

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

Mr. Fazal M. Mughal	Director /Chief Executive
Dr. Muhammad Hussain	Director
*Mr. Jawed Iqbal Zia	Director
*Syed Mazhar Mujtaba	Director

CONTENTS

CORPORATE INFORMATION	01
DIRECTOR'S REPORT	02
AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS	
ON REVIEW OF INTERIM FINANCIAL INFORMATION	04
CONDENSED INTERIM BALANCE SHEET	06
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT	07
CONDENSED INTERIM CASH FLOW STATEMENT	08
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	10
SELECTED EXPLANATORY NOTES	11

COMPANY SECRETARY

Mr. Muhammad Musharraf Khan

CHIEF FINANCIAL OFFICER

Syed Mazhar Mujtaba

AUDIT COMMITTEE

Dr. Muhammad Hussain Chairman
* Mr. Jawed Iqbal Zia Member

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Mr. Fazal M. Mughal Chairman
Dr. Muhammad Hussain Member
* Syed Mazhar Mujtaba 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
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



DIRECTOR'S REPORT

The Board of Directors of Prudential Capital Management Limited, the Management Company of First Prudential Modaraba presents un-audited condensed Interim Financial Statements for the period ended December 31, 2013, as required under section 245 of the Companies Ordinance 1984, prepared in accordance with the requirements of the International Accounting Standard-34 "Interim Financial Reporting" as applicable in Pakistan.

KEY OPERATING FINANCIAL HIGHLIGHTS

(Rupees in millions)
.....Half year ended.....

	December 2013	December 2012
- Total income from operations	29.61	42.32
- Operating expenses	22.37	(24.73)
- Operating profit for the period	7.24	17.59
- Un-realized gain on re-measurement of investments	0.68	0.88
- Provision / (reversal) against doubtful receivables	0.70	(0.62)
- Amortization charges	-	(2.00)
- Other comprehensive income	-	.
- Net profit for the period	7.76	15.85
- Earning per certificate – Re.	0.09	0.18

REVIEW OF OPERATIONS

During the six months period under review, the gross operating income decreases by 30% to Rs. 29.61 million as compared to Rs. 42.32 million in corresponding period last year, which resulted in reduction of profit for the period from Rs.15.85 million to Rs. 7.7 million. This is mainly due to maturities of old ijarah facilities as Modaraba has adopted a selective approach for fresh disbursements. During the period Modaraba succeeded in recoveries out of its classified portfolio and confident of more in second half of the year. Modaraba is planning to build a strong ijarah and diminishing musharika portfolio in the second half of the current financial year. Modaraba has also structured an investment portfolio consisted of blue chip shares that has already started yielding returns. During the period Modaraba has also succeeded in arresting expenditure and focused on substantial reduction by the end of the current financial year.

On January 6, 2014 the Registrar Modaraba, Securities & Exchange Commission of Pakistan in order to ensure compliance of section 199 of the Companies Ordinance, 1984 has accorded his approval for appointment of Mr. Fazal M. Mughal, as Chief Executive Officer of Prudential Capital Management Limited, managers of First Prudential Modaraba for a period of six months as a stop gap arrangement.

Observations of External Auditors

- The morabaha facilities of Rs.13.65 million to various clients are securitized through collaterals whose forced sale value considerably exceeds amount outstanding, and therefore not been provided. Last year this figure was Rs.16.75 million which shows amount received during the period. The Modaraba is making all out efforts for their recovery and in this regard an aggregate amount of more than Rs.3 million has already been received. We are confident of substantial recoveries during the period up to June 30, 2014, that would give a much improved position.
- An amount of Rs. 19.92 million was extended to Invest Capital Investment Bank Limited, (formerly Al-Zamin Leasing Modaraba) in 2010 against certain ijarah assets under funded risk participation agreement. Provision made against the facility is Rs. 2.21 million. It is pertinent to mention that as at June 30, 2012, amount outstanding towards ICIBL was Rs. 91.05 million, which has come down to Rs.11.02 million. The Modaraba is in process of negotiation for recovery of this current outstanding and is confident of achieving an amicable settlement.



