

Prudential Investment Bank Limited

Annual Report 2000

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Corporate & Investors Information

Chairman

Rashidullah Yacoob

Board of Directors

Muhammad Nasimuddin Mirza
M. Obaidullah Siddiqui
A.A.K. Sherwani
Naveed A. Wahid
Muhammad Yakoob Admaney
Muhammad Tahir Siddiqui

Corporate Profile

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

Chief Executive Officer

Tahir Hasan

Stock Exchange Listing

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

Company Secretary

Mazahrul Haque Siddiqui

Public Information

Prospective investors, financial analysts, stock brokers and financial media desiring information about the Prudential Investment Bank Ltd., should contact the Central Office Karachi.
Tel: 021-2401801,2401788
Fax: 021-2401341

Bankers

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

Auditors

Riaz Ahmed, Saqib, Gohar & Co.
Chartered Accountants

Share Holders Information

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

Legal Advisors

Liaquat Merchant & Co.
Akhtar Mehmood & Co.

Shares & Corporate Services (Pvt.) Ltd.,

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

Registered Office

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

Notice of Meeting

Notice is hereby given that the Eleventh Annual General Meeting of the Shareholders of Prudential Investment Bank Limited will be held at its Registered Office located at House # 15 Street No. 26 Sector Fo6/11, Islamabad on Wednesday, June 27,2001 at 11:00 hours to transact the following business:

AGENDA

1. To confirm the Minutes of the Annual General Meeting held on December 31, 1999.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2000 together with the Directors and Auditors Report thereon.
3. To appoint auditors for the year 2000-2001 and to fix their remuneration. The present auditor Messrs, Riaz Ahmed, Saqib, Gohar & Co., Chartered Accountants, retires and being eligible offer themselves for re-appointment.

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

By Order of the Board

MAZHARUL HAQUE SIDDIQUI
Company Secretary

Karachi: May 29, 2001

Note:

1. The Share Transfer Books of the Company will remain closed from June 27, 2001 to July 04, 2001 (Both day inclusive):

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

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

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

(Statement Under Section 160 of the Companies Ordinance, 1984 pertaining to the special business is being sent to the Share holders alongwith this notice.)

DIRECTOR'S REPORT

The Board of Directors present herewith the Annual Report of the Bank alongwith Audited Accounts for the year ended 30th June, 2000. Originally the meeting was supposed to be held by December 31, 2000 but the meeting could not be held due to delay in audit hence the extension sought and granted by Registrar of companies.

THE ECONOMY

The year under review 1999-2000 continued to be a difficult year due to higher oil prices, shortage of irrigation water, tight liquidity conditions in Banking system and slow down an international economy. The Stock Exchange though reflected improvement over last year yet the desired result could not be achieved due to shy investment by foreign investors.

FINANCIAL HEALTH

The Bank posted a pre-tax loss in 1999-2000 of Rs. (11.657) Million compared to Rs.2.115 Million profit of last year 1998-99. The main reasons for losses are drop in financing by 138% from Rs.532 Million to Rs.224 Million in the year 2000 and consequently return on financing also decrease from Rs.97.0 Million to 37.0 Million Income from Investment also reduced substantially from Rs 49.0 Million of 1999 to Rs.38.0 Million in 2000 i.e by 29%. However, reversal of provisions against short term investments and receivables aggregating to Rs.24.0 Million improve the profit and loss account and the loss was reduced to Rs. 11.657 Million from Rs.26.0 Million for the year-2000.

AUDITORS REPORT

The Auditors report has certain qualifications, which I present to the members for information.

INVESTMENT

The Auditors have reported that investments amounting to Rs.20.8 Million (Book Value) could not be verified physically nor any written confirmation was provided from associated companies.

The matter is under investigation as the Chief Executive has left the Bank in December-2000 with out handing over the charge to any one and even the State Bank of Pakistan in its report of 30-06-2000 has pointed out this fact.

Quote

The chief Executive had left the Bank in December-2000 without proper handing over the charge to any one and according to the information provided by the Company Secretary he had been absconding with a vehicle belonging to Bank.

Unquote

FUTURE OUTLOOK

The performance in the Banking Sector directly correspondence with the economic growth of the country, therefore, we anticipate that the steps taken by the Government would improve the investment climate and the credit demand also. Thus we hope the better performance of the Bank in the coming years.

PATTERN OF SHAREHOLDING

Pattern of shareholding of the company is enclosed.

AUDITORS

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

ACKNOWLEDGEMENT

We wish to place on record our gratitude to Security and Exchange Commission of Pakistan, State Bank of Pakistan and Ministry of Finance for their continuous support and guidance. We also appreciate the dedicated efforts of the Bank's Staff, Officers and executives.

