

Prudential Stocks Fund Limited

Annual Report 1999

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Rashidullah Yacoob	Chairman	
Mrs. Sanobar Akhter Yacoob	Vice Chairperson	
Syed Samir Rauf	Chief Executive	
Haji Abdul Ghani	Director	
Mr. Shahid Nasim	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.)
Mr. Muhammad Asif Dar	Director	

INVESTMENT ADVISOR

Prudential Fund Management Limited

Prudential House, Hassan Ali Street, Off: I. I. Chundrigar Road, Karachi.

COMPANY SECRETARY

Mr. Muhammad Yunus

REGISTRAR

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

AUDITORS

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

STOCK EXCHANGE LISTING

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

LEGAL ADVISOR

M/s. Fazl-e-Ghani Khan & Co.,
F-72/1, Block-8, KDA Sch-5,
Kehkashan, Clifton, Karachi.

PUBLIC INFORMATION

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

BANKERS

Prudential Commercial Bank Ltd.
Faysal Bank Ltd.
Askari Commercial Bank Ltd.
Industrial Development Bank of Pakistan.

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.

CUSTODIAN

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

REGISTERED OFFICE

Prudential House, Hasan Ali Street,
Phones: 2628833-8 Lines
Fax: 2630873. Telex: 23984 PRUD PK

NOTICE OF MEETING

Notice is hereby given that the Ninth Annual General Meeting of PRUDENTIAL STOCKS
FUND LIMITED will be held on Friday, March 31, 2000 at 3.30 p.m. at Beach Luxury Hotel,
Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

1. To confirm the Minutes of the Eight Annual General Meeting of the Company held on

February 27, 1999.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1999 along with Auditors' and Directors' Report thereon.
3. To appoint Auditors to hold office till the conclusion of next Annual General Meeting and to fix their Remuneration.
4. To transact any other business that may be placed before the meeting with the permission of the chair.

By order of the Board
Muhammad Yunus
Company Secretary

Karachi: March 10, 2000

NOTES:

1. The Share Transfer Books of the Company will remain closed from March 30, 2000, to April 10, 2000. (both days inclusive).
2. 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 no later than 48 hours before the meeting.
3. Members are requested to notify the company of any change in their addresses.

DIRECTORS' REPORT TO THE SHARE HOLDERS

Your Directors take pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the financial year ended June 30, 1999. The total value of investment has increased by 18.39% during the year as compared to 19.90% rise for the index in the same period. The Next Assets Value increased by 23%.

In the second & third quarter of the fiscal year the economic sanctions imposed by the world were partially lifted and the process of recovery started and KSE-100 Index broke the barrier of 1400 points. In the forth quarter, the market could not sustain its recovery due to the tension on the Pakistan India. border.

OPERATIONAL PERFORMANCE:

The Company showed an operating profit before Tax Rs. 3.552 million as compared to last year's operating loss of Rs. 10.577 million due to reversal of provision for diminution in value of marketable securities.

AUDITORS' REPORT:

We do not agree with Auditors' qualifications appearing in the Auditors' report, our point of view for the above is as under:

In fact balance payment of Rs. 1,296,000/- out of Rs. 1,406,875/- were trading difference lying in credit with Prudential. Securities Limited hence this balance is in connection with normal business transactions which has been adjusted against purchase of shares on 4th July, 1999. An other balance Rs. 110,000/- debited by company to its advisor has also subsequently been adjusted against the accrued remuneration for the year ending June 30th 1999.

Faysal Bank did not have a well developed facility to handle CDC related transactions and subcontract them to the third party. Commission of physical shares to CDC were done at Rs. 0.30 paisa per share. Prudential Stocks Fund Limited opted to give this task to Prudential Securities Limited with Faysal Bank consent at cost of Rs. 0.03 per share. These shares were subsequently held on the Central Depository Company. The same policy was adopted with all group companies and resulted in substantial saving to the fund.

With regard to Rule 8 (K) of IAR, Prudential Securities Limited is a group company of Prudential Stocks Fund Limited, but not an Associated concern. The decision to trade through Prudential Securities Limited was in the knowledge of the Board. In addition, Prudential Securities Limited has not charged any commission to Prudential Stocks Fund Limited, only cost payable, resulting in improvement in the bottom line. Moreover, regarding auditors' qualifications your company has obtained independent opinion of Mr. Iqbal L. Bawaney, Bawaney & Partners (advocates & investment & corporate advisers), 205-208, Imperial Hotel Building Queens Road, Karachi which is being set out below:

"Pursuant to your letter dated January 3, 2000 and your recent meeting with the undersigned, we have deliberated upon the moot points emerging out of the qualifications of the Annual Accounts, of Prudential Stocks Fund Limited (PSFL) for the year ended June 30, 1999 by the Auditors. M/s. Taseer Hadi, Khalid & Company (THK)."