- The amount outstanding on account of Prudential Securities Limited (PSL) is still recoverable. Modaraba has lodged claim with Karachi Stock Exchange (KSE), and the management is confident to recover full amount as the Modaraba holds charge on the room at KSE as security against the outstanding amounts.
- The Modaraba through settlement agreement acquired membership of Lahore Stock Exchange in 2010 with a room at Rs. 22.33 million. After demutualization of Lahore Stock exchange, the Modaraba is entitled for 843,075 shares of Lahore Stock Exchange and Trading Right Entitlement Certificate (TREC). In view of above change the management is in process of accessing the fair value of shares and TREC along with the room. The management of the Modaraba is of the view that the carrying value of these shares and trading right along with room would be much higher as presently reflecting in the books of the Modaraba.

Acknowledgement

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

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

Karachi
February 27, 2014



AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Prudential Modaraba** (the Modaraba) as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year ended December 31, 2013. Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarter ended December 31, 2013 and December 31, 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

Scope of Review

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

Basis for Qualified Conclusion

- a) Out of total amount of musharika and morabaha finance, Rs. 13.65 million (refer note 7 to the condensed interim financial information) 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, in our opinion, the recoverability of such amount is not certain.
- b) The Modaraba has unsecured investment of Rs. 11.01 million (refer note 7.3 to the condensed interim financial information) 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, in our opinion, the chance of recoverability of this balance is not certain.
- c) 'Advances, prepayments and other receivables' include a long outstanding balance of Rs.18.43 million (refer note 10.1 to the condensed interim financial information) receivable from Prudential Securities Limited (PSL). 'Long term deposit' also includes security deposits receivable Rs. 3 million 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.
- d) Refer note 12.1 to the condensed interim financial information, while making allocation of Lahore Stock Exchange Limited (LSE) Card between ordinary shares and Trading Right Entitlement Certificate (TREC) the management of the Modaraba allocated Rs. 5.34 million to 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, equity and profit for the period would have been reduced by Rs. 1.34 million.



In respect of paragraphs (b) to (d) above owing to the limitation of scope and non-availability of appropriate audit evidence we are unable to quantify the amount of adjustment required.

Qualified Conclusion

Based on our review, with the exception of the matters described in paragraphs (a) to (d) above, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter paragraphs

e) We draw attention to the following matters;

- i) Prudential Regulations for the Modaraba prohibits holding office premises for its own use, however, last year Modaraba acquired two offices through a settlement agreement with an entity which defaulted in repayments. The Modaraba is using these offices for its own use and has classified it under 'Property and equipment' (refer note 13.1 to the condensed interim financial information).
- 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 compliant scripts. However, the Modaraba has entered into the following transactions which are in contravention of the said requirements.
 - In 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'.
 - Last 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.
 - 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 12.1 to the condensed interim financial information).
 - The Modaraba held shares of non-Shari'ah compliant companies (refer note – 6.5 and 11 of condensed interim financial information).
- iii) Note 1.2 to the condensed interim financial information where management has disclosed the matter relating to the 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 'e' above.

**Chartered Accountants
Engagement Partner**
Mushtaq Ali Hirani
Karachi
Dated:



**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013**

ASSETS	Note	(Unaudited) December 31, 2013 Rupees	(Audited) June 30, 2013 Rupees
Current Assets			
Cash and bank balances	5	205,830,131	224,519,535
Investments	6	54,213,140	46,994,510
Musharika, morabaha and other finance	7	22,437,619	24,576,691
Diminishing musharika	8	19,719,545	13,723,212
Ijarah rentals receivable	9	631,484	734,008
Advances, prepayments and other receivables	10	33,704,361	33,267,602
Total Current Assets		336,536,280	343,815,558
Non - Current Assets			
Long term investments	11	9,553,797	9,553,797
Long term portion of diminishing musharika	8	64,229,436	50,212,898
Long term deposits	10.1	3,066,192	3,066,192
Loan and receivables	6	5,077,779	5,816,258
Intangible assets	12	6,217,754	6,549,890
Property and equipment - owned	13	47,052,185	48,593,921
Property, plant and equipment - ijarah	14	62,504,148	76,082,525
Investment properties	15	41,194,500	41,194,500
Total Non - Current Assets		238,895,791	241,069,981
TOTAL ASSETS		575,432,071	584,885,539
LIABILITIES			
Current Liabilities			
Current portion of long term ijarah deposits		30,243,255	16,678,500
Accrued and other liabilities		5,938,986	5,701,394
Unclaimed profit distribution		27,882,256	22,709,604
Total Current Liabilities		64,064,497	45,089,498
Non-Current Liabilities			
Long term deposits		7,989,200	24,119,480
TOTAL LIABILITIES		72,053,697	69,208,978
NET ASSETS		503,378,374	515,676,561
REPRESENTED BY			
Certificate Capital			
Authorized certificate capital			
87,217,660 Modaraba Certificates of Rupees 10/- each		872,176,600	872,176,600
Issued, subscribed and paid-up certificate capital			
87,217,660 Modaraba Certificates of Rupees 10/- each		872,176,600	872,176,600
Statutory reserve		138,650,648	138,650,648
Accumulated loss		(507,448,874)	(495,150,687)
		<u>503,378,374</u>	<u>515,676,561</u>

