



**CORPORATE INFORMATION**

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

Mr. M. Nadeem Ahmed	Chief Executive
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 Musharraf Khan

**AUDIT COMMITTEE**

Mr. Fazal M. Mughal	Member
Mr. Ataullah Khan	Member
Dr. Muhammad Hussain	Member

**HUMAN RESOURCES AND REMUNERATION COMMITTEE**

Mr. Fazal M. Mughal	Chairman
Mr. Ataullah Khan	Member
Mr. M. Nadeem Ahmed	Member

**SHARI'AH ADVISOR**

Mufti Muhammad Ibrahim Essa

**AUDITORS**

M.Yousuf Adil Saleem & Co.  
Chartered Accountants

**LEGAL ADVISORS**

Mandviwalla & Zafar, Advocates

**BANKERS**

HBL Islamic Banking  
Faysal Bank Barkat Islamic Banking  
BankIslami Pakistan Limited  
Al Baraka Bank (Pakistan) Ltd.  
Burj Bank Limited

**MANAGEMENT COMPANY**

Prudential Capital Management Limited

**REGISTERED OFFICE**

Office No. 54, Ground Floor,  
Beverly Centre, 56-G, Blue Area,  
Islamabad.  
Tel: 051-2825343 Fax: 051-2814000  
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 equity investment.

**PUBLIC INFORMATION**

Financial analysts, Stock, broker, interested investors and financial media desiring information about First Prudential Modaraba should contact Mr. Muhammad Musharraf Khan (Company Secretary) or Syed Mazhar Mujtaba (Chief Financial Officer) Office No. A-601-602, 6th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi-74200,  
Tel: 92-21-35643275-8,  
Fax: 92-21-35643283  
E-mail:  
mmk@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: 021-32401634

**KARACHI OFFICE**

Office No. A-601-602, 6th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi-74200,  
Tel: 92-21-35643275-8,  
Fax: 92-21-35643283  
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, the Manager of First Prudential Modaraba are pleased to present the 24th Annual Report of First Prudential Modaraba together with audited accounts, auditor and directors report for the year ended June 30, 2013 before the certificate holders.

**KEY OPERATING / FINANCIAL HIGHLIGHTS**

	<b>(Rupees in millions)</b>	
	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Total Income from Operations	75.9	91.33
Operating Expenses	(49.88)	(44.95)
Operating Profit for the period	26.019	46.38
Unrealized gain / (loss) on changes in fair value of held for trading investments - at fair value through profit and loss	1.91	(6.23)
Gain arising on changes in fair value of investment properties	0.315	0.472
Impairment (losses) and (Provision) / Reversal against doubtful receivables-net	(0.283)	(5.92)
Modaraba company management fee	-	(1.74)
Net profit after tax for the year	25.79	32.97
Earning Per Certificate – Re.	0.30	0.38

**REVIEW OF OPERATIONS**

During the Fiscal Year 2013, Pakistan's economy continued to remain under pressure due to low growth and an unfavorable fiscal and balance of payments position. The main reason for the low growth rate and low productivity was contraction of private investment expenditure, which declined for the fifth consecutive year. This decline in investment was mainly due to energy crises and challenging law and order situation in the country. In order to spur economic growth, the State Bank of Pakistan continued a monetary policy of reducing discount rate, during the period under review, resulting in reduction in discount rates by 300 basis point to 9% by June 2013.

During the year ended June 30, 2013 the overall operating performance of the Modaraba reflects that gross operating income decreases by 16.9% to Rs.75.9 million from Rs. 91.33 million as compared to last year. Factors contributed in such decline are as follows;

- During the year the Modaraba disbursed Ijarah facility of Rs 9.253 (2012: Rs. 86.313) million to its various clients. Ijarah disposals in term of cost amounted to Rs. 28.24 (2012: Rs. 38.43) million. Net gain on Ijarah disposals amounted to Rs. 0.335 (2012: Rs. 0.66) million. Due to few Ijarah disbursements this year rentals earned has declined by almost Rs. 7.8 millions. The Modaraba management is in process to strengthen the marketing department and will disburse an appropriate amount in the following year in order to maximize the certificate holders' wealth.
- The Modaraba earned return on term deposit receipts and PLS accounts amounted to Rs. 20.25 (2012: Rs. 25.646) million. The Modaraba's management is in process to augment its investment appraisal process and to negotiate with banks to offer good returns. Apart from this, during the year Modaraba did not re-invest in term deposit receipts and matured its opening investments. Further, return on term deposit receipts and PLS accounts declined by Rs. 5.4 million because of low markup rates available throughout the year.
- The Modaraba has offered a new product "diminishing Musharika" (approved by the Registrar Modaraba) so as to remain competitive and to attract more customers by offering a range of Islamic Products. The Modaraba has disbursed around Rs. 65 million in diminishing Musharika and has earned income at profit rate ranging from 12.8% to 13.11% per annum. This income has yielded a positive impact of Rs. 2.8 million of profit of the Modaraba.
- After the issue of circular no. 08 of 2012 Shari'ah Compliance and Shari'ah Audit Mechanism (SCSAM) for Modarabas; the Modarabas' are allowed only to deal in Shari'ah Compliant scrips. We have strictly complied with this circular and have disposed of all our non-shari'ah scrips. Further, due to restriction on investments only to be made in Shari'ah compliant scrips, we were able to achieve net capital gain of Rs. 6.9 (2012: Rs. 9.07) million and dividend income Rs. 3.014 (2012: Rs. 5.023) million, net decline of Rs. 4.11 million. Capital gain on disposal of non-shari'ah compliant scrips amounted to Rs. 3.77 million and dividend income of Rs. 0.804 million. We are in process of establishing an effective treasury function which shall be responsible for cash forecasting, business plans and budget, Investments, risk management.



- During the year we have made few provisions of qualified amounts mentioned in external auditors' last year audit report. We have absorbed last year auditors' qualification No:

(b)'Long term investment' in Prudential Securities Limited of Rs. 3.38 million and

(c) Advances, prepayments and other receivables which include Rs.1.8 million paid for the purchase of a motor vehicle for the ex-managing director of the Modaraba. The Modaraba has filed case against the Ex. Managing Director for Rs. 1.8 million and is still under hearing.

We have made 100% provision of Rs. 5.2 million. We are also trying our level best to comply with provisioning criteria as laid down under the Prudential Regulations.

- Refer Note 1.2 to the financial statements regarding order of change of management by Securities and Exchange Commission of Pakistan (SECP). Since in the opinion of the legal advisor of the management of Modaraba this order was unconstitutional and unwarranted. The said order was challenged in the Sindh High Court under CP-3159/2010 and the Honorable Court stayed the application of the said order and the proceedings are on. In the meanwhile the Supreme Court of Pakistan in CP 52/2011 dated April 12, 2013 has passed a detailed order which confirm some of the points raised by the management of the Modaraba. The management now feels that this detailed decision dealing with constitutional points has perhaps strengthened our position.

**Explanations in regard to qualifications of External Auditors Report**

- Kindly read Note # 11 and 13 to the financial statements and qualification no. (a) in the current year audit report.

The TREC is appearing in books of account on its gross allocated value i.e. Rs. 5.34 million. The Lahore Stock Exchange Limited (LSE) has determined the notional value of TREC as Rs. 4 million. Subsequent to the year end the LSE has auctioned TRECs of two defaulted brokers with minimum bid price was Rs. 4.1 million. As per IAS 36, Impairment of assets, impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount". The indication of impairment criteria set out in para 12, inter alia, suggest that; market value declines of an asset is a condition of impairment. Impairment refers to a decline in value that is of permanent nature. The result of the said auction has yet to be announced, which will justify our assumption that value of TREC is not impaired rather it is a temporary decline.

(b) The amount receivable of Rs 18.43 million and the security deposit of Rs 3.0 million outstanding on account of Prudential Securities Limited (PSL) are 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.

(c) The Modaraba has extended Morabaha facilities of Rs15.79 million to various clients. The management of Modaraba has not made any provision against these receivables as the forced sale values of collateral held against these morabaha facilities are much higher i.e. Rs. 61.31 million to recover the outstanding amount. Recovery department has been strengthened and special emphasis is being given to recovery of outstanding balances from clients.

(d) An amount of Rs 19.92 million was made to Invest Capital Investment Bank Limited, (formerly Al-Zamin Leasing Modaraba) in 2010 against certain Ijarah assets under funded risk participation agreement. Due to fire incident and delay in insurance claim settlement the client stopped payment. The Modaraba is in process of negotiation for recovery of this current outstanding balance of Rs11.002 million. The management is confident of achieving an amicable settlement. The Modaraba has made a provision of Rs 2.21 million.



**Replies in regard to emphasis paras:**

**Prudential Regulations and object clause of prospectus of Modaraba**

It is our pleasure to brief our valued certificate holders that we have settled our approximately 88% balance invested in ICIBL during the year. Gross total amount of investment is ICIBL as at June 30, 2012 was Rs. 80 million in investments & Rs. 11.05 million in other finance (total Rs. 91.05 million).

Kindly refer note # 6 to the financial statements the Modaraba has settled its two term deposit receipts of Rs. 50 million and Rs. 20 million respectively invested in Invest Capital Investment Bank Limited (ICIBL) through properties swap. By the grace of **Allah Subhānahu wata'āla** and continuous efforts of the management we were able to peacefully secure the ownership and possession of the above mentioned properties (refer note # 6 to the financial statements). Further, we have also earned reasonable fair value gain over and above carrying values of the said term deposit receipts.

It must be noted that these properties have not been purchased rather acquired per force in satisfaction of various debts.

We will exercise all our efforts to dispose of properties as soon as practicable. We are also considering applying Registrar Modaraba to amend our prospectus accordingly so that we can avoid forced non-compliance. The matter is in consideration of BOD of the management company.

For the settlement of third term deposit receipt of Rs 10 million, the Modaraba has entered into an agreement dated December 06, 2012. The balance is receivable in 60 equal monthly installments of Rs. 166,667/- beginning from December 10, 2012. Installments are being received as per schedule mentioned in the agreement. To date 11 installments are received amounting to Rs. 1.83 million.

Moreover, the noticeable factor is that ICIBL, Investee Company, profitability has improved, EPS Rs. 1.235 as per audited accounts (2012: Rs. 0.033). The financial results of the said entity is indicative of factors that the said bank is interested paying off / settlement its liabilities. Further, ratios have been improved and strengthened. These external factors along with others plus our continuous efforts and correspondences will assist us to recover the investment in other finance of Rs. 11.002 million in near future.

The Modaraba by virtue of surrender of membership of the Lahore Stock Exchange Limited (LSE), which was acquired from a defaulted party against the settlement of claim, received

- Trading Right Entitlement Certificate and
- shares of the LSE and
- a broker's room.

The Modaraba is not allowed by its object clause to indulge in brokerage of securities. The management is very much willing to dispose of these assets as cash flows are stuck in assets which can only yield disposal proceeds for Modaraba at any future time and of no regular earnings. At present there is not active market in existent for trading of above securities; however, the management will contact soon the LSE to assist in disposal of above assets on suitable commercial terms. The matter is in consideration of BOD of the management company

**Appointment of Shari'ah Advisor**

Under Clause VIII of the Circular No. 8 of 2012 dated February 03, 2012 issued by the Registrar Modaraba every Modaraba Company shall have a Shari'ah Advisor of the Modaraba, appointed on such terms and conditions as it may deem fit, having the qualification and experience to perform as specified in the Circular. The Board appointed Mufti Muhammad Ebrahim Essa as Shari'ah Advisor of the Modaraba.



