

**HALF YEARLY ACCOUNTS  
DECEMBER 31, 2010**



**First Prudential Modaraba**

Managed by :  
**Prudential Capital Management Ltd**

## CONTENTS

CORPORATE INFORMATION	01
CHAIRMAN'S REVIEW	02
REPORT TO THE CERTIFICATE HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION	03
CONDENSED INTERIM BALANCE SHEET	05
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT	06
CONDENSED INTERIM CASH FLOW STATEMENT	07
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	09
SELECTED EXPLAMANTORY NOTES	10



## CORPORATE INFORMATION

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

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

#### COMPANY SECRETARY

Mr. Muhammad Musharraf Khan

#### AUDIT COMMITTEE

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

#### AUDITORS

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

#### LEGAL ADVISORS

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

#### BANKERS

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](mailto: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](mailto: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](mailto: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](mailto:info@firstprudentialmodaraba.com)



## CHAIRMAN'S REVIEW

We are pleased to present un-audited Financial Statements of First Prudential Modaraba for the period ended 31st December 2010, as required under section 245 of the Companies Ordinance 1984, prepared in accordance with the requirements of the International Accounting Standard-34 "Interim Financial Reporting" as applicable in Pakistan.

### KEY FINANCIAL HIGHLIGHTS:

Figures in Rs.	December 2010	December 2010
- Total Income from Operations	44,466,260	42,577,631
- Operating Expenses	25,324,401	27,672,190
- Profit/(loss) for the period	22,891,596	21,516,266
- Earning Per Certificate – Rs.	0.26	0.25

### REVIEW OF OPERATIONS:

During the period under review, your Modaraba has performed well and managed to post a net profit of Rs. 22.89 million as against a Profit of Rs. 21.51 million during the corresponding six months period. Keeping in view the adverse economic indicators, your management adopted strict credit policies and conservative approach for fresh disbursement Ijarah financing of Rs. 26.46 million were disbursed. Similarly, trading in the stock market was done on a very calculated manner, thus earning a net income of Rs. 5.25 million in 2010 as against Rs. 2.78 million in the year 2009. Your Modaraba has also earned Rs. 19 million on deposit accounts However, no new Morabaha or Musharika finance was disbursed during the period.

### Observations of External Auditors:

The amount outstanding on account of Prudential Securities Limited (PSL) is still recoverable. Modaraba has lodged 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 Modaraba has filed case against the Ex. Managing Director and Emirates Global Islamic Bank has changed the name of beneficancy from First Prudential Modaraba to Col @ Abdul Rauf Sandhu is still in process. The Management is however, confident that the outcome of this case will be in favor of the Modaraba.

The management does not intend to keep the investment property but due to the present fall in the property market, we may not be able to sale it at proper price.

The management disposed off the investment in non- shariah compliant equity securities except one is in process of selling and is negotiating for better returns with Islamic financial institutions to shift Rs. 180 million in Term deposit receipts after maturity in order to comply with shariah requirements.

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

Karachi.  
February 19, 2011

Chairman



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

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Prudential Modaraba** (the Modaraba) as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarter ended December 31, 2010 and December 31, 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

### Scope of Review

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

### Basis for Qualified Conclusion

*a)* Advances, prepayments and other receivables include a long outstanding balance of Rs.18.43 million receivable from Prudential Securities Limited. Further long term deposit includes security deposit receivable of Rs. 3 million from the said company. The said company has ceased its operations and the Modaraba has filed claim with Karachi Stock Exchange for these amounts. In our opinion, there is a very remote chance of recoverability of Rs. 21.43 million, however no provision has been made by the Modaraba for doubtful recovery of these amounts.

*b)* Advances, prepayments and other receivables include Rs.1.8 million paid for the purchase of a motor vehicle for the ex-managing director of the Modaraba. The said amount was paid wrongfully without approval of the board of directors and is receivable from the ex managing director. The Modaraba has initiated criminal proceedings against the ex managing director. In our opinion, recovery of this amount is doubtful however no provision has been made in respect of this amount.