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

Note : This condensed interim financial information has been signed by chief executive officer and one director instead of two directors as appointment of a director due to casual vacancy is in process.

Chief Executive Officer

Director

6



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	Note	Half year ended		Quarter ended	
		December 31 2013 Rupees	December 31 2012 Rupees	December 31 2013 Rupees	December 31 2012 Rupees
INCOME					
Ijarah rentals earned		12,591,889	24,548,762	6,024,980	9,931,706
Return on term deposit receipts and PLS accounts		8,379,726	11,344,244	4,139,623	5,562,793
Income on diminishing musharika		5,254,722	-	3,372,385	-
Gain on sale of investments		2,861,423	3,383,562	1,211,249	2,061,639
Dividend income		809,321	1,855,128	394,591	1,081,110
Rental income from an investment property		90,000	-	45,000	-
Other income		(372,323)	1,193,437	(359,823)	1,147,327
		<u>29,614,758</u>	<u>42,325,133</u>	<u>14,828,005</u>	<u>19,784,575</u>
Unrealized gain / (loss) on changes in fair value of held for trading investments - at fair value through profit and loss		680,076	881,010	2,201,244	(752,497)
Impairment reversal / (losses) and (Provision) against doubtful receivables - net		700,606	(620,969)	700,606	-
Amortisation charges - other receivable	6.2	-	(2,006,357)	-	-
		<u>30,995,440</u>	<u>40,578,817</u>	<u>17,729,855</u>	<u>19,032,078</u>
EXPENDITURE					
Depreciation on ijarah assets		(13,465,574)	(16,201,966)	(6,618,217)	(7,838,093)
Administrative expenses		(8,729,554)	(8,204,054)	(4,715,842)	(4,536,969)
Workers welfare fund		(176,006)	(323,456)	(176,006)	(467,136)
		<u>(22,371,134)</u>	<u>(24,729,476)</u>	<u>(11,510,065)</u>	<u>(12,842,198)</u>
Profit for the period		8,624,306	15,849,341	6,219,790	6,189,880
Modaraba company's management fee	16	(862,431)	-	(862,431)	-
Profit before taxation		<u>7,761,875</u>	<u>15,849,341</u>	<u>5,357,359</u>	<u>6,189,880</u>
Provision for taxation	17	-	-	-	-
Profit after taxation		<u>7,761,875</u>	<u>15,849,341</u>	<u>5,357,359</u>	<u>6,189,880</u>
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		<u>7,761,875</u>	<u>15,849,341</u>	<u>5,357,359</u>	<u>6,189,880</u>
Earnings per certificate		<u>0.09</u>	<u>0.18</u>	<u>0.06</u>	<u>0.07</u>

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

Note : This condensed interim financial information has been signed by chief executive officer and one director instead of two directors as appointment of a director due to casual vacancy is in process.

