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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**

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

Mr. Naseemuddin Zubairi Chief Financial Officer

Mr. Shakeel Khan General Manager Admin & CAD

Mr. Mazhar-ul-Haq Siddiqui General Manager Corporate

**AUDIT COMMITTEE**

Mr. Pir Mohammad A. Kaliya	Chairman
Mr. Nadeem Iqbal	Director
Mr. Abid Aziz	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

**FIRST SHARIAH CERTIFIED MODARABA**

by  
Mufti Abdul Sattar Laghari (Map) Sharia Advisor

**CREDIT RATING**

FOR LONG TERM 'BBB'  
FOR SHORT TERM A-3  
OUT LOOK - STABLE  
BY JCR VIS CREDIT RATING COMPANY



**AUDITORS OF THE MODARABA**

KPMG Taseer Hadi & Co.  
Chartered Accountants

**AUDITORS OF THE MODARABA COMPANY**

M/s. Rahim Jan & Co.  
Chartered Accountants

**SHARIAH AUDITORS**

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

**LEGAL ADVISORS**

M/s. Raja Qasit Nawaz, Advocates

**BANKERS**

Al Baraka Bank (Pakistan) Limited  
Bank Islami Pakistan 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](mailto:fpm@cyber.net.pk) / [naseemzubairi@fpm.com.pk](mailto:naseemzubairi@fpm.com.pk)  
Web: [www.fpm.com.pk](http://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

Al-Hamdolillah, we are pleased to present 16th: Annual Report of our operation with a landmark achievement of highest ever profit of Rs.4.74 per Modaraba Certificate together with audited financial statements of your Modaraba for the year ended 30th June, 2011, audited by M/s: KPMG Taseer Hadi & Company, Chartered Accountants.

### Modaraba's performance:

The operational policies of the Board and constant endeavouring and planning of the management proved to be successful and by the Blessings of Allah, we could maintain constant growth in the gross revenue, profitability and rate of dividend as illustrated in the following table :-

S.No:	Category	2009	2010	2009	2008	2007
1.	Gross Morabaha profit	29,497,723	20,711,770	23,682,441	16,804,035	9,497,606
2.	Profit for the year	27,795,840	16,097,587	13,811,373	12,359,398	8,393,956
3.	Profit per certificate	Rs.4.74	Rs.2.85	Rs.2.36	Rs.2.11	Rs.1.43
4.	Cash Dividend per certificate	23.50%	18%	15%	14%	11%

The earning of Rs.4.74 per Modaraba Certificate was the result of capital gain of Rs.14.83 million (net) on the disposal of Modaraba's share of CNG Assets, increase in gross revenue from Morabaha financing and decrease in the cost of financing by proper and timely utilization of liquid funds received from disposal of CNG Assets, as indicated here under :-

	2011	2010	Difference
1) Gross revenue from Morabaha financing.	29,497,723	20,711,770	increased by 42%
2) Financial cost.	5,273,312	7,602,214	decreased by 31%
3) Overall net impact on profitability.	24,224,411	13,109,556	increased by 85%



**Declaration of Dividend:**

Your directors are pleased to declare dividend of Rs.2.35 (Rs.13,778,833) per Modaraba Certificate out of profit of Rs.27,795,840 for the year after transferring 50% of the profit amounting to Rs.13,897,920 to statutory reserve.

**Certificate of Musharikhah (COM):**

By the Grace & Blessings of Allah Al Mighty, we launched our campaign for Certificate of Musharikhah (COM) successfully and balance as on 30th June 2011 was Rs.12,427,000/- which increased to Rs.44,177,000/- as of 30th September 2011 against our targeted amount of Rs.50 million up to 31st December, 2011. Our target to generate funds against COM for the period up to 30th June, 2012, is Rs. 100 million for which we are optimistic to achieve it Insha Allah.

The availability of funds through the issuance of COM is providing us additional leverage 3% - 5% compared to borrowings from Islamic financial institutions.

**Upgradation of Credit Rating as 'BBB' (Triple B) from 'BBB-' (Triple B Minus):**

We feel pleasure to inform you that M/s: JCR-VIS Credit Rating Company Limited has upgraded credit rating of First Paramount Modaraba for Long Term entity from 'BBB-' (Triple B Minus) to 'BBB', whereas the short-term rating has been maintained at A-3 with outlook for this rating has been revised to 'stable'.

**Future Outlook:**

We are optimistic to increase our income from Morabaha financing for the F.Y. 2011-2012 and therefore, our operational income will also accelerate in the F.Y. 2011-2012. The Management of Modaraba as well as Board of Directors are indebted and gratified to the Registrar Modarabas, Securities And Exchange Commission of Pakistan, Islamabad, and State Bank of Pakistan for their support and cooperation.

Needless to say that the laborious staff of our Modaraba also shared and helped us and played important role in presenting this report which we acknowledge and recognize.

For and on behalf of Board

Karachi  
Dated: 6th October, 2011

**Abdul Ghaffar Umer**  
Chief Executive



## Key Operating & Financial Data

Particulars	Restated									
	2001-2002 Audited	2002-2003 Audited	2003-2004 Audited	2004-2005 Audited	2005-2006 Audited	2006-2007 Audited	2007-2008 Audited	2008-2009 Audited	2009-2010 Audited	2010-2011 Audited
Paid up Capital	50,000,000	50,000,000	50,000,000	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330
Certificate Holders Equity	56,192,242	58,066,776	59,633,882	79,930,727	83,746,663	103,047,210	108,956,943	118,845,865	126,764,062	144,005,903
Current Liabilities	20,627,363	37,260,999	35,154,932	21,567,497	19,530,297	45,489,658	78,898,671	92,633,029	103,622,723	61,613,599
Total Liabilities	33,227,740	37,288,639	47,743,485	28,463,506	22,232,915	62,144,383	96,826,807	108,390,167	121,777,913	101,429,703
Fixed Assets	17,789,854	18,004,672	19,795,301	19,790,319	29,347,504	53,122,040	53,830,034	59,509,743	29,103,860	31,584,091
Current Assets	44,334,022	60,309,010	62,555,536	61,782,950	66,785,314	79,873,148	107,104,856	141,753,393	184,094,788	131,737,513
Total Assets	89,419,982	95,355,415	107,377,367	108,394,234	105,979,579	165,191,592	205,783,751	227,236,032	248,541,975	245,435,606
Operating Profit	6,395,004	9,175,038	8,569,255	10,645,672	13,068,262	9,342,801	13,732,666	20,108,430	18,570,219	30,884,267
Profit before Tax	5,841,904	8,374,534	7,817,106	9,728,356	11,761,435	8,408,521	12,359,399	18,097,587	16,713,197	27,795,840
Taxation	824,040	-	-	-	30,000	14,566	-	-	-	-
Profit after Tax	5,017,864	8,374,534	7,817,106	9,728,356	11,731,435	8,393,956	12,359,399	18,097,587	16,713,197	27,795,840
Dividend	10%	13%	12.5%	13.5%	15.0%	11.0%	14.0%	15.0%	18.0%	23.5%
Earning per Certificate	1.00	1.67	1.56	1.66	2.00	1.43	2.11	3.09	2.85	4.74
Break-up Value	11.24	11.61	11.93	13.63	14.28	17.57	18.58	20.27	21.62	24.56





## **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE TO THE CERTIFICATE HOLDERS OF FIRST PARAMOUNT MODARABA**

This statement is being presented to comply with the Code of Corporate Governance contained in the regulations of Karachi and Islamabad Stock Exchanges 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 Modaraba has applied principles contained in the Code in the following manner:

1. The Board encourages representation of independent non-executive directors on its Board of Directors. At present the Board has seven (7) directors which include six independent non-executive directors and one executive director.
2. The directors of the management company have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the directors of the management company are registered as tax payers, none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs and none is a member of stock exchange.
4. There was no casual vacancy in the Board during 2011.
5. A 'Statement of Ethics and Business Practices' has been adopted by the Modaraba, which has been duly signed by all the directors of the Management Company and employees of the Modaraba.
6. The Board has adopted a vision / mission statement and overall corporate strategy. The Modaraba maintains a complete record of particulars of significant policies and procedures along with 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 all material transactions including appointment and determination of remuneration and terms of 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 meeting. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures, Prospectus of the Modaraba and Memorandum and Articles of Association of the modaraba management company to manage the affairs of the Modaraba on behalf of the certificateholders.
10. The Board has approved the appointment of CFO and a firm of Chartered Accountants as internal auditors, including their remuneration and terms and conditions as determined by CEO. Currently, a General Manager Corporate affair is performing the duties of Company Secretary.





