

PRUDENTIAL STOCKS FUND LIMITED

7TH ANNUAL REPORT 1996-97

CONTENTS

COMPANY INFORMATION
NOTICE OF MEETING
DIRECTORS' REPORT
AUDITORS' REPORT
BALANCE SHEET
PROFIT & LOSS ACCOUNT
STATEMENT OF CHANGES IN
FINANCIAL POSITION
NOTES TO THE ACCOUNTS
STATEMENT OF INCOME & EXPENDITURE
OF INVESTMENT COMPANY
PATTERN OF SHAREHOLDING

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Rashidullah Yacoob	Chairman
Mrs. Sanober Akhtar Yacoob	Vice Chairperson
Mr. Mohammad Asif Bar	Chief Executive
Haji Abdul Ghani	Director
Mr. Riaz Ahmed Longi	Director (Nominee of I.C.P.)
Mr. Manzurul Haq	Director (Nominee of N.D.F.C.)
Mr. Manzoor Saber	Director (Nominee of N.D.F.C.)

INVESTMENT ADVISOR

PRUDENTIAL FUND MANAGEMENT LIMITED
Prudential House, Hassan All Street, Off: I.I. Chundrigar Road, Karachi.

COMPANY SECRETARY

Mr. Mohammad All Adil

AUDITORS

Taseer Hadi Khalid & Co.
Chartered Accountants
First Floor, Sheikh Sultan Trust Building,
Beaumont Road, Karachi.

LEGAL ADVISOR

Advocate Incorporation.
1st Floor, Assad Chambers,
Saddar, Karachi.

BANKERS

Prudent a Commercial Bank Ltd.
Faysal Bank Ltd.
Askari Commercial Bank Ltd.
Industrial Development Bank of Pakistan.

REGISTRAR

Shares & Corporate Services (Pvt) Ltd.
Mehersons Estate, Block-E,
On B-E-1, Talpur Road,
Karachi.

STOCK EXCHANGE LISTING

Prudential Stocks Fund Limited is Listed on
Karachi, Lahore and Islamabad Stock
Exchanges.

PUBLIC INFORMATION

Financial Analysts, Stock Brokers,
Interested Investors, Financial media desiring
information about the Company should contact:
Mr. Mohammad All Adil at Company's
registered office,
Karachi.

CUSTODIAN

Faysal Bank Limited,
I.I. Chundrigar Road, Karachi-74200

REGISTERED OFFICE

Prudential House, HaGan All Street,
Off: I.I. Chundrigar Road, Karachi.
Phones: 2628833-8 Lines
Fax: 2630873. Telex: 23984 PRUD PK

SHAREHOLDERS INFORMATION

Enquiries concerning lost share certificates, change of address, verification of transfer deeds and shares transfers should be directed to the Registrar M/s. Shares & Corporate Services (Pvt) Limited.

NOTICE OF MEETING

Notice is hereby given that the Seventh Annual General Meeting of Prudential Stocks Fund Limited will be held on Wednesday, December 24, 1997 at 7:00 p.m. at Institute of Chartered Accountants of Pakistan, Clifton, Karachi to transact the following business:

1. To confirm the Minutes of the Sixth Annual General Meeting of the Company held on December 22, 1996.
2. To receive, consider and adopt Audited Accounts of the Company for the year ended June 30, 1997 alongwith Auditor's and Director's report thereon.
3. To appoint Auditors of the Company for the year ending June 30, 1998. The present Auditors M/s. Taseer, Hadi, Khalid & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To elect Seven (7) Directors as fixed by the Board of Directors in accordance with the provisions of section 178(1) of the Companies Ordinance, 1984 for a period of three years. The retiring Directors are:
1) Mr. Rashidullah Yacoob (2) Mrs. Sanober Akhtar Yacoob (3) Mr. Mohammad Asif Dar (4) Haji Abdul Ghani (5) Mr. Manzoor Saber (Representing NDFC) (6) Mr. ManzuruI-Haq (Representing NDFC) (7) Mr. Riaz Ahmad Longi (Representing ICP).
5. To transact any other business that may be placed before the meeting with the permission of the chair.