**Corporate and financial reporting framework**

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

- a. The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of account of the Modaraba have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations except for those reported in Auditors' review report on compliance of code of corporate governance.
- h. Key operating and financial data of last six years in a summarized form is annexed.
- i. During the year 8 meetings of Board of Directors were held. Attendance by each director was as follows:

Name of Director	Meeting Attended
Mr. Fazal Mohammad Mughal	08
Mr. Attaullah Khan	08
Mr. Muhammad Hussain	04

- j. The Statement of pattern of certificate holding of the Modaraba as at 30th June 2013 as per code of corporate governance is annexed.
- k. The Chief Executive Officer of the Modaraba has resigned on September 30, 2013 giving notice of one month. The BOD is considering the issue and will take the decision in the next meeting.

**Future outlook**

The current economic situation, along with a very competitive environment for Islamic financial products, has resulted in a very challenging outlook for the Modaraba. The Management of your Modaraba is proactively studying available options which would best protect and preserve certificate holders' interest in the future. We are making all possible efforts to do the best to augment the system and special emphasis are being placed on recoveries and careful risk assessment to safeguard any adverse impact in future. New products and services are being explored to enhance our business generating activities. We are fully geared to maintain this upward trend and Inshah Allah foresee to achieve better result and to regularly pay progressive rate of return to the certificate holders of the Modaraba

For the current year beside concentrate on Ijarah, Morabaha and Musharika facilities the Modaraba has also offered Diminishing Musharika facility to our customers, as a prudent approach we concentrate on good customers and value backed assets. For induction of quality customer base, it required efficient services and better rate of profit. In order to compete with institutions offering Islamic base funding, we need to offer highly competitive profit rates to keep good clientele.



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 deployment of funds.

Beside above the ongoing litigation in Sindh High Court regarding cancellation of our license by Registrar Modaraba / SECP has also affected the business and recruitment of professionals. We hope that this matter will be resolved soon.

#### Statutory Reserves

As per requirement of Rule 2 of Part III of Prudential Regulation for Modaraba as issued by the Securities and Exchange Commission of Pakistan the Modaraba has transferred Rs. 5,158,148/-, 20% of net profit to its Statutory Reserves.

#### Dividend

The Board is pleased to announce a cash dividend of 2.3% i.e. Re. 0.23 per certificate.

#### Auditors

On the recommendation of Audit Committee, the Board has approved the re-appointment of Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants, as auditors for the year ending June 30, 2014, subject to approval by the Registrar Modaraba, Securities and Exchange Commission of Pakistan.

#### Acknowledgement

The Board of Directors would like to thank for 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 valued customers, 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,  
Manager First Prudential Modaraba

Karachi,  
October 10, 2013

**Mr. Fazal Mohammad Mughal**  
Director/Chairman of Meeting



### Summary of key Operating and Financial data of the Modaraba for last six years.

Year ended June 30, 2013

.....Rupees in millions.....

Year	2013	2012	2011	2010	2009	2008
Paid-up Capital	827.177	872.177	872.177	872.177	872.177	872.177
Statutory Reserve	138.651	133.493	126.899	120.245	113.586	113.586
Certificate Holders' Equity	515.677	519.608	512.996	505.487	472.061	601.944
Certificate	87.217	87.217	87.217	87.217	87.217	87.217
Current Liabilities	45.089	38.758	32.278	44.548	80.296	90.196
Non-Current Assets	241.070	150.437	109.642	139.590	166.056	249.227
Current Assets	343.815	440.827	462.481	429.511	415.671	504.377
Profit / ( Loss) before taxation	25.957	32.969	33.266	33.292	(103.717)	41.788
Taxation	(0.166)	-	-	(0.457)	0.457	0.332
Earning / (Loss) per Certificate (Rs.)	0.30	0.38	0.38	0.38	(1.19)	0.48



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

Name of Modaraba **FIRST PRUDENTIAL MODARABA**  
Year Ended **JUNE 30th, 2013**

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in listing regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a 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 CCG in the following manner.

1. At present the Board of the Modaraba Management Company includes:

Category	Names
Non-Executive Directors	Mr. Ataullah Khan Mr. Fazal Muhammad Mughal Dr. Muhammad Hussain

There is no Executive director and the condition of clause 1(b) of the CCG in relation to independent director will be applicable after election of next Board of Directors of the Company in October 2013.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies.
- All the directors of the Modaraba Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- Two casual vacancies occurred on the Board on January 23, 2012 which has not been filled to date.
- The Modaraba Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
- The Board has developed a vision/mission statement and overall corporate strategy and Modaraba Management Company is in the process of developing significant policies that will be approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended will be maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer of the Modaraba Management Company, have been taken by the Board.
- The meetings of the Board were presided over by the chairman and in his absence a director elected 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 meetings were appropriately recorded and circulated.
- The Board will arrange for certification under "The Board Development Series" program offered by Pakistan Institute of Code of Corporate Governance for their Directors to acquaint them with their duties and responsibilities as per timelines provided by the Securities & Exchange Commission of Pakistan.



- There are no new appointments of Chief Financial Officer, Company Secretary and head of internal audit. The appointment, remuneration and terms of employment have been approved by the Board of Directors.
- The directors' report for the year ended June 30, 2013, has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed in respect of the Modaraba.
- The financial statements of the Modaraba were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
- The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holdings.
- Except for the non-submission of annual, first quarter and half yearly accounts in the prescribed time, the Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
- The Board has formed an Audit Committee, it comprises three members, all of them are non-executive directors including the chairman.
- 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- The Board has formed an HR and Remuneration Committee for the Modaraba and Modaraba Management Company. It comprises three members, two of whom are non-executive directors and one is Chief Executive Officer, the chairman of the committee is a non-executive director.
- The Modaraba has outsourced its internal audit function to a Professional firm of Chartered Accountants. Further, the Modaraba is in the process of hiring a suitably qualified person as Head of Internal Audit.
- The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- The statutory auditors or the persons associated with them have not been appointed to provide other services to the Modaraba and the Modaraba Management Company except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchange(s).
- Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- We confirm that all other material principles enshrined in the CCG have been complied except disclosed in the relevant clauses.

Karachi  
Date: 10 October, 2013

On behalf of the Board of Directors  
**Muhammad Nadeem Ahmed**  
Chief Executive Officer



**REVIEW REPORT TO THE CERTIFICATE HOLDERS'  
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 (the CCG) prepared by the Board of Directors of **Prudential Capital Management Limited (the Modaraba Management Company) of First Prudential Modaraba (The Modaraba)**, for the year ended June 30, 2013, to comply with the Listing Regulations of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, 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 management company's 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 are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, the Listing Regulation of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited require the Modaraba Management 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 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.

Nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company'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, 2013.

We draw attention to the following paragraphs of the Statement;

- Paragraph 4 regarding two casual vacancies which has not been filled within 90 days. Further, The requirement of Clause (iii) of the CCG with respect to the position of chief executive which was filled after 90 days.
- Paragraph 6 regarding non-preparation of record of significant policies.
- Paragraph 9 regarding non-arrangement of orientation courses and certification under directors' training program by the directors of the Modaraba Management Company.  
Paragraph 14 regarding non-submission of annual accounts for the year ended June 30, 2012 and first quarterly and half yearly accounts for the year 2013 within the time prescribed.
- Paragraph 18 regarding non-appointment of suitably qualified and experienced Head of Internal Auditor.



Further, we draw attention to the following non-compliance during the year.

- The requirement of Clause (xiii) of the CCG with respect to the qualification of Chief Financial Officer who does not hold a post graduate degree although he has more than 05 years' experience in working in a listed entity.

Chartered Accountants

Karachi

Date: 10 October, 2013

**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet of **First Prudential Modaraba** (the Modaraba) as at June 30, 2013 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 Management Company's [Prudential Capital Management Limited] responsibility which 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 Management 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) Refer note 13.1 to the financial statements, while making allocation of Lahore Stock Exchange Limited (LSE) Card the management of the Modaraba allocated Rs. 5.34 million to Trading Right Entitlement Certificate (TREC). The Board of Directors of the LSE has determined Rs. 4 million as notional value of the TREC. In the absence of any other fair value measurement criteria the notional value is considered as the fair value. However, the Modaraba has not recorded the impairment loss of Rs. 1.34 million as per requirement of International Accounting Standard 36 "Impairment of Assets". Had the impairment been charged intangible assets and profit for the year would have been reduced by Rs. 1.34 million.
- b) Advances, prepayments and other receivables' include a long outstanding balance of Rs.18.43 million (refer note 10 to the financial statements) receivable from Prudential Securities Limited (PSL). 'Long term deposit' also includes security deposits receivable Rs. 3 million (refer note 12 to the financial statements) from PSL. The operations of PSL have been ceased by The Karachi Stock Exchange Limited (KSE). The Modaraba has filed a claim with KSE in the year 2009 for these amounts. In our opinion, the chance of recoverability of Rs. 21.43 million is not certain.
- c) Out of total amount of musharika and morabaha finance, Rs. 15.79 million (refer note 7.1 to the financial statements) is outstanding against various parties since long. Taking benefit of forced sale value of collaterals held against these finances, the Modaraba has not recorded any provision for doubtful recovery. Since the amount is significant and outstanding for a prolonged period, the recoverability of such amount is not certain.
- d) The Modaraba has unsecured investment of Rs. 11.01 million (refer note 7.2 to the financial statements) in Invest Capital Investment Bank Limited held as 'other finance'. Since June 2011 the Modaraba has received only Rs. 53,101/- against principal and has made a provision for doubtful recovery of Rs. 2.21 million. In view of weak financial position of the investee company, the chance of recoverability of this balance is not certain.

In respect of paragraphs (b) to (d) above no provision for doubtful recovery has been made by the management. We are unable to determine the extent to which the amount is likely to be recovered and time frame over which such recoveries will be made.

- e) in our opinion, expect for the matter stated in paragraphs (a) to (d), proper books of account have been kept by the Modaraba Management Company in respect of First Prudential Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;



- f) in our opinion:
  - i. except for paragraphs (a) to (d) 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. the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- g) in our opinion, except for the effects of the matters stated in paragraphs (a) to (d) 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, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- h) 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.
- i) We draw attention to the following matters:
  - i) Prudential Regulations for the Modaraba prohibits to hold office premises for its own use, however, during the year, the Modaraba acquired two offices through a settlement agreement with an entity which default in repayments. The Modaraba is using these offices for its own use and has classified them under 'Property and equipment' (refer note 14.1 to the financial statements).
  - ii) Object clause of the Modaraba does not allow holding of immoveable properties for business purpose and indulging in the business of brokerage of securities. Further, Shari'ah Compliance and Shari'ah Audit Mechanism for the Modaraba prohibit holding non Shari'ah complaint scripts. However, the Modaraba has entered into the following transactions which are in contravention of the said requirements.
    - During the year 2003, the Modaraba acquired a property through assignment by the Sindh High Court against settlement of a Morabaha facility. Since then the Modaraba has treated this property as 'Investment Properties' and earned rental income from it (refer note 16.1 to the financial statements).
    - During the year, the Modaraba has acquired properties consisting of four shops through a settlement agreement with a defaulted party. The Modaraba treated these shops as 'Investment Properties' and rented out one shop in May 2013 (refer note 16.3 to the financial statements).
    - The Modaraba by virtue of surrender of membership of the Lahore Stock Exchange Limited (LSE), which was acquired from a defaulted party against the settlement of claim, received Trading Right Entitlement Certificate, shares of the LSE and a room (refer note 13.1 to the financial statements).



iii) Note 1.2 to the financial statements where management has disclosed appointment of Administrator by Securities and Exchange Commission of Pakistan (SECP) which has been stayed by the Sindh High Court.

