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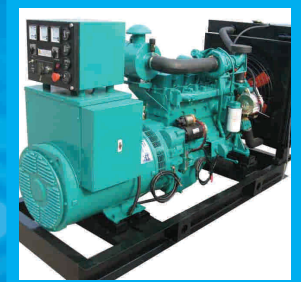
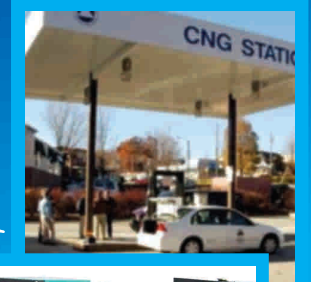
First Paramount Modaraba
(An Islamic Financial Institution)

REGISTERED OFFICE

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Annual Report 2009



First Paramount Modaraba

(An Islamic Financial Institution)

Managed by: Paramount Investments Limited



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Mission & Vision

1. It is our firm commitment to operate the Modaraba activities in accordance with Islamic Sharia with its true spirit.
2. To employ the Modaraba funds in best possible way and to promote the human talents, to maximize the profit for certificate holders.
3. It is our mission to constantly endeavour for excellence in all spheres of business activity, maintain its eminent market position, promote lasting relationship with our customers and other stakeholders, and construct a durable and vibrant Pakistan.



STATEMENT OF ETHICS AND BUSINESS PRACTICES

We believe a complete code of ethics is a prerequisite for all Directors and employees of First Paramount Modaraba. We endeavour to have fully groomed employees committed to the philosophy behind the code of ethics to carry out honestly activities assigned to them. Our aim is to have highest standard of excellence for the product and the betterment for all those involved directly or indirectly with our Modaraba.



► Corporate Information

MODARABA COMPANY Paramount Investments Limited

BOARD OF DIRECTORS

Mr. Tanweer Ahmed Magoon	Chairman
Mr. Ahmed Kasam Parekh	Director
Mr. Abdul Razzak Jangda	Director
Mr. Pir Mohammad A. Kaliya	Director
Mr. Abid Aziz (Nominee Director of Pak Libya Holding Co. Limited)	Director
Mr. Muhammad Hussain Mehanti	Director
Mr. Masood Ahmed Shaikh	Director
Mr. Nadeem Iqbal	Director

Mr. Abdul Ghaffar Umer Chief Executive Officer

AUDIT COMMITTEE

Mr. Tanweer Ahmed Magoon	Chairman
Mr. Ahmed Kasam Parekh	Director
Mr. Pir Mohammad A. Kaliya	Director
Mr. Naseemuddin Zubairi	Secretary

MANAGEMENT COMMITTEE

Mr. Tanweer Magoon	Chairman
Mr. Abdul Ghaffar Umer	Chief Executive Officer
Mr. Ahmed Kasam Parekh	Director
Mr. Nadeem Iqbal	Director

CHIEF FINANCIAL OFFICER

Mr. Naseemuddin Zubairi Chief Financial Officer



AUDITORS OF THE MODARABA

M/s. Yousuf Adil Saleem & Co.
Chartered Accountants

AUDITORS OF THE MODARABA COMPANY

M/s. Rahim Jan & Co.
Chartered Accountants

SHARIAH ADVISORS

Mufti Abdul Sattar Laghari (Map)

LEGAL ADVISORS

M/s. Raja Qasit Nawaz, Advocates

BANKERS

Al-Baraka Islamic Bank B.S.C. (E.C.) Pakistan
Bank Islami Pakistan Limited
Bank Al-Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited

REGISTERED OFFICE

Suit # 107, 108, 1st Floor, P.E.C.H.S. Community Office Complex,
Block-2 PECHS, Shakra-e-Quaideen, Karachi.
Ph: 34381037 - 38 - 52 Fax: 34534410
E-mail: fpm@cyber.net.pk
Web: www.fpm.com.pk

REGISTRAR

THK ASSOCIATES (PVT) LTD.
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi - 75530.
Tel: 111-000-322 Fax: 35655595



► Directors' Report

It is a matter of immense pleasure for us to present 14th Annual Report and Audited Financial Statements of First Paramount Modaraba for the year ended 30th June 2009 with an all time high profit of Modaraba of EPS of Rs.3.09.

We bow our heads before Al-Mighty Allah for His Mercy and Blessings due to which your Modaraba could earn profit for the year of Rs.18,097,587 (including capital gain of Rs.4,286,214, after providing 5% for charity and 10% Management fee for Modaraba Management company).

Growth of Morabaha Income

The Management has been constantly endeavoring to maximize income from financial activities of Modaraba and it is heartening to note that we achieved a growth of income of this segment by 41% over the year 2007/2008 as indicated here-under :-

	2006/2007	2007/2008	2008/2009
Income from financial activities.	9,604,272	17,360,662	23,904,477
Less: Profit paid to Islamic Banks	2,246,952	7,839,762	10,462,595
Net saving through financial activities	7,357,320	9,520,900	13,441,882
Increase over previous year.	N/A	29.40%	41.18%

Enhancement in profit of CNG Musharika Project:

Although we sold the assets of one CNG station situated near Banaras Chowk, Orangi Town, Karachi in August 2008, our operating profit for the year from remaining two CNG filling stations increased by around 12% over the last financial year.

Generators Trading & Rental Project:

A separate wing for trading and rental of Generators was established in August 2008 on Musharika basis in which Investment of Modaraba is about 52%. Total amount invested by Modaraba upto 30th June 2009 comes to Rs.18,555,816/-.

The project earned a minimal profit of Rs.380,786/- during the period as reported in note No: 21 inspite of (i) its 1st year of operation, (ii) unexpected recession in the country and (iii) limited seasonal activities during our operational period. However, we have reported a loss of Rs.2,127,266/- in the financial statements due to the impact of lease rentals of Rs.2,482,824/- paid by Modaraba for Generators leased out during that period.



The leased Generators have subsequently been purchased under *Morabaha* financing in July 2009 and therefore payments of leased rentals would not be there in the subsequent period.

We anticipate better performance of this *Musharika* Project in its 2nd year of operation.

Declaration of Dividend:

Out of total profit of Rs.18,097,587/- for the year, your directors have decided to transfer 50% of profit (last year 30%) to statutory reserve amounting to Rs.9,048,794/- (last year 3,707,820) to increase equity of your Modaraba, and are pleased to declare 15% (14% for previous year) cash dividend of Rs.8,795,000/- to certificate holders for the financial year 2008/2009 (previous year dividend amount was Rs.8,208,666/-).

Future Outlook:

We expect enhancement in profit of Modaraba through financial activities and from Generators Rental & Trading Project, but income from CNG *Musharika* project may decrease due to tough competition among CNG gas filling stations as well as expected reduction in gas supply or load-shedding by SSGCL in winter season.

Acknowledgement:

The Board wishes to thank all the share-holders for their consecutive patronage they put on Modaraba. The Board also puts on high side the continuous cooperation of Registrar Modarabas, Securities and Exchange Commission of Pakistan and State Bank of Pakistan. It too appreciates the Modaraba staff for its contribution to upgrade Modaraba's vitality.