We appreciate THK's concern as their meticulous approach is to ensure proper legal compliance by PSFL. However, the audit observations seem to have been made in a broad perspective. From the legal standpoint, our interpretation of the Rules 8(c) and 8(k) of the Investment Companies

and Investment Advisors Rules, 1971, leads us to a conclusion that these Rules have not been violated. Our views on the three issues are as follows:-

1. Rule 8(c)

There is no doubt that Rule 8(c) of the said Rules contains a categorical embargo on making of any "loan" or "advance" to any person by an investment company. Such prohibition is however subject to an exception i.e. making of a loan or an advance in connection with the normal business of the investment company and we are of view that the PSFL's credit balance appearing in the books of Prudential Securities Limited (PSL) is neither a loan nor an advance and even otherwise falls within the exemption.

The terms "loan" and "advance" have been defined in many Legal Dictionaries. The Black's Law Dictionary, which is most authentic defines "loan" to mean "delivery by one party to and receipt by another party of a sum of money upon an agreement, express or implied, to repay it with or without interest". The definition further goes on to state that loan includes "creation of a debt by the lender, payment or an agreement to pay money to the debtor or any other party for the account of the debtor". Hence, a loan would only be created if one party hands over a certain sum of money to another party or makes payment on the account of the other party and which is repayable over a certain period of time' under an express or an implied agreement, which is not the case here. Likewise, the term "advance" has been defined to mean "money or value paid before it is due or to furnish something before an equivalent is received". Advances have been defined to mean "monies paid before or in advance of the proper time of payment". You have clarified that PSFL had not made any advance payment to PSL but this is the case of a trading difference. If so, it cannot be regarded as advance from PSFL to PSL.

The terms "loan" or "advance" have not been defined under the said Rules or even under the Securities & Exchange Ordinance, 1969, pursuant to which the Rules have been made by the Federal Government. Hence, reliance on a para materia law becomes essential for a proper construction of the Rule and the determination of intent of the Federal Government behind this Rule. Section 208 of the said Ordinance, which relates to an investment in an associated undertaking therefore becomes relevant. The explanation in sub-section 1 of Section 208 of the said Ordinance defines investment to include loan, advance or equity by whatever name called or any amount which is not in the nature of normal trade credit. Although, this definition is not exhaustive and covers other categories of advance, yet normal trade credit is specifically excluded from the preview of the term "investment". Consequently, even Section 208, which apart from being a substantive law and is even more severe and onerous, necessitating passing of a Special Resolution for making an investment in a associated company, excludes normal trade credit. Hence, any trade credit allowed by one company to another in normal course of its business, would be excluded from the term "loan" or "advances" for the purpose of Section 208, which means that every book debt does not become an investment. On the other hand, in this case, the sum that was lying to the credit of PSL in the books of PSFL was not even on account of trade credit but was on account of trading difference, as explained by you, which has been created by sale and purchase of securities from time to time. The balance payable by one company to another and vice versa under such situation can be expected to keep shifting from time to time. A credit balance at a given time would not become a loan or an advance.

PSFL is an investment company as defined under the Securities & Exchange Ordinance and is engaged primarily in buying and selling of and trading in securities. Hence purchase and sale of securities through a stock broker, being the primary business of PSFL, there is bound to be trading differences payable or receivable by PSFL to and from the stock broker. Any difference recoverable from the stock broker at any stage can by no stretch of imagination be considered as a loan or an advance by PSFL to PSL as its stock broker.

We also concur with you that for the purpos³ of Section 195 of the Companies ordinance, 1984, which prohibits making of loan or granting of advance or furnishing of securities by a company to its directors or firm of directors or a private company of its directors etc., specifically excludes a book debt, which at the inception was not in the nature of loan or advance as mentioned in sub-section 7 of Section 195. More specifically, only a book debt, which was created by virtue of a loan or an advance would fall within the prohibition of sub-section 1 of Section 195 but other kinds of book debts would be excluded for the purpose of the prohibition contained in sub-section 1 of Section 195.

It is therefore our considered opinion that trading difference lying to the credit of PSFL in the books of PSL should not be considered as a loan or an advance within the preview of Rule 8(c) of the said Rules.

