

FIRST PARAMOUNT MODARABA

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

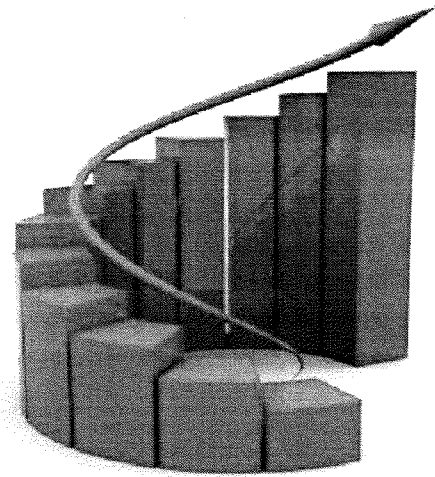
2022

ANNUAL REPORT

For Long Term 'BBB', For Short Term A-3
Out Look - Rating Watch Developing
VIS Credit Rating Company

Mission & Vision

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



STATEMENT OF ETHICS AND BUSINESS PRACTICES

We believe a complete code of ethics is a prerequisite for all Directors and employees of First Paramount Modaraba. We endeavour to 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 Hasan	Chief Executive Officer
Mr. Nadeem Iqbal	Director
Mr. Pir Muhammad Kalia	Director
Mr. Abrar Ahmed	Director
Mr. Habib Ahmed Navaid	Independent Director
Mr. Humayun Mazhar Qureshi	Independent Director

AUDIT COMMITTEE

Mr. Habib Ahmed Navaid	Chairman
Mr. Pir Muhammad Kalia	Member
Mr. Nadeem Iqbal	Member

HUMAN RESOURCE COMMITTEE

Mr. Humayun Mazhar Qureshi	Chairman
Mr. Tanveer Ahmed Magoon	Member
Mr. Nadeem Iqbal	Member
Mr. Syed Wajih Hasan	Member

CHIEF FINANCIAL OFFICER / COMPANY SECRETARY

Mr. Muhammad Ifham Khan

SHARIAH ADVISOR

Mufti Muhammad Farhan Farooq

SHARIAH CONSULTANT

Mufti Muhammad Najeeb Khan

CREDIT RATING

Long term **BBB** Short Term **A-3**
Out Look Rating **Watch Developing**
By **VIS Credit Rating Company**

AUDITORS OF THE MODARABA

M/s Riaz Ahmed & Co
Chartered Accountants

AUDITORS OF THE MODARABA MANAGEMENT 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
Faysal 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: info@fpm.com.pk
Web: www.fpm.com.pk

SHARE REGISTRAR

THK ASSOCIATES (PVT) LTD.
1ST Floor, 40-C, Block-6, PECHS,
Karachi - 75400. P.O. Box No. 8533.
Tel: 111-000-322 Fax: 34168271
Web: www.thk.com.pk
Email: sfc@thk.com.pk

DIRECTORS REPORT TO THE CERTIFICATE-HOLDERS OF FIRST PARAMOUNT MODARABA

The Directors of Paramount Investment Limited, Management Company of First Paramount Modaraba, are pleased to present the duly audited financial statements for the financial year ended on 30th June 2022, along with Shariah Advisor's report and Report of External Auditors to the Certificate Holders.

In spite of higher inflation, the economic conditions of the Country were somewhat stable in the first three quarters of the financial year. Businesses were adapting to the new higher-cost regime with the expectation that Government shall eventually subscribe to the next IMF Program. Better results of the Modaraba during that period were very much reflective of the situation.

However, the last quarter of the year brought about all sorts of political uncertainty and economic chaos in the country when, the first of its kind in Pakistan, a No-confidence move against the Government successfully overthrew it. Last quarter's results of the Modaraba are very much a depiction of the same.

This was the first year when Modaraba industry's profits were subjected to Corporate Taxation.

In March 2021, SECP issued "The Modaraba Regulations 2021". As per these Regulations, all deposit-taking Modarabas should have a minimum Equity base of Rs. 500 Million and they should maintain a credit rating of "A-". If these requirements are not fulfilled by an existing Modaraba, at the time of issuing of new Regulations, it would be allowed a years' time to comply fully. Otherwise its permission to issue COM shall be canceled.

In August this year, this limit of one year has been enhanced by SECP to three years. FPM is fully committed to comply with the requirements of the Regulations and is in the process of submission of a comprehensive action plan in this regard.

Besides the above, another important section is being introduced in the regulations for the Modarabas that are in process of making up of minimum Equity Requirements of Rs. 500 million. This notification restricts Modarabas not to issue dividends to their Certificate holders until such Equity requirements are fulfilled. The Management of Modaraba is in consultation with SECP to do away with this restriction as this not only reduces revenues of Management Company but will also seriously undermine Modaraba's efforts to persuade its Certificate holders to invest further in the Modaraba.

In these circumstances, the Modaraba, Alhamdulillah, has posted a pre-tax profit of Rs. 15,108,662/- for the year ended, June 30th 2022 as compared to Rs. 7,703,080/- for the same period last year (an increase of 96%). However, Modarabas' income is now subjected to mandatory Corporate Taxes. Therefore, the net after-tax Profits of Modaraba for the year, stand at Rs. 9,956,777/=, higher by Rs. 2,253,697/= (i.e. 29%) from last year's profits. Earning per certificate for the year stood at Rs. 0.722 while it was at Rs. 0.559 in the last year.

We are in constant pursuit of new ventures that could enhance Modaraba's margins of profits. Current ventures of Modaraba are doing well Alhamdulillah.

- FPM's in-house venture "FPM Petro Services" is making healthy profits.
- "FPM AML/CFT facility", is making good progress. New sectors of Business have subscribed to the solution. Its profitability will significantly add to the profits of Modaraba.

Financial Results:

Financial results are summarized as under:

	Year ended 30 th June, 2022 (Amount in Rupees)	Year ended 30 th June, 2021 (Amount in Rupees)
Profit after taxation	9,956,777	7,703,080
EPC	0.722	0.559

Dividend:

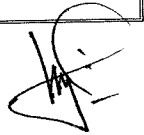
Due to recent restrictions imposed by Securities & Exchange Commission of Pakistan, vide S.R.O. 1547 (I)/2022 dated 15 August 2022, First Paramount Modaraba cannot distribute dividends to its shareholders for the year ended 30 June 2022.

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;
- Board of Directors has total 7 directors including CEO. The composition of the board is as follows:
 - Male: 7
 - Female: 0

Name of Director
Mr. Tanveer Ahmed Magoon, Chairman
Syed Wajih Hassan, Chief Executive
Mr. Pir Muhammad Kalia, Director
Mr. Abrar Ahmed, Director
Mr. Nadeem Iqbal, Director
Mr. Humayun Mazhar Qureshi, Independent Director
Mr. Habib Ahmed Navaid, Independent Director



- i) During the year under review, four (04) 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	4	3
Syed Wajih Hassan, Chief Executive	4	4
Mr. Pir Muhammad Kalia, Director	4	3
Mr. Abrar Ahmed, Director	4	3
Mr. Nadeem Iqbal, Director	4	4
Mr. Humayun Mazhar Qureshi, Independent Director	4	4
Mr. Habib Ahmed Navaid, Independent Director	4	3

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

Name of Director	Meetings Eligibility	Meeting Attended
Mr. Habib Ahmed Navaid, Chairperson	4	4
Mr. Pir Muhammad Kalia, Member	4	3
Syed Wajih Hassan, Member	4	4
Mr. Nadeem Iqbal, Member	4	4

- k) During the year, one (01) HR meeting was held. Attendance by each member was as follows:

Name of Director	Meetings Eligibility	Meeting Attended
Mr. Humayun Qureshi, Chairperson	1	1
Mr. Tanveer Ahmed Magoon, Member	1	1
Syed Wajih Hassan, Member	1	1
Mr. Nadeem Iqbal, Member	1	1

Director Remuneration

The remuneration of the director for attending meetings of the board or any Committee of the Board is determined under the Director's Compensation Policy adopted by First Paramount Modaraba.

Shari'ah Advisor's Report

The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Farhan Farooq as and when required to ensure full compliance to Shari'ah Audit mechanism developed in consultation with Registrar Modaraba.

External Auditors

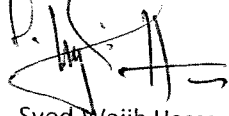
On the recommendation of the Audit Committee, the Board has approved the appointment of the auditors M/s. Riaz Ahmed & Co, Chartered Accountants as auditors for the year ending June 30, 2022 subject to approval by the Registrar Modaraba Companies and Modarabas.

Acknowledgement

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
Paramount Investments Limited (P.I.L.)
Managers of First Paramount Modaraba



Syed Wajih Hassan
Chief Executive Officer

Karachi

Date: October 06th 2022

Key Operating & Financial Data

Particulars	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Paid up Capital	76,223,330	83,845,663	119,899,298	137,884,193	137,884,193	137,884,193	137,884,193	137,884,193	137,884,193	137,884,193
Certificate Holders Equity	175,671,354	179,492,026	206,414,825	215,768,010	212,606,944	213,140,985	215,574,162	208,283,126	211,160,259	214,912,246
Current Liabilities	42,547,400	61,773,184	88,724,801	89,490,384	66,711,658	103,055,448	115,966,875	107,858,491	126,082,536	99,165,780
Total Liabilities	111,772,182	141,575,613	233,436,683	294,677,925	253,252,834	231,075,013	251,369,936	238,991,697	245,794,393	251,563,254
Fixed Assets	52,561,369	60,188,077	55,644,542	34,152,161	24,617,224	24,786,815	18,753,478	17,349,264	17,196,015	12,293,712
Current Assets	158,083,708	183,981,874	283,868,931	377,680,851	348,040,978	316,175,993	320,058,362	349,137,811	364,122,055	363,713,822
Total Assets	266,954,068	321,067,638	439,851,508	510,445,965	465,859,778	444,215,971	466,944,098	447,274,823	458,275,227	363,713,822
Operating Profit	18,564,957	14,013,133	11,473,070	14,734,586	8,113,241	12,545,848	13,656,108	7,342,015	8,733,651	17,130,002
Profit before Tax	16,411,422	12,387,610	10,153,667	13,040,109	7,180,218	11,060,928	12,085,098	6,497,384	7,703,080	15,108,661
Taxation	-	-	-	-	-	195,939	-	-	-	5,151,884
Profit after Tax	16,411,422	12,387,610	10,153,667	13,040,109	7,180,218	10,864,989	12,085,098	6,497,384	7,703,080	9,956,777
Dividend	11.00%	13.00%	8.00%	7.50%	7.00%	7.00%	10.00%	3.50%	4.50%	0.00%
Bonus Certificate	10.00%	10.00%	15.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Earning per Certificate	2.20	1.48	1.02	0.95	0.52	0.79	0.88	0.47	0.56	0.72
Break-up Value	23.05	21.41	17.22	15.65	15.42	15.46	15.63	15.11	15.31	15.58

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

First Paramount Modaraba ("the Modaraba") managed by Paramount Investments Limited (the Management Company)

For the Year Ended 30 June 2022

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are seven (07) as per the following:

- a. Male: 7
- b. Female: -

2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Humayun Mazhar Qureshi Mr. Habib Ahmed Navaid
Non-Executive Directors	Mr. Tanveer Ahmed Magoon Mr. Nadeem Iqbal Mr. Pir Muhammad Kaliya Mr. Abrar Ahmed
Executive Director	Mr. Syed Wajih Hasan (Chief Executive Officer)

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including the Management Company;
4. The Management Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Management Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. 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 has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
9. Out of seven, four Directors meet the exemption criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence are exempt from Directors' training program. However, remaining directors will attain the certification in due course;
10. Appointment of new CFO has been made during the year;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Names	Designation held
Mr. Habib Ahmed Navaid	Chairperson
Mr. Nadeem Iqbal	Member
Mr. Pir Muhammad Kaliya	Member

b) HR and Remuneration Committee

Names	Designation held
Mr. Humayun Mazhar Qureshi	Chairperson
Mr. Tanveer Ahmed Magoon	Member
Mr. Nadeem Iqbal	Member
Mr. Syed Wajih Hasan	Member

c) Risk Management & Credit Committee

Names	Designation held
Mr. Nadeem Iqbal	Chairperson
Mr. Habib Ahmed Navaid	Member
Mr. Tanveer Ahmed Magoon	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly / half yearly / yearly) of the committees were as per following:

a) Audit Committee

Four quarterly meetings were held during the financial year ended 30 June 2022.

b) HR and Remuneration Committee

One meeting of HR and Remuneration Committee was held during the financial year ended 30 June 2022.

15. The board has set up an effective internal audit function (outsourced to a firm of chartered accountants) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
16. The statutory auditors of the Management Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Management Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 have been complied with except of the following;
- a) Regulation 7 requires that the Board shall have at least one female director when it is reconstituted after the expiry of its current term. However, no female director was elected at the time of election of directors held couple of years ago.
19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No.	Requirement	Explanation of Non-compliance	Regulation No.
1.	<p>Appointment of Company Secretary</p> <p>The same person shall not simultaneously hold office of Chief Financial Officer and the Company Secretary of a listed company.</p>	Currently, the Chief Financial Officer is acting as Company Secretary of the Management Company till the position of Company Secretary is fulfilled. The Board shall consider appointing Company Secretary on urgent basis for compliance with the requirement of the Regulation.	24
2.	<p>Nomination Committee</p> <p>The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.</p>	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee. The Board shall consider constituting nomination committee after next election of directors.	29

20. The two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third independent director is not warranted.

TANVEER AHMED MAGOON
Chairman

October 06, 2022
Karachi

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FIRST PARAMOUNT MODARABA

To the members of First Paramount Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Paramount Investments Limited ("the Management Company") for the year ended 30 June 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 of Directors' 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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 of Directors upon recommendation of the Audit Committee.