NOTES:

1. Any person who seeks to Contest the election to the office of Director should file with the Company, not later than 14 days before the date of meeting, a notice of his intention to offer himself for election as Director in terms of section 178(3) of the Companies Ordinance, 1984.
2. The share Transfer Books of the Company will remain closed from December 24, 1997 to January 05, 1998. (both days inclusive).
3. A member entitled to attend and vote at the meeting is entitled to appoint another member of the Company as a Proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the registered office of the Company duly stamped not later than 48 hours before the meeting.
4. Members are requested to notify the Company of any change in their address.

DIRECTORS' REPORT

On behalf of the Board of Directors, we take pleasure in presenting the Seventh Annual Report to the shareholders together with the audited accounts of the company for the year ended June 30, 1997.

MARKET REVIEW

There were sharp declines and rise in equity values during the year under review. The index movement was volatile as during the first half it lost 364 points from KSE index 1,703 as on June 30, 1996 to 1,339 as on December 31, 1996 - a fall of 27% By February 1997 the index bagged 436 points to reach the 1,775 mark from 1,339 - a rise of about 32%. The index however declined by 210 points to settle at 1,565 points as on June 30, 1997 - a fall of about 21%. The market as such posed a healthier outlook than last year.

The bearish sentiments during the first half was mainly due to the political uncertainty on account of which the investors by and large maintained a wait and see policy. The surge and stability in price index during the second half was mainly due to the i) adoption of number of measures by the interim government to improve fiscal discipline and stimulate economy ii) timely holding of general elections iii) political stability emanating from election of a Government with strong public mandate and finally iv) various political and economic reforms and packages initiated and announced by the present Government. This resulted in substantial improvement in the company's equity values and gains thereby as depicted in the marked reduction of loss Before/After taxation given here under:

OPERATING RESULTS	RUPEES IN MILLION	
	1997	1996
Total (loss) / Income	(1.47)	0.87
Total Expenditure	(0.92)	(1.19)
	-----	-----
Loss for the year	(2.39)	(0.32)
Reversal / (Provision) for diminution in value of marketable securities	1.48	(4.71)
	-----	-----
Loss before taxation	(0.91)	(5.03)
Taxation:		
- Current	(0.05)	(0.04)
	-----	-----
Loss after taxation	(0.96)	(5.07)
Accumulated Loss brought forward	(32.69)	(27.62)
	-----	-----
Accumulated Loss carried to balance sheet	(33.65)	(32.69)
	=====	=====

Total value of shares sold during the period under review was Rs. 24.4 million. The company suffered capital loss of Rs. 3.85 million on these sales against capital gain of Rs. 0.982 million. Major portion of loss has comes from sectors like, Modaraba (0.765 M), Textile (0.791 M), Synthetic & Rayon (0.531 M), and Cement (1.158 M).

During the period under review, purchases of Rs. 28.678 million were made. Major investments were made in Fuel & energy (46.73%), Banks/Investment companies (16.82%) and Chemical/Pharmaceuticals (13.71%). With this restructuring, the management is confident that the investment portfolio of your company will show much better results in future.

The diminution in company portfolio as on June 30, 1996 stood at Rs. 32.23 million. With the improvement in equity values, the diminution as on June 30, 1997 has been reduced to Rs. 30.75 million - a net improvement of Rs. 1.48

million. On reversal of this gain in diminution, the net loss has been reduced to Rs. 0.91 million as against a loss of Rs. 5.03 million last year. After taxation net loss of the company calculates to Rs. 0.96 million as against a net loss of Rs. 5.07 million as on June 30, 1996. This marked improvement has been achieved due to the prudent investment timings and quality investment by your company.

Because of loss no dividend has been declared.

FUTURE OUTLOOK

As is well known that progress of any Capital Market largely depends on the political stability and pursuance of prudent economic & financial policies. By the Grace of ALLAH, the Government is saddled with an over-whelming public mandate and the persons at the helm of affairs are dedicated & determined to improve the economic lot of its people and the country as a whole. We have full confidence that, with the various stringent steps taken and financial policies/packages announced and pursued, the economic health of the country in general and of the stocks in particular will surge forward positively in very foreseeable future INSHALLAH.

ACKNOWLEDGMENTS

We sincerely thank the Shareholders, Government Agencies, Banks, Financial Institutions and Board Members for the assistance extended and also appreciate the services rendered by the staff of the company.

In the end, we pray to Almighty Allah Rehman-o-Rahim to shower His Blessings on our Company, our Group and our Country.