2. Rule 8(k)

It is correct that direct or even indirect appointment of any director, officer Or employee of PSFL as an investment company of a broker is forbidden under Rule 8(k) of the said Rules. However, the embargo is clearly on the appointment of individual directors, officers and employees of the investment company or its investment advisor but there seems to be no bar on the employment of a corporate stock brokerage house with no common directors and in which the stake of the investment company is negligible. The Rules were framed in 1971 and at that juncture, the concept of corporate members of Stock Exchanges was perhaps not even visualised and it is for this reason that the Government

had perhaps not included "companies" for the purpose of prohibition under Rule 8(k). Hence, appointment of a company like PSL does not seem to run counter to Rule 8(k). The scope of Rule 8(k) cannot be enlarged so as to encompass a limited company in which PSFL has no stake whatsoever, as stated by you, with no common directors.

3. Rule 15

Rule 15 unequivocally makes it mandatory for PSFL to place and maintain its securities with a custodian with the approval of the Corporate Law Authority (now Securities & Exchange Commission). In fact the custodial service agreement is also required to be got approved by the Commission and to go a step further even the custodian has been saddled with responsibility of the reporting the matter to the Commission (formerly CLA) in case release of any securities is sought in contravention to the provisions of the said Rules. Hence, we are inclined to concur with the observations of the Auditors.

You have explained that the Custodian, namely Faysal Bank Limited did not have a properly developed facility for CDC related transactions on account of which the PSFL opted to give this task to Prudential Securities Limited with the consent of the Board. This also ought to have been done with the approval of the Commission. However, in case this is questioned by the Commission, PSFL will have to justify the above on the grounds of necessity and cost savings as this was obviously done in good faith and in the best interest of PSFL as an investment company and its shareholders. After all this was done in good faith without having any fraudulent or improper motive whereas the public interest would be upper most.

We are confident that the preceding analysis would serve to clarify the position. Should you need any further assistance in this matter, please let us know".

FUTURE OUT LOOK:

The future prospect of the company is dependent on the behavior of the stock market. The performance of the stock market is expected to improve with the induction of technocrats in the National Security Council. The agenda given for the economic revival focusing on resolution of IPP's issue complete deregulation of "petroleum sector" curbing Tax evasion, getting the money back from the defaulters selling of government sponsored industrial & financial institutions through stock exchanges and restoring the confidence of foreign investors is expected to improve the fundamentals

Y2K COMPLIANCE:

By the Grace of Allah the company is now fully Y2K compliant in all its operations.

AUDITORS:

Our present auditors, M/s. Taseer Hadi Khalid & Company retire and are eligible, for re-appointment.

SHAREHOLDING PATTERN:

The pattern of shareholding as required by section 236 of the companies ordinance, 1984 is enclosed.

On behalf of the Board of Directors

SYED SAMIR RAUF
Chief Executive

Dated: January 13th, 2000

AUDITORS' REPORT TO MEMBERS

We have audited the annexed balance Sheet of Prudential Stocks Fund Limited as at 30 June 1999 and the related Profit and Loss account and Cash Flow Statement, together with the notes to the accounts, 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 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, investments made and expenditure incurred during the year were in accordance with the investment policy of the company except that as at 30 June 1999 the company has a receivable of Rs. 1,406,875 from an associated brokerage house which we consider is a non compliance of Rule 8(c) of Investment Companies and

Investment Adviser's Rules, 1971. The said rule prohibits an investment company from making a loan or advancing of money to any person except in connection with the normal business of the investment company. Further, during the year all securities were traded through an associated brokerage house and at 30 June 1999 securities with a value of Rs. 7,956,366 were physically held by an associated brokerage house which we consider is non compliance of Rule 8 (k) and Rule 15 of Investment Companies and Investment Adviser's Rules, 1971. Rule 8 (k) prohibits employment as a broker, directly or indirectly, any director, officer, or employee of investment company or its investment advisor or any director, officer or employee thereof. Rule-5 requires that all the securities owned or held by the company should be placed and maintained with the custodian of the company.

(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 Cash Flow Statement 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 1999 and of the profit and cash flows 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.

Karachi: **Taseer Hadi Khalid & Co.**
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
CURRENT ASSETS			
Marketable securities	3	18,156,069	16,430,790
Advances, prepayments and other receivables	4	1,637,848	113,650
Cash and bank balances	5	127,231	253,960
Total assets		19,921,148	16,798,400
CURRENT LIABILITIES			
Due to Investment Adviser	6	193,264	157,734
Creditors, accrued expenses and other liabilities	7	181,645	688,822
Unclaimed dividend		81,298	81,298
Provision for taxation	8	138,554	97,097
Total Liabilities		594,761	1,024,951
NET ASSETS		19,326,387	15,773,449
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	9	60,000,000	60,000,000
Accumulated loss		(40,673,613)	(44,226,551)
		19,326,387	15,773,449