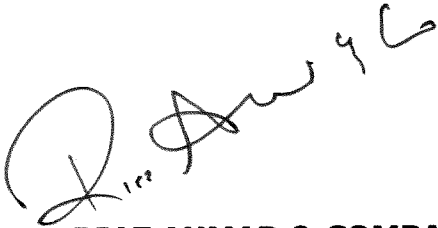
Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Management Company for the year ended 30 June 2022.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected or not in the paragraph reference where these are stated in the Statement of Compliance:

Riaz Ahmad & Company

Chartered Accountants

SR. NO.	PARAGRAPH REFERENCE	DESCRIPTION
(i)	18	As per regulations 7 of the Regulations, the Board shall have at least one female director when it is reconstituted after the expiry of its current term. However, no female director was elected at the time of election of directors held during the year.
(ii)	19	As per regulation 24 of the regulations, the same person shall not simultaneously hold office of chief financial officer and company secretary of a listed company. However, the same person is currently acting both as a CFO and company secretary at the same time.
(iii)	19	As per regulation 29 of the regulations, The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.



RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI

Date: 07 October 2022

UDIN: CR202210045i4zKTBYWV

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of FIRST PARAMOUNT MODARABA ("the Modaraba") as at 30 June 2022 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba 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 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba 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 accounts have been kept by the Modaraba Management Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied, except for the change in accounting policy as disclosed in note 2.4 of the financial statements, with which we concur;

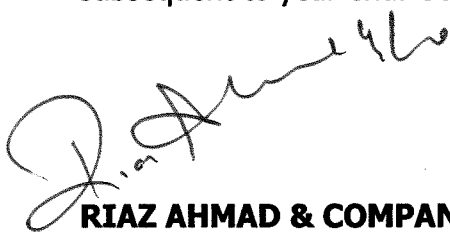
Riaz Ahmad & Company

Chartered Accountants

- (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2022 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.

Emphasis of Matter

We draw attention to Note 21.1 to the accompanying financial statements which states that the Modaraba is non-compliant with certain conditions given in Regulation 19 of the Modaraba Regulations, 2021. However, based on legal opinion, the Modaraba understands that compliance period is extended to 3 years for compliance under Regulation 19 via amendments notified subsequent to year end. Our opinion is not modified in respect of this matter.



RIAZ AHMAD & COMPANY
Chartered Accountants

Engagement Partner: Junaid Ashraf

KARACHI

DATE: 07 October 2022

UDIN: AR202210045jMQeLtoYk

Shariah Advisor's Report

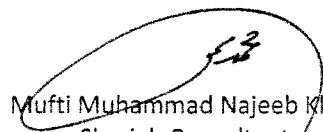
I have conducted the Shariah review of First Paramount Modaraba managed by Paramount Investments Limited Modaraba Company for the financial year ended June 30th 2022, in accordance with the requirements as reported hereunder, in my opinion:

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. 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.
3. 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.
4. Profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conforms to the basis and principles of Shariah.

Dated: August 30, 2022



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



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

**FIRST PARAMOUNT MODARABA
BALANCE SHEET
AS AT 30 JUNE 2022**

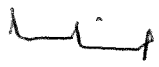
ASSETS	Note	2022 Rupees	2021 Rupees
NON-CURRENT ASSETS			
Fixed assets	5	12,293,712	17,196,015
Murabaha financing	6	63,815,311	58,500,641
Diminishing musharaka financing	7	-	4,173,972
Musharaka financing	8	12,000,000	12,000,000
Loan to employees	9	165,899	581,000
Long-term deposits		<u>324,500</u>	<u>380,969</u>
		88,599,422	92,832,597
CURRENT ASSETS			
Stock in trade		8,680,320	3,619,496
Trade debtors	10	67,736,511	58,187,619
Advances, prepayments and other receivables	11	30,489,742	35,189,949
Modaraba financing	12	1,923,382	8,898,222
Short-term murabaha financing	13	20,218,487	5,063,741
Current portion of murabaha financing	6	71,575,236	82,050,659
Current portion of diminishing musharaka financing	7	3,466,606	8,501,392
Current portion of musharaka financing	8	28,000,000	28,000,000
Current portion of loans to employees	9	839,601	360,000
Accrued profit	14	4,192,588	6,530,918
Tax refunds due from Government	15	47,600,423	32,593,820
Cash and bank balances	16	78,990,927	95,126,239
		<u>363,713,823</u>	<u>364,122,055</u>
Assets classified as held for sale	17	14,162,256	-
		<u>377,876,079</u>	<u>364,122,055</u>
		466,475,500	456,954,652
EQUITY AND LIABILITIES			
CERTIFICATE CAPITAL AND RESERVES			
Authorised certificate capital 25,000,000 certificates of Rupees 10 each		<u>250,000,000</u>	250,000,000
Issued, subscribed and paid-up certificate capital	18	137,884,193	137,884,193
Capital reserves	19	54,635,585	52,644,230
Revenue reserves		<u>22,392,468</u>	<u>20,631,836</u>
		214,912,246	211,160,259
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred income	20	13,933,772	8,461,857
Certificates of musharaka	21	131,615,000	111,250,000
		<u>145,548,772</u>	<u>119,711,857</u>
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	22	14,141,880	24,141,581
Current portion of deferred income	20	10,653,277	14,235,543
Current portion of certificates of musharaka	21	45,885,000	66,295,000
Accrued profit on certificates of musharaka	23	2,198,270	1,679,198
Unclaimed profit distributions		21,135,469	19,731,214
Provision for taxation		<u>5,151,884</u>	-
		99,165,780	126,082,536
Liabilities associated with assets classified as held for sale	17	6,848,702	-
TOTAL LIABILITIES		<u>251,563,254</u>	<u>245,794,393</u>
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		<u>466,475,500</u>	<u>456,954,652</u>

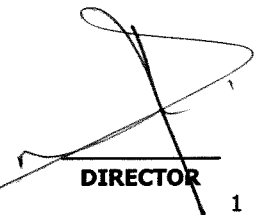
The annexed notes from 01 to 41 form an integral part of these financial statements.


CHIEF FINANCIAL OFFICER

For Paramount Investments Limited
(Management Company)

CHIEF EXECUTIVE OFFICER

 DIRECTOR


 DIRECTOR

**FIRST PARAMOUNT MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2022 Rupees	2021 Rupees
Continued operations			
Operating income	25	306,785,852	108,353,461
Operating cost			
Operating expenses	26	(277,662,560)	(91,921,504)
(Provision) / reversal for doubtful recoveries - net		(2,536,310)	64,646
		(280,198,870)	(91,856,858)
		26,586,982	16,496,603
Other income	27	4,710,587	4,255,350
Financial charges	28	(14,167,567)	(12,018,302)
		17,130,002	8,733,651
Modaraba Company's management fee	29	(1,713,000)	(873,365)
		15,417,002	7,860,286
Provision for Sindh Workers' Welfare Fund		(308,340)	(157,206)
Profit before tax from continuing operations		15,108,662	7,703,080
Taxation	30	(5,151,884)	-
Profit after tax from continuing operations		9,956,777	7,703,080
(Loss) / profit from discontinuing operations		-	-
Profit for the year		9,956,777	7,703,080
Earnings per certificate			
From continuing operations	31	0.722	0.559
From discontinued operations		-	-

The annexed notes from 01 to 41 form an integral part of these financial statements.


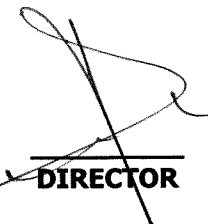
For Paramount Investments Limited
(Management Company)



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER

DIRECTOR **DIRECTOR**

**FIRST PARAMOUNT MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2022 Rupees	2021 Rupees
Profit after taxation		9,956,777	7,703,080
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit and loss account		-	-
Items that may be reclassified subsequently to profit and loss account		-	-
		-	-
Total comprehensive income for the year		9,956,777	7,703,080

The annexed notes from 01 to 41 form an integral part of these financial statements.


For Paramount Investments Limited
(Management Company)



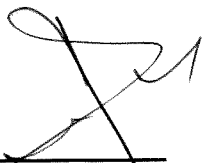
CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

**FIRST PARAMOUNT MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2022 Rupees	2021 Rupees
Profit before taxation		15,108,662	7,703,080
Adjustments for non-cash items:			
Depreciation and amortization		1,336,948	1,335,637
Gain on disposal of fixed assets		(3,072,955)	-
Provision for Sindh Workers' Welfare Fund		308,340	157,206
Financial charges		14,095,689	12,018,302
Provision / (reversal) for doubtful recoveries - net		2,536,310	(64,646)
		<u>15,204,332</u>	<u>13,446,499</u>
Operating profit before working capital changes		30,312,993	21,149,579
(Increase) / decrease in current assets			
Murabaha financing - net		(8,048,446)	(9,265,412)
Diminishing Musharaka financing - net		9,208,758	15,604,693
Musharaka financing - net		-	11,470
Modaraba financing - net		6,974,840	1,696,310
Loans to employees		(64,500)	283,000
Long-term deposits		56,469	(39,000)
Stores and spares		(5,060,824)	3,174,287
Trade debtors		(10,591,100)	(9,781,078)
Advances, prepayments and other receivables		7,056,286	4,424,305
Accrued profit		2,338,330	709,089
(Decrease) / increase in current liabilities			
Creditors, accrued and other liabilities		(10,308,041)	9,468,703
Net cash generated from operations		<u>21,874,766</u>	<u>37,435,946</u>
Financial charges paid		(71,878)	(99,006)
Tax paid		(15,006,603)	(1,516,583)
Net cash generated from operating activities		<u>6,796,285</u>	<u>35,820,357</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(8,344,095)	(1,213,500)
Sale proceed on disposals of fixed assets		3,834,650	-
Addition / deletion in capital work-in progress		-	31,112
Net cash (used in) investing activities		<u>(4,509,445)</u>	<u>(1,182,388)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Certificate of Musharaka - issuance		29,040,000	38,228,800
Certificate of Musharaka - redemptions		(29,085,000)	(36,375,000)
Profit paid to certificates of Musharaka (COM) holder		(13,576,617)	(12,898,205)
Profit distributed to certificate holders		(4,800,535)	(4,319,580)
Net cash used in financing activities		<u>(18,422,152)</u>	<u>(15,363,985)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(16,135,312)</u>	<u>19,273,984</u>
Cash and cash equivalents at beginning of the year		95,126,239	75,852,255
Cash and cash equivalents at end of the year	16	<u><u>78,990,927</u></u>	<u><u>95,126,239</u></u>

The annexed notes from 01 to 41 form an integral part of these financial statements.

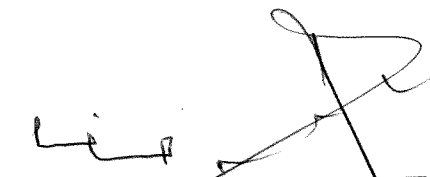
**For Paramount Investments Limited
(Management Company)**



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



DIRECTOR

DIRECTOR

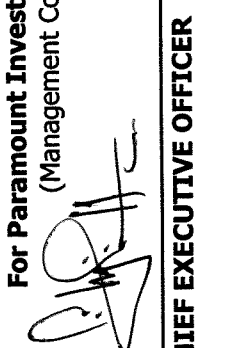
**FIRST PARAMOUNT MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	Reserves					Total Rupees
	Capital		Revenue		Total Rupees	
	Merger reserve Rupees	Statutory reserve Rupees	Unappropriated profit Rupees	Total Rupees		
Balance as at 01 July 2020	137,884,193	1,935,160	49,168,454	51,103,614	19,295,319	208,283,126
Transaction with owners:						
Profit distribution for the year ended 30 June 2020 @ Rupees 0.35 per certificate	-	-	-	-	(4,825,947)	(4,825,947)
Total comprehensive income:						
Profit after taxation	-	-	-	-	7,703,080	7,703,080
Other comprehensive income	-	-	-	-	7,703,080	7,703,080
Transferred to statutory reserve @ 20%	-	1,540,616	-	1,540,616	(1,540,616)	-
Balance as at 30 June 2021	137,884,193	1,935,160	50,709,070	52,644,230	20,631,836	211,160,259
Transaction with owners:						
Profit distribution for the year ended 30 June 2021 @ Rupees 0.45 per certificate	-	-	-	-	(6,204,790)	(6,204,790)
Total comprehensive income:						
Profit after taxation	-	-	-	-	9,956,777	9,956,777
Other comprehensive income	-	-	-	-	9,956,777	9,956,777
Transferred to statutory reserve @ 20%	-	-	1,991,355	1,991,355	(1,991,355)	-
Balance as at 30 June 2022	137,884,193	1,935,160	52,700,425	54,635,585	22,392,468	214,912,246

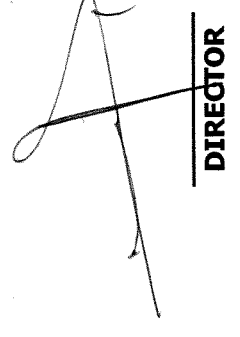
The annexed notes from 01 to 41 form an integral part of these financial statements.

For Paramount Investments Limited
(Management Company)


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

FIRST PARAMOUNT MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOT THE YEAR ENDED 30 JUNE 2022

1. LEGAL STATUS AND OPERATIONS

1.1 First Paramount Modaraba ("the Modaraba") is a multipurpose, 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 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on June 26, 1994. The Modaraba is listed on the Pakistan Stock Exchange Limited.

