

Prudential Investment Bank Limited

Annual Report 2001

Contents

Corporate and Investors Information
Notice of Meeting
Director's Report
Auditor's Report to the Members
Balance Sheet
Profit & Loss Account
Cash Flow Statement
Statement of Changes in Equity
Notes to the Accounts
Pattern of Shares Holdings

Corporate & Investors Information

Board of Directors

Muhammad Nasimuddin Mirza
M. Obaidullah Siddiqui
Shahid Rehman
Naveed A. Wahid
Muhammad Yakoob Admaney
Rashidullah Yacoob
Muhammad Tahir Siddiqui

Chief Executive Officer

Tahir Hasan

Company Secretary

Ather Syed

Bankers

Askari Commercial Bank Ltd.
Muslim Commercial Bank Ltd.
Prudential Commercial Bank Ltd..
United Bank Limited

Auditors

Riaz Ahmed, Saqib, Gohar & Co.
Chartered Accountants

Legal Advisors

Liaquat Merchant & Co	Karachi
Akhtar Mehmood & Co	Karachi
Farooq Law Associate	Islamabad

Registered Office

House # 15, Street # 26,
Sector F-6/11, Islamabad
Tel: (051) 2822827, 2822402
Fax: (051) 2829935

Corporate Profile

The Prudential Investment Bank Ltd. (PIBL) was incorporated in 1988 under the Government of Pakistan's SRO No. 585/(1)87. The Bank is regulated by State Bank of Pakistan. PIBL has geographically diversified branch offices in all the provinces of Pakistan.

Stock Exchange Listing

Prudential Investment Bank Ltd., is listed on all the Stock Exchanges in Pakistan. Daily quotations on the Stocks Exchanges can be obtained from leading newspapers, it is listed under "Investment Companies & Banks".

Public Information

Prospective investors, financial analysts, stock brokers and financial media desiring information about the Prudential Investment Bank Ltd., should contact the Central Office Karachi.

Tel: 021-2401801,2401788
Fax: 021-2401341

Share Holders Information

Enquiry covering lost share certificates, dividend payments, change of address, verification of transfer deeds and shares transfer should be directed to the Registrar of Prudential Investment Bank Ltd., i.e.

Shares & Corporate Services (Pvt.) Ltd.,

Mehersons Estate, Block-E, B-E-1,
Talpur Road, Karachi.
Tel: 2401634 Fax: 2420015

Notice of Meeting

Notice is hereby given that the Twelfth Annual General Meeting of the Shareholders of Prudential Investment Bank Limited will be held at its Registered Office located at 26 -D, First Floor, Kashmir Plaza, Jinnah Avenue, Blue Area, Islamabad on Monday December 31,2001 at 10:30 hours to transact the following business:

AGENDA

1. To confirm the Minutes of the Annual General Meeting held on June 27, 2001.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2001 together with the Directors and Auditors Report thereon.

3. To appoint auditors for the year 2001-2002 and to fix their remuneration. The present auditor Messrs, Riaz Ahmed, Saqib, Gohar & Co., Chartered Accountants, retires and being eligible offer themselves for re-appointment.

4. To transact any other business, which may be placed before the meeting with the permission of the Chair.

By Order of the Board

Ather Syed
Company Secretary

Karachi: December 9, 2001

Note:

1. The Share Transfer Books of the Company will remain closed from December 21, 2001 to December 31, 2001 (Both day inclusive):

2. A member entitled to attend and vote at this Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her NIC to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her NIC. Representatives of Corporate members should bring the usual documents required for such purpose.

4. Members are required to notify the change of address, if any, immediately.

DIRECTOR'S REPORT

The Board of Directors present herewith the Annual Report of the Bank alongwith Audited Accounts for the year ended June 30, 2001. During the year the Board recall the Chief Executive to reactivate his office. The Chief Executive Joined his office on September 11, 2001.

OPERATIONAL RESULTS

Pretax losses for the year under review were posted at Rs. 37.132 Million compared to a loss of Rs. 7.104 Million in the corresponding year of June 2000. The Primary reasons for losses are Capital loss on sale of investments amounting to Rs. 26.780 Million and reduction in return on financing which dropped from Rs. 36.799 Million of last year to Rs. 29.807 Million in current year. Moreover other negative impact, which has, limit the profit are increase in financial charges from Rs. 7.242 Million to Rs. 19.446 Million of June 2001. Additionally the diminution in the value of investments affecting to Rs. 27.857 Million also resulted in compounding the losses. The only factor, which compensated in reduction of losses, is reduction in return to depositors from Rs. 88.50 Million to Rs. 46.945 Million in current year..

AUDITORS REPORT

The Auditors report to members reveals that a sum of Rs. 233.245 Million as loans receivable from the absconding Chairman Mr. Rashidullah Yacoob. In addition to this a Mark up of Rs. 80.467 Million is also receivable from Mr. Rashidullah Yacoob's against these fake advances. These advances were benami/fake and were created by Mr. Rashidullah Yacoob, Chairman of the Bank due to his conceive tactics and undue interference. Mr. Rashidullah Yacoob's transactions are also inter-mingled with other group/associated com-

panies and the matter presently is under investigation at NAB level, and final result will ultimately reveal what is recoverable.

RECOVERY SUIT AGAINST MR. RASHIDULLAH YACOOB

The board has decided to file a recovery suit against Mr. Rashidullah Yacoob for recovery of benami loans relating to him.