For and on Behalf of the Board

AUDITORS' REPORT TO MEMBERS

We have examined the annexed balance sheet of PRUDENTIAL STOCKS FUND LIMITED as at 30 June 1997 and the related profit and loss account and statement of changes in financial position together with the notes to the accounts for the year then ended. Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances 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 purpose of our audit and we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984 and Rule 16 of the Investment Companies and Investment Adviser's Rules, 1971;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and in accordance with the provisions of the Investment Companies and Investment Adviser's Rules, 1971 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred was for the purpose of the Company's business;

(iii) the business conducted, investment made and expenditure incurred during the year were in accordance with the investment policy of the company and Investment Companies and Investment Adviser's Rules, 1971;

(iv) the company has not contravened the provisions of Rule 8 of the Investment Companies and Investment Advisor's Rules, 1971;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and the profit and loss account and the statement of changes in financial position together with the notes forming part thereof give the information required by the Companies Ordinance, 1984 and Investment Companies and Investment Adviser's Rules, 1971 in the manner so required and give respectively, a true and fair view of the state of the Company's affairs as at 30 June 1997 and of the loss and the changes in the financial position for the year ended on that date; and

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

BALANCE SHEET

As At June 30, 1997

	Note	1997 Rupees	1996 Rupees
SHARE CAPITAL			
Authorised Capital			
20,000,000 ordinary shares			
of Rs. 10/- each		200,000,000	200,000,000
Issued, subscribed and paid-up capital		=====	=====
6,000,000 Ordinary shares			
of Rs. 10/- each	3	60,000,000	60,000,000
Accumulated loss		(33,649,100)	(32,689,973)
		-----	-----
		26,350,900	27,310,027
CURRENT LIABILITIES			
Due to Investment Adviser	4	263,509	342,130
Creditors, accrued expenses and			
other liabilities	5	775,023	1,905,730
Unclaimed dividend		81,298	81,765
Provision for taxation	6	99,177	55,328
		-----	-----
		1,219,007	2,384,953
		-----	-----
		27,569,907	29,694,980
		=====	=====
DEFERRED EXPENDITURE	7	-	273,443
CURRENT ASSETS			
Marketable Securities	8	24,953,754	21,965,316
Advances, prepayments and			
other receivables	9	685,148	4,243,636
Cash and bank balances	10	1,931,005	3,212,585
		-----	-----
		27,569,907	29,421,537

-----	-----
27,569,907	29,694,980
=====	=====

These accounts should be read in conjunction with the attached notes.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1997**

	Note	1997 Rupees	1996 Rupees
SALES		24,382,880	31,020,118
LESS: COST OF SALES	11	27,216,454	31,488,633
		-----	-----
CAPITAL (LOSS)		(2,833,574)	(468,515)
OTHER INCOME	12	1,361,689	1,337,379
		-----	-----
		(1,471,885)	868,864
LESS: OPERATING EXPENSES		-----	-----
Administrative	13	660,438	845,227
Financial	14	951	70,426
Remuneration to the Investment Adviser	4.1	263,509	273,100
		-----	-----
		924,898	1,188,753
		-----	-----
		(2,396,783)	(319,889)
Reversal / (Provision) for diminution in Value Of Marketable Securities		1,485,692	(4,706,395)
		-----	-----
Loss Before Taxation		(911,091)	(5,026,284)
TAXATION			
- Current		48,036	48,242
		-----	-----
Loss After Taxation		(959,127)	(5,074,526)
Accumulated loss Brought Forward		(32,689,973)	(27,615,447)
		-----	-----
Accumulated Loss Carried Forward		(33,649,100)	(32,689,973)
		=====	=====

These accounts should be read in conjunction with the attached notes.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1997**

	1997 Rupees	1996 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(911,091)	(5,026,284)
Adjustments for:		
(Reversal)/Provision for diminution in value of Marketable Securities	(1,485,692)	4,706,395
Amortisation of deferred expenditure	273,443	468,468
	-----	-----
	(2,123,340)	148,579
(Increase) / Decrease in operating assets:		