Our report is not qualified in respect of matters contain under paragraph 'i' above.

**Chartered Accountants**

**Engagement Partner:**  
Mushtaq Ali Hirani

Karachi  
Dated: 10 October, 2013



**SHARIAH ADVISOR'S REPORT**

I have reviewed the affairs of **First Prudential Modaraba** managed by **Prudential Capital Management Limited** for the Year ended **June 30, 2013** in accordance with the requirements of the **Circular No.8 of 2012, issued by the Securities and Exchange Commission of Pakistan, regarding Shariah Compliance and Shariah Audit Mechanism for Modarabas.**

**REVIEW OF OPERATIONS:**

Based on my review, the following were the major activities / developments in respect of Shariah that took place during this period:

**BANK ACCOUNTS:**

After implementation of circular # 8 of 2012, Modaraba has closed all saving accounts maintained with conventional banks, except two dividend saving accounts of conventional Bank were not closed during the period due to court / legal matters. However, profit received on these two conventional saving accounts and other closed conventional saving accounts have been transferred into charity payable account.

Further, for investment and operational purposes, Modaraba is operating the Bank accounts maintained with Islamic Banks or in current accounts of conventional Banks. During the period under review Modaraba has opened two new current dividend accounts with Islamic Banks for distribution of Dividends to its Certificate holders.

**FRESH DISBURSEMENTS**

**IJARAH**

Modaraba has disbursed Ijarah Facilities for vehicles to different clients. I confirm that, all Documentation, Contracts and Transaction Flows were in line with Shariah and duly communicated to the undersigned for Shairah Approval.

**DIMINISHING MUSHARAKA**

Modaraba has disbursed Diminishing Musharaka facility to a reputable corporate customer. I confirm that, all Documentation, Contracts and Transaction Flows were in line with Shariah and duly approved by the undersigned.

**INVESTMENTS IN MUTUAL FUNDS AND EQUITY SHARES**

Modaraba has made its investment in Islamic Funds and approved equities. In compliance of circular # 8 of 2012, Modaraba has disposed off all non Shariah Compliant equity shares, during the period which are not in the prescribed list provided by the NBFIs and Modaraba Association of Pakistan, except of following the suspended/ delisted companies:-

**Non Shariah Compliant Shares (Table.1)**

S.No	Name of Shares	Quantity
1.	Prudential Discount & Guarantee House – CDC (De- eligibility Trading Suspended).	191,700
2.	Zeal Pak Cement Factory– CDC (De- eligibility)	360,000
3.	Prudential Stocks Fund Ltd – Physical – suspended Trading	1,670,720
4.	Prudential Securities Limited (unlisted)– Physical	1,107,244
5.	Hussain Industries – Physical	348
6.	Lahore Stock Exchange - CDC	843,975





The values of serial 1 to 3 have been fully provided in the books of account. As per the explanation given by Modaraba, no buyer is available for acquiring Prudential Securities Ltd. (serial # 4). The shares of M/s. Hussain Industries are in physical form and registered in the name of Third Prudential Modaraba, therefore it could not be immediately sold.

In previous years the membership card of Lahore Stock Exchange was in the holding of Modaraba. After implementation of Demutualization Act in August 2012 Lahore Stock Exchange allotted the shares against the membership. Till June 30, 2013 the management of modaraba could not determine the reliable value of these shares. Therefore, these shares could not be sold.

**Undisclosed and Non Shariah Compliant Shares (Table # 2)**

S.No	Name of Shares	Quantity
1.	Zeal Pak Cement Factory-- CDC (De- eligibility)	10,400,000
2.	Usman Textile Limited – Physical (De- eligibility)	700,000
3.	Investec Modaraba - (De- eligibility)	500,000
4.	Investec Securities - (De- eligibility)	200,000

The shares mentioned in table no 2 are undisclosed shares, these shares were transferred by a defaulted party into the name of First Prudential Modaraba, but Modaraba refuse to accept these shares till date as satisfaction of the claim.

**DIVIDEND PURIFICATION :**

Modaraba has effectively performed process of dividend purification of equities and transferred charitable amount into charity payable account.

**CHARITY:**

Modaraba is strictly following rules and regulations for charity as prescribed in Circular # 8 of 2012. Modaraba has transferred all charitable amounts such as late payment charges, dividend purification into charity payable account and paid as charity to the registered charitable organizations during the period detail of the same is as under:

- I. Modaraba has collected and credited to charity accounts Rs.129,893/- received due to delay / late payments during the period.
- II. The dividend income from non Shariah scripts & profit received from accounts also been credited to charity account amounting Rs.435,125/-
- III. Profit of Rs.139,906/- received from commercial banks has also been credited to charity account.

**TAKAFUL:**

During the period Modaraba took most welcomed step in respect of adopting Takaful arrangement for security of the assets. In this reference Modaraba converted all insurable assets from conventional insurance to Takaful arrangement. I appreciate the Management of Modaraba on taking this decision.



**OBSERVATION:**

- Modaraba maintains two dividend saving accounts with conventional Bank, these accounts were opened in 2005 for purpose of dividend distribution. However, these accounts are dormant and could not be closed due to some court / legal matters.
- Shares as mentioned in Table No. 1 in above Note No. 4. are in the holding of Modaraba. However, these shares are not in the approved list NBF1 & Modaraba Association of Pakistan.
- It was observed that the shares of M/s. Hussain Industries Limited are still in the name of Third Prudential Modaraba.

**RECOMMENDATION(S):**

- Modaraba should close two dividend saving accounts maintained with conventional banks as soon as legal / court matter resolve.
- Since the shares of M/s. Hussain Industries are not in the name of First Prudential Modaraba, therefore, I recommend to the Management to ensure that all assets of First Prudential Modaraba should be in its own name.
- Modaraba should dispose-off all non *Shari'ah* Compliant shares subject to the clearance of legal and availability of the buyer. In respect of Lahore Stock Exchange- Modaraba did not sell these shares during the period, due to non availability of true fair value. I recommend that these shares should be sold specially in the case where LSE has determined its value in the subsequent period
- Modaraba should settle the matter of the shares as mentioned in Table No. 2 as soon as possible.

**CONCLUSION:**

Generally, the Management of First Prudential Modaraba has effectively shown its sincerity to comply with Shariah Rulings in its true spirit, therefore, I am of the view that the business operations of First Prudential Modaraba are Shariah compliant up to the best of my knowledge.



**Mufti Ibrahim Essa**  
**Shariah Advisor**

Dated: 10 October, 2013

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**BALANCE SHEET  
AS AT JUNE 30, 2013**

<b>ASSETS</b>	<b>Note</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>Current Assets</b>			
Cash and bank balances	5	<b>224,519,535</b>	90,368,066
Investments	6	<b>46,994,510</b>	282,828,284
Musharika, morabaha and other finance	7	<b>24,576,691</b>	26,314,136
Diminishing musharika	8	<b>13,723,212</b>	-
Ijarah rentals receivable	9	<b>734,008</b>	1,490,630
Advances, prepayments and other receivables	10	<b>33,267,602</b>	39,826,034
<b>Total Current Assets</b>		<b>343,815,558</b>	440,827,150
<b>Non - Current Assets</b>			
Long term investments	11	<b>9,553,797</b>	6,447,388
Long term portion of diminishing musharika	8	<b>50,212,898</b>	-
Long term deposits	12	<b>3,066,192</b>	3,068,092
Loan and receivables	6.2	<b>5,816,258</b>	-
Intangible assets	13	<b>6,549,890</b>	22,326,567
Property and equipment - owned	14	<b>48,593,921</b>	187,267
Property, plant and equipment -ijarah	15	<b>76,082,525</b>	107,907,387
Investment properties	16	<b>41,194,500</b>	10,500,000
<b>Total Non - Current Assets</b>		<b>241,069,981</b>	150,436,701
<b>TOTAL ASSETS</b>		<b>584,885,539</b>	591,263,851
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current portion of long term ijarah deposits	17	<b>16,678,500</b>	13,380,840
Accrued and other liabilities	18	<b>5,701,394</b>	7,544,668
Unclaimed profit distribution		<b>22,709,604</b>	17,832,449
<b>Total Current Liabilities</b>		<b>45,089,498</b>	38,757,957
<b>Non - Current Liabilities</b>			
Long term ijarah deposits	17	<b>24,119,480</b>	32,898,007
<b>TOTAL LIABILITIES</b>		<b>69,208,978</b>	71,655,964
<b>NET ASSETS</b>		<b>515,676,561</b>	519,607,887
<b>REPRESENTED BY</b>			
Certificate Capital			
87,217,660 Modaraba Certificates of Rupees 10/- each	19	<b>872,176,600</b>	872,176,600
Statutory reserve		<b>138,650,648</b>	133,492,500
Accumulated loss		<b>(495,150,687)</b>	(486,061,213)
		<b>515,676,561</b>	519,607,887
Contingencies and commitments	20		

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

**M. Nadeem Ahmed**  
Chief Executive Officer

**Fazal M. Mughal**  
Director

**Ataullah Khan**  
Director



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
<b>INCOME</b>			
Ijarah rentals earned		39,138,554	47,038,049
Return on term deposit receipts and PLS accounts		20,245,649	25,646,000
Income on musharika, morabaha and other finance	21	-	740,016
Income on diminishing musharika		2,799,881	-
Gain on sale of investments		6,968,800	9,067,366
Dividend income		3,014,846	5,023,040
Rental income from investment properties		947,994	1,115,647
Other income	22	2,779,125	2,699,271
		<u>75,894,849</u>	<u>91,329,389</u>
Unrealised gain / (loss) on changes in fair value of held for trading investments - at fair value through profit and loss		1,905,629	(6,227,542)
Gain arising on changes in fair value of investment properties	16	315,000	472,500
Impairment (losses) and (Provision) / Reversal against doubtful receivables-net	23	(283,401)	(5,918,139)
Amortization charges - other receivable	6.2	(2,000,000)	-
		<u>75,832,077</u>	<u>79,656,208</u>
<b>EXPENDITURE</b>			
Depreciation on ijarah assets	15	(31,319,068)	(29,366,113)
Administrative expenses	24	(17,916,842)	(14,847,612)
Workers welfare fund		(529,727)	(708,258)
Bank and other charges		(109,822)	(29,592)
		<u>(49,875,459)</u>	<u>(44,951,575)</u>
Profit for the year		25,956,618	34,704,633
Modaraba company's management fee		-	(1,735,232)
Profit before taxation		25,956,618	32,969,401
Provision for taxation	25	(165,880)	-
Profit after taxation		25,790,738	32,969,401
<b>Other comprehensive loss</b>			
Deficit on revaluation of available for sale investments		(3,556,766)	(192,669)
<b>Total income for the year</b>		<u>22,233,972</u>	<u>32,776,732</u>
<b>Earnings per certificate</b>	26	<u>0.30</u>	<u>0.38</u>