*c)* Long term investments include investment of Rs.3.38 million (1,107,244 shares of Rs.10/- each) in Prudential Securities Limited -an unlisted public company. The company has ceased its operations; therefore, in our opinion this investment is fully impaired. However no impairment has been recorded.

In respect of matters stated in paragraphs (a), (b) and (c) above, had the provisions been made advances, prepayments and other receivables would have been reduced by Rs. 20.23 million, long term deposit by Rs. 3 million, long term investments by Rs. 3.38 million and accumulated losses would have been increased by Rs. 26.61 million.



#### **Qualified Conclusion**

Based on our review, with the exception of the matters described in the paragraphs (a), (b) and (c) above, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

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

*a/*The position of chief executive officer is vacant since July 12, 2008. The Modaraba last applied on August 13, 2010 to Securities and Exchange Commission of Pakistan (SECP) for approval of appointment of a chief executive officer, meanwhile, the prospective chief executive officer resigned in November 2010. Since then, Modaraba is in the process of selection for a suitable person for the said position.

*b/*Modaraba has contravened with the following object clauses of the prospectus of Modaraba.

- In the process of merger with Second Prudential Modaraba in the year 2003, the Modaraba acquired a property through assignment by the court. Since then Modaraba has treated this property as 'Investment Property' and has been earning rental income from it. Currently, the investment property is valued at Rs. 9.92 million.
- The Modaraba acquired Lahore Stock Exchange membership with a room against investors' claim of Rs. 22.33 million from Prudential Securities Limited.
- The Modaraba has made an investment of Rs. 180 million in interest bearing term deposit receipts (TDRs) of commercial banks and also have investment of Rs.1.4 million in non shariah compliant equity securities of two commercial banks.

*c/*Legal and professional fee of Rs. 0.8 million borne by the Modaraba pertains to the Modaraba Company and its directors, and was not incurred for the purpose of the Modaraba's business. Further, Modaraba has paid legal and professional fee of Rs.1 million on behalf of the Modaraba Company and its directors and has shown as receivable from the Modaraba Company. This amount should have been directly paid by the Modaraba Company.

*d/*During the period, the office premises of the Modaraba was sealed by the Deputy District Officer (Revenue) on October 28, 2010 for recovery of alleged default in payment of penalties imposed by the Securities and Exchange Commission of Pakistan (SECP) on ex-directors of the Modaraba Company. The Modaraba filed a petition against the officials of SECP and Revenue Department for the revocation of the said order. The High Court has granted stay order to the Modaraba against the said recovery action.

#### **Chartered Accountants**

**Engagement Partner:**  
**Mushtaq Ali Hirani**

**Karachi**  
**Dated: 19-02-2011**



**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2010**

<b>ASSETS</b>	<b>Note</b>	<b>Unaudited December 31, 2010 Rupees</b>	<b>Audited June 30, 2010 Rupees</b>
<b>Current Assets</b>			
Cash and bank balances	5	295,578,848	288,557,336
Investments	6	67,124,983	73,431,716
Musharika, morabaha and other finance	7	26,432,166	30,610,088
Ijarah rentals receivable	8	2,150,956	2,762,272
Advances, prepayments and other receivables	9	39,897,715	34,153,001
<b>Total Current Assets</b>		<b>431,184,668</b>	<b>429,514,413</b>
Long term investments	10	6,565,026	7,277,249
Long term portion of musharika, morabaha and other finance	7	8,004,118	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	341,386	288,014
Property, plant and equipment -Ijarah	13	86,522,938	85,179,371
Investment property		9,922,500	9,922,500
<b>TOTAL ASSETS</b>		<b>567,933,395</b>	<b>569,104,939</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current portion of long term ijarah deposits		23,357,832	29,101,346
Accrued and other liabilities		3,013,607	3,013,350
Unclaimed dividend		15,913,941	12,436,849
<b>Total Current Liabilities</b>		<b>42,285,380</b>	<b>44,551,545</b>
<b>Non-current liabilities</b>			
Long term ijarah deposits		23,104,615	19,065,990
<b>TOTAL LIABILITIES</b>		<b>65,389,995</b>	<b>63,617,535</b>
<b>NET ASSETS</b>		<b>502,543,400</b>	<b>505,487,404</b>
<b>REPRESENTED BY</b>			
Certificate Capital			
87,217,660 Modaraba Certificates of Rupees 10/- each		872,176,600	872,176,600
Statutory reserve		120,244,702	120,244,702
Accumulated loss		(489,877,902)	(486,933,898)
		<b>502,543,400</b>	<b>505,487,404</b>
Contingencies and commitments	14		