Marketable securities	(1,502,746)	9,246,812
Advances, prepayments and other receivables	3,598,429	(4,210,089)
Increase / (Decrease) in operating liabilities:		
Due to the investment advisor	(78,621)	(2,527,875)
Accounts payable, accrued expenses and other liabilities	(1,130,707)	1,250,263
Deferred expenditure payable	-	(753,049)
	-----	-----
Cash (used for)/generated from operations	(1,236,985)	3,154,641
Dividend paid	(467)	(467)
Income Tax paid	(44,128)	(2,500)
Net (Decrease)/Increase in cash and bank balances	(1,281,580)	3,151,674
Cash and bank balances at beginning of the year	3,212,585	60,911
	-----	-----
Cash and bank balances at end of the year	1,931,005	3,212,585
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1997**

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated on 05 September 1990 as a public limited company under the Companies Ordinance, 1984 and was registered as an investment company. under the Investment Companies and Investment Adviser's Rules, 1971. The company has entered into an agreement with an associated company, Prudential Fund Management Limited to act as its Investment Advisor. The company is listed on all stock exchanges in Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Marketable securities

Marketable securities are valued at lower of average cost and market value on an aggregate portfolio basis. Market value has been taken from Karachi Stock Exchange quotation sheets on last working day of the income year.

2.3 Deferred expenditure

The expenditure incurred on the incorporation and on the issue of shares to the public have been deferred and are being amortised over a period of sixty months from the month in which these expenses were incurred.

2.4 Taxation

(i) The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits

and tax rebates available, if any.

(ii) Deferred taxation, if any, is accounted for by using the liability method on all timing differences. However, net deferred tax debits are not recognised.

2.5 Revenue recognition

(i) Dividend income is recorded at the time of closure of share transfer books of the company declaring dividend.

(ii) Sales and purchases of securities are recognised on the date of contract. Capital gains and losses on sale of marketable securities are taken to income in the period in which it arises.

		1997 Rupees	1996 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 10/- each			
5,000,000	Shares issued as fully paid in cash	50,000,000	50,000,000
1,000,000	Shares issued as fully paid bonus shares	10,000,000	10,000,000
-----		-----	-----
6,000,000		60,000,000	60,000,000
=====		=====	=====

4. DUE TO INVESTMENT ADVISOR- PRUDENTIAL FUND MANAGEMENT LIMITED - AN ASSOCIATED COMPANY

Balance as on 01 July		342,100	2,870,005
Less: Amount paid during the year		342,100	2,870,005
		-----	-----
		-	-
Remuneration @ 1% of net assets (1996:1%)	4.1	263,509	273,100
		-----	-----
		263,509	273,100
Interest on deferred expenditure payable		-	69,030
		-----	-----
		263,509	342,130
		=====	=====

4.1 The remuneration of the investment advisor at the rate of 1% (1996: 1%) of the net assets of the company as at the end of its year of accounts in term of clause 11(a) of the Investment Companies and Investment Advisor's Rules, 1971 has been determined as follows:

		1997 Rupees	1996 Rupees
ASSETS			
Deferred expenditure		-	273,443
Marketable securities at market value		24,953,754	21,965,316
Advances, prepayments and accounts receivable		685,148	4,243,636

Cash and bank balances	1,931,005	3,212,585
	-----	-----
	27,569,907	29,694,980

LIABILITIES

Due to investment advisor - an associated company	263,509	342,130
Accounts payable, accrued expenses and other liabilities	775,023	1,905,730
Unclaimed dividend	81,298	81,765
Provision for taxation	99,177	55,328
	-----	-----
	1,219,007	2,384,953

NET ASSETS	26,350,900	27,310,027
------------	------------	------------

1 percent of net assets (1996: 1%)	263,509	273,100
	=====	=====

5. ACCOUNTS PAYABLE, ACCRUED

EXPENSES-AND OTHER LIABILITIES

Due to stock brokers against purchase of shares	575,910	1,656,823
Audit fee	30,000	30,000
Others	169,113	218,907
	-----	-----
	775,023	1,905,730
	=====	=====

6. PROVISION FOR TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1995-96. However the company has filed appeal before Commissioner of Income Tax for the assessment year 1995-96 against the decision of Income Tax Officer. However full liability has been provided for in these accounts.