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

Karachi.

Dated: May 29, 2001

**RASHIDULLAH YACOOB
CHAIRMAN**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Prudential Investment Bank Limited as at June 30,2000 and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended in which are incorporated the audited returns of Karachi branch and unaudited certified returns from the other branches, and we state that:

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

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

As shown in the financial statements, the company, during the year has made various transactions in its associated undertakings and other bank accounts. Due to the nature of company's records and transaction in these accounts including their balances which also remained unconfirmed, several changes in the employees and key management personnel during the year resulting in lack of continuity in the accounting system the present employees and management were unable to furnish us with knowledgeable representations of facts and circumstances regarding these transaction.

It is impracticable to extend our procedures sufficiently to determine the extent to which the financial statements as of end for the year ended 30 June 2000 may have been effected by these conditions.

Investments to the tune of Rs. 20,826,317/= (market value Rs. 13,256,687/=) have been found short on account of physical checking of these investments. We have been told that these investments are lying with an associated company. However no written confirmation containing distinctive numbers and other details of the investments have been provided to us.

Moreover, as discussed in note no. 1 to these accounts a scheme of merger of Prudential Investment Bank Limited with its associated companies vis. Prudential Commercial Bank Limited and Prudential Discount & Guarantee House Limited is underway. The State Bank of Pakistan has also initiated an enquiry into the affairs of Prudential Commercial Bank Limited and the banking activities of Prudential Investment Bank Limited have also substantially reduced during the period subsequent to the balance sheet date.

The company's subsequent operations suggest company's inability / uncertainty to achieve the foreign elements of the business plans. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the company be unable to achieve its business plans and continue in existence.

Because of the matters discussed and the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty as discussed in preceding paragraphs, the recoverability and classification of recorded asset amounts and the amount and classification of liabilities referred to in the preceding paragraphs been known and since we were unable to extend our procedures as noted in the preceding paragraphs, the scope of our work was not sufficient to enable us to express and we do not express an opinion on the financial statements referred to above.

Karachi: June 2, 2001

**Riaz Ahmad, Saqib, Gohar & Co.
Chartered Accountants**

BALANCE SHEET AS AT JUNE 30, 2000

<i>NOTE</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
SHARE CAPITAL AND RESERVES		
Authorized capital		
50,000,000 ordinary shares of	500,000,000	500,000,000
shares of Rs. 10/=each	=====	=====

Issued, subscribed and paid-up capital 10,000,000 ordinary shares of Rs. 10/=each fully paid up in cash		100,000,000	100,000,000
Special reserve		982,000	982,000
Other reserve	4	43,142,000	43,142,000
Profit and loss account		(26,020,559)	(13,914,693)
		-----	-----
		18,103,441	30,209,307
		-----	-----
		118,103,441	130,209,307

Long term loan	5	23,221,649	34,393,977
Deposits	6	329,622,822	259,357,025

CURRENT LIABILITIES

Current portion of long term liabilities	5	11,172,327	9,736,038
Deposits	6	134,474,766	153,614,434
Cash management account	7	103,616,065	326,366,633
Accrued expenses and other liabilities	8	21,022,234	21,512,354
Proposed dividend		--	5,000,000
Taxation	9	29,459,289	29,010,201
		-----	-----
		299,744,681	545,239,660
Contingencies and commitments	10	--	--
		-----	-----
		770,692,593	969,199,969
		=====	=====

The annexed notes form and integral part of these account

Statement under section 241 (2) of the Companies Ordinance, 1984

These accounts have been signed by two directors instead of Chief Executive and one Director as the Chief Executive the reason for being explained in the directors report.

DIRECTOR**PROPERTY AND ASSETS**

Tangible Fixed Assets- at cost less accumulated depreciation	11	2,786,805	2,761,842
Long term investments	12	72,878,540	79,159,456
Deferred taxation		2,700,000	2,700,000

CURRENT ASSETS

Financing	13	224,541,072	532,696,707
Short term finances	14	66,719,461	92,913,799
Short term investments	15	33,720,643	41,248,383
Short term loans and advances	16	594,768	785,753
Advances, prepayments and other receivables	17	345,585,113	174,696,237
Balance with banks and in hand	18	21,166,191	42,237,792
		-----	-----
		692,327,248	884,578,671
		-----	-----
		770,692,593	969,199,969
		=====	=====

