

Annual Report 2014



AN ISLAMIC FINANCIAL INSTITUTION
**FIRST PARAMOUNT
MODARABA**
AMANAT - SHIRAKAT - BARKAT

First Paramount Modaraba

(An Islamic Financial Institution)

Managed by: Paramount Investments Limited

For Long Term 'BBB' For Short Term A-3 Out Look - Stable
By JCR VIS Credit Ratng Company

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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 the 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 the philosophy behind the code of ethics to carry out honestly activities assigned to them. Our aim is to have the highest standard of excellence for the product and the betterment for all those involved directly or indirectly with our Modaraba.

Corporate Information

First Paramount Modaraba
Managed By: Paramount Investments Limited

Board of Directors

Mr. Tanveer Ahmed Magoon	Chairman
Mr. Syed Wajih Hassan	Chief Executive Officer
Mr. Ahmed Kassam Parekh	Director
Mr. Pir Muhammad Kalia	Director
Mr. Abdul Ghaffar Umer	Director
Mr. Abdul Razzak Jandga	Director
Mr. Nadeem Iqbal	Independent Director
Mr. Humayun Mazhar Qureshi	Director

Audit Committee

Mr. Nadeem Iqbal	Chairman
Mr. Pir Muhammad Kalia	Member
Mr. Ahmed Kassam Parekh	Member

Human Resource Committee

Mr. Tanveer Ahmed Magoon	Chairman
Mr. Ahmed Kassam Parekh	Member
Mr. Nadeem Iqbal	Member
Mr. Syed Wajih Hassan	Member

Chief Financial Officer / Company Secretary

Mr. Naseemuddin Zubairi

Shariah Advisor

Mufti Muhammad Najeeb Khan

Credit Rating

Long term **BBB**
Short Term **A-3**
Out Look **Stable**

AUDITORS OF THE MODARABA

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

AUDITORS OF THE MODARABA COMPANY

M/s. Rahim Jan & Co.
Chartered Accountants

LEGAL ADVISORS

M/s. Raja Qasit Nawaz, Advocates

BANKERS

Meezan Bank Limited
Bank Islami Pakistan Limited
Al Baraka Bank (Pakistan) Limited
Habib Metropolitan Bank Limited -Islamic Banking
Habib Bank Limited

REGISTERED OFFICE

Suit # 107, 108, 1st Floor, P.E.C.H.S. Community Office Complex,
Block-2 PECHS, Shakra-e-Quaiden, Karachi.

Phone: 34381037 - 38 - 52 Fax: 34534410

E-mail: fpm@cyber.net.pk and naseemzubairi@fpm.com.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

Web: www.thk.com.pk

Email: secretariat@thk.com.pk

Directors Report to the Certificate Holders of First Paramount Modaraba

The management of FPM has always worked hard to ensure higher returns to its Certificate holders by maximization in FPM's profit. However, due to the factors explained below, your Modaraba has managed to earn profit of Rs.12,387,610/- for the year under review compared to Rs.16,411,422/- for the previous financial year. Decline in profit of approximately 24% over previous year results has translated in reduced Earning per Modaraba certificate of Rs.1.48 compared to Rs. 1.96 – last year's weighted average.

Although, gross earnings of the Modaraba have increased during the year by more than 31% - mainly through the introduction of Musharaka finances, but partly due to heavy initial costs of new projects and partly underperforming of weaving unit of the Modaraba, the gross profits ratios have dropped from 45% of last year to 34% this year. Silver lining in the results is the performance of other Musharaka Finances, and Modaraba arrangements that have encouraged Modaraba to look for other revenue streams using 'Musharaka' and 'Modaraba' modes of Islamic finance. Similarly, FPM's management has taken steps to revitalize its unproductive assets which also will positively affect future profitability.

The financial statements duly audited by M/s: Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants for the year ended 30th June, 2014, along with notes thereon are forwarded herewith together with the report of operations of Modaraba and other schedules as detailed below :-

- a) Statement of compliance with the best practices of Corporate Governance on page # 08
- b) Key operating financial data for the last ten years on page # 07
- c) Pattern of certificate holding is on page # 46 and categories of certificate holders are on page # 47.
- d) Notice of Annual Review Meeting is given on page # 48.

Declaration of Dividend @ 13% for the year:

S.No	Definitions	Amount
i)	Profit earned for the year	Rs: 12,387,610
ii)	Less: Your Directors approved 20% of profit to be transferred to statutory reserve	Rs: <2,477,522>
iii)	Balance available for distribution of dividend as unappropriated profit	Rs: 9,910,088
iv)	Add: Unappropriated profit balance brought forward as of 30.06.2014	Rs: 21,272,687
v)	Total unappropriated profit as of 30.06.2014	Rs: 31,182,775
vi)	Less: 13% Dividend (Rs.1.30 per Modaraba Certificate)	Rs: <10,899,936>
vii)	Balance unappropriated profit carried forward	Rs: 20,282,839

Declaration of 10% Bonus Modaraba Certificates:

Your Directors also accorded approval to issue 10% Bonus Certificate (ten certificates of Rs.10/- each to the holders of 100 Modaraba Certificates of First Paramount Modaraba) to be issued out of Statutory Reserve, detail of which is as under:

Balance as of 30.06.2014 of Statutory Reserve:	Rs: 62,528,427
Less: To be utilized for bonus certificates and be Transferred to the paid-up capital	Rs:<8,384,566>
Balance of statutory reserve to be carried forward	Rs:54,143,861

Future Outlook: We sincerely believe that the shift in the business plan of FPM that initiated last year and had new focuses of strategy (highlighted below) will InshAllah bear fruits and Modaraba will achieve new heights in securing better yield and better EPS in the years to come:

New Focuses of Business:

Management's revised focus of Modaraba's business takes into account;

- a) Enhanced reliance on Musharaka and Modaraba instruments of Islamic Finance ensuring greater FPM's stakes in the clients businesses,
- b) Steady increase in Murabaha portfolio, for stable revenue generation
- c) Increased reliance on indigenous, self generated cash sources i.e.
 - a. Issuance of OTC 'Shirakat based' Certificate of Musharikas, mainly to individuals,
 - b. systematically increase Paid-up Capital of FPM by regular issuance of 'Right Shares' to the existing certificate holders,
- d) Diversification in Business investments i.e. using varied instruments, targeting various profitable industries, expanding geographic reach.

Controls & Governance;

Directors of Modaraba assure that;

- (a) The financial statements, prepared by the management of the Modaraba, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the Modaraba have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Financial Reporting Standards, as applicable in P akistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;

- (e) The system of internal control is sound in design and has been effectively implemented and monitored;
- (f) There are no significant doubts upon the listed company's ability to continue as a going concern;
- (g) Outstanding statutory payment on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements; and

Detail of Meetings of Board of Directors held and attended during the year by the directors is as under:

S.No	Name of Director	Meetings Attended	Out of Total Meetings
1.	Mr. Tanveer Ahmed Magoon	08	10
2.	Mr. Ahmed Kassam Parekh	09	10
3.	Mr. Nadeem Iqbal	08	10
4.	Mr. Abdul Ghaffar Umer	10	10
5.	Mr. Pir Muhammad Kalia	07	10
6.	Mr. Abdul Razzak Jandga	09	10
7.	Mr. Humayun Mazhar Qureshi	02	10

Directors of Modaraba condole the sad demise of FPM's senior Director Mr. Ahmad Kassam Parekh, whose able guidance and keen participation in FPM's affairs will always be remembered. May Allah rest his Sole in "Jannah" with eternal Peace and tranquility.

The Management and the Board of Directors hereby offer thanks of manifold of the continuance patronage and coordination especially of the Registrar Modarabas, Securities And Exchange Commission of Pakistan, Islamabad, and State Bank of Pakistan.