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

SYED SAMIR RAUF
Chief Executive

MOHAMMAD ASIF DAR
Director

PROFIT AND LOSS ACCOUNT AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
SALES		46,772,555	22,871,051
LESS: COST OF SALES		50,638,169	22,967,874
CAPITAL (LOSS)		(3,865,614)	(96,823)
OTHER INCOME	11	795,076	1,192,541
		(3,070,538)	1,095,718

LESS: OPERATING EXPENSES

Administrative	12	175,566	317,396
Financial	13	--	7,080
Remuneration to the Investment Adviser	6.1	193,264	157,734
		-----	-----
		368,830	482,210
		-----	-----
		(3,439,368)	613,508
(Provision)/Reversal of provision for diminution in value of Marketable securities		7,033,763	10,986,764
		-----	-----
Profit/(Loss) before taxation		3,594,395	(10,373,256)
Taxation			
- Current		(41,457)	(41,975)
- Prior		--	(162,220)
		-----	-----
Profit/(Loss) for the year		3,552,938	(10,577,451)
		=====	=====

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

SYED SAMIR RAUF
Chief Executive

MOHAMMAD ASIF DAR
Director

**CASH FLOW STATEMENT
AS AT 30 JUNE 1999**

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	3,594,395	10,373,256
Adjustments for:		
Provision/(Reversal) of provision for diminution in value of Marketable securities	(7,033,763)	10,986,764
	-----	-----
	(3,439,368)	613,508
(Increase)/Decrease in operating assets:		
Marketable securities	5,308,484	(2,463,800)
Advances, prepayments and other receivables	(1,523,160)	590,457
Increase/(Decrease) in operating liabilities		
Due to the Investment adviser	35,530	105,775)
Accounts payable, accrued expenses & other liabilities	(507,177)	(86,201
	-----	-----
Cash (used for) operations	(125,691)	(1,451,811)
Income tax paid	(1,038)	(225,234)
	-----	-----
Net cash flows from operating activities	(126,729)	(1,677,045)
Cash and bank balances at beginning of the year	253,960	1,931,005
	-----	-----
Cash and bank balances at end of the year	127,231	253,960
	=====	=====

SYED SAMIR RAUF
Chief Executive

MOHAMMAD ASIF DAR
Director

**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES
FOR THE YEAR ENDED 30 JUNE 1999**

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Net assets per share as at July 01	2.63	4.39
Profit / (Loss) for the year - per share	0.60	(1.76)
	-----	-----
Net assets per share as at June 30	3.23	2.63
	=====	=====

SYED SAMIR RAUF
Chief Executive

MOHAMMAD ASIF DAR
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Accumulated loss brought forward	(44,226,551)	33,649,100
Profit /(Loss) for the year	3,552,938	(10,577,451)
Accumulated loss carried forward	(40,673,613)	(44,226,551)
	=====	=====
SYED SAMIR RAUF Chief Executive	MOHAMMAD ASIF DAR Director	

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

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 Advisor'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 Karachi and Islamabad stock exchanges in Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standards, as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

2.3 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.

2.4 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.

3. MARKETABLE SECURITIES

Name of the Company / Modaraba	Number of Shares/Certificate				Balance as at 30 June 1999			Percentage in relation to			
	at	Balance as 1.7.98	Purchases	Bonus Shares	Sales	Number of Shares	At Cost	Market Value	Own net assets	Investee Companies Paid-up-Capital	Total Cost of Investments
Associated Companies											
LEASING											
Pakistan Industrial & Commercial Leasing Ltd.		129.888	--	12.988	--	142.876*	899.776	714.380	4.6447	0.6933	1.7024
INVESTMENT COMPANIES/BANKS											
Prudential Commercial Bank Limited		5.000	3.330	--	--	8.33*	68.526	83.300	0.3537	0.0137	0.1297
SUGAR & ALLIED INDUSTRIES											
Al-Abbas Sugar Mills Limited		--	1.500	--	1.500	--	--	--	--	--	0.0000

OTHERS

MUTUAL FUNDS

ICP-S.E.M.F	31.500	--	--	--	31.500*	981.075	335.475	5.0644	0.1168	1.8562
8th ICP Mutual Fund	500	--	--	--	500	12.176	8.750	0.0629	0.0244	0.0230
13th ICP Mutual Fund	4.000	--	--	--	4.000	98.912	43.000	0.5106	0.1978	0.1871