Chief Executive Officer

Director

7



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	<u>Half year ended</u>	
	December 31, 2013 Rupees	December 31, 2012 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,761,875	15,849,341
Adjustments for non - cash changes and other items		
Dividend income	(809,321)	(1,855,128)
Loss / (gain) on disposal - ijarah assets	644,397	(338,664)
Loss on disposal - own assets	(1,691)	3,500
Unrealized gain on remeasurement of held for trading investments	(680,076)	(881,010)
Gain on sale of investments	(2,861,423)	(3,383,562)
Impairment (reversal) and (provision) against doubtful receivables - net	(700,606)	620,969
Amortisation expense - other receivable	-	2,006,357
Depreciation - own assets	1,582,928	353,338
Depreciation - ijarah assets	13,465,574	16,201,966
Amortisation - intangibles	332,136	-
Unwinding of interest - term deposit receipt	(271,137)	-
	<u>18,462,656</u>	<u>28,577,107</u>
(Increase) / decrease in current assets		
Musharika, morabaha and other finance	2,839,678	(1,293,689)
Diminishing musharika	(20,012,871)	-
Ijarah rentals receivable	102,524	(1,023,585)
Advances, prepayments and other receivables	(373,226)	5,935,981
	<u>(17,443,895)</u>	<u>3,618,707</u>
Increase / (decrease) in current liabilities		
Long term deposits	(2,565,525)	(2,763,085)
Accrued and other liabilities	237,592	269,264
	<u>(2,327,933)</u>	<u>(2,493,821)</u>
Cash (used in) / generated from operations	(1,309,172)	29,701,993
Income tax paid	(63,534)	(66,950)
Net cash (used in) / generated from operating activities	<u>(1,372,706)</u>	<u>29,635,043</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	809,321	1,855,128
Investments encashed - net	(2,667,515)	148,672,750
Proceeds from disposal - ijarah assets	4,468,406	4,010,631
Purchase of own assets	(42,000)	(83,000)
Proceeds from disposal - own assets	2,500	-
Purchase of computer softwares	-	(1,827,744)
Purchase of ijarah assets	(5,000,000)	(1,189,000)
Net cash (used in) / generated from investing activities	<u>(2,429,288)</u>	<u>151,438,765</u>



	<u>Half year ended</u>	
	December 31, 2013 Rupees	December 31, 2012 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	(14,887,410)	(15,744,848)
Net cash used in financing activities	<u>(14,887,410)</u>	<u>(15,744,848)</u>
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(18,689,404)	165,328,960
Cash and cash equivalents at beginning of the period	224,519,535	90,368,066
Cash and cash equivalents at end of the period	<u>205,830,131</u>	<u>255,697,026</u>

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

Note : This condensed interim financial information has been signed by chief executive officer and one director instead of two directors as appointment of a director due to casual vacancy is in process.



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	Reserves				Total	
	Certificate capital	Capital		Revenue		
		Statutory Reserve	Unrealized gain / (loss) on available for sale investments	Accumulated loss		Sub total
Balance at July 1, 2012	872,176,600	133,492,500	345,848	(486,407,061)	519,607,887	
Profit for the half year ended December 31, 2012	-	-	-	15,849,341	15,849,341	
Distribution @ 0.3 per certificate declared for the year ended June 30, 2012	-	-	-	(26,165,298)	(26,165,298)	
Other comprehensive loss for the half year ended December 31, 2012	-	-	(345,848)	-	(345,848)	
Balance at December 31, 2012	872,176,600	133,492,500	(345,848)	(486,723,018)	508,946,082	
Profit for the half year ended June 30, 2013	-	-	-	9,941,397	9,941,397	
Other comprehensive loss for the half year ended June 30, 2013	-	-	(3,210,918)	-	(3,210,918)	
Transfer to statutory reserve	-	5,158,148	-	(5,158,148)	-	
Balance at July 01, 2013	872,176,600	138,650,648	(3,210,918)	(495,150,687)	515,676,561	
Profit for the half year ended December 31, 2013	-	-	-	7,761,875	7,761,875	
Distribution @ 0.23 per certificate declared for the year ended June 30, 2013	-	-	-	(20,060,062)	(20,060,062)	
Other comprehensive income for the half year ended December 31, 2013	-	-	-	(604,237,956)	(604,237,956)	
Balance at December 31, 2013	872,176,600	138,650,648	(3,210,918)	(507,448,874)	503,378,374	

The annexed notes 1-19 form an integral part of these condensed interim financial information.