11. 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.
12. The financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
13. The CEO, directors and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members and all of them are non-executive directors of the management company including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has outsourced an internal audit function to a firm of Chartered Accountants to carry out the entire internal audit function independently that is considered suitably qualified and experienced for the purpose and is conversant with policies and procedures of the Modaraba.
18. 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 (ICAP), 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 the ICAP.
19. 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.
20. All material information as discussed in clause (xxiii) of the code is disseminated to the stock exchanges and Securities and Exchange Commission of Pakistan in a timely fashion.
21. The related party transactions with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.
22. We confirm that all other material principles contained in the Code have been complied.

**Abdul Ghaffar Umer**  
Chief Executive Officer

Dated: 6th October, 2011



## **REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Paramount Investments Limited in respect of First Paramount Modaraba ("the Modaraba") to comply with the 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 Management Company personnel and review of various documents prepared by the Modaraba Management Company to comply with the Code.

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

Further, Listing Regulations of the Stock Exchanges where the Modaraba is listed, require the Modaraba to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

Dated: 6th October, 2011

Karachi

**KPMG Taseer Hadi & Co.**  
Chartered Accountants



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Paramount Modaraba** ("the Modaraba") as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, 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 account 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 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 accordance with the 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, statement of comprehensive income, 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, 2011 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.

The financial statements for the year ended June 30, 2011 was audited by another firm of Chartered Accountants who had expressed an unqualified opinion vide their audit report dated 5 October 2010.

**Date: 6 October 2011**  
**Karachi**

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Mohammad Nadeem**



**Balance Sheet as at 30 June 2011**

Note	30 June 2011	30 June 2010 (Restated)	30 June 2009 (Restated)
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	5 31,584,091	29,103,860	59,509,743
Long term murabaha receivables	6 82,024,347	35,340,327	22,847,239
Long term deposit	7,428	3,000	3,125,657
	<b>113,615,866</b>	<b>64,447,187</b>	<b>85,482,639</b>
<b>CURRENT ASSETS</b>			
Cash and bank balances	7 3,584,973	30,310,261	17,113,256
Current portion of long term murabaha receivables	6 98,781,450	62,350,875	60,154,252
Short term murabaha receivables	8 28,211,318	40,605,775	58,170,237
Stock in trade	-	687,411	-
Stores and spares	441,498	357,570	3,137,230
Trade debtors	-	-	1,377,999
Advances, prepayments and other receivables	9 800,501	1,702,029	1,800,419
Discontinued operation	21 -	48,080,867	-
	<b>131,819,740</b>	<b>184,094,788</b>	<b>141,753,393</b>
<b>TOTAL ASSETS</b>	<b>245,435,606</b>	<b>248,541,975</b>	<b>227,236,032</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
<b>Certificate Capital</b>			
Authorised			
25,000,000 (30 June 2010: 25,000,000) certificates of Rs. 10 each			
Rupees	<b>250,000,000</b>	250,000,000	250,000,000
Issued, subscribed and paid-up	10 58,633,330	58,633,330	58,633,330
Capital reserves	11 50,323,148	56,126,819	50,277,200
Unappropriated profit	35,049,425	12,003,913	9,935,335
	<b>144,005,903</b>	<b>126,764,062</b>	<b>118,845,865</b>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Murabaha finance	-	-	536,244
Security deposits	-	-	315,212
Deferred murabaha income	38,965,268	18,155,190	14,905,682
Certificates of musharaka	850,836	-	-
	<b>39,816,104</b>	<b>18,155,190</b>	<b>15,757,138</b>
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	13 6,132,502	3,904,503	13,948,762
Current portion of long term murabaha finance	-	536,250	19,924,695
Murabaha finance	14 32,481,590	35,971,595	46,498,640
Certificates of musharaka	12 11,810,008	-	-
Deferred liability - staff gratuity	-	-	667,908
Deferred murabaha income	1,819,029	2,828,005	4,870,289
Payable to Modaraba Management Company - a related party	2,878,626	1,936,022	1,980,929
Unclaimed profit distribution	6,491,844	5,428,145	4,741,806
Discontinued operation	21 -	53,018,203	-
	<b>61,613,599</b>	<b>103,622,723</b>	<b>92,633,029</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>245,435,606</b>	<b>248,541,975</b>	<b>227,236,032</b>
Commitments	15		

The annexed notes 1 to 29 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**Director**



► **Profit and Loss Account for the year ended 30 June 2011**

	Note	2011	2010 (Restated)
Operating income	16	38,914,465	28,355,589
<b>Operating costs</b>			
Provision for doubtful recoveries		1,649,323	(128,812)
Operating expenses	17	18,562,168	14,476,373
		(20,211,491)	(14,347,561)
		18,702,974	14,008,028
Other income	18	1,605,047	1,289,372
		20,308,021	15,297,400
Financial charges	19	(5,273,312)	(7,602,214)
Provision for workers' welfare fund		(630,291)	(376,355)
		14,404,418	7,318,831
Modaraba company's management fee	20	(1,440,442)	(731,883)
Profit from continuing operations		12,963,976	6,586,948
Profit from discontinued operations - net	21	14,831,864	10,126,249
Profit for the year	Rupees	27,795,840	16,713,197
		(Rupees)	
<b>Earnings per certificate - basic and diluted</b>	22	4.74	2.85
<b>Continuing operations</b>			
Earnings per certificate - basic and diluted	22	2.21	1.12

The annexed notes 1 to 29 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**Director**





► **Statement of Comprehensive Income**  
**for the year ended 30 June 2011**

	<b>2011 Rupees</b>	<b>2010 Rupees</b>
Profit for the year	<b>27,795,840</b>	16,713,197
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>27,795,840</u></b>	<b><u>16,713,197</u></b>

The annexed notes 1 to 29 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**Director**





**Cash Flow Statement for the year ended 30 June 2011**

	<b>2011</b>	<b>2010 (Restated)</b>
<b>Profit for the year</b>	27,795,840	16,713,197
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	2,312,443	3,669,737
Provision for workers' welfare fund	630,291	376,355
Provision for doubtful recoveries	1,649,323	(128,812)
Financial charges	5,273,312	7,468,959
Gain on sale of discontinued operation	(18,825,032)	-
Gain on sale of assets in own use	(146,715)	(439,901)
Operating profit before working capital changes	<u>18,689,462</u>	<u>27,659,535</u>
<i>(Increase) / decrease in assets</i>		
- Stock in trade	687,411	(687,411)
- Stores and spares	(83,928)	2,779,660
- Trade debtors	-	1,377,999
- Advances, prepayments and other receivables	901,528	98,390
<i>Increase / (decrease) in liabilities</i>		
- Creditors, accrued and other liabilities	703,038	(7,507,863)
- Payable to Modaraba Management Company	942,604	(44,907)
<b>Net cash from operations</b>	<u>21,840,115</u>	<u>23,675,403</u>
Increase / (decrease) in assets / liabilities of discontinued operation	(31,410,713)	6,518,547
Financial charges	(6,433,718)	(10,381,710)
<b>Net cash (used in) / from operating activities</b>	<u>(16,004,316)</u>	<u>19,812,240</u>
<b>Cash flows from investing activities</b>		
Murabaha receivable - net	(52,568,359)	4,081,975
Long term deposits	(4,428)	2,807,445
Capital expenditure including capital work in progress	(6,530,348)	(20,999,880)
Advance against disposal of CNG project	-	42,930,076
Sale proceeds of assets of discontinued operation	67,055,076	-
Sale proceeds of assets in own use	1,884,389	2,996,724
<b>Net cash from investing activities</b>	<u>9,836,330</u>	<u>31,816,340</u>
<b>Cash flows from financing activities</b>		
Murabaha financing repaid - net	(4,026,255)	(30,322,923)
Musharaka financing - net	12,660,844	-
Profit distributed	(9,490,300)	(8,108,652)
Transferred to retained earnings on disposal	(19,701,591)	-
<b>Net cash used in financing activities</b>	<u>(20,557,302)</u>	<u>(38,431,575)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(26,725,288)</u>	<u>13,197,005</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>30,310,261</u>	<u>17,113,256</u>
<b>Cash and cash equivalents at end of the year</b>	<u>3,584,973</u>	<u>30,310,261</u>