The registered office is situated at Suit No. 107- 108, First Floor, P.E.C.H.S. Community Office Complex, Block 2, Shahrah-e-Quaideen, Karachi, in the province of Sindh. The Modaraba has a branch office situated in Islamabad, the Capital territory.

The Modaraba's principal activities include deployment of funds on murabaha, modaraba and musharaka arrangements and its in-house ventures are:

- (a) Generator rental and sale project under the name "AL-BURQ Associates"(expired and classified as held for sale);
- (b) Electrical maintenance and troubleshooting services' under the name of "FPM Solutions";
- (c) Chemical business under the name of "FPM Petro Services";
- (d) Engineering products and solutions to upstream service companies under the name of "FPM Geo Dynamics International"; and
- (e) Consultancy business under the name of "FPM Consulting".

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the Modaraba have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards as applicable in Pakistan comprise of:

- The requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981;
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP); and
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP).

In case where requirements differ, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP shall prevail.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis.

Permissible Islamic financial products including murabaha, musharaka and modaraba 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 transactions 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.

These financial statements have been prepared on accrual basis of accounting except for cash flow statement.

2.3 Functional and presentation currency

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

2.4 Change in Accounting Policy

In preceding year, SECP extended the applicability of IFRS 9, "Financial Instruments" for Modarabas for reporting period/year on or after 30 June 2022 with an option of early adoption. The Modaraba has already adopted all the requirements of IFRS 9 in previous years with the exception of determining the provision against financing (Murabaha, Diminishing Musharaka and Musharaka). Previously, the provision against Murabaha, Diminishing Musharaka and Musharaka financings was determined in accordance with the requirements of the Prudential Regulations (now Modaraba Regulations, 2021) issued by SECP. Effective from 01 July 2021, the Modaraba has adopted the requirements of IFRS 9 for determination of provision against financing using Expected Credit Loss (ECL) model following the modified retrospective approach. The ECL has an impact on the financial assets of the Modaraba which are exposed to credit risk. Upon adoption of ECL model under IFRS 9, the Modaraba while recognizing provision for impaired assets has considered the amount which is higher of (on customer basis):

- the provision required under the Modaraba Regulations, 2021; and
- the provision required under IFRS 9 using the expected credit loss (ECL) model.

2.5 Discontinued Operations

During the year, Modaraba and its Partner "AL-BURQ Associates" through its members, proposed to dispose the musharika agreement of Advance Trading Corporation (ATC) which was duly approved by the board of directors in their meeting held on 26th October 2021 therefore, classified as held for sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". 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 (5 Generators) are available for immediate sale in its current condition.
- The Board has received a memorandum of understanding with its existing musharik and expects the sale to be completed within 12 months period, effective from 1 January 2022. For more details on the discontinued operation, refer note 17.

2.6 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgments were exercised in application of accounting policies are as follows:

(a) Useful lives, patterns of economic benefits and impairment

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Modaraba. Further, the Modaraba reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment and investment properties with a corresponding effect on the depreciation charge and impairment.

(b) Stores and spares

Stores and spares write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on stores and spares for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the stores and spares balances for any such declines.

(c) Income tax

In making the estimates for income tax currently payable by the Modaraba, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

(d) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

(e) Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized, provision is recognised in the profit and loss account unless the provision was originally recognised as part of cost of an asset.

(f) Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Modaraba is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

3. NEW STANDARDS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Modaraba

Following standard, interpretation and amendments to published approved accounting standards are mandatory for the Modaraba's accounting periods beginning on or after 01 July 2021:

- Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions extended beyond 30 June 2021.
- Interest Rate Benchmark Reform– Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures' and IFRS 16 'Leases'.

The above mentioned accounting standards did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

3.2 Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Modaraba

There are other standard and amendments to published standards that are mandatory for accounting period beginning on or after 01 July 2021 but are considered not to be relevant or do not have any significant impact on the Modaraba's financial statements and are therefore not detailed in these financial statements.

3.3 Amendments to published approved accounting standards that are not yet effective but relevant to the Modaraba

Following amendments to existing standards have been published and are mandatory for the Modaraba's accounting periods beginning on or after 01 July 2022 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022

amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors) effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

The International Accounting Standards Board (IASB) has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. Effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2022. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g., whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The above amendments and improvements do not have a material impact on the financial statements.

3.4 Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Modaraba

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Modaraba's financial statements and are therefore not detailed in these financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized 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 tangible fixed asset is capitalized 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 capitalized, if recognition criteria are met.

Depreciation is charged to profit and loss account applying the reducing balance method at the rates mentioned in note(5) except for generators available for Ijarah 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 reporting date.

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.

4.2 Intangible assets

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

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

4.3 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 lower of their carrying amount and fair value less cost 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 immediate available for 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 are not depreciated or amortized once classified as held for sale.

4.4 Loans to employees

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

4.5 Murabaha financing

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

4.6 Modaraba financing

Modaraba is a kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called "rabb-ul-mal" (here FPM), while the management and work is an exclusive responsibility of the other, who is called "mudarib" and the profits generated are shared in a predetermined ratio. Modaraba receivable are reflected at principal amount.

4.7 Musharaka financing

Musharaka is an agreement between two or more parties to combine their assets, labour or liabilities for the purpose of making 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 (Joint arrangement) 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. The customer with each rental payments also purchases Modaraba's Musharaka share by paying additional amount and therefore becomes the sole owner of the subject asset at the maturity of the diminishing musharaka.

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.

4.8 Financial assets

a) Classification

The Modaraba classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Modaraba's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit and loss account or other comprehensive income.

b) Measurement

At initial recognition, the Modaraba measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit and loss account.

4.9 Financial liabilities – classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit and loss account. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit and loss account. Any gain or loss on de-recognition is also included in profit and loss account.

4.10 Impairment of financial assets

The Modaraba assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Modaraba applies the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets, except in the case of calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modaraba applies, it is recognized as higher of (on customer basis):

- the provision required under the Modaraba Regulations, 2021; and
- the provision required under IFRS 9 using the expected credit loss (ECL) model..

Loss allowance on advances and bank balances is measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances. The Modaraba is also not expecting a material impact on loan to employees and deposits.

4.11 De-recognition of financial assets and financial liabilities

a) Financial assets

The Modaraba derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Modaraba is recognized as a separate asset or liability.

b) Financial liabilities

The Modaraba derecognizes a financial liability (or a part of financial liability) from its balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

4.12 Offsetting financial instruments

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

4.13 Cash and cash equivalents

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

4.14 Stock in trade

Stock in trade is valued at lower of net realizable value or cost. Cost of items of stores and spares 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.

4.15 Trade debtors and other receivables

Trade debtors and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts as per expected credit losses model (ECL) as required by IFRS 9 as at year end date.

4.16 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.

4.17 Statutory reserve

As per Regulation 13, of the Prudential Regulations for Modarabas issued by SECP, vide S.R.O 284(I)/2021 dated March 05, 2021 requires a Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time the reserve equals the amount of the paid up capital; and thereafter, a sum not less than 5% and not more than 20% of the after tax profits is to be transferred. The Modaraba transfers 20% of its after tax profits to statutory reserve.

4.18 Certificates of musharaka

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

Profit on these arrangements is recognized 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.

4.19 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.

4.20 Employee benefits

a) 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.

b) Compensated absences

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

4.21 Impairment

Non financial assets

The Modaraba assesses at each reporting 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 recognized 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 lower of revised recoverable amount or initial cost of asset less accumulated depreciation (if any) to date. Reversal of impairment loss is recognized as income.

4.22 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Modaraba is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Modaraba follows the below steps.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the Modaraba satisfies a performance obligation

For each sale transaction, purchase order forms a contract between the Modaraba and a customer and the goods to be delivered under that contract are the Modaraba's identified performance obligation, the contract contains determined and allocated transaction price. The Modaraba satisfies a performance obligation on delivery of goods to the customer and recognises the revenue.

- Profit / return on deposits / investments is recognized using tentative profit rates.
- Income from Murabaha is accounted for on finalization 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 recognized when related services are provided.
- Rental income from generators is recognized on time proportionate basis.
- Profit on diminishing musharaka financing is recognized using tentative profit rates.
- Profit on musharaka financing is recognized on declaration of profit by musharaka partners on accrual basis.
- Realized 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.

4.23 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 certificates.

4.24 Taxation

Current

Provision for current taxation is made on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of modaraba is taxable at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising between the tax basis of asset and liabilities and carrying amount appearing in the financial statements. Deferred tax liability is recognized for all the taxable temporary differences. Deferred tax assets is recognized for all the deductible temporary differences to the extent that it is probable that temporary differences will reverse in future and taxable income will be available against which temporary differences will be utilized.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

4.25 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.

4.26 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4.27 Profit distributions and appropriations

Profit distributions are recognized 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 recognized in the period to which these relate.

4.28 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.

5. FIXED ASSETS

	Note	2022 Rupees	2021 Rupees
Tangibles	5.1	11,873,461	16,595,657
Intangibles	5.2	420,251	600,358
		<u>12,293,712</u>	<u>17,196,015</u>

5.1 Tangibles

	Generators - Project Generators Rupees	Generators - Own use Rupees	Computers Rupees	Office and other equipments Rupees	Furnitures and fixtures Rupees	Vehicles Rupees	Total Rupees
As at 01 July 2021							
Cost	16,777,171	331,718	1,797,485	3,092,237	3,387,248	7,713,776	33,099,635
Accumulated impairment	(1,982,495)	-	-	-	-	-	(1,982,495)
Accumulated depreciation	(3,672,571)	(240,974)	(1,640,892)	(1,772,037)	(2,111,313)	(5,083,696)	(14,521,483)
Net book value	<u>11,122,105</u>	<u>90,744</u>	<u>156,593</u>	<u>1,320,200</u>	<u>1,275,935</u>	<u>2,630,080</u>	<u>16,595,657</u>

Year ended 30 June 2022

Opening net book value	11,122,105	90,744	156,593	1,320,200	1,275,935	2,630,080	16,595,657
Disposals							
Disposals - at cost	-	-	(278,936)	(38,963)	-	(4,902,384)	(5,220,284)
Disposals - at accumulated	-	-	267,772	23,187	-	4,141,980	4,432,938
Transferred - at net book value	-	-	(11,165)	(15,776)	-	(760,404)	(787,345)
Additions - at cost	-	-	134,000	18,900	-	8,191,195	8,344,095
Transferred to assets held for sale	(11,122,105)	-	-	-	-	-	(11,122,105)
Depreciation charge	-	(9,074)	(74,738)	(189,348)	(127,593)	(756,087)	(1,156,841)
Net book value	<u>-</u>	<u>81,670</u>	<u>204,690</u>	<u>1,133,976</u>	<u>1,148,342</u>	<u>9,304,783</u>	<u>11,873,461</u>

As at 30 June 2022

Cost	-	331,718	1,652,549	3,072,174	3,387,248	11,002,587	19,446,275
Accumulated impairment	-	-	-	-	-	-	-
Accumulated depreciation	-	(250,048)	(1,447,858)	(1,938,198)	(2,238,906)	(1,697,804)	(7,572,815)
Net book value	<u>-</u>	<u>81,670</u>	<u>204,690</u>	<u>1,133,976</u>	<u>1,148,342</u>	<u>9,304,783</u>	<u>11,873,461</u>
Rate of depreciation (%)		10	30	10	10	20	

	Generators- Project Generators	Generators- Own use	Computers	Office and other equipments	Furnitures and fixtures	Vehicles	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2020							
Cost	16,777,171	331,718	1,750,485	3,042,737	3,387,248	6,596,776	31,886,135
Accumulated impairment	(1,982,495)	-	-	-	-	-	(1,982,495)
Accumulated depreciation	(3,672,571)	(230,891)	(1,595,104)	(1,548,859)	(1,969,543)	(4,426,174)	(13,443,142)
Net book value	11,122,105	100,827	155,381	1,493,878	1,417,705	2,170,602	16,460,498

Year ended 30 June 2021

Opening net book value	11,122,105	100,827	155,381	1,493,878	1,417,705	2,170,602	16,460,498
Additions - at cost	-	-	47,000	49,500	-	1,117,000	1,213,500
Depreciation charge	-	(10,083)	(45,788)	(223,178)	(141,770)	(657,522)	(1,078,341)
Net book value	11,122,105	90,744	156,593	1,320,200	1,275,935	2,630,080	16,595,657

As at 30 June 2021

Cost	16,777,171	331,718	1,797,485	3,092,237	3,387,248	7,713,776	33,099,635
Accumulated impairment	(1,982,495)	-	-	-	-	-	(1,982,495)
Accumulated depreciation	(3,672,571)	(240,974)	(1,640,892)	(1,772,037)	(2,111,313)	(5,083,696)	(14,521,483)
Net book value	11,122,105	90,744	156,593	1,320,200	1,275,935	2,630,080	16,595,657

Rate of depreciation (%)

10	30	10	10	10	20
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Particulars	Cost	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees		
Motor Cycle Unique - (UD/70)	49,335	10,415	11,000	585	Negotiation	Nazar Hussain
Suzuki Mehran - (AUA 850)	557,390	40,909	300,000	259,091	Negotiation	Muhammad Saadullah Khan
Suzuki Cultus - (BCR 139)	1,079,000	208,822	1,060,000	851,178	Negotiation	Muhammad Yasir Bilal
Toyota GLI - (ANG 229)	909,500	65,513	150,000	84,487	Negotiation	Muhammad Saadullah Khan
Toyota Corolla (GLI - BCP 834)	2,208,659	423,174	2,270,000	1,846,826	Negotiation	Babar Jamal Zubairi
Suzuki Sprinter (GS - 150)	98,500	11,214	42,000	30,786	Negotiation	Altamash Ajjaz
	4,902,384	760,047	3,833,000	3,072,953		