We also put to our staff members in the scale of appreciation who really showed their agility in the completion of the given task.

for and on behalf of Board of Directors
of Paramount Investments Limited (P.I.L.)
Managers of First Paramount Modaraba

Syed Wajih Hassan
Chief Executive Officer

Karachi

Date: October 03rd 2014

First Paramount Modaraba

(An Islamic Financial Institution)



Key operating & Financial Data

Particulars	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Paid up Capital	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	76,223,330	83,845,663
Certificate Holders Equity	79,930,727	83,746,663	103,047,210	108,956,943	118,845,865	126,764,062	144,005,903	153,804,949	175,671,354	179,492,026
Current Liabilities	21,567,197	19,530,297	45,489,658	78,898,671	92,633,029	103,622,723	61,613,599	42,062,560	42,547,400	67,067,393
Total Liabilities	28,463,506	22,232,915	62,144,383	96,826,807	108,390,167	121,777,913	101,429,703	115,362,201	111,772,182	146,869,822
Fixed Assets	19,790,319	29,347,504	53,122,040	53,830,034	59,509,743	29,103,860	31,584,091	31,698,742	52,561,369	60,188,077
Current Assets	61,782,950	66,785,314	79,873,148	107,104,856	141,753,393	184,094,788	131,819,740	164,523,535	158,083,708	189,276,083
Total Assets	108,394,234	105,979,579	165,191,592	205,783,751	227,236,032	248,541,975	245,435,606	269,167,150	266,954,068	326,361,847
Operating Profit	10,645,672	13,068,262	9,342,801	13,732,666	20,108,430	18,570,219	30,884,267	26,506,919	18,564,957	14,013,133
Profit before Tax	9,728,356	11,761,435	8,408,521	12,359,399	18,097,587	16,713,197	27,795,840	23,573,487	16,411,422	12,387,610
Taxation	-	30,000	14,566	-	-	-	-	-	-	-
Profit after Tax	9,728,356	11,731,435	8,393,956	12,359,399	18,097,587	16,713,197	27,795,840	23,573,487	16,411,422	12,387,610
Dividend	13.5%	15.0%	11.0%	14.0%	15.0%	18.0%	23.5%	23.5%	11.0%	13.0%
Bonus Certificate	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
Earning per Certificate	1.66	2.00	1.43	2.11	3.09	2.85	4.74	4.02	2.20	1.48
Break-up Value	13.63	14.28	17.57	18.58	20.27	21.62	24.56	26.23	23.05	21.41

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 (Chapter XI) of listing 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. Presently, the Board comprises of:

Category	Names
Independent Director	Mr. Nadeem Iqbal
Executive Directors	-
Non-Executive Directors	Mr. Tanveer Ahmed Magoon Mr. Pir Muhammad Kalia Mr. Abdul Ghaffar Umer Mr. Abdul Razzak Jangda Mr. Humayun Mazhar Qureshi Mr. Ahmed Kassam Parekh

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There was one casual vacancy in the Board during the year 30th June, 2014 which was filled up the Board and approval was given by Securities and Exchange Commission of Pakistan and Registrar Modarabas, Islamabad.
5. The Modaraba has adopted corporate values supported by "Statement of ethics and business practice" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company and Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba which were approved in 2007. A complete record of particulars of significant policies along with the dates on which they were approved 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. The Board met 10 (ten) times which includes meeting in at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated amongst the directors. The minutes of the meetings were appropriately recorded and circulated.
9. A half day training session for two directors was arranged during the year. 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's Management Company. All the directors, except a new director appointed during the year, have more than 14 years of education and 15 years of experience on the Board of at least one listed company, in terms of section (xi) of the Code of Corporate Governance.
10. No new appointment of CFO has been made during the year. During this year, CFO has been assigned the responsibilities of Company Secretary and Form-29 was submitted to SECP.
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 Directors, CEO, and executives do not hold any interest in the certificate of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of 3 members of whom all 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 Company 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 formed a Human Resource & Remuneration Committee. It comprises of 3 members where all non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has set up an effective internal audit function and outsourced the internal audit function to M/s: Hafizullah & Company, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program 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.

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. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with except that there is no mechanism in place for the evaluation of the Board of Directors.

Syed Wajih Hassan
Chief Executive Officer

Dated: 03rd October, 2014.

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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2014** prepared by the Board of Directors of Paramount Investments Limited (the Management Company) of **First Paramount Modaraba** (the Modaraba) to comply with the said Code.

The responsibility for compliance with the Code is that of the Board of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Management Company's 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of 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 does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Modaraba for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

Paragraph Reference	Description
23	There is no mechanism for annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance.

Karachi
Date: October 3rd 2014

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Auditors' Report to the Certificate Holder

We have audited the annexed balance sheet of **First Paramount Modaraba** (the Modaraba) as at **30th June 2014** and the related profit and loss account, statement of comprehensive income, statement of cash flows 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 Management 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 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Management 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 Management 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 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, statement of comprehensive income, statement of cash flows 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 30th June 2014 and of the profit, its comprehensive income, 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.

Other matter

The financial statements of the Modaraba for the year and period ended 30th June 2013 was audited by another firm of Chartered Accountants, whose report dated 24th October 2013 expressed an unqualified opinion on such financial statements.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner Shabbir Yunus

Date: October 03rd 2014.
Karachi

Shariah Advisor's Report

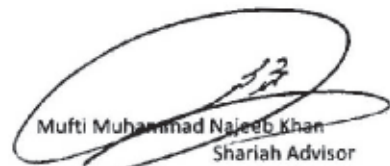
I have conducted the Shariah review of First Paramount Modaraba managed by Paramount Investments Limited Modaraba Company for the financial year ended June 30th 2014, in accordance with the requirements as reported hereunder, in my opinion:

1. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles.
2. Following were the major developments that took place during the year:
 - (A) Research and new product development (Brief on the research and new product development, if applicable)
 - (B) Training and Development
 - i) The Key Management and Senior Staff Members have attended Seminars Training Sessions and Certificate Courses In-house conducted by Shariah Advisor as well as from Center for Islamic (Darul ulloom- Karachi ,Baitul Mukarram Masjid Gulshan e Iqbal.
3. The agreement(s) entered into by the Modaraba are Shariah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met.
4. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modaraba's.
5. Profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conforms to the basis and principles of Shariah.
6. The earnings that have been realized from the sources or by means prohibited by Shariah have been credited to charity accounts.

Observation(s) Nil

Recommendation (s) Nil

Dated: Sept 24th 2014.



Mufti Muhammad Najeeb Khan
 Shariah Advisor
 of First Paramount Modaraba
 Managed By Paramount Investments Limited

**BALANCE SHEET
AS AT JUNE 30, 2014**

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	4	60,188,077	52,561,369
Long-term murabaha financing	5	52,761,308	38,198,313
Long-term diminishing musharaka financing	6	13,620,283	14,800,000
Long-term musharaka financing	7	10,044,000	3,102,250
Loans to employees	8	266,668	-
Long-term deposits		205,428	208,428
Total non-current assets		137,085,764	108,870,360
CURRENT ASSETS			
Investments classified as 'available-for-sale'		-	2,235,421
Current portion of musharaka financing		15,618,686	4,340,054
Cash and bank balances	9	41,631,483	37,119,973
Current portion of long-term murabaha financing		69,072,116	87,348,371
Current portion of long-term diminishing musharaka financing		13,530,546	7,400,000
Current portion of loan to employees		100,000	-
Short-term murabaha receivables	10	17,892,380	14,398,701
Advances against murabaha and musharaka	11	14,400,080	663,000
Stores and spares		1,546,792	683,337
Trade debts		3,275,075	1,259,421
Receivable from Modaraba's management company - a related party		11,652	166,065
Accrued profit		626,723	146,252
Advances, deposits, prepayments and other receivables	12	11,570,550	2,323,113
Total current assets		189,276,083	158,083,708
TOTAL ASSETS		326,361,847	266,954,068
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital			
Authorised		250,000,000	250,000,000
25,000,000 (June 30, 2013: 25,000,000) certificates of Rs.10 each			
Issued, subscribed and paid-up	13	83,845,663	76,223,330
Capital reserves	14	64,463,587	69,608,398
Unrealised gain on revaluation of investments classified as 'available-for-sale'		-	182,374
Unappropriated profit		31,182,775	29,657,252
Total certificate holders' equity		179,492,026	175,671,354
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred income	15	8,302,276	8,423,170
Certificates of musharaka	16	71,500,153	40,312,144
Total non current liabilities		79,802,429	48,735,314
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	17	12,772,934	5,427,277
Current portion of certificates of musharaka		22,383,271	5,722,821
Current portion of deferred income		21,255,754	21,549,328
Unclaimed profit distributions		10,655,434	9,847,974
Total current liabilities		67,067,393	42,547,400
TOTAL EQUITY AND LIABILITIES		326,361,847	266,954,068
CONTINGENCIES AND COMMITMENTS			
The annexed notes 1 to 33 form an integral part of these financial statements.	18		

Chief Executive

Director

Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Operating income	19	55,202,754	42,027,539
Operating costs			
Operating expenses	20	35,628,979	23,768,937
Provision / (reversal) for doubtful recoveries		289,584	(746,393)
		(35,918,563)	(23,022,544)
		<u>19,284,191</u>	<u>19,004,995</u>
Other income - net	21	1,460,549	5,276,692
		<u>20,744,740</u>	<u>24,281,687</u>
Financial charges	22	(6,445,625)	(5,337,853)
Provision for workers' welfare fund		(285,982)	(378,877)
		<u>14,013,133</u>	<u>18,564,957</u>
Modaraba company's management fee	23	(1,625,523)	(2,153,535)
Profit before tax		<u>12,387,610</u>	<u>16,411,422</u>
Taxation	25	-	-
Profit for the year		<u>12,387,610</u>	<u>16,411,422</u>
Earnings per certificate - basic and diluted	24	<u>1.48</u>	<u>1.96</u>

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

Chief Executive

Director

Director

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2014**

	June 30, 2014 ----- (Rupees)	June 30, 2013 -----
Profit for the year	12,387,610	16,411,422
Other comprehensive income		
Items to be reclassified to profit and loss account in subsequent periods:		
Unrealised gain on revaluation of investments classified as available-for-sale	177,982	177,982
Reclassification adjustment on sale / of available-for-sale investments	(182,374) (182,374)	177,982
Total comprehensive income for the year	<u>12,205,236</u>	<u>16,589,404</u>