For and on behalf of Board

Karachi
Dated: 27th October, 2009

Abdul Ghaffar Umer
Chief Executive

First Paramount Modaraba
(An Islamic Financial Institution)
Annual Report 2009



Key Operating & Financial Data

Particulars	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Paid up Capital	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330
Certificate Holders Equity	55,146,685	56,174,378	56,192,242	58,066,776	59,633,882	79,930,727	83,746,663	103,047,210	108,956,943	118,845,865
Current Liabilities	7,181,487	11,090,453	20,627,363	37,260,999	35,154,932	21,567,497	19,530,297	45,489,658	78,898,671	87,094,832
Total Liabilities	8,731,487	20,593,027	33,227,740	37,288,639	47,743,485	28,463,506	22,232,915	62,144,383	96,826,807	88,614,196
Fixed Assets	369,698	15,938,543	17,789,854	18,004,672	19,795,301	19,790,319	29,347,504	53,122,040	53,830,034	59,509,743
Current Assets	40,934,359	45,517,103	44,334,022	60,309,010	62,555,536	61,782,950	66,785,314	79,873,148	107,104,856	124,783,202
Total Assets	63,878,172	76,767,405	89,419,982	95,355,415	107,377,367	108,394,234	105,979,579	165,191,592	205,783,751	207,460,061
Operating Profit	5,894,416	6,757,437	6,395,004	9,175,038	8,569,255	10,645,672	13,068,262	9,342,801	13,732,666	20,108,430
Profit before Tax	5,474,924	6,027,693	5,841,904	8,374,534	7,817,106	9,728,356	11,761,435	8,408,521	12,359,399	18,097,587
Taxation	-	-	824,040	-	-	-	30,000	14,566	-	-
Profit after Tax	5,474,924	6,027,693	5,017,864	8,374,534	7,817,106	9,728,356	11,731,435	8,393,956	12,359,399	18,097,587
Dividend	10%	10%	10%	13%	12.5%	13.5%	15.0%	11.0%	14.0%	15.0%
Earning per Certificate	1.09	1.21	1.00	1.67	1.56	1.66	2.00	1.43	2.11	3.09
Break-up Value	11.03	11.23	11.24	11.61	11.93	13.63	14.28	17.57	18.58	20.27



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

The Paramount Investments limited (the Management Company), Manager of First Paramount Modaraba (the Modaraba) has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority on its Board of Directors. At present the Board has 09 directors which include 08 independent non-executive directors and no directors representing minority certificate-holders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Modaraba.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy arose in the board during the year ended 30th June 2009.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors of the Management Company and all the employees of the Modaraba.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for in case of two meeting, where notice was for less than seven days. The minutes of the meetings were appropriately recorded and circulated.
9. The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
10. The directors have been provided with the copies of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Companies Ordinance, 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Article of Association, Prospectus and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to Modaraba, its policies and procedures and are aware of their duties and responsibilities.



11. The Board has approved appointment of CFO and Chartered Accountants' firm as Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO. Company secretary's appointment is in process; currently CFO is performing the duties of Company secretary.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of Modaraba were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holdings.
15. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises 3 members; all three of them are non-executive directors including the chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an internal audit function through appointment of a firm of Chartered Accountants, to carry out the entire audit function independently, that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the code have been complied.

Abdul Ghaffar Umer
Chief Executive Officer

Karachi:
Dated: October 27th 2009.



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Paramount Investments Limited (the Modaraba Company) representing First Paramount Modaraba (Islamic Financial Institution) [the Modaraba] to comply with the relevant Listing Regulations of the Karachi and Islamabad Stock Exchanges, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

The Code of Corporate Governance requires Board of Directors to approve related party transactions bifurcating between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price. In this connection we are only required and have ensured compliance of requirement to the extent of Board of Directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2009.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Dated: October 27, 2009.



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **First Paramount Modaraba** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba company's [Paramount Investments Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

- a. in our opinion, proper books of accounts have been kept by the Modaraba company in respect of First Paramount Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b. in our opinion:
 - i. the balance sheet and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and



- iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Dated: October 27, 2009



Balance Sheet as at June 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
Current Assets			
Cash and bank balances	5	17,113,256	12,626,394
Current portion of long term murabaha finance	6	47,974,253	37,777,519
Short term murabaha finance	7	52,824,449	48,898,432
Musharaka finance	8	-	3,150,000
Stock in trade	9	3,137,230	968,513
Trade debtors	10	1,377,999	1,389,467
Accrued profit		555,596	1,212,817
Advances, prepayments and other receivables	11	1,800,419	1,081,713
		124,783,202	107,104,855
Non Current Assets			
Murabaha finance	6	20,041,459	41,271,905
Long term deposits		3,125,657	3,576,957
Property, Plant and Equipment	12	59,509,743	53,830,034
		82,676,859	98,678,896
Total Assets		207,460,061	205,783,751
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	13	9,265,444	9,778,173
Current portion of long term murabaha finance	14	19,924,695	42,500,412
Short term murabaha finance	15	46,498,640	14,687,787
Profit payable on murabaha finance		4,683,318	5,354,356
Payable to modaraba management company		1,980,929	2,263,267
Provision for taxation		-	30,000
Unclaimed dividend		4,741,806	4,284,676
		87,094,832	78,898,671
Non Current Liabilities			
Long term murabaha finance	14	536,244	17,037,641
Security deposits		315,212	283,569
Deferred liability - staff gratuity	16	667,908	606,927
		1,519,364	17,928,137
Total Liabilities		88,614,196	96,826,808
NET ASSETS		118,845,865	108,956,943
REPRESENTED BY:			
Certificate capital	17	58,633,330	58,633,330
Capital reserves	18	50,277,200	41,228,406
Unappropriated profit		9,935,335	9,095,208
		118,845,865	108,956,943
Contingency and commitments	19		

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chief Executive Officer

Director

Director



► **Profit and Loss Account for the year ended June 30, 2009**

	Note	2009 Rupees	2008 Rupees
REVENUE			
Profit on murabaha finance		23,682,441	16,804,035
Profit on musharaka finance		222,036	556,627
Profit on CNG project musharaka finance	20	11,495,322	10,246,028
Profit / (loss) from Generator project	21	(2,127,266)	-
Profit on bank deposits		154,417	119,126
Musharaka management fee	20 & 21	560,817	487,519
Gain / (loss) on disposal of property, plant and equipment	22	5,013,116	(12,031)
Other income		193,085	137,729
		<u>39,193,968</u>	<u>28,339,033</u>
EXPENSES			
Operating expenses	23	6,678,646	6,936,059
Profit to murabaha investors		10,462,595	7,839,762
Provision against doubtful recoveries		1,944,297	-
Other provisions / (reversal)		-	(169,453)
		<u>19,085,538</u>	<u>14,606,368</u>
Operating profit		20,108,430	13,732,665
Modaraba company's management fee		(2,010,843)	(1,373,266)
Profit for the year		<u>18,097,587</u>	<u>12,359,398</u>
Earnings per certificate (basic and diluted)	25	<u>3.09</u>	<u>2.11</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chief Executive Officer