5.2 Intangibles - Computer Software	Note	2022 Rupees	2021 Rupees
As at 01 July			
Cost		2,976,738	2,976,738
Accumulated amortization		(2,376,380)	(2,119,084)
Net book value		600,358	857,654
Year ended 30 June			
Opening net book value		600,358	857,654
Amortization charge for the year		(180,107)	(257,296)
Net book value		420,251	600,358
As at 30 June			
Cost		2,976,738	2,976,738
Accumulated amortization		(2,556,487)	(2,376,380)
Net book value		420,251	600,358
Rate of amortization (%)		30	30
6. MURABAHA FINANCING - SECURED			
Considered good		135,390,547	140,551,300
Considered doubtful		2,506,985	2,562,883
		137,897,532	143,114,183
Less: Provision for doubtful recoveries	6.1	(2,506,985)	(2,562,883)
		135,390,547	140,551,300
Less: Current portion of murabaha financing		(71,575,236)	(82,050,659)
		63,815,311	58,500,641
6.1 Movement in provision for doubtful recoveries			
Balance as at 01 July		2,562,883	2,627,529
Charge for the year		-	13,822
Reversal made during the year		(55,898)	(78,468)
		(55,898)	(64,646)
Balance as at 30 June		2,506,985	2,562,883
6.2 The Modaraba has sold goods under Murabaha arrangements whereby payment is deferred along with specified profit margin. Murabaha sale is receivable in installments. These arrangements are secured by way of hypothecation / pledge of stocks, mortgage of properties, demand promissory notes, charge on assets and personal guarantees. The combined forced sales value (FSV) of the underlying assets as security amounts to Rupees 590.437 million (2021: Rupees 439.11 million) in aggregate.			
6.3 These facilities have various maturity dates up to 14 January 2026. Effective profit rate on these arrangements ranges from 09% to 21% (2021: 09% to 23%).			

6.4 Contractual installments receivable on Murabaha financing facilities:

	Principal	Profit	Total
	Rupees	Rupees	Rupees
2022			
Due within one year	58,752,029	12,823,207	71,575,236
Due after one year but within five years	52,159,260	14,163,036	66,322,296
Due after five years	-	-	-
	<u>110,911,289</u>	<u>26,986,243</u>	<u>137,897,532</u>

	Principal	Profit	Total
	Rupees	Rupees	Rupees
2021			
Due within one year	69,880,515	12,170,144	82,050,659
Due after one year but within five years	48,053,413	13,010,111	61,063,524
Due after five years	-	-	-
	<u>117,933,928</u>	<u>25,180,255</u>	<u>143,114,183</u>

6.5 The above represents installments receivable by the Modaraba in future years in respect of Murabaha financing facilities given under long-term arrangements.

7. DIMINISHING MUSHARAKA FINANCING	Note	2022	2021
		Rupees	Rupees
Considered good - secured		3,466,606	12,675,364
Less: Current portion of diminishing musharaka financing		<u>(3,466,606)</u>	<u>(8,501,392)</u>
		<u>-</u>	<u>4,173,972</u>

7.1 This represents financing provided to individuals under diminishing musharaka arrangement for purchase of vehicles and buildings. The effective profit rates on these arrangements ranges from 16% to 20% (2021: 16% and 23%) per annum and is repayable on monthly basis over a maximum period of 5 years. These facilities have various maturity dates up to 05 February 2023. The financing is secured by mortgage of properties, hypothecation and personal guarantee of the borrower. The combined forced sales value (FSV) of the underlying assets as security amounts to Rupees 42.318 million (2021: Rupees 138.82 million) in aggregate.

7.2 Contractual rentals receivable on Diminishing Musharaka financing facilities are as follows:

Due within one year	3,466,606	8,501,392
Due after one year but within five years	-	4,173,972
Due after five years	-	-
	<u>3,466,606</u>	<u>12,675,364</u>

7.3 The above represents principal receivable by the Modaraba in following year in respect of Diminishing Musharaka financing facilities given under long-term arrangements.

8. MUSHARAKA FINANCING - secured & considered good	Note	2022 Rupees	2021 Rupees
Musharaka agreements for:			
Food products	8.1	12,000,000	12,000,000
Books printing - I	8.2	8,000,000	8,000,000
Books printing - II	8.3	20,000,000	20,000,000
		<u>40,000,000</u>	<u>40,000,000</u>
Less: Current portion of musharaka financing		<u>(28,000,000)</u>	<u>(28,000,000)</u>
		<u><u>12,000,000</u></u>	<u><u>12,000,000</u></u>

8.1 The Modaraba has entered into a Musharaka arrangement with Musharaka partner for distribution of food products like milk, biscuits etc. The Modaraba's share of investment is 30% of the total financing required by Musharaka partner and profit on investment is shared in the ratio of 35:65 (2021: 35:65) between Modaraba and Musharaka partner respectively. This financing is secured by way of mortgage of property.

8.2 The Modaraba signed a Musharaka arrangement amounting to Rupees 30 million for printing of 355,000 books with a Musharaka partners. The profit on the investment is shared between Modaraba and the Musharaka partner in the ratio of 50:50 (2021: 50:50), respectively. During the year ended 30 June 2020, this arrangement was fulfilled and the Modaraba is in process to recover the financing as per agreement, from the Musharaka partner. This financing is secured by way of mortgage of property.

8.3 During the preceding year, the Modaraba signed a Musharaka arrangement amounting to Rupees 20 million for printing of 272,766 books with a Musharaka partner. The profit on the investment is shared between Modaraba and the Musharaka partner in the ratio of 64.09:35.91 respectively. The financing is secured by way of mortgage of immoveable property. During the prior year, this arrangement was fulfilled and the Modaraba is in process to recover the financing as per agreement, from the Musharaka partner.

8.4 The combined forced sales value (FSV) of the underlying assets as security amounts to Rupees 50.2 million (2021: Rupees 50.2 million) in aggregate.

8.5 Contractual installments receivable on Musharaka financing facilities:

Due within one year	28,000,000	28,000,000
Due after one year but within five years	12,000,000	12,000,000
Due after five years	-	-
	<u>40,000,000</u>	<u>40,000,000</u>

9. LOAN TO EMPLOYEES - Secured

Loan to employees	1,005,500	941,000
Less: Current portion of loan to employees	<u>(839,601)</u>	<u>(360,000)</u>
	<u><u>165,899</u></u>	<u><u>581,000</u></u>

9.1 This represents profit free personal loans provided to employees of Modaraba ranging from Rupees 0.050 million to Rupees 0.5 million. These are repayable over a maximum period of 5 years and secured against their provident fund balance. The fair value adjustment in accordance with requirements of IFRS- 9 "Financial Instruments" in respect of long term loan is not considered material and hence not recognized.

10. TRADE DEBTORS - Unsecured	Note	2022 Rupees	2021 Rupees
Considered good		67,736,511	58,187,619
Considered doubtful		4,331,674	3,289,466
	10.1	72,068,185	61,477,085
Less: Allowances for expected credit loss			
Balance as at 01 July		3,289,466	3,289,466
Recognized during the year		1,042,208	-
Balance as at 30 June		4,331,674	3,289,466
		67,736,511	58,187,619
10.1 Ageing analysis of trade debtors are as follows:			
Not yet due		55,330,159	42,813,350
Upto 30 days		7,710,890	2,136,613
31 to 90 days		3,048,666	105,300
91 days to 180 days		769,863	1,548,080
More than 180 days		5,208,608	14,873,742
		72,068,186	61,477,085
11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Due from associated undertakings	11.1	5,408,150	3,272,066
Advance against purchase of stock	11.2	16,577,753	27,676,844
Advance against expenses	11.2	1,562,137	1,787,337
Advance against salaries	11.3	6,000	5,302
Short-term prepayments		806,014	385,477
Receivable against sale of weaving unit		435,000	495,000
Other receivables	11.4	5,694,687	1,567,923
		30,489,742	35,189,949
11.1 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 5.654 million (2021: Rupees 5.593 million).			
11.2 Considered good		18,139,890	29,464,181
Considered doubtful		1,550,000	-
	#REF!	19,689,890	29,464,181
Less: Allowances for expected credit loss			
Balance as at 01 July		-	-
Recognized during the year		1,550,000	-
Balance as at 30 June		1,550,000	-
		18,139,890	29,464,181
11.3 The maximum aggregate amount due from officers and employees at the end of any month during the year was Rupees 0.015 million (2021: Rupees 0.014 million).			
11.4 This includes Rupees 1.2 million deducted directly from the bank account of the Modaraba on the instruction of the Federal Board of Revenue (FBR) vide letter no. CIR/Zone-1/CRTO/KHI/2016/2544 dated 15 December 2016 on account of non deduction of withholding tax. (refer Note 24).			
12. MODARABA FINANCING - Secured & Considered good	Note	2022 Rupees	2021 Rupees
Balance as at 01 July		8,898,222	10,594,532
Less: Recovered during the year		(6,974,840)	(1,696,310)
Balance as at 30 June		1,923,382	8,898,222

12.1 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. The combined forced sales value (FSV) of the underlying assets as security amounts to Rupees 34.23 million (2021: Rupees 34.23 million) in aggregate.

13. SHORT-TERM MURABAHA FINANCING - Secured

Considered good	20,218,487	5,063,741
Considered doubtful	-	-
	<u>20,218,487</u>	<u>5,063,741</u>
Less: Provision for doubtful recoveries	-	-
	<u>20,218,487</u>	<u>5,063,741</u>

13.1 Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges from 18% to 19.7% (2021: from 13% to 18%) per annum receivable on agreed terms. These financing are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes. The combined forced sales value (FSV) of the underlying assets as security amounts to Rupees 238.725 million (2021: Rupees 17.01 million) in aggregate.

14. ACCRUED PROFIT

Profit receivable on musharaka financing	4,012,827	5,253,874
Profit receivable on modaraba financing	-	60,230
Profit receivable on diminishing musharaka financing	102,441	1,058,986
Profit receivable on bank deposits	77,320	157,828
	<u>4,192,588</u>	<u>6,530,918</u>

15. TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax	15.1	44,219,227	30,940,137
Sales tax refundable - net		3,381,196	1,653,683
		<u>47,600,423</u>	<u>32,593,820</u>

15.1 This includes income tax refundable on account of net advance tax paid / withheld aggregating to Rupees 2.808 million (2021: Rupees 2.808 million) and Rupees 3.096 million (2021: Rupees 3.096 million) relating to its CNG business for tax years 2009 and 2010, respectively which were expensed out in the respective financial periods. These amounts were recorded as refundable as the management filed an application for the refund of the same under Section 170 of the Income Tax Ordinance, 2001.

16. CASH AND BANK BALANCES

Cash in hand		124,998	86,799
Cash at banks			
- Current accounts		18,347,482	33,490,778
- Deposit accounts	16.1 & 16.2	60,518,447	61,548,662
		<u>78,990,927</u>	<u>95,126,239</u>

16.1 This includes Rupees 26.111 million (2021: Rupees 23.939 million) in respect of Redemption Reserve Fund established on account of Certificate of Musharaka.

16.2 Effective profit rate in respect of deposit accounts ranges from 2.33% to 6.50% (2021: 2.75% to 4.21%) per annum.

17. NET ASSETS CLASSIFIED AS HELD FOR SALE

During the year, Modaraba through its members, proposed to dispose the musharika agreement of Advance Trading Corporation (ATC) under certain conditions which was duly approved by the Board of directors in their meeting held on 26th October 2021. At the reporting date the business is classified as held for sale under IFRS 5 " Non current asset held for sale and discontinued operations", as the investment of Modaraba is expected to be recovered within 12 months under the agreed terms. The details of net assets of the segment as at 30 June 2022 are as follows:

	2022 Rupees	2021 Rupees
Revenue	-	-
Operating expenses	-	-
Other operating income	-	-
Operating Loss	-	-
Finance cost	-	(55)
loss before tax from a discontinued operation	-	(55)
Taxation	-	-
loss after tax from a discontinued operation	-	(55)
Net assets of discontinued operations		2022 Rupees
Assets of discontinued operation		
Fixed assets		11,149,560
Long term deposit		5,469
Stores and spares		171,649
Advances, prepayments and other receivables		2,835,578
Total assets		14,162,256
Liabilities of discontinued operation		
Creditors, accrued and other liabilities		6,848,702
Total Liabilities		6,848,702
Net assets directly associated with disposal group		7,313,554

The net cashflow incurred by Advance Trading Corporation are as follows:

Operating	-	-
Investing	-	-
Financing	-	-
Net cash flow	-	-

Impairment of Generators

Immediately before the classification of Advance Trading Corporation (ATC) as a discontinued operation, the recoverable amount was estimated of all the generators and no impairment loss was identified. Following the classification also, no impairment loss was recognized as fair value less cost to sale of the disposed item exceeds its carrying value.

18. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2022 (Number of certificates)	2021	Note	2022 Rupees	2021 Rupees
11,989,930	11,989,930	Certificates of Rupees 10 each fully paid in cash.	119,899,298	119,899,298
1,798,490	1,798,490	Bonus certificates issued of Rupees 10 each.	17,984,895	17,984,895
13,788,420	13,788,420		137,884,193	137,884,193

18.1 As at 30 June 2022, Paramount Investments Limited (the Management Company) holds 14.26% (2021: 14.26%) representing 1,965,768 certificates (2021: 1,965,768 certificates) of the Modaraba.