Note : This condensed interim financial information has been signed by chief executive officer and one director instead of two directors as appointment of a director due to casual vacancy is in process.

Chief Executive Officer

Director



**SELECTED EXPLANATORY NOTES (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 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 section 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 condensed interim financial information is presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial information comprise of condensed interim balance sheet, condensed interim profit and loss, condensed interim cash flow statement and condensed interim statement of changes in equity together with selected explanatory notes forming part thereof. The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published audited financial statements and should be read in conjunction with the annual audited financial statements of the Modaraba for the year ended June 30, 2013.

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

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in preparing the financial statements of the Modaraba for the year ended June 30, 2013.

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2013.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Modaraba's operations and did not have any impact on the accounting policies of the Modaraba except where changes affected presentation and disclosures in this condensed interim financial information.

**4. BASIS OF PREPARATION**

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

	Note	(Unaudited) December 31, 2013 Rupees	(Audited) June 30, 2013 Rupees
5. CASH AND BANK BALANCES			
Cash in hand		45,200	33,381
Cash at banks			
Current accounts		1,503,545	1,503,545
Saving accounts	5.1	204,281,386	222,982,609
		<u>205,784,931</u>	<u>224,486,154</u>
		<u>205,830,131</u>	<u>224,519,535</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 3.5 % to 8.85 % per annum (Jun 2013: 4.75% to 12.5%) per annum.

6. INVESTMENTS

**Loan and receivables
Held for trading at fair value through profit or loss - in quoted securities**

- considered good	6.1 & 6.2	52,770,327	45,618,276
Other receivable- considered good	6.4	1,442,813	1,376,234
		<u>54,213,140</u>	<u>46,994,510</u>

6.1 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.

Un-Audited 31 December 2013	Audited 30 June 2013		Un-Audited 31 December 2013 Rupees	Audited 30 June 2013 Rupees
Number of Certificates / shares/ Units		Name of investee		
		Open-end Mutual Funds		
-	255,063	MCB Islamic Income Fund (Face value of units Rs.100/- each)	-	25,979,578
		Oil & Gas		
7,500	-	Attock Refinery Limited	1,557,525	-
-	6,300	National Refinery Limited	-	1,515,654
21,400	-	Pakistan Petroleum Limited	4,578,744	-
		Chemicals		
159,000	305,000	Fauji Fertilizer Bin Qasim Limited	6,965,790	11,449,700
55,000	25,000	Fauji Fertilizer Company Limited	6,157,800	2,685,750



Un-Audited 31 December 2013	Audited 30 June 2013		Un-Audited 31 December 2013 Rupees	Audited 30 June 2013 Rupees
Number of Certificates / shares/ Units		Name of investee		
		Construction and Materials (Cement)		
125,000	9,500	D.G. Khan Cement Company Limited	10,716,250	795,055
100,000	-	Cherat Cement Company Limited	6,329,000	-
25,000	-	Maple Leaf Cement	685,750	-
13,200	13,000	Kohat Cement Company Limited	1,290,564	1,115,790
		General Industrials		
3,000	5,000	MACPAC Films Limited	63,540	114,050
		Food Producers		
31,000	-	Engro Foods Limited	3,237,640	-
		Household Goods		
348	348	Hussain Industries Limited	6.3	2,575
		Personal Goods (Textile)		
1,565	1,565	Nishat Mills Limited	199,131	147,439
		Pharma and Bio tech		
-	2,200	GlaxoSmithKline Pakistan Limited	-	266,926
		Fixed Line Telecommunication		
55,000	-	Pakistan Telecommunication Company Ltd	1,564,200	-
		Electricity		
110,000	15,000	The Hub Power Company Limited	6,679,200	924,750
115,000	-	Pakgen Power Limited	2,496,650	-
		Multiutilities (Gas and Water)		
1,360	12,360	Sui Northern Gas Pipeline Limited	28,968	247,942
-	9,000	Sui Southern Gas Company	-	175,680
		Equity Investment Instruments		
25,000	20,000	First Habib Modaraba (Face value of certificate Rs. 5/- each)	217,000	198,000
		Suspended / Delisted Companies		
1,670,720	1,670,720	Prudential Stock Fund	6.3	-
360,000	360,000	Zeal-Pak Cement Factory Limited	6.3	-
			<u>-</u>	<u>-</u>
			<u>52,770,327</u>	<u>45,618,276</u>