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

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

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. The management company has not so far appointed a chief executive officer.

  
Director

  
Director

  
Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

Note	Half year ended		Quarter ended	
	December 31 2010	December 31 2009	December 31 2010	December 31 2009
	Rupees	Rupees	Rupees	Rupees
<b>INCOME / (LOSS)</b>				
Ijarah rentals	15,921,147	16,733,745	7,645,046	6,131,722
Return on term deposit receipts and PLS accounts	19,064,114	12,395,662	10,055,081	6,437,164
Income on musharika, morabaha and other finance	1,742,071	4,311,932	1,266,848	1,594,276
Gain/(loss) on sale of investments	5,245,100	2,783,561	3,194,723	1,015,235
Dividend income	1,186,568	1,995,428	891,889	992,150
Other income	1,307,260	4,357,303	796,961	3,519,929
	<u>44,466,260</u>	<u>42,577,631</u>	<u>23,850,548</u>	<u>19,690,476</u>
Impairment loss on investment in associate	(1,041,815)	-	-	-
Unrealized gain/(loss) on remeasurement of held for trading investments	4,728,904	16,628,709	4,109,715	(3,378,797)
Reversal / (provision) against doubtful receivables-net	62,648	(7,627,188)	96,512	(11,244,411)
	<u>48,215,997</u>	<u>51,579,152</u>	<u>28,056,775</u>	<u>5,067,268</u>
<b>EXPENDITURE</b>				
Amortization on ijarah assets	(14,257,484)	(18,308,274)	(7,932,780)	(8,867,860)
Administrative expenses	(10,577,896)	(9,346,126)	(6,688,453)	(5,618,559)
Workers welfare fund	(466,461)	-	(466,461)	-
Bank and other charges	(22,560)	(17,790)	(10,246)	(2,017)
	<u>(25,324,401)</u>	<u>(27,672,190)</u>	<u>(15,097,940)</u>	<u>(14,488,436)</u>
Profit/(loss) for the period	22,891,596	23,906,962	12,958,835	(9,421,168)
Modaraba company's management fee	15	(2,390,696)	-	-
Profit/(loss) before taxation	22,891,596	21,516,266	12,958,835	(9,421,168)
Provision for taxation	16	-	-	-
Profit/(loss) after taxation	<u>22,891,596</u>	<u>21,516,266</u>	<u>12,958,835</u>	<u>(9,421,168)</u>
Other comprehensive income				
Unrealized gain on remeasurement of 'available for sale investments'	329,592	-	-	-
Total comprehensive income / (loss) for the period	<u>22,891,596</u>	<u>21,516,266</u>	<u>12,958,835</u>	<u>(9,421,168)</u>
Earnings per certificate	<u>0.26</u>	<u>0.25</u>	<u>0.15</u>	<u>(0.11)</u>

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

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

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. The management company has not so far appointed a chief executive officer.