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

 Chief Executive

 Director

 Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014**

Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Profit before tax	12,387,610	16,411,422
Adjustments for:		
Depreciation on tangible fixed assets	3,185,975	3,575,201
Amortisation on intangible assets	90,307	81,212
(Reversal) / impairment on generator marked for sale	-	78,881
Provision for Workers' Welfare Fund	285,982	378,877
Financial charges	6,445,625	5,337,853
Provision / (reversal) of provision for doubtful recoveries	289,584	(746,393)
Loss / (gain) on sale of fixed assets - net	12,079	(492,860)
Operating profit before working capital changes	<u>22,697,162</u>	<u>24,624,193</u>
(Increase) / decrease in assets		
Murabaha receivables - net	(714,831)	21,722,066
Diminishing musharaka receivables - net	(4,720,476)	3,585,126
Stores and spares	(863,455)	(142,087)
Long-term deposits	3,000	(6,000)
Trade debts	(2,015,654)	(1,023,974)
Receivable from Modaraba's management company - a related party	154,413	(166,065)
Advances, deposit, prepayments and other receivables	(10,094,576)	(1,704,132)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	7,059,675	884,299
Payable to Modaraba Management Company	-	(2,547,259)
Net cash flows from operations	<u>11,505,258</u>	<u>45,226,167</u>
Financial charges paid	(6,445,625)	(5,337,853)
Net cash from operating activities	<u>5,059,633</u>	<u>39,888,314</u>
Cash flows from investing activities		
Musharaka arrangements	(18,220,382)	(7,442,304)
Advances against murabaha and musharaka	(13,737,080)	21,023,000
Capital expenditure including capital work-in-progress	(11,147,911)	(26,422,066)
Investments - net	2,053,047	(53,047)
Proceeds from sale of operating assets	232,849	2,317,020
Net cash (used in) investing activities	<u>(40,819,477)</u>	<u>(10,577,397)</u>
Cash flows from financing activities		
Musharaka financing - net	47,848,459	(17,962,951)
Proceeds from right issue	-	17,590,000
Profit distributed	(7,577,106)	(10,771,602)
Net cash generated from / (used in) financing activities	<u>40,271,354</u>	<u>(11,144,553)</u>
Net (decrease) / increase in cash and cash equivalents	<u>4,511,510</u>	<u>18,166,364</u>
Cash and cash equivalents at beginning of the year	<u>37,119,973</u>	<u>18,953,609</u>
Cash and cash equivalents at end of the year	<u>41,631,483</u>	<u>37,119,973</u>

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

Chief Executive

Director

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014**

	Reserves						Total equity
	Certificate capital	Merger reserve	Statutory reserve	Unrealised gain on revaluation of available-for-sale investment	Unappropriated profit	Total reserve	
	(Rupees)						
Balance as at July 01, 2012	58,633,330	1,935,160	59,467,527	4,392	33,764,540	95,171,619	153,804,949
Transactions with owners recorded directly in equity:							
Profit distribution for the year ended June 30, 2012 @ Rs.2.10 per certificate	-	-	-	-	(12,312,999)	(12,312,999)	(12,312,999)
Issuance of right certificates of Rs.10 each	17,590,000	-	-	-	-	-	17,590,000
Total comprehensive income for the year							
Profit for the year	-	-	-	-	16,411,422	16,411,422	16,411,422
Other comprehensive income							
Unrealized gain on revaluation of available-for-sale investments	-	-	-	177,982	-	177,982	177,982
	-	-	-	177,982	16,411,422	16,589,404	16,589,404
Transferred to statutory reserve @ 50%	-	-	8,205,711	-	(8,205,711)	-	-
Balance as at June 30, 2013	76,223,330	1,935,160	67,673,238	182,374	29,657,252	99,448,024	175,671,354
Transactions with owners recorded directly in equity:							
Profit distribution for the year ended June 30, 2013 @ Rs.1.10 per certificate	-	-	-	-	(8,384,565)	(8,384,565)	(8,384,565)
Issuance of Bonus certificates @ 10%	7,622,333	-	(7,622,333)	-	-	(7,622,333)	-
Total comprehensive income for the year							
Profit for the year	-	-	-	-	12,387,610	12,387,610	12,387,610
Other comprehensive income							
Unrealized gain on revaluation of available-for-sale investments	-	-	-	(182,374)	-	(182,374)	(182,374)
	-	-	-	(182,374)	12,387,610	12,205,236	12,205,236
Transferred to statutory reserve @ 20% (refer note 14.1)	-	-	2,477,522	-	(2,477,522)	-	-
Balance as at June 30, 2014	<u>83,845,663</u>	<u>1,935,160</u>	<u>62,528,427</u>	<u>-</u>	<u>31,182,775</u>	<u>95,646,362</u>	<u>179,492,025</u>

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

Chief Executive

Director

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 include deployment of funds on murabaha and musharaka arrangements and its in-house venture are (A) Generator rental and sale project under the name "AL-BURQ Associates", (B) Weaving business under the name of "FPM Weaving" and (C) Electrical maintenance and troubleshooting services' business under the name of "FPM Solutions".

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 Modarabas till further orders.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement", wherever applicable.

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 New / Revised Standards, Interpretations and Amendments

Following are the amendments of approved accounting standards which became effective during the current year:

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments: Disclosures – (Amendments)

– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 – Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and
Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 – Agriculture: Bearer Plants	January 01, 2016
IAS 19 - Employee Contributions	July 01, 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2013
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

2.6 Significant accounting estimates and judgments

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 3.14, 5.2 and 10.2)
- ii) Estimation of useful lives of machinery and equipment (note 3.1 and 4.1)
- iii) Classification and valuation of investments (note 3.3 and 7)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Tangible fixed assets

Machinery and equipment are stated at cost less accumulated depreciation and impairment losses if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of machinery and equipment is capitalised and the asset so replaced is retired from use. Normal repairs and maintenance are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised, if recognition criteria are met.

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.

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' useful lives 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.

3.2 Intangible assets

Intangible assets (comprising of computer softwares) are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised under the reducing balance method at the rate of thirty percent per annum.

3.3 Investments and other financial assets

3.3.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition.

The Modaraba classifies its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Held to maturity

Financial assets with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held to maturity.

d) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) financial assets at fair value through profit or loss, (b) loans and receivables or (c) held to maturity.

3.3.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the assets.

3.4 Loans to employees

Loans to employees are granted by Modaraba for purchasing of vehicles or for other purposes, as approved by the management on a case to case basis.

3.5 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.

3.6 Musharaka

Musharaka is an agreement between two or more parties to combine their assets, labor or liabilities for the purpose of making a profit. Modaraba is dealing in the following forms of Musharaka.

a) Diminishing Musharaka

In Diminishing Musharaka based financing, the Modaraba enters into a Musharaka based on Shirkat-ul- mulk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic profit payments agreement for the utilization of the Modaraba's Musharaka share by the customer.

b) Musharaka Financing

Modaraba enters into financing with customers based on Shirkat-ul-aqd (contractual partnership) in customers' operating business. Under this mechanism, the customer can withdraw and return funds to the modaraba subject to his running musharaka financing limit during the musharaka period. The customer pays the provisional profit which is subject to final settlement based on the actual results of the business / transaction.

3.7 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.

3.8 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.

3.9 Stores and spares

Stores and spares are stated at lower of cost and net realisable value less impairment loss, if any. Cost is determined using weighted average method.

3.10 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.

3.11 Musharaka arrangements

Musharaka arrangements in respect of AL-BURQ Associates project and FPM Weaving Unit 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 is recognised.

3.12 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.

Profit on these arrangements are recognised as expense in the period in which they are incurred and is accounted for on the basis of projected profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of each quarter after determination of actual profit.

3.13 Creditors and other liabilities

Creditors and other liabilities are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.14 Employee Benefits

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 accounts for the liability in respect of employees' compensated absences in the period in which they are earned.

3.15 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.

3.16 Impairment

3.16.1 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.

Provision for non-performing murabaha receivables and diminishing musharaka, is made in accordance with the Prudential Regulations for modarabas issued by SECP vide Circular No. 4 of 2004 dated January 28, 2004 and subsequent amendments made therein and is charged to profit and loss account currently.

3.16.2 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.

3.17 Revenue recognition

- Profit / return on deposits / investments is recognised using effective interest 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 when related services are provided.
- 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.
- Profit on Diminishing Musharaka financing is recognised using effective interest rate method.
- Profit on Musharaka investments is recognised on declaration of profit by Musharaka partners.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (losses) arising on sale of investments are included in the profit and loss account on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as ' Available for sale ' are included in the statement of Comprehensive income in the period in which they arise.
- Processing income from weaving is recognised when services are rendered.

Earnings per certificate (EPC)

The Modaraba presents basic and diluted earnings per certificate (EPC) data for its certificate. Basic EPC is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted EPC is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificate.

3.18 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.

