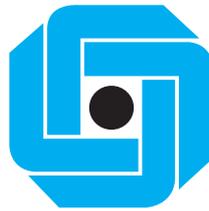


**23<sup>rd</sup> ANNUAL REPORT  
JUNE 30, 2012**



**First Prudential Modaraba**

Managed by :  
**Prudential Capital Management Ltd**



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## CORPORATE INFORMATION

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

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

#### COMPANY SECRETARY

Mr. Muhammad Musharraf Khan

#### AUDIT COMMITTEE

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

#### 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 (Pak.) 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: 2825343 Fax: 2814000  
E-mail: [info@firstprudentialmodaraba.com](mailto:info@firstprudentialmodaraba.com)

#### STOCK EXCHANGE

First Prudential Modaraba is managed by Prudential Capital Management Ltd. and is listed on Karachi, Lahore and Islamabad Stock Exchanges. Daily quotation of the company's stock can be obtained from leading newspapers, listed under modarabas.

#### PUBLIC INFORMATION

Financial analysts, Stock, broker, interested investors and financial media desiring information about First Prudential Modaraba should contact Syed Imran Ali (Chief Financial Officer) Mehersons Estate, 1st Floor, Block No. 1, Talpur Road, P.O. Box 621, Karachi-74000

Tel: PABX 32429632-4 Fax: 32420015  
E-mail: [info@firstprudentialmodaraba.com](mailto:info@firstprudentialmodaraba.com)

#### CERTIFICATE HOLDERS INFORMATION

Enquiries concerning lost Modaraba certificates, dividend payment, change of address, verification of transfer deeds and certificate transfer should be directed to the Registrar of First Prudential Modaraba i.e. Shares & Corporate Services (Pvt) Ltd. Mehersons Estate, Block E, Talpur Road, Karachi-74000

Tel: PABX 32429632-4 Fax: 32420015  
E-mail: [info@firstprudentialmodaraba.com](mailto:info@firstprudentialmodaraba.com)

#### KARACHI OFFICE

Mehersons Estate, 1st Floor, Block No. 1,  
Talpur Road, P.O. Box 621, Karachi-74000  
Tel: PABX 32429632-4 Fax: 32420015  
E-mail: [info@firstprudentialmodaraba.com](mailto:info@firstprudentialmodaraba.com)



## **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 23rd Annual Report of First Prudential Modaraba together with audited accounts, auditor and directors report for the period ended June 30, 2012 before the certificate holders.

### KEY OPERATING / FINANCIAL HIGHLIGHTS

	(Rupees in millions)	
	June 2012	June 2011
-Total Income from Operations	91.33	87.18
-Operating Expenses	(44.95)	(43.55)
-Operating Profit for the period	46.38	43.63
-Un-realized (loss) on re-measurement of Investments	( 6.23)	( 3.15)
-Un-realized gain on re-measurement of Investments property	0.47	0.10
-Provision against doubtful receivables	( 5.91)	( 3.61)
-Other comprehensive (loss) / income	( 0.19)	0.40
-Modaraba company management fee	( 1.74)	( 3.70)
-Net profit for the period	32.78	33.67
-Earning Per Certificate – Re.	0.38	0.38

### REVIEW OF OPERATIONS

During the year ended June 30, 2012 the overall operating performance of the Modaraba reflects that gross operating income increases slightly by 4.76% to rupees 91.33 million from rupees 87.18 million as compared to last year. During the year the Modaraba disbursed Ijarah facility of rupees 84.37 million to its various clients. However, the net profitability of the Modaraba decreases by (2.64%) to rupees 32.78 million from rupees 33.67 million as compared to the corresponding period. The decrease in net profitability was mainly due to depress capital market and provision on doubtful receivables.

In October 2010, the Registrar Modaraba on the basis of Show Cause Notice, the legality of which was challenged by the Modaraba, issued an Order for change of Management Company of the Modaraba. Since the Board of Directors of Modaraba strongly felt that this Order was legally invalid and that the sweeping powers under Section 20 of the Modaraba Ordinance vested in the Registrar Modaraba were against the Constitution of Pakistan which guarantees a "fair trial" and "due process", we challenged the Order in the Sindh High Court who was kind to issue a Stay Order for the implementation of Registrar Modaraba Order handing over the Management to another Management Company. These Constitution Petitions are pending with the Sindh High Court. Meanwhile Modaraba has filed another Constitution Petition in Islamabad High Court challenging Section 20 of the Modaraba Ordinance which, in the opinion of our lawyers, is against Article 10 A of the Constitution of Pakistan and therefore void to that extent. In view of the order for change of Management Company of the Modaraba by Registrar Modaraba, operational activities of the Modaraba were stands still for almost one year. However in the best interest of the Certificate holders the management conducted its operational activities on extremely prudent measures.

### Observations of External Auditors

- The amount receivable of rupees 18.43 million and the security deposit of rupees 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.
- The impairment in value of investment in shares of PSL has been valued as per their last audited accounts. We have asked Prudential Securities Limited (PSL) to provide us the latest Audited Financial Statements to determine fair value of our investment. The operation of PSL has been ceased at Stock Exchange and we are trying to call back our invested amount as Prudential Securities Limited (PSL) has sufficient assets to set off our invested amount.
- The Modaraba has filed case against the Ex. Managing Director and is still under hearing therefore the amount of rupees 1.799 million is still outstanding. The Management is however, confident that the outcome of this case will be in favor of the Modaraba.



- The amount receivable of rupees 10.00 million outstanding on account of investment with the Invest Capital Investment Bank Limited, (formerly Al-Zamin Leasing Modaraba), the Management is confident that full amount will be recovered, as we have already settled rupees 70.0 million with Invest Capital Investment Bank Limited. However, as prudence measure the Modaraba has made provision of rupees 3.0 million as per Prudential Regulations.
- The Modaraba acquired membership of Lahore Stock Exchange in 2010 with a room at rupees 22.33 million. The management of the Modaraba is confident that after full implementation of Demutualization Act and issuance of remaining shares to the strategic investor the carrying value would be much higher as presently reflecting in the books of Modaraba.
- An amount of rupees 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 rupees 11.05 million. The management is confident of achieving an amicable settlement. As prudence measures, the Modaraba has made a provision of rupees 2.21 million as per Prudential Regulations.
- The Modaraba has extended morabaha facilities of rupees 17.30 million to various clients. The management of Modaraba has not made any provision against these receivables as the forced sale value of collateral held against these morabaha facilities are much higher to recover the outstanding amount. Recovery department is being strengthened and special emphasis is given to recovery of outstanding balances from clients.
- The Modaraba has selected a person for the position of Chief Executive. His credentials have been sent to Registrar Modaraba, Securities and Exchange Commission of Pakistan for approval.
- The management does not intend to keep the investment property but due to the present recession in the real estate market, has decided to hold the property. Once the recession period is over, the management will dispose-off the said property at a better price. Till such time is achieved the Modaraba will hold the property.

#### **Appointment of Shari'ah Advisor**

The Circular No. 8 of 2012 dated February 03, 2012 issued by the Registrar Modaraba, Securities & Exchange Commission of Pakistan (SECP), Policy and Regulation Development Department Specialized Company Division (Modaraba Wing) Islamabad, has introduced Shari'ah Compliance and Shari'ah Audit Mechanism (SCSAM) for Modarabas.

Under Clause VIII of the Circular 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 in 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 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 6 meetings of Board of Directors were held. Attendance by each director was as follows:

<b>Name of Director</b>	<b>Meeting Attended</b>
Mr. Fazal Mohammad Mughal	06
Mr. Attaullah Khan	06
Mr. Muhammad Hussain	04
Mr. Asad Iqbal Siddiqui	03
Mr. Muhammad Asif	03

Mr. Asad Iqbal Siddiqui and Mr. Mohammad Asif submitted their resignation dated January 23, 2012.

- j. The Statement of pattern of certificate holding of the Modaraba as at 30th June 2012 as per code of corporate governance is annexed.

#### **Future outlook**

Over the year Islamic finance industry has experienced significant growth. With increase in demand of Islamic banking numbers of financial institutions are offering wide range of services, such as financial services, investment banking, fund management, takaful and capital market.