Director

Director



Cash Flow Statement for the year ended June 30, 2009

	2009 Rupees	2008 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,097,587	12,359,398
Adjustments for:		
Profit on murabaha finance	10,462,595	7,839,762
Depreciation	2,765,047	3,140,164
Provision for gratuity	77,981	256,958
(Gain) / loss on disposal of property, plant and equipment	(5,013,116)	12,031
Provision against doubtful recoveries	1,944,297	-
Other provisions	(30,000)	-
Amount written off	-	504,531
	28,304,391	24,112,844
(Increase)/Decrease in current assets		
Stock in trade	(2,168,717)	(173,510)
Trade debtors	11,468	2,112,624
Accrued profit	657,221	(339,373)
Advances, prepayments and other receivables	(718,706)	2,768,387
	(2,218,734)	4,368,128
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(481,086)	3,861,767
Payable to modaraba management company	(282,338)	958,987
	(763,424)	4,820,754
Cash generated from operations	25,322,233	33,301,726
Staff gratuity paid	(17,000)	(155,000)
Net cash flow from operating activities	25,305,233	33,146,726
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,050,139)	(3,864,189)
Proceeds from disposal of property, plant and equipment	10,588,500	4,000
Long term murabaha finance - net	9,119,415	(22,179,382)
Long-term deposits	451,300	(451,300)
Musharaka finance	3,150,000	2,950,000
Short-term Murabaha finance - net	(3,926,017)	(22,953,697)
Net cash flow from / (used in) investing activities	5,333,059	(46,494,568)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid on murabaha financing	(11,133,633)	(4,173,226)
Long term murabaha finance - net	(39,077,114)	19,986,659
Short-term murabaha finance - net	31,810,853	6,106,520
Dividend paid	(7,751,536)	(6,449,666)
Net cash flow (used in)/from financing activities	(26,151,430)	15,470,287
Net increase in cash and cash equivalents (A + B + C)	4,486,862	2,122,445
Cash and cash equivalents at beginning of the year	12,626,394	10,503,949
Cash and cash equivalents at end of the year	17,113,256	12,626,394

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chief Executive Officer

Director

Director



Statement of Changes in Equity for the year ended June 30, 2009

	Certificate Capital	RESERVES			Unappropriated profit	Total
		Merger reserve	Statutory Reserve	Revaluation reserve		
	<..... (Rupees)>					
Balance as at June 30, 2007	58,633,330	1,935,160	15,883,835	19,701,591	6,893,294	103,047,210
Profit distribution @ Rs.1.1 per certificate declared for the year ended June 30, 2007	-	-	-	-	(6,449,666)	(6,449,666)
Profit for the year	-	-	-	-	12,359,398	12,359,398
Transferred to statutory reserve	-	-	3,707,820	-	(3,707,820)	-
Balance as at June 30, 2008	58,633,330	1,935,160	19,591,655	19,701,591	9,095,208	108,956,943
Profit distribution @ Rs.1.4 per certificate declared for the year ended June 30, 2008	-	-	-	-	(8,208,666)	(8,208,666)
Profit for the year	-	-	-	-	18,097,587	18,097,587
Transferred to statutory reserve	-	-	9,048,794	-	(9,048,794)	-
Balance as at June 30, 2009	58,633,330	1,935,160	28,640,449	19,701,591	9,935,335	118,845,865

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chief Executive Officer

Director

Director



► Notes to the Financial Statements for the year ended June 30, 2009

1. GENERAL INFORMATION

- 1.1 The Modaraba is a multi purpose, perpetual and multidimensional Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed there under and is managed by Paramount Investments Limited, a company incorporated in Pakistan. The Modaraba is listed on the Karachi and Islamabad Stock Exchanges. The registered office of the Modaraba is situated at Karachi. Modaraba's principal activities includes operations of CNG stations and deployment of funds on murabaha and musharaka arrangements and generator rental and sale project under the project name, Advance Trading Corporation (ATC) during the year.
- 1.2 The Modaraba obtained CNG operators license in January, 1999 from Director General Gas, Government of Pakistan and is operating 2 (2008:3) CNG stations.
- 1.3 The financial statements are presented in Pak rupees, which is the modaraba's functional and presentation currency.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the requirements of the Modaraba Companies & Modaraba (Floatation & Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities & Exchange Commission of Pakistan [the Modaraba Regulations] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas. Wherever the requirements of "the Modaraba Regulations" differ from the requirements of these standards, the requirements of "the Modaraba Regulations" take precedence.

The SECP has deferred the application of IAS 17 "Leases" and specific requirements of IAS 39 "Financial Instruments, Recognition and Measurement" for recognition of unrealized gain on "held for trading" investments for Modarabas.



In addition SECP has also notified Islamic Financial Accounting Standard 2 (IFAS-2) 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan. The Modaraba Association of Pakistan (MAP) has advised its member to comply with the requirements of IFAS-2 vide circular No 079 dated March 11, 2009. The Modaraba has adopted the above said standard but their is no impact on the financial statements of the Modaraba because no Ijarah facility has been provided by the Modaraba.

2.2 Adoption of new International Financial Reporting Standards

In the current year, the Modaraba has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Modaraba's accounting period beginning on July 01, 2008. The adoption of these new Standards and Interpretations has resulted in changes to the Modaraba's accounting policies in the following areas:

Standards and Interpretations	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures	April 28, 2008
<p>IFRS 7 requires extensive disclosures about the significance of financial instruments for the Modaraba's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements incorporate many of the requirements previously in IAS 32 - Financial Instruments : Presentation. The Modaraba has adopted this standard from the financial year beginning July 01, 2008 and its initial application has led to extensive disclosures in the Modaraba's financial statements.</p>	
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding	January 01, 2008
<p>IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The adoption of this Interpretation will have no material impact on the Modaraba's financial statements.</p>	



2.2.1 New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them.

Standards and Interpretations	Effective date (accounting periods beginning on or after)
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distributions of Non-cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfer of Assets from Customers	July 01, 2009

2.2.2 Interpretations to existing standards that are effective and not relevant for the Modaraba's operations

The following interpretation to existing standards has been published and is mandatory for the Modaraba's accounting year beginning on July 01, 2008 but is not relevant for the Modaraba's operations:

IFRIC 12 - Service Concession Agreements	January 01, 2008
IFRIC 13 - Customer Loyalty Programs	July 01, 2008

3. BASIS OF PREPARATION

These financial statements have been prepared under the "historical cost convention" except for lease hold land which have been include at revalued amount.



4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Property, plant and equipment except land are stated at cost less accumulated depreciation and impairment loss if any. Land is stated at revalued amount.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation is charged to profit and loss account applying the reducing balance method. In respect of additions and disposals during the year, depreciation is charged proportionately for the period of use.

Surplus arising on revaluation is credited to surplus on revaluation of fixed assets.

Maintenance and normal repairs are charged to income as and when incurred as income or expense. Gain or loss on disposal of assets, if any, are recognised as income or expense.

All expenditures connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are stated at cost and transferred to specific assets as and when these assets are available for use.

4.2 Stock in trade

Stock-in-trade are valued at the lower of cost and net realizable value. Cost is determined using weighted average basis except for those in transit which are stated at invoice price plus other charges paid thereon upto the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.3 Trade debtors and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad or irrecoverable are written off when identified.