LIQUIDITY

The liquidity of the Bank is adverse due to fake and benami loans attributed to Mr. Rashidullah Yacoob the absconding Chairman. This amount if recovered and new business opportunities are explored the bank will become viable and additional investors would be invited to inject the amount required, to make the bank a viable unit.

FUTURE OUTLOOK

The Board appointed well know Chartered Accountant firm to elevate the Bank position and prepare a report after due diligence with their recommendation for revival of the bank which is expected by the year end.

PATTERN OF SHAREHOLDING

Pattern of share holding is enclosed.

AUDITORS

The Current Auditors M/s Riaz Ahmad, Saqib, Gohar & Company retire and offer themselves for re-appointment.

ACKNOWLEDGEMENT

We are thankful to, Securities & Exchange Commission of Pakistan, State Bank of Pakistan and staff for their support and cooperation.

Karachi.

Dated: December 08, 2001

**For and on behalf of the
Board of Directors**

Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Prudential Investment Bank Limited as at June 30, 2001 and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended in which are incorporated the audited returns of Karachi branch and unaudited certified returns from the other branches, 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standard as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presen-

tation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

Receivable from Mr. Rashidullah Yacoob, Chairman as stated in notes no. 15.2 and 19.3 to the financial statements i.e. Rupees 233,245,001/= and Rupees 80,467, 267/= respectively represents cumulative balances of benami/fake advances and mark-up accrued thereon till June 30, 2001. According to the management, these benami/fake advances were created by the Mr. Rashidullah Yacoob, Chairman in the previous years and thus these do not represent actual parties. However, investigation by NAB is under way to determine the facts and actual amounts. In the meantime, no provision for any doubtful amounts have been made. In addition to above the company has also not made provision for doubtful against advances amounting to Rupees 23,181,080/= which is required under the NBFI's rules and regulations.

Had the above provisions been made the loss for the year would have been Rupees 293,746,902/= instead of Rupees 37,320,821/= and accumulated loss would have been Rupees 315,237,359/= instead of Rupees 58,811,278/=

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) In our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note no 2.2 to the accounts with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters stated above, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereon confirm with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushar Ordinance, 1980.

Without qualifying our opinion, as fully explained in note no. 1, we draw attention to the fact that the company has suffered losses amounting to Rupees 37,320,821/= upto the year ended 30th June, 2001. Which donot include provisions for the anticipated amounts as mentioned above. The management believes that future operations of the bank will not be adversely effected as the management is working on a plan for injection of fresh equity by directors and other prospecting investors, and the matters lying with Securities & Exchange Commission of Pakistan will be satisfactorily resolved therefore, accompanying financial statements have been prepared on going concern basis.

The accounts of the Prudential Investment Bank Limited for the year ended June 30, 2000 were audited by us and vide our report dated June 02, 2001, were expressed a disclaimer on those accounts.

Karachi: December 08, 2001

BALANCE SHEET AS AT 30 JUNE, 2001

	<i>NOTE</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorized capital			
50,000,000 Ordinary shares of shares of Rs. 10/=each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
10,000,000 ordinary shares of Rs. 10/=each fully paid up in cash		100,000,000	100,000,000
Special reserve		982,000	982,000
Other reserve	4	43,142,000	43,142,000
Accumulated loss		(58,811,278)	(21,490,457)
		(14,687,278)	22,633,543
		85,312,722	122,633,543
Deficit on revaluation of investments	5	(21,602,568)	--
Long term loan	6	10,401,167	23,221,649
Deposits	7	62,157,845	329,622,822
CURRENT LIABILITIES			
Short term running finance-unsecured	8	99,065,774	--
Current portion of long term liabilities	6	15,759,322	11,172,327
Deposits	7	381,284,549	134,474,766
Cash management account	9	30,953,732	103,616,065
Accrued Expenses and other liabilities	10	31,095,397	21,022,234
Taxation	11	26,970,444	29,459,289
		585,129,218	299,744,681
Contingencies and commitments	12		
		721,398,384	775,222,695

The annexed notes form an integral part of these accounts
Auditor's report annexed

PROPERTY AND ASSETS

Tangible Fixed Assets - at cost less	13	2,584,592	2,786,805
--------------------------------------	----	-----------	-----------

accumulated depreciation			
Long term investments	14	46,367,111	72,878,540
Deferred taxation		--	2,700,000

CURRENT ASSETS

Financing	15	373,920,037	224,541,072
Short term finances	16	53,178,455	71,249,563
Trading investments	17	3,224,180	33,720,643
Short term loans and advances	18	671,764	594,768
Advances, prepayments and other receivables	19	226,671.26	345,585,113
Balances with banks and in hand	20	14,780,988	21,166,191
		-----	-----
		672,446,681	696,857,350
		-----	-----
		721,398,384	775,222,695
		=====	=====

CHIEF EXECUTIVE**DIRECTOR****PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>NOTE</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
INCOME			
Return on financing		29,806,824	36,799,273
Income from investments	21	(21,816,726)	38,523,839
Return on bank deposits		1,177,229	11,525,842
Fee and commission on guarantees		3,032,814	1,550,438
Other income	22	3,661,357	5,979,497
		-----	-----
		15,861,498	94,378,889
EXPENDITURE			
Return on deposits, etc.		46,945,571	88,499,997
Financial charges	23	19,446,370	7,242,069
Administrative and other operating expenses	24	14,458,784	20,174,159
		-----	-----
		80,850,725	115,916,225
		-----	-----
		(64,989,227)	(21,537,336)
 (Provision against) / Reversal of provision against			
The value investments - Long term		8,756,183	--
- Short term		19,100,614	8,946,480
Reversal of doubtful receivables		--	15,052,336
Doubtful Receivables		--	(9,565,392)
		-----	-----
		27,856,797	14,433,424
		-----	-----