19. CAPITAL RESERVES

Statutory reserve	19.1	62,797,856	50,709,070
Merger reserve	19.2	1,935,160	1,935,160
		64,733,016	52,644,230

19.1 Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP vide S.R.O. 284(I)/2021 dated March 05, 2021. These Regulations require Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that the reserve equals 100% of the paid-up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred. During the year, the Modaraba transferred 20% of its after tax profits amounting to Rupees 1.991 million (2021: Rupees 1.541 million).

19.2 In accordance with decision of the Honourable High Court of Sindh as on December 08, 2004, the First National Modaraba (FNM) was merged with the Modaraba. The Modaraba received a sum of Rupees 10.568 million from FNM, including Rupees 8.663 million as a certificate capital and Rupees 1.935 million as capital reserve.

20. DEFERRED INCOME

Deferred murabaha income	20.1	24,587,049	22,697,400
Less: Current portion of deferred income		(10,653,277)	(14,235,543)
		13,933,772	8,461,857

20.1 Deferred murabaha income

Balance as at 01 July	22,697,400	22,364,740
Add: Deferred income for the year	23,389,248	22,096,766
Less: Income recognized during the year	(21,499,599)	(21,764,106)
Balance as at 30 June	24,587,049	22,697,400

21. CERTIFICATES OF MUSHARAKA	Note	2022 Rupees	2021 Rupees
Balance as at 01 July		177,545,000	175,691,200
Issued during the year		29,040,000	38,228,800
Redemptions made during the year		(29,085,000)	(36,375,000)
		177,500,000	177,545,000
Less: current portion of certificates of musharaka		(45,885,000)	(66,295,000)
Balance as at 30 June		131,615,000	111,250,000

21.1 As per Prudential Regulations for Modarabas issued by the SECP vide S.R.O. 284(I)/2021 dated 05 March 2021, the permission to issue Certificates of Musharaka by a Modaraba shall automatically stand suspended with the immediate effect, if the Modaraba becomes non-compliant with any or all of conditions prescribed in Regulation 19 of prudential regulations. However, existing Modarabas having valid permission to issue COM which are non-compliant with the conditions shall comply with the requirements within one year of the coming into force of the Regulations. Provided further that during the interim period of one year, the total COM of such modarabas shall be capped at the existing level i.e. the outstanding at the date of coming in to the force of the Regulations. The Modaraba is non-compliant with certain conditions laid down in Regulation 19 even after expiry of extended period of one year. Subsequent to year end on 15 August 2022, SECP vide SRO 1547(I)/2022 introduced changes in Regulation 17(1)(a) where in case of non-compliance with the conditions given there-in which are also the subject of Regulation 19, compliance period is enhanced to 03 years. The Company based on the legal opinion understands that the compliance period for Regulation 19 is also considered as extended to 3 years given the conditions of Regulation 19 are that of Regulation 17(1)(a).

21.2 These certificates have different denominations and are repayable within three months to five years. The expected share of profit on these certificates ranges from 8.5% to 11% (2021: 6.25% to 7.5%) per annum.

21.3 A Redemption Reserve Fund is established on account of Certificate of Musharaka (refer Note 16.1).

22. CREDITORS, ACCRUED AND OTHER LIABILITIES

Due to associated undertakings	22.1	766,300	1,119,454
Creditors		5,767,046	7,036,261
Advance from customers		794,246	1,126,107
Accrued expenses		792,426	2,839,010
Sindh Workers' Welfare Fund	22.2	1,439,818	1,131,478
Withholding income tax		640,008	574,168
Management fee payable to:			
- FPM petro		431,505	1,418,933
- FPM solutions		-	686,093
COM matured parties	22.3	1,850,000	2,350,000
Others		1,660,532	5,860,077
		14,141,880	24,141,581

22.1 The maximum aggregate amount due to associated undertakings at the end of any month during the year was Rupees 0.766 million (2021: Rupees 1.119 million).

22.2 The Sindh Assembly, on 04 June 2015, passed The Sindh Workers Welfare Fund Act, 2014 (Sindh WWF Act). As per Section 5(1) of the Sindh WWF Act, contributions are payable with effect from the date of closing of account on or after 31 December 2013, that corresponds to Modaraba's accounting year ended on 30 June 2014. As per definitions Section 2(g) of the WWF Act, the Modarabas were considered to be an industrial establishment, despite the fact that even remotely they could not be considered as industrial establishment due to their nature of business. Further, the issue of apportionment of income relevant to the province of Sindh also needs to be clarified. The NBF & Modaraba Association of Pakistan is contemplating to file petition against such levy, as Sindh High Court has granted stay to various Banks and Financial Institutions in Suit No. 610 of 2017. However, the management of the Modaraba in consultation with the legal advisor has decided to record a provision on prudent basis, but payments are not being made.

22.3 This represents amount payable to legal successors of musharaka holders which is due but unclaimed due to pending documentation on death of the respective musharaka holders.

23. ACCRUED PROFIT ON CERTIFICATES OF MUSHARAKA	Note	2022 Rupees	2021 Rupees
Balance as at 01 July		1,679,198	2,658,107
Add: Accrued during the year		14,095,689	11,919,296
Less: Paid during the year		<u>(13,576,617)</u>	<u>(12,898,205)</u>
Balance as at 30 June		<u><u>2,198,270</u></u>	<u><u>1,679,198</u></u>

24. CONTINGENCIES AND COMMITMENTS

a) Contingencies

- i. An amount of Rupees 1.2 million has been deducted from the bank account of the Modaraba on the instructions of the FBR vide letter # CIR/Zone-1/CRT0/Khi/2016/2544 dated 15 December 2016 on account of non deduction of withholding tax. The matter was taken to Commissioner Inland Revenue (Appeal III), Karachi who remanded back the case to the officer with directions to provide an opportunity of being heard to the Appellant. The worthy Commissioner in its Order vide no. 26/2017 dated 26 January 2017 has remanded the matter to the revenue. Management is confident that the deducted amount will be refunded, therefore, no expense has been booked in this regard. (refer Note 11.4).
- ii. During the prior year, the Sindh Revenue Board (SRB) has raised accumulated demand of Rupees 7.064 million vide orders 629 of 2019, 632 of 2019, 635 of 2019 and 636 of 2019 dated 19 July 2019, 23 July 2019, 25 July 2019 and 29 July 2019, on the grounds that the Modaraba's activities fall under tariffs 9809, 9822, 9822.2 and 9822.3 of Second Schedule of the Sindh Sales Tax on Services Act, 2011 (the Act). The Modaraba filed two constitution petitions no: CP D-3513/2019 and CP D-3514/2019 against SRB in the Honourable High Court of Sindh to avoid any further demand or recovery until a complete opportunity of being heard is provided to the Modaraba. Consequently, The honourable high court of Sindh gave its judgment in favour of the Modaraba and refrained SRB from taking any adverse action before providing a complete opportunity of being heard to the appellant. The Modaraba has filed an appeal against the above orders on the grounds that all service taxes as per the Act have already been charged and all the sales tax returns in relevant tax periods have been filed appropriately. The decision is pending before the commissioner appeals SRB and the Management is confident that the orders will be withdrawn, therefore, no liability has been recorded in this regard.

b) Commitments

There were no commitments as at the reporting date (2021: Nil).

25. OPERATING INCOME

Profit on:

- murabaha financing	20.1	21,499,599	21,764,106
- diminishing musharaka financing		1,136,942	5,989,875
- musharaka financing		<u>2,471,035</u>	<u>2,095,126</u>
		<u><u>25,107,576</u></u>	<u><u>29,849,107</u></u>

Income from:

- FPM Solution	25.1	8,092,520	10,886,411
- FPM Petro	25.2	273,585,756	67,617,943
		<u>281,678,276</u>	<u>78,504,354</u>
	25.3	<u><u>306,785,852</u></u>	<u><u>108,353,461</u></u>

25.1 This represents income generated from Project Power solution business of FPM Solutions. This includes income from Service Level Agreements (SLA) entered into by FPM Solutions with various clients to provide services in respect of stand by generators, UPS and other power back up solutions. Sindh sales tax charged on sales tax invoices in aggregate amounting to Rupees 1.053 million (2021: 0.873 million).

25.2 This represents income generated from chemical business of FPM Petro Services. Sales tax charged on sales tax invoices in aggregate amounting to Rupees 39.329 million (2021: 12.630 million).

26. OPERATING EXPENSES	Note	2022 Rupees	2021 Rupees
Direct cost related to			
- FPM Solutions		5,442,243	5,589,501
- FPM Petro		232,088,975	56,856,204
Salaries, allowances and benefits	26.1	14,251,157	13,322,204
Utilities		918,502	613,185
Repairs and maintenance		764,493	694,835
Takaful		349,321	236,092
Rent, rates and taxes	26.2	1,158,822	1,379,513
Travelling and conveyance		2,035,607	1,410,598
Communications		927,178	750,940
Printing and stationary		493,493	363,953
Auditors' remuneration	26.3	675,000	635,000
Legal and professional		376,850	460,930
Fees and subscription		3,431,200	3,737,176
News papers and periodicals		10,305	13,010
Advertisement and publicity		45,200	51,400
Depreciation and amortization		1,336,948	1,335,637
Contractual management fee			
- FPM Petro		12,948,284	4,029,656
- FPM Solutions		-	249,524
Others		408,984	192,146
		<u>277,662,560</u>	<u>91,921,504</u>

26.1 Salaries, allowances and benefits include 0.469 million Rupees (2021: Rupees 0.527 million) on account of the Modaraba's contribution to the staff provident fund.

26.2 This includes Rupees 0.875 million paid to a director (2021: Rupees 1.158 million) in respect of rent for FPM Solutions premises.

26.3 Auditors' remuneration

Statutory audit fee	490,000	450,000
Half yearly review fee	100,000	100,000
Certification fee	85,000	85,000
	<u>675,000</u>	<u>635,000</u>

27. OTHER INCOME	Note	2022 Rupees	2021 Rupees
Financial assets			
Profit on bank deposits		1,574,393	1,788,568
Others		63,239	1,256,816
Non-financial assets			
Others		3,072,955	1,209,966
		4,710,587	4,255,350
28. FINANCIAL CHARGES			
Profit on certificates of musharaka		14,095,689	11,919,296
Bank charges		71,878	99,006
		14,167,567	12,018,302

29. MODARABA COMPANY'S MANAGEMENT FEE

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 30 June 2022 has been recognized at 10% (2021: 10%) of profit for the year.

30. TAXATION

Current	30.1	5,151,884	-
Deferred	30.2	-	-
		5,151,884	-

30.1 Current

On March 22, 2021, the President of Pakistan promulgated the Tax Law (Second Amendment) Ordinance, 2021, whereby Clause 100 of the Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 relating to the Tax Exemption available to the Modarabas subject to certain conditions stands withdrawn effective from 01 July 2021. The income of Modaraba is now taxable at corporate tax rates and is treated accordingly in these financial statement.

Relationship between tax expense and accounting profit:

Accounting profit before taxation	15,108,662	7,703,080
Tax @ 29% (2021: 29%)	4,381,512	2,233,893
Effect of:		
Accelerated depreciation	346,475	-
Provision for expected credit loss	503,714	-
Other computational adjustments	(79,817)	-
	5,151,884	-

30.2 Deferred tax

Deferred tax on:

Deductible temporary differences		
- Provision for expected credit loss	(1,736,945)	-
	(1,736,945)	-
Taxable temporary differences		
- Depreciation on property and equipment	1,194,743	-
	1,194,743	-
Net deferred tax	(542,202)	-
Deferred tax asset unrecognized	542,202	-
As at 30 June	-	-

Deferred tax asset as at 30 June 2022 to the extent of Rupees 0.542 million has not been recognized as the Company is uncertain about the timing and extent of future taxable profits against which such benefits can be utilized.

31. EARNINGS PER CERTIFICATE - BASIC AND DILUTED	2022	2021
Profit after taxation (RUPEES)	<u>9,956,777</u>	<u>7,703,080</u>
Weighted average number of certificates (NUMBERS)	<u>13,788,420</u>	<u>13,788,420</u>
Earnings per certificate - basic and diluted (RUPEE)	<u>0.722</u>	<u>0.559</u>

31.1 There is no dilutive effect on the basic earnings per share of the Modaraba, since there are no convertible instruments in issue as at 30 June 2022 (2021: Nil) which would have any effect on the earnings per certificate if the option to convert is exercised.

