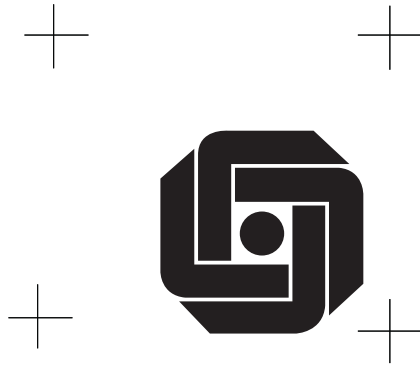


**HALF YEARLY ACCOUNTS  
DECEMBER 31, 2011**



**First Prudential Modaraba**

Managed by :  
**Prudential Capital Management Ltd**

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## CORPORATE INFORMATION

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

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

### COMPANY SECRETARY

Mr. Muhammad Musharrif Khan

### AUDIT COMMITTEE

Mr. Fazal M. Mughal	Member
Mr. Ataullah Khan	Member
Mr. Muhammad Asif	(Since Resigned)

### 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



## DIRECTOR'S REPORT

The Board of Directors of Prudential Capital Management Limited, the management company of First Prudential Modaraba presents un-audited condensed interim financial statements for the period ended 31st December 2011, 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 OPERATING / FINANCIAL HIGHLIGHTS

	(Rupees in millions)	
	.....Half year ended.....	
	December 2011	December 2010
Total Income from Operations	41.29	44.47
Operating Expenses	(19.50)	(25.32)
Operating Profit for the period	21.79	19.15
Un-realized (loss) / gain on re-measurement of Investments	(14.87)	4.72
Provision against doubtful receivables	(24.15)	(0.98)
Other comprehensive (loss) / income	( 0.63)	0.33
Net (loss)/ profit for the period	(17.86)	23.22
Earning Per Certificate – Re.	(0.20)	0.26

### REVIEW OF OPERATIONS

During the period under review, Modaraba incurred a net loss of rupees 17.86 million mainly due to re-measurement of investments in capital market and provision on deposit with an investment bank as compared to a net profit of rupees 23.22 million in the corresponding period. The Macro Economic indicators of the country are still not showing healthy sign. The rising inflation, energy crises, bad law and order situation in the country, budget deficits and Government borrowings are continuously hampering country's growth and are also the main reasons of our ailing economy. High government borrowings and high interest rates have been crowding out private sector investment, especially for setting up new industrial ventures or reviving sick industrial units, reflecting poor investment climate in the country.

Keeping in view of the adverse economic indicators, the management has adopted conservative approach for fresh disbursement. Trading in stock market are done on a prudent manner and are confident that the re-measurement loss incurred during the period will be recovered. The management is also negotiating with the investment bank for the recovery of investment amount and to further secured our investment.

### Observations of External Auditors

- The Modaraba has appointed new chief executive on February 29, 2012 and his credential will be send to Registrar Modaraba, Securities and Exchange Commission of Pakistan for their approval.
- 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 is still under hearing therefore the 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.



- The management does not intend to keep the investment property but due to the present recession in the real estate market, has decided to hold the property. Once the recession period is over, the management will dispose-off the said property at a better price. Till such time is achieved the Modaraba will hold the property.

#### **Subsequent Event**

Subsequent to the period ended December 31, 2011 two of the Directors. Mr. Mohammad Asif and Mr. Asad Iqbal Siddiqui resigned from the Board of Directors of the Management Company. To fill in the casual vacancy the Board has decided to appoint Mr. Khizar Hayat and Mr. M Nadeem Ahmed as Director of the Company, subject to approval of the Registrar Modaraba, Securities and Exchange Commission of Pakistan.

The Board has appointed Mr. M Nadeem Ahmed as Chief Executive Officer of the Company subject to obtaining approval from Registrar Modaraba, Securities and Exchange Commission of Pakistan.

#### **Acknowledgement**

The Board of Directors expresses their special thanks for the continuous guidance and support extended by the Registrar Modaraba, other officials of Security and Exchange Commission of Pakistan, the Karachi, Lahore and Islamabad Stock Exchanges. The Board is also thankful to its Certificate Holders for reposing their confidence in the Management of the Modaraba and appreciates the hard work and dedication of staff of the Modaraba.