Loss for the year before taxation	(37,132,430)	7,103,912
TAXATION		
Current	(188,391)	(471,852)
Loss after taxation	(37,320,821)	(7,575,764)
Accumulated loss brought forward	(21,490,457)	(13,914,693)
Accumulated loss carried forward	(58,811,278)	(21,490,457)
Basic earning per share	(3.73)	(0.76)

CHIEF EXECUTIVE**DIRECTOR**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) for the year before taxation	(37,132,430)	(11,656,778)
Adjustments for		
Depreciation	747,564	664,326
Adjustment in fixed assets	(27,956)	51,711
Financial charges	19,446,370	7,242,069
Reversal of/diminution in value of quoted shares	(27,856,979)	(8,946,480)
Correction of fundamental error	(4,552,866)	--
Reversal of/provision against doubtful debts	--	(15,052,336)
Provision against doubtful receivable	--	9,565,392
	(12,243,867)	(6,475,318)
(Increase) / Decrease in operating assets		
Investments	41,861,544	20,974,220
Financing	(149,378,965)	308,155,635
Short term finance	13,548,242	26,258,210
Advance, deposits prepayments and other receivables	119,631,344	(164,762,039)
Short term finance	76,996	190,985
	25,739,161	190,817,011
Increase/(Decrease) in operating liabilities		
Deposit of fixed maturates	26,833,714	51,126,129
Cash management account	(72,662,333)	(222,750,568)
Accrued expenses and other liabilities	100,731,631	(490,120)
	89,422,884	172,114,559

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

1. STATUS AND NATURE OF BUSINESS

Prudential Investment Bank Limited is a public limited company quoted on the Stock Exchanges in Pakistan. The company has been registered as an "Investment Bank" to carry on investment finance business in accordance with the objects and function contained in S.R.O.585(1)87 dated 13 July, 1987.

The company has suffered losses amounting to Rs. 37,320,821/- during the year and its accumulated losses as on 30-06-2001 amount to Rs. 58,811,278/-. Moreover, investigation by NAB in connection with various irregularities committed during the prior years is under way. Securities & Exchange Commission of Pakistan has also issued notices for non compliance of various regulations under the Companies Ordinance, 1984 and initiating winding up proceedings of the company. However, these financial statements have been prepared under going concern basis in the wake of assurances provided by a few of the current directors to provide financial support to the company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention except for certain investments which are stated on mark to market basis as described in note 2.2 and 2.4 to the accounts.

2.2 Change in Accounting Policies

Commencing from the current year, marks to market marketable equity securities, listed term finance certificates and Unit Trust of Pakistan (UTP) units in trading investments, excluding securities acquired under resale obligations, are being valued in accordance with the guidelines contained in the State Bank of Pakistan's Circular BSD No. 20 dated August 04, 2000. Any difference between the carrying value and revalued amount is taken to surplus / deficit on revaluation account and shown separately in the balance sheet below shareholder's equity.

Previously, marketable equity securities in long term investments were valued at cost and provision was made for any diminution in value, if considered other than temporary. Marketable equity securities and Unit Trust of Pakistan (UTP) units in short term investments were valued at lower of average cost and market value on category of investment basis. Had this change not been made, the value of the long term investments would be higher by Rs. 5,110,852/- as at June 30, 2001 and the loss before tax for the year ended June 30, 2001 would be higher by Rs. 16,591,346/-.

2.3 Provision for Contingencies

Provision for financing against commercial papers investments and contingencies, if any, are made annually after review of outstanding portfolio at the year end.

2.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax rebats and credits, if any.

Deferred

The company accounts for deferred taxation on all timing differences using the liability method. However, as a matter of prudence, the company has not recognised net deferred tax debit balance, in the financial statements amounting to Rs. 702,287/=.

2.5 Investments

Marketable equity securities, UTP units are marked to market in accordance with the guidelines contained in the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2001. Any difference between the carrying value and revalued amount is taken to surplus / (deficit) on revaluation account and shown separately in the balance sheet below shareholders' equity.

Registered Special US Dollar Bonds and Foreign Currency Bearer Certificates (FCBCs) are stated at revalued amounts at the exchange rates prevailing at the balance sheet date. Any exchange difference on revaluation is taken to profit and loss account.

Cost is taken as estimated realisable value for unquoted investments.

2.6 Securities under repurchase/resale agreements

Transactions of repurchase/resale of Government Securities are entered into at contracted rates for specified period of time. The securities under repurchase obligation are deleted from investments and are reinstated upon maturity of the respective repurchase obligation. The Securities under resale obligation are recognized as investments and deleted upon resale. The difference between the initial and maturity value of the contracts is accrued and recorded under income from investments.

2.7 Tangible Fixed assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is charge to income on a straight line basis at the rates specified in Note - 13.

A full month's depreciation is charged in the month of acquisition while no depreciation is charged in the month of disposal.

2.8 Revenue Recognition

Income from financing is recognized on a time proportion basis over the life of the instruments. Where recovery is considered doubtful, income is recognized on receipt basis. Due to the nature of these accounts as fully explained in notes no. 14.2 & 18.3 the management has not accrued income on certain loans and advances during the year since according to the management the return on those accounts is not likely to be realised.