MODARABAS

B.R.R. International Modaraba	110.125	11.000	--	--	121.125*	2,567.319	666.188	13.2527	0.5327	4.8574
First Elite Capital Modaraba	37.000	--	--	--	37.000	312.098	31.450	1.6111	0.2752	0.5905
First Interfund Modaraba	5.000	--	--	--	5.000	117.847	7.500	0.6083	0.1519	0.2230
First Pak Modaraba	200.749	--	--	--	200.749	1,569.834	321.198	8.1036	1.2519	2.9702
Grindlays Modaraba	17.820	4.000	--	--	21.820	564.445	267.295	2.9137	0.1508	1.0679
First Mehran Modaraba	7.500	--	--	--	7.500	83.34	18.750	0.4302	0.1002	0.1577
Modaraba AI-Tijarah	47.520	--	--	--	47.520	846.15	52.272	4.3679	1.1166	1.6009
First Confidence Modaraba	5.500	--	--	--	5.500	85.65	24.750	0.4421	0.1416	0.1621

LEASING

Askari Leasing Limited	3.600	--	--	--	3.600	98.096	31.140	0.5064	0.0409	0.1856
International Multi Leasing Limited	--	--	1.408	--	1.408	--	2.675	--	--	0.0000

INVESTMENT COMPANIES/BANKS

AI- Faisal Investment Bank Limited	15.000	15.000	4.118	10.000	24.118*	312.615	214.650	1.6137	0.0319	0.5915
Askari Commercial Bank Limited	21.012	--	--	--	21.012*	610.979	253.825	3.1539	0.0620	1.1560
Bank AI Habib Limited	25	--	8	--	33 *	--	594	--	--	0.0000
Muslim Commercial Bank Limited	--	94.00	--	65.000	29.000*	593.000	591.600	3.0611	0.0326	1.1220
Pakistan Industrial Credit & investment Corpor	1.000	116.00	--	113.000	4.000*	41.235	28.600	0.2129	0.0064	0.0780
Union Bank Limited	50.875	--	--	50.000	875*	23.765	7.875	0.1227	0.0042	0.0450
Crescent Investment Bank Limited	30.000	--	5.100	--	35.100*	618.250	298.350	3.1914	0.1236	1.1697
Orix Investment Bank Limited	23.000	--	--	--	23.000*	348.450	115.000	1.7987	0.1742	0.6593
Faysal Bank Limited	14.500	--	--	--	14.500*	420.500	135.575	2.1706	0.0348	0.7956
Bank of Punjab	39.500	15.~00	3.910	56.000	2.410*	--	33.089	--	--	0.0000

INSURANCE

EFU General Insurance Company Limited	4.479	--	560	--	5.039*	71.848	131.014	0.3709	0.0532	0.1359
EFU Life Assurance Company Limited	10.000	--	--	--	10.000	133.800	100.000	0.6907	0.1338	0.2532
Commercial Union Life Assurance Limited	15.000	--	--	--	15.000	214.838	116.250	1.1090	0.0716	0.4065
Askari General Insurance Company Ltd.	10.000	--	1.500	--	11.500*	232.000	138.000	1.1976	0.4035	0.4389
Adamjee Insurance Company Limited	--	5.000	--	5.000	--	--	--	--	--	0.0000

TEXTILE SPINNING

Awan Textile Mills Limited	508.500	--	--	--	508.500	4,966.272	1,830.600	25.6362	5.7321	9.3963
Ibrahim Textile Mills Limited	30.000	--	--	--	30.000	793.095	240.000	4.0940	0.5832	1.5005
Kohinoor Spinning Mills Limited	103.000	--	--	--	103.000	4,669.120	329.600	24.1023	3.1926	8.8340
Saitex Spinning Mills Limited	18.500	--	--	--	18.500	251.059	23.125	1.2960	0.3393	0.4750
Sapphire Fibres Limited	10.000	--	--	--	10.000	426.220	375.000	2.2002	0.3044	0.8064
Shadman Cotton Mills Limited	13.125	--	984	--	14.109	418.175	91.850	2.1586	0.2964	0.7912

TEXTILE COMPOSITE

Colony Textile Mills Limited	9.900	--	--	--	9.900	183.3210	14.850	0.9463	0.3292	0.3468
Schon Textile Mills Limited	76.000	--	--	--	76.000	3,962.486	114.000	20.4546	3.3103	7.4971
Zahoor Textile Mills Limited	68.500	--	--	--	68.500	3,613.836	116.450	18.6549	0.4840	6.8374
Nishat Mills Limited	58.862	--	--	--	58.862	1,323.641	559.189	6.8327	0.1189	2.5043