Rupees

The annexed notes 1 to 29 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**Director**



**Statement of Changes in Equity for the year ended 30 June 2011**

	Reserves						Total equity
	Certificate capital	Merger reserve	Statutory reserve	Revaluation reserve	Unappropriated profit	Total reserves	
Balance as at 01 July 2009	58,633,330	1,935,160	28,640,449	19,701,591	9,935,335	60,212,535	118,845,865
<b>Transactions with owners recorded directly in equity:</b>							
- Profit distribution for the year ended 30 June 2009 @ Rs.1.50 per certificate	-	-	-	-	(8,795,000)	(8,795,000)	(8,795,000)
<b>Total comprehensive income for the period - profit for the year</b>	-	-	-	-	16,713,197	16,713,197	16,713,197
Transferred to statutory reserve @ 35%	-	-	5,849,619	-	(5,849,619)	-	-
Balance as at 30 June 2010	58,633,330	1,935,160	34,490,068	19,701,591	12,003,913	68,130,732	126,764,062
<b>Transactions with owners recorded directly in equity:</b>							
- Profit distribution for the year ended 30 June 2010 @ Rs.1.80 per certificate	-	-	-	-	(10,553,999)	(10,553,999)	(10,553,999)
<b>Total comprehensive income for the period - profit for the year</b>	-	-	-	-	27,795,840	27,795,840	27,795,840
Transferred to statutory reserve @ 50% (refer note 11.1)	-	-	13,897,920	-	(13,897,920)	-	-
Transferred to retained earnings (refer note 21)	-	-	-	(19,701,591)	19,701,591	-	-
Balance as at 30 June 2011 Rupees	<b>58,633,330</b>	<b>1,935,160</b>	<b>48,387,988</b>	-	<b>35,049,425</b>	<b>85,372,573</b>	<b>144,005,903</b>

The annexed notes 1 to 29 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**Director**



## ► Notes to the Financial Statements for the year ended 30 June 2011

### 1. LEGAL STATUS AND OPERATIONS

First Paramount Modaraba ("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 ("the Management Company"), 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, generator rental and sale project under the name "AL-BURQ Associates" (formerly known as Advance Trading Corporation) and deployment of funds through murabaha and musharaka arrangements. CNG operators license was obtained in January, 1999 from Director General Gas, Government of Pakistan. The Modaraba has discontinued its CNG project / business and disposed off its share in favor of AM. Associates – Joint venture partner (note 21).

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Ordinance, 1984, provisions of and directives issued under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981 shall prevail.

The SECP, special compliance division, vide circular no. 10 of 2004 dated February 13, 2004 deferred the application of IAS 17 'Leases' to Modaraba till further orders.

#### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the leasehold land which has been measured at revalued amount.



Permissible Islamic financial products including murabaha and musharaka have been used by the Modaraba. In line with the similar industry practices, the accounting and presentation of the same are in line with the substance of the transaction and their accounting is limited to the extent of actual amount of facility utilized and mutually agreed profit thereon. Accordingly, purchases, sales and musharaka profits / reserves are not reflected in these financial statements.

### **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Modaraba's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees, except otherwise stated.

### **2.4 Standards, Interpretations and Amendments not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2011:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after January 1, 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
  
- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Modaraba.



- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Modaraba's financial statements.
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Modaraba.
- Improvements to IFRSs 2010 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programs to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Modaraba.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Modaraba.



- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit

obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Modaraba.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Modaraba.

## **2.5 Significant accounting estimates and judgements**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.





Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are discussed in the following notes:

- i) Provision for doubtful recoveries (note 6.2 and 8.2)
- ii) Estimation of useful lives and residual values of property, plant and equipment (note 5.1)

### 3 RECLASSIFICATIONS

In accordance with IAS 1 "Presentation of financial statements" which requires that a complete set of financial statements should comprise a balance sheet as at the beginning of the earliest comparative period when an entity reclassifies items in its financial statements.

Previously balance sheet of AL-BURQ Associates (Joint Venture) had been presented on proportionate consolidation method and its share of profit for the year had been based on equity method. During the year ended, rectification of reclassification has been made and share of profit of AL-BURQ Associates has been reflected in income and expenses respectively based on proportionate consolidation method basis and accordingly comparatives have been restated. Refer note 16 to 18 and 27 to these financial statements.

Following reclassifications have been made in the balance sheets for the years ended 30 June 2010 and 30 June 2009 in these financial statement in order to give better and more appropriate presentation:

Reclassification from	Reclassification to	Amount in rupees	
		2010	2009
<b>Balance sheet</b>			
Murahaba receivables	Deferred murahaba income	20,983,195	19,775,971
Stock in trade	Stores and spares	357,570	-
Accrued profit	Murahaba receivables	1,019,037	555,596
Advances, prepayments and other receivables	Property, plant and equipment	10,927,500	-

There is no impact on profit and earnings per certificate for the year ended 30 June 2010 and 2009.





#### **4 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

##### **4.1 Property, plant and equipment**

Property, plant and equipment except land are stated at cost less accumulated depreciation and impairment losses 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 except for generators which are depreciated using units of production method on the basis of working hours of generators. In respect of additions and disposals during the year, depreciation is charged proportionately for the period of use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production.

Surplus arising on revaluation is credited to revaluation reserve.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized, if recognition criteria are met.

The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the assets (calculated as difference between the net disposal proceeds and the carrying amount of the assets) is included in the profit and loss account.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate at each year end.



Capital work-in-progress is stated at cost less impairment losses, if any. Cost consists of expenditure incurred and advances made in the course of their acquisition, construction and installation. Transfers are made to relevant asset category as and when the assets are available for intended use.

#### *Change in accounting estimate*

During the year, the Modaraba change the depreciation method of generators from reducing balance to units of production method in order to consistent the method of depreciation of generators in Modaraba and AL-BURQ Associates project. This revision has been accounted for as a change in accounting estimates in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the profit and loss account from the current year. The impact of change in estimate is immaterial.

#### **4.2 Murabaha receivables**

Murabaha transactions are reflected as receivable at the invoiced amount. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Modaraba and all documents relating to purchase are in customer name. However the profit on that sale revenue not due for payment is deferred by recording a credit to "Deferred Murabaha Income" account.

#### **4.3 Cash and cash equivalents**

Cash and cash equivalents are carried in balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents include cash and balances with banks in current and deposit accounts and investments with original maturity of less than 3 months.

#### **4.4 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.



#### **4.5 Stores and spares**

Stores and spares are stated at lower of cost and net realizable value less impairment loss, if any.

Cost is determined using weighted average method.