3.19 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 and Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. In review and evaluation performance process, the business is considered as a single operating segment and the Modaraba's business is evaluated on an overall basis other than musharaka arrangement with joint venture partner which is monitored separately.

Segment results that are reported for review and performance evaluation 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 tangible fixed assets and intangible assets other than goodwill.

3.20 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.

3.21 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.

3.22 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	June 30, 2014	June 30, 2013
----- (Rupees) -----			
4. OPERATING FIXED ASSETS			
Tangible fixed assets	4.1	59,165,916	51,279,179
Capital work in progress - Advance to suppliers		639,647	564,448
Intangible assets	4.2	210,715	301,022
Generator marked for sale	4.3	171,799	416,720
		60,188,077	52,561,369

4.2 Intangible assets

	2014			Rate %	2014			Written down value as at June 30, 2014
	Cost		As at July 01, 2013		Amortisation		As at July 01, 2014	
	As at July 01, 2013	Additions (Rupees)			As at July 01, 2013	For the year (Rupees)		
Computer software	430,659	-	430,659	30	129,637	90,307	219,944	210,715
	<u>430,659</u>	<u>-</u>	<u>430,659</u>		<u>129,637</u>	<u>90,307</u>	<u>219,944</u>	<u>210,715</u>

	2013			Rate %	2013			Written down value as at June 30, 2013
	Cost		As at July 01, 2012		Amortisation		As at July 01, 2013	
	As at July 01, 2012	Additions (Rupees)			As at July 01, 2012	For the year (Rupees)		
Computer software	430,659	-	430,659	30	652	128,985	129,637	301,022
	<u>430,659</u>	<u>-</u>	<u>430,659</u>		<u>652</u>	<u>128,985</u>	<u>129,637</u>	<u>301,022</u>

4.3 During the year, alternator of book value having Rs.244,921 has been disposed off. WDV of residual parts of Rs.171,799 represents Modaraba's share of 52.09%.

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
5. LONG-TERM MURABAHA FINANCING - secured		
Considered good	121,833,424	125,546,684
Considered doubtful	2,954,388	2,683,081
Provision for doubtful recoveries	5.1 124,787,812 5.2 (2,954,388)	128,229,765 (2,683,081)
Current portion of long-term murabaha financing	121,833,424 (69,072,116)	125,546,684 (87,348,371)
	<u>52,761,308</u>	<u>38,198,313</u>

5.1 Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges between 17.92% to 21.20% (2013: 21.57%) per annum receivable on agreed terms. These arrangements are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.

5.2 Movement of provision against long-term murabaha financing

Opening balance	2,683,081	3,484,895
Charge for the year	349,804	-
Reversal for the year	(41,140)	(801,814)
	308,664	(801,814)
Written off during the year	(37,357)	-
Closing balance	<u>2,954,388</u>	<u>2,683,081</u>

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
6. LONG-TERM DIMINISHING MUSHARAKA FINANCING - secured			
Considered good		27,150,829	22,200,000
Current portion of long-term diminishing musharaka financing		<u>(13,530,546)</u>	<u>(7,400,000)</u>
		<u>13,620,283</u>	<u>14,800,000</u>

This represents finance provided to individuals under diminishing musharaka arrangement for purchase of hospital building and residential flat and CNG Equipments. The effective profit rates on this arrangement range between 20.16% and 31.21% (2013: 20.75%) per annum and this is repayable on monthly basis over a maximum period of 5 years. The financing is secured by mortgage of properties, hypothecation and personal guarantee of the borrower.

7. MUSHARAKA FINANCING - secured

Musharaka for Fabric	7.1	1,044,000	1,800,000
Musharaka for Garments	7.2	15,618,686	4,340,054
Pacific Distributers	7.3	6,000,000	-
Musharaka for Printing	7.4	3,000,000	-
Musharaka for Generator		-	1,302,250
		25,662,686	7,442,304
Less: Current portion		<u>(15,618,686)</u>	<u>(4,340,054)</u>
		<u>10,044,000</u>	<u>3,102,250</u>

7.1 The Modaraba has entered into a Musharaka arrangement which involves purchase of yarn, its conversion to fabric through a third party weaver and its sale of fabric. As per the agreed terms, Modaraba has become the silent partner in the Musharaka arrangement and musharaka partner is investing clientele, goodwill, human resources etc. and running the day to day affairs of the business. Profit sharing ratio between Modaraba and musharaka partner is 40:60 and loss sharing ratio is 72:28 respectively. The financing is secured by way of mortgage of property.

7.2 The Modaraba has entered into a Musharaka arrangement for the production of High Quality Wrinkle Free Trousers and other Apparel. Under this musharaka arrangement Modaraba has agreed to finance the working capital for purchase of raw material, stitching and processing at different stages of production, whereas Musharaka partner is exclusively responsible for the production and distribution function on consignment basis and will not make any fund based investment. Modaraba can invest upto Rs.12.5 million for the preparation of a single consignment. Moreover, Modaraba can also invest in multiple consignments of maximum amount upto Rs.18.6 million at any given time for production continuity if it deem fit. Profit sharing ratio between Modaraba and musharaka partner is 40:60 respectively. The financing is secured by way of pledge of shares and charge over machinery.

7.3 The Modaraba has entered into a Musharaka arrangement with Pacific Distributors for distribution of food products like milk, biscuits etc. The Modaraba's share of investment is 30% of the total finance required by Pacific Distributors and the profit on investment is shared in the ratio of 30:70 between Modaraba and Pacific Distributors respectively. The financing is secured by way of mortgage of property.

7.4 The Modaraba has signed a Musharaka arrangement with Friends Printers for a High Quality Colour Printing Machine. The profit on the investment is shared between Modaraba and musharaka partner respectively in the ratio of 65:35 in the current year, 55:45 in 2015, 35:65 in 2016 and 0:100 in 2017. The financing is secured by way of mortgage of property.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
8. LOANS TO EMPLOYEES			
Loans to employees		366,668	-
Less: Current portion		<u>(100,000)</u>	<u>-</u>
		<u>266,668</u>	<u>-</u>
<p>This represents profit free loan provided to an employee of Modaraba amounting to Rs.400,000 on February 28, 2014. It is repayable over a period of 4 years. The loan is secured against his Provident Fund.</p>			
9. CASH AND BANK BALANCES			
Cash in hand		77,772	143,542
Cash at banks			
- Current accounts	9.1	10,462,936	7,065,972
- Deposit accounts	9.2	<u>31,090,775</u>	<u>29,910,459</u>
		<u>41,631,483</u>	<u>37,119,973</u>
<p>9.1 This includes balance of Rs.3,722,500 (2013: Rs.105,500) in respect of Redemption Reserve Fund established on account of Certificates of Musharaka.</p> <p>9.2 Effective profit rate in respect of deposit accounts ranges from 3.5% to 5.07% (2013: 3.50% to 7%) per annum.</p>			
10. SHORT-TERM MURABAHA RECEIVABLES - secured			
Considered good		17,892,380	14,398,701
Considered doubtful		<u>31,294</u>	<u>121,774</u>
	10.1	<u>17,923,674</u>	<u>14,520,475</u>
Provision for doubtful recoveries	10.2	<u>(31,294)</u>	<u>(121,774)</u>
		<u>17,892,380</u>	<u>14,398,701</u>
<p>10.1 Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges between 17.92% to 21.20% (2013: 21.57%) per annum receivable on agreed terms. These arrangements are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.</p> <p>10.2 Movement of provision against short-term murabaha receivables</p>			
Opening balance		121,774	66,353
Charge for the year		10,742	55,421
Reversal for the year		<u>(29,822)</u>	<u>-</u>
		(19,080)	55,421
Written off during the year		(71,400)	-
Closing balance		<u>31,294</u>	<u>121,774</u>
11. ADVANCES AGAINST MURABAHA AND MUSHARAKA - secured			
Against murabaha		6,900,080	663,000
Against musharaka		<u>7,500,000</u>	<u>-</u>
		<u>14,400,080</u>	<u>663,000</u>

This represents advance given to parties against murabaha and musharaka arrangements which have not been executed yet. These are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.