4.4 Musharaka arrangements

Under musharaka arrangements, share of jointly controlled assets and liabilities are classified and recorded according to the nature of the assets and liabilities alongwith the modaraba's assets and liabilities (Refer note 26). Share of profit / (loss) from musharaka arrangement is recorded under profit on CNG project and generator project musharaka.

4.5 Employee Benefit Costs

Defined benefit plans

The Modaraba operates an unfunded defined benefit plan comprising of gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the scheme. Modaraba's obligations under the scheme is determined on the basis of actuarial valuation and are charged to income. Most recent valuation was carried out by a qualified actuary in accordance with IAS 19 "Employees Benefits" on June 30, 2008 using the "Project unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Modaraba's gratuity is amortised over the average expected remaining working lives of the employees.

However during the year the Modaraba has discontinued gratuity scheme effective from May 31, 2009.

Defined contribution plan

The Modaraba operates approved funded contributory provident fund for all its employees. Equal monthly contributions are made both by the Modaraba and the employees at the rate of 10% percent per annum of the basic salary in case of provident fund.

Compensated absences

The Modaraba provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.



4.6 Provisions

Provisions are recognised when the Modaraba has the present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.7 Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

4.8 Revenue recognition

Murabaha finance

Profit from murabaha finance is accounted for on culmination of murabaha transaction. However, the profit on that portion of murabaha finance not due for payment is deferred by accounting for "Deferred Murabaha Income" with a corresponding credit to "Unearned Murabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis.



Musharaka Finance

Profit from musharaka transactions is recognised on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Income on balances with banks

Profit on saving accounts with banks recognized as income on accrual basis.

Musharaka Management fee

Musharaka management fee is recognised on accrual basis.

Profit on sale of goods

Profit on sale of goods is recognised on dispatch of goods to customers which usually coincide with the physical delivery and acceptance.

4.9 Taxation

Current

Provision for taxation is made on taxable income if any, at the prevailing rates of tax after taking into account any tax credit available.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date.

4.10 Foreign currency transactions

Monetary assets and liabilities in foreign currency are translated into Pak Rupees at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on translation are taken to income currently.



4.11 Financial instruments

Financial assets and financial liabilities are recognised when the Modaraba becomes a party to the contractual provisions of the instrument and de-recognised when the Modaraba loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, with banks on current and deposit accounts.

4.13 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off- set.

4.14 Critical Accounting Estimates and Judgments

In the process of applying the Modaraba's accounting policies, the management has not identified any area where critical judgments have been exercised which have significant impact on the financial statements. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year.



	Note	2009 Rupees	2008 Rupees
5. CASH AND BANK BALANCES			
Cash in hand		996,577	854,209
Cash with banks			
Current accounts		7,571,151	2,951,511
Deposit account	5.1	8,545,528	8,820,674
		<u>17,113,256</u>	<u>12,626,394</u>
5.1 Effective profit rate in respect of deposit accounts ranges from 5.85% to 9.51% (2008 : 3.78% to 6.72%) per annum.			
6. LONG TERM MURABAHA FINANCE			
Considered good - secured		67,141,932	75,218,601
Considered doubtful - secured		3,901,787	5,084,087
	6.2	71,043,719	80,302,688
Provision for doubtful recoveries		(3,028,007)	(1,253,264)
		68,015,712	79,049,424
Receivable within one year shown under current assets		(47,974,253)	(37,777,519)
		<u>20,041,459</u>	<u>41,271,905</u>
6.1 The murabaha sale price is receivable in installments. The profit rate on these arrangements range between 17.92% to 24% per annum (2008 : 16% to 24% per annum) receivable on agreed terms. These arrangements are secured by way of mortgage of properties, hypothecation and pledge of goods and demand promissory notes.			
6.2 Long term murabaha finance			
Murabaha receivable gross		86,029,498	99,865,820
Deferred murabaha income		(14,905,682)	(19,209,579)
Profit receivable shown in other receivable		(80,097)	(353,553)
Murabaha financing/ receivables		<u>71,043,719</u>	<u>80,302,688</u>



	Note	2009 Rupees	2008 Rupees
7. SHORT TERM MURABAHA FINANCE .			
Considered good-secured		52,676,775	47,336,601
Considered doubtful - secured		1,028,243	2,272,846
	7.2	<u>53,705,018</u>	<u>49,609,447</u>
Provision for doubtful recoveries		(880,569)	(711,015)
		<u>52,824,449</u>	<u>48,898,432</u>
7.1 The murabaha sale price is receivable in installments. The profit rate on these arrangements range between 17% to 24.95% per annum (2008 : 15% to 24% per annum) receivable on agreed terms. These arrangements are secured by way of mortgage of property, hypothecation and pledge of goods and demand promissory notes.			
7.2 Short term murabaha finance			
Murabaha receivable gross		59,050,806	53,631,705
Deferred murabahah Income		(4,870,289)	(2,809,441)
Profit receivable shown in other receivable		(475,499)	(1,212,817)
Murabaha financing / receivables		<u>53,705,018</u>	<u>49,609,447</u>
8. MUSHARAKA FINANCE			
Considered good-secured	8.1	<u>-</u>	<u>3,150,000</u>
8.1 The profit rate on this arrangement was 21% per annum (2008: 21% per annum).			
9. STOCK IN TRADE			
Cylinders		42,128	324,212
CNG kits		488,654	644,301
Generator		2,606,448	-
		<u>3,137,230</u>	<u>968,513</u>



	Note	2009 Rupees	2008 Rupees
10. TRADE DEBTORS			
- Considered good - Unsecured			
Conversion dues receivable		1,865,646	2,345,003
Provision for doubtful debts	10.1	(487,647)	(955,536)
		<u>1,377,999</u>	<u>1,389,467</u>
10.1 Provision for doubtful debts			
Opening balance		955,536	1,047,504
Provided during the year		487,647	943,226
		<u>1,443,183</u>	<u>1,990,730</u>
Written off during year		(955,536)	(1,035,194)
		<u>487,647</u>	<u>955,536</u>
11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Advance against expenses		10,587	26,252
Advance against salary		189,440	57,358
Advance income tax		205,439	193,852
Prepayments		785,274	602,734
Other receivables		609,679	201,517
		<u>1,800,419</u>	<u>1,081,713</u>
Considered doubtful			
Prepayments and other receivable		-	1,000,000
Provision for doubtful recoveries		-	(1,000,000)
		<u>-</u>	<u>-</u>
		<u>1,800,419</u>	<u>1,081,713</u>
12. PROPERTY, PLANT AND EQUIPMENT			
Operating Assets	12.1	59,509,743	44,429,099
Capital work in progress	12.2	-	3,962,872
Assets Held for Sale		-	5,438,063
		<u>59,509,743</u>	<u>53,830,034</u>