7. DEFERRED EXPENDITURE

Preliminary expenses	298,576	298,576
Expenditure incurred on the issue of shares	2,043,790	2,043,790
	-----	-----
	2,342,366	2,342,366
Less: Amortised	-----	-----
- Upto last year	20,689,231	1,600,455
- During the year	273,443	468,468
	-----	-----
	2,342,366	2,068,923
	-----	-----
	-	273,443
	=====	=====

NUMBER OF SHARES/CERTIFICATES

BALANCE AS AT 30 JUNE 1997 % IN RELATION TO

Name of the Company/Modaraba	Balance as at 01 July 1996	Purchases	Bonus Shares	Sales	Number of Shares	At Cost	Market Value	Own net Assets	Investee Company's Paid-up Capital
MUTUAL FUNDS									
ICP-S.E.M.F	1,000	-	-	-	1,000	84,900	28,000	0.3222	0.0303
8th ICP MUTUAL FUND	-	500	-	-	500	12,176	13,258	0.0462	0.0244
13th ICP MUTUAL FUND	-	4,000	-	-	4,000	98,912	106,000	0.3754	0.1978

B.R.R CAPITAL MODARABA	88,125	-	-	-	88,125	2,129,500	484,687	8.0813	1.0500
B.R.R SECON0 MODARABA	25,000	-	-	3,000	23,000	515,589	121,060	1.9566	0.3437
FIRST ELITE CAPITAL MODARABA	37,420	-	-	420	37,000	312,098	101,750	1.1844	0.2752
FIRST INTERFUND MODARABA	5,698	-	-	698	5,000	117,847	13,000	0.4472	0.1472
FIRST PAK MODARADA	195,749	5,000	-	-	200,749	1,569,069	491,834	5.9545	1.2513
FIRST SCHON MODARABA	194,308	-	-	194,308	-	-	-	-	-
FIRST TRUST MODARABA	238	-	-	238	-	-	-	-	-
GRINDLAYS MODARABA	16,500	-	-	-	16,500	589,725	189,750	2.238	0.1702
FIRST MEHRAN MODARABA	7,800	-	-	300	7,500	83,340	21,000	0.3163	0.1002
MODARABA AL- TIJARAH	47,520	-	-	-	47,520	846,150	95,040	3.2111	1.1166
FIRST PUNJAB MODARABA	78	-	-	78	-	-	-	-	-
FIRST CONFIDENCE MODARABA	5,500	-	-	-	5,500	85,650	21,175	0.3250	0.1416
LEASING COMPANIES									
ASIAN LEASING CORPORATION LTD.	623	-	-	623	-	-	-	-	-
TRUST LEASING LTD.	120	-	-	120	-	-	-	-	-
ASKARI LEASING LIMITED	9000	-	-	1,000	8,000	261,597	200,000	0.9927	0.1308
PAKISTAN INDUSTRIAL & COMMERCIAL LEASING LIMITED	114,505	500	3,075	-	118,080	886,878	1,003,680	33,656	0.8269
INVESTMENT COMPANIES/BANK									
AL FAYSAL INVESTMENT BANK LTD.	5,374	-	-	-	5,374	107,836	96195	0.4092	0.0138
ASKARI COMMERCIAL BANK LIMITED	3,700	5,000	31	8,490	241	5,882	6,688	0.0223	0.0006
BANK AL-HABIB LIMITED	200	-	170	200	170	-	4,845	-	-
MUSLIM COMMERCIAL BANK LTD.	335	8000	67	-	8,402	276,219	275165	1.0482	0.0152
PRUDENTIAL COMMERCIAL BANK LIMITED	5,000	-	-	-	5,000	35,196	50,000	0.1336	0.0117
SONERI BANK LIMITED	60	-	-	60	-	-	-	-	-
UNION BANK LIMITED	50,875	-	-	-	50,875	1,383,265	513,837	5.2494	0.2429
CRESCENT INVESTMENT BANK LIMITED	30,000	-	-	-	30,000	618,250	430,500	2.3462	0.1446
ORIX INVESTM LIMITED	30,000	40,000	-	40,000	30,000	454,500	357,000	1.7248	0.2273
FAYSAL BANK LIMITED	5,000	137,500	-	75,000	67,500	1,914,999	1,812,375	7.2673	0.1583
INSURANCE									
EFU INSURANCE COMPANY LTD.	3,733	-	-	-	3,733	71,849	146,520	0.2727	0.0718
EFU LIFE ASSURANCE	-	10,000	-	-	10,000	133,800	100,000	0.5078	0.1338
COMMERCIAL UNION LIFE ASSURANCE	24,000	34,000	-	43,000	15,000	214,838	164,250	0.1853	0.0716
ASKARI GENERAL INSURANCE	-	10,000	-	-	10,000	232,000	171,000	0.8804	0.4640
TEXTILE SPINNING									
AWAN TEXTILE MILLS LIMITED	508,800	-	-	300	508,500	4,966,272	839,025	18.8467	5.7321
A.A. TEXTILE MILLS LIMITED	25,000	-	-	25,000	-	-	-	-	-
IBRAHIM TEXTILE MILLS LIMITED	40,000	-	-	10,000	30,000	793,095	240,000	3.0097	0.5832
KOHINOOR SPINNING MILLS LTD.	110,000	-	-	7,000	103,000	4,669,120	386250	17,7190	3.1899
SAITEX SPINNING MILLS LIMITED	18,700	-	-	200	18,500	251,059	37000.00	0.9528	0.3393
SAPPHIRE FIBRES LIMITED	10,000	-	-	-	10,000	426,220	340000	1.6175	0.3044
SHADMAN COTTON MILLS LIMITED	13,125	-	-	-	13,125	418,175	135,188	1.5869	0.3186
TEXTILE WEAVING									
NISHAT FABRICS	-	10,000	-	-	10,000	139,550	86,000	0.5296	0.0665