		June 30, 2014	June 30, 2013		
		----- (Rupees) -----			
12. ADVANCES, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES - unsecured, considered good					
Advance against purchase of stocks - FPM Solutions		693,282	-		
Advance against expenses		2,955,395	640,108		
Advance salaries		10,003	14,954		
Advance income tax		378,684	271,108		
Advance given to weaving project		3,257,637	938,865		
Advance given to FPM Solution project		2,844,101	-		
Advance given to weaving project partner		949,341	-		
Security deposit		41,672	-		
Prepayments		367,682	337,961		
Other receivables		72,753	120,117		
		<u>11,570,550</u>	<u>2,323,113</u>		
13. CERTIFICATE CAPITAL					
	June 30, 2014	June 30, 2013		June 30, 2014	June 30, 2013
	Number of certificates			----- (Rupees) -----	
			Note		
	<u>25,000,000</u>	25,000,000		<u>250,000,000</u>	250,000,000
			Authorized		
			Modaraba certificates of Rs.10 each		
	<u>6,759,000</u>	6,759,000		<u>67,590,000</u>	67,590,000
			Issued, subscribed and paid-up		
			Modaraba certificates of Rs.10 each fully paid in cash		
	<u>863,333</u>	863,333		<u>8,633,330</u>	8,633,330
			Modaraba certificates of Rs.10 issued for consideration other than cash		
	<u>762,233</u>	-		<u>7,622,333</u>	-
			Bonus certificates of Rs.10 each		
	<u>8,384,566</u>	<u>7,622,333</u>	13.1	<u>83,845,663</u>	<u>76,223,330</u>
13.1	Paramount Investments Limited holds 1,752,967 (2013: 1,653,607) certificates as at June 30, 2014.				
14. CAPITAL RESERVES					
Statutory reserve			14.1	<u>62,528,427</u>	67,673,238
Merger reserve				<u>1,935,160</u>	1,935,160
				<u>64,463,587</u>	<u>69,608,398</u>
14.1	Statutory reserve represents profit set aside to comply with the Prudential Regulations for modarabas 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. During the year, Modaraba transferred 20% (June 30, 2013: 50%) of its after tax profits.				
15. DEFERRED INCOME					
Deferred murabaha income				<u>23,588,670</u>	24,233,491
Deferred diminishing musharaka income				<u>5,969,360</u>	5,739,007
				<u>29,558,030</u>	29,972,498
Less: Current portion				<u>(21,255,754)</u>	(21,549,328)
				<u>8,302,276</u>	<u>8,423,170</u>

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
16. CERTIFICATES OF MUSHARAKA			
Certificates of Musharaka		93,883,424	46,034,965
Less: Current portion		<u>(22,383,271)</u>	<u>(5,722,821)</u>
		<u>71,500,153</u>	<u>40,312,144</u>
<p>These are secured against Redemption Reserve Fund established on account of Certificates of Musharaka. These certificates have different denominations and are repayable within three months to five years. The expected share of profit on these certificates ranges from 9.18 % to 10.38% (2013: 8% to 11.25%) per annum.</p>			
17. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		875,883	167,600
Accrued expenses		453,198	455,290
Audit fee payable		350,000	320,550
Sindh sales tax payable		177,190	282,740
Charity payable	17.1	849,924	120,850
Legal and professional		-	200,000
Liabilities related to generator project		1,266,711	71,783
Payable to Workers' Welfare Fund		2,212,463	1,926,481
Liabilities related to weaving project		2,450,108	1,436,628
Liabilities related to FPM Solution project		4,038,196	-
Others		99,261	445,355
		<u>12,772,934</u>	<u>5,427,277</u>
<p>17.1 This includes Rs.830,533 being Non Shariah compliant profit as per the opinion of Shariah Advisor of Modaraba.</p>			
18. CONTINGENCIES AND COMMITMENTS			
<p>18.1 There is no contingency as at June 30, 2014 other than tax contingency as disclosed in note 25 to the financial statements.</p>			
18.2 Commitments for capital expenditure in respect of:			
Intangible assets - computer software		720,813	867,553
Machinery - generator		-	138,039
		<u>720,813</u>	<u>1,005,592</u>
19. OPERATING INCOME			
Profit on murabaha receivables		22,034,491	24,763,764
Profit on diminishing musharaka		3,673,443	3,814,874
Profit on musharaka projects		2,868,285	-
Trading Income		290,245	-
Rental income	19.1	13,644,086	12,599,451
Income from weaving project	19.2	8,724,130	849,450
Income from FPM Solution	19.3	3,968,074	-
		<u>55,202,754</u>	<u>42,027,539</u>
<p>19.1 This represents income generated from rental business of AL-BURQ Associates representing Modaraba's share of 52.09%.</p>			
<p>19.2 This represents income generated from weaving business of FPM Weaving representing Modaraba's share of 55%.</p>			

19.3 This represents income generated from Project Power solution business of FPM Solutions representing Modaraba's share.

	Note	June 30, 2014	June 30, 2013
----- (Rupees) -----			
20. OPERATING EXPENSES			
Salaries, allowances and benefits	20.1	13,366,571	9,372,338
Electricity, gas and water		3,059,305	590,414
Repairs and maintenance		3,197,205	2,662,035
Insurance		569,284	611,161
Rent, rates and taxes		576,115	400,729
Travelling and entertainment		1,893,281	966,581
Communications		488,367	444,407
Printing and stationery		519,917	460,229
Auditors' remuneration	20.2	450,000	400,000
Legal and professional		403,008	626,000
Fees and subscription		2,067,248	1,629,826
News papers and periodicals		11,840	7,535
Expenses in relation to FPM Solutions		2,990,748	-
Advertisement and publicity		365,271	263,496
Depreciation	4.1	3,081,220	3,564,910
Amortization	4.2	56,849	81,212
Impairment on generator marked for sale	4.3	-	78,881
Commission expense		20,894	129,800
5% charity - AL-BURQ Associates	29.1	335,010	271,844
3% Modaraba's management fee - AL-BURQ Associates	29.1	190,956	154,951
10% Management fee - FPM Weaving unit	29.1	67,317	1,048
15% P.M Group's management fee - AL-BURQ Associates		926,136	751,512
Contractual Management fee - FPM Solutions		40,016	-
Others		952,421	300,028
		35,628,979	23,768,937

20.1 Salaries, allowances and other benefits include Rs.269,837 (2013: Rs.169,964) on account of Modaraba's contribution to the staff provident fund.

The following information is based on un-audited financial statements of the Provident Fund:

Size of the fund - Total assets	2,260,240	1,790,259
Cost of investments made	1,650,000	1,600,000
Percentage of investments made	87%	93%
Fair value of investments	2,260,240	1,790,259
Details of fair value of investments:		
Bank balances	283,171	126,481
Government securities	-	263,778
Debt securities	1,977,069	1,400,000
	2,260,240	1,790,259

Number of employees

The detail of number of employees are as follows:

Average number of employees during the year	Numbers	18	19
Number of employees as at June 30	Numbers	18	21

	June 30, 2014	June 30, 2013
Note	----- (Rupees) -----	
20.2 Auditors' remuneration		
Statutory audit fee	300,000	285,000
Half yearly review fee	100,000	75,000
Certifications	50,000	30,000
Out of pocket expenses	-	10,000
	<u>450,000</u>	<u>400,000</u>
21. OTHER INCOME		
(Loss) / gain on sale of fixed assets - net	(12,079)	492,860
Capital gain on sale of investments	233,711	53,047
Profit on bank deposits	504,275	872,413
Income on modaraba certificates	-	287,173
Modaraba's management fee	366,588	297,468
Rent income On Generator - from Patel Hospital	-	2,698,033
Trading commission	227,531	-
Miscellaneous income	140,523	575,698
	<u>1,460,549</u>	<u>5,276,692</u>
22. FINANCIAL CHARGES		
Profit on murabaha financing	-	-
Profit on certificates of musharaka	16 6,409,986	5,305,946
Bank charges	35,639	31,907
	<u>6,445,625</u>	<u>5,337,853</u>
23. MODARABA COMPANY'S MANAGEMENT FEE		
<p>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 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the year ended June 30, 2014 has been recognised at 10% (2013: 10%) of profit for the year.</p> <p>The Sindh Government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011 effective from November 01, 2011. The Management fee charged to profit and loss account during the year includes General Sales Tax, however, the Modaraba Association of Pakistan (including the Management Company) has filed an appeal before Appellate Tribunal Sindh Revenue Board against the said levy and the matter is pending adjudication.</p>		
24. EARNINGS PER CERTIFICATE		
Profit for the year attributable to certificate holders	<u>12,387,610</u>	<u>16,411,422</u>
	(Number of Certificates)	Restated
Weighted average number of certificates	<u>8,384,566</u>	<u>8,384,566</u>
Earnings per certificate - basic and diluted	<u>1.48</u>	<u>1.96</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.

The number of certificates for the prior year has been adjusted for the effect of bonus certificates issued during the current year. Hence, the figures for the prior year's earnings per certificate have also been restated (refer note 13).

25. TAXATION

Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax of any income, not being income of trading activity derived by a Modaraba, if not less than ninety percent of its total profits in a year, as reduced by the amount transferred to mandatory reserve under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980. The Management Company has distributed sufficient accounting income of the Modaraba (subsequent to reporting date, see note 30) for the year ended June 30, 2014 which meets the requirement of above stated clause.

The income tax department raised tax demand of Rs.3.5 million in tax years 2007 to 2009 by issuing amended orders under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) and treating income from murabaha financing and gain on disposal of fixed assets as trading income for which tax exemption is not available under clause (100) of Part I of Second Schedule to the Ordinance. On appeals filed by the Modaraba, the Commissioner (Appeals) held that the orders issued under section 122(5A) of the Ordinance were illegal and as such he has annulled the orders. The income tax department filed appeal before the Appellate Tribunal Inland Revenue which is pending adjudication. However, the Modaraba is confident of a favourable outcome in the appeals filed by the department before the Appellate Tribunal as well. In view of the tax advisor, the Modaraba has good arguable case and accordingly, based on this opinion, no provision has been made in these financial statements.

26. RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the Management Company, musharaka arrangements, 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:

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Transactions with related parties		
Modaraba's Management Company		
Management fee	1,625,523	2,153,535
Management fee paid during the year	1,174,071	4,886,859
Certificates issued [No. of certificates Nil (June 30, 2013: 111,752)]	-	1,592,466
Right issue subscribed [No. of certificates Nil (June 30, 2013: 355,813)]	-	3,558,130
Musharaka Investors - Generator Project		
Share of profit	5,248,106	4,258,568
Modaraba's management fee	366,588	297,468
Management fee	1,777,954	1,442,718
Musharaka Investors - Weaving Project		
Share of profit	605,855	9,434
Management fee	122,395	1,905
Key Management Personnel		
Chief Executive Officer		
Right issue subscribed Nil (June 30, 2013: 3,600)	-	36,000
Spouse of Chief Executive Officer		
Right issue subscribed Nil (June 30, 2013: 4,050)	-	40,500

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Key Management Personnel		
Chief Financial Officer		
Right issue subscribed Nil (June 30, 2013: 150)	-	1,500
Directors		
Right issue subscribed Nil (June 30, 2013: 13,950)	-	139,500
Spouse of directors		
Right issue subscribed Nil (June 30, 2013: 16,500)	-	165,000
Paramount Investment Limited - Employees Provident Fund		
Contribution to the fund	269,837	169,964
Certificates of musharaka issued	550,000	850,000
Profit paid during the year	117,990	62,742
Balances with related parties		
Modaraba's Management Company		
Balance receivable	11,652	166,065
Musharaka Investors - Generator Project		
Modaraba's management fee receivable	366,588	297,468
Management fee payable	1,777,954	1,442,718
Musharaka Investors - Weaving Project		
Management fee payable	122,395	1,905
Advance given to weaving project	3,257,637	938,865
Key Management Personnel		
Chief Executive Officer		
No. of certificates held Nil (June 30, 2013: 15,600)	-	222,300
Spouse of Chief Executive Officer		
No. of certificates held Nil (June 30, 2013: 17,550)	-	250,088
Chief Financial Officer		
No. of certificates held 715 (June 30, 2013: 650)	10,189	9,263
Directors		
No. of certificates held 90,337 (June 30, 2013: 60,529)	1,287,302	862,538
Spouse of directors		
No. of certificates held 126,237 (June 30, 2013: 71,500)	1,798,877	1,018,875
Paramount Investment Limited - Employees Provident Fund		
Certificates of musharaka	1,400,000	850,000
Accrued profit	6,676	2,605

27. REMUNERATION OF OFFICERS

Remuneration
Short-term employee benefits
Post-employment benefits

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
	3,611,240	3,427,168
	235,974	163,303
	182,712	109,858
	<u>4,029,926</u>	<u>3,700,329</u>
Number of officers	<u>5</u>	<u>5</u>

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

28. FINANCIAL INSTRUMENTS

The objective of the Modaraba's overall financial risk management is to minimize earnings and 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.

The Audit Committee of the Management Company oversees how management monitors compliance with the Modaraba's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba.

28.1 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.

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Bank balances	41,553,711	36,976,431
Investments classified as 'available-for-sale'	-	2,235,421
Current portion of musharaka financing	15,618,686	4,340,054
Long-term murabaha receivables	121,833,424	125,546,684
Short-term murabaha receivables	17,892,380	14,398,701
Long-term diminishing musharaka financing	13,620,283	14,800,000
Advances against murabaha and musharaka	14,400,080	663,000
Advances, deposit and other receivables	3,382,065	1,073,936
Trade debts	3,275,075	1,259,421
Receivable from Modaraba's management company - a related party	11,652	166,065
Long-term deposit	205,428	208,428
	<u>231,792,784</u>	<u>201,668,141</u>

28.1.1 Description of collateral held

The Modaraba holds security in the form of mortgage of properties, hypothecation and pledge of goods and demand promissory notes against murabaha receivables, diminishing musharaka, advance against murabaha and musharaka investments.

28.1.2 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. Details of the industrial sector analysis of Murabaha portfolio are as follows:

	2014		2013	
	(Rupees)	%	(Rupees)	%
Construction material	5,746,160	4.03	13,821,944	9.68
Chemical, fertilizer and pharmaceutical	5,083,887	3.56	5,278,308	3.70
Fuel and energy	5,074,552	3.56	6,271,120	4.39
Food, tobacco and beverages	70,095,413	49.12	58,519,482	40.99
Paper and board	488,589	0.34	949,207	0.66
Steel, engineering and automobiles	912,564	0.64	2,125,400	1.49
Textile and garments	862,635	0.60	1,458,516	1.02
Transportation and communication	32,102,537	22.49	19,163,624	13.42
Others	22,345,139	15.65	35,162,639	24.63
	<u>142,711,476</u>	<u>100.00</u>	<u>142,750,240</u>	<u>100.00</u>

Modaraba's operations are restricted to Pakistan only.

The analysis below summarises the credit quality of the cash at banks by rating category as at June 30, 2014 and June 30, 2013:

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
A1+	21,555,974	17,120,881
A-1+	15,358,981	18,822,208
A1	2,585,164	805,091
AAA	2,042,133	224,916
	<u>41,542,252</u>	<u>36,973,096</u>

Balance placed with State Bank of Pakistan is not exposed to credit Risk.

28.1.3 Aging Analysis of murabaha receivables

	2014			2013		
	Carrying amount		Provision held	Carrying amount		Provision held
	Not impaired	Impaired		Not impaired	Impaired	
Not Past due	94,828,122	-	-	117,040,496	-	-
Past due 0 days - 90 days	27,040,498	-	-	966,614	-	-
Past due 91 days - 1 year	16,548,953	-	-	21,784,711	-	-
Past due 1 year - 2 year	-	1,579,001	334,576	-	232,044	78,479
Past due 2 year - 3 year	-	127,593	63,796	-	243,724	243,724
Past due more than 3 years	-	2,587,309	2,587,309	-	2,482,651	2,482,652
Total	<u>138,417,573</u>	<u>4,293,903</u>	<u>2,985,681</u>	<u>139,791,821</u>	<u>2,958,419</u>	<u>2,804,855</u>

Provision is recognised by the Modaraba as per the requirement given under Modaraba Prudential Regulations.

28.1.4 Diminishing musharaka receivable of Rs.27.15 (2013: Rs.22.20 million) is not past due as at June 30, 2014 and June 30, 2013.

28.2 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:

	2014			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
	----- (Rupees) -----			
Creditors, accrued and other liabilities	12,772,934	10,383,281	10,383,281	-
Current portion of certificates of musharaka	93,883,424	93,883,424	22,383,271	71,500,153
Payable to Modaraba Management				
Company - a related party	-	-	-	-
Unclaimed profit distribution	10,655,434	10,655,434	10,655,434	-
	117,311,792	114,922,139	43,421,986	71,500,153
	2013			
	Carrying amount	Contractual cash flows	upto one year	Maturity after one year and upto three years
	----- (Rupees) -----			
Creditors, accrued and other liabilities	5,427,277	3,218,056	3,218,056	-
Current portion of certificates of musharaka	46,034,965	46,034,965	5,722,821	40,312,144
Payable to Modaraba Management				
Company - a related party	-	-	-	-
Unclaimed profit distribution	9,847,974	9,847,974	9,847,974	-
	61,310,216	59,100,995	18,788,851	40,312,144

28.3 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 profit rate risk associated with the Modaraba's business activities is stated as under:

28.3.1 Profit / 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:

June 30, 2014							
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
(Rupees)							
Financial assets							
Long-term deposit	205,428	-	-	-	-	-	205,428
Investments classified as available-for-sale	-	-	-	-	-	-	-
Musharaka investments	25,662,686	-	-	-	15,618,686	10,044,000	-
Cash and bank balances	41,631,483	31,090,775	-	-	-	-	10,540,708
Murabaha receivable	142,711,486	7,081,491	12,405,681	34,628,682	30,176,367	58,419,255	10
Diminishing musharaka financing	27,150,829	-	-	-	13,530,546	13,620,283	-
Trade debts	3,275,075	1,350,749	2,263,446	-	-	-	(339,120)
Receivable from Modaraba's management company	11,652	-	-	-	-	-	11,652
Advance against murabaha	14,400,080	6,900,000	7,500,080	-	-	-	-
Advance and other receivables	3,382,065	-	-	-	-	-	3,382,065
	<u>258,430,784</u>	<u>46,423,015</u>	<u>22,169,208</u>	<u>34,628,682</u>	<u>69,325,599</u>	<u>82,083,538</u>	<u>13,800,743</u>
Financial liabilities							
Creditors, accrued and other liabilities	5,891,887	-	-	-	-	-	5,891,887
Certificate of Musharaka	93,883,424	2,750,000	1,050,000	8,850,000	4,435,000	74,118,000	2,680,424
Unclaimed profit distribution	10,655,434	-	-	-	-	-	10,655,434
	<u>110,430,745</u>	<u>2,750,000</u>	<u>1,050,000</u>	<u>8,850,000</u>	<u>4,435,000</u>	<u>74,118,000</u>	<u>19,227,745</u>
On balance sheet gap - 2014	<u>148,000,039</u>	<u>43,673,015</u>	<u>21,119,208</u>	<u>25,778,682</u>	<u>54,890,599</u>	<u>7,965,538</u>	<u>(5,427,002)</u>