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

**M. Nadeem Ahmed**  
Chief Executive Officer

**Fazal M. Mughal**  
Director

**Ataullah Khan**  
Director



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		25,956,618	32,969,401
Adjustments for non-cash changes and other items:			
Gain on sale of investments		(6,968,800)	(9,067,366)
Dividend income		(3,014,846)	(5,023,040)
Unrealised (gain) / loss on changes in fair value of held for trading investments - at fair value through profit and loss		(1,905,629)	6,227,542
Impairment (losses) and (provision) / reversal against doubtful receivables-net	23	283,401	5,918,139
Unrealised gain on remeasurement of investment property		(315,000)	(472,500)
Gain on disposal-own assets		(87,427)	(366,873)
Gain on disposal-ijarah assets		(335,386)	(659,856)
Amortization charges - other receivable		2,000,000	-
Depreciation-own assets		1,475,718	169,916
Depreciation on ijarah assets		31,319,068	29,366,113
Amortization - intangibles		622,206	-
Gain on settlement of term deposit receipts		(1,854,500)	-
Unwinding of interest - term deposit receipt		(416,126)	-
		<u>20,802,679</u>	<u>26,092,075</u>
		<u>46,759,297</u>	<u>59,061,476</u>
Cash flows before movements in working capital (Increase) / decrease in operating assets		4,275,743	1,307,893
Musharika, morabaha and other finance		(63,936,110)	-
Diminishing musharika		1,654,761	2,073,278
Ijarah rentals receivable		3,262,059	1,949,414
Advances, prepayments and other receivables		(54,743,547)	5,330,585
Increase / (decrease) in operating liabilities			
Ijarah deposits		(5,480,867)	10,891,523
Accrued and other liabilities		(1,843,274)	(546,302)
		<u>(7,324,141)</u>	<u>10,345,221</u>
Cash (used in) / generated from operations		(15,308,391)	74,737,282
Income tax paid		(210,715)	(194,403)
Net cash (used in) / generated from operating activities		<u>(15,519,106)</u>	<u>74,542,879</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend received		3,014,846	4,948,040
Investments encashed - net		173,723,159	82,187,049
Proceeds from disposal-own assets		162,000	380,000
Proceeds from disposal-ijarah assets		10,093,680	13,898,669
Purchase of own assets		(4,956,623)	(55,100)
Purchase of ijarah assets		(9,252,500)	(86,313,200)
Purchase of intangible assets		(1,827,744)	-
Long term deposit received / (paid)		1,900	(1,900)
Net cash generated from investing activities		<u>170,958,718</u>	<u>15,043,558</u>



	2013 Rupees	2012 Rupees
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution	<b>(21,288,143)</b>	(23,981,934)
Net cash used in financing activities	<b>(21,288,143)</b>	(23,981,934)
Net increase in cash and cash equivalents (A+B+C)	<b>134,151,469</b>	65,604,503
Cash and cash equivalents at July 01	<b>90,368,066</b>	24,763,563
Cash and cash equivalents at June 30	<b><u>224,519,535</u></b>	<u>90,368,066</u>

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

**M. Nadeem Ahmed**  
Chief Executive Officer

**Fazal M. Mughal**  
Director

**Ataullah Khan**  
Director



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2013**

	Reserves			Total		
	Certificate capital	Capital *Statutory reserve	Revenue Unrealized gain/(loss) on available for sale		Accumulated loss	Sub total
Balance at July 01, 2011	872,176,600	126,898,620	538,517	(486,617,284)	(486,078,767)	512,996,453
Comprehensive income	-	-	-	32,969,401	32,969,401	32,969,401
Profit for the year ended June 30, 2012	-	-	(192,669)	-	(192,669)	(192,669)
Other comprehensive loss for the year ended June 30, 2012	-	6,593,880	-	(6,593,880)	-	32,776,732
Transfer to statutory reserve	-	-	-	-	-	-
Distribution @ 3 % declared for the year ended June 30, 2011	-	-	-	-	-	-
Balance at June 30,2012	872,176,600	133,492,500	345,848	(486,407,061)	(486,061,213)	519,607,887
Comprehensive income	-	-	-	25,790,738	25,790,738	25,790,738
Profit for the year ended June 30, 2013	-	-	(3,556,766)	-	(3,556,766)	(3,556,766)
Other comprehensive loss for the year ended June 30, 2013	-	5,158,148	-	(5,158,148)	-	22,233,972
Transfer to statutory reserve	-	-	-	-	-	-
Distribution @ 3 % declared for the year ended June 30, 2012	-	-	-	-	-	-
Balance at June 30,2013	872,176,600	138,650,648	(3,210,918)	(491,939,769)	(495,150,687)	515,676,561

Balance at July 01, 2011

Comprehensive income

Profit for the year ended June 30, 2012

Other comprehensive loss for the year ended June 30, 2012

Transfer to statutory reserve

Distribution @ 3 % declared for the year ended June 30, 2011

Balance at June 30,2012

Comprehensive income

Profit for the year ended June 30, 2013

Other comprehensive loss for the year ended June 30, 2013

Transfer to statutory reserve

Distribution @ 3 % declared for the year ended June 30, 2012

Balance at June 30,2013

\*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. 5,158,148/- which represents 20% of the profit after tax.

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

**M. Nadeem Ahmed**  
Chief Executive Officer

**Fazal M. Mughal**  
Director

**Ataullah Khan**  
Director



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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 (PCML), 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 and investment in securities. Registered office of the Modaraba is situated at office # 54, ground floor, Beverly Centre, 56-G, Blue Area, Islamabad.

1.2 In pursuance of a show cause notice dated June 9, 2010 issued to the 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, PCML and appointed another Modaraba Management Company as Administrator to takeover and manage the affairs of 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 Modaraba till the decision of the case with the remarks that the order was passed without giving opportunity of fair trial in terms of Article 10-A of the Constitution of Pakistan. The matter is pending in the High Court of Sindh.

1.3 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), 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, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

2.2 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Modaraba:

<b>Standards or Interpretations</b>	<b>Effective for period beginning on or after</b>
IAS 1 - Presentation of Financial Statements (Amendment)	July 01, 2012
IFAS 3 - Islamic Financial Accounting Standard 3 "Profit and loss sharing on deposits"	June 12, 2013



2.2.1 Standards, interpretations and amendments to the published approved accounting standards 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 Modaraba's financial statements other than certain additional disclosures.

<b>Standards or Interpretations</b>	<b>Effective for periods beginning on or after</b>
IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information (Amendment)	January 01, 2013
IAS 16 - Property, Plant and Equipment Classification of servicing equipment (Amendment)	January 01, 2013
IAS 19 - Employee Benefits	January 01, 2013
IAS 32 Financial Instruments: Presentation Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2014
IAS 32 Financial Instruments: Presentation Offsetting financial assets and financial liabilities	January 01, 2014
IAS 34 - Interim Financial Reporting Interim reporting of segment information for total assets and total liabilities (Amendment)	January 01, 2013
IFRS 7 Financial Instruments Disclosures - Offsetting financial assets and financial liabilities (Amendment)	January 01, 2013
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 Modaraba 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 non-adoption of IFRS 10 and IFRS 11	
IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11	



### 3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for;

- certain investments carried at fair value
- certain investment properties which have been measured at fair value.
- certain loan and receivables - measured at amortized cost.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

#### 4.1 Property and equipment

##### (i) Ijarah and depreciation

Ijarah assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation 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, depreciation 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 in accordance with the rates specified in note 14 to these financial statements. 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 properties, which are held for rentals and capital appreciation, are 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 properties are included in profit or loss for the period in which they arise.

#### 4.3 Intangibles

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

##### Definite life

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of the item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 13 to these financial statements. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed off, it is charged till the month preceding the month of disposal.



##### Indefinite life

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) Loan and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized at fair value upon origination and are subsequently measured at amortized cost by the effective interest method. Short term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

##### 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, morabaha and musharika and diminishing 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 who opt for deductions. 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 Accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

#### 4.8 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.

#### 4.9 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 on-going 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 properties 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.

#### 4.10 Revenue recognition

##### 4.10.1 Ijarah rentals

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

Documentation charges, front end fees and other ijarah related income are taken to profit and loss account when they are realised.

##### 4.10.2 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.

##### 4.10.3 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.

##### 4.10.4 Diminishing musharika

Profit on diminishing musharika is recognised as and when profits become due on a systematic basis over the term of diminishing musharika period.

##### 4.10.5 Rental Income

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

##### 4.10.6 Dividend income

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

##### 4.10.7 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.

##### 4.10.8 Other income

Other income is recognised on accrual basis.

**4.10.9 Income from Shariah non-compliant avenues**

Income from Shariah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.

**4.10.10 Mark-up income**

Mark-up / return on deposits / investments is recognised on accrual basis using the effective interest rate method.

**4.11 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 the total profits in the year as reduced by the amount transferred in statutory reserve are 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.

**4.12 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.

**4.13 Financial assets**

Financial assets comprise of Ijarah rentals receivable, investments, musharika, diminishing 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.

**4.14 Financial liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Financial liabilities include Ijarah deposits, accrued and other liabilities and unclaimed profit distribution.

**4.15 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).

**4.16 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.

**4.17 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 distributions are approved by the board of the Modaraba Company.

**4.18 Critical Accounting Estimates and Judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the 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) provision for doubtful recovery against investments (Note 6)
- iii) amortisation of intangible assets (Note 13)
- iv) depreciation on property and equipment (Note 15 & 16)
- v) impairment losses / provision for doubtful receivables (Note 23)
- vi) contingencies (Note 20)

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand		33,381	26,963
Cash at banks			
Current accounts		1,503,545	1,518,191
Saving accounts	5.1	222,982,609	88,822,912
		224,486,154	90,341,103
		<u>224,519,535</u>	<u>90,368,066</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 4.75 % to 12.5 % (2012 : 5% to 11.5%) per annum.





6. INVESTMENTS	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>Loan and receivables</b>			
Term deposit receipts - considered good	6.1	-	185,000,000
- considered doubtful	6.2	-	10,000,000
Other receivable- considered good	6.2	<u>1,376,234</u>	-
		<u>1,376,234</u>	<u>195,000,000</u>
Less : Provision for doubtful receivable		-	(3,000,000)
		<u>1,376,234</u>	<u>192,000,000</u>
<b>Held for trading at fair value through profit or loss - in quoted securities</b>			
- considered good	6.3	<u>45,618,276</u>	<u>90,828,284</u>
		<u>46,994,510</u>	<u>282,828,284</u>

6.1 As at June 30, 2012 the amount included two term deposit receipts amounted to Rs. 50 million and Rs. 20 million respectively invested in Invest Capital Investment Bank Limited (ICIBL). On June 28, 2012 an agreement was executed between the Modaraba and ICIBL according to which parties settled the entire outstanding liability of Rs. 70 million, however, profit of Rs. 5.88 million accrued till date of the agreement was waved off. Other terms which are settled during the year are;

(a) Rs. 45 million was settled against the transfer of immovable properties consist of two furnished office premises located at Lakson Square Karachi.

(b) Rs. 25 million was settled against the transfer of immovable properties consist of four shops located at Zarkoon Plaza, Rawalpindi.

On October 02, 2012 and on October 24, 2012, sale deed of the offices and shops respectively were executed and registered with the respective registrar of properties. The Modaraba is using the offices for its own use and has classified it under 'Property and equipment – owned'. Further, the Modaraba has classified the shops under 'Investment Properties'. Fair values of both the offices and shops determined by an independent valuer, Consultancy Support & Services, amounted to Rs. 45.743 million and Rs. 26.113 million respectively, which are carried out at October 12, 2012.