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
INCOME			
Return on financing		36,799,273	96,937,371
Income from investments	19	38,523,839	48,819,506
Return on bank deposits		11,525,842	4,208,267
Fee and commission on guarantees		1,550,438	5,119,488
Other income		1,426,631	2,189,446
		-----	-----
		89,826,023	157,274,078
EXPENDITURE			
Return on deposits, etc.		88,499,997	139,796,564
Financial charges	20	7,242,069	5,027,067
Administrative and other operating expenses	21	20,174,159	15,170,010
		-----	-----
		115,916,225	159,993,641

		(26,090,202)	(2,719,563)
(Provision against)/Reversal of provision against			
The value of investments- short term	15	8,946,480	4,904,445
Reversal of doubtful receivables		15,052,336	--
Doubtful receivables		(9,565,392)	(30,000)
		-----	-----
		14,433,424	4,874,445
		-----	-----
Loss for the year before taxation		(11,656,778)	2,154,882
TAXATION			
Current		(449,088)	(983,500)
		-----	-----
- Loss after taxation		(12,105,866)	1,171,382
Accumulated loss brought forward		(13,914,693)	(15,086,075)
		-----	-----
Loss before appropriation		(26,020,559)	(13,914,693)
APPROPRIATIONS			
Transfer from general reserve		--	5,000,000
Proposed cash dividend Nil- (1999: 5%)		--	(5,000,000)
		-----	-----
		--	--
		-----	-----
Accumulated loss carried forward		(26,020,559)	(13,914,693)
		=====	=====
Basic earning per share		(1.21)	0.12
		=====	=====

DIRECTOR

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit for the year before taxation	(11,656,778)	2,154,882
Adjustments for		
Depreciation	664,326	563,306
Adjustment in fixed assets	51,711	--
Financial charges	7,242,069	5,027,067
Reversal of/diminution in value of quoted shares	(8,946,480)	(4,904,445)
Reversal of/provision against doubtful debts	(15,052,336)	--
Provision against doubtful receivable	9,965,392	30,000
	-----	-----
	(6,475,318)	715,928
(Increase)/Decrease in operating assets		
Investments	20,974,220	(16,760,740)
Financing	308,155,635	51,958,336
Short term finance	26,258,210	154,633,153
Advance, deposit prepayments and other receivables	(164,762,039)	20,854,020
Short term finance	190,985	75,457
	-----	-----
	190,817,011	210,760,226
(Increase) / Decrease in operating liabilities		
Deposit of fixed maturates	511,261,291	(341,455,949)
Borrowing	--	(100,000,000)
Cash management account	(222,750,568)	273,437,348
Accrued expenses and other liabilities	(490,120)	(17,515,076)
	-----	-----
	(172,114,559)	(185,533,677)
Income tax paid	(703,765)	(5,171,714)
Dividend paid	(5,000,000)	--
Finance charges paid	(7,242,069)	(5,342,194)
	-----	-----
Net cash flow from operating activities	(12,375,478)	17,583,451
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(741,000)	(699,324)
Long term investments	1,780,916	--

Net cash flow from investing activities	1,039,916	(699,324)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan	(9,736,039)	(8,925,123)
Net increase/(decrease) in balance with banks and in hand	(21,071,601)	7,959,004
Balances with bank and in hand at beginning of the year	42,237,792	34,278,788
Balances with bank and in hand end of the year	21,166,191	42,237,792
Net increase /(decrease) in balance with banks and in hand	(21,071,601)	7,959,004

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	<i>Issued, Subscribed & Paid-up Capital</i>	<i>Special Reserve</i>	<i>Other Reserve</i>	<i>Accumulated</i>	<i>Total</i>
					<i>(RUPEES)</i>
As on June 30, 1998	100,000,000	982,000	48,142,000	(15,086,075)	134,037,925
Profit for the year	--	--	--	1,171,382	1,171,382
Transfer from general Reserves	--	--	(5,000,000)	5,000,000	--
Proposed dividend	--	--	--	(5,000,000)	(5,000,000)
As on 30 June, 1999	100,000,000	982,000	43,142,000	(13,914,693)	130,209,307
Loss for the year	--	--	--	(12,105,866)	(12,105,866)
As on 30 June, 2000	100,000,000	982,000	43,142,000	(26,020,559)	118,103,441

DIRECTOR

DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. STATUS AND NATURE OF BUSINESS

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

The company has obtained approval from State Bank of Pakistan, Securities & Exchange Commission of Pakistan, Stock Exchanges, etc. for merger with Prudential Commercial Bank Limited & Prudential Discount & Guarantee House Limited in order to eliminate overlapping of activities of Prudential Group of Companies subject to agreement on final terms and conditions among these Group Companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Provision for Contingencies

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

2.3 Taxation

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

2.4 Investments

Short term

These 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 the last working day of the financial year.