June 30, 2013							
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
(Rupees)							
Financial assets							
Long-term deposit	13,428	-	-	-	-	-	13,428
Investments classified as available-for-sale	2,235,421	-	-	-	-	-	2,235,421
Musharaka investments	7,442,304	-	1,800,000	5,642,304	-	-	-
Cash and bank balances	37,119,973	29,910,459	-	-	-	-	7,209,514
Murabaha receivable	142,750,240	8,866,467	15,729,353	37,533,777	27,901,768	52,718,875	-
Diminishing musharaka financing	22,200,000	616,667	1,233,333	1,850,000	3,700,000	14,800,000	-
Trade debts	1,023,974	-	-	-	-	-	1,023,974
Receivable from Modaraba's management company	166,065	-	-	-	-	-	166,065
Advance against murabaha	663,000	-	-	-	-	-	663,000
Advance and other receivables	2,085,743	-	-	-	-	-	2,085,743
	<u>215,700,148</u>	<u>39,393,593</u>	<u>18,762,686</u>	<u>45,026,081</u>	<u>31,601,768</u>	<u>67,518,875</u>	<u>13,397,145</u>
Financial liabilities							
Creditors, accrued and other liabilities	3,094,944	-	-	-	-	-	3,094,944
Current portion of certificates of musharaka	45,502,787	1,639,625	800,000	1,405,000	1,346,018	40,312,144	-
Payable to Modaraba Management Company	-	-	-	-	-	-	-
Unclaimed profit distribution	9,847,974	-	-	-	-	-	9,847,974
	<u>58,445,705</u>	<u>1,639,625</u>	<u>800,000</u>	<u>1,405,000</u>	<u>1,346,018</u>	<u>40,312,144</u>	<u>12,942,918</u>
On balance sheet gap - 2013	<u>157,254,443</u>	<u>37,753,968</u>	<u>17,962,686</u>	<u>43,621,081</u>	<u>30,255,750</u>	<u>27,206,731</u>	<u>454,227</u>

Cash flow sensitivity analysis for variable rate instruments

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
As at June 30, 2014		
Cash flow sensitivity - variable rate financial liabilities	(912,030)	912,030
Cash flow sensitivity - variable rate financial assets	310,908	(310,908)
Net effect	(601,122)	601,122
As at June 30, 2013		
Cash flow sensitivity - variable rate financial liabilities	(634,657)	634,657
Cash flow sensitivity - variable rate financial assets	136,169	(136,169)
Net effect	(498,489)	498,489

First Paramount Modaraba

(An Islamic Financial Institution)



29. INFORMATION ABOUT BUSINESS SEGMENTS

29.1 The Modaraba's reportable segments are as follows as per the Modaraba's policy:

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 17 September 2008. Agreement with the investors has been signed. As per the arrangement, the Modaraba has contributed 52.05% 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.

FPM Weaving Musharaka finance

FPM Weaving is engaged in weaving of yarn on overhead basis. Modaraba has started the project during the year with effect from 1 May 2013. Agreement with the investors has not yet been finalized. Modaraba's and musharaka partner's share in fixed assets (weaving machines) is 65:35 and entitle to profit share of 55:45 respectively. Musharaka partner is responsible for the operations/management of weaving under the 3 years licensing agreement and entitle to 10% management fee of net profit in this respect.

FPM Solutions

FPM has started this project for providing power solutions to the Service and Manufacturing Industry and in this reporting period has able to generate a good business relations in the field of Financial sector as well as Manufacturers. The Main activity of this Business Project is to provide Back-up support through UPS Batteries. FPM has plans to increase its Investments in this Projects as many of the Contracts are in pipe line in the Subsequent period.

Financing

Disbursement of murabaha, diminishing musharaka and musharaka finance to individual and corporate clients.

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

29.2 Segment revenue and results

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

Note	2014				2013					
	Generator project		Weaving project		Generator project		Weaving project			
	Total	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share		
Revenue	26,193,293	13,644,086	15,992,055	8,724,130	24,187,850	12,599,451	1,544,455	849,450	28,578,638	42,027,539
Provision / (reversal) for doubtful recoveries	-	-	(289,584)	(289,584)	-	-	-	-	746,393	746,393
Operating expenses	(16,624,229)	(8,656,926)	(14,780,285)	(8,118,212)	(17,255,388)	(8,968,316)	(1,527,303)	(840,017)	(13,940,604)	(23,788,837)
Other operating income	517,646	269,642	-	-	1,262,028	657,390	-	-	4,619,302	5,276,692
Operating (loss) / profit	10,066,610	5,253,802	1,191,670	605,919	94,856	14,790,153	20,744,740	17,152	20,003,729	24,281,687
Finance costs	(10,936)	(5,666)	(116)	(64)	(18,116)	(9,957)	-	-	(5,327,896)	(5,337,853)
Provision for Workers' Welfare Fund	10,075,074	5,246,106	1,191,554	605,855	8,175,404	4,258,568	14,299,115	17,152	14,875,830	18,943,804
Modaraba company's management fee	(201,501)	(104,962)	(22,031)	(12,117)	(163,508)	(85,171)	(285,882)	(343)	(293,517)	(378,877)
Profit for the year	(1,145,334)	(596,605)	(135,235)	(68,874)	7,082,516	3,669,283	12,387,610	14,869	12,713,967	16,411,422
29.2.1 Revenue	26,193,293	13,644,086	15,992,055	8,724,130	24,187,850	12,599,451	1,544,455	849,450	28,578,638	42,027,539
Rental income	-	-	-	-	-	-	13,644,086	-	-	12,599,451
Weaving income	-	-	15,992,055	8,724,130	-	-	6,724,130	-	-	849,450
FPM Solutions income	-	-	-	-	-	-	3,968,074	-	-	-
Profit on murabaha finance	-	-	-	-	-	-	-	-	-	-
Profit on diminishing musharaka finance	-	-	22,034,491	22,034,491	-	-	-	-	24,763,764	24,763,764
Profit from Musharaka Projects	-	-	3,673,443	3,673,443	-	-	-	-	3,614,874	3,614,874
Trading Income	-	-	2,883,285	2,883,285	-	-	-	-	-	-
	-	-	290,244	290,244	-	-	-	-	-	-
	26,193,293	13,644,086	15,992,055	8,724,130	24,187,850	12,599,451	1,544,455	849,450	28,578,638	42,027,539