Dividend on equity investments is recognized as income if declared on or before the balance sheet date.

Commission is recorded on actual receipt basis except guarantee commission received in advance which is deferred over the guarantee period.

2.9 Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into Pak Rupee at the rates prevailing on the balance sheet date, except for deposits of fixed maturities (for which bank has obtained forward exchange cover) which are translated at rate applicable on the transaction dates. Gains or losses on transactions are based on rate applicable on the transaction dates. Gains or losses on transaction are taken to profit and loss account currently.-

3.0 Staff retirement benefits

The company operates a contributory provident fund scheme covering all regular employee. Equal monthly contributions are made to the fund by the company and employees.

3. SPECIAL RESERVE

This reserve has been created to avail of the benefit under the provisions of Income Tax Ordinance, 1979 subject to the approval of Central Board of Revenue.

	2001	2000
	Rupees	Rupees
4. REVENUE RESERVES		
SPECIAL RESERVE (NOTE 4.1)		
Balance at the beginning and end of the year	13,142,000	13,142,000
GENERAL RESERVE		
Balance at the beginning and end of the year	30,000,000	30,000,000
Balance at the end of the year	43,142,000	43,142,000

4.1 This reserve has been created as required under Circular No. 1 of Non-Banking Financial Institutions dated December 15, 1991.

5. DEFICIT ON REVALUATION OF INVESTMENTS

Other long term investments - see note 14.1	(13,867,035)	--
Trading investments - see note 17.1	(7,735,533)	--
	-----	-----
	(21,602,568)	--
	=====	=====

6. LONG TERM LOAN

Loan amount	34,393,976	44,130,015
	-----	-----
Paid during the year	18,233,487	9,736,039
Transferred to current maturity	15,759,322	11,172,327
	-----	-----
	23,992,809	20,908,366
	-----	-----
	10,401,167	23,221.65
	=====	=====

This represents conversion of the running finance facility obtained from Muslim Commercial Bank Limited alongwith the capitalization of the related mark-up.

Sanction date	March 09, 1998
Sanctioned amount	Rs. 55 million
Security	Letters of 9,040,898 right shares of M/s. Kohinoor Spinning Mills Limited
Term of repayment	20 equal quarterly installments commencing from April 01, 1998
Rate of interest	14% per annum

		2001	2000
		Rupees	Rupees
7. DEPOSITS			
Balance as at June 30.	7.1	443,442,394	464,097,588
Due within one year		(381,284,549)	(134,474,766)
		-----	-----
		62,157,845	329,622,822
		=====	=====

7.1 These can be reclassified as under:

Deposits from bank	10,000,000	40,000,000
Deposits from corporate and other clients	433,442,394	424,097,588
	-----	-----
	443,442,394	464,097,588
	=====	=====

These represent deposits received from customers under Registered Certificates of Investments schemes both in local as well as in foreign currency. The maturity period is ranging between one month to five years.

Expected rates of return payable on these deposits range from approximately 11% pr annum (2000: 11% per annum) to 18% per annum (2000: 18% per annum).

8. SHORT TERM RUNNING FINANCE-UNSECURED

Balance as on June 30	8.1	99,065,774	--
		=====	=====

8.1 It represents short term running finance obtained from Prudential Commercial Bank Limited, an associated company and carries a mark-up rate of 18% per annum.

9. CASH MANAGEMENT ACCOUNT

Expected rates of return payable on these accounts range from approximately 14% per annum (2000: 14% per annum) to 18% per annum (2000: 18% per annum).

10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued:			
Return on running finance		15,218,418	1,534,753
Return on cash management account		158,010	5,270,319
Expenses		858,465	170,000
Return on deposits		6,818,287	4,925,967
		-----	-----
		23,053,180	11,901,039
Guarantee margin		6,470,217	6,650,766
Unclaimed dividend		323,427	325,068
Others		1,248,573	2,145,361
		-----	-----
		8,042,217	9,121,195
		-----	-----
		31,095,397	21,022,234
		=====	=====

11. TAXATION

Income tax assessments of the company have been finalized upto assessment year 1997-98 while assessments for assessment years 1998-99, 1999-2000 and 2000-2001 are pending with the income tax authorities.

12. CONTINGENCIES AND COMMITMENTS

Contingency in respect of guarantees issued		250,090,866	301,629,959
		=====	=====

12.1 Custom authorities had issued demand notices for recovery of custom duties aggregating to Rs.

71,585,500/- in respect of material imported in prior years by one of the clients of the company for which the company has issued guarantees. The management has strongly disputed this demand and has filed an appeal before the High Court. As the management is confident that the matter will be finally settled in favour of the company, no provision has been made in these accounts in respect of the above mentioned demand.