#### 6.2 Other receivable- considered good

Note	Rupees
Term deposit receipt as at December 06, 2012	10,000,000
Less : Amortization charges - other receivable	(2,000,000)
	<u>8,000,000</u>
Principal received during the year	(807,508)
	<u>7,192,492</u>
Less : Long term portion	(5,816,258)
	<u>1,376,234</u>

6.2.1 Modaraba has entered into an agreement dated December 06, 2012, with the Invest Capital Investment Bank Limited (ICIBL) for settlement of the term deposit receipt of Rs.10 million. As per the terms, the entire mark-up/profit/penalties accrued till date of settlement agreement is waived off by the Modaraba. The balance is receivable in 60 equal monthly instalments of Rs. 166,667/- beginning from December 10, 2012 at Nil profit.

#### 6.3 Held for trading at fair value through profit or loss - in quoted securities

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



June 2013	June 2012		June 2013 Rupees	June 2012 Rupees
		<b>Number of Certificates / Shares/ Units</b>		
		<b>Name of investee</b>		
		<b>Open-end mutual funds</b>		
255,063	251,730	MCB Islamic Income Fund *	25,979,578	25,205,569
-	25,000	National Investment (Unit) Trust	-	756,500
-	115,000	Unit Trust of Pakistan *	-	13,227,300
		* (Face value of certificate Rs.100/- each certificate)		
		<b>Oil &amp; gas exploration companies</b>		
-	14,500	Attock Refinery Limited	-	1,781,615
6,300	21,200	National Refinery Limited	1,515,654	4,905,468
-	17,500	Oil & Gas Development Company Limited	-	2,807,700
-	26,500	Pakistan Refinery Limited	-	1,522,425
-	16,500	Pakistan State Oil Company Limited	-	3,891,360
		<b>Chemicals</b>		
-	115,830	Engro Corporation Limited	-	11,796,127
305,000	265,000	Fauji Fertilizer Bin Qasim Limited	11,449,700	10,817,300
25,000	25,500	Fauji Fertilizer Company Limited	2,685,750	2,831,775
-	5,500	ICI Pakistan Limited	-	720,885
-	200,000	Lotte Chemical Pakistan	-	1,406,000
		<b>Construction and materials (Cement)</b>		
9,500	13,500	D.G. Khan Cement Company Limited	795,055	531,630
13,000	-	Kohat Cement Company Limited	1,115,790	-
-	10,000	Lucky Cement Limited	-	1,153,900
		<b>General Industrials</b>		
5,000	-	MACPAC Films	114,050	-
		<b>Household goods (Textile)</b>		
348	1,721	Hussain Industries Limited	1,962	5,163
		<b>Personal goods</b>		
-	34,000	Nishat (Chunian) Limited	-	591,260
1,565	20,000	Nishat Mills Limited **	147,439	951,600
		<b>Pharma and Bio tech</b>		
2,200	1,885	GlaxoSmithKline Pakistan Limited	266,926	119,207
		<b>Fixed Line Telecommunication</b>		
-	20,000	Pakistan Telecommunication Company Limited	-	273,800

June 2013	June 2012		June 2013 Rupees	June 2012 Rupees
<b>Number of Certificates / Shares/ Units</b>		<b>Name of investee Electricity</b>		
15,000	30,000	The Hub Power Company Limited	924,750	1,256,700
-	95,000	Kot Addu Power Company Limited	-	4,275,000
<b>Mutiutilities (Gas and Water)</b>				
12,360	-	Sui Northern Gas Pipeline Limited **	247,942	-
9,000	-	Sui Southern Gas Company	175,680	-
<b>Equity Investment Instruments</b>				
20,000	-	First Habib Modaraba (Face value of certificate Rs.5/- each)	198,000	-
<b>Suspended / Delisted Companies</b>				
1,670,720	1,670,720	Prudential Stock Fund	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	-	-
			<u>45,618,276</u>	<u>90,828,284</u>

During the year the management has identified 1,565 physical shares of Nishat Mills Limited and 1,360 physical shares of Sui Northern Gas Pipeline Limited. After the completion of verification exercise, these shares are recorded in the books of account during the year.

In addition to that following shares are not in the name of the Modaraba : Nishat Mills Limited 29 shares (Second Prudential Modaraba), Nishat Mills Limited 326 shares, Sui Northern Gas Pipeline Limited 231 shares and Hussain Industries Limited 348 shares(Third Prudential Modaraba).

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>6.4 Unrealized gain / (loss) on changes in fair value of held for trading investments</b>			
Weighted average cost of investments		43,712,647	97,055,826
Unrealized gain / (loss) on changes in fair value of held for trading investments		1,905,629	(6,227,542)
Market value of investments	6.3	<u>45,618,276</u>	<u>90,828,284</u>

## 7. MUSHARIKA, MORABAHA AND OTHER FINANCE

Musharika and morabaha finance			
- considered good		15,785,486	17,469,830
- considered doubtful		339,363,931	348,707,837
Less: Provision against doubtful		<u>(339,363,931)</u>	<u>(348,707,837)</u>
	7.1	<u>15,785,486</u>	<u>17,469,830</u>
Other finance - unsecured	7.2	8,791,205	8,844,306
		<u>24,576,691</u>	<u>26,314,136</u>

## 7.1 Musharika and morabaha finance

Note	Considered Good		Considered Doubtful		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Musharika finance-unsecured						
Principal	-	-	105,172,201	105,172,201	105,172,201	105,172,201
Profit	-	-	45,238,105	45,436,866	45,238,105	45,436,866
Subtotal	-	-	150,410,306	150,609,067	150,410,306	150,609,067
Morabaha finance-secured						
Principal	7.1.1	13,541,891	15,205,052	66,347,593	66,380,924	79,889,484
Profit		2,243,595	2,264,778	122,606,032	131,717,846	124,849,627
Subtotal		15,785,486	17,469,830	188,953,625	198,098,770	204,739,111
Less: Provision against doubtful receivables	7.1.2	-	-	(339,363,931)	(348,707,837)	(339,363,931)
		15,785,486	17,469,830	-	-	15,785,486
						<u>17,469,830</u>

7.1.1 The return on morabaha finance ranges from 14% to 21%(2012: 14% to 21% ) per annum. These 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 for doubtful receivables

	June 30, 2013			June 30, 2012		
	Principal	Profit	Total	Principal	Profit	Total
Opening Balance	171,553,125	177,154,712	348,707,837	171,553,125	177,156,412	348,709,537
Reversals during the year	(33,331)	(2,504,967)	(2,538,298)	-	(1,700)	(1,700)
Written-off during the year	-	(6,805,608)	(6,805,608)	-	-	-
Closing Balance	<u>171,519,794</u>	<u>167,844,137</u>	<u>339,363,931</u>	<u>171,553,125</u>	<u>177,154,712</u>	<u>348,707,837</u>

	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>7.2 Other finance-unsecured</b>	<b>11,002,281</b>	<b>11,055,382</b>
Less: Provision for doubtful receivables	<u>(2,211,076)</u>	<u>(2,211,076)</u>
	<u>8,791,205</u>	<u>8,844,306</u>

7.2.1 This finance has been provided to Invest Capital Investment Bank Limited (ICIBL) against certain ijarah assets under a funded risk participation agreement. It carries return at the rate 17.16 % per annum.

## 8. Diminishing musharika

Diminishing musharika		
Principal	63,449,762	-
Profit	486,348	-
	<u>63,936,110</u>	-
Less: long term portion of diminishing musharika	<u>(50,212,898)</u>	-
	<u>13,723,212</u>	-

8.1 These carry profit rate ranging from 12.8% to 13.11% per annum and are repayable on monthly basis over a maximum period of 3 years.



	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>9. IJARAH RENTALS RECEIVABLE</b>			
Considered good		734,008	1,241,727
Considered doubtful		23,115,511	24,303,208
		<u>23,849,519</u>	<u>25,544,935</u>
Less: Provision for doubtful receivables	9.1	(23,115,511)	(24,054,305)
		<u>734,008</u>	<u>1,490,630</u>
<b>9.1 Movement in provision for doubtful receivables</b>			
Opening balance		24,054,305	24,577,317
Charge for the year		783,696	754,575
Reversal during the year		(1,722,490)	(1,277,587)
Closing balance		<u>23,115,511</u>	<u>24,054,305</u>
<b>9.2 Future minimum ijarah rentals receivable</b>			
Within one year		27,245,231	44,584,977
After one year but not more than five years		12,783,609	65,041,747
		<u>40,028,840</u>	<u>109,626,724</u>

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

Note	Considered Good		Considered Doubtful		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
<b>Advance</b>						
Income tax	13,193,654	13,148,819	-	-	13,193,654	13,148,819
To staff	10.1	219,374	2,041,474	1,814,000	15,000	2,033,374
<b>Prepayments</b>		283,762	157,395	-	-	283,762
<b>Other receivables from</b>						
Brokers on account						
of sale of shares	10.2	-	1,107,192	65,619,558	64,620,930	65,619,558
A related party	10.3	18,432,273	18,432,273	-	-	18,432,273
A bank	10.4	-	-	10,241,347	10,241,347	10,241,347
Profit on TDRs and other finance						
		1,066,976	2,953,144	-	531,899	1,066,976
Others		71,563	1,985,737	13,177,945	13,177,945	13,249,508
<b>Sub total</b>		<u>33,267,602</u>	<u>39,826,034</u>	<u>90,852,850</u>	<u>88,587,121</u>	<u>124,120,452</u>
Provision for doubtful receivables	10.5	-	-	(90,852,850)	(88,587,121)	(90,852,850)
		<u>33,267,602</u>	<u>39,826,034</u>	<u>-</u>	<u>-</u>	<u>33,267,602</u>

**10.1** The doubtful amount of Rs.1.8 million was paid to an ex-managing director of the Modaraba without prior approval of the board of directors for the purchase of a motor vehicle. The Modaraba has initiated criminal proceedings for the recovery of said amount from the ex-managing director.

**10.2** The doubtful amount include claim of Rs.64,620,930/- (2012: Rs.64,620,930/-) receivable from a defaulted stock broker – Investec Securities Limited. The said broker, through its various correspondences with the Modaraba has offered / transferred shares and certificates of following entities on various dates which are not acknowledge by the Modaraba. Owing to the weak financial position of the entities and significance of the amount of claim, the management of the Modaraba has not accepted the shares / certificates as satisfaction of claim and same is not recorded in the books of accounts. Detail of shares offered / transferred are as under.



Name of entities	No. of Shares / Certificates
Zeal-Pak Cement Factory Limited	10,400,000
Usman Textile Mills Limited	700,000
First Investec Modaraba	500,000
Investec Securities Limited	200,000

**10.3** This amount includes Rs. 17,889,240/- paid as advance for purchase of securities to Prudential Securities Limited (PSL). Remaining amount of Rs. 543,033/- is blocked in CDC-sub account of the said broker against various shares as under:

Name of companies	No. of Shares	Value as per investor's claim
Al-Ghazi Tractors Limited	500	112,095
Javed Omer Vohra & Company Limited	1,000	8,460
Pakistan Petroleum Limited	2,100	422,478

Operations of PSL has been ceased by Karachi Stock Exchange Limited (KSE) and the Modaraba has filed a claim with the KSE for whole amount.

**10.4** 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.

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>10.5 Movement in provision for doubtful receivables</b>			
Opening balance		88,587,121	88,055,222
Suspension / provision for the year	23	2,797,628	531,899
Reversal during the year	23	(531,899)	-
Closing balance		<u>90,852,850</u>	<u>88,587,121</u>

**11. LONG TERM INVESTMENTS**

Holdings are in the fully paid ordinary shares of Rs.10/- each.