  
Director

  
Director

  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>December 31, 2010 Rupees</b>	<b>December 31, 2009 Rupees</b>
Profit before taxation	22,891,596	21,516,266
Adjustments for non-cash changes and other items:		
Dividend income	(1,186,568)	(1,995,428)
Gain on disposal-own assets	-	(93,501)
Gain on disposal-ijarah assets	(48,326)	(978,684)
Unrealized gain on remeasurement of held for trading investments	(4,728,904)	(16,628,709)
Gain on sale of investments	(5,245,100)	(2,783,561)
Provision against doubtful receivables-net	(62,648)	7,627,188
Impairment loss on investment in associate	1,041,815	-
Depreciation-owned	134,465	321,969
Amortization on ijarah assets	14,257,484	18,308,274
	<u>4,162,218</u>	<u>3,777,548</u>
	<u>27,053,814</u>	<u>25,293,814</u>
Cash flows before movements in working capital		
(Increase) / decrease in operating assets		
Musharika, morabaha and other finance	7,767,085	13,205,495
Ijarah rentals receivable	611,316	24,054,904
Advances, prepayments and other receivables	(4,333,705)	14,340,284
	<u>4,044,696</u>	<u>51,600,683</u>
Increase/(decrease) in operating liabilities		
Long term ijarah deposits	(1,704,889)	(7,798,219)
Accrued and other liabilities	257	(16,425,511)
	<u>(1,704,632)</u>	<u>(24,223,730)</u>
Cash generated from operations	29,393,878	52,670,767
Income tax paid	(1,451,009)	(837,716)
Profit distribution	(22,688,100)	-
Net cash generated from operating activities	<u>5,254,769</u>	<u>51,833,051</u>



	December 31, 2010 Rupees	December 31, 2009 Rupees
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	1,226,568	1,888,792
Long term deposits paid for Stock exchange membership card	-	(22,000,001)
Investments encashed -net	16,280,737	20,906,455
Proceeds from disposal-own assets	-	300,001
Proceeds from disposal-ijarah assets	10,908,775	14,065,350
Purchase of own assets	(187,837)	(55,101)
Purchase of ijarah assets	(26,461,500)	(8,907,316)
Net cash generated from investing activities	<u>1,766,743</u>	<u>6,198,180</u>
Net increase in cash and cash equivalents	7,021,512	58,031,231
Cash and cash equivalents at beginning of the period	288,557,336	187,666,800
Cash and cash equivalents at end of the period	<u>295,578,848</u>	<u>245,698,031</u>

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

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

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. The management company has not so far appointed a chief executive officer.

  
Director

  
Director

  
Director



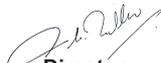
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY(UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Certificate capital	Reserves		Total
		Capital	Revenue	
		Statutory reserve	Accumulated loss	
	Rupees			
Balance at July 1, 2009	872,176,600	113,586,162	(513,701,922)	472,060,840
Profit and loss for the half year ended December 31, 2009	-	-	21,516,266	21,516,266
Other comprehensive income for the half year ended December 31, 2009	-	-	378,270	378,270
Reversal of impairment on 'available for sale investments'	-	-	378,270	378,270
Balance at December 31, 2009	872,176,600	113,586,162	(491,807,386)	493,955,376
Profit and loss for the half year ended June 30, 2010	-	-	11,776,433	11,776,433
<b>Other comprehensive income for the half year ended June 30, 2010</b>	-	-	(244,405)	(244,405)
Reversal of impairment on 'available for sale investments'	-	-	(244,405)	(244,405)
Transfer to statutory reserve	-	6,658,540	(6,658,540)	-
Balance at June 30, 2010	872,176,600	120,244,702	(486,933,898)	505,487,404
Profit and loss for the half year ended December 31, 2010	-	-	22,891,596	22,891,596
Distribution @ 3 % declared for the year ended June 30, 2010	-	-	(26,165,192)	(26,165,192)
<b>Other comprehensive income for the half year ended December 31, 2010</b>	-	-	329,592	329,592
Unrealized gain on 'available for sale investments'	-	-	329,592	329,592
Balance at December 31, 2010	872,176,600	120,244,702	(489,877,902)	502,543,400

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

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

These condensed interim financial information has been signed by three directors instead of chief executive officer and two directors. The management company has not so far appointed a chief executive officer.

