

First Paramount Modaraba

(An Islamic Financial Institution)
Managed by: Paramount Investments Limited



ANNUAL REPORT | 2016

For Long Term 'BBB' For Short Term A-3
Out Look - Positive
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 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 Frist 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 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. Nadeem Iqbal	Director
Mr. Pir Muhammad Kalia	Director
Mr. Abdul Razzak Jandga	Director
Mr. Humayun Mazhar Qureshi	Director
Mr. Khalid Rehman	Director

AUDIT COMMITTEE

Mr. Nadeem Iqbal	Chairman
Mr. Pir Muhammad Kalia	Member
Mr. Humayun Mazhar Qureshi	Member

HUMAN RESOURCE COMMITTEE

Mr. Tanveer Ahmed Magoon	Chairman
Mr. Pir Muhammad Kalia	Member
Mr. Nadeem Iqbal	Member
Mr. Syed Wajih Hassan	Member

CHIEF FINANCIAL OFFICER / COMPANY SECRETARY

Mr. Abdullah Khan

SHARIAH ADVISOR

Mufti Muhammad Farhan Farooq

SHARIAH CONSULTANT

Mufti Muhammad Najeeb Khan

CREDIT RATING

Long term **BBB**

Short Term **A-3**

Out Look **Positive**

By JCR Credit Rating Company

AUDITORS OF THE MODARABA

M/s Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

AUDITORS OF THE MODARABA COMPANY

M/s Rahim Jan & Co.
Chartered Accountants

LEGAL ADVISOR

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, Shahrah-e-Quaiden, Karachi.
Phone: 34381037-38-52 & 34381101. Fax: 34534410
E-mail: fpm@cyber.net.pk and info@fpm.com.pk
Web: www.fpm.com.pk

LAHORE BRANCH OFFICE

Office No: 3, 2nd Floor, Sindho Trade Centre 19,
Commercial Zone, Moon Market, Allama Iqbal Town,
Lahore, Pakistan. Telephone No. 0092 42 37807686

SHARE REGISTRAR

THK ASSOCIATES (PVT) LTD.
Second 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

Alhamdulillah Modaraba has performed better during the year ended on 30th June 2016, compared to last year. For the year net profits of Modaraba are PKR 13,040,109/-, which is 28% ahead of last year's performance i.e. PKR 10,153,667/-. This increase in net profits of Modaraba is owing mainly to the improved performance of Morabaha finance and Modaraba's in-house projects i.e. FPM Solutions and FPM Petro services. Management's continuous check on its operating costs has also played a role in the increased profits.

Modaraba's management is committed to its resolve for investing in ventures having participatory terms of sharing profits. This is one area where Modarabas are not in direct competition with any other financial institution, and therefore has an opportunity to earn healthy returns on its investments and to build a niche.

Past 11 years' performance is presented on page no. 08, which Alhamdo lillah highlights the dedication and commitment of the Members of the Board and Management in successfully running the affairs of Modaraba. Since 1997-98 Modaraba has uninterruptedly given dividends to its shareholders every year – a feat accomplished by few organizations in the country.

Disinvestment from Weaving project and Al-Akhuwwat Group – two Musharka ventures of Modaraba, is also in process now. Since these were the ailing units and contributing losses, this disinvestment will Insha Allah contribute in enhancing yields in overall investments of Modaraba. In financials of Modaraba, Weaving Unit's results and its operations are reflected separately as "Discontinued Operations".

Meanwhile, Modaraba has made significant improvements in its operations also. Most of the functions in Modaraba are now automated. Management of Modaraba is confident that by end of next financial year, Modaraba will have a fully functional automated working environment. This surely will reflect positively on overall control environment and efficiency & accuracy of the transactions and processes within Modaraba.

Potentials of Growth in Profits in the Financial Year 2016-17:

For further increase in profits and extending better Dividends to its shareholders, Management of Modaraba is determined to grow its Balance Sheet by attracting deposits via COM – Certificate of Musharka, and enhancing its equity base. Subject to the approval of SECP, Modaraba has plans for raising further Capital through Right Share Issue in the near future. Additional liquidity would allow Modaraba to stimulate its investments in profitable ventures and also to finance new profitable ventures.

Modaraba's investments in the in-house ventures are now at matured stage. These are likely to earn more revenues in the financial year 2016-17 and consequently would make significant impact on next year's EPS.

During the year, one of the Director completed a session of Directors' Training Program as per the terms of section (xi) of the Code of Corporate Governance conducted by The Institute of Chartered Accountants of Pakistan (ICAP).

The detail of Shareholding of Associated Companies, Directors and their spouse(s) has been disclosed in Note No. 30, Related Party Transactions and category of shareholders as mentioned in Annual Report.

Modaraba has made all statutory payments during the financial year 2015-16 and proper provision has been made in accordance with the accounting policies and accounting standards.

The value of investment in Provident Fund is disclosed in disclosure 24.2.

Financial Results:

Financial results are summarized as under:

	Year ended 30 June, 2016 Amount in Rupees	Year ended 30 th June, 2015 (Amount in Rupees)
Profit after Taxation	13,040,109	10,153,667
Add: Unappropriated profit/(loss) brought forward	18,813,829	20,282,839
Profit available for appropriation	31,853,938	30,436,506
APPROPRIATIONS		
Profit distribution @ 7.5% (2015 @8%)	10,341,312	(9,591,944)
Statutory reserve 20% (2015 @20%)	(2,608,022)	(2,030,733)
Unappropriated profit carried forward	18,904,604	18,813,829
EPS	1.01	1.02

Dividend:

The Board, in its meeting held on October 06, 2015, has approved the distribution of profit of Rs. 0.75 (07.5%) per certificate (2015: Rs.0.80 i.e 08%) of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2016.

An amount of Rs. 2.60 million has been transferred to statutory reserve in compliance with the Prudential Regulations for Modarabas which require that not less than 20% of the Modaraba's after tax profit be transferred to such reserve till such time as the reserve equals 100% of the paid-up capital.

Compliance with Code of Corporate Governance

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- The financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- The Modaraba is financially sound and there is no reason whatsoever to doubt its ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulation of the Stock Exchange(s) and;

- h) During the year under review, eleven (10) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	Meetings Eligibility	Meeting Attended
Mr. Tanveer Ahmed Magoon, Chairman	10	10
Syed Wajih Hassan, Chief Executive	10	10
Mr. Pir Muhammad Kalia, Director	10	08
Mr. Abdul Razzak Jandga, Director	10	10
Mr. Nadeem Iqbal, Independent Director	10	09
Mr. Humayun Mazhar Qureshi, Director	10	07
Mr. Khalid Rehman, Director	10	07

- i) During the year, four (04) meetings of the Audit Committee were held. Attendance by each member was as follows:

	Meetings Eligibility	Meeting Attended
Mr. Nadeem Iqbal (Chairman)	4	3
Mr. Pir Muhammad Kalia, Director	4	4
Syed Wajih Hassan, Chief Executive	4	4
Mr. Humayun Mazhar Qureshi, Director	4	3

On the recommendation of the Audit Committee, the Board has approved the appointment of the auditors M/s. Deloitte Yousuf Adil, Chartered Accountants as auditors for the year ending June 30, 2017 subject to approval by the Registrar Modaraba Companies and Modarabas.

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

Karachi
Date: October 06th 2016

Syed Wajih Hassan
Chief Executive Officer

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	2014-2015	2015-2016
	Audited	Audited	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	119,899,298	137,884,193
Certificate Holders Equity	79,930,727	83,746,663	103,047,210	108,956,943	118,945,865	126,764,062	144,005,903	153,804,949	175,671,354	179,492,026	206,414,825	209,862,990
Current Liabilities	21,567,497	19,530,297	45,489,658	78,898,671	92,633,029	103,622,723	61,613,599	42,062,560	42,547,400	61,773,184	88,724,801	89,490,384
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	141,575,613	233,436,683	294,677,925
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	55,644,542	34,152,161
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	183,981,874	283,868,931	373,088,207
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	321,067,638	439,851,508	504,540,915
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	11,473,070	14,734,586
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	10,153,667	13,040,109
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	10,153,667	13,040,109
Dividend	13.5%	15.0%	11.0%	14.0%	15.0%	18.0%	23.5%	23.5%	11.0%	13.0%	8.0%	7.5%
Bonus Certificate	0%	0%	0%	0%	0%	0%	0%	0%	10.0%	10.0%	15.0%	0%
Earning per Certificate	1.66	2.00	1.43	2.11	3.09	2.85	4.74	4.02	2.20	1.48	1.02	0.95
Break-up Value	13.63	14.28	17.57	18.58	20.27	21.62	24.56	26.23	23.05	21.41	17.22	15.22

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of corporate governance (the "Code") contained in Regulation No.5.19.23 of the Rule Book of the Pakistan Stock Exchange Limited 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 non-executive directors on its Board of Directors. Presently, the Board comprises of:

Category	Names
Executive Directors	Mr. Syed Wajih Hassan
Non-Executive Directors	Mr. Tanveer Ahmed Magoon Mr. Pir Muhammad Kalia Mr. Abdul Razzak Jangda Mr. Humayun Mazhar Qureshi Mr. Khalid Rehman Mr. Nadeem Iqbal*

*Mr. Nadeem Iqbal was elected as Independent Director. However, Securities and Exchange Commission of Pakistan (SECP) in its Inquiry Report, issued to the Management Company mentioned that he could not be viewed as an Independent Director because of the reasons stated therein. The Management Company will now comply to appoint an independent director by 31st October, 2016 on the date of Election of Directors.