Available for sale			
Listed entity	11.1	-	3,068,758
Unlisted companies	11.2	9,553,797	3,378,630
		<u>9,553,797</u>	<u>6,447,388</u>
		<u>9,553,797</u>	<u>6,447,388</u>



## 11.1 Listed entities

June 30, 2013	June 30, 2012		Note	June 30, 2013	June 30, 2012
		Number of Units			
-	101,413	National Investment (Unit)Trust			
		Cost		-	2,722,924
		Add: Unrealized gain		-	345,834
				<u>-</u>	<u>3,068,758</u>

## 11.2 Unlisted companies

1,107,244	1,107,244	Prudential Securities Limited			
		Cost		4,173,707	4,173,707
		Less: Impairment	11.2.1 & 11.2.2	(4,173,707)	(795,077)
				-	3,378,630
191,700	191,700	Prudential Discount and Guarantee House Limited	11.2.2	-	-
843,975	-	Lahore Stock Exchange Limited	11.2.3		
		Cost		12,764,715	-
		Less: Fair value adjustment		(3,210,918)	-
				9,553,797	-
				<u>9,553,797</u>	<u>3,378,630</u>

11.2.1	Movement of impairment	June 30, 2013 Rupees	June 30, 2012 Rupees
	Opening balance	795,077	795,077
	Impairment charge during the year	3,378,630	-
	Closing balance	<u>4,173,707</u>	<u>795,077</u>

The breakup value of shares of Prudential Securities Limited was Rs. 3.77 (2011: 3.77) per share based on last available audited financial statements for the year ended June 30, 2008.

11.2.2 Due to adverse financial condition of the investee Company, investments have been fully impaired.

11.2.3 This represent the shares acquired against the surrender of Lahore Stock Exchange Limited membership card (refer note 13.1). Under the current circumstances the active market is not available for such shares, therefore the net asset value based valuation has been considered as the closest estimate of the fair value of the shares. The Modaraba has recognized a fair value adjustment based on latest available financial information of the investee company for the half year ended December 31, 2012 the breakup value of which is Rs. 11.32 per share.

## 12. LONG TERM DEPOSITS

It includes Rs. 3,000,000/- on account of margin deposit held with a defaulted broker, Prudential Securities Limited, whose operations has been ceased by Karachi Stock Exchange Limited (KSE) and the Modaraba has filed a claim with the KSE for the amount. (Refer note 10.3)



## 13. INTANGIBLE ASSETS

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
Lahore Stock Exchange Limited (LSE) membership card and a room	13.1	-	22,326,567
LSE - Trading right entitlement certificate (TREC)	13.1	5,344,352	-
Computer softwares	13.2	1,205,538	-
		<u>6,549,890</u>	<u>22,326,567</u>

13.1 The LSE membership card and room was obtained by the Modaraba in the year 2010 against the settlement of certain outstanding balance receivable against a defaulted party.

Pursuant to demutualization of the LSE, the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the membership card has been surrendered to the LSE against the following:

- (a) 843,975 ordinary shares of face value of Rs. 10/- of the LSE and  
(b) Trading Right Entitlement Certificate (TREC).

The Institute of Chartered Accountants of Pakistan in its opinion dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

Out of total shares issued by the LSE, the Modaraba has received 40% equity shares i.e. 337,590 shares in its CDC account. The remaining 60% shares have been transferred to CDC sub-account in the Modaraba's name under the LSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Modaraba.

The LSE has determined the fair value of shares on the basis of the fair valuation of the underlying assets and liabilities of the LSE in accordance with the requirement of the Demutualization Act. The breakup value of share of Rs. 11.32 per share based on latest available financial information for the half year ended December 31, 2012 is considered as the closest estimates of the fair value of the shares. Further, the board of directors of the LSE in the meeting held on July 22, 2013 has determined the Notional Value of the TREC as Rs. 4 millions.

Therefore, based on the above estimates of fair values of LSE shares (Rs. 9.554 million) and TREC (Rs. 4 million), the Modaraba has allocated its carrying value of the membership card in the ratio of 0.71 to shares and 0.29 to TREC after deducting the value of broker room based its fair value determined through valuation carried out by independent valuer. The allocation is as follows:

	Note	Rupees
Membership card and a room as at July 01, 2012		22,326,567
Less: Broker's room at fair value		4,217,500
Amount attributable to LSE shares and TREC	13.1.1	<u>18,109,067</u>

13.1.1 Allocation made on the said ratio:  
Trading right entitlement certificate (TREC)  
Ordinary shares

5,344,352
<u>12,764,715</u>
<u>18,109,067</u>



## 13.2 Computer softwares

Particular	COST			AMORTIZATION			Rate of Amortization %	
	As at July 01, 2012	Additions during the year	As at June 30, 2013	As at July 01, 2012	Charge for the year	As at June 30, 2013		Book value as at June 30, 2013
Management information system (MIS)	-	1,500,000	1,500,000	-	458,334	458,334	1,041,666	20
Windows operating licenses	-	327,744	327,744	-	163,872	163,872	163,872	20
<b>Total</b>	-	1,827,744	1,827,744	-	622,206	622,206	1,205,538	

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## 14 PROPERTY AND EQUIPMENT - OWN

Note	Cost			Depreciation			"Rate %"	
	at July 01, 2012	Additions/ (Disposals)	Adjustments at June 30, 2013	At July 01, 2012	For the year / Adjustments (on disposals)	Accumulated at June 30, 2013		Carrying value at June 30, 2013
Office premises 14.1	-	46,761,122	-	-	1,169,028	1,169,028	45,592,094	5
Office equipment	1,237,232	202,500 (546,761)	892,971	1,213,872	26,386 (546,761)	693,497	199,474	33
Furniture and fixture	1,775,035	533,936 (1,018,827)	1,290,144	1,771,221	55,534 (1,018,827)	807,928	482,216	20
Computer equipment	994,612	326,065 (425,889)	894,788	834,524	115,387 (425,889)	524,022	370,766	33
Motor vehicles	2,982,860	2,133,000 (80,500)	5,035,360	2,982,855	109,383 (6,249)	3,085,889	1,949,371	20
	6,989,739	49,956,623 (2,071,977)	54,874,385	6,802,472	1,475,718 (1,997,726)	6,280,464	48,593,921	

14.1 This represent two offices in Lakson Square, Karachi, acquired through a settlement agreement (refer Note 6.1). It includes cost of transferring the ownership of the said offices in the name of the Modaraba amounted to Rs. 1.02 million.

## - For comparative period

	Cost			Depreciation			"Rate %"	
	at July 1, 2011	Additions/ (Disposals)	Adjustments at June 30, 2012	Accumulated at July 1, 2011	For the year / Adjustments (on disposals)	Accumulated at June 30, 2012		Carrying value at June 30, 2012
Office equipment	2,206,297	- (969,065)	1,237,232	2,090,540	79,873 (956,541)	1,213,872	23,360	33
Furniture and fixture	1,775,035	-	1,775,035	1,752,087	19,134	1,771,221	3,814	20
Computer equipment	1,054,163	55,100 (114,651)	994,612	877,663	70,909 (114,048)	834,524	160,088	33
Motor vehicles	4,410,575	(438,530)	(989,185)	4,410,568	(438,529)	(989,184)	2,982,855	5
	9,446,070	55,100 (1,522,246)	6,989,739	9,130,858	(268,613)	(989,184)	6,802,472	187,267

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**14.2 Disposal of property and equipment - Own**

Following assets were disposed off during the year

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceed	Mode of disposal	Particulars of buyers
Office equipment	546,761	546,761	-	20,500	Negotiations	Mr. Bahadur Khan Mohalla Masjid Tooba, Pathan Colony, Site Karachi.
Furniture and fixtures	1,018,827	1,018,827	-	40,000	-do-	-do-
Computer equipment	425,889	425,889	-	24,500	-do-	-do-
Motor vehicles	80,500	6,249	74,251	77,000	Insurance claim	Pak-Qatar General Takaful Limited
<b>June 30, 2013</b>	<b>2,071,977</b>	<b>1,997,726</b>	<b>74,251</b>	<b>162,000</b>		
<b>June 30, 2012</b>	<b>1,017,870</b>	<b>1,017,772</b>	<b>98</b>	<b>20,000</b>		

**15 PROPERTY, PLANT AND EQUIPMENT - IJARAH**

	Cost	At June 30, 2012	Accumulated at July 1, 2012	Depreciation For the year / Accumulated at June 30, 2013	Accumulated at July 1, 2012	Impairment For the year / Accumulated at June 30, 2013	Carrying value at June 30, 2013	Useful Life	
									.....Rupees.....
Plant and machinery	5,355,000	5,355,000	3,191,110	1,018,889	4,209,999	197,500	197,500	947,501	24 to 60 months
Office equipment	801,000	801,000	512,150	-	512,150	288,850	288,850	-	24 to 60 months
Vehicles	202,043,100	183,056,100	82,917,198	30,300,179	96,557,635	13,184,905	11,363,441	75,135,024	24 to 60 months
				(16,659,742)		(1,821,464)			
	208,199,100	188,212,100	86,620,458	31,319,068	101,279,784	13,671,255	11,849,791	76,082,525	
				(16,659,742)		(1,821,464)			

**- For comparative period**

	Cost	At June 30, 2011	Accumulated at July 1, 2011	Depreciation For the year / Accumulated at June 30, 2012	Accumulated at July 1, 2011	Impairment For the year / Accumulated at June 30, 2012	Carrying value at June 30, 2012	Useful Life	
									.....Rupees.....
Plant and machinery	14,200,000	5,355,000	9,143,434	1,589,176	3,191,110	308,500	197,500	1,966,390	24 to 60 months
		(8,845,000)		(7,511,500)					
Office equipment	8,801,000	801,000	6,112,150	-	512,150	288,850	288,850	-	24 to 60 months
Computers	92,000	-	82,799	(5,600,000)	-	9,200	(9,200)	-	24 to 60 months
		(92,000)		(82,799)					
Vehicles	145,288,467	202,043,100	73,767,513	27,806,937	82,917,198	12,483,558	13,184,905	105,940,997	24 to 60 months
		(29,558,567)		(18,657,252)		(1,285,003)			
	168,381,467	208,199,100	89,105,896	29,366,113	86,620,458	13,090,108	13,671,255	107,907,387	
		(38,403,567)		(31,857,551)		(1,405,203)			

**16. INVESTMENT PROPERTIES**

-Acquired in satisfaction of claim / settlement

		-----on remeasurement-----				
	Note	at July 01, 2012	Unrealised gain	Fair values at June 30, 2013	Independent valuer's name	Valuation date
Office premise	16.1	10,500,000	-	315,000	Rupees..... 10,815,000 Rizvi Associates (Private) Limited	June 29, 2013
Lahore Stock Exchange broker's room	16.2	-	4,217,500	-	Rupees..... 4,217,500 - do -	June 29, 2013
Four shops	16.3	-	26,162,000	-	Rupees..... 26,162,000 Consultancy Support & Services	October 12, 2012
		<u>10,500,000</u>	<u>30,379,500</u>	<u>315,000</u>	<u>41,194,500</u>	

16.1 In pursuance of execution of the degree the office premises, mortgaged with the Modaraba as security against a morabaha facility, were assigned by the Sindh High Court in 1999.