#### **4.6 Discontinued operation**

A discontinued operation is a component of the modaraba's business that represents a separate major line of business or geographical area of operations that has been disposed of or is being held for sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is re-presented as if the operation had been discontinued from the start of the comparative period.

#### **4.7 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.

#### **4.8 Musharaka arrangements**

Musharaka arrangements in respect of AL-BURQ Associates project is accounted for using proportionate consolidation method. Under proportionate consolidation only the investor's share of the assets, liabilities, income and expenses is accounted for on line by line basis and therefore there are no non - controlling interest recognised.

#### **4.9 Certificates of musharaka**

Certificates of musharaka are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, these are stated at cost / amortised cost.



#### **4.10 Employee Benefit Costs**

##### **Defined contribution plan**

The Modaraba operates approved funded contributory provident fund scheme for all its employees. Equal monthly contributions are made both by the Modaraba and the employees at the rate of 8.33% percent per annum of the basic salary.

##### **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.

#### **4.11 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amount and the Modaraba intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **4.12 Impairment**

##### **4.12.1 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.

##### **4.12.2 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.

#### **4.13 Revenue recognition**

- Profit on saving accounts is recognised on an accrual basis using effective interest/ profit rate method.
- Income form Murabaha is accounted for on consummation of Murabaha transaction. However, profit on that portion of revenue not due for payment (deferred murabaha income) is deferred and recognized on time proportionate basis.
- Musharaka management fee is recognised on an accrual basis.
- Rental income from generators is recognized on time proportionate basis.
- Revenue from sales of goods is recorded on dispatch of goods to customers and is recognised when the significant risks and rewards of ownership are transferred to customer.

#### **4.14 Taxation**

##### **Current**

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. The income of non-trading Modarabas is exempt from tax provided that not less than ninety percent of their profits are distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability for the current year.

##### **Deferred**

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and those used for taxation purposes. However, deferred tax liability has not been provided in these accounts as the management believes that the timing differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of ninety percent of distributable profit.



#### 4.15 Operating segments

An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Modaraba's other components. All operating segments' operating results are reviewed regularly by the Management Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, administrative expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

#### 4.16 Provisions

Provisions are recognized when the Modaraba has a 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.

#### 4.17 Profit distributions and appropriations

Profit distributions are recognised as a liability in the financial statements in the period in which these are approved. Transfers to statutory reserve and the mandatory appropriations as may be required by law are recognised in the period to which these relate.

#### 4.18 Foreign currency transactions

Transactions in foreign currencies are translated into Rupees at rates of exchange on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange ruling on the balance sheet date. Exchange differences are charged to profit and loss account currently.

	Note	2011	2010 (Restated)
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	5.1	29,453,331	18,176,360
Capital work in progress - advance to supplier against purchase of generator		2,130,760	10,927,500
	Rupees	<u>31,584,091</u>	<u>29,103,860</u>









**6 LONG TERM MURABAHA RECEIVABLES - secured**

Considered good		<b>180,805,797</b>	97,699,274
Considered doubtful		<b>4,098,390</b>	3,247,794
		<b>184,904,187</b>	100,947,068
Provision for doubtful recoveries	6.2	<b>(4,098,390)</b>	(3,255,866)
		<b>180,805,797</b>	97,691,202
Current portion of long term murabaha receivables		<b>(98,781,450)</b>	(62,350,875)
	Rupees	<b>82,024,347</b>	35,340,327

6.1 Murabaha sale price is receivable in installments. Effective profit rates on these arrangements range between 21.20% to 21.57% (2010 : 17% to 21.46%) per annum receivable on agreed terms. These arrangements are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.

**6.2 Particulars of provision against long term murabaha receivables**

Opening balance		<b>3,255,866</b>	3,028,007
Charge for the year - net		<b>1,606,500</b>	227,859
		<b>4,862,366</b>	3,255,866
Amounts written off		<b>(763,976)</b>	-
Closing balance	Rupees	<b>4,098,390</b>	3,255,866

**7 CASH AND BANK BALANCES**

Cash in hand		<b>128,183</b>	767,128
Cash at banks			
- Current accounts	7.1	<b>1,633,652</b>	19,375,393
- Deposit accounts	7.2	<b>1,823,138</b>	10,167,740
	Rupees	<b>3,584,973</b>	30,310,261



7.1 This includes Rs.611,350 in respect of Redemption Reserve Fund established on account of Musharaka financing.

7.2 Effective profit rate in respect of deposit accounts ranges from 5.00% to 6.50% (2010 : 5.96% to 8.10%) per annum.

	Note	2011	2010 (Restated)
<b>8 SHORT TERM MURABAHA RECEIVABLES - secured</b>			
Considered good		<b>28,211,318</b>	39,669,735
Considered doubtful		<b>81,790</b>	1,459,938
		<b>28,293,108</b>	41,129,673
Provision for doubtful recoveries	8.2	<b>(81,790)</b>	(523,898)
	Rupees	<b>28,211,318</b>	<b>40,605,775</b>

8.1 Murabaha sale price is receivable in installments. Effective profit rates on these arrangements range between 20.29% to 21.46% (2010 : 17% to 21.46% ) per annum receivable on agreed terms. These arrangements are secured by way of mortgage of property, hypothecation of goods and demand promissory notes.

		2011	2010
<b>8.2 Particulars of provision against short term murabaha receivables</b>			
Opening balance		<b>523,898</b>	880,569
Charge/ (reversal) for the year - net		<b>42,823</b>	(356,671)
		<b>566,721</b>	523,898
Amounts written off		<b>(484,931)</b>	-
Closing balance	Rupees	<b>81,790</b>	<b>523,898</b>

			(Restated)
<b>9 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES - unsecured, considered good</b>			
Advance against expenses		<b>113,872</b>	764,122
Advance against salary		<b>10,700</b>	2,067
Advance income tax		<b>222,749</b>	210,089
Prepayments		<b>156,644</b>	113,952
Other receivables		<b>296,536</b>	611,799
	Rupees	<b>800,501</b>	<b>1,702,029</b>



## 10. CERTIFICATE CAPITAL

2011	2010		2011	2010
<b>Number of Certificates</b>				
<b>Authorized</b>				
<b>25,000,000</b>	25,000,000	Modaraba certificates of Rs.10/- each	<b>250,000,000</b>	250,000,000
<b>Issued, subscribed and paid up</b>				
<b>5,000,000</b>	5,000,000	Modaraba certificates of Rs.10/- each fully paid in cash	<b>50,000,000</b>	50,000,000
<b>863,333</b>	863,333	Modaraba certificates of Rs.10/- issued for consideration other than cash	<b>8,633,330</b>	8,633,330
<b><u>5,863,333</u></b>	<u>5,863,333</u>		<b><u>58,633,330</u></b>	<u>58,633,330</u>

	Note	2011	2010 (Restated)
<b>11 CAPITAL RESERVES</b>			
Statutory reserve	11.1	<b>48,387,988</b>	34,490,068
Merger reserve		<b>1,935,160</b>	1,935,160
Revaluation reserve		-	19,701,591
	<i>Rupees</i>	<b><u>50,323,148</u></b>	<u>56,126,819</u>

**11.1** 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 28 January 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. During the year, Modaraba transferred 50% (30 June 2010 : 35% ) of its after tax profit.

## 12 CERTIFICATES OF MUSHARAKA

These certificates have different denominations and are repayable within three month to five years. The estimated share of profit on these certificates ranges from 8.75% to 14% (2010: Nil) per annum.