12.1 Operating assets

		2009				2008			
		Cost / Valuation		Depreciation		Cost / Valuation		Depreciation	
		As at July 01, 2008	Additions / As at June 30, 2009 (disposal)	At July 01, 2008	For the year / (on disposal) 30, 2009	At June 30, 2009	Carrying value at June 30, 2009	Rate %	
	Rupees								
Land		22,926,475	-	22,926,475	-	-	22,926,475		
Building		5,137,169	502,735	5,639,904	1,731,146	344,791	2,075,937	35.63	10
Plant and machinery		24,011,424	16,216,681	40,228,105	8,366,150	1,843,850	10,210,000	25.51	10
Computers		960,709	94,730	1,055,439	702,896	93,112	796,008	75.57	30
Office equipment		616,861	123,186	740,047	212,087	45,729	257,816	35.78	10
Furniture and fixtures		898,825	123,073	1,021,898	276,086	70,407	346,493	33.63	10
Vehicles		2,184,358	922,607	2,958,778	1,018,357	367,158	1,374,649	46.14	20
		(148,187)			(10,866)				
		56,735,821	17,983,012	74,570,646	12,306,722	2,765,047	15,060,903	20.33	
		(148,187)			(10,866)				
	Rupees								
Land		22,926,475	-	22,926,475	-	-	22,926,475		
Building		5,137,169	-	5,137,169	1,352,699	378,447	1,731,146	33.71	10
Plant and machinery		23,194,376	817,048	24,011,424	6,696,414	1,669,736	8,366,150	34.83	10
Computers		844,912	115,797	960,709	615,146	87,750	702,896	73.16	30
Office equipment		586,438	55,423	616,861	177,217	43,839	212,087	35.03	10
			(25,000)		(8,969)				
Furniture and fixtures		879,125	19,700	898,825	208,524	67,562	276,086	30.71	10
Vehicles		2,166,958	17,400	2,184,358	728,189	290,168	1,018,357	46.62	20
		20,000							
		55,735,453	1,025,638	56,735,821	9,778,189	2,537,502	12,306,722	21.83	
		(25,000)			(8,969)				



	Note	2009 Rupees	2008 Rupees
12.1.1 Total Depreciation of Modaraba including share in musharaka		2,765,047	2,537,502
Less: On Modaraba's owned assets		(465,983)	(412,499)
Modaraba's share in musharaka depreciation		2,299,064	2,125,003
Add: Investor's group share of musharaka depreciation		1,342,238	1,468,742
Total musharaka depreciation		<u>3,641,302</u>	<u>3,593,745</u>

12.1.2 Disposal of property, plant and equipment

	Cost	Accumulated Depreciation	Carrying value Rupees	Sale proceed	Loss	Mode of Deposit / Particulars of buyer
Vehicles	148,187	10,866	137,321	123,500	(13,821)	Insurance Claim from Takaful Pakistan Ltd.
2009	<u>148,187</u>	<u>10,866</u>	<u>137,321</u>	<u>123,500</u>	<u>(13,821)</u>	
2008	<u>25,000</u>	<u>8,969</u>	<u>16,031</u>	<u>4,000</u>	<u>(12,031)</u>	

12.1.3 Had there been no revaluation, the figure of land June 30, 2009 have been Rs. 3,224,884.

12.1.4 Revaluation of land was carried out on June 30, 2007 by independent valuer M/s Perfect Consultants. The valuation has been performed on the basis of assessed fair value and represents 65% share of the Modaraba. The lease of the plot is in the name of the joint venture partners in the Musharaka business (Refer Note 26).

12.2 Capital work in progress

Civil Work	-	1,371,470
Generators and Machinery	-	2,591,402
	-	<u>3,962,872</u>



	Note	2009 Rupees	2008 Rupees
13. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Accrued expenses		5,290,435	4,148,940
Liabilities related to CNG project		3,927,344	2,629,233
Liabilities related to Generator project		47,665	3,000,000
		<u>9,265,444</u>	<u>9,778,173</u>
14. LONG TERM MURABAHA FINANCE			
From commercial banks - secured	14.1	20,460,939	59,538,053
Payable within one year shown under current liabilities		<u>(19,924,695)</u>	<u>(42,500,412)</u>
		<u>536,244</u>	<u>17,037,641</u>
14.1	Total facilities for murabaha finance, including short term murabaha finance, available from banks amounts to Rs.111.44 million (2008: Rs. 95 million). These facilities are secured against first charge on the plant and machinery of the Modaraba and the hypothecation of stocks and receivables. Profit on these facilities ranges from 2% to 2.75% above 12 months to two year KIBOR with a floor of 12% to 14% (2008: 2.5% to 2.75% above 12 months to two year KIBOR with a floor of 11% to 14%) payable on agreed terms.		
15. SHORT TERM MURABAHA FINANCE			
From commercial banks - secured	15.1	<u>46,498,640</u>	<u>14,687,787</u>
15.1	These are the same facilities with similar terms and conditions as mentioned under note 14.1 with maturity of less than 12 months. Profit on these facilities are 2% above 6 months to one year KIBOR with a floor of 14% to 24% (2008: 2% above one week to one year KIBOR with a floor of 11% to 24%) payable on agreed terms.		



	2009 Rupees	2008 Rupees
16. DEFERRED LIABILITY - GRATUITY		
Movement in liability recognised in the balance sheet is as follows:		
Liability as at July 01	606,927	504,969
Charge to profit and loss account	77,981	256,958
	684,908	761,927
Payments made during the year	(17,000)	(155,000)
Liability as at June 30	<u>667,908</u>	<u>606,927</u>
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	667,769	606,788
Unrecognised actuarial gains	139	139
Liability as at June 30	<u>667,908</u>	<u>606,927</u>
Present value of defined benefits obligation:		
Present value of defined benefit obligation as at July 01	606,788	441,375
Current service cost	50,664	276,414
Markup cost	27,317	44,138
Benefits paid	(17,000)	(155,000)
Actuarial gains / loss on obligation	-	(139)
Present value of defined benefit obligation as at June 30	<u>667,769</u>	<u>606,788</u>
The amount recognised in the profit and loss account is as follows:		
Current service cost	50,664	276,414
Markup cost	27,317	44,138
Transitional asset recognized	-	(63,594)
	<u>77,981</u>	<u>256,958</u>
The principal assumptions used in the valuation of gratuity are as follows:		
	2009	2008
Discount rate	12%	12%
Expected rate of increase in salary	12%	12%



17. CERTIFICATE CAPITAL

2009	2008		2009 Rupees	2008 Rupees
Number of Certificates				
Authorized				
25,000,000	25,000,000	Modaraba certificates of Rs.10/- each	250,000,000	250,000,000
Issued, subscribed and paid up				
5,000,000	5,000,000	Modaraba certificates of Rs.10/- each fully paid in cash	50,000,000	50,000,000
863,333	863,333	Modaraba certificates of Rs.10/- issued for consideration other than cash	8,633,330	8,633,330
<u>5,863,333</u>	<u>5,863,333</u>		<u>58,633,330</u>	<u>58,633,330</u>

18. CAPITAL RESERVES

Statutory reserve	18.1	28,640,449	19,591,655
Merger reserve		1,935,160	1,935,160
Revaluation reserve	12.1.4	19,701,591	19,701,591
		<u>50,277,200</u>	<u>41,228,406</u>

18.1 Statutory Reserve represents profit set aside to comply with the Prudential Regulations for Modaraba issued by the SECP vide Circular No. 4 of 2004 dated January 28, 2004 and subsequent amendments made therein. These regulations require Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time that the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profits is to be transferred. For the year the Modaraba transferred 50% of its after tax profits to statutory reserve.