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

**Director**

Karachi.  
February 29, 2012



## 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, 2011 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, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

### 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 (PSL). 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 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) Long term investments include investment of Rs.3.38 million (1,107,244 shares of Rs.10/- each) in Prudential Securities Limited (PSL)-an unlisted public company. The company has ceased its operations; therefore, in our opinion this investment is fully impaired. However no impairment has been made in respect of this amount.
- 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 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 the said amount is doubtful however no provision has been made in respect of this amount.



In respect of matters stated in paragraphs (a) to (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 profit for the period would have been reduced 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) to (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, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

#### **Emphasis of Matters**

We draw attention to the following matters;

- a) The position of chief executive officer is vacant since July 12, 2008. The Modaraba last applied again on June 23, 2011 to Securities and Exchange Commission of Pakistan (SECP) for approval of appointment of a chief executive officer, the approval of which has been rejected by the SECP on September 08, 2011. Since then, Modaraba is in the process of selection for a suitable person for the said position.
- b) 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 property for business purpose, indulging in brokerage of securities and also prohibit from carrying of any business opposed to injunctions of Islam, instance of contraventions are as under:
- 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. 10.027 million.
  - The Modaraba acquired membership of Lahore Stock Exchange in 2010 including a room against claim of Rs. 22.33 million from Prudential Securities Limited.
  - The Modaraba has deposits of Rs. 80 million on fixed rate return basis in an investment bank.
- c) Towards note 6.3 to interim financial information regarding Modaraba's exposure in Invest Capital Investment Bank and the existence of uncertainty as to the recoverability of the unprovided balance amount.
- d) Towards note 1.2 to interim financial information regarding appointment of Administrator by Securities and Exchange Commission of Pakistan (SECP) which has been stayed by the Sindh High Court.

Our conclusion is not qualified in this respect.

**Chartered Accountants**  
**Engagement Partner**  
Mushtaq Ali Hirani  
Karachi  
Dated: February 29, 2012



**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2011**

<b>ASSETS</b>	<b>Note</b>	<b>(Unaudited) December 31, 2011 Rupees</b>	<b>(Audited) June 30, 2011 Rupees</b>
<b>Current Assets</b>			
Cash and bank balances	5	37,852,278	24,763,563
Investments	6	264,323,862	365,175,493
Musharika, morabaha and other finance	7	28,826,046	28,750,170
Ijarah rentals receivable	8	2,296,616	2,286,321
Advances, prepayments and other receivables	9	38,250,537	41,506,045
<b>Total Current Assets</b>		<b>371,549,339</b>	<b>462,481,592</b>
<b>Non-Current Assets</b>			
Long term investments	10	6,005,227	6,640,072
Long term portion of musharika, morabaha and other finance	7	-	1,081,235
Long term deposits		3,066,192	3,066,192
Intangible asset	11	22,326,567	22,326,567
Property and equipment - owned	12	217,341	315,212
Property, plant and equipment -Ijarah	13	127,502,201	66,185,463
Investment property		10,027,500	10,027,500
<b>Total Non - Current Assets</b>		<b>169,145,028</b>	<b>109,642,241</b>
<b>TOTAL ASSETS</b>		<b>540,694,367</b>	<b>572,123,833</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current portion of ijarah deposits		7,760,690	8,537,957
Accrued and other liabilities		4,127,438	8,090,971
Unclaimed profit distribution		18,135,252	15,649,085
<b>Total Current Liabilities</b>		<b>30,023,380</b>	<b>32,278,013</b>
<b>Non-Current Liabilities</b>			
Long term ijarah deposits		41,701,477	26,849,367
<b>TOTAL LIABILITIES</b>		<b>71,724,857</b>	<b>59,127,380</b>
<b>NET ASSETS</b>		<b>468,969,510</b>	<b>512,996,453</b>
<b>REPRESENTED BY</b>			
Certificate Capital			
87,217,660 Modaraba Certificates of Rupees 10/- each		872,176,600	872,176,600
Statutory reserve		126,898,620	126,898,620
Accumulated loss		(530,105,710)	(486,078,767)
		<b>468,969,510</b>	<b>512,996,453</b>

Contingencies and commitments 14

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

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

Director

Director

Director

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**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