For the current year beside concentrate on Ijarah, Morabaha and Musharikhah facilities the Modaraba is also planning to offer Diminishing Musharikhah facility to our customers Last year 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.

#### **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 rupees 6,593,880/-, 20% of net profit to its Statutory Reserves.

#### **Dividend**

The Board is pleased to announce a cash dividend of 3.0% i.e. Re. 0.30 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, 2013, 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.  
November 08, 2012

**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, 2012

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

Year	2012	2011	2010	2009	2008	2007
Paid-up Capital	872.177	872.177	872.177	872.177	872.177	872.177
Statutory Reserve	133.493	126.899	120.245	113.586	113.586	99.077
Certificate Holders' Equity	519.608	512.996	505.487	472.061	601.944	585.343
Certificate	87.217	87.217	87.217	87.217	87.217	87.217
Current Liabilities	38.758	32.278	44.548	80.296	90.196	49.750
Non-Current Assets	150.437	109.642	139.590	166.056	249.227	317.754
Current Assets	440.827	462.481	429.511	415.671	504.377	403.681
Profit / ( Loss) before taxation	32.969	33.266	33.292	(103.717)	41.788	55.519
Taxation	-	-	(0.457)	0.457	0.332	1.128
Earning / (Loss) per Certificate (Rs.)	0.38	0.38	0.38	(1.19)	0.48	0.62



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

Name of Modaraba **FIRST PRUDENTIAL MODARABA**  
Year Ended **JUNE 30th, 2012**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited & Islamabad Stock Exchange (Guarantee) 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 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 Management Company includes:

<b>Category</b>	<b>Names</b>
Independent Directors	None
Executive Directors	None
Non-Executive Directors	Mr. Attahullah Khan Mr. Fazal Muhammad Mughal Mr. Muhammad Hussain

The condition of clause 1(b) of the Code in relation to independent director will be applicable after election of next Board of Directors of the Company in October 2013.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company.
3. All the directors of the 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.
4. Two casual vacancies occurring on the Board on January 23, 2012 which have not been filled yet. Moreover, a casual vacancy of Chief Executive Officer occurred in the year 2008 have not been filled yet.
5. The Management Company is in process of preparing a "Code of Conduct" and will ensure that appropriate steps will be taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement and overall corporate strategy and 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.
7. 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 CEO and non-executive directors, have been taken by the Board. However, the office of CEO is vacant since October 2008.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board 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.
9. 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.



- 10 There are no new appointment of CFO, Company Secretary and Head of Internal Audit. The appointment, remuneration and term of employment have been approved by the Board of Directors.
- 11 The directors' report for this year 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.
- 12 As the Management Company has no Chief Executive Officer (CEO), the financial statements of the Modaraba were duly endorsed by a Director in the absence of CEO and by Chief Financial Officer before approval of the Board.
- 13 The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of shareholdings.
- 14 The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
- 15 The Board has formed an Audit Committee. It comprises three members, all of them are non-executive directors and the chairman of the committee is a non-executive director.
- 16 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.
- 17 The Board has formed an HR and Remuneration Committee. It comprises three members, two of whom are non-executive directors and one is proposed CEO, the chairman of the committee is a non-executive director.
- 18 The Board has set up an effective internal audit function.
- 19 The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares 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.
- 20 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21 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).
- 22) Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23) We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi  
Date: November 08, 2012

For and on behalf of the Board of Directors

**DIRECTOR**

**DIRECTOR**



**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 prepared by the Board of Directors of **Prudential Capital Management Limited (the Management Company)** representing **First Prudential Modaraba [The Modaraba]**, for the year ended June 30, 2012, to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the 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 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulation of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited require the 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, all 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.

We report that

1. Clause (xiv) of the Code of Corporate Governance laid down the qualification and experience requirement of the Head of Internal Audit which states that no person shall be appointed as the Head of Internal Auditor of a listed company unless he / she has at least five years of relevant audit experience and is:
  - a) a member of a recognized body of professional accountants; or
  - b) a Certified Internal Auditor; or
  - c) a Certified Fraud Examiner; or
  - d) a Certified Internal Control Auditor.

However, it is observed that the Head of Internal Audit of the Modaraba does not meet the qualification and experience criteria as laid down by the Code.

Except for the matter stated above, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba'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, 2012.

Further, we draw attention to the following where certain non-compliances have been observed.



- Clause (iii) of the Code of Corporate Governance requires that any casual vacancy is to be filled within 90 days. The position of chief executive officer is vacant since July 12, 2008. After rejection of proposed appointments by SECP on April 29, 2010, August 24, 2010 and September 08, 2011, subsequent to year end the Modaraba again selected a person for the said position and applied on September 05, 2012 for approval of appointment of chief executive officer to Registrar Modaraba, which is pending.

Further, Clause (xxi) of the Code of Corporate Governance requires the financial statements of the Modaraba to be presented for Board's consideration and approval under signature of Chief Executive Officer and Chief Financial Officer. Further, Clause (vi) of the Code requires Board of Directors to define the respective roles and responsibilities of the Chairman and Chief Executive Officer. Due to non-appointment of Chief Executive Officer these requirements could not be met.

- Clause (xi) of the Code of Corporate Governance requires that all listed companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with the Code, applicable laws, their duties and responsibilities. However during the year no orientation courses have been conducted.
- Clause (xiii) of the Code of Corporate Governance laid down the qualification and experience requirement for Chief Financial Officer (CFO) which states that no person shall be appointed as the CFO of the listed company unless he / she has at least five years of experience of handling financial or corporate affairs of a listed company or a bank or a financial institution and is:
  - a) a member of recognized body of professional accountants; or
  - b) has a postgraduate degree in finance from a recognized university or equivalent.

However, it is observed that the current CFO of the Modaraba has graduate degree in finance but has more than five years of experience of handling financial affairs of listed entity.

- Sub-clause (a) of Clause (v) of the Code of Corporate Governance requires that the Board of Directors put in place Code of Conduct that promotes integrity for the Board, senior management and other employees and take appropriate steps to disseminate it throughout the Modaraba along with supporting policies and procedures and these shall be put on the Modaraba's website. However, as at year end the Management Company has not yet prepared the Code of Conduct.
- Sub-clause (b) of Clause (v) of the Code of Corporate Governance requires that the Board of Directors shall ensure that adequate systems and controls are in place for identification and redress of grievances arising from unethical practices. However, no proper policy is formulated in this respect.
- Sub-clause (c) of Clause (v) of the Code of Corporate Governance requires the Management Company to maintain a complete record of particulars of the significant policies, as may be determined, along with the dates on which they were approved or amended by the Board of Directors. The Management Company has not kept such record of significant policies. However the draft investment and credit policies have been prepared and are in process of Board approval.

**Chartered Accountants  
Karachi**

**Dated:** November 08, 2012



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Prudential Modaraba** (the Modaraba) as at June 30, 2012 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 Company's [Prudential Capital Management Limited] responsibility who 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) 'Advances, prepayments and other receivables' (refer note 9.2 to the financial statements) include a long outstanding balance of Rs.18.43 million receivable from Prudential Securities Limited (PSL). Further 'long term deposit' includes security deposits receivable Rs. 3 million from PSL. PSL has ceased its operations and the Modaraba has filed claim with Karachi Stock Exchange for these amounts. In our opinion, there is very remote chance of recoverability of Rs. 21.43 million; however no provision has been made by the Modaraba against doubtful recoveries of these amounts.
- b) 'Long term investments' (refer note 10.3 to the financial statements) include investment of Rs.3.38 million in Prudential Securities Limited (PSL)-an unlisted public company. PSL has ceased its operations; therefore, in our opinion this investment should have been fully impaired. However no impairment has been recorded in respect of this amount.
- c) 'Advances, prepayments and other receivables' (refer note 9.3 to the financial statements) include Rs.1.8 million paid for the purchase of a motor vehicle for the ex-managing director of the Modaraba. The said amount was paid wrongfully without approval of the board of directors and is receivable from the ex-managing director. The Modaraba has initiated criminal proceedings against the ex-managing director. In our opinion, recovery of the said amount is doubtful; however no provision has been made in respect of this amount.