	2011	2010
<b>13 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors	152,779	329,559
Accrued expenses	668,127	248,315
Audit fee payable	300,000	280,000
Murabaha profit payable	573,470	1,770,567
Musharaka profit payable	36,691	-
Charity payable	85,335	22,451
Liabilities related to generator project	716,064	635,590
Payable to workers' welfare fund	1,006,646	376,355
Payable to investor of CNG business	13.1 2,055,076	-
Others	538,314	241,666
	<i>Rupees</i> <u>6,132,502</u>	<u>3,904,503</u>
<b>13.1</b>	This amount is payable in respect of excess payment received against the sale of CNG business.	
<b>14 MURABAHA FINANCE</b>		
From commercial (Islamic) banks		
- secured	14.1 <i>Rupees</i> <u>32,481,590</u>	<u>35,971,595</u>
<b>14.1</b>	Total facilities for murabaha finance, available from banks amount to Rs.30 million (2010: Rs.63 million). These facilities are secured against first charge on the plant and machinery of the Modaraba and the hypothecation of stocks and receivables and having maturities of less than 12 months. Profit on these facilities are 2% to 3.5% above 6 months to one year KIBOR (2010: 2% to 3.5% above 6 months to one year KIBOR) payable on agreed terms.	
<b>15 COMMITMENTS</b>		
Purchase of generators	-	7,672,500
<b>16 OPERATING INCOME</b>		<b>(Restated)</b>
Profit on murabaha receivables	29,497,723	20,711,770
Rental income	16.1 9,188,517	7,442,934
Trading income	16.2 <u>228,225</u>	<u>200,885</u>
<b>Total income</b>	<i>Rupees</i> <u>38,914,465</u>	<u>28,355,589</u>



**16.1** This represents income generated from rental business of AL-BURQ Associates representing Modaraba's share of 52.09 percent.

	Note	2011	2010 Restated
<b>16.2 Trading income</b>			
Sale of generators		2,762,333	5,337,662
Less: Cost of generators		(2,458,033)	(5,069,815)
		<u>304,300</u>	<u>267,847</u>
Less: Provision for taxation @ 25%		(76,075)	(66,962)
	Rupees	<u>228,225</u>	<u>200,885</u>

**17 OPERATING EXPENSES**

Salaries, allowances and benefits	17.1	6,004,331	5,241,974
Electricity, gas and water		321,141	323,686
Repairs and maintenance		2,461,804	1,348,332
Insurance		574,479	475,361
Rent, rates and taxes		520,605	420,421
Transportation		817,354	821,305
Communications		393,434	300,859
Printing and stationery		425,064	314,978
Auditors' remuneration	17.2	360,000	335,000
Legal and professional		544,434	186,000
Fees and subscription		2,041,078	1,170,048
News papers and periodicals		15,116	9,230
Bad debts written off		12,956	-
Other expenses		787,778	958,894
Advertisement and publicity		392,356	235,967
Depreciation		2,312,443	1,909,571
5% charity		133,301	97,992
3% Modaraba's management fee		75,982	55,856
15% P.M Group's management fee		368,512	270,899
		<u>18,562,168</u>	<u>14,476,373</u>

**17.1** Salaries, allowances and other benefits include Rs.173,399 (2010: Rs.132,181) on account of Modaraba's contribution to the staff provident fund.



	Note	2011	2010 Restated
<b>17.2 Auditors' remuneration</b>			
Statutory audit fee		260,000	250,000
Half yearly review fee		60,000	50,000
Certifications		30,000	25,000
Out of pocket expenses		10,000	10,000
		<u>360,000</u>	<u>335,000</u>
<b>18 OTHER INCOME</b>			
Gain on sale of fixed assets		146,715	439,901
Profit on bank deposits		233,634	130,389
Modaraba's management fee		145,866	642,584
Rental income from Patel Hospital		490,833	-
Documentation charges from customers		184,000	75,998
Miscellaneous income		403,999	500
	Rupees	<u>1,605,047</u>	<u>1,289,372</u>
<b>19 FINANCIAL CHARGES</b>			
Profit on murabaha financing		4,509,083	7,468,959
Profit on certificates of musharaka	12	703,375	-
Bank charges		60,854	133,255
	Rupees	<u>5,273,312</u>	<u>7,602,214</u>
<b>20 MODARABA COMPANY'S MANAGEMENT FEE</b>			

The Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the year ended 30 June 2011 has been recognised at 10% (2010: 10%) of profit for the year.





## 21 DISCONTINUED OPERATIONS

The Modaraba entered into a revised Musharaka arrangement dated 01 July 2006 with Musharaka Investor's Group and Pak CNG Management for the investment in CNG Project which was required to be expired on 30 June 2016. According to the agreement, the Modaraba and the investor group were required to contribute 65% and 35% of the required fund respectively. 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 was charged. The balance of net profit after deducting 3% management fee to be paid to Modaraba was distributed on the basis of percentage of investment made at 04 June 1999.

The CNG segment of the Modaraba comprised of two CNG stations and its operation was considered as a disposal group held for sale following the decision of the board of directors in their meeting held on 13 April 2010 to sell the CNG business / project due to increased focus on murabaha and generator businesses.

The memorandum of understanding and dissolution deed has been signed by both the parties. As per memorandum of understanding the net of assets of disposal group has been disposed off on 30 November 2010 basis. The value of the CNG Business (net assets with all rights) was agreed by both parties at Rs. 100 million. The Modaraba has received amounting to Rs.65 million out of Rs.100 million in respect of its share of 65% for the sale of CNG. Accordingly, gain of Rs.18.825 million on disposal has been recognised.

All the revenue generated and expenses incurred pertaining to the discontinued operation up to 30 November 2010 and subsequent period's income and expenses have been included in discontinued operation. The comparative profit and loss represented to disclose the discontinued operation separately from continuing operation.



	30 November 2010	30 June 2010
<b>21.1 Net assets of discontinued operations</b>		
Assets of discontinued operation		
Land	22,926,475	22,926,475
Building	2,937,905	2,937,905
Plant and machinery	18,708,526	18,708,516
Computers	68,228	68,228
Office equipments	124,186	124,186
Furniture and fixtures	28,900	28,900
Vehicles	384,985	384,985
Long term deposits	916,500	1,150,500
Stock in trade	373,354	471,136
Trade debtors	693,059	909,112
Cash and bank balances	8,981,833	-
Advances, prepayments and other receivables	21.1.1 712,862	370,924
<b>Total assets</b>	<b>56,856,813</b>	<b>48,080,867</b>
<b>Liabilities of discontinued operation</b>		
Creditors, accrued and other liabilities	10,315,283	9,721,565
Security deposits	366,562	366,562
Advance against disposal of CNG station	-	42,930,076
	<b>10,681,845</b>	<b>53,018,203</b>
Modaraba's share (65%)	Rupees <b>46,174,968</b>	<b>(4,937,336)</b>
Agreed value for CNG business	<b>100,000,000</b>	
Net asset of CNG business / project as at 30 November 2010	<b>(71,038,412)</b>	
Gain on disposal of CNG business	Rupees <b>28,961,588</b>	
Modaraba's share (65%)	Rupees <b>18,825,032</b>	
Investor's share (35%)	Rupees <b>10,136,556</b>	
<b>21.1.1</b> The title to the guarantee given to Sui Southern Gas Corporation Limited amounting to Rs.10,042,000 through Bank Albarka is still appearing in the name of Modaraba. The Modaraba has applied to Oil & Gas Regulatory Authority (OGRA) for the change of title but it has not been transferred in the name of counter party till 30 June 2011.		
<b>21.2 Results from discontinued operation</b>		
Gain on sale of discontinued operation	21.1 <b>18,825,032</b>	-
Profit on CNG filling and conversion CNG project - musharaka	21.3 <b>(2,345,183)</b>	11,251,388
	<b>16,479,849</b>	11,251,388
Modaraba company's management fee	20 <b>(1,647,985)</b>	(1,125,139)
	Rupees <b>14,831,864</b>	<b>10,126,249</b>