	Half year ended		Quarter ended	
	December 31 2011	December 31 2010	December 31 2011	December 31 2010
Note	Rupees	Rupees	Rupees	Rupees
<b>INCOME / (LOSS)</b>				
Ijarah rentals	16,846,990	15,921,147	11,131,409	7,645,046
Return on term deposit receipts and PLS accounts	17,698,991	19,064,114	7,774,899	10,055,081
Income on musharika, morabaha and other finance	143,844	1,742,071	32,076	1,266,848
Gain on sale of investments	1,712,391	5,245,100	1,158,056	3,194,723
Dividend income	3,118,289	1,186,568	927,309	891,889
Rental income from an investment property	527,076	479,160	351,384	239,580
Other income	1,247,819	828,100	1,261,099	557,381
	<u>41,295,400</u>	<u>44,466,260</u>	<u>22,636,232</u>	<u>23,850,548</u>
Unrealized (loss) / gain on changes in fair value of held for trading investments - at fair value through profit and loss	(14,875,107)	4,728,904	(14,656,040)	4,109,715
Impairment losses and (Provision) / Reversal against doubtful receivables-net	<u>(24,151,142)</u>	<u>(979,167)</u>	<u>(24,151,142)</u>	<u>96,512</u>
	2,269,151	48,215,997	(16,170,950)	28,056,775
<b>EXPENDITURE</b>				
Amortization on ijarah assets	(11,932,054)	(14,257,484)	(7,496,325)	(7,932,780)
Administrative expenses	(7,406,169)	(10,577,896)	(4,318,736)	(6,688,453)
Workers welfare fund	(138,228)	(466,461)	(138,228)	(466,461)
Bank and other charges	(19,500)	(22,560)	(9,676)	(10,246)
	<u>(19,495,951)</u>	<u>(25,324,401)</u>	<u>(11,962,965)</u>	<u>(15,097,940)</u>
(Loss)/profit for the period	(17,226,800)	22,891,596	(28,133,915)	12,958,835
15				
Modaraba company's management fee	-	-	-	-
(Loss)/profit before taxation	(17,226,800)	22,891,596	(28,133,915)	12,958,835
16				
Provision for taxation	-	-	-	-
(Loss)/profit after taxation	(17,226,800)	22,891,596	(28,133,915)	12,958,835
<b>Other comprehensive (loss) / income</b>				
(Deficit) / Surplus on revaluation of 'available for sale investments'	(634,845)	329,592	(634,845)	-
<b>Total comprehensive (loss) / profit for the period</b>	<u>(17,861,645)</u>	<u>23,221,188</u>	<u>(28,768,760)</u>	<u>12,958,835</u>
<b>Earnings per certificate</b>	(0.20)	0.26	(0.32)	0.15

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

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

Director

Director

Director

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**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

	December 31, 2011 Rupees	December 31, 2010 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	(17,226,800)	22,891,596
Adjustments for non-cash changes and other items:		
Dividend income	(3,118,289)	(1,186,568)
Gain on disposal-ijarah assets	(1,070,538)	(48,326)
Unrealized loss/ (gain) on remeasurement of held for trading investments	14,875,107	(4,728,904)
Gain on sale of investments	(1,712,391)	(5,245,100)
Impairment losses and Provision against doubtful receivables-net	24,151,142	979,167
Depreciation-owned assets	97,871	134,465
Amortization-ijarah assets	11,932,054	14,257,484
	<u>45,154,956</u>	<u>4,162,218</u>
	<u>27,928,156</u>	<u>27,053,814</u>
Cash flows before movements in working capital		
(Increase) / decrease in operating assets		
Musharika, morabaha and other finance	1,007,059	7,767,085
Ijarah rentals receivable	(5,080)	611,316
Advances, prepayments and other receivables	<u>3,222,080</u>	<u>(4,333,705)</u>
	4,224,059	4,044,696
Increase/(decrease) in operating liabilities		
Ijarah deposits	14,074,843	(1,704,889)
Accrued and other liabilities	<u>(3,963,533)</u>	<u>257</u>
	10,111,310	(1,704,632)
Cash generated from operations	42,263,525	29,393,878
Income tax paid	(153,629)	(1,451,009)
Net cash generated from operating activities	<u>42,109,896</u>	<u>27,942,869</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	3,147,289	1,226,568
Investments (made) / encashed -net	(30,311,085)	16,280,737
Proceeds from disposal-ijarah assets	9,218,246	10,908,775
Purchase of own assets	-	(187,837)
Purchase of ijarah assets	<u>(81,396,500)</u>	<u>(26,461,500)</u>
Net cash (used in) / generated from investing activities	<u>(99,342,050)</u>	<u>1,766,743</u>