32. CHANGES ARISING FROM FINANCING ACTIVITIES

2022	01 July 2021	Financing cash inflows	Financing cash outflows	Non Cash changes	30 June 2022
	Rupees	Rupees	Rupees	Rupees	Rupees
Unclaimed profit distributions	<u>19,731,214</u>	-	<u>(4,800,535)</u>	<u>6,204,790</u>	<u>21,135,469</u>
Accrued profit on certificates of musharaka	<u>1,679,198</u>	-	<u>(13,576,617)</u>	<u>14,095,689</u>	<u>2,198,270</u>
Certificates of musharaka	<u>177,545,000</u>	<u>29,040,000</u>	<u>(29,085,000)</u>	-	<u>177,500,000</u>
2021	01 July 2020	Financing cash inflows	Financing cash outflows	Non Cash changes	30 June 2021
	Rupees	Rupees	Rupees	Rupees	Rupees
Unclaimed profit distributions	<u>19,224,847</u>	-	<u>(4,319,580)</u>	<u>4,825,947</u>	<u>19,731,214</u>
Accrued profit on certificates of musharaka	<u>2,658,107</u>	-	<u>(12,898,205)</u>	<u>11,919,296</u>	<u>1,679,198</u>
Certificates of musharaka	<u>175,691,200</u>	<u>38,228,800</u>	<u>(36,375,000)</u>	-	<u>177,545,000</u>

33. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2022		2021	
	Officers	Other employees	Officers	Other employees
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	<u>4,942,000</u>	<u>6,548,300</u>	<u>4,802,400</u>	<u>7,003,362</u>
Allowances	<u>569,720</u>	<u>1,278,687</u>	<u>100,050</u>	<u>359,650</u>
Provident fund	<u>237,600</u>	<u>231,075</u>	<u>240,120</u>	<u>287,046</u>
EOBI	<u>2,600</u>	<u>102,152</u>	<u>2,600</u>	<u>118,430</u>
Others	<u>91,324</u>	<u>247,699</u>	<u>91,324</u>	<u>317,222</u>
	<u>5,843,244</u>	<u>8,407,913</u>	<u>5,236,494</u>	<u>8,085,710</u>
Number of person	<u>4</u>	<u>12</u>	<u>5</u>	<u>12</u>

33.1 In addition to the above, Some of the officers have been provided with vehicle maintained by the Modaraba.

34. TRANSACTION WITH RELATED PARTIES

The related parties comprise of management company, associated undertakings and key management personnel. The Modaraba in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Relationship with Modaraba	Name of Related Party	Basis of relationship	Nature of transaction	2022 Rupees	2021 Rupees
i.	Management Company	Paramount Investments Limited	14.26% certificate holdings	Management fee including sale tax on fee Payments made during the year Expenses allocated Profit distribution	986,902 2,840,317 315,858 688,180
	Musharaka Investors - Generator Project	AL-Burq Associates	52.09% share of Modaraba	Modaraba's share of loss in joint operation	- 55
iii.	Directors and their spouse		Rent paid Profit distribution	875,232 383,696	1,157,799 298,430
iv.	Staff retirement funds	Paramount Limited - Employees' Provident Fund	Funded provident fund	Contribution to the Fund Profit paid on certificates of musharaka	527,166 103,156
			Receivable / (payable) closing balance		
i.	Management Company	Paramount Limited	Investments	Other receivable	3,272,066
ii.	Musharaka Investors - Generator Project	AL-Burq Associates	14.26% certificate holdings	Other payable	(1,119,454)
iii.	Directors	-	-	Security deposit	217,800
iv.	Staff retirement funds	Paramount Limited - Employees' Provident Fund	Funded provident fund	Certificates of musharaka Accrued profit on certificate of musharaka	(1,400,000) (2,323)

34.1 Detail of compensation to key management personnel comprising of officers is disclosed in Note 33.

35. INFORMATION ABOUT BUSINESS SEGMENTS

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

Financing

Modaraba provides financing to individuals and corporate clients. Financing facilities includes murabaha, diminishing musharaka, modaraba and musharaka finance.

FPM Solutions

FPM has started this project for providing power solutions to the Service and Manufacturing Industry and in this reporting period has able to generate a good business relations in the field of Financial sector as well as Manufacturer. 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 Project as many of the Contracts are in pipe line.

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. As per the arrangement, the Modaraba has financed the venture and is entitled to profit share of 60%, where as loss shall be borne by the Modaraba.

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

35.2 Segment assets and liabilities

	2022			
	Financing Rupees	FPM Petro Rupees	FPM Solutions Rupees	Total Rupees
Segment assets	338,378,949	98,388,400	15,282,586	466,475,500
Segment liabilities	(213,071,338)	(9,113,354)	(22,462,609)	(251,563,254)

	2021			
	Financing Rupees	FPM Petro Rupees	FPM Solutions Rupees	Total Rupees
Segment assets	327,608,546	83,747,948	33,946,212	456,954,652
Segment liabilities	(170,232,987)	(21,678,143)	(37,511,798)	(245,794,393)

35.3 Segment revenue and results

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

	2022				
	Financing	FPM Petro	FPM Solutions	Others	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Operating income	25,107,576	273,585,756	8,092,520	-	306,785,852
Operating expenses	(22,082,064)	(246,280,562)	(9,279,806)	(20,132)	(277,662,561)
Provision for doubtful recoveries	(294,102)	(1,992,196)	(250,012)	-	(2,536,310)
Other income	2,731,410	25,312,999	(1,437,298)	(20,132)	26,586,982
	4,558,476	7,494	141,968	2,649	4,710,587
Financial charges	7,289,886	25,320,493	(1,295,330)	(17,483)	31,297,569
	(14,143,353)	(57)	(24,158)	-	(14,167,567)
Modaraba Company's management fee inclusive of sales tax	(6,853,467)	25,320,436	(1,319,488)	(17,483)	17,130,002
Provision for Sindh Workers' Welfare Fund	685,347	(2,532,044)	131,949	1,748	(1,713,000)
Profit before taxation	123,362	(455,768)	23,751	315	(308,340)
Taxation	(6,044,758)	22,332,624	(1,163,788)	(15,420)	15,108,662
Profit after taxation	(5,151,884)	-	-	-	(5,151,884)
	(11,196,642)	22,332,624	(1,163,788)	(15,420)	9,956,778

2021

	Financing	FPM Petro	FPM Solutions	Others	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Operating income	29,849,107	67,617,943	10,886,411	-	108,353,461
Operating expenses	(20,033,022)	(62,153,104)	(9,494,994)	(240,587)	(91,921,504)
Reversal of provision for doubtful recoveries	64,646	-	-	-	64,646
Other income	9,880,731	5,464,839	1,391,417	(240,587)	16,496,603
Financial charges	4,060,930	29,563	143,746	21,111	4,255,350
	13,941,661	5,494,402	1,535,163	(219,476)	20,751,953
	<u>(12,017,534)</u>	<u>(339)</u>	<u>(339)</u>	<u>(90)</u>	<u>(12,018,302)</u>
Modaraba Company's management fee inclusive of sales tax	1,924,127	5,494,063	1,534,824	(219,566)	8,733,651
	(192,413)	(549,406)	(153,482)	21,957	(873,365)
Provision for Sindh Workers' Welfare Fund	<u>(34,634)</u>	<u>(98,893)</u>	<u>(27,628)</u>	3,952	<u>(157,207)</u>
Profit before taxation	1,697,080	4,845,764	1,353,714	(193,657)	7,703,079
Taxation	-	-	-	-	-
Profit after taxation	<u>1,697,080</u>	<u>4,845,764</u>	<u>1,353,714</u>	<u>(193,657)</u>	<u>7,703,080</u>

35.3.1.1 Operating income

		2022			
		Financing	FPM Petro	FPM Solutions	Total
		Rupees	Rupees	Rupees	Rupees
Operating revenue					
Profit on:					
-	murabaha financing	21,499,599	-	-	21,499,599
-	diminishing musharaka financing	1,136,942	-	-	1,136,942
-	musharaka financing	2,471,035	-	-	2,471,035
-	modaraba financing	-	-	-	-
Income from:					
-	dry batteries modaraba	-	-	-	-
-	FPM Solution	-	-	8,092,520	8,092,520
-	FPM Petro	-	273,585,756	-	273,585,756
-	FPM Geo-Dynamics International	-	-	-	-
		25,107,576	273,585,756	8,092,520	306,785,852

		2021			
		Financing	FPM Petro	FPM Solutions	Total
		Rupees	Rupees	Rupees	Rupees
Operating revenue					
Profit on:					
-	murabaha financing	21,764,106	-	-	21,764,106
-	diminishing musharaka financing	5,989,875	-	-	5,989,875
-	musharaka financing	2,095,126	-	-	2,095,126
-	modaraba financing	-	-	-	-
Income from:					
-	dry batteries modaraba	-	-	-	-
-	FPM Solution	-	-	10,886,411	10,886,411
-	FPM Petro	-	67,617,943	-	67,617,943
-	FPM Geo-Dynamics International	-	-	-	-
		29,849,107	67,617,943	10,886,411	108,353,461

35.3.2 Operating expenses

2022

	Financing		FPM Petro		FPM Solutions		Others		Total	
	Rupees		Rupees		Rupees		Rupees		Rupees	
Operating expenses										
Direct cost			232,088,975		5,442,243		-		237,531,218	
Salaries, allowances and benefits	12,918,640		-		1,312,517		20,000		14,251,157	
Utilities	562,584		-		355,918		-		918,502	
Repairs and maintenance	680,935		14,000		69,558		-		764,493	
Insurance	290,364		58,957		-		-		349,321	
Rent, rates and taxes	274,340		9,250		875,232		-		1,158,822	
Travelling and conveyance	1,279,160		555,947		200,500		-		2,035,607	
Communications	745,135		149,212		32,830		-		927,178	
Printing and stationary	395,961		85,932		11,600		-		493,493	
Auditors' remuneration	675,000		-		-		-		675,000	
Legal and professional	376,850		-		-		-		376,850	
Fees and subscription	2,715,490		500		715,210		-		3,431,200	
News papers and periodicals	10,305		-		-		-		10,305	
Advertisement and publicity	45,200		-		-		-		45,200	
Depreciation and amortization	721,646		350,975		264,198		132		1,336,948	
Contractual management fee	-		12,948,284		-		-		12,948,284	
Others	390,454		18,530		-		-		408,984	
	22,082,064		246,280,562		9,279,806		20,132		277,662,562	

2021

	Financing		FPM Petro		FPM Solutions		Others		Total	
	Rupees		Rupees		Rupees		Rupees		Rupees	
Operating expenses										
Direct costs	-	57,171,338	-	5,274,367	-	-	-	-	62,445,705	
Salaries, allowances and benefits	12,152,204	-	-	930,000	240,000	-	-	-	13,322,204	
Utilities	439,400	-	-	173,785	-	-	-	-	613,185	
Repairs and maintenance	586,327	-	-	108,508	-	-	-	-	694,835	
Insurance	166,117	69,975	-	-	-	-	-	-	236,092	
Rent, rates and taxes	213,214	8,500	-	1,157,799	-	-	-	-	1,379,513	
Travelling and conveyance	1,070,003	340,595	-	-	-	-	-	-	1,410,598	
Communications	715,310	25,160	-	10,470	-	-	-	-	750,940	
Printing and stationary	353,953	10,000	-	-	-	-	-	-	363,953	
Auditors' remuneration	635,000	-	-	-	-	-	-	-	635,000	
Legal and professional	460,930	-	-	-	-	-	-	-	460,930	
Fees and subscription	2,390,369	-	-	1,346,807	-	-	-	-	3,737,176	
News papers and periodicals	13,010	-	-	-	-	-	-	-	13,010	
Advertisement and publicity	51,400	-	-	-	-	-	-	-	51,400	
Depreciation and amortization	616,594	435,916	-	282,743	384	-	-	-	1,335,637	
Contractual management fee	-	4,068,665	-	210,515	-	-	-	-	4,279,180	
Others	169,191	22,955	-	-	-	-	-	-	192,146	
	20,033,022	62,153,104	9,494,994	240,384	91,921,504					

35.3.3 Other income

	2022				
	Financing Rupees	FPM Petro Rupees	FPM Solutions Rupees	Others Rupees	Total Rupees
Other income					
Profit on bank deposits	4,495,237	7,494	141,968	2,649	4,647,348
Others	63,239	-	-	-	63,239
	4,558,476	7,494	141,968	2,649	4,710,587

2021

	2021				
	Financing Rupees	FPM Petro Rupees	FPM Solutions Rupees	Others Rupees	Total Rupees
Other income					
Profit on bank deposits	1,610,164	29,563	143,746	5,095	1,788,568
Others	2,450,766	-	-	16,016	2,466,782
	4,060,930	29,563	143,746	21,111	4,255,350

35.3.4 Financial charges

	2022				
	Financing Rupees	FPM Petro Rupees	FPM Solutions Rupees	Others Rupees	Total Rupees
Financial charges					
Profit on certificates of musharaka	14,095,689	-	-	-	14,095,689
Bank charges	47,664	57	24,158	-	71,878
	14,143,353	57	24,158	-	14,167,567

2021

	2021				
	Financing Rupees	FPM Petro Rupees	FPM Solutions Rupees	Others Rupees	Total Rupees
Financial charges					
Profit on certificates of musharaka	11,919,296	-	-	-	11,919,296
Bank charges	98,238	339	339	90	98,951
	12,017,534	339	339	90	12,018,247

Revenue reported in above segments generated from external customers.

The accounting policies of the reportable segments are the same as the Modaraba's accounting policies described in note 4 to these financial statements.

35.4 Other segment information

	2022				
Financing	FPM Petro	FPM Solutions	Others	Total	
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Capital expenditure - net	-	116,000	-	8,350,795	
Depreciation, amortization and impairment	350,975	264,198	132	1,336,951	
Non - cash items (excluding depreciation, amortization and impairment)	(2,242,208)	-	-	(2,186,310)	

	2021				
Financing	FPM Petro	FPM Solutions	Others	Total	
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Capital expenditure - net	1,149,000	-	-	1,213,500	
Depreciation, amortization and impairment	435,916	282,743	790	1,335,840	
Non - cash items (excluding depreciation, amortization and impairment)	-	-	-	(64,646)	

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

36.1 Financial risk factors

The objective of the Modaraba's financial risk management is to minimize 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's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize 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.

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

- Credit risk
- Liquidity risk
- Market risk

(a) 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 financing facilities and trade debts. 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.