In respect of matters stated in paragraphs (a), (b) and (c) had the provisions been made 'advances, prepayments and other receivables' would have been reduced by Rs 20.23 million, 'long term deposit' by Rs 3 million, 'long term investment' by Rs 3.38 million and profit for the year would have been reduced to Rs 4.167 million.

- d) As mentioned in Note 6.3 to the financial statements the Modaraba is in process of negotiation with the Invest Capital Investment Bank Limited (ICIBL) for the recovery of term deposits receipts of Rs. 10 million and has made a provision of Rs. 3 million against this doubtful recovery. Owing to the adverse financial position of the ICIBL, in our opinion there is a remote chance that substantial amount will be recovered from the remaining amount as such in our opinion, the provision for doubtful recovery made by the Modaraba is not adequate.



- e) As mentioned in Note 11.1 to the financial statements the Modaraba carries intangible assets in the shape of Lahore Stock Exchange membership and a room valuing Rs. 22.33 million which is carried at the settlement from a non performing party. According to International Accounting Standard 38 'Intangible Assets', intangible asset is required to be reviewed by the management on a regular basis to check whether the recoverable amount of the asset is less than its carrying value and to record impairment accordingly. However, no impairment testing is carried out by the Modaraba.
- f) As mentioned in Note 7.2.2 to the financial statements the Modaraba has investment of Rs. 11.06 million in other finance. No principal installment has been received since last one year. The Modaraba is in process of negotiation for the recovery of said balance and has made a provision for doubtful recovery of Rs. 2.21 million against this balance. There is a remote chance of recoverability of this balance and as such in our opinion, the provision for doubtful recovery made by the Modaraba is not adequate.
- g) Refer note 7.1 to the financial statements out of total amount of morabaha finance Rs. 17.30 million is outstanding against various parties since long and Modaraba has not made any provision against these balances due to benefits of forced sale value of collateral held against these finance. Since the outstanding amount is significant and prolong and no recovery efforts are witnessed. The recoverability of such amount is doubtful and as such, in our opinion adequate provision should be made by the Modaraba against the doubtful recovery.
- In respect of paragraph (d) to (g) owing to the limitation of scope and non-availability of appropriate audit evidence we are unable to quantify the amount of adjustment required.
- h) in our opinion, except for the matter stated in paragraphs (a) to (g), 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;
- i) in our opinion:
- except for paragraphs (a) to (g) 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;
  - the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - except for the matters stated in paragraph I (ii) below, the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- j) in our opinion, except for the matters stated in paragraphs (a) to (g) 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, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and



- k) 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.
- l) We draw attention to the following matters:
- i) The position of chief executive officer is vacant since July 12, 2008. After thrice rejection of proposed appointments by SECP on April 29, 2010, August 24, 2010 and September 08, 2011, subsequent to year end the Modaraba again selected a person for the said position and applied on September 05, 2012 for the approval of appointment of chief executive officer to the Registrar Modaraba, which is pending.
  - ii) Modaraba has contravened the object clauses of the prospectus of Modaraba and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) which prohibits holding of immovable properties for business purpose, indulging in brokerage of securities and also prohibit from carrying on any business opposed to injunctions of Islam, instances of contravention are as under :
    - In the process of merger with the Second Prudential Modaraba in the year 2003, the Modaraba acquired a property through assignment by the court. Since then the Modaraba has treated this property as 'Investment Property' and has been earning rental income from it. Currently, the investment property is valued at Rs. 10.50 million.
    - The Modaraba acquired membership of Lahore Stock Exchange in 2010 including a room in settlement of claim of Rs. 22.33 million from Prudential Securities Limited.
    - The Modaraba has an investment of Rs. 80 million in an investment bank.
  - iii) Towards note 1.2 to the financial statements regarding 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 paragraph 'l' above.

**Chartered Accountants**

**Engagement Partner:**  
Mushtaq Ali Hirani

Karachi  
Dated: November 08, 2012

**BALANCE SHEET  
AS AT JUNE 30, 2012**

<b>ASSETS</b>	<b>Note</b>	<b>2012 Rupees</b>	<b>2011 Rupees</b>
<b>Current Assets</b>			
Cash and bank balances	5	90,368,066	24,763,563
Investments	6	282,828,284	365,175,493
Musharika, morabaha and other finance	7	26,314,136	28,750,170
Ijarah rentals receivable	8	1,490,630	2,286,321
Advances, prepayments and other receivables	9	39,826,034	41,506,045
<b>Total Current Assets</b>		<b>440,827,150</b>	462,481,592
<b>Non - Current Assets</b>			
Long term investments	10	6,447,388	6,640,072
Long term portion of musharika, morabaha and other finance	7	-	1,081,235
Long term deposits		3,068,092	3,066,192
Intangible assets	11	22,326,567	22,326,567
Property and equipment - owned	12	187,267	315,212
Property, plant and equipment -Ijarah	13	107,907,387	66,185,463
Investment property	14	10,500,000	10,027,500
<b>Total Non - Current Assets</b>		<b>150,436,701</b>	109,642,241
<b>TOTAL ASSETS</b>		<b>591,263,851</b>	572,123,833
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current portion of long term ijarah deposits	15	13,380,840	8,537,957
Accrued and other liabilities	16	7,544,668	8,090,971
Unclaimed profit distribution		17,832,449	15,649,085
<b>Total Current Liabilities</b>		<b>38,757,957</b>	32,278,013
<b>Non-current Liabilities</b>			
Long term ijarah deposits	15	32,898,007	26,849,367
<b>TOTAL LIABILITIES</b>		<b>71,655,964</b>	59,127,380
<b>NET ASSETS</b>		<b>519,607,887</b>	512,996,453
<b>REPRESENTED BY</b>			
Certificate Capital			
87,217,660 Modaraba Certificates of Rupees 10/- each	17	872,176,600	872,176,600
Statutory reserve		133,492,500	126,898,620
Accumulated loss		(486,061,213)	(486,078,767)
		<b>519,607,887</b>	<b>512,996,453</b>
Contingencies and commitments	18		

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

These financial statements have been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end on September 05, 2012, the Modaraba has applied again for approval of appointment of chief executive officer to Registrar Modaraba.

  
Director

  
Director

  
Director



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012 Rupees	2011 Rupees
<b>INCOME</b>			
Ijarah rentals		47,038,049	32,191,803
Return on term deposit receipts and PLS accounts		25,646,000	37,305,911
Income on musharika, morabaha and other finance	19	740,016	3,268,744
Gain on sale of investments		9,067,366	8,303,621
Dividend income		5,023,040	2,878,113
Rental income from an investment property		1,115,647	1,006,236
Other income	20	2,699,271	2,221,198
		<u>91,329,389</u>	<u>87,175,626</u>
Unrealised loss on changes in fair value of held for trading investments - at fair value through profit and loss		(6,227,542)	(3,148,669)
Unrealised gain on remeasurement of investment property		472,500	105,000
Impairment (losses) and (Provision) / Reversal against doubtful receivables-net	21	(5,918,139)	(3,612,003)
		<u>79,656,208</u>	<u>80,519,954</u>
<b>EXPENDITURE</b>			
Depreciation on ijarah assets		(29,366,113)	(25,700,205)
Administrative expenses	22	(14,847,612)	(17,146,781)
Workers welfare fund		(708,258)	(677,588)
Bank and other charges		(29,592)	(29,169)
		<u>(44,951,575)</u>	<u>(43,553,743)</u>
Profit for the year		34,704,633	36,966,211
Modaraba company's management fee		(1,735,232)	(3,696,621)
Profit before taxation		32,969,401	33,269,590
Provision for taxation	23	-	-
Profit after taxation		<u>32,969,401</u>	<u>33,269,590</u>
<b>Other comprehensive (loss) / income</b>			
(Deficit) / surplus on revaluation of available for sale investments		(192,669)	404,652
<b>Total income for the year</b>		<u>32,776,732</u>	<u>33,674,242</u>
<b>Earnings per certificate</b>	24	<u>0.38</u>	<u>0.38</u>