Long term

These are stated at cost. The carrying amount is reduced to recognize any decline other than temporary in the value of these investment.

Capital gain / loss arising on sale of investment is accounted for in the year in which it arises.

2.5 Securities under repurchase / resale agreements

Transactions of repurchase / resale of Government Securities are entered into at contracted rates for

specified period of time. The securities under repurchase obligation are deleted from investments and are reinstated upon maturity of the respective repurchase obligation. The securities under resale obligation are recognized as investments and deleted upon resale. The difference between the initial and maturity value of the contracts is accrued and recorded under income from investments.

2.6 Tangible Fixed Assets and Depreciation

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

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

2.7 Revenue Recognition

Income from financing is recognized on a time proportion basis over the life of the instruments. Where recovery is considered doubtful, income is recognized on receipt basis.

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

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

2.8 Foreign Currency Transaction

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

2.9 Staff retirement benefits

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

3. SPECIAL RESERVE

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

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
4. REVENUE RESERVES		
SPECIAL RESERVE (NOTE 4.1)		
Balance at the beginning and end of the year	13,142,000	13,142,000
GENERAL RESERVE		
Balance at the beginning and end of the year	30,000,000	35,000,000
Transferred to profit and loss account	--	(5,000,000)
	-----	-----
	30,000,000	30,000,000
	-----	-----
Balance at the end of the year	43,142,000	43,142,000
	=====	=====

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

5. LONG TERM LOAN

Loan amount	44,130,015	53,055,138
Paid during the year	9,736,039	8,925,123
Transferred to current maturity	111,723,271	9,736,038
	-----	-----
	20,908,366	18,661,161
	-----	-----
	23,221,649	34,393,977
	=====	=====

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

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

6. DEPOSITS

Balance as at June 30, (Note 6.1)	464,097,588	412,971,459
Due within one year	(134,474,766)	(153,614,434)

-----	-----
329,622,822	259,357,025
=====	=====

6.1 These can be reclassified as under:

Deposits from bank	40,000,000	50,000,000
Deposits from corporate and other clients	424,097,588	362,971,459
	-----	-----
	464,097,588	412,971,459
	=====	=====

Expected rates of return payable on these deposits range from approximately 11% per annum (1999: 4.97% per annum) to 18% per annum (1999: 19% per annum).

7. CASH MANAGEMENT ACCOUNT

Expected rates of return payable on these accounts range from approximately 14% annum (1999: 10% per annum) to 18% per annum (1999: 18% per annum).

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued:		
Return on running finance	1,534,753	1,541,803
Return on cash management account	5,270,319	8,984,203
Expenses	170,000	335,250
Return on deposits	4,925,967	3,607,327
	-----	-----
	11,901,039	14,468,583
	-----	-----
Unclaimed dividend	325,068	58,380
Others	2,145,361	515,174
	-----	-----
	9,121,195	7,043,771
	-----	-----
	21,022,234	21,512,354
	=====	=====

9. TAXATION

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

10. CONTINGENCIES AND COMMITMENTS

Contingency in respect of guarantees issued	301,629,959	319,284,046
	=====	=====

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

10.2 The company's commitments for outstanding capital expenditure amounted to Rs. Nil (1999: Rs. 374,948).

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

PARTICULARS	COST			RATE	DEPRECIATION			WRITTEN DOWN VALUE AS AT 30 JUNE, 2000	
	AS ON 1 July, 1999	ADDITION DURING THE YEAR	AS AT 30 JUNE, 2000		AS ON 1 JULY, 1999	CHARGE FOR THE YEAR	ADJUSTMENTS		
Furniture and fixtures	1,522,777	12,636	(242)	10 & 20	1,211,190	135,059	(47,726)	1,298,523	349,648
Equipments	3,126,242	467,159	(21,288)	10 & 20	1,056,811	359,303	88,961	1,505,075	2,067,038
Vehicles	73,953	14,206	--	20	350,129	169,964	(11,054)	509,039	370,119
TOTAL 2000	5,379,972	741,000	(21,530)		2,618,130	664,326	30,181	3,312,637	2,786,805
TOTAL 1999	4,680,648	699,324	--		2,054,824	563,306	--	2,618,130	2,761,842

2000
Rupees 1999
Rupees

12. LONG TERM INVESTMENTS**Certificates - Quoted**

First Equity Modaraba

[28,200 (1999: 68,200) certificates of Rs. 10/= each

Market value Rs. 164,970/=]