SYNTHETIC AND RAYON

Dewan Salman Fibres Limited	3	70,000	3	70,000	6*	43	151	0.0002	0.0000	0.0001
Pakistan Synthetics Limited	29.000	--	--	--	29.000	1,209.181	174.000	6.2419	0.2158	2.2878
Sunshine Cloth Mills Limited	40.000	--	--	--	40.000	494.356	40.000	2.5519	0.3296	0.9353
Dhan Fibres Limited	50.000	110.00	--	155.000	5.000*	22.810	23.000	0.1177	0.0008	0.0432
Ibrahim Fibres Limited	16.500	--	--	--	16.500*	142.980	115.500	0.7381	0.0071	0.2705

SUGAR & ALLIED INDUSTRIES

Shakargani Sugar Mills Limited	35.712	--	--	--	35.712	1,057,575	267.8400	5.4593	0.3611	2.0009
--------------------------------	--------	----	----	----	--------	-----------	----------	--------	--------	--------

CEMENT

Cherat Cement Limited	102.525	--	--	48.500	54.025 *	2,193.27	702.325	11.3218	0.4557	4.1497
Dadabhoi Cement Limited	36.500	--	--	--	36.500	833.215	155.125	4.3011	0.2090	1.5765
D. G. Khan Cement Company Limited	61.247	--	--	--	61.247	675.011	257.237	3.4845	0.0510	1.2771
Maple Leaf Cement Factory Limited	33.560	--	--	--	33.560	429.433	95.646	2.2168	0.0330	0.8125
Fauji Cement Company	66.000	--	--	--	66.000	189.500	196.680	0.9782	0.0111	0.3585
Pak Land Cement Company Limited	25.000	--	--	--	25,000 *	688.980	118.750	3.5566	0.0835	1.3036

FUEL & ENERGY

Sui Northern Gas Pipelines Limited	98.403	80.000	27.615	40.000	166.018*	2,928.673	1,394.551	15.1180	0.77600	5.5411
Sui Southern Gas Company Limited	43.757	5.000	4.375	5.000	48.132 *	833.310	413.935	4.3016	0.01640	1.5766
Hub Power Company Limited	--	226.00	--	161.000	65.000 *	68.295	915.200	0.3525	0.00060	0.1292
Ebrahim Energy Limited	4.500	--	--	--	4.500	1,558.235	53.460	8.0437	1.24660	2.9482
Japan Power Generation Limited	145.000	--	--	--	145.000	380.425	577.100	1.9638	0.02860	0.7198
Mari Gas Limited	15.000	--	--	--	15.000*	1,006.099	268.500	5.1936	0.27380	1.9036
Sitara Energy Limited	35.000	--	--	--	35,000	265.345	822.500	1.3697	0.13900	0.5020

Southern Electric Power Company Ltd.	29,000	67,500	--	67,500	29,000 *	1,108,435	183,570	5,7218	0.11890	2.0972
Karachi Electric Supply Corporate	--	69,000	--	43,500	25,500 *	233,930	221,340	1,2076	0.01310	0.4426
Pakistan State Oil Company Limited	--	147,900	--	137,900	10,000 *	1,025,254	927,500	5,2924	0.08610	1.9398
AUTO & ALLIED ENGINEERING										
Honda Atlas Cars Limited	31,500	--	--	--	31,500	774,266	390,600	3,9968	0.1843	1.4649
TRANSPORT & COMMUNICATION										
Pakistan International Airlines Corporation Ltd.	32,000	57,000	--	89,000	--	--	--	--	--	0.0000
Pakistan Telecommunication Company Ltd.	46,200	158,000	--	203,000	1,200*	24,906	24,036	0.1286	0.0001	0.0471
CHEMICAL & PHARMACEUTICALS										
Sitara Chemical Company Limited	5,625	--	--	--	5,625	200,515	132,188	1,0351	0.1210	0.3794
I.C.I. Pakistan Limited	28,170	34,500	--	34,500	28,170 *	349,743	253,530	1,8054	0.0044	0.6617
Sind Alkalies Limited	22,574	--	--	--	22,574	652,377	90,296	3,3676	0.8721	12,343
Fauji Jordan Fertilizer Co. Ltd.	80,000	652,000	--	732,000	--	--	--	--	--	0.0000
Fauji Fertilizer Company Limited	--	134,000	--	124,000	10,000 *	479,920	411,800	2,4774	0.0187	0.9080
PAPER & BOARD										
Century Papers Board Limited		103,000	-	66,000	37,000 *	493,850	462,500	2,5493	0.1572	0.9344
	2,849,256	2,178,730	62,569	2,277,400	2,813,155	52,853,679	18,156,069			
Less: Provision for diminution in value of marketable securities. (1998: Rs. 41,731,373)										
						(34,697,610)				
Total	2,849,256	2,178,730	62,569	2,277,400	2,813,155	18,156,069	18,156,069			
Total 1998	2,575.36	1,212.62	27.277	963.806	2,851.456	16,430.79	16,430.79			

3.1 Net assets as defined in Section 2 (e) of the Investment Companies and Investment Advisor's Rules 1971.

3.2 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.