2013

2014

Note	2014				2013								
	Generator project		Wearing project		Generator project		Modaraba's						
	Total	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share					
29.2.2 Operating expenses													
Salaries, allowances and benefits	4,469,220	2,328,017	4,549,451	2,497,246	684,985	7,655,321	13,366,571	4,403,448	2,293,756	560,565	308,311	6,770,271	9,372,338
Electricity, gas and water	137,965	71,866	4,567,462	2,508,604	-	476,635	3,959,305	160,834	83,778	252,984	161,141	345,494	590,413
Repairs and maintenance	3,180,187	1,656,559	2,441,369	1,342,764	13,250	162,617	3,195,190	4,004,379	2,294,241	113,595	62,477	305,317	2,662,035
Insurance	601,130	315,129	108,500	59,675	-	196,478	569,282	741,917	386,465	-	-	224,896	611,161
Rent, rates and taxes	250,465	130,462	525,675	289,121	44,462	112,070	676,115	468,000	243,781	86,000	47,300	109,648	400,729
Travelling and entertainment	985,340	513,264	526,994	289,847	21,483	985,122	1,813,715	734,593	382,649	61,600	33,880	550,052	966,591
Communications	79,335	41,326	23,085	12,997	41,377	392,966	489,367	63,485	33,075	-	-	411,332	444,407
Printing and stationery	112,201	58,446	23,392	12,866	8,660	439,946	519,917	69,143	38,017	61,887	33,928	390,285	460,230
Auditors' remuneration	-	-	-	-	-	450,000	450,000	-	-	-	-	400,000	400,000
Legal and professional	62,800	32,608	5,000	2,750	-	439,250	465,608	-	-	-	-	626,000	626,000
Fees and subscription	-	-	2,000	1,100	-	2,000,548	2,004,648	60,000	31,254	-	-	1,598,572	1,629,826
News papers and periodicals	-	-	-	-	-	11,840	11,840	-	-	-	-	-	7,535
Other expenses	512,780	287,107	495,644	273,154	2,890,748	514,635	4,045,644	55,705	29,017	10,050	5,328	265,483	300,028
Advertisement and publicity	240,489	125,271	-	-	20,000	230,000	365,271	291,795	151,996	-	-	111,500	263,486
Depreciation	3,205,547	1,669,769	1,383,398	760,969	8,237	642,345	3,091,220	3,388,556	1,785,099	102,916	56,604	1,743,207	3,564,910
Amortisation	-	-	-	-	-	55,849	55,849	-	-	-	-	81,212	81,212
Impairment on generator marked for sale	-	-	-	-	-	-	-	151,433	78,881	-	-	-	78,881
Commission expense	-	-	-	-	-	-	-	-	-	236,000	129,800	-	129,800
5% charity	643,138	335,010	-	-	-	335,010	335,010	521,873	271,844	-	-	271,844	271,844
3% Modaraba's management fee	366,588	190,956	-	-	-	190,956	190,956	297,468	154,951	-	-	-	154,951
10% Management fee	-	-	122,395	67,317	40,016	-	107,333	-	-	1,906	1,048	-	1,048
15% P.M Group's management fee	1,777,954	926,136	-	-	-	926,136	-	1,442,718	751,512	-	-	-	751,512
29.2.3 Other income	16,624,929	8,659,926	14,760,385	8,118,212	3,873,218	14,977,623	35,628,979	17,255,358	8,988,316	1,527,303	840,017	13,940,604	23,768,937
Gain / (loss) on sale of fixed assets	(23,189)	(12,079)	-	-	-	-	(12,079)	320,403	166,898	-	-	325,962	492,860
Capital gain on sale of investment	-	-	-	-	-	233,711	233,711	-	-	-	-	53,047	53,047
Profit on bank deposits	-	-	-	-	-	504,275	504,275	-	-	-	-	872,413	872,413
Income on modaraba certificates	-	-	-	-	-	366,588	366,588	-	-	-	-	287,173	287,173
Modaraba's management fee	436,804	227,531	-	-	-	227,531	-	941,625	490,492	-	-	2,698,033	2,698,033
Trading commission	104,031	54,190	-	-	-	86,333	140,533	-	-	-	-	85,206	575,688
Miscellaneous income	517,646	289,642	-	-	-	1,190,907	1,480,549	1,262,028	657,390	-	-	4,619,302	5,276,692
29.2.4 Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit in Murabaha	-	-	-	-	-	-	-	-	-	-	-	5,305,946	5,305,946
Profit on Musharaka	10,936	5,696	116	64	1,485	28,394	35,639	19,116	9,957	-	-	21,950	31,907
Bank charges	10,936	5,696	116	64	1,485	6,438,380	6,445,625	19,116	9,957	-	-	5,327,896	5,327,853
29.2.5 Revenue reported in above segments generated from external customers.													
29.2.6 The accounting policies of the reportable segments are the same as the Modaraba's accounting policies described in note 3 to these financial statements.													
29.2.7 Revenue from major services includes revenue from murabaha financing to individuals and group of customers which approximates 90% of the total revenue from murabaha.													
29.2.8 The Modaraba operates in Pakistan only.													

29.2.9 Segment assets and liabilities

	2014				2013							
	Generator project		Weaving project		Generator project		Weaving project					
	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share	Total				
Segment assets	63,986,348	33,330,489	31,586,257	20,531,067	272,500,291	325,361,847	61,407,146	31,986,982	26,212,340	17,038,021	217,879,083	266,954,068
Segment liabilities	2,431,774	1,265,711	3,769,397	2,450,108	143,153,003	146,869,822	2,757,973	1,436,628	110,435	71,783	89,774,303	91,282,714

29.2.10 For the purpose of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments.

29.2.11 Other segment information

	2014				2013							
	Generator project		Weaving project		Generator project		Weaving project					
	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share	Total				
Capital expenditure - net	14,212,900	7,403,500	3,600,871	2,340,566	1,615,317	11,359,383	17,251,740	8,986,431	23,404,920	12,872,705	2,222,437	24,081,574
Depreciation, amortisation and impairment	3,205,547	1,669,769	1,363,398	899,208	699,194	3,268,171	3,539,989	1,843,980	102,916	56,604	1,824,419	3,725,003
Non-cash items (excluding depreciation and amortisation)	(23,189)	(12,079)	-	-	(297,066)	(309,145)	320,403	166,898	-	-	1,072,355	1,239,253

30. FAIR VALUE OF INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date. The Modaraba holds investment in mutual fund that is based on quoted market prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short-term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). The investments classified as available for sale is categorised in this level and is stated in note 7 to these financial statements.
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2). There are no items to report therein as on June 30, 2014.
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). There are no items to report therein as on June 30, 2014.

31. 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 / right certificates. The Modaraba is not exposed to external capital requirements.

32. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on October 03rd 2014 have proposed a final profit distribution of Rs. 1.30 per certificate (2013: Rs.1.10 Cash Dividend and 10% Bonus per certificate), amounting to Rs.8,384,566 (June 30, 2013: Rs.7,622,333) for the year ended June 30, 2014.

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **October 03rd 2014**

Chief Executive

Director

Director

Pattern of Shareholding

As On 30/06/2014

NO. OF SHAREHOLDERS	<--- HAVING SHARES --->		SHARES HELD	PERCENTAGE
	From	To		
201	1	100	6893	0.0822
124	101	500	31063	0.3705
222	501	1000	133176	1.5883
450	1001	5000	828761	9.8844
76	5001	10000	547648	6.5316
50	10001	15000	602625	7.1873
18	15001	20000	312938	3.7323
14	20001	25000	315616	3.7642
7	25001	30000	196020	2.3379
3	30001	35000	95629	1.1405
7	35001	40000	257485	3.0709
2	40001	45000	83941	1.0011
4	45001	50000	190080	2.2670
7	50001	55000	368511	4.3951
3	55001	60000	170885	2.0381
3	60001	65000	185185	2.2086
1	70001	75000	73150	0.8724
3	75001	80000	235598	2.8099
1	90001	95000	90200	1.0758
1	95001	100000	95700	1.1414
1	100001	105000	104461	1.2459
1	115001	120000	117260	1.3985
3	120001	125000	365478	4.3589
1	130001	135000	132275	1.5776
1	175001	180000	176444	2.1044
1	235001	240000	235950	2.8141
2	295001	300000	594972	7.0960
1	405001	410000	406621	4.8496
1	1425001	1430000	1430000	17.0551
1209		Company Total	8384565	100.0000

Category of Shareholders

As On 30/06/2014

Particulrs	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	3	90805	1.0830
ASSOCIATED COMPANIES	4	1752967	20.9071
BANKS, DFI & NBF1	1	23	0.0003
MODARABAS & MUTUAL FUNDS	1	406621	4.8496
GENERAL PUBLIC (LOCAL)	1177	5768259	68.7962
GENERAL PUBLIC (FORIEGN)	16	237127	2.8281
OTHERS	7	128763	1.5357
Company Total	1209	8384565	100.0000

Folio No	Name	Code	Balance Held	Percentage
00000001706	MR. TANWEER AHMED MAGOON	001	60775	0.7248
003277012650	ABDUL GHAFFAR UMER KAPADIA	001	17160	0.2047
006452006610	MOHAMMAD HUSSAIN MEHANTI	001	12870	0.1535
000000000001	PARAMOUNT INVESTMENTS LIMITED	002	23595	0.2814
00000001963	PARAMOUNT INVESTMENT LIMITED	002	122928	1.4661
00000008004	PARAMOUNT INVESTMENTS LIMITED	002	176444	2.1044
003277071155	PARAMOUNT INVESTMENTS LIMITED	002	1430000	17.0551
003889000028	NATIONAL BANK OF PAKISTAN	004	23	0.0003
000009900005	FIRST NATIONAL MODARABA	006	406621	4.8496
00000001344	SUBLIME SPORTS (PVT) LTD.	010	121000	1.4431
00000008403	M/S. EASTERN COMMERCIAL CORPORATION (PVT.) LTD.	010	1057	0.0126
003277078335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	010	3854	0.0460
003277082127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	010	135	0.0016
003525057191	SARFRAZ MAHMOOD (PRIVATE) LTD	010	5	0.0001
006916000020	PASHA SECURITIES (PVT) LTD.	010	182	0.0022
014241000022	FIKREE S (SMC-PVT) LTD.	010	2530	0.0302

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 15th Annual Review Meeting of Certificate holders of First Paramount Modaraba will be held on October 31st 2014. At 09.30 am at SUITE NO: 201 2nd Floor PECHS Community office Complex, Block-2, PECHS Karachi, to review the performance of the Modaraba for the Year ended June 30, 2014.

The certificate holders whose names appear on the register of Certificate – Holders of FPM as on October 23rd 2014 will be eligible to attend the Annual Review Meeting.

By Order of the Board
Company secretary

KARACHI

Dated: October 03rd 2014.

DIVIDEND and BONUS

The Modaraba Certificates transfer books remain closed from October 24th 2014 to October 31st 2014 (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 October 23rd 2014 will be treated in time for the entitlement of Cash Dividends and Bonus.

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., Second floor State Life Building No. 3, Dr Ziauddin Ahmed Road, Karachi Tele: No: 111-000-322 Fax: 356555595.

BOOK POST
Printed Matter

Under Postal Certificate

First Paramount Modaraba
(An Islamic Financial Institution)

REGISTERED OFFICE

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