Note	Unaudited December 31, 2013 Rupees	Audited June 30, 2013 Rupees
6.2 Unrealized Gain on changes in fair value of held for trading investments		
Weighted average cost of investments	52,090,251	43,712,647
Unrealized gain on changes in fair value of held for trading investments	680,076	1,905,629
Market value of investments	<u>52,770,327</u>	<u>45,618,276</u>
6.3	This represents non-Shari'ah compliant investments.	
6.4 Other receivable- considered good		
Term deposit receipt	8,776,366	10,000,000
Less : Amortization charges - other receivable	(1,583,874)	(2,000,000)
	<u>7,192,492</u>	<u>8,000,000</u>
Unwinding of interest	271,183	416,216
Principal received during the period / year	(943,083)	(1,223,724)
6.4.1	<u>6,520,592</u>	<u>7,192,492</u>
Less: Long term portion	(5,077,779)	(5,816,258)
	<u>1,442,813</u>	<u>1,376,234</u>

6.4.1 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 said balance is receivable in 60 equal monthly instalments of Rs. 166,667/- beginning from December 10, 2012 at Nil profit.

7. MUSHARIKA, MORABAHA AND OTHER FINANCE

Musharika and morabaha finance

Musharika finance - unsecured		
Principal	105,172,201	105,172,201
Profit	45,238,105	45,238,105
	<u>150,410,306</u>	<u>150,410,306</u>
Morabaha finance - secured		
Principal	85,063,108	87,202,185
Profit	124,149,026	124,849,627
	<u>209,212,134</u>	<u>212,051,812</u>
	<u>359,622,440</u>	<u>362,462,118</u>
Less: Provision for doubtful finance		
Musharika finance - unsecured	(150,410,306)	(150,410,306)
Morabaha finance - secured	(195,565,720)	(196,266,326)
	<u>(345,976,026)</u>	<u>(346,676,632)</u>
	<u>13,646,414</u>	<u>15,785,486</u>
Other finance - unsecured		
	8,791,205	8,791,205
	<u>22,437,619</u>	<u>24,576,691</u>

7.1 The return on these morabaha ranges from 14% to 21% (2013 : 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.



7.2 Movement in provision

	December 31, 2013			June 30, 2013		
	Principal	Profit	Total	Principal	Profit	Total
	-----Rupees-----					
Opening balance	178,832,495	167,844,137	346,676,632	171,553,125	177,154,712	348,707,837
Reversal of provision / provision during the period / year	-	(700,606)	(700,606)	7,279,370	(2,504,967)	4,774,403
Written-off during the period	-	-	-	-	(6,805,608)	(6,805,608)
Closing balance	<u>178,832,495</u>	<u>167,143,531</u>	<u>345,976,026</u>	<u>178,832,495</u>	<u>167,844,137</u>	<u>346,676,632</u>

7.3 Other finance

		Unaudited December 31, 2013 Rupees	Audited June 30, 2013 Rupees
Other finance - unsecured	7.3.1	11,002,281	11,002,281
Provision for doubtful receivables		(2,211,076)	(2,211,076)
		<u>8,791,205</u>	<u>8,791,205</u>

7.3.1 This finance has been made 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 (2013 : 17.16% per annum).

8. DIMINISHING MUSHARIKA

Diminishing musharika	83,228,504	63,449,762
Principal	<u>720,477</u>	<u>486,348</u>
Profit	83,948,981	63,936,110
	<u>(19,719,545)</u>	<u>(13,723,212)</u>
Less: Short term portion of diminishing musharika	<u>64,229,436</u>	<u>50,212,898</u>

8.1 These carry profit rate ranging from 12.8% to 14.51% (2013: 12.8% to 13.11%) per annum and are repayable on monthly basis over a maximum period of 3 years.