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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
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. The management is in the process of compiling a record of particulars of significant policies along with the dates on which they were amended.

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, other executives and non-executive directors, 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 including the meetings held once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated amongst the directors, however, there were three instances where less than seven days notice was given the Directors. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one training program for its directors during the year.
10. No new appointments were made during the period in the office of CFO and Company Secretary.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
13. The 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. In the absences of an Independent Director (see clause 1), all the members of Audit Committee are non-executive directors.
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 except for
 - ☒ the level of materiality was not determined by the Board;
 - ☒ Roles and responsibilities of the Chairman and Chief Executive Officer was not defined by the Board in light of the requirements of the Code; and
 - ☒ Although Internal control manual for certain major functions of Modaraba are in place, however, Modaraba is in process of compiling a comprehensive volume of Internal Control manuals.

Syed Wajih Hassan
Chief Executive Officer

Dated: October 06th, 2016

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 2016** prepared by the Board of Directors of Paramount Investments Limited (the Management Company) of **First Paramount Modaraba** (the Modaraba) to comply with the requirements of Regulation No. 5.19.23 of Rule Book of Pakistan Stock Exchange Limited where the Modaraba is listed.

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 2016.

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
1	No Independent Director on the Board.
6	No record of particulars of significant accounting policies of the Modaraba is currently maintained.
8	Three notices of the Board meetings were not circulated within the prescribed time.
15	The Audit Committee currently does not have an Independent Director.
23	The level of materiality was not determined by the Board
23	Roles and responsibilities of the Chairman and Chief Executive Officer is not defined by the Board.
23	Although Internal control manuals for certain major functions are in place, the management is in process of compiling a comprehensive volume of internal control manual.

Chartered Accountants
Karachi
Date: 06th October, 2016

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Paramount Modaraba** (the Modaraba) as at **30 June 2016** 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 except for the changes as stated in note 2.4 with which we concur;
 - (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 30 June 2016 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.

We draw attention to notes 24.1 and 24.3 to the financial statements which explain the non-compliances with Rule 16(1) of the Modaraba Rules and Regulation 9(3) of Part IV of the Prudential Regulations for Modarabas respectively.

Our opinion is not modified in respect of these matters.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 06th October, 2016

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 2016, 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)
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: September 30, 2016


Mufti Muhammad Farhan Farooq
Shariah Advisor
of First Paramount Modaraba
Managed By Paramount Investments Limited


Mufti Muhammad Najeem Khan
Shariah Consultant
of First Paramount Modaraba
Managed By Paramount Investments Limited

**FIRST PARAMOUNT MODARABA
BALANCE SHEET
AS AT JUNE 30, 2016**

	Note	June 30, 2016 ----- (Rupees) -----	June 30, 2015 -----
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	4	34,152,161	55,644,542
Long-term murabaha financing	5	57,468,260	44,861,168
Long-term diminishing musharaka financing	6	5,319,835	7,102,591
Long-term musharaka financing	7	15,000,000	47,544,000
Loans to employees	8	168,346	265,676
Long-term deposits		396,500	564,600
		112,505,102	155,982,577
CURRENT ASSETS			
Cash and bank balances	9	45,581,132	51,480,921
Current portion of musharaka financing		37,857,597	18,173,532
Short-term modaraba financing	10	9,000,000	-
Current portion of modaraba financing	11	16,326,000	19,614,000
Current portion of long-term murabaha financing		111,180,020	75,618,533
Current portion of long-term diminishing musharaka financing		5,138,811	15,220,414
Current portion of loans to employees		279,996	231,996
Short-term murabaha receivables	12	32,922,950	50,523,189
Advances against murabaha and musharaka	13	3,960,080	21,000,080
Stores and spares		4,344,792	1,660,585
Trade debts	14	76,803,895	18,473,752
Accrued profit		1,665,524	53,591
Advances, deposits, prepayments and other receivables	15	24,972,562	10,618,569
Advance income tax		3,054,848	1,199,769
		373,088,207	283,868,931
Assets classified as held for disposal	16	18,947,606	-
		392,035,813	283,868,931
TOTAL ASSETS			
		504,540,915	439,851,508
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital			
Authorised			
25,000,000 (2015: 25,000,000) certificates of Rs.10 each		250,000,000	250,000,000
Issued, subscribed and paid-up	17	137,884,193	119,899,298
Capital reserves	18	42,732,881	58,109,754
Unappropriated profit		29,245,916	28,405,773
Total certificate holders' equity		209,862,990	206,414,825
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred income	19	11,842,010	9,043,095
Certificates of musharaka	20	190,676,006	135,668,787
		202,518,016	144,711,882
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	21	17,997,842	17,489,004
Current portion of certificates of musharaka		37,065,000	39,708,629
Current portion of deferred income	19	20,820,957	18,635,914
Payable to Modaraba's management company - a related party		928,277	1,107,751
Unclaimed profit distributions		12,678,308	11,783,503
		89,490,384	88,724,801
Liabilities associated with assets classified as held for disposal	16	2,669,525	-
		92,159,909	88,724,801
TOTAL LIABILITIES			
		294,677,925	233,436,683
TOTAL EQUITY AND LIABILITIES			
		504,540,915	439,851,508
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	June 30, 2016 ----- (Rupees) -----	June 30, 2015
<u>Continuing operations</u>			
Operating income	23	134,494,332	72,541,181
Operating costs			
Operating expenses	24	114,244,545	50,088,018
Loss on sale of fixed assets - net		1,321,757	510,040
(Reversal of provision) / provision for doubtful debts		(469,783)	262,661
		(115,096,519)	(50,860,719)
		19,397,813	21,680,462
Other income	25	13,215,665	3,900,349
		32,613,478	25,580,811
Financial charges	26	(16,706,762)	(13,210,357)
Provision for Workers' Welfare Fund		(300,706)	(234,144)
		15,606,010	12,136,310
Modaraba company's management fee	27	(1,694,477)	(1,319,403)
Profit before tax from continuing operations		13,911,533	10,816,907
Taxation	28	-	-
Profit from continuing operations		13,911,533	10,816,907
<u>Discontinued operation</u>			
Loss from discontinued operation	16	(871,424)	(663,240)
Profit for the year		13,040,109	10,153,667
Earnings / (loss) per certificate - basic and diluted			
from continuing operations	29	1.01	0.78
from discontinued operation		(0.06)	(0.05)

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2016**

	June 30, 2016	June 30, 2015
	----- (Rupees) -----	
Profit for the year	13,040,109	10,153,667
Other comprehensive income	-	-
Total comprehensive income for the year	<u>13,040,109</u>	<u>10,153,667</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

 Chief Executive

 Director

 Director

**FIRST PARAMOUNT MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

Note	June 30, 2016 ----- (Rupees) -----	June 30, 2015 -----
Profit before tax	13,040,109	10,153,667
Adjustments for:		
Depreciation on tangible fixed assets	2,829,590	3,328,625
Amortisation on intangible assets	453,343	174,751
Provision for Workers' Welfare Fund	300,706	234,144
Financial charges	16,706,762	13,210,357
(Reversal of provision) / provision for doubtful debts	(469,783)	262,661
Loss on sale of fixed assets - net	1,321,757	510,040
Operating profit before working capital changes	<u>34,182,484</u>	<u>27,874,245</u>
(Increase) / decrease in assets		
Murabaha receivables - net	(23,452,558)	(31,156,019)
Diminishing musharaka receivables - net	10,202,318	2,565,075
Stores and spares	(2,820,706)	(113,793)
Long-term deposits	(112,700)	(359,172)
Trade debts	(61,266,004)	(14,773,696)
Receivable from Modaraba's management company - a related party	-	11,652
Advances, deposit, prepayments and other receivables	(16,288,780)	(4,703,765)
Advance income tax	(2,049,567)	(821,085)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	2,877,710	9,776,135
Payable to Modaraba Management Company	(179,474)	1,107,751
Net cash out flows from operations	<u>(58,907,277)</u>	<u>(10,592,672)</u>
Financial charges paid	<u>(16,706,762)</u>	<u>(13,210,357)</u>
Net cash used in operating activities	<u>(75,614,039)</u>	<u>(23,803,029)</u>
Cash flows from investing activities		
Musharaka arrangements	12,859,935	(59,668,846)
Modaraba arrangements	(5,712,000)	-
Advances against murabaha and musharaka	17,040,000	(6,600,000)
Capital expenditure including capital work-in-progress	(980,917)	(7,649,337)
Proceeds from sale of operating assets	2,855,030	8,179,456
Net cash inflow from / (used in) investing activities	<u>26,062,048</u>	<u>(65,738,727)</u>
Cash flows from financing activities		
Musharaka financing - net	52,363,590	81,493,992
Proceeds from right issue	-	27,669,069
Profit distributed	(8,697,139)	(9,771,867)
Net cash inflow from financing activities	<u>43,666,451</u>	<u>99,391,194</u>
Net (decrease) / increase in cash and cash equivalents	<u>(5,885,540)</u>	<u>9,849,438</u>
Cash and cash equivalents at beginning of the year	<u>51,480,921</u>	<u>41,631,483</u>
Cash and cash equivalents at end of the year	<u>9.3</u> <u>45,595,381</u>	<u>51,480,921</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016**