19. CONTINGENCY AND COMMITMENTS

19.1 Contingency

Performance guarantee of Rs.7,516,000/- (2008 : Rs.8,478,000/-) issued by a bank to Sui Southern Gas Company Limited on behalf of the Modaraba.

2009 **2008**
Rupees **Rupees**

19.2 Commitments

Commitments for operating lease rentals (Ijarah financing) payable:

Not later than one year	754,718	2,595,633
Later than one year but not later than five years	23,560	11,890,000

During the year, Ijarah financing of Rs. 6,924,800 was converted into Morabaha financing.

20. PROFIT ON CNG PROJECT MUSHARAKA

Particulars	Note	Gas Filling	Conversion Center	2009	2008
< ----- Rupees ----- >					
Gas filling		133,756,620	-	133,756,620	124,232,794
Conversion income		-	2,429,100	2,429,100	3,479,148
Other income		949,756	29,200	978,956	506,542
		134,706,376	2,458,300	137,164,676	128,218,484
Less: Gas	20.1	70,307,776	-	70,307,776	57,090,091
Diesel		11,343,518	-	11,343,518	11,183,823
Electricity		7,445,274	-	7,445,274	6,368,300
Franchise fee		-	-	-	2,673,764
Kits and cylinders		-	2,010,533	2,010,533	2,845,360
Store and spares		-	145,886	145,886	247,188
		18,788,792	2,156,419	91,252,987	80,408,526
Gross profit	c/f.	115,917,584	301,881	45,911,689	47,809,958

First Paramount Modaraba
(An Islamic Financial Institution)
Annual Report 2009



Particulars	Note	Gas	Conversion	2009	2008
		Filling	Center		
< ----- Rupees ----- >					
Less: Operating expenses					
Salaries, allowances and benefits		6,100,974	286,011	6,386,985	6,032,086
Electricity, gas and water		174,325	-	174,325	137,577
Repairs and maintenance		2,483,241	-	2,483,241	2,849,225
Rent, rates and taxes		4,594,073	-	4,594,073	4,994,218
Travelling and entertainment		205,893	-	205,893	142,358
Vehicles running and maintenance		254,231	-	254,231	52,769
Printing and stationery		204,781	-	204,781	293,945
Communication		134,676	-	134,676	138,172
Insurance		360,641	-	360,641	437,703
Legal and professional		31,000	-	31,000	14,220
Fee and subscription		232,514	-	232,514	828,594
Advertisement		46,556	-	46,556	32,500
Bank charges		69,422	-	69,422	43,582
Lease rentals		1,130,716	-	1,130,716	1,472,408
Depreciation	12.1.1	3,114,388	-	3,114,388	4,196,407
CNG Hyderabad- CWIP written off		-	-	-	1,401,358
Provision for doubtful debts		709,558	-	709,558	2,180,323
Other expenses		935,609	15,600	951,209	735,119
5% Charity		1,128,921	-	1,128,921	1,006,232
15% Pak CNG Management fee		3,217,425	-	3,217,425	2,867,760
3% Modaraba's Management fee		546,962	-	546,962	487,519
				<u>25,977,517</u>	<u>30,344,074</u>
Net profit before tax				19,934,172	17,465,884
Less: Withholding tax	20.1			(2,249,062)	(1,702,764)
Net profit after tax				<u>17,685,110</u>	<u>15,763,120</u>
Appropriation:					
Share of the Modaraba @ 65%				11,495,322	10,246,028
Share of Investor Group @ 35%				6,189,789	5,517,092
				<u>17,685,111</u>	<u>15,763,120</u>

20.1 This represents tax of Rs.2,249,062/- (2008 : Rs.1,702,764/-) withheld by the gas supplier under section 234A of Income Tax Ordinance 2001 which is applicable from July 1, 2007. A revision applicable demanding exemption has been declined by the Regional Commissioner. Modaraba has filed application against the levy in the High Court of Sindh.



	Note	2009 Rupees	2008 Rupees
21. PROFIT / (LOSS) FROM GENERATOR PROJECT			
Rental Income		6,148,910	-
Trading income	21.1	73,000	-
Other Income		17,300	-
		6,239,210	-
Less: Operating Expenses			
Salaries, Allowances and Benefits		2,059,900	-
Repairs & Maintenance		732,126	-
Insurance		607,479	-
Transportation		615,156	-
Rent, Rates & Taxes		275,000	-
Advertisement & Publicity		520,294	-
Printing and stationery		147,051	-
Communication		31,459	-
Legal and professional		60,000	-
Utilities		67,702	-
Depreciation	12.1.1	526,914	-
Other expenses		109,983	-
5% charity		24,307	-
3% Modaraba's Management fee		13,855	-
15% ATC Management Fee		67,198	-
		5,858,424	-
Net profit from generator project		380,786	-
Share of Modaraba @ 52.09%		198,351	-
Adjustments:			
Ijarah rentals paid	26.2	(2,482,824)	-
Share of investor in ijarah rental based on depreciation as per agreement		157,207	-
		(2,325,617)	-
Loss from generator project		(2,127,266)	-
21.1 Trading Income			
Sale of generator		963,000	-
Less: Cost of generator		(890,000)	-
		73,000	-



	Note	2009 Rupees	2008 Rupees
22. GAIN / (LOSS) ON SALE OF PROPERTY, PLANT AND EQUIPMENT			
Share of disposal on investment in a CNG station under Musharaka arrangement	22.1	5,026,937	-
Sale of vehicle / equipment		(13,821)	(12,031)
		<u>5,013,116</u>	<u>(12,031)</u>
22.1 During the year, the Modaraba sold one of its CNG station under Musharaka arrangement for Rs. 16,100,000/- which had a book value amounting to Rs. 8,366,251/- and realised its share of 65% in the Musharaka.			
23. OPERATING EXPENSES			
Salaries, allowances and benefits		2,855,192	3,997,435
Electricity, gas and water		248,467	178,670
Repairs and maintenance		234,343	100,518
Insurance		87,249	59,230
Rent, rates and taxes		425,400	22,250
Transportation		273,548	194,998
Communications		273,731	269,093
Printing and stationery		264,734	166,068
Auditors' remuneration	23.1	250,000	217,000
Legal and professional		157,500	36,210
Fees and subscription		828,697	664,614
News papers and periodicals		11,518	5,406
Amount written off		-	200,000
Bank charges		84,572	131,393
Depreciation	12.1.1	465,983	412,499
Other expenses		217,712	280,675
		<u>6,678,646</u>	<u>6,936,059</u>



	Note	2009 Rupees	2008 Rupees
23.1 Auditors' remuneration			
Statutory audit fee		170,000	150,000
Half yearly review fee		50,000	35,000
Certifications		20,000	20,000
Out of pocket expenses		10,000	12,000
		250,000	217,000

24. TAXATION

The relationship between tax expense and accounting profit has not been presented in these financial statements as the income of the non-trading Modaraba is exempt from tax, provided not less than 90 % of their profits are distributed to the certificate holders out of the current year total profit after appropriation of statutory reserve.