13. TANGIBLE FIXED ASSETS - (At Cost Less Accumulated Depreciation)

PARTICULARS	COST			RATE	DEPRECIATION					
	AS ON 1 JULY, 2000	ADDITION DURING THE YEAR	ADJUSTMENTS		AS AT 30 JUNE, 2001	AS ON 1 JULY, 2000	CHARGE FOR THE YEAR	ADJUSTMENTS	AS AT JUNE, 2001	WRITTEN DOWN VALUE AS AT 30 JUNE, 2001
Furniture and fixtures	1,648,171	353,345	--	2,001,516	10 & 20	1,298,523	190,615	--	1,489,138	512,378
Equipments	3,572,113	164,050	--	3,736,163	10 & 20	1,505,075	381,596	(27,956)	1,858,715	1,877,448
Vehicles	879,158	--	--	879,158	33	509,039	175,353	--	684,392	194,766
TOTAL 2001	6,099,442	517,395	--	6,616,837		3,312,637	747,564	(27,956)	40,032,245	2,584,592
TOTAL 2000	5,379,972	741,000	(21,530)	6,099,442		2,618,130	664,326	30,181	3,312,637	2,786,805

*2001
Rupees* *2000
Rupees*

14. LONG TERM INVESTMENTS

	Cost	Market Value	Cost
Certificates - Quoted			
First Equity Modaraba 24,500 (2000: 28,200) certificates of Rs. 10/= each	186,086	155,575	186,086
Shares - Quoted			
Paramount Leasing Limited Nil (2000: 500,000) shares of Rs. 10/- each	--	--	5,000,000
Pakistan Industrial Credit and Investment Corporation			
Nil (2000: 26,173) shares of Rs. 10/- each	--	--	478,988
Fidelity Investment Bank Limited			
200 (2000: 11,500) shares of Rs. 10/=each	--	520	146,275
Ibrahim Fibres Limited			
Nil (2000: 120,000) shares of Rs. 10/=each	--	--	2,112,000
Kohinoor Genertech Limited			
50,000 (2000: 50,000) shares of Rs. 10/--each	1,250,000	290,000	1,250,000

Dadabhoy Cement Limited

6,500 (2000: 51,000) shares of Rs. 10/-each	248,155	63,375	1,947,060
Maple Leaf Cement Limited			
Nil (2000: 6,625) shares of Rs. 10/-each	--	--	172,250
Maple Leaf Electric Limited			
Nil (2000: 50,000) shares of Rs. 10/=each	--	--	1,448,093
Sui Northern Gas Pipelines Limited			
Nil (2000: 230,000) shares of Rs. 10/=each	--	--	6,612,250
Japan Power Generation Company Limited			
18,000 (2000: 620,000) shares of Rs. 10/=each	195,143	189,000	6,721,600
Sui Southern Gas Pipelines Limited			
80,313 (2000: 78,000) shares of Rs. 10/=each	1,633,695	839,271	1,684,549
Southern Electric Company Limited			
860,500 (2000: 860,500) shares of Rs. 10/=each	14,119,885	6,109,550	14,119,885
Kohinoor Energy Limited			
400 (2000: 147,000) shares of Rs. 10/=each	6,500	2,320	2,314,685
Unit Trust of Pakistan Limited			
2,000 (2000: 2,000) Shares of Rs. 10/=each	10,000,000	11,442,000	10,000,000
Prudential Commercial Bank Limited an associated undertaking			
2,242,000 (2000: 1,742,000) shares of Rs. 10/- each	22,694,682	17,375,500	17,541,002
	-----	-----	-----
	50,334,146	36,467,111	71,734,723
Less: Provision for decline other than temporary	--	--	(8,756,183)
Shares Unquoted			
Prudential Securities Limited an associated undertaking	14.2	9,900,000	9,900,000
	-----	-----	-----
	60,234,146	46,367,111	72,878,540
14.1 Deficit on Revaluation of Investments			
Market value		46,367,111	--
Less: Cost		60,234,146	--
		-----	-----
Deficit	5	(13,867,035)	--
		=====	=====

14.2 The above investment represents 990,000 (2000: 990,000) ordinary shares of Rs. 10/- each constituting 19.8% shares of the company. Break-up value per share of the company as per unaudited accounts for the year ended June 30, 2001 is. Rs. 13.8 (2000: 9.6) Mr. Osama Bin Sohail is the Chief Executive of this company.

2001
Rupees

2000
Rupees

15. FINANCING

Secured	15.1	140,675,036	224,541,072
Unsecured-Receiveable from Mr. Rashidullah Yacoob-Chairman	15.2	233,245,001	--
		-----	-----
		373,920,037	224,541,072
		=====	=====

15.1 Financing includes Rs. 14.148 Million (2000: 14.148 Million) due from an associated company (Prudential Capital Management Limited) in respect of an amount paid under a financial guarantee issued on their behalf.

15.2 The management has clubbed all benami / fake loans and advances created by Mr. Rashidullah Yacoob "the Chairman of the Bank" and decided to file suit against the Chairman. It also includes an amount of Rs 105,194,730/- due from Prudential Securities Limited, an associated undertaking which is not appearing in the books of accounts of Prudential Securities Limited. Since, investigation is still underway and no definite amount has been ascertained therefore no provision against the above has been made in the accounts.