Certificate Capital	Reserves			Total Reserve	Total equity	
	Capital reserve	Revenue reserve				
	Merger reserve	Statutory reserve	Unappropriated profit			
(Rupees)						
Balance as at July 01, 2014	83,845,663	1,935,160	62,528,427	31,182,775	95,646,362	179,492,025
Transactions with owners recorded directly in equity:						
Profit distribution for the year ended June 30, 2014 @ Rs.1.3 per certificate	-	-	-	(10,899,936)	(10,899,936)	(10,899,936)
Issuance of right certificates of Rs.10 each	27,669,069	-	-	-	-	27,669,069
Issuance of Bonus certificates @ 10%	8,384,566	-	(8,384,566)	-	(8,384,566)	-
Total comprehensive income for the year						
Profit for the year	-	-	-	10,153,667	10,153,667	10,153,667
Other comprehensive income	-	-	-	-	-	-
				10,153,667	10,153,667	10,153,667
Transferred to statutory reserve @ 20%	-	-	2,030,733	(2,030,733)	-	-
Balance as at June 30, 2015	119,899,298	1,935,160	56,174,594	28,405,773	86,515,527	206,414,825
Transactions with owners recorded directly in equity:						
Profit distribution for the year ended June 30, 2015 @ Rs.0.80 per certificate	-	-	-	(9,591,944)	(9,591,944)	(9,591,944)
Issuance of Bonus certificates @ 15%	17,984,895	-	(17,984,895)	-	(17,984,895)	-
Total comprehensive income for the year						
Profit for the year	-	-	-	13,040,109	13,040,109	13,040,109
Other comprehensive income	-	-	-	-	-	-
				13,040,109	13,040,109	13,040,109
Transferred to statutory reserve @ 20% (refer note 18.1)	-	-	2,608,022	(2,608,022)	-	-
Balance as at June 30, 2016	137,884,193	1,935,160	40,797,721	29,245,916	71,978,797	209,862,990

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 Pakistan Stock Exchange (formerly Karachi and Islamabad Stock Exchange). 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 ventures are (A) Generator rental and sale project under the name "AL-BURQ Associates", (B) Weaving business under the name of "FPM Weaving" (C) Electrical maintenance and troubleshooting services' business under the name of "FPM Solutions" and (D) Chemical business under the name of "FPM Petro Services".

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 (IFAS) 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, Modaraba Companies and Modaraba Rules, 1981 and Islamic Financial Accounting Standards (IFAS) or the directives issued by the Securities and Exchange Commission of Pakistan 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.

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 Standards, Interpretations and Amendments

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements
 IFRS 11 – Joint Arrangements
 IFRS 12 – Disclosure of Interests in Other Entities
 IFRS 13 – Fair Value Measurement

The adoption of the above accounting standards did not have any material effect on the financial statements.

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IFRS 7 – Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 – Property, Plant and Equipment IAS 41 Agriculture – Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

The above standards and amendments are not expected to have any material impact on the Modaraba's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

Further, 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, 2018
IFRS 16 – Leases	January 01, 2019

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 debts and impairment (note 3.21, 3.16.1 and 5.2)
- ii) Estimation of useful lives of machinery and equipment (note 3.1 and 4.1)
- iii) Classification and valuation of investments (note 3.4, 7 and 11)

2.7 Discontinued operations

On April 29, 2016, the Board of Directors resolved to dispose the weaving business under the name of FPM Weaving, therefore, classified it as a disposal group held for sale. The Board considered the operation met the criteria to be classified as held for sale at that date for the following reasons:

- The operation and its assets (19 looms) are available for immediate sale and can be sold to Mr. Aqeel Patal (existing Musharik of FPM Weaving Unit) in its current condition.
- The Board has received a proposal from the existing musharik and expects the sale to be completed within 12 months period, effective from 1st July, 2016. For more details on the discontinued operation, refer note 16.

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, method of depreciation and residual value 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 Non-current assets held for sale and discontinued operations

The Modaraba classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the profit and loss account.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

3.3 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.

3.4 Investments and other financial assets

3.4.1 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.

3.4.2 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.

3.5 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.

3.6 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.

3.7 Musharaka

Musharaka is an agreement between two or more parties to combine their assets, labour 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.

3.8 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.

3.9 Stores and spares

Stores, spare parts and loose tools are valued at lower of net realizable value or cost. Cost of items of stores, spare parts and loose tools is determined as invoice value plus other charges accrued thereon to the balance sheet date. Provision is made annually in the financial statements for slow moving and obsolete items if required.

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 Joint Operations (Musharaka arrangements)

The Modaraba has certain contractual arrangements with other participants to engage in joint activities, where all significant operating and financial policies are predetermined by the participants, such that the Musharik has no significant independence to pursue its own strategies.

The financial statements of the Modaraba include its prorata share of assets, liabilities, revenues and expenses in joint operation and are accounted for on the basis of profit statements.

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 from 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 mark-up 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

3.22 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.

3.23 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, 2016	June 30, 2015
4. OPERATING FIXED ASSETS		----- (Rupees) -----	
Tangible fixed assets	4.1	33,016,358	54,133,396
Capital work-in-progress - advance to suppliers		78,000	-
Intangible assets	4.2	1,057,803	1,511,146
		34,152,161	55,644,542

4.1 Tangible fixed assets

	2016				2015					
	Cost		Depreciation		Cost		Depreciation			
	As at July 01, 2015	Additions	Disposals	As at June 30, 2016	Rate %	As at July 01, 2015	For the year	On disposals	Accumulated depreciation pertaining non-current assets classified as held for sale (note 16) (Rupees)	Written down value as at June 30, 2016
Machinery										
Generators	36,953,079	-	(5,058,668)	31,894,411 *	*	6,618,595	638,100	(1,028,231)	-	6,228,464
Shuttleless looms	16,343,348	-	(16,343,348)	-	*	1,628,130	613,134	-	(2,241,264)	-
Computers	1,506,911	79,900	-	(8,775)	30	1,051,428	150,944	-	(5,258)	1,197,114
Office and other equipment	1,944,802	109,060	(86,770)	1,057,712	10	465,662	135,657	(38,917)	(222,619)	339,783
Furniture and fixtures	3,748,840	24,300	(177,765)	3,303,114	10	1,136,902	256,465	(79,267)	(77,065)	1,237,035
Vehicles	6,668,044	689,657	-	(11,050)	20	2,130,911	1,035,290	-	(5,031)	3,161,170
	67,165,024	902,917	(5,323,203)	(17,564,814)		13,031,628	2,829,590	(1,146,415)	(2,551,237)	12,163,566

	2016				2015					
	Cost		Depreciation		Cost		Depreciation			
	As at July 01, 2014	Additions	Disposals	As at June 30, 2015	Rate %	As at July 01, 2014	For the year	On disposals	Accumulated depreciation pertaining non-current assets classified as held for sale (note 16) (Rupees)	Written down value as at June 30, 2015
Machinery										
Generators	47,722,873	280,244	(11,050,038)	36,953,079 *	*	8,351,056	1,294,164	(3,026,625)	6,618,595	30,334,484
Shuttleless looms	16,343,348	-	-	16,343,348	5	849,536	778,594	-	1,628,130	14,715,218
Computers	1,181,331	325,580	-	1,506,911	30	911,905	139,523	-	1,051,428	455,483
Office and other equipment	1,443,018	501,784	-	1,944,802	10	333,486	132,176	-	465,662	1,479,140
Furniture and fixtures	2,106,240	1,642,600	-	3,748,840	10	983,225	153,677	-	1,136,902	2,611,938
Vehicles	3,331,050	4,063,594	(726,600)	6,668,044	20	1,360,937	830,491	(60,517)	2,130,911	4,537,133
	72,127,860	6,813,802	(11,776,638)	67,165,024		12,790,145	3,328,625	(3,067,142)	13,031,628	54,133,396

* Depreciation is calculated on working hour basis. The useful hours range from 21,600 to 50,000 hours.