25. EARNINGS PER CERTIFICATE

Basic

Profit for the year	Rs.	<u>18,097,587</u>	<u>12,359,398</u>
Weighted average number of certificates		<u>5,863,333</u>	<u>5,863,333</u>
Earnings per certificate	Rs.	<u>3.09</u>	<u>2.11</u>

Diluted

There is no dilutive effect on the basic earnings per certificate of the Modaraba.



26. MUSHARAKA ARRANGEMENTS

26.1 CNG Project	Total		Share of the Modaraba	
	2009	2008	2009	2008
	< ----- Rupees ----- >			
Property, plant and equipment	66,176,046	73,099,116	43,014,430	47,514,425
Capital work in progress	-	2,109,955	-	1,371,471
Long term deposits	4,804,087	4,804,088	3,122,657	3,122,657
Trade debtors	2,119,998	2,137,642	1,377,999	1,389,467
Stock in trade	816,588	1,490,020	530,782	968,513
Advances, prepayments and other receivables	2,253,981	1,105,297	1,465,088	718,443
Cash and bank balances	15,805,371	13,454,875	10,273,491	8,745,669
	<u>91,976,071</u>	<u>98,200,993</u>	<u>59,784,446</u>	<u>63,830,645</u>
Creditors, accrued and other liabilities	(9,545,717)	(16,200,920)	(6,204,716)	(7,395,481)
Net Assets	<u>82,430,354</u>	<u>82,000,073</u>	<u>53,579,730</u>	<u>56,435,164</u>

The Modaraba had entered into a revised Musharaka arrangement dated July 1, 2006 with Musharaka Investor's Group and Pak CNG Management for the investment in CNG Project which will expire on June 30, 2016.

According to the agreement, the Modaraba will contribute 65% of the required fund and Investor's group will contribute 35%. Under the agreement Pak CNG Management is responsible for the management of CNG project (operation of all CNG stations and conversion of CNG Kits) for which a management fee of 15% of net profit of CNG project after deducting 5% charity is charged. The balance of net profit after deducting 3% management fees to be paid to modaraba is distributed on the basis of percentage of investment made at June 4, 1999.



26.2 Generator Project	<i>Total</i>		<i>Share of the Modaraba</i>	
	2009	2008	2009	2008
	< ----- Rupees ----- >			
Property, plant and equipment	26,720,971	-	13,918,954	-
Stock in trade	5,003,739	-	2,606,448	-
Advances, prepayments and other receivables	1,440,546	-	750,380	-
Cash and bank balances	2,666,052	-	1,388,746	-
	<u>35,831,308</u>	<u>-</u>	<u>18,664,528</u>	<u>-</u>
Creditors, accrued and other liabilities	(766,045)	-	(399,033)	-
Net Assets	<u>35,065,263</u>	<u>-</u>	<u>18,265,495</u>	<u>-</u>

The Modaraba started generator project with effect from September 17, 2008 agreement of the same is still in process and not finalized.

As per the arrangement, the Modaraba has contributed 52.09% of the required fund and Advance Trading Corporation has contributed 47.91%. As per the arrangement, Investor's group is responsible for the management of Generator project (renting out and sale of generators) for which a management fee of 15% of net profit of Generator project after deducting 5% charity and 3% modaraba management fee will be charged by them. The Modaraba will bear 100% cost of Ijarah rentals to be paid against three generators obtained under Ijarah financing whereas the investor will share depreciation cost on these 3 generators to the extent of their share of 47.91%.

27. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	<i>Officers</i>		<i>Other Employees</i>		<i>Total</i>	
	2009	2008	2009	2008	2009	2008
 Rupees					
Basic Salary	745,346	1,517,308	649,678	654,512	1,395,024	2,171,820
House rent allowance	335,406	682,788	292,355	294,530	627,761	977,318
Conveyance and others	248,730	76,093	330,033	218,987	578,763	295,080
Compensated absences	102,472	222,854	73,191	119,863	175,663	342,717
Retirement benefits	40,891	167,493	37,090	43,007	77,981	210,500
	<u>1,472,845</u>	<u>2,666,536</u>	<u>1,382,347</u>	<u>1,330,899</u>	<u>2,855,192</u>	<u>3,997,435</u>
Number of employees	<u>3</u>	<u>4</u>	<u>8</u>	<u>12</u>	<u>11</u>	<u>16</u>

In addition, officers were provided with Modaraba maintained vehicles.



28. TRANSACTIONS WITH RELATED PARTIES

Related party mainly include Modaraba Management Company. Transaction with related party during the year is as follows: -

<i>Relationship with Modaraba</i>	<i>Nature of Transaction</i>	2009 Rupees	2008 Rupees
Management company	Management fee	2,010,843	1,373,267
Management company	Fund received	600,000	890,000
Management company	Fund Paid	600,000	890,000
Musharaka investor- Generator project	Share of profit	182,435	-
	Management fee	67,198	-
Musharaka investor- CNG project	Share of profit	6,189,789	5,517,092
	Management fee	3,217,425	2,867,760

29. FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk}, credit risk and liquidity risk.

The modarba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the modarba's financial performance.

The Modaraba's principal financial liabilities, comprise murabaha finances, creditor accrued and other liabilities. The main purpose of these financial liabilities is to raise finance for the Modaraba's operations. The Modaraba has murabaha finance, advance and prepayments and cash and deposits that arrive directly from its operations.

29.1 Liquidity Risk Management

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.



The Modaraba seeks to manage its credit exposure through diversification of its financing activities to avoid undue concentration of risk with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs. 144,365,657 (2008: Rs.145,428,535) , the financial assets which are subject to credit risk amounted to Rs. 143,499,786 (2008: Rs.144,496,363).

29.1.1 Liquidity and Profit Risk Table

The following tables detail the Modarabas's remaining contractual maturity of its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Modaraba can be required to pay. The table includes both interest and principal cash flows.

		Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
< ----- Rupees ----- >							
2009							
Long term murabaha finance	13.31% - 17.07%	2,211,095	4,571,600	13,142,000	536,244	-	20,460,939
Short term murabaha finance	14.77% - 19.05%	14,101,588	19,811,348	12,585,704	-	-	46,498,640
		<u>16,312,683</u>	<u>24,382,948</u>	<u>25,727,704</u>	<u>536,244</u>	<u>-</u>	<u>66,959,579</u>
2008							
Long term murabaha finance	11% - 14%	3,147,997	8,633,744	30,718,671	17,037,641	-	59,538,053
Short term murabaha finance	11% - 24%	2,091,318	4,061,823	8,534,646	-	-	14,687,787
		<u>5,239,315</u>	<u>12,695,567</u>	<u>39,253,317</u>	<u>17,037,641</u>	<u>-</u>	<u>74,225,840</u>

'Effective rates of profit are mentioned in respective notes to the financial statements.



29.2 Credit Risk and Concentration of Credit

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities (murabaha finance) and deposits with bank and financial institutions.

Concentrations of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other condition.