	2022 Rupees	2021 Rupees
Murabaha financing	135,390,547	140,551,300
Diminishing musharaka financing	3,466,606	12,675,364
Musharaka financing	40,000,000	40,000,000
Loan to employees	1,005,500	941,000
Long-term deposits	324,500	380,969
Trade debtors	67,736,511	58,187,619
Advances and other receivables	11,543,837	5,340,291
Modaraba financing	1,923,382	8,898,222
Short-term murabaha financing	20,218,487	5,063,741
Accrued profit	4,192,588	6,530,918
Bank balances	78,865,929	95,039,440
	<u>364,667,887</u>	<u>373,608,864</u>

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 modaraba, murabaha, diminishing musharaka and musharaka investments.

Concentration of credit risk

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. The modaraba's bankers are of good rating. Details of the industrial sector analysis of each financing are as follows:

	2022		2021	
	Rupees	%	Rupees	%
Chemical, fertilizer and pharmaceutical	15,159,430	7.31%	19,935,104	9.17%
Fuel and energy	1,033,686	0.50%	1,033,685	0.48%
Food, tobacco and beverages	65,469,661	31.55%	79,838,689	36.72%
Paper and board	49,264,549	23.74%	43,040,000	19.79%
Textile and Garments	3,932,177	1.89%	-	0.00%
Steel, engineering and automobiles	1,923,382	0.93%	8,898,222	4.09%
Transportation and communication	36,399,182	17.54%	31,731,254	14.59%
Others	34,336,767	16.55%	32,968,221	15.16%
	207,518,834	100%	217,445,175	100%

Modaraba's operations are restricted to Pakistan only.

Ageing analysis of financing facilities:

	2022			2021		
	Carrying amount		Provision held	Carrying amount		Provision held
	Not impaired	Impaired		Not impaired	Impaired	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Not past due	164,943,078	-	-	121,285,688	-	-
Past due 0 to 90 days	6,891,015	-	-	56,666,993	-	-
Past due 91 days to 1 year	-	-	-	20,757,528	-	-
Past due 1 to 2 year	21,923,382	-	-	8,000,000	-	-
Past due 2 year - 3 years	8,000,000	-	-	-	-	-
Past due more than 3 years	3,254,374	2,506,985	(2,506,985)	8,172,083	2,562,883	(2,562,883)
Total	205,011,849	2,506,985	(2,506,985)	214,882,292	2,562,883	(2,562,883)

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

The credit quality of balances with banks that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

Banks	Rating			2022 Rupees	2021 Rupees
	Long-term	Short-term	Agency		
State Bank of Pakistan	-	-	-	50,191	57,118
Habib Bank Limited	AAA	A1+	VIS	422,674	1,984,237
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	47,996,989	45,226,468
Faysal Bank Limited	AA	A1+	PACRA	2,710,862	312,689
Meezan Bank Limited	AAA	A1+	VIS	26,907,754	26,360,363
Al Baraka Bank (Pakistan) Limited	A+	A1	VIS	731,937	1,803,360
Bank Islami Pakistan Limited	A+	A1	PACRA	45,521	46,117
				78,865,929	75,790,352

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Modaraba. Accordingly, the credit risk is minimal.

(b) 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 amount disclosed in the table are undiscounted cash flows.

Contractual maturities of financial liabilities:

2022	Certificates of musharaka	Creditors, accrued and other liabilities	Accrued profit on certificates of musharaka	Unclaimed profit distributions	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Carrying amount	177,500,000	11,267,808	2,198,270	21,135,469	209,903,277
Contractual cash flows:					
Maturity upto one year	45,885,000	11,267,808	2,198,270	21,135,469	78,288,277
Maturity after one year but upto three years	65,440,000	-	-	-	65,440,000
More than three years	66,175,000	-	-	-	66,175,000
	177,500,000	11,267,808	2,198,270	21,135,469	209,903,277

2021	Certificates of musharaka	Creditors, accrued and other liabilities	Accrued profit on certificates of musharaka	Unclaimed profit distributions	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Carrying amount	177,545,000	21,309,828	1,679,198	19,731,214	218,586,042
Contractual cash flows:					
Maturity upto one year	66,295,000	21,309,828	1,679,198	19,731,214	107,336,042
Maturity after one year but upto three years	57,660,000	-	-	-	57,660,000
More than three years	53,590,000	-	-	-	53,590,000
	177,545,000	21,309,828	1,679,198	19,731,214	218,586,042

c) 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:

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 profit rate profile of the Modaraba's significant mark-up bearing financial instruments was as follows:

	2022 Rupees	2021 Rupees
Financial assets		
Fixed rate		
Murabaha financing	135,390,547	140,551,300
Diminishing musharaka financing	3,466,606	12,675,364
Short-term murabaha financing	20,218,487	5,063,741
	159,075,640	158,290,405
Variable rate		
Bank balances	60,518,447	61,548,662
Financial liabilities		
Variable rate		
Certificate of musharaka	177,500,000	177,545,000
On balance sheet gap	(116,981,553)	(115,996,338)

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 profit rate risk.

	2022		2021	
	Increase Rupees	Decrease Rupees	Increase Rupees	Decrease Rupees
Cash flow sensitivity - variable rate financial assets	605,184	(605,184)	615,487	(615,487)
Cash flow sensitivity - variable rate financial liabilities	(1,775,000)	1,775,000	(1,775,450)	1,775,450
Net effect	<u>(1,169,816)</u>	<u>1,169,816</u>	<u>(1,159,963)</u>	<u>1,159,963</u>

36.2 Recognized fair value measurements

(a) Financial Assets

Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Modaraba has classified its financial instruments into the following three levels.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Modaraba is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no financial asset and financial liability to be reported under above levels as the carrying amounts of all financial assets and financial liabilities presented in these financial statements are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value.

(b) Non Financial Assets

The carrying value of all non-financial assets reflected in these financial statements are approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

36.3 Financial instruments by categories

	At amortized cost	
	2022 Rupees	2021 Rupees
Financial assets as per balance sheet		
Murabaha financing	135,390,547	140,551,300
Diminishing musharaka financing	3,466,606	12,675,364
Musharaka financing	40,000,000	40,000,000
Loan to employees	1,005,500	941,000
Long-term deposits	324,500	380,969
Trade debtors	67,736,511	58,187,619
Advances and other receivables	11,543,837	5,340,291
Modaraba financing	1,923,382	8,898,222
Short-term murabaha financing	20,218,487	5,063,741
Accrued profit	4,192,588	6,530,918
Cash and bank balances	78,990,927	95,126,239
	364,792,885	373,695,663
Financial liabilities as per balance sheet		
Certificates of musharaka	177,500,000	177,545,000
Creditors, accrued and other liabilities	11,267,808	21,309,828
Accrued profit on certificates of musharaka	2,198,270	1,679,198
Unclaimed profit distributions	21,135,469	19,731,214
	212,101,547	220,265,240

Reconciliation to the line items presented in the balance sheet is as follows:

	Financial assets	Non-financial assets	Total as per balance sheet
	Rupees	Rupees	Rupees
As at 30 June 2022			
Assets as per balance sheet			
Fixed Assets	-	12,293,712	12,293,712
Murabaha financing	135,390,547	-	135,390,547
Diminishing musharaka financing	3,466,606	-	3,466,606
Musharaka financing	40,000,000	-	40,000,000
Loan to employees	1,005,500	-	1,005,500
Long-term deposits	324,500	-	324,500
Stores and spares	-	8,680,320	8,680,320
Trade debtors	67,736,511	-	67,736,511
Advances, prepayments and other receivables	11,543,837	18,945,904	30,489,742
Modaraba financing	1,923,382	-	1,923,382
Short-term murabaha financing	20,218,487	-	20,218,487
Accrued profit	4,192,588	-	4,192,588
Tax refunds due from government	-	47,600,423	47,600,423
Cash and bank balances	78,990,927	-	78,990,927
Assets classified as held for sale	-	14,162,256	14,162,256
	364,792,885	101,682,615	466,475,500

	Financial liabilities	Non-financial liabilities	Total as per balance sheet
As at 30 June 2022	Rupees	Rupees	Rupees
Deferred Income	-	24,587,049	24,587,049
Certificates of musharaka	177,500,000	-	177,500,000
Creditors, accrued and other liabilities	11,267,808	2,874,072	14,141,880
Accrued profit on certificates of musharaka	2,198,270	-	2,198,270
Unclaimed profit distributions	21,135,469	-	21,135,469
Provision for taxation	-	5,151,884	5,151,884
Liabilities associated with assets classified as held for sale	-	6,848,702	6,848,702
	212,101,547	39,461,707	251,563,254

	Financial assets	Non-financial assets	Total as per balance sheet
As at 30 June 2021	Rupees	Rupees	Rupees
Assets as per balance sheet			
Fixed Assets	-	17,196,015	17,196,015
Murabaha financing	140,551,300		140,551,300
Diminishing musharaka financing	12,675,364		12,675,364
Musharaka financing	40,000,000		40,000,000
Loan to employees	941,000		941,000
Long-term deposits	380,969		380,969
Stores and spares	-	3,619,496	3,619,496
Trade debtors	58,187,619		58,187,619
Advances, prepayments and other receivables	5,340,291	29,849,658	35,189,949
Modaraba financing	8,898,222		8,898,222
Short-term murabaha financing	5,063,741		5,063,741
Accrued profit	6,530,918		6,530,918
Tax refunds due from government	-	32,593,820	32,593,820
Cash and bank balances	95,126,239		95,126,239
	373,695,663	83,258,989	456,954,652

	Financial liabilities	Non-financial liabilities	Total as per balance sheet
As at 30 June 2021	Rupees	Rupees	Rupees
Deferred Income	-	22,697,400	22,697,400
Certificates of musharaka	177,545,000	-	177,545,000
Creditors, accrued and other liabilities	21,309,828	2,831,753	24,141,581
Accrued profit on certificates of musharaka	1,679,198	-	1,679,198
Unclaimed profit distributions	19,731,214	-	19,731,214
	220,265,240	25,529,153	245,794,393

37. PROVIDENT FUND RELATED DISCLOSURE

37.1 The following information is based on un-audited financial information of the Staff Provident Fund for the year ended 30 June 2022 and 30 June 2021.

	2022 Rupees	2021 Rupees
Size of the funds - Total assets	<u>6,677,061</u>	<u>7,128,177</u>
Cost of investments	<u>1,400,000</u>	<u>1,400,000</u>
Fair value of investments out of Provident Fund	<u>6,677,061</u>	<u>7,128,177</u>
Percentage of investments made	<u>21%</u>	<u>20%</u>

37.2 Details of fair value of investments:

Bank balances	<u>3,567,081</u>	4,920,470
Debt securities	<u>3,109,980</u>	<u>2,207,707</u>
	<u>6,677,061</u>	<u>7,128,177</u>

38. NUMBER OF EMPLOYEES

The number of employees during the year are as follows:

Number of employees - permanent	<u>18</u>	<u>16</u>
Average number of employees - permanent	<u>17</u>	<u>17</u>
Number of employees - contractual	<u>2</u>	<u>2</u>
Average number of employees - contractual	<u>2</u>	<u>2</u>

39. GENERAL

39.1 Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification / rearrangement of the corresponding figures has been made during the year in these financial statements except for the following for better presentation:

From	To	Rupees
Deferred income	Accrued profit	<u>1,058,986</u>

39.2 Figures have been rounded off to the nearest rupees.

40. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, SECP vide its vide S.R.O. 1547(I)/2022 dated 15 August 2022 introduced certain amendments in the Modaraba Regulations, 2021. As per amended Modaraba Regulations, the Company is required to transfer an amount in reserve fund equivalent to 100% of its annual after-tax profits till such time the minimum equity requirements are complied with (i.e. 500 million). Such amendment is determined to be non-adjusting subsequent event and , accordingly, not adjusted in these financial statements.

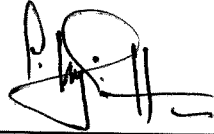
41. DATE OF AUTHORISATION FOR ISSUE

These financial statements are approved and authorised for issue on 06 OCT 2022 by the Board of Directors of the Modaraba Management Company.