186,086 450,034

Shares - Quoted

Lease Pak Limited [Nil (1999: 1,500) shares of Rs. 10/= each market value Rs. Nil]	--	15,013
Paramount Leasing Limited [500,000 (1999: 500,000) shares of Rs. 10/= each Market value Rs. 2,575,000/=]	5,000,000	5,000,000
Pakistan Industrial Credit and Investment Corporation [26,173 (1999: 26,173) shares of Rs. 10/= each Market value Rs. 327,163/=]	478,988	366,638
Fidelity Investment Bank Limited [11,500 (1999: 35,500) shares of Rs. 10/= each Market value Rs. 35,075/=]	146,275	576,875
Ibrahim Fibres Limited [120,000 (1999: 120,000) shares of Rs. 10/= each Market value Rs. 1,734,000/=]	2,112,000	2,112,000
Kohinoor Genertech Limited [50,000 (1999: 50,000) shares of Rs. 10/= each Market value Rs. 400,000/=]	1,250,000	1,250,000
Dadabhoy Cement Limited [51,000 (1999: 51,000) shares of Rs. 10/= each Market value Rs. 331,500/=]	1,947,060	2,951,590
Maple Leaf Cement Limited [6,625 (1999: 6,625) shares of Rs. 10/= each Market value Rs. 33,125/=]	172,250	172,250
Maple Leaf Electric Limited [50,000 (1999: 50,000) shares of Rs. 10/= each Market value 412,500/=]	1,448,093	1,448,093
Sui Northern Gas Pipelines Limited [230,000 (1999: 230,000) shares of Rs. 10/= each Market value Rs. 3,657,000/=]	6,612,250	6,612,250
Japan Power Generation Company Limited [620,000 (1999: 620,000) shares of Rs. 10/= each Market value Rs. 3,255,000/=]	6,721,600	6,721,600
Sui Southern Gas Pipelines Limited [78,000 (1999: 78,000) shares of Rs. 10/= each Market value Rs. 1,275,300/=]	1,684,549	1,863,724
Southern Electric Company Limited [860,500 (1999: 860,500) shares of Rs. 10/= each Market value Rs. 6,970,050/=]	14,119,885	14,119,885
Kohinoor Energy Limited [142,000 (1999: 142,000) shares of Rs. 10/= each Market value Rs. 1,803,400/=]	2,314,685	2,314,685
Unit Trust of Pakistan Limited [2,000 (1999: 2,000) shares of Rs. 5,000/= each Market value Rs. 12,662,000/=]	10,000,000	10,000,000
Prudential Commercial Bank Limited, an associated undertaking [1,742,000 (1999: 1,742,000) shares of Rs. 10/= each Market value Rs. 17,420,000/=]	175,411,002	171,541,002
	71,734,723	73,515,639
Provision for decline other than temporary in value of investments	(8,756,183)	(817561183)
	62,978,540	64,759,456
Shares- Unquoted Prudential Securities Limited an associated undertaking (12.1)	9,900,000	9,900,000
Government Securities WAPDA Bearer Bonds [(1999:45) Scrips of Rs. 100,000/= each] (12.2)	--	4,500,000
	72,878,540	79,159,456

12.1 The above investments represents 990,000 (1999: 990,000) ordinary shares of Rs. 10/=each constituting 19.8% shares of the company. Break up value per share of the company being un-audited accounts for year ended June 30, 2000 is Rs.9.6 (1999: 9.6) Mr. Ahmed Kamal is the Chief Executive of this company.

12.2 These are ten years bonds maturing in the year 2k and carry a profit rate of 12.5% per annum receivable biannually.

12.3 The market value of quoted investments as at 30 June, 2000 amounted to Rs.53,056,083/= Provision for decline has not been made because management feels that decline in market value is temporary.

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
13. FINANCING-SECURED		
Financing - secured	224,541,072	532,696,707

13.1 Financing includes Rs. 14.148 million (1999: 14.148 million) due from an associated company (Prudential Capital Management Limited) in respect of an amount paid under a financial guarantee issued on their behalf.