TEXTILE COMPOSITE

COLONY TEXTILE MILLS LIMITED	9,900	-	-	-	9,900	183,321	49,500	0.6957	0.3330
SCHON TEXTILE MILLS LIMITED	81,425	-	-	5,425	76,000	3,962,486	258,400	15.0374	3.3103
ZAHOOOR TEXTILE MILLS LIMITED	68,500	-	-	-	68,500	3,613,939	205,500	13.7147	0.4840
NISHAT MILLS LIMITED	25,000	-	-	12,000	13,000	196,392	260,000	0.7453	0.0196

SYNTHETIC AND RAYON

DEWAN SALMAN FIBRES LTD	524	-	-	-	524	24,018	18,026	0.0911	0.0020
PAKISTAN SYNTHETICS LTD.	29,250	-	-	250	29,000	1,209,181	297,250	4.5888	0.2158
SUNSHINE CLOTH MILLS LTD,	40,000	-	-	-	40,000	494,356	56,000	1.876	0.3296
DHAN FIBRES LTD	45,000	-	-	45,000	-	-	-	-	-
IBRAHIM EI6RES LTD	15,000	14,000	-	20,000	9,000	79,380	72,900	0.3012	09.0040

SUGAR AND ALLIED

SHAKARGANJ MILLS LTD	29,515	-	2951	-	32,466	1,057,575	300,311	4.0134	0.3972
----------------------	--------	---	------	---	--------	-----------	---------	--------	--------

CEMENT

CHERAT CEMENT LIMITED	79,525	-	-	-	79,525	3,731,489	1,634,239	14.16	0.7753
DADABHOY CEMENT LIMITED	75,000	-	-	31,000	44,000	1,004,666	352,000	3.81	0.2520
D.G. KHAN CEMENT LIMITED	33,247	85,000	-	35,000	83,247	1,655,371	1,015,613	6.28	0.1259
MAPLE LEAF CEMENT	5,400	2,160	-	-	7,560	367,600	64,260	13,950	0.0282
LUCKY CEMENT LIMITED	52,500	25,000	-	77,500	-	-	-	-	-
FAUJI CEMENT LIMITED		50,000	-	-	50,000	556,000	390,000	2110	0.0325

TOBACCO

PAKISTAN TOBACCO LIMITED	5,000	-	-	-	5,000		184,750	137,500	0.7011	0.0878
--------------------------	-------	---	---	---	-------	--	---------	---------	--------	--------