9. IJARAH RENTALS RECEIVABLE

Considered good	631,484	734,008
Considered doubtful	23,115,511	23,115,511
	<u>23,746,995</u>	<u>23,849,519</u>
Less: Provision for doubtful receivables	9.1	(23,115,511)
	<u>631,484</u>	<u>734,008</u>

9.1 Movement in provision for doubtful receivables

Opening balance	23,115,511	24,054,305
Charge during the period	-	783,696
Reversal during the period	-	(1,722,490)
Closing balance	<u>23,115,511</u>	<u>23,115,511</u>

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

	Considered Good		Considered Doubtful		Total	
	December 31, 2013	June 30, 2013	December 31, 2013	June 30, 2013	December 31, 2013	June 30, 2013
Advance			-----Rupees-----			
Income tax	13,335,629	13,193,654	-	-	13,335,629	13,193,654
To staff	174,708	219,374	1,814,000	1,814,000	1,988,708	2,033,374
Prepayments	301,362	283,762	-	-	301,362	283,762
Other receivables from						
Brokers on account of sale of shares	-	-	65,619,558	65,619,558	65,619,558	65,619,558
Prudential Securities Limited	10.1	18,432,273	-	-	18,432,273	18,432,273
A Bank	10.2	-	10,241,347	10,241,347	10,241,347	10,241,347
Profit on TDRs and other finance	1,455,118	1,066,976	-	-	1,455,118	1,066,976
Others	5,271	71,563	13,177,945	13,177,945	13,183,216	13,249,508
Sub total	33,704,361	33,267,602	90,852,850	90,852,850	124,557,211	124,120,452
Provision for doubtful receivables	10.3	-	(90,852,850)	(90,852,850)	(90,852,850)	(90,852,850)
					33,704,361	33,267,602

10.1 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:

Operations of PSL had been ceased by Karachi Stock Exchange Limited (KSE) and the Modaraba has filed a claim with the KSE of Rs. 18 million along with margin deposit of Rs. 3 million included in long term deposits.

10.2 This represents an unauthorised 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.

	(Unaudited) December 31, 2013	(Audited) June 30, 2013
10.3 Movement in provision for doubtful receivables		
Opening balance	90,852,850	88,587,121
Provision made	-	2,797,628
Reversal of provision	-	(531,899)
Closing balance	<u>90,852,850</u>	<u>90,852,850</u>

**11. LONG TERM INVESTMENTS**

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

Available for sale - Unlisted companies

Number of shares	Name of investee	Un-Audited	Audited	Un-Audited	Audited
		31 December 2013	30 June 2013	31 December 2013	30 June 2013
				Rupees	Rupees
1,107,244	Prudential Securities Limited (PSL) Cost	1,107,244	1,107,244	4,173,707	4,173,707
	Less: Impairment			(4,173,707)	(4,173,707)
				-	-
191,700	Prudential Discount and Guarantee House Limited Cost	191,700	191,700	1,041,815	1,041,815
	Less: Impairment			(1,041,815)	(1,041,815)
				-	-
-	Lahore Stock Exchange Limited Cost	843,975	843,975	12,764,715	12,764,715
	Less: Fair value adjustment			(3,210,918)	(3,210,918)
				9,553,797	9,553,797
				<u>9,553,797</u>	<u>9,553,797</u>

11.1 Movement of impairment

Opening balance	4,173,707	795,077
Impairment charge during the period / year	-	3,378,630
Closing balance	<u>4,173,707</u>	<u>4,173,707</u>

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

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

11.3 This represent the non-Shari'ah compliant shares acquired against the surrender of Lahore Stock Exchange Limited (LSE) membership card (refer note 12.1). Under the current circumstances the active market is not available for such shares as LSE has not listed yet, 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.

12. INTANGIBLE ASSETS

LSE - Trading right entitlement certificate (TREC)	12.1	5,344,352	5,344,352
Computer softwares	12.2	873,402	1,205,538
		<u>6,217,754</u>	<u>6,549,890</u>

12.1 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).

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 in accordance with the requirements of Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012.

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 based on latest available financial information for the period ended December 31, 2012 per share was considered as the closest estimates of the fair value of the shares.