  
Director

  
Director

  
Director



**SELECTED EXPLAMATORY NOTES (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

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

1.1 First Prudential Modaraba (the modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and is managed by Prudential Capital Management Limited, a company incorporated in Pakistan under the Companies Ordinance 1984. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include leasing of assets, deployment of fund in musharika, morabaha and investment in securities. Its registered office is situated at Office No. 54, Ground Floor, Beverly Centre, 56-G, Blue Area, Islamabad.

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

1.3 These condensed interim financial information comprise of condensed interim balance sheet, condensed interim profit and loss, condensed interim cash flow statement and condensed interim statement of changes in equity together with selected explanatory notes forming part thereof. The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published audited financial statements and should be read in conjunction with the annual audited financial statements of the Modaraba for the year ended June 30, 2010.

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

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

**2. Standards and Interpretations adopted with no effect on the financial statements**

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 effective for Moradaba's accounting period beginning on July 01, 2010.

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

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
- IFRS 2 - Share based Payment	January 01, 2010
- IAS 7 - Statement of Cash Flows	January 01, 2010
- IAS 24 - Related Party Disclosures	January 01, 2010

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

**New accounting standards and IFRS interpretations that are not yet effective**

- 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 amortized 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

### 3. BASIS OF PREPARATION

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

### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these condensed interim financial information are the same as those applied in preparing the audited financial statements for the year ended June 30, 2010

5. CASH AND BANK BALANCES	Note	(Unaudited) December 31, 2010 Rupees	(Audited) June 30, 2010 Rupees
Cash in hand		925	20,200
Cash at banks			
Current accounts		4,987,176	1,509,796
Saving accounts	5.1	40,590,747	17,027,340
Term deposits	5.2	250,000,000	270,000,000
		<u>295,577,923</u>	<u>288,537,136</u>
		<u>295,578,848</u>	<u>288,557,336</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 5% to 10.75 % (June 2010:5.5% to 11.5%) per annum.

5.2 Effective mark-up rate in respect of term deposit accounts ranges from 12.85% to 14.25% (June 2010: 11.5% to 17%) per annum.



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

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

In listed securities (Note 6.1)	<u>67,124,983</u>	<u>73,431,716</u>
---------------------------------	-------------------	-------------------

**6.1 In listed companies**

31 December 2010	30 June 2010	Name of investee	December 31, 2010 Rupees	June 30, 2010 Rupees
Rupees	Rupees			
Number of Certificates / shares/ Units				
<b>Open-end Mutual Funds</b>				
411,505	362,555	Unit Trust of Pakistan	42,870,591	37,488,187
25,000	25,000	National Investment (Unit) Trust	785,500	704,250
<b>Investment Banks / Securities</b>				
933,624	848,749	First Capital Securities Corporation Limited	3,323,701	4,014,583
72,282	72,282	Jahangir Siddiqui & Co Limited	787,874	913,644
15,000	-	Arif Habib Corporation Limited	373,350	-
<b>Commercial Banks</b>				
100,000	90,000	The Bank of Punjab	981,000	907,200
192,813	192,813	Silk Bank Limited	505,170	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>Insurance</b>				
-	2,400	Adamjee Insurance Company Limited	-	191,712
<b>Textile</b>				
95,000	40,000	Azgard Nine Limited	917,700	446,400
10,000	8,125	Nishat Mills Limited	641,700	350,350
10,000	-	Nishat (Chunian) Limited	227,200	-
27,721	27,721	Hussein Industries Limited	205,135	203,472
1,256	1,256	Reliance Cotton Spinning Mills Limited	45,781	24,881
504	47,248	Gul Ahmed Textile Mills Limited	14,737	875,506
-	-		-	-
<b>Cement</b>				
10,000	51,780	D.G. Khan Cement Company Limited	301,700	1,223,044
-	20,000	Lucky Cement Limited	-	1,242,800