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

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Director

  
Director

  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2012**

	2012 Rupees	2011 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>32,969,401</b>	33,269,590
Adjustments for non-cash changes and other items:		
Gain on sale of investments	<b>(9,067,366)</b>	(8,303,621)
Dividend income	<b>(5,023,040)</b>	(2,878,113)
Unrealised loss on changes in fair value of held for trading investments - at fair value through profit and loss	<b>6,227,542</b>	3,148,669
Impairment (losses) and (provision) / reversal against doubtful receivables-net	<b>5,918,139</b>	3,612,003
Unrealised gain on remeasurement of investment property	<b>(472,500)</b>	(105,000)
Gain on disposal-own assets	<b>(366,873)</b>	(19,902)
Gain on disposal-ijarah assets	<b>(659,856)</b>	(243,252)
Depreciation-own assets	<b>169,916</b>	232,339
Depreciation on ijarah assets	<b>29,366,113</b>	25,700,205
	<b>26,092,075</b>	21,143,328
	<b>59,061,476</b>	54,412,918
Cash flows before movements in working capital		
(Increase) / decrease in operating assets		
Musharika, morabaha and other finance	<b>1,307,893</b>	12,959,750
Ijarah rentals receivable	<b>2,073,278</b>	11,209,010
Advances, prepayments and other receivables	<b>1,949,414</b>	(5,430,011)
	<b>5,330,585</b>	18,738,749
Increase/(decrease) in operating liabilities		
Ijarah deposits	<b>10,891,523</b>	(12,780,012)
Accrued and other liabilities	<b>(546,302)</b>	4,216,611
	<b>10,345,221</b>	(8,563,401)
Cash generated from operations	<b>74,737,282</b>	64,588,266
Income tax paid	<b>(194,403)</b>	(1,939,344)
Net cash generated from operating activities	<b>74,542,879</b>	62,648,922



	2012 Rupees	2011 Rupees
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	4,948,040	2,891,860
Investments encashed / (made) - net	82,187,049	(16,588,810)
Proceeds from disposal-own assets	380,000	20,000
Proceeds from disposal-ijarah assets	13,898,669	17,732,347
Purchase of own assets	(55,100)	(259,635)
Purchase of ijarah assets	(86,313,200)	(37,285,500)
Long term deposit paid	(1,900)	-
Net cash generated from / (used in) investing activities	<u>15,043,558</u>	<u>(33,489,738)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution	<u>(23,981,934)</u>	<u>(22,952,957)</u>
Net cash used in financing activities	<u>(23,981,934)</u>	<u>(22,952,957)</u>
Net increase in cash and cash equivalents (A+B+C)	65,604,503	6,206,227
Cash and cash equivalents at beginning of the year	24,763,563	18,557,336
Cash and cash equivalents at end of the year	<u>90,368,066</u>	<u>24,763,563</u>

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

These financial statements have been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end on September 05, 2012, the Modaraba has applied again for approval of appointment of chief executive officer to Registrar Modaraba.

  
Director

  
Director

  
Director



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2012**

	Reserves				Total
	Certificate capital	Capital *Statutory reserve	Unrealized gain/loss on available for sale	Revenue Accumulated loss	
Balance at July 1, 2010	872,176,600	120,244,702	-	-	505,487,404
Profit for the year ended June 30, 2011	-	-	133,865	(487,067,763)	33,269,590
Other comprehensive income for the year ended June 30, 2011	-	-	404,652	-	404,652
Transfer to statutory reserve Distribution @ 3 % declared for the year ended June 30, 2010	-	6,653,918	-	(6,653,918)	-
Balance at June 30, 2011	872,176,600	126,898,620	538,517	(26,165,193)	(26,165,193)
Profit for the year ended June 30, 2012	-	-	-	(486,078,767)	512,996,453
Other comprehensive loss for the year ended June 30, 2012	-	-	(192,669)	-	32,969,401
Transfer to statutory reserve Distribution @ 3 % declared for the year ended June 30, 2011	-	6,593,880	-	(6,593,880)	-
Balance at June 30, 2012	872,176,600	133,492,500	345,848	(26,165,298)	(26,165,298)
				(486,407,061)	519,607,887

\*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. 6,593,880 which represents 20% of the profit after tax.

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

These financial statements have been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end on September 05, 2012, the Modaraba has applied again for approval of appointment of chief executive officer to Registrar Modaraba.

  
Director

  
Director

  
Director



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

**1.1** First Prudential Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and is managed by Prudential Capital Management Limited, a company incorporated in Pakistan under the Companies Ordinance 1984. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in musharika, morabaha and investment in securities. Registered office of the modaraba is situated at Beverly Centre, 56-G, Blue Area, Islamabad.

**1.2** In pursuance of a show cause notice dated June 9, 2010 issued to the Prudential Capital Management Limited (PCML) and after taking approval from the Securities and Exchange Commission of Pakistan (SECP) under 20 (2) of the Modaraba Ordinance, 1980, the Registrar Modarabas passed an order dated October 28, 2010 under section 20 (1)(a)(iii) to remove the Modaraba Company, Prudential Capital Management Limited (PCML) and appointed another Modaraba Management Company as Administrator to takeover and manage the 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 the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan (SECP) [the Modaraba Regulations] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under 'the Modaraba Regulations'. Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, 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, 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/Amendments/Interpretations</b>	<b>Effective date (accounting period beginning on or after)</b>
Amendment to IAS 1 - Presentation of Financial Statements	January 1, 2011
IAS 24 (as revised in 2009) - Related Party Disclosures	January 1, 2011
Amendment to IAS 34 - Interim Financial Reporting	January 1, 2011
Amendment to IFRS 7 – Disclosures – Transfer of Financial Assets	July 1, 2011
Amendment to IFRIC 13 - Customer Loyalty Programmes	January 1, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011



**2.3 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 Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

<b>Standards/Amendments/Interpretations</b>	<b>Effective date (accounting period beginning on or after)</b>
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amendments to IAS 19 - Employee Benefits	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 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

**Improvements / amendments to IFRS and interpretations (Others)**

IFRS 7 – Financial Instruments: Disclosures (Amendment)  
IAS 24 - Related Party Disclosures (Revised)  
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)

**3. BASIS OF PREPARATION**

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

**4. SIGNIFICANT ACCOUNTING POLICIES**

The 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 whereby the cost of an asset is written off over its estimated useful life. 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 property, which is property held to earn rentals and/or for capital appreciation, is 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 property are included in profit or loss for the period in which they arise.

**4.3 Intangible**

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, if any. No amortisation is charged on such assets.

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, ijarah, morabaha and 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. 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 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.

**4.8 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 ongoing 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 property 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.

### **4.9 Revenue recognition**

#### **4.9.1 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.

#### **4.9.2 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.

#### **4.9.3 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.

#### **4.9.4 Rental Income**

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

#### **4.9.5 Dividend income**

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



#### **4.9.6 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.

#### **4.9.7 Mark-up income**

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

#### **4.10 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 its income excluding realized and unrealized capital gains for the period is 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.

#### **4.11 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.

#### **4.12 Financial assets**

Financial assets comprise of Ijarah rentals receivable, investments, 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.

#### **4.13 Financial liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities includes ijarah deposits and accrued and other liabilities.

#### **4.14 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).



#### 4.15 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.

#### 4.16 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 dividends are approved by the board of Modaraba company.

#### 4.17 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) impairment losses / provision for doubtful receivables (Note 21)
- iii) depreciation on property and equipment (Note 12 & 13)
- iv) amortisation of intangible assets(Note 11)
- v) provision for doubtful recovery against investments(Note 6)

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand		26,963	20,200
Cash at banks			
Current accounts		1,518,191	1,508,191
Saving accounts	5.1	88,822,912	23,235,172
		90,341,103	24,743,363
		<u>90,368,066</u>	<u>24,763,563</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 4.22 % to 11.5 % (2011 : 5.5% to 11.75%) per annum.



6. INVESTMENTS	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
<b>Loan and receivables - Term deposit receipts</b>			
- considered good	6.1 & 6.2	185,000,000	270,000,000
- considered doubtful	6.3	10,000,000	-
		<u>195,000,000</u>	270,000,000
Less: Provision for doubtful term deposits		<u>(3,000,000)</u>	-
		<u>192,000,000</u>	270,000,000
<b>At fair value through profit or loss - in quoted securities</b>			
- considered good	6.4	90,828,284	95,175,493
		<u>282,828,284</u>	<u>365,175,493</u>

6.1 Effective mark-up rate in respect of term deposit accounts ranges from 10% to 14.25% (June 2011 : 12.6% to 15%) per annum.