4.2 Intangible assets

	2016							
	Cost			Rate %	Amortisation			Written down value as at June 30, 2016
	As at July 01, 2015	Additions (Rupees)	As at June 30, 2016		As at July 01, 2015	For the year (Rupees)	As at June 30, 2016	
Computer software	1,905,841	-	1,905,841		394,695	453,343	848,038	1,057,803

	2015							
	Cost			Rate %	Amortisation			Written down value as at June 30, 2015
	As at July 01, 2014	Additions (Rupees)	As at June 30, 2015		As at July 01, 2014	For the year (Rupees)	As at June 30, 2015	
Computer software	430,659	1,475,182	1,905,841		219,994	174,751	394,745	1,511,096

5. LONG-TERM MURABAHA FINANCING - secured

	Note	June 30, 2016 (Rupees)	June 30, 2015 (Rupees)
Considered good		168,648,280	120,479,701
Considered doubtful		2,565,731	3,035,514
	5.1	171,214,011	123,515,215
Provision for doubtful debts	5.2	(2,565,731)	(3,035,514)
		168,648,280	120,479,701
Current portion of long-term murabaha financing		(111,180,020)	(75,618,533)
		57,468,260	44,861,168

5.1 Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges between 16.00% to 25.21% (2015: 17.10% to 21.20%) 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	3,035,514	2,954,388
Charge for the year	247,777	519,547
Reversal for the year	(717,560)	(225,592)
	(469,783)	293,955
Written off during the year	-	(212,829)
Closing balance	2,565,731	3,035,514

	June 30, 2016	June 30, 2015
6. LONG-TERM DIMINISHING MUSHARAKA FINANCING - secured	Note	----- (Rupees) -----
Considered good	10,458,646	22,323,005
Current portion of long-term diminishing musharaka financing	<u>(5,138,811)</u>	<u>(15,220,414)</u>
	<u>5,319,835</u>	<u>7,102,591</u>

This represents finance provided to individuals under diminishing musharaka arrangement for purchase of hospital building and residential flat and CNG equipment. The effective profit rates on this arrangement range between 19.08% and 20.75% (2015: 20.16% and 31.21%) 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, considered good

Musharaka for fabric	7.1	694,000	1,044,000
Musharaka for garments	7.2	17,163,597	18,173,532
Musharaka for food product	7.3	12,000,000	12,000,000
Musharaka for printing	7.4	3,000,000	3,000,000
Musharaka for RO plant		-	11,500,000
Musharaka for dry fruits, spices and herbs		-	20,000,000
Musharaka for confectionery items	7.5	20,000,000	-
		<u>52,857,597</u>	65,717,532
Less: Current portion		<u>(37,857,597)</u>	<u>(18,173,532)</u>
		<u>15,000,000</u>	<u>47,544,000</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 deems fit. Profit sharing ratio between Modaraba and musharaka partner is 40:60 respectively. The financing is secured by way of mortgage of property.

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 2014, 55:45 in 2015, 35:65 in the current year and 0:100 in 2017. The financing is secured by way of mortgage of property.

7.5 The Modaraba has signed a Musharaka arrangement with Al-Amna International, for importing various flavors of refreshment drink "Tang" from Thailand. The profit on the investment is shared between Modaraba and musharaka partner respectively in the ratio of 30:70. The financing is secured by way of mortgage of property.

	June 30, 2016	June 30, 2015
Note	----- (Rupees) -----	
8. LOANS TO EMPLOYEES		
Loans to employees	448,342	497,672
Less: Current portion	<u>(279,996)</u>	<u>(231,996)</u>
	<u>168,346</u>	<u>265,676</u>
<p>This represents profit free personal loans provided to employees of Modaraba ranging from Rs.50,000 to Rs.400,000. These are repayable over a period of 5 years. These loans are secured against vehicles.</p>		
9. CASH AND BANK BALANCES		
Cash in hand	57,252	17,155
Cash at banks		
- Current accounts	7,491,531	12,709,316
- Deposit accounts	9.1 & 9.2 <u>38,032,349</u>	<u>38,754,450</u>
	<u>45,581,132</u>	<u>51,480,921</u>
9.1 This includes balance of Rs.10,463,893 (2015: Rs.8,612,085) in respect of Redemption Reserve Fund established on account of Certificates of Musharaka.		
9.2 Effective profit rate in respect of deposit accounts ranges from 2.40% to 3.64% (2015: 2.85% to 7.40%) per annum.		
9.3 For the purpose of statement of cash flows, cash and cash equivalents comprise the following at June 30, 2016.		
Cash in hand	57,252	17,155
Cash at bank		
- Current accounts	7,491,531	12,709,316
- Deposit accounts	38,032,349	38,754,450
Cash at bank attributable to a discontinued operation	16 <u>14,249</u>	<u>-</u>
	<u>45,595,381</u>	<u>51,480,921</u>
10. SHORT-TERM MODARABA FINANCING - secured, considered good		
Modaraba for Garments	10.1 <u>9,000,000</u>	<u>-</u>
10.1 The Modaraba has signed an arrangement with Ather Sultan for the fulfilment of garment orders including shirts, trousers etc. The profit on the investment is shared between Modaraba and Ather Sultan in the ratio of 50:50. The financing is secured by way of mortgage of property.		
11. CURRENT PORTION OF MODARABA FINANCING - secured, considered good		
Modaraba for UPS system	11.1 <u>16,326,000</u>	<u>19,614,000</u>
11.1 The Modaraba has signed an arrangement with Advanced Power Solutions and Technologies (APS) for installation of new UPS systems and upgrading of existing UPS systems of a bank, at its branches all over Pakistan. The profit on the investment is shared between Modaraba and APS in the ratio of 50:50. The financing is secured by way of mortgage of property.		
12. SHORT-TERM MURABAHA RECEIVABLES - secured		
Considered good	12.1 <u>32,922,950</u>	<u>50,523,189</u>
12.1 Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges between 17.00% to 19.34% (2015: 17.42% to 18.53%) per annum receivable on agreed terms. These arrangements are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.		

	June 30, 2016	June 30, 2015
13. ADVANCES AGAINST MURABAHA AND MUSHARAKA - secured, considered good	Note	(Rupees)
Against murabaha	3,460,080	18,500,080
Against diminishing musharaka	-	2,000,000
Against modaraba	500,000	500,000
	<u>3,960,080</u>	<u>21,000,080</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.		
14. TRADE DEBTS - unsecured, considered good		
Income receivable from musharaka financing	1,708,483	2,692,770
Receivable against dry batteries modaraba	7,599,588	3,204,346
Income receivable from modaraba financing	2,936,000	-
Receivable against weaving project	-	2,058,390
Receivable against generator project	-	443,598
Receivable against FPM Solutions project	20,384,204	8,745,528
Receivable against FPM Petro project	44,175,620	1,329,120
	<u>76,803,895</u>	<u>18,473,752</u>
15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - unsecured, considered good		
Advances		
Advance against purchase of stocks - FPM Solutions	4,416,591	4,933,158
Advance against expenses	3,724,480	3,630,465
Advance salaries	43,394	57,358
Advance given to weaving project partner	-	429,765
Advance given to FPM Petro Service	-	510,173
	<u>8,184,465</u>	<u>9,560,919</u>
Deposits		
Security deposits	5,469	46,621
Prepayments		
Prepaid insurance	-	85,882
Prepaid fees and subscriptions	614,993	228,748
	<u>614,993</u>	<u>314,630</u>
Other receivables		
Receivable from Al-Akhuwwat Group	15.1 15,000,000	-
	<u>24,972,562</u>	<u>10,618,569</u>

15.1 Included in this amount is a receivable balance amounting to Rs.15 million, which relates to the final settlement of Al-Akhuwwat musharaka agreement. The amount will be re-paid quarterly in three equal installments of Rs.5 million, as per the repayment terms approved in the 153rd meeting of the Board of Directors held on April 26, 2016. The outstanding balance is secured against property, for which the title documents have been deposited in the custody of the Modaraba, through a Memorandum of Deposit of Title Deed, which will be released alongwith the shares of Al-Akhuwwat Group upon the settlement of entire outstanding amount.

16. DISCONTINUED OPERATIONS

On April 29, 2016, the Modaraba received a proposal from existing Musharik to purchase FPM's Share (i.e. 65% share) of FPM Weaving Unit, the existing musharaka project. The Board of Directors in its 153rd meeting held on April 29, 2016 resolved to dispose-off FPM's Share of FPM Weaving Unit to existing Musharik. The disposal of FPM Weaving is due to be completed within 12 months. As at June 30, 2016, FPM Weaving Unit was classified as a disposal group held for sale and as a discontinued operation. The results of FPM Weaving Unit for the year are presented below:

	June 30, 2016	June 30, 2015
	----- (Rupees) -----	
Revenues	6,602,424	7,050,426
Operating expenses	(7,473,848)	(7,713,666)
Other operating income	-	-
Operating loss	<u>(871,424)</u>	<u>(663,240)</u>
Finance costs	-	-
Loss before tax from a discontinued operation	<u>(871,424)</u>	<u>(663,240)</u>
Taxation	-	-
Loss for the year from a discontinued operation	<u>(871,424)</u>	<u>(663,240)</u>

The major classes of assets and liabilities of FPM Weaving classified as held for sale as at June 30, 2016 are, as follows:

	June 30, 2016 (Rupees)
Assets	
Fixed assets	15,013,576
Long term deposits	280,800
Cash and bank	14,249
Stores and spares	136,500
Advances and prepayments	566,620
Trade debts	<u>2,935,861</u>
	18,947,606
Liabilities	
Creditors	<u>2,669,525</u>
Liabilities directly associated with assets classified as held for sale	<u>2,669,525</u>
Net assets directly associated with disposal group	<u>16,278,081</u>

	June 30, 2016	June 30, 2015
	----- (Rupees) -----	
Operating	2,286,001	213,370
Investing	-	-
Financing	-	-
Net cash flow	<u>2,286,001</u>	<u>213,370</u>

The net cash flows incurred by FPM Weaving are, as follows:

Impairment of property, plant and equipment

Immediately before the classification of FPM Weaving unit as a discontinued operation, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification also, no impairment loss was recognised as fair value less cost to sell of the disposal group exceeds its carrying value.