	Note	2011	2010
<b>21.3 Profit on CNG filling and conversion CNG project - musharaka</b>			
Gas filling		22,477,853	129,901,346
Conversion / trading		230,000	1,298,100
Others		367,916	1,042,689
Total sale		<u>23,075,769</u>	<u>132,242,135</u>
Less:			
Electricity charges		4,852,135	13,275,645
Diesel and oil		521,380	2,063,524
Gas		14,462,472	71,805,102
Store and spares		18,330	100,645
Consumption-kits and cylinders		208,834	1,190,563
		<u>20,063,151</u>	<u>88,435,479</u>
Gross profit		<b>3,012,618</b>	43,806,656
Less: Operating expenses			
Salaries, allowances and other benefits		1,532,425	6,515,798
Water charges		1,184,077	190,000
Repairs and maintenance		661,261	1,426,028
Rent, rates and taxes		1,985,772	4,583,172
Travelling and entertainment		25,499	188,468
Vehicle running and maintenance		53,030	424,180
Printing and stationery		34,971	153,235
Communication		54,299	108,086
Insurance		100,143	373,654
Legal and professional		200,000	3,000
Fee and subscription		132,100	282,668
Advertisement and publicity		-	314,717
Bank charges		18,489	148,288
Lease rental		-	778,275
Depreciation		-	2,707,950
(Reversal) for doubtful debts		-	(110,131)
Deposit written off		360,000	-
Miscellaneous		228,526	1,322,972
5% charity		-	1,104,965
15% Pak CNG management fee		50,000	3,149,150
3% Modaraba's management fee		-	535,355
		<u>6,620,592</u>	<u>24,199,830</u>
Profit before tax		<b>(3,607,974)</b>	19,606,826
Withholding tax		-	(2,296,998)
Profit after tax	Rupees	<b>(3,607,974)</b>	17,309,828
Appropriations			
Share of investor group @ 35%		(1,262,791)	6,058,440
Share of Modaraba @ 65%		(2,345,183)	11,251,388
	Rupees	<u><b>(3,607,974)</b></u>	<u>17,309,828</u>



	Note	2011	2010
<b>21.4 Cash flows (used in) / from discontinued operation</b>			
Cash flows (used in) / from operating activities		<u>(50,235,745)</u>	<u>7,970,393</u>
Cash flows from investing activities		<u>67,055,076</u>	<u>42,146,138</u>
Cash flows used in financing activities		<u>(19,701,591)</u>	<u>-</u>
<b>22 EARNINGS PER CERTIFICATE</b>			
Profit for the year from continuing operations	Rupees	<u>12,963,976</u>	<u>6,586,948</u>
Profit for the year from discontinued operation	Rupees	<u>14,831,864</u>	<u>10,126,249</u>
Profit for the year attributable to certificate holders	Rupees	<u>27,795,840</u>	<u>16,713,197</u>
<b>(Number of Certificates)</b>			
Weighted average number of certificates		<u>5,863,333</u>	<u>5,863,333</u>
Earnings per certificate - for continuing operation	Rupees	<u>2.21</u>	<u>1.12</u>
Earnings per certificate - for discontinued operation	Rupees	<u>2.53</u>	<u>1.73</u>
Earnings per certificate - basic and diluted	Rupees	<u>4.74</u>	<u>2.85</u>

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instrument which would have an impact on earnings per certificate when exercised.

### 23 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 that not less than 90 % of their profits are distributed to the certificate holders out of the current year total profits after appropriation of statutory reserve.



## 24 RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company, musharaka investors, directors, key management personnel and retirement benefit funds. Transactions with related parties other than remuneration and benefits to key management personnel (which are employed by the Management Company) under the terms of their employment and those which have been disclosed elsewhere are as follows:

<b>Management Company</b>	<b>2011</b>	<b>2010</b>
<i>Transactions</i>		
Management fee	Rupees <b>3,088,427</b>	1,857,022
Fund received	Rupees <b>1,500,000</b>	650,000
Fund transferred	Rupees <b>3,645,823</b>	2,551,930
<b>Musharaka Investors - Generator Project</b>		
Share of profit	Rupees <b>2,085,032</b>	1,411,911
Management fee	Rupees <b>707,452</b>	520,060
<b>Musharaka Investors - CNG Project</b>		
Share of profit	Rupees -	6,058,440
Management fee	Rupees -	3,149,150

## 25 REMUNERATION OF OFFICERS

Remuneration	<b>2,144,871</b>	1,896,838
Short-term employee benefits	<b>161,047</b>	149,750
Post-employment benefits	<b>103,272</b>	73,260
	Rupees <b><u>2,409,190</u></b>	<u>2,119,848</u>
Number of officers	4	4

In addition, three officers including CEO are provided with Modaraba's maintained vehicles.



## 26 FINANCIAL INSTRUMENTS

The objective of the Modaraba's overall financial risk management is to minimize earnings volatility and provide maximum return to certificate holders. The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework and policies.

The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Modaraba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

### 26.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The risk is generally limited to outstanding amount against credit disbursements. The Modaraba's policy is to enter into financial contracts in accordance with the risk management policies and the requirements of the Modaraba rules and regulations.

The carrying amount of these financial assets represents the maximum credit exposure at the reporting date.

	<b>2011</b>	<b>2010</b>
Bank balances	<b>3,456,790</b>	29,543,133
Long term murabaha receivables	<b>184,904,187</b>	100,947,068
Short term murabaha receivables	<b>28,293,108</b>	41,129,673
Advances and other receivables	<b>410,408</b>	1,375,921
Long term deposit	<b>7,428</b>	3,000
<i>Rupees</i>	<b><u>217,071,921</u></b>	<u>172,998,795</u>

#### 26.1.1 Description of collateral held

The Modaraba holds security in the form of mortgage of properties, hypothecation and pledge of goods and demand promissory notes.





### 26.1.2 Concentration

The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals / groups and industrial sectors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Modaraba believes that it is not exposed to major concentration of credit risk except in food, tobacco and beverages which have a history of no significant disputes / defaults in previous years. Details of the industrial sector analysis of Murabaha portfolio are as follows:

Details of the industrial sector analysis of lease portfolio (excluding residual value) are as follows:

	2011		2010	
	(Rupees)	%	(Rupees)	%
Construction material	<b>19,264,619</b>	<b>9.04</b>	20,572,898	14.48
Chemical, fertilizer and pharmaceutical	<b>5,874,609</b>	<b>2.76</b>	3,927,553	2.76
Fuel and energy	<b>5,058,364</b>	<b>2.37</b>	6,772,690	4.77
Food, tobacco and beverages	<b>68,361,859</b>	<b>32.07</b>	32,504,726	22.88
Paper and board	<b>8,548,839</b>	<b>4.01</b>	9,951,679	7.00
Steel, engineering and automobiles	<b>9,520,873</b>	<b>4.47</b>	17,398,247	12.25
Textile and garments	<b>7,831,026</b>	<b>3.67</b>	8,341,749	5.87
Transportation and communication	<b>31,922,786</b>	<b>14.96</b>	22,958,739	16.16
Others	<b>56,814,320</b>	<b>26.65</b>	19,648,460	13.83
	<b>213,197,295</b>	<b>100.00</b>	142,076,741	100.00

Modaraba's operations are restricted to Pakistan only.

### 26.1.3 Aging Analysis of murabaha receivables

	2011			2010		
	Carrying amount		Provision held	Carrying amount		Provision held
	Not impaired	Impaired		Not impaired	Impaired	
Not Past due	<b>186,110,287</b>	-	-	102,318,740	-	-
Past due 0 days - 90 days	<b>18,581,105</b>	-	-	25,744,105	-	-
Past due 91 days - 1 year	-	<b>3,343,240</b>	<b>287,969</b>	-	8,526,967	52,781
Past due 1 year - 2 year	-	<b>1,465,067</b>	<b>946,574</b>	-	2,551,468	484,207
Past due 2 year - 3 year	-	<b>982,694</b>	<b>777,882</b>	-	89,650	43,485
Past due more than 3 years	-	<b>2,714,902</b>	<b>2,167,755</b>	-	2,845,811	3,199,291
Total	<b>204,691,392</b>	<b>8,505,903</b>	<b>4,180,180</b>	128,062,845	14,013,896	3,779,764

Provision is recognised by the Modaraba as per the requirement given under Modaraba Prudential Regulations and subjective evaluation of the investees.