6.2 "These include three term deposit receipts amounted to Rs. 50 million, Rs. 20 million and Rs. 10 million respectively invested in Invest Capital Investment Bank Limited (ICIBL). With respect to Rs. 70 million, on June 28, 2012 an agreement has been executed between the Modaraba and ICIBL according to which parties have agreed to settle the entire outstanding liability of Rs. 70 million however, profit of Rs. 5.88 million accrued till date of the agreement shall stand waved off, other terms of settlement are;

(a) Rs. 45 million will be settled against the transfer of immovable properties of two office premises along with the furniture and fixtures.

(b) Rs. 25 million will be settled against the transfer of immovable properties of four shops. "

Subsequent to the year end on October 02, 2012 and on October 24, 2012, sale deeds of the offices and shops respectively have been executed and are registered with the respective registrar of properties. The fair value of the offices and shops assessed by the independent valuers are approximate to the settlement amount.

6.3 The management of the Modaraba is in the process of negotiation with the ICIBL for the third term deposit of Rs. 10 millions and profit thereon. The management is confident of achieving an amicable settlement to recover the full amount, however as a matter of prudence the Modaraba has made a provision of Rs. 3 million against the balance.

#### 6.4 In quoted companies

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

#### Held for trading at fair value through profit or loss account

June 2012	June 2011		June 2012 Rupees	June 2011 Rupees
<b>Number of Certificates / Shares/ Units</b>		<b>Name of investee</b>		
		<b>Open-end mutual funds</b>		
251,730	-	MCB Islamic Income Fund	25,205,569	-
25,000	25,000	National Investment (Unit) Trust	756,500	804,000
115,000	371,505	Unit Trust of Pakistan (Face value of certificate Rs.100/- each)	13,227,300	38,320,778
		<b>Oil and gas</b>		
14,500	-	Attock Refinery Limited	1,781,615	-
-	15,000	Byco Petroleum Pakistan Limited	-	136,050
21,200	-	National Refinery Limited	4,905,468	-
17,500	16,000	Oil & Gas Development Company Limited	2,807,700	2,447,840
-	2,500	Pakistan Petroleum Limited	-	517,675
26,500	26,500	Pakistan Refinery Limited	1,522,425	2,131,925
16,500	21,644	Pakistan State Oil Company Limited	3,891,360	5,726,570



June 2012 Rupees	June 2011 Rupees		June 2012 Rupees	June 2011 Rupees
		<b>Number of Certificates / Shares/ Units</b>		
		<b>Name of investee</b>		
		<b>Chemicals</b>		
115,830	87,100	Engro Corporation Limited	11,796,127	14,219,075
265,000	165,500	Fauji Fertilizer Bin Qasim Limited	10,817,300	6,975,825
25,500	-	Fauji Fertilizer Company Limited	2,831,775	-
5,500	2,500	ICI Pakistan Limited	720,885	379,625
200,000	150,000	Lotte Pakistan PTA Limited	1,406,000	2,074,500
		<b>Construction and materials (Cement)</b>		
13,500	140,000	D.G. Khan Cement Company Limited	531,630	3,218,600
-	25,000	Lafarge Pakistan Cement Limited	-	67,500
10,000	45,000	Lucky Cement Limited	1,153,900	3,187,800
		<b>Household goods (Textile)</b>		
1,721	1,721	Hussain Industries Limited	5,163	4,854
		<b>Pharma and Bio tech</b>		
1,885	-	GlaxoSmithKline Pakistan Limited	119,207	-
		<b>Personal goods</b>		
-	40,000	Azgard Nine Limited	-	579,600
34,000	25,000	Nishat (Chunian) Limited	591,260	557,250
20,000	147,500	Nishat Mills Limited	951,600	7,425,150
		<b>Fixed Line Telecommunication</b>		
20,000	-	Pakistan Telecommunication Company Limited.	273,800	-
		<b>Electricity</b>		
95,000	104,347	Kot Addu Power Company Limited	4,275,000	4,446,226
30,000	27,500	The Hub Power Company Limited	1,256,700	1,031,250
		<b>Financial Services</b>		
-	300,000	First Capital Securities Corporation Limited	-	729,000
-	30,000	Jahangir Siddiqui & Co Limited	-	194,400
		<b>Suspended / Delisted Companies</b>		
1,670,720	1,670,720	Prudential Stock Fund	-	-
360,000	360,000	Zeal-Pak Cement Factory Limited	-	-
			<u>90,828,284</u>	<u>95,175,493</u>



	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
<b>6.4.1 Unrealized loss on changes in fair value of held for trading investments</b>			
Weighted average cost of investments		97,055,826	98,324,162
Unrealized loss on changes in fair value of held for trading investments		(6,227,542)	(3,148,669)
Market value of investments		<u>90,828,284</u>	<u>95,175,493</u>
<b>7. MUSHARIKA, MORABAHA AND OTHER FINANCE</b>			
Musharika and morabaha finance	7.1	<u>17,469,830</u>	<u>18,776,023</u>
Other finance-secured	7.2	<u>8,844,306</u>	<u>11,055,382</u>
		26,314,136	29,831,405
Less: Long term portion		-	(1,081,235)
Other finance		-	(1,081,235)
		<u>26,314,136</u>	<u>28,750,170</u>
<b>7.1 Musharika and morabaha finance</b>			
Musharika finance-unsecured			
Principal		<u>105,172,201</u>	<u>105,172,201</u>
Profit		<u>45,436,866</u>	<u>45,436,866</u>
		150,609,067	150,609,067
Morabaha finance-secured			
Principal	7.1.1	<u>81,585,976</u>	<u>82,562,920</u>
Profit		<u>133,982,624</u>	<u>134,111,073</u>
		215,568,600	216,673,993
Deferred Morabaha income		-	202,500
Less: Provision for doubtful receivables	7.1.2	<u>(150,609,067)</u>	<u>(150,609,067)</u>
Musharika finance-unsecured		<u>(198,098,770)</u>	<u>(198,100,470)</u>
Morabaha finance-secured		<u>(348,707,837)</u>	<u>(348,709,537)</u>
		<u>17,469,830</u>	<u>18,776,023</u>

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

**7.1.2 Movement of provision**

	June 30, 2012			June 30, 2011		
	Principal	Profit	Total	Principal	Profit	Total
Opening Balance	171,553,125	177,156,412	348,709,537	171,058,496	177,302,545	348,361,041
Charge for the year	-	-	-	2,244,777	-	2,244,777
Reversals during the year	-	(1,700)	(1,700)	(1,750,148)	(281,489)	(2,031,637)
Suspended during the year	-	-	-	-	135,356	135,356
Closing Balance	<u>171,553,125</u>	<u>177,156,412</u>	<u>348,707,837</u>	<u>171,553,125</u>	<u>177,156,412</u>	<u>348,709,537</u>



	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
7.2 Other finance-unsecured		11,055,382	11,055,382
Less: Provision for doubtful receivables	7.2.2	(2,211,076)	-
		<u>8,844,306</u>	<u>11,055,382</u>

7.2.1 This finance has been made to Invest Capital Investment Bank Limited against certain ijarah assets under a funded risk participation agreement. It carries return at the rate 17.16 % per annum and is receivable by October 2012 in monthly instalments.

7.2.2 The Modaraba is in the process of negotiation of the recovery of this balance. The management is confident of achieving an amicable settlement in few months. As a matter of prudence, the Modaraba has made a provision of Rs. 2.21 million.