17. CERTIFICATE CAPITAL

June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015
Number of certificates		Note	----- (Rupees) -----	
<u>25,000,000</u>	<u>25,000,000</u>	Authorized		
		Modaraba certificates of Rs.10 each	<u>250,000,000</u>	<u>250,000,000</u>
		Issued, subscribed and paid-up		
		Modaraba certificates of Rs.10 each		
11,989,930	11,151,473	fully paid in cash	119,899,298	111,514,732
1,798,490	838,457	Bonus certificates of Rs.10 each	17,984,895	8,384,566
<u>13,788,420</u>	<u>11,989,930</u>	17.1	<u>137,884,193</u>	<u>119,899,298</u>

17.1 Paramount Investments Limited holds 2,015,909 (2015: 1,752,964) certificates as at June 30, 2016.

		June 30, 2016	June 30, 2015
18. CAPITAL RESERVES	Note	----- (Rupees) -----	
Statutory reserve	18.1	40,797,721	56,174,594
Merger reserve		1,935,160	1,935,160
		<u>42,732,881</u>	<u>58,109,754</u>

18.1 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% (2015: 20%) of its after tax profits.

19. DEFERRED INCOME

Deferred murabaha income	30,618,397	23,972,398
Deferred diminishing musharaka income	2,044,570	3,706,611
	<u>32,662,967</u>	<u>27,679,009</u>
Less: Current portion	<u>(20,820,957)</u>	<u>(18,635,914)</u>
	<u>11,842,010</u>	<u>9,043,095</u>

20. CERTIFICATES OF MUSHARAKA

Certificates of Musharaka	227,741,006	175,377,416
Less: Current portion	<u>(37,065,000)</u>	<u>(39,708,629)</u>
	<u>190,676,006</u>	<u>135,668,787</u>

A Redemption Reserve Fund is 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 6.00% to 10.75% (2015: 8.75% to 10.75%) per annum.

21. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		828,018	1,229,888
Accrued expenses		488,691	562,484
Audit fee payable		405,000	437,000
Sindh sales tax payable	27.2	4,374,945	2,709,763
Charity payable		-	849,924
Liabilities related to generator project		176,586	1,044,262
Payable to Workers' Welfare Fund		2,747,313	2,446,607
Liabilities related to weaving project		-	631,355
Liabilities related to FPM Solutions project		5,163,134	6,632,990
Liabilities related to FPM Petro Services		1,901,205	-
Others		1,912,950	944,731
		<u>17,997,842</u>	<u>17,489,004</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

SECP vide its show cause notice no. SC/M/PRDD-ADJ/PARAMOUNT/2016-49 dated 25 August 2016, mentioned penalties to the extent of Rs.0.2 million regarding non-compliances with certain laws and regulations applicable for Modarabas in addition to non-compliances as disclosed in notes 24.1 and 24.3. The management has submitted its response to the show cause notice and the matters are currently under discussion with the SECP. The management is confident that the SECP will accept the management's view on these matters and will waive the penalties. Accordingly, no provision against such penalties has been made in these financial statements.

		June 30, 2016	June 30, 2015
	Note	----- (Rupees) -----	
22.2 Commitments for capital expenditure in respect of:			
Intangible assets - computer software		<u>22,500</u>	<u>-</u>
23. OPERATING INCOME			
Profit on murabaha receivables		28,696,729	22,996,758
Profit on diminishing musharaka		3,178,454	5,823,070
Profit on musharaka projects		4,514,536	5,217,281
Profit on modaraba projects		5,567,730	3,892,000
Income from dry batteries modaraba		9,505,874	6,141,665
Rental income	23.1	4,612,892	10,368,861
Income from FPM Solutions	23.2	28,235,697	16,965,546
Income from FPM Petro Income	23.3	50,182,420	1,136,000
		<u>134,494,332</u>	<u>72,541,181</u>
23.1	This represents income generated from rental business of AL-BURQ Associates representing Modaraba's share of 52.09%.		
23.2	This represents income generated from Project Power solution business of FPM Solutions representing Modaraba's share of 100%.		
23.3	This represents income generated from chemical business of FPM Petro Services representing Modaraba's share of 100%.		
24. OPERATING EXPENSES			
Salaries, allowances and benefits	24.1 & 24.2	16,894,941	13,463,772
Direct cost related to FPM Solutions and dry batteries modaraba		31,393,697	16,824,854
Direct cost related to FPM Petro		39,965,201	914,400
Electricity, gas and water		857,764	760,025
Repairs and maintenance		1,362,022	1,885,300
Insurance		373,441	533,569
Rent, rates and taxes	24.3	1,573,531	810,714
Travelling and entertainment		2,266,091	1,953,970
Communications		743,336	685,869
Printing and stationery		475,639	556,322
Auditors' remuneration	24.4	520,000	520,000
Legal and professional		670,225	517,000
Fees and subscription		3,505,114	3,768,190
News papers and periodicals		9,201	11,405
Advertisement and publicity		1,373,267	1,274,767
Depreciation	4.1	2,132,534	2,440,995
Amortization	4.2	453,343	174,751
Commission expense		54,192	13,023
3% Modaraba's management fee - AL-BURQ Associates		-	122,923
5% charity - AL-BURQ Associates		-	215,655
15% P.M Group's management fee - AL-BURQ Associates		-	596,178
Contractual management fee			
- FPM Solutions	24.5	2,736,518	-
- FPM Petro Services	24.5	3,390,122	-
- FPM	24.5	1,938,136	572,131
Others		1,556,230	1,472,205
		<u>114,244,545</u>	<u>50,088,018</u>

24.1 Salaries, allowances and other benefits include reimbursement of various expenses of Chief Executive Officer amounting to Rs.438,642 (2015: Rs.621,053). SECP in its show cause notice dated August 25, 2016 has highlighted that since CEO is the employee of Modaraba Company therefore, payment of his expenses by the Modaraba is in contravention of Rule 16(1) of the Modaraba Rules and mentioned a penalty of Rs.0.1 million for non-compliance with said Rule. However, management believes that this represents reimbursement of actual expenses and is not part of remuneration and accordingly, they neither reversed these expenses nor made provision for any penalty, as the management has submitted its reply to the SECP and is confident that the SECP will waive the penalty and accept the management's view point on this matter.

24.2 Salaries, allowances and other benefits also include Rs.554,391 (2015: Rs.444,551) 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:

	June 30, 2016	June 30, 2015
Note	----- (Rupees) -----	
Size of the fund - total assets	<u>4,409,733</u>	<u>3,421,647</u>
Cost of investments made	<u>1,400,000</u>	<u>1,650,000</u>
Percentage of investments made	<u>40%</u>	<u>60%</u>
Fair value of investments	<u>4,409,733</u>	<u>3,421,647</u>
Details of fair value of investments:		
Bank balances	<u>1,894,251</u>	<u>1,000,029</u>
Debt securities	<u>2,515,482</u>	<u>2,421,618</u>
	<u>4,409,733</u>	<u>3,421,647</u>

Number of employees

The detail of number of employees is as follows:

Average number of employees during the year	Numbers	<u>25</u>	<u>25</u>
Number of employees as at June 30	Numbers	<u>29</u>	<u>29</u>

24.3 This includes Rs.500,940 (2015: Rs.272,250) in respect of rent for FPM solutions. SECP in its show cause notice dated August 25, 2016 has highlighted that this rent should be charged to Management Company in accordance with Regulation 9(3) of part IV of the Prudential Regulation for Modarabas and mentioned a penalty of Rs.0.1 million for non-compliance with said Regulations for Modarabas. However, management believes that this represents cost of additional space required for housing FPM solutions business and should be accounted for as a business expense of this Modaraba and therefore, the management neither reversed the rent expense nor made provision for any penalty as the management has submitted its reply to the SECP and is confident that the SECP will waive the penalty and accept the management's view point on this matter.

24.4 Auditors' remuneration

Statutory audit fee	<u>350,000</u>	<u>350,000</u>
Half yearly review fee	<u>115,000</u>	<u>115,000</u>
Certifications	<u>55,000</u>	<u>55,000</u>
	<u>520,000</u>	<u>520,000</u>

24.5 This includes contractual management fee pertaining to FPM Solutions, FPM and FPM Petro Services.

25. OTHER INCOME

Profit on bank deposits		<u>1,158,444</u>	<u>1,504,832</u>
Income on Certificates of Investment		<u>302,465</u>	<u>-</u>
Income on Modaraba certificates		<u>-</u>	<u>404,461</u>
Modaraba's management fee		<u>-</u>	<u>235,982</u>
Trading commission		<u>121,957</u>	<u>557,075</u>
SLA fee income	25.1	<u>11,130,004</u>	<u>952,500</u>
Miscellaneous income		<u>502,795</u>	<u>245,499</u>
		<u>13,215,665</u>	<u>3,900,349</u>

25.1 This represent income from Service Level Agreements (SLA) entered into by FPM Solutions with various clients to provide services in respect stand by generators, UPS and other power back up solutions.