FUEL AND ENERGY

KARACHI ELECTRIC SUPPLY	117	-	-	117	-	-	-	-	-
NISHAT TEK LIMITED	20,563	5,000	-	5,000	20,563	434,604	215,911	1.6493	0.2103
SUI NORTHERN GAS PIPELINES LIMITED	6,512	74,500	12,391	-	93,403	3,266,628	2,965,545	12.3966	0.1145
SUI SOUTHERN GAS PIPELINES LIMITED	23,450	30,000	4,087	23,000	34,537	652,285	984,305	3.6139	0.0237
HUB POWER COMPANY LIMITED	35,000	230,000	-	250,000	15,000	584,000	613,500	2.2162	0.0050
E6RAHIM ENERGY LIMITED	5,000	4,500	-	5,000	4,500	66,990	49,500	0.2542	0.0536
JAPAN POWER GENERATION LTD	40,000	95,000	-	40,000	95,000	889,921	741,000	3.3772	0.0668
KOHINOOR ENERGY LIMITED	5,000	-	-	5,000	-	-	-	-	-
KOHINOOR GENERTECH LIMITED	15,000	-	-	15,000	-	-	-	-	-
SITARA ENERGY LIMITED	35,000	-	-	-	35,000	1,006,099	778,750	3.8181	0.527
SOUTHERN ELECTRIC LIMITED	10,000	25,000	-	10,000	25,000	368,850	281,250	1.3998	0.0396

AUTO & ALLIED ENGINEERING

HONDA ATLAS CAR LIMITED	20,000	10,600	-	-	30,000	774,265	570,000	2.9383	0.1936
-------------------------	--------	--------	---	---	--------	---------	---------	--------	--------

TRANSPORT AND COMMUNICATION

PAKISTAN INTERNATIONAL AIR LINES CORPORATION LTD.	17,320	10,000	-	320	27,000	444,780	206,550	1.6879	0.0119
PTC VOUCHERS	-	90,000	-	36,000	54,000	1,647,985	1,660,500	6.254	0.0124

CHEMICAL AND PHARMACEUTICAL

SITARA CHEMICAL LTD	-	5,000	-	-	5,000	199,750	182,500	0.758	0.1356
ICI PAKISTAN LIMITED	40	62,630	-	46,000	16,670	409,850	402,580	1.5554	0.0052
OTSUKA PAKISTAN LIMITED	600	-	-	100	500	16,438	6,350	0.0624	0.0164
SIND ALKALIS LIMITED	22,574	-	-	-	22,574	652,377	208,810	2.4757	0.8721
FFC, JORDAN LIMITED	135,000	141,000	-	218,000	58,000	957,460	893,200	3.6335	0.0287
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	2,619,048	1,223,290	22,772	1,289,747	25,753,635	55,698,362	24,953,754		

PROVISION FOR DIMINUTION IN MARKET VALUE OF
MARKETABLE SECURITIES- FOR THE YEAR 1994-95
- FOR THE YEAR 1995-96

27,523,905

4,706,395

32,230,300

23,468,062

ADD: REVERSAL IN PROVISION FOR DIMINUTION

1,485,692

TOTAL	-----	-----	-----	-----	-----	-----	-----	-----	-----
	2,619,043	1,223,290	22,772	1,289,747	2,575,363	24,953,754	24,953,754		

2,619,048

54,195,616

21,963,316

=====

=====

=====

8.1 Net assets as defined in section 2(e) of the Investment Companies and
Investment Adviser's Rules, 1971.

8.2 The percentage in relation to investee companies paid-up capital has been
worked out in relation to the acquisition cost of the respective shares of the
company.

8.3 As otherwise stated, face value of shares/certificates is Rs. 10 each.

	1997 Rupees	1996 Rupees
9. ADVANCES, PREPAYMENTS AND ACCOUNTS RECEIVABLE		
Advance tax	42,441	2,500
Prepayments	-	17,040
	-----	-----
	42,441	19,540
Accounts receivable	-----	-----
- On account of sale of shares	445,700	3,933,465
- On account of dividend	66,932	58,653
- Others	130,075	231,978
	-----	-----
	642,707	4,224,096
	-----	-----
	685,148	4,243,636
	=====	=====
10. CASH AND BANK BALANCES		
Cash in hand	874	89
	-----	-----
Cash at banks - Current accounts	2,622	7,484
- Deposit account	610,576	500,971
- Fund Management arrangement with NBF I	1,316,933	2,704,041