#### 8. IJARAH RENTALS RECEIVABLE

Considered good		1,241,727	2,286,321
Considered doubtful		24,303,208	24,577,317
		<u>25,544,935</u>	<u>26,863,638</u>
Less: Provision for doubtful receivables	8.1	(24,054,305)	(24,577,317)
		<u>1,490,630</u>	<u>2,286,321</u>

#### 8.1 Movement in provision for doubtful receivables

Opening balance		24,577,317	32,961,066
Charge for the year		754,575	2,349,310
Reversal during the year		(1,277,587)	(10,733,059)
Closing balance		<u>24,054,305</u>	<u>24,577,317</u>

#### 8.2 Future minimum ijarah rentals receivable

Within one year		44,584,977	48,775,927
After one year but not more than five years		65,041,747	20,839,073
		<u>109,626,724</u>	<u>69,615,000</u>

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

	Note	Considered Good		Considered Doubtful		Total	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<b>Advance</b>							
Income tax		13,148,819	12,954,416	-	-	13,148,819	12,954,416
To staff		2,041,474	1,865,590	15,000	15,000	2,056,474	1,880,590
<b>Prepayments</b>		157,395	158,191	-	-	157,395	158,191
<b>Other receivables from</b>							
Brokers on account							
of sale of shares	9.1	1,107,192	2,711,804	64,620,930	64,620,930	65,728,122	67,332,734
Related party	9.2	18,432,273	18,432,273	-	-	18,432,273	18,432,273
Bank	9.3	-	-	10,241,347	10,241,347	10,241,347	10,241,347
Profit on TDRs							
and other finance		2,953,144	3,909,889	531,899	-	3,485,043	3,909,889
Others		1,985,737	1,473,882	13,177,945	13,177,945	15,163,682	14,651,827
<b>Sub total</b>		39,826,034	41,506,045	88,587,121	88,055,222	128,413,155	129,561,267
Provision for doubtful receivables	9.4	-	-	(88,587,121)	(88,055,222)	(88,587,121)	(88,055,222)
		<u>39,826,034</u>	<u>41,506,045</u>	<u>-</u>	<u>-</u>	<u>39,826,034</u>	<u>41,506,045</u>



9.1 The amount include claim of Rs.64,620,930/- (2011 : Rs.64,620,930/-) receivable from a defaulted stock broker.

9.2 The amount was paid as advance for purchase of securities to Prudential Securities Limited (PSL). The PSL defaulted and claim for the amount has been filed with the Karachi Stock Exchange result of which is still awaited.

9.3 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, 2012 Rupees	June 30, 2011 Rupees
<b>9.4 Movement in provision for doubtful receivables</b>			
Opening balance		88,055,222	88,055,222
Suspension for the year		531,899	-
Reversal during the year		-	-
Closing balance		<u>88,587,121</u>	<u>88,055,222</u>

#### 10. LONG TERM INVESTMENTS

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

Investment in associate	10.1	-	-
Available for sale		3,068,758	3,261,442
Listed entities	10.2	3,378,630	3,378,630
An unlisted company	10.3	6,447,388	6,640,072
		<u>6,447,388</u>	<u>6,640,072</u>

##### 10.1 Investment in Associate

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

##### 10.2 Listed entities

June 30, 2012	June 30, 2011		June 30, 2012	June 30, 2011
<b>Number of Certificates / Shares/ Units</b>				
101,413	101,413	National Investment (Unit)Trust		
		Cost	2,722,924	2,722,939
		Add: Unrealized gain	345,834	538,503
			<u>3,068,758</u>	<u>3,261,442</u>



**10.3 Unlisted company**

2012	2011		Note	2012 June 30,	2011 June 30,
<b>Number of Certificates / Shares/ Units</b>					
1,107,244	1,107,244	Prudential Securities Limited(PSL)			
		Cost		4,173,707	4,173,707
		Less: Impairment		(795,077)	(795,077)
				<u>3,378,630</u>	<u>3,378,630</u>

**10.3.1** 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. INTANGIBLE ASSETS**

Lahore stock exchange membership and a room 11.2 **22,326,567** 22,326,567

**Cost**

At July 01	<b>22,326,567</b>	22,326,567
Addition	-	-
At June 30	<u><b>22,326,567</b></u>	<u>22,326,567</u>

**11.1** The membership and room was obtained by the Modaraba in the year 2010 to the settlement of certain outstanding balance receivable against a defaulted party. Value of these intangible assets are carried at the settlement amount.

**11.2** The useful life of membership is assessed to be indefinite as there is no foreseeable limit of time for which the membership is expected to generate economic benefit. The Management estimates that the carrying value of this asset is more than its recoverable amount.





**12.1 Disposal of property and equipment - Own Office Equipment and Computers Equipment**

The disposed assets are specifically identified fully depreciated items having Nil recoverable amount. There these has been derecognised from the books during the year.

**Motor Vehicles**

This represent theft vehicle against which insurance claim has been received.

**Particulars of disposal of Property and Equipment for the year ended June 30, 2011.**

	Cost	Accumulated Depreciation	Written down Value	Disposal proceed/ Insurance Claim	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser	Address of Purchaser
Office equipment	537,514	537,430	84	17,143	17,059	Negotiation	Mudassir Bilwani	Shop M-120 Jilani Center , Saddar ,Karachi
Computer equipment	480,356	480,342	14	2,857	2,843	Negotiation	Mudassir Bilwani	Shop M-120 Jilani Center , Saddar ,Karachi
	1,017,870	1,017,772	98	20,000	19,902			



13 PROPERTY, PLANT AND EQUIPMENT - IJARAH

	Cost		Depreciation		Impairment		Useful Life
	at July 1, 2011	at June 30, 2012	Accumulated at July 1, 2011	For the year / (on disposals) at June 30, 2012	Accumulated at July 1, 2011	For the year / (on disposals) at June 30, 2012	
Plant and machinery	14,200,000	5,355,000	9,143,434	1,559,176 (7,511,500)	308,500	(111,000)	1,966,390 24 to 60 months
Office equipment	8,801,000	801,000	6,112,150	(5,600,000)	288,850	-	288,850 - 24 to 60 months
Computer	92,000	-	82,799	(82,799)	9,200	(9,200)	- 24 to 60 months
Vehicles	145,288,467	202,043,100	73,767,513	27,806,937 (18,657,252)	12,483,558	1,986,350 (1,285,003)	105,940,997 24 to 60 months
	168,381,467	208,199,100	89,105,896	29,366,113 (31,851,551)	13,090,108	1,986,350 (1,405,203)	107,907,387

- For comparative period

	Cost		Depreciation		Impairment		Useful Life
	at July 1, 2010	At June 30, 2011	Accumulated at July 1, 2010	For the year / (on disposals) at June 30, 2011	Accumulated at July 1, 2010	For the year / (on disposals) at June 30, 2011	
Plant and machinery	15,005,500	14,200,000	6,547,026	3,277,258 (680,850)	-	308,500	4,748,066 24 to 60 months
Office equipment	8,801,000	8,801,000	4,219,191	1,892,959	-	288,850	2,400,000 24 to 60 months
Computer	92,000	-	55,589	27,210	-	9,200	1 24 to 60 months
Vehicles	152,281,512	145,288,467	80,178,835	20,502,778 (26,914,100)	-	12,483,558	59,037,396 24 to 60 months
	176,180,012	168,381,467	91,000,641	25,700,205 (27,594,950)	-	13,090,108	66,185,463



	June 30, 2012 Rupees	June 30, 2011 Rupees
<b>14. INVESTMENT PROPERTY</b>		
-Acquired in satisfaction of claim		
At July 01	10,027,500	9,922,500
Unrealised gain on remeasurement of investment property	472,500	105,000
At June 30	<u>10,500,000</u>	<u>10,027,500</u>

14.1 In pursuance of execution of the decree the office premises, mortgaged with the Modaraba as security against a morabaha facility, were assigned by the Sindh High Court in 1999. Property has been recognized as investment property under IAS-40 and stated at fair value.

The fair value of the investment property at June 30, 2012 has been arrived at on the basis of a valuation carried out on June 30, 2012 by Rizvi Associates (Private) Limited, independent valuers. The valuation has been arrived at by reference to market evidence of transaction price for similar properties.

**15. LONG TERM IJARAH DEPOSITS**

Ijarah deposits	46,278,847	35,387,324
Current portion	<u>(13,380,840)</u>	<u>(8,537,957)</u>
	<u>32,898,007</u>	<u>26,849,367</u>

**16. ACCRUED AND OTHER LIABILITIES**

Accrued expenses	694,444	655,000
Management fee payable	1,735,232	3,696,621
Ijarah insurance payable	1,935,076	1,112,965
Workers welfare fund	2,055,946	1,347,688
Unearned morabaha income	-	202,500
Others payables	<u>1,123,970</u>	<u>1,076,197</u>
	<u>7,544,668</u>	<u>8,090,971</u>

**17. CERTIFICATE CAPITAL**

June 2012	June 2011		June 2012 Rupees	June 2011 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	<u>872,176,600</u>	<u>872,176,600</u>
		<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, 2012, the Prudential Capital Management Company Limited held 10,521,305 (2011: 10,521,305) certificates of Rs. 10 each.