13.2 Mrs. Zubaida Gul

Principal	13,932,221	--
Mark-up	11,854,358	--
Total outstanding	25,786,579	--

Provision short provided	3,101,548	

14. SHORT TERM FINANCES-SECURED

Equity REPO	66,719,461	92,913,799
-------------	------------	------------

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

14.2 Mrs. Nasima Rais

Principal	42,427,289	
Mark-up	32,309,230	

Total outstanding	74,736,519	
	=====	
Provision short provided	30,990,237	

15. INVESTMENTS

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

<i>2000</i>	<i>1999</i>		<i>2000</i>	<i>1999</i>
<i>No. of Shares/ Certificates</i>		<i>Name of Companies/Modaraba</i>	<i>Rupees</i>	<i>Rupees</i>
MUTAL FUNDS				
37,900	56,400	Twenty Third ICP	174,830	260,300
24,000	24,000	Confidence Mutual Fund Limited	240,000	240,000
MODARABAS				
1,400	1,400	Trust Modaraba	15,850	15,850
25,854	25,854	First Interfund Modaraba	632,618	632,618
4,500	6,500	LTV Capital Modaraba (Rs.5/= eac	33,273	48,053
94,050	94,050	First Pak Modaraba	570,050	570,050
61,800	65,800	First Confidence Modaraba	853,975	909,215
LEASING COMPANIES				
4,560	4,560	Trust Leasing Corporation Limited	123,655	123,655
		National Development Leasing		
3,985	4,600	Corporation Limited (Rs.5/= each)	28,242	31,686
9,000	9,000	Askari Leasing Limited	186,195	186,195
--	500	Gemini Leasing Company Limited	--	24,230
INVESTMENT COMPANIES AND BANKS				
20,398	20,398	Jahangir Siddiqui Company Limite	938,148	938,148
--	2,500	Bankers Equity Limited	--	185,175
30,093	30,093	Union Bank Limited	791,458	791,458
38,950	38,950	Bank of Punjab	956,020	940,515
15,771	15,771	Prime Commercial Bank Limited	456,000	479,490
78,640	90,980	Crescent Investment Bank Limited	1,657,266	3,369,033
25,100	25,100	Faysal Bank Limited	678,920	678,920
10,000	10,000	Al-Faysal Investment Bank Limite	261,725	193,455

INSURANCE				
7,944	7,944 International General Insurance C	604,711	604,711	
--	40,000 Adamjee Insurance Company Limi	--	1,560,000	
TEXTILE COMPOSITE				
50,000	50,000 Zahoor Textile Mills Limited	2,927,050	2,927,050	
7,250	7,250 Mohib Exports Limited	157,838	157,838	
SYNTHETIC AND RAYON				
33,000	33,000 Pak Synthetics Limited	351,436	1,695,196	
6,000	6,260 Dewan Salman Fibers Limited	162,657	169,950	
38,000	39,000 Ibrahim Fibers Limited	484,935	497,695	
45,000	45,000 Dhan Fibers Limited	189,780	189,780	
SUGAR AND ALLIED INDUSTRIES				
30,249	30,027 Shakarganj Sugar Mills Limited	1,057,575	1,057,575	
10,000	10,000 Hasib Waqas Sugar Mills Limited	105,770	151,100	
65,500	65,500 Al-Abbas Sugar Mills Limited	694,625	694,625	
6,000	6,000 Ansari Sugar Mills Limited	76,450	76,450	
10,000	10,000 Tandian wala Sugar Mills Limited	92,900	92,900	
CEMENT				
243	243 Pioneer Cement Limited	2,430	2,430	
86,050	86,050 D.G. Khan Cement Company Limit	1,463,750	1,935,500	
28,500	28,500 Cherat Cement Company Limited	1,339,400	1,339,400	
11,000	11,000 Fecto Cement Industries Limited	638,375	638,375	
51,000	51,000 Lucky Cement Limited	844,930	875,330	
22,000	10,000 Dandot Cement Limited	52,850	56,300	
26,000	56,000 Maple Leaf Cement Limited	177,241	275,641	
FUEL AND ENERGY				
434,607	549,607 Sui Northern Gas Pipelines Limited	9,306,820	11,693,070	
143	394 Sui Southern Gas Company Limite	2,831	10,576	
190	190 Pakistan State Oil Company Limite	39,930	39,930	
--	330,000 Hub Power Generation Company	--	4,702,500	
32,000	532,000 Japan Power Generation Company	140,200	2,355,200	
15,000	15,000 Kohinoor Genertech Limited	250,062	250,062	
8,500	8,500 Maple Leaf Electric Limited	38,500	38,500	
--	19,000 Kohinoor Power Limited	--	87,550	
CHEMICALS AND PHARMACEUTICAL				
40,865	305,865 ICI Pakistan Limited	437,225	3,265,789	
--	45,000 Engro Chemicals Limited	--	3,375,000	
22,500	172,500 FFC Jordan Fertilizer Company Li	212,100	2,135,475	
10,000	35,000 Fauji Fertilizer Company Limited	502,375	1,758,125	
AUTO AND ALLIED ENGINEERING				
7,000	7,000 Indus Motor Company Limited	284,220	336,970	
9,500	9,500 Ghandhara Nissan Limited	633,650	633,650	
1,125	4,625 Baluchistan Wheels Limited	39,640	162,910	
5,000	5,000 Pak Suzuki Motor Company Limite	303,300	303,300	
FOOD AND ALLIED				
7,265	13,775 Rafhan Maize Products Company	898,529	1,703,621	
--	7,761 Brooke Bond (Pakistan) Limited	--	577,339	
1,804	-- Lever Brothers	577,339	--	
TEXTILE SPINNING AND WEAVING				
35,700	35,700 Kohinoor Spinning Mills Limited	1,609,285	1,609,285	
470,804	470,804 Awan Textile Mills Limited	4,708,040	4,708,040	
13,752	12,375 Brother Textile Mills Limited	152,465	270,555	
7,833	7,833 Raza Textiles Mills Limited	94,358	94,358	
31,086	31,086 Mohib Textile Mills Limited	660,039	660,039	
9,801	8,100 Dewan Khalid Textile Mills Limite	421,370	421,370	
--	110 Umer Fabrics Limited	--	1,649	
1,815	1,500 Dewan Mushtaq Textile Mills Limi	80,874	80,874	
--	9,300 Elahi Spinning Mills Limited	--	126,316	
4,250	11,500 Taj Textile Mills Limited	126,316	255,430	
--	5,000 Kohinoor Weaving Mills Limited	--	110,650	
1,000	4,000 Gadoon Textile Mills Limited	39,960	159,870	
66,400	79,500 Nishat Mills Limited	1,357,192	937,692	
TRANSPORT AND COMMUNICATION				
11,000	11,366 Pakistan International Airlines Cor	132,384	135,890	
175,000	-- Pakistan Telecommunication Limit	4,571,325	--	
GOVERNMENT SECURITIES				
45	-- WAPDA Bearer Bonds			
	Scripts of Rs. 100,000/= each - (not	4,500,000	--	