As per Section 16 of the Act and subsequent notice issued by the LSE; all TREC holders are required to register as company under the Companies Ordinance, 1984. The said company then has to get registered as a broker under the Brokers and Agents Registration Rules, 2001 in order to get activated at LSE as broker before August 26, 2014. The object clause of prospectus of the Modaraba do not allow indulging in brokerage business can not be registered as a broker. The Modaraba is in process of transferring / disposing of the TREC. The management is confident that the transfer / disposal will be made before August 26, 2014.

	(Unaudited) December 31, 2013 Rupees	(Audited) June 30, 2013 Rupees
12.2 Computer softwares		
Opening balance period / year	1,205,538	-
Computer softwares purchased during the period	-	1,827,744
Amortization	(332,136)	(622,206)
Carrying value	<u>873,402</u>	<u>1,205,538</u>

13. PROPERTY AND EQUIPMENT - OWN

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

	Additions		Disposals (W.D.V)	
	(Unaudited) December 31, 2013	(Audited) June 30, 2013	(Unaudited) December 31, 2013	(Audited) June 30, 2013
	-----Rupees-----			
Office premises	-	46,761,122	-	-
Office equipment and appliances	42,000	202,500	(809)	-
Furniture and fixtures	-	533,936	-	-
Computer equipment	-	326,065	-	-
Motor vehicles	-	<u>2,133,000</u>	-	<u>(74,251)</u>
	<u>42,000</u>	<u>49,956,623</u>	<u>(809)</u>	<u>(74,251)</u>

- 13.1 This represents two offices in Lakson Square, Karachi acquired through a settlement agreement.

14. PROPERTY, PLANT AND EQUIPMENT - Ijarah

Following additions and disposals in ijarah assets, were made during the period.

	Additions		Disposals (W.D.V)	
	(Unaudited) December 31, 2013	(Audited) June 30, 2013	(Unaudited) December 31, 2013	(Audited) June 30, 2013
	-----Rupees-----			
Vehicles	<u>5,000,000</u>	<u>9,252,500</u>	<u>(5,112,803)</u>	<u>(9,758,294)</u>
		Note	(Unaudited) December 31, 2013 Rupees	(Audited) June 30, 2013 Rupees
15. INVESTMENT PROPERTIES				
Opening balance			41,194,500	10,500,000
Additions			-	30,379,500
Unrealized gain on measurement of Investment Property			-	<u>315,000</u>
Closing balance			<u>41,194,500</u>	<u>41,194,500</u>

16. MODARABA COMPANY'S MANAGEMENT FEE

The management fee is calculated @ 10% on profit before tax.

17. TAXATION

The income of the Modaraba is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. The management intends to distribute the profit and accordingly no provision for tax has been made in the current period. 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.

18. RELATED PARTY TRANSACTIONS

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

Relationship with Modaraba	Nature of Transactions	Un-Audited December 31, 2013 Rupees	Audited December 31, 2013 Rupees
		Provident fund	Contribution made
Chief executive officer	Perquisites	102,669	-
Modaraba management company	Dividend paid	2,419,877	3,156,361
	Management fee	862,431	-

18. DATE OF AUTHORISATION OF ISSUE

This condensed interim financial information has been authorized for issue on February 27, 2014 by the Board of Directors of the Prudential Capital Management Limited.

19. FIGURES

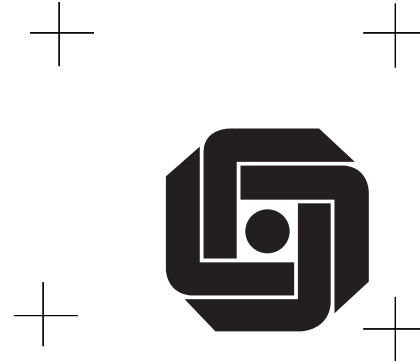
Figures have been rounded off to the nearest Rupee.

Note : This condensed interim financial information has been signed by chief executive officer and one director instead of two directors as appointment of a director due to casual vacancy is in process.

BOOK - POST
PRINTED MATTER

If undelivered please return to :
First Prudential Modaraba
Office No. A-601-602, 6th Floor,
Lakson Square Building No.3,
Sarwar Shaheed Road, Karachi-74200,

HALF YEARLY ACCOUNTS DECEMBER 31, 2013



First Prudential Modaraba

Managed by :
Prudential Capital Management Ltd