	December 31, 2011 Rupees	December 31, 2010 Rupees
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution	(23,679,131)	(22,688,100)
Net cash used in financing activities	<u>(23,679,131)</u>	<u>(22,688,100)</u>
Net (decrease) / increase in cash and cash equivalents	(80,911,285)	7,021,512
Cash and bank balances	<u>24,763,563</u>	<u>18,557,336</u>
Short term investments having maturity of less than three months	<u>270,000,000</u>	<u>270,000,000</u>
Cash and cash equivalents at beginning of the period	294,763,563	288,557,336
Cash and cash equivalents at end of the period	<u><u>213,852,278</u></u>	<u><u>295,578,848</u></u>
<b>CASH AND CASH EQUIVALENT</b>		
Cash and bank balances	5 37,852,278	45,578,848
Short term investments having maturity of less than three months	<u>176,000,000</u>	<u>250,000,000</u>
	<u><u>213,852,278</u></u>	<u><u>295,578,848</u></u>

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

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

Director

Director

Director

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

	Reserves				Total
	Certificate capital	Capital		Revenue	
		Statutory Reserve	Unrealized gain / (loss) on available for sale investments	Accumulated loss	
Balance at July 1, 2010	872,176,600	120,244,702	133,865	(487,067,763)	505,487,404
Profit for the half year ended December 31, 2010	-	-	-	22,891,596	22,891,596
Other comprehensive income for the half year ended December 31, 2010	-	-	329,592	-	329,592
Surplus on revaluation of available for sale in investment	-	-	329,592	22,891,596	23,221,188
Total comprehensive income for the half year ended December 31, 2010	-	-	329,592	(26,165,193)	(26,165,193)
Distribution @ 3% declared for the year ended June 30, 2010	-	-	-	(489,877,903)	(489,877,903)
Balance at December 31, 2010	872,176,600	120,244,702	463,457	(490,341,360)	502,543,399
Profit for the half year ended June 30, 2011	-	-	-	10,377,994	10,377,994
Other comprehensive income for the half year ended June 30, 2011	-	-	75,060	-	75,060
Surplus on revaluation of available for sale in investment	-	-	75,060	10,377,994	10,453,054
Total comprehensive income for the half year ended June 30, 2011	-	-	75,060	(6,653,918)	(6,653,918)
Transfer to statutory reserve	-	6,653,918	-	-	-
Balance at June 30, 2011	872,176,600	126,898,620	538,517	(486,617,284)	512,996,453
Loss for the half year ended December 31, 2011	-	-	-	(17,226,800)	(17,226,800)
Other comprehensive loss for the half year ended December 31, 2011	-	-	-	-	-
Deficit on revaluation of available for sale in investment	-	-	(634,845)	(634,845)	(634,845)
Total comprehensive loss for the half year ended December 31, 2011	-	-	(634,845)	(17,226,800)	(17,861,645)
Distribution @ 3% declared for the year ended June 30, 2011	-	-	-	(26,165,298)	(26,165,298)
Balance at December 31, 2011	872,176,600	126,898,620	(96,328)	(530,009,382)	468,969,510

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

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



**SELECTED EXPLANATORY NOTES (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 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 In pursuance of a show cause notice dated June 09, 2010 issued to the Prudential Capital Management Limited (PCML) and after taking approval from the Securities and Exchange Commission of Pakistan (SECP) under 20 (2) of the Modaraba Ordinance, 1980, the Registrar Modarabas passed an order dated October 28, 2010 under section 20 (1)(a)(iii) to remove the Modaraba Company, Prudential Capital Management Limited (PCML) and appointed another Modaraba Management Company as Administrator to takeover and manage the Modaraba in place of PCML. PCML has challenged the order in the Sindh High Court (the Court) and the Court has suspended the said order of the Registrar Modarabas till the decision of the case with the remarks that the order was passed without giving fair opportunity of fair trial in terms of Article 10-A of the Constitution of Pakistan. The matter is pending in the High Court.

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

1.4 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, 2011.

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**

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 Fund's accounting period beginning on July 01, 2011.