ASSOCIATED COMPANY

40,865	40,865 Pakistan Industrial & Commercial	678,000	678,000
		-----	-----
		52,821,257	69,295,477

Less: Provision of diminution in the value
of quoted investments

Opening balance		28,047,094	32,951,539
(Reversal of Provision)		(8,946,480)	(4,904,445)

		-----	-----
		19,100,614	28,047,094
		-----	-----
		33,720,643	41,248,383
		=====	=====

		2000	1999
		Rupees	Rupees

16. SHORT TERM LOANS AND ADVANCES

Due from employees - unsecured		594,768	452,600
Current portion of long term loan		--	333,153
		-----	-----
		594,768	785,753
		=====	=====

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

Advances			
- For expenses	17.1	8,369,638	3,532,512
- Income tax		36,355,771	36,795,114
		-----	-----
		44,725,409	40,327,626
Prepayments		1,208,692	2,278,466
Profit accrued on			
- Investments		83,177,856	50,975,501
- Deposit accounts		--	32,821
- Financing	17.2	76,966,268	76,942,261
		-----	-----
		160,144,124	127,950,583
Accounts receivable - central excise duty			
Due from associated undertakings	17.3	139,506,888	41,139,264
		-----	-----
		345,585,113	174,696,237
		=====	=====

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

17.2 This includes Rs. 40,748,022/= on account of return receivable against equity REPO.

17.3 The maximum aggregate balance outstanding from associated undertakings at end of any month during the year was Rs. 139.507 million (1999: 4.783 million)

18. CASH AND BANK BALANCES

Cash at Banks			
On current accounts			
On deposit accounts		21,510,634	2,547,460
State Bank of Pakistan		6,150,000	6,150,000
		-----	-----
		20,735,509	42,009,506
Cash in hand		293,404	98,711
Stationery in hand		137,278	129,575
		-----	-----
		21,166,191	42,237,792
		=====	=====

19. INCOME FROM INVESTMENTS

Capital (loss)/gain on sale of shares		(5,795,420)	24,400
Return on Government Securities		--	10,016,052
Return on portfolio management		39,102,969	34,399,181
Dividend income		5,216,290	4,379,873
		-----	-----
		38,523,839	48,819,506
		=====	=====

20. FINANCIAL CHARGES

Mark-up on running finance		5,736,360	4,468,646
Bank charges and others		1,505,709	558,421