3.3 At 30 June 1999, shares with a total cost of to Rs. 7,956,366 were physically held by an associated brokerage house.

4. ADVANCES, PREPAYMENTS AND ACCOUNTS RECEIVABLE

	1999	1998
Advance tax	62,438	61,400
Dividend receivable	162,624	52,250
Receivable from Investment Advisor	110,770	--
Receivable from Associated brokerage House	1,296,105	--
Others	5,911	--
	1,575,410	52,250
Rupees	1,637,848	113,650

5. Cash and Bank Balances

Cash in hand	--	815
Cash at banks-Current accounts	56,291	71,801
- Deposit account	121,602	245,965
	127,231	253,145
Rupees	127,231	253,960

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

Balance as on 01 July	157,734	263,509
Less: Amount paid during the year	157,734	263,509
	--	--
Remuneration @ 1% of net assets (1998: 1%)	6.1	193,264
		157,734
Rupees	193,264	157,734

6.1 The remuneration of the investment advisor at the rate of 1% (1998: 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:

Assets		
Marketable securities at market value	18,156,069	16,430,790
Advances, prepayments and other receivable	1,637,848	113,650
Cash and bank balances	127,231	253,960
	-----	-----
Rupees	19,921,148	16,798,400
	=====	=====

Liabilities		
	1999	1998
Due to investment advisor - an associated company	193,264	157,734
Accounts payable, accrued expenses & other liabilities	181,645	688,822
Unclaimed dividend	81,298	81,298
Provision for taxation	138,554	97,097
	-----	-----
	594,761	1,024,951
	-----	-----
Net assets	Rupees 19,326,387	15,773,449
	=====	=====
1 percent of ne Rupees	193,264	157,734
	=====	=====

7. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

.Due to stock brokers against purchase of shares	--	181,310
Audit fee	35,000	35,000
Due to investment advisor	--	181,573
Others	146,645	290,939
	-----	-----
	181,645	688,822
	=====	=====

8. PROVISION FOR TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1996-97.

9. 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	Rupees 60,000,000	60,000,000
	=====	=====

10. COST OF SALES

Average cost of marketable securities as on 01 July	58,162,163	55,698,362
Purchases	45,282,542	25,400,647
Stamp duties on transfer	47,143	31,028
	-----	-----
	103,491,848	81,130,037
	-----	-----
Less: Average cost of marketable securities as on 30 June	52,853,679	58,162,163
	-----	-----
Rupees	50,638,169	22,967,874
	=====	=====

11. OTHER INCOME

	1999	1998
Dividend	783,146	839,490
Less: Zakat deducted at source	5,375	1,427
	-----	-----
	777,771	838,063
	-----	-----
Profit on bank accounts	16,292	354,478
Miscellaneous	1,013	--
	-----	-----
Rupees	795,076	192,541
	=====	=====

12. ADMINISTRATIVE EXPENSES

Listing fee		50,000	50,000
Auditors' remuneration	12.1	35,000	35,000
Custodian fee		74,219	191,525
Directors' meeting fee		5,000	12,700
Legal and professional charges		11,347	281
		-----	-----
	Rupees	175,566	317,396
		=====	=====

12.1 Auditors' remuneration

Audit fee		35,000	35,000
Out of pocket expenses		--	--
		-----	-----
	Rupees	35,000	35,000
		=====	=====

13. FINANCIAL EXPENSES

Finance charges on late payment to broker		--	5,655
Bank charges		--	1,425
		-----	-----
	Rupees	--	7,080
		=====	=====

14. TRANSACTIONS WITH ASSOCIATED COMPANIES

Sale through associated brokerage house	Rupees	46,772,555	3,462,100
		=====	=====
Purchases through associated brokerage house	Rupees	45,282,542	3,509,250
		=====	=====
Finance charges on late payment	Rupees	--	5,655
		=====	=====
Remuneration for services	Rupees	193,264	157,734
		=====	=====
Advances	Rupees	225,000	--
		=====	=====
Expenses paid on behalf of associated companies	Rupees	292,350	--
		=====	=====
Receivable from Prudential Securities Limited	Rupees	1,296,105	--
		=====	=====

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**15.1 Interest rate risk exposure**