	<b>Effective for accounting period beginning on or after</b>
- Amendment to IAS 1 - Presentation of Financial Statements	January 01, 2011
- Amendments to IAS 24 - Related Party Disclosures	January 01, 2011
- Amendment to IAS 27 (2008) - Consolidated and Separate Financial Statements	July 01, 2010
- Amendments to IAS 32 - Financial Instruments – Presentation	February 01, 2010
- Amendment to IAS 34 - Interim Financial Reporting	January 01, 2011
- Amendments to IFRS 7: Improving Disclosures about Financial Instruments	July 01, 2010
- Amendments to IFRS 3 (2008) - Business Combinations	July 01, 2010
- Amendments to IFRS 7 - Financial Instruments – Disclosures	January 01, 2011
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010
- Amendment to IFRIC 13 - Customer Loyalty Programmes	January 01, 2011
- Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 01, 2011

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

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective for accounting period beginning on or after</b>
- Amendments to IAS 1 - Presentation of Other Comprehensive Income	July 01, 2012
- Amendments to IAS 12 - Income Taxes	January 01, 2012
- Amendments to IAS 19 - Employee Benefits	January 01, 2013
- Amendment to IFRS 7 - Enhanced Derecognition Disclosure Requirements	July 01, 2011
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to not adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to not adoption of IFRS 10 and IFRS 11

The directors of the Management Company anticipate that these amendments will be adopted in the Modaraba's financial statements on the effective date after making detailed analysis of the impact of the application of the amendments which has not yet quantified.

**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 the methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited financial statements for the year ended June 30, 2011.

	<b>Note</b>	<b>(Unaudited) December 31, 2011 Rupees</b>	<b>(Audited) June 30, 2011 Rupees</b>
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand		20,200	20,200
Cash at banks			
Current accounts		1,518,191	1,508,191
Saving accounts	5.1	36,313,887	23,235,172
		37,832,078	24,743,363
		37,852,278	24,763,563

5.1 Effective mark-up rate in respect of PLS accounts ranges from 4.22% to 11 % (June 2011: 5% to 11.5%) per annum.



	Note	(Unaudited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
<b>6. INVESTMENTS</b>			
considered good			
Term deposit receipts	6.1	120,000,000	270,000,000
In quoted companies	6.2	88,323,862	95,175,493
		208,323,862	365,175,493
considered doubtful			
Term deposit receipts	6.3	80,000,000	-
Less: Provision for doubtful term deposits		(24,000,000)	-
		56,000,000	-
		<u>264,323,862</u>	<u>365,175,493</u>

6.1 Effective mark-up rate in respect of term deposit accounts ranges from 11% to 14.25% (June 2011: 12.6% to 15%) per annum.

6.2 In quoted companies

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

Un-Audited 31 December 2011 Rupees	Audited 30 June 2011 Rupees	Number of Certificates / shares/ Units	Name of investee	Un-Audited 31 December 2011 Rupees	Audited 30 June 2011 Rupees
<b>Open-end Mutual Funds</b>					
368,452	371,505		Unit Trust of Pakistan	35,540,880	38,320,778
			(Face value of certificate Rs.100/- each)		
25,000	25,000		National Investment (Unit) Trust	647,500	804,000
<b>Oil &amp; Gas Exploration Companies</b>					
2,500	2500		Pakistan Petroleum Limited	420,800	517,675
15,000	15000		Byco Petroleum Pakistan Limited	98,550	136,050
21,000	16000		Oil & Gas Development Company Limited	3,184,020	2,447,840
3,000	-		Pakistan Oil Fields Limited	1,039,350	-
21,644	21,644		Pakistan State Oil Company Limited	4,917,733	5,726,570
26,500	26,500		Pakistan Refinery Limited	1,794,315	2,131,925
10,000	-		Attock Refinery Limited	1,076,500	-
5,000	-		National Refinery Limited	1,213,450	-
<b>Chemicals</b>					
5,000	-		Fatima Fertilizer Company Limited	114,600	-
230,000	165,500		Fauji Fertilizer Bin Qasim Limited	9,758,900	6,975,825
9,500	-		Fauji Fertilizer Company Limited	1,420,658	-
89,100	87,100		Engro Corporation Limited	8,259,570	14,219,075
2,500	2,500		ICI Pakistan Limited	300,675	379,625
150,000	150,000		Lotte Pakistan PTA Limited	1,390,500	2,074,500
<b>Construction and materials</b>					
145,000	140,000		D.G. Khan Cement Company Limited	2,759,350	3,218,600
17,203	45,000		Lucky Cement Limited	1,290,914	3,187,800
25,000	25,000		Lafarage Pakistan Cement	47,000	67,500