## 26.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. The Modaraba manages liquidity risk by monitoring future cash flows on a day-to-day basis.

The following are the contractual maturities of financial liabilities, including mark-up payments:

	2011			
	Carrying Amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
Creditors, accrued and other liabilities	6,132,502	5,125,856	5,125,856	-
Murabaha finance	32,481,590	32,481,590	32,481,590	-
Certificates of musharaka	12,660,844	12,660,844	11,810,008	850,836
Payable to Modaraba Management				
Company - a related party	2,878,626	2,878,626	2,878,626	-
Unclaimed profit distribution	6,491,844	6,491,844	6,491,844	-
Rupees	<b>60,645,406</b>	<b>59,638,760</b>	<b>58,787,924</b>	<b>850,836</b>

	2010			
	Carrying Amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
Creditors, accrued and other liabilities	3,904,503	3,528,148	3,528,148	-
Murabaha finance	36,507,845	36,507,845	36,507,845	-
Payable to Modaraba Management				
Company - a related party	1,936,022	1,936,022	1,936,022	-
Unclaimed profit distribution	5,428,145	5,428,145	5,428,145	-
Rupees	<b>47,776,515</b>	<b>47,400,160</b>	<b>47,400,160</b>	<b>-</b>



### 26.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Modaraba is not exposed to equity price risk and currency risk. The markup rate risk associated with the Modaraba's business activities is discussed as under:

#### 26.3.1 Mark-up rate risk

Mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. The Modaraba has adopted appropriate policies to minimise its exposure to this risk. At the reporting date the interest rate profile of the Modaraba's significant mark-up bearing financial instruments was as follows:

	Effective yield / profit rates	30 June 2011						Not exposed to profit rate risk
		Carrying amount	Upto one month	Upto one to 3 months	Over three months to six months	Over six months to one year	Over one year	
(Rupees)								
<b>Financial assets</b>								
Long term deposit		7,428	-	-	-	-	7,428	
Cash and bank balances	5% - 6.5%	3,584,973	1,823,138	-	-	-	1,761,835	
Mudaraba receivable	20.29% - 21.57%	213,197,295	13,593,953	26,260,723	31,996,679	52,204,446	89,141,494	
Advance and other receivables		410,408	-	-	-	-	410,408	
		<u>217,200,104</u>	<u>15,417,091</u>	<u>26,260,723</u>	<u>31,996,679</u>	<u>52,204,446</u>	<u>89,141,494</u>	
<b>Financial liabilities</b>								
Creditors, accrued and other liabilities		5,125,856	-	-	-	-	5,125,856	
Mudaraba finance	15.78% - 17.74%	32,481,590	7,579,970	11,658,533	9,758,781	3,484,306	-	
Certificates of musharaka	8.75% - 14%	12,660,844	52,103	4,643,390	1,621,011	5,493,504	850,836	
Payable to Modaraba Management Company		2,878,626	-	-	-	-	2,878,626	
Unclaimed profit distribution		6,491,844	-	-	-	-	6,491,844	
		<u>59,638,760</u>	<u>7,632,073</u>	<u>16,301,923</u>	<u>11,379,792</u>	<u>8,977,810</u>	<u>850,836</u>	
<b>On balance sheet gap - 2011</b>		<u>157,561,344</u>	<u>7,785,018</u>	<u>9,958,800</u>	<u>20,616,887</u>	<u>43,226,636</u>	<u>88,290,658</u>	
							<u>(12,316,655)</u>	



30 June 2010  
(Rupees)

	Effective yield / profit rates	Carrying amount	Upto one month	Upto one to 3 months	Over three months to six months	Over six months to one year	Over one year	Not exposed to profit rate risk
<b>Financial assets</b>								
Long term deposit		3,000	-	-	-	-	-	3,000
Cash and bank balances	5.96% - 8.1%	30,310,261	10,167,740	-	-	-	-	20,142,521
Murabaha receivable	17% - 21.46%	142,076,741	17,677,219	21,004,738	24,010,221	36,724,013	42,660,550	-
Advance and other receivables		1,375,921	-	-	-	-	-	1,375,921
		<u>173,765,92</u>	<u>27,844,959</u>	<u>21,004,738</u>	<u>24,010,221</u>	<u>36,724,013</u>	<u>42,660,550</u>	<u>21,521,442</u>
<b>Financial liabilities</b>								
Creditors, accrued amt other liability		3,528,148	-	-	-	-	-	3,528,148
Murabaha financ Payable to Modaraba	14.37% - 16.22%	36,507,84	7,177,240	16,858,361	10,619,329	1,852,915	-	-
Management Compar Unclaimed profit distributio		1,936,022	-	-	-	-	-	1,936,022
		5,428,145	-	-	-	-	-	5,428,145
		<u>47,400,160</u>	<u>7,177,240</u>	<u>16,858,361</u>	<u>10,619,329</u>	<u>1,852,915</u>	<u>-</u>	<u>10,892,315</u>
On balance sheet gap - 2010		<u>126,365,763</u>	<u>20,667,719</u>	<u>4,146,377</u>	<u>13,390,892</u>	<u>34,871,098</u>	<u>42,660,550</u>	<u>10,629,127</u>

**Cash flow sensitivity analysis for variable rate instruments.**

The Modaraba has carried out the cash flow sensitivity analysis for variable rate instruments and no significant variances have been noted.

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below.

This analysis assumes that all other variables remain constant. The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and liabilities that are subject to interest rate risk.



	Profit and loss 100 bp	
	Increase	Decrease
<b>As at June 30, 2011</b>		
Cash flow sensitivity - Variable rate financial liabilities	(126,608)	126,608
Cash flow sensitivity - Variable rate financial assets	59,954	(59,954)
Net effect	<u>(66,654)</u>	<u>66,654</u>
<b>As at June 30, 2010</b>		
Cash flow sensitivity - Variable rate financial liabilities	-	-
Cash flow sensitivity - Variable rate financial assets	93,566	(93,566)
Net effect	<u>93,566</u>	<u>(93,566)</u>

#### 26.4 Fair value of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction.

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

There are no items to report under above stated levels.

#### 26.5 Capital risk management

The Modaraba's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for certificate holders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distribution to certificate holders or issue new certificates.



## **27 INFORMATION ABOUT BUSINESS SEGMENTS**

**27.1** The Modaraba's reportable segments are as follows:

### **CNG Project Musharaka finance :**

The CNG station project was engaged in compression and distribution of Compressed Natural Gas through CNG stations at two places. This project has been disposed off during the year. Refer note 21.

### **Generator Project Musharaka finance :**

The Generator project is engaged in trading of generators and supply of generators on rent. The Modaraba started generator project with effect from September 17, 2008. Agreement with the investors has been signed. As per the arrangement, the Modaraba has contributed 52.09% of the required fund and AL-BURQ Associates has contributed 47.91%. As per the agreement, the P.M Group, comprised of certain members of AL-BURQ Associates, 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 is charged by them.

### **Murabaha finance :**

Disbursement of murabaha finance to individual and corporate clients.

Information regarding the Modaraba's reportable segments is presented below.