29.2.1 Segment by class of business for Murabaha Finances

	< ----- 2009 ----- >		< ----- 2008 ----- >	
	Rupees	%	Rupees	%
Construction	9,993,776	8.01	13,824,870	10.64
Chemicals, fertilizer / pharma	2,447,432	1.96	1,237,416	0.95
Fuel and energy	2,054,503	1.65	5,413,111	4.17
Food, tobacco and beverages	39,378,246	31.57	47,221,682	36.35
Paper and board	9,183,137	7.36	10,132,073	7.80
Steel, engineering and automobiles	6,012,400	4.82	4,308,272	3.32
Textile and cotton	1,094,346	0.88	244,824	0.19
Transport and communication	12,592,928	10.09	17,638,328	13.58
Others	41,991,969	33.66	29,891,559	23.01
	<u>124,748,737</u>	<u>100</u>	<u>129,912,135</u>	<u>100</u>

29.3 Market Risk Management

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.



29.3.1 Profit Rate Risk Management

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in profit rates. The Modaraba's exposure to the risk of changes in profit rates relates primarily to the Modaraba's long-term and short term debt obligations and assets with floating profit rates.

Sensitivity to the profit rate risk arises from mismatches or gaps in the amount of profit based assets and liabilities that mature or reprice in given period.

If profit rates had been 50 basis points higher/lower and all other variables were held constant, the Modaraba's loss / profit for the year ended June 30, 2009 would increase/decrease by Rs.225,533 (2008: decrease / increase by Rs. 219,521).

29.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba is not exposed to foreign currency risk.

29.3.3 Equity Price Risk Management

The Modaraba is not exposed to equity price risks arising from equity investments, as the Modaraba does not hold any equity security as at balance sheet date.

29.4 Fair Value Risk

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.



30. CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders by spreading a variety of Islamic modes of investment and financing.

The capital structure of the Modaraba consists of debts as disclosed in note 14 and 15, cash and cash equivalents as disclosed in note 5 and equity attributable to equity holders, reserves and retained earnings.

The gearing ratio of the Modaraba at year end was as follows:

	2009 Rupees	2008 Rupees
Debts	66,959,579	74,225,840
Cash and cash equivalents	(17,113,256)	(12,626,394)
Net Debt	<u>49,846,323</u>	<u>61,599,446</u>
Equity	118,845,865	108,956,943
Net debt to equity ratio	0.42:1	0.56 : 1

31. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in its meeting held on October 27, 2009 approved a final profit distribution of Rs.1.50 per certificate, amounting to Rs. 8,795,000/- for the year ended June 30, 2009.

32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Management Company and authorised for issue on October 27, 2009.

33. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

Director



► **Pattern of Certificate holding as of 30 June 2009**

No. of Certificate holders	Having Certificate From	To	Certificate Held	Percentage %
184	1	100	7501	.1279
334	101	500	136247	2.3237
283	501	1000	276158	4.7099
241	1001	5000	662478	11.2986
64	5001	10000	554155	9.4511
23	10001	15000	279458	4.7661
17	15001	20000	298982	5.0991
7	20001	25000	156500	2.6691
5	25001	30000	131500	2.2427
3	30001	35000	98700	1.6833
5	35001	40000	192498	3.2830
5	40001	45000	216500	3.6924
3	45001	50000	145000	2.4729
2	50001	55000	107000	1.8249
1	55001	60000	55908	.9535
2	65001	70000	136500	2.3280
1	70001	75000	72706	1.2400
2	80001	85000	164000	2.7970
2	85001	90000	173000	2.9505
1	105001	110000	110000	1.8760
1	110001	115000	110500	1.8845
1	125001	130000	129542	2.2093
1	210001	215000	214500	3.6583
1	375001	380000	377500	6.4383
1	1055001	1060000	1056500	18.0187
1190			5863333	100.0000



► **Categories of Certificate holders as of 30 June 2009**

Particulars	Certificate holders	Certificate holding	Percentage
DIRECTORS, CEO & CHILDREN	4	94200	1.6065
ASSOCIATED COMPANIES	2	1186042	20.2281
NIT & ICP	1	38322	.6535
MODARABAS & MUTUAL FUNDS	2	416976	7.1115
GENERAL PUBLIC (LOCAL)	1166	3849846	65.6596
GENERAL PUBLIC (FORIEGN)	7	140000	2.3877
OTHERS	8	137947	2.3527
COMPANY TOTAL	1190	5863333	100.0000

Folio Number	Name	Code	Balance Held	Percentage
0000001516	MR. MUHAMMAD HUSAIN MAHENTI	01	9000	.1534
0000001706	MR. TANWEER AHMED	01	42500	.7248
0000001826	MR. AHMED PAREKH	01	30700	.5235
0327712650	ABDUL GHAFAR UMER KAPADIA	01	12000	.2046
0000000001	PARAMOUNT INVESTMENTS LIMITED	02	1056500	18.0187
0000008004	PARAMOUNT INVESTEMENT LIMITED	02	129542	2.2093
0215400027	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	03	38322	.6535
0009900005	FIRST NATIONAL MODARABA	06	377500	6.4383
1145200020	NBP TRUSTEE - NI(U)T (LOC) FUND	06	39476	.6732
0000001344	SUBLIME SPORTS (PVT) LTD.	10	110000	1.8760
0000008393	M/S. SARFRAZ MAHMOOD (PVT) LTD.	10	5	
0000008403	M/S. EASTERN COMMERCIAL CORPORATION	10	961	.0163
0000008413	M/S. ALI HUSAIN RAJABALI LTD.	10	667	.0113
0324400041	ZAFAR SECURITIES (PVT) LTD.	10	166	.0028
0446500028	A. SATTAR MOTIWALA SECURITIES (PVT) LTD.	10	16982	.2896
0691600020	PASHA SECURITIES (PVT) LTD.	10	166	.0028
1166800024	DURVESH SECURITIES (PVT) LTD	10	9000	.1534



► Notice of Review Meeting

Notice is hereby given that the 10th Annual Review Meeting 2009 (ARM) of Certificate Holders of First Paramount Modaraba will be held on Wednesday, 18th November 2009 at 11.00 a.m. at Suit # 201, PECHS Community Office Complex, Karachi, for the year ended June 30, 2009 in terms of Clause-20 of Prudential Regulations for Modaraba issued vide Circular # 5/2000 of Registrar Modaraba Companies and Modarabas. The certificates holders whose names appear in register of the First Paramount Modaraba as on 1st January 2010 shall be entitled to attend the Annual Review Meeting.

By Order of the Board

Karachi
Dated: October 27, 2009

Company Secretary

DIVIDEND

The Modaraba Certificates transfer books shall remain closed from 1st January 2010 to 10th January 2010 (both days inclusive). Transfer receive in order at the Registrar Office of the Modaraba (whose address is given below) before the close of business hours on 1st January 2010 will be treated in time for the entitlement of Dividend.

The Certificate Holders are advised to notify to the Registrar of First Paramount Modaraba of any change in their address to ensure prompt delivery of mails. Further, any certificates for transfer etc., should be lodged with the Registrars THK Associates (Pvt) Ltd., Ground Floor, State Life Building No: 3, Dr. Ziauddin Ahmed Road, Karachi, Tele: No: 111-000-322 Fax: 35655595.