200,000
1	200001	205000	205,000
1	210001	215000	211,168
1	215001	220000	217,000
1	220001	225000	223,073
1	225001	230000	227,523
1	230001	235000	235,000
1	255001	260000	257,279
1	300001	305000	303,461

**PATTERN OF SHARE HOLDING AS AT 30 - 06 - 2011**

<u>NUMBER OF SHARE HOLDERS</u>	<u>SHARE HOLDINGS</u>		<u>TOTAL SHARES HELD</u>
1	315001	320000	317,290
1	320001	325000	325,000
1	330001	335000	331,500
1	340001	345000	341,251
1	350001	355000	353,521
1	475001	480000	477,932
1	495001	500000	500,000
3	595001	600000	1,800,000
1	625001	630000	629,279
1	650001	655000	651,000
1	695001	700000	700,000
1	950001	955000	950,219
1	1185001	1190000	1,186,252
1	1745001	1750000	1,747,108
1	1925001	1930000	1,929,159
1	2275001	2480000	2,275,232
1	2460001	2465000	2,464,501
1	3310001	3315000	3,313,843
1	4220001	4225000	4,220,500
1	4315001	4320000	4,320,000
1	5995001	6000000	6,000,000
1	9565001	9570000	9,567,740
1	9715001	9720000	9,716,508
1	9870001	9875000	9,870,205
<u>10,958</u>			<u>87,217,660</u>

**NOTICE OF THE ANNUAL REVIEW MEETING**

Notice is hereby given that the 12<sup>th</sup> Annual Review Meeting of the Modaraba's Certificate Holders of First Prudential Modaraba will be held on October 29, 2011 at 12.00 noon at Office No. 54, Ground Floor, 56 – G, Beverly Centre Blue Area, Islamabad to review the performance of Modaraba for the year ended June 30, 2011 in terms of clause 20 of the Prudential Regulation for Modaraba issued vide Circular No. 5/2000 by Registrar Modaraba.

By Order of the Board

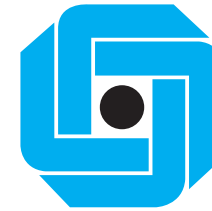
**Karachi**  
September 16, 2011

**Muhammad Musharraf Khan**  
Company Secretary

**Notes:-**

1. The Modaraba Certificates transfer Book shall remain closed from October 22, 2011 to October 29, 2011 (both days inclusive) to determine the name of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the registrar Office of the Modaraba (whose address in given below) upto the close of business hours on October 21, 2011 will be treated in time.
2. The Certificate Holders are advised to notify to the Registrar of First Prudential Modaraba of any change in their addresses to ensure prompt delivery of mails, Further, any Certificate for transfer etc. should be lodged with the Registrar Shares & Corporate Services (Pvt.) Limited, Mehersons Estate, First Floor, Block E, Talpur Road, Near. NBP Head Office, Karachi.
3. Accounts Holders holding Book entry securities of the Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in additions, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.

22<sup>nd</sup> ANNUAL REPORT  
JUNE 30, 2011



**First Prudential Modaraba**

*If undelivered please return to :*  
First Prudential Modaraba  
Mehersons Estate, First Floor  
Talpur Road, P.O Box No.621, Karachi.74000

Managed by :  
**Prudential Capital Management Ltd**