16. SHORT TERM FINANCES. SECURED

Equity REPO	53,178,455	71,249,563
	=====	=====

16.1 Equity REPO's represent shares of quoted companies purchased with a firm commitment to resale it at fixed prices.

17. INVESTMENTS

These shares are of Rs. 10/- each unless stated otherwise:

<i>No. of Shares/ Certificates</i>		<i>2001 Rupees</i>		<i>2000 Rupees</i>
<i>2001</i>	<i>2000</i>	<i>Cost</i>	<i>Market Value</i>	<i>Cost</i>
MUTUAL FUNDS				
4,000*	-- Thirteen ICP	--	55,000	--
400	37,900 Twenty Third ICP	1,845	540	174,830
11,500	24,000 Confidence Mutual Fund Limited	115,000	117,875	240,000
MODARABAS				
400	1,400 Trust Modaraba	4,529	1,280	15,850
21,861	25,854 First Interfund-Modaraba	632,618	6,558	632,618
--	4,500 LTV Capital Modaraba (Rs. 5/- eac	--	--	33,273
94,050	94,050 First Pak Modaraba 570,050		94,050	570,050
27,714	61,800 First Confidence Modaraba	411,787	102,542	853,975
LEASING COMPANIES				
66	4,560 Trust Leasing Corporation Limited National Development Leasing	1,627	429	123,655
--	3,985 Corporation Limited (Rs. 5/- each)	--	--	28,242
300	9,000 Askari Leasing Limited	6,207	2,880	186,195

INVESTMENT COMPANIES AND BANKS

455*	-- Muslim Commercial Bank	--	11,148	--
97	20,398 Jahangir Siddiqui Company Ltd.	2,974	3,308	938,148
150	30,093 Union Bank Limited	3,945	1,005	791,458
280	38,950 Bank of Punjab	2,945	1,212	956,020
--	15,771 Prime Commercial Bank Ltd.	--	--	456,000
--	78,640 Crescent Investment Bank Ltd.	--	--	1,657,266
100	25,100 Faysal Bank Limited	2,705	760	678,920
--	10,000 Al-Faysal Investment Bank Ltd.	--	--	261,725
450*	-- Soneri Bank Limited	--	5,648	--

INSURANCE

5,788*	7,944 International General Insurance Co. Ltd.	243,610	376,220	604,711
--------	--	---------	---------	---------

TEXTILE COMPOSITE

18,000	50,000 Zahoor Textile Mills Limited	1,053,738	20,700	2,927,050
7,250	7,250 Mohib Exports Limited	157,838	1,450	157,838

*These represent shares physically available but no cost has been recorded in the prior years in the books of accounts.

SYNTHETIC AND RAYON

--	33,000 Pak Synthetics Limited	--	--	351,436
--	6,000 Dewan Salman Fibers Ltd.	--	--	162,657
125	38,000 Ibrahim Fibers Limited	--	1,800	484,935
--	45,000 Dhan Fibers Limited	--	--	189,780

SUGAR AND ALLIED INDUSTRIES

33,495	30,249 Shakarganj Sugar Mills Limited	1,057,575	385,193	1,057,575
--	10,000 Hasib Waqas Sugar Mills Limited	--	--	105,770
--	65,500 Al-Abbas Sugar Mills Limited	--	--	694,625
400	6,000 Ansari Sugar Mills Limited	5,097	660	76,450
--	10,000 Tandianwala Sugar Mills Limited	--	--	92,900

CEMENT

243	243 Pioneer Cement Limited	2,430	608	2,430
50	86,050 D.G. Khan Cement Company Ltd.	851	290	1,463,750
--	28,500 Cherat Cement Company Limited	--	--	1,339,400
--	11,000 Fecto Cement Industries Limited	--	--	638,375
--	51,000 Lucky Cement Limited	--	--	844,930
--	22,000 Dandot Cement Limited	--	--	52,850
--	26,000 Maple Leaf Cement Limited	--	--	177,241

FUEL AND ENERGY

429	434,607 Sui Northern Gas Pipelines Ltd.	12,999	4,376	9,306,820
143	143 Sui Southern Gas Company Ltd.	2,831	1,494	2,831
--	190 Pakistan State Oil Company Ltd.	--	--	39,930
32,000	32,000 Japan Power Generation Company	140,200	121,600	140,200
500	15,000 Kohinoor Genertech Limited	8,335	2,900	250,062
--	8,500 Maple Leaf Electric Limited	--	--	38,500

CHEMICALS AND PHARMACEUTICAL				
185	40,865 ICI Pakistan Limited	1,979	1,693	437,225
--	22,500 FFC Jordan Fertilizer Company Ltd.	--	--	212,100
--	10,000 Fauji Fertilizer Company Limited	--	--	502,375
AUTO AND ALLIED ENGINEERING				
--	7,000 Indus Motor Company Limited	--	--	284,220
--	9,500 Ghandhara Nissan Limited	--	--	633,650
125	1,125 Baluchistan Wheels Limited	4,404	2,844	39,640
--	5,000 Pak Suzuki Motor Company Ltd.	--	--	303,300
FOOD AND ALLIED				
65	7,265 Rafhan Maize Products Company L	8,039	18,883	898,529
4	1,804 Lever Brothers	1,280	3,000	577,339
TEXTILE SPINNING AND WEAVING				
200	35,700 Kohinoor Spinning Mills Limited	9,016	700	1,609,285
470,804	470,804 Awam Textile Mills Limited	4,708,000	941,608	4,708,040
252	13,752 Brother Textile Mills Limited	4,384	1,071	152,465
--	7,833 Raza Textile Mills Limited	--	--	94,358
31,086	31,086 Mohib Textile Mills Limited	660,039	--	660,039
9,801	9,801 Dewan Khalid Textile Mills Ltd.	421,370	245,025	421,370
315	1,815 Dewan Mushtaq Textile Mills Ltd.	14,036	8,505	80,874
250	4,250 Taj Textile Mills Limited	7,430	725	126,316
--	1,000 Gadoon Textile Mills Limited	--	--	39,960
--	66,400 Nishat Mills Limited	--	--	1,357,192
TRANSPORT AND COMMUNICATION				
--	11,000 Pakistan International Airlines Cor	--	--	132,384
--	175,000 Pakistan Telecommunication Limite	--	--	4,571,325
GOVERNMENT SECURITIES				
--	45 WAPDA Bearer Bonds	--	--	
--	-- Scrips of Rs. 100,000/- each note 12	--	--	4,500,000
ASSOCIATED COMPANY				
156,000	40,865 Pakistan Industrial & Commercial Leasing Lt	678,000	678,600	678,000
		-----	-----	-----
		10,959,713	3,224,180	52,821,257
	Less: Provision of diminution in the value of quoted investments			
	Opening Balance	--	--	28,047,094
	(Reversal of provision)	--	--	(8,946,480)