Un-Audited 31 December 2011 Rupees	Audited 30 June 2011 Rupees		Un-Audited 31 December 2011 Rupees	Audited 30 June 2011 Rupees
		<b>Number of Certificates / shares/ Units</b>		
		<b>Name of investee</b>		
		<b>Household goods</b>		
1,721	1,721	Hussain Industries Limited	5,163	4,854
		<b>Personal goods</b>		
115,000	105,000	Azgard Nine Limited	327,750	579,600
147,500	147,500	Nishat Mills Limited	5,966,375	7,425,150
34,000	25,000	Nishat (Chunian) Limited	607,240	557,250
		<b>Electricity</b>		
109,347	104,347	Kot Addu Power Company Limited	4,518,219	4,446,226
27,000	27,500	The Hub Power Company Limited	923,400	1,031,250
		<b>Financial Services</b>		
300,000	300,000	First Capital Securities Corporation Limited	558,000	729,000
30,000	30,000	Jahangir Siddiqui & Co Limited	120,900	194,400
		<b>Software And Computer Services</b>		
2,500	-	NetSol Technologies Limited	21,550	-
		<b>Suspended / Delisted Company</b>		
1,670,720	1,670,720	Prudential Stock Fund	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	-	-
			<u>88,323,862</u>	<u>95,175,493</u>

**6.2.1 Unrealized loss on changes in fair value  
of held for trading investments**

Weighted average cost of investments	103,198,969	98,324,162
Unrealized loss on changes in fair value of held for trading investments	(14,875,107)	(3,148,669)
Market value of investments	<u>88,323,862</u>	<u>95,175,493</u>

**6.3** It represent fixed rate term deposits of Invest Capital Investment Bank Limited (the bank). The Modaraba has total exposure of Rs. 91.06 million in Invest Capital Investment Bank Limited (the bank) which includes Rs. 80 million in fixed rate deposits and Rs. 11.06 million in other finance (refer note 7). Modaraba had been receiving profits on fixed rate deposits @ 14.25% per annum where as principal amount were rolled over from time to time since August 2009. Monthly instalments of other finance are not been received since June 30, 2011 which aggregate to Rs. 6.03 million by December 31, 2011. Financial statements of the Bank for the year ended June 30, 2011 and credit quality rating of the Bank are not available, whereas audit report on the financial statements for the year ended June 30, 2010 contains an adverse opinion due to doubt on the ability of the Bank to continue as a going concern. The Management of the Modaraba is in the process of negotiation and the Bank has offered various options including property swap in settlement of the deposits. The management is confident of achieving an amicable settlement in few months. As a matter of prudence, the Modaraba has made a provision of Rs. 24 million.





	Note	(Unaudited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
<b>7. MUSHARIKA, MORABAHA AND OTHER FINANCE</b>			
Musharika and morabaha finance	7.1	17,770,664	18,776,023
Other finance-secured	7.2	11,055,382	11,055,382
		28,826,046	29,831,405
Less: Long term portion of other finance		-	(1,081,235)
		<u>28,826,046</u>	<u>28,750,170</u>
<b>7.1 Musharika and morabaha finance</b>			
Musharika finance-unsecured			
Principal		105,172,201	105,172,201
Profit		45,436,865	45,436,865
		150,609,066	150,609,066
Morabaha finance-secured			
Principal	7.1.1	81,815,137	82,562,921
Profit		133,994,842	134,111,073
		215,809,979	216,673,994
Deferred Morabaha income		59,456	202,500
Less: Provision for doubtful receivables	7.1.2	(150,609,067)	(150,609,067)
Musharika finance-unsecured		(198,098,770)	(198,100,470)
Morabaha finance-secured		(348,707,837)	(348,709,537)
		<u>17,770,664</u>	<u>18,776,023</u>

7.1.1 The return on these morabaha ranges from 14% to 21% (2011: 14% to 21%) per annum. The above finances are secured against equitable mortgage of immovable properties, charge on machineries and other assets and personal guarantee of sponsor directors.

**7.1.2 Movement of provision**

	December 31, 2011			June 30, 2011		
	Principal	Profit	Total	Principal	Profit	Total
	-----Rupees-----					
Opening Balance	171,553,125	177,156,412	348,709,537	171,058,496	177,302,545	348,361,041
Charge for the period / year	-	-	-	2,244,777	-	2,244,777
Reversals during the period / year	-	(1,700)	(1,700)	(1,750,148)	(281,489)	(2,031,637)
Suspended during the period / year	-	-	-	-	135,356	135,356
Closing Balance	<u>171,553,125</u>	<u>177,156,412</u>	<u>348,707,837</u>	<u>171,553,125</u>	<u>177,156,412</u>	<u>348,709,537</u>

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 of 17.16 % and is receivable by October 2012 in monthly installments.