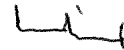
For Paramount Investments Limited
(Management Company)



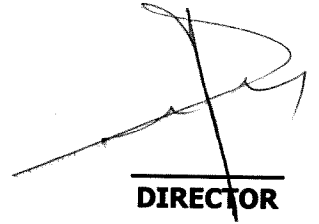
CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

As On 30/06/2022

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
192	1	100	5438	0.0394
141	101	500	34697	0.2516
207	501	1000	149696	1.0857
444	1001	5000	940295	6.8195
78	5001	10000	558649	4.0516
47	10001	15000	588861	4.2707
21	15001	20000	357192	2.5905
19	20001	25000	437765	3.1749
19	25001	30000	520806	3.7771
5	30001	35000	161369	1.1703
8	35001	40000	301822	2.1890
2	40001	45000	84325	0.6116
6	45001	50000	282653	2.0499
5	50001	55000	262352	1.9027
4	55001	60000	230729	1.6734
2	60001	65000	125010	0.9066
5	65001	70000	338899	2.4579
2	70001	75000	148975	1.0804
2	75001	80000	155421	1.1272
3	80001	85000	248654	1.8034
1	85001	90000	90000	0.6527
4	95001	100000	394909	2.8641
1	100001	105000	101132	0.7335
4	110001	115000	456042	3.3074
1	115001	120000	119723	0.8683
2	125001	130000	255249	1.8512
2	150001	155000	303438	2.2007
1	160001	165000	162634	1.1795
1	170001	175000	175000	1.2692
1	185001	190000	187034	1.3565
1	190001	195000	190703	1.3831
4	225001	230000	915500	6.6396
1	320001	325000	325000	2.3571

<--- HAVING SHARES --->				
NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
1	420001	425000	423471	3.0712
1	425001	430000	429184	3.1126
1	440001	445000	444618	3.2246
1	500001	505000	502222	3.6423
1	565001	570000	570000	4.1339
1	1805001	1810000	1808949	13.1193
1242		Company Total	13788416	100.0000

ReportID : SH0935MRG (10D09)

UserID : MANAGER

FIRST PARAMOUNT MODARABA

Category of Shareholders

As On 30/06/2022

Page : 1

Date : 08/09/2022

Particlrs	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	4	263388	1.9102
ASSOCIATED COMPANIES	4	1965768	14.2567
BANKS, DFI & NBF	1	28	0.0002
GENERAL PUBLIC (LOCAL)	1195	9767664	70.8396
GENERAL PUBLIC (FORIEGN)	30	1030453	7.4733
OTHERS	7	258893	1.8776
MODARABAS	1	502222	3.6423
Company Total	1242	13788416	100.0000

ReportID : SH0935MRG (10D09)

UserID : MANAGER

FIRST PARAMOUNT MODARABA

Category of Shareholders

As On 30/06/2022

Page : 1

Date : 08/09/202

Folio No	Name	Code	Balance Held	Percentage
000000001121	MR. NADIM IQBAL	001	1160	0.0084
000000001706	MR. TANWEER AHMED MAGOON	001	99487	0.7215
000000002006	MR. HUMAYUN MAZHAR QURESHI	001	162634	1.1795
000000008271	MR. ABDUL RAZZAK JANGDA	001	107	0.0008
000000000001	PARAMOUNT INVESTMENTS LIMITED	002	8371	0.0607
000000001963	PARAMOUNT INVESTMENT LIMITED	002	113292	0.8216
000000008004	PARAMOUNT INVESTMENTS LIMITED	002	35156	0.2550
003277071155	PARAMOUNT INVESTMENTS LIMITED	002	1808949	13.1193
003889000028	NATIONAL BANK OF PAKISTAN	004	28	0.0002
000000001259	MR. DAWOOD AKHTAR	009	1375	0.0100
000000001277	MR. MUHAMMAD ARSHAD	009	11627	0.0843
000000001316	MR. SHAKIL AKHTAR	009	1375	0.0100
000000001379	MR. JAVED AHMED ALVI	009	8944	0.0649
000000001557	MR. KAUSER MAHMOOD BUTT	009	11696	0.0848
000000001690	SYED ASIM BIN ZAHIR HASHMI	009	1375	0.0100
000000001745	MR. MOHAMMAD ILYAS	009	1375	0.0100
000000001773	MR. KHALID MAHMOOD	009	1375	0.0100
000000001885	MR. INAYAT UR REHMAN	009	4127	0.0299
000364036788	ZUBAIR NASEER (06143)	009	11586	0.0840
000364094282	AMIN JIBRIL	009	28015	0.2032
000364184968	MUHAMMAD AZHAR HAKEEM	009	700	0.0051
000364229250	SYEDA HUMERA AZHAR	009	500	0.0036
001826084921	MUHAMMAD SADIQ FAROOQI /	009	7413	0.0538
003277079448	MUHAMMAD AQIB	009	12	0.0001
003277080778	ZEENAT ASHRAF DANGRA	009	297	0.0022
003277082920	ABDUL QADIR	009	429184	3.1126
003277082921	MUHAMMAD HAROON	009	423471	3.0712
003277106728	KERSASP D SHEKHDAR	009	16000	0.1160
003277116396	UMER AHMED	009	2000	0.0145
003525100160	KHALID LATIF SIDDIQUE	009	4950	0.0359
003525103315	AMIR SAEED CHAUDHRY	009	1160	0.0084

ReportID : SH0935MRG (10D09)

UserID : MANAGER

FIRST PARAMOUNT MODARABA

Category of Shareholders

As On 30/06/2022

Page : 2

Date : 08/09/2022

Folio No	Name	Code	Balance Held	Percentage
004002033460	SAEED MUHAMMAD	009	1375	0.0100
004010030051	OSAMA ZAHID	009	6000	0.0435
004341004263	MUHAMMED RAZA RAVJANI	009	1000	0.0073
005264085824	SUJEEL YUSUF	009	25000	0.1813
005587084570	SYED SALMAN HAIDER RIZVI	009	500	0.0036
010231015215	MUHAMMAD AHTASHAM	009	2500	0.0181
010629022213	RAFIQUE SULEMAN	009	25035	0.1816
010629052731	BADAR UDDIN JATOI	009	486	0.0035
000000001344	SUBLIME SPORTS (PVT) LTD.	010	151375	1.0978
000000008403	M/S. EASTERN COMMERCIAL CORPORATION (PVT.) LTD.	010	1321	0.0096
000009900008	FEDERAL BOARD OF REVENUE	010	27233	0.1975
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
003525087235	MAPLE LEAF CAPITAL LIMITED	010	1	0.0000
004705087224	FEDERAL BOARD OF REVENUE	010	73975	0.5365
000009900005	FIRST NATIONAL MODARABA	011	502222	3.6423

Notice of Annual Review Meeting

Notice is hereby given that the Twenty Third (23rd) Annual Review Meeting of Certificate-Holders of First Paramount Modaraba (FPM) will be held on Friday, October 28, 2022 at 11:00 AM in Room No: 201, 2nd Floor, PECHS Community Hall, Block-2, PECHS, Shahrah-e-Quideen, Karachi, to review the performance of the Modaraba for the year ended 30 June 2022.

On behalf of the Board

Muhammad Ifham Khan

(Company Secretary)

Paramount Investments Limited

Managers of First Paramount Modaraba

07th October 2022

Karachi

Notes:

1. The certificate transfer books shall remain closed from Friday, 21 October 2022 to Friday, 28 October 2022 (both days inclusive). Transfers received in order at the office of the Registrar of First Paramount Modaraba (FPM) i.e. THK Associates (Pvt.) Ltd., before the close of business hours on Thursday 20 October 2022 will be treated as in time for the purpose of entitlement to Cash Dividend to the transferees and to attend the Annual Review Meeting.
2. The Certificate holders are advised to notify change in their address, if any, to the Share Registrars, THK Associates (Pvt.) Ltd, at Plot No-32-C, Jami Commercial Street 2,DHA Phase VII Karachi – 75500, Telephone No: 021-111-000-322, Fax No: 021-35310191.
3. **Participation in the meeting**

To facilitate certificate holders, the Modaraba is holding this meeting physically and through video link as allowed by the Securities and Exchange Commission of Pakistan. vide its Circular No. 6 of 2021 dated 03 March, 2021. To attend the ARM through video link, the members and their proxies are requested to register themselves by providing the following information along with their Name, Folio Number, Cell No., and Number of Shares held in their name, a valid copy of CNIC (both sides)/ passport attested copy of board resolution / power of attorney (in case of corporate shareholders) through email with subject "Registration for FPM ARM" at ifham.khan@fpm.com.pk by October 14, 2022:

Name of Member/ proxy holders	CNIC No	Folio No./ Participant Id/ Account No.	Cell No./ WhatsApp No.	Email ID

The shareholders who are registered after the necessary verification shall be provided a video link by the Modaraba on the said email address. The login facility will remain open from start of the meeting till its proceedings are concluded. Members are therefore, encouraged to attend the AGM through video link and by consolidating their attendance through proxies.

A) For attending the Meeting Physically:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or original passport at the time of attending the Meeting.
- ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.

B) For appointing Proxies:

- i) In case of individuals, the account holder and / or sub-account holder and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
4. In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 2014, the Annual Report for the year ended 30 June 2022 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the Certificate holders.

5. Deduction of withholding tax on the amount of Dividend

The Government of Pakistan through Finance Act, 2021 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby the rates that are prescribed for deduction of withholding tax on the amount of dividend paid by the companies are as under:

- (a) Whose name appearing in the Active Tax Payers List : 25%
- (b) Whose name not appearing in the Active Tax Payers List: 50%

To enable the company to make tax deduction on the amount of cash dividend @ 25% instead of 50%, all the certificate holders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the start of closed period (referred above) otherwise tax on their cash dividend will be deducted @50% instead of 25%. For any query/problem/information, the Certificate holders may contact the Share

Registrar at Plot No-32-C, Jami Commercial Street 2,DHA Phase VII Karachi – 75500, Telephone No: 021-111-000-322, Fax No: 021-35310191.

The corporate certificate holders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical certificate holders should send a copy of their NTN certificate to the Company or its Share Registrar. The certificate holders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

Certificate holders seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence as the case may be. Certificate holders desiring non-deduction of zakat are also requested to submit a valid declaration for non- deduction of zakat.

6. Dividend Mandate (Mandatory)

As per Section 242 of the Companies Act, 2017 (the "Act"), the payment of cash dividend through electronic mode has now become mandatory. Therefore, all the certificate holders of First Paramount Modaraba (FPM) are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on Company's website. Certificate holders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant / CDC Investor Account Service. For more information, you may contact our share registrar at Plot No-32-C, Jami Commercial Street 2,DHA Phase VII Karachi – 75500, Telephone No: 021-111-000-322, Fax No: 021-35310191.

7. Withholding tax on dividend in case of Joint Account Holders

All certificate holders who hold certificates jointly are requested to provide shareholding proportions of Principal certificate holder and Joint-holder(s) in respect of certificates held by them to our Share Registrar, in writing as follows:

Folio No. / CDC Account No.	Total Certificates	Principal Certificate holder		Joint Certificate holder	
		Name and CNIC No.	Certificate holding Proportion (No. of certificates)	Name and CNIC No.	Certificate holding Proportion (No. of certificates)

The required information must reach our Share Registrar before the close of business on Thursday, 20nd October 2022; otherwise it will be assumed that the certificates are equally held by Principal Certificate-Holder and Joint-holder(s).

8. As per the directives issued by the Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O.787(1)2014 dated 08 September 2014, companies are allowed the circulation of Audited Financial Statements along with Notice of Annual Review Meeting to their certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at First Paramount Modaraba website) and return it to our Share Registrar at Plot No-32-C, Jami Commercial Street 2,DHA Phase VII Karachi – 75500, Telephone No: 021-111-000-322, Fax No: 021-35310191.

9. Circulation of Annual Audited Accounts via Email/CD/USB/DVD or Any Other Media

Certificate holders, who by any reason, could not claim their dividends or do not collect their physical Modaraba certificate, are advised to contact our share Registrar THK Associates (Private) Limited, to collect/ enquires about their unclaimed dividend or pending Modaraba Certificates, if any. Please note that in compliance with section 244 of the Companies Act 2017, after having completed the stipulated procedures, all dividends unclaimed for a period of three years, from the date due and payable, shall be deposited to the credit of the Federal Government and in case of share/certificates, shall be delivered to the Securities & Exchange Commission of Pakistan.

DIVIDEND MANDATE FORM

Date:

I hereby wish to communicate my desire to receive my dividends directly in my bank account as detailed below:

1. Name of shareholder/certificate holder: _____
2. Folio number: _____
3. Postal Address: _____
4. Contact number: _____
5. Name of Bank: _____
6. Bank Branch & full mailing address: _____
7. Title of Bank Account: _____
8. Bank Account No. (Complete with code): _____
9. IBAN Number (complete with code): _____
10. CNIC No. (Attach copy): _____
11. NTN (in case of corporate entity, attach copy): _____

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company informed in case of any changes in the said particulars in future.

INDIVIDUAL CERTIFICATE HOLDER(S)

Signature

CNIC No. _____
(copy attached)

CORPORATE ENTITY

Authorized Signatory (ies)

NTN No. _____
(copy attached)

(In case Certificates held in CDC then please inform concerned Participant / CDC Investor Account Services).

FORM OF PROXY

ANNUAL REVIEW MEETING

I/We _____
of _____ CDC A/C No. Folio No. _____ being
a Certificate Holder of M/s First Paramount Modaraba, do hereby appoint
Mr./Miss/Ms _____
_____ CDC A/C No. Folio No. _____

Who is / are also a Certificate Holder of the said Company, as my/ our proxy in my/ our absence and to attend the Annual Review Meeting of the Company to be held on Monday October 06, 2022, at 11:30 A.M. at PIMA House, 2nd Floor, Room No: 201, PECHS Community Centre, Block-2, PECHS, Shahrah-e-Quideen, Karachi and at any adjournment thereof in the same manner as I/we myself/ourselves would attend if personally present at such meeting.

As witness my/our hands in this day of _____.

Signature: _____

Address: _____

CNIC No.: _____

No. of Certificate(s) held: _____

Affix Revenue
Stamp of Rs. 5

(Note: signature should agree with the specimen Signature registered with the Company I Share Registrar).

Note:

No Proxy shall be valid unless duly signed along with revenue stamp and in case of company should be executed under its common seal under signed by its authorized person.

1. This instrument appointing a proxy, duly completed, must be received at the registered Office of the Modaraba at Suit No. 107-108, P.E.C.H.S. Community Office Complex, Block No. 2, P.E.C.H.S., Shahrah-e-Quaideen, Karachi not later than 48 hours before the time of holding the Annual Review Meeting.
2. Attested copies of the CNIC or the Passport of beneficial owners shall be furnished with the proxy form.
3. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
4. In case of corporate entity, the Board's Resolution and Power of attorney with specimen signature of the nominee shall be furnished along with proxy form to the company.



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- 🗨️ FAQs Answered

- 📈 Stock trading simulator
(based on live feed from KSE)
- 📄 Knowledge center
- 📄 Risk profiler*
- 📄 Financial calculator
- 📄 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📄 Online Quizzes



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AN ISLAMIC FINANCIAL INSTITUTION
**FIRST PARAMOUNT
MODARABA**
AMMAN • DUBAI • RABAT

First Paramount Modaraba
(An Islamic Financial Institution)

REGISTERED OFFICE

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