				19,100,614
		-----	-----	-----
		10,959,713	3,224,180	33,720,643
		=====	=====	=====

2001
Rupees

2000
Rupees

17.1 Deficit on Revaluation of Trading Investments

Market value	3,224,180	--
Less: Cost	10,959,713	--
	-----	-----
Deficit - see note no. 5	(7,735,533)	--
	=====	=====

18. SHORT TERM LOANS AND ADVANCES

Due from employees - unsecured considered good	671,784	594,768
	=====	=====

19. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances			
For expenses	19.1	8,369,638	8,369,638
Income tax		370,732,591	36,355,771
		-----	-----
		45,442,897	44,725,409
Prepayments		1,402,919	1,208,692
Profit accrued on			
Investments	19.2	37,249,869	83,177,856
Financing			
- Secured		55,345,763	76,966,268
- Unsecured receivable from Rashidullah Yacoob	19.3	80,467,267	--
		-----	-----
		173,062,899	160,144,124
Others		6,762,842	--
Due from associated undertakings	19.4	--	139,506,888
		-----	-----
		226,671,257	345,585,113
		=====	=====

19.1 The company has incurred expenditure amounting to Rs. 8,369,638/- for renovation of new pre-mises, but no capitalization has been made due to dispute in the amount of bill with contractor, Al - Waris Traders.

19.2 The amount represents on account of return receivable against equity REPO.

19.3 The management has clubbed accrued profit on all benami/fake loans and advances created by Mr. Rashidullah Yacoob "The Chairman" of the bank and decided to file the suit against the Chairman. It also includes an amount of Rs. 28,217,843/- due from Prudential Securities Limited, an associated undertaking which is not appearing in the books of accounts of Prudential Securities Limited. Since, the investigation is still underway and no definite amount has been ascertained therefore no provision against the above has been made in the accounts.

19.4 The maximum aggregate balance outstanding from associated undertakings at end of any month during the year was Rs. 28.217 million (2000: 139.507 million).

	2001	2000
Note	Rupees	Rupees

20. CASH AND BANK BALANCES

Cash at Banks		
On current accounts	2,218,263	(6,925,125)
On deposit accounts	5,731,014	21,510,634
State Bank of Pakistan	6,150,000	6,150,000
	-----	-----
	14,099,277	20,735,509
Cash in hand	544,637	293,404
Stationery in hand	137,074	137,278
	-----	-----
	14,780,988	21,166,191
	=====	=====

21. INCOME FROM INVESTMENTS

Capital (loss) on sale of shares	(26,780,061)	(5,795,420)
Return on portfolio management	--	39,102,969
Dividend income	4,963,335	5,216,290
	-----	-----
	(21,816,726)	38,523,839
	=====	=====

22. OTHER INCOME

The figures for the year 1999-2000 include an amount of Rs. 4,552,866/- received as liquidated damages from one of the financed customers in 1999-2000 which was incorrectly adjusted against short term finances of Mrs. Nasima Rais. The financial statements of 1999 have been reinstated to correct this error

23. FINANCIAL & OTHER CHARGES

Mark-up on running finance	17,375,302	5,736,360
Bank charges and others	2,071,068	1,505,709
	-----	-----
	19,446,370	7,242,069
	=====	=====

24. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Director's fee	6,000	5,000
Salaries, wages and other benefits	7,405,072	9,734,810
Rent, rates and taxes	1,128,661	1,751,947
Rentals of leased vehicles	--	180,233
Stationery and supplies	158,769	559,005
Telephone, telegram and postage	743,869	96,851.90
Advertisement	126,100	439,352
Travelling and conveyance	536,604	1,017,624
Insurance	6,165	174,378
Repair and maintenance	234,385	885,009
Legal and professionals	618,000	474,225
Auditor's remuneration	24.1	230,000
Depreciation	747,576	664,326
Fees and subscription	808,872	1,911,818
Entertainment	99,919	357,832
Gas and Electricity	1,335,033	567,210
Donations	24.2	100
		5,000

Miscellaneous	273,659	307,174,159
	-----	-----
	14,458,784	20,174,159
	=====	=====

24.1 Auditor's Remuneration

Audit fee	150,000	150,000
Others services	60,000	--
Out of pocket expenses	20,000	20,000
	-----	-----
	230,000	170,000
	=====	=====

24.2 The recipients do not include any donee in whom directors or their spouses have any interest.

25. REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES

	<i>CHAIRMAN</i>		<i>CHIEF EXECUTIVE</i>		<i>EXECUTIVES</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>					
Managerial remuneration	1,363,632	1,363,632	210,000	504,000	1,118,425	894,984
Housing	420,000	420,000	90,000	216,000	462,552	400,724
Utilities	136,368	136,368	--	--	99,751	86,262
Others	--	--	217,500	522,000	170,023	67,742
	-----	-----	-----	-----	-----	-----
	1,920,000	1,920,000	517,500	1,242,000	1,850,803	1,449,712
	=====	=====	=====	=====	=====	=====
Number of person(s)	1	1	1	1	9	9
	=====	=====	=====	=====	=====	=====

In addition, the Chief Executive and certain executives are provided with company maintained cars.