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at 30 June 1999 are summarised as follows:

	Interest / Mark-up bearing		Non-Interest	(Rupees)	
	Less than	Three months	bearing	Total	
	one month	to one year	to five Year		
Financial Assets					
Marketable Securities	--	--	--	18,156,069	18,156,069
Advances, prepayments and other receivables	--	--	--	1,637,848	1,637,848
Cash and Bank balances	--	121,602	--	5,629	127,231
	-----	-----	-----	-----	-----
	--	121,602	--	19,799,546	19,921,148
	=====	=====	=====	=====	=====
Average mark-up rates of financial assets			11%		
Financial Liabilities					
Creditors, accrued expenses and other liabilities	--	--	--	181,645	181,645
unclaimed dividend	--	--	--	81,298	81,298
Due to Investment Advisor	--	--	--	193,264	193,264
	-----	-----	-----	-----	-----
	--	--	--	456,207	456,207
	=====	=====	=====	=====	=====

15.2. Concentration of credit risk and exposure of the financial instruments

The company believes it is not exposed to major concentration of credit risk as its debt securities are traded, on the stock exchange and other receivables are not material.

15.3. Fair value of financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

16. PERFORMANCE TABLE

	1999	1998	1997	1996	1995	1994	1993	1992	1991
Net assets (Rupees in thousands)	19,351.00	15,773.00	26,351.00	27,310.00	32,385.00	61,224.00	36,364.00	54,874.00	5,635.00
Net assets value per sham (Rupees)	3.22	2.63	4.39	4.55	5.40	10.20	7.27	10.97	1.13
Earnings per share (Rupees)	0.59	(1.76)	(0.16)	0.85	4.62	3.96	(2.73)	1.22	(0.02)
Dividend distribution (Rupees in thousand)	--	--	--	--	--	10,000.00	--	6,000.00	--

*The Company was floated on 13 November 1991 and commenced its full operation from 28 November 1991.

17. GENERAL

17.1 Figures have been rounded off to the nearest rupee.

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

PRUDENTIAL FUND MANAGEMENT LIMITED INVESTMENT ADVISOR STATEMENTS OF INCOME & EXPENDITURE IN RELATION TO INVESTMENT COMPANY FOR THE YEAR ENDED 30 JUNE 1999

	1999 Rupees	1998 Rupees
REMUNERATION FROM PRUDENTIAL STOCKS FUND LIMITED	193,264	156,586
OPERATING EXPENSES:		
Salaries, wages and other benefits	225,640	361,758
Printing and stationary	61,875	83,158
Travelling and conveyance	494	4,018
Postage and telephone	38,721	42,594
Auditors' remuneration	25,000	25,000
Depreciation	52,623	39,466
Fees and subscription	279,762	317,255
Repairs and maintenance	62,369	210,890
Advertisement	5,000	137.51
Entertainment	3,721	5,000
Electricity	28,524	1,050
Rent of premises	114,048	259,596
Insurance	19,117	15,839
Books and Periodics	7,730	27,204
Others	68,525	66,428
	993,149	1,596,764
BANK CHARGES	672	1,091
	993,821	1,597,855
LOSS FOR THE YEAR	(800,557)	(1,441,269)

Notes:

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

PATTERN OF SHARE HOLDING AS AT 30 JUNE 1999

NUMBER OF SHARE HOLDERS	SHARE HOLDING	TOTAL SHARES HELD
640	1	100
273	101	500
1,187	501	1000
507	1001	5000
65	5001	10000
14	10001	15000
6	15001	20000
2	20001	25000
1	25001	30000
1	60001	65000
1	70001	75000

1	85001	--	90000	87,000
1	105001	--	110000	107,160
1	155001	--	160000	155,430
1	285001	--	290000	287,060
4	340001	--	345000	1,376,880
1	595001	--	600000	600,000
1	600001	--	605000	604,960

	1,707			6,000,000
=====				=====

CATEGORIES OF SHARE HOLDING AS AT 30 JUNE 1999

Categories of Share Holders	<i>Number of Share Holders</i>	<i>Shares Held</i>	<i>Percentage</i>
1. INDIVIDUALS	2,697	4,641,280	77.35
2. INVESTMENT COMPANIES	1	604,960	10.08
3. INSURANCE COMPANIES			
4. JOINT-STOCK COMPANIES	6	749,860	12.50
5. FINANCIAL INSTITUTIONS			
6. MODARABA COMPANIES	3	3,900	0.07
7. OTHERS (TO BE SPECIFIED)			
	-----	-----	-----
	2,707	6,000,000	100.00
	=====	=====	=====