		June 30, 2016	June 30, 2015
26. FINANCIAL CHARGES	Note	----- (Rupees) -----	
Profit on certificates of musharaka	20	16,619,180	13,169,778
Bank charges		87,582	40,579
		<u>16,706,762</u>	<u>13,210,357</u>

27. MODARABA COMPANY'S MANAGEMENT FEE

27.1 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, 2016 has been recognised at 10% (2015: 10%) of profit for the year.

27.2 The Sindh Government has levied General Sales Tax at the rate of 17% (2015: 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) had filed an appeal before Sindh High Court against the said levy and the matter is pending adjudication.

28. 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 is distributed to the certificate holders. The Management Company has distributed sufficient accounting income of the Modaraba (subsequent to reporting date, see note 36) for the year ended June 30, 2016 which meets the requirement of above stated clause.

29. EARNINGS PER CERTIFICATE

Profit / (loss) for the year attributable to certificate holders			
from continuing operation		13,911,533	10,816,907
from discontinued operation		(871,424)	(663,240)
		<u>13,911,533</u>	<u>10,816,907</u>
		<u>(871,424)</u>	<u>(663,240)</u>
		<u>13,040,109</u>	<u>10,153,667</u>
		(Number of Certificates)	
Weighted average number of certificates		13,788,420	13,788,420
		<u>13,788,420</u>	<u>13,788,420</u>
Earnings / (loss) per certificate - basic and diluted			
from continuing operation		1.01	0.78
from discontinued operation		(0.06)	(0.05)
		<u>1.01</u>	<u>0.78</u>
		<u>(0.06)</u>	<u>(0.05)</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 17).

30. 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, 2016	June 30, 2015
	----- (Rupees) -----	
Transactions with related parties		
Modaraba's Management Company		
Management fee	1,694,477	1,319,403
Management fee paid during the year	1,694,595	211,652
Right issue subscribed [No. of certificates Nil (2015: 35,616)]	-	356,160
Bonus @ 15% (2015: 10%)	20,159,090	17,529,640
Musharaka Investors - Generator Project		
Share of (loss) / profit	(873,318)	3,378,337
Modaraba's management fee	-	235,982
Management fee	-	1,144,515
Musharaka Investors - Weaving Project		
Share of loss	(871,424)	(663,240)
Key Management Personnel		
Chief Executive Officer		
Right issue subscribed Nil (2015: 9)	-	90
Other benefits	438,642	621,053
Directors		
Rent paid	479,160	272,250
Security deposit	-	217,800
Certificate of musharaka issued	10,000,000	10,000,000
Right issue subscribed Nil (2015: 57,564)	-	575,640
Certificate capital issued Nil (2015: 100,000)	-	1,375,000
Spouse of a director		
Right issue subscribed Nil (2015: 25,836)	-	258,360
Paramount Investment Limited - Employees Provident Fund		
Contribution to the Fund	587,497	444,551
Profit paid during the year	236,682	153,522
Balances with related parties		
Musharaka Investors - Generator Project		
Modaraba's management fee receivable	-	235,982
Management fee payable	-	1,144,515
Musharaka Investors - Weaving Project		
Advance given to weaving project	1,200,000	1,457,637
Key Management Personnel		
Chief Executive Officer		
No. of certificates held Nil (2015: 9)	-	129
Directors		
Certificate of Musharaka	-	10,000,000
No. of certificates held 286,034 (2015: 249,543)	2,903,245	3,580,942
Security deposit	217,800	217,800
Spouse of a director		
No. of certificates held 128,749 (2015: 111,957)	1,306,802	1,606,583
Paramount Investment Limited - Employees Provident Fund		
Certificates of musharaka	1,400,000	1,400,000
Accrued profit	4,417	6,681

	June 30, 2016	June 30, 2015
	----- (Rupees) -----	
31. REMUNERATION OF OFFICERS		
Remuneration	7,695,540	6,038,964
Short-term employee benefits	346,739	352,537
Post-employment benefits	378,985	232,110
	<u>8,421,264</u>	<u>6,623,611</u>
Number of officers	<u>7</u>	<u>8</u>

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

32. 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.

32.1 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, 2016	June 30, 2015
	----- (Rupees) -----	
Bank balances	45,523,880	51,463,765
Current portion of musharaka financing	37,857,597	18,173,532
Murabaha receivables	168,648,280	120,479,701
Short-term murabaha receivables	32,922,950	50,523,189
Diminishing musharaka financing	10,458,646	22,323,005
Advances against murabaha and musharaka	3,960,080	21,000,080
Advances, deposit and other receivables	1,216,498	800,378
Trade debts	76,803,895	18,473,752
Accrued profit	1,665,524	53,591
Long-term deposit	396,500	564,600
	<u>379,453,850</u>	<u>303,855,593</u>

32.1.1 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.

32.1.2 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:

	2016		2015	
	(Rupees)	%	(Rupees)	%
Construction material	6,188,542	3.03	1,697,116	0.98
Chemical, fertilizer and pharmaceutical	38,739,305	18.99	22,970,866	13.21
Fuel and energy	4,471,259	2.19	3,704,271	2.13
Food, tobacco and beverages	40,583,020	19.88	61,791,116	35.50
Paper and board	8,307,339	4.07	488,589	0.28
Steel, engineering and automobiles	8,843,112	4.33	19,277,965	11.08
Textile and garments	-	-	34,000	0.02
Transportation and communication	56,386,036	27.62	38,868,517	22.33
Others	40,618,348	19.89	25,205,964	14.47
	204,136,961	100.00	174,038,404	100.00

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, 2016 and June 30, 2015:

	June 30, 2016	June 30, 2015
	----- (Rupees) -----	
A1+	45,238,435	50,525,287
A1	292,350	938,192
Unrated	7,344	287
	45,538,129	51,463,766

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

32.1.3 Aging analysis of murabaha receivables

	2016			2015		
	Carrying amount		Provision held	Carrying amount		Provision held
	Not impaired	Impaired		Not impaired	Impaired	
Not past due	167,732,146	-	-	165,611,314	-	-
Past due 0 days -						
90 days	24,155,166	-	-	3,581,799	-	-
Past due 91 days -						
1 year	8,897,173	-	-	916,859	-	-
Past due 1 year -						
2 year	-	800,961	160,192	-	291,952	58,390
Past due 2 year -						
3 year	-	291,952	145,976	-	1,318,713	659,357
Past due more						
than 3 years	-	2,259,563	2,259,563	-	2,317,767	2,317,767
Total	200,784,485	3,352,476	2,565,731	170,109,972	3,928,432	3,035,514

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

32.1.4 Diminishing musharaka receivable of Rs.10.46 million (2015: Rs.22.32 million) is not past due as at June 30, 2016 and June 30, 2015.

32.1.5 Aging analysis of trade debts

	June 30, 2016	June 30, 2015
	----- (Rupees) -----	
Not past due	-	-
Past due 0 days - 90 days	48,763,023	12,401,229
Past due 91 days - 1 year	26,281,686	5,874,444
Past due 1 year - 2 year	1,759,186	198,079
Past due 2 year - 3 year	-	-
Past due more than 3 years	-	-
Total	<u>76,803,895</u>	<u>18,473,752</u>

32.2 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:

	2016			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
	----- (Rupees) -----			
Creditors, accrued and other liabilities	13,326,984	10,875,584	10,875,584	-
Certificates of musharaka	227,741,006	227,741,006	37,065,000	190,676,006
Payable to Modaraba Management Company - a related party	928,277	928,277	928,277	-
Unclaimed profit distribution	12,678,308	12,678,308	12,678,308	-
	<u>254,674,575</u>	<u>252,223,175</u>	<u>61,547,169</u>	<u>190,676,006</u>
	2015			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
	----- (Rupees) -----			
Creditors, accrued and other liabilities	12,332,634	12,332,634	12,332,634	-
Certificates of musharaka	175,377,416	175,377,416	39,708,629	135,668,787
Payable to Modaraba Management Company - a related party	1,107,751	1,107,751	1,107,751	-
Unclaimed profit distribution	11,783,503	11,783,503	11,783,503	-
	<u>200,601,304</u>	<u>200,601,304</u>	<u>64,932,517</u>	<u>135,668,787</u>

32.3 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:

32.3.1 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:

	Effective yield / profit rates	June 30, 2016						Not exposed to profit rate risk
		Carrying amount	Upto one month	Upto one to 3 months	Over three months to six months	Over six months to one year	Over one year	
(Rupees)								
Financial assets								
Long-term deposit	-	396,500	-	-	-	-	-	396,500
Musharaka financing	-	52,857,597	-	-	-	37,857,597	15,000,000	-
Cash and bank balances	2.40% - 3.64%	45,581,132	38,032,349	-	-	-	-	7,548,783
Murabaha receivable	16.00% - 25.21%	204,136,961	15,577,831	30,218,879	37,193,302	59,256,762	61,890,187	-
Diminishing musharaka financing	19.08% - 20.39%	10,458,646	-	-	-	5,138,811	5,319,835	-
Trade debts	-	76,803,895	-	-	-	-	-	76,803,895
Advance against murabaha	-	3,960,080	3,960,080	-	-	-	-	-
Advance and other receivables	-	1,216,498	-	-	-	-	-	1,216,498
		<u>395,411,309</u>	<u>57,570,260</u>	<u>30,218,879</u>	<u>37,193,302</u>	<u>102,253,170</u>	<u>82,210,022</u>	<u>85,965,676</u>
Financial liabilities								
Creditors, accrued and other liabilities	-	3,322,554	-	-	-	-	-	3,322,554
Certificate of Musharaka	6.00% - 10.75%	227,741,006	5,515,306	15,440,000	13,300,000	22,310,000	171,175,700	-
Unclaimed profit distribution	-	12,678,308	-	-	-	-	-	12,678,308
		<u>243,741,868</u>	<u>5,515,306</u>	<u>15,440,000</u>	<u>13,300,000</u>	<u>22,310,000</u>	<u>171,175,700</u>	<u>16,000,862</u>
On balance sheet gap - 2016		<u>151,669,441</u>	<u>52,054,954</u>	<u>14,778,879</u>	<u>23,893,302</u>	<u>79,943,170</u>	<u>(88,965,678)</u>	<u>69,964,814</u>

	Effective yield / profit rates	June 30, 2015						Not exposed to profit rate risk
		Carrying amount	Upto one month	Upto one to 3 months	Over three months to six months	Over six months to one year	Over one year	
(Rupees)								
Financial assets								
Long-term deposit	-	564,600	-	-	-	-	-	564,600
Investments classified as available-for-sale	-	-	-	-	-	-	-	-
Musharaka financing	-	85,331,532	-	-	-	18,173,532	67,158,000	-
Cash and bank balances	2.85% - 7.40%	51,480,921	21,001,419	-	-	-	-	30,479,502
Murabaha receivable	17.10% - 21.20%	174,038,404	13,048,542	27,088,032	36,209,176	49,620,972	48,071,682	-
Diminishing musharaka financing	20.16% - 31.21%	22,323,005	-	-	-	15,220,414	7,102,591	-
Trade debts	-	18,473,752	-	-	-	-	-	18,473,752
Advance against murabaha	-	21,000,080	21,000,080	-	-	-	-	-
Advance and other receivables	-	800,378	-	-	-	-	-	800,378
		<u>374,012,672</u>	<u>55,050,041</u>	<u>27,088,032</u>	<u>36,209,176</u>	<u>83,014,918</u>	<u>122,332,273</u>	<u>50,318,232</u>
Financial liabilities								
Creditors, accrued and other liabilities	-	4,445,249	-	-	-	-	-	4,445,249
Certificate of Musharaka	8.75% - 10.75%	175,377,416	5,065,000	9,690,000	13,750,000	11,355,000	135,517,416	-
Unclaimed profit distribution	-	11,783,503	-	-	-	-	-	11,783,503
		<u>191,606,168</u>	<u>5,065,000</u>	<u>9,690,000</u>	<u>13,750,000</u>	<u>11,355,000</u>	<u>135,517,416</u>	<u>16,228,752</u>
On balance sheet gap - 2015		<u>182,406,504</u>	<u>49,985,041</u>	<u>17,398,032</u>	<u>22,459,176</u>	<u>71,659,918</u>	<u>(13,185,143)</u>	<u>34,089,480</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, 2016		
Cash flow sensitivity - variable rate financial liabilities	(2,235,757)	2,235,757
Cash flow sensitivity - variable rate financial assets	380,323	(380,323)
Net effect	<u>(1,855,434)</u>	<u>1,855,434</u>
As at June 30, 2015		
Cash flow sensitivity - variable rate financial liabilities	(1,722,417)	1,722,417
Cash flow sensitivity - variable rate financial assets	210,014	(210,014)
Net effect	<u>(1,512,403)</u>	<u>1,512,403</u>

33. INFORMATION ABOUT BUSINESS SEGMENTS

33.1 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 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 52.09% of the required fund and AL-BURQ Associates has contributed 47.91%. As per the agreement, the P.M Group, comprised of certain members of AL-BURQ Associates, is responsible for the management of generator project (renting out and sale of generators) for which a management fee of 15% of net profit of generator project after deducting 5% charity and 3% Modaraba management fee is charged by them.

FPM Weaving Musharaka finance

FPM Weaving is engaged in weaving of yarn on overhead basis. Modaraba started the project with effect from 1 May 2013. Modaraba and musharaka partner's share in fixed assets (weaving machines) is 65:35 and entitled to a profit share of 55:45 respectively. Musharaka partner is responsible for the operations/management of weaving under the 3 years licensing agreement and entitled to 10% management fee of net profit in this respect. During the year FPM Weaving has been classified as held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as disclosed in note 16 to the financial statements.

FPM Solutions

FPM has started this project for providing power solutions to the Service and Manufacturing industry and in this recording 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.

FPM Petro Services

FPM petro services engaged in provision of various chemical components to different sectors nationally and internationally. Modaraba has started this project with effect from February '18, 2015. Agreement with the investor has been signed. As per the arrangement, the Modaraba has contributed 83.33% of the required fund and is entitled to profit share of 65%, where as loss shall be shared as per capital sharing ratio. Mudanib is responsible for the operations/management of the project.

Financing

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

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

33.2 Segment revenue and results

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

Note	2016						2015						
	Generator project		FPM		Weaving project		Generator project		FPM		Weaving project		
	Total	Modaraba's share	Solutions	Petro Services	Total	Modaraba's share	Total	Modaraba's share	Solutions	Petro Services	Total	Modaraba's share	
Revenue	8,855,620	4,612,892	28,235,697	50,182,420	134,494,332	19,905,666	10,368,861	12,816,957	7,050,426	16,965,546	1,136,000	44,070,774	79,591,607
Provision / (reversal) for doubtful debts	-	-	-	-	469,782	-	-	-	-	-	-	(262,861)	(262,861)
Loss on sale of fixed assets - net	(6,378,129)	(4,384,167)	(37,636,010)	(45,201,323)	(27,043,045)	(14,177,088)	(7,364,848)	(14,024,846)	(7,713,666)	(19,214,478)	(914,400)	(22,574,292)	(510,040)
Operating expenses	394,648	205,572	11,223,832	7,761	1,778,500	1,196,948	623,600	1,205,889	(663,240)	1,047,740	-	2,228,119	(57,801,684)
Other income	(1,665,309)	(867,460)	1,823,319	4,988,858	32,613,477	6,494,778	3,383,126	(1,205,889)	(663,240)	(1,227,275)	221,600	23,203,360	24,917,571
Finance costs	(11,246)	(5,859)	(608)	-	(16,700,296)	(9,195)	(4,790)	-	-	(1,446)	-	(13,204,121)	(13,210,357)
Provision for Workers' Welfare Fund	(1,676,555)	(873,318)	1,822,911	4,988,858	15,906,715	6,486,583	3,378,336	(1,205,889)	(663,240)	(1,228,721)	221,600	9,999,239	11,707,214
Modaraba company's management fee	-	-	(32,667)	(89,403)	(900,706)	(111,666)	(58,167)	-	-	-	(3,815)	(172,162)	(234,144)
Profit for the year	(1,676,555)	(873,318)	1,606,163	4,395,671	13,911,531	5,744,680	2,962,400	(1,205,889)	(663,240)	(1,228,721)	196,285	8,856,943	10,153,667
33.2.1 Revenue													
Rental income	8,855,620	4,612,892	-	-	4,612,892	19,905,666	10,368,861	-	-	-	-	-	10,368,861
Weaving income	-	-	-	-	-	-	-	12,816,957	7,050,426	-	-	-	7,050,426
FPM Solutions income	-	-	28,235,697	-	28,235,697	-	-	-	-	16,965,546	-	-	16,965,546
FPM Petro income	-	-	-	50,182,420	50,182,420	-	-	-	-	-	1,136,000	-	1,136,000
Profit on murabaha finance	-	-	-	-	28,696,729	-	-	-	-	-	-	22,996,758	22,996,758
Profit on diminishing musharaka finance	-	-	-	-	3,178,454	-	-	-	-	-	-	5,823,070	5,823,070
Profit from Musharaka Projects	-	-	-	-	4,514,536	-	-	-	-	-	-	9,109,281	9,109,281
Profit from Modaraba	-	-	-	-	5,567,730	-	-	-	-	-	-	-	-
Trading income	8,855,620	4,612,892	28,235,697	50,182,420	51,463,323	19,905,666	10,368,861	12,816,957	7,050,426	16,965,546	1,136,000	44,070,774	79,591,607

33.2.9 Segment assets and liabilities

	2016				2015									
	Generator project		FPM		Generator project		Weaving project							
	Modaraba's share	Total	FPM Solutions	Petro Services	Total	Modaraba's share	Total	FPM Petro Services						
Segment assets	51,982,934	27,077,910	385,475,438	31,633,219	46,436,986	490,623,553	64,303,450	33,495,667	29,321,489	19,059,968	367,702,799	18,661,602	932,272	439,851,508
Segment liabilities	339,002	176,586	287,437,000	5,163,134	1,901,205	294,677,925	2,004,726	1,044,262	971,315	631,355	231,761,066	-	-	233,436,683

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

33.2.11 Other segment information

	2016				2015									
	Generator project		FPM		Generator project		Weaving project							
	Modaraba's share	Total	FPM Solutions	Petro Services	Total	Modaraba's share	Total	FPM Petro Services						
Capital expenditure - net	-	269,260	711,657	-	980,917	563,400	293,475	-	-	-	1,316,319	-	-	1,609,794
Depreciation, amortisation and impairment	1,299,888	677,112	675,205	779,716	-	2,132,033	2,589,876	1,349,066	1,365,562	887,628	688,058	403,871	-	3,328,623
Non-cash items (excluding depreciation and amortisation)	(2,537,448)	(1,321,757)	469,782	-	(651,975)	(430,748)	(224,377)	-	-	-	(522,241)	(26,083)	-	(772,701)

34. 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.