26. FINANCIAL INSTRUMENTS

The company has acquired financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The company while dealing in the financial instruments negotiate attractive fixed interest rates which reduce the interest rate price risk.

Non interest bearing financial instruments with maturity over one year may have an exposure of interest rate price risk.

The range on the weighted average of effective interest rates are disclosed in the respective notes to the accounts.

<i>Financial Assets-Recognized</i>	<i>Interest Bearing</i>		<i>Non-interest Bearing</i>	<i>Total</i>
	<i>Less Than One Year</i>	<i>Over One year</i>		
Loans and advances	671,764	--	184,433,530	185,105,294
Advances, prepayments	--	--	--	--

& other receivables				
Cash and bank	5,731,014	--	9,049,974	14,780,988
Investments	--	--	--	--
Short term financing	427,098,492	--	49,491,661	476,590,153
	-----	-----	-----	-----
Rupees 2001	433,501,270	--	242,975,165	676,476,435
	=====	=====	=====	=====
Rupees 2000	394,537,748	--	370,668,040	765,205,788
	=====	=====	=====	=====

	<i>Interest Bearing</i>		<i>Non-interest Bearing</i>	<i>Total</i>
	<i>Maturity</i>			
	<i>Less Than One Year</i>	<i>Over One year</i>		
Loans	114,825,096	10,401,167	--	125,226,263
Cash management account	30,953,732	--	--	30,953,732
Creditors, accrued and other liabilities	--	--	31,095,397	31,095,397
Certificates of investment	381,284,549	62,157,845	--	443,442,394
	-----	-----	-----	-----
Rupees 2001	527,063,377	72,559,012	31,095,397	630,717,786
	=====	=====	=====	=====
Rupees 2000	249,263,158	352,844,471	21,022,234	623,129,863
	=====	=====	=====	=====

Fair Value

The fair value of the financial instruments which are substantially different from the carrying value are disclosed in the respective notes to the accounts. Such fair values are determined either considering the quoted market price, if available or the price of the most recent transaction.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>

27. STATEMENT OF RETAINED EARNINGS

Opening retained earning's as previously reported	(26,020,559)	(13,914,693)
Correction of undamental error (net of tax) see note 27	4,530,102	--
	-----	-----
Opening retained earnings as restated	(21,490,457)	(13,914,693)
Loss after taxation	(37,320,821)	(7,575,764)
	-----	-----
Closing retained earning's	(58,811,278)	(21,490,457)
	=====	=====

28. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

The aggregate amount (Rupees in million) of transactions with associated undertakings during the year were.

Reverse REPOS of FIBs NIT units and shares	--	156.32
Interest income	18.94	6.84
Placement received	--	314.18
Interest expenses	15.26	12.93

Sale of shares	19	16.91
----------------	----	-------

29. BASIC EARNINGS PER SHARE

Loss after taxation	(37,320,821)	(7,575,764)
Number of ordinary shares	10,000,000	10,000,000
Basic earnings per shares	(3.73)	(0.76)

30. NUMBER OF EMPLOYEES

Total number of employees at June 30	24	41
--------------------------------------	----	----

31. GENERAL

Figures have been rounded off to the nearest rupee

previous year's figures have been re-arranged and regrouped wherever necessary, for the purpose of comparison.

CHIEF EXECUTIVE**DIRECTOR****PATTERN OF SHARE HOLDING
AS AT 30 JUNE, 2001**

<i>Number of Share Holders</i>	<i>Share Holdings</i>	<i>Total Shares Hold</i>	
110	1	100	11,000
319	101	500	128,700
109	501	1000	99,600
98	1001	5000	289,200
39	5001	10000	327,200
9	10001	15000	120,000
11	15001	20000	199,300
17	20001	25000	415,400
5	25001	30000	143,600
3	30001	35000	97,900
2	35001	40000	74,500
3	40001	45000	125,500
7	45001	50000	350,000
5	50001	55000	273,000
3	55001	60000	177,000
1	60001	65000	65,000
1	65001	70000	67,100
1	70001	75000	73,000
1	75001	80000	80,000
1	80001	85000	83,000
1	90001	95000	93,500
14	95001	100000	1,399,000
1	100001	105000	100,700

7	115001	120000	830,000
1	120001	125000	122,800
2	125001	130000	258,500
1	135001	140000	140,000
1	170001	175000	175,000
1	175001	180000	176,800
1	195,001	200000	200,000
2	205001	210000	416,600
1	435001	440000	435,300
1	660001	665000	662,400
1	1785001	1790000	1,789,400

780			10,000,000
=====			=====

**CATAGORIES OF
SHARE HOLDERS**

	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1. Individuals	751	6,311,600	63.11
2. Investment Company	4	85,300	0.85
3. Insurance Company	1	8,000	0.08
4. Joint Stock Company	13	473,900	4.74
5. Financial Institution	3	2,601,700	26.02
6. Modaraba Company	7	515,000	5.15
7. Others (To be specified) *	1	4,500	0.05
	-----	-----	-----
	780	10,000,000	100.00
	=====	=====	=====

***Karachi Stock Exchange (G) Limited.**