	Note	(Unaudited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
<b>8. IJARAH RENTALS RECEIVABLE</b>			
Considered good		1,963,751	2,286,321
Considered doubtful		25,376,115	24,577,317
		<u>27,339,866</u>	<u>26,863,638</u>
Less: Provision for doubtful receivables	8.1	(25,043,250)	(24,577,317)
		<u>2,296,616</u>	<u>2,286,321</u>
<b>8.1 Movement in provision for doubtful receivables</b>			
Opening balance		24,577,317	32,961,066
Charged during the period / year		726,425	2,349,310
Reversals during the period / year		(260,492)	(10,733,059)
Closing balance		<u>25,043,250</u>	<u>24,577,317</u>

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

	Considered Good		Considered Doubtful		Total	
	December 31, 2011	June 30, 2011	December 31, 2011	June 30, 2011	December 31, 2011	June 30, 2011
<b>Advance</b>	-----Rupees-----					
Income tax	13,107,845	12,954,416	-	-	13,107,845	12,954,416
To staff	1,945,474	1,865,590	15,000	15,000	1,960,474	1,880,590
<b>Prepayments</b>	216,053	158,191	-	-	216,053	158,191
<b>Receivables from</b>						
Brokers on account of sale of shares	-	2,711,804	64,620,930	64,620,930	64,620,930	67,332,734
Related parties	18,189,240	18,732,273	-	-	18,189,240	18,732,273
Bank	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Profit on TDRs and other finance	3,784,058	3,909,889	890,047	-	4,674,105	3,909,889
Others	1,007,867	1,173,882	13,177,945	13,177,945	14,185,812	14,351,827
Provision for doubtful receivables	-	-	(88,945,269)	(88,055,222)	(88,945,269)	(88,055,222)
	<u>38,250,537</u>	<u>41,506,045</u>	-	-	<u>38,250,537</u>	<u>41,506,045</u>

**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	-	-
Available for sale			
Listed entities	10.2	2,626,597	3,261,442
Unlisted companies	10.3	3,378,630	3,378,630
		6,005,227	6,640,072
		<u>6,005,227</u>	<u>6,640,072</u>

**10.1 Investment in Associate**

This include investment in Prudential Discount and Guarantee House Limited, an associated company through common directorship. Due to adverse financial condition of the investee company, investment have been fully impaired.



Un-Audited 31 December 2011 Rupees	Audited 30 June 2011 Rupees		Un-Audited 31 December 2011 Rupees	Audited 30 June 2011 Rupees
Number of Certificates / shares/ Units		Name of investee		
<b>10.2 Listed entities</b>				
101,413	101,413	National Investment (Unit)Trust		
		Cost	2,722,939	2,722,939
		Add: Unrealized (loss) / gain	(96,342)	538,503
			<u>2,626,597</u>	<u>3,261,442</u>
<b>10.3 Unlisted company</b>				
1,107,244	1,107,244	Prudential Securities Limited(PSL)		
		Cost	4,173,707	4,173,707
		Less: Impairment	(795,077)	(795,077)
			<u>3,378,630</u>	<u>3,378,630</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, were made during the period / year: -

	Additions		Disposals (W.D.V)	
	(Unaudited) December 31, 2011	(Audited) December 31, 2010	(Unaudited) December 31, 2011	(Audited) December 31, 2010
	-----Rupees-----			
Furniture and fixtures	-	183,187	-	-
Office equipment and appliances	-	4,650	-	-
	<u>-</u>	<u>187,837</u>	<u>-</u>	<u>-</u>

**13. PROPERTY, PLANT AND EQUIPMENT**

**- Ijarah**

Following additions and disposals in ijarah assets, were made during the period / year: -

	Additions		Disposals (W.D.V)	
	(Unaudited) December 31, 2011	(Audited) December 31, 2010	(Unaudited) December 31, 2011	(Audited) December 31, 2010
	-----Rupees-----			
Vehicles	81,396,500	26,461,500	(5,551,007)	(10,735,799)
Office equipment and appliances	-	-	(2,400,000)	-
Plant and machinery	-	-	(187,500)	(124,650)
	<u>81,396,500</u>	<u>26,461,500</u>	<u>(8,138,507)</u>	<u>(10,860,449)</u>