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, 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). There are no items to report therein as on June 30, 2016.
- 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, 2016.
- 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, 2016.

35. 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.

36. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on October 06th, 2016 have proposed a final profit distribution of Rs.0.75 per certificate (2015: Rs.0.80) Cash Dividend. and 0% Bonus per certificate (2015: 15%, Rs.17,984,891) for the year ended June 30, 2016.

37. RECLASSIFICATIONS

Corresponding figures have been reclassified / re-arranged wherever necessary to facilitate comparison in the presentation in the current year. However, there are no material reclassifications or rearrangements to report other than as disclosed below:

Statement	Component	Reclassification From	Reclassification To	Amount in Rupees
Balance sheet	Non-current asset	Long-term musharaka financing	Current portion of modaraba financing	19,614,000
Balance sheet	Current asset	Cash at bank - current account	Cash at bank - deposit account	17,753,030
Profit and loss account	Operating income	Profit on musharaka projects	Profit on modaraba projects	3,892,000
Profit and loss account	Other income	Operating income	SLA fee income	550,000

38. GENERAL

All figures have been rounded off to the nearest thousand Rupees.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 06th, 2016.

 Chief Executive

 Director

 Director

FIRST PARAMOUNT MODARABA
Pattern of Shareholding
As On 30/06/2016

<--- HAVING SHARES --->				
NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
188	1	100	5379	0.0390
145	101	500	33956	0.2463
223	501	1000	162125	1.1758
462	1001	5000	972649	7.0541
83	5001	10000	584870	4.2417
54	10001	15000	662407	4.8041
25	15001	20000	425751	3.0877
20	20001	25000	445494	3.2309
20	25001	30000	547243	3.9689
6	30001	35000	200666	1.4553
5	35001	40000	186017	1.3491
1	40001	45000	40515	0.2938
7	45001	50000	332139	2.4088
2	50001	55000	106031	0.7690
9	55001	60000	523474	3.7965
1	60001	65000	64666	0.4690
4	65001	70000	268401	1.9466
3	70001	75000	217568	1.5779
3	75001	80000	233241	1.6916
3	80001	85000	245785	1.7825
1	85001	90000	86764	0.6293
2	90001	95000	184964	1.3414
3	95001	100000	294909	2.1388
1	100001	105000	101132	0.7335
3	110001	115000	342750	2.4858
2	115001	120000	238299	1.7283
1	125001	130000	128749	0.9337
4	150001	155000	605376	4.3905
1	155001	160000	158068	1.1464
1	160001	165000	162634	1.1795
1	190001	195000	190703	1.3831
5	225001	230000	1145500	8.3077
1	260001	265000	261749	1.8983
1	295001	300000	295182	2.1408
1	310001	315000	311042	2.2558
1	325001	330000	325747	2.3625
1	375001	380000	379046	2.7490
1	505001	510000	508476	3.6877
1	1805001	1810000	1808949	13.1193
1296		Company Total	13788416	100.0000

FIRST PARAMOUNT MODARABA
 Category of Shareholders
 As On 30/06/2016

Particulars	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	5	286034	2.0745
ASSOCIATED COMPANIES	4	2015906	14.6203
BANKS, DFI & NFI	1	28	0.0002
GENERAL PUBLIC (LOCAL)	1248	9961921	72.2485
GENERAL PUBLIC (FORIEGN)	23	487061	3.5324
OTHERS	14	528990	3.8365
MODARABAS	1	508476	3.6877
Company Total	1296	13788416	100.0000

ReportID : SH0935MRG (10D09)
 UserID : Azharh

FIRST PARAMOUNT MODARABA
 Category of Shareholders
 As On 30/06/2016

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 Date : 11/07/2016

Folio No	Name	Code	Balance Held	Percentage
00000001121	MR. NADIM IQBAL	001	1160	0.0084
00000001706	MR. TANWEER AHMED MAGOON	001	99487	0.7215
00000002006	MR. HUMAYUN MAZHAR QURESHI	001	162634	1.1795
00000008271	MR. ABDUL RAZZAK JANGDA	001	107	0.0008
000208002994	ABDUL RAZZAK JANGDA	001	22646	0.1642
00000000001	PARAMOUNT INVESTMENTS LIMITED	002	21363	0.1549
00000001963	PARAMOUNT INVESTMENT LIMITED	002	150438	1.0910
00000008004	PARAMOUNT INVESTMENTS LIMITED	002	35156	0.2550
003277071155	PARAMOUNT INVESTMENTS LIMITED	002	1808949	13.1193
003889000028	NATIONAL BANK OF PAKISTAN	004	28	0.0002
00000001344	SUBLIME SPORTS (PVT) LTD.	010	151375	1.0978
00000008403	M/S. EASTERN COMMERCIAL CORPORATION (PVT.) LTD.	010	1321	0.0096
000009900008	FEDERAL BOARD OF REVENUE	010	27233	0.1975
000364141034	CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED.	010	5	0.0000
003277078335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	010	4821	0.0350
003277082127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	010	167	0.0012
003525057191	SARFRAZ MAHMOOD (PRIVATE) LTD	010	571	0.0041
003525087235	MAPLE LEAF CAPITAL LIMITED	010	1	0.0000
004705087224	FEDERAL BOARD OF REVENUE	010	73975	0.5365
006684152143	DREKKAR KINGSWAY LIMITED	010	62	0.0004
006916000020	PASHA SECURITIES (PVT) LTD.	010	227	0.0016
006924000029	HK SECURITIES (PVT) LTD.	010	2685	0.0195
010629109770	KAISAR SHAHZADA (PVT) LIMITED	010	261749	1.8983
014241000022	FIKREE`S (SMC-PVT) LTD.	010	4798	0.0348
000009900005	FIRST NATIONAL MODARABA	011	508476	3.6877

NOTICE OF ANNUAL REVIEW MEETING:

Notice is hereby given that the Sixteenth (17th) Annual Review Meeting of certificate-holders of First Paramount Modaraba (FPM) will be held on Monday, October 31st, 2016 at 06:45 p.m. at PIMA House, 2nd Floor, Room No: 201, PECHS Community Centre, Block-2, PECHS, Shahrah-e-Quideen, Karachi, to review the performance of the Modaraba for the year ended June 30, 2016.

The certificate-holders whose names appear on the Register of Certificate-Holders of FPM as on October 23, 2016 will be eligible to attend the Annual Review Meeting.

On behalf of the Board

Abdullah Khan

Company Secretary

Paramount Investments Limited (PIL)

Managers of First Paramount Modaraba (FPM)

Dated: October 06th, 2016

DIVIDEND:

The Modaraba Certificates transfer books remain closed from October 24th, 2016 to October 31st, 2016 (both days inclusive). Transfer receives in order at the Registrar Office of the Modaraba (whose address is given below) before the close of business hours on 23rd October, 2016 will be treated in time for the entitlement of Cash Dividend.

REQUEST TO CERTIFICATE HOLDERS:

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, all Certificate Holders are therefore requested to submit a copy of valid CNIC (only Physical Certificate holders), if not already provided to Standard Chartered Modaraba or to our share registrar, at below mentioned address. In case of non-receipt of the copy of valid CNIC, FIRST PARAMOUNT MODARABA (FPM) would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and therefore may be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders for the year ended June 30, 2016 announced by the Board of Directors in their meeting held on October 06th, 2016.








The Certificate Holders are advised to notify Registrar of First Paramount Modaraba (FPM) of any changes in their address to ensure prompt delivery of mails further, any certificate for transfer etc. should be lodged with the Registrar THK Associates (Pvt.) Limited 2nd Floor State Life Building No. 3, Dr. Ziauddin Ahmed Road Karachi, Telephone No: 111-000-322, Fax No: 021-356555595.










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First Paramount Modaraba
(An Islamic Financial Institution)

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