## **27.2 Segment revenue and results**

Following is an analysis of the Modaraba's revenue and results by reportable segment:





	2011		2010		Murabaha Financing	Total	2010		Murabaha financing	Total		
	CNG project Modaraba's share	Generator project Total	CNG project Total	Generator project Total								
Revenue	22,707,853	14,760,104	18,077,830	9,416,742	29,497,723	53,674,569	131,199,446	85,279,640	14,674,254	7,643,819	20,711,770	113,635,229
Cost of sales	(20,063,151)	(13,041,048)	-	-	-	(13,041,048)	(88,435,479)	(57,483,061)	-	-	-	(157,483,061)
Gross profit	2,644,702	1,719,056	18,077,830	9,416,742	29,497,723	40,633,521	42,763,967	27,796,579	14,674,254	7,643,819	20,711,770	56,152,168
Operating expenses	(6,620,592)	(4,303,385)	(14,874,411)	(7,748,080)	(10,814,088)	(22,865,533)	(24,199,830)	(15,729,890)	(11,727,247)	(6,108,723)	(8,367,650)	(30,206,263)
Other operating income	367,916	239,145	799,328	416,370	1,188,677	1,844,192	1,042,689	677,748	-	-	1,289,372	1,967,120
Operating (loss) / profit	(3,607,974)	(2,345,183)	4,002,747	2,085,032	19,872,312	19,612,161	19,606,826	12,744,437	2,947,007	1,535,096	13,633,492	27,913,025
Finance costs	-	-	-	-	(5,273,312)	(5,273,312)	-	-	-	-	(7,602,214)	(7,602,214)
Total (loss)/ profit	(3,607,974)	(2,345,183)	4,002,747	2,085,032	14,599,000	14,338,849	19,606,826	12,744,437	2,947,007	1,535,096	6,031,278	20,310,811
27.2.1 Revenue	22,477,853	14,610,604	-	-	-	14,610,604	129,901,346	84,435,875	-	-	-	84,435,875
Conversion / trading	230,000	149,500	-	-	-	149,500	1,298,100	843,765	-	-	-	843,765
Rental income	-	-	17,639,695	9,188,517	-	9,188,517	-	-	14,288,605	7,442,934	-	7,442,934
Trading income	-	-	438,135	228,225	-	228,225	-	-	385,649	200,885	-	200,885
Profit on murabaha finance	-	-	-	-	29,497,723	29,497,723	-	-	-	-	20,711,770	20,711,770
27.2.2 Cost of sales	22,007,853	14,760,104	18,077,830	9,416,742	29,497,723	53,674,569	131,199,446	85,279,640	14,674,254	7,643,819	20,711,770	113,635,229
Electricity charges	4,852,135	3,153,888	-	-	-	3,153,888	13,275,645	8,629,169	-	-	-	8,629,169
Diesel and oil	521,380	338,897	-	-	-	338,897	2,063,524	1,341,291	-	-	-	1,341,291
Gas	14,462,472	9,400,607	-	-	-	9,400,607	71,805,102	46,673,316	-	-	-	46,673,316
Store and spares	18,330	11,915	-	-	-	11,915	100,645	65,419	-	-	-	65,419
Consumption-kits and cylinders	208,834	135,742	-	-	-	135,742	1,190,563	773,866	-	-	-	773,866
	20,063,151	13,041,048	-	-	-	13,041,048	88,435,479	57,483,061	-	-	-	57,483,061

(Amount in Rupees)







**28 NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors of the Management Company in their meeting held on Oct 06 2011, have proposed a final profit distribution of Rs. 2.35 per certificate (2010: Rs.1.80 per certificate), amounting to Rs.13,778,900 for the year ended 30 June 2011 (30 June 2010: Rs. 10,553,999).

**29 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 06, 2011.

**Chief Executive Officer**

**Director**

**Director**



► **Pattern of Certificate holding as of 30 June 2011**

No. of Certificate holders	Having Certificate From	To	Certificate Held	Percentage %
189	1	100	7494	0.1278
315	101	500	128249	2.1873
280	501	1000	274262	4.6776
232	1001	5000	654108	11.1559
71	5001	10000	607233	10.3564
24	10001	15000	297056	5.0663
13	15001	20000	223234	3.8073
8	20001	25000	181501	3.0955
5	25001	30000	131500	2.2428
4	30001	35000	131700	2.2462
3	35001	40000	114700	1.9562
5	40001	45000	216500	3.6924
4	45001	50000	191000	3.2575
2	50001	55000	107000	1.8249
2	55001	60000	112408	1.9171
2	65001	70000	136500	2.3280
1	70001	75000	70358	1.2000
2	80001	85000	164000	2.7970
2	85001	90000	175500	2.9932
1	105001	110000	110000	1.8761
1	110001	115000	110500	1.8846
1	125001	130000	129542	2.2094
1	210001	215000	214500	3.6583
1	370001	375000	374488	6.3869
1	995001	1000000	1000000	17.0551
1170	Company Total		5863333	100.0000



## ► Categories of Certificate holders as of 30 June 2011

Particulrs	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	3	63500	1.0830
ASSOCIATED COMPANIES	3	1186042	20.2281
NIT & ICP	1	987	0.0168
BANKS, DFI & NBFi	2	11848	0.2021
MODARABAS & MUTUAL FUNDS	1	374488	6.3869
GENERAL PUBLIC (LOCAL)	1146	3967336	67.6635
GENERAL PUBLIC (FORIEGN)	9	145000	2.4730
OTHERS	5	114132	1.9465
<b>Company Total</b>	<b>1170</b>	<b>5863333</b>	<b>100.0000</b>

Folio No	Name	Code	Balance Held	Percentage
00000001516	MR. MUHAMMAD HUSAIN MAHENTI	001	9000	0.1535
00000001706	MR. TANWEER AHMED	001	42500	0.7248
003277012650	ABDUL GHAFAR UMER KAPADIA	001	12000	0.2047
00000000001	PARAMOUNT INVESTMENTS LIMITED	002	56500	0.9636
00000008004	PARAMOUNT INVESTEMENT LIMITED	002	129542	2.2094
003277071155	PARAMOUNT INVESTMENTS LIMITED	002	1000000	17.0551
011353000022	NATIONAL INVESTMENT TRUST LIMITED	003	987	0.0168
003889000028	NATIONAL BANK OF PAKISTAN	004	3648	0.0622
007088000039	THE BANK OF PUNJAB, TREASURY DIVISION.	004	8200	0.1399
000009900005	FIRST NATIONAL MODARABA	006	374488	6.3869
00000001344	SUBLIME SPORTS (PVT) LTD.	010	110000	1.8761
00000008403	M/S. EASTERN COMMERCIAL CORPORATION (PVT.) LTD.	010	961	0.0164
003525057191	SARFRAZ MAHMOOD (PRIVATE) LTD	010	5	0.0001
006916000020	PASHA SECURITIES (PVT) LTD.	010	166	0.0028
010447000022	PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	010	3000	0.0512





## ► Notice of Annual Review Meeting

Notice is hereby given that the 12th **Annual Review Meeting** of Certificate - holders of First Paramount Modaraba will be held on Thursday, 27th October, 2011 at 8:00 pm. at our Registered Office, suit # 107-108, PECHS Community office Complex, First floor, Block-2, PECHS, Karachi to review the performance of the Modaraba for the Year ended June 30, 2011.

The certificate holders whose names appear on the register of Certificate - Holders of FPM as on October 19, 2011 will be eligible to attend the **Annual Review Meeting**.

By Order of the Board

Karachi  
Dated: October 06, 2011

**Company Secretary**

## DIVIDEND

The Modaraba Certificates transfer books shall remain closed from 19th October 2011 to 27th October 2011 (both days inclusive). Transfer receives in order at the Register Office of the Modaraba (whose address is given below) before the close of business hours on 19th October 2011 will be treated in time for the entitlement of Dividend.

The Certificate Holders are advised to notify to Registrar of First Paramount Modaraba of any changes in their address to ensure prompt delivery of mails further, any certificates for transfer etc., should be lodged with the Registrar THK Associates (Pvt.) Ltd., Ground floor State Life Building No. 3, Dr Ziauddin Ahmed Road, Karachi, **Tele: No: 111-000-322 Fax: 356555595.**