16.2 Due to demutualization of the Lahore Stock Exchange Limited (refer note 13.1) the Modaraba has classified the broker's room as an investment property.

16.3 This represent four shops in Zarkoon Plaza, Rawalpindi acquired through a settlement agreement (refer Note 6.1). The Modaraba has capitalised the cost of transferring the ownership of the said offices amounted to Rs. 50,000/-. The management expects that the fair value of these shops is not materially different had valuation been done at June 30, 2013.

16.4 These valuations have been arrived at by reference to market evidence of transaction price for similar properties.

**For comparative period**



	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>17. LONG TERM IJARAH DEPOSITS</b>			
Ijarah deposits		40,797,980	46,278,847
Current portion		<u>(16,678,500)</u>	<u>(13,380,840)</u>
		<u>24,119,480</u>	<u>32,898,007</u>
<b>18. ACCRUED AND OTHER LIABILITIES</b>			
Accrued expenses		1,207,366	694,444
Management fee		-	1,735,232
Ijarah insurance		596,692	1,910,076
Workers welfare fund	18.1	2,629,894	2,055,946
Others	18.2	1,311,663	1,148,970
		<u>5,745,615</u>	<u>7,544,668</u>

18.1 "The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers' Welfare Fund (WWF) is payable @2% of the profit before taxation as per the financial statements or taxable income which ever is higher.

During the year 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

The Management Company, as a matter of abundant caution, has made the provision for WWF amounting to Rs. 2,629,894/- in these financial statements."

18.2 This include amounts relating to charity payable accrued on various non-Shariah compliant avenues. The management utilises the balances as per the requirements of Clause VI. of circular no 8 of 2012 (Shari'ah Compliance and Shari'ah Audit Mechanism) for Modarabas.

**Movement in charity payable :**

Opening balance	1,128,824	1,076,198
Add : amount credited from non-Shariah avenues	616,307	1,292,957
	<u>1,745,131</u>	<u>2,369,155</u>
Less : Donations paid during the year	(1,100,000)	(1,240,331)
Closing balance	<u>645,131</u>	<u>1,128,824</u>

**19. CERTIFICATE CAPITAL**

June 2013	June 2012		June 2013 Rupees	June 2012 Rupees
<u>87,217,660</u>	<u>87,217,660</u>	<b>Number of Certificates</b>		
		<b>Authorised</b>		
		Modaraba certificates of Rs.10/- each	872,176,600	872,176,600
		<b>Issued, subscribed and paid-up</b>		
13,451,650	13,451,650	Modaraba certificates of Rs.10/- each fully paid in cash	134,516,500	134,516,500
8,864,716	8,864,716	Modaraba certificates of Rs.10/- each fully paid bonus certificates	88,647,160	88,647,160
64,901,294	64,901,294	Modaraba certificates of Rs.10/- issued under scheme of arrangement for amalgamation with Second and Third Prudential Modaraba	649,012,940	649,012,940
<u>87,217,660</u>	<u>87,217,660</u>		<u>872,176,600</u>	<u>872,176,600</u>

As at June 30, 2013, the Prudential Capital Management Company Limited held 10,521,305 (2012: 10,521,305) certificates of Rs. 10 each.

**20. CONTINGENCIES AND COMMITMENTS**

No contingencies and commitments exist at the year end.

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>21. INCOME ON MUSHARIKA, MORABAHA AND OTHER FINANCE</b>			
Profit on musharika and morabaha	-	-	202,500
Return on other finance	-	-	537,516
		<u>-</u>	<u>740,016</u>

**22. OTHER INCOME**

Gain on disposal of property, plant and equipment- Ijarah		335,386	659,856
Gain on disposal of property and equipment -owned		87,427	366,873
Front end fee, documentation charges and others		85,686	1,672,542
Gain on settlement of term deposit receipts	6.1 & 22.1	1,854,500	-
Unwinding of interest - term deposit receipt		416,126	-
		<u>2,779,125</u>	<u>2,699,271</u>

22.1 This represent excess of fair values of acquired properties over carrying values of term deposit receipts.



	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>23. IMPAIRMENT LOSSES AND PROVISION / (REVERSAL) AGAINST DOUBTFUL RECEIVABLES-NET</b>			
<b>Impairment losses:</b>			
Ijarah assets	15	-	1,986,350
Available for sale - in unlisted companies	11.2.1	3,378,630	-
Profit on term deposit receipts - written off		1,075,479	-
		<u>4,454,109</u>	<u>1,986,350</u>
<b>Provision / (Reversal) against doubtful receivables :</b>			
Musharika and morabaha finance	7.1.2	(2,538,298)	(1,700)
Other finance	7.2.2	-	2,211,076
Ijarah finance	9.1	(898,139)	(1,277,587)
Investments - loan and receivables (term deposit receipt)	6	(3,000,000)	3,000,000
Advances, prepayments and other receivables	10.5	2,265,729	-
		<u>(4,170,708)</u>	<u>3,931,789</u>
		<u>283,401</u>	<u>5,918,139</u>

**24. ADMINISTRATIVE EXPENSES**

Salaries, allowances and benefits	24.1	6,621,008	5,100,464
Transaction cost on investment		75,137	215,252
Fees and subscription		989,596	800,090
Repairs and maintenance		702,288	841,399
Rent, rates and taxes		468,191	756,958
Registrar services		900,000	900,000
Telephone and postage		977,735	1,092,513
Travelling and conveyance		686,105	803,728
Depreciation-owned assets	14	1,475,718	169,916
Amortization - intangibles	13.2	622,206	-
Auditors' remuneration	24.2	775,000	740,000
Electricity, water and gas		561,304	524,641
Printing and stationery		706,074	852,917
Vehicles running		564,517	379,915
Legal and professional		1,154,056	802,700
Entertainment		221,273	317,267
Advertisement		171,153	32,200
Newspapers and periodicals		15,000	4,970
Insurance		175,077	122,724
Miscellaneous		55,404	389,958
		<u>17,916,842</u>	<u>14,847,612</u>

**24.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES**

	2013			2012		
	Officers	Other employees	Total	Officers	Other employees	Total
	.....Rupees.....			.....Rupees.....		
Remuneration	2,518,000	3,406,096	5,924,096	1,752,974	3,074,880	4,827,854
Provident fund	106,058	117,918	223,976	48,152	96,256	144,408
Medical expenses	83,772	125,283	209,055	19,350	108,852	128,202
Fuel	182,917	-	182,917	-	-	-
Others	12,000	68,964	80,964	-	-	-
	<u>2,902,747</u>	<u>3,718,261</u>	<u>6,621,008</u>	<u>1,820,476</u>	<u>3,279,988</u>	<u>5,100,464</u>
No. of persons	3	15		3	15	





	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>24.2 AUDITOR'S REMUNERATION</b>		
Statutory audit fee	450,000	440,000
Half year review fee	220,000	200,000
Review of code of corporate governance	50,000	50,000
CDC certification	10,000	10,000
Out of pocket expenses	45,000	40,000
	<u>775,000</u>	<u>740,000</u>

**25. PROVISION FOR TAXATION**

Current		
for prior year	165,880	-

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.

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

Profit for the year (Rupees)	25,790,738	32,969,401
Weighted average number of ordinary certificates	87,217,660	87,217,660
Earnings per certificate (Rupees per certificate)	0.30	0.38

**27. 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, 2013 Rupees	June 30, 2012 Rupees
Chief Executive Officer	Perquisites	242,405	-
Provident fund	Contributions made	223,976	144,408
Modaraba company	Dividend paid	3,156,362	3,156,362
	Management fee	-	1,735,232

**28. FINANCIAL RISK MANAGEMENT**

The Modaraba's activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk (including currency risk, fair value profit rate risk and price 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, morabaha and other finances, advances, deposits, prepayments and other receivable and cash and bank balances that arrive directly from its operations. The Modaraba also holds investment in term deposit receipts, held for trading, available-for-sale investments and investment in associates.

**28.1 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. Modaraba holds total current assets of Rs. 343.82 million against its current liability of Rs. 45.09 million which lead to total surplus of Rs. 298.73 million.

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. However, Modaraba has surplus funds to pay off its liabilities. 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>2013</b>			Rupees	
Accrued and other liabilities	5,701,394	5,701,394	-	-
Unclaimed profit distribution	22,709,604	22,709,604	-	-
Ijarah deposits	40,797,980	1,865,400	14,813,100	24,119,480
	<u>69,208,978</u>	<u>30,276,398</u>	<u>14,813,100</u>	<u>24,119,480</u>
<b>2012</b>				
Accrued and other liabilities	7,544,668	7,544,668	-	-
Unclaimed profit distribution	17,832,449	17,832,449	-	-
Ijarah deposits	46,278,847	3,007,640	10,373,200	32,898,007
	<u>71,655,964</u>	<u>28,384,757</u>	<u>10,373,200</u>	<u>32,898,007</u>

The Modaraba do not expose to any interest rate risk against its financial liability.

**28.2 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 , diminishing musharika, 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, 2013 and June 30, 2012 is the carrying amounts of following financial assets.



	June 30, 2013 Rupees	June 30, 2012 Rupees
Ijarah rentals receivable	734,008	1,490,630
Musharika, morabaha and other finance	24,576,691	26,314,136
Diminishing musharika	63,936,110	-
Other receivables	14,835,329	20,286,569
Balances with banks	224,486,154	90,341,103
Investment in term deposit receipt	-	195,000,000
	<u>328,568,292</u>	<u>333,432,438</u>

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

Banks	Short Term	Long Term	June 30, 2013 Rupees	June 30, 2012 Rupees
BankIslami Pakistan Limited	A1	A	137,444	30,000,000
Bruj Bank Limited	A-1	A	77,481,488	81,036,524
Faysal Bank Islamic	A1+	AA	2,250,155	32,057,024
HBL Islamic Banking	A-1+	AA	137,357,663	55,000,000
Allied Bank Limited	A1+	AA+	2,358,644	2,240,958
Invest Capital Investment Bank Limited	D - Default	D - Default	8,833,331	80,000,000
Summit Bank	A-2	A-	3,397,215	3,388,150
Albaraka Bank (Pakistan) Limited	A1	A	1,488,538	1,488,538

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.

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

As at June 30, 2013					
	QAEM	Substandard	Doubtful	Loss	Total
	.....Rupees.....				
Ijarah rental receivable	-	-	840,501	22,275,010	23,115,511
Musharika and morabaha finance	-	-	-	355,348,177	355,348,177
Diminishing Musharaka	-	-	-	-	-
As at June 30, 2012					
	QAEM	Substandard	Doubtful	Loss	Total
	.....Rupees.....				
Ijarah rental receivable	-	730,713	316,557	23,229,164	24,276,434
Musharika and morabaha finance	-	190,942	454,986	365,359,588	366,005,516

Total impairment against these assets as at June 30, 2013 is Rs. 364,690,518 (2012 : Rs. 372,762,142).

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, musharika and diminishing musharika portfolio (original Principal) are as under.



