

DIRECTORS' REPORT TO THE CERTIFICATE HOLDERS

The Board of Directors of Modaraba Management Company, Paramount Investments Limited, is pleased to forward herewith financial statements for half year ended on 31st December, 2006, with review report of the statutory auditors of Modaraba M/s: M.Yousuf Adil Saleem & Company Chartered Accountants.

The operating profit of Modaraba declined by Rs.3,755,157/- for the period under review or by around 45% over the corresponding period of previous financial year on account of following reasons :

a) Reduction of profit from Morabaha Financing: Profit from Morabaha financing activities decreased by about 10% over the previous half yearly results. However, the Morabaha profit of the 2nd quarter of the period under review is improved substantially due to steps taken to increase volume of financing and consequently we hope that the Morabaha profit of the 2nd half of the current financial year will be much higher.

b) Profitability of Musharika CNG Project: The share of profit of Modaraba from CNG Musharika project lessened by around 46% or by Rs.2,792,729 for the 6 months ended 31st December 2006 compared to previous fiscal period mainly due to :

- i) Drastic increase in cost of diesel for generators at SITE and Banaras Chowk (Orangi Town) CNG Station.
- ii) Reduction of sale of CNG of Rs.1,573,044 or about 5.7% in the 2nd quarter over 1st quarter of the current financial year on account of temporary destructions of roads for construction of nearby fly-overs at Rashid Minhas Road and SITE CNG stations.
- iii) Rent of plot of Rashid Minhas CNG station increased by over 300% w.e.f. 1st July 2006 due to extraordinary price hike of land over the last few years.
- iv) Increase in lease rentals due to leasing of generator/compressor.
- v) Increase in amount of depreciation due to addition of CNG compressors and dispensers.
- vi) Extra repairs and preventive maintenance was undertaken in the period under review for smooth operation of CNG machines.

However, due to addition of new UK made CNG compressor of about 380 cubic meter hour capacity at Rashid Minhas Road and smooth operation of CNG stations in January and February, 2007, we hope substantial improvement in the performance of CNG project in the months to come.

We are sorry to inform you that due to delay in the issue of various NOC(s) from Government departments for 4th CNG station at Survey # 156/5, Deh: Rahoki, Tappa Tando Qaisar, Taluka Hyderabad, Distt: Hyderabad, Hyderabad-Mirpurkhas Road, the commencement of this station is now expected in June, 2007.

ACKNOWLEDGEMENT

The Board is delighted and thankful over the cooperation of Registrar Modaraba and Securities and Exchange Commission of Pakistan. The Board also lauds the signal services offered by every staff member.

For and on behalf of Board

Karachi
Dated: 27th February, 2007.

Abdul Ghaffar Umer
Chief Executive