7,242,069	5,027,067
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21. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Director's fee		5,000	5,000
Salaries, wages and other benefits		9,734,810	6,791,507
Rent, rates and taxes		1,751,947	966,206
Rentals of leased vehicles		180,233	344,906
Stationery and supplies		559,005	199,417
Telephone, telegram and postage		968,519	1,390,427
Advertisement		439,352	219,900
Traveling and conveyance		1,017,624	565,091
Insurance		174,378	128,216
Repair and maintenance		885,009	1,754,842
Legal and professionals		474,225	201,975
Auditor's remuneration	21.1	170,000	170,000
Depreciation		664,326	563,306
Fees and subscription		1,911,818	1,007,152
Entertainment		357,832	151,920
Gas and electricity		567,210	559,604
Donations	21.2	5,000	14,000
Miscellaneous		307,871	136,541
		20,174,159	15,170,010

21.1 Auditor's Remuneration

Audit fee		150,000	150,000
Out of pocket expenses		20,000	20,000
		170,000	170,000

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

22. REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES

	<i>CHIEF EXECUTIVE</i>		<i>EXECUTIVES</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>			
Managerial remuneration	504,000	504,000	894,984	793,536
Housing	216,000	216,000	400,724	357,096
Utilities	--	--	86,262	79,356
Others	522,000	480,000	67,742	78,000
	1,242,000	1,200,000	1,449,712	1,307,988
Number of persons	1	1	9	5

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

23. FINANCIAL INSTRUMENTS

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

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

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

Financial Assets - Recognized	<i>Interest Bearing</i>		<i>Non-interest Bearing</i>	<i>Total</i>
	<i>Less Than One Year</i>	<i>Over One Year</i>		
Loans and advances	594,768	--	--	594,768
Advances, prepayments & other receivables	88,096,938	--	257,488,175	345,585,113
Cash and bank	14,585,509	--	6,580,682	21,166,191
Investments	--	--	106,599,183	106,599,183
Short term financing	291,260,533	--	--	291,260,533
Rupees 2000	394,537,748	--	370,668,040	765,205,788

Rupees 1999	709,882,434	79,159,456	174,696,237	963,738,127
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Financial Liabilities - Recognized

	<i>Interest Bearing Maturity</i>		<i>Non-interest Bearing</i>	<i>Total</i>
	<i>Less Than One Year</i>	<i>Over One Year</i>		
Loans	11,172,327	23,221,649	--	34,393,976
Cash management account	103,616,065	--	--	103,616,065
Creditors, accrued and other liabilities	--	--	21,022,234	21,022,234
Certificates of investment	134,474,766	329,622,822	--	464,097,588
Rupees 2000	249,263,158	352,844,471	21,022,234	623,129,863
Rupees 1999	595,459,696	188,008,411	21,512,354	804,980,461

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

	2000	1999
	Rupees	Rupees

24. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

The aggregate amount (Rupees in million) of transaction with associated undertaking during the year were:

Reverse REPOS of FIBs. NIT units and shares	156.32	250.00
Interest income	6.84	32.00
Placements received in cash management account during the year	314.18	349.00
Interest expense - cash management account	12.93	19.54
Sale of share	16.91	--

25. BASIC EARNINGS PERSHARE

(loss)/profit after taxation	(12,105,866)	1,171,382
Number of ordinary shares	10,000,000	10,000,000
Basic earnings per shares	(1,21)	0.12

26. NUMBER OF EMPLOYEES

Total number of employees at June 30	41	37
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27. GENERAL

Figures have been rounded off to the nearest rupee.

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

DIRECTOR**DIRECTOR****PATTERN OF SHARE HOLDING AS AT 30 JUNE, 2000**

<i>Number of Share Holders</i>	<i>Share Holdings</i>	<i>Total Shares Hold</i>
110	1	100
319	101	500
109	501	1000
98	1001	5000
39	5001	10000
9	10001	15000
11	15001	20000
17	20001	25000
5	25001	30000
3	30001	35000
2	35001	40000
3	40001	45000
7	45001	50000
5	50001	55000
3	55001	60000
1	60001	65000

1	65001	70000	67,100
1	70001	75000	73,000
1	75001	80000	80,000
1	80001	85000	83,000
1	90001	95000	93,500
14	95001	100000	1,399,000
1	100001	105000	100,700
7	115001	120000	830,000
1	120001	125000	122,800
2	125001	130000	258,500
1	135001	140000	140,000
1	170001	175000	175,000
1	175001	180000	176,800
1	195,001	200000	200,000
2	205001	210000	416,600
1	435001	440000	435,300
1	660001	665000	662,400
1	1785001	1790000	1,789,400

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

**CATAGORIES OF
SHARE HOLDERS**

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

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