31 December 2010	30 June 2010		December 31, 2010	June 30, 2010
Rupees	Rupees		Rupees	Rupees
<b>Refinery</b>				
3,000	-	National Refinery Limited	821,370	-
2,000	8,229	Pakistan Refinery Limited	215,440	646,553
-	32,387	Attock Refinery Limited	-	2,609,097
<b>Power Generation &amp; Distribution</b>				
71,847	71,847	Kot addu Power Company Limited	2,922,736	2,998,894
12,500	10,000	Hub Power Company Limited	467,625	319,600
<b>Oil &amp; Gas Marketing Companies</b>				
-	1,000	Pakistan State Oil Limited	-	260,200
<b>Oil &amp; Gas Exploration Companies</b>				
30,500	7,000	Mari Gas Company Limited	3,811,585	905,660
6,524	23,554	Pakistan Petroleum Limited	1,416,687	4,336,762
15,000	10,000	Byco Petroleum Pakistan Limited	169,050	99,800
-	12,000	Pakistan Oil Fields Limited	-	2,590,800
<b>Cable &amp; Electrical Goods Limited</b>				
6,048	6,048	Johnson & Philips (Pakistan) Limited	57,033	51,892
<b>Technology &amp; Communication</b>				
-	20,000	Pakistan Telecommunication Company Limited.	-	356,000
<b>Fertilizer</b>				
104,000	76,500	Fauji Fertilizer Bin Qasim Limited	3,715,920	1,992,060
7,500	11,000	Engro Chemicals Limited	1,453,575	1,909,380
<b>Chemicals</b>				
-	20,500	Engro Polymers Chemicals Limited	-	205,820
-	27,000	ICI Pakistan Limited	-	3,201,120
<b>Foods &amp; Personal Care Products</b>				
51,000	51,000	Shakarganj Foods Products Limited	92,823	57,120
<b>Suspended / Delisted Company</b>				
1,670,720	1,670,720	Prudential Stock Fund	-	-
434,208	434,208	Pakistan Industrial and Commercial Leasing Limited	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	-	-
130,500	130,500	Prudential Investment Bank Limited	-	-
			<u>67,124,983</u>	<u>73,431,716</u>



	Note	Un-Audited December 31, 2010 Rupees	Audited June 30, 2010 Rupees
<b>7. MUSHARIKA, MURABAHA AND OTHER FINANCE</b>			
Musharika and morabaha finance	7.1	19,397,192	23,970,244
Other finance-secured		15,039,092	18,170,477
		34,436,284	42,140,721
Less: Long term portion			
Morabaha finance		(1,358,651)	(3,712,119)
Other finance		(6,645,467)	(7,818,514)
		(8,004,118)	(11,530,633)
		<u>26,432,166</u>	<u>30,610,088</u>
<b>7.1 Musharika and morabaha finance</b>			
Considered good			
Musharika finance-unsecured		56,369,186	57,133,391
Morabaha finance-secured		312,056,945	316,061,468
		368,426,131	373,194,859
Less: Deferred Morabaha income		(441,983)	(863,574)
Less: Provision for doubtful receivables	7.1.2	(348,586,956)	(348,361,041)
		<u>19,397,192</u>	<u>23,970,244</u>
<b>7.1.1</b> 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 of machineries, other assets and personal guarantee of sponsor directors.			
<b>7.1.2</b> Movement of provision			
Opening Balance		348,361,041	370,824,302
Charge for the Year		2,622,768	-
Reversals during the Year		(2,396,853)	(22,463,261)
Closing Balance		<u>348,586,956</u>	<u>348,361,041</u>
<b>8. IJARAH RENTALS RECEIVABLE</b>			
Considered good		2,150,956	2,762,272
Considered doubtful		33,622,486	32,961,066
		35,773,442	35,723,338
Less: Provision for doubtful receivables	8.1	(33,622,486)	(32,961,066)
		<u>2,150,956</u>	<u>2,762,272</u>
<b>8.1</b> Movement in provision for doubtful receivables			
Opening balance		32,961,066	16,403,858
Written off			(3,169,617)
Reversal during the period		(1,013,771)	-
Charge for the period		1,675,191	19,726,825
Closing balance		<u>33,622,486</u>	<u>32,961,066</u>