Sector	2013		2012	
	Rupees	%age	Rupees	%age
Textile weaving	115,104,651	21.11%	16,121,463	4.08%
Textile Composite	56,961,761	10.44%	36,559,777	9.26%
Tobacco	65,894,871	12.08%	42,642,280	10.80%
Fuel & energy	11,393,000	2.09%	10,126,065	2.56%
Auto & allied engg.	8,690,695	1.59%	6,240,000	1.58%
Cables & electrical goods	4,197,000	0.77%	3,204,000	0.81%
Transport & communication	90,530,900	16.60%	43,032,000	10.90%
Construction	8,139,905	1.49%	7,292,882	1.85%
Leather & tanneries	415,364	0.08%	162,075	0.04%
Food & allied industries	38,347,399	7.02%	36,769,843	9.30%
Miscellaneous	145,780,731	26.73%	192,806,893	48.82%
	<u>545,356,277</u>	<u>100.00%</u>	<u>394,957,278</u>	<u>100.00%</u>

### 28.3 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.

**28.3.1 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, 2013

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
4.75 % - 12.5 %	224,519,535	224,471,147	-	-	-	-	48,388
	65,216,322	-	-	-	-	-	65,216,322
14% - 21%	24,576,691	23,835,159	741,532	-	-	-	-
12.8-13.10 %	63,936,110	1,511,466	4,534,399	18,137,596	39,266,301	-	734,008
	734,008	-	-	-	-	-	33,267,602
	33,267,602	-	-	-	-	-	99,266,320
	412,250,268	249,817,772	5,275,931	18,137,596	39,266,301	-	99,266,320
	5,701,394	-	-	-	-	-	5,701,394
	22,709,604	-	-	-	-	-	22,709,604
	40,797,980	-	-	-	-	-	40,797,980
	69,208,978	-	-	-	-	-	69,208,978
	249,817,772	5,275,931	18,137,596	39,266,301	-	-	-
	249,817,772	255,093,703	273,231,299	312,497,600	312,497,600	-	-

Total yield / profit risk sensitivity gap

Cumulative yield / profit risk sensitivity gap



June 30, 2012

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
5% - 11.5%	90,368,066	90,311,450	-	-	-	-	56,616
	289,275,672	170,000,000	25,000,000	-	-	-	97,275,672
14% - 21%	26,314,136	25,572,604	741,532	-	-	-	-
	1,490,630	-	-	-	-	-	1,490,630
	39,826,034	-	-	-	-	-	39,826,034
	447,274,538	285,884,054	25,741,532	-	-	-	138,648,952
	7,544,668	-	-	-	-	-	7,544,668
	17,832,449	-	-	-	-	-	17,832,449
	46,278,847	-	-	-	-	-	46,278,847
	71,655,964	-	-	-	-	-	71,655,964
	285,884,054	25,741,532	-	-	-	-	-
	285,884,054	311,625,586	311,625,586	311,625,586	311,625,586	311,625,586	-

Total yield / profit risk sensitivity gap

Cumulative yield / profit risk sensitivity gap

**28.3.2 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, 2013 Rupees	June 30, 2012 Rupees
Investments	45,618,276	90,828,284

**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	
	2013 Rupees	2012 Rupees
KSE 100(5% increase)	<b>2,280,914</b>	4,541,414
KSE 100(5% decrease)	<b>(2,280,914)</b>	(4,541,414)

**28.4 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.

**28.4.1 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>				
Quoted companies	45,618,276	-	-	45,618,276
<b>Available-for-sale financial assets</b>				
Listed entities	-	-	-	-
Unlisted entities	-	12,764,715	-	12,764,715

**28.5 Financial instrument by category**

	As at June 30, 2013			Total
	Loan and receivables	Assets at fair value through profit & loss	Available for sale	
	.....Rupees.....			
<b>ASSETS</b>				
Cash and bank balances	224,519,535	-	-	224,519,535
Investments	7,192,492	45,618,276	9,553,797	62,364,565
Musharika, morabaha and other finance	24,576,691	-	-	24,576,691
Diminishing musharika	63,936,110	-	-	63,936,110
Ijarah rentals receivable	734,008	-	-	734,008
Advances, prepayments and other receivables	33,267,602	-	-	33,267,602
Long term deposits	3,066,192	-	-	3,066,192
	<u>357,292,630</u>	<u>45,618,276</u>	<u>9,553,797</u>	<u>412,464,703</u>
<b>LIABILITIES</b>				
Ijarah deposits	40,797,980	-	-	40,797,980
Accrued and other liabilities	5,701,394	-	-	5,701,394
Unclaimed profit distribution	22,709,604	-	-	22,709,604
	<u>69,208,978</u>	<u>-</u>	<u>-</u>	<u>69,208,978</u>

	As at June 30, 2012			Total
	Loan and receivables	Assets at fair value through profit & loss	Available for sale	
	.....Rupees.....			
<b>ASSETS</b>				
Cash and bank balances	90,368,066	-	-	90,368,066
Investments	195,000,000	90,828,284	6,447,388	292,275,672
Musharika, morabaha and other finance	26,314,136	-	-	26,314,136
Ijarah rentals receivable	1,490,630	-	-	1,490,630
Advances, prepayments and other receivables	39,826,034	-	-	39,826,034
Long term deposits	3,068,092	-	-	3,068,092
	<u>356,066,958</u>	<u>90,828,284</u>	<u>6,447,388</u>	<u>453,342,630</u>
<b>LIABILITIES</b>				
Ijarah deposits	46,278,847	-	-	46,278,847
Accrued and other liabilities	7,544,668	-	-	7,544,668
Unclaimed profit distribution	17,832,449	-	-	17,832,449
	<u>71,655,964</u>	<u>-</u>	<u>-</u>	<u>71,655,964</u>

**29. 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. As at balance sheet date Modaraba do not have any exposure in short term and long term borrowing and it has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further Modaraba has very positive current ratio of 7.63:1 (2012: 11.37:1).

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.

**30. 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 Executive 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.

**31. NON CASH TRANSACTION**

During the year, the following non cash transaction were executed by the Modaraba

Settlement of term deposit receipt of Rs. 70 million, against acquisition of property and equipment owned and investment property amounting to Rs. 45 million and 25 million (refer note # 6.1).

Surrender of Lahore Stock Exchange Limited (LSE) membership and room against the shares of LSE, trading right entitlement certificate and broker room (refer note # 13.1).

**32. NON-ADJUSTING EVENTS AFER THE BALANCE SHEET DATE**

**32.1** Subsequent to the year end, the Chief Executive Officer (CEO) of the Modaraba Management Company resigned from the position of CEO and the Modaraba Management Company will consider the new appointment in the fourth coming meeting of Board of Director.

**32.2** The Board of Directors have approved profit distribution of Rs. 20,060,062 at the rate of 2.3% (Rs. 0.23 per certificate of Rs. 10) for the year ended June 30, 2013. These financial statements do not reflect this distribution.

**33. DATE OF AUTHORISATION OF ISSUE**

These financial statements has been authorised for issue on 10 October, 2013 by the Board of Directors of the Prudential Capital Management Limited.

**34. FIGURES**

Figures have been rounded off to the nearest Rupee.

**M. Nadeem Ahmed**  
Chief Executive Officer

**Fazal M. Mughal**  
Director

**Ataullah Khan**  
Director

**CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2013**

	NO OF CERTIFICATE HOLDER	NO OF CERTIFICATES	PERCENTAGE
<b>ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES</b>	1	10,521,205	12.06
PRUDENTIAL CAPITAL MANAGEMENT LTD.		10,521,205	
<b>NIT AND ICP</b>	2	422,603	0.48
NATIONAL BANK OF PAKISTAN TRUSTEE WING INVESTMENT CORPORATION OF PAKISTAN		379,700 42,903	
<b>DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN</b>	5	6,605,826	7.57
MR. FAZAL M. MUGHAL		155,412	
DR. MOHAMMAD HUSSAIN		51,340	
MR. ATAULLAH KHAN		6,015,139	
<b>CHIEF EXECUTIVE OFFICER</b>			
MR. M. NADEEM AHMED		2,156	
<b>SPOUSE</b>			
MRS. WASIA HUSSAIN W/O DR. M. HUSSAIN		381,779	
<b>EXECUTIVES.</b>		-----	-----
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS.</b>	1	1,929,159	2.21
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>	21	2,357,223	2.70
HABIB BANK LIMITED		828	
THE BANK OF PUNJAB		2,974	
HABIB BANK LTD. LSE BRANCH		848	
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	
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	
PRUDENTIAL DISCOUNT & GUARANTEE HOUSE LIMITED		9,000	

**CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2013**

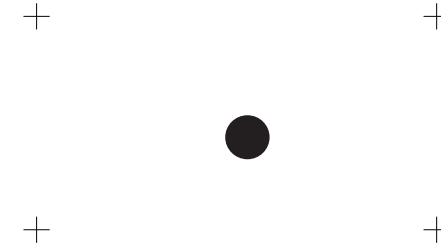
	<u>NO OF CERTIFICATE HOLDER</u>	<u>NO OF CERTIFICATES</u>	<u>PERCENTAGE</u>	
SHAREHOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANIES.	2	23,111,558	<b>23,111,558</b>	<b>26.50</b>
INDIVIDUAL	10822	35,416,045	<b>35,416,045</b>	<b>40.61</b>
OTHER CORPORATE SHAREHOLDERS	66	6,854,041	<b>6,854,041</b>	<b>7.87</b>
	<u>10,920</u>	<u>87,217,660</u>	<u>100.00</u>	

**PATTERN OF SHARE HOLDING AS AT 30 - 06 - 2013**

<u>NUMBER OF SHARE HOLDERS</u>	<u>SHARE HOLDINGS</u>			<u>TOTAL SHARES HELD</u>
3,371	1	-	100	169,911
2,660	101	-	500	637,491
2,230	501	-	1000	1,714,209
1,927	1001	-	5000	4,165,708
340	5001	-	10000	2,621,665
114	10001	-	15000	1,651,095
58	15001	-	20000	1,193,979
42	20001	-	25000	978,505
14	25001	-	30000	380,807
19	30001	-	35000	723,556
17	35001	-	40000	632,319
16	40001	-	45000	685,565
14	45001	-	50000	678,616
8	50001	-	55000	417,540
11	55001	-	60000	644,353
3	60001	-	65000	189,436
4	65001	-	70000	271,079
2	70001	-	75000	74,218
4	75001	-	80000	315,289
4	85001	-	90000	353,724
2	90001	-	95000	185,149
5	95001	-	100000	500,000
1	100001	-	105000	104,002
3	105001	-	110000	330,000
3	120001	-	125000	367,071
1	125001	-	130000	129,000
2	135001	-	140000	280,000
1	140001	-	145000	142,716
3	145001	-	150000	448,000
1	150001	-	155000	150,624
2	155001	-	160000	320,000
4	175001	-	180000	703,091
2	180001	-	185000	365,200
1	195001	-	200000	200,000
1	200001	-	205000	205,000
1	210001	-	215000	211,168
1	220001	-	225000	223,073
1	225001	-	230000	227,523
1	235001	-	240000	238,000
2	245001	-	250000	495,500
1	255001	-	260000	257,279
1	300001	-	305000	303,461
1	315001	-	320000	317,290



24<sup>th</sup> ANNUAL REPORT  
JUNE 30, 2013



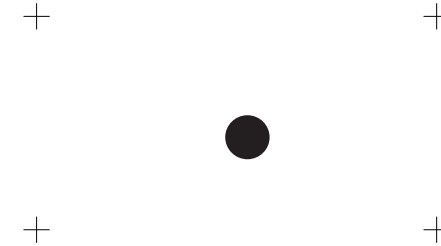
**First Prudential Modaraba**

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Mehersons Estate, First Floor  
Talpur Road, P.O Box No.621, Karachi.74000

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**Prudential Capital Management Ltd**



24<sup>th</sup> ANNUAL REPORT  
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