**18. CONTINGENCIES AND COMMITMENTS**

No contingencies and commitments exist at the year end.

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
<b>19. INCOME ON MUSHARIKA, MORABAHA AND OTHER FINANCE</b>			
Profit on musharika and morabaha		202,500	479,228
Return on other finance		537,516	2,789,516
		<u>740,016</u>	<u>3,268,744</u>
<b>20. OTHER INCOME</b>			
Gain on disposal of property, plant and equipment- Ijarah		659,856	243,252
Gain on disposal of property and equipment -owned		366,873	19,902
Front end fee, documentation charges and others		1,672,542	1,958,044
		<u>2,699,271</u>	<u>2,221,198</u>
<b>21. IMPAIRMENT LOSSES AND PROVISION / (REVERSAL) AGAINST DOUBTFUL RECEIVABLES-NET</b>			
Impairment losses:			
Ijarah assets	12.1	1,986,350	13,090,108
Investment in associate		-	1,041,814
		<u>1,986,350</u>	<u>14,131,922</u>
Provision / (Reversal) against doubtful receivables :			
Musharika and morabaha finance	7.1.2	(1,700)	213,140
Other finance	7.2.2	2,211,076	-
Ijarah finance	8.1	(1,277,587)	(10,733,059)
Term deposit receipts	6	3,000,000	-
		<u>3,931,789</u>	<u>(10,519,919)</u>
		<u>5,918,139</u>	<u>3,612,003</u>
<b>22. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	22.1	5,100,464	6,273,958
Transaction cost on investment		215,252	592,983
Fees and subscription		800,090	1,093,816
Repairs and maintenance		841,399	863,065
Rent, rates and taxes		756,958	649,818
Registrar services		900,000	900,000
Telephone and postage		1,092,513	1,059,897
Travelling and conveyance		803,728	1,136,825
Depreciation-owned assets		169,916	232,339
Auditors' remuneration	22.2	740,000	740,000
Electricity, water and gas		524,641	558,808
Printing and stationery		852,917	731,434
Vehicles running		379,915	314,866
Legal and professional		802,700	1,129,460
Entertainment		317,267	233,651
Advertisement		32,200	271,267
Newspapers and periodicals		4,970	28,148
Insurance		122,724	108,181
Miscellaneous		389,958	228,265
		<u>14,847,612</u>	<u>17,146,781</u>



**22.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES**

	2012			2011		
	Officers	Other employees	Total	Officers	Other employees	Total
	.....Rupees.....			.....Rupees.....		
Remuneration	1,752,974	3,074,880	4,827,854	902,447	4,919,435	5,821,882
Provident fund	48,152	96,256	144,408	31,040	64,501	95,541
Medical expenses	19,350	108,852	128,202	-	106,578	106,578
Fuel	-	-	-	-	152,698	152,698
Others	-	-	-	-	97,259	97,259
	<u>1,820,476</u>	<u>3,279,988</u>	<u>5,100,464</u>	<u>933,487</u>	<u>5,340,471</u>	<u>6,273,958</u>
No. of persons	3	15		1	16	

**22.2 AUDITOR'S REMUNERATION**

	June 30, 2012 Rupees	June 30, 2011 Rupees
Statutory audit fee	440,000	440,000
Half year review fee	200,000	200,000
Review of code of corporate governance	50,000	50,000
CDC certification	10,000	10,000
Out of pocket expenses	40,000	40,000
	<u>740,000</u>	<u>740,000</u>

**23. PROVISION FOR 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 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.

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

	June 30, 2012 Rupees	June 30, 2011 Rupees
Profit for the year (Rupees)	32,969,401	33,269,590
Weighted average number of ordinary certificates	<u>87,217,660</u>	<u>87,217,660</u>
Earnings per certificate (Rupees per certificate)	<u>0.38</u>	<u>0.38</u>



**25. 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, 2012 Rupees	June 30, 2011 Rupees
Provident fund	Contribution made	144,408	95,541
Modaraba company	Dividend paid	3,156,362	3,156,362
	Management fee	1,735,232	3,696,621

**26. 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.

**26.1 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. 440.83 million against its current liability of Rs. 38.76 million which lead to total surplus of Rs. 402.069 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>2012</b>			Rupees	
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
	71,655,964	28,384,757	10,373,200	32,898,007
<b>2011</b>				
Accrued and other liabilities	8,090,971	8,090,971	-	-
Unclaimed profit distribution	15,649,085	15,649,085	-	-
Ijarah deposits	35,387,324	7,424,307	1,113,650	26,849,367
	59,127,380	31,164,363	1,113,650	26,849,367



## 26.2 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 , 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, 2012 and June 30, 2011 is the carrying amounts of following financial assets

	June 30, 2012 Rupees	June 30, 2011 Rupees
Ijarah rentals receivable	1,490,630	2,286,321
Musharika, morabaha and other finance	26,314,136	29,831,405
Other receivables	20,286,569	20,061,968
Balances with banks	90,341,103	24,743,363
Investment in term deposit receipt	<u>195,000,000</u>	<u>270,000,000</u>
	<u>333,432,438</u>	<u>346,923,057</u>

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

Banks	Rating Agency	Short Term	Long Term	June 30, 2012 Rupees	June 30, 2011 Rupees
BankIslami Pakistan Limited	PACRA	A1	A	30,000,000	-
Bruij Bank Limited	JCR-VIS	A-2	A	81,036,524	-
Faysal Bank Islamic	PACRA	A1+	AA	30,000,000	-
Faysal Bank Limited	PACRA	A1+	AA	2,057,024	4,539,607
HBL Islamic Banking	JCR-VIS	A-1+	AA	55,000,000	-
Invest Capital Investment Bank Limited	JCR-VIS	D - Default	D - Default	80,000,000	80,000,000
Summit Bank	JCR-VIS	A-2	A	3,388,150	16,428,870
The Bank of Khyber	PACRA	A2	A -	-	190,000,000





### **26.3 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.

#### **26.3.1 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, 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
			.....Rupees.....					
Cash and bank balances	4.22% - 15%	90,368,066	90,311,450	-	-	-	-	56,616
Investments		289,275,672	170,000,000	25,000,000	-	-	-	97,275,672
Musharika, morabaha and other finance	14% - 21%	26,314,136	25,572,604	741,532	-	-	-	-
Ijarah rentals receivable		1,490,630	-	-	-	-	-	1,490,630
Advances, prepayments and other receivables		39,826,034	-	-	-	-	-	39,826,034
Total Financial Assets as at June 30, 2012		447,274,538	285,884,054	25,741,532	-	-	-	138,648,952
Accrued and other liabilities		7,544,668	-	-	-	-	-	7,544,668
Unclaimed profit distribution		17,832,449	-	-	-	-	-	17,832,449
Ijarah deposit		46,278,847	-	-	-	-	-	46,278,847
Total Financial Liabilities as at June 30, 2012		71,655,964	-	-	-	-	-	71,655,964
Total yield / profit risk sensitivity gap		285,884,054	25,741,532	-	-	-	-	-
Cumulative yield / profit risk sensitivity gap		285,884,054	311,625,586	311,625,586	311,625,586	311,625,586	311,625,586	311,625,586