-----	-----
1,930,131	3,212,496
-----	-----
1,931,005	3,212,585
=====	=====

1997	1996
Rupees	Rupees

11. COST OF SALES

Average cost of marketable securities

as on 01 July

54,195,616 63,442,428

Purchases

28,677,926 22,226,340

Stamp duties on transfers

41,274 15,481

82,914,816 85,684,249

Less · Average cost of marketable

securities as on 30 June

55,698,362 54,195,616

27,216,454 31,488,633

=====

12. OTHER INCOME

Dividend

969,644 870,739

Less · Zakat deducted at source

8,925 2,500

960,719 868,239

Profit on bank accounts

400,970 469,140

1,361,689 1,337,379

=====

13. ADMINISTRATIVE EXPENSES

Listing fee

65,000 46,250

Amortisation of deferred cost

273,443 468,468

Auditors' remuneration

(13.1) 39,355 39,205

Custodian fee

228,100 226,500

Insurance

9,540 21,804

Directors' meeting fee

7,000 5,000

Professional tax

38,000 38,000

660,438 845,227

=====

13.1 Auditors' remuneration

Audit fee

30,000 30,000

Out of pocket expenses

6,205 6,205

Excise duty on audit fee

3,150 3,000

39,355 39,205

=====

14. Financial Expenses

Interest on deferred cost

- 69,030

Bank charges

951 1,396

951 70,426

=====

	1997	1996
	Rupees	Rupees
15. TRANSACTIONS WITH ASSOCIATED COMPANIES		
Interest on deferred expenditure payable	-	69,030
Remuneration for services	263,509	273,100
Insurance premium for custody of shares	9,540	21,804
	-----	-----
	=====	=====

16. GENERAL

16.1 Figures have been rounded off to the nearest rupee.

16.2 Previous year's figures have been re-arranged, wherever necessary, to facilitate comparison.

**PRUDENTIAL FUND MANAGEMENT LIMITED
INVESTMENT ADVISOR
STATEMENT OF INCOME AND EXPENDITURE IN RELATION
TO THE INVESTMENT COMPANY
FOR THE YEAR ENDED 30 JUNE 1997**

	1997	1996
	Rupees	Rupees
REMUNERATION FROM PRUDENTIAL STOCKS FUND LIMITED	263,509	273,100
INTEREST ON DEFERRED EXPENDITURE	-	69,030
	-----	-----
	263,509	342,130
OPERATING EXPENSES		
ADMINISTRATIVE		
Salaries, wages and other benefits	350,763	326,811
Repairs and maintenance	109,493	190,486
Postage and telephone	32,721	36,805
Printing and stationery	102,082	121,563
Advertisement	50,422	31,188
Depreciation	60,642	65,505
Travelling and conveyance	20,022	5,923
Lease Rental	80,374	106,080
Fees and subscription	243,681	301,772
Entertainment	20,075	13,080
Auditor's remuneration	24,650	27,545
Electricity	12,765	29,954
Rent of premises	232,080	232,080
Insurance	19,418	29,635
Others	79,479	35,054
	-----	-----
	(1438,667)	(1,553,481)
FINANCIAL CHARGES	(1,100)	(775)
	-----	-----
	(1,439,767)	(1,554,256)

Loss for the year	(1,176,258)	(1,212,126)
	=====	=====

Note: Other income not relating to investment company has not been included in the above statement. However, expenses have not been allocated as the cost relating to other income is considered to be immaterial.

PATTERN OF SHARE HOLDINGS AS AT 30 JUNE, 1997

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS			TOTAL SHARES HELD
500	1	-	100	36,300
263	101	-	500	62,300
1,218	501	-	1000	742,260
522	1001	-	5000	1,045,840
65	5001	-	10000	448,680
18	10001	-	15000	217,420
6	15001	-	20000	106,900
1	20001	-	25000	22,680
1	25001	-	30000	26,720
1	30001	-	35000	34,500
1	60001	-	65000	64,240
1	70001	-	75000	73,800
1	85001	-	90000	87,000
1	105001	-	110000	107,160
1	285001	-	290000	287,060
4	340001	-	345000	1,376,880
1	595001	-	600000	600,000
1	655001	-	660000	659,260
-----				-----
2,606				6,000,000
=====				=====

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1. INDIVIDUALS	2596	4,552,600	75.88
2. INVESTMENT COMPANIES	1	659,260	10.99
3. INSURANCE COMPANIES			
4. JOINT-STOCK COMPANIES	6	749,860	12.50
5. FINANCIAL INSTITUTIONS			
6. MODARABA COMPANIES	3	38,280	0.64
7. OTHERS (TO BE SPECIFIED)			
-----			-----
	2,606	6,000,000	100.00
=====			=====