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

	Considered Good		Considered Doubtful		Total	
	December 31, 2010	June 30, 2010	December 31, 2010	June 30, 2010	December 31, 2010	June 30, 2010
	-----Rupees-----					
Advance						
Tax	12,466,081	11,015,072	-	-	12,466,081	11,015,072
staff	2,033,590	1,938,235	15,000	15,000	2,048,590	1,953,235
Prepayments	202,916	39,162	-	-	202,916	39,162
Receivables						
Against sale of shares	-	-	64,620,930	64,620,930	64,620,930	64,620,930
Related parties	18,432,273	18,432,273	-	-	18,432,273	18,432,273
From bank	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Accrued profit	2,657,343	2,684,082	-	-	2,657,343	2,684,082
Others	4,105,512	44,177	13,177,943	13,177,945	17,283,455	13,222,122
Provision for doubtful receivables	-	-	(88,055,220)	(88,055,222)	(88,055,220)	(88,055,222)
	<u>39,897,715</u>	<u>34,153,001</u>			<u>39,897,715</u>	<u>34,153,001</u>

	Un-Audited December 31, 2010 Rupees	Audited June 30, 2010 Rupees
--	--	---------------------------------------

**10. LONG TERM INVESTMENTS**

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

Investment in associate	10.1	-	1,041,815
Available for sale			
Listed entities		3,186,396	2,856,804
Unlisted companies		3,378,630	3,378,630
		<u>6,565,026</u>	<u>6,235,434</u>
		<u>6,565,026</u>	<u>7,277,249</u>

**10.1 Investment in associate - Equity method - listed**

Prudential Discount and Guarantee House Limited (PDGH)

Ownership %		1.92%	1.92%
Cost of investment		452,058	452,058
Post acquisition profits		687,107	687,107
Dividend received		(97,350)	(97,350)
		<u>1,041,815</u>	<u>1,041,815</u>
Impairment		(1,041,815)	-
		<u>-</u>	<u>1,041,815</u>
Number of shares held		<u>191,700</u>	<u>191,700</u>

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



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

**Summarized latest available financial information as at June 30, 2009 (Unaudited) of associated undertaking is as follows: -**

**Prudential Discount and Guarantee House Limited (PDGHL).**

Total assets	<u>58,232,027</u>
Total liabilities	<u>8,207,893</u>
Total operating loss for year ended	<u>(42,778,492)</u>

**11. INTANGIBLE ASSETS**

This represents Lahore Stock Exchange Membership card with room acquired against investors' claim from Prudential Securities Limited. The useful life of the membership is assessed to be indefinite as there is no foreseeable limit of time for which the membership is expected to generate economic benefit.

**12. PROPERTY AND EQUIPMENT  
- Own**

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

	Additions		Disposals (W.D.V)	
	(Unaudited) December 31, 2010	(Audited) June 30, 2010	(Unaudited) December 31, 2010	(Audited) June 30, 2010
Furniture and fixtures	183,187	4,200	-	-
Computers	-	85,900	-	-
Office equipment and appliances	4,650	44,400	-	-
Vehicles	-	-	-	(1,777,000)
	<u>187,837</u>	<u>134,500</u>	<u>-</u>	<u>(1,777,000)</u>

**13. PROPERTY, PLANT AND EQUIPMENT  
- Leased / Ijarah**

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

	Additions		Disposals (W.D.V)	
	(Unaudited) December 31, 2010	(Audited) June 30, 2010	(Unaudited) December 31, 2010	(Audited) June 30, 2010
Vehicles	26,461,500	36,208,500	(10,735,799)	(35,375,968)
Computers	-	-	-	(73,320)
Office equipment and appliances	-	-	-	(1,971,873)
Plant and machinery	-	4,585,000	(124,650)	(1,889,977)
	<u>26,461,500</u>	<u>40,793,500</u>	<u>(10,860,449)</u>	<u>(39,311,138)</u>