June 30, 2011

	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
			.....Rupees.....					
Cash and bank balances	5.5% - 17%	24,713,563	24,713,710	-	160,000,000	-	-	49,853
Investments		371,815,565	30,000,000	80,000,000	-	-	-	101,815,565
Musharika, morabaha and other finance	14% - 21%	29,831,405	18,864,355	2,374,529	7,511,286	1,081,235	-	-
Ijarah rentals receivable		2,286,321	-	-	-	-	-	2,286,321
Advances, prepayments and other receivables		41,506,045	-	-	-	-	-	41,506,045
Total Financial Assets as at June 30, 2011		470,202,899	73,578,065	82,374,529	167,511,286	1,081,235	-	145,657,784
Accrued and other liabilities		8,090,971	-	-	-	-	-	8,090,971
Unclaimed profit distribution		15,649,085	-	-	-	-	-	15,649,085
Ijarah deposit		35,387,324	-	-	-	-	-	35,387,324
Total Financial Liabilities as at June 30, 2011		59,127,380	-	-	-	-	-	59,127,380
Total yield / profit risk sensitivity gap		73,578,065	82,374,529	167,511,286	1,081,235	-	-	-
Cumulative yield / profit risk sensitivity gap		73,578,065	155,952,594	323,463,880	324,545,115	324,545,115	-	-



### 26.3.2 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, 2012 Rupees	June 30, 2011 Rupees
Investments	97,275,672	101,815,565

### 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	
	2012 Rupees	2011 Rupees
KSE 100(5% increase)	4,863,784	5,090,778
KSE 100(5% decrease)	(4,863,784)	(5,090,778)

### 26.4 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.

#### 26.4.1 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	Level 3	Total
	.....Rupees.....			
<b>Financial assets at FVTPL</b>				
Quoted companies	90,828,284	-	-	90,828,284
<b>Available-for-sale financial assets</b>				
Listed entities	3,068,758	-	-	3,068,758
Unlisted entities	-	3,378,630	-	3,378,630
<b>Loan and receivable financial assets</b>				
Term deposit receipts	-	195,000,000	-	195,000,000

**26.5 Financial instrument by category**

	As at June 30, 2012			
	Loan and receivables	Assets at fair value through profit & loss	Avaiable for sale	Total
	.....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>

	As at June 30, 2011			
	Loan and receivables	Assets at fair value through profit & loss	Avaiable for sale	Total
	.....Rupees.....			
<b>ASSETS</b>				
Cash and bank balances	24,763,563	-	-	24,763,563
Investments	270,000,000	95,175,493	6,640,072	371,815,565
Musharika, morabaha and other finance	29,831,405	-	-	29,831,405
Ijarah rentals receivable	2,286,321	-	-	2,286,321
Advances, prepayments and other receivables	41,506,045	-	-	41,506,045
Long term deposits	3,066,192	-	-	3,066,192
	<u>371,453,526</u>	<u>95,175,493</u>	<u>6,640,072</u>	<u>473,269,091</u>
<b>LIABILITIES</b>				
Ijarah deposits	35,387,324	-	-	35,387,324
Accrued and other liabilities	8,090,971	-	-	8,090,971
Unclaimed profit distribution	15,649,085	-	-	15,649,085
	<u>59,127,380</u>	<u>-</u>	<u>-</u>	<u>59,127,380</u>



## 27. 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 10.89:1 (2011: 14.32:1).

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.

## 28. 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 Financial 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.

## 29. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of appropriate presentation.

- Term deposit receipts amounting to Rs. 270 millions have been reclassified to investments as line item under the head term deposit receipts. Previously, it was shown in cash and bank balances.

As the aforementioned reclassification does not have any impact on the face of the profit and loss accounts, therefore, the Modaraba has not presented the balance sheet as at the beginning of the earliest comparative period presented i.e. (June 30, 2010).

## 30. NON-ADJUSTING EVENTS AFER THE BALANCE SHEET DATE

The Board of Directors have approved profit distribution of Rs. 26,165,298 at the rate of 3% (Rs. 0.3 per certificate of Rs. 10) for the year ended June 30, 2012. These financial statements do not reflect this distribution.

## 31. DATE OF AUTHORISATION OF ISSUE

These financial statements has been authorised for issue on November 08, 2012 by the Board of Directors of the Prudential Capital Management Limited.

## 32. FIGURES

Figures have been rounded off to the nearest Rupee.

These financial statements have been signed by three directors instead of chief executive officer and two directors. Subsequent to the year end on September 05, 2012, the Modaraba has applied again for approval of appointment of chief executive officer to Registrar Modaraba.

  
Director

  
Director  
47

  
Director

**CATEGORIES OF CERTIFICATES HOLDING AS ON 30-06-2012**

	<u>NO OF CERTIFICATE HOLDER</u>	<u>NO OF CERTIFICATES</u>	<u>PERCENTAGE</u>
<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	379,700		
INVESTMENT CORPORATION OF PAKISTAN	42,903		
<b>DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN 4</b>		6,603,670	7.57
MR.FAZAL M.MUGHAL	155,412		
DR.MOHAMMAD HUSSAIN	51,340		
MR. ATAULLAH KHAN	6,015,139		
<b>CHIEF EXECUTIVE OFFICER</b>			
<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.			
<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>	21	2,356,995	2.70
THE BANK OF PUNJAB	2,974		
HABIB BANK LTD. LSE BRANCH	848		
BANKERS EQUITY LTD.	600		
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 30-06-2012**

	<b>NO OF CERTIFICATE HOLDER</b>		<b>NO OF CERTIFICATES</b>	<b>PERCENTAGE</b>
<b>SHAREHOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANIES.</b>	2	23,091,558	<b>23,091,558</b>	<b>26.48</b>
<b>INDIVIDUAL</b>	10749	35,433,019	<b>35,433,019</b>	<b>40.63</b>
<b>OTHER CORPORATE SHAREHOLDERS</b>	67	6,859,451	<b>6,859,451</b>	<b>7.87</b>
	<u>10,847</u>		<u><b>87,217,660</b></u>	<u><b>100.00</b></u>



**PATTERN OF SHARE HOLDING AS AT 30 - 06 - 2012**

<u>NUMBER OF SHARE HOLDERS</u>	<u>SHARE HOLDINGS</u>		<u>TOTAL SHARES HELD</u>
3,383	1	100	273,098
2,681	101	500	836,920
2,203	501	1000	1,895,811
1,919	1001	5000	3,875,123
309	5001	10000	2,199,000
100	10001	15000	1,218,124
59	15001	20000	1,011,502
33	20001	25000	746,753
14	25001	30000	385,298
15	30001	35000	528,693
15	35001	40000	557,674
11	40001	45000	466,681
13	45001	50000	626,434
7	50001	55000	366,394
8	55001	60000	456,579
3	60001	65000	188,499
3	65001	70000	202,440
3	70001	75000	221,637
4	75001	80000	315,289
1	80001	85000	82,600
3	85001	90000	263,724
1	90001	95000	94,140
2	95001	100000	199,839
1	100001	105000	104,002
1	105001	110000	110,000
1	115001	120000	120,000
1	120001	125000	123,071
2	125001	130000	257,000
1	130001	135000	130,001
2	135001	140000	278,700
3	140001	145000	426,378
3	145001	150000	448,000
1	150001	155000	150,624
1	155001	160000	160,000
4	175001	180000	703,091
1	180001	185000	180,200
2	195001	200000	395,500
1	200001	205000	205,000
1	210001	215000	211,168
1	215001	220000	217,000
1	220001	225000	223,073
1	225001	230000	227,523
1	255001	260000	257,279
1	300001	305000	303,461
1	315001	320000	317,290



**PATTERN OF SHARE HOLDING AS AT 30 - 06 - 2012**

<u>NUMBER OF SHARE HOLDERS</u>	<u>SHARE HOLDINGS</u>		<u>TOTAL SHARES HELD</u>
1	320001	325000	325,000
1	330001	335000	331,500
1	340001	345000	341,251
1	350001	355000	353,521
1	400001	405000	405,000
1	475001	480000	477,932
2	495001	500000	1,000,000
1	595001	600000	600,000
1	650001	655000	651,000
1	695001	700000	700,000
1	945001	950000	948,441
1	1035001	1040000	1,038,408
1	1760001	1765000	1,762,582
1	1925001	1930000	1,929,159
1	2040001	2045000	2,044,728
1	2275001	2480000	2,275,232
1	2460001	2465000	2,464,497
1	3310001	3315000	3,313,843
1	4220001	4225000	4,220,500
1	4315001	4320000	4,320,000
1	5995001	6000000	6,000,000
1	9565001	9570000	9,567,740
1	9715001	9720000	9,716,508
1	9870001	9875000	9,870,205
<u>10,847</